About Netcare

Overview

Operational reviews

Our profile

Netcare Limited, an investment holding company, operates through its subsidiaries the largest private hospital network in South Africa (SA) and the United Kingdom (UK). The Company's ordinary shares have been listed on the JSE, South Africa, since 1996.

About this report

This annual report presents a review of Netcare's operating, financial and sustainability performance for the year ended 30 September 2010. The theme for this report is **Participate with Passion**, encompassing our core value of "care". The report demonstrates the participation of our people and our partners in achieving professional excellence, and our passion in providing quality care.

Netcare Limited

Registration number: 1996/008242/06

Incorporated in the Republic of South Africa

JSE share code: NTC

ISIN code: ZAE000011953

"Netcare", "the Company" or "the Group"

The full report or individual sections can be downloaded as PDFs from the Netcare Investor site at **www.netcareinvestor.co.za**

Navigation aids

To improve the navigation and accessibility of information in this annual report, references are included to additional financial or non-financial information held within the report itself or on the Netcare website. This also ensures more integration in, and context to, the information provided. The main sections throughout the report are colour coded for ease of reference.

Read more

Details of our sustainability performance can be found in the Sustainability report on:

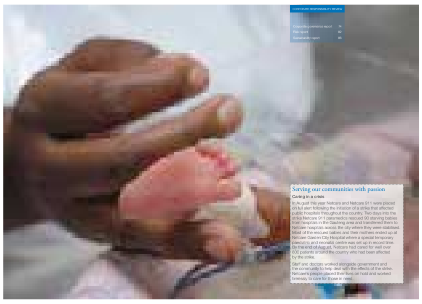
pp 86 to 111

Further reading boxes, referring to relevant information in the report or the website.

Read more

A glossary of terms used in this report is on:

pp 210 and 211

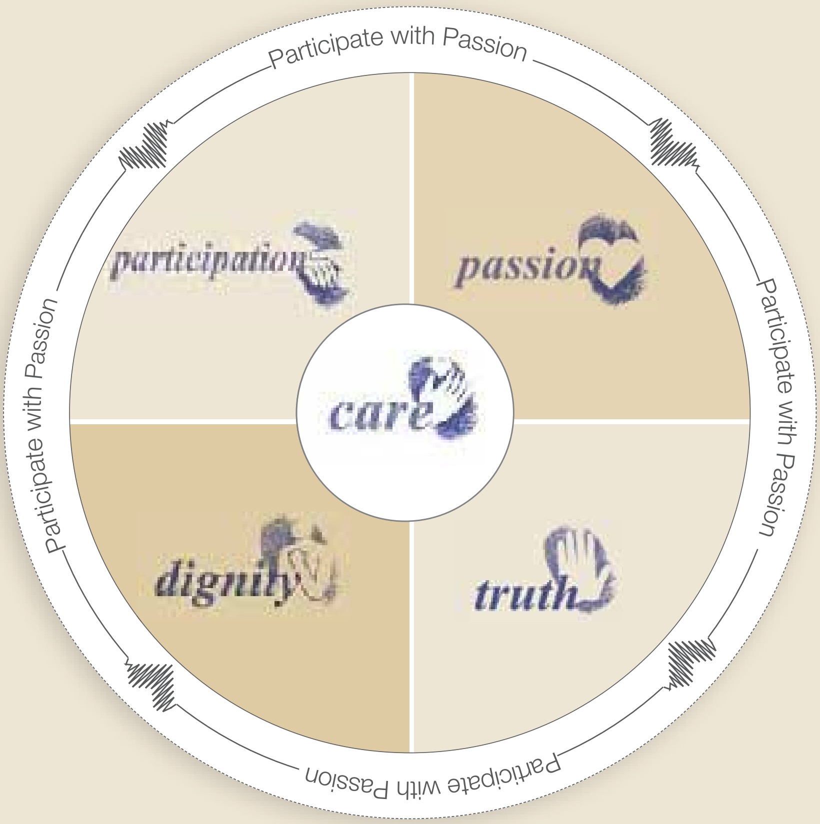


Clinical governance report

Corporate responsibility review

Financial statements and other information

participate with passion



2010 reporting improvements

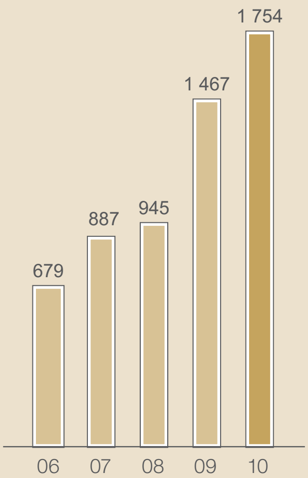
In our endeavour to constantly improve our reporting to stakeholders, we have made the following improvements to the 2010 annual report:

- Navigation aids enhanced with references to additional financial and non-financial information in the "read more" boxes.
- A map of our Southern African footprint (pages 38 and 39).
- The Corporate governance report now includes:
  - Corporate governance in the UK (pages 78 and 79); and
  - Ethics in the UK (page 81).
- The Risk report includes key risks for the UK.
- The Group annual financial statements have been expanded to include:
  - Accounting policy elections in terms of International Financial Reporting Standards (IFRS) (note 1);
  - Additional disclosures in terms of the amended IFRS 7 Financial Instruments: Disclosures statement (note 32);
  - Additional disclosures in terms of the new IFRS 8 Operating Segments statement (note 36); and
  - A constant currency segment report (Annexure A).

Group review

Financial highlights

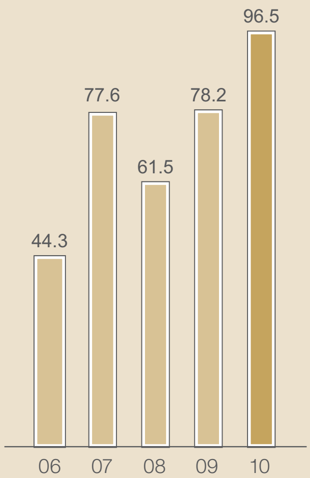
Profit before taxation (R million)



19.6%

2010: R1 754 million
2009: R1 467 million

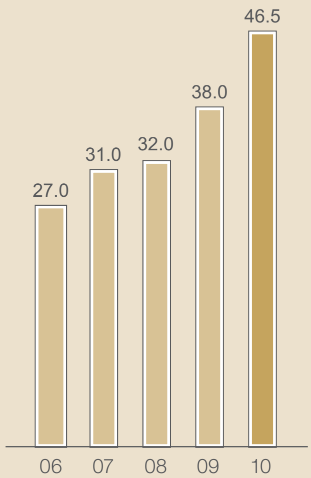
Basic headline earnings per share (cents)



23.4%

2010: 96.5 cents
2009: 78.2 cents

Distributions per share (cents)



22.4%

2010: 46.5 cents
2009: 38.0 cents

Financial summary

Rm	2010	2009	% change
Revenue	**22 474**	23 232	(3.3)
EBITDA	**4 865**	4 927	(1.3)
Operating profit	**3 708**	3 700	0.2
Headline earnings[1]	**1 226**	988	24.1
Total assets	**44 372**	45 941	(3.4)
Cash generated from operations[1]	**4 934**	4 640	6.3
Basic earnings per share (cents)[1]	**97.0**	123.8	(21.6)
Basic headline earnings per share (cents)[1]	**96.5**	78.2	23.4
Distributions per share (cents)	**46.5**	38.0	22.4

1 Including discontinued operation – 2009.

Read more

The Netcare history since our listing in 1996 can be found on our website, in the "About Us" section.

2006

- Acquired Prime Cure
- Unwound cross-shareholding in Netpartner
- Acquired controlling interest in General Healthcare Group (GHG) in the UK
- Netcare UK merged with GHG's NHS service provider, Amicus

2007

- Awarded PPP concession agreement for Port Alfred and Grahamstown hospitals in the Eastern Cape
- Opened Alberlito and Blaauwberg hospitals in SA
- Opened three new NHS facilities in the UK

Investment proposition

Healthcare sector leadership	• Largest healthcare company in SA. • General Healthcare Group (GHG), under the BMI Healthcare brand, is the leading private operator in the UK.
Committed to sustainable business practices	• Committed to developing affordable healthcare solutions and products for low-income earners. • Extensive experience in partnering with governments in SA and the UK on the provision of healthcare services. • Continued focus on Broad-based Black Economic Empowerment (B-BBEE). • Continued investment in our communities, including staff volunteer initiatives, and committed to minimising environmental impact.
Value creation for stakeholders	Our growth over the last five years: – 19.1% compound annual growth in revenue; – 23.4% compound annual growth in cash generated from operations; and – 14.6% compound annual growth in total distributions.
High standards of clinical governance	• Committed to best quality, best practice and best outcomes. • Focused on improving clinical and non-clinical service standards.
Working with the best people	• Experienced management team. • Recognised as an employer of choice. • Significant investment in staff training. • Values-based culture that ensures employees are aligned with our vision.
Good corporate governance and risk management	• Board structure has a strong independent component. • Recognised record of good disclosure. • Well managed Board committees.

2008

Acquired remaining 56.3% in Community Hospital Group

Acquired Linkwood Clinic

Appointed as preferred bidder for PPP with Government of Lesotho

GHG acquired seven Nuffield hospitals and Oxford Clinic in the UK

2009

Repurchased and cancelled 436 million treasury shares

Concluded the sale of Netcare's 50% interest in the Ampath Holdings Trust

Opened Port Alfred and Grahamstown hospitals' PPPs

Commenced construction of Lesotho PPP

GHG acquired City Medical, Fitzroy Square, The Thornbury Radiosurgery Centre and Woodlands Hospital in the UK

2010

Netcare Education celebrated 21 years of providing education to the healthcare sector

Opened three primary care clinics forming part of the Lesotho PPP

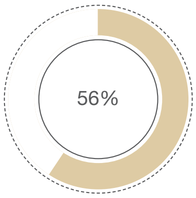
GHG acquired three ex-Abbey hospitals, the Transform cosmetic surgery business, Southend Private Hospital and a minority stake in Phoenix Hospital Group

GHG commenced operations at the BMI Syon Clinic and Coombe Wing Private Patient Unit

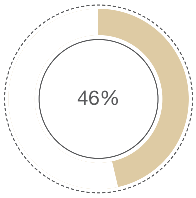
Group at a glance

South Africa

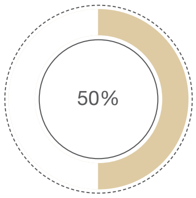
Contribution to revenue



Contribution to EBITDA



Contribution to operating profit



Hospital and Emergency services

- 54 private hospitals
- 8 874 registered beds
- 331 operating theatres
- 7.6 million lives under management
- 250 emergency vehicles

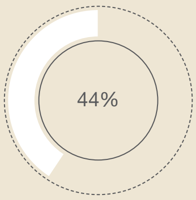
Primary Care services

- 69 Medicross medical and dental centres (Medicentres)
- 22 Prime Cure clinics
- 38 Pharmacross retail pharmacies
- 3.3 million patient visits
- 181 881 managed care lives

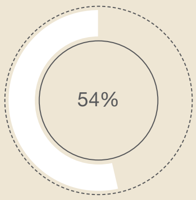
Rm	2010	2009	% change
Revenue	**12 541**	11 832	6.0
Operating profit	**1 865**	1 653	12.8
Operating profit margin (%)	**14.9**	14.0	

United Kingdom

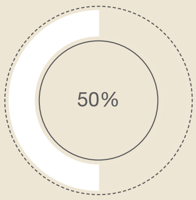
Contribution to revenue



Contribution to EBITDA



Contribution to operating profit



Private hospital services

- 64 acute care private hospitals
- 3 035 registered beds
- 164 operating theatres
- 276 192 patient admissions
- 1.3 million outpatients attended to

NHS services

- 35 589 patients treated at commuter walk-in centre

Rm	2010	2009	% change
Revenue	**9 933**	11 400	(12.9)
Operating profit	**1 843**	2 047	(10.0)
Operating profit margin (%)	**18.6**	18.0	

Operational highlights

0.6 percent increase in patient days

8.3 percent increase in revenue per patient day

>8 hundred critical patients treated during public sector strike

Strategic highlights

3 primary care clinics opened, forming part of Lesotho PPP

120 registered beds added

6 Medicross Medicentres refurbished

Sustainability highlights

No.1 most empowered company in JSE healthcare sector

9th in the Large Companies category of the 2010 Deloitte Best Company to Work For survey

10th position in the Carbon Disclosure Project (CDP) Carbon Leadership Index

Performance against financial targets

	Actual 2010	Target 2010	Target 2011
Revenue growth (%)	**6.0**	7 – 10	7 – 10
EBITDA[1] margin (%)	**17.9**	17 – 18	17.5 – 18.5
Capital expenditure (Rm)	**787**	800	950 – 1 000
Net debt: EBITDA[1] (times)	**1.6**	<1.6	<1.5[3]
Cash conversion to EBITDA ratio[2] (%)	**109.6**		95

1 Excluding capital items.
2 New target for 2011 – set for Group in 2010.
3 Dependent on conversion of the convertible bond.

Read more

Details of our sustainability performance can be found in the Sustainability report on:
pp 86 to 111

Details of our clinical governance performance can be found on:
pp 64 to 67

Further details on our financial targets for 2011 can be found in the Chief Financial Officer's review on:
p 27

Operational highlights

5.8 percent increase in inpatient visits

12.7 percent increase in outpatient visits

6x increase in monthly Choose and Book volumes

Strategic highlights

9 sites added – including three ex-Abbey hospitals

141 beds added

No.1 independent healthcare provider in the UK

Sustainability highlights

>8k training days delivered

98.4 percent of patients would recommend BMI

+ launched the "BMI Clean Team" to improve hygiene in schools and communities

Performance against financial targets[1]

	Actual 2010	Target 2010	Target 2011
Revenue growth (%)	**2.8**	Flat	1 – 2
EBITDA[2] margin (%)	**25.9**	25 – 26	<25.9
Capital expenditure (£m)	**43.2**	55	50
Net debt: EBITDA[2] (times)	**8.5**	8.5	9
Cash conversion to EBITDA ratio[3] (%)	**93.9**		85

1 Based on Pound Sterling figures.
2 Excluding capital items.
3 New target for 2011 – set for Group in 2010.

Read more

Details of our sustainability performance can be found in the Sustainability report on:
pp 86 to 111

Details of our clinical governance performance can be found on:
pp 68 to 71

Further details on our financial targets for 2011 can be found in the Chief Financial Officer's review on:
p 27

Our essence

Our core purpose

Helping care for the health of humankind.

Our vision

Develop and implement successful solutions to provide quality, affordable healthcare to the people of South Africa and globally by inspiring our people, creating new healthcare horizons and delivering value to all stakeholders.

Be a leading corporate citizen, proud of our heritage and what we give to society.

Strive for excellence in a unique brand of patient care delivered by people who are passionate about the sanctity of life, personal respect and dignity.

Invest in people, infrastructure and technology and establish lasting relationships with healthcare professionals.

Our long-term goal

To become the leading African healthcare group best known for:

- Delivering innovative, quality healthcare solutions to patients in every continent of the world.
- Successfully broadening access to affordable, quality healthcare to as many South Africans as possible.

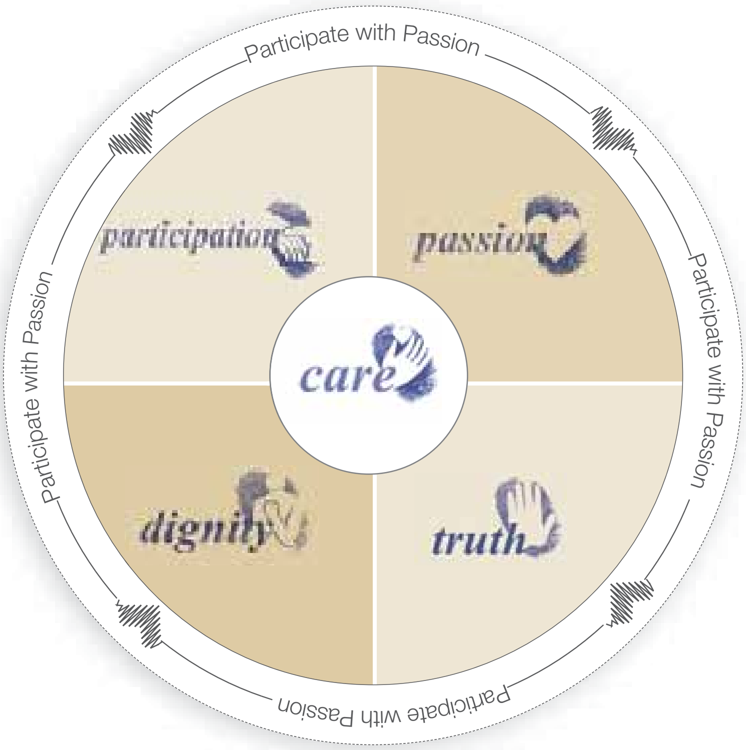
Living our values

We continue to focus on living our values which are entrenched in every action, decision and intervention we have with our patients, their families, the wider communities we serve, fellow colleagues and all stakeholders.

Care at every level of our organisation is fundamental to Netcare's sustainability and our contribution to the countries in which we operate. It provides the reference point for all our people as we transform our businesses and seek to build bridges of trust with our patients, doctors and all other stakeholders. The following three examples demonstrate our commitment to living our values.

Our values

At Netcare, our core value is *care*. We care about the *dignity* of our patients and all members of the Netcare family. We care about the *participation* of our people and our partners in everything we do. We care about *truth* in all our actions. We are *passionate* about quality care and professional excellence.



Read more

Further details about our values can be found on our website, in the "About Us" section.

Care

Assistance during public sector strike

Netcare assisted the South African government during the public sector strike earlier this year. Netcare made our facilities and personnel available to assist critically ill patients in need of hospitalisation or care, despite capacity constraints. Netcare 911 transported emergency public patients to Netcare facilities. Over 800 seriously ill or injured patients were treated, with costs absorbed by Netcare.

Passion

2010 FIFA World Cup™

Netcare stood as a proud supporter of the 2010 FIFA World Cup™ and of SA. Our slogan for our seven-month campaign was "Proud Supporters of South Africa – Participate with Passion", which captured the groundswell of national pride that was the defining feature of this event.

Participation

Public Private Partnerships

Netcare believes that proactive and productive partnerships with the public sector and the communities we serve are vital in ensuring that inequities in the provision of healthcare are addressed. We have worked on a number of Public Private Partnerships (PPPs) with the SA and the UK government. The most recent PPP with the Government of Lesotho is a visionary model for public healthcare delivery – we believe it will prove to be the future of sustainable healthcare delivery. Affordable primary health is a universal right and it is up to us to treat patients with dignity and care.

Our strategy

Netcare has a clear strategic focus which underpins our core purpose and vision. We embrace six strategic pillars.

1 Organisational growth

Objectives

- Identifying opportunities for growth within our existing operations.
- Engaging with government in SA on further partnership initiatives.
- Becoming a provider of choice to the NHS in the UK.
- Expanding our network of hospitals and multi-disciplinary facilities.

Performance in 2010

- Acquired three ex-Abbey hospitals in Lancashire, Liverpool and Stirling in the UK, adding 81 beds.
- Acquired a 42.5% stake in the Transform cosmetic surgery business, with 24 clinics operating out of London, Manchester and Scotland regions.
- Acquired a minority stake in Phoenix Hospital Group which consists of a consulting and diagnostic centre located at 9 Harley Street and the newly opened Weymouth Hospital.
- Acquired a 50% stake in Southend Private Hospital in Essex.
- Opened the BMI Syon Clinic in Brentford and the Coombe Wing Private Patient Unit in Kingston.
- Opened three primary care clinics that form part of the Lesotho PPP delivery model.

Specific objectives for 2011

- Opening of 132-bed hospital in Waterfall, Midrand.
- Opening of the hospital forming part of the Lesotho PPP in September 2011.
- Commence activity on additional licensed beds in SA.
- Partnering further with the government and Department of Health in SA and the NHS in the UK.

2 Operational excellence

Objectives

- Focusing on excellence.
- Enhancing operational efficiency.
- Containing costs without compromising quality.
- Developing affordable healthcare services.

Performance in 2010

- Netcare 911 achieved European Air Medical Institute (EURAMI) accreditation recognising excellence in service delivery.
- Netcare 911 awarded "Air Ambulance Provider of the Year" adjudicated by the International Travel Insurance Journal, a first for an African-based provider.
- Netcare 911 was awarded a tender by National Treasury to provide emergency services during the 2010 FIFA World Cup™ event.
- Netcare Garden City Hospital was a winner in the Hospital Association of SA's Awards of Excellence.
- GHG acquired SterilPlus, which comprises three decontamination units that will deliver gold standard service for instrument decontamination.

Specific objectives for 2011

- Commitment to best quality, best practice and best outcomes across the Group.

3 Physician partnerships

Objectives

- Attracting and retaining the best physicians.
- Developing physician networks and assisting physicians in their professional development.
- Creating and maintaining facilities and equipment to ensure best clinical outcomes.

Performance in 2010

- Attracted 120 new physicians to South African facilities.
- Services rated 75.7% satisfactory by specialists with privileges in SA.
- BMI partnered with The Doctors Laboratory to deliver a Pathology Modernisation Programme across the UK hospitals, providing a platform to combine a fully comprehensive range of pathology services, underpinned by the highest quality assurance.
- Hospital working groups launched in the UK, with each hospital having a consultant representative body supporting clinical practice, hospital operations and marketing and communications at the facility.
- New national consultant reference group introduced in the UK so that clinicians are at the heart of BMI decision-making across the business.
- Invested R637 million in medical equipment (R383 million in SA, R254 million in the UK).

Specific objectives for 2011

- Continued communication and partnerships with our doctors, physicians and consultants.
- Continued investment in world-class technology and the improvement of our facilities in both SA and the UK.

Objectives

Ensuring patients receive the best and safest care.

Removing the variability of service offerings and increasingly defining clinical pathways under a clinical governance programme.

Defining clinical protocols.

4 Best and safest patient care

Performance in 2010

Patient satisfaction score was 87.6% in SA and in the UK, 98.4% of patients rated the quality of care as good, very good or excellent.

Number of patients developing healthcare associated infections in Netcare SA hospitals was 1.92 patients per 1 000 patient days.

98.4% of UK patients would recommend BMI hospitals.

BMI further expanded its national enquiry centre based in Glasgow, which manages patient enquiries and appointment bookings.

Netcare SA embarked on a quality improvement programme called "Acute Myocardial Infarction: International Benchmarking" in March 2010 that is aimed at providing fast and effective heart attack care.

Specific objectives for 2011

Continued active involvement in SA's "Best Care … Always! Campaign", a focused, collaborative, clinical improvement initiative for consistent and sustainable best practice and patient safety.

Appointment of a Director of Quality Leadership to oversee clinical and quality outcomes in the Group.

Objectives

Attracting and retaining skills.

Providing training and development opportunities.

Recognising and rewarding performance.

Being an employer of choice.

5 Growing with passionate people

Performance in 2010

3 779 nurses and paramedics trained in SA.

293 management staff completed Management Development Programmes in SA.

Ninth place in the Large Company category of the Deloitte Best Company to Work For survey.

Delivered over 8 600 training days on national programmes in the UK.

Expanded internal mentor and protégé model in SA, which now involves the third tier of management.

Developed an Onboarding Programme to provide a structured induction and orientation programme to all new appointments and promoted staff in SA.

Introduction of Night of the Stars awards in the UK.

Specific objectives for 2011

Focus on a back-to-basics approach to ensure that the dignity of everyone in our care is retained in all interactions.

Objectives

Embracing transformation and normalisation.

Fulfilling the requirements of the Broad-based Black Economic Empowerment (B-BBEE) Codes of Good Practice.

Supporting Netcare's BEE strategy.

6 Accelerating transformation

Performance in 2010

Most empowered company in JSE health sector and 13th overall in Top Empowerment Companies (TEC) 2010 survey.

Maintained Level 3 B-BBEE accreditation (dti) and Empowerdex AA rating.

65.9% of SA employees are black and 53.4% are black women.

Continued spend on BEE procurement at 77.2%.

Netcare SA spent R57 million on corporate social investment programmes including community initiatives (5.2% of SA net profit after tax).

Construction of the 425-bed hospital PPP with the Government of Lesotho under way.

Diversity training programme presented to all staff in the UK, raising awareness and understanding across a range of diversity issues.

Specific objectives for 2011

Continue to implement and drive transformation initiatives.

Further efforts to employ staff with disabilities in SA.

Board of directors

Executive directors

RH (Richard) Friedland (49) — Group Chief Executive Officer

Qualifications: BvSc, MBBCh, Dip Fin Man, MBA
Appointed: 15 May 1997

Prior to joining Netcare, Richard was Operations Director of Medicross responsible for overall operations and establishing the medical centres on a national basis. He joined Netcare early in 1997 as Chief Operating Officer to lead the transformation and re-engineering of the businesses. He established Netcare UK and was CEO of the Netcare International Division from 2002 until August 2005. He was appointed CEO of the Netcare Group on 1 September 2005.

VE (Vaughan) Firman (47) — Group Chief Financial Officer

Qualifications: BAcc, CA(SA), HDip Tax Law
Appointed: 12 February 2009

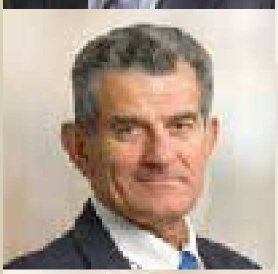
Vaughan joined Netcare in January 2004 and was appointed Financial Director of Netcare SA in June 2006. He was appointed as a director and Chief Financial Officer of Netcare on 12 February 2009. Prior to joining Netcare, he held senior financial positions with Southern Sun and Barloworld Limited.

Non-executive directors

SJ (Jerry) Vilakazi (49)* — Chairman

Qualifications: BA (Unisa), MA (Thames Valley), MA (London) and MBA (California Coast University)
Appointed: 1 June 2008

Jerry is Chief Executive Officer of Business Unity South Africa and was previously Managing Director of the Black Management Forum. He was appointed to the National Planning Commission and to the Broad-based Black Economic Empowerment Advisory Council by the South African President, Jacob Zuma, and was previously a member of the Public Service Commission. He is non-executive Chairman of the Mpumalanga Gaming Board and Trubok, and a director of several other companies including PPC Limited. Jerry serves on the King Committee on Corporate Governance, National Anti-Corruption Forum, Business Against Crime, SADC Employer Group, EU-Southern Africa Business Council and on a number of international business councils.



APH (Azar) Jammine (61)* — Nominations Committee Chair

BSc (Hons), BA (Hons), MSc, PHD
Appointed: 14 December 1998

Azar has been a director and Chief Economist of Econometrix since 1985 and is a non-executive director of Federated Employers Mutual, AMB Holdings, Iron Fireman, York Timbers and General Healthcare Group in the UK.

JM (Meyer) Kahn (71)* — Risk Committee Chair

Qualifications: BA (Law), MBA, DCom (hc), SOE
Appointed: 14 April 2000

Meyer is currently the Chairman and former group Managing Director of SABMiller Plc. During 1997 to 1999 he was seconded full time to the South African Police Service as its Chief Executive. He is also a director of various companies and trustee of numerous organisations.

MJ (Martin) Kuscus (55)* — Quality Assurance and Clinical Risk Audit Committee Chair

Qualifications: BA Cur, Dip Company Direction, EDP (Harvard)
Appointed: 1 July 2008

Martin is an independent businessman active in the technology services industry. Prior to this, he served as President and CEO of the South African Bureau of Standards for five years. His career in Health Services and Provincial Government Finance spans almost three decades. In 2004 he was appointed as a Commissioner on the Financial and Fiscal Commission. In 2006 he was elected to the Council for the International Standards Organisations (ISO) and was a member of the PRI Board, a UN Global Compact Initiative on Responsible Investment from 2006 to 2009. He was also Chairperson of the Board of Trustees for the Government Employees Pension Fund until July 2009.

Nominations Committee

Quality Assurance and Clinical Risk Audit Committee

Risk Committee

Audit Committee

Board Transformation Committee

Remuneration Committee

* Independent directors

VLJ (Victor) Litlhakanyane (46)

Group Stakeholder Relations Director

Qualifications: MBChB, M Med (Radiotherapy), MBA
Appointed: 1 December 2004

Prior to assuming an executive directorship at Netcare, Victor was the Superintendent General for the Department of Health, Free State province. He is registered with the Health Professions Council of SA as a medical practitioner and radiation oncology specialist, and is a member of the Council of the University of the Free State and the College of Radiation Oncologists. In addition, he serves as a technical adviser to the World Health Organisation World Alliance for Patient Safety.

HR (Hymie) Levin (65)

Audit Committee and Remuneration Committee Chair

Qualifications: BCom, LLB, LLM, HDip Tax Law, HDip Co Law, TEP
Appointed: 6 November 1996

Hymie has been a non-executive director of Netcare since its listing on the JSE in 1996. He is a specialist corporate and tax lawyer and is the senior partner of HR Levin Attorneys. His experience spans more than 40 years with expertise in corporate law, stock exchange listings, mergers and acquisitions, and local and international taxation. He serves as a non-executive director or Chairman of several JSE listed and non-listed companies.

KD (Kgomotso) Moroka (56)*

Board Transformation Committee Chair

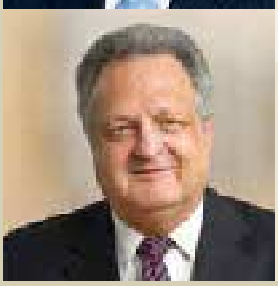
Qualifications: BProc, LLB (Wits)
Appointed: 23 July 2006

Kgomotso is a practising senior advocate and serves on a number of boards, including Standard Bank Group Limited and South African Breweries Limited. She is the Chairman of Royal Bafokeng Platinum (Proprietary) Limited and Gobodo Forensic & Investigative Accounting (Proprietary) Limited. She is also trustee of the Nelson Mandela Children's Fund, Project Literacy and Tshwaranang Legal Advocacy Centre.

MI (Motty) Sacks (67)

Qualifications: CTA, CA(SA), AICPA (ISR)
Appointed: 30 October 1996

Motty acted as an independent corporate adviser for 30 years prior to his appointment as Chairman of Netcare. He retired as Netcare's Chairman in 2008. He has served and continues to serve as a non-executive director of a number of listed and empowerment committees. He is also an officer of the International Association of Political Consultants.



N (Norman) Weltman (61)

Qualifications: BCom (Hons), CA(SA)
Appointed: 3 November 1999

Norman has been with the Group since 1993. He has over 15 years of experience in the healthcare industry and has previously served as the Chairman of the Hospital Association of SA (HASA). Norman became a non-executive director with effect from 1 September 2008.

Chairman's review

Jerry Vilakazi

The year under review was challenging, with the effects of the global economic crisis still being felt around the world. We have seen large financial institutions collapse, large-scale jobs losses and several governments introduce a number of severe measures to rescue their economies.

In South Africa (SA), we experienced the euphoric highs of our successful hosting of the 2010 FIFA World Cup™ (World Cup) only to be followed by the dramatic lows of widespread private and public sector strikes. In England, the first coalition government in 70 years ended 13 years of rule by the Labour Party.

Despite strong growth and a positive financial performance in 2010, Netcare's operating environment was similarly eventful, with deferment of the Initial Public Offering (IPO) of the General Healthcare Group (GHG) Operating Company (OpCo) on the London Stock Exchange, debate following the announcement of radical National Health Service (NHS) reforms in the United Kingdom (UK), a firm commitment to the proposed National Health Insurance (NHI) scheme in SA and finally resolution of a legacy issue pertaining to organ transplantation.

Healthcare reform remains a key focus for citizens and governments alike. SA is no exception, and the debate has often been characterised by a deep divide between the private and public healthcare sectors. However, there has recently been a distinct shift and we welcome the ruling party's spirit of openness and willingness to engage with the private healthcare sector. We continue to believe that cooperation and productive partnerships will yield sustainable healthcare reform.

Progress in NHI in SA

We welcome the announcement by the South African government that they are moving forward with the NHI system, at the heart of which is the constitutional principle to afford all South Africans access to quality healthcare. In one of the most ambitious reforms since the advent of democracy in 1994, government plans to implement the NHI in phases from 2012 over a 14-year period. Minister Aaron Motsoaledi of the Department of Health (DoH) has said that NHI implementation is not an event, but the beginning of a gradual process which will be piloted in eight critical districts.

The DoH has also identified six focus areas to be addressed over three years to facilitate the implementation process – improving the values and attitudes of staff, managers and patients; cleaning hospitals and clinics; reducing waiting times; keeping patients safe and providing reliable care; preventing infections; and ensuring medicines, supplies and equipment are available.

Additional areas also need to be addressed if the NHI is to work – expenditure must be allocated efficiently; proper reporting mechanisms and sufficient financial oversight must be developed and maintained; the number of healthcare professionals' needs to be increased drastically; and quality service and outcomes must improve substantially.

Improvements in all these areas require effective management. As Netcare has proven expertise in healthcare management and training, particularly in procurement processes and procedures, we are ready and willing to share our knowledge and partner with government to leverage healthcare spend effectively and so broaden avenues of access.

In the UK, we have partnered with the government to incorporate NHS patients into the GHG network, learning important lessons in assisting the state in public healthcare provision. These lessons will serve us well.

So too will the lessons from our flagship Public Private Partnership (PPP) in Lesotho that is reaching the final stages of construction, with the three filter clinics already completed and operational. It aims to make quality primary, secondary and tertiary clinical services accessible to the people of Lesotho. The Lesotho PPP would not have been possible had it not been supported and championed by the Lesotho Prime Minister, Ministers of Finance and Health and other high-level members of government. It is also being supported by the World Bank and we are excited by the great potential of the Lesotho PPP as an important example of a long term sustainable PPP healthcare model.

We are ideally placed to draw on our experience and leverage our capabilities to engage with the South African government in formulating policy and delivering a workable model for this country. We see this not only as an opportunity to act as a responsible corporate citizen, but also as an opportunity to sustainably increase shareholder value.

Public sector strike

Netcare truly lived out its values in assisting the state during the recent public sector healthcare strike. We transported and attended to hundreds of patients, including over 200 critically ill babies by activating our disaster management plan, refined for the World Cup. We also provided food, bedding and accommodation for the mothers of those babies. The logistics of having to provide medical care, food, clothing and supplies at extremely short notice could have been daunting were it not for the leadership of Richard Friedland and his team – their actions spoke louder than words about Netcare's capabilities and commitment to civic leadership.

I am extremely proud of the manner in which the sanctity of life and dignity of these patients was upheld. To our professional and non-professional staff, other members of the healthcare community and members of the public who showed great compassion in giving their time and resources to assist, you truly did our country proud.

Illegal kidney transplants at St Augustine's Hospital

Turning to internal operational issues, the charges laid against Netcare Limited, Netcare Kwa-Zulu (Proprietary) Limited (NKZ) and Richard Friedland arising from illegal organ transplants performed by several specialist doctors at the Netcare St Augustine's Hospital during the period June 2001 to November 2003 have been the subject of much media attention.

Netcare cooperated with the authorities over the entire course of the investigation. After concluding that certain employees must have been aware that illegal operations were performed at the St Augustine's Hospital, that certain employees participated in these activities and that NKZ wrongly benefitted from the proceeds of these operations, the Board determined that NKZ should plead guilty to the offences. The conduct of these employees is legally attributable to NKZ notwithstanding that they disregarded Netcare's internal policies and protocols governing non-related live organ transplants and the guidelines issued by the DoH. None of these employees remain in the employ of Netcare or NKZ.

Important lessons have been learned from this experience. The last of the illegal operations was performed at the end of 2003, and since then Netcare and our subsidiaries have devoted considerable time and attention to strengthening and ensuring that the law, guidelines issued by the DoH and Netcare's own internal guidelines are meticulously adhered to and enforced. However, we must always remain mindful that the actions of some can have severe consequences for the reputation and morale of the Group. Consequently the lesson learned is that we must remain ever vigilant in enforcing all policies and regulations and that we must apply them with consistency.

The unconditional withdrawal of charges against Netcare Limited and Richard Friedland was consistent with the view of Netcare's legal counsel that there was no basis for such charges to be laid. It also vindicates the Board's and Netcare's unwavering confidence in Richard's absolute integrity. I would like to pay tribute to his dignified conduct and forbearance during this period.

Looking forward and appreciation

In the UK, we are very pleased with progress over the year. Our partners called for an IPO in December 2009 which was suspended as a result of the economic downturn and political uncertainty of a coalition government. Nevertheless, the preparatory work yielded a constructive diagnosis of the business and an objective analysis of the significant improvements and reengineering that the business has experienced since acquisition in 2006. Although there is still work to be done, the UK team have done an excellent job over the year which has placed the business in a good position for further growth.

Despite the strengthening of the SA Rand and a difficult economic environment, our investment in the UK remains strategically very important to Netcare, with GHG successfully extending its services and geographic presence and delivering a positive set of results. Congratulations are due to the GHG leadership and management team, particularly the Chairman, Sir Peter Gershon, and GHG's Chief Executive Officer, Adrian Fawcett.

I would also like to thank Richard Friedland and his management team for continuing to deliver excellence despite a difficult year. To my colleagues on the Board, thank you for your leadership and support. Our strong results over the past year and positive outlook for the year ahead are based on your commitment and dedication to our business.

Franklin D. Roosevelt once commented that there is only one way of standing still, but "many ways of moving forward". With a new dispensation in the UK, greater cooperation with the DoH in SA and the first signs – however tentative – that the global economy is beginning to recover, Netcare is moving forward. We continue to provide shareholder value while delivering quality outcomes for a growing number of patients in three countries. Despite a number of challenges during the year, we remain true to our commitment to operating a values-led organisation.

Jerry Vilakazi
Chairman

Chief Executive Officer's review

Richard Friedland

Netcare's core purpose is *helping care for the health of humankind*. We achieve this by delivering on all the elements of our vision, underpinned by living each of our values and delivering on our key strategic pillars. Our annual report this year demonstrates that Netcare's people are driving a values-based culture in every area of our business, and so achieving sustainable shareholder returns and progressive delivery on our strategic objectives.

2010 has demonstrated that in South Africa (SA) and the United Kingdom (UK), Netcare positively and constructively rose to meet a number of challenges. However, there is still much to do and improve on.

Strategic review

Service leadership – living our vision of being a leading corporate citizen

In SA, great effort and attention was dedicated to hosting the 2010 FIFA World Cup™ (World Cup). 22 Netcare hospitals were designated as strategic healthcare providers for the event and over 500 local and overseas patients were treated during this period. Under a tender awarded by National Treasury, Netcare 911 provided emergency services during the World Cup. Our internal staff engagement campaign, "Participate with Passion" encouraged support for nation building activities among our staff in SA in and around the World Cup, and was a great success across the business.

Not long after the end of the World Cup, as the public sector healthcare workers strike grew in severity in SA, it quickly became clear that human suffering remained the greatest cost. Netcare's quick response in assisting hundreds of patients during the strike was the result of activating our disaster management plan, developed over the years and refined for the World Cup. Netcare 911 was on hand to transport emergency public patients to Netcare facilities and over 800 patients in need of urgent medical care were admitted to our facilities throughout the country. Of these, over 200 were babies and children. National Renal Care also provided urgent dialysis for an additional 450 patients.

We appreciate the selfless commitment shown by Netcare's staff, nurses and paramedics, as well as the doctors and specialists, who put aside personal and financial considerations to work around the clock to help where they could. We did not charge for our services as this was unmistakably a humanitarian effort. Like all those who assisted, we put purpose before profit.

We were humbled by members of the public and companies who came forward and helped where they could – scrubbing floors, helping with laundry, supplying nappies, changing bed linen and donating clothes. In the midst of great suffering, the actions of ordinary South Africans showed our indomitable spirit.

This year Netcare spent R57 million on corporate social investment (CSI) in SA, approximately 5.2% of SA's net profit after tax. These initiatives aim to increase access to quality healthcare and uplift the communities in which we operate.

Read more

These initiatives are described in detail on:

pp 103 to 105

We continue to reach out to government, particularly in SA, to assist in strengthening multi-lateral efforts to broaden access to affordable quality healthcare. With the deadline for meeting the Millennium Development Goals (MDGs) less than five years away it is incumbent on the public and private sectors to refocus our efforts. Accountability and service leadership are crucial if we hope to achieve these goals, not only in the healthcare sector but among all role-players.

The South African government recently introduced the National HIV Counselling and Testing (HCT) campaign, which replaces Voluntary Counselling and Testing. Netcare is offering free HCT at all primary healthcare clinics. After engaging with the Department of Health (DoH) and traditional leaders in KwaZulu-Natal, the province with the highest levels of HIV/Aids in the country, we will also be offering free circumcision throughout our hospital and clinic network.

Quality leadership – striving for excellence in patient care

Netcare's strategic objective to provide the highest standard of holistic, quality care is achieved through the combined efforts of our hospital network (including pharmacy), primary care facilities, emergency services and Public Private Partnership (PPP) initiatives, supported by Netcare Education and National Renal Care. It is delivered by passionate people, effective clinical governance guidelines and capable leadership in every area.

Read more

Our Clinical governance report demonstrates our achievements and progress in our commitment to quality leadership on:

pp 64 to 71

Supporting outstanding care and quality leadership does not occur in a vacuum; it requires a corresponding commitment to safeguarding the environment in which we operate. Although Netcare is classified as a low-impact industry in terms of carbon emissions, we are determined to do all we can to reduce our impact on the environment and promote sustainable solutions in our sector. Our commitment was acknowledged by achieving 10th position in the UK-based Carbon Disclosure Project Leadership Index in 2010, improving from 14th place last year.

In the UK, the Big Turn Off campaign that was launched in February 2009 continued, with monthly energy efficiency campaigns and a rolling programme of site visits. A new waste recycling initiative was implemented and General Healthcare Group (GHG) registered for the Carbon Reduction Commitment (CRC), a new UK government statutory carbon pricing scheme.

Read more

Our environmental initiatives and performance are described in detail on:

pp 107 to 111

Investing in our people

This year Netcare Education celebrated 21 years of providing education to the healthcare sector. With a worldwide shortage of trained medical staff, we have grown its scope from providing formal nursing programmes to include multidisciplinary healthcare courses in, for example, all levels of operational management and clinical engineering. The case study on page 98 highlights this important aspect of our business.

Netcare SA invested more than R114 million in training in 2010. More than 3 200 learners at our five campuses were trained in various basic, post-basic and six-month nursing programmes. A total of 1 192 students graduated during the year. In addition, almost 300 of our management staff completed Management Development Programmes and we trained 23 Surgical Technology and Clinical Engineering Technical Assistants.

Netcare 911's School of Emergency and Critical Care trained more than 500 paramedics during the year.

We have also maintained a top 10 position in the Large Companies category of the Deloitte Best Company to Work For survey and were awarded the Top Gender-empowered Company in the Healthcare & Pharmaceuticals category of the 2010 Top Women Awards. This is for outstanding contribution and commitment to the empowerment of women in SA.

Read more

Further details about our activities in transforming our business can be found in the Human capital report on:

pp 94 to 99

Investing in infrastructure and technology

Netcare continues to invest in modern and state-of-the-art facilities and equipment in both SA and the UK, with over R1.2 billion invested in new property, equipment and infrastructure in 2010. In the UK, GHG acquired new hospitals and businesses.

In SA, the SAP Enterprise Resource Planning software was implemented successfully at three more hospitals during the year and we expect to roll out to another 14 hospitals during 2011. The SAP software platform provides centralised functionality and standardisation which is resulting in greater efficiencies.

In Medicross, a new practice management IT system was rolled out during the year. In the UK, planning for the implementation of new generation IT platforms is nearing completion.

Creating new healthcare horizons – the future of healthcare delivery models

Inequality in healthcare provision persists in many areas around the world. Netcare maintains that addressing the imbalance between primary and tertiary healthcare services is fundamental to correcting this. Most healthcare-related MDGs, such as lowering infant and maternal mortality and reducing the prevalence of HIV/Aids, tuberculosis and malaria, can be effectively addressed through focused primary care interventions, easing the burden on tertiary healthcare and strained national budgets.

Our compliant network of service providers in our Primary Care division are well placed to help address the unique challenges to healthcare reform in SA, particularly when National Health Insurance (NHI) becomes a reality.

Netcare is devoting much time and resources to developing and refining PPP models that may prove to be highly effective in dealing with healthcare challenges.

Our PPP with the government of Lesotho is progressing quickly. Construction of the 425-bed hospital is expected to be completed during 2011, while the three filter clinics commenced operations in May this year.

The Lesotho PPP is a first for Africa and one of only a handful of similar projects worldwide. Netcare is the lead partner in the Tsepong consortium, which is designing, building and operating the hospital and associated health care facilities over an 18-year contract. The consortium will be responsible for employing all staff, including nurses and doctors, and for the clinical outcomes of all patients treated in the facilities.

The new hospital will operate as the national referral hospital as well as the district hospital for the greater Maseru area. The three primary healthcare clinics at Qoaling, Mabote and Likotsi will provide primary healthcare services and refer more severe cases to the hospital. This will ensure that resources are effectively allocated and will be an application of the primary care model discussed earlier. The clinics are already attending to over 400 patients per day and are making a difference in the surrounding communities by also addressing broader health issues such as sanitation and education.

We believe that the project will not only improve healthcare delivery and access, but will help Lesotho meet many of its MDG goals by 2015. Our progress in this regard will be independently benchmarked. The model will test the hypothesis that local empowerment and ownership, coupled with the right level of accountability and risk transfer to the private sector, can result in affordable and sustainable healthcare delivery. For Netcare, this PPP is a critical test case that, if successful, has potential to be replicated across Africa.

Chief Executive Officer's review (continued)

Netcare has already established PPPs with the state at the Universitas and Pelonomi hospitals in Bloemfontein and at the Settlers and Grahamstown hospitals in the Eastern Cape. Establishing additional PPPs, particularly in the primary healthcare sector, could offer a number of benefits to the South African healthcare system, including reduced financial, operational and technical risk exposure for government, fast and cost-effective project execution and freeing up scarce public funds for more effective use.

We are pleased that government has indicated a willingness to engage with the private sector in formulating policy, legislative frameworks and delivery models for the NHI scheme. We look forward to participating in planning and contributing to the delivery of more equitable healthcare services for all South Africans.

Operating review

Operationally, our business units in both geographies delivered a solid performance. Cash generation and working capital management improved significantly.

South Africa

In SA, growth in demand for healthcare in our hospitals continued with an 8.3% increase in revenue per patient day and an increase in patient days of 0.6%, off the high base of 4.9% growth achieved in 2009. We recorded a length of stay increase of 2.4%.

Together with our empowerment partners, the construction of the new 132-bed private hospital in Waterfall, Midrand, is progressing well with the opening of this facility anticipated for August 2011.

Our Emergency services division, Netcare 911, experienced solid revenue growth, driven primarily by an increase in membership in schemes with capitation arrangements, and a slight growth in total lives under management. Significant efficiencies were achieved, especially in working capital management, the call centre and operations. Additional cost-saving initiatives were implemented to reduce overtime and dispose of non-core services, yielding positive results for the business.

The division also assisted more than 6 800 indigent patients at a cost of R11 million during the year. We will continue to absorb these costs as we will not deny anyone emergency services in their time of need.

Our Primary Care division experienced a contraction in managed care lives in Prime Cure and it terminated a number of loss-making contracts and administration agreements with marginal clinics. I am pleased to report that the strategy to optimise operational efficiencies and working capital management has finally gained traction. We will continue to refine the model during 2011.

Medicross Medicentres and Prime Cure clinics managed more than three million patient visits during the year under review, with more than 1.5 million scripts dispensed from our pharmacies. The division continued with upgrades and refurbishments, bringing the total number of Medicentres upgraded over the past two years to 11.

We increased our overall score and maintained our AA rating from Empowerdex, equivalent to Level 3 compliance under the Department of Trade and Industry's Codes of Good Practice for Broad-based Black Economic Empowerment (B-BBEE). Netcare again received recognition for working towards the normalisation of South African society, being independently rated as the most empowered company in the JSE's healthcare sector and ranked thirteenth most empowered listed company overall in SA in the Financial Mail's Top Empowerment Companies 2010 survey. As a case in point, Netcare's spend on B-BBEE accredited suppliers accounts for more than 80% of all spend.

Read more

Further details on the operational performance of the various divisions are contained in the Operational reviews on:

pp 36 to 61

United Kingdom

GHG, which operates under the BMI hospital brand, delivered positive results during the year under review notwithstanding the recessionary environment and significant political change. It was successful in extending its services and geographic presence in the UK, with almost 90% of the UK population now living less than an hour away from a BMI facility. BMI hospitals admitted more than 270 000 patients and attended to over one million outpatients.

GHG also succeeded in adapting quickly to changing demands of private patients and the National Health Service (NHS), effectively utilising spare capacity to protect revenue and profitability. Caseload grew by 5.8%, with approximately 50% of this attributable to acquisitions. It was also driven by strong growth in NHS cases through Choose and Book (C&B). Private Medical Insurance (PMI) patient volumes declined in the second half of the year, as consumers continued to be affected by the recession, particularly rising unemployment and diminishing disposable income.

Strong acquisitive growth was achieved through purchasing a minority stake in Phoenix Hospital Group, a 50% stake in the BMI Southend Private Hospital in Essex, three ex-Abbey Hospitals and a 42.5% stake in the Transform cosmetic surgery business. GHG also acquired SterilPlus in January 2010. Two new ventures commenced operations in the form of the BMI Syon Clinic in Brentford and the Coombe Wing Private Patient Unit in Kingston.

GHG continued to invest in hospital infrastructure to maintain its leading position in the market. Major projects that commenced during the year included equipping the new BMI Syon Clinic, the refurbishment and regeneration of the BMI Park Hospital in Nottingham, and the phased upgrade of seven operating theatres at the BMI Alexandra Hospital in Manchester.

The NHS's C&B programme continues to grow as doctors and patients become more familiar with the process. While the majority of C&B referrals are to NHS units, the private sector is playing an increasingly important role in collaborating with the public sector to ensure patients receive appropriate care in good time.

The underlying structure of healthcare provision in the UK remains unchanged, however pressures on government spending and an upcoming structural reorganisation of the NHS are beginning to influence changes to aspects of the NHS model. While changes will take years to implement, the coalition government sees the NHS shifting from a single organisation to a wider open-access system that will facilitate access by patients to the provider of their choice. This will create significant opportunities for GHG as choice is widened to include independent healthcare providers.

In December 2009, the minority shareholders in the Netcare-led consortium which acquired GHG in May 2006 gave notice in terms of the

Partnership Agreement of their desire to exit their investment in GHG by calling for the commencement of a process to list the GHG Operating Company on the London Stock Exchange. While preparations for this Initial Public Offering progressed well, it was decided to delay the listing due to the volatility and depressed state of financial markets following the fallout from the global economic crisis.

Organ transplant case

Between 2001 and 2003, fraud was committed at St Augustine's Hospital in KwaZulu-Natal in organ transplantation. Foreign patients received kidney transplants from unrelated donors as part of an international syndicate which targeted Netcare and the hospital. Despite having policies and procedures in place to safeguard against illegal operations, affidavits attesting that donors and recipients were related were falsified. Additionally five patients between the ages of 19 and 20 were also operated on and, as the age of consent was 21 years at the time, they were considered minors under law.

Netcare's Board ordered an independent investigation into the matter in 2004 but this was halted at the request of the investigating authorities, lest it interfere with their investigation. The matter has only recently been concluded.

While Netcare had denied any wrongdoing on the basis of persistent denials from the staff and doctors involved at the time, it has now become clear that staff must have suspected or known that patients were not related and hence payment for donating their kidneys must therefore have been made. Consequently, Netcare Kwa-Zulu (Proprietary) Limited, the legal entity responsible for St Augustine's Hospital, has assumed liability for the actions of its staff and returned all profits generated by the operations (approximately R3.8 million) to the prosecuting authorities. In addition, a fine of R4 million was also paid. The total penalty in relation to these illegal operations was R7.82 million.

Subsequent to these events Netcare implemented additional protocols and strengthened existing clinical governance procedures across the Group to mitigate the risk of this ever happening in a Netcare facility again. However, this saga demonstrated that notwithstanding existing policies and procedures, the responsibility lies with each and every Netcare employee to remain vigilant and enforce all policies and regulations.

On behalf of Netcare, I sincerely and unconditionally apologise to our stakeholders and the South African public – we are truly sorry that these shameful events occurred.

This issue occurred almost a decade ago and Netcare has undergone significant change since then. The excellent work currently being performed by Netcare employees with honesty and integrity should provide assurance that Netcare is truly an organisation guided by sound values.

Financial review

As a result of the Group's solid operational performance, with sustained strong growth despite continuing stress in the global economy, we were pleased to announce a 26.2% increase in basic headline earnings per share to 98.7 cents on a constant currency basis.

The prevailing strength of the Rand against the Pound Sterling (Pound) had a major impact on both the year-end results and financial position of the Group.

In their respective local currencies, revenue grew in both SA and the UK. However, due to Rand appreciation Group revenue decreased by 3.3% to R22 474 million (2009: R23 232 million).

The operating margin improved from 15.9% to 16.5%, largely due to efficiency improvements and cost control. The SA operating profit rose 14.3% to R1 899 million (2009: R1 662 million), while in the UK, operating profit was 1.6% higher at £150.3 million (2009: £147.9 million). Operating expenses include IPO preparatory costs of £2.5 million.

Read more

Further details are provided in the Chief Financial Officer's review on:

pp 22 to 27

Looking ahead

In SA, persisting challenges impede increased access to quality healthcare, including skills and funding shortages. In every instance Netcare is ready and willing to participate in the policy debate and in the design and delivery of models to bridge the access divide. We remain confident that PPPs will have a significant impact.

In the year ahead, Netcare will build on our focus on patient dignity and quality of care. Demand for private healthcare looks set to continue in SA, underpinned by a financially sound and growing medical scheme market.

Recessionary pressures in the UK economy are expected to constrain growth in the short term, but this should be offset by growth in NHS activity through C&B.

The proposed UK DoH's White Paper reforms are a positive development for the private sector, but during implementation it is likely to cause a measure of disruption in the healthcare sector. We will remain agile, adapting to match the shifting demands of private and NHS patients.

May 2011 marks the five-year anniversary of the consortium's acquisition of GHG and shareholders should be mindful that Netcare's partners may renew their efforts to exit their investment in GHG in the year ahead. Shareholders will be updated accordingly as and when any formal process is initiated.

Appreciation

To my executive colleagues and leadership teams in SA and the UK, thank you. Despite challenging conditions, Netcare continues to benefit from your commitment and outstanding contribution. To our physician partners and the people of Netcare who demonstrate commitment and bring real care to their work, thank you for providing outstanding healthcare to our patients.

I would like to thank our Chairman, Jerry Vilakazi, and our non-executive directors for their unwavering support. Thank you once again for your sound advice and exceptional stewardship that guides the Group and which has enabled us to deliver increased value to all our stakeholders.

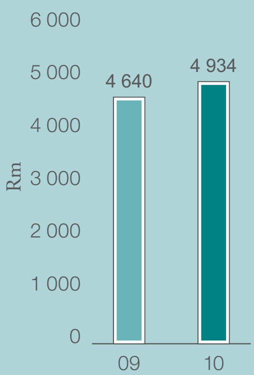
Richard Friedland
Chief Executive Officer

Chief Financial Officer's review

Vaughan Firman

This year's results are characterised by strong cash generation and improving liquidity achieved in the midst of global economic and currency volatility. This highlights the Group's success in growing stakeholder value through strict financial discipline and the stringent management of its asset base.

Cash generated from operations



Introduction

This report provides insight into the financial position and operating performance of the Group and should be read in conjunction with the Group annual financial statements presented on pages 113 to 209.

Netcare is pleased to report sustainable earnings growth and solid profitability despite the economic hardship and currency volatility that continued over the year in review. While South Africa (SA) remained relatively shielded from the impact of the economic slowdown, the United Kingdom (UK) was significantly affected by the prevailing recessionary environment. The Group's performance reflects the defensive nature of healthcare services.

Netcare's geographic mix exposes the Group to currency fluctuations and it is Group policy not to hedge offshore operations against currency movements. Currency conversion had a major impact on Group performance and financial position due to the relative strength of the Rand against the Pound Sterling throughout the year under review. The average exchange rate used to convert offshore income and expenditure was 15.3% lower at R11.63: £1 (2009: R13.73: £1), and the closing exchange rate used to convert assets and liabilities at 30 September 2010 was 8.5% lower at R10.93: £1 (2009: R11.95: £1).

The Group continued to focus on debt management throughout the year, maintaining stringent capital expenditure and working capital management processes. In combination with the underlying strong cash conversion metrics, this served to further improve the Group's liquidity position.

Netcare's share price increased by 33.5% during the year, from an opening price of R10.37 per share to R13.84 per share at 30 September 2010. In comparison, the JSE All Share Index (ALSI) grew by 18.2% over the same period.

Corporate finance activities

Acquisitions

A consequence of the challenging economic climate has been that a number of assets have come onto the market in the UK. General Healthcare Group (GHG) has been successful in securing the following acquisitions with minimal cash outlay by the Group:

- The operating business of Abbey Hospitals (Abbey), consisting of three hospitals, was acquired for a nominal consideration with effect from 28 May 2010. As the fair value of the net assets and liabilities acquired exceeded the consideration paid, a bargain purchase credit of £3.3 million was recognised in the income statement. The Abbey acquisition generated revenue of £6.3 million and an operating loss of £0.3 million in the four-month period since acquisition. It adds 81 beds to GHG's footprint.
- GHG acquired a 42.5% stake in Transform Holdco Limited (Transform), renamed Health and Surgical Holdings Limited, for a nominal consideration at the same time as the Abbey acquisition. £20 million of debt was acquired within this business, while goodwill of £3.7 million was recognised as a result of the purchase. Transform is a cosmetic surgery business operating 24 clinics across the UK. Cosmetic surgery operations are conducted at two dedicated Transform owned and operated hospitals. The Group has an option, currently exercisable, to purchase an additional 42.5% interest up to 28 May 2013. The Transform business generated revenue of £11.7 million and contributed £0.2 million towards operating profit in the four-month period since acquisition.
- Effective 4 May 2010, GHG acquired a 50% share in BMI Southend Private Hospital Limited (BMI Southend), a day case and consulting room facility, for a consideration of £0.4 million, of which £0.2 million is payable in June 2011. The hospital contributed £0.4 million to Group revenue and was marginally profitable.

- In January 2010, GHG acquired SterilPlus Limited (SterilPlus), subsequently renamed BMI Hospital Decontamination Limited, a decontamination and sterilisation services company used in-house by GHG hospitals, for a nominal consideration. As the fair value of the net assets and liabilities acquired exceeded the consideration paid, a bargain purchase credit of £3.6 million was recognised in the income statement.
- GHG acquired a minority stake in Phoenix Hospital Limited (Phoenix), thereby taking operational responsibility for Phoenix's London-based businesses. This comprises the Harley Street consulting and diagnostic centre (with eight consulting rooms, four treatment rooms and a complete diagnostic imaging suite), as well as the purpose-built boutique Weymouth Hospital, which opened in August 2010, with 17 beds and four theatres.

Read more

Further details on the acquisitions can be found in note 28 of the annual financial statements on: pp 174 and 175

Public Private Partnerships

The Group continued to develop its Public Private Partnership (PPP) projects during the year. The Universitas and Pelonomi hospitals PPP, in which the Group has a 25% interest, has been operational since October 2003. The Port Alfred and Grahamstown hospitals PPP in the Eastern Cape, in which the Group has a 50% investment, opened during the course of 2009. The public facilities have shown positive results at an operating profit level, but the private facilities traded at a loss due to start-up costs and low occupancies.

The Lesotho PPP, in which Netcare holds a 40% interest, involves the design, construction and ongoing administration of clinical services and facilities for a 425-bed hospital and three off-site primary care clinics in Maseru. The three primary care clinics were opened during the year. Construction of the hospital is progressing well and it is scheduled for completion during 2011.

Read more

The Other businesses review contains more information on the PPPs and can be found on: pp 50 and 51

Initial Public Offering of the GHG Operating Company

On 8 December 2009 Netcare announced through SENS that our consortium partners (with whom Netcare had acquired a 100% interest in GHG in May 2006) had formally notified Netcare of their intention to exercise their right to pursue an Initial Public Offering (IPO) of the GHG Operating Company (OpCo) on the London Stock Exchange. These rights do not affect Netcare's ongoing position as majority shareholder of GHG. The announcement highlighted that public markets in the UK and elsewhere were volatile and the consortium partners could accordingly elect not to proceed with the IPO at any stage during the process. During the course of the year Netcare engaged with its consortium partners in terms of the provisions of the governing partnership agreement in order to facilitate the OpCo listing process. However, given prevailing market conditions, a final decision on whether to proceed with the IPO and its timing is yet to be made. Shareholders will be advised should this position change.

Operating performance

Income statement

It is Group policy not to hedge our income statement or statement of financial position against exchange rate fluctuations. As mentioned, during the year under review the Rand strengthened against the Pound Sterling by 15.3%.

As a significant portion of the Group's earnings relate to its UK business, these exchange rate variances tend to distort year-on-year comparisons of performance. In certain cases, reference is made to comparisons that remove exchange rate fluctuations.

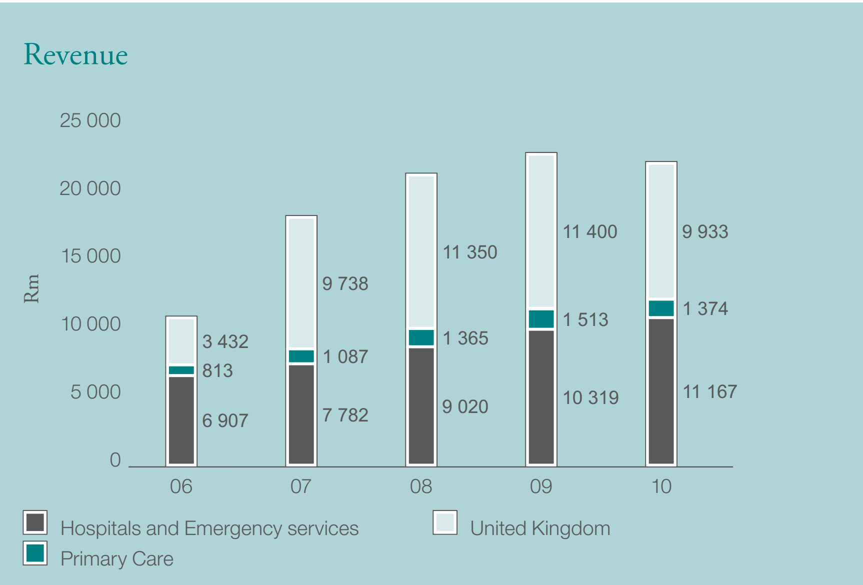
Revenue

The composition of Group revenue by segment for the past five years is set out below.

In SA, Hospital and Emergency services revenue increased by 8.2% to R11 167 million (2009: R10 319 million), driven by stable patient day and occupancy metrics. The Primary Care division undertook a strategic review of its business, which resulted in exiting from certain loss-making clinics. These actions have been successful in returning the division to profitability off a downscaled revenue base of R1 374 million (2009: R1 513 million).

Revenue from the UK operations increased by 2.8% to £855.0 million (2009: £831.5 million), driven by the significant growth in NHS cases, albeit at lower tariffs, and contributions from the newly acquired businesses. This was offset by the winding down of three NHS Independent Sector Treatment Centre contracts.

Group revenue increased by 4.4% in constant currency terms. However, due to exchange rate fluctuations, reported Group revenue declined 3.3% against the prior year to R22 474 million (2009: R23 232 million).



Chief Financial Officer's review (continued)

Operating profit

Group operating profit increased by 0.2% to R3 708 million (2009: R3 700 million). Excluding the impact of currency fluctuations, operating profit grew by 9.2% over the prior year. Hospital and Emergency services improved its operating profit margin to 17.0% (2009: 16.5%) through underlying efficiency improvements and sound financial management. The Primary Care division delivered a pleasing turnaround, moving from an operating loss of R41 million in 2009 to an operating profit of R6 million in the current year.

GHG managed to maintain its operating margins in a tough economic environment, with the realisation of further efficiency improvements being offset by the shift in case mix. This shift is attributable to the rapid growth in NHS caseload and the lower margin contributions from the newly acquired Abbey hospitals and Transform cosmetic surgery business. Operating profit was impacted by a gain on the bargain purchase of assets under business combinations of R81 million and an impairment of non-core investments and assets of R36 million.

Net financial expenses

Net financial expenses decreased by 12.5% to R1 978 million (2009: R2 260 million). Net interest paid decreased due to lower prevailing interest rates in SA, reductions in average debt levels and lower exchange rates used to convert UK borrowing costs.

GHG has fixed its borrowing costs on 97% of its debt until 2013 by means of interest rate swaps. These swaps are derivative instruments and are reflected at fair value in the statement of financial position. Hedge accounting is applied whereby fair value adjustments to the carrying value of the swaps are recognised in comprehensive income to the extent that this form of hedging proves to be effective, with the ineffective portion recognised in the income statement. The current year financial expenses were negatively affected by a non-cash charge of £8.7 million in this regard. Hedge ineffectiveness on the UK interest rate swaps remains an ongoing risk that could negatively impact earnings in future periods, although this would not result in any cash flow consequences to the Group.

Attributable earnings of associates

Attributable earnings of associates decreased to R24 million (2009: R27 million) and include the operational results of the Port Alfred and Grahamstown hospitals PPP for the first full year. The PPPs are accounted for in terms of IFRIC 12 Service Concession Arrangements, which allows for the accounting of revenue and profit during the construction period. As mentioned, the private facilities of Port Alfred and Grahamstown hospitals traded at a loss due to occupancies that were lower than forecast. Netcare accounted for R14 million of profits from the Lesotho PPP in terms of the IFRIC 12 Service Concession Arrangements accounting guidelines.

Taxation

The total tax charge of R294 million (2009: R350 million) equates to an effective tax rate for the Group of 16.8%. The effective tax rate of the SA operations is 26.9%, which differs marginally from the statutory rate due to the utilisation of assessed losses offset by non-deductible expenditure. Included in the tax line is a credit of £13.7 million representing the release of deferred tax following the substantive enactment of a reduction in the UK statutory tax rate from 28% to 27%.

Profit from discontinued operations

Profit from discontinued operations in the prior year relates to the disposal of Netcare's interest in the Ampath Holdings Trust, comprising R46 million of trading results and an after tax capital profit of R588 million.

Headline earnings

Basic headline earnings per share (HEPS) increased by 23.4% to 96.5 cents (2009: 78.2 cents), of which the SA operations contributed 85.0 cents and the UK operations 11.5 cents.

Statement of financial position

Property, plant and equipment

The carrying value of property, plant and equipment decreased by R1 245 million from the balance in the prior year. However, R1 690 million of this amount is due to the impact of currency conversion. Capital expenditure continued to be tightly controlled in both geographies and stringent return hurdles are applied to capital allocations, in line with the Group's focus on cash value-add investment returns. Total capital expenditure amounted to R1 284 million (2009: R1 272 million) for the year, including R351 million spent on expansionary projects.

The Group's SA infrastructure was further extended during the year by adding 28 surgical, five paediatric and four high care beds at Netcare Kuilsriver Hospital, commissioning a 30-bed bone marrow transplant unit at Netcare Pretoria East Hospital, renovating the trauma and intensive care unit (ICU) and adding five trauma ICU beds at Netcare Sunninghill Hospital, opening a fully integrated oncology centre specialising in intensity modulated and image guided radiation therapy at Netcare Clinton Hospital, and opening the first neuro-interventional MRI (magnetic resonance imaging) and CT (computed tomography) theatre in Africa at Netcare N1 City hospital.

Expansionary capital expenditure in the UK includes a spend of £3.1 million on equipping the newly opened BMI Syon Clinic in London and £2.5 million on the phased upgrade of seven operating theatres at the BMI Alexandra Hospital in Manchester.

Goodwill

The carrying value of goodwill on the Group's statement of financial position amounted to R13 153 million (2009: R14 303 million). R12 616 million (£1 154.3 million), arose from the acquisition of GHG and has been allocated to the hospital operations and property cash-generating units. During the year, further goodwill of £4.1 million arose from the acquisition of Transform and BMI Southend, both in the UK.

Goodwill is reviewed for impairment at each reporting period in accordance with the provisions of IAS 36 Impairment of Assets, and the recoverable amount of the cash-generating units is based on a value in use calculation. The key judgement areas applicable to the impairment review include discount rates, residual value of properties and future cash flows. No goodwill was impaired during the year under review.

Working capital

Optimising working capital remains a key focus area across the Group. The shared service centres have continued to deliver efficiencies in difficult market conditions, and it is pleasing that working capital has declined in both geographies. The growth in the UK trade receivables has been driven by the increase in NHS case load and a decline in self-pay cases.

Post-retirement benefit obligations

The Group has two post-retirement benefit obligations. In SA, Netcare has an obligation to subsidise the medical aid contributions of certain pensioners and employees who joined the Netcare Medical Scheme prior to November 2006. The present value of this obligation equates to R158 million (2009: R146 million). The scheme is now effectively closed and the Group continues to investigate methods of reducing its exposure.

In the UK, GHG has a defined benefit pension fund that has been closed to future accrual since 31 August 2008. The pension fund liability of £1.9 million (2009: £12.7 million) has been reduced significantly during the year, due to recovery in the UK equity markets.

Taxation payable

GHG has approximately £210 million of accumulated tax losses available to off-set against future taxable income, and a deferred tax asset has been recognised against £73 million of this future benefit. It is expected that all tax losses will be utilised by 2013 and until then, the effective UK tax rate will remain significantly below the statutory rate.

Financial liability – Derivative financial instruments

SA manages its interest rate fluctuations on a pool of funds basis, whereby up to 75% of total debt is hedged by interest rate swaps. At year-end 59% of total debt was fixed, while the rest remains at floating rates linked to prime and Jibar.

The UK hedges its exposure to interest rate fluctuations through five interest rate swaps, which effectively hedge 97% of total debt. These swaps comprise:

- A 10-year amortising swap covering a notional loan of £170 million, maturing in April 2015;
- A 10-year amortising swap covering a notional loan value of £1 605 million, maturing in April 2016;
- A forward starting 15-year swap with an effective starting date of April 2016;
- An eight-year amortising swap covering a notional loan value of £79 million, maturing in April 2015; and
- A six-year amortising swap covering a notional loan value of £17 million, maturing in May 2031.

The Group applies hedge accounting on the interest rate swaps in accordance with IAS 39 Financial Instruments: Recognition and Measurement by using regression analysis modelling to determine hedge effectiveness, both in SA and the UK. We employ a dynamic hedging strategy on certain interest rate swaps whereby the portion of the swap designated for hedging purposes may be varied in order to achieve optimum hedge effectiveness. No hedge terminations or re-designations were made under this strategy during the year; however, this position will remain under review in the year ahead to respond to changing market dynamics. Of the fair value movement of £142.3 million, £8.7 million has been recognised in the income statement. It should be noted that these fair value adjustments have no cash flow impact on the Group.

Debt

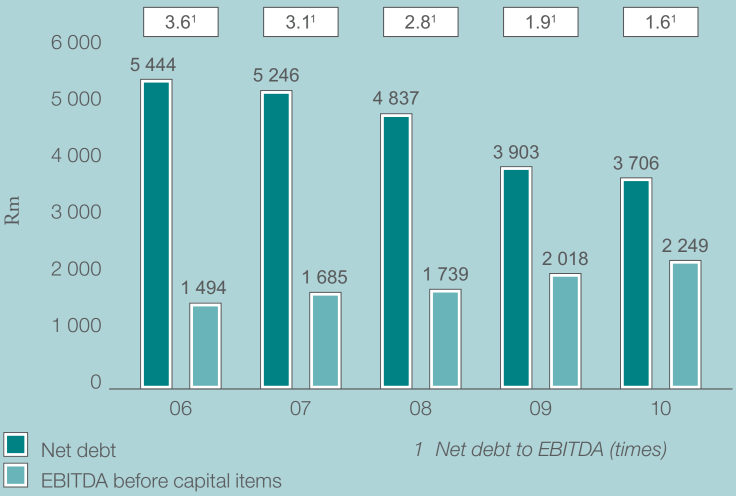
Net debt decreased by R2 257 million to R24 197 million (2009: R26 454 million) at year-end. £1 875 million (2009: £1 887 million) of this debt relates to the UK and is without recourse to the SA business, being secured against assets in the UK. The majority of the reduction in debt is due to exchange rate fluctuations amounting to R1 912 million. The net debt to EBITDA ratio continues to improve, moving from 5.4 to 5.0 times coverage by year-end.

Working capital movements

	2010	2009	% change
South Africa (Rm)			
Inventory	**413**	361	14.4
Trade and other receivables	**1 693**	1 794	(5.6)
Trade and other payables	**(1 764)**	(1 675)	(5.3)
Taxation	**(250)**	(302)	17.2
	92	178	(48.3)
United Kingdom (£m)			
Inventory	**22**	22	
Trade and other receivables	**147**	136	8.1
Trade and other payables	**(124)**	(106)	(17.0)
Taxation	**(2)**	(2)	
	43	50	(14.0)

Chief Financial Officer's review (continued)

South African net debt: EBITDA



South Africa

SA net debt continues to decline with net debt of R3 706 million reflecting a decrease of R197 million. Net debt to EBITDA also continues to decline and is set at 1.6 times, its lowest level in the past five years. The average debt maturity has reduced to just under one year.

United Kingdom

The gross debt in the UK amounted to £1 955.0 million at 30 September 2010, compared to £1 927.7 million in the prior year. The increase arises from the drawdown of the OpCo capex facility of £20.0 million and the inclusion of a further £20.0 million of debt arising from the Transform acquisition, offset by the repayments of £27.9 million.

The UK debt financing is in place for the next three years, after which various facilities begin to mature between October 2013 and January 2015.

The UK business met all of its debt covenants during the financial year, which are tested on a quarterly basis. Covenants are set on both the GHG Property companies (PropCo) and the OpCo divisions. The PropCo covenants comprise:

- Interest cover;
- Rent cover; and
- Loan to value.

The loan to value ratio is not tested unless the rent cover drops below 1.4 times, and the Group currently enjoys adequate headroom before the rent cover ratio drops below this hurdle. Interest cover is not considered to be a risk as both rental and interest are fixed through leases and interest rate swaps respectively.

The OpCo covenants comprise:

- Cash cover;
- Interest cover;
- Leverage; and
- Capital expenditure.

The forecast covenant compliance is based on a number of key assumptions and permitted adjustments, which indicate that significant headroom exists on all covenants. The tightest covenant is the cash cover ratio which is forecast to have headroom of £15 million, increasing to £40 million if potential cures are activated.

GHG has undrawn loan facilities of £55.7 million.

Cash flow

Cash generated from operations at R4 934 million, is 6.3% higher than the prior year result of R4 640 million. The Group cash conversion to EBITDA ratio of 101.4% is higher than the 2009 ratio of 94.2%. This increase can be attributed to a decrease in working capital balances in both SA and the UK. This is a particularly pleasing ratio given the turbulent economic conditions that prevailed during the year.

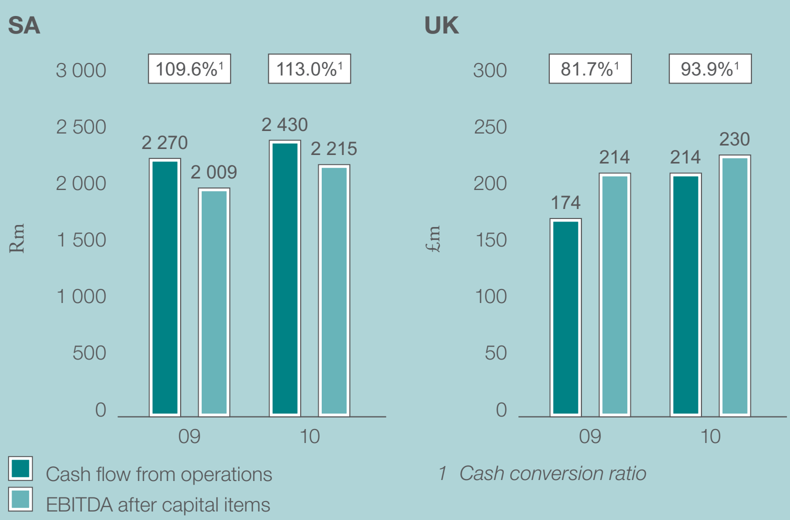
Risk management

Netcare is exposed to a number of external risks which could have a significant impact on our results. These risks are monitored on an ongoing basis. Appropriate derivative instruments are used to mitigate risk wherever possible, in line with the Group's strategy.

Read more

The Group's financial risks are outlined in note 33 of the annual financial statements on:
pp 179 to 184

Cash generated from operations



Financial targets

The Group's performance targets and achievements against these targets are set out on page 7. Actual performance is regularly evaluated against targets and, when necessary, targets are revised. We are pleased to report that we met all targets except for revenue growth in SA, which was negatively affected by the closure of loss-making clinics in Medicross.

Accounting policies

The Group adopted the following new and revised International Financial Reporting Standards (IFRS) during the year:

- IFRS 3 Business Combinations (revised);
- IFRS 7 Financial Instruments: Disclosures;
- IFRS 8 Operating Segments;
- IAS 27 Consolidated and Separate Financial Statements (revised); and
- Improvements to IFRS 2008 and 2009 (a number of which we have adopted earlier than required).

The adoption of these statements has not had any material effect on the Group financial statements and, in most instances, these statements have given rise to additional disclosures within the notes to the annual financial statements.

Read more

The Group's accounting policies can be found in note 1 of the annual financial statements on pp 138 to 149

There are a number of new standards and interpretations that have been released and are not yet effective. These are dealt with in more detail on page 149.

Capital reduction and dividend

The Board of directors declared a final capital reduction out of share premium of 6.5 cents per ordinary share and a dividend of 21.0 cents per ordinary share, payable to shareholders recorded in the Company's register at 21 January 2011. In the prior year, a final capital reduction out of share premium of 22.0 cents per ordinary share was distributed to shareholders. Total distributions to shareholders in respect of the 2010 financial year, including the interim capital reduction of 19.0 cents per share, amounts to 46.5 cents (2009: 38.0 cents) per ordinary share, representing an increase of 22.4%.

Looking ahead

Financial targets

The Group is forecasting revenue growth in the upper single digits in SA and modest revenue growth in the UK. EBITDA margin is expected to show marginal improvement in SA. However, considering the challenging conditions in the UK economy and a change in the case mix, margin dilution is expected in the UK. Cash conversion of 95% is set for SA operations with a slightly lower ratio of 85% for the UK operations, due to the change in revenue mix.

In May 2010 Netcare's Board approved an additional capital expenditure budget of R670 million, specifically allocated to expansionary and capacity-enhancing projects. These projects include the new Waterfall Hospital in Midrand, 12 large projects to add 295 new beds, refurbishment of 238 beds, three new theatres, 30 doctors' consulting rooms and 21 smaller projects. The capital expenditure will be invested over the course of the next three years and will be funded from internally-generated cash flows and existing facilities. Together with the spend on Waterfall Hospital, due to open in August 2011, as well as replacement capital expenditure, total budgeted capital expenditure for 2011 will be around R1 billion.

Debt refinancing

The convertible bond of R1 475 million matures in September 2011. To ensure that there is sufficient liquidity in place should the bond not convert, appropriate committed facilities have been arranged with a South African bank, which were concluded after year-end.

Interest rate swaps

The scale and complexity of accounting for these financial instruments in difficult market conditions means that the risk of further volatility and potential income statement impact remains high. Material non-cash fair value movements could flow through the income statement in future years.

Acknowledgements

I would like to extend my gratitude and appreciation to our dedicated financial personnel across the Group. Your ongoing support and commitment enables the Company to consistently report quality financial information to all its stakeholders.

Vaughan Firman
Chief Financial Officer

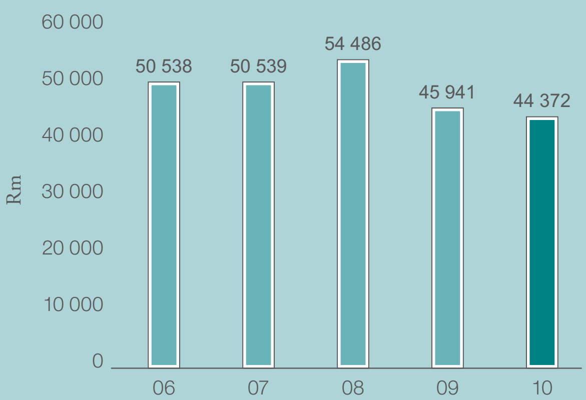
Five-year review

Statement of financial position

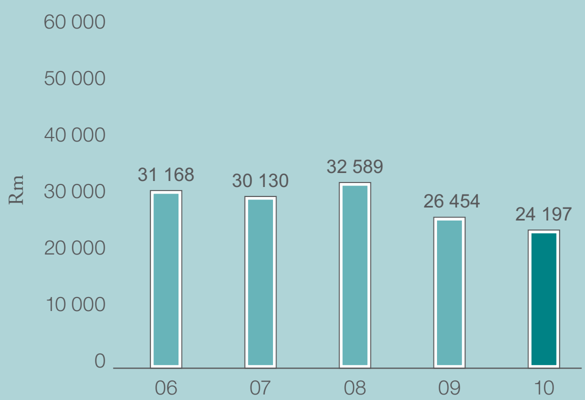
Rm	2010	2009	2008	2007	2006
ASSETS					
Non-current assets					
Property, plant and equipment	**23 852**	25 097	29 732	26 683	27 246
Goodwill and intangible assets	**13 484**	14 669	17 910	16 380	17 016
Associated companies, investments and loans	**180**	130	104	298	255
Financial asset – Derivative financial instruments	**26**		558	1 453	834
Deferred taxation	**1 446**	1 147	689	514	396
Total non-current assets	**38 988**	41 043	48 993	45 328	45 747
Total current assets*	**5 384**	4 898	5 493	5 211	4 791
Total assets*	**44 372**	45 941	54 486	50 539	50 538
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent	**4 157**	4 144	4 493	4 132	2 237
Preference share capital and premium	**644**	644	644	644	644
Non-controlling interest	**1 728**	2 345	3 714	3 806	3 355
Total shareholders' equity	**6 529**	7 133	8 851	8 582	6 236
Non-current liabilities					
Long-term debt	**21 630**	25 423	31 530	28 944	29 224
Financial liability – Derivative financial instruments	**4 113**	2 797	1 654	1 156	2 152
Post-retirement benefit obligations	**179**	297	126	115	294
Deferred lease liability	**122**	114	91	63	64
Deferred taxation	**4 430**	5 041	6 463	6 073	6 399
Provisions	**30**	48	56	90	140
Total non-current liabilities	**30 504**	33 720	39 920	36 441	38 273
Total current liabilities*	**7 339**	5 088	5 715	5 516	6 029
Total equity and liabilities*	**44 372**	45 941	54 486	50 539	50 538

* *Includes discontinued operation.*

Total assets



Net debt

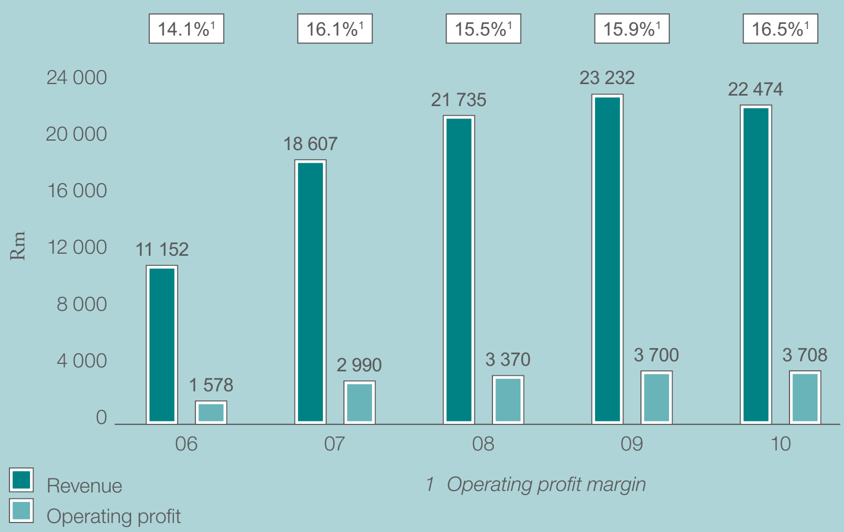


Income statement

Rm	Compound growth %#	2010	2009	2008	2007	2006
CONTINUING OPERATIONS						
Revenue	19.1	**22 474**	23 232	21 735	18 607	11 152
Cost of sales		**(12 893)**	(13 701)	(12 842)	(10 856)	(6 376)
Gross profit		**9 581**	9 531	8 893	7 751	4 776
Other income, administrative and other expenses		**(5 873)**	(5 831)	(5 523)	(4 761)	(3 198)
Operating profit	23.8	**3 708**	3 700	3 370	2 990	1 578
Financial income and expenses	20.9	**(1 978)**	(2 260)	(2 427)	(2 135)	(927)
Attributable earnings of associates		**24**	27	2	32	28
Profit before taxation	26.8	**1 754**	1 467	945	887	679
Taxation		**(294)**	(350)	(68)	99	(229)
Profit for the year from continuing operations	34.2	**1 460**	1 117	877	986	450
DISCONTINUED OPERATION						
Profit for the year from discontinued operations			634	105	109	87
Profit for the year		**1 460**	1 751	982	1 095	537
Attributable to:						
Owners of the parent		**1 233**	1 564	801	927	729
Preference shareholders		**53**	73	67	30	12
Non-controlling interest		**174**	114	114	138	(204)
		1 460	1 751	982	1 095	537

 # Four-year compound growth percentage per annum.

Revenue and operating profit



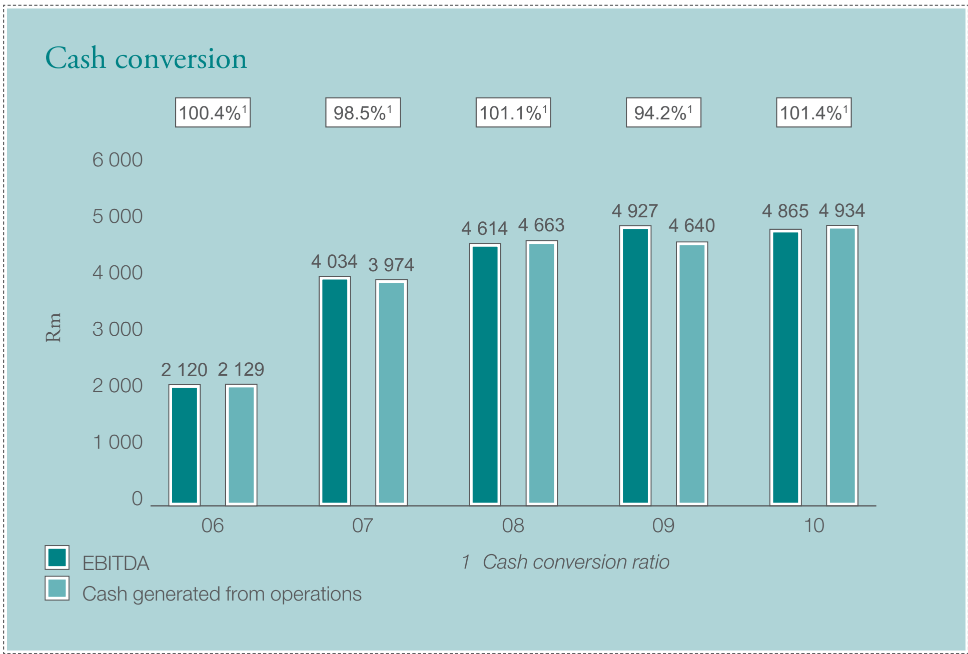
1 Operating profit margin

Five-year review (continued)

Statement of cash flows

Rm	Compound growth %#	2010	2009	2008	2007	2006
Cash generated from operations before working capital changes		**4 797**	5 011	4 735	4 252	2 179
Working capital changes		**137**	(371)	(72)	(278)	(50)
Cash generated from operations	23.4	**4 934**	4 640	4 663	3 974	2 129
Interest paid		**(1 981)**	(2 430)	(2 558)	(2 355)	(838)
Taxation paid		**(565)**	(526)	(290)	(286)	(234)
Ordinary dividends paid by subsidiaries		**(1)**	(3)	(1)		
Preference dividends paid		**(53)**	(73)	(67)	(30)	(12)
Capital reductions paid	7.4	**(521)**	(430)	(406)	(347)	(391)
Net cash from operating activities	29.0	**1 813**	1 178	1 341	956	654
Net cash from investing activities		**(1 298)**	(333)	(2 175)	(1 664)	(17 818)
Net cash from financing activities		**138**	(978)	889	614	19 273
Increase/(decrease) in cash and cash equivalents		**653**	(133)	55	(94)	2 109
Translation effects on cash and cash equivalents of foreign entities		**(82)**	(115)	(32)	39	(1 393)
Cash and cash equivalents at beginning of year		**714**	962	900	1 009	293
Cash in disposal group held for sale				39	(54)	
Cash and cash equivalents at end of year	6.2	**1 285**	714	962	900	1 009

 # Four-year compound growth percentage per annum.

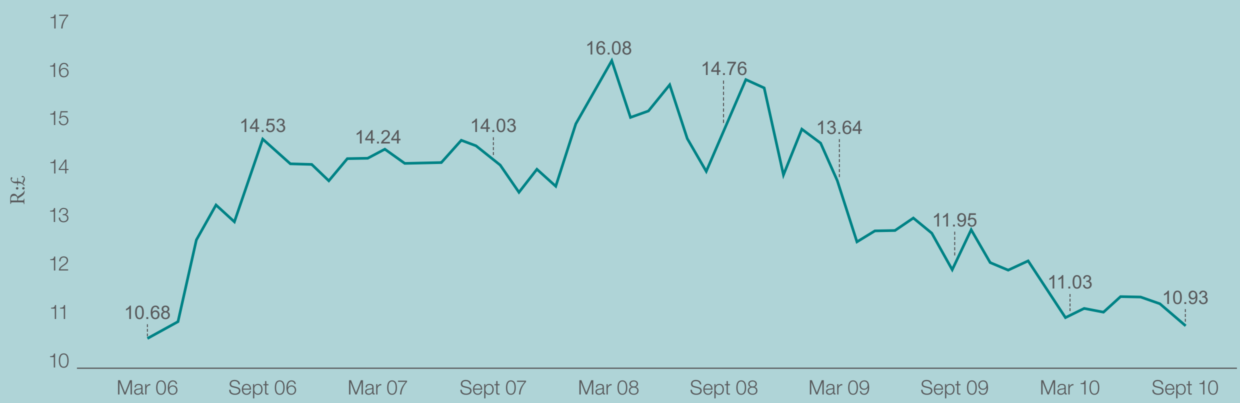


Ratios

		2010	2009	2008	2007	2006
PROFITABILITY AND ASSET MANAGEMENT						
Operating profit margin*	%	**16.5**	15.9	15.5	16.1	14.1
Operating profit return on net assets*	%	**11.6**	9.9	8.4	8.0	7.7
Return on equity attributable to owners of the parent	%	**29.5**	22.9	18.0	30.0	23.0
LIQUIDITY AND LEVERAGE						
Current ratio	:1	**0.7**	1.0	1.0	0.9	0.8
Quick ratio	:1	**0.6**	0.8	0.8	0.8	0.7
Interest cover*	times	**2.0**	1.6	1.4	1.4	1.9
Debt:equity ratio*	%	**370.6**	370.9	368.2	351.1	499.8
Total liabilities to ordinary shareholders' equity	%	**9.1**	9.4	10.2	10.2	19.8
EXCHANGE RATES						
Closing rate at 30 September	R:£	**10.93**	11.95	14.76	14.03	14.53
Average rate for the year	R:£	**11.63**	13.73	14.65	14.13	11.90

* *Based on continuing operations.*

Rand:Pound Sterling monthly closing rate



Five-year review (continued)

Key performance indicators

	2010	2009	2008	2007	2006
OPERATIONAL PERFORMANCE INDICATORS					
South African hospitals					
Number of hospitals[1]	**54**	54	52	49	47
Registered beds	**8 874**	8 766	8 678	7 936	7 610
Increase in patient days (%)	**0.6**	4.9	12.8	4.5	3.8
(Decrease)/increase in patient admissions (%)	**(3.5)**	4.3	10.8	5.9	5.3
Average length of stay	**3.44**	3.36	3.32	3.32	3.24
Primary Care					
Medicross medicentres	**69**	79	77	70	67
Prime Cure clinics	**22**	24	27	25	37
Total number of visits	**3 345 330**	3 690 342	3 742 812	3 582 693	3 276 319
Number of lives managed	**181 881**	256 243	235 039	177 355	129 920
United Kingdom hospitals					
Number of hospitals[1]	**64**	57	55	48	49
Registered beds	**3 035**	2 878	2 840	2 606	2 658
Patient admissions (total cases)	**276 192**	261 166	246 502	229 495	241 173
Outpatient cases	**1 279 539**	1 135 010	944 360	892 527	865 697
SOCIAL PERFORMANCE INDICATORS					
Total employees	**30 096**	29 648	28 884	27 730	26 268
South Africa	**20 887**	20 518	19 681	18 877	17 718
United Kingdom	**9 209**	9 130	9 203	8 853	8 550
ABC employee representation[2] (%)	**66.0**	64.7	63.1	61.4	57.6
Unionised employees[2] (%)	**48.0**	40.8	41.6	39.0	39.8
Training expenditure[2] (R million)	**114**	93	95	100	86
Community investment[2] (R million)	**57**	37	25	37	29
ENVIRONMENTAL PERFORMANCE INDICATORS					
Energy use[2] (GigaJoules)	**820 075**	935 306	876 890	1 056 562	731 003
Water use[2] (Kilolitres)	**1 682 000**	1 467 000	1 815 909	1 682 000	1 613 800
CO_2e emissions[2, 3] (Metric tons)	**274 041**	296 987	278 901	250 970	
Total CO_2e per R1 million revenue[2, 3]	**21.85**	25.10	26.86	24.32	

1 Owned and managed hospitals.
2 SA operations only.
3 Information not available on a comparable basis for 2006.

Share performance

		Compound growth %#	2010	2009	2008	2007	2006
ORDINARY SHARE PERFORMANCE							
Shares in issue	million		**1 437**	1 426	1 858	1 841	1 779
Shares in issue net of treasury shares	million		**1 277**	1 266	1 262	1 245	1 183
Weighted average number of shares	million		**1 271**	1 263	1 261	1 230	1 448
Diluted weighted average number of shares	million		**1 303**	1 275	1 280	1 293	1 469
Attributable earnings per share	cents						
Basic		17.8	**97.0**	123.8	63.5	75.4	50.3
Diluted		17.5	**94.6**	122.6	62.6	71.7	49.6
Headline earnings per share	cents						
Basic		21.5	**96.5**	78.2	61.5	77.6	44.3
Diluted		21.1	**94.1**	77.5	60.5	73.8	43.7
Distributions per share	cents	14.6	**46.5**	38.0	32.0	31.0	27.0
Capital reduction			**25.5**	38.0	32.0	31.0	27.0
Dividend			**21.0**				
Distribution cover	times		**2.1**	2.1	1.9	2.5	1.6
Equity attributable to owners of the parent per share	cents		**325.5**	327.3	356.0	331.9	189.1
Market capitalisation	R million		**19 888**	14 788	15 329	21 963	22 056
Earnings yield	%		**7.0**	7.5	7.5	6.5	3.6
Distribution yield	%		**3.4**	3.7	3.9	2.6	2.2
Price:earnings ratio	times		**14.3**	13.3	13.4	15.4	28.0
STOCK EXCHANGE PERFORMANCE							
Market price per share	cents						
At 30 September			**1 384**	1 037	825	1 193	1 240
Highest			**1 410**	1 090	1 360	1 677	1 318
Lowest			**1 048**	600	630	1 150	611
Weighted average			**1 291**	866	948	1 368	950
Number of share transactions			**129 387**	112 941	22 384	114 167	77 800
Value of share transactions	R million		**9 398.0**	9 637.4	5 814.9	15 964.3	10 042.2
Volume of shares traded	million		**727.9**	1 112.9	664.1	1 166.9	1 057.0
Volume traded to issued	%		**57.0**	87.9	52.6	93.7	89.3

Four-year compound growth percentage per annum.

South African review

Overview

8.3 percent	increase in revenue per patient day.
120 beds	added to existing Netcare facilities.
7.6 million	Netcare 911 lives under management.
29.0 percent	decrease in Primary Care managed lives.
>4 thousand	patients screened by National Renal Care.
>3 thousand	nurses and paramedics trained.

Executive Committee

Richard Friedland (49)

Group Chief Executive Officer

Qualifications: BvSc, MBBCh, Dip Fin Man, MBA

Joined 1997

Vaughan Firman (47)

Group Chief Financial Officer

Qualifications: BAcc, CA(SA), HDip Tax Law

Joined in 2004

Victor Litlhakanyane (46)

Group Stakeholder Relations Director

Qualifications: MBChB, M Med (Radiotherapy), MBA

Joined in 2004

Eileen Brannigan (55)

Group Nursing Director

Qualifications: BSocSc (Nursing), BSc (Hons), Dip IR, LLB

Joined in 1997

Melanie Da Costa (38)

Director – Strategy and Health Policy

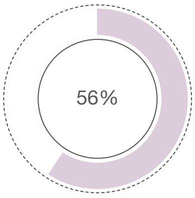
Qualifications: MCom, CFA

Joined in 2006

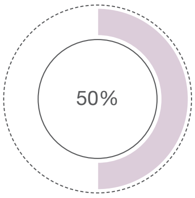


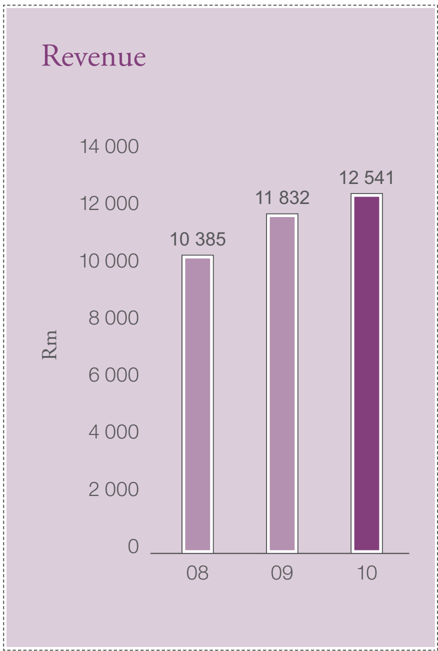


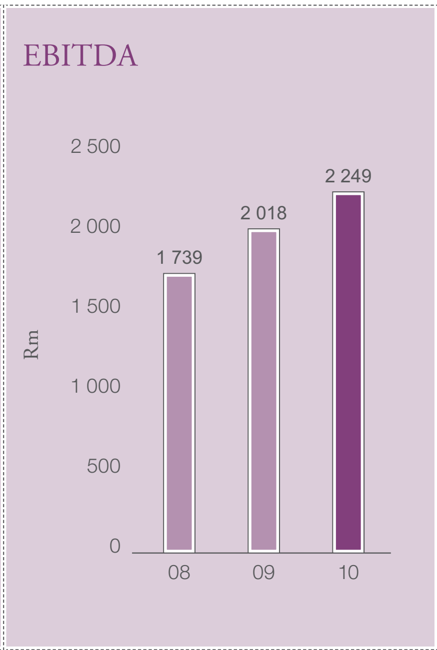
Contribution to Group revenue



Contribution to Group operating profit







Rm	2010	2009	% change
Revenue	**12 541**	11 832	6.0
EBITDA[1]	**2 249**	2 018	11.4
Operating profit[1]	**1 899**	1 662	14.3
EBITDA[1] margin (%)	**17.9**	17.1	
Operating profit[1] margin (%)	**15.1**	14.0	
Capital expenditure	**787**	747	5.4

1 Before capital items.

Jacques du Plessis (46)

Managing Director – Hospitals

Qualifications: BCompt (Hons) Accounting

Joined Medicross in 1996

Tumi Nkosi (48)

Managing Director – Emergency services

Qualifications: MBA and Chartered Marketer

Joined in 2007

Charmaine Pailman (54)

Managing Director – Primary Care

Qualifications: MBChB, MPH

Joined in 2006

Peter Warrener (49)

Group Human Resources Director

Qualifications: BSocSci, Dip Fin Man

Joined in 2007

Health policy and regulation

2010 will be recorded as a seminal year in health reform, with the USA enacting the Patient Protection and Affordable Care Act, the United Kingdom (UK) announcing radical reforms in its White Paper and South Africa (SA) starting to flesh out turnaround strategies in public health delivery.

Introduction

Health reform agendas are reverting to the basic foundations of primary healthcare and quality patient care. Furthermore governments are increasingly embracing an expanded role for the private sector, through partnerships that help alleviate the burden on public healthcare.

In critical health indicators, such as maternal and child mortality, HIV and TB prevalence, SA is unlikely to achieve its 2015 Millennium Development Goals. This is attributed to the prevalence of HIV, complications associated with hypertension and deficiencies in obstetric services, and ongoing management and resource constraints in healthcare provision.

During 2010 much energy and work was dedicated to diagnosing performance issues in the public health system and formulating solutions. A key outcome was the need to focus on quality of care across all health delivery platforms.

Quality reform

SA health standards are in the process of being regulated and it is expected that an independent body which will regulate compliance will be established. Lessons from the UK's National Health Service (NHS) are informing the strategy. In future, public and private hospitals in SA will need to pass quality audits to achieve National Health Insurance (NHI) accreditation.

National Health Insurance

In September 2010, the African National Congress (ANC) announced a more pragmatic approach to the proposed NHI. Comprehensive plans, including details on institutional design, funding and human resourcing, have yet to be submitted to Cabinet. Once submitted, and following Cabinet's approval, a Green Paper (policy paper) will be tabled for public debate.

According to recent communication from the Department of Health (DoH)[1], the NHI will initially focus on primary healthcare and specifically the delivery of care in rural areas. It is understood that the government plans to have all vacant posts in the public health system filled by 2012. However, this target will be difficult to meet considering that 49% of general practitioner (GP) posts and 44% of specialist posts in the public sector are vacant[2]. There is a dire shortage of doctors in both the private and public sectors and SA is currently only producing enough doctors to maintain the status quo.

As reflected in the table on the right, SA has 55 doctors per 100 000 population. SA's doctor ratio does not compare favourably to countries with a similar income or development level, for example Brazil. If SA tries to achieve the doctor to population ratio in Brazil we would need to produce more than 60 000 doctors – more than double the current total. At current capacity, SA only trains 1 400 GPs and 820 specialists per annum[3].

Financial resources

The growth in the NHI spend as per the budget (2012-2025) published in an ANC Discussion Document on NHI is high at 8.65% real growth rate per annum, which outstrips probable real growth in government expenditure over that period quite considerably.

According to an analysis of the discussion document's proposals, GDP growth of 7.0% per annum and above will be required for the economy to absorb the initial budgeted expenditure on NHI, with a target spend of approximately 15.0% of government budget and 8.0% of GDP[4]. If one considers the historic performance of the South African economy, the more likely sustainable growth rate is between 3.5% and 4.5% per annum[4], which will result in healthcare expenditure consuming between 22.8% and 28.2% of government spending.

SA doctors shortage

55 doctors per 100 000 population

Vacant public sector posts

49%	44%
GP posts	specialist posts

Estimates of active doctors

	Public	Private	Total
GPs	11 026	6 775	17 802
Specialists	4 220	5 410	9 630
Total	**15 246**	**12 186**	**27 432**

Source: Econex Health Reform Note 7, October 2010.

International comparative healthcare ratios

	Doctors per 100 000 population
High-income countries*	280
Middle-income countries*	180
Low-income countries*	50
South Africa[5]	**55**
Lesotho	5
Brazil	185
Mexico	198
USA	256
Greece	500
UK	230
Australia	247

Source: Econex calculations and World Health Organisation 2008[6].

* *Refers to World Bank 2001 ratios quoted in Breler and Wilschut, 2006, "Doctors in a divided society", HSRC press.*

The rise in healthcare spending to these levels could open up significant economic debates. This is a remarkably high ratio considering the starting point of 15.5% in 2012.

The funding for NHI would also rely on government's ability to raise additional revenue through taxes to boost fiscal revenues, depending on the performance of the economy. It further presents a number of challenges with regard to the funding approach used, including funding through an earmarked or general tax such as VAT, which would place an additional financial burden on citizens, especially on the poor.

Payment reform

On 28 July 2010 the North Gauteng High Court ruled that the Regulations Relating to the Obtainment of Information and the Process of Determination and Publication of Reference Price List (RPL) were reviewed, declared invalid and set aside: "It was therefore incumbent upon the Director-General to produce an effective RPL which sets rates at an appropriate, reasonable level that was grounded in the reality of costs of operating private medical practices. Regrettably, this did not occur and the 2009 RPL fell well short of the statutory requirement."

The ruling means the DoH has to devise a new process for determining cost benchmarking or reference prices for the private health sector.

On 28 October 2010 the DoH and the Council for Medical Schemes published a discussion document entitled "The Determination of Prices in the Private Health Sector". The document proposes two parallel but distinct processes. The first is the creation of a public price determination authority. The second process aims to establish voluntary interim tariff negotiations. The discussion document states that both of these processes will only commence after an exemption from the provisions of the Competition Act is obtained. However, notwithstanding the processes contemplated in the discussion document, it is arguable that these processes must also accord with the provisions of the National Health Act and administrative law in general.

1 *ANC National General Council 2010. Additional Discussion Documents.*

2 *Econex Health Reform Note 8, October 2010. Quoting PERSAL, March 2010.*

3 *Econex Health reform note 8: The Human Resource Supply Constraint – the case of doctors.*

4 *Econometrix. The NHI – reallocating finite resources. October 2010.*

5 *South African numbers refer to all doctors, including GPs and specialists. Econex.*

6 *Note that the WHO report provides a ratio of 77/100 000 for SA, so similar over- and under-estimates are possible for other listed countries.*

Conclusion

Netcare supports initiatives that broaden access to quality healthcare for all South Africans. As demonstrated by the 2010 public sector strikes, we stand ready to assist in public healthcare delivery.

Global policy-makers see promoting patient choice as a way of increasing competition between the public and private sectors with the associated efficiency gains. Furthermore permitting public patients to use private facilities is also an efficient method of utilising any spare capacity available in the private hospital sector. The UK has made great strides in patient choice and the DoH's July 2010 White Paper has an express objective of expanding patient choice through the purchase of hospital services from 'Any Willing Provider' (public or private).

As a sector we should focus our energies on achieving a sustainable, integrated healthcare system that results in improved health for all.

Hospital operating review

Netcare's Hospital division owns and manages 54 private hospitals across South Africa (SA), of which four are Public Private Partnerships (PPPs). The division comprises a mix of full-service, high-tech hospitals and same-day surgical units including a number of centres of excellence.

Registered beds	
8 874	8 766
2010	2009

Nurses trained	
3 231	3 367
2010	2009

Our business

The Hospital division has 8 874 registered beds representing approximately 29% of the private healthcare market, with 7% of the total registered beds in SA including state facilities.

The division's service offering is tailored towards providing specialised care. It includes 331 theatres, with 16% of total beds being intensive care (ICU) and high care (HC). The division has 25 catheterisation laboratories, including four electrophysiology (EP) laboratories, 42 accident and emergency units, 39 hospitals offering maternity services, 47 retail and 49 institutional pharmacies, seven transplant units, 38 specialised rape crises centres and eight breast milk reserve centres.

The year in review

The Hospital division posted solid results, recording an 8.3% increase in revenue per patient day. Demand for hospital services was maintained and patient days increased by 0.6%, off the high base of a 4.9% growth achieved in 2009. Length of stay increased by 2.4%. We recorded a shift towards more medical than surgical cases, with surgical revenue representing approximately 75% of total revenue.

The change in the patient profile – from ageing, increased lifestyle diseases and the positive impact of enabling medical technology – continues to drive increased utilisation. It is evident that the demand for private healthcare remains strong, fuelled by an increase in the medically insured population.

We have 75% (2009: 85%) of our business under fee for service (FFS) contracts and 25% (2009: 15%) under alternative reimbursement models (ARM). We continue to develop protocols and guidelines to ensure quality outcomes at the lowest possible cost. On average, generic medication comprises 69% (2009: 63%) of substitutable medicines dispensed in our hospitals, contributing to lower cost, but continuing the quality of healthcare provided. Standardisation of surgical products continues to yield good results.

A significant cost driver remains the shortage of skilled nursing and pharmacy staff, a risk we mitigate by operating our own training colleges. During 2010, we trained more than 3 200 learners at our five campuses. Learners studied various basic, post-basic and six-month short nursing programmes and 1 192 students graduated during the year.

Read more

Further details on staff training can be found in the Human capital report on:

pp 94 to 99

Of our management staff, 293 completed Management Development Programmes and 23 Surgical Technology and Clinical Engineering Technical Assistant learners were also trained. We will continue to train learners during the 2011 financial year.

For the 2010 FIFA World Cup™, 22 Netcare hospitals were designated as strategic healthcare providers and 574 local and overseas patients were treated during this period.

During the public sector strike in 2010, Netcare made its facilities and personnel available to assist critically ill patients in need of hospitalisation or care, despite capacity constraints. We admitted over 800 patients who needed urgent medical care, including more than 200 babies and children. No charges were levied by Netcare, the doctors or specialists, including radiologists and pathologists, for these services. We managed the impact of the strike effectively as a result of having a robust disaster management plan in place, which was refined for the 2010 FIFA World Cup™.

Working capital was controlled very effectively during the year with debtors' days at record low levels. Stock was kept at minimum levels throughout the year due to effective stock control and the centralised shared service contributed to an improvement in working capital.

During the year under review, 120 beds were added at the following hospitals:

- Parklands Hospital – six neo-natal intensive care unit (NICU) beds;
- St Anne's Hospital – five ICU beds;
- Kuils River Hospital – 28 surgical beds, five paediatric beds and four HC beds;
- Greenacres Hospital – five cardiac care unit (CCU) beds, 11 ICU/HC beds and 26 general beds;
- Umhlanga Hospital – six paediatric beds and 19 general beds; and
- Sunninghill Hospital – five trauma ICU beds.

Previously not available in Africa, new technologies were introduced during the year:

- A robotic electrophysiology system at the Christiaan Barnard Memorial Hospital. The Hansen medical catheter control system is designed to facilitate manipulation, positioning and control of mapping percutaneous catheter within the atria of the heart.
- A stereotactic Niobe electrophysiology catheterisation laboratory at Sunninghill Hospital. The Niobe Magnetic Navigation system allows for the precise control of a guidewire in a three dimensional space within the body without requiring reshaping of the tip to access vessels or areas of the heart that are often challenging when using conventional wires. It comprises two external magnets that are capable of moving in all planes to generate magnetic vectors that can realign a guidewire with a small magnetic tip.
- An interventional MRI (magnetic resonance imaging) and Computed Tomography (CT) theatre at N1 City Hospital. The combination of having the MRI and CT equipment alongside the operating room, ensures that after operating on patients, they can be taken directly into the MRI scanner to confirm all tumour resection is complete.

In addition, we upgraded a 25-bed paediatric ward at Parklane Hospital, a 17-bed neo-natal unit at Garden City Hospital, the paediatric ward at Unitas Hospital, the ICU and casualty unit at Sunninghill Hospital, as well as an epilepsy monitoring unit and 11 theatres at Milpark Hospital.

Hospital operating review (continued)

A fully integrated oncology centre was opened at Clinton Hospital, specialising in intensity modulated and image guided radiation therapy. A 30-bed bone marrow transplant unit and a new cardiac catherisation laboratory were commissioned at Pretoria East and Linksfield hospitals respectively.

An additional R305 million was spent on new and replacement medical equipment, including a new hybrid catherisation laboratory at Sunward Park Hospital, with an additional R86 million spent on plant and equipment.

The construction of the new 132-bed private hospital in Waterfall, Midrand, together with our empowerment partners, is progressing well and opening is anticipated during August 2011.

The Port Alfred and Settlers hospitals' Public Private Partnership (PPP) with the Eastern Cape Department of Health are still in start-up phase, with slow but good progress being made.

The construction of the 425-bed Lesotho Hospital PPP is well under way and we anticipate that it will open in September 2011. Altogether 35 of the beds will be operated as private beds. The three off-site primary care clinics that form an integral part of the PPP delivery model commenced operations in May 2010.

Read more

The Other businesses review contains more information on the PPPs and can be found on:
pp 50 and 51

Netcare is passionate about ensuring that each patient is satisfied with their experience at a Netcare facility. Our patient satisfaction score was 87.6% and we continue to request and monitor feedback.

We are also passionate about our staff and how they perceive their work environment, understanding the link between a content and engaged staff and excellent patient care. Our annual independent staff survey showed that 73% of employees are proud to work for Netcare. This positive finding is reflected in lower staff turnover and in Netcare being awarded ninth place in the Large Companies category of the 2010 Deloitte Best Company to Work For survey.

Netcare's Caregiver of the Month programme culminates in our Night of the Stars award ceremony, where we honour staff members who have shown exceptional care to their patients, demonstrating a commitment to Netcare's core values. For the second year in a row, these winners received a motorcar as a prize.

We continued to support our network of expert doctors who have selected a Netcare facility as their treatment centre of choice. During the year, we welcomed 120 new physicians, of which 59% are from surgical disciplines. In living our value of participation we ask all specialists with privileges in our hospitals to complete an extensive independent questionnaire – this year our specialists rated our services as 75.7% satisfactory.

Netcare continues to maintain the highest standards of patient care and safety, and is actively involved in SA's "Best Care … Always!" campaign. Netcare has embarked on a quality improvement programme called "Acute Myocardial Infarction: International Benchmarking" in March 2010, aimed at providing fast and effective heart attack care.

This year we celebrated the 150th solid organ transplant at Christiaan Barnard Memorial Hospital and the 400th free paediatric congenital corrective cardiac surgery at the Walter Sisulu Paediatric Cardiac Centre for Africa, situated at Sunninghill Hospital.

We made significant strides in managing our environmental impact. We continue to track and manage our utility consumption in terms of revenue- and volume-based carbon footprint parameters. Various solar powered technologies have been implemented as well as a number of pilot projects integrating air-conditioning and hot water plants. Grey water from autoclave machines is now being utilised for watering gardens at certain hospitals.

Read more

More information on water usage can be found in our Environment report on:
pp 107 to 109

Prospects

Netcare will continue to increase bed capacity in hospitals that face high occupancy rates and bed demands. Licences have been obtained from the relevant Provincial Departments of Health for the following facilities:

- 31 beds at Linmed Hospital – five paediatric, 11 surgical and 15 day ward beds;
- 35 beds at Kingsway Hospital – 23 medical and 12 surgical beds;
- 64 beds at The Bay Hospital – 30 surgical, 20 medical and 14 ICU beds;
- Five beds at Krugersdorp Hospital – all private maternity beds; and
- 57 beds at Mulbarton Hospital – 30 surgical, 20 bed maternity and a seven bed NNICU.

Activity will commence on these facilities during 2011, but the majority of beds will only be commissioned during the 2012 financial year.

The SAP Enterprise Resource Planning software was successfully implemented at three more hospitals during the year and we expect to roll this out to 14 more hospitals during 2011. The SAP software platform provides centralised functionality and standardisation, resulting in efficiencies across the business.

South African hospitals

Hospital	Registered beds 2010	Registered beds 2009
Gauteng	5 246	5 289
Akasia Hospital	162	162
Bell Street Hospital	50	50
Bougainville Hospital	60	60
Bronkhorstspruit Hospital	43	43
Clinton Hospital	165	165
Constantia Day Clinic[1]	24	24
Femina Hospital	134	134
Garden City Hospital	363	363
Jakaranda Hospital	130	130
Krugersdorp Hospital	280	310
Linksfield Hospital	283	283
Linkwood Hospital[2]	33	33
Linmed Hospital	172	172
Milpark Hospital	346	342
Montana Private Hospital	162	162
Moot Hospital	92	92
Mulbarton Hospital	155	155
N17 Hospital	170	170
Netcare Rehabilitation Hospital	110	110
Olivedale Hospital[2]	265	265
Optiklin Eye Hospital	14	14
Optimed Clinic[3]	12	12
Park Lane Hospital	204	204
Pretoria East Hospital	358	358
Protea Day Hospital	10	10
Rand Hospital	151	151
Rosebank Hospital	135	135
Sunninghill Hospital	258	258
Sunward Park Hospital	214	214
Union Hospital	222	222
Unitas Hospital	469	469
Wierda Park Hospital[4]		17

Hospital	Registered beds 2010	Registered beds 2009
North West	163	163
Ferncrest Hospital[2]	163	163
Free State	362	362
Kroon Hospital	80	80
Pelonomi Private Hospital[3, 5]	87	87
Universitas Private Hospital[3, 5]	127	127
Vaalpark Hospital	68	68
KwaZulu-Natal	1 688	1 618
Alberlito Hospital	119	119
Kingsway Hospital	145	145
Kokstad Private Hospital[3, 5]	36	36
Margate Hospital	99	85
Parklands Hospital	212	193
St Anne's Hospital	205	200
St Augustine's Hospital	418	418
The Bay Hospital	198	198
Umhlanga Hospital	256	224
Eastern Cape	527	487
Cuyler Hospital	124	124
Greenacres Hospital	340	300
Port Alfred Hospital[3, 5]	31	31
Settlers Hospital[3, 5]	32	32
Western Cape	888	847
Blaauwberg Hospital	96	100
Christiaan Barnard Memorial Hospital	244	244
Kuils River Hospital	189	154
N1 City Hospital[2]	235	225
UCT Private Academic Hospital	124	124
Total	8 874	8 766

1 Interest in joint venture
2 Leased property
3 Investment in associate
4 Hospital closed
5 Managed hospital

Emergency services operating review

Netcare 911 is the leading provider of emergency medical services (EMS) in Africa, and is proud to offer an effective solution to patients in crisis situations.

Lives under management	
7.6 million	7.5 million
2010	2009

Paramedics trained	
548	582
2010	2009

Our business

Our core competencies are world-class emergency medical assistance, evacuation by road or air transportation and telephonic medical advisory services. Innovative products on offer include specialised travel advice, trauma support, Health-on-Line, capitation arrangements with medical schemes, and fund management for medical schemes and corporate clients.

Our emergency management surpasses international standards, and our network of 170 emergency vehicles and 80 rapid response vehicles, crewed by advanced life support paramedics, is well equipped to handle any medical emergency.

Our 24-hour Emergency Operations Centre, operating in Midrand, Johannesburg, is the hub of our network and is staffed with trained emergency call agents and resource coordinators able to manage pre-hospital emergencies and inter-facility transfers. The call centre employs state-of-the-art technology to manage emergency calls and dispatch emergency resources in South Africa (SA).

Our Aeromedical division comprises a dedicated fleet of fixed wing and helicopter air ambulances, managing and providing aeromedical evacuations for a large number of insured and private clients locally and internationally. We are delighted that this division was accredited by the European Air Ambulance Institute (EURAMI) earlier this year. The EURAMI international accreditation represents a guarantee of service excellence for patients utilising aeromedical services. It attests to consistently high levels of safety and quality in medical management and qualifications, aircraft configuration and equipment, operations, communication, and management policies and capabilities. It makes Netcare 911 the first accredited aeromedical emergency evacuation specialist in SA and the second provider in Africa.

The Aeromedical division was also awarded the prestigious "Air Ambulance Provider of the Year" in Istanbul, Turkey, adjudicated by the International Travel Insurance Journal (ITIJ). This is a first for an African-based service provider and Netcare 911 competed against 130 international service providers, including CEGA (UK) and Sky Services (Canada) in the final round. The ITIJ awards celebrate excellence and achievement in the global travel insurance industry.

When judging the entrants, the following areas are considered:

- Industry knowledge;
- Involvement with trade bodies;
- Business growth;
- Client relationships;
- Staff training; and
- Marketing and promotional activities.

Netcare 911 International Assistance provides a 24-hour contact centre for outbound and inbound travellers, supporting them in times of medical need. Working with our partners in the International Assistance Group, a global alliance of independent assistance companies, and using our global referral system, we manage medical emergencies for insured South Africans across the world.

Our Industrial Operations and International Business division have built a core competency in providing mining, industrial and commercial clients with turn-key emergency medical solutions for all on-site and remote medical requirements within SA and the African continent.

In conjunction with Netcare Education, Netcare 911 operates the largest private EMS training centre in Africa. The School of Emergency and Critical Care is led by a dynamic team of experienced instructors and academics in the EMS field, and is accredited by the Health Professional Council of SA.

The year in review

Netcare 911's revenue growth has been driven primarily by an increase in membership in schemes with which we have capitation arrangements. The division recorded a slight growth in total lives under management from 7.5 million at 30 September 2009 to 7.6 million lives in 2010. Over the year we focused on retaining clients and developing a solid business platform to support growth in the coming years.

We have achieved significant efficiencies across Netcare 911's divisions through our Good-2-Great programme, especially in finance, the call centre and operations. The programme was launched in June 2009 to develop robust measuring and reporting tools for the business, helping reduce inefficiencies. With continued focus, the programme is providing measurable results for Netcare 911.

Further cost-saving initiatives were implemented with emphasis on reducing overtime and exiting non-core services. These have yielded positive results for the business.

Netcare 911 was awarded a tender by National Treasury to provide emergency services during the 2010 FIFA World Cup™ event earlier this year which we successfully serviced. We also played a pivotal role during the public servants' strike in SA, transporting babies from public hospitals to Netcare hospitals for treatment. Netcare 911 was able to effectively manage the impact of the strike as a result of our robust disaster management plan, refined for the 2010 FIFA World Cup™.

During the year, Netcare 911 assisted more than 6 829 indigent patients at a cost of R11 million. This will continue to be a cost borne by Netcare 911 operations as we do not deny anyone emergency services.

We have maintained close, and productive working relationships with our medical scheme and corporate clients. This has been achieved through a concerted effort to engage with them and ensure excellent service delivery by all divisions.

The market continues to be attractive to small, regional EMS providers, the majority of whom are located in remote areas in SA. Management has moved swiftly to maintain and win market share by reallocating current resources to priority areas. We have also marginally increased our SA footprint by introducing new operations in the North West, Eastern Cape and Mpumalanga areas.

A critical shortage of skilled paramedics and doctors with training and experience in emergency medicine remains a challenge to the business, particularly as the pool of doctors and paramedics is constantly decreasing. As a result, the demand for our experienced and specialised staff remains high.

We continue to maintain competitive remuneration and people management policies in our efforts to maintain our position as the employer of choice.

The School of Emergency and Critical Care trained over 500 emergency care practitioners, in either Basic Life support, Intermediate Life Support or Advanced Life Support. New training programmes have been introduced by the Department of Health, resulting in the phasing out of short course training during the year. This will be replaced by a two-tier system consisting of the two-year Emergency Care Technicians programme and a four-year Bachelor of Emergency Medical Care programme.

While we welcome the introduction of the new training programme, we are concerned that the new Emergency Care Technicians two-year course may have the unintended consequence of contributing to skills shortages in the industry in delaying the entry of new clinicians into the market. We hope the programme is implemented in a proactive and coordinated manner to prevent this.

Prospects

Our focus for the year ahead remains on building and harnessing relationships with our clients by providing a service that adds value to their businesses and to SA as a whole. We are carefully evaluating a number of strategic growth opportunities outside SA through our International Assistance and International Business divisions to ensure that, if undertaken, they will provide sustainable value for Netcare 911.

A new business model in the Aeromedical and specifically the fixed wing arena is being investigated. It is envisaged that this model will provide efficiencies and capabilities to Netcare 911 to capture a much wider and broader market in Africa.

The School of Emergency and Critical Care will be focusing on developing the First Aid course market in SA. This market remains largely in the hands of smaller service providers who, in many cases, do not have the appropriate resources to deliver a SETA-accredited programme.

Primary Care operating review

The Primary Care division manages the largest private national primary care network in South Africa (SA). It comprises 91 clinics, operating under the well-established brands of Medicross and Prime Cure, and 38 pharmacies which form part of Netcare retail pharmacies, the third largest retail network nationally.

Number of clinics	
69 Medicross Medicentres	22 Prime Cure clinics

Primary Care activity	
3.3 million patient visits	>1.5 million scripts dispensed

Our business

The Medicross family medical and dental centres (Medicentres) and Prime Cure clinics are comprehensively equipped with medical and dental infrastructure to enable more than 500 medical doctors and dentists to deliver quality professional services. Radiology and pathology services are available, and selected sites offer ancillary services such as physiotherapy, dieticians' services and optometry. Medicross operates 12 day theatres and provides emergency services at selected sites which operate over extended hours. This one-stop comprehensive primary care service is complemented by retail pharmacies in the larger Medicross Medicentres that provide convenient, professional community pharmacy services. The pharmacies also operate over extended hours to align with the availability of doctors. The Netcare Travel Clinics are part of the spectrum of services managed by the division.

The division includes the Prime Cure managed care organisation which provides affordable healthcare to lower income groups. Prime Cure has refined its network management capabilities of independent healthcare providers and has maintained an extensive network of more than 5 000 contracted designated professional providers, including general practitioners, dentists, specialists, private and public hospitals, and pharmacies.

Through our Prime Cure Wellness brand, the division provides occupational health services, travel medicine and advisory services to more than 30 employer groups across different sectors, either as on-site services or by referral to our clinics. We provide employee HIV wellness programmes on site, HIV counselling and testing, and disease management programmes, all offered as part of a package of affordable solutions to various corporate clients. These clients are benefiting from proactive HIV management as a core element of occupational health and wellness in today's workplace.

The year in review

The Medicross Medicentres and Prime Cure clinics managed more than three million patient visits during the year under review, with more than 1.5 million scripts dispensed from our pharmacies.

Revenue decreased by 9.2% to R1 374 million (2009: R1 513 million), primarily due to a contraction in managed care lives in Prime Cure and its termination of both loss-making contracts and of administration agreements with marginal clinics. There was also reduced activity at both the Medicross Medicentres and Prime Cure clinics, partly due to the prolonged midyear vacation over the 2010 FIFA World Cup™ and a decrease in seasonal activity from the high activity levels experienced during the H1N1 influenza outbreak in 2009.

Operating profit increased significantly to R6 million compared to the R41 million loss in the prior year, primarily due to our focus on optimising operational efficiencies and working capital management. However, the division's operating performance was impacted to some extent by the business-wide rollout of a new practice management system. This has replaced the legacy IT system which had constrained growth over the past few years.

The refurbishment and upgrading of six Medicross Medicentres in 2010, at a capex spend of R4 million, brings the total number of Medicross centres upgraded over the past two years to 11.

Prime Cure administered 26 low-cost options offered by various medical schemes and bargaining councils, providing access to members who were previously uninsured. The commitment of the network of designated providers has helped achieve our objective of extending affordable quality healthcare solutions that broaden healthcare access to low income and previously uninsured citizens.

Prime Cure Wellness has supplemented the number of professional nurses trained in travel medicine by five, bringing the total number who have completed the course to 20.

The challenge of scarce skills among doctors, dentists, pharmacists and nurses remains largely unchanged despite various initiatives, which include a review of the skills mix of pharmacists and pharmacist assistants.

The Primary Care division is coordinating Netcare's participation in the National HIV Counselling and Testing (HCT) campaign launched by the National Minister of Health in April 2010. HCT will be implemented in the Medicross and Prime Cure clinics, as well as by the Prime Cure contracted independent general practitioners in Gauteng and KwaZulu-Natal (KZN) in collaboration with the respective Departments of Health. In KZN a group of Medicross and Prime Cure doctors will participate in the male medical circumcision programme which forms part of the KZN province's prevention strategy to reduce the risk of HIV transmission. Netcare will support the HCT initiative as part of our CSI programme in 2011.

We have extended our primary care management services to operate the three filter clinics in Lesotho, all comprehensive primary care clinics with maternity obstetric units. Named Likotsi, Qoaling and Mabote, the three clinics commenced operations in May 2010. This forms part of the Netcare Public Private Partnership with the Government of Lesotho which will strengthen and improve the delivery of quality healthcare in Lesotho.

Prospects

The Primary Care division will continue developing affordable and sustainable primary healthcare solutions in order to drive business growth. The refurbishments of Medicross Medicentres and retail pharmacies will continue during the year. The successful implementation of a new practice management system within our Medicentres has positioned the business for growth by optimising integration and efficiencies.

The delivery of primary care will remain the bedrock of health service delivery, particularly in a NHI policy environment. We will continue to evaluate and adapt our delivery model to ensure the optimal provision of rational, appropriate and cost-effective healthcare that contributes towards improved health outcomes.

Other businesses

Netcare has several interests in associate companies and joint ventures. We continue to focus our investment strategy in Public Private Partnerships (PPPs), as they provide the platform for our commitment to broaden quality healthcare services to all people resident in Southern Africa.

Lesotho PPP	
425 bed hospital	3 primary care clinics

NRC activity	
>4 000 patients screened	>1 700 patients registered on HSP

Associate company investments

The attributable earnings of associates in South Africa (SA) decreased by 11.8% to R15 million (2009: R17 million) mainly due to the private facilities of the Port Alfred and Settlers hospitals PPP trading at a loss with lower than expected occupancies. The operational results of this PPP were included for the full year as they opened in 2009. Attributable earnings of associates were positively impacted by the accounting for profits from the Lesotho Hospital PPP which, in terms of IFRIC 12 Service Concession Arrangements, allows the PPPs to account for revenue and profit during the construction period.

Public Private Partnerships

Background

Netcare strongly believes that PPPs are a sustainable model that can improve and support government healthcare infrastructure and delivery, while redressing existing health inequalities. Our considerable PPP experience in the United Kingdom (UK), working with the National Health Service (NHS), stands Netcare SA in good stead in this regard.

We have seven PPPs under management, which include:

- Universitas and Pelonomi hospitals (Community Hospital Management);
- Port Alfred and Grahamstown hospitals (Nalithemba);
- Lesotho Hospital (Tsepong);
- UCT Private Academic Hospital (UCTPAH); and
- Bronkhorstspruit Hospital.

Netcare's experience with PPPs started with the use of public healthcare sector beds in Bronkhorstspruit in 1997, which is ongoing. In 2002, we joined a consortium of partners in acquiring the UCTPAH, a private facility and training hospital in Cape Town.

Thereafter we established a co-location PPP agreement with the Free State Department of Health (DoH) in 2003, the first PPP of its kind in SA, which allows Community Hospital Management to utilise spare capacity within Bloemfontein's Universitas and Pelonomi hospitals.

Port Alfred and Settlers hospitals PPP

The Port Alfred and Settlers hospitals PPP with the Eastern Cape DoH were completed in 2009.

The Port Alfred Hospital, which opened in March 2009, was rebuilt from the ground up and offers both public and private facilities. The hospital includes a theatre complex, a radiology facility, emergency department, public outpatient facilities and state-of-the-art equipment. The private facility features 31 beds, including a four-bed maternity unit with a specialised neo-natal intensive care unit and a two-bed high care unit. Specialist services are also offered to public patients by full-time and visiting specialists, and include:

- Otorhinolaryngology (ear, nose and throat surgery);
- Gynaecology and obstetrics;
- Maxilla-facial surgery;
- Plastic and reconstructive surgery; and
- Orthopaedic surgery.

The refurbishment and upgrading of the Settlers Hospital in Grahamstown was completed in August 2009. The hospital was extensively refurbished and the facilities and equipment were upgraded. The new private facility comprises 32 beds, including a maternity ward with a specialised neo-natal intensive care unit and a six-bed ICU/high care unit. New facilities at the hospital include a public outpatient unit, anti-retroviral (ARV) clinic and a pharmacy. Specialist services offered by the hospital by full-time and visiting specialists include:

- Audiology;
- Otorhinolaryngology (ear, nose and throat surgery); and
- Gastroenterology.

The Netcare Port Alfred and Settlers pharmacies and dispensary meet all dispensing requirements.

The hospitals provide a full range of services to private patients who previously had to travel to either East London or Port Elizabeth if they wanted to access private healthcare services.

Netcare provides facility management and soft services, such as catering, cleaning, linen and laundry, pest control, garden and estate maintenance, security, and the maintenance and replacement of equipment at both hospitals.

The special purpose vehicle company for the partnership is Nalithemba Hospitals, which will be responsible for managing both the public and private hospital facilities for 15 years.

Lesotho PPP

Outside South Africa, Netcare is leading a consortium of partners in building a new public hospital for the Government of Lesotho, the largest healthcare PPP in Africa to date. The PPP involves constructing a new 425-bed referral hospital (390 public beds and 35 private beds) in Maseru, an on-site Gateway Clinic and Likotsi Clinic, as well as refurbishing the Mabote and Qoaling clinics.

The Likotsi, Mabote and Qoaling clinics commenced operations in May 2010. Medicross has been assigned to manage the primary care service offered at these clinics due to its extensive experience in this area.

The new hospital will replace the Queen Elizabeth II Hospital and it is anticipated that the facility will dramatically improve the quality of healthcare in the mountain kingdom.

Netcare has designed, is building and partially financing the new facility. It will also fully operate the hospital, which includes the provision of clinical services for up to 18 years. The hospital is scheduled to open in September 2011.

National Renal Care

Our business

National Renal Care (NRC) is a 50% joint venture between Netcare and Adcock Ingram Critical Care. We are the largest private dialysis provider in SA with a network of 54 dialysis units, nine dedicated peritoneal dialysis units and 12 specialised acute therapy teams.

NRC aims to be the leader in organ support therapies in SA. Our services include chronic haemodialysis, peritoneal dialysis, acute haemodialysis, continuous renal replacement therapy and plasma exchange therapy (centrifuge and membrane).

We also offer the Healthy Start Programme (HSP), which builds awareness about chronic kidney disease (CKD) and manages patients at risk for CKD. The programme includes risk factor and kidney function screening, dietary and lifestyle modification, education, patient and family counselling, monitoring blood results and preparing patients for dialysis or transplant therapy.

The year in review

NRC achieved an 18% growth in revenue, a 14.1% increase in chronic dialysis sessions and a 5.0% increase in acute sessions. We screened more than 4 000 patients and more than 1 700 patients were registered on the HSP.

During the year, NRC upgraded or increased capacity in a number of units, including NRC Sunninghill, NRC Richards Bay, NRC King Williamstown, NRC Mtahtha, NRC Port Elizabeth, NRC Milpark and NRC Kroonstad. Altogether 200 new Gambro AK 96 machines were installed countrywide, in line with our strategy of offering the newest technology that is available internationally.

We were awarded first prize for service excellence at the Health Professions Council of SA radiography and clinical technology day in November 2009. In 2010 NRC presented eight papers at the South African Renal Congress and won all three prizes for research – best abstract, best presentation and best research award.

Training staff remains a priority. In the last five years, we have trained 103 nephrology practitioners. This year 10 undergraduate and nine postgraduate clinical technology students and nine professional nurses are completing nephrology training.

NRC maintained its service provider status to the Tshwane University of Technology and held 20 Continuous Professional Development (CPD) accredited workshops in 2010.

Patient education and support remains a key focus. We hosted patient forums in East London and Johannesburg during the 2010 financial year, with over 3 000 patients and medical staff attending from the public and private sector.

We are committed to improving access to dialysis in SA. During the year, NRC maintained several Public Private Initiative (PPI) projects including providing dialysis to South African National Defence Force and public patients at NRC facilities in Pretoria, George, Paarl, Rustenburg, Ladysmith and Port Elizabeth. In addition, we provided acute dialysis services at various public facilities countrywide and also provided over 300 dialysis sessions free of charge to patients without private or medical aid funding. During the public sector strike, we assisted an additional 450 patients.

NRC strives continuously to improve the quality and safety of services and we actively involve patients and their carers in the healthcare they receive. Our Best Care strategy includes our quality initiative programme, monitoring of outcomes, developing and implementing a clinical scorecard, improving our existing clinical governance strategy, providing patient education and support groups, social responsibility programmes and sustainability initiatives.

From early 2010 NRC started working on becoming the first 'green' dialysis organisation in SA. To date we have established a committee and distributed weekly 'green tips' to staff, patients and their families, helping to create greater awareness around environmental issues. Since the introduction of our recycling project, 37 trees, 58 kilolitres of water and 8 977 kilowatts of energy have been saved.

NRC assists a number of organisations and foundations who support those in need. Their activities include planting trees in rural communities, providing food and clothes to elderly and disabled individuals, as well as providing handbags with toiletries and clothes to rape victims.

Prospects

NRC expects the number of dialysis patients to grow in excess of 7% during 2011, considering SA's high levels of HIV, diabetes, hypertension and obesity, all risk factors for kidney disease.

Building on our achievements, we continue to grow to meet market demand by increasing capacity, expanding in selected domestic and international areas, developing a National Health Insurance model and expanding the product line.

United Kingdom review

Overview

Sir Peter Gershon
Chairman, United Kingdom

5.8 percent growth in inpatient and day caseload.

6x increase in monthly Choose and Book volumes.

+9 sites added and significant investment in existing portfolio.

8 627 days of training delivered.

90 percent of UK population live within one hour of a BMI hospital.

98.8 percent patient satisfaction rating of good, very good or excellent.

Executive Committee

Adrian Fawcett (42)

Chief Executive Officer

Qualifications: MBA, BSc Economics

Joined in 2007

Phil Wieland (37)

Chief Financial Officer

Qualifications: BSc (Hons) Mathematics, ACA

Joined in 2006

Guy Blomfield (43)

Group Strategy and Commercial Director

Qualifications: BA (Hons) Accounting and Finance, MSc Corporate Finance

Joined in 2007

Stephen Collier (53)

General Counsel

Qualifications: Barrister; LLB (Hons), LLM, Dip AL

Joined in 1982

Duncan Empey (64)

Group Medical Director

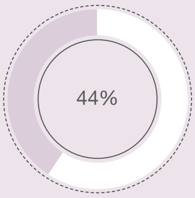
Qualifications: MB, BS, LRCP, MRCS, MRCP, FRCP

Joined in 2008

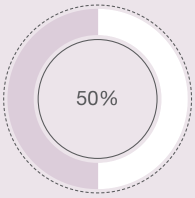


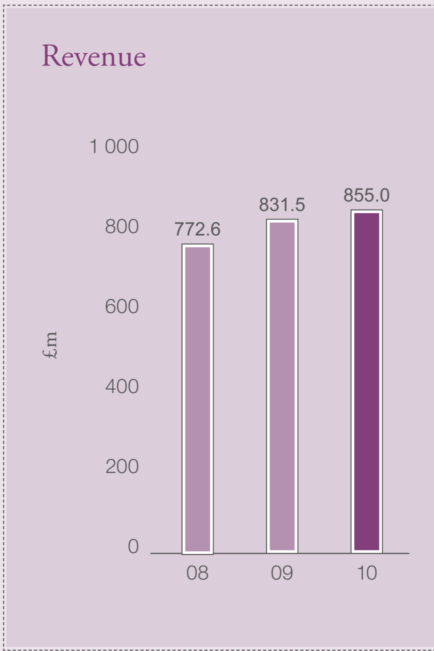


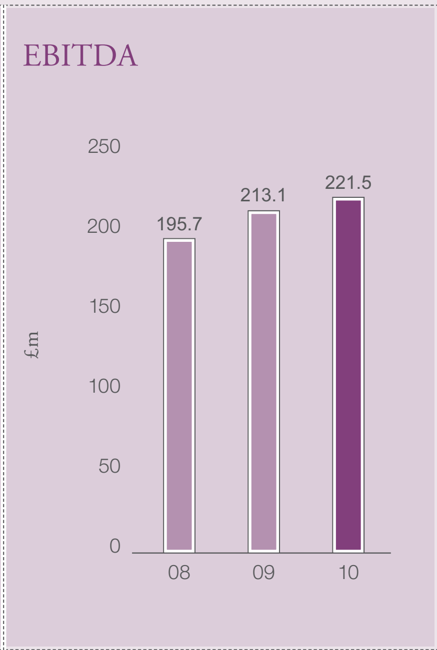
Contribution to Group revenue



Contribution to Group operating profit







£m	2010	2009	% change
Revenue	**855.0**	831.5	2.8
EBITDA[1]	**221.5**	213.1	3.9
Operating profit[1]	**150.3**	147.9	1.6
EBITDA[1] margin (%)	**25.9**	25.6	
Operating profit[1] margin (%)	**17.6**	17.8	
Capital expenditure	**43.2**	37.6	14.9

1 Before capital items.

Belinda Moore (48)

Group Marketing Director

Qualifications: BA Soviet and European Studies

Joined in 2007

Phil Pegler (42)

Group Director Hospital Development

Qualifications: BSc (Hons) Business Studies, MBA

Joined in 2007

John Von Klemperer (62)

Managing Director Hospital Operations

Qualifications: EDP (Wits)

Joined in 2006

Catherine Ward (52)

Human Resources Director

Qualifications: MSc Organisation Behaviour, BSc Biology, Postgraduate Diploma in Personnel Management/CIPD

Joined in 2006




Healthcare sector and regulatory review

While the underlying structure of healthcare commissioning and provision in the United Kingdom (UK) remains unchanged, the twin effects of pressures on government spending and an upcoming structural reorganisation of the National Health Service (NHS) are beginning to impact the NHS.

NHS expenditure

£125 billion for the year ended April 2010

BMI Healthcare

No. 1 independent healthcare provider in the UK

Healthcare sector overview

There will also be knock-on consequences and opportunities for independent sector providers. The NHS provides primary and secondary care, including accident and emergency services, and its general practitioners (GPs) act as the gateway to both the NHS and independent hospitals for outpatient services, diagnostic testing and elective procedures. NHS expenditure in the year to April 2010 was approximately £125 billion, and expenditure within the private acute sector (including NHS spend) is estimated[1] at £6.5 billion.

Compared to many European countries the independent sector in the UK is relatively small and there is considerable opportunity for growth. We expect growth to escalate due to reductions in NHS spending over the medium term, and there are also signs of 'top-up' spending being permitted in certain circumstances.

Consolidation in the independent sector continued in 2010. General Healthcare Group (GHG) acquired and retained three hospitals (one other hospital was acquired but is now in the process of being disposed of), extending our position as the leading private healthcare operator in the UK, under the BMI Healthcare (BMI) brand. Spire Healthcare remains the second largest player, with Nuffield and Ramsay Health Care as the other significant independent providers with a national base. Hospital Corporation of America (HCA) remains dominant in central London with 10 hospitals offering over 700 beds.

Details of the four major providers in the UK for 2010 are reflected in the table below.

Private medical insurance

In the UK, most private medical services are procured through private medical insurance (PMI) or are self-funded 'Trust' schemes, with an estimated 12.3%[5] of the population covered. Although the PMI market has proven to be reasonably robust (maintaining coverage of above 11% of the population to date), recent indications are that over the last year or so the number of individuals covered has declined. It is not clear whether this decline will be a short-term consequence of the economic constraints facing employers within the UK or a longer-term trend. Certainly its impact is beginning to be felt by independent providers and the position is being carefully monitored.

The PMI market in the UK is dominated by Bupa and Axa PPP healthcare which together cover over 60%[6] of the market with a combination of insurance and self-insured corporate medical expense schemes. Newer entrants, such as PruHealth (part owned by Discovery Holdings) and Simply Health, are seen to be driving innovation in the sector. PruHealth has grown rapidly and now represents 2.7% of the market, demonstrating that new entrants are considered capable of winning market share and growing the total market size.

Despite annual NHS expenditure increasing by £27.5 billion over the last four years, the wider PMI market has grown to cover approximately six million lives. In 2008, PMI revenues grew above the rate of inflation, rising by 8% to £3.6 billion[7], above the growth rates for the previous two years at 4.2% and 4.3% for 2006 and 2007 respectively, before falling by 1.8% to £3.6 billion in 2009.

Major hospital providers

	Number of hospitals	Number of beds
BMI Healthcare[2]	64	3 035
Spire Healthcare[3]	40	1 639
Nuffield Hospitals[3]	34	1 341
Ramsay Health Care[3, 4]	34[4]	948

NHS budget growth has significantly slowed over the last four years from an average of 7% per annum in real terms to 2% in 2009. As part of its recent spending review the coalition government has confirmed that NHS spending will barely increase in real terms. Allied to demand push, this will provide the independent sector with an opportunity to fill the funding gap. What is not yet clear is whether the demands of an ageing population and a declining NHS budget in real terms should counteract the impact of a slowing UK economy.

1 *Management estimate of current position, following Laing & Buisson, Laing's Healthcare Market Review, 2009-2010, Table 2.1.*

2 *Excludes the Abbey Carrick Glen Hospital, acquired 28 May 2010 and in the process of being sold.*

3 *Laing & Buisson, Healthcare Market News, October 2010, Table page 212.*

4 *Includes Independent Sector Treatment Centres.*

5 *Laing & Buisson, Laing's Healthcare Market Review, 2009-2010, Table 3.1.*

6 *Laing & Buisson, Laing's Healthcare Market Review, 2009-2010, Table 3.12.*

7 *Datamonitor UK Private Medical Insurance 2010, tables 2 and 3. Data in table does not include employer self-insured Trust schemes.*

Healthcare sector and regulatory review (continued)

Self-pay

The self-pay sector has been impacted by the challenging economic climate and has yet to demonstrate sustained recovery as patients continue to postpone decisions on elective surgery. Although dwarfed by PMI expenditure, the self-pay market is important for the independent sector, which continues to differentiate its patient proposition from that of the NHS.

Increasingly, the NHS policy is to refer patients to a department as opposed to an individual consultant. The independent sector typically excels in providing paying patients with their choice of consultant and convenience in their choice of timing. While there has been significant improvement in NHS waiting times, the choice of consultant remains an important private sector differentiator. The NHS has also experienced setbacks in service standards, for example in controlling hospital acquired infections (notably MRSA and Clostridium Difficile), whereas the independent sector's performance remains impressive and truly differentiated in these areas.

The recent publication of infection data on the UK's Health Protection Agency website underlines this difference in performance, with the results of the private sector being typically four to six times better than the NHS.

The self-pay market also has access to treatments that are not traditionally covered by medical insurance or adequately covered by the NHS. In fact, there are already indications that one effect of the funding pressures is that some NHS commissioners are not funding what they regard as lower priority procedures. These include cosmetic surgery, some weight loss surgery, minor general surgery and fertility treatment (IVF). Over half of IVF treatment in the UK continues to be provided by the independent sector. Within this field, BMI operates a joint venture which operates dedicated IVF units and is the market leader. BMI also offers this service at some of its hospitals.

NHS

The NHS's Choose and Book (C&B) programme continued to grow as GPs and patients become more familiar with the process. It is based on a standard tariff and includes any participating independent and NHS provider under the Any Willing Provider programme. While the majority of C&B referrals are to NHS units, the private sector is playing an increasingly important role in collaborating with the public sector to ensure patients are treated in a timely and appropriate manner.

There is some uncertainty about the future structure of the NHS, although its central premise – of delivering care which is free to patients at the point of use – is likely to continue. The new coalition government (comprising the Conservative and Liberal Democratic parties) issued a White Paper on 12 July 2010 providing an outline of a new structure for the NHS. The policy framework sets out to move commissioning and service decisions back to GPs, and also to provide incentives to drive wide-reaching efficiencies. However, reaction has been varied and it is not possible to predict the final shape of a reorganised NHS at this stage.

The NHS White Paper potentially sets out one of the most radical shake-ups of the NHS since it was established. The vision builds on the core values and principles of the NHS – as "a comprehensive service, available to all, free at the point of use, based on need, not ability to pay".

The previous standard tariff will move from setting out the only price for a procedure to only setting the maximum price – thus encouraging a more competitive approach by providers of services to NHS Commissioners. As part of the reforms, GPs will be grouped into service-commissioning consortia, reporting to a new NHS Commissioning Board. The overall objectives are to deliver individualised care for patients, and to drive efficiency and enhanced value for money in public healthcare provision.

What is clear is that the coalition government sees the NHS moving from being a single organisation to a wider open-access system that will facilitate access by patients to the provider of their choice. This will create further opportunity for GHG as choice is widened across all modalities to include independent sector providers. Allied to increasing scope for top-up payments in certain circumstances, this may create additional demand for the services provided by GHG. We are assessing all options to respond appropriately to opportunities in NHS service delivery.

Regulatory overview

The principal regulator for GHG hospitals in England is the Care Quality Commission (the CQC), which regulates all health and social care across the independent and state sectors. There are parallel arrangements in place for GHG's three hospitals in Scotland (Scottish Commission for the Regulation of Care) and one hospital in Wales (Health Inspectorate for Wales).

All hospitals must be registered with the appropriate regulator and comply with legislated standards. These remain the same for Scotland and Wales as last year, but new legislation came into effect on 1 October 2010 for health and social care providers in England – namely the Health & Social Care Act 2008 (HSCA). This requires hospitals to be registered with the CQC to carry out any regulated activity described in the Act. For GHG sites these include treatment of disease and disorder, surgical procedures, diagnostic and screening, and termination of pregnancy.

GHG hospitals in England must comply with 28 regulations, each of which details expected outcomes for the care patients receive. The CQC will maintain a quality and risk profile for each provider, with information acquired from people who use the services, other regulatory bodies (such as Health & Safety Executive) and statutory notifications made to the CQC by the providers themselves (including serious untoward incidents or changes in the Registered Manager).

The CQC will carry out planned reviews using a rolling programme which may include occasional site visits. Where they have concerns about the quality of care provided at a location, or where a provider is carrying out high-risk activities, more frequent reviews will be carried out. If information or a lack of information provided raises concern, a review of compliance will be undertaken and appropriate regulatory action will be taken depending on the perceived risks. This will range from informal to enforcement action.

In all three countries it is essential that GHG demonstrates successful self-regulation and a high standard of compliance. This is not only to maintain high-quality care, but to maintain our reputation as reports on regulator reviews are made public and are a tool which patients and commissioners of care use to select providers.

GHG is managing this through a robust governance framework and a programme of self-inspection every six months. These are undertaken by a dedicated Quality and Risk team which reports directly to the corporate office. We publish a set of Quality Accounts annually, which summarise the Group's activities and successes in this area against the three quality domains of safety, effectiveness and patient experience.

United Kingdom operating review

Netcare owns a controlling 50.7% (2009: 50.1%) stake in General Healthcare Group (GHG), the largest provider of private acute care in the United Kingdom (UK). Under the BMI hospitals brand, GHG operates a national network of 64 hospitals and nine clinics across the UK, comprising 3 035 registered beds, 164 theatres and 37 pharmacies. During the year under review, BMI hospitals admitted more than 270 000 patients and attended to over one million outpatients.

UK hospitals	
64	57
2010	2009

Outpatient visits	
1.3 million	1.1 million
2010	2009

Our business

During 2010, GHG further strengthened its position as the UK's leading private healthcare provider, broadening its geographical coverage and improving performance through strategic acquisitions. GHG acquired a minority stake in Phoenix Hospital Group in central London, a 50% stake in the BMI Southend Private Hospital in Essex, three ex-Abbey Hospitals and a 42.5% holding in the Transform cosmetic surgery business. In addition to these acquisitions, two new ventures commenced operations in the form of the BMI Syon Clinic in Brentford and the Coombe Wing Private Patient Unit in Kingston. SterilPlus, the business that had been performing GHG's instrument decontamination under an outsource contract, was also acquired during the year.

The Phoenix Hospital Group consists of a consulting and diagnostic centre located at 9 Harley Street and the newly opened Weymouth Hospital. Harley Street has eight consulting rooms, four treatments rooms and a complete diagnostic imaging suite. The Weymouth Hospital has 17 beds and four theatres, and has been specially designed to a very high specification for patients who are looking for expert medical care in a luxurious setting. The Phoenix Hospital Group brings a unique, modern approach to the provision of private hospital healthcare in London.

The BMI Southend Private Hospital is a purpose-built, specialist day case facility with two full theatres and a range of consulting and treatment rooms.

The Abbey Hospitals have 81 beds and comprise Gisburne Park Hospital in Lancashire, Sefton Hospital in Liverpool and King's Park Hospital in Stirling. These facilities offer a range of specialist and general surgery procedures, together with a physiotherapy department. In addition, they also undertake a range of contracts for a number of National Health Service (NHS) Trusts and Primary Care Trusts.

Transform is the UK's leading cosmetic surgery provider with 24 clinics operating across the UK and two specialist hospitals.

Read more

Further details on the acquisitions can be found in the Chief Financial Officer's review on:
pp 22 and 23

The Netcare UK business is in the process of winding down as its NHS Independent Sector Treatment Campaign contracts come to an end. The surgical initiative with the Scottish NHS ended in January 2010 and the Greater Manchester Surgical Centre contract closed out in May 2010. However, the Commuter Walk-in Centre in Leeds (which treated over 30 000 patients during the 2010 financial year) is still in operation.

GHG's growing national coverage and scale allow the business to leverage its market leading position with almost 90% of the UK population now living less than an hour from a BMI facility.

The year in review

GHG delivered an outstanding performance in terms of clinical care, patient outcomes and operational efficiency in an extremely challenging environment.

The year under review has seen changing market conditions across the healthcare sector. Statistics published by the Association of British Insurers suggest a fall in insured lives of 4.2% during the calendar year to December 2009, the first significant negative movement in the market for a number of years. The self-pay sector has been impacted by the challenging economic climate and has yet to demonstrate sustained recovery as patients continue to postpone decisions on elective surgery.

Despite these external factors, GHG has been successful in managing patient mix and profit margins. Opportunities to work with the NHS have emerged and the volume of Choose and Book (C&B) patients being treated in BMI hospitals increased substantially. GHG's ability to adapt quickly to changing private and NHS demand ensured that it was able to effectively utilise spare capacity and protect its overall revenue and profitability. Our results this year demonstrate the strength of the business strategy being employed.

Caseload grew by 5.8%, with approximately 50% attributable to acquisitions, and the balance driven by strong growth in NHS cases through C&B, partially offset by softer Private Medical Insurance (PMI) and self-pay patient volumes as consumers continue to be affected by the recession, particularly rising unemployment and diminishing disposable income.

Revenue increased by 2.8% to £855.0 million (2009: £831.5 million). However, due to a strengthening of the Rand against the Pound Sterling during the year, Rand-denominated revenue reduced by 12.9% to R9 933 million (2009: R11 400 million).

Pleasingly, EBITDA (including capital items) grew by £15.2 million (an increase of 7.1%) from £213.0 million to £228.2 million and the EBITDA margin expanded from 25.6% in 2009 to 26.7% for the current year. However, Rand denominated EBITDA of R2 650 million decreased by 9.2% from R2 918 million in 2009. Currency translation accounted for R478 million of the decline. Ongoing efficiency initiatives during the year ensured that the shift in case mix did not adversely affect the EBITDA margin, which was also influenced by a non-recurring gain on bargain purchase of assets of £6.9 million (R81 million) offset by IPO preparatory costs incurred of £2.5 million (R29 million).

Working capital was tightly controlled and improved over the year largely due to efficiencies achieved through the shared service centre. Cash collection remained a key operational focus, serving to mitigate the impact on GHG's resources as the business mix shifted towards increased NHS caseload with longer payment cycles.

GHG continued to improve the infrastructure of its business, with capital expenditure for the year amounting to £43.2 million (R497 million). Capital investment was directed at new equipment, technology and improvements to facilities, and included:

- Seven hospital-wide refurbishments;
- Eight ward refurbishments;
- 16 theatre refurbishments;
- Three new theatres;
- Two new cardiac suites;
- 18 endoscopy upgrades;
- Six new MRI machines;
- Four new CT scanners; and
- Seven imaging suite upgrades.

GHG continually seeks ways to add value to its existing business by introducing new products and services. As part of the plan to extend its service offering at key hospitals, a neuro-rehabilitation centre was opened at the BMI Alexandra Hospital in Manchester, emergency care/minor injury centres were opened at the BMI Blackheath Hospital and BMI Syon Clinic, while the BMI Fitzroy Square Hospital was remodelled to become a centre of excellence in women's health.

BMI has been at the forefront of the drive to improve clinical and non-clinical service standards of providers across the independent acute sector. Efficient patient care requires fully integrated supporting systems so that clinical symptoms identified by consultants can be confirmed by diagnostic tests. Pathology and diagnostic testing is used to monitor the efficiency of patient treatment and 70% to 80% of all healthcare decisions affecting diagnosis or treatment are influenced by laboratory medicine results. Consequently, BMI embarked on a full pathology modernisation programme to support its clinicians with best-in-class pathology technology and best quality practice, also addressing pending new regulatory requirements.

In 2010 BMI announced a partnership with The Doctors Laboratory to deliver a Pathology Modernisation Programme across its hospitals. This partnership provides the platform to combine a comprehensive range of pathology services, underpinned by fully accredited facilities and the highest levels of quality assurance.

GHG joined forces with the transport group, Stagecoach, to launch a voluntary heart health screening programme for employees in its UK Bus division. Over the next three to four years, Stagecoach employees will be given the opportunity to undergo a voluntary assessment of their cardiovascular health, as well as receive advice on ways to maintain and improve the health of their hearts.

BMI is committed to providing a consistent, high quality service to local communities and it monitors its performance, inter alia, through patient satisfaction surveys. Survey results revealed that 98.4% of patients said they would recommend BMI and 98.8% rate the quality of care as good, very good or excellent.

Throughout 2010, BMI expanded its national enquiry centre, based in Glasgow. This enables patient enquiries or appointment bookings to be managed in one easy call. The helpline advisers generally have a medical background and are screened to ensure they are both empathetic and professional in handling calls.

Read more

Details of GHG's corporate social investment initiatives can be found on: p 106

Details of GHG's environmental initiatives can be found on: pp 110 and 111

Prospects

Recessionary pressures in the UK economy are expected to constrain growth in self-pay and PMI spending on private healthcare in the short term. Growth in NHS activity through C&B is expected to continue, provided NHS funding does not come under further financial pressure. The government's proposed White Paper reforms are a positive development for the private sector in the longer term, but they make take a few years to implement and could have a mixed impact over the short-term.

Hospital	Registered beds 2010	2009
Scotland and North East Region	**226**	203
Albyn Hospital	**44**	44
Fernbrae Hospital	**20**	20
King's Park Hospital	**23**	
Ross Hall Hospital	**101**	101
Woodlands Hospital	**38**	38
Alexandra	**170**	170
The Alexandra Hospital	**170**	170
The Northern Region	**549**	471
The Beardwood Hospital	**31**	31
The Beaumont Hospital	**34**	34
Chatsworth Suite[1]	**16**	16
The Duchy Hospital	**27**	27
Gisburne Park Hospital	**35**	
The Highfield Hospital	**57**	57
The Huddersfield Hospital	**29**	29
The Lancaster Hospital	**27**	27
The Lincoln Hospital	**32**	32
The Manchester Lifestyle Hospital	**17**	17
The Park Hospital	**92**	92
Sefton Hospital	**23**	
The South Cheshire Private Hospital	**32**	32
Thornbury Hospital	**77**	77
Transform Pines Hospital	**20**	
West Midlands and East Anglia Region	**362**	362
The Droitwich Private Hospital[2]	**46**	46
The Edgbaston Hospital	**55**	55
The Foscote Hospital[1]	**16**	16
The Meriden Hospital[3]	**52**	52
The Priory Hospital[2]	**118**	118
The Sandringham Hospital[3]	**35**	35
St Edmunds Hospital	**40**	40
South Midlands Region	**368**	368
The Chiltern Hospital	**66**	66
The Manor Hospital	**23**	23
The Oxford Clinic[1]	**22**	22
The Princess Margaret Hospital	**80**	80
The Runnymede Hospital[3]	**52**	52
The Saxon Clinic	**40**	40
The Shelburne Hospital[3]	**31**	31
Three Shires Hospital[1]	**54**	54

Hospital	Registered beds 2010	2009
London Region	**515**	475
Bishops Wood Hospital[3]	**42**	42
The Blackheath Hospital	**69**	69
The Cavell Hospital	**45**	45
The Clementine Churchill Hospital	**141**	141
Coombe Wing	**22**	
Fitzroy Square Hospital	**17**	16
The Garden Hospital	**30**	30
The Kings Oak Hospital[3]	**52**	52
The London Independent Hospital	**80**	80
The Riverside Hospital	**14**	
Southend Private Hospital	**3**	
South East Region	**411**	411
The Chaucer Hospital	**60**	60
Chelsfield Park Hospital	**50**	50
The Esperance Private Hospital	**50**	50
Fawkham Manor Hospital	**39**	39
Goring Hall Hospital	**52**	52
Mcindoe Surgical Centre[1]	**30**	30
Shirley Oaks Hospital	**50**	50
The Sloane Hospital	**32**	32
The Somerfield Hospital	**48**	48
South West Region	**434**	434
The Bath Clinic	**75**	75
The Hampshire Clinic	**65**	65
The Harbour Hospital	**40**	40
The Mount Alvernia Hospital	**90**	90
The Ridgeway Hospital	**50**	50
Sarum Road Hospital	**48**	48
Werndale Private Hospital	**28**	28
The Winterbourne Hospital[2]	**38**	38
Total	**3 035**	2 894

1 Hospital operated under management contract.
2 Core hospitals held under long-term lease.
3 NHS Partnership hospitals.

Clinical governance report – SA

Netcare strives to provide world-class quality care that meets our core purpose of *Helping care for the health of humankind*. To achieve this, Netcare has a comprehensive clinical governance framework in place, with robust processes and systems that ensure that excellent clinical care is practised and areas for improvement are identified and acted on.

Infant survival rates	
95.8%	95.9%
Netcare	VON

Patient satisfaction
87.6% of patients are satisfied

Introduction

Monitoring and evaluation forms a critical component of clinical governance, and we share information with our stakeholders to provide assurance that Netcare's promise of quality care is being fulfilled.

This report describes the systems and processes adopted by Netcare, as well as outcomes achieved.

Clinical governance programme

Netcare's clinical governance programme aims to improve clinical effectiveness, enhance patient safety and provide a better patient experience. Central to this effort are our partner physicians and employees who are committed to the highest standards of care. They constantly evaluate their performance in delivering clinical services in order to improve outcomes continuously. We also prioritise training and development, ensuring that Netcare is staffed by professionals who are well-skilled and proficient in the latest clinical procedures.

In addition to a focus on clinical leadership, Netcare is instituting a programme to make clinical staff (doctors, pharmacists, nurses and other healthcare professionals) the champions of the care process. This will place quality care at the centre of all activities, ensuring that patient wellbeing, safety and outcomes remain a top priority. The programme requires a culture focus on patient-centred service and teamwork, as well as changes in the structure of the clinical division.

Vermont Oxford Neo-natal Network

Netcare South Africa (SA) helps deliver over 40 000 babies every year. Although the majority of babies are healthy at birth, about 8% require medical assistance and are admitted to one of Netcare's state-of-the-art neo-natal intensive care units (NICUs). Netcare's specialised NICUs have achieved excellent clinical outcomes over recent years and benchmark themselves within the Vermont Oxford Neo-natal Network (VON Network). This is a world-wide collaboration of 850 NICUs which contribute clinical data to a central database with the express aim of helping benchmark and improve performance in the care of over 122 000 babies annually. The VON Network also provides expert advice in improving outcomes by highlighting research and best practice for protocols and guideline design.

In general, Netcare babies of all sizes and weights have an excellent chance of survival at 95.8%, on par with the VON Network at 95.9%. Netcare NICUs surpassed the VON Network in areas such as:

- The speed with which surfactant is delivered to premature babies requiring ventilation. The sooner it is delivered the better the outcomes and the shorter the duration of ventilation. In Netcare NICUs more than 83% of babies receive this drug within one hour, compared to only 53% of VON Network babies;
- The use of less invasive forms of ventilation to support breathing in premature and sick babies helps prevent chronic lung disease and other lung conditions when they grow up. The rate of chronic lung disease for Netcare's NICUs is 40% less than the VON Network;
- Ensuring that babies receive breast milk as their main source of nutrition and leave the hospital on breast milk. More than 70% of Netcare babies are fed on breast milk exclusively or breast milk supplemented by formula, compared to just over 56% of the VON Network; and
- Lower incidence of necrotising enterocolitis (NEC) in Netcare babies at 0.8% compared to the VON Network average of 1.4%. Netcare's high rate of breast milk feeding contributes to substantially lower NEC rates.

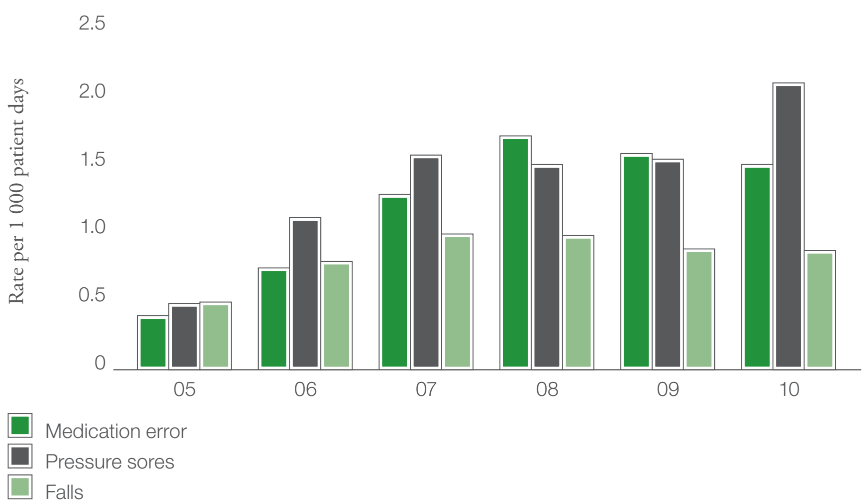
Adverse clinical incidents

Adverse clinical incidents sometimes occur to patients while undergoing care within a healthcare establishment. The most common incidents in Netcare hospitals are medication errors, falls and pressure sores (shown in the bar graph on the right). Netcare is rolling out a major drive to improve the culture of reporting clinical events. This aims to raise staff awareness that reporting clinical events will not result in punitive measures but will provide an opportunity to identify causes, and effect change to prevent reoccurrence. The overall trend of incidents is increasing, suggesting greater awareness of patient safety and openness among staff.

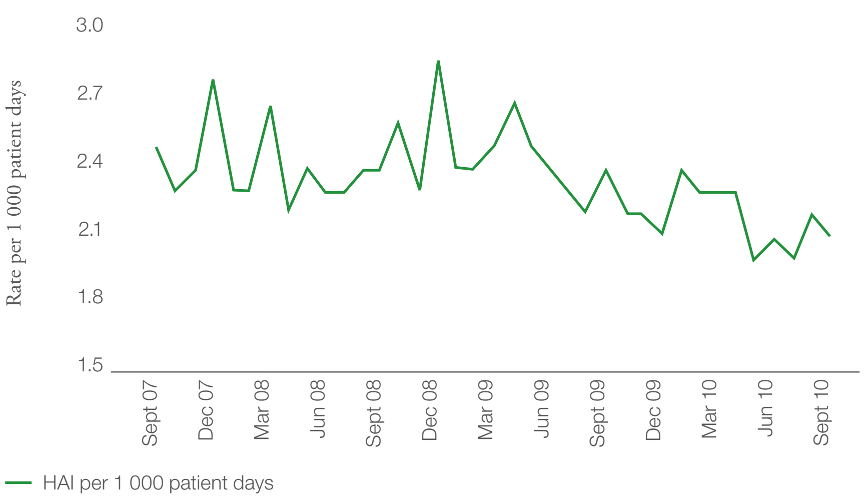
Comparison of outcomes between Netcare and VON Network babies (all infants)

%	Netcare 2009	VON 2009
Survival	95.8	95.9
Surfactant in 60 minutes	82.9	53.0
Chronic lung disease	9.6	16.1
Healthcare associated infection	4.3	3.8
Brain bleeds (intra-ventricular haemorrhages – IVH)	11.2	15.6
Retinal damage (retinopathy of prematurity – ROP)	9.2	27.8
Inflammation of the intestines (NEC)	0.8	1.4
Extreme length of stay	2.7	4.8
Discharged home on breast milk or breast milk with formula	70.6	56.8

Adverse clinical incident rates



Healthcare associated infections



Investigations into each major incident are assisting Netcare to understand the underlying causes and develop quality improvement programmes. The number of incidents may continue to increase as reporting improves, but we expect harm caused by these incidents to decline.

Additional quality initiatives to prevent avoidable clinical incidents and improve healthcare associated infections include:

Infection surveillance programme

Since 2006 Netcare has focused on improving infection prevention and control systems through more active surveillance systems for healthcare associated infections (HAIs). This year we commenced with measuring elements of the "Best Care … Always!" campaign, a collaborative public and private sector initiative in SA, focusing on the concept of managing and measuring specific "bundles of care" to reduce specific healthcare-associated infections. Our current focus is on surgical site infection (SSI), catheter associated urinary tract infection (CAUTI), ventilator-associated pneumonia (VAP), central-line associated bloodstream infection (CLABSI) and antibiotic stewardship.

Our average results for each infection for the year, which now serve as our baseline going forward, are:

- SSI – 2.48 infections per 1 000 operations;
- CAUTI – 4.8 infections per 1 000 catheter days;
- VAP – 13 infections per 1 000 ventilator days; and
- CLABSI – 4.67 infections per 1 000 central line days.

This intervention has resulted in a steady decline in the total HAIs across Netcare facilities when patient days are taken into account, as can be seen in the graph to the left.

Clinical governance report – SA (continued)

Antibiotic stewardship

This programme is also a component of the "Best Care … Always!" campaign and encourages collaboration between doctors and pharmacists, to ensure better patient outcomes through optimal use of antibiotics. Clinical pharmacists monitor cases where antibiotics are being used inappropriately to reduce the development of high rates of antibiotic resistance. Improper antimicrobial use can also lead to increases in morbidity rates, length of stay and financial impact on patients. With a limited pipeline of new antimicrobial agents being discovered, it is critical all healthcare providers take action to reduce antimicrobial resistance.

Excellent examples of antibiotic stewardship being driven as a multidisciplinary approach can be seen at Netcare Milpark and Netcare Pretoria East hospitals in their ICUs. On a weekly basis the clinical pharmacist, infection prevention coordinator, microbiologist, unit manager and, if possible, the treating doctor, review antibiotic management of all patients in the ICU. Decisions are taken on what antibiotics to prescribe, change or stop.

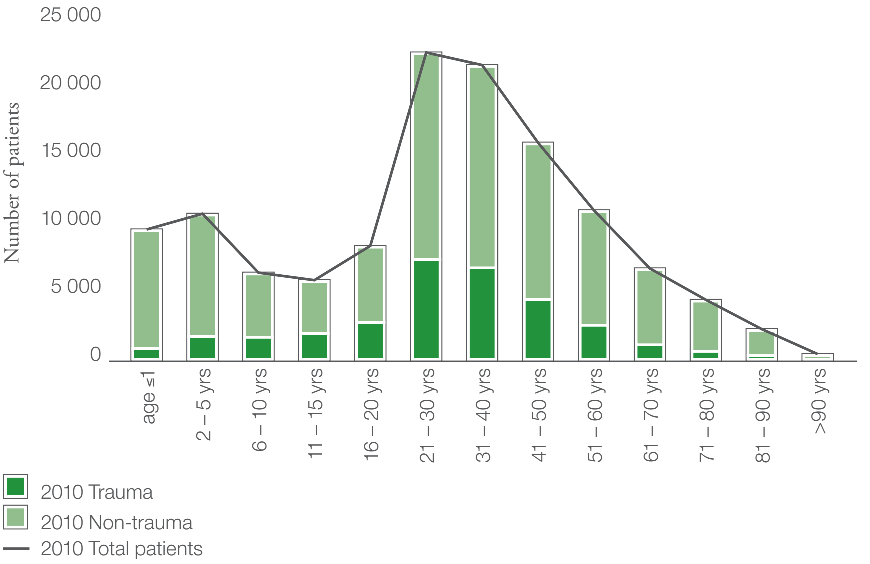
The programme is now being rolled out extensively and clinical pharmacists are being employed in all major hospitals.

Trauma and emergencies

Adults are the most common visitors to Netcare accident and emergency units for conditions ranging from traumatic injuries to non-injury related conditions. In particular, the age group 21 to 40 are more prone to motor vehicle accident injuries than any other age group as seen in the graph to the right.

Netcare 911 ambulance and aeromedical services are the first contact point for many adults involved in life-threatening accidents. Staff at these services understand that patient care starts with an emergency call taken in the call centre, and continues with the emergency crew until the handover of the patient at hospital.

Age profile of patients visiting Netcare accident and emergency units



Netcare 911 prides itself on exceptional response rates, both in its 24-hour call centre, which answers 88% of all calls within 20 seconds, and its ambulance ground and aeromedical services. Given traffic congestion, road construction and rehabilitation, and long distances travelled to remote locations, average response times for ambulances remains top class at 15 minutes.

Netcare 911 paramedics are trained in triage, prioritising patients' treatments based on the severity of their condition. This allows the most seriously injured patients to receive the most urgent care. Netcare 911 has a unique approach in integrating doctors into the division's full operations, from the aeromedical services to doctors in response vehicles giving support to ambulance crews for Priority 1 patients. There is also a doctor on call in the call centre to assist Netcare 911 paramedics or doctors with a medical query, ensuring that every patient receives specialised expertise at every point in their care.

We understand that pre-hospital care impacts greatly on the outcome of the patient and that Netcare 911 forms an integral part of a 'Chain of Care'. International research has shown that rapid transport of trauma patients to definitive care facilities (appropriately equipped and skilled accident and emergency units) has a positive impact on patient outcomes.

Netcare accident and emergency units

Most patients involved in accidents require medical assistance and possibly surgical intervention, and are transferred to one of the 42 accident and emergency units based at Netcare hospitals around the country.

Netcare's accident and emergency units utilise the Injury Severity Score, an anatomical scoring system that provides an overall score for patients with multiple injuries. The desired outcome is that actual survival rates for patients is the same or higher than that which is predicted by the severity of their injury. Netcare Group results show that far higher actual survival rates are achieved at 95.35% compared to predicted rates of only 87.5% to 89%.

Apart from Netcare Milpark Hospital, one of the top trauma centres in SA, there are four other highly regarded accident and emergency units that meet the criteria for Level One status within the Group: Netcare Union Hospital in Alberton, Netcare Unitas in Pretoria, Netcare Christiaan Barnard Memorial Hospital in Cape Town and Netcare St Augustine's Hospital in Durban.

These units provide exceptional results for all emergency patients, whether accident-related or due to medical conditions such as heart attacks or strokes. All Netcare accident and emergency units are constantly improving their care protocols and processes to provide better outcomes to patients.

Improving outcomes for heart attack victims

One of the most common non-trauma related events in emergency care is cardiac-related emergencies such as heart attacks. Saving the life of an adult experiencing a heart attack is based on the right type of care provided within the first crucial minutes of the episode.

Netcare has embarked on a quality improvement programme called Acute Myocardial Infarction: International Benchmarking that aims to provide fast and effective heart attack care. The interventions start with Netcare 911 paramedic or emergency personnel who attend to the patient first. Training is being provided to identify heart attacks faster through the use of 12 lead ECG machines, and the immediate provision of aspirin to these patients. The same intervention of diagnosis and early treatment is being applied across Medicross Medicentres and Prime Cure clinics.

The next stage of the intervention is getting the patient to the nearest hospital with a cardiac catherisation unit. Quick actions and efficient processes by the accident and emergency units staff and cardiac specialists within Netcare hospitals are critical to ensure that the cardiac catherisation laboratories and clot-busting drugs are made available to these patients as quickly as possible.

The final intervention for these heart attack patients, prior to discharge, is that they are counselled on contributing lifestyle factors, such as smoking, and provided with medication to reduce the incidence of further heart attacks and improve their chance of survival. Netcare Dieticians have also developed pamphlets that provide nutritional guidance to patients and information on how to eat correctly given their specific chronic disease.

What our patients think of our care

Netcare places great emphasis on patient care and the patient experience. Consequently we value feedback from our patients and act on their comment to improve service levels. A paper-based patient satisfaction survey, which is independently scored, as well as our customised Customer Interaction Relationship Management Information Technology (CIRMit) software system log and report on patient feedback.

In the Hospital division, patients rate their satisfaction regarding the facilities, the attentiveness of nursing staff and doctors, the service at reception and at diagnostic facilities, the food and the general care they receive. A total of 264 379 surveys were collected (42% of patients admitted in 2010) which indicate that patients were 87.6% satisfied with the hospital care, while there was a 91.5% satisfaction rate of those treated in the accident and emergency unit, from the previous year's results of 87.6% and 90.5% respectively.

Medicross patients rate their satisfaction on the facilities, friendliness of staff, skills of staff to meet their needs and the time waited before being attended to. Overall their satisfaction is recorded at 89.21%, up from 85.6% the prior year. Medicross patients also rated the pharmacy services on the friendliness of staff, staff ability to assist them, staff explanations on the use of medication and the time they waited before being attended to. Overall patients were 87.1% satisfied, a slight increase from 86.7% in the prior year.

All in all, 64% of hospital patients and 73% of Medicross patients would recommend the facility to friends and family.

Clinical governance report – UK

General Healthcare Group (GHG) works within a robust clinical governance framework, which encompasses hospital and site level activity with local Clinical Governance and Medical Advisory Committees. This is further supported by corporate overview which ratifies that the appropriate investigation, review and implementation of actions have taken place. The Clinical Governance Board also analyses trends to facilitate group-wide learning.

Unplanned returns to theatre	
0.165 per 100 admissions	0.182 per 100 admissions
2010	2009

Overall quality of care	
94.9%	79.0%
BMI	NHS

Standard setting

Regulatory standards

For Scotland and Wales, regulations have remained the same as in 2009. However, as indicated in the regulatory overview section, new legislation and regulatory standards came into force for England on 1 October 2010. Hospitals have familiarised themselves with these and assessed their compliance in order to declare their standing during the transitional registration process.

These standards now apply to all health- and social-care sectors, the National Health Service (NHS) and independent providers. They are less prescriptive than the previous National Minimum Standards and focus on outcomes rather than process. Work will continue to embed these in our operations during the coming year.

National guidelines

Published national guidelines continue to be assessed for applicability and communicated when relevant to our hospitals for implementation through well-established communication structures.

Evidence-based practice

GHG's significant work on, and progress in, the review of corporate policies was rewarded this year by achieving NHS Litigation Authority (NHSLA) Level 1 accreditation. This certifies that we have all the required corporate policies in place in a standardised format, and through consistent implementation, we are minimising both clinical and non-clinical risk.

Over the next 18 months we will be concentrating on achieving Level 2 accreditation, which requires evidence of full, effective implementation of all policies throughout all hospitals. We have implemented processes for managing policies and cascaded these to all sites.

Implementation

Equipment

We continue to develop our services and prioritise capital expenditure to ensure our hospitals are able to implement the necessary evidence-based guidance and national guidelines. We have continued to work on standardising vital equipment to streamline processes for training, maintenance and servicing.

An example is the standardisation of Patient Controlled Analgesia Pumps across the business. To minimise risk further, libraries of drug protocols have been pre-programmed into pumps to reduce the selection and margin for error. This also reduces the variety of consumables required and is therefore more cost-effective.

We continue to act on any equipment alerts from the Medicines and Healthcare products Regulatory Agency (MHRA) to ensure that practice is as safe as possible.

Risk assessment

All our activities and working environments are assessed for risk and scored to ensure that any actions required to reduce risk are prioritised. We continue to populate the corporate risk register since its inception in 2008, which is providing regular information to help improve risk management.

The risk assessment process was reviewed and simplified this year. A more user-friendly risk scoring system was introduced to facilitate easier interpretation and prioritisation of required actions.

Competent consultants and staff

Individual staff needs are identified through appraisals, personal development plans and training needs analyses. These are used to plan and provide relevant training and education to ensure that every staff member is suitably skilled to deliver the standards of care required.

Our staff continue to undergo annual mandatory training in a number of key skills such as life support and manual handling. We fully implemented the e-learning package piloted last year and this has improved the monitoring of compliance for completing training. Staff have given excellent feedback about the system.

Nursing programmes ranged from Health Care Assistant training and theatre staff training, to increasing multitasking skills throughout the department for all theatre staff. A High Dependency skills programme is currently being piloted for rollout during the year ahead.

A new initiative during the year was developing an in-house Institute of Occupational Safety and Health (IOSH) accredited course, tailored to meet the healthcare environment. The first courses, which have already commenced, have been allocated to Regional Health and Safety Managers and staff with specific Health and Safety responsibility within hospitals. The courses will improve knowledge and skills across the business, improve our health and safety performance, and minimise risk. In addition, courses provide staff with a nationally accredited qualification.

Doctors/consultants were required to apply for licences to practice from the General Medical Council (GMC). This was the preparatory work for the five-yearly revalidation process. There has been ongoing debate across the Department of Health (DoH), GMC and British Medical Association on the most appropriate model to deliver on this process. Although final decisions have been postponed, one of the more likely aspects will be that all doctors will need to report to a Responsible Officer. GHG is considering options on how to fulfil our obligations for consultants with practising privileges who work purely in the independent sector.

Monitoring

Adverse incident reporting

There is an embedded culture of reporting all untoward clinical and non-clinical incidents and potential incidents. This data is entered onto Sentinel, our corporate electronic reporting system. During the year we continued to refine categories of incidents and outcomes to improve the analysis of data for better governance. A comprehensive infection control module was introduced which enhances data inputting and results availability for action by the Head of Infection Prevention and Control and links nurses at hospital level.

GHG complied with the clinical quality indicator, reporting to the CQC, and infection data to the Health Protection Agency (HPA). HPA cross sector reports are due to be published in early October which will allow for comparison between providers and sectors.

The sector wide Hellenic project, to collect and collate independent sector-wide data on key indicators such as length of stay, unplanned readmissions and returns to theatre, is progressing. All participants are now submitting data and testing has begun. This will provide us with the opportunity to benchmark against other providers and the sector. It is hoped that initial reports will be published in the first quarter of 2011.

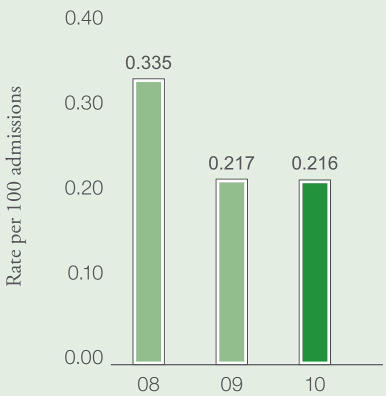
Clinical quality indicators which reflect complication rates include unplanned readmissions and returns to theatre. The unplanned readmission rates reduced from 2008 and have remained static in the last two years. Unplanned returns to theatre are at the lowest level in three years.

All patient deaths are reported onto Sentinel as expected or unexpected. Expected deaths are defined as those where it was thought on admission that death was likely or else death has occurred because of a known disease such as carcinoma. An unexpected death is one which was not predicted at the time of admission and was due to unexpected complications or deterioration in the patient's condition.

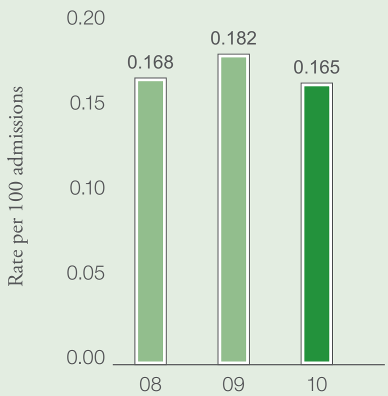
All deaths are reviewed to ensure that there are no issues of concern or trends developing. The highest incidence of death is within oncology.

Patients are assessed for their risk of falling and preventative actions are taken as far as possible. There are however a number of challenges. All patients are nursed in single rooms and although call bells are within reach and patients are advised not to mobilise alone unless absolutely stable, there are times when patients do self-mobilise, resulting in falls. The incidence of falls have declined over the year and we hope to reduce this further.

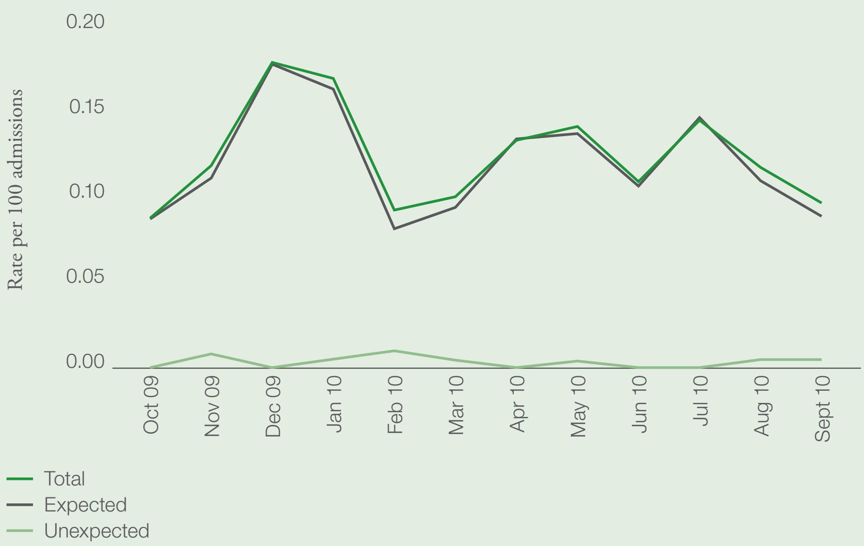
Unplanned readmissions



Unplanned returns to theatre



Inpatient mortality



Clinical governance report – UK (continued)

Patient-reported outcomes

The DoH launched a patient-reported outcomes project for all NHS patients undergoing hip and knee replacement, varicose vein surgery and inguinal hernia repair. Patients complete pre-operative and three month post-operative questionnaires. GHG has participated in this project for all NHS patients undergoing these procedures. Publication of these results is awaited.

GHG aims to commence procedure-specific patient reported outcome data collection for private patients undergoing hip and knee replacement in early 2011.

Patient experience

Patient satisfaction

All patients are invited to complete a patient satisfaction survey covering all aspects of their care. On average we receive 50 000 responses per annum, a response rate of 18% of all inpatients and day cases.

There has been a concentrated effort to improve the patient experience, especially in areas which have shown lower than average scores in the past. The work to achieve a consistent standard for discharge has been rolled out and, as shown in the chart below, had the desired effect with month-on-month improvement.

The NHS carried out an annual patient satisfaction survey in the months from September to December 2009. A total of 69 000 responses were received which equates to approximately 10% of all patients who received treatment during those months. The graph below shows a comparison of the scores for overall quality of care.

Complaints

We believe that all sources of feedback are useful in helping to develop a better service. We make it easy for patients to give feedback or complain as we prefer to be notified of concerns so that we are able to address these. Staff receive training in managing complaints and we aim to resolve the issue for the patient as quickly as possible, to provide an open and honest explanation of what happened and an apology where appropriate.

GHG has a formal staged complaint procedure:

- Stage 1: local resolution;
- Stage 2: corporate review; and
- Stage 3: independent arbitration.

Altogether 1 800 written complaints were received in the year, a rate of 0.65 per 100 admissions. While every effort is made to resolve a complaint at local level, 38 escalated to Stage 2 and two escalated to Stage 3.

The top four complaints categories are:

1. Financial costs/charges;
2. Clinical treatment;
3. Communication/information to patients; and
4. Admission, discharge and transfer arrangements.

Review of monitoring outcomes

Hospital level

Reports are generated as part of our monitoring activity and these are analysed and reviewed by a multi-disciplinary Clinical Governance Committee. This body assesses whether remedial actions taken are appropriate and sufficient. These reports are then provided to the Medical Advisory Committee for final review and for action where this requires the involvement of consultants.

Corporate level

Corporate level reports are generated to enable the benchmarking of adverse hospital incident rates, for example, in relation to other GHG hospitals. A Clinical Governance Management report is produced monthly containing data such as:

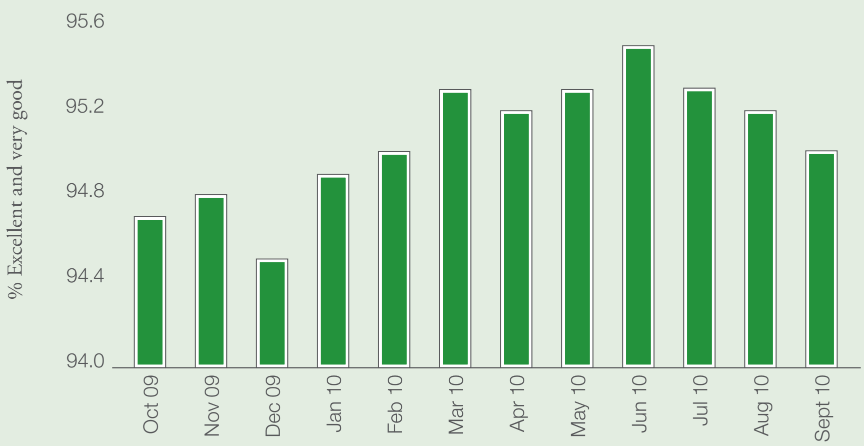
- Serious untoward incidents;
- Stage 2 and 3 complaints;
- Trend for patient satisfaction;
- Infection rates;
- Incident rates;
- Health and safety issues; and
- Clinical speciality issues.

These are presented to and reviewed monthly by the Group Governance Board, chaired by the Group Medical Director. Other members include the Group Clinical Governance Director, Group Director of Nursing and Clinical Services, Group Director of Imaging, Group Chief Pharmacist and lead Physiotherapist.

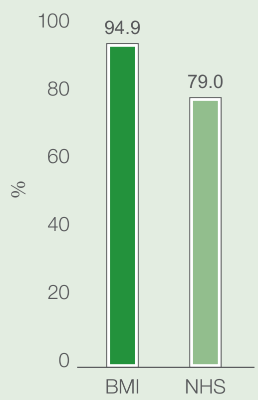
A review of all data is undertaken and appropriate action is taken at a corporate level to address any issues of concern. Feedback is provided to all hospitals through a monthly Clinical Governance Bulletin.

The downward trend in reported adverse and non-adverse incidents demonstrates some degree of success in our clinical governance initiatives.

Monthly BMI overall quality of care



Overall quality of care



However, we recognise the need to continually improve on the quality and safety of care delivered.

Information security and governance

The Information Governance Steering Group chaired by General Counsel has now been active for two years. In this year GHG again achieved ISO 27001 accreditation. The introduction of a Removable Electronic Media Policy has seen a number of new information security measures such as:

- Encryption of laptops, which is 90% complete;
- Introduction of encrypted memory sticks; and
- Banning the use of non-corporate memory sticks.

Staff awareness has increased and they are diligently reporting any potential data protection breaches, with appropriate action being taken to prevent recurrences.

Priorities for the coming year

Care Quality Commission

This year we aim to embed the new regulatory standards and ensure that all hospitals have the appropriate evidence to demonstrate compliance. This will help minimise risk profiles and hence regulatory activity in the group.

Patient reported outcomes

We will be implementing the collection of patient reported outcomes for private patients for hip and knee replacement using the Oxford Hip and Knee Surveys. This will enable benchmarking with the NHS and, in the longer term, Stage 2 of Hellenic will include the collection of this data from the whole sector.

Reduction in patient falls

A working group commenced in the latter part of this year. A standardised risk assessment tool was introduced through the Nursing Leadership Group and an initial review has shown that this has not been fully implemented in all hospitals. The tool will be reviewed with recommendations for a more effective training programme and appropriate preventative action to be taken. The aim is to further reduce the number of patient falls and injuries.

Veno-thrombo-embolism (VTE)

The corporate VTE risk assessment and prophylaxis guidance has been reviewed in line with new DoH and National Institute of Clinical Excellence guidelines. The ultimate responsibility for the prescription of prophylaxis lies with the patient's consultant and there is inconsistency in this approach. GHG aims to achieve VTE exemplar status over the next 18 months. This will entail ensuring that risk assessments are carried out on all patients and that some form of prophylaxis is provided where necessary.

Data and benchmarking

While a culture of reporting is embedded within the organisation, ongoing efforts will continue to improve analysis and utilise all benchmarking opportunities to better prioritise risk and quality activity. The Hellenic project will provide data for benchmarking against the independent sector and NHS. We will also increase liaison with Netcare South Africa and make full use of reciprocal benchmarking opportunities, ensuring that the differences in patient groups are taken into account.

Nursing

With the majority of patients in GHG being elective surgical patients, it is a challenge to maintain the skills of nurses in caring for the acutely ill. Not all hospitals have Level 2 and 3 critical care facilities. However, hospitals that do not have critical care units have formal agreements in place to transfer patients to a facility that can provide the appropriate level of care. A focus for the coming year is to update and improve the skills of nurses in recognising signs of deterioration in patients, thus ensuring that appropriate escalation occurs for timely treatment.

Corporate governance report

Netcare is committed to and fully endorses the principles of good corporate governance as recommended in the Code of Corporate Practices and Conduct as set out in the second King Report on Corporate Governance for South Africa 2002 (King II), most elements of which are either formally or informally in place.

Introduction

The Board is satisfied that the Company complies with the JSE Listings Requirements, the Companies Act of 1973 and the substance of the principles embodied in King II, for the period under review.

Netcare complied with King II during the year ended 30 September 2010, except for the following:

- The Audit Committee is chaired by a non-executive director who is the senior partner of the Group's external legal advisers and is therefore not independent;
- The Risk Committee does not have a majority of independent non-executive directors;
- The Nominations Committee was not chaired by the Board Chairman but by an independent non-executive director. This situation has prevailed since the Committee was established because, at that time, the Board Chairman was not independent; and
- The Remuneration Committee does not have a majority of independent non-executive directors and is chaired by a non-executive director who is also the chair of the Audit Committee.

The implementation of the Companies Act 2008, which provides the legal framework for the third King Report of Corporate Governance for South Africa 2009 (King III), has been scheduled for implementation from 1 April 2011. The JSE Listings Requirements requires all listed companies to comply with King III in respect of the financial year commencing on or after 1 March 2010. Accordingly, Netcare commenced the process of identifying and understanding the gaps within the Group relating to the principles outlined in King III. This gap analysis will reveal the strategy to be adopted in line with the "apply and explain" principle of King III and will be reported in the annual report for the next financial year ending 30 September 2011.

Board of directors

Netcare has a unitary Board structure which comprises an appropriate balance of executive and non-executive directors. As at the end of the financial year, the Board comprised 11 directors, three of whom are executive; five of the eight non-executive directors are independent.

IM Davis resigned as executive director with effect from 31 December 2009 and AA Ngcaba resigned as non-executive director with effect from 7 April 2010.

Read more

The biographical details of the Board of directors are provided on:

pp 12 and 13

The directors are drawn from diverse backgrounds and bring a wide range of experience, insight and professional skills to the Board to ensure effective leadership of Netcare. The Board is led by the Chairman, SJ Vilakazi, who is an independent non-executive director.

No executive director has a service contract exceeding two years. Generally, directors have no fixed term of appointment but retire by rotation every three years and, if available, are considered for reappointment at the annual general meeting. The Chief Executive Officer, RH Friedland, is not required to stand for re-election.

The Nominations Committee considers executive succession planning and makes appropriate recommendations regarding appointments to the Board. This process encompasses an evaluation of the skills, knowledge and experience required to implement Group strategy as well as due consideration for transformation imperatives.

Independence and performance

The Board assesses the performance of the Board and its individual directors as well as their independence on an ongoing basis. To assist the Board with this process, a Chairman's forum, which comprises the Chairman of the Board and the respective chairmen of the Board committees, meet together with the Company's Chief Executive Officer to evaluate the independence of directors, Board effectiveness and individual Board member performance.

In regard to Messrs JM Kahn and APH Jammine, who have served as independent directors for more than nine years, the Board is satisfied that there are no relationships or circumstances likely to affect, or which appear to affect, their judgement as directors and that their independence is not affected or impaired by length of service. The Board is also satisfied that the Chairman of the Board is independent and free of any conflicts of interest.

Board responsibilities and charter

The Board is accountable to shareholders and other stakeholders for the performance of the Company. It is responsible for the strategic direction of the Company and the primary objective of the Company, which is to create and build sustainable value for all its stakeholders. This is achieved by establishing goals for management and monitoring the achievement of these goals.

A Board Charter is in place which sets out the Board's role and responsibilities as well as the requirements for its composition and meeting procedures. The Charter was reviewed in the year under review to incorporate IT governance requirements.

Board meetings

All meetings are convened by formal notice and ad hoc meetings are held when necessary. Information is distributed in a timely manner prior to Board meetings, to facilitate adequate preparation for relevant deliberation at these meetings.

The Board met five times during the year in Sandton.

Company Secretary

The Company Secretary provides individual directors and the Board as a whole with guidance on duties, responsibilities and powers. The Board has empowered the Company Secretary to advise the Board, through the Chairman, on all governance matters.

In consultation with the Chairman, the Company Secretary ensures that the contents of the agenda are relevant to Board decision-making and that the outcome of Board deliberations is communicated throughout the Group as appropriate. In addition, the Secretary is responsible for the timely preparation and circulation of minutes to the Board and its committees, as well as the lodging of all the required returns in accordance with the Companies Act.

The Company Secretary is qualified to perform his duties in accordance with the applicable legislation and is considered by the Board to be fit and proper for the post.

Professional advice

The directors are entitled, at the Group's expense, to seek professional advice about the affairs of the Group and have unrestricted access to all Group information, records, documents and property.

Share dealings

The Company operates closed periods in line with JSE Listings Requirements and also when cautionary notices are in effect. During these periods, directors, officers and other designated members of Group management who may have access to price-sensitive information are precluded from dealing in the Company's shares. Share dealings in the Company's shares by directors and designated managers require the prior approval of the Chairman.

Attendance of directors at Board meetings

during the year ended 30 September 2010

Director	Status	Attendance
APH Jammine	Independent non-executive	5/5
JM Kahn	Independent non-executive	5/5
MJ Kuscus	Independent non-executive	4/5
KD Moroka	Independent non-executive	3/5
AA Ngcaba[1]	Independent non-executive	1/2
SJ Vilakazi	Independent non-executive	4/5
HR Levin	Non-executive	4/5
MI Sacks	Non-executive	5/5
N Weltman	Non-executive	5/5
IM Davis[2]	Executive	0/1
VE Firman	Executive	5/5
RH Friedland	Executive	5/5
VLJ Litlhakanyane	Executive	4/5

1 Resigned 7 April 2010.

2 Resigned 31 December 2009.

Corporate governance report (continued)

Board committees

Composition of Board committees
at 30 September 2010

Director	Audit	Risk	Nominations	Remuneration	Quacrac[1]	Transformation
VE Firman	Inv	✓				
RH Friedland	Inv	✓	Inv	Inv	✓	✓
APH Jammine	✓		Chair	✓		
JM Kahn		Chair	✓			
MJ Kuscus		Inv			Chair	
HR Levin	Chair			Chair		
VLJ Litlhakanyane		✓			✓	✓
KD Moroka	✓					Chair
MI Sacks	✓	✓	✓	✓		
SJ Vilakazi	Inv	Inv	Inv	✓	Inv	Inv
N Weltman[2]	✓					

Committee attendance
during the year ended 30 September 2010

Director	Audit	Risk	Nomination	Remuneration	Quacrac[1]	Transformation
VE Firman		2/2				
RH Friedland		2/2			2/2	2/2
APH Jammine	3/3		2/2	2/2		
JM Kahn		2/2	2/2			
MJ Kuscus					2/2	
HR Levin	3/3			2/2		
VLJ Litlhakanyane		1/2			2/2	2/2
KD Moroka	3/3					2/2
A Ngcaba[3]				1/2		
MI Sacks	3/3	2/2	2/2	2/2		
SJ Vilakazi				2/2		
N Weltman[2]	1/1					

✓ *Member*
Inv By invitation
1 Quality Assurance and Clinical Risk Audit Committee.
2 Appointed as member of Audit Committee on 7 September 2010.
3 Resigned 7 April 2010.

The Board has delegated specific duties to Board committees, which are responsible for assisting the Board in discharging its responsibilities. Six standing committees of the Board were in place during the year under review. Each committee acts according to clearly defined terms of reference approved by the Board.

The Board committees meet independently and provide feedback to the main Board through their chairpersons. In addition, all committee meeting minutes are included in the main Board pack and all directors can raise any questions arising from these minutes.

Audit Committee

The Audit Committee, appointed by the Board in terms of section 269A of the Companies Act, met three times during the financial year. The Audit Committee is governed by terms of reference approved by the Board. Its responsibilities include, inter alia, the review of the Company's annual financial statements and accounting policies; monitoring internal control systems; Information Technology auditing and internal framework assurance; determining scope of the internal and external audit functions; and performing the functions required under the Companies Act on behalf of all subsidiary companies of Netcare and all other statutory functions as disclosed in the Audit Committee report.

Read more

The detailed Audit Committee report can be found on:

pp 116 and 117

Risk Committee

The Risk Committee met twice during the year and is governed by terms of reference approved by the Board. The responsibilities of the Risk Committee include, inter alia, determining policy regarding Group risk appetite; determining nature, role, responsibility, authority and scope of risk management function in the Group; developing procedures to quantify and measure business risks and IT risks; developing risk mitigation action plans; and identifying and assessing risks facing the Group.

The Risk Committee satisfied all its responsibilities in accordance with its terms of reference.

Read more

The Risk report outlines the key aspects of the risks covered by the Risk Committee and can be found on:

pp 82 to 85

Nominations Committee

The Nominations Committee met twice during the year and is governed by terms of reference approved by the Board. The Nominations Committee's terms of reference include, inter alia, reviewing structure, size and composition of the Board and its committees; evaluating leadership needs of the Company and succession planning; and identifying and nominating candidates for Board appointment.

Remuneration Committee

The Remuneration Committee met twice during the year and is governed by terms of reference approved by the Board. The Remuneration Committee's terms of reference include, inter alia, developing the remuneration philosophy and strategy for the Group; determining the Group policy regarding executive remuneration; determining specific remuneration packages for executive directors and senior management; and recommending for approval by the Company in its general meeting, the fees payable to non-executive directors.

The Remuneration Committee satisfied all its responsibilities in accordance with its terms of reference.

Quality Assurance and Clinical Risk Audit Committee (Quacrac)

The Quacrac met twice during the year and is governed by terms of reference approved by the Board. The terms of reference include, inter alia, ensuring the availability of transparent and accountable systems for the provision of patient centred, safe, high-quality care; identifying areas of clinical risk and standardised clinical practice; reviewing systems, policies and procedures for clinical governance throughout the Group; and reporting on the effectiveness of clinical risk and clinical audit management processes and structures.

Quacrac satisfied all its responsibilities in accordance with its terms of reference.

Read more

The Clinical governance report expounds on the clinical issues overseen by this Committee and can be found on:

pp 64 to 67

Transformation Committee

The Transformation Committee met twice during the year and discharges its duties in accordance with the terms of reference approved by the Board. The terms of reference include, inter alia, developing transformation strategy and policy; and guiding, monitoring and reviewing progress against the transformation plan.

The Transformation Committee satisfied all its responsibilities in accordance with its terms of reference.

Read more

The sustainability report on Broad-based Black Economic Empowerment (B-BBEE) details the transformation plan initiatives on:

pp 100 to 102

Operating committees

In addition to the Board committees described above, several operating committees are in existence and functioning within the Group. Minutes of the meetings held by the Executive Committee and the Finance and Investment Committee are monitored and formally noted by the Board. The Board Transformation Committee monitors the activities of the Operational Transformation Committee; all other committees are assigned to specific executives who report to the Executive Committee. Certain of the committees within the governance framework of the Group are highlighted below.

Executive Committee

The Executive Committee, chaired by RH Friedland, typically meets on a monthly basis and comprises the executive directors and the Group executives.

The Executive Committee terms of reference include, inter alia, strategic planning; monitoring the competitive landscape; shaping and approving the business philosophy and practices; managing the Group's human resources; managing the Group's information systems; approving business plans and budgets; ensuring adequate operational policies and procedures; designing and monitoring of key performance indicators; and evaluating performance against targets.

Read more

Biographical details of the SA Executive Committee can be found on:

pp 36 and 37

Finance and Investment Committee

The Finance and Investment Committee is chaired by VE Firman and meets regularly during the year. Membership comprises three executive directors, certain Executive Committee members and other senior managers.

The Finance and Investment Committee terms of reference include, inter alia, raising capital and administration of banking facilities and relationships; evaluating acquisitions and capital expenditure; and determining budget parameters, the Group's treasury protocol, accounting policies, taxation and transaction approval frameworks.

Operational Transformation Committee

The Operational Transformation Committee is chaired by VLJ Litlhakanyane and meets on a monthly basis. Membership comprises two executive directors, various Executive Committee members and other senior managers.

The terms of reference of the Operational Transformation Committee include, inter alia, implementing transformation strategies at Netcare; reviewing B-BBEE legislation and regulations; and liaising with relevant stakeholders regarding B-BBEE targets.

IT Steering Committee

The IT Steering Committee consists of a number of executives and senior management and meets on a regular basis for the purpose of reviewing the use of information systems, infrastructure and objectives in terms of technology plans developed for the Group. The committee monitors and reviews the IT governance framework and relevant controls and procedures, as well as that effective business continuity plans and disaster recovery processes. The IT Steering Committee manages the rollout of the SAP system implementation within the Hospital division.

Corporate governance in the United Kingdom

General Healthcare Group (GHG) is a subsidiary of Netcare in the United Kingdom (UK). GHG acknowledges that, in return for its licence to operate, it is subject to the rules and constraints of society and stakeholder imperatives. In combining the twin requirements of conformance and performance, GHG strives to maintain the highest standards of discipline, integrity and transparency in supporting an appropriate legal, regulatory and institutional foundation.

Overall structure

The corporate governance of GHG is led by the Board of GHG. Governance encompasses both the business and the service and safety aspects of GHG's activities, and committees of the Board have been established to deal with specific components of these aspects.

The Board comprises executive and non-executive directors. The 16 non-executives are generally appointed by and drawn from GHG's investors, although the non-executive Chairman, Sir PO Gershon, is independent of the shareholders.

The three executive directors comprise the Chief Executive Officer (CEO), the Chief Financial Officer (CFO) and the General Counsel. The CEO is responsible for day-to-day operations of GHG and its strategic development. The CFO is responsible for the financial management of GHG and the General Counsel is responsible for advice to the Board and the executive, GHG's compliance with its responsibilities and relations with external agencies.

GHG Board committees

The constitution and function of the Board committees is as follows:

Audit Committee

This is chaired by Sir PO Gershon (GHG Chairman) and has three members, all non-executive directors. The Committee's responsibilities include, inter alia, overall responsibility for internal and external audit of GHG's financial activities and financial reporting; the appointment and remuneration of external auditors; and the company's internal controls and other financial and business risk issues, including certain compliance functions.

Executive Committee

This is chaired by AJ Fawcett, (GHG CEO) and comprises GHG's senior executive functional and divisional heads. Its role is to address all GHG operational matters and it is the principal decision-making body within GHG. In 2010/11 this will be restructured as a Management Committee chaired by SJ Collier (GHG General Counsel).

Read more

The biographical details of the UK Executive Committee can be found on:

pp 52 and 53

Finance and Investment Committee

This is chaired by VE Firman (Netcare CFO). Its role is to review potential capital investments and capital projects, as well as undertake follow-on post-acquisition reviews.

Remuneration Committee

This is chaired by Sir PO Gershon (GHG Chairman). The Committee reviews and sets GHG's remuneration strategy, salary and benefit levels across GHG, to ensure competitiveness of remuneration. It also monitors the management equity arrangements in place.

Corporate Social Responsibility Committee

This is chaired by AJ Fawcett (GHG CEO) and comprises representation from key divisional heads. Its role is to agree the corporate social responsibility strategy for the Company and measure against key performance indicators.

Quality and Risk Committee

This is chaired by Sir PO Gershon (GHG Chairman) and its role is to monitor the safety, effectiveness and quality of GHG's operational activities. It also monitors GHG's regulatory compliance, operational conformity to internal policy, as well as the level of risk retained by GHG.

Corporate governance report (continued)

Accountability and control

Financial reporting

The Board is responsible for preparing the annual financial statements and other information presented in reports to shareholders in a manner that fairly presents the state of affairs and results of the Group's business operations. The external auditors are responsible for carrying out an independent examination of the annual financial statements in accordance with International Standards on Auditing.

The annual financial statements are prepared in terms of the Companies Act of 1973, the JSE Limited Listings Requirements and International Financial Reporting Standards (IFRS).

The annual financial statements are based on appropriate accounting policies which have been consistently applied, unless specifically stated, and are supported by reasonable and prudent judgements and estimates. The Board is satisfied that the annual financial statements fairly represent the state of affairs of the Group at the end of the financial year and the financial performance and cash flows for the financial year.

Going concern

The annual financial statements have been prepared on a going-concern basis. After making enquiries and at the time of approving the annual financial statements, the directors formed a judgement that there is a reasonable expectation that the Group has adequate resources to continue to operate for the foreseeable future. For this reason, the directors continue to adopt the going-concern basis in preparing the annual financial statements.

Internal control and internal audit

The Board is responsible for ensuring that appropriate systems of internal control are maintained to ensure that Group assets are safeguarded and managed, and that losses arising from fraud and/or other illegal acts are minimised. Control systems are continually monitored and improved in accordance with generally accepted best practice.

The internal audit department is a function established at Group level, reporting to the Audit Committee, to assist executive management and the Audit Committee in the effective discharge of their respective responsibilities, by means of independent financial, internal control and operational systems reviews. The Audit Committee's responsibility in regard to the internal audit function has been reported on in the Audit Committee report included in the annual financial statements on pages 116 and 117.

The Board is confident that major business risks are being identified and managed appropriately and that the risk management and internal control framework is operating effectively. Nothing has come to the attention of the Board to indicate that any material breakdown in the functioning of the Group's internal controls and systems occurred during the year under review.

Relations with shareholders

Netcare considers that regular communication of the Group's activities to stakeholders is essential and endeavours to present information in good time as appropriate. Investor relations activities include presentation of interim and annual results, participation in investor conferences, issuing regular updates of trading performance and arranging periodic site visits for major investors.

Netcare endeavours to communicate periodically and regularly with its shareholders and other members of the investment community about its business operations through designated representatives. All new material and price-sensitive information is disseminated via a formal press release and on the JSE's electronic news service (SENS) to ensure appropriate public disclosure.

During closed periods, no communication with the investor community by directors, officers and those designated members of Group management who may have access to price-sensitive information is permitted. The Company adopted a formal investor relations disclosure policy towards the end of the financial year which outlines the process of communication with and to the investor community.

Read more

The notice of the annual general meeting can be found on:

pp 213 to 219

Ethics

South Africa

Netcare is committed to achieving the highest standards of ethical behaviour across all its business units and activities. The Group's values are core to its business philosophy and guide the way we conduct business and interact with all stakeholders. The Company's Code of Ethics is based on a fundamental belief that business should be conducted honestly, fairly and legally. Netcare expects all employees to share its commitment to high moral, ethical and legal standards. The formalised policy details the Group's Code of Ethical and Acceptable Conduct and articulates the Group's policy with regard to:

- Conflicts of interest;
- Gifts;
- Confidentiality;
- Fair dealing;
- Protection and proper use of Group assets;
- Legal compliance;
- Environmental impact of business activities; and
- Health and safety standards affecting employees.

The Board is committed to ensuring the consistent application of the Code of Ethics, and its governance will continue to receive the Board and its Committees' consideration and attention during the year ahead.

The Group is mindful of the professional codes which govern the conduct and ethics of health professionals in South Africa. The Group supports the Health Professions Council of South Africa in all its endeavours to enforce any breaches of its Code, its principles and its values.

The Ethics Code embodies a requirement of compliance with all applicable laws and regulations as a minimum standard and commitment to a policy of fair dealing and integrity in the conduct of our business.

Fraud and Ethics Hotline – statistics

South Africa

	2010	2009	% change
General fraud	**151**	102	48.0
Hotline	**19**	11	72.7

UK

	2010	2009[1]	% change
General fraud	**4**	2	100
Hotline	**3**		

1 The UK Fraud and Ethics Hotline became operational in August 2009.

The Fraud and Ethics Hotline is a whistle-blowing mechanism made available to all Netcare employees to report fraudulent and unethical behaviour of any nature, including any unethical medical behaviour, deviations from the procurement policy, financial and accounting reporting irregularities and any other deviations. The Hotline ensures the anonymity of the source of all information received and the protection of the employees reporting these incidents.

The Fraud and Ethics Hotline can also be used by external parties, including suppliers and patients, and posters are positioned at all Netcare's business units to advertise the Hotline.

The Group has a zero-tolerance approach towards fraud and corruption. Accordingly, all identified cases are reported to the South African Police Services and any other appropriate body.

The Fraud and Ethics Hotline is only one of a number of mechanisms that employees, management and external parties utilise to report irregularities. All internal and external parties can contact Group Forensics by telephone, email or meeting request. Group Forensics resides within Group Risk, Audit and Forensic Services (GRAFS) and reports directly to the Head of GRAFS.

All incidents reported to the Fraud and Ethics Hotline or from any other source are logged on the Group Defalcation Register, fully investigated and a monthly report is provided to the CEO and CFO. The Register is also included in every Board Audit Committee pack.

Fraud and Ethics Hotline: 0860FRAUD1 (0860372831).

If anonymity is not a concern, then the email address fraud@netcare.co.za can be utilised.

General fraud – All incidents reported to GRAFS via email, telephonically or through meeting requests.

Hotline – Reporting of incidents via the Fraud and Ethics Hotline only.

During the year under review, a considerable increase was noticed in the use of the Hotline. This is attributed to increased awareness and understanding of ethical behaviour as prescribed.

United Kingdom

GHG has a Code of Business Conduct, the purpose of which is to prevent the occurrence of illegal or unethical behaviour, to halt any illegal or unethical behaviour that may occur as soon as reasonably possible after its discovery, and to discipline those that violate the policy.

GHG's basic values are honesty, directness and openness in dealing with others, including our relationships with employees, shareholders, customers, suppliers and the local community. A formalised policy details GHG's Code of Business Conduct and articulates GHG's policy with regard to:

- Gifts and entertainment;
- Equality and diversity;
- Accuracy and integrity of books and records;
- Health and safety standards affecting employees and customers; and
- Outside interests.

The Fraud and Ethics Hotline became fully operational in August 2009.

Risk report

Netcare aspires to excellence in our unique brand of patient care that is delivered by people who are passionate about the sanctity of life, personal respect and dignity. The Group is inherently exposed to various risks and uncertainties in working towards achieving our objectives and increasing stakeholder value.

Introduction

Risks and uncertainties can negatively impact the Group's main assets, namely management, employees, brand and reputation, and can undermine the achievement of our social, economic and environmental objectives. It is therefore critical that the risk management process is embedded in the strategic and business processes of the Group.

Risk management process

The Board is ultimately responsible for the governance of risk within the Group and has appointed the Board Risk Committee to assist in discharging their responsibility. The Committee sets the strategic direction for the system and process of risk management within the Group through the approval of the risk management policy and plan.

Read more

For details of the Board Risk Committee's terms of reference refer to:

p 77

Management is responsible for executing the Board's strategy through the Board Risk Committee and in accordance with the risk management policy and plan. Management is accountable to the Board, through the Board Risk Committee, for designing, implementing and monitoring the system and process of risk management, and integrating it into the day-to-day operations of the Group. Risk management is embedded in the overall Group governance structure as a part of the policy framework.

The Group has a Group Risk Management division which is involved in the implementation and monitoring of the system and process of risk management throughout the Group. This division ensures that risks are properly managed and are consistent with the agreed risk appetite.

The Group Risk Management division engages with key stakeholders from the major divisions and business units within South Africa (SA) to identify key risks, and monitor the plans and processes to manage these risks. In conjunction with key stakeholders, the division also consolidates the key risks identified into a ranking and provides an assessment of the top business risks affecting the Group. The top business risks are formally reported to the Board Risk Committee which meets bi-annually.

The system and process of risk management considers the:

- Nature and extent of risks facing the Group;
- Extent and categories of risk regarded as acceptable for the Group to tolerate;
- Severity and probability of identified risks materialising;
- Ability of the Group to reduce the incidence and impact on the business if identified risks materialise; and
- Cost of risk mitigation plans and processes relative to the benefit obtained.

The Board is satisfied that the Group's risk funding strategy and existing cover are adequate and appropriate in relation to the exposures identified. The Board has also considered the effectiveness and efficiency of the system and process of risk management and found it to be effective, a determination that has been corroborated by appropriate compliance reports. Furthermore, in the event of a disastrous incident, there is a documented and tested major incident management plan and disaster recovery programme that will allow for the continuity of critical business processes.

The Board is confident that:

- The system and process of risk management in place is appropriate for the Group's model and strategy;
- The risk appetite inherent in the business model is appropriate;
- An appropriate risk culture has been embedded in the Group's strategy; and
- The system and process of risk management operates appropriately to inform the Board of major risks facing the Group.

An ongoing process for identifying, evaluating and managing the key risks faced by the Group has been in place for the year under review and up to the date of approval of the annual report.

Key risks – South Africa

The major risks identified as being business critical for the sustainability of the South African operations together with the plans and processes to mitigate these risks are listed in the table to the right.

Risks	Risk mitigation
Quality patient care (clinical quality)	
Netcare's core value is care. The professional and ethical care that patients receive at every level of the organisation is the foundation of Netcare's business model. Failure to provide the best and safest patient care adversely affects Netcare's operations, brand and reputation.	The Group has instituted various clinical governance systems and processes to ensure that only the highest standards of clinical governance and patient outcomes are achieved.
Availability and quality of skills	
The healthcare industry is experiencing a shortage of skilled professionals including nurses, pharmacists, paramedics, emergency services doctors, doctors and specialists.	The Group has implemented various attraction and retention strategies. Netcare Education provides nursing training and education to students, and currently provides almost 25% of all newly qualified nurses in the country.
Industry regulations, legislative environment and funder regime	
Changes in healthcare industry regulation and legislation impacts on the industry landscape and competitive environment, the most significant of which are: • National Health Insurance; • Collective bargaining; • Designated service providers; and • Prescribed minimum benefits.	The Group continuously monitors the regulatory and legislative environment and engages with regulators regarding policy decisions, thereby enabling proactive amendments to the Group's strategy and business model.
Fire	
Fire impacts on business continuity and poses a risk to the safety of patients and employees.	The Group continues to be proactive in ensuring that facilities provide a safe and secure environment for patients, employees and members of the public. The Group has a documented and tested major incident management plan and disaster recovery programme. The Group has comprehensive insurance cover to mitigate financial impact.
Pandemic or infection breakout	
A pandemic or widespread infection breakout, affecting public and healthcare professionals, that would challenge the current clinical protocols designed to ensure business continuity and maintain quality patient care.	The Group has a documented and tested major incident management plan and pandemic preparedness plan to ensure business continuity and ongoing quality patient care. There is continuous training to raise awareness and increase knowledge of current breakouts.
Increased militancy on the labour front	
Industrial action (strikes) impacts on business continuity and poses a risk to the safety of patients and employees.	The Group has a documented and tested strike management response plan to ensure business continuity and ongoing quality patient care.
Information technology	
Netcare is dependent on the information technology (IT) environment which enables critical business processes.	The Group has appointed employees with the appropriate level of skill to maintain the stability and integrity of the current IT environment.
The rollout of the SAP Enterprise Resource Planning (SAP ERP) application to replace the current legacy systems is a large and complex project that requires appropriate management to ensure successful implementation.	A dedicated task team is ensuring the successful implementation of the SAP ERP application.

Risk report (continued)

Key risks – United Kingdom

Risks	Risk mitigation
Debt covenants	
Failure to meet the requirements of debt covenants requires GHG to refinance or restructure existing debt subject to the cost and availability of capital which has been affected by the prevailing capital market conditions.	GHG continues to monitor, analyse and forecast compliance with the requirements of debt covenants.
Quality patient care (clinical quality)	
Failure to provide the best and safest patient care adversely affects GHG's operations, brand and reputation.	GHG operates within a robust clinical governance framework and has instituted various clinical governance processes to ensure that only the highest standards of clinical governance and patient outcomes are achieved.
Availability and quality of skills	
The ability to attract and retain the appropriate quality and number of healthcare consultants are critical to the continued success of GHG.	GHG has implemented various attraction and retention strategies.
Economic and business environment	
The downturn in the general economic and business environment adversely affects the demand for private healthcare services procured through private medical insurance and direct patient payment (self-pay).	GHG continues to monitor, analyse and forecast the impact of the economic downturn, enabling proactive amendments to GHG's strategy and business model.
Industry regulations, legislative environment and funder regime	
Changes in healthcare industry regulation and legislation impacts on the industry landscape and competitive environment.	GHG continuously monitors the regulatory and legislative environment, and regularly engages with stakeholders, enabling proactive amendments to GHG's strategy and business model.
Pandemic or infection breakout	
A pandemic or widespread infection breakout, affecting the public and healthcare consultants, that would challenge the current clinical protocols designed to ensure business continuity and maintain quality patient care.	There are established clinical quality and risk management programmes.
Information technology	
GHG is dependent on the IT environment which enables critical business processes.	GHG has contracted with an external service provider to maintain the stability and integrity of the current IT environment.

The risks pertaining to the United Kingdom (UK) operations have been prepared by the General Healthcare Group (GHG) executive management and have been formally reported to the Group Board Risk Committee. The major risks identified as being business critical for the sustainability of the UK operations together with the plans and processes to mitigate these risks are listed in the table above.

Looking ahead

The Group Risk Management division is currently reviewing the risk management strategy and framework to ensure that Netcare maintains its strategic advantage and continues to increase stakeholder value. The review will incorporate the application of the principles and best practice recommendations of the third King Report of Corporate Governance for South Africa 2009 where practicable.

Read more

Details on the Group's financial risk management are included in note 33 to the annual financial statements on:

pp 179 to 184

Sustainability report

Highlights and accolades

No. 1	most empowered healthcare company in SA and ranked 13th overall in the Top Empowerment Companies 2010 survey
>3.5 thousand	nurses, paramedics and management students trained in SA during the year at a value of R114 million
9 sites	added in the UK, including three Abbey Hospitals, Phoenix Hospital Group and Southend Private Hospital
R57 million	spent on corporate social investment in SA
9th	in the Large Companies category of the 2010 Deloitte Best Company to Work For survey
10th	place in the Carbon Disclosure Project Carbon Leadership Index in SA

Netcare is a responsible corporate citizen that subscribes to sustainable development as an imperative in business. We believe in creating long-term shareholder value by embracing opportunities and managing risks derived from economic, environmental and social developments. The interconnectedness of these elements is particularly relevant in the healthcare sector.

Introduction

Netcare is in the process of defining a sustainability strategy in conjunction with the recommendations of the third King Report of Corporate Governance for South Africa 2009 (King III) for integrating sustainability and business strategy. We continue to focus on the triple-bottom line of profit, people and planet. This is not only to meet changing regulations or patients' healthcare needs, but to ensure that our business can continue to make a meaningful contribution and derive fair profit from delivering healthcare services.

Clean air and water, adequate food, and hygienic sanitation form the basis of the hierarchy of healthcare needs. This is followed by basic medical care, such as immunisations and preventive screenings (which can substantially reduce rates of premature death), as well as medical treatment for acute and episodic illness, injury and chronic disease. All of these factors play a role in sustainable development.

Access to affordable, quality healthcare is fundamental to sustainable development. This year we have continued to promote access and affordability by partnering with government both in South Africa (SA) and the United Kingdom (UK), and through corporate social investment activities focused on broadening access to healthcare among poor communities. In the UK, we expanded our services through the acquisition of hospitals, clinics and consulting suites. We have also made significant investments in skills development and training, mitigating some of the risks associated with skill shortages.

Sustainability overview

Economic performance

The value added statement provided on page 88 reflects the distribution of economic value created for our stakeholders.

Social performance

Netcare has demonstrated our willingness and ability to make a strong contribution to public health delivery by engaging in Public Private Partnerships (PPPs), providing managerial and administrative support (which this year included having all of our internal processes benchmarked by the Treasury Assist Unit), assisting in the commissioning of a public hospital and informal hospital twinning programmes, among other initiatives.

During the year, the three primary care clinics that form part of the overall Lesotho PPP model commenced operations. The construction of the hospital is on track and is scheduled to open in 2011.

In the UK, we have broadened access to quality healthcare, showing strong growth in National Health Service (NHS) patients treated in our facilities through the NHS Choose and Book (C&B) programme. The recessionary climate and growing unemployment placed a considerable burden on the NHS, thereby underpinning the important role of C&B service providers.

Qualified health professionals are the foundation of any sustainable healthcare system. Due to increasing consumer demand and population growth trends, the demand for healthcare personnel far exceeds the current supply.

This is a global phenomenon, and one which is made apparent in SA by persistent vacancy rates among registered nurses in both the private and public sector.

To address the shortfall of registered nurses, Netcare has invested significantly in nursing training for the broader healthcare sector. We are also intensely involved in training other healthcare personnel, such as pharmacists, paramedical staff, clinical technologists and care workers. In 2010, Netcare trained over 3 700 learners in SA and over 2 000 nurses in the UK.

Our people underpin our success and their commitment to Netcare is critical in helping us live our values of dignity, care, passion, truth and participation. This commitment is demonstrated by maintaining a top 10 position in the Large Companies category of the 2010 Deloitte Best Company to Work For survey in SA for the sixth consecutive year.

The normalisation of our South African business remains a key focus. In Broad-based Black Economic Empowerment (B-BBEE) we achieved an AA rating from Empowerdex, equivalent to Level 3 compliance in terms of the Department of Trade and Industry Codes of Good Practice (dti Codes). We maintained our position as the most empowered company in the JSE's healthcare sector and were ranked 13th most empowered listed company overall in the Financial Mail's Top Empowerment Companies survey.

In 2010, Netcare SA spent 5.2% of SA net profit after taxation on corporate social investment (CSI) initiatives, and over R100 million since 2008. We have a framework in place to govern our CSI activities but these are not confined to narrow boundaries. For instance, Netcare's willingness to lend assistance when called and the compassion shown by many of our staff during the public sector healthcare workers' strike in SA earlier this year shows our commitment to working with our communities.

One of the more positive consequences of the strike was the close working partnership that was forged between Netcare and certain public sector hospitals. Natalspruit Hospital is a case in point – we became aware that neo-natal patients could benefit substantially from modern ventilation equipment. Accordingly, we donated two new state-of-the-art Infant Flow SiPAP ventilation systems and an Aladdin CPAP to the hospital.

In the UK, a major community initiative was carried out, launching the BMI Clean Team to improve hygiene in schools and communities across the UK and to raise awareness of clean hospitals.

Environmental performance

Although Netcare is classified as a low-impact industry in terms of carbon emissions, we are determined to do all we can to reduce our impact on the environment and promote sustainable solutions in our sector. Our commitment was acknowledged by achieving 10th position in the South African Carbon Disclosure Project (CDP) Leadership Index, improving our position from 14th place last year.

In SA, energy reduction strategies remain three tiered, with a focus on human behavioural changes (driven through the Switch it Off campaign); the deployment of alternative engineering and technology solutions; and continued monitoring and improvements in monitoring systems. Waste reduction and water efficiency will continue to receive attention. To ensure that environmental risks are properly understood and mitigated, a committee for environmental management, accountable to the CFO, has been established.

In the UK, the Big Turn Off campaign that we launched in February 2009 continued, with monthly information and training webinars for Green Champions, monthly energy efficiency campaigns, and a rolling programme of site visits. A new general waste management contract was launched, supported by a communication and awareness campaign which has improved the recycling rate.

JSE Socially Responsible Investment (SRI) Index scorecard

Netcare qualified for the 2010 SRI Index based on the EIRIS assessment (Experts in Responsible Investment Solutions). However, a decision was taken by the SRI Index Advisory Subcommittee to exclude Netcare as a result of the controversy surrounding the organ transplant case in KwaZulu-Natal. The Group was excluded from the JSE SRI Index this year for the first time since being included from the inception of the Index in 2004. Following a meeting with the JSE in this regard, the JSE has agreed to allow Netcare to make representations to the Advisory Subcommittee to review its decision. The representation will be made shortly and it is anticipated that this will be adjudicated early in the new year.

Netcare made very pleasing improvements across all indicators despite the JSE's decision. The Index assesses performance in terms of corporate governance and the environmental, economic and social sustainability practices of listed companies.

The table below outlines the Group's performance and the maximum scores for each indicator.

SRI Index scorecard

	2010	2009
Governance and sustainability		
Core indicators	**32/32**	42/43
Desirable indicators	**29/33**	30/37
Social		
Core indicators	**36/39**	38/41
Desirable indicators	**43/49**	49/58
Environmental		
Impact	**Low**	Low
Policy	**Met**	Met
Systems	**Met**	Met
Reporting	**Met**	Met
Climate change[1]	**BP level**	

1 *New for 2010. Best Performer (BP) Level indicates that all six climate change indicators have been met.*

Value added statement

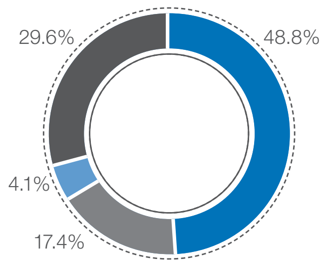
The value added statement below reflects the wealth created and how it is distributed to our stakeholders and reinvested in the Group to maintain and develop operations.

Rm	2010	%	2009	%
Revenue	**22 474**		23 232	
Payments to suppliers of materials and services	**(6 937)**		(7 304)	
	15 537		15 928	
Income from investments[1]	**117**		177	
Wealth created	**15 654**		16 105	
Distributed as follows:				
Employees				
Salaries, wages and other benefits	**7 638**	**48.8**	7 787	48.3
Providers of capital				
Finance costs[2]	**1 981**	**12.7**	2 425	15.0
Capital reductions	**521**	**3.3**	430	2.7
Preference dividends paid	**53**	**0.4**	73	0.5
Ordinary dividends paid by subsidiaries	**1**		3	
Non-controlling interest	**174**	**1.1**	114	0.7
Government				
Direct taxes	**505**	**3.2**	464	2.9
Indirect taxes	**143**	**0.9**	150	0.9
Reinvested in the Group				
Retained earnings	**3 555**	**22.7**	3 503	21.8
Depreciation	**1 083**	**6.9**	1 156	7.2
Wealth distributed	**15 654**	**100.0**	16 105	100.0

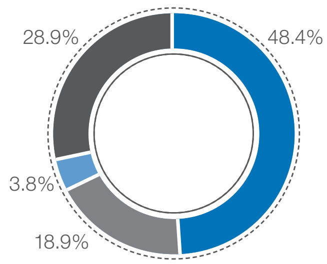
1 Includes interest received and share of associate's retained profit.
2 Includes interest paid.

Wealth distributed

2010



2009



Employees
Providers of capital
Government
Reinvested in the Group

Sustainability at a glance

Key issues and engagement channels

Netcare recognises that to create long-term shareholder value, we must respond positively to the needs of all our stakeholders.

This is contingent on listening to and understanding the unique concerns of different stakeholder groups through ongoing engagement and by means of appropriate communication channels. We translate this feedback into practical responses, whether through Company policy directives and protocols, development interventions or the appropriate allocation of capital and resources. Our success in each of these is monitored, measured and modified on an ongoing basis to ensure we continue to meet the evolving needs of our stakeholders.

Human capital

Netcare's core value of care can only be realised if our people are engaged, motivated and fulfilled.

We realise our strategic objectives if we are able to attract and retain talented staff, especially in a sector that faces significant skills shortages. This requires that we invest holistically in our people through a broad range of best practice people management interventions, including competitive reward and recognition, meaningful training and career development, ongoing communication and engagement, employee wellness and support, and in providing a safe working environment.

Black economic empowerment

Netcare understands the importance of Broad-based Black Economic Empowerment (B-BBEE) as a framework to redress the imbalances of the past, without which the country's potential to succeed in the future is impeded.

As such, we have adopted B-BBEE not as an expectation or obligation but as a means to transform our organisation and, more broadly, the socioeconomic fabric of our home country. To reflect diversity and harness its strength is to normalise South African society, and it is this imperative that has driven Netcare's steady progress in B-BBEE and earned us the accolade of being the most empowered JSE-listed company in the healthcare sector.

Corporate social investment

Employee involvement is a central feature of our corporate social investment (CSI) contributions.

Netcare promotes the sustainable development of communities in which we operate through our CSI initiatives. Our CSI policy is aligned with our core business – to provide quality healthcare – and our initiatives aim to increase access to quality healthcare and uplift communities.

The CSI projects we support and corporate sponsorships we undertake are carefully selected and managed to ensure maximum social value is realised from the resources we commit, and that we maintain strong ties with local communities and organisations.

Environment

Netcare has made a long-term commitment to minimise our environmental impact.

As a responsible corporate citizen, we acknowledge the need to manage our consumption of natural resources in a sustainable manner. This includes energy, water and waste management, and reducing our carbon footprint in line with the drive to address global climate change.

Strategic approach to key issues and engagement channels

The table below provides details on our strategic approach in engaging with our stakeholders.

	Key issues for stakeholder group	Key issues for Netcare
Patients	• Safe environment with low infection rates. • Quality of nursing staff. • Understanding medical procedure and processes. • Access to world-class medical innovation.	• Partner with physicians and healthcare service providers to enhance patient care. • Operate according to a stringent clinical governance framework. • Provide highly trained and qualified nursing staff. • Invest in new facilities and upgrade existing facilities. • Actively address patient complaints. • Provide patients with adequate information. • Comply with the Patient Rights Charter.
Doctors	• Access to quality nursing support. • Access to the best equipment, instruments, medicines and support staff. • Convenience of access to multi-disciplinary health services. • Availability of beds and theatre slates. • Support services including administration and marketing, and opportunities to develop a successful practice.	• Facilitate superior doctor care through uncompromising quality of nursing care and comprehensive medical infrastructure. • Focused relationship building programme for specialists and GPs. • Retaining doctors in SA. • Delivery of best possible clinical outcomes.
Employees	• Opportunities for growth and development. • Recognition of contribution to the Group. • Right to freedom of association and collective bargaining.	• Attracting and retaining the best skills. • Being recognised as an employer of choice. • Providing employee wellness facilities. • Accelerating transformation of the workforce.
Healthcare funders	• Establish good working relations based on transparency and cooperation. • Cost-effective healthcare.	• SA medical scheme industry is financially stable with solvency levels of 32.9% (prescribed solvency level is 25%). • Maintain positive relationships with medical schemes and medical scheme administrators who account for the majority of our revenue.
Government	• SA – promotion of access and affordability. • UK – the goal of the NHS is to become a world-class, patient-centred public healthcare provider. • Safe and correct disposal of medical waste.	• Drafting of Regulations on Certificate of Need[1]. • Contribute to the SA and UK government's national health priorities. • Continue to grow as a trusted and reliable partner to both governments. • Regulation on cost benchmarking. • Participate in the development of National Health Insurance in SA. • Propose solutions to reduce waiting times both in SA and UK. • Implement PPP projects.

1 Chapter 6 of the National Health Act of 2003

Engagement channels	Our response to stakeholder issues
• Web-based and telephonic pre-admission facility. • Paper-based patient evaluation forms. • Hello Peter and CIRMit system. • Discharge SMSs. • Patient focus groups. • Brochures. • Netcare and related websites. • Netcare magazine. • Listening forums.	• The number of patients developing healthcare associated infections in Netcare SA hospitals is 1.92 patients per 1 000 patient days. • In SA, our most recent patient satisfaction score was 87.6%. In the UK, 98.4% of patients rated the quality of care as good, very good or excellent. • In the UK, BMI further expanded its national enquiry centre that enables the management of patient enquiries and appointment bookings. • New technology previously not seen in Africa was introduced at SA hospitals. Refer to page 43 in the SA Hospital Operating review for further details. • In the UK, a neuro-rehabilitation centre and an emergency care/minor injury centre were opened.
• Doctors communicate with hospital management at each Netcare facility through the Excellence Programme, an interactive feedback mechanism. • Physician Advisory Boards at each Netcare hospital provides peer review and helps maintain high standards of clinical governance. • The Medical Advisory and Ethics Committee, that includes external academic ethics experts and clinical governance representatives from Netcare, advises on ethics, conduct, doctor training and development and clinical governance issues.	• Netcare trained over 5 000 nurses in both SA and the UK. • We invested R637 million in medical equipment (R383 million in SA, R254 million in the UK). In SA, a fully integrated oncology centre was opened, specialising in intensity modulated and image guided radiation therapy. A bone marrow transplant unit and a cardiac catherisation laboratory were also commissioned during the year. • In the UK, new theatre and cardiac suites were built, endoscopy and imaging suites upgraded and six new MRIs and four CT scanners installed. • 120 beds were added at SA hospitals. In the UK, three ex-Abbey hospitals, the Phoenix Hospital Group and Southend Private Hospital were acquired during the year. • In the UK, hospital working groups were launched in 2010, with each hospital having a consultant representative body supporting clinical practice, hospital operations and marketing and communication at the facility. A new national consultant reference group was introduced so that clinicians are at the heart of BMI decision-making across the business.
• Annual employee satisfaction survey. • Site-specific staff magazines and newsletters. • In addition to ongoing executive and operational interaction with unions, Netcare funds three full-time shop stewards to assist in employee relations.	• Over R100 million was spent on staff training in SA and £1.4 million in the UK. • NETrewards, SA's staff recognition scheme provides an opportunity to recognise staff members who have gone out of their way to provide great service or care to a patient or a colleague. • In SA, the annual Netcare Night of the Stars Awards recognises employees who go above and beyond the call of duty. This initiative has been adopted by the UK and took place for the first time this year. • Self-funded incentives remain in place for middle managers and above, based on individual performance and corporate, divisional and business unit targets in place for Netcare SA and UK. • Currently, 48.4% of Netcare employees in SA are unionised. Further detail can be found in our Human capital report on page 94.
• Regular liaison meetings and interaction relating to operational issues. • Annual tariff negotiations.	• Netcare remains firmly committed to containing medical inflation, through training, partnerships, increasing primary care coverage, and well-managed and efficient healthcare delivery.
• In SA, Netcare has established a dedicated policy unit to inform health reform debates and partner with government to find solutions to healthcare problems. • In SA, Netcare interacts with government through several industry associations, including the Hospital Association of South Africa (HASA). • In the UK, GHG plays an active role in debates about health reform, engaging with the Department of Health directly and through representative organisations of which it is a member (including the NHS Partners Network, the NHS Procurement Forum and the Private Hospitals Alliance).	• In SA, government is focused on promoting access and affordability. We are committed to partnering with government in this strategic drive and remain equally committed to maintaining an emphasis on quality, integral to maintaining standards and attracting investment. • Netcare's PPPs provide a platform for our commitment to broaden quality healthcare services. Communities now have greatly improved access to medical specialists and private healthcare. The PPPs have the additional objective of transferring skills and embedding management and clinical policies that will ensure the sustainability of the quality of care delivered. Refer to pages 50 and 51 for further details on our PPPs. • Netcare is contributing to increased access through: – Training of nurses; and – Continued investment in health infrastructure. • In the UK, GHG has enhanced opportunities to work with the NHS and has increased the volume of Choose and Book patients. • Netcare SA has undertaken a rigorous process to ensure that our waste disposal contractors meet all legislative requirements.

Strategic approach to key issues and engagement channels (continued)

	Key issues for stakeholder group	Key issues for Netcare
Investors	• Enhanced shareholder value. • Corporate governance. • Transformation. • Regulatory uncertainty surrounding healthcare provision in SA and the UK. • Quality of management and their ability to execute Netcare's strategy. • Management succession planning. • Timeous, adequate information.	• Delivering shareholder value. • Maintaining corporate governance. • Accelerating transformation. • Regulatory uncertainty surrounding healthcare provision in SA and the UK. • Maintaining and enhancing quality of management to best execute Netcare's strategy. • Ensuring continuity through a formal succession planning process. • Providing timeous, adequate information. • Promoting understanding of the SA and UK businesses and healthcare environments.
Suppliers	• Fair payment terms. • Mutual respect. • Fair competition.	• Fair pricing. • Timeous delivery. • Ethical behaviour. • Preference is given to ISO or internationally accredited companies over non-accredited companies to ensure consistent quality product and services. • As a key sponsor and strategic partner of the Proudly South African campaign we aim to support local suppliers where logistically possible and commercially viable. • Compliance to B-BBEE standards and accreditation.
Communities	• Create partnerships that will best facilitate Netcare's corporate social investment (CSI) activities. • Create awareness of Netcare in our communities.	• Make a meaningful difference. • Support developmental community projects. • Offer employment and training opportunities.

	Engagement channels	Our response to stakeholder issues
	• Active engagement with investors via: – Results presentations; – Road shows; – Analysts' days; – Participation in investor conferences; – Updating investors on latest developments, material information and price-sensitive information; and – Maintaining access and interactive engagement between the investment community and management. • General communication also includes: – Online reporting; – Annual reports; – Emails; and – Telephonic communication.	• Netcare is the largest private healthcare company in SA and GHG is the leading UK independent healthcare provider. • We are compliant with King II and JSE Listings Requirements. • We maintained our Level 3 B-BBEE dti rating and our Empowerdex AA rating. • Netcare is the most empowered company in the JSE health sector and 13th overall in Top Empowerment Companies 2010 survey. • Netcare operates in a highly regulated environment where the interests and expectations of stakeholders are complex and inter-related. We have been active participants in the industry process, providing constructive input for all proposed legislation. • Netcare maintained a top 10 position in the Large Companies category of the Deloitte Best Company to Work For survey.
	• Quarterly meetings with selected strategic suppliers focus on delivery and quality performance, demand forecasting, pricing and continual improvement. • Annual meetings with other suppliers. • Both parties commit to the highest ethical standards. The Netcare Fraud and Ethics Hotline is available for reporting unethical behaviour. • Entering into agreed terms and conditions for top 80% spend suppliers. • Online surveys.	• Netcare Rating Questionnaires assess our interactions with suppliers from procurement to payment. • Annual joint audits are conducted with selected suppliers to evaluate their performance against criteria, ranging from fair pricing and timeous delivery to additional value-added services.
	• Providing medical services to indigent patients. • Initiatives to broaden healthcare access such as the Sight for You and Craniofacial programmes. • Community health and welfare sponsorships run on a national basis. • Hospital initiatives which meet the needs of the immediate community, ranging from establishing vegetable gardens to free medical assessments.	• Netcare is an active and engaged member of the communities in which we operate. Our CSI policy is aligned with our core business competency – to provide quality healthcare. Accordingly, our initiatives aim to increase access to quality healthcare and uplift communities. CSI focus areas in SA include: – Emergency medical services for indigent patients; – Healthcare accessibility initiatives; – Community health and welfare sponsorships; and – Bursaries. • During the public sector strike in 2010, Netcare made its facilities and personnel available to assist critically ill patients in need of ambulatory care, hospitalisation or dialysis. No charge was levied by Netcare notwithstanding significant input cost. • In the UK, CSI takes the form of sponsoring a range of outreach programmes including charities and fundraising events. In 2010, the BMI Clean Team initiative was launched to improve hygiene in schools and communities across the UK, and to raise awareness of our clean hospitals. Our CSI response is extensively detailed in our Corporate social investment report on pages 103 to 106.

2010 was another year of positive interaction with our staff. Highlights include the Participate with Passion campaign, which encouraged greater support for nation-building activities in and around the 2010 FIFA World Cup™ in South Africa (SA).

The campaign was a great success across the business, with enthusiasm generated through various communiqués and competitions. The legendary former football player, Marks Maponyane, was the campaign ambassador for Netcare and Marks created excitement and enthusiasm each time he appeared.

The SA public sector strike provided a unique opportunity for us to provide assistance, particularly in Gauteng. Many of our staff worked long hours as volunteers, providing services at a time of great need at certain hospitals.

We received positive feedback from leadership and staff surveys, as well as suggestions on areas for improvement, such as a need to improve internal communication. We will translate this into action plans for the forthcoming year. We are also very pleased with maintaining a top 10 position in the Large Companies category of the Deloitte Best Company to Work For survey.

Initiatives that aim to increase staff engagement, such as our Pulse staff survey and the introduction of the Night of the Stars awards, have been well received in the United Kingdom (UK). Non-managers who demonstrate exceptional standards of care, customer service, innovation, commitment and dedication are eligible for the awards. Awards were granted in six categories – Carer of the Year, Best Tell the World Initiative, Best Patient Care Initiative, Star Hospital, Star Idea, and an EcoNomics Green award.

Employee distribution

Employee numbers have grown slightly in SA by 1.8% and the UK by 0.9%. The Group now employs 30 096 staff members.

Equal opportunity

Netcare is committed to the normalisation of South African society. We continue to implement and drive transformation initiatives to ensure that the organisation is representative of South African demographics and that we are engaged in activities and business practices that impact positively within the broader society in which we operate.

The representation of black and female members of staff across all middle and senior management levels improved from 2009 to 2010.

Read more

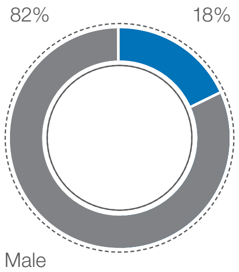
For further details on employment equity refer to:
p 102

Group employee turnover

	2010	2009
Permanent employees at the beginning of the year	**29 648**	28 884
Increased:	**5 285**	6 108
– Appointments	**5 193**	5 979
– Additions due to acquisitions	**92**	129
Decreased:	**4 837**	5 344
– Resignations	**3 591**	4 004
– Retirements	**238**	296
– Dismissals	**319**	287
– Deaths	**71**	61
– Other	**618**	696
Permanent employees at the end of the year	**30 096**	29 648
South Africa	**20 887**	20 518
United Kingdom	**9 209**	9 130
Annual employee turnover (%)	**16.1**	18.0

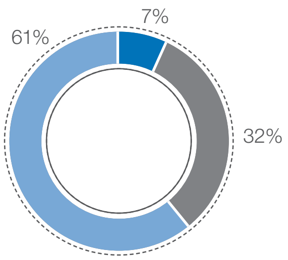
Group employee statistics at 30 September 2010

Gender



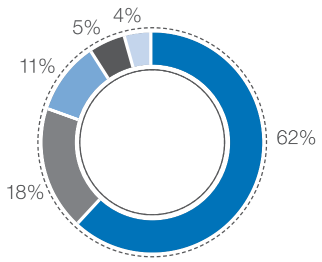
Male
Female

Employee type



Executive and management
Professional
Enrolled nursing and support

Length of service – SA and UK employees



0 – 5 years
6 – 10 years
11 – 15 years
16 – 20 years
>20 years

Number of employees	
20 887	9 209
SA	UK

We continue to identify and develop talent within the Group. We have developed an Onboarding Programme to provide a structured induction and orientation programme to all new appointments and promoted staff. Existing staff are also assigned to new hires, helping them settle into the job as early as possible.

Our top 100 managers attended a five-day workshop to increase awareness about the richness and diversity of cultures within SA.

Across our UK operations, GHG has presented a programme of diversity training to all staff, raising awareness and understanding across the range of diversity issues. This training has also been incorporated into all management development programmes.

Our efforts to increase the number of staff with disabilities have not been as successful as we would have hoped. We hope to improve this in the coming year.

Employee attraction and retention

To save costs and ensure more continuity of care for patients in the UK, we have undertaken a major drive to reduce the levels of agency staff utilised within the business. Most of the agency spend was on theatre staff, due to a national skills shortage. Extensive recruitment campaigns in SA and the UK resulted in the recruitment of 580 nurses during the year. Altogether 19% of the nurses who joined our UK team came from other countries.

Different channels and approaches were used to attract candidates, including social networking sites, open days, career fairs and other professional fairs, an internal refer-a-friend campaign, and press and editorial coverage in local and national publications. In SA and the UK we are developing links with specific universities to attract candidates at the start of their careers.

GHG have recruited in Ireland, Poland, Malta, Portugal, Czech Republic and the Philippines and a campaign is currently being developed for Australia.

In SA, we initiated a recruitment programme in India, with the first 18 nurses arriving in June of this year. There have been very positive reports from the hospitals where these nurses work.

However, the initiative has been very labour intensive and time consuming so we do not intend to continue once the balance of the current pipeline candidates has been appointed.

Retention

In SA, staff turnover across all categories reduced from 16.9% in 2009 to 14.7% in 2010, although turnover challenges still exist in the staff categories of pharmacists and paramedics. Various retention strategies have been developed and we continue to fund the training and development of staff in all categories that are in short supply.

In the UK, staff turnover increased from 18.1% to 19.1%, mainly due to outsourcing pathology during the year.

Reward and recognition

In SA, our Carer of the Month programme continues to identify and recognise staff members who live our five Netcare values of Care, Truth, Dignity, Passion and Participation. Annual winners attend the Night of the Stars gala evening where four national winners will again be presented with a car. The UK has also launched the Night of the Stars awards to celebrate the exceptional care, service, initiative and team spirit of BMI Healthcare staff.

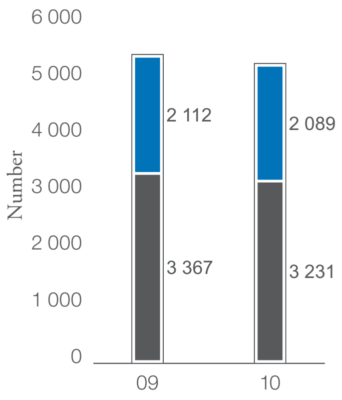
In SA the NETReward recognition programme is up and running. This provides managers and staff with the opportunity to recognise staff members who have gone out of their way to provide great service or care to a patient or a colleague.

Human capital (continued)

Investment in training

	2010	2009
South Africa (Rm)	**114**	93
United Kingdom (£m)	**1**	1

Number of nurses trained



Paramedics trained – SA	
548	**582**
2010	2009

Training and development

We continue to invest substantial funds and energy on training and developing our staff. With our core purpose being the delivery of outstanding care, it is crucial that staff are provided with both clinical training skills and the service-related tools to be able to achieve this objective. We have seen increasing interest from external parties in Netcare Education division's courses over the year and we have successfully partnered with the public sector on development interventions.

We have expanded our internal mentor and protégé model, which now involves the third tier of management. The intervention is proving to be rewarding and useful for both parties.

360 degree reviews have also been conducted on the senior management and executive teams. The feedback will be used to inform individual development programmes.

Employee relations and engagement

Employee relations

There have been highlights and disappointments in employee engagement during the year. The Participate with Passion campaign represents a high point but the industrial action that occurred within certain bargaining units at 11 of our hospitals in SA during June was disappointing. The industrial action related to the annual wage negotiation process.

Three of the four unions with which we engage accepted our salary offer of 8.25% but the fourth, Hospersa, did not. Subsequent to the industrial action, which involved picketing and in some instances stay away strike action, the union accepted the 8.25% offer.

The results of the staff survey in SA were slightly lower than last year, with 72.6% of staff presenting positive impressions compared to 73.5% in 2009. The results of the UK Pulse survey indicated a total of 60% staff as "very motivated". Opportunities for development were identified as positive by staff in both SA and the UK.

Communication

In SA, the year saw the launch of an in-house magazine for patients and staff members alike. This has been well received and has served to supplement regular electronic messages from, and face-to-face meetings with, various members of the executive team. The UK also publish a magazine for their staff called "@ bmi".

Health and safety

Group policies and an integrated system of committees and reporting forums ensure that health and safety is properly managed. The Managing Director of the Hospital division, Jacques du Plessis, chairs the central committee and general managers at business unit level coordinate activities within their areas.

The existing terms of reference for the Health and Safety committees remain in place:

- Investigate, develop and implement measures designed to ensure workplace health and safety;
- Monitor compliance with Occupational Health and Safety legislation, regulations and codes of practice;

Union membership – South Africa

	2010	2009
Denosa	**2 349**	2 308
Hospersa	**3 901**	3 402
Nehawu	**2 988**	2 217
Solidarity	**846**	420
Other	**15**	25
Non-unionised	**10 788**	12 146
	20 887	20 518

- Formulate, review and disseminate policies and procedures relating to health and safety, which are to be carried out or complied with in the workplace;
- Monitor incident statistics and specific reports as necessary;
- Provide risk assessments of major safety hazards and develop appropriate mitigation of exposure to risks; and
- Ensure readiness for fire and allied peril exposures.

Best practice disaster recovery and business resumption procedures are in place to ensure that the appropriate action is initiated if necessary.

Employee wellness

We continue to provide a full suite of employee wellness counselling and advisory services through an external service provider. The utilisation of these services has remained constant with an average of 20% of staff making use of one of the services during any given month.

Absenteeism and sick leave

Our absenteeism rate increased marginally from 2.5% (as a rolling average in September 2009) to 2.7% for the same period ending in September 2010.

In SA, there was an 11.1% increase in the hours taken for sick leave, from 1 033 477 hours in September 2009 to 1 148 702 hours in 2010. There was a slight decrease in sick leave hours taken in the UK, from 449 741 in 2009 to 446 471 hours in 2010.

Absenteeism rate	
2.7%	**2.5%**
2010	2009

HIV/Aids

As part of a broad campaign to increase staff awareness about keeping healthy we embarked on a series of wellness days throughout the business in SA. Staff had the opportunity to have their glucose, blood pressure and HIV status tested. These tests were conducted at 16 sites during the course of the year and a total of 67.1% staff members participated in voluntary counselling and testing (VCT).

A HIV prevalence rate of 3.8% was recorded among those that were tested. Psychological and medical support was and is being provided for these staff members.

Medical aid membership

In SA, the membership of the scheme has increased from 75.7% in 2009 to 77.3% in 2010. We have continued the strategy of higher percentage increases for higher earners, increasing the affordability and accessibility of the cover provided by the scheme for lower earners.

Looking ahead

We will continue with several key initiatives, including the leadership culture and EQ developmental interventions, the 360 degree review process, skills training and the VCT wellness awareness programme.

We will continue to focus on patient care and service to our patients and their families through the delivery of customer care programmes in SA and the UK. This includes a back-to-basics approach to ensure that the dignity of everyone in our care is retained in all interactions. We will also continue to invest in our staff and managers to ensure they are appropriately skilled and motivated to provide outstanding patient care.

Netcare Education: 21 years of growing with passionate people

1989

Clinic Holdings develops and establishes a private sector training initiative to contribute to the national education of nurses in South Africa

The South African Nursing Council (SANC) recognises certain Clinic Holdings hospitals as training schools

The first Bridging Programme commences in July 1989

1998

Netcare takes over Clinic Holdings and continues to expand and develop Netcare Training Academy

2003

Port Elizabeth campus becomes the 5th fully accredited campus with SANC to join the Johannesburg, Pretoria, KwaZulu-Natal and Cape Town campuses

"Our commitment is to continue to support business through the provision of 'right in time' learning solutions and making a difference within the sector, to the South African economy and individuals, thus enabling them to participate meaningfully in the economy and in the societies in which they live."

Nceba Ndzwayiba

HR Development and Transformation Manager

"I am sure that Netcare Education will continue to advance, standing not only within South Africa, but will also progress in the international academic and research communities."

Beatrix Stamps

Nursing Manager,
Netcare Greenacres Hospital

Educating with passion

Netcare Education was established to assist in addressing the chronic shortage of general and specialised skills in healthcare in South Africa. It has come a long way since the first group of 26 Bridging Programme students began training in 1989, extensively expanding its programmes and facilities. In 2010 it had 1 180 students registered in first and second year on the Bridging Programme, and a total of 3 273 students registered on formal nursing programmes at five campuses across the country.

Educating through participation

Netcare Education finds fulfilment in making a measurable difference to both business outcomes and to individuals within the business, improving their livelihood and broadening their opportunities for career growth. The division has worked with various government stakeholders in building partnerships. It is ideally placed to support government and sector players in meeting the staffing needs of the healthcare sector.

2005

Netcare Education expands to include the Faculty of Leadership and Management Development

Faculty of Generic Training incorporated to meet the current and future skills needs of Netcare with a view to benefiting employee development and company growth

2007

Netcare Training Academy changes its name to Netcare Education

2010

Application submitted to the Council for Higher Education for institutional and programme accreditation for the Advanced Diplomas in Critical Care, Theatre and Trauma and Emergency Nursing

Netcare Education celebrates 21 years of education excellence!

Educating with dignity, truth and care

Netcare Education is focused on delivering solutions that meet the broad skills needs of employees and keeping them at forefront of best practice in the sector. Education at Netcare Education is integrated, and incorporates both theory and experiential learning.

As the needs of Netcare changed and became more sophisticated, the Nursing Training Academy transformed into Netcare Education. The profile has grown from only offering formal nursing programmes to include quality multidisciplinary healthcare programmes in, for example, all levels of management, operating department practice and clinical engineering. There is a proud history of innovation in training and education, for example, in introducing the first Clinical Facilitator Development Programme.

A key objective in establishing the Faculty of Management and Leadership was to upskill and empower staff to play a more influential role in Netcare. It also aimed to provide a common management language with a more sophisticated set of management and leadership skills.

"We may have started small but we have left our mark on the map of nursing education in South Africa – congratulations to all the staff, past and present, who have made it possible."

Fioravandi Pietro Fleming

HOD Basic Programmes, Netcare Education
Gauteng South West Campus

"The frenetic pace and ever-changing work environment has created the demand for shorter duration interventions to deal with specific stressors and have led to various modules being presented as stand-alone two day elective programmes."

Werner den Hartog

Programme Manager,
Management Development Programmes

Black economic empowerment

Netcare is committed to the normalisation of our society. We continue to implement and drive the necessary transformation initiatives to ensure that the organisation is appropriately representative and that it engages in activities and business practices that impact positively on the broader society in which we operate.

Introduction

Netcare recognises that broad-based black economic empowerment (B-BBEE) is a framework that redresses the exclusions and imbalances from apartheid and is key to driving South Africa's (SA) sustainable growth into the future.

The Board Transformation Committee is responsible for developing the Group's transformation strategy and policy, as well as monitoring its implementation. The Committee strives to ensure that management embraces transformation across the business and oversees the Operational Transformation Committee.

Read more

Refer to the Corporate governance report for the Committee's terms of reference on page:

p 77

During November 2010, external verification agency Empowerdex rated Netcare as a Level 3 (AA) contributor in accordance with the Department of Trade and Industry Broad-based Black Economic Empowerment Codes of Good Practice (the dti B-BBEE Codes). The Empowerdex rating was based on data for the year ended 30 September 2010, excluding skills development where the data for the period 1 April 2009 to 31 March 2010 was used.

Our efforts have translated into slightly improved results in the arenas of management control, employment equity, skills development and preferential procurement and in maintaining historically solid performances in enterprise development and socio-economic development. The application of a ruling received from Empowerdex has resulted in an improvement in the ownership score.

We have been unable to increase the number of staff with disabilities as planned. We anticipate improving this in the coming year and various initiatives are being put into place to address this challenge.

BEE share ownership

40.5%	21.4%
2010	2009

Black women ownership

15.6%	2.0%
2010	2009

Netcare's B-BBEE Empowerdex scorecard

%	Weighting	2010	2009
Ownership	20	**18.78**	16.81
Management control	10	**6.78**	6.25
Employment equity	15	**8.54**	7.43
Skills development	15	**12.22**	12.06
Preferential procurement	20	**16.07**	15.43
Enterprise development	15	**15.00**	15.00
Socio-economic development	5	**5.00**	5.00
	100	**82.39**	77.98

Ownership

In 2005 Netcare concluded a BEE transaction transferring 160 million shares to the Health Partners for Life (HPFL) Trusts for a range of beneficiaries in a deal worth R1 billion. Coupled with the BEE retail and company holdings, Netcare's BEE share ownership is 40.5% (2009: 21.4%) with black women ownership of 15.6% (2009: 2.0%) of votable shares at 30 September 2010.

Netcare's BEE shareholding, as verified by Empowerdex, comprises:

- 83.5 million shares allocated to black beneficiaries under the HPFL BEE transaction;
- 7 million shares held by black retail investors;
- 31 million shares held by institutional investors with verified B-BBEE ownership ratings; and
- 593 901 shares held by Community Healthcare Holdings, a black-owned company.

At 30 September 2010, 121 million of the 160 million HPFL shares had been allocated, of which 83.5 million shares (69.3%) were allocated to black beneficiaries.

HPFL value created

Since the HPFL transaction over R1 billion in equity value has been created for the HPFL beneficiaries, and capital distributions of R259 million have been paid in respect of the 160 million shares.

HPFL value created

	Share price R	Value of shares Rm	Value of debt Rm
September 2005	6.42	1 027	994
September 2010	13.84	2 214	781

The HPFL Trusts are funded through preference shares to the value of R861 million subscribed for by Netcare and in respect of R100 million subscribed for by a third-party financier. Dividends on the preference shares subscribed for by Netcare are payable at 72% of the prime rate and the debt will be settled over time by the HPFL Trusts out of the receipt of dividends and other payments by Netcare. This means that ultimately the Trusts will own Netcare shares free of any funding obligations. The external financier's preference shares attract a dividend at a fixed rate of 8.77% and are repayable in full by 28 February 2013. The shares under the control of the HPFL Trusts have full voting rights, provided that the trustees qualify as independent trustees and have secured the direction of the beneficiaries as to the manner in which these shares should be voted.

The beneficiaries of the Trusts hold trust units which will entitle them to a number of Netcare shares in tranches of 20% per annum over five years. The first tranche became available to exercise with effect from 25 October 2010.

Beneficiaries were given the following two options in terms of their trust units:

- Convert the trust units into Netcare shares; or
- Sell the shares and request the net value in cash.

Beneficiaries were entitled to Netcare shares or cash equivalent calculated as being the difference between the market value of the trust units and the debt allocation. The debt allocation consists of the following:

- Original cost of the Netcare shares (R6.42);
- Interest charged on the loan to purchase the Netcare shares;
- Tax paid by Netcare and the Trust on account of the B-BBEE transaction; and
- Dividends or capital reductions received during this time that were used to repay a portion of the loan to reduce the overall debt allocation.

Management control

For the period under review, the Netcare Board comprised 11 directors, four of whom were black, including one black woman. Three of the five independent non-executive directors are black. Netcare's Board Nomination Committee aims to increase the level of black participation on the Board as members retire in the future. For the period under review, the South African executive committee of nine employees included two black men and one black woman.

Employment equity

Netcare SA continues to make progress towards achieving the Draft Health Charter targets and had reached 95% of the targets (2009: 90%) at end September 2010.

Black representation continued to improve slightly in the employee base in SA, at 65.9% (2009: 64.7%), and representation of black women indicated a similar trend at 53.4% (2009: 52.4%). Netcare's black representation in senior, middle and junior management was 24.0% (2009: 13.6%), 28.9% (2009: 26.0%) and 50.4% (2009: 49.4%), respectively. The cumulative score of 8.5 against dti targets has increased slightly compared to the prior year.

Skills development

Netcare continues to invest in developing employees and in providing nursing training to members of the public and employees of the public sector. Training interventions were aimed at clinical, nursing, paramedic and management development. The overall value of Netcare's skills development spend on black employees was R387 million (2009: R388 million) in the training year ended 31 March 2010. This value has been calculated in accordance with the dti B-BBEE Codes and the enhanced recognition criteria of the Adult Basic Education and Training (ABET) programmes. The total value of training initiatives for black employees after the adjustment for gender is 8.08% (2009: 9.13%) of leviable payroll which is ahead of the dti target of 5%.

Specific initiatives undertaken relate to increasing learnerships, secured through various sector education and training authorities, and the development of people with disabilities.

Employee type by race

	2010		2009	
%	**White**	**ABC**	**White**	**ABC**
Executive	**75**	**25**	81	19
Management	**64**	**36**	67	33
Professional	**46**	**54**	48	52
Enrolled nursing and support	**24**	**76**	25	75

Preferential procurement

Netcare improved its preferential procurement results through various initiatives during the course of the year. For the year ended 30 September 2010, Netcare's BEE procurement spend from all suppliers with a recognition level in accordance with the dti B-BBEE Codes was R5 506 million (2009: R5 894 million), or 77.2% (2009: 80.7%) of the total measured procurement spend of R7 129 million (2009: R7 300 million). This compares very favourably with the dti target of 50%.

Our focus for preferential procurement continues to be on increasing the money spent with black-owned and black women-owned suppliers. This will be achieved through the identification of new suppliers and through guiding existing suppliers towards meeting these requirements.

Enterprise development

Netcare is committed to developing black owned or controlled enterprises, especially in the private healthcare sector and its suppliers.

Netcare's cumulative enterprise development spend for the five years ended 30 September 2010 was R208 million (2009: R179 million), or 5% of the cumulative South African net profit after taxation for the five years ended 30 September 2010, well above the dti target of 3% of net profit after taxation.

Socio-economic development

Netcare's cumulative socio-economic development spend over the five years ended 30 September 2010 was R102 million (2009: R82 million), which was 2.5% of the cumulative South African net profit after taxation for the five years ended 30 September 2010, and therefore above the dti's target of 1.0%.

Netcare's socio-economic development is focused on increasing accessibility to private healthcare and supporting local communities where hospitals and clinics are located. At the heart of Netcare's commitment is Netcare 911's response to all requests for critical emergency assistance, regardless of the patient's financial standing. Netcare 911 attended to 6 829 (2009: 2 847) indigent patients during the 12 months ending 30 September 2010.

Working with other corporate partners, Netcare has several programmes to support the provision of private healthcare services to indigent and rural patients. These programmes include Sight for You (cataract operations), Netcare Vodacom Smiles for You (cleft lip and palate repair), Hear for Life (cochlear implants), the Craniofacial programme (correction of craniofacial disorders) and the Walter Sisulu Paediatric Cardiac Centre for Africa (cardiac operations).

Read more

Refer to the Corporate social investment report for further details on:

pp 103 to 105

Public Private Partnerships

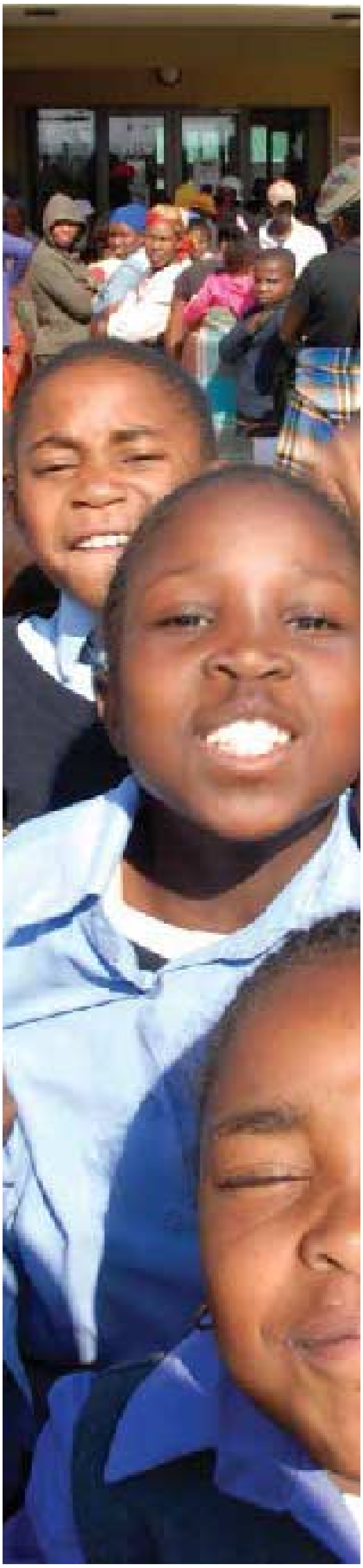
Netcare believes that meaningful partnerships with government will go a long way to ensure that inequities in the provision of healthcare are addressed. Our newest Public Private Partnership (PPP) is the Lesotho Hospital PPP.

Read more

Refer to the Other businesses report for further details on:

pp 50 to 51

Corporate social investment – SA



Netcare's corporate social investment (CSI) programmes represent a considerable investment in South Africa's (SA) communities. Programmes generally involve partnerships with communities and government, and focus on reducing poverty and improving access to quality healthcare to support achieving the Millennium Development Goals.

Netcare SA's approach to community development is informed by national development priorities and the needs of communities. These are established through ongoing research and feedback from community members. All CSI programmes are also aligned to Netcare's long-term business objectives.

Projects are carefully selected and managed in order to ensure that the resources that are committed achieve clear objectives.

Our CSI focus areas include:

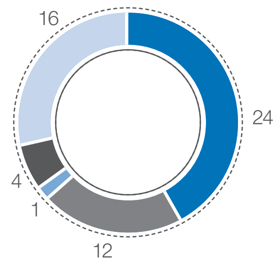
- Indigent emergency medical services;
- Healthcare accessibility initiatives;
- Community health and welfare sponsorships; and
- Academic bursaries.

During the year Netcare SA spent R57 million (2009: R37 million) on CSI, including R11 million (2009: R13 million) on pre-hospital Netcare 911 emergency medical services. This figure includes cash contributions and *pro bono* health services.

During the public sector strike in 2010, Netcare made its facilities and personnel available to assist critically ill patients in need of hospitalisation or care, despite capacity constraints. Netcare 911 transported emergency public patients to Netcare facilities, and over 800 patients who needed urgent medical care were admitted, including more than 200 babies and children. National Renal Care (NRC) assisted an additional 450 patients requiring urgent dialysis.

No charges were levied by Netcare, the doctors or specialists, including radiologists and pathologists, for these services, and Netcare's contribution was approximately R16 million.

Netcare SA CSI spend 30 September 2010 (Rm)



- Indigent emergency services
- Accessibility initiatives
- Community sponsorships
- Bursaries and academic sponsorships
- Public sector strike

Providing emergency medical services to indigent patients

Netcare 911 responds to all life threatening emergencies. Following emergency care and resuscitation, patients are transferred to public facilities. Netcare 911 assisted more than 6 800 indigent patients during the year.

Accident and emergency units at Netcare hospitals continue to provide emergency care and stabilisation for patients presenting with life-threatening conditions who are unable to pay for these services. Following resuscitation, stabilisation and, in many cases, definitive care, patients are referred to a provincial facility. Many patients who are too unstable to be moved are admitted to Netcare facilities. A large stumbling block to referral to state facilities is the lack of beds and these patients are also managed in Netcare facilities until transfer or discharge.

Pepfar Project, a five-year project launched in 2005 by Prime Cure in partnership with the Free State Department of Health (DoH), provided anti-retroviral treatment (ART) to indigent patients in the Free State province.

An ART clinic was opened in central Bloemfontein to treat all patients in need of treatment that were referred from state clinics.

Over the five-year period, two additional clinics were opened including a treatment centre for adolescents. As more ART state clinics opened in Bloemfontein, the need for ART sites increased in rural areas. Prime Cure involved general practitioners (GPs) from its providers' network in the project. Indigent patients were treated by private practitioners and were enrolled on the Prime Cure HIV Disease Management programme, the same programme used for private medical aid members.

The programme provided care, support and treatment to 6 500 patients across the Free State. The Free State DoH has steadily increased its capacity since the inception of the project and all patients have been transferred to state clinics. All remaining anti-retroviral drugs were donated to the clinics.

Initiatives to broaden access to healthcare

The Netcare Vodacom Smiles for You programme, a joint initiative funded by Netcare and the Vodacom Foundation, sponsors surgical procedures to repair cleft lip and palate deformities affecting economically disadvantaged patients. The programme originated at the Netcare Parklane Hospital. Today these operations are performed at Netcare Parklane, Netcare Sunninghill, Netcare Christiaan Barnard Memorial, Netcare St Augustine's and Netcare Greenacres Hospitals. The programme performed 56 procedures in 2010 (2009: 33).

The Craniofacial programme is another joint initiative funded by Netcare and the Vodacom Foundation. The programme is based at the Netcare Sunninghill Hospital and provides craniofacial surgery for the correction of craniofacial disorders for indigent patients in SA and other African countries. A total of 15 surgeries were performed during the year (2009: 13).

The Sight for You programme, also funded jointly by Netcare and the Vodacom Foundation, provides cataract procedures to elderly and economically disadvantaged patients. The programme has performed over 4 000 procedures on South Africans suffering from cataracts since its inception, and 694 (2009: 1 467) in the year under review.

The Hear for Life programme is funded by Netcare, 94.7 Highveld Stereo and Bidvest, and offers cochlear implant procedures to economically disadvantaged patients. The programme is currently based at the Netcare Linksfield Hospital's Audiology Institute where patients benefit from expert treatment using the latest technological advances and facilities in audiology. During 2010, six procedures (2009: three) were completed.

The Walter Sisulu Paediatric Cardiac Centre for Africa (WSPCCA), based at the Netcare Sunninghill Hospital, is the largest paediatric cardiac unit on the African continent. The WSPCCA has sponsored numerous paediatric cardiac procedures for indigent patients from around Africa since its inception in 2003.

The operations are performed at Netcare Sunninghill and Netcare Christiaan Barnard Hospitals, as well as the Red Cross War Memorial Children's Hospital. The foundation has sponsored 372 paediatric cardiac corrective procedures since inception and 85 in 2010. Two doctors are currently completing their fellowship in paediatric cardiac surgery and the foundation's networks across Africa cater for upskilling and skills transfer of knowledge to medical personnel.

The Netcare Sexual Assault centres operate within the Netcare Accident and Emergency units at almost all Netcare hospitals. The centres provide structured best practice care for victims of sexual assault, free of charge. The centres have been at the forefront of sexual assault care in SA and have developed sound protocols for the management of these survivors over the years, incorporating the principles of compassion, evidence collection, pregnancy prevention, post-exposure prophylaxis, ARV provision and psychological support. These support services may continue for up to a year after the initial incident. A total of 1 124 (2009: 851) patients were given support during the year.

The Organ Donor Foundation is a not-for-profit organisation, established to address the critical shortage of tissue and organ donors in SA through education and awareness campaigns. Netcare provides support to the Foundation, helping cover the costs of its toll-free line and of one office. Netcare also supports organ transplantation in the public sector by covering donor costs for organs allocated to the public sector.

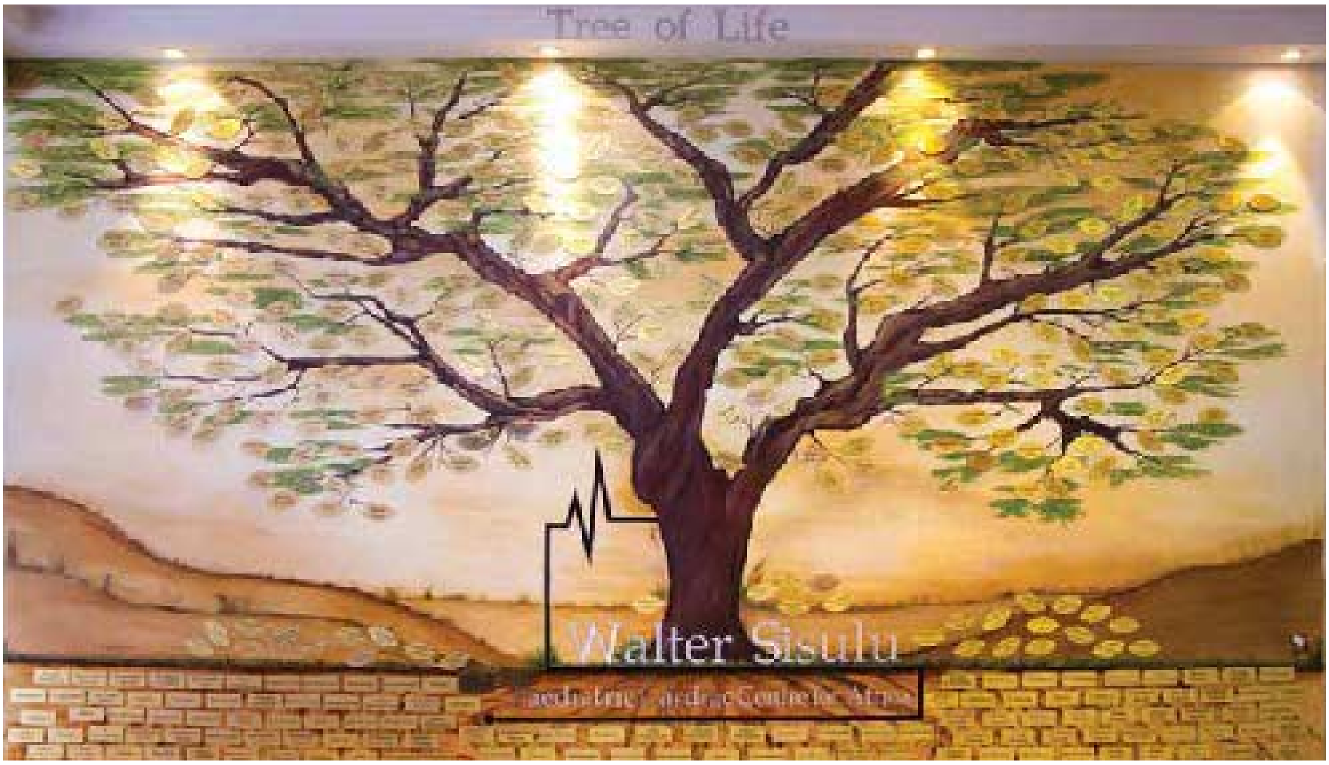
Community health and welfare sponsorships

The Feed for Life initiative, run by the South African Breast Milk Reserve (SABR), aims to promote breastfeeding and educate mothers about infant feeding options relevant to their socio-economic circumstances. Its main objectives are to decrease infant mortality and morbidity due to inadequate formula feeding, and prevent HIV infection through the avoidance of mixed feeding, breast-feeding and substitute feeding by HIV-positive mothers.

Netcare has established breast milk banks at eight selected Netcare hospitals. Breast milk is donated by willing donors who give birth at Netcare hospitals. It is banked at our Stork's Nest clinics and distributed to public sector hospitals and clinics.

The Mother and Child Trust, established in terms of the Health Partners for Life (HPFL) initiative in 2005, funds the Lusikisiki Child Abuse Research Centre (LUCARC) in a youth development project in 10 villages of Lusikisiki in the Eastern Cape. This year's funding went towards youth leadership training and sports tournaments.

Healthy Lifestyle Trust, also a HPFL initiative, funded sports tournaments involving students from disadvantaged schools in Ekurhuleni and Soweto in the Gauteng Province and Lusikisiki in the Eastern Cape. Sports coordinators also underwent first aid training as part of an emergency care training programme.



Local community involvement by hospitals, emergency and trauma units, and primary care include activities that address the needs of specific communities. These range in scope and include:

- Providing pro bono treatment to children living in homes and orphanages as well as indigent, elderly and individual special cases;
- Supporting homes, orphanages and medical facilities;
- Volunteering the services of nurses, pharmacists and administrative staff as standby medical personnel at special events; and
- Hosting CANSA Shave-a-thon events.

NRC continues to help create sustainable communities by finding solutions to meet local needs, and improving quality of life through programmes, partners and people.

Projects undertaken during the year include recycling of waste paper generated by the NRC Head Office, tree planting and child protection talks to disadvantaged schools in the Gauteng and KwaZulu-Natal regions. Contributions were also made to the following charity organisations:

- Food & Trees for Africa;
- Samaritan's Feet – Shoes of Hope;
- Nazareth House;
- Firlands Childrens' Home;
- POWA (People Opposing Women Abuse); and
- Girls & Boys Town.

Community healthcare education is provided through open days held at hospitals and primary care facilities throughout the country, coinciding with the health calendar. These include:

- Diabetes screening;
- Heart awareness;
- Breast cancer awareness;
- Malaria awareness;
- Eye health;
- Asthma testing;
- Cholesterol and hypertension screening; and
- Pregnancy education.

Bursaries

Netcare Education's joint initiative with the marketing department and Hospital division, to position nursing as a stimulating and exciting career choice among the general public, is supported by a proactive bursary programme now in its 10th year. In 2010, Netcare funded 71 bursaries (2009: 180) for learners at South African tertiary training institutions. The number of bursaries funded has declined as Netcare is in the process of phasing them out.

The Physician Partnership Trust, established in terms of the HPFL initiative in 2005, set up the Hamilton Naki Scholarship in 2007. This scholarship is named in honour of the surgical assistant and technician who played an instrumental, but largely unrecognised role in the first cardiac transplant in SA. He also helped train several hundred surgical registrars at Groote Schuur Hospital in Cape Town. Three medical specialists have been funded to date to undergo doctoral studies in their chosen fields of medicine.

Corporate social investment – UK

General Healthcare Group (GHG) sponsors a range of outreach programmes in the United Kingdom (UK), including charities and fundraising events throughout the year. We also run a volunteer programme for our employees to participate in these events. We pride ourselves on not only improving the health of our patients, but also in contributing positively to our communities.

Investing in the community

A key target for the year was to engage all staff in outreach activities through an initiative called Tell the World. Every hospital developed a programme of events throughout the year, linking its services with enjoyable charity fund-raising events traditionally supported by staff. We also launched a staff recognition scheme during the year, based on the Netcare Night of the Stars programme that rewards exceptional service.
One of the awards is for the most effective Tell the World initiative delivered by a hospital team.

During 2010 BMI Healthcare (BMI) carried out a major community initiative, launching the BMI Clean Team to improve hygiene in schools and communities across the UK and to raise awareness of our clean hospitals. Throughout the year infection control nurses from our hospitals visited a large number of schools to educate school children about the importance of washing their hands. Over 5 200 children were trained by expert hand washers and 'germ detectives'.

An initiative to take mini-health assessments to businesses and the community has just been launched and will continue in the coming year. Teams of nurses from each hospital will provide free assessments of cholesterol and glucose levels, blood pressure and body-mass-index measurements.

Corporate sponsorships

BMI continued to provide support to a wide range of healthcare charities in the UK through local sponsorship events and direct support to fundraising activities. We supported the following organisations and campaigns during the year:

Wellbeing of Women (WoW) is the only UK charity that funds research into all aspects of women's reproductive health. Working in close partnership with the Royal College of Obstetricians and Gynaecologists, WoW funds medical research into specific health conditions ranging from endometriosis to gynaecological cancers, including cervical and ovarian cancer. Additionally, the charity funds training grants for doctors as they develop specialist research expertise in obstetrics and gynaecology.

BMI provided generous support to the charity's research programme and awareness campaigns. As part of the partnership, WoW provided quality health information to BMI Hospitals and BMI staff across the country. We also enjoyed getting dressed up on National Purple WoW Day, raising much needed funds for this excellent cause. The sponsorship came to an end this year.

The Royal College of Surgeons is England's leading surgical and educational organisation, which has received world-wide recognition. The sponsorship to the college will end in April 2011 as BMI shifts its support to local initiatives.

Other organisations and campaigns supported during the year include Cancer Research UK, the British Heart Foundation, Diabetes UK, Aids Week and others.

Teams of BMI consultants and nurses have continued to travel internationally to deliver specialist surgery on a pro bono basis.

Environment – SA

Netcare is committed to reducing our environmental impact and we acknowledge the need to manage consumption of natural resources in a sustainable manner. This includes energy, water and waste management, and reducing our carbon footprint in line with the drive to address global climate change.

This strategy is not only followed to ensure robust long-term financial performance, but also as a responsibility towards all South Africans sharing this land. Our environmental performance during 2010 has shown that financial performance and responsibility are not mutually exclusive objectives.

Netcare continued to report on our environmental performance through the voluntary participation in various environmental indexes. In addition to our annual report, Netcare again participated in the United Kingdom-based Carbon Disclosure Project (CDP) and competed in the 2009/2010 Climate Change Leadership Awards (CCLA).

Our commitment to environmental performance was recognised by attaining a joint 10th position in the 2010 CDP Carbon Leadership Index (CLI), up from 14th position in 2009. Netcare is the only private healthcare group in SA that has consistently reported on the CDP since 2007. We received special mention for environmental leadership in the 2009/2010 CCLA.

Netcare has also made significant strides in implementing and assessing the impact of renewable energy in healthcare.

In SA, our environmental focus remains on the Hospital division, which is the largest contributor to our environmental impact. To ensure adequate measurement, standard hospital reporting includes monthly tracking of the carbon footprint of all facilities. Systems that previously monitored utility consumption have now been expanded to cover all utilities. In some cases, automated metering is increasing the credibility of environmental reporting.

The process is managed by Technical Services, our in-house engineering department, who deploy professional engineers and engineering technicians to assist in effectively managing resources.

Energy usage

Electricity remains the primary form of energy used in the Hospital division. Netcare has made significant headway in reducing our consumption of electricity, not only in normalised terms, but also in year-on-year nominal consumption.

Various initiatives are now contributing to a direct reduction in energy usage. Participation in Eskom's Demand Side Management (DSM)[1] project since 2008 continues to benefit hospitals. Electricity savings are still actively monitored and verified.

The Switch-it-Off campaign – challenging our staff to reduce electricity consumption by actively switching off unused devices – has now matured and become part of our culture. Netcare Head Office is leading by example; it has reduced the building's annual electricity consumption by 16.6%. This was achieved by switching off unused lights and appliance, and by implementing electricity saving initiatives such as the selective use of LED lighting and automatically switching off basement parking lights when not in use. This is the second consecutive year of electricity reduction at Head Office.

Although electricity supply in SA remains at a critical level, the supply to our hospitals has been fairly stable. As a result, the consumption of diesel for onsite generation of emergency power has more than halved from 298 557 litres in 2009 to 113 420 litres in 2010. This had a significant effect on our direct emission carbon footprint.

We remain cognisant of the strained electricity supply and the projected likely impact on energy costs. Netcare has completed the assessment of its largest solar hot water generation plant at the Netcare Union Hospital and the system's performance exceeded our expectations.

1 A programme initiated by Eskom to reduce peak electricity demand, in terms of which they contribute to the capital expenditure necessary to participate in the project, on a tiered basis.

Environment – SA (continued)

On average, the system saves 1 042 kilowatt hours (kWh) per day and has reduced the maximum demand on the electrical supply by 75 kilovolt-ampere (kVA) or 59.0% of previous demand. Actual performance over the first year indicates a return period on capital investment of 3.9 years. This intervention alone reduces Netcare's carbon footprint by 127 tons of CO_2 per year.

The above mentioned interventions have helped to reduce overall electricity consumption in our facilities from 222 gigawatt hours (GWh) in 2009 to 202 GWh in 2010, a 9.1% reduction.

Direct carbon emissions

The year-on-year carbon footprint resulting from direct emissions has increased by 5.4% and is in line with increased patient volumes. When normalised with the increase in patient activity, Netcare achieved a reduction of 0.48%.

Most sources of direct emissions have been reduced through active management of plant and vehicles. Diesel consumption by Netcare 911 has remained constant at 1 170 000 litres, however, the consumption of petrol has reduced by 54.7% and aviation fuel (Jet A1) by 69.8%. The reduction in Jet A1 is due to the use of more fuel-efficient aircraft.

Emissions from burning natural gas have also reduced from around 1 800 tons in 2009 to 1 250 tons of carbon dioxide equivalent (CO_2e), the internationally recognised measure of greenhouse gas (GHG) emissions. This has been achieved by improving the efficiency of steam systems through improved insulation techniques and optimising systems.

Although non-medical direct emissions were substantially reduced during 2010, the consumption of nitrous oxide gas, used in anaesthesia, has increased substantially. Despite our efforts to reduce its consumption, an increase of 22.4% has been recorded. We will focus on reducing nitrous oxide in the coming year.

Netcare continues to monitor and report on environmental performance based on our carbon footprint.

Total energy usage

GigaJoules	2010	2009	% change
Energy usage			
Direct[2]	**93 807**	136 224	(31.1)
Indirect[3]	**726 268**	799 082	(9.1)
Total energy usage	**820 075**	935 306	(12.3)

Energy usage per fuel type

GigaJoules	2010	2009	% change
Jet A1	**6 367**	21 072	(69.8)
Petrol	**11 641**	20 598	(43.5)
Diesel	**49 706**	56 858	(12.6)
LPG	**1 056**	943	12.0
Natural gas	**25 037**	36 753	(31.9)
Electricity	**726 268**	799 082	(9.1)
Total energy usage	**820 075**	935 306	(12.3)

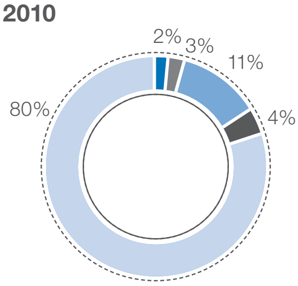
Carbon footprint

Metric tons	2010	2009	% change
Carbon emissions[4]			
Direct (Scope 1)[5]	**29 436**	27 906	5.5
Indirect (Scope 2)[6]	**242 089**	266 361	(9.1)
Indirect (Scope 3)[7]	**2 516**	2 720	(7.5)
Total emissions CO_2e	**274 041**	296 987	(7.7)

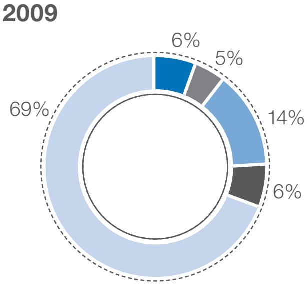
Performance indicators

	2010	2009	% change
Ton CO_2e per R1 million revenue			
Direct (Scope 1)	**2.35**	2.36	(0.4)
Indirect (Scope 2)	**19.30**	22.51	(14.3)
Indirect (Scope 3)	**0.20**	0.23	(13.0)
Total CO_2e per R1 million revenue	**21.85**	25.10	(12.9)
Total CO_2e per patient day (kg CO_2/p): Scope 1&2	**135.91**	147.99	(8.2)

2010



2009



- Jet A1
- Petrol
- Diesel
- Natural gas
- Nitrous oxide

Key environmental performance indicators

Netcare has elected to manage energy utilisation based on carbon footprint per R1 million revenue generated and per patient day[8]. Netcare SA has succeeded in not only reducing its carbon footprint in terms of ton CO_2e per R1 million revenue generated, but also on activity-based ton CO_2e per patient day.

Netcare has exceeded all its CDP key performance targets set for 2010.

Water usage

Despite our increased focus on water saving initiatives, the hospitals reported an increase in water consumption of 14.6% to 1 682 000 kilolitre. This was largely attributed to better reporting.

Netcare Head Office is again leading by example and attained a reduction in water consumption of 23.8%.

The ever-increasing risk of water supply interruptions is mitigated by on-site water storage. All Netcare facilities now implement an emergency water conservation plan during water supply interruptions to stretch water storage capacity to two days.

Previous concerns over water quality in rural areas are now extending to facilities in cities. Further water saving strategies will be implemented in 2011 not only to address these concerns but to reduce Netcare's dependence on water. These strategies include the reduction of water consumption in autoclaves and recycling water for irrigation. Waste water from autoclave cooling systems is already used for irrigation in some facilities. The harvesting of rainwater is currently being explored.

Waste management

Netcare has increased its focus on managing waste disposal across the Group. As in the past, accurate measurement of landfill waste remains a challenge. Even though we have refined our measurement systems, commercial waste measurement remains in volume rather than in weight. According to current monitoring systems, it is estimated that the hospital division created close to 30 000 tons of landfill waste during the year.

Netcare's commitment to reducing the impact that medical waste may have on the environment continues to be reviewed. The rigorous process in force to ensure that waste disposal contractors meet all legislative requirements will stand Netcare in good stead.

The need for third-party medical waste incineration has never-the-less increased by 33.7%, from 3 654 tons to 4 933 tons. The calculated carbon footprint is 2 047 ton CO_2e[9]. To offset the impact of medical waste, Netcare is engaging in various recycling initiatives with more than 533 000 kilograms of waste being recycled. Our supplier of medical waste services has reported improved incineration methods for pharmaceutical and anatomical waste. This may enable Netcare to reduce its CO_2e conversion factor in future reporting.

Looking ahead

Even though Netcare has exceeded its key performance targets for environmental impact, we realise that continued reduction requires active management. The medium impact of utility costs and the looming water crisis in SA will adversely affect our business. To ensure that this risk is properly understood and mitigated, a committee for environmental management, accountable to the CFO, has been established.

Energy reduction strategies will remain three tiered: a focus on human behavioural changes (driven through the Switch-it-Off campaign); deploying alternative engineering and technology solutions; and continued monitoring and improvements in monitoring systems.

2 All emissions classified as Scope 1 by CDP: resulting in direct emissions to the atmosphere within the hospital's boundary.

3 All emissions classified as Scope 2 by CDP: electricity.

4 Carbon emissions are reported as per the GHG Protocol, based on the guiding principles established by "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)" developed by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD).

5 Direct carbon emissions (Scope 1) are as defined by the GHG Protocol and includes all "direct" emissions from greenhouse gas sources such as combustion facilities (including boilers, heaters and engines).

6 Indirect carbon emissions (Scope 2) are indirectly caused through the consumption of electricity, heating and cooling, commonly referred as "purchased electricity" as this represents the most common source of Scope 2 emissions.

7 Indirect carbon emissions (Scope 3) are indirectly caused through services provided on behalf of a company. Air travel and the incineration of medical waste is regarded as the most common source of Scope 3 emissions in hospitals.

8 Based on key performance indicators suggested by the CDP.

9 Using a conversion factor of 1 ton medical waste being equivalent to 415 kg CO_2e.

Environment – UK

EcoNomics, our carbon management programme, continued to drive action across our facilities. This included developing a strategic view of our energy efficiency investment and sustaining the profile of responsible management of resources. The programme is changing business practices across our hospitals and offices, influencing all staff and reducing our impact on the environment.

During the year, the United Kingdom (UK) operations fully embedded the Big Turn Off energy management campaign in our hospitals, further reducing energy consumption. A new waste recycling initiative was implemented and energy efficiency technology was reviewed at a strategic level. We also registered for the CRC Energy Efficiency Scheme, previously known as the Carbon Reduction Commitment (CRC), a new UK Government statutory carbon pricing scheme. The CRC will require us to accurately report carbon dioxide emissions to the UK Environment Agency, and pay an annual carbon charge of £12/ton. The first charge is estimated to be some £600 000 in April 2012.

Energy management

The Big Turn Off campaign was launched in February 2009 and continued with monthly information and training webinars for Green Champions, monthly energy efficiency campaigns and a rolling programme of site visits. To date, 90% of our hospitals have live action plans to reduce their energy consumption, which is supported by an internal intranet site providing information, resources and electricity consumption performance data.

A strategic review of energy efficient technologies has identified the relative cost-effectiveness of different opportunities to reduce carbon emissions. Detailed business cases, built on anticipated costs and benefits for the most attractive investments, have been developed for consideration for capital investment during the 2011 financial year.

Our measuring and reporting activities for consumption data are communicated on site. We have invested in a programme of rolling out automatic monitoring and reporting (AMR) to additional electricity and gas meters on our estates. Our monthly 'league table' reporting format continues to encourage competition between the sites. Progress during the year has been encouraging; five hospitals have reduced year-on-year consumption by more than 10%, with two exceeding 15%. Across our hospitals, energy consumption reduced by 1% on a like-for-like basis over the year.

Waste

After energy consumption, waste management (whether sending waste to an incinerator or a landfill) represents the highest carbon emitting activity for the business.

Last year we reviewed our general waste management arrangements and our baseline recycling performance, and identified a clear opportunity to improve recycling performance and reduce waste management costs. Our new general waste management contract launched in May 2010 with an associated communications and awareness campaign, and has improved our recycling rate from an average of 19% in the 2009 financial year to 42% in the first quarter of the contract.

Purchasing and logistics

During the 2010 financial year our logistics operation was outsourced and no longer falls within our carbon footprint. Business travel only accounts for 1% of GHG's known carbon emissions. As detailed below, we will be implementing measures to align service providers with our policies to reduce these impacts where possible.

Looking ahead

For the coming year we will maintain focus on the Big Turn Off campaign while embedding the necessary processes and procedures in our day-to-day operations. We aim to implement a broader programme of work to reduce our environmental impact, targeted at waste, water and purchasing, both at a local level and nationally.

Waste

We plan to share best practice from our hospitals that have been most successful in reducing general waste, and will be providing further guidance to Green Champions and staff on correct disposal of general waste.

Water

We plan to establish a robust baseline for water consumption within the business, and develop a business case for investment in water conservation measures such as:

- Water saving shower fittings;
- Water saving toilet flush fittings; and
- Leak detection.

Purchasing and logistics

We will be considering the following initiatives over the next year:

- Specification of goods and services to reflect our environmental policies; and
- Decreasing business travel through the use of video and web conferencing.