



YOU'RE IN
safe hands

NETWORK HEALTHCARE HOLDINGS LIMITED
ANNUAL REPORT 2005





PEOPLE ARE *our passion*

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With a focus on its core hospital operations, Netcare has also invested in ancillary healthcare businesses which complement the Group's product and service offering to ensure a sustainable business model and provide growth paths for meaningful stakeholder value creation.

FINANCIAL HIGHLIGHTS – 2005

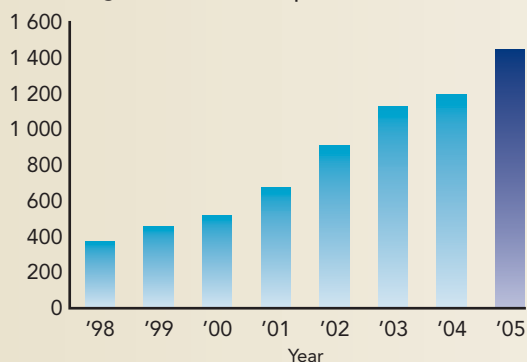
	%
Total revenue	9,9
Earnings before interest, taxation, depreciation and amortisation ("EBITDA")	16,6
Headline earnings	28,7
Fully diluted headline earnings per share	34,4
Capital distributions increased	31,6
Cash generated from operating activities	46,9



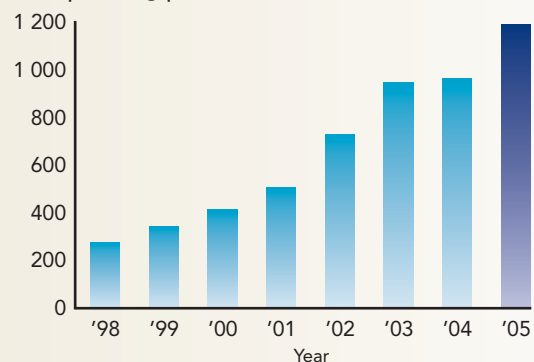
COMPOUND ANNUAL GROWTH RATES (8 YEARS) %

Revenue	30,3
EBITDA	34,8
Headline earnings	61,4
Fully diluted HEPS	32,7
Cash generated from operating activities	33,6

Cash generated from operations (Rm)



Operating profit (EBIT) (Rm)





SIGNIFICANT EVENTS – 2005

- Improved clinical governance and patient safety
- Accolades for service excellence programmes
- Meaningful transformation initiatives
- International accreditation of hospital facilities
- Netcare UK well positioned for future growth

Industry related

- Positive effects of the lowest healthcare inflation recorded in over a decade
- Finalisation of the legal process relating to the pharmacy regulations
- Meaningful steps towards increasing the number of medically insured people
- Improved relationship between the public and private healthcare sectors
- Positive engagement on Health Charter

Netcare related

- Achieved international ISO9002 accreditation for certain hospital facilities
- Enhanced and improved skills, training and employee satisfaction resulting in Netcare's improved ranking in the survey of the Best Companies to Work For in South Africa
- Launched The Health Partners for Life broad-based empowerment transaction
- Participated in the development of the Health Charter
- Improved clinical governance throughout the Group

Netcare related (continued)

- Commenced the rollout of an enterprise-wide SAP IT system and shared services platform throughout the organisation
- Experienced increased use of Netcare's primary and tertiary care facilities by self-funded private patients
- Accomplished significant operational and financial improvements at Netcare 911
- Awarded the tender for emergency service provision by Netcare 911, and is one of the preferred providers of hospital services to the successful bidder for the comprehensive Topaz plan, for the Government Employee Medical Scheme
- Increased investments in infrastructure
- Widespread improvements to existing facilities
- Initiated two new hospital developments
- Invested in leading-edge medical technology

SIGNIFICANT FOCUS AREAS – 2006

Netcare is committed to seeking new ways to improve the access to and affordability of quality healthcare, and to developing mutually beneficial partnerships with Government, emerging providers, medical professionals and other stakeholders in assisting to meet the healthcare needs of our nation.

South Africa

- Position Netcare to actively participate in emergence of new lives entering the medically insured market
 - GEMS
 - Netcare 911 – EMS contract
 - Netcare hospitals – preferred provider to successful bidder on Topaz plan
 - Low Income Medical Scheme (LIMS)
 - Tax reforms (corporates)
 - South African economy strength leading to increased formal sector employment
- Widening the network
 - Enterprise development initiatives
 - Building new facilities
- Further investments into allied healthcare businesses

International

- Pursuing markets where public sector is purchaser of healthcare services
- Organic growth in UK
 - Current contracts
 - Significant tender pipeline
- Selected acquisitions

Leveraging operational efficiencies

- Enterprise wide SAP IT system
- Shared services platform in progress
- Continuously reviewing business processes
- Operational efficiency benefits over next 3 to 5 years

Maintaining quality whilst addressing affordability and access

- Continuing international accreditation of hospital facilities
- Clinical governance – 3 to 5 year project
- Continuing to refine service delivery across the organisation
- Reviewing current models to improve affordability
- Review network to enhance access

Working closely with Government

- Healthcare in South Africa at crossroads
- Unique opportunity for the private sector to play a constructive role
- Health Charter recognises the importance of both public and private sectors
- Solution-orientated approach to improve access and affordability
- Confident of a positive medium- to long-term outlook

NETCARE'S DIVERSIFIED HEALTHCARE MODEL

① TERTIARY CARE

Netcare encompasses acute care hospitals and specialised medical units, collectively representing the most modern and sophisticated medical facilities in South Africa. The network comprises 64 hospitals and same-day surgical units with over 7 400 beds, 320 theatres and 128 specialised medical units focused at the tertiary end of the market. Every healthcare service is covered, from major organ transplants to the latest diagnostic procedures. In addition, Netcare has a 43,75% interest in Community Hospital Group, a BEE associate with five hospitals, as well as a 45% interest in KOPM Investments, which owns a hospital in Soweto.

② SPECIALISED ADMINISTRATION AND LOGISTICAL SERVICES

Medicross comprises over 50 Medicross Family Medical and Dental Centres offering a wide range of primary healthcare services within a single facility, delivered by a team of full-time doctors, dentists, pharmacists and medical support staff, as well as physiotherapists, dieticians, optometrists and other related medical specialists. Services include after-hours emergency facilities, sonar and X-rays, pathology and fully-fledged pharmacy services. Many of the centres have additional facilities that provide for same-day, routine surgical procedures.

Diagnostics comprises the activities of the diagnostics and imaging administration and management businesses falling within Netcare Diagnostics. It includes Ampath, which provides comprehensive management and administration services to a network of pathology laboratories and units across South Africa.

Pharmacy The Group's pharmacy operations comprise over 90 retail units as well as hospital dispensaries. In addition to comprehensive patient distribution networks, the national infrastructure has wholesaling and chronic dispensing capabilities.

③ EMERGENCY MEDICAL SERVICES

Netcare 911 is Africa's largest private emergency medical service covering more than nine million insured lives in southern Africa. Services include roadside assistance, helicopter services, fixed-wing air ambulance services, emergency and critical care training, pre-hospital insurance, disaster management and special events medical standby.

④ SPECIALISED MEDICAL SERVICES

Centres of Excellence relates to the Group's strategic expansion into niche care, endometriosis, epilepsy, cardiology, radiotherapy, brain resource, and mother and baby wellness centres.

National Renal Care operates renal dialysis units countrywide. The Healthy Start Clinic concept helps educate and manage patients with early renal disease so as to increase the probability of complete recovery from acute renal failure.

Netcare Transplant division co-ordinates transplant procedures undertaken within the Netcare Group.

HIVCare is a division established to help combat the catastrophic effect of HIV and AIDS through the disease management of people living with HIV and AIDS. The activities of the division are focused on holistic and strategic management of HIV and AIDS in the workplace, thereby helping organisations to mitigate its impact on their businesses.

⑤ OUTSOURCING

Healthshare represents Netcare's business involved in providing outsourced healthcare services to the mining and related industries.

⑥ INTERNATIONAL

Netcare International is dedicated to expanding the Group's business internationally by sharing expertise and skills. The main focus area in which Netcare Healthcare UK has excelled is the provision of specialised healthcare services on contract to the United Kingdom's National Health Service ("NHS").

⑦ MANAGED CARE

Clinical Partners is a company dedicated to delivering appropriate managed care products and services to both the medically insured population and the emerging market.

Netpartner, with over 10 500 affiliated medical professionals (over 45% being previously disadvantaged individuals), and by aligning provider interests, will offer medical schemes innovative managed care products, thereby giving more South Africans access to affordable quality healthcare. The business has also invested in healthcare enterprises, including the development and management of the Netpartner managed care network.

Health Maintenance Organisation ("HMO"). Through the Group's integrated delivery model and comprehensive network of facilities and medical professionals, various initiatives are being developed in creating a model to deliver more affordable healthcare to an increasing number of South Africans.

⑧ PUBLIC PRIVATE PARTNERSHIPS ("PPPs")

Netcare's PPP division actively pursues the Group's conviction that the pooling of expertise and resources between the public and private sectors has the potential to make quality medical care available to all South African citizens.

⑨ STRATEGIC HEALTHCARE INVESTMENTS

SAA-Netcare Travel Clinics deliver an important consulting and treatment service to the travel and tourist industry, as well as developing and implementing travel medicine solutions for individuals and corporate organisations operating in medically hazardous areas elsewhere in southern Africa and developing occupational health programmes for corporates.

Tshepo Pharmaceuticals provides registration assistance for new products.

⑩ VALUE-ADDING SERVICES

Property division This division serves as the custodian to ensuring that the maintenance, expansion and initiation of new developments within the significant group infrastructure are effectively and efficiently implemented using world-class standards.

Group Management Services is a division providing consulting services for increasing operational efficiencies within the Group and new business developments.

⑪ INFORMATION TECHNOLOGY

Netcare IT comprises a broad array of IT businesses that enhance the Group's business processes. The Group is introducing an enterprise-wide SAP IT system aimed at integrating and upscaling the information technology within the organisation.

⑫ EDUCATION

Netcare Training Academy is the largest provider of nursing and emergency services training in South Africa's private sector. Basic nurse training is complemented by a selection of post-basic courses not available through local tertiary institutions as well as short specialisation and refresher courses.



DIVERSIFIED HEALTHCARE COMPONENTS

① HOSPITALS	② SPECIALISED ADMINISTRATION AND LOGISTICAL SERVICES			③ EMERGENCY MEDICAL SERVICES	④ SPECIALISED MEDICAL SERVICES			⑤ OUTSOURCING	⑥ INTERNATIONAL
TERTIARY CARE	PRIMARY CARE	DIAGNOSTICS	PHARMACY	NETCARE 911	CENTRES OF EXCELLENCE	NATIONAL RENAL CARE	HIV & AIDS	MINING AND RELATED INDUSTRIES	GLOBALISATION
Netcare Hospital Group Community Hospital Group KOPM Investments	Medicross	Pathology Ampath Radiology	The Pharmacy Group Pharmacross	Netcare 911	Niche Clinics	Renal Dialysis Centres Healthy Start Clinics	HIVCare	Healthshare	Netcare UK Netcare International
<ul style="list-style-type: none"> Acute Care Same day Surgical Centres World-class Medical Technology 	<ul style="list-style-type: none"> GPs Dentists Physiotherapists Pharmacies 	<ul style="list-style-type: none"> Diagnostic Services Pathology Genetics Imaging 	<ul style="list-style-type: none"> Hospital Retail Chronic Wholesale 	<ul style="list-style-type: none"> Roadside Air Pre-Hospital Insurance Event Management Disaster Management 	<ul style="list-style-type: none"> Cardiology Breast Cancer Epilepsy Endocrine Stork's Nest Menopause Brain Resource Cardiac Institute Transplantation 	<ul style="list-style-type: none"> Management Diagnosis Treatment 	<ul style="list-style-type: none"> Management Diagnosis Treatment 	<ul style="list-style-type: none"> Facility Management Capitation Outsourcing Healthcare Services 	<ul style="list-style-type: none"> UK NHS Europe



⑦ MANAGED CARE	⑧ PUBLIC PRIVATE PARTNERSHIPS	⑨ STRATEGIC HEALTHCARE INVESTMENTS	⑩ VALUE-ADDING SERVICES	⑪ INFORMATION TECHNOLOGY	⑫ EDUCATION
HMO	FLEXIBLE MODELS	ALLIED HEALTHCARE	SUPPORT DIVISIONS	NETCARE IT	TRAINING
Netpartner Clinical Partners	Universitas Pelonomi Bronkhorstspuit	SAA Netcare Travel Clinics Tshepo Pharmaceuticals	Property Group Management Services	SAP	Netcare Training Academy
<ul style="list-style-type: none"> Virtual Healthcare Case Management Gain Share Models Risk Sharing 	<ul style="list-style-type: none"> Co locations Outsourcing Capitation Value-based solutions 	<ul style="list-style-type: none"> Travel Clinics Infectious Diseases Management Occupational Health Services New product registration and launching 	<ul style="list-style-type: none"> Planning Design Project Management Interior Design Performance enhancement New business 	<ul style="list-style-type: none"> ADT VPHN HIS ERP EMR B2B B2C D2D 	<ul style="list-style-type: none"> Nursing Colleges EMS CME Hospital School Skills Lab



STATISTICS OF INTEREST

HOSPITAL ACTIVITIES

- 1 550 153 patient days
- Doctors Training Nurses Initiative – 4 039 nurses trained
- Almost 30 000 baby deliveries in Netcare maternity facilities
- Over 900 000 in- and out-patient admissions
- Over 1 million scripts dispensed by Netcare Hospital Retail Pharmacies

Theatre cases

347 000

Patient satisfaction record high

93,5%

NETCARE DIAGNOSTICS

- Over 4,5 million requisitions through pathology practices administered by Ampath

UNITED KINGDOM

- Over 17 000 cataract procedures performed by mobile Ophthalmic Chain independent sector treatment centres



NETCARE 911 ACTIVITIES

- 082 911 service levels consistently exceeded 95%
- 688 000 emergency inbound calls
- 10,3 million kilometres travelled on the road by emergency medical vehicles
- Approximately 660 000 kilometres flown by fixed-wing air ambulances throughout Africa
- Produced a 13-episode reality trauma series (Trauma Call), broadcast on SABC 3, which received high viewer ratings
- Organised, co-ordinated and executed the evacuation of 65 stranded South Africans and some of the deceased from South East Asia following the Tsunami's of December 2004
- Co-ordinated the Netcare 911 Pick 'n Pay Tsunami Relief Fund, which collected R6,2 million and shipped 172 tons of relief aid to the disaster struck region

Customer base increased to exceed

9 million

Netcare 911 patient emergencies attended increased to

184 181

Approximate air ambulance hours flown

320

PRIMARY CARE ACTIVITIES

- 2,47 million patients seen by GPs in Medicross
- 443 126 patients seen by dentists
- 1,7 million scripts dispensed

ADMINISTRATION

- Central Purchasing Division processed more than 1,275 million invoices over the period



EIGHT-YEAR TABLES

	2005 Rm	2004 Rm	2003 Rm	2002 Rm	2001 Rm	2000 Rm	1999 Rm	1998 Rm
BALANCE SHEETS								
Assets								
Non-current assets								
Property, plant and equipment	3 108,7	2 880,0	2 704,0	2 413,0	2 202,8	1 936,1	1 864,0	1 785,2
Goodwill and development expenditure	350,4	227,2	169,6	89,8	(61,2)	31,2	114,0	643,2
Associated companies, investments and loans	802,9	588,0	488,6	181,6	139,7	94,5	78,8	148,7
Deferred taxation asset	18,7	42,7	41,5	41,5	34,1	33,6	32,0	13,6
Other financial assets			426,7	183,1	183,1	124,8	106,8	
Total non-current assets	4 280,7	3 737,9	3 830,4	2 909,0	2 498,5	2 220,2	2 195,6	2 590,7
Total current assets	1 991,5	1 758,5	1 946,7	1 266,5	1 423,0	929,2	782,2	664,3
Total assets	6 272,2	5 496,4	5 777,1	4 175,5	3 921,5	3 149,4	2 977,8	3 255,0
Equity and liabilities								
Ordinary shareholders' equity	3 342,3	2 721,8	2 867,0	2 046,2	1 475,1	1 248,2	1 215,9	1 586,9
Minority interest	75,8	74,2	71,8	7,7	132,1	209,3	198,7	170,2
Total shareholders' equity	3 418,1	2 796,0	2 938,8	2 053,9	1 607,2	1 457,5	1 414,6	1 757,1
Non-current liabilities								
Interest-bearing debt	492,9	792,5	921,5	597,2	710,5	328,0	157,6	552,7
Deferred lease liability	159,5	152,9	141,4	125,9	108,8	92,0	74,5	54,2
Deferred taxation liability	61,8	202,9	227,1	92,1	62,5	29,6	21,8	
Total non-current liabilities	714,2	1 148,3	1 290,0	815,2	881,8	449,6	253,9	606,9
Total current liabilities	2 139,9	1 552,1	1 548,3	1 306,4	1 432,5	1 242,3	1 309,3	891,0
Total equity and liabilities	6 272,2	5 496,4	5 777,1	4 175,5	3 921,5	3 149,4	2 977,8	3 255,0
Ordinary shareholders' equity per share (cents)	231,1	190,9	187,3	140,8	110,3	94,1	92,1	134,2

Note: 2004 and prior years have been restated

	2005 Rm	2004 Rm	2003 Rm	2002 Rm	2001 Rm	2000 Rm	1999 Rm	1998 Rm
INCOME STATEMENTS								
Revenue	7 533,7	6 852,5	6 012,6	4 812,3	3 687,7	2 848,8	2 566,1	2 097,3
Operating profit before depreciation and amortisation (EBITDA)	1 441,3	1 235,8	1 134,7	891,1	665,5	515,0	443,7	364,8
Depreciation and amortisation	(251,6)	(214,8)	(192,5)	(159,8)	(126,5)	(91,0)	(91,0)	(73,9)
Operating profit before abnormal items	1 189,7	1 021,0	942,2	731,3	539,0	424,0	352,7	290,9
Abnormal items	(3,5)	(56,6)			(32,3)	(10,0)	(7,0)	(13,7)
Operating profit (EBIT)	1 186,2	964,4	942,2	731,3	506,7	414,0	345,7	277,2
Net finance charges	(129,5)	(119,1)	(192,7)	(133,8)	(104,8)	(103,1)	(162,5)	(131,6)
Taxation	(299,5)	(215,8)	(169,4)	(146,5)	(112,4)	(79,2)	(40,2)	(42,5)
Attributable earnings of associates	62,9	24,7	0,4	20,5	25,9	22,3	19,9	20,4
Minority interest	(1,7)	(2,4)	(1,1)	(2,3)	(22,6)	(36,4)	(28,5)	(18,0)
Attributable earnings	818,4	651,8	579,4	469,2	292,8	217,6	134,4	105,5
Headline adjustments	45,5	19,7	(1,9)	3,9	29,2	10,0	7,0	9,0
Headline earnings	863,9	671,5	577,5	473,1	322,0	227,6	141,4	114,5
Earnings per share								
Attributable – basic	57,2	44,0	40,6	32,5	21,9	16,3	11,0	9,3
Headline – basic	60,3	45,4	40,4	32,7	24,1	17,0	11,6	10,1
Capital distributions to shareholders (cents)	25,0	19,0	15,0	11,5	8,5	5,0	4,0	1,0*

* Dividends paid

Note: 2004 and prior years have been restated

	2005 Rm	2004 Rm	2003 Rm	2002 Rm	2001 Rm	2000 Rm	1999 Rm	1998 Rm
CASH FLOW STATEMENTS								
Cash generated from operations	1 441,5	1 190,7	1 128,8	906,5	675,7	519,4	457,6	374,6
Working capital movements	178,4	(88,1)	(250,0)	(82,2)	129,1	(28,2)	18,8	(5,0)
Net finance charges	(129,5)	(119,1)	(192,7)	(133,8)	(104,8)	(103,1)	(162,5)	(131,6)
Taxation paid	(465,7)	(357,6)	(153,6)	(130,5)	(87,4)	(44,2)	(9,7)	(2,5)
Capital distributions paid	(307,8)	(245,6)	(183,1)	(137,4)	(82,9)	(99,1)		(7,5)*
Net cash retained from operating activities	716,9	380,3	349,4	422,6	529,7	244,8	304,2	228,0
Cash flows from investing activities	(659,4)	(780,1)	(760,7)	(533,7)	(524,3)	(197,7)	(277,2)	(256,8)
Cash flows from financing activities	89,9	108,4	719,1	(127,8)	229,8	28,4	101,2	228,6
Net cash resources assumed on acquisition of businesses		(5,1)	(76,4)	(1,0)	11,6			(202,8)
Net increase/(decrease) in cash and cash equivalents	147,4	(296,5)	231,4	(239,9)	246,8	75,5	128,2	(3,0)
Cash and cash equivalents at beginning of year	145,5	442,0	210,6	450,5	203,7	128,2		3,0
Cash and cash equivalents at end of year	292,9	145,5	442,0	210,6	450,5	203,7	128,2	

* Dividends paid

CORPORATE AND SOCIAL CONTRIBUTIONS exceeded R65 million in 2005

- Pre-hospital emergency medical services
- Hospital emergencies and pro deo treatments
- Academic grants, bursaries and skills training
- Community health and welfare sponsorships
- National disaster management
- Event management
- Community involvement, sponsorships and donations
- HIV and AIDS outreach (management and support)



Netcare 911 school for emergency and critical care trained over
4 500 students in 2005



Over **20%** of
Netcare 911 calls
assisted indigent patients



ANALYSIS OF SHAREHOLDERS

as at 30 September 2005

	Number of shareholders	Percentage of shareholders	Number of shares	Percentage of issued shares
ANALYSIS OF SHAREHOLDING				
Breakdown of shares				
1 – 1 000	2 840	37,89	1 028 061	0,07
1 001 – 50 000	3 800	50,70	34 595 159	2,39
50 001 – 100 000	267	3,56	20 172 972	1,39
100 001 – 10 000 000	569	7,59	539 701 501	37,32
10 000 001 – 250 000 000	17	0,23	260 233 668	18,00
250 000 001 – and more	2	0,03	590 447 161	40,83
Totals	7 495	100,00	1 446 178 522	100,0

DISTRIBUTION OF SHAREHOLDERS

Category

Individuals	4 698	62,68	192 409 223	13,30
Companies	493	6,58	397 977 111	27,52
Investment and trust companies	2 127	28,38	845 253 605	58,45
Nominee companies	11	0,15	2 969 806	0,21
Other corporate bodies	166	2,21	7 568 777	0,52
Totals	7 495	100,00	1 446 178 522	100,0

Share ownership at 30 September 2005 (percentages are based on shares in issue less treasury shares) – 1 446 178 522 (2004: 1 425 837 976)

Major individual holdings (excluding directors: for directors' shareholdings see Directors' report on pages 101 to 102). According to the register of shareholders and information provided to the directors or established from enquiries, and, pursuant to the provisions of section 140A of the Companies Act, as amended, beneficial shareholdings at 30 September 2005 which represent 5,0% or more of the total issued shares of the Company were:

	Number of shares millions	Percentage of issued shares
Netpartner Investments Limited	340,3	23,54
The Public Investment Corporation Limited	250,0	17,29

Notes:

Shareholder spread

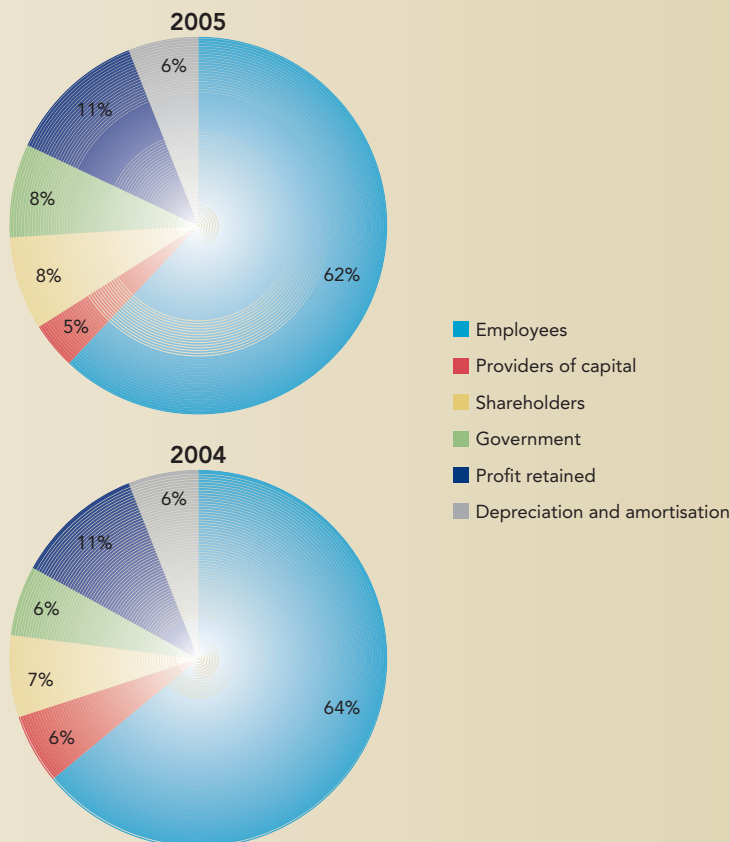
- 7 485 public shareholders held 60,45% of shares issued and 10 non-public shareholders (including directors) held 39,55%.
- Other than Netpartner Investments Limited (an associate as defined in AC110, which owns 23,54% of the Company's issued shares), there were no "non-public" shareholders holding in excess of 10,0% of the share capital of the Company.

VALUE ADDED STATEMENT

for the year ended 30 September 2005

	2005 Rm	%	2004 Rm	%
Revenue	7 533,7		6 852,5	
Less: Payments to suppliers of materials and services	3 673,5		3 461,5	
Add: Finance income received	46,5		80,2	
Wealth created	3 906,7	100	3 471,2	100
Shared as follows:				
Employees				
Salaries, wages and other benefits	2 422,4	62	2 211,8	64
Providers of loan capital				
Finance charges provided	176,0	5	199,3	6
Shareholders				
Capital distributions	307,8	8	245,6	7
Minority interest	1,7		2,4	
Government				
Income tax	299,5	8	215,8	6
Re-invested in the Group				
Profit retained	447,7	11	381,5	11
Depreciation and amortisation	251,6	6	214,8	6
Wealth created	3 906,7	100	3 471,2	100

Net distribution of wealth created





SUMMARY OF STATISTICS AND STOCK EXCHANGE PERFORMANCE

	2005	2004	2003	2002	2001	2000	1999	1998
SHARE PERFORMANCE								
Attributable earnings per share (cents)								
– basic	57,2	44,0	40,6	32,5	21,9	16,3	11,0	9,3
– fully diluted	55,5	42,3	38,7	30,8	21,2	16,3	N/A	N/A
Headline earnings per share (cents)								
– basic	60,3	45,4	40,4	32,7	24,1	17,0	11,6	10,1
– fully diluted	58,6	43,6	38,6	31,0	23,4	17,0	N/A	N/A
Attributable cash flow per share (cents)	46,8	20,3	24,5	29,2	36,6	15,0	20,9	16,5
Cash equivalent earnings per share (cents)	62,4	54,0	54,1	46,5	36,2	23,5	19,1	16,3
Cash realisation rate (%)	75,0	37,6	46,0	63,9	103,7	66,7	116,8	110,7
Capital distributions to shareholders per share (cents)	25,0	19,0	15,0	11,5	8,5	5,0	4,0	1,0*
Capital distribution cover (times)	2,4	2,4	2,7	2,8	2,8	3,4	2,9	10,1
Ordinary shareholders' equity per share (cents)	231,1	190,9	187,3	140,8	110,3	94,1	92,1	134,2
Tangible net equity per share (cents)	206,9	175,0	176,2	134,7	114,8	91,8	83,5	79,8
Returns and productivity								
EBITDA margin (%)	19,1	18,0	18,9	18,5	18,0	18,1	17,3	17,4
Operating profit return on net assets (%)								
– as reported	29,9	25,5	28,4	29,9	24,5	20,6	15,9	13,9
– adjusted for past goodwill write-offs	25,1	21,2	23,0	22,9	18,2	15,5	13,8	13,7
Return on shareholders' equity (%)								
– as reported	28,5	24,0	23,5	26,9	23,6	18,5	10,1	8,4
– adjusted for past goodwill write-offs	22,5	18,7	17,8	18,7	15,1	11,7	8,1	8,1
Effective tax rate (%)	27,2	24,9	22,7	24,4	26,1	24,7	21,1	27,5
Solvency and liquidity								
Debt:equity ratio (%)	32,6	43,2	30,6	36,6	42,1	48,2	52,9	44,2
Interest cover (times)	9,2	8,1	4,9	5,5	4,8	4,0	2,1	2,1
Stock exchange performance								
Market prices per share								
– year-end (cents)	655	495	410	295	199	91	60	82
– high (cents)	670	535	440	330	225	113	128	265
– low (cents)	470	400	265	183	72	55	57	67
Weighted average price traded (cents)	560	463	337	270	137	82	95	170
Number of share transactions	39 596	33 321	16 614	14 749	11 551	6 638	8 774	9 551
Value of share transactions (R million)	4 452,9	3 143,1	1 769,7	1 553,9	774,4	278,7	380,9	399,5
Volume of shares traded (million)	795,7	680,0	525,0	575,2	566,0	340,1	401,9	235,2
Number of shares in issue (net of treasury shares) (million)	1 446,2	1 425,8	1 530,7	1 452,9	1 337,7	1 326,2	1 319,7	1 182,2
Volume traded to issued (%)	55,0	47,7	34,3	39,6	42,3	25,6	30,5	19,9
Market capitalisation (R million)	9 472,6	7 057,7	6 275,9	4 286,1	2 662,0	1 206,8	791,8	969,4
Earnings yield [†] (%)	9,2	9,2	9,9	11,1	12,1	18,7	19,3	12,3
Price earnings ratio [†] (times)	10,9	10,9	10,1	9,0	8,3	5,4	5,2	8,1

[†] Based on year-end price

* Dividends paid

BEST AND SAFEST

patient care

Netcare's key leadership strategy of BEST AND SAFEST PATIENT CARE is pivotal to the Group's people as they strive to differentiate the organisation with a distinctive Netcare "Brand of Care".





CHAIRMAN'S *letter*

Michael Sacks

DEAR SHAREHOLDER

In the nine years since its incorporation in 1996, the Netcare Group has evolved into the largest private healthcare provider network in South Africa. Group revenue for the year under review reached R7,5 billion (2004: R6,8 billion) with assets employed, before applying any revaluation surplus, in excess of R6,2 billion (2004: R5,4 billion). These assets represent the largest investment in private healthcare in South Africa and are a statement of real confidence by Netcare's extensive public body of shareholders. Private healthcare in South Africa is a national asset and Netcare plays a key role in the national healthcare portfolio.

Group headline earnings for the year amounted to R863,9 million (2004: R671,5 million), translating into a 34,4% increase in fully diluted headline earnings per share. Both of these performance indicators reflect the efficient use of the Group's assets, its economies of scale and its proven business model.

However, Netcare's most valuable assets are those that do not appear on its balance sheet. Our people and our strategic integrated healthcare delivery model, both unique possessions, have once again contributed significantly to this year's impressive results. I therefore record my sincere appreciation to management and staff in all our business units for their admirable work, particularly for that differentiating discretionary effort which reflects in Netcare's superior indices of performance and patient care.

TRIBUTE

Netcare's management includes two extraordinary individuals who deserve special mention: Dr Jack Shevel, our recently retired Chief Executive Officer, and Dr Richard Friedland, his successor.

“Netcare’s infrastructure of 64 hospitals and ambulatory day care centres, over 50 primary care centres, extensive emergency services fleet and ancillary healthcare operations are part of a national asset in providing world-class healthcare services to millions of South Africans.”

On behalf of all Netcare stakeholders I express immense gratitude to Dr Shevel for his inspired vision and leadership over the years, his moral values, human generosity and characteristics of honour that will forever symbolise the legacy of his distinguished term in office. The world-class status and reputation of Netcare is a monument to Dr Shevel’s entrepreneurship, his dedication and professional talent.

Dr Richard Friedland needs no introduction to Netcare stakeholders, nor to the private healthcare industry in South Africa. A veterinary surgeon, medical doctor and Master of Business Administration by qualification, Dr Friedland joined Netcare as Chief Operating Officer early in 1997 and was responsible for transforming and re-engineering the then rapidly expanding Netcare Group. His initial management interventions, principles, standards and disciplines continue to influence the select nature and differentiating quality of Netcare services. Dr Friedland has spent the past two years in the United Kingdom developing Netcare’s foreign operations, which made extraordinary progress under his stewardship.

REGULATORY AND INDUSTRY ISSUES

The 2005 financial year has borne witness to many challenges within Netcare’s business as well as the private healthcare sector. Two of the more public matters have been the events leading to the Constitutional Court judgement on pharmaceutical dispensing fees; and the crafting of the Health Charter – both of which received extensive media exposure during the year.

In considering the validity and feasibility of the medicine dispensing fee structures, the Constitutional Court strongly supported pharmacists and the pharmacy profession by ruling that the dispensing fee structures be revised by the Department of Health before 30 November 2005.

A second draft of the Health Charter has been released by the Department of Health. It is encouraging to note that, while the Black Economic Empowerment (“BEE”) targets on equity ownership and procurement remain aggressive, the requirements and ratios seem more realistic and should find better support among private healthcare provider enterprises.

Several other challenges threaten the sustainability of South Africa’s world-class private healthcare sector. These include the increasing shortage of doctors, specialists and nurses, as well as the declining standards and capacity for the appropriate training of these professionals. Netcare is investigating ways to redress these factors, and several projects will be considered in the year ahead as we attempt to find appropriate solutions.

The incidence and effects of the HIV and AIDS pandemic are also of grave concern as they continue to undermine the healthcare of the nation and the national spirit. Apart from the devastating social impact of HIV infection, it places public healthcare capacity and services under severe pressure.

Netcare has for some time sought to assist the public sector by providing a select range of tertiary services, including diagnostics, to public sector patients under specially designed costing models. This would alleviate a degree of public sector congestion, maintain the availability of specialised services at economic rates and would enable the public sector to broaden its primary care services.



HOSPITAL COSTS

In its most recent report, the Council for Medical Schemes states that private hospital costs increased by 18,8% during the past year and accordingly suggests that there is something seriously improper with hospital pricing models. This simplistic assertion is then improperly interpreted by the industry and patients to mean that on average the hospital costs per patient day are 18,8% higher than in the prior year. Proper diligence will reveal that the revenue per patient day as experienced by Netcare hospitals was well in line with the rate of inflation of between 5% and 6%.

The increased "spend" on hospitalisation is simply the result of patients' increased use of hospital services, this being the result of medical science and progress in technology, which allow people to live longer. The trend towards a greater use of hospital services by an ageing population is a worldwide phenomenon, easily confirmed by hospital admission statistics.

SOCIAL RESPONSIBILITY AND CORPORATE CITIZENSHIP

As outlined in the Corporate Social Responsibility Report on pages 66 to 81, Netcare has a clear appreciation for the need to be a model corporate citizen. All Netcare hospitals and associate enterprises have given generously in time and services to the communities which they served during the year. At corporate level, Netcare provides substantial support to a wide range of charitable, academic, social and community institutions and, wherever possible, demonstrates Netcare's true sense of altruism, its generosity of spirit and human values.

PROSPECTS

Assisted by the relatively low inflation rate and the decline in short-term interest rates, the financial solvency of individuals is currently better than it has been for many years. As a result, South Africa is also experiencing its biggest consumer spending boom for many years.

Although private healthcare insured membership has not reflected growth commensurate with this prosperity, there is an increasing "out of pocket" spend in the private healthcare market, to the advantage of our business. Continued economic growth and the availability of more affordable private healthcare products should result in market growth going forward, and Netcare is actively developing affordable products for the currently uninsured market.

The Government Employees Medical Scheme ("GEMS") is a welcome entrant into the sector and will hopefully trigger other major employers to provide support for their own uninsured employees.

Netcare is well positioned both operationally and financially to benefit from the growth opportunities in the healthcare sector. We will continue to put the interests of our patients first in everything we do, knowing that they place their trust in our healthcare services. By continually raising the bar, we will continue to achieve better outcomes for our patients, our doctors and specialists, employees and shareholders. Accordingly, we look forward with confidence and optimism to Netcare's continuing leadership role in private healthcare in South Africa and elsewhere in the world.

APPRECIATION

I thank our loyal and talented doctor and specialist body for the support they provide to the Group and for their contribution to the overall health and well-being of our patients. I also convey my sincere thanks to my colleagues on the Netcare Board of Directors, particularly our non-executive directors who have been so supportive to me in my role as Chairman, and who have provided special guidance and wise counsel at Board meetings and at meetings of the Board committees on which they serve.

Michael I Sacks

Chairman

December 2005



TRIBUTE TO DR JACK SHEVEL

The resignation of our founder and former CEO, Dr Jack Shevel, during the course of this year marked the end of a remarkable chapter in the history of private healthcare in South Africa.

A visionary and entrepreneur, Jack has played a major role in shaping the South African private healthcare industry – both individually and through his leadership of Netcare. Despite being described in newspaper headlines as 'Net who?' at its listing on the JSE in December 1996, Netcare is today one of the best-known healthcare brands in South Africa. The growth of Netcare has been remarkable, from its start as a single day clinic

in 1989 and four hospitals at listing, the Group has evolved into Africa's largest private hospital and doctor network. The original head office staff complement of 18 has grown into an employee base in excess of 18 000, while assets and operating interests have expanded beyond those of a hospital group to become a fully integrated healthcare organisation with a market capitalisation in November 2005 in excess of R11 billion.

Jack has been the primary architect of this extraordinary achievement. His enthusiasm and energy inspired many to fulfil his vision to build Netcare into the organisation it is today. His entrepreneurial talent, his comprehension of healthcare economics, his confidence, creativity and sense of humour have all contributed to the birth, growth and success of many Netcare business units becoming a household brand.

Underpinning all of this has been Jack's deep love and respect for people – especially the doctors and nurses who live out his dreams on a daily basis within the medical facilities owned by Netcare – and his contagious passion for life. Jack has left us with a rich heritage built on the courage of his convictions, and the promise of a future that will hopefully be even more fruitful.

The lives we've touched



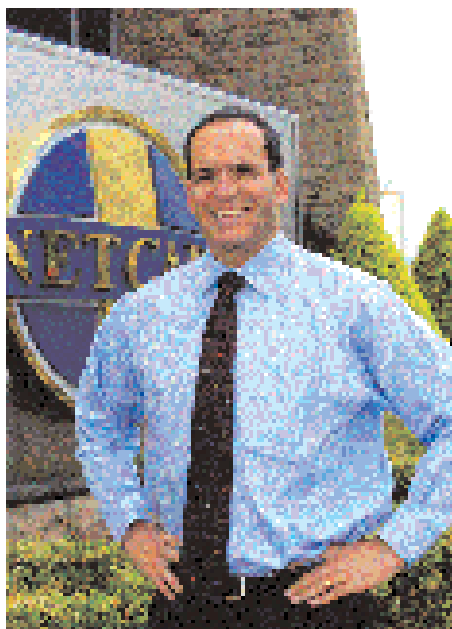
Patient interactions throughout
Netcare affiliated businesses during 2005

10 million



Number of babies delivered in
Netcare facilities in FY2005

29 355



CHIEF EXECUTIVE OFFICER'S

review

Dr Richard Friedland

INTRODUCTION

The year under review featured a number of significant events. Internally, Netcare underwent a change in leadership following the departure of our founder and CEO, Dr Jack Shevel. Externally, the emergence of the Government Employee Medical Scheme ("GEMS") and draft tax reforms aimed at improving the affordability of medical aid cover represent positive and real progress in improving access and affordability to private healthcare.

Netcare remains committed to developing solutions that increase both the access and affordability of private healthcare and is sincerely committed to assisting our Department of Health in realising its vision in this regard. It is our belief that in our transforming society, private healthcare has a unique opportunity to play an ever-important role in assisting to improve the healthcare of our nation.

OPERATING HIGHLIGHTS

The year was characterised by a solid operating performance across all divisions, largely as a result of organic growth and efficiencies leveraged across the Group. Despite a mild winter season, traditionally a busy period for the core Hospital division, our hospitals experienced satisfactory occupancies and reported a growth of 2,2% in patient days year-on-year. Netcare 911 continues to show excellent progress in its return to profitability, thanks to a dedicated and highly competent management team. Internationally in the UK, the second Independent Sector Treatment Centre ("ISTC") contract with the National Health Services ("NHS") began in May, resulting in good growth in that division. The Diagnostics division performed well and continued to grow market share.

“Clinical Governance is a framework through which healthcare organisations are accountable for continuously improving the quality of their services and safeguarding high standards of care by creating an environment in which excellence in clinical care will flourish.”

These results were underpinned by a substantial re-investment into the business of nearly R500 million, primarily by the Hospital division. This represents almost twice our depreciation cost and over 65% of our after-tax profits.

A detailed review of all the business units is contained on pages 34 to 48.

Netcare’s investment in human capital continues to bear fruit. Netcare was again selected as one of the top 100 companies to work for in South Africa, with our overall ranking rising from 51 in 2004 to 40 this year. Since 2000, the Deloitte and *Financial Mail* Best Company to Work For survey has established itself as South Africa’s most authoritative employer ranking tool. Unlike traditional rankings, which rely on the views of management, Best Company to Work For is weighted in favour of employees, who contribute 85% towards the final score. The rankings are determined by a survey of up to 2 000 employees and management within the companies evaluated, and the process is extremely rigorous, making for a highly credible listing of excellent employers.

In our quest for quality service provision, Netcare has embarked on an international quality accreditation programme with the Health Quality Service (“HQS”), based in the United Kingdom. Sunninghill Hospital and Unitas Hospital both achieved ISO9002 accreditation and similar outcomes are expected shortly for three more hospitals. 2006 will see the rollout of this accreditation process to more hospitals.

In addition to the above, Netcare has now formalised the formation of a Clinical Governance Committee which will report to the Board on all matters pertaining to the governance of clinical activities within Netcare.

REGULATORY ENVIRONMENT

The regulatory environment within which Netcare operates has continued to evolve during the year under review, resulting in legislative and regulatory changes that may have an impact on certain of the Group’s operating divisions. Netcare is aware of these potential impacts and is proactively addressing the same so as to manage the associated risks. Netcare also awaits the outcome of the newly formed Pharmaceutical Pricing Committee in determining the final dispensing/professional fee for drugs.

HEALTH CHARTER

Netcare endorses the need for a Broad-based Socio-economic Empowerment Charter for the Healthcare Industry (the “Health Charter”), as proposed by the Minister of Health, and is encouraged by the recognition of both the Private and Public sectors in the delivery of healthcare in South Africa. Netcare has actively participated in submitting its views and awaits the final outcome.

CHANGING DYNAMICS OF THE MEDICAL AID SCHEME SECTOR

The Treasury Department has released for discussion draft proposals regarding tax reforms for medical aid contributions that will be implemented in 2006, which should improve the affordability and thus encourage membership of medical aid schemes at the lower end of the income market.



GEMS

Netcare 911 was successful in being awarded the tender to supply pre-hospital emergency services for the GEMS tender. In addition, Netcare is a provider to Prime Cure, who was awarded the hospital services for the Topaz scheme. As a Group, Netcare welcomes the GEMS initiative, believing that the resultant influx of medically insured lives in the market heralds great growth potential.

TRANSFORMATION OF THE HEALTHCARE SECTOR

Netcare embraces the need for transformation in terms of normalising our society, both at national level and at operational level in the healthcare industry. Netcare considers transformation to be a strategic imperative for the future socio-economic success of our sector and the country as a whole.

Several developments this year have radically altered the Black Economic Empowerment ("BEE") status of the Group. These include:

- The Health Partners For Life ("HPFL") transaction, which was formally approved by shareholders at a meeting held on 26 September 2005. This transaction resulted in 10% of Netcare's equity, valued at R1 billion, being placed in the hands of broad-based empowerment groupings and is detailed in the Transformation Report on pages 58 to 65.
- The transactions effected by Netpartner, which resulted in more than 27% of Netpartner's shares being owned by previously disadvantaged individuals, many of whom are medical professionals, and Netpartner increasing its shareholding in Netcare to more than 20%.

The lives we've touched



At the end of the 2005 financial year Netcare introduced the first PET Scanner in South Africa into Linksfield Park Clinic in Johannesburg



Aeromedical evacuations facilitated by Netcare 911 in 2005

400

In addition to the aforementioned, Netcare has developed a detailed strategy to achieve transformation within the Group and this is detailed on pages 58 to 65.

GOVERNANCE

Netcare remains committed to upholding the sanctity of life and exceeding the expectations of all patients, whose care is the Group's primary concern. This is achieved, in part, by adhering to the principles of corporate governance advocated by the King II Report on Corporate Governance, notably integrity, transparency and accountability; and priding ourselves on the highest ethical standards.

RESTRUCTURING OF THE BOARD OF DIRECTORS

The composition of the Board has been restructured in line with King II. The number of executive directors has been reduced to five and the number of non-executive directors increased to six, including the non-executive chairman.

The following changes were made during the year:

- Dr VLJ Litlhakanyane and Professor MB Kistnasamy were appointed to the Board as executive and non-executive directors respectively with effect from 1 December 2004.
- With effect from 1 March 2005, Mr MI Sacks (Executive Chairman) became Non-executive Chairman.
- On 31 August 2005, Dr J Shevel resigned as Chief Executive Officer and became a non-executive Director – he subsequently resigned from the Board with effect from 22 November 2005.
- With effect from 1 September 2005, Dr RH Friedland (formerly CEO – International) was appointed Netcare Group Chief Executive Officer.
- With effect from 16 September 2005, Dr RH Bush, Dr I Kadish and Mr PJ Lindeque resigned as directors of the Company. Mr Lindeque will continue as a valued executive within Netcare as a Regional Director of the Hospital division, while current executives will absorb the roles and functions of Drs Kadish and Bush.

The Company has significantly benefited under the leadership of these directors and wishes to place on record its gratitude and appreciation for their outstanding contribution to the success of the Netcare Group.

A new, thirteen-member Executive Committee ("ExCo") was appointed with effect from 1 September 2005, structured to enable efficient management of the Group's business units. As one of its first tasks, the ExCo participated in an in-depth review of Netcare's business and its strategy.

The ExCo meets formally every two weeks and all major decisions are made through ExCo, with those decisions requiring Board approval being escalated accordingly. Besides their operational roles and responsibilities, every ExCo member has been tasked with at least one strategic deliverable, which is viewed as critical to the achievement and sustainability of Netcare's growth strategy over the next five to ten years. The new ExCo is motivated and confident that it has the ability to address the Group's future challenges in a positive manner, and that appropriate action plans are currently being formulated.

CLINICAL GOVERNANCE

Netcare strives to become a learning organisation which embraces its successes, acknowledges its failures and applies these lessons to improving the healthcare services provided to all patients. To this end, the Group began implementing a broad-based Clinical Governance initiative in May 2005. The initiative has included establishing a Medical Ethics and Clinical Governance Board Committee, which is responsible for ensuring adherence to the highest moral values and compliance with applicable laws and regulations relating to Group Medico-Legal and Ethical Issues and related Group policies and procedures.



Clinical Governance may be defined as a framework through which healthcare organisations are accountable for continually improving the quality of their services and safeguarding high standards of care by creating an environment in which excellence in clinical care will flourish. It provides the means to achieve several strategic goals which include:

- Promoting best clinical practice;
- Providing scientific evidence of care through research and development;
- Ensuring professional service is delivered at all times while continually improving quality;
- Ensuring that resources are optimally and effectively utilised, trained and incentivised;
- Eliminating clinical risk; and
- Partnering with physicians and healthcare service providers to enhance patient care.

While much of the above is already in place within Netcare, the implementation of Clinical Governance is in keeping with World Health Organisation ("WHO") recommendations that healthcare providers pay close attention to and establish science-based systems that ensure patient safety, promote evidence-based policies that include global standards to improve patient care and develop mechanisms through accreditation and other means to recognise excellence in healthcare and patient safety. It also takes cognisance of the draft Health Charter, which proposes strict measures to ensure quality of patient care, accountability by the healthcare provider for the provision of this care and optimum cost-efficiencies.

A Clinical Governance Operations Committee has also been established, with responsibility for executing all strategic imperatives and establishing national guidelines for Netcare facilities. There are also Clinical Governance Committees within each Netcare hospital or operating division, complemented by Physicians' or Medical Practitioners' Associations and other business units, and a Regional Nursing Advisory Committee.

STAKEHOLDER RELATIONSHIPS

One of the focus areas for Netcare is that of continuously developing sustainable relationships with all our stakeholders, especially Government. Senior executives are constructively engaged with our Department of Health in a solution-orientated manner.

FUTURE CHALLENGES

The healthcare sector is entering an environment characterised by numerous factors, including low inflation, a stronger Rand, increasing pressure on tariff increases and potential pressures relating to wage negotiation demands expected to be in excess of inflation.

With this in mind, we have revisited Netcare's strategy to ensure that the Group is well positioned to derive substantial growth from the lower income market. Among the plans currently mooted is an initiative to segment our market offering so as to achieve growth based on higher volumes at reduced incremental margins (given the fixed/variable cost leverage in the business model).

SKILLS SHORTAGE

The ongoing shortage of nursing and other healthcare-related skills continues to pose a significant challenge to healthcare sectors worldwide. Netcare has undertaken extensive research to identify the key areas of need and the consequent areas of skills uplift required. This has revealed that the shortages are not generalised, as perceived, but are rather critical in specific areas – primarily the intensive care units ("ICUs") of the larger hospitals.

Netcare is cooperating with Government and other stakeholders in an Employer Work Forum to attempt to find solutions to the supply and quality issues facing the health sector.

A survey of nursing staff, with special emphasis on the reasons for staff turnover, has also been conducted, the results of which are currently being analysed. In the interim, a project team has been appointed to devise proposals designed to overcome the burgeoning nursing crisis. A significant increase in Netcare's investment in nurses training is currently being effected.

OPERATIONAL EFFICIENCIES

This year, a decision was taken to migrate the Group's information technology systems onto a single enterprise-wide SAP system. The expected efficiency gains are substantial and the first rollout is expected in May 2006. This rollout is expected to take up to two years and efficiency gains will be incremental over the next five years.

Towards year-end, the Group successfully implemented a Human Resources Shared Services Centre for payroll and employee benefits. In effect, this means that these services are offered for all major divisions of the Group and the replication of such activities has been eliminated. A pilot project to extend shared services to finance and administration will be undertaken in 2006.

OUTLOOK

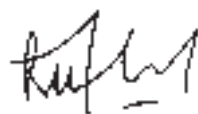
We are confident that we have identified key growth drivers that will enable Netcare to achieve solid growth going forward. These include:

- attracting volume growth at the lower end of the market. The latter may necessitate a segmentation of our market and hospitals, which is currently being investigated;
- offshore expansion, where the Group continues to pursue strong organic growth and will continue to evaluate potential acquisitions;
- continuing to develop and grow our partnership in the mining and similar sectors, by offering health services to new clients;

- seeking strategic relationships with other healthcare players to widen the geographic presence of our network; and
- further expanding Netcare 911's network into Africa in support of New Partnership for Africa's Development ("NEPAD") and the Southern Africa Development Community ("SADC") initiatives.

ACKNOWLEDGEMENTS

The backbone of Netcare's success is the passionate and dedicated people who live and work within our business units. I want to pay tribute to each and every specialist, general practitioner, nurse and member of staff within Netcare who make this organisation a vibrant, relevant and meaningful contributor to our nation's healthcare. Your commitment to Netcare and your enthusiasm and personal dedication to the patients we are privileged to serve, is deeply appreciated.



Dr Richard Friedland
Chief Executive Officer
December 2005



CHIEF FINANCIAL OFFICER'S

review

Peter Nelson

OPERATING RESULTS

Netcare's revenue for the year increased by 9,9% to R7 533,7 million (2004: R6 852,5 million), with all divisions showing positive growth. EBITDA grew from R1 235,8 million to R1 441,3 million, with all operational divisions again reflecting solid growth. Particularly pleasing was the turnaround in Netcare 911 where the company is now fully recovered and likely to start earning acceptable profits in the near term.

EBITDA margins improved from 18,0% to 19,1%, while EBIT margins improved from 14,1% to 15,7%.

Net financing costs increased to R129,5 million (2004: R119,1 million) due to expensing of interest rate hedges, ongoing capital expenditure and lower interest earned on loans from associates. Interest cover remains at a satisfactory 9,2 times (2004: 8,1 times).

Earnings from associates are primarily driven by Netpartner, Netcare's participation in the Healthshare joint venture and the Community Hospital Group. Earnings from associates includes the impact of the cross-holding between Netcare and Netpartner. The cross-holding adjustment for 2005 amounted to R67,1 million (2004: R28,1 million).

Attributable earnings to ordinary shareholders increased by 25,6% to R818,4 million.

A number of capital items were accounted for during the year, which impacted on headline earnings per share. Goodwill was impaired in a number of small non-integral operations. The continued losses in Lodox necessitated the impairment of the investment, which has been written down to nil. The reversal of the impairment on land and buildings pertains to one property in the Cape after due consideration was given to the valuations of all core properties.

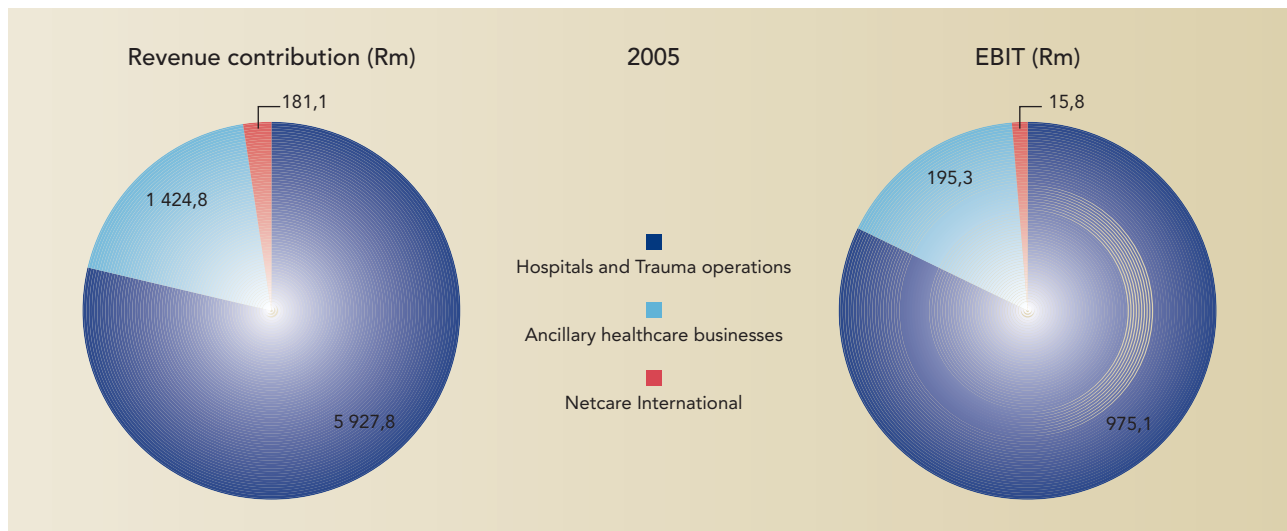
“In 2005 we have delivered superior returns on capital employed and invested extensively in both new and existing facilities to provide growth platforms and quality care.”

Headline earnings per share increased by 32,8% to 60,3 cents per share (2004: 45,4 cents). Return on ordinary shareholders' equity ("ROE") of 28,5% is ahead of last year's figure of 24,0%.

The charts and table below reflect the Revenue and EBIT contributions of the main business groupings.

BALANCE SHEET

Property, plant and equipment has increased from R2 880,0 million to R3 108,7 million due to ongoing capital expenditure in the Group (refer below to cash flow comment). Net asset value per share is R2,31. If the properties are included at their revalued amounts, net asset value per share increases to R3,95.



	Revenue			EBIT		
	Audited 30 Sept 2005 Rm	Audited Restated 30 Sept 2004 Rm	% increase	Audited 30 Sept 2005 Rm	Audited Restated 30 Sept 2004 Rm	% increase
Hospitals and Trauma operations	5 927,8	5 444,9	8,9	975,1	837,7	16,4
Ancillary healthcare businesses	1 424,8	1 280,7	11,3	195,3	133,3	46,5
Netcare International	181,1	126,9	42,7	15,8	(6,6)	
Total	7 533,7	6 852,5	9,9	1 186,2	964,4	23,0



Associated companies, investments and loans have increased due to a further investment in Netpartner, further loans to the Community Hospital Group, an investment and loan to KOPM Investments which owns a hospital in Soweto (Lesedi Clinic), and investments in a number of BEE healthcare initiatives. Netpartner owns over 20% of Netcare, while Netcare owns an effective 46,3% of Netpartner. The gain in Netpartner arising from the Netcare share price increase has been eliminated in the calculation of Netcare's earnings from associates. Such gains are considered to arise from transactions with Netcare's own shareholders and accordingly are not included in the income of Netcare.

Working capital remains well managed.

During the year, the Group changed its method of tax treatment of deferred revenue. Accordingly, R138,0 million of deferred tax was released to taxable income and a similar amount raised as a normal tax expense in respect of the prior year.

CASH FLOW

Cash generated from operating activities remains strong at R1 619,9 million, reflecting strong cash flow from all operations, as well as better utilisation of working capital management, and is 46,9% higher than last year's figure of R1 102,6 million.

Material cash outflows during the period include: investment in the Group's capital expenditure programme amounting to R497,3 million (2004: R362,3 million); share repurchases of R32,2 million (2004: R236,8 million); and capital distributions of R307,8 million (2004: R245,6 million). Investing activities comprise further investment in Netpartner, loans to various business associates and ongoing maintenance capital expenditure at the hospitals. These ongoing investments reflect Netcare's commitment to delivering high quality healthcare to its patients through continued investments in healthcare technology and hospital infrastructure.

Net interest-bearing debt has decreased to R1 113,4 million (2004: R1 206,6 million), with the net debt:equity ratio reducing to 32,6% (2004: 43,2%).

CASH FLOW RETURN ON INVESTMENT

The Group continues to monitor performance on the HOLT method of cash flow return on investment ("CFROI®"). The market derived cost of capital (minimum hurdle) rate has been reduced from 8% to 7,2% during the year, in line with the better rating accorded to South African companies. A CFROI® of 13,05% was achieved in 2005. CFROI® is a registered trademark in the United States of Credit Suisse First Boston or its subsidiaries or affiliates.

ACCOUNTING POLICIES

The financial statements are prepared in accordance with and comply with South African Statements of Generally Accepted Accounting Practice ("SA GAAP"). The principal accounting policies as set out in the 2004 Annual Report have been consistently applied, except for the policies stated below:

OPERATING LEASES

In accordance with Circular 7/2005 released by the South African Institute of Chartered Accountants ("SAICA"), payments made under operating leases are now recognised in the income statement on a straight-line basis over the term of the lease. Past practice, whereby operating lease payments were expensed on a payments basis, was based on an interpretation of IAS17 (AC105) – Leases, previously generally accepted in South Africa. The effects of the restatement on the financial statements are summarised in the prior year adjustment note.

GOODWILL

The Group previously recognised acquired goodwill at cost less accumulated amortisation and any impairment. In terms of IFRS3 – Business combinations, goodwill is no longer amortised but is subject to impairment reviews, both annually and where there are indications that the carrying value may not be recoverable.

IFRS

In line with the listing requirements of the JSE Limited the Netcare Group is formally adopting International Financial Reporting Standards (IFRS) with effect from 1 October 2005. As the Group publishes comparative information for one year in its financial statements, the date for transition to IFRS is 1 October 2004, which represents the start of the earliest period of comparative information presented.

The most significant IFRS changes for the Group from a systems viewpoint originate from the implementation of IAS16 – Property, plant and equipment. IAS16 requires the residual value of assets to be assessed at each balance sheet date. This has the potential to increase earnings volatility, as adjustments to residual values of necessity impact earnings.

It must also be noted that the implementation of IFRS has a relatively insignificant impact on the Group's financial position and earnings, except for IFRS2 and the Broad-based Black Economic Empowerment deal ("BBBEE deal") currently being implemented. The impact of the BBBEE deal on Netcare's results is dealt with below.

BASIS OF PRESENTATION

The financial information this year has been prepared in accordance with statements of South African GAAP that are currently effective. The information set out below focuses on the anticipated amendments to current IFRS. This may differ from IFRS finally in effect at 30 September 2006 as a result of ongoing review and possible amendment by interpretative guidance from the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

TRANSITIONAL ARRANGEMENTS

The key principle of IFRS1 – First-time adoption of International Financial Reporting Standards, is full retrospective application of IFRS. This statement, however, provides exemptions from retrospective application in certain instances due to cost and practical considerations. The Group's transitional elections are set out below:

Elections applicable 1 October 2004

- **Business combinations:** The Group is electing not to retrospectively apply the requirements of IFRS3 for business combinations that occurred prior to 1 October 2004. As a result, the carrying amount of goodwill will be the amortised amount at 30 September 2004 less any impairment. Previously amortised goodwill and goodwill eliminated against reserves will not be re-instated.
- **Property and equipment:** A first-time adopter may elect to use the fair value of individual property and equipment at transition date as the deemed cost. The Group is not making use of this deemed cost election.
- **Employee benefits:** The Group is electing not to use the corridor approach that leaves some actuarial gains and losses unrecognised.
- **Cumulative foreign currency translation reserve adjustment:** The cumulative foreign currency translation reserve existing on transition will be retained.
- **Share-based payments:** The Group is electing not to apply the provisions of IFRS2 – Share-based payments to equity-settled awards granted on or before 7 November 2002, or to awards granted after that date but which had vested prior to 1 October 2004.

Elections applicable 1 October 2005

- **Comparative numbers restated for financial instruments and insurance contracts:** The Group is electing not to apply the exemption to restate its comparatives for IAS32 – Financial Instruments: Disclosure and Presentation, IAS39 – Financial Instruments: Recognition and Measurement, and IFRS4 – Insurance Contracts.



ADJUSTMENTS AS A RESULT OF THE ADOPTION OF IFRS

The impact of changing from SA GAAP to IFRS is summarised below:

IFRS2 – Share-based payments

The Group grants share options to employees under employee share incentive schemes. The costs of administering the scheme were expensed as incurred. Share options granted were not expensed in the income statement, but rather in a dilution of earnings per share when the shares were issued. In accordance with the requirements of IFRS2, the Group will recognise an expense in the income statement, with a corresponding credit to equity, representing the fair value of employee share options granted, over the vesting period of the options.

In anticipation of a final international interpretation (IFRIC D-16) on IFRS2, the Group is considering extending the scope of IFRS2 to include the Group's BBBEE deal. This deal has a number of elements attached to it. The shares relating to the trust units in respect of the Patient Care and Passionate People Trust will be valued at the date that the benefits are granted to the participants, and this amount will be expensed in the Group's income statement over the qualification period. The shares relating to trust units in respect of the Physician Partnerships Trust, the Healthy Lifestyle Trust and the Mother & Child Trust, which have been allocated to specific beneficiaries, will be valued, and this entire amount, representing the cost of BEE credentials, will be expensed in the Group's income statement at the effective date.

Netcare estimates that the impact of the granting of current share options will result in an expense of R5,3 million in the income statement for the year ending 30 September 2006. The impact in the income statement of the BBBEE deal is estimated at R92,9 million.

This expense has been calculated in accordance with the guidelines set out in IFRS2, based on an independent valuation of the various trust units performed by Deloitte.

The application of IFRS2 to BBBEE transactions is subject to ongoing debate, both in South Africa and internationally. The outcome of these discussions may have an impact on the accounting treatment described above and, if material, shareholders will be duly advised.

IAS16 – Property, plant and equipment

In calculating the depreciation charge an entity reduces the cost of an asset by its residual value in order to compute the depreciable amount. Previously under SA GAAP, the estimated residual value was determined on recognition of the asset and was not subsequently reassessed. IAS16 requires that the residual of plant and equipment value is reassessed at each balance sheet date. The reassessment of residual values is likely to result in an annual reduction in depreciation charges in future years. The impact in 2006 is not expected to be material.

CONCLUSION TO IFRS

Further analysis of any interpretations issued by the standard setters will take place in order to process any required adjustments for the full-year results in respect of the financial year ending 30 September 2006.

CORPORATE TRANSACTIONS

HPFL DEAL

The Health Partners for Life Deal ("HPFL deal"), which is the BBBEE initiative, is expected to be implemented in the near future. There is no impact in the current year but next year's balance sheet will have an issue of Netcare shares in the approximate amount of R662,2 million. These shares will be accounted for as treasury shares until such time as the vendor financing has been settled.

OTHER TRANSACTIONS

During the year the Group implemented a specific repurchase of 6,6 million Netcare shares for an effective consideration of R32,2 million.

Netcare acquired a further 47,0 million Netpartner shares for an effective consideration of R178,0 million.

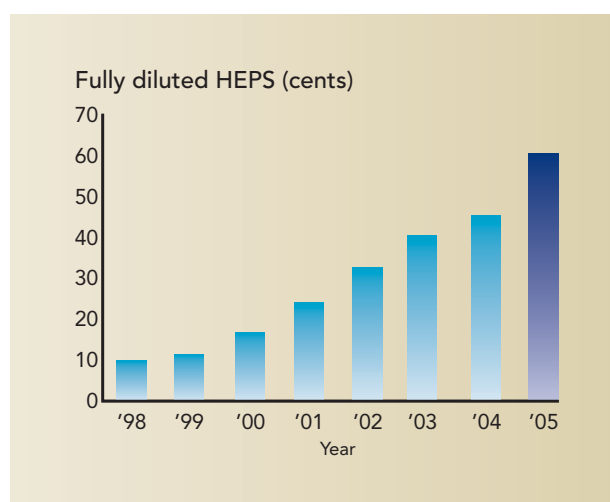
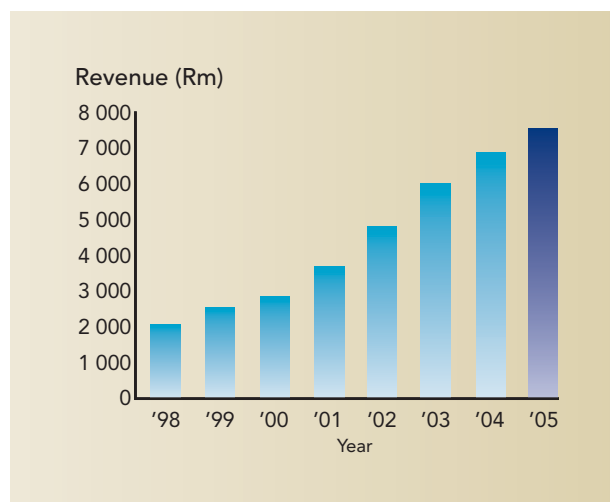
During the year, the Group disposed of its investment in Digital Healthcare Solutions (Proprietary) Limited and acquired 45% of KOPM Investment Holdings (Proprietary) Limited, a company owning a hospital located in Soweto. The Group also acquired 80% of the interests of a hospital to be built in Ballito and 100% of the assets of Wierda Park Clinic, a day clinic in Pretoria. The effects of these acquisitions are immaterial.

CAPITAL DISTRIBUTION

The Board of Directors has declared a final capital distribution out of share premium of 15 cents per ordinary share, payable to shareholders recorded in the register of the Company as at Friday, 20 January 2006. Taken together with the interim distribution of 10,0 cents per share, the total distribution paid and to be paid in respect of the 2005 financial year, amounts to 25 cents (2004: 19 cents) per ordinary share, an increase of 31,6% over the comparative period.



Peter Nelson
Chief Financial Officer





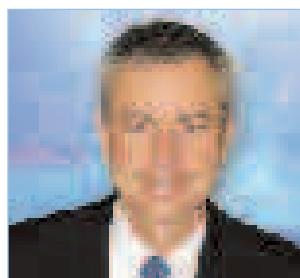
NON-EXECUTIVE DIRECTORATE



MICHAEL SACKS (62)
CHAIRMAN
CTA, CA(SA), AICPA (ISR)

[Date of appointment: 25/10/1996]

Michael Sacks acted as an independent corporate advisor for 25 years prior to his appointment as Chairman of Netcare. He has served and continues to serve as a non-executive director of a number of listed companies and empowerment committees. Mr Sacks is also an Officer of the International Association of Political Consultants.



DR JOHANNES VAN ROOYEN (50)
MBCBH, M MED (CLIN PATH)

[Date of appointment: 01/02/1999]

Dr Johannes van Rooyen has significant medical and commercial pathology experience and is currently the national pathology director of The Ampath Trust, in which Netcare holds a 50% interest.



MEYER KAHN (66)
BA (LAW), MBA, DCOM(HC), SOE

[Date of appointment: 14/04/2000]

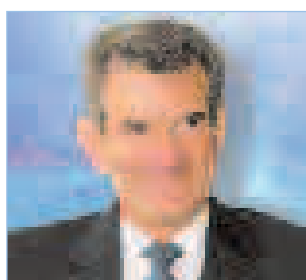
Meyer Kahn is the former managing director and currently the chairman of SAB Miller Plc. He served two-and-a-half years as Chief Executive of the South African Police Service. He is also a director of various other companies and trustee of numerous organisations.



HYMIE LEVIN (60)
BCOM, LLB, LLM, H DIP TAX LAW,
H DIP CO LAW

[Date of appointment: 06/11/1996]

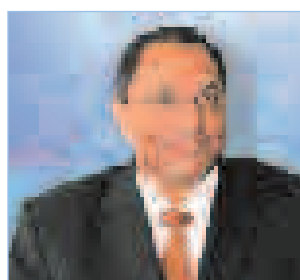
Hymie Levin is a specialist corporate and tax lawyer. He is the senior partner of HR Levin Attorneys and his experience spans more than 30 years. He is also a non-executive director of various companies listed on the JSE.



DR AZAR JAMMINE (56)
BSC (HONS), BA (HONS), MSC, PHD

[Date of appointment: 14/12/1998]

Dr Azar Jammine has been a director and chief economist of Econometrix (Proprietary) Limited since 1985 and is a non-executive director of many other notable companies in South Africa.

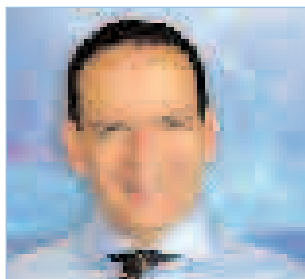


PROFESSOR MALCOLM BARRY KISTNASAMY (46)
MBCHB (NATAL), M MED (COMMUNITY HEALTH)
(NATAL)

[Date of appointment: 01/12/2004]

Professor Barry Kistnasamy was formerly the Dean of Medicine, Nelson Mandela School of Medicine, KwaZulu-Natal. His established career in healthcare has included Deputy Director General of Health, Welfare and Environment in the Northern Cape from 1995 to 2000. He is the Chairman of Netpartner Investments Limited, an associate of Netcare.

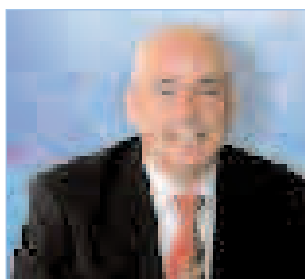
EXECUTIVE DIRECTORATE



DR RICHARD FRIEDLAND (44)
CHIEF EXECUTIVE OFFICER
BVSC, MBCBH, DIP FIN MAN, MBA

[Date of appointment: 15/05/1997]

Richard Friedland was Operations Director of Medicross responsible for overall operations and establishing the medical centres on a national basis. Dr Friedland joined Netcare in early 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.



PETER NELSON (51)
CHIEF FINANCIAL OFFICER
BCOM, BCOMPT HONS, CA(SA)

[Date of appointment: 01/09/2004]

Peter Nelson has served various major corporations at board level over the past 20 years. He was previously a director of Pretoria Portland Cement Company Limited (subsidiary of Barlworld Limited), BMW (South Africa) (Proprietary) Limited and Mondi Paper Limited.



DR VICTOR LITLHAKANYANE (41)
MBCHB, M MED (RADIOTHERAPY), MBA

[Date of appointment: 01/12/2004]

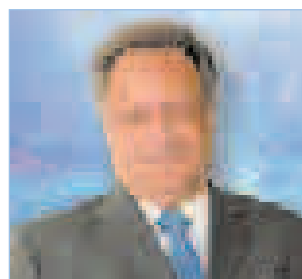
Prior to assuming an executive directorship position with Netcare, Dr Victor Litlhakanyane was the Superintendent General, Department of Health, Free State province. He is registered with the Health Professions Council of South Africa as a medical practitioner and radiation oncology specialist and is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



INGRID DAVIS (52)
DIP PHARM (MPS)

[Date of appointment: 06/11/1999]

Ingrid Davis has 21 years' experience as a qualified pharmacist in the private hospital industry. Ingrid is the controlling member of the entity which owns and manages the pharmacy concessions at Netcare hospitals, working in conjunction with the division contracted to provide infrastructural, administration and logistical support services. Ingrid is also responsible for managing various hospitality and allied divisions within the Group.



NORMAN WELTMAN (56)
CA(SA)

[Date of appointment: 03/11/1999]

Norman Weltman has been with the Group since 1993. His portfolios include funder negotiations and relations, managed healthcare and radiotherapy. Norman has over 14 years of experience in the healthcare industry and previous posts include having been the former Chairman of the Hospital Association of South Africa ("HASA").



ADMINISTRATION

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Telephone +27 (0) 11 301 0000

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PO Box 4844, Johannesburg 2000
Telephone +27 (0) 11 832 2652

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Chartered Accountants (SA)
Registration number 1994/001166/21
Registered Accountants and Auditors
PKF House, 15 Girton Road, Parktown 2193
Private Bag X30500, Houghton 2041

GRANT THORNTON

Chartered Accountants (SA)
Registered Accountants and Auditors
Grant Thornton Office Park
137 Daisy Street, Sandown, Sandton 2196
Private Bag X28, Benmore 2010

PRINCIPAL BANKERS

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Investec Bank Limited

ATTORNEYS

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Kentgate, 64 Kent Road (cnr Oxford Road)
Dunkeld 2196
PO Box 52235, Saxonwold 2193

SPONSOR

Merrill Lynch South Africa (Proprietary) Limited
Registration number 1995/001805/07
138 West Street, Sandown, Sandton 2196

JSE INFORMATION

Netcare
JSE share code: NTC
ISIN code: ZAE000011953

SELECTED WEBSITES

www.netcare.co.za
www.netcareinvestor.co.za
www.netcare911.co.za
www.netcareuk.com
www.netpartnerinvestments.co.za
www.medicross.co.za
www.thepharmacy.co.za
www.ampath.co.za
www.genecare.co.za
www.travelclinics.co.za

PHYSICIAN

partnerships

Netcare is a doctor-centric organisation that has as one of its key leadership strategies the establishment of meaningful and ethical PARTNERSHIPS with medical professionals that utilise Netcare's facilities. Essential to the delivery of quality healthcare to all South Africans are the healthcare professionals whose skilled and valuable contribution to the everyday health of South African society is pivotal to future growth and investment in South Africa.





BUSINESS UNIT

review

SOUTH AFRICAN OPERATIONS

CORE HOSPITAL NETWORK AND TRAUMA OPERATIONS

These operations yielded good results for the period and recorded organic growth in revenue of 8,9% to R5 927,8 million (2004: R5 444,9 million) and an increase in EBIT of 16,4% to R975,1 million (2004: R837,7 million), a solid performance given the introduction of single exit pricing regulations ("SEP") and significantly lower pharma inflation. The performance of these businesses continues to show improvement in all areas of patient care and service delivery. During the period, the introduction of selected business re-engineering processes and rationalisation programmes have resulted in the hospital and trauma support services being operated more efficiently.

“Netcare is committed to providing the best quality of accessible and affordable healthcare through a world-class infrastructure of medical facilities, professionals and technology.”

NETCARE HOSPITAL NETWORK (100% STAKEHOLDING)

Operational Highlights

- Number of births at Netcare facilities increased by 5,9% to 29 355.
- Key performance indicators (“KPIs”) show that total expenses increased by only 4,2% per patient day.
- Unit Managers Incentive programme implemented.
- Clinical Governance improved with representation on ICU Steering Committee.
- Sole national nursing agency provider introduced, leading to improved nursing quality.
- Patient satisfaction rose to an all-time high of 93,5% in November 2004.
- Hospital managers’ training implemented through the University of Minnesota, USA.
- Netcare TV introduced through DStv.

Performance Review

In the core hospital network, patient days were up by 2,2% to 1 550 153 days, theatre cases up by 1,8%, maternity cases increased by over 5,9% and the length of stay declined marginally from 3,22 days to 3,20 days. This largely reflects increased utilisation by the currently insured population (admissions/1 000) and private uninsured patients; a net increase of more than 120 specialists joining Netcare hospitals; improved patient satisfaction indices; and the benefits of infrastructural and strategic investments in high performing facilities.

In addition, capital expenditure increased to R497,3 million (2004: R362,3 million), as the Group continued to expand and upgrade facilities within the hospital network, started the development of two new greenfield hospitals in the Western Cape and KwaZulu-Natal, and invested the initial capital expenditure relating to the introduction of SAP into the organisation.

Substantial investments in the development of people, technology and medicine continued – all of which are integral to the division achieving its ambition of tackling South Africa’s healthcare challenges successfully, both now and into the future. With specific regard to differentiating patient care and ensuring a sustainable resource base of quality nursing within Nursing institutions, over 1 500 nurses were trained within the Group’s training academies; over 345 unit managers were supported in business management programmes; and over R7,0 million-worth of bursaries was provided to students. In addition, a R5 million founding contribution was endowed to the Jack Shevel Nurses Benefit Trust and Netcare is partnering with Government in an Employer Forum established to address supply and quality issues facing the health sector.

State-of-the-art technology was introduced, ranging from the administrative systems such as the R120 million world-class SAP enterprise resource management system that will streamline the entire Group’s business processes and improve the Hospital division’s ability to deliver healthcare, to innovative clinical systems such as Brain Resource Centres (“BRCs”) and quality assurance programmes.



Clear evidence already exists that these investments are paying dividends, with the results of the patient, staff and doctor surveys showing a steady improvement over the course of the year. The Netpartner Doctors' Satisfaction Survey was particularly well received. Some 1 132 of the 1 619 surveys disseminated were returned and 6 770 of the 7 043 comments made on the survey forms have already been addressed. This survey achieved a 75,3% satisfaction rating in FY2005, up from 74,7% in FY2004 and 74,1% in FY2003.

Brain Resource Centres ("BRCs")

Five BRCs were established during the review period in the major centres of South Africa with business operations commencing in April 2005.

The BRCs provide doctors, clinicians and pharmaceutical companies with evidence-based, objective and standardised reports on cognitive and brain functions. An international BRC database has been established, against which the patients' results are compared to the same sex, age and educational level. BRC tests can be used to test for any brain dysfunctions, such as Bipolar, ADHD, Alzheimer's, post-traumatic stress and brain injury.

The South African BRCs form part of a network of 50 similar such institutions globally that are helping doctors to tailor and personalise the treatment of mental conditions. The local centres have received marked interest from the public and Netcare representatives have been meeting with companies and providers to initialise the concept.

Quality Assurance

Netcare launched a hospital quality assurance programme during the year through the UK based Health Quality Service ("HQS") to ensure consistent, world-class levels of client service across all Group facilities. Sunninghill Hospital in Johannesburg and the Unitas Hospital in Pretoria have already been accredited and others are scheduled to complete the extensive process soon.

Centres of Excellence

A number of important developments have taken place at the Netcare Centres of Excellence in FY2005, spanning a range of different healthcare areas. Innovative new services and technology such as the BRCs (detailed alongside) have been introduced in the interests of providing comprehensive services and patient care, while the Netcare Centres of Excellence continue to focus strongly on supporting and treating those members of the community who require specialised treatment.

All Netcare Centres of Excellence performed pleasingly during the year, with highlights including:

- The highly successful **Park Lane Cleft Lip & Palate programme**, which is supported by Vodacom and Netcare as well as other organisations, and has performed surgery on patients from disadvantaged backgrounds since its inception in April 2004. The programme has received outstanding publicity, which has led to many underprivileged South Africans coming forward for surgery. (For additional information, refer to the Corporate Social Responsibility Report on pages 66 to 81).
- The **Netcare Transplant division**, enjoyed a number of achievements, including the Western Cape region celebrating its 200th kidney transplant. The Transplant division worked with the Organ Donor Foundation at national level to enhance awareness regarding organ donation, with activities including sponsorship of this year's Organ Donor Foundation Cycle for Life Tour; and organ donor days in Johannesburg, Cape Town and Durban.
- The popularity of the **Stork's Nest Clinics** has continued to grow steadily. A total of 2 775 well-baby clinics were held during August alone, a 3,2% increase over last year. Customer satisfaction ratings reached a formidable 95,4% by year-end.
- The **Park Lane Clinic Endometriosis Unit**, in association with the Endometriosis Institute of Southern Africa, organised a highly successful endometriosis awareness day in Johannesburg. The unit is currently setting up a support group in Cape Town.

- All **Netcare eye-care facilities** were involved in either the Sight for Life or Fight-4-Sight cataract surgery initiatives, both of which were a resounding success. Together, the two initiatives provided nearly 500 cataract procedures for underprivileged patients before and during Eyecare Awareness Week in October. Netcare received support for these projects from Vodacom and Government. (For additional information, refer to the Corporate Social Responsibility Report on pages 66 to 81).
- The **Netcare Breast Care Centre of Excellence** continued to host monthly activities for breast cancer patients. These events are extremely popular as they provide the women with the support of current patients and historical patients. The head of the centre, Dr Carol-Ann Benn, is becoming increasingly well-known as one of the country's foremost experts on the condition.

NETCARE 911 (FORMERLY TRAUMANET) (100% STAKEHOLDING)

Operational Highlights

- Customer base increased to more than 9 million lives.
- Customer satisfaction ratings for the 082-911 service consistently exceeded 95%.
- Patient emergencies attended increased to 184 181.
- Emergency medical vehicles travelled 10,3 million kilometres on the road, a 13% year-on-year reduction that confirms the operating benefits of enhanced fleet efficiency through a reduction in the total vehicles in service, despite the increase in total patients transported.
- Approximately 660 000 kilometres flown by fixed-wing air ambulances throughout Africa.
- Approximately 320 hours flown by helicopter air ambulances within South Africa.
- Hosted a global conference of 27 emergency assistance companies at Sun City, South Africa.
- Produced a 13-episode reality trauma series, broadcast on SABC3, which received exceptional AR ratings.
- Organised, co-ordinated and executed the evacuation of 65 stranded South Africans and some of the deceased from South East Asia following the tsunamis of 26 December 2004.

- Co-ordinated the Netcare 911 Pick 'n Pay Tsunami Relief Fund, which collected R6,2 million and shipped 172 tonnes of relief aid to the disaster-struck region.
- Meaningful investment in the community, by servicing indigent patients, pensioners and the like, to the value of more than R50 million.

Performance Review

Netcare 911 continues to play a leading role in providing emergency medical assistance and evacuation services ("EMS"), boasting an infrastructure comprising 767 employed paramedics and 508 emergency vehicles in the Netcare 911 network. Management has made outstanding progress in restoring the business unit to profitability this year, with EBIT and cash flow exceeding budgeted targets and a net-positive cash flow, signifying that long-standing revenue and debtors management initiatives are bearing fruit. Throughout the review period, the 082-911 call centre service achieved service levels consistently above 95%.

Discovery Health recently contracted Netcare 911 as service provider to the Discovery 911 service, a customised and dedicated emergency product benefit for Discovery Health members. This contract, by inference, acknowledges Netcare 911 to be the foremost provider of emergency medical services in South Africa, a sentiment endorsed by the award of the EMS contract for GEMS to Netcare 911.

Quality and service levels have been maintained to the satisfaction of clients, achieved through constant attention to providing the best and safest product. The Netcare 911 Call Centre received in excess of 680 000 calls. This represents a reduction of approximately 50% on the prior year and reflects the impact of outsourcing all non-medical assistance, in line with Netcare 911's stated objective of sticking to core emergency medical services. In excess of 95% of all calls are answered within three rings or seven seconds, a feature which has contributed to client retention exceeding 97%. This is achieved by leveraging a significant investment made in a high-speed call centre, with all necessary technology support and business continuity programmes.



Emergency Roadside Assistance

Negotiations and co-operative arrangements with the provincial Departments of Health have advanced slowly, with small pockets of co-operation developing predominantly at provincial hospital and local council levels. Netcare 911 remains entirely committed to this process, which it acknowledges to be a long-term and fundamentally important undertaking.

Operational enhancements in the control environment have enabled increased efficiency, representing a return on the fleet management investments of 2004 including e-fuel electronic fuel monitoring and a sophisticated, customised fleet management system. Despite drastic fuel price increases and the increased activity load, fleet costs have been reduced year-on-year. Improved reporting and analytics, including activity-based costing is facilitating enhanced performance management and best practice benchmarking within the road ambulance operation.

Significant time and effort has been invested in entrenching service level agreements ("SLA") with Netcare 911's contracted service provider network of ambulance services, thereby reinforcing compliance to strict quality assurance standards and case management controls. The impact of the improved quality and control within service provider operations has cascaded into the containment of service provider expenses.

Aeromedical and International Assistance

Activity within the Aeromedical and International Assistance division has grown at an exponential rate, enhanced by the recent acquisition of Egres Medical. Netcare 911 purchased four fixed-wing aircraft, which markedly reduced the fixed expenses in this division, facilitating enhanced market competitiveness. The fleet of aircraft, comprising two long-range jet air ambulances and two turbo prop aircraft, is ideal for meeting the growing needs of patients who require medical evacuation to South Africa and their insurers. Netcare 911 was awarded a three-year tender to provide both road and air ambulance services to the Botswana Department of Health and has consequently placed an aircraft in Gaborone on a full-time basis.

An in-house Helicopter Emergency Medical Services division has been launched, ensuring improved reliability and quality of this life-saving service to patients in Gauteng.

International Assistance remains the single operating area of Netcare 911 with the most significant growth potential, as evidenced by continued interest in this service from foreign parties, particularly international insurance and assistance companies. The International Assistance Group, of which Netcare 911 is a shareholder and nominated representative on the Supervisory Board, is currently establishing traction in the international assistance market. This is likely to further boost the Netcare 911 International Assistance division.

The Netcare 911 School for Emergency and Critical Care trained over 4 500 students in undergraduate and postgraduate courses during FY2005.

Outsourced Emergency Medical services

The Netcare 911 Special Projects division increased its market share in the niche sector for providing outsourced emergency medical services to high-risk industrial and mining clients. Significant new business was obtained during FY2005, predominantly in the Limpopo and North West provinces. Netcare 911 currently provides outsourced emergency services to Harmony Gold, Free Gold, Lonmin Platinum, Amplats, Northam, X-strata and Eskom, among other large corporations.

Netcare 911 continues to lead the emergency services industry displaying innovation, broadening revenue streams and depth in management and leadership competency. The Company's main differentiators remain an emphasis on quality, service efficiency, minimised response times, a doctor-based model and a high-tech call centre infrastructure.

Netcare 911 again made substantial investments in the community during the year, as detailed in the Corporate Responsibility Report on pages 66 to 81. The Company has also been the emergency medical services provider to several high-profile events, including the Comrades Marathon, Two Oceans Marathon, 94.7 Cycle Tour and Midmar Mile.

ANCILLARY HEALTHCARE BUSINESSES

The businesses forming part of this grouping achieved a formidable growth of 11,3% in Revenue to R1 424,8 million (2004: R1 280,7 million) while EBIT grew exponentially by 46,5% to R195,3 million (2004: R133,3 million).

PRIMARY CARE – MEDICROSS (EFFECTIVE 89,2% STAKEHOLDING)

Medicross Healthcare Group ("Medicross") this year celebrated its fourth year within the Netcare Group and its twelfth year of existence. Medicross currently boasts a doctor and dentist network of more than 570 professionals in 73 primary healthcare centres countrywide, complemented by pharmacies and day-theatres.

Medicross is a managed healthcare provider network traditionally servicing the Fee-For-Service medical aid and private primary healthcare market. More recently Medicross has expanded the parameters of its operation, utilising its expertise in the fields of practise management and managed healthcare. The Medicross Family Medical and Dental Centres offer patients the benefits of convenience, top quality healthcare and affordability. Strong emphasis is placed on personal attention and a holistic approach to family healthcare. Medicross is dedicated to serving the needs of the entire family, and as such the medical facilities are designed to cater for patients of all ages – from infants through to the elderly.

The Medicross Centres honour the Medicross commitment to community healthcare by extending their service offering to include family planning, immunisation and weight reduction clinics, plus disease specific clinics for the management of chronic diseases such as asthma, cholesterol and diabetes. The affordable and cost-effective yet high quality service also attracts private, non-medically insured patients. In fact, 15% of all patients seen at Medicross facilities have no medical insurance.

Benefits for the healthcare practitioner within the Medicross system, range from the provision of a sophisticated infrastructure with state-of-the-art equipment, to practice management expertise. This experience, combined with the "economies of scale", ensure cost efficiencies and competitive pricing structures.

A solid financial performance was achieved in a difficult trading environment given the reduction in the single exit price ("SEP") of medicines and the increased competition in retail pharmacy due to new entrants to the market. The total number of general practitioner and dental patient visits was 2 913 270, with 1 676 975 scripts having been filled in Pharmacross pharmacies.

The growth was, however, partially negated by lower pharmacy profitability as a result of the imposition of an SEP on medicines and the resulting fierce competition regarding professional fees. Medicross's ability to retain pharmacy customers while charging an appropriate dispensing fee ensured an acceptable pharmacy profitability level, albeit with significantly fewer scripts filled. It is noteworthy that 45,5% of all items dispensed by Medicross's pharmacies are generic items and 63,3% of items dispensed have an SEP of less than R50.

Medicross continues to leverage off a mature business model, with low overheads. Expansion of its administration capability continues, with Medicross currently in the process of offering its services to practices situated in previously disadvantaged communities.



Future emphasis will also be placed on finding innovative and effective products and services for the treatment of people living with HIV and AIDS. Disease management capability has already been established through HIVCare and the award of contracts in the management of HIV and AIDS represents key areas of focus going forward.

NETCARE DIAGNOSTICS

Operational Highlights

- Ampath footprint expanded by acquisition-driven and organic growth.
- 16% growth in the number of pathology requisitions.
- Radiology services expanded and available at 69 Netcare sites.
- First PET scanner in South Africa installed at Linksfield Park Clinic in Johannesburg.
- Operational efficiencies harnessed.

Performance Review

The pathology and radiology administration and management businesses falling within Netcare Diagnostics again contributed positively to the Group results. The encouraging performance is largely due to increased activity, growth in market share, enhanced operating efficiencies and recent expansion initiatives.

Pathology

Excellent financial results were achieved, driven by an increase in the number of practices under management and growth in market share held by these practices. Building on the successes of the previous three years, the Ampath pathology practices attracted greater market-share by enhancing operating efficiencies, continuously improving levels of professional service, and recruiting and retaining highly skilled personnel.

The Ampath Trust supplies support services to the incorporated practices of Drs du Buisson, Bruinette, Kramer and Partners Inc.; and Dr Bouwer and Partners Inc. The organisation has more than 300 facilities countrywide, ranging from collection facilities for pathology samples to hospital-based laboratories for urgent work and regional and reference laboratories for routine work. The network stretches across South Africa, enabling ready access to the service by patients and clinicians.

All the regions experienced growth in the number of requisitions received of 4 511 850 having increased by approximately 16%. The acquisition of the Van Drimmelen practice by du Buisson and Partners Inc. with effect from 1 September 2004, has expanded the Ampath footprint. Operational efficiency has been achieved by consolidating the laboratories and increasing procedure automation, but without compromising turnaround time and quality. The number of pathologists within the network has increased from 85 to 92, with a total of 3 698 employed people.

Radiology

Radiology services are now offered at 69 sites within the Netcare Group. Services offered range from property and equipment rental to broad-based logistical, support and administration services.

The installation of a PET scanner at Linksfield Park Clinic has entrenched Netcare as a leader in medical technology and therefore quality of healthcare. The acquisition and installation of the PET scanner will enable cancer patients to derive benefits from better staging and follow-up. For the first time in 23 years a new imaging modality has been introduced into South Africa.

CHG PHARMACIES

The pharmacies within the hospitals comprising Netcare's empowerment affiliate Community Hospital Group ("CHG"), an entity in which Netcare has a joint investment with Community Healthcare Holdings (a black-owned healthcare company) ("CHH"), continue to contribute increasingly on an annual basis as the businesses develop through expansion and organic growth.

CLINICAL PARTNERS (100% STAKEHOLDING)

The Clinical Partners integrated healthcare funding model continues to deliver exceptional results, as evidenced by the Netcare Medical Scheme's single-digit increase in contributions for the fifth year in a row, together with a growth in reserve levels.

In March 2005, the Council of Medical Schemes accredited Clinical Partners as a managed care organisation.

Clinical Partners continues to explore opportunities to engage other medical schemes in the use of its technology and economic models. Several new medical scheme options offering sustainable cost-efficiencies and improved affordability will be launched in 2006. These will pave the way for growing medical scheme membership, particularly among employed but uninsured individuals.

ASSOCIATED HEALTHCARE INTERESTS

The increase in attributable earnings of associates to R62,9 million (2004 R24,7 million) was largely due to the following contributions:

	2005 Rm	2004 Rm
Netpartner	41,1	25,9
CHG	13,2	5,0
Healthshare	9,1	–
Lodox	–	(7,1)
Other	(0,5)	0,9

NETPARTNER INVESTMENTS LIMITED ("NETPARTNER") (46,3% STAKEHOLDING)

Operational Highlights

- Increased strategic stake in Netcare to more than 20%.
- Netdirect accredited as a Managed Care Organisation.
- Representation on the ministerial task team investigating low-income medical scheme options.
- First client secured for performance-based reimbursement initiative.

Performance Review

Netcare's investment in Netpartner, which was initiated and launched in 2003, continues to be a key strategic initiative in developing a Health Maintenance Organisation ("HMO") model. Netpartner currently has more than 10 500 medical professionals as shareholders, a direct collective empowerment shareholding of more than 27%, and is the single largest shareholder in Netcare. During FY2005, Netpartner increased its strategic stake in Netcare to over 20%. The business currently also holds a 20% stake in Medicross.

Netdirect, Netpartner's managed care subsidiary, received accreditation as a Managed Care Organisation on 28 February 2005. The relationship with the Netdirect network of participating providers, currently comprising 850 accredited and trained general practitioners and 1 300 trained specialists, has been formalised. The accreditation and training process continues as a means to ensure the existence of a national footprint of trained medical professionals to service managed care patients.

Netpartner has developed and placed integrated risk products (both to the existing and emerging markets) with various of the funder stakeholders in the industry, as well as an emerging market risk-sharing product that is marketed directly to corporate organisations.

Given the regulatory processes involved in the rollout of certain innovative managed care products, and the lack of precedent of certain concepts which are being developed, there have been delays in progressing the Netpartner business model. Despite these challenges, Netpartner will continue to seek to introduce alternative reimbursive models and attract uninsured but employed lives by offering greater access and product simplicity at affordable levels.

Netpartner is well represented on the ministerial task team investigating low-income medical scheme options. This process will have a significant influence on the potential growth and opportunities offered by this market segment.



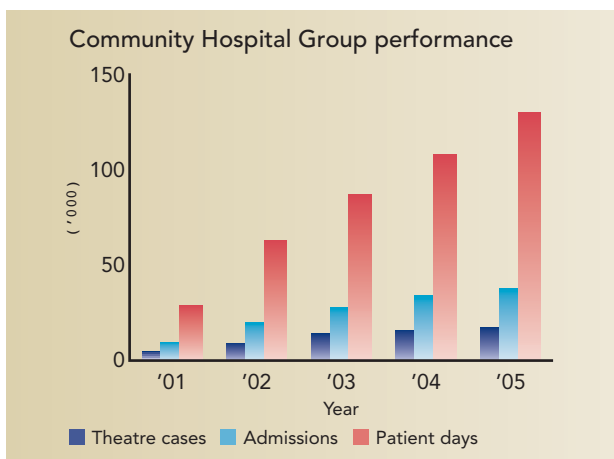
Going forward, the “broader market” in respect of managed care products will be targeted with the Netpartner performance-based reimbursement initiative project. The first client, namely Momentum Health, became operational on 1 October 2005 with a total of 150 000 lives under management.

**COMMUNITY HOSPITAL GROUP (“CHG”)
(43,75% STAKEHOLDING)**

Netcare’s associate investment in CHG performed well over the period, attributable to the expansion of the hospitals, increased occupancies and improved financial performance.

CHG is a small private hospital investment company, which owns and manages five hospitals in South Africa, comprising 537 beds, 19 operating theatres, two catheterisation laboratories, and is staffed by 1 060 employees.

Although actively seeking expansion and acquisition prospects, CHG’s ability to compete effectively and grow its business organically has ensured the organisation’s growth over the past 12 months. A compound annual growth rate of more than 45% in patient days is seen as a strong achievement given the static medically insured population. Following CHG’s most recent acquisition of a shareholding in the University of Cape Town Private Academic Hospital, in June 2003, the effects of increased utilisation and lower interest rates have had a positive effect on CHG’s cash flow generation.



Expansions are under way at the Kuils River and Montana hospitals, with further developments planned at the N17 hospital (a licence for an additional 40 beds has been granted).

Various options are being considered with regard to Netcare’s relationships with CHG, Community Healthcare Holdings (“CHH”) and other BEE healthcare providers, in line with the Netcare Groups’ transformation objectives.

**HEALTHSHARE HEALTH SOLUTIONS (“HEALTHSHARE”)
(45% STAKEHOLDING)**

Netcare’s investment and participation in Healthshare, a healthcare services outsourcing business to the mining and similar industries, continues to generate benefits for Netcare and its partners who seek to develop innovative models to improve access by their employees and their dependants to quality healthcare.

ADMINISTRATION AND LOGISTICAL SERVICES

PUBLIC PRIVATE PARTNERSHIPS (“PPPs”)

Netcare is committed to working with Governments, in South Africa and elsewhere, to assist in the provision of high-quality, cost-effective healthcare services to both the public and private sectors. Accordingly, the Group has entered into PPPs both locally and abroad.

Bloemfontein Co-location PPP

The Bloemfontein PPP remains the leading example of a successful PPP in the South African healthcare sector, with ongoing interaction with the Free State Department of Health having ensured steady growth. The shareholders in the PPP include Netcare and CHH a black-owned company. Local black health professionals and investors are set to acquire a 32,5% stake in Community Hospital Management Limited (“CHM”), a subsidiary of CHH.

The Universitas Private Hospital is now in its second year of operation and comprises 127 beds and four operating theatres with bed occupancy having increased to about 52%. The first phase of Pelonomi Private Hospital was commissioned on 1 September 2005.

One of the primary benefits of this project is that the overall Bloemfontein Co-location PPP has assisted the public sector to recruit and retain highly trained academics and other health professionals.

The valuable role that the private sector can play in Healthcare PPPs has been demonstrated by the success of this project. It has contributed directly to improving access, service and care to both public and private patients in the central Free State region and the model is likely to be a prototype for the development of further successful healthcare PPPs, both in South Africa and abroad.

Familial Cancer Research Unit

In partnership with the Medical School at the University of Pretoria, Netcare launched the Familial Cancer Research Unit during August 2005. This centre is located at the Femina Hospital in Pretoria and focuses on genetic research and counselling of patients with breast and ovarian cancer.

USAID PEPFAR

The US Presidential Emergency Program for Aids Relief ("PEPFAR") has funded an HIVCare and Free State Department of Health ("FSDH") partnership project to provide comprehensive HIV and AIDS care to indigent patients through the combined infrastructure of Netcare, Netpartner and the Free State Department of Health. The project, which commenced this year, is managed by Medicross in conjunction with the FSDH.

New PPP Opportunities

The Group continues to tender with strategic partners for numerous PPP projects which are increasingly being launched by the PPP unit of Government.

INNOVATIVE INVESTMENTS

GENECARE MOLECULAR GENETICS ("GENECARE") (45% STAKEHOLDING)

Genecare continues to grow from strength to strength, confirming the organisation's potential to revolutionise the practice of medicine in South Africa and abroad. Genecare uniquely boasts a personnel complement that is 90% women and 60% medical scientists.

Genecare focuses on diagnostic testing, pharmacogenetics, clinical trials, sequencing, nutrigenetics and the executive health market. The management team aims to break even in the next financial year through market growth and reduced expenses.

With effect from 1 September 2004, the Cape Biotech Trust became a 15% shareholder in Genecare and has committed significant funding to the business over the next three years. The Cape Biotech Trust is a venture capital fund, which promotes biotechnology innovation in human health in South Africa.

LODOX

The rollout of Lodox-installed sites in North America during the current financial year was slower than anticipated and only nine units were installed. A significant increase in units installed is anticipated in the year ahead, with the Middle East region, in particular, looking promising.

Research and development, using the patented existing Lodox technology, is in progress and is enhancing the product. A standing version of the machine, aimed primarily at general radiography with fully loaded views of standing patient for orthopaedics and for chest X-rays, is being developed.

Following certain changes in shareholding after the financial year-end Lodox will, subject to a number of suspensive conditions, become a subsidiary of the Industrial Development Corporation ("IDC"). Netcare's shareholding has been diluted from 31% to 13%. The other shareholders in Lodox include Debex, Horizon Venture Capital Fund, Community Healthcare Investments and management.



SPECIALISED MEDICAL SERVICES

ONCOLOGY SERVICES

Following the closure of Southern Cross Hospital in December 2004, the radiation therapy unit was converted into a dedicated radiosurgery unit in association with Stellenbosch University and profitability was achieved by July 2005. In addition, the unit at St Anne's achieved profitability in February 2005.

The overall activity level at all units has increased by 4,9%, with concomitant growth in revenue attributable to a combined increase in price and volume. An increase in EBITDA was achieved on the back of higher revenue and driven by substantially reduced expenses.

Feasibility studies for a further three oncology units have been conducted, all three of which show good potential.

JOINT VENTURE

NATIONAL RENAL CARE ("NRC") (50% STAKEHOLDING)

Operational Highlights

- Cape Town's Peritoneal Dialysis House the first of its kind in South Africa.
- New units opened: Isipingo, Chatsworth, Ladysmith, Midlands Medical, Venda and Montana.
- Developed basic Healthcare Workers Course for entry-level employees.
- Major sponsor of Cape Kidney Association.
- Instrumental in the formation of Northern Cape Kidney Association.
- NRC staff members are the Chairperson of the Cape Kidney Association and the secretary of the Renal Care Society.

Performance Review

NRC yielded solid growth over the financial period under review. This was attributable to a 17% increase in chronic sessions and a 12% increase in acute sessions. Six new units were opened during the period while NRC's financial performance for the year was affected negatively as a direct result of the SEP regulations.

The focus for the year was on improving patient outcomes. Critical results have improved as compared to the prior year and are in line with world standards. Superior patient outcomes will remain the primary focus for 2006.

NRC anticipates that the private market will grow by 7% to 9% during the next financial year, with the bulk of the growth coming from the public sector. As such, PPPs will be a key focus area. In this regard, it is anticipated that more PPPs will be issued by the public sector during 2006, with the largest one to date being the Polokwane venture, where NRC is one of the final two bidders.

NRC remains committed to assisting the various kidney associations in South Africa and remains the largest sponsor of the Cape Kidney Association. NRC has also developed an entry-level course for school leavers entering the dialysis field. There remains a severe shortage of renal skills in the market and NRC supplies the bulk of the private students for the current renal course run by the University of Port Elizabeth.

“Internationally the Group strives to find innovative and effective healthcare models for the delivery of quality, affordable healthcare solutions.”

INTERNATIONAL OPERATIONS

NETCARE HEALTHCARE UK (“NETCARE UK”)

Operational Highlights

- 17 438 cataract procedures performed by mobile Ophthalmic Chain ISTC.
- Contracted to perform 44 863 procedures at the Greater Manchester Surgical Centre over a five-year period.

Performance Review

Netcare UK has established a solid presence within the United Kingdom and has now effectively moved on from being an intermittent provider of healthcare services in respect of waiting list initiatives to become a fully fledged provider of healthcare services to the National Health Service (“NHS”) in the UK.

The pioneering project, Ophthalmic Chains Independent Sector Treatment Centres (“ISTC”), commissioned during January 2004, continued to provide quality patient care and treated more than 17 000 patients by 30 September 2005 from its innovative mobile solution. Patient satisfaction surveys and clinical outcome reports support the viability of this path finding mobile solution to bring medical services to patients.

On 9 May 2005, Netcare UK opened its second ISTC project, The Greater Manchester Surgical Centre in Manchester with 48 beds and three operating theatres. Netcare UK has been contracted to perform over 44 800 procedures, comprising Orthopaedic, ENT and general surgery, over a five-year period within a high volume elective surgery unit.

The change in revenue from intermittent activity associated with waiting list activities to annuity income from ISTC projects has resulted in a 42,7% increase in revenue to R181,1 million (2004: R126,9 million), with initial operating performance being affected by start-up and diligence costs. Growth in EBIT to R15,8 million (2004: R6,6 million loss) indicates that Netcare UK is poised to leverage operational activities to improve financial performance and is continuously seeking new opportunities for growth.

Going forward, Netcare UK will be pursuing opportunities within the UK, especially those offered by the NHS, and to position itself as a competitor within the ISTC market. The Group is committed to working in partnership with the NHS and Department of Health by building on current best practice within the NHS to deliver innovative, cost-effective quality healthcare. Netcare UK is confident of its ability to pursue these opportunities successfully, based on what has already been achieved through the development of bespoke high-volume surgery operating models.

The UK private healthcare market is also set for transformation and Netcare UK will seek to play an active role in this process.

Netcare remains positive about the forthcoming opportunities within the UK and other international healthcare markets and its ability to participate and to establish a more significant presence globally.



VALUE-ADDING SUPPORT SERVICES

GROUP MANAGEMENT SERVICES ("GMS")

GMS is dedicated to finding and pursuing opportunities that will drive sustainable shareholder value. The division's activities are focused in two main areas, namely:

- assisting line managers to optimise their business performance; and
- evaluating and implementing new business opportunities.

The GMS team works with other Netcare divisions and contracted parties to identify and drive opportunities for improvement in current businesses, and to evaluate and assess opportunities for expansion into businesses, geographies or regions. This approach led, for example, to the formation of the joint venture ("Healthshare") between Netcare and Harmony Gold Mining Company during FY2005.

GMS also identified potential operational savings within the Hospital division, resulting in meaningful and sustained cost savings for the year under review; completed a detailed process re-engineering study at Uitas Hospital, including identification of best practices; and completed reception re-engineering processes at three large hospitals, with the balance to be completed by September 2006. Operational best practices, for inclusion in the Netcare Integrated Platform ("NIP") blueprint phase, have also been identified.

Using Activity Based Costing ("ABC") tools, GMS has identified significant improvement initiatives in two of Netcare's top 10 hospitals, with a further eight hospitals to be completed by March 2006. Various alternative reimbursement methods for episodes of care are being assessed, using the ABC tools. The division has also implemented a clinical Diagnosis Related Grouping ("DRG") coding system to monitor patient outcomes and cost.

Importantly, GMS secured new hospital licences, comprising over 500 beds during the year. These included:

- Blaauwberg: Construction commenced, opening scheduled for March 2007; and
- Ballito: Construction commenced, opening scheduled for September 2006.

Licence applications have been submitted for a further three hospitals in areas of significant growth potential.

GMS was instrumental in securing Netcare preferred hospital provider status with Prime Cure for the Government Employees Medical Scheme ("GEMS") Topaz option.

PROPERTY DIVISION

Netcare Property division manages and produces the best quality refurbishments, upgrades, additions and interior design to the Group's vast property portfolio. The division provides a quality support service to the infrastructure characterised by absolute attention to detail, teamwork, professionalism and the constant pursuit for operational efficiency.

Stringent financial measures include motivations from the Hospital division clients and subsequent feasibility studies by GMS to ensure adequate return on investments, keeping non-income producing spend to a minimum and ensuring that the cost per bed and area per bed ratios remain at optimum levels. This ultimately enhances the satisfaction of the patients' stay in total safety and comfort, in the most cost-efficient manner possible.

Significant capex was expended on additions, improvements and the upgrading of Netcare's core hospital operations facilities during FY2005. The projects completed during the year have entailed additional beds; refurbished beds; new and refurbished operating theatres and doctors' suites.

“The Group Support Services continuously strive to extract maximum operational efficiencies to enhance shareholder wealth creation and support the core leadership principles.”

Further amounts were spent on special projects and community hospital projects respectively, including the new Alberlito Private and Blaauwberg Private Hospitals. These projects represent the first “greenfield” projects undertaken by Netcare, with Blaauwberg likely to become one of the Group’s flagship medical facilities.

The major projects completed (or under way) during FY2005 included:

NORTH REGION

Akasia Clinic

- Alterations involved a nine-bed day ward and 14-bed paediatrics ward
- Completed September 2005
- Approximate cost: R2,0 million

Linksfield Park Clinic

- Alterations to elevators
- Completed August 2005
- Approximate cost: R1,4 million

Pretoria East Hospital

- Extension of neo-natal ICU (8 beds)
- Alterations to caesarean theatre
- Approximate cost: R1,8 million

Sunninghill Hospital – Phase 3

- Refurbishment of west wing
- Completed February 2005
- Approximate cost: R4,8 million

Sunninghill Hospital – Phase 4

- Development of new six-bed neo-natal ICU and one doctors’ suite
- Revamp and enlargement of three existing doctors’ suites
- Partially complete as at 30 September 2005
- Anticipated cost: R17,3 million (R9,8 million spent in FY2005)

WEST REGION

Garden City Clinic

- Two new doctors’ suites
- Alterations involving a five-bed bone marrow transplant unit, one refurbished theatre and one refurbished doctors’ suite
- Completed in phases, from November 2004 to August 2005
- Approximate cost: R5,4 million

Milpark Hospital

- Soft upgrade of 38-bed ward, and soft upgrade and refurbishment of four doctors’ suites
- Completed June 2005
- Approximate cost: R4,1 million

Mulbarton Hospital – Phases 1 and 2

- A new ten-bed day ward, of which six beds are complete, plus one new doctors’ suite
- Refurbished one doctors’ suite
- Partially complete as at 30 September 2005
- Anticipated cost: R4,0 million (R3,4 million spent in FY2005)



Olivedale Clinic

- Three new doctors' suites
- Refurbished one doctors' suite
- Completed in phases from November 2004 to September 2005
- Approximate cost: R0,6 million

Rosebank Clinic – Sturdee House Sports Centre

- Six new doctors' suites
- Completed June 2005
- Approximate cost: R2,0 million

Union Hospital

- Eight new doctors' suites (Nevada Centre, leased premises)
- Completed March 2005 and August 2005
- Approximate cost: R0,5 million

COASTAL REGION

Greenacres – New Wards and Theatre

- New 79-bed ward and one new theatre
- Refurbished four doctors' suites
- Completed July 2005
- Approximate cost: R22,2 million

Margate Private Hospital

- Purchase of hospital property and building
- Acquired June 2005

Parklands Hospital

- Refurbishment of retail pharmacy
- Completed March 2005
- Approximate cost: R2,1 million

PUBLIC-PRIVATE PARTNERSHIP

Pelononi State Hospital PPP (Block E)

- New 30-bed ward to be used as a six-bed ICU and high care unit after completion of this project.

The Property division continues to support Netcare's involvement in PPPs by playing an integral role in establishing private facilities at state hospitals. A number of such projects are currently being assessed.

The Property division's expertise has also been used to assist with the design and supervision of the new Netcare facility in Manchester, England, for the UK NHS. Further projects are being reviewed.

Together with the SAP team, the Property division is currently mapping out its current processes as well as putting together a wish list of how to best utilise the SAP system. The implementation of SAP will be of enormous benefit in managing the Group's extensive project portfolio and will make reporting functionalities even more refined. In addition, the division will be fully integrated in real-time with the Group's Finance division.

GROWING WITH *passionate people*

Netcare believes that people are core to ensuring that the organisation can deliver on the high expectations of our patients, doctors and stakeholders. The leadership strategy of “GROWING WITH PASSIONATE PEOPLE” is a key focus area to uplift the lives of everyone in the Netcare family who give of themselves to their communities every day.





HUMAN RESOURCES

report

GROWING WITH OUR PEOPLE

At Netcare people are our passion. Our value discipline of "Growing with Passionate People" embraces the Group's core leadership strategy of building meaningful partnerships with all our staff, management and stakeholders so as to ensure that our patients get the best in patient care and that our doctor partners are part of an effective alliance and the Netcare family.

A huge achievement for Netcare in 2005 has been the attainment of 40th place in the Deloitte and Financial Mail – Best Company to Work For survey. Because Netcare aspires to be an Employer of Choice, we were proud of the improvement from 51st place last year. There were 130 participating companies and in excess of 2 000 staff from Netcare 911, the Hospital division and Medicross participated.

In addition, Netcare has again been voted one of the top 50 companies to work for in South Africa in a survey conducted by *Finance Week*, and continually receives recognition and awards for medical excellence at all levels, both locally and internationally.

Well-positioned for continued growth, Netcare has embraced four value disciplines – Physician Partnerships, Best and Safest Patient Care, Operational Excellence and Growing with Passionate People. These strategic business drivers, coupled with a performance driven culture, continually yield positive results and form the basis of measures for the balanced scorecard of all managers for the financial year against which incentives are paid.

“Netcare’s HR division places value on having the right people ready at the right time: recruiting leaders to join the Company’s mix of talent and keeping the ‘bench’ full of enabled, competent staff. Leading change will become the division’s greatest contribution to the corporation.”

In line with its value disciplines, Netcare’s Human Resources division aspires to be a strategic partner by making Netcare an Employer of Choice and maximising the performance of its people to leverage organisational performance.

NETCARE EMPLOYEE PROFILE

Netcare has 16 574 permanent employees. The Netcare employee profile is 54% Asian, Black and Coloured (“ABC”), 84% female and 0,7% of staff are classified as disabled. The percentage breakdown per level is detailed below:

	% of total	% ABC	% female
Executive	0,6	11	22
Managerial	8,8	16	74
Skilled	38,1	41	92
Unskilled	60,0	63	80

REMUNERATION AND BENEFITS

The Group’s remuneration structures are designed to ensure both internal and external equity as well as to provide for the attraction and retention of talent. The Group pays above the median for private hospital market-related salaries and the other benefits include retirement funding, medical aid, performance bonuses, housing loans and education loan facilities.

Netcare’s in-house medical aid scheme – the Netcare Medical Scheme – has increased its reserves to 43,1% of contributions with accumulated reserves of over R100 million. There are 10 788 members with only 3,4% of contracts for members older than 60 years.

Administration costs are 7,6% of gross contributions. Contribution increases for 2006 are expected to be in the order of an average of 5%.

The Group has introduced a more flexible remuneration approach; this includes granting the option to all staff to vary their retirement fund contributions from 0% to 7,5%. In order to ensure continued competitive advantage, the Group has moved to employing all staff graded C4 and higher on a total cost to company basis. The Group continues to measure its position relative to market and to this end participates in both industry-specific and general surveys that encompass both remuneration and reward aspects.

The Goldcare Staff Incentive programme was re-aligned during 2005 and ensures an improved link between reward and strategy. The majority of staff earned between 1 000 and 11 000 points over the past year. This programme is regularly reviewed to ensure effectiveness and best practice.

The performance management system continues to be well received. Enhancements in 2005 included the introduction of performance characters: Max and Maxine which have assisted the lower levels of staff with the integration of performance management concepts. The success of the rollout can also be measured in the HR Balanced Score Card (“BSC”) where, in 2005, we have surpassed the targeted 95% of staff having had a performance discussion but more importantly that we have now measured and tracked that all new staff have the inherent job requirements discussed and appraised within the first three months, resulting in an improved integration for a new member to Netcare.



The exciting new HR initiative for 2005 is the introduction of the Human Resources Shared Services Centre ("HR SSC"). The HR SSC was launched on 1 November 2005. The HR SSC will manage all remuneration and benefits type queries in phase one. The result is that the HR staff in the hospitals and other divisions will be able to focus on the strategic role of a performance consultant with all the repetitive, administrative functions managed by the centre.

This initiative is well supported by system technology with the rollout to all sites of Management Self-service and Employee Self-service. The feedback from the pilot sites has been encouraging; line managers are now able to have direct access to personal, remuneration, performance or benefit details for their reportables without having to log a query.

INTERNATIONAL OPPORTUNITIES

Netcare expanded its business operations in the United Kingdom (UK) by securing numerous contracts put out to tender by the UK's National Health Service. These assignments provide numerous short- and long-term employment opportunities for doctors, nursing staff, allied medical professionals and administration personnel who have appropriate experience within the healthcare industry.

These contracts give Netcare nursing staff the opportunity to work overseas for varying lengths of time without having to emigrate or forfeit their jobs and other benefits such as medical insurance or retirement funds. As an added benefit, project participants return with newly acquired knowledge and the benefit of the experience, which they are able to share with their colleagues.

The doctors, nurses and support personnel selected to participate in the projects travel to the UK on a rotational basis, thereby giving as many people as possible the opportunity to expand their knowledge and gain experience in other healthcare environments abroad.

EDUCATION, TRAINING AND DEVELOPMENT

The Netcare Education division has as its key objective the training, education and development of Netcare employees. Through organised learning interventions, employees are able to improve job performance and individual growth opportunities. In this way, we will be able to ensure fair and equitable access to career planning, succession planning and talent management.

The Group believes that the only way in which the skills shortage in the healthcare industry as a whole can be addressed is through a collaborative approach whereby all stakeholders work together to achieve overall goals. This would include the cross training and upskilling of professional practitioners and other healthcare workers.

NETCARE TRAINING ACADEMY ("NTA")

All courses offered at the NTA are driven by a vision to be the market leader in healthcare and medical-related education and training that is underpinned by the strategic imperative of continued nursing, medical technician and other staff training in Netcare. The NTA believes that, through broad-based content and product development in auxiliary areas such as radiology, surgical technicians and clinical engineering, we are able to make a positive impact on the continued shortage of skilled personnel in nursing and related categories in the healthcare industry.

During the past year, a number of internal processes were undertaken to broaden the scope of operation of the NTA and reposition its strategy. This includes the refinement of a levy-per-bed system, investigating various IT solutions to enhance quality assurance processes and customer centricity as well as implementing a competency-based career ladder for staff. Capital expenditure spend has also been committed to upgrade facilities to enable the division to grow and expand market opportunities.

Nursing learnerships were made available by the HWSETA and a large number of students were able to make use of this funding alternative. Significant progress has also been made in trying to address the nursing shortage by increasing the number of students trained in the basic as well as post-basic programmes. A number of three- and five-day short programmes have also been run, focusing specifically on HIV and AIDS workshops and Infection Control Principles.

Course	Total attendees
Pupil Assistant Nurse	372
Pupil Enrolled Nurse	332
Bridging Nurse First Year	262
Bridging Nurse Second Year	215
Post-basic: Critical Care, Operating Room, Trauma, Infection Control, Orthopaedics, Refresher courses (six and 12 months)	312
Clinical Engineering and Surgical Technologist Assistant	50
Totals (excluding three- and five-day short courses)	1 543

CONTINUED PROFESSIONAL DEVELOPMENT (“CPD”)

One of the cornerstones of further enhancing our development goals is the focus on Continued Professional Development programmes. CPD is being addressed through a number of different mechanisms, including through our Netpartner investment, the NTA (Netcare Training Academy) as well as Netcare 911 SECC (School of Emergency and Critical Care).

The key aims of CPD are to assist Netcare in dealing with the changing Nursing Scope of Practice, the impact of the Health Charter in terms of skills upgrades, as well as clinical governance issues such as infection control.

CREATING LEADERSHIP BENCH STRENGTH THROUGH MANAGEMENT DEVELOPMENT PROGRAMMES

The Netcare Education division is actively developing further management development capacity through, firstly, internal development of management programmes, and secondly, in co-operation with selected universities and business schools.

Significant investment has been made in the past year to address the critical need for managers and leaders at all levels of the organisation. A number of new interventions were piloted and further development will take place in the next financial year. Underpinning these processes is the fact that as new management positions open up to technically skilled individuals, such as practising healthcare practitioners, they are being hired into positions that have as a requirement being organisationally skilled. Programmes such as the Unit Management Programme, Shift Leaders Programme, proposed Hospital EXCO Programme, Catering Supervisory Programme and Practice Management Programme aim to address upgrading not only generic management competencies, but have a clear focus on the development of business acumen.

At senior level, expectations have increased dramatically as the economy becomes a fast-changing entity. The retraining of highly qualified and skilled individuals is thus a necessity for organisations that want to build their competitive advantage. The executive education model used in Netcare includes elements such as taught modules from different private and public institutions, executive briefing sessions using guest speakers, executive mentoring and coaching, as well as multidisciplinary groups focusing on delivering strategic projects. This year, a number of delegates were sent to gain international exposure through action learning, which included best practice visits and international lecturers.



TRAINING AND SKILLS DEVELOPMENT

One of the strategic initiatives within the Education division is to transform the training function from a loose-knit, decentralised provider of training to a cohesive provider of performance improvement solutions with the ability to design, develop and deliver impactful interventions, irrespective of whether it is internally or externally sourced. The three primary areas of learning that underpin the skills priorities that have been defined are critical skills development, professional development and leadership development.

The training function should enhance critical skills development by growing people, defining career paths and developing bench strength; professional development by targeting learning to build strategic capabilities and filling skills gaps; and leadership development by being outward facing, having a strategic focus and instilling an industry perspective.

Detailed formal training needs analyses were conducted this year in the compilation of the Work Skills Plan which is fully integrated with employment equity (“EE”) targets. Full consultations have taken place with the representative unions and the plan has been submitted to the Sector Education and Training Authority (“SETA”). Applications for discretionary grants for Nursing and Pharmacy Learnerships, Adult-based Education and Training (“Abet”), HIV and EE training have been submitted to the SETA for the period April 2005 to March 2006.

ACADEMIC ADVISORY BOARD

An Academic Advisory Board has been established that has as its main purpose:

- To consider and make recommendations for the maintenance and improvement of training, and ensuring a learner friendly academic environment for learners;
- To influence and advise the implementation of cost effective, quality training programmes;

- To create opportunities and support initiatives for continuing professional development;
- To provide advice and guidance on special projects driven by task teams when such a need may arise, eg curriculum and new course development;
- To monitor and be accountable for training-related outcomes;
- To promote the development of healthcare leaders;
- To facilitate and promote research and grant permission for the projects;
- To provide guidelines for the allocation of bursaries;
- To facilitate constructive relationships between parties and the exchange of ideas amongst Board and committee members; and
- To serve as a forum to increase awareness of health care developments in South Africa, and globally.

ENHANCING RESEARCH CAPACITY THROUGH THE CLINICAL AND NON-CLINICAL RESEARCH COMMITTEES

The Netcare Research Committee has been established as a subcommittee of the Academic Advisory Board to enhance the development of a research culture across the Netcare Group. The role of this committee is to support, encourage and facilitate research activities at Netcare.

This role incorporates the following objectives:

- To foster an environment and incentives that encourage research activities;
- To create a support structure to facilitate research and increase the number of research active staff;
- To increase the number of research outputs of high quality;
- To organise staff research seminars and promote staff attendance at local and international conferences, seminars, congresses and workshops at which conference papers are delivered;
- To promote publications and other forms of academic and creative outputs of staff and students; and
- To establish avenues for the recording and dissemination of research findings at all levels of the organisation.

To conclude, the Education division is committed to being a partner in developing the competencies demanded by the new labour market that include flexibility, adaptability, team-leading capacity and critical thinking. These will be the cornerstones in the creation of a new global healthcare leader.

TALENT MANAGEMENT

Netcare is committed to "Growing with Passionate People". In line with this, we have developed a Talent Management strategy, across all levels and divisions and have implemented a number of initiatives. A Talent Management strategy was launched to identify talent below management level, aiming to accelerate the advancement of employees, including HDIs and females. Management Development initiatives, including a Mentorship programme, have also been launched.

The purpose of the Mentorship programme is to develop a modern-day leadership model, applicable in the Netcare context, and ensures the transfer of skills to mentors, thus developing tomorrow's leaders. Furthermore, the Mentorship programme helps the protégés, who have been identified as top talent in the organisation, to accelerate their development, develop personal career strategies, and learn from their mentors within the Netcare environment.

We have begun establishing career management committees to conduct talent reviews within the organisations and continuously measure talent strength. To maximise talent strength and optimise opportunity areas, executive management is involved in mentoring, and leadership training interventions are instituted where required. Because of skills shortages in specialised areas and the potential lack of successors, the importance of retention and recruitment strategies are considered core to the sustainability of the business.

The lives we've touched



During FY2005 more than
1 500
nurses were trained through the Netcare training academies

The Group invested almost
R500 million
in infrastructure in FY2005 to ensure quality healthcare for more South Africans



EMPLOYEE AND INDUSTRIAL RELATIONS

Netcare continues to conduct staff climate surveys bi-annually. The 2005 survey included specifics around HIV. The staff survey overall results were consistent with the prior year, but areas that have shown improvement included Communication, Training and Development, EE in Netcare and Change. The opportunity areas have been analysed per section and employee type by each of the divisions and specific action plans established. These plans include the establishment of forums where potential initiatives or obstacles are debated and proposed solutions agreed. The HIV section was also particularly informative and new channels for the communication of policy, counsellors and Netcare Medical Aid benefits have been explored.

During the year under review Netcare experienced no significant industrial action within the Group. We continue to engage with the union stakeholders and have a very proactive and consultative approach to industrial relations. For the first time, it was agreed by both HOSPERSA and DENOSA that the annual increases negotiated for staff in 2005 would include a performance-based percentage. Issues that have been consulted on to ensure optimal effectiveness include the Time and Attendance procedure, the role of the shift leader, the differentiation for a specialist nurse and uniform allocation.

Staff turnover continues to be monitored and for 2005 an overall turnover of 22% has been recorded, a trend which is within the market averages and not uncommon given the nature of the industry. The opportunity areas for 2006 will include pharmacists and specialised nurses. Strategic projects have been assigned at an executive level to ensure maximum support and buy-in.

EMPLOYEE ASSISTANCE PROGRAMME

Netcare recognises that employees are under more pressure than ever through changing work patterns and additional external demands of life today and that it is essential to invest in and support them. Accordingly, Netcare's Employee Assistance Programme ("EAP") through ICAS promotes the concept of employee well-being and the development of managerial skills, to predict and manage people issues.

The EAP encourages early intervention as this is more likely to result in a positive outcome than support provided once a difficulty becomes a crisis. Trained counsellors are experienced in helping employees discuss concerns at all stages in order to achieve a solution. In addition to individual counselling, the EAP assists with trauma debriefing for staff, stress management and isolated investigations like the impact of shift work on the employee.

TRANSFORMATION AND CHANGE MANAGEMENT

An Employment Equity Strategy for the next five years encompassing phase two of Transformation has been approved by the executive of Netcare and by the three unions, DENOSA, HOSPERSA and NEHAWU. Targets have been set for headcount percentages, by level, for the years 2008 and 2010.

The EE report with divisional and regional targets was submitted to the Department of Labour in October 2005. EE headcount targets are included in the balanced scorecards for management and thus a portion of executive and managerial incentives will be placed at risk against attainment of these targets.

Netcare is fully committed in all its operations to total compliance in terms of employment equity. Netcare ensures that effective consultations are managed at both operational and national levels. Each business unit is responsible for assessing headcount, training, recruitment and promotional targets. Netcare also ensures that all Employment Equity Committee members receive regular training and updates.

Diversity training for managers has been launched and after the training the managers have an integrated understanding of diversity issues as they relate to themselves as people and managers. This includes a map of their own future development needs in this area, the skills required for effective management of diversity in their divisions, and a strategic map and a business plan of how they can contribute to the overall strategy and success of the Netcare Group through positive, proactive and inclusive management of differences of all kinds.

Change management is also receiving special attention as HR management is providing extensive assistance to the SAP project team on education and change management issues surrounding the phased rollout of SAP to various divisions in the Group over the next two to three years.

NATIONAL AIDS STRATEGY

HIV and AIDS is a strategic business issue which poses major challenges for companies. Netcare's strategy involves a partnership approach on four fronts to deal with this pandemic in a manner which is both non-discriminatory and supportive of those living with HIV and AIDS.

1. The focus of core business operations is on HIV and AIDS policies in the workplace, education and prevention programmes, provision of appropriate medical care, treatment and assistance as well as monitoring.
2. Key to success is involving business partners such as doctors in terms of education programmes.

3. A focus is directed towards the community as a whole in terms of awareness programmes, community education and prevention, social responsibility investment and the provision of practical help towards community projects.
4. Netcare plans an advocacy and leadership role in dealing with the AIDS pandemic.

A National AIDS Steering Committee has been constituted with line management, HR and union representation. The committee's mandate is to review the national AIDS strategy and policy and training issues. Netcare successfully launched training sessions for HIV peer counsellors across the organisation. Training for managers and clinical training for nurses is planned for the next financial year.

Current and planned initiatives include:

- condom dispensers purchased to provide condoms to staff at Netcare facilities;
- anonymous saliva testing programme planned for the next financial year;
- actuarial impact analysis conducted by the Health Monitor Group; and
- HIV and AIDS as part of Netcare's Broad-based Black Economic Empowerment scorecard.

HUMAN RESOURCES COMMUNICATION INITIATIVES

In an ongoing attempt to improve communications with staff, we have launched a human resources newsletter for the Group entitled *Netpeople*. Other communication initiatives have included intranet newsletters entitled *Face to Face* from key executives to their divisions and a CEO's annual road show to all regions and divisions focusing on key strategic themes for the Group. The next initiative planned is an Internal Communication Campaign to all staff on Company values and business strategy, aimed at employment branding internally and getting staff to become "brand ambassadors".



TRANSFORMATION

report

Since the Group's inception, Netcare has been committed to the transformation of the South African economy as a whole through Black Economic Empowerment ("BEE") and made concrete strides to extend transformation within the Group, in particular in FY2005.

Broad-based Black Economic Empowerment ("BBBEE") is defined in the Broad Based Black Economic Empowerment Act, Act No. 53 of 2003, as the economic empowerment of all black people (a generic term which means Africans, Coloureds and Indians), including women, workers, youth, people with disabilities and people living in rural areas through diverse but integrated socio-economic strategies that include but are not limited to:

- increasing the number of black people that manage, own and control enterprises and productive assets;

- facilitating ownership and management of enterprises and productive assets by communities, workers, co-operatives and other collective enterprises;
- human resource and skills development;
- achieving equitable representation in all occupational categories and levels in the workforce;
- preferential procurement; and
- investment in enterprises that are owned or managed by black people.

Netcare has embraced the policy objectives of Government as set out in the document entitled "South African Economic Transformation: A strategy for Broad-based Black Economic Empowerment" and has developed a Group-specific BEE strategy that is based on a perspective grounded in socio-political, business and moral imperatives.

“Netcare has demonstrated in an unequivocal manner its commitment to transformation and broad-based black economic empowerment. Netcare is positioning itself as a reliable and trustworthy partner to Government to ensure better care to more people.”

Netcare undertakes to review the Group’s broad-based BEE strategy annually and to include an evaluation of its implementation in its Annual Report to shareholders. Special consideration will be given to the evolving Health Charter as well as the Department of Trade and Industry (“DTI”) Codes of Good Practice in terms of BEE.

The newly constituted BEE and Transformation Committee, the members of which are drawn from different divisions and grades in the Group, including the Chief Executive Officer, held 12 meetings during the year under the chairmanship of Dr Victor Litlhakanyane. Working in task teams, each element of the Netcare transformation strategy was thoroughly developed and clear targets determined. The committee also had input into the process of developing the proposed Broad-based Socio-economic Empowerment Charter for the Healthcare Industry (“the Health Charter”), and Netcare’s Health Partners For Life (“HPFL”) BEE transaction. Good progress was made during the review period in the following areas:

OWNERSHIP

Netcare’s founding model contemplated the early admission of shareholders reflective of the new South Africa, an approach that has been proactively promoted through the Group’s more recent empowerment and transformation initiatives. As a result, previously disadvantaged communities, together with several BBBEE and community institutions, currently control, either directly or indirectly, approximately 30% of Netcare’s issued share capital, including the Public Investment Corporation (“PIC”).

The Company also has a staff share option scheme, where the majority of scheme members are from historically disadvantaged communities (“HDCs”).

In addition, Netpartner Investments Limited (“Netpartner”), in which Netcare played an instrumental founding role, has more than 10 500 healthcare professionals as shareholders. Of these, over 40% (approximately 4 800 people) are historically disadvantaged individuals (“HDIs”), such that the direct BEE shareholding in Netpartner currently exceeds 27%.

HEALTH PARTNERS FOR LIFE

During the year Netcare proudly formalised a BBBEE transaction that facilitated an investment by a broad grouping of HDIs in 10% of Netcare’s equity, valued at approximately R1 billion. The grouping was newly constituted so as to empower people in the most extensive sense and comprises the following:

- **The Mother and Child Trust (“MCT”)**
– **Our Children/Our Future**

MCT acknowledges that children are our future, nurtured by the exceptional women of our nation. Accordingly, the benefactors of the MCT include women’s groups and children’s organisations, such that the ultimate value and beneficial interest will be shared by future generations. It is anticipated that the value arising from the MCT will benefit more than 10 000 participants.



In addition, given the growing daily needs for quality healthcare by mothers and children, Netcare has an overwhelming desire to share the Group's resources with these people. The trustees therefore have a mandate for discretionary allocation to selected women's groups and children's organisations in need of healthcare assistance.

- **The Healthy Lifestyle Trust ("HLT")**
– **Our Body/Sport and Wellness**

Aiming to ensure better quality of life, the HLT will promote a healthy lifestyle through wellness programmes and selected national screening initiatives. These will focus on diseases which are on the increase in rural black communities. Mobile clinics will ensure that people who currently have little or no access to healthcare are reached.

Netcare also believes that sport is vital for a healthy mind and body. Accordingly, the trustees will select certain sporting bodies, focusing on the development and growth of their associated sporting codes to 2010 and beyond.

- **The Patient Care and Passionate People Trust ("PCT")**
– **Our Hearts and Excellence/Our Nurses, Care Givers, Management and Staff**

Central to Netcare's operating philosophy is the concept of "Best and Safest Patient Care", with the key contributors to this objective being the nursing professionals and care givers who give so unselfishly of themselves every day to strangers, with little recognition. Acknowledging that nursing is increasingly a profession of scarce resources, yet provides such an integral and valuable service to patients in need, the PCT has been formed primarily for the 8 700 employees within the Netcare Group that make up the greater portion of the nursing fraternity, plus paramedics and other care givers.

In addition, in line with the group's leadership strategy of "Growing with Passionate People" and "Operational Excellence", and in the interests of ensuring a quality healthcare support infrastructure and business model to guarantee a sustainable and meaningful economic and social balance of world-class healthcare delivery. The PCT will have as its beneficiaries more than 9 200 management and staff of Netcare. While HDI staff will receive a favoured allocation, each staff member, regardless of race or creed, will be assigned some shares in recognition of their input to Netcare's success and their contribution to society.

- **The Physician Partnerships Trust ("PPT")**
– **Our Skills/Doctors**

The medical professionals whose skilled and valuable contribution to the everyday health of our society not only play a vital role in the delivery of quality healthcare to all South Africans, but also in the future economic growth of and investment in our country.

Given the significant daily responsibilities, long working hours and challenges they face in the complex medical environment, the beneficiaries of the PPT will predominantly be HDIs from Netcare, Netpartner, the public sector, private sector and medical schools. Favourable allocations will be given to reward those doctors who have supported Netcare over the years, as well as those working in areas where the need for quality medical treatment is more urgent.

In addition, certain educational bodies will benefit from the trust, so as to ensure that the future South African medical graduates rank among the best in the world. It is anticipated that more than 21 000 individuals will benefit from the PPT.

Cognisant of the current BBBEE dynamics Netcare has undertaken extensive research with the assistance of corporate advisors and identified the following key tenets as imperatives for the HPFL transaction:

1. Credible and transparent BBBEE participation, which is strategic to the growth of Netcare.
2. A funding structure that is sustainable, irrespective of equity market conditions and interest rate fluctuations.
3. Ensuring that the BBBEE partners have voting rights and economic benefits from inception.
4. Minimising the cost and dilution for existing shareholders.
5. Complying with the ownership requirements of the Department of Trade and Industry ("DTI") Codes of Good Practice on BBBEE and the imminent Health Charter.
6. A flexible structure that rewards participants for value creation.

7. Vesting and lock-up periods to ensure sustainable BBBEE participation, thus ensuring the retention of scarce resources and allowing for meaningful value creation and transformation.

Further details of the HPFL transaction can be found in the public announcements released on 21 April 2005 and 30 June 2005, as well as the circular to shareholders dated 1 September 2005, the key resolutions to which were approved by shareholders on 26 September 2005.

FURTHER BEE OWNERSHIP

It is envisaged that future public-private partnerships ("PPPs") will be negotiated at provincial Government and municipal levels and it is the intention to include local BEE partners separately in these projects. This will further enhance HDI ownership as well as facilitate meaningful enterprise development (for further information refer to the Corporate Social Responsibility Report on pages 66 to 81).

The lives we've touched



During 2005 every hospital and business unit contributed individually to numerous corporate social events to uplift the lives of the less fortunate



The pathology labs within Netcare diagnostics dealt with over **4,5 million** requisitions in FY2005



BOARD OF DIRECTORS

The composition of the Netcare Board of Directors has improved from 13% to 18% HDIs with the number of non-executive directors of six out of eleven (55%), being more in line with the King II recommendations. Netcare plans to increase the proportion of HDIs on the Board to over 33% by 2008.

MANAGEMENT

Netcare is on course to achieve its HDI targets for executive management, namely 20% black and 25% women by 2008. The new Executive Committee ("ExCo"), appointed this year, has 15% black and 23% women representation.

Little real progress was made during the year regarding HDI representation at senior and middle management levels, the goal being to increase the proportion of black managers to 33%. Netcare aims to have 50% of black junior managers by 2010, with the number of women remaining above 50% representation.

A talent management strategy has been developed and implemented to facilitate these targets. Special emphasis has been placed on increasing the number of blacks and women in salary bands D to F. The components of this strategy include talent identification, training and coaching, and conscious promotion of individuals from within the organisation. Already, the executive management includes a black marketing director and two white women directors.

EMPLOYMENT EQUITY

A Transformation Manager was appointed to drive employment equity ("EE") and transformation within the Group, and diversity management training has been introduced.

Netcare has already achieved demographic representation at bands A to C. These bands are made up mainly of care givers and cleaners, who are mostly women. Most of the personnel in the lower bands are also black. At this level, women representivity remained at 83% and black representation remained at 54%.

The Group plans to achieve its target of 3,5% people with disabilities in the whole Group by 2010. Representivity in bands A to C will match the South African demographics by the same date.

Further details on our EE initiatives may be found in the Human Resources Report on pages 50 to 57.

PROCUREMENT OF GOODS AND SERVICES

Netcare has developed and is implementing a preferential procurement policy that promotes business with BEE-controlled, managed, empowered and engendered companies. Leveraging its inherent economies of scale, Netcare endeavours to use its magnitude of procurement for goods and services, including professional services, to promote BEE in the healthcare industry specifically and in the South African economy generally.

A Group buyer was appointed during the year and is responsible for applying Netcare's preferential procurement policies across the Group. All suppliers are being registered and requested to provide their BEE status. The accreditation of suppliers remains a challenge, however, as there are no accreditation agencies registered with the DTI.

The Netcare Supplier Information website went live in September 2005 (www.supplierinformation.netcare.co.za). The website addresses a wide range of supplier-related information and has a page dedicated specifically to Preferential Procurement. Netcare achieved BEE spend of 5% including non-discretionary spend (36% excluding non-discretionary spend) in FY2005 and plans to procure 30% of its supplies from black empowered companies by 2008.

HUMAN RESOURCES DEVELOPMENT

Tremendous progress has been made in the human resources development arena in FY2005, including the appointment of a head of Netcare Education.

The Netcare Training Academy ("NTA") is under review and planning for a much wider training institute, including the Netcare 911 School of Emergency Care, is under way. The training of clinical engineers has been prioritised.

Excellent HDI representivity was achieved in various development areas during the review period, as detailed in the table alongside.

The implementation of a Training Outside of Professional Practice programme to train future financial managers through a three-year training programme for employees in finance to qualify as Chartered Accountants (SA) is being pursued.

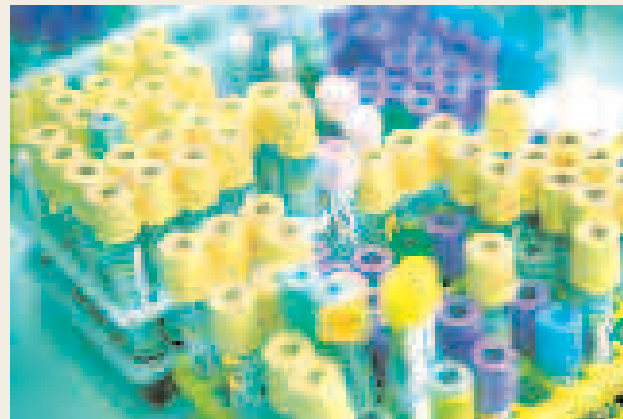
	% black	% women
Learnerships	72,5	94,4
ABET	95,1	71,5
School of Emergency Care: Netcare staff	44	42,3
School of Emergency Care: Non-Netcare staff	70,7	26,6
Pharmacy interns	36	86
Pharmacy assistants	55	73

In addition, an initiative to market the nursing profession as a caring and rewarding profession and to reposition the nursing profession making it attractive again, has been launched.

The lives we've touched



The Netcare Group pharmacies dispensed almost
2,7 million
 scripts during 2005



Amphath supports services provided administrative and logistical support to over
330 depots
 and labs during the year



Netcare plans to achieve 85% HDI learners in Learnerships, maintain 100% black ABET learners, and achieve 50% black and 50% women in all the other programmes by 2010.

For further information, refer to the Human Resources Report on page 50 to 57.

ENTERPRISE DEVELOPMENT

Netcare is involved in numerous partnerships with businesses owned by HDIs, the most notable being Community Healthcare Holdings Limited ("CHH"), a 100% black-owned healthcare investment company in which Netcare holds a 43,75% interest through a company that owns five private hospitals in Gauteng and the Western Cape. Netcare has provided CHH with, inter alia, funding, specialised services and skills transfer.

During the course of FY2005, Netcare provided financial assistance and intellectual capital input to a group of black radiologists who have practices in previously disadvantaged areas, so as to ensure the sustainability of their practices. In addition, the Group made an indirect minority investment in KOPM Investments which owns the 176-bed Lesedi Private Hospital, based in Soweto, Gauteng.

Netcare has identified and will continue to support certain key strategic investments within the healthcare sector through, inter alia, management support, transfer of skills, equity participation, finance and/or the provision of guarantees. Although the Board has not set specific targets or parameters, participation in these initiatives will be governed by Netcare's standard investment criteria, which include providing support for businesses having promising intellectual capital, commitment and vision consistent with that of the Netcare Group.

Netcare intends to increase its investments in emerging BEE companies in the healthcare industry, especially those that plan to operate in rural or historical black township areas. In particular, the Group will pursue PPPs in joint ventures with emerging BEE companies, BEE participants and community trusts in the locality of a PPP project, and will proactively transfer skills to these partners.

For further information on Netcare's PPP initiatives, refer to the Corporate Social Responsibility Report on pages 66 to 81.

CORPORATE SOCIAL INVESTMENT

Netcare exceeded its indicative target for Corporate Social Investment ("CSI") expenditure of 2,5% of profit before tax in FY2005, focusing primarily on initiatives that provide health services to indigent patients, health science education at both undergraduate and postgraduate levels, support to faculties of health sciences, community projects, wellness programmes and sport development.

Our activities in this area are detailed in the Corporate Social Responsibility Report on pages 66 to 81.

EQUITY AND ACCESS

The one element that clearly differentiates the evolving Health Charter from other industry sector charters is the emphasis that is placed on equity and access to health services. The Minister of Health Dr Manto Tshabalala-Msimang has unequivocally indicated that a central objective of the Health Charter in particular and of Government's healthcare policy in general is to improve universal access to basic healthcare services and to improve the quality of healthcare enjoyed by every South African – an objective that will be achieved in partnership with the private healthcare sector.

Netcare is of the opinion that the fulfilment of these requirements will necessitate, in certain instances, a review of the regulatory environment with a view to developing an appropriate facilitatory environment. This will require improving transparency, relationships and interaction with Government departments.

With this in mind, Netcare has developed a strategy that will promote equity of access to quality healthcare through four broad approaches, namely:

- increasing access to private healthcare for a larger portion of the population by developing affordable services;
- helping to improve the quality of healthcare delivered by the public sector;
- developing skills to the benefit of the public and private sectors; and
- developing PPPs.

With regard to the latter, Netcare will pursue PPPs in joint ventures with emerging and existing BEE companies and community trusts in the locality of a PPP project. For further information on our PPP initiatives, refer to the Corporate Social Responsibility Report on pages 66 to 81 and the Business Unit Review on pages 34 to 48.

Clearly, there is significant overlap between the approaches to developing equity in access and other elements of Netcare's BBBEE strategy – notably in the areas of corporate social responsibility and human resource development. Moreover, an objective analysis has revealed that Netcare is already playing an active role improving equity of access in healthcare.

HIV AND AIDS

Netcare has implemented an HIV workplace policy to manage the health of our employees who are infected with HIV.

Through HIVCare International, one of our operating entities, Netcare will work with Government, international funders and NGOs to increase treatment and care to South Africans.

Netcare believes in the future of South Africa and will contribute to the normalisation of the South African society through its BBBEE and Transformation strategy. In so doing, we will contribute to the growth of the economy by assisting the South African Government create sustainable jobs and reduce poverty.

Importantly, a growing economy with increased employment will lead to a larger number of lives that will need and be able to afford private healthcare. Netcare is developing solutions to cater for this need in a manner that also ensures a return for its shareholders and investors, and will partner the national and provincial health departments to increase access to quality healthcare.



CORPORATE SOCIAL RESPONSIBILITY

report

INTRODUCTION

Netcare's Corporate Social Responsibility Report for FY2005 details the environmental and social dimensions of our Group's activities, products and services in keeping with our ambition to expand Netcare's reporting formats with the ultimate objective of producing a report in accordance with the recommendations of the Global Reporting Initiative ("GRI") for sustainability reporting, as well as those of the JSE Limited Socially Responsible Investment ("JSE SRI") Index and the King Report on Corporate Governance for South Africa 2002 (known as "King II").

The JSE SRI, the first of its kind in an emerging market, was launched by the JSE Limited in May 2004 as a platform for showcasing companies listed on the exchange that achieve a predetermined score in relation

to a set of criteria that measures corporate commitment and performance with regard to triple bottom line reporting (ie social, environmental and economic sustainability) within the broader corporate governance framework. Netcare submitted the requisite information to the convening authorities of the JSE SRI and is one of 51 South African companies that qualified for inclusion in the JSE SRI Index 2005.

This report also embodies our acknowledgement of the Group's corporate responsibilities and our belief that good corporate citizenship begins with ethical conduct and strong moral values. Accordingly, Netcare subscribes to the following Values and Guiding Principles of Conduct:

VALUES

- We value the medical professionals and the staff at our hospitals and strive to support them in their personal and professional development.
- Honesty and integrity, teamwork, consultation and respect for others are our core human values.
- We acknowledge the rights of our patients and strive to exceed their expectations of quality care, service and outcomes.
- We value high-quality clinical care and services, which have measurable outcomes and are both cost-effective and appropriate.
- We value our shareholders and seek to provide them with above-average returns on their investment through loyalty, fidelity and efficient management.

GUIDING PRINCIPLES OF CONDUCT

- To uphold the sanctity of life and exceed the expectations of each and every patient, whose care is our primary concern;
- To attract premier physicians and specialists to our facilities and in partnership to better serve the healthcare needs of our communities;
- To create synergy by forming strong partnerships with those who share our values;
- To establish standards of excellence which exceed the benchmark of industry practice;
- To challenge problems and solve them with creativity and innovation;
- To apply quality leadership and management principles to foster continual employee development;
- To treat our patients, our staff, our medical specialists and our partners with respect and dignity;
- To strive for continuous improvement in everything we do; and
- To re-invest in the communities we serve.

HEALTH CHARTER

The Broad-based Socio-economic Empowerment Charter for the Healthcare Industry (“the Health Charter”), as proposed by the Minister of Health Dr Manto Tshabalala-Msimang, has been drafted but has yet to be accepted and implemented. As anticipated, the draft Health Charter includes targets for the ownership structure of the private healthcare sector and measures to increase levels of procurement from black-owned companies, employ more black people in senior management positions and make private healthcare more inclusive.

Netcare embraces and supports the notion of a Health Charter and, in anticipation of the final document, has responded to the various components in this report. The details of the Group’s strategies and targets, plus the progress made towards their realisation, are provided in the Transformation Report on pages 58 to 65.

SOCIO-ECONOMIC DEVELOPMENT

As a responsible corporate citizen, Netcare acknowledges that the Group’s success is attributable to the communities it serves and is therefore strongly committed to the development of South Africa and its people. Considerable emphasis is placed on giving back to the nation by committing substantial resources to community and nation-building initiatives.

Giving substance to this commitment comes easily. Each day the men and women working in our operations throughout the country provide support and much needed services to their surrounding communities. Moreover, a deep sense of corporate social responsibility is ingrained in the fabric of Netcare, from our individual healthcare professionals through to the highest levels of management.



A Netcare Corporate Social Investment ("CSI") policy has been developed, the focus of which is on health services to indigent patients, health science education at both undergraduate and postgraduate levels, support to faculties of health sciences, community projects, wellness programmes and sport development. A budget with a predetermined allocation of the Group's before-tax profits is committed to CSI projects each year.

As a healthcare company, the bulk of our CSI activities are in the healthcare arena where we are involved in a wide variety of healthcare-related community projects. We also recognise the importance of culture and sport as community-building tools and have therefore begun devoting attention to these areas.

The major projects supported by Netcare are carefully selected and actively implemented to ensure that the resources committed to the initiative have maximum impact. Special initiatives are also undertaken on an ad hoc basis as specific, more immediate needs become apparent.

Each Netcare hospital, facility and operating division has its own sense of responsibility and seeks to engage in activities that address the specific needs of the communities it serves. A selection of the more important projects undertaken at both Group and regional level is detailed below.

Pre-hospital emergency medical services

Netcare's national emergency service, Netcare 911, enjoys an ever-increasingly high profile within South African society and is viewed by many as the most prominent national emergency service. Placing the sanctity of human life above all else, the service continues to respond to all requests for emergency assistance.

During the 2005 financial year, 14% of patients assisted were indigent (uninsured and unable to afford the account) or pensioners and, as such, unable to pay for the emergency care and transportation rendered. This resulted in a cost to Netcare 911 of over R50 million, representing approximately 3% of Netcare 911's annual gross turnover.

Netcare 911 also provides free ambulance transfers (pre-hospital and inter-hospital) for the orphaned children and street children in the care of the Johannesburg Child Welfare Association, Cotlands, as well as to deserving elderly and handicapped patients, enabling them to access the healthcare services they require, and reduced rate transfers for several charitable organisations as well as patients attending the Sexual Assault Centres at Netcare hospitals.

In addition, all Netcare Accident and Emergency and Trauma Units have adopted a policy that all victims requiring emergency management will be stabilised and treated prior to transfer. Victims of trauma who are too unstable to be transferred to the public healthcare sector are managed in the private healthcare sector until such time as they stabilise, or a bed is available to them. Consistent with previous years, significant value was contributed in respect of patients treated at Netcare facilities on a pro deo basis this financial year.

As an active participant in SpineLine, which is co-ordinated by the Chris Burger Petro Jackson Player's Fund (the corporate social responsibility arm of SA Rugby), Netcare 911 provides free emergency medical treatment, transportation and advice to rugby teams on a national basis at all levels of the game, including schools, clubs and provincial rugby events where players sustain head or spinal injuries. Netcare 911 also operates a dedicated national emergency number for SA Rugby.

Academic grants, bursaries, skills training and industry initiatives

Emergency or trauma medicine is one of the fastest growing healthcare disciplines in the world today. Acknowledging this fact and the urgent need to develop this most vital, but neglected aspect of medicine, Netcare in 2004 committed itself to a five-year, R2,5 million sponsorship to fund Africa's first Chair of Emergency Medicine at the University of the Witwatersrand.

The Group also provides an annual R250 000 sponsorship that funds a Chair in Community-based Education at the University of Pretoria, which ensures that medical students receive training in community medicine. Netcare and the university have also entered into a co-operative agreement in terms of which students receive relevant practical experience through Netcare hospitals.

Aiming to further develop healthcare competence in South Africa, Netcare continues to fund regular Continuing Medical Education ("CME") seminars and also contributes to the costs of medical and health-related congresses and conferences that are hosted in South Africa. For example, Netcare provided sponsorship for seven doctors from different countries in Africa to attend the International Surgical Week 2005 (the 41st World Congress of Surgery co-ordinated by ISS/SIC), including their flights to South Africa, accommodation for the duration of the conference and their conference registration fees.

At operational level, Netcare 911 has sponsored students enrolled for paramedic training through local technikons, and also donated R10 000 to the University of Johannesburg's Petty Coat Lane EMS Challenge. The Netcare 911 School of Emergency and Critical Care also facilitates and provides community awareness programmes to several communities on HIV and AIDS, CPR, first aid, rape and comprehensive information relating to the Blood Donor Association, Heart Foundation, Organ Foundation, Life Line and other crisis centre services. Approximately 200 medical students throughout RSA received training in these areas during FY2005, valued at some R100 000.

Also, two members of the Netcare 911 management team serve on the Professional Board of Emergency Care at the Health Professionals Council of South Africa ("HPCSA"), which equates to an investment of time and expertise valued at approximately R60 000 a year.

Another key initiative is the Netcare Imbizo HIV and AIDS project, launched in 2001, which has resulted in the establishment of fully trained Imbizo teams at each Netcare facility. The Imbizo teams provide HIV and AIDS education and support to HIV-positive individuals in the community served by the respective facilities and have become engaged in a wide variety of HIV and AIDS projects, including fund-raising for hospices, collecting toys for HIV-positive children and providing psychological and medical support to sick people.

Corporate community health and welfare sponsorships

Several corporate social investment projects are undertaken at corporate level, often with implementation support at regional or hospital level. Among the more substantial projects supported by Netcare during the reporting period were the following:

- **The Sight for Life Project** – This initiative, implemented in partnership with the Vodacom Foundation, performed sight-restoring cataract operations for disadvantaged South Africans towards the end of 2004. The 290 patients who benefited from the project were sourced primarily from the waiting lists of provincial hospitals with preference being given to those "most desperately" in need of assistance. In addition to providing considerable logistical support and expertise, Netcare provided R1 million in direct funding. Several Netcare facilities supported the project, including Optiklin, Optimed, Bagleyston Day Surgical Clinic, St Augustine's Hospital, Umhlanga Hospital, Parklands Hospital, Greenacres Hospital (assisted by doctors from the Port Elizabeth Eye and Laser Institute) and Kuils River Hospital. Netcare 911 transported the patients who received corrective cataract surgery, at no charge to the patients.
- **The Walter Sisulu Paediatric Cardiac Centre for Africa ("WSPCCA")** – Launched at Sunninghill Hospital in November 2003 as a living tribute to Walter Sisulu, this specialist unit undertakes life-saving cardiac surgery on indigent infants and children from across southern Africa.



Netcare and the Vodacom Foundation are the main sponsors of the WSPCCA, having each donated R1 million to the affiliated Walter Sisulu Paediatric Healthcare Fund. Limited success has also been achieved in raising funds from individuals and other corporate organisations. In addition, Netcare has provided the project with extensive resources and expertise, enabling the WSPCCA to repair heart defects in 47 children to date.

- **Park Lane Cleft Lip and Palate Programme** – As a joint initiative funded by Netcare, the Vodacom Foundation, the Smile Train and the Park Lane Clinic, this programme sponsors surgical procedures to repair cleft lip and palate deformities in economically disadvantaged patients. More than 70 patients, varying in age from six months to 19 years old, have benefited from the programme since its inception programme in April 2004. A highly successful cleft lip and palate treatment “marathon” was held in September 2005.
- **Transplantation, the Gift of Life** – The Netcare Transplant division provides significant support to organisations that promote organ donation as well as organ recipients themselves. These include the Organ Donor Foundation of South Africa, which receives annual sponsorship amounting to R107 000 to fund the transport of transplant teams and “harvested” organs for the public and private sector (via the Gerry Brits Flight Fund), plus free office accommodation for the Organ Donor Foundation’s co-ordinators in Johannesburg and KwaZulu-Natal (valued at R24 000 a year) and all costs relating to the foundation’s toll-free telephone line (approximately R30 000 a year); and the Change Transplant Support Group, which receives an annual cash donation of R50 000 that is used to pay for the printing of patient-support documentation, to host the annual Gauteng Organ Donor Tribute Day and to support transplant recipients with various requests, inclusive of income support immediately following a transplant procedure. In addition, Netcare sponsored various organ donor awareness events during FY2005, notably the Organ Donor Foundation Cycle for Life Tour – an annual event in which transplant donor families and transplant recipients cycle from Johannesburg to KwaZulu-Natal in

a quest to raise awareness regarding organ donation (this year’s event included a team from St Anne’s Hospital); organ donor awareness advertising and the Nederburg Fashion Show. This year, the KwaZulu-Natal Eye Bank also benefited from a R5 000 facilities upgrade and coverage of the unit’s cellphone-related costs.

- **Netcare Sexual Assault Care Centres** – Responding to allegations by the South African Police Service (“SAPS”) that South Africa has one of the highest rape statistics in the world, Netcare actively promotes the provision of support in the management of rape victims. Netcare’s first Rape Crisis Management Centre was launched at Sunninghill Hospital (the Albertina Sisulu Rape Crisis Centre) in November 1998. This successful unit has since been replicated at the Accident and Emergency Units at 12 other Netcare facilities around the country: Milpark Hospital, Union Hospital, Garden City Clinic and Unitas Hospital in Gauteng; St Augustine’s Hospital, St Anne’s Hospital, Umhlanga Hospital and The Bay Hospital in KwaZulu-Natal; Christiaan Barnard Memorial Hospital and N1 City Hospital in the Western Cape; and Greenacres Hospital and Cuyler Clinic in the Eastern Cape.

Since their inception, the Netcare Sexual Assault Care Centres have treated and managed 2 628 victims of rape, 79,3% of whom were not medically insured but nevertheless received equivalent care. The cost to Netcare of providing this service amounted to almost R504 000 in FY2005, including doctor evaluation, providing triple anti-retroviral therapy (“ART”) and other medication for the prevention of sexually transmissible diseases, rape crisis evidence collection kits, counselling services and clothing. All sexual assault patients treated are encouraged to lay charges through the SAPS.

Numerous training seminars on the management of sexually assaulted patients have been offered to doctors and nursing staff. Five registered nurses have been trained in the management of these patients, and currently do so without doctor supervision.

In addition, Netcare has “adopted” and provides assistance to three State facilities, namely the Heidelberg Provincial Hospital, Johannesburg Hospital Trauma Unit/Casualty Department and Rainbow Clinic at Coronation Hospital (a clinic for abused children).

- **One Household One Blanket Project** – Netcare joined forces with the local government of Gauteng in July 2005 to collect blankets for Gauteng’s destitute and those who become victims of disasters. Netcare donated the first R5 000 worth of blankets to the project as well as a further R10 000.
- **CHOC Cow Parade** – Netcare participated in the Cow Parade organised by CHOC, an organisation that provides financial and other assistance to children with cancer and their families. The primary component of the Cow Parade was an art exhibition, in terms of which Netcare sponsored the “Message in a Cow”, which was painted by artist Ana Flores. Netcare also organised a fun day in Johannesburg for CHOC children and patients of the WSPCCA so as to raise awareness of the activities of both organisations.
- **Paramagic** – This Netcare 911 sponsored programme, launched early in 2002, visits schools, shopping centres, hospitals and regional events to present a fully choreographed, educational show that aims to improve overall understanding of first aid principles and provide essential tips for averting emergency situations. Approximately 4 million children have been addressed since the programme’s inception, strengthening awareness around emergency medical incidents and the prevention thereof.

National and international disaster management

Responding to the dramatic tsunami disaster that struck South-East Asia in December 2004, Netcare Trauma division and Netcare 911 co-ordinated and led a mercy mission that helped several stranded South African tourists return home from Phuket Island, Thailand. Sixty-five South Africans, including one seriously injured

person and nine slightly injured patients, were evacuated from Phuket, while the bodies of four South Africans who lost their lives during the disaster were also brought home. The Netcare operation was recognised by the South African Government as the country’s official rescue mission, and resulted in costs of approximately R1,5 million being incurred, at a direct cost to Netcare 911.

The same two divisions were also responsible for the co-ordination and successful distribution of more than 170 tonnes worth of relief supplies to the tsunami-ravaged areas. Goods donated by the South African public and corporate organisations were received, checked and repacked for distribution with the assistance of the South African Red Cross over a six-week period, then dispatched via dedicated flights sponsored by Air Seychelles and Kenya Airlines.

In addition, the Netcare/Pick ‘n Pay SA Tsunami Relief Fund raised R6,2 million through generous donations from the South African public and this country’s corporate sector. R2,2 million of this was donated to the International Red Cross Fund to help with its relief efforts in South-East Asia, while the remaining R4 million is being used to rebuild a community village comprising 120 homes for tsunami victims in Banda Aceh, Indonesia – one of the areas worst affected by the natural disaster.

Netcare 911 has continued to support Rescue SA, a non-profit NGO, by providing a seat and sessionary office accommodation in the Netcare 911 24-hour Global Response Call Centre. The total value of this sponsorship amounts to R550 000 a year. The division also provided funding to the Gauteng Disaster Management organisation, totalling R15 000.

Post year-end, representatives of Netcare 911 participated in the rescue mission to Pakistan, after a major earthquake affected the capital, Islamabad.



Event management and sport sponsorships

Believing that sport can, and should, play an important role in community and health, Netcare fully supports sport development in South Africa and has sponsored the Netcare Atlanta Stars soccer team since 1998. This year, the Group extended its involvement in the game by providing sponsorship to the Premier League soccer team, Netcare Silver Stars, from February 2005. The decision to sponsor the latter team was inspired, to a large extent, by the fact that Netcare Silver Stars runs five development teams and is doing invaluable work with young players in the townships.

Netcare 911 is also the official medical partner of a number of leading sporting events in South Africa and in this capacity provides sponsored medical event management services, ranging from basic medical assistance through to advanced life support systems. Highly qualified paramedics, registered nurses, doctors, ambulances and helicopters provide comprehensive backup for each event attended, which in FY2005 included:

- Altech Formula One Grand Prix (September 2004);
- AIDS/Khomanani Day Programme (October 2004);
- Pick 'n Pay 94.7 Cycle Challenge (November 2004);
- Sanlam Burger Cycle Race (December 2004);
- Midmar Mile (February 2005);
- Two Oceans Marathon (April 2005); and
- Comrades Marathon (June 2005).

More than 150 staff members from Netcare 911 were deployed along the route of the 2005 Comrades Marathon and at the finish, and were supported by 40 nursing staff from Netcare hospitals. In addition to the Netcare 911 resources dedicated for the Comrades Marathon, the Netcare Hospital division in KwaZulu-Natal sponsored the first 24 hours' treatment costs for all Comrades Marathon patients admitted to their facilities.

Ad hoc sponsorships and donations are also made to local and regional sports teams by Netcare's operating divisions and hospitals. For instance, the Midrand United soccer team received a donation of kit to the value of R4 000 in FY2005.

Regional-level community involvement, sponsorships and donations

Although every medical facility within Netcare is involved in several meaningful social responsibility projects at community level, only one initiative from each hospital has been included in this report to demonstrate the diversity of the projects supported.

Cape region

- Greenacres Hospital, Port Elizabeth, has "adopted" Khanyisa School for the Visually Impaired in Kwadesi. Apart from raising R5 000 through an inter-departmental/ward talent show, blankets and bedding were also donated to the school. In addition, the children were given 3 000 Easter eggs that were collected at the hospital, a gesture which ensured a special Easter season this year. The hospital has also extended the reach of Netcare 911's Paramagic programme into the region by providing elementary first aid training to 1 500 primary school learners and entrenching recall of the 082-911 emergency telephone number.
- Cuyler Hospital, Uitenhage, commits extensive resources to the Cuyler Place of Hope, a facility that primarily provides counselling and assistance to individuals infected with or affected by HIV and AIDS. This highly successful initiative, which won the Netcare Imbizo Award in 2003, also gives regular talks on HIV at schools, factories and churches; distributes educational pamphlets and posters; and donates clothing and food hampers to the underprivileged.
- Kuils River Hospital, which is located in the heart of the Western Cape winelands, supports Tzaduka – a home for abandoned, abused and/or neglected children – by way of maintenance repairs, food and clothing supplies, transport and medical assistance. The hospital also undertakes wound care visits to local old age homes.
- Christiaan Barnard Memorial Hospital, Cape Town, has affiliated itself with Mamelani Projects, a registered South African charity that provides educational programmes to disadvantaged communities. In addition to a R3 000 donation to help fund various projects over the 2004/2005 festive season, the hospital

also contributed handmade blankets to pre-school children who rely extensively on Mamelani Projects for their basic necessities, as well as stationery, clothing and linen. Christiaan Barnard Memorial Hospital also actively supports Winplay House in Salt River, Cape Town – a haven for the offspring of street people. The hospital collects items required by the facility to educate and nurture the children, including clothing, food, educational toys, books, stationery, videos, blankets and other linen.

- N1 City Hospital, Cape Town, distributes first aid kits to schools and sports clubs in and around Cape Town, with special emphasis on disadvantaged communities. The hospital also restocks the first aid kits as they become depleted, and is an active supporter of Cansa.

Gauteng north-east region

- Akasia Hospital, Tshwane, has established a much needed counselling service for trauma victims of the area. The service, which is offered 24 hours a day in partnership with local churches, gives those people who cannot afford the services of a psychiatrist or psychologist access to quality counselling and care in the event of crises.
- Femina Women's Hospital is home to the Familial Cancer Centre, a joint initiative of the University of Pretoria and Netcare that was launched in August this year to conduct groundbreaking research in familial cancer. The Centre specialises in predicting the risk of familial cancer in patients and provides support through counselling services, treating both public sector patients and those who are medically insured.
- Ferncrest Hospital, Rustenburg, has provided a vehicle equipped with educational aids and a qualified nursing professional for the mobile community health education project undertaken by the Bafokeng people who live in the North West province.
- Jakaranda Hospital supports the Tshwane Home for Children, which takes care of orphans and abandoned children, many of whom are HIV-positive. The hospital has engaged in various fund-raising activities on behalf of the home and has helped to publicise the plight of the children.

- Moot Algemene Hospital, Tshwane, and its Netcare 911 Base have "adopted" Alma School for mentally and physically disabled children. This year's activities included a Casual Day celebration in August, which served to entertain the children and enlist community support. A television and VCR have been donated to the school, while the hospital fulfils the healthcare needs of the children.
- Optiklin Eye Clinic, Benoni, has for many years been a staunch supporter of the Retina Foundation of South Africa and this year also contributed extensively to the Sight for Life cataract project. In addition, the clinic supports St Francis AIDS Haven, Oliver's House (a home for street children) as well as Hospice.
- Pretoria East Hospital, Tshwane, hosted a Fight-4-Sight 24-hour cataract marathon late in 2004. A joint initiative of the Primary Eyecare Clinic, Ophthalmicare, Pretoria East Hospital and Netcare, Fight-4-Sight restored the sight of more than 200 patients with cataracts from underprivileged communities. President Thabo Mbeki wrote a letter thanking the organisers of the marathon for their work while the Minister of Health Dr Manto Tshabalala-Msimang visited the project and gave it her full support.
- Sunninghill Hospital, Johannesburg, runs several social responsibility initiatives including a volunteer programme through which students of medicine and healthcare are invited to work at the hospital. The hospital also undertakes pro deo cases for organisations such as Children of Fire, and actively drives the ongoing Oupa Project in terms of which free eye-testing, hearing screening and corrective aids are provided to disadvantaged patients.
- Sunward Park Hospital, Boksburg, has entered into an agreement with the Boksburg Correctional Services Department to provide HIV education sessions and counselling for the inmates at the latter facility. Local government has warmly welcomed this initiative. In addition, a theatre piece on HIV and AIDS in the workplace, choreographed by the hospital staff, was performed at Devon Prison at the special request of the Minister of Correctional Services.



Gauteng south-west region

- The Netcare south west regional office participated in a Spin-a-thon in July 2005 to raise funds for the Lambano Sanctuary, a home that cares for HIV orphans. The office contributed R10 000 to this event and, with the help of Garden City Clinic, provides medical and other support to the Sanctuary.
- Park Lane Clinic, Johannesburg, supports Uitkoms, a registered, non-profit home that offers shelter, protection and counselling to traumatised girls, many of whom are the victims of rape, abuse and neglect. Several of the girls are pregnant and some are HIV-positive. The clinic provides various forms of support to the home, including treating the women to evenings out, providing them with gifts, and donating food or baby clothes.
- Kroon Hospital, Kroonstad, held a fun day on World Health Day 2005 for the underprivileged children of Edenville. Personnel from the hospital and Netcare 911 personnel used the event to teach the children about basic healthcare.
- Union Hospital and Clinton Hospital, both in Alberton, support several ongoing community projects through Amcare, a charity organisation operating a large feeding scheme, a haven for abused/neglected women and children, and a self-help scheme. The two hospitals regularly hold collection drives to help supply Amcare with food, linen, toys and clothing.
- Mulbarton Hospital, Johannesburg, has responded to the high unemployment levels in the surrounding communities by partnering Christian Fellowship of Ministries in the establishment of a clinic that monitors the health of destitute elderly and children on a weekly basis, and fulfils their healthcare needs as far as possible.
- Olivedale Clinic, Johannesburg, supports Acres of Love, an orphanage for HIV and AIDS children, by providing hospital services to the children. The clinic also assists the Witkoppen Health and Welfare Centre by donating various items and providing maintenance services.
- Garden City Clinic, Johannesburg, provides extensive assistance to the Sultan Bahu Community Clinic, which is based at the Sultan Bahu Orphanage in Mayfair West. This includes basic healthcare consultation services for the orphans, including blood pressure and glucose tests. The children from the orphanage also benefit from general check-ups to monitor their developmental milestones and, where necessary, are referred to doctors who participate in the project.
- Rand Clinic, Johannesburg, entered into a partnership with SAPS Hillbrow to establish a Street Children project in January 2005. The initiative includes a training centre where street children have access to training computer literacy and other skills, as well as support programmes such as work placement. Rand Clinic also provides primary healthcare services and health education to the street children. In addition, the Rand Clinic healthcare caravan has become a familiar sight to the communities of Hillbrow, Berea and Yeoville, offering free blood pressure, cholesterol and glucose tests as well as advice to patients for other health-related problems.
- Rosebank Clinic, Johannesburg, supports the Houghton Hospice and the Soweto Hospice by way of donating furniture, bedding, equipment and other useful items such as blankets and operating gowns. The clinic and both hospice organisations joined forces to promote AIDS awareness on HIV and AIDS Day (1 December 2004).
- The Netcare Rehabilitation Hospital, Johannesburg, joined forces with the Gauteng Department of Education and Talk Radio 702 to provide extensive support to the three teenage amputees involved in the horror school bus accident in February 2005 that claimed the life of one school child and injured 125 others in Leondale, south of Johannesburg. The hospital provided the three teenagers and an adult victim of the crash with a complete physical and psychological rehabilitation programme, free of charge. This included physiotherapy, occupational therapy and trauma counselling.

KwaZulu-Natal region

- Kingsway Hospital, Amanzimtoti, has “adopted” the Mother of Peace orphanage in Illovo. This Catholic mission organisation assists children who are affected by HIV and AIDS. The hospital has raised funds for the orphanage and has donated equipment, such as beds and trolleys, for the orphanage’s infirmary. In addition, the hospital staff collected toys and groceries for the orphans for Christmas 2004.
- St Augustine’s Hospital, Durban, has lent its support to the Maskey Health Service, a non-profit community project that supports HIV-positive members of the community and TB patients in Umlazi, R Section, south of Durban. The hospital has provided donations of mealie meal, old clothes, blankets and toys collected by staff. The hospital also donates linen and equipment to organisations such as Empilweni Home, Umtata, St Mary’s Hospital, Mariannahill, Natal Coastal Methodist Women’s Auxiliary and St Apollinaris Hospital, Underberg.

- Umhlanga Hospital, Umhlanga, has “adopted” the Abalindi Welfare Society, a community centre in Inanda, Durban, that runs an old age home, a children’s home and a pre-school crèche. The hospital has provided the organisation with bags of new toys and boxes of food and juice collected by the staff, as well as donations of hospital equipment and linen.
- Margate Private Hospital, Margate, supports the Place of Restoration, a private institution with Swedish and Dutch financial backing that helps restore the dignity of abused women and children, by providing medication worth up to R500 a month. Thembalechu Aids Orphanage is supported on the same basis, but the children there benefit from pro deo consultations given by the hospital paediatrician.
- The Bay Hospital, Richards Bay, joined forces with Netcare 911 to sponsor the medical support team for the 2005 RBCT Charity Relay Run – a community-driven annual fund-raising event involving much of the Richards Bay and Empangeni communities.

The lives we've touched



Over the year Netcare contributed meaningfully to restoring sight to over
500 patients
with cataracts

Netcare 911 provided valuable emergency services following the
destructive **tsunami's**
in December 2004



The support services provided included an ambulance, a response vehicle and four cyclists who continuously circled the 8,5 km relay route in support of the participants and provided proactive medical intervention when required. The hospital also provided a donation for a selected charity and sponsored the event trophy. More than 130 employees from The Bay Hospital participated in the event.

- Parklands Hospital, Durban, recently donated equipment valued at approximately R200 000 to St Mary's Public Hospital. A further 26 beds and related equipment were donated to help furnish St Mary's HIV and AIDS treatment clinics.

The corporate social investment activities of the individual divisions are diverse. A selection of initiatives appears below.

- Netcare 911, in association with Reach for a Dream and the various Netcare hospitals, transports terminally ill children to venues where their dreams are brought to life.
- Cycalive 2005, a cycle relay from Johannesburg to Durban organised by Moletsane School (Soweto) and Torah Academy High School (Johannesburg) to encourage cross-cultural interaction between Jewish, Muslim and black high school children, received a cash donation of R8 000 from Netcare 911, along with free event medical support.
- Netcare Transplant division donated R10 000 towards the costs payable by transplant recipient JS Mattheus to participate in the 2005 World Transplant Games.
- Netcare 911 came to the assistance of Netcare Transplant division by sponsoring an emergency helicopter flight from Lanseria Airport to Johannesburg International Airport to transfer a donor heart that, in turn, facilitated a successful cardiac transplant in Cape Town.

- Netcare Trauma division currently sponsors and is involved in a Public Private Partnership with Heidelberg Hospital Rape Crisis Centre (mentioned earlier), and also provided a cash donation to help fund the SAPS 2005 Women's Day celebrations.

PUBLIC-PRIVATE PARTNERSHIPS

Convinced that the pooling of expertise and resources between the public and private sectors has the potential to make quality medical care available to everyone, Netcare has actively pursued public-private partnership ("PPP") opportunities for several years, both locally and abroad. Defined as "a commercial transaction between a public institution and a private party in terms of which the private party either performs the function or acquires the use of state property for a defined period", PPPs are beneficial to both parties and lead to an overall improvement in services.

The Group's efforts locally were rewarded when a consortium comprising Netcare and black-empowerment company Community Hospital Management ("CHM") signed a PPP agreement with the Free State Health Department ("FSDH") that was commissioned in January 2003 and allows CHM/Netcare to utilise spare capacity within Bloemfontein's Universitas and Pelonomi Hospitals, effectively co-locating private facilities in a public healthcare venue.

The facilities operated by CHM/Netcare include approximately 270 private beds (including a 30-bed ICU) as well as six operating theatres. The first private patients were admitted to Universitas Private Hospital during October 2003, with the first being admitted to Pelonomi Private Hospital in August 2005.

The potential of PPPs to help deliver quality healthcare to all people in South Africa has been recognised at national government level and a public statement of commitment to has been issued. The former distrust between the public and private sectors that severely prejudiced the prospect of PPPs in the past is no longer present, as proved by the successful partnership between CHM/Netcare and FSDH, and Netcare is encouraged that the value the private sector can add has been acknowledged by the public sector. For example, the improved management, specialised training and technological advances enabled by private sector involvement translate into greater levels of customer satisfaction with public sector facilities.

Other successful PPP interventions in which Netcare is currently involved include:

- the PEPFAR project in terms of which USAID has provided funding ART-treatment in South Africa. Undertaken in collaboration with FSDH, the initiative currently enrolls 30 people per week onto a disease management programme (for additional information, see HIV and AIDS on page 81);
- the Sight for Life Project (see page 69);
- the Familial Cancer Research Unit at Femina Hospital, which is a PPI between Netcare and the University of Pretoria (detailed under Regional-level community involvement, sponsorships and donations on page 72); and
- GEMS: Prime Cure won its GEMS tender and will sub-contract its hospitalisation fulfilment needs to Netcare facilities.

During the year under review, Netcare was short-listed for the following public-private initiatives (“PPIs”) and PPPs at provincial level:

- Eastern Cape: Port Alfred and Grahamstown co-location, upgrade and refurbishment of the public hospital, effectively allowing the private sector to establish a private facility within the public hospital, plus emergency medical services for patient transport.

- Western Cape: Swellendam Hospital co-location, upgrade and refurbishment of the public hospital, thus allowing the private sector to establish a facility within the public hospital.

QUALITY

Two of our Gauteng hospitals – Sunninghill Hospital in Johannesburg and Unitas Hospital in Pretoria – have been quality accredited by International Society for Quality in Healthcare (“ISQua”), which is implemented by the Health Quality Service Group (“HQS”), a leading international healthcare accreditation service. Both hospitals will now be subjected to ongoing standard and quality evaluations.

The accreditations, which are part of a groupwide initiative to implement the internationally acclaimed quality accreditation programme, not only demonstrate that the two hospitals deliver a healthcare service as good as any in the world but will also allow Netcare to benchmark itself against the world’s best healthcare standards.

Plans are in place for a further three hospitals to implement the quality accreditation programme in the near term: St Augustine’s Hospital in Durban, the Christiaan Barnard Memorial Hospital in Cape Town and Milpark Hospital in Johannesburg.

HUMAN RESOURCES

INTRODUCTION

In keeping with our value discipline “Growing with Passionate People”, Netcare strives to offer a working environment that is conducive to professional growth and personal development, thereby positioning the Group as an employer of choice in the local marketplace. This is achieved, inter alia, by offering a wide range of employee benefits additional to those legally mandated; recognising and rewarding employees for their contribution to the Group’s success; providing access to diverse skills training and development initiatives, career path planning and mentorship.



Particular emphasis is placed on upskilling previously disadvantaged individuals and fast-tracking talent wherever it is identified.

TRAINING AND SKILLS DEVELOPMENT

Netcare's workplace skills plan includes special emphasis on training blacks, women and staff with disabilities to fill the organisational needs of the Group in particular and the South African healthcare industry in general.

With the endorsement of all stakeholders, the Group's vision is to establish a private Health Education Institute of Higher Learning, which will include the training of doctors. A head of Netcare Education has been appointed and the future role of the Netcare Training Academy and Netcare 911 School of Emergency and Critical Care are under review, as both will form key components of the Group's proposed private medical school.

For further information see the Human Resources Report on pages 50 to 57.

Two staff members from each operating region within Netcare Transplant division attended the 2005 International Transplant Congress, along with one representative of a medical scheme. In addition, the division contributed to the costs of a staff member from a hospital intensive care unit to attend the Critical Care Congress so as to further her education.

TRANSFORMATION

Netcare is committed to the transformation of the healthcare industry and has implemented a transformation strategy, as outlined in the Transformation Report on pages 58 to 65.

EMPLOYMENT EQUITY

As required by legislation, Netcare has developed and begun to implement an employment equity ("EE") plan that is designed to ensure appropriate demographic representation at all levels in the organisation.

Emphasis has been placed on talent identification and promotion within the Group ranks. Additional detail on Netcare's EE initiatives is included in the Human Resources Report on pages 50 to 57, and the Transformation Report on page 58 to 65.

HEALTHCARE EDUCATION

See Human Resources Report on pages 50 to 57.

ENVIRONMENTAL PERFORMANCE

PROTECTING THE HEALTH OF OUR ENVIRONMENT

At Netcare, we believe that a healthy environment not only improves the quality of our lives, but also serves as a basis for the sustainable economy on which our business depends. With this in mind, we endeavour at all times to take a leadership role in making environmental protection compatible with economic development by ensuring compliance with the applicable environmental regulations and implementing best practice processes that address the environmental issues relevant to Group operations, both in terms of the physical environment and that in which our employees work.

Our environmental management strategy is based primarily on compliance with legislative requirements. Cognisant of the potential impact our operations may have on the natural environment, we aim to minimise air pollution, minimise water usage/wastage, recycle suitable materials, optimise energy consumption and dispose of medical waste safely.

We also encourage our stakeholders – namely our doctors and specialists, patients, suppliers and contractors – to be proactive in reducing wastage of non-renewable resources, while optimising their usage of raw materials and other resources.

SUSTAINABLE DEVELOPMENT PILOT PROJECT

This notion was taken a step further in FY2005 with the launch of a pilot sustainable development project, known as "Siesta", at Akasia Clinic in Tshwane (formerly known as Pretoria). The project, which drew its inspiration from the emphasis placed on socially responsible investment in King II, involved the appointment of four task teams, each comprising members of staff, to tackle key areas where behavioural and other changes would lead to a measurable difference in the short term, that would nevertheless be sustainable in the longer term. The resulting four pilot-phase subprojects, all of which will operate for the six months to the end of March 2006, are:

- Recycle Bugs, which has adopted a mission to recycle paper, plastic and glass. An interdepartmental competition has been implemented to encourage support from the staff, in terms of which the department that recycles the most, by volume, will be rewarded. Waste paper is on-sold to paper recyclers and the money has been used to purchase bins and campaign posters. The Plastics Federation of South Africa has provided dedicated plastic recycling bins, which are collected and emptied routinely.
- Herb-A-Kitchen, where the catering team has developed a herb garden on the premises. Their edible end results are being used as garnishing in the kitchen, saving a substantial amount of money on the catering budget. The therapeutic benefits of gardening have been offered to staff in other departments.
- Save-A-Drop, which aims to make people increasingly aware of water wastage and the importance of conserving water, with the overall aim of reducing Akasia Clinic's water utilisation by 20%. Among the water-saving suggestions are motion-detection taps in the operating theatre scrubbing areas (rather than continual running water); mixers for showers (to reduce the volume of water wasted while attempting to set the desired temperature); installing a rainwater tank for watering the gardens; resetting the toilet ball valves to

reduce the volume of water per flush; converting the grounds to indigenous gardens, with waterwise plants and greater use of inorganic features; and an awareness campaign targeting staff, patients and visitors, emphasising the importance of water conservation.

- Elecfreaks, which has investigated the benefits of solar-heated geysers (potentially saving 40% of the electricity bill per month), switching to energy-saving light bulbs as and when existing bulbs are replaced, and a commitment to switching off lights and appliances when not in use (such as television sets and radios).

In addition to the direct savings – which are projected at R161 000 in the first year at Akasia Clinic alone – the initiatives will also yield indirect savings in terms of reducing the greenhouse effect; raising awareness of depleted, non-renewable natural resources in the community; saving valuable landfill space; and creating jobs for recyclers.

Based on the success of the pilot project, the diverse initiatives will be rolled out across the other hospitals in the Group, potentially achieving a direct cost saving of approximately R15 million a year.

HEALTH AND SAFETY

PROMOTING THE WELL-BEING OF ALL PEOPLE

In accordance with the Occupational Health and Safety Act, 1993 (Act no 85 of 1993), as amended, including the regulations, Netcare strives to provide an occupational health and safety service that will protect and promote the health and safety of all Netcare employees, and a safety and awareness programme that will protect the safety of our patients and members of the public entering Netcare hospitals.



OCCUPATIONAL HEALTH AND SAFETY

Netcare complies with local laws and regulations relating to occupational health and safety and endeavours to minimise, if not eradicate, work-related health hazards. All occupational health and safety risks have been identified and evaluated, allowing the development of appropriate mitigatory processes.

The major occupational health risks facing our nursing staff, and the mitigating initiatives are:

- exposure to infectious diseases through needlestick injury, infected body fluids and patients with contagious infections – an infection control programme is in place at all of our hospitals and all nursing sisters were trained in infection control through the NTA during the year;
- back, shoulder and knee injuries arising from lifting and handling patients – practical training is provided that teaches nurses how to move patients with the minimum stress on the spine and major joints; and
- exposure to medical waste and other hazardous substances – Netcare complies with statutory healthcare waste management requirements and has been an active participant in the development of the Gauteng Healthcare Risk Waste Regulations.

Appropriate Personal Protective Equipment (“PPE”) is issued to staff, relative to their occupations and duties. This includes surgical gloves, masks, theatre coats and aprons – all of which also contribute to infection control.

All occupational health-related incidents are recorded and analysed, prompting suitable interventions to prevent similar situations arising. Employees whose health is compromised in any way while on duty receive comprehensive care.

A total of 953 occupational health and safety-related incidents were reported during FY2005, of which contact/collisions accounted for 32% and needlestick injuries 31%.

The latter predominantly arose in operating theatre and catheterisation laboratory scenarios, where the utilisation of needles and sharp instruments is high, with commensurate elevated risk of injury. An analysis of injuries by type and hospital has allowed the implementation of improved management of injury risks. No serotype conversion tracking has been undertaken to determine the incidence of disease transmission as a result of these incidents, nor have any cases of HIV-transmission due to needlestick injuries been reported.

The Group is equally concerned about the safety of the public who visit our facilities to access the healthcare services offered by the medical practitioners, whether as out-patients or during hospitalisation. In addition to infection control measures, every effort is made to optimise the safety of all public access areas.

PREVENTATIVE AND CURATIVE HEALTH

All Netcare employees are required to join the Group’s in-house medical aid scheme – Netcare Medical Scheme (“NMS”) – which provides structured access to quality healthcare at primary, secondary and tertiary level – unless they can supply proof of membership to an alternate fund. NMS is administered by Sovereign Health and Netcare contributes a standard amount for all employees irrespective of their earnings or number of dependants. NMS has imposed single-figure annual contribution increases since 2001, all of which have been in line with salary increases and lower than the market norm, without compromising benefits.

Clinical Partners – Netcare’s wholly owned, managed care subsidiary, which develops unique, computer technology and cost-efficient reimbursement methods – manages the scheme’s specialist and hospital costs. A performance-based reimbursement mechanism is at the centre of the scheme’s relationship with specialist consulting and surgical clinicians, which has the effect of limiting the risk of members making a co-payment or paying private rates.

Membership of NMS has doubled since its inception and reached 10 788 members (with 14 145 dependants) at 30 September 2005.

EMPLOYEE ASSISTANCE PROGRAMME

Netcare has an Employee Assistance Programme (“EAP”) in place that promotes employee well-being while developing supervisory and managerial skills to help line managers predict and manage people issues.

Outsourced to Independent Counselling and Advisory Services (“ICAS”), the Netcare EAP encourages early intervention in potentially critical matters. A team of clinical and counselling psychologists and clinical social workers help employees by discussing their worries at all stages, enabling them to devise solutions appropriate to their specific situations. The service, which is provided in six different languages, includes a call centre, face-to-face counselling, life management (including stress management), HIV counselling, trauma debriefing and isolated investigations into particular stressors.

HIV AND AIDS

Netcare has developed and is in the process of implementing an HIV workplace policy to manage its own employees infected with HIV. This policy includes an assurance that HIV-positive personnel will have access to ART.

This will be facilitated by HIVCare International, an entity within the Netcare portfolio of healthcare investments, which has been mandated to establish clinics to increase access to ART in partnership with provincial health departments. This initiative has been given a financial boost through the award of a multi-year contract from the US State Department’s Presidential Emergency Programme for Aids Relief (“PEPFAR”) to HIVCare International, for the distribution of ART in the Free State via the Netcare, Medicross and FSDH infrastructure.

The contract will also entail the provision of counselling, education and nutrition advice in local communities. Based on the success of this initial phase of the contract, the concept will be rolled out to other parts of South Africa.

An analysis of claim trends on the Netcare funeral policy reveal that the greatest number of deaths among staff is in the 37 to 42-year-old bracket, which is likely to be a direct result of AIDS-related illnesses.

Netcare is also committed to fighting the HIV and AIDS pandemic through diverse community outreach programmes. These are driven by the Imbizo teams established at every Netcare hospital, which work with community-based organisations to provide HIV and AIDS education and support to HIV-positive individuals.

STAKEHOLDER ENGAGEMENT

The stakeholder base of Netcare and its operations comprises various interest groups, including our shareholders and the investor analyst community, our workforce (largely administration staff, corporate head office services and nurses), our business doctors (including the doctors and specialists that support our facilities), our suppliers and customers, the communities where we operate, and the authorities under whose jurisdiction we fall. We aim to build and maintain trust-based relationships with each of these stakeholder groups through regular engagement on pertinent issues in a spirit of honesty and transparency, using appropriate communication channels for each.



CORPORATE GOVERNANCE

report

NETCARE'S CORPORATE GOVERNANCE PHILOSOPHY

"Netcare approaches corporate governance holistically by applying the Group's strategic decision-making processes to maximise shareholder value, whilst recognising the firm's ultimate purpose of meeting the healthcare needs of the markets in which it operates. The Group acknowledges that in return for its ability to function, it is subject to the rules and constraints of society and stakeholder imperatives. In combining the twin requirements of conformance and performance, the Group strives to maintain the highest standards of discipline, integrity and transparency in supporting an appropriate legal, regulatory and institutional foundation. The Group's objective is to create an organisational culture where sound corporate governance becomes a way of life for each member;

this is achieved by embedding in Group strategy the undermentioned elements:

- compliance with the law and commercial legitimacy
- fair treatment of employees and business partners
- responsibility to the environment and the community in which it operates
- probity, integrity and business ethics in operational practices

Netcare's corporate governance target is to engender the organisation's integrity, trust, reputation and accountability to its stakeholders in the fulfilment of its business objectives."

Joel Wolpert
Company Secretary

“Netcare approaches corporate governance holistically by applying the Group’s strategic decision making processes to maximise shareholder value, whilst recognising the firm’s ultimate purpose of meeting the healthcare needs of the markets in which it operates.”

The Netcare Group subscribes to the highest level of corporate governance tenets and processes and is committed to complying with the recommendations contained 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.

The Group recognises the dynamic nature of the corporate governance environment and, in applying its corporate governance philosophy, policies and practices, the Group has categorised its approach in terms of the following distinct but related elements, which affirm the correlation between sound corporate governance and profitability for the Group:

1. Role of the Board
2. Institutional best practices
3. Audit, accountability and control
4. Communication protocols
5. Business risk management
6. Sustainability and socio-economic responsibility

ROLE OF THE BOARD

During the year under review, the following changes occurred in the structure/composition of the Board:

- On 1 December 2004, Dr VLJ Litlhakanyane was appointed to the Board as executive director and Professor MB Kistnasamy was appointed to the Board as non-executive director;
- Effective 1 March 2005, the role of Executive Chairman occupied by MI Sacks became a non-executive position;
- Effective 31 August 2005, Dr J Shevel retired as CEO and became a non-executive director; on 22 November 2005, he resigned from the Board;

- Effective 1 September 2005, Dr RH Friedland, previously head of Netcare’s International Operations, became Group CEO;
- Effective 16 September 2005, Dr RH Bush, Dr I Kadish and PJ Lindeque resigned as directors of the Company; and
- During September 2005 a new Executive Committee was formed (see page 84 for membership).

BOARD OF DIRECTORS – COMPOSITION, ROLE AND FUNCTIONS

The governance structure of the Group is reflected in the diagram on page 84 (committee membership is reflected later in the commentary).

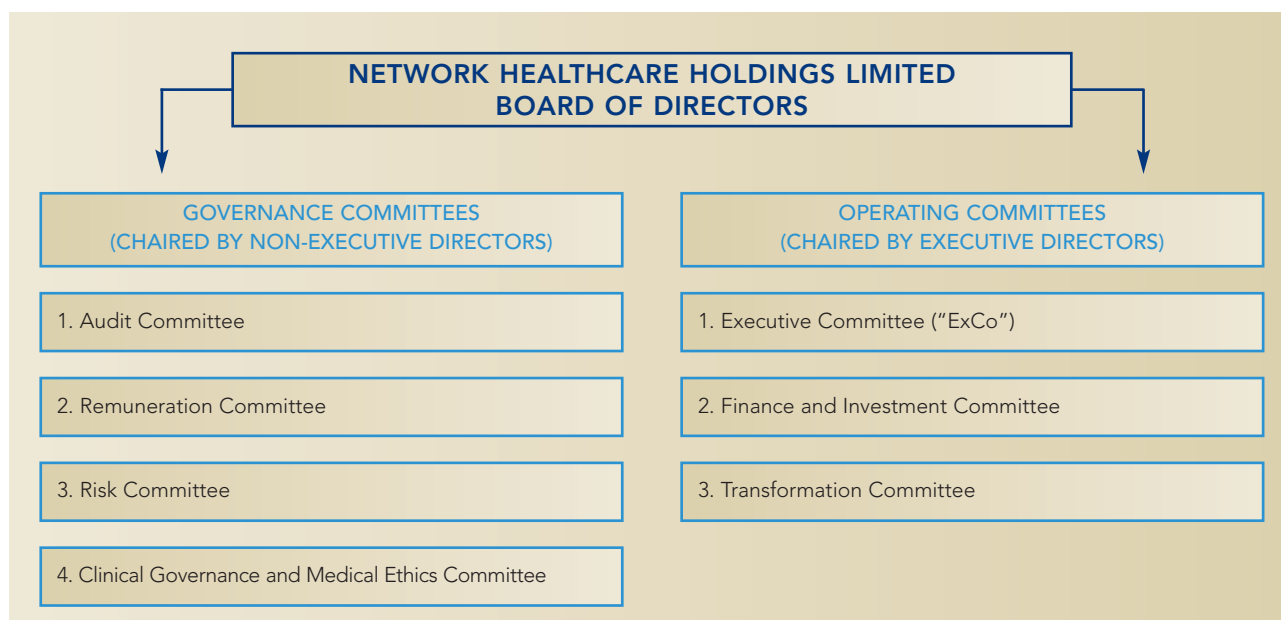
The Board currently comprises six non-executive and five executive directors.

Two of the six non-executive directors are classifiable as independent.

During the year the role of Executive Chairman was converted to a non-executive position.

A Board Charter is in place and defines the Board’s responsibilities for:

- approving corporate philosophy, vision, mission and ethical values;
- approving strategic plans, operating policies and implementing organisation structure;
- identifying appropriate performance indices;
- monitoring and evaluating performance against plans;
- ensuring compliance with relevant laws/regulations and corporate policy;
- approving internal and external communication protocols and monitoring relations with shareholders and other stakeholders;

**Note:**

1. The Company Secretary acts as secretary for the Governance Committees.
2. The Charters of the Board Risk and Board Audit Committees cater for mutual cross-representation on each committee.

- implementing risk management and internal control;
- establishing appropriate Board committees;
- selecting, monitoring, evaluation and compensation of directors;
- succession planning; and
- assessing the Board's own effectiveness.

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 re-appointment at the annual general meeting (the CEO is not required to offer himself for re-election).

The Board retains full and effective control over the organisation and decisions on material matters are reserved by the Board. The Board meets at least four times annually and more frequently if circumstances or decisions require. Standing subcommittees of the Board have been appointed, details of which are set out below, while ad hoc subcommittees are created as and when necessary.

COMMITTEES OF THE BOARD**Governance committees****Audit Committee****Members**

- HR Levin (chair)
- APH Jammine
- PG Nelson
- MI Sacks

Membership of the Audit Committee comprises three non-executive directors, including the Board Chairman, as well as the Group Chief Financial Officer. One of the non-executive directors is the chairperson of the committee.

Terms of reference

- Review of internal and external financial reporting;
- Monitoring internal control systems;
- Management of internal audit process;
- External audit scope and relationship; and
- Compliance with regulatory environment and internal policies.

For the year under review the committee satisfied all its responsibilities in compliance with its terms of reference.

Remuneration Committee

Members

- HR Levin (chair)
- APH Jammine
- MI Sacks

Membership of the Remuneration Committee comprises three non-executive directors including the Board Chairman. One of the non-executive directors is the chairperson of the committee.

Terms of reference

- Development of remuneration philosophy and strategy for the Group;
- Determination of Group policy regarding executive remuneration; and
- Determination of specific remuneration packages for executive directors and senior management.

Independent external studies and comparisons are used to ensure that remuneration is market related and is linked to both individual and company performance.

For the year under review the committee satisfied all its responsibilities in compliance with its terms of reference.

Risk Committee

Members

- JM Kahn (chair)
- Dr RH Friedland
- PG Nelson
- MI Sacks

Four directors, two of whom are executive directors, and also the Board chairman, comprise this committee. The chairperson is an independent non-executive director.

Terms of reference

- Determination of policy regarding Group Risk appetite;
- Identification and assessment of risks facing the Group according to six major categories, ie
 - regulatory
 - industry/market
 - brand/medico-legal/reputation

- competitive environment
- customer
- business model

- Development of procedures to quantify and measure risks;
- Develop risk mitigation action plans; and
- Determine nature, role, responsibility, authority and scope of risk management function in the Group.

For the year under review the committee satisfied all its responsibilities in compliance with its terms of reference.

Clinical Governance and Medical Ethics Committee

Members

- Professor MB Kistnasamy (Non-executive Director) (chair)
- Professor DJ du Plessis – ExCo member (Group Medical Director)
- Dr KN Faure (Divisional Manager)
- Dr RH Friedland (Chief Executive Officer)
- Dr VLJ Litlhakanyane (Executive Director)
- HC Mackay – ExCo member (CEO – Hospital division)
- Dr JA van Rooyen (Non-executive Director)

Terms of reference

- To evaluate the impact/effect of the Medico-Legal regulatory environment on the Netcare Group;
- Advise management on Clinical Governance and Medico-Legal matters within Netcare's business units;
- Develop and maintain the strategy for Clinical Governance throughout the Netcare Group; and
- Performance manage the effectiveness of Clinical Governance processes and structures in the Group.

Operating committees

Executive Committee ("ExCo")

Members

Directors of Network Healthcare Holdings Limited

- Dr RH Friedland (Chief Executive Officer)
- IM Davis (Group Pharmacy Director)
- Dr V Litlhakanyane (Group Partnerships and Diagnostics Director)
- PG Nelson (Chief Financial Officer)
- N Weltman (Group Funder Relations Director)



Group executives (Article 35 of the Company's Articles of Association provides for the appointment of divisional, associate and branch directors)

- I Boninelli (Group HR Director)
- E Brannigan (Group Nursing Director)
- Professor DJ du Plessis (Group Medical Director)
- K Govender (Group Marketing Director)
- T Lundin (Special Projects Director)
- HC Mackay (CEO Hospital division)
- Dr R Noach (Group Services Director)
- DD Youngleson (Group Corporate Finance and Investor Relations Director)

Terms of reference

- Strategic direction;
- Competitive landscape;
- Business philosophy and practices;
- Human resource management;
- Information systems management;
- Budget development;
- Development and monitoring of operational policies and procedures;
- Key performance indicators; and
- Performance against targets.

Transformation Committee

Members

- Dr VLJ Litlhakanyane (Executive Director) (Chair)
- I Boninelli (ExCo member)
- M Bruwer (Divisional Manager)
- Dr RH Friedland (Chief Executive Officer)
- K Govender (ExCo member)
- C Kennedy (Divisional Manager)
- K Malebana (Divisional Manager)
- M Motsoane (Divisional Manager)
- PG Nelson (Chief Financial Officer)
- N Weltman (Executive Director)
- DD Youngleson (ExCo member)

Terms of reference

- Participate in development of Healthcare BEE Charter/codes of good practice;
- Implementation of transformation strategies at Netcare;
- Review of BEE legislation/regulation; and
- Liaison with relevant stakeholders regarding BEE targets for:
 - human resource development
 - employment equity
 - procurement
 - equity ownership
 - enterprise development
 - equity and access

Finance and Investment Committee

Members

- PG Nelson (Chief Financial Officer) (Chair)
- Dr RH Friedland (Chief Executive Officer)
- MI Sacks (Non-executive Director)
- N Weltman (Executive Director)

Invitees

- V Firman (Divisional Manager)
- T Lundin (ExCo member)
- J Wolpert (Group Company Secretary)
- DD Youngleson (ExCo member)

Terms of reference

- Raising of capital and administration of banking facilities;
- Evaluation of acquisitions and capital expenditure;
- Budget parameters;
- Treasury protocol;
- Accounting policies;
- Taxation;
- Dividend policy; and
- Transaction approval frameworks.

ATTENDANCE AT BOARD/COMMITTEE MEETINGS DURING THE YEAR ENDED 30 SEPTEMBER 2005

	Board		Audit		Remuneration		Risk	
	A	B	A	B	A	B	A	B
MI Sacks	5 (Note 3)	4	3	3	2	2	2	1
IM Davis	5	4						
Dr RH Friedland	5	5					2	0
APH Jammine	5	4	3	3	2	2		
JM Kahn	5	4					2 (Note 3)	2
Professor MB Kistnasamy (Note 1)	4	3						
HR Levin	5	5	3 (Note 3)	3	2 (Note 3)	2		
Dr VLJ Litlhakanyane (Note 1)	4	4						
PG Nelson	5	5	3	3			2	2
Dr J Shevel (Note 4)	5	4					2	1
Dr JA van Rooyen	5	5						
N Weltman	5	5						
Dr RH Bush (Note 2)	4	3						
Dr I Kadish (Note 2)	4	4						
PJ Lindeque (Note 2)	4	2						

Notes:

Column A indicates the number of meetings held during the period the director was a member of the Board and/or committee

Column B indicates the number of meetings attended during the period the director was a member of the Board and/or committee

1. Appointed 1 December 2004
2. Resigned with effect from 16 September 2005
3. Committee chairperson
4. Resigned 22 November 2005



APPOINTMENT MECHANISMS

All proposed appointments are considered by the full Board of Directors.

PROFESSIONAL ADVICE

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

INSTITUTIONAL BEST PRACTICES

COMPANY SECRETARY

All directors have access to the advice and services of the Group's Company Secretary who is responsible to the Board.

The Company Secretary provides the Board as a whole and directors individually with detailed guidance as to how their responsibilities should be properly discharged in the best interests of the Company. The Company Secretary provides a central source of guidance and advice to the Board, and within the Company, on matters of ethics and good corporate governance.

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.

CLOSED PERIODS

The Company operates a closed period between its interim and year-end reporting dates and the publication of its interim and final results, and also at times cautionary notices are extant.

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.

All directors' and designated managers' share dealings require the prior approval of the Chairman or the CEO.

AUDIT AND ACCOUNTABILITY

AUDIT COMMITTEE

The Audit Committee is responsible for overseeing on behalf of the Board and reporting to the Board on the financial reporting process, the audit thereof, the internal control of the business and its review.

The Audit Committee meets formally four times per annum to consider financial reporting issues and to advise the Board on a range of matters, including corporate governance practices, internal control policies and procedures, and internal and external audit management. The external auditors attend the Audit Committee meetings and also have unrestricted access to the chairman of the Audit Committee. Fees in respect of non-audit services are reviewed by the Audit Committee.

FINANCIAL STATEMENTS

The Board is responsible for preparing the 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 financial statements in accordance with South African Auditing Standards.

The annual financial statements are prepared in terms of the Companies Act and JSE Limited listing requirements and comply with South African Statements of Generally Accepted Accounting Practice, and are based on appropriate accounting policies which have been consistently applied and are supported by reasonable and prudent judgements and estimates.

In line with the listing requirements of the JSE Limited, the Netcare Group will be adopting International Financial Reporting Standards ("IFRS") with effect from 1 October 2005.

GOING-CONCERN

The financial statements have been prepared on a going-concern basis and there is no reason to believe that the Group will not continue as a going concern in the next financial year.

INTERNAL CONTROL AND INTERNAL AUDIT

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

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.

Nothing has come to the attention of the Board of Directors to indicate that any material breakdown in the functioning of the abovementioned internal controls and systems has occurred during the year under review.

COMMUNICATION PROTOCOLS

INVESTOR RELATIONS

The Board has established an Investor relations ("IR") unit, with responsibility being delegated to a member of the Executive Committee. Strict protocols are in place to control the nature, scope and frequency of Group communications with analysts, financial institutions and the financial community in general.

The primary goals of the Netcare IR programme are:

- to ensure that the market price of the securities of the Group accurately reflects the values of the assets of that entity and the expectations of future earnings;

- to maintain access to the capital markets at all times and on the most favourable terms possible;
- to maintain the most liquid market possible for the Company's securities under all market conditions; and
- to provide management with information regarding developments in the financial markets that may be of use in formulating the Company's long- and short-term plans.

The regular activity of the investor relations unit continues to encompass regular telephonic interaction, meetings and conferences with both local and international analysts, fund managers and institutional representatives and the arrangement of periodic site visits. In addition, the Netcare IR website (www.netcareinvestor.co.za) is upgraded frequently to allow for transparent and timeous dissemination of meaningful investor information.

STAKEHOLDER COMMUNICATION

The Board considers that regular communication of the Group's activities to stakeholders is essential and endeavours to timeously present information when appropriate.

The Company adopts a proactive stance in disseminating appropriate operational information to stakeholders through print and electronic news releases and the statutory publication of the Group's financial performance.

All reports to stakeholders present a comprehensive and objective assessment of the Group so that all relevant stakeholders with legitimate interests in the Group's affairs, operations and conduct, are apprised of a complete, fair and responsible account of its performance and impact.

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.



BUSINESS RISK MANAGEMENT

RISK MANAGEMENT

The Board's risk management philosophy incorporates the necessary assurance requirements to satisfy all external stakeholders that the Board understands the business risks facing the Group and is managing them actively, whilst simultaneously integrating risk management in decision-making activity and performance.

The Board, in conjunction with senior executives, is responsible for overall risk management, which is a process of identifying and managing the risk factors across the Group, and the implementation of appropriate systems of internal control to mitigate risks to an acceptable level.

The Group has an independent risk management department which is involved in the implementation and monitoring of processes designed to incorporate a risk management philosophy into the day-to-day activities of the Group.

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

Furthermore, in the event of the occurrence of a disastrous incident, there is a documented and tested process in place that will allow the continuity of critical business processes.

SUSTAINABILITY AND SOCIO-ECONOMIC RESPONSIBILITY

BLACK ECONOMIC EMPOWERMENT

The Group, in recognising its social responsibility to the broader South African public and to the progression of the South African economy, has established a working committee to formalise its involvement in Black Economic Empowerment ("BEE").

The Netcare Group is sensitive to the socio-economic imperatives related to transformation in South Africa in general and the healthcare industry in particular. Its overall objective is to add purposefully and meaningfully to broad-based Black Economic Empowerment so as to ensure that these initiatives are in the best interests of all Netcare stakeholders.

Black Economic Empowerment receives high priority in all aspects of Netcare's business operations and several initiatives are currently in process to expand Black Economic Empowerment in procurement criteria, joint ventures and in models for equity participation.

HEALTH CHARTER/REGULATORY MATTERS

See Transformation Report on pages 58 to 65 and Chief Executive Officer's Review on pages 18 to 23.

NETCARE TRANSFORMATION COMMITTEE

See Transformation Report on pages 58 to 65.

HUMAN CAPITAL DEVELOPMENT

See Human Resources Report on pages 50 to 57.

The Group believes that the importance of the effective development of its people cannot be overemphasised and represents a key factor in Netcare's success. The human resource policies in operation are directed by a broad framework of corporate values and are driven by the need to ensure effective utilisation and investment in human resources. Merit and competence are the two criteria for advancement in the Group; however, the diversity of the cultures existing in the Group is acknowledged and appreciated. The Group continually seeks to redress historical imbalances so that all employees can compete on equal terms. The Group also operates a share incentive scheme to enable employees to participate, on merit, in the equity of the Company.

ETHICS AND CORPORATE CULTURE

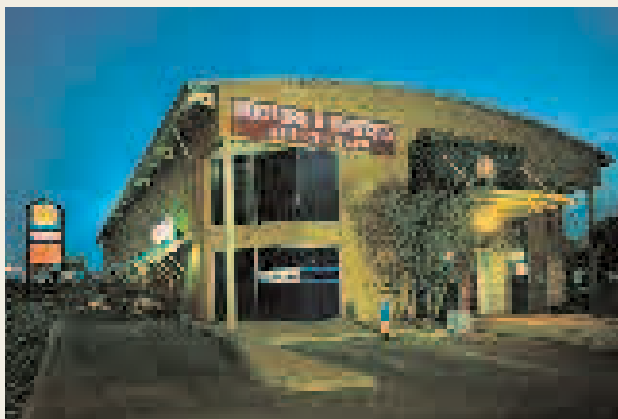
The Board ensures that Group executives and personnel uphold the highest ethical standards and nurture the appropriate culture when setting strategic goals. Furthermore, the Group practises its stated values of honesty and integrity in developing its business models. Netcare recognises that profitability is the reward for responsible risk taking.

The Netcare Group recognises that ethics in corporate governance extend beyond the letter of the law or regulation – it robustly embraces the letter and spirit of all these requirements in all aspects of its business operations so as to ensure the application of transparency, accountability and integrity in all its activities.

The Group recognises the added value from setting high standards which extend to the selection of the Group's business partners and suppliers; in any instance where ethical standards are called into question, the circumstances are investigated and, where necessary, dealt with by an appropriate executive.

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 lives we've touched



Medicross facilitated treatment of almost

3 million

GP and dental patients during FY2005



The Stork's Nest held

2 775

well baby clinics during the financial year



ENVIRONMENTAL MANAGEMENT, HEALTH AND SAFETY

In accordance with the Occupational Health and Safety Act, 1993 (Act No 85 of 1993), as amended, including the regulations, Netcare is committed to providing an occupational health and safety service for all Netcare employees that will protect and promote the health and safety of all our staff, and a safety and awareness programme that will protect the safety of our patients and members of the public entering Netcare hospitals.

In addition, the Group adopts best practice processes in the disposal of medical waste and is alert to other environmental issues relevant to the Group's business.

CORPORATE SOCIAL RESPONSIBILITY

During the year, Netcare was again successful in being included as one of the companies in South Africa to qualify for the Socially Responsible Investment ("SRI") Index launched by the JSE Limited. This confirms the Group's dedication to being a progressive South African corporate, and bears testimony to its commitment and contribution to the community and the social welfare of South Africa. The index serves to identify those companies listed on the JSE Limited that integrate principles of SRI and sustainability within their business activities. These companies are able to demonstrate compliance with a broad range of socially responsible goals.

Netcare is proud to have met the required standards and become part of the SRI Index. The support the Group provides is wide ranging with a deliberate focus on health and healthcare-related social and community undertakings. This is evident from various social responsibility initiatives which are included in the Corporate Social Responsibility Report on pages 66 to 81.

Netcare's commitment as a socially responsible South African corporate citizen is driven to ensure that the Group continues to attract and retain leading medical and healthcare professionals, as well as provide the very best in patient care and medical technology, so that all South Africans will have access to world-class, affordable and quality healthcare for generations to come. Through this, Netcare is dedicated to good corporate citizenship and will continue to focus its strategy on being an integral part of building a sustainable economy and environment that will attract meaningful investment, create sustainable employment and develop Netcare's people.

OPERATIONAL *excellence*

In line with the leadership strategy of “OPERATIONAL EXCELLENCE”, during the year the Group began the rollout of an enterprise-wide SAP IT system and piloted the implementation of a shared services platform to drive further efficiencies throughout the organisation



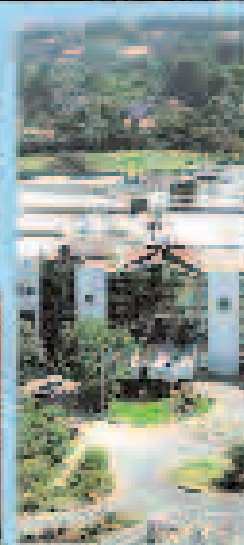
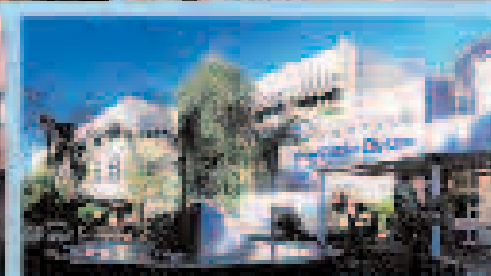
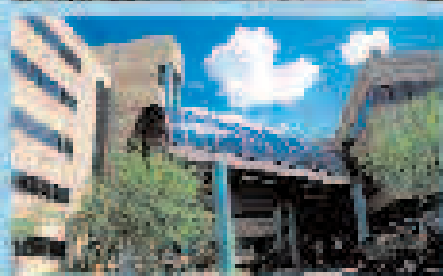
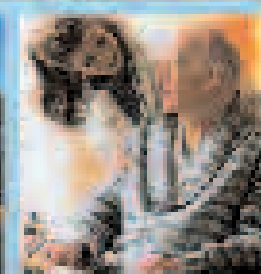
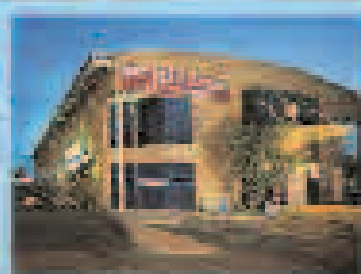
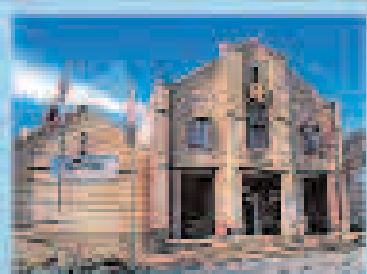
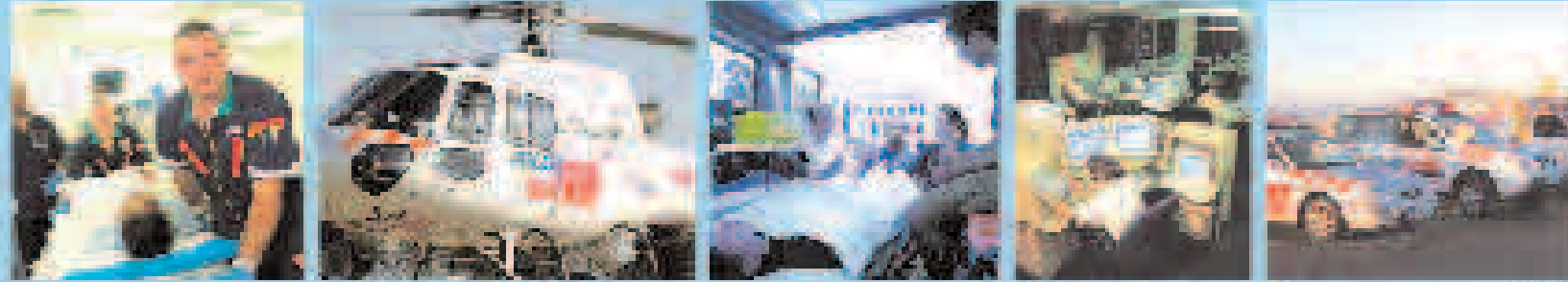


GLOSSARY OF TERMS AND ACRONYMS

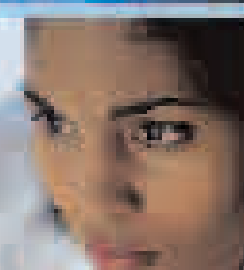
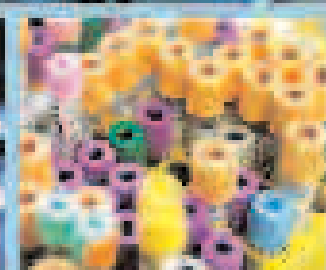
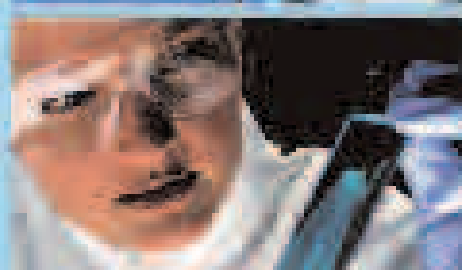
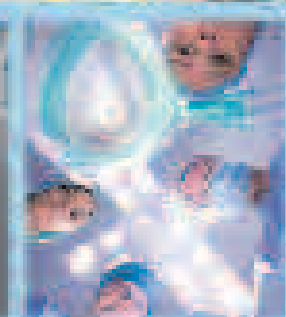
ABC	Asian, Black and Coloured	ICAS	Independent Counseling and Advisory Services
ABET	Adult Basic Education and Training	IDC	Industrial Development Corporation
ADHD	Attention Deficit Disorder	ISQua	International Society for Quality in Healthcare
AfA	Aid for AIDS	ISTC	Independent Sector Treatment Centres
AIDS	Acquired Immune Deficiency Syndrome	JSE SRI	JSE Limited Socially Responsible Investment Index
ART	Anti-retroviral Therapy	King II	King Report on Corporate Governance for South Africa 2002
BBBEE	Broad-based Black Economic Empowerment	KPI	Key Performance Indicator
BEE	Black Economic Empowerment	MCT	The Mother and Child Trust
CHG	Community Hospital Group (Pty) Limited	NHPRL	National Health Reference Price List
CHH	Community Healthcare Holdings Limited	NHS	National Health Service, United Kingdom
CHM	Community Hospital Management Limited	NMS	Netcare Medical Scheme
CME	Continuing Medical Education	NQF	National Qualifications Framework
CMS	Council for Medical Schemes	NRC	National Renal Care (Pty) Limited
CSI	Corporate Social Investment	NTA	Netcare Training Academy
DoH	Department of Health, South Africa	PCT	The Patient Care and Passionate People Trust
DRG	Diagnosis Related Groups	PDI	Previously Disadvantaged Individual
DTI	Department of Trade and Industry, South Africa	PEPFAR	Presidential Emergency Programme for Aids Relief
EAP	Employee Assistance Programme	PIC	Public Investment Corporation
EE	Employment Equity	PPD	Per Patient Day
FSDH	Free State Department of Health	PPE	Personal Protective Equipment
FY	Financial Year (1 October to 30 September)	PPI	Public-Private Initiative
GEMS	Government Employee Medical Scheme	PPP	Public-Private Partnership
GMS	Group Management Services	PPT	The Physician Partnerships Trust
GRI	Global Reporting Initiative	SAMDP	South African Medical and Dental Practitioners
HDC	Historically Disadvantaged Community	SAPS	South African Police Service
HDI	Historically Disadvantaged Individual	SEP	Single Exit Price
HDSA	Historically Disadvantaged South African	SLA	Service Level Agreement
HEMS	Helicopter Emergency Medical Services	SMME	Small, medium and micro-enterprises
HIV	Human Immuno-deficiency Virus	UCT	University of Cape Town
HLT	The Healthy Lifestyle Trust	UK	United Kingdom
HMO	Healthcare Management Organisation	USA	United States of America
HPCSA	Health Professionals Council of South Africa	WSPCCA	Walter Sisulu Paediatric Cardiac Centre for Africa
HPFL	Health Partners for Life		
HQS	Health Quality Service		
IAG	International Assistance Group		

FINANCIAL DEFINITIONS

Attributable cash flow per share	Net cash from operating activities divided by the weighted average number of shares in issue during the year. Net cash from operating activities excluded capital distributions paid and included interest received in the 2004 Annual Report.	Effective tax rate	Taxation expressed as a percentage of headline net income before tax.
Capital employed	Total shareholders' equity and net interest-bearing debt.	FY2005	Financial year ended 30 September 2005.
Cash equivalent earnings	This comprises the earnings attributable to ordinary shareholders after adjusting for attributable non-cash charges and credits, including equity accounted earnings divided by the weighted average number of shares in issue during the year.	Headline earnings	This comprises the earnings attributable to ordinary shareholders after adjusting for profits and losses on items of a capital nature in accordance with the guidelines set out in Circular 7/2002.
Cash realisation rate	This is the rate at which cash equivalent earnings are actually realised and is derived by dividing cash flow per share by cash equivalent earnings per share.	Interest cover	Operating profit divided by net finance charges.
CFROI®	This is the HOLT method of cash flow return on investment used to monitor performances. CFROI® is a registered trademark in the United States of Credit Suisse First Boston or its subsidiaries or affiliates.	NACM	NACM represents an interest rate expressed as "nominal annual compounded monthly".
Compound annual growth rate (CAGR)	This is the year-over-year growth rate applied to an investment or other part of the Company's activities over a multiple-year period.	Netcare	Network Healthcare Holdings Limited.
Debt: equity ratio	Net interest-bearing debt to total shareholders' equity.	Netcare Group or "the Group"	Network Healthcare Holdings Limited and its subsidiaries, contracted entities, associates and incorporated joint ventures.
Earnings per share	Earnings attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year.	Net interest-bearing debt	Debt net of cash and cash equivalents.
Earnings yield	Headline earnings per share divided by the closing share price on the JSE.	Operating profit return on net assets	Operating profit and pre-tax income from associates divided by average capital employed.
EBIT	Earnings before interest and taxation, excluding attributable earnings of associates.	Ordinary shareholders' equity	Issued share capital, share premium treasury shares and reserves.
EBITDA	Earnings before interest, taxation, depreciation and amortisation, excluding attributable earnings of associates.	Price earnings ratio	The closing share price on the JSE divided by the headline earnings per share.
		Return on ordinary shareholders' equity	Headline earnings attributable to ordinary shareholders divided by average ordinary shareholders' equity.
		Total shareholders' equity	Ordinary shareholders' equity and minority interest.



Netcare invests in people, infrastructure and technology while establishing lasting partnerships with healthcare professionals, both locally and globally.





INDEX TO THE

Annual financial statements

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DIRECTORS' APPROVAL

OF THE ANNUAL FINANCIAL STATEMENTS for the year ended 30 September 2005

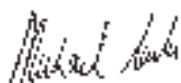
The directors of Network Healthcare Holdings Limited are responsible for the preparation and integrity of the annual financial statements of the Company and the Group. The Group's external auditors are engaged to express an independent opinion on these annual financial statements.

In order to fulfil this responsibility, the Group maintains internal accounting and administrative control systems designed to provide reasonable assurance that assets are safeguarded and that transactions are executed and recorded in accordance with the Group's policies and procedures.

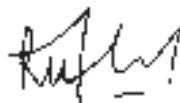
The directors are satisfied that such accounting and administrative control systems have been maintained during the year.

The annual financial statements are prepared on a going-concern basis and in accordance with South African Statements of Generally Accepted Accounting Practice. These financial statements are examined by our auditors in conformity with Statements of South African Auditing Standards.

The annual financial statements were approved by the Board of Directors on 14 November 2005 and are signed on their behalf by:



Michael I Sacks
Chairman



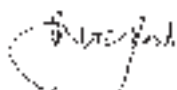
Dr Richard Friedland
Chief Executive Officer

Sandton

CERTIFICATE BY COMPANY SECRETARY

for the year ended 30 September 2005

I hereby certify that to the best of my knowledge, in accordance with section 268 (G) (d) of the Companies Act 1973, as amended, the Company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Act and that such returns are true, correct and up to date.



J Wolpert CA(SA), FCMA, FCIS
Company Secretary

Sandton

14 November 2005

REPORT OF THE INDEPENDENT AUDITORS



To the shareholders of
NETWORK HEALTHCARE HOLDINGS LIMITED

We have audited the annual financial statements and Group annual financial statements of Network Healthcare Holdings Limited set out on pages 100 to 144 for the year ended 30 September 2005. These annual financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these annual financial statements based on our audit.

SCOPE

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

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

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

AUDIT OPINION

In our opinion, the annual financial statements fairly present, in all material respects, the financial position of the Company and the Group at 30 September 2005 and the results of their operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice and in the manner required by the Companies Act in South Africa.

PKF

PKF (Jhb) Inc
Chartered Accountants (SA)
Registered Accountants and Auditors
Registration number 1994/001166/21

Sandton
14 November 2005

Grant Thornton
Chartered Accountants (SA)
Registered Accountants and Auditors

DIRECTORS' REPORT

for the year ended 30 September 2005

Your directors have pleasure in presenting their report on the activities of the Company and of the Group for the year ended 30 September 2005.

NATURE OF BUSINESS

Netcare is an investment holding Company and through its subsidiaries carries on the business as South Africa's largest surgical and medical private hospital group, providing an extensive range of general and specialised medical care services throughout the country.

FINANCIAL RESULTS

The results of the Group's operations for the year are set out in the income statement on page 109.

SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The following were acquired during the year:

- 80% of the interests in Alberlito Hospital Properties (Proprietary) Limited in Ballito.
- 25% of the interests of Community Hospital Management Limited.
- 45% of the interests in KOPM Investment Holdings (Proprietary) Limited. KOPM owns 100% of Lesedi Hospital.
- 50% of the interests in Novacell Technology (Proprietary) Limited.
- 100% of the interests in Samber Trading (Proprietary) Limited.
- 100% of the assets of Wierda Park Clinic in Pretoria.

The following associate was formed during the year:

- Healthshare Health Solutions (Proprietary) Limited (45%).

The impact of these acquisitions on the results for the period under review are immaterial.

Details of interests in subsidiaries, associates and joint ventures are shown on pages 140 to 144.

Aggregate profits and losses of subsidiaries, associates and joint venture interests

The aggregate profits and losses of the subsidiaries, associates and joint ventures attributable to the holding Company are:

	2005 Rm	2004 Rm
Profits after taxation	906,3	726,8
Losses	(87,9)	(75,0)
Holding company	818,4 (22,0)	651,8 (21,0)
Net	796,4	630,8

Special resolutions adopted by subsidiary companies

The statutory information relating to special resolutions passed by subsidiary companies is available from the registered office on request.

SHARE CAPITAL

Authorised and issued

Details of the authorised and issued share capital of the Company are reflected in note 10 to the annual financial statements.

Issued during the year

26 982 746 (2004: 41 480 968) ordinary shares were issued as follows:

Details	Date	Number of shares	Issue price R
2005			
Share Incentive Scheme	Various	26 982 746	1,65

The total amount of share premium arising from the 2005 share issues was R44,2 million.

Details	Date	Number of shares	Issue price R
2004			
Share Incentive Scheme	Various	41 480 968	1,51

The total amount of share premium arising from the 2004 share issues was R62,1 million.



ACQUISITION OF THE COMPANY'S OWN SHARES

Treasury shares acquired

Pursuant to a special resolution passed on 23 January 2004, which granted a general authority to enable the acquisition of the Company's own shares, a subsidiary company acquired 6,2 million (2004: 51,4 million) ordinary shares at an effective cost of R32,2 million (2004: R236,8 million).

Authority

In terms of the Company's Articles of Association, members will be requested to consider resolutions at the annual general meeting giving the directors general authority to permit the Company or a subsidiary of the Company to acquire its own shares.

DIRECTORATE

Changes in the Board of Directors are reflected hereunder.

Resigned

Messrs RH Bush, I Kadish and PJ Lindeque resigned as executive directors with effect from 16 September 2005.

Appointed

Prof MB Kistnasamy and Dr VLJ Litlhakanyane were appointed as directors with effect from 1 December 2004.

Change in status

On 1 March 2005 the post of Executive Chairman occupied by MI Sacks, was changed to Non-executive Chairman. On 31 August 2005 Dr J Shevel retired as Chief Executive Officer and became a non-executive director with effect from 1 September 2005.

Retiring directors

Messrs JM Kahn, HR Levin, MI Sacks and JA van Rooyen retire in accordance with the Company's Articles of Association at the annual general meeting to be held on 27 January 2006, but offer themselves for re-election.

INTERESTS OF DIRECTORS

Director holding in excess of 1% in Netcare is: Mr MI Sacks 2,23% (2004: 3,83%). The calculation of directors holdings is based on 1 446 178 522 (2004: 1 425 837 976) shares in issue, after deducting treasury shares.

Network Healthcare Holdings Limited holds 46,34% (2004: 48,40%) of Netpartner Investments Limited, which in turn holds 340,4 million (2004: 125,2 million) shares in Network Healthcare Holdings Limited.

The beneficial and non-beneficial interests of the directors of Netcare in Netcare shares were as follows:

Name of director	Beneficial number of shares		Non-beneficial number of shares		Indirect interest via Netpartner	Total number of shares held	% of issued share capital
	Direct	Indirect	Direct	Indirect			
2005							
<i>Executive directors</i>							
IM Davis	5 272 773	1 613 750			588 030	7 474 553	0,52
Dr RH Friedland	4 627 332	1 613 750			294 015	6 535 097	0,45
Dr VLJ Litlhakanyane					235 212	235 212	0,02
PG Nelson	10 000					10 000	
N Weltman	3 000 000				294 015	3 294 015	0,23
<i>Non-executive directors</i>							
HR Levin	10 937 974					10 937 974	0,76
JA van Rooyen	10 000				176 408	186 408	0,01
MI Sacks	4 300 000	1 613 750		23 719 214	2 646 133	32 279 097	2,23
Dr J Shevel		1 613 750			3 528 177	5 141 927	0,36
Total	28 158 079	6 455 000		23 719 214	7 761 990	66 094 283	4,58

DIRECTORS' REPORT (continued)

for the year ended 30 September 2005

INTERESTS OF DIRECTORS (continued)

Name of director	Beneficial number of shares		Non-beneficial number of shares		Indirect interest via Netpartner	Total number of shares held	% of issued share capital
	Direct	Indirect	Direct	Indirect			
2004							
<i>Executive directors</i>							
Dr RH Bush	3 014 082				27 607	3 041 689	0,21
IM Davis	4 672 773	1 613 750			276 070	6 562 593	0,46
Dr I Kadish	1 204 392				55 214	1 259 606	0,09
Dr RH Friedland	4 587 332	1 613 750			138 033	6 339 115	0,44
MI Sacks	5 400 000	1 613 750		46 291 400	1 242 300	54 547 450	3,83
Dr J Shevel	3 420 000	1 613 750		87 370 394	1 656 400	94 060 544	6,60
PJ Lindeque				2 101 830	27 607	2 129 437	0,15
N Weltman	3 250 000				138 033	3 388 033	0,24
<i>Non-executive directors</i>							
HR Levin	10 937 974					10 937 974	0,77
JA van Rooyen	114 372				82 820	197 192	0,01
Total	36 600 925	6 455 000		135 763 624	3 644 084	182 463 633	12,80

DIRECTORS' SHARE OPTIONS

The following share options were held by the directors at 30 September 2005:

	Share options at 30 September 2004		Share options granted during the year	Share options exercised during the year	Share options at 30 September 2005
	Exercise price (cents)	Number			
IM Davis	62	700 000		700 000	
	265	600 000		300 000	300 000
	436	200 000			200 000
Dr RH Friedland	100	40 000		40 000	
	62	1 600 000			1 600 000
	265	900 000			900 000
Dr VLJ Litlhakanyane	436	150 000			150 000
	436	250 000	250 000		250 000
	436	250 000			250 000
PG Nelson	62	800 000		800 000	
	265	1 500 000		1 500 000	
	62	800 000		800 000	
Dr J Shevel	265	600 000		600 000	
	436	200 000		200 000	
	62	400 000		400 000	
N Weltman	265	300 000		150 000	150 000
	436	100 000			100 000
	436	100 000			100 000
Total		9 140 000	250 000	5 490 000	3 900 000



DIRECTORS' SHARE OPTIONS (continued)

- The share option exercise terms are detailed on pages 106 and 107.
- Messrs RH Bush, I Kadish and PJ Lindeque resigned as executive directors with effect from 16 September 2005. Their details are as follows:

	Share options at 30 September 2004		Share options exercised during the year			Share options at 30 September 2005
	Number	Exercise price (cents)	Number	Market price at exercise date (cents)	Benefits arising on exercise of options (R)	
Dr RH Bush	400 000	62	400 000	606	2 176 000	Not applicable at 30 September 2005 – resigned as director on 16 September 2005
	200 000	265	100 000	606	341 000	
	50 000	436				
Dr I Kadish	40 000	100	40 000	513	165 200	Not applicable at 30 September 2005 – resigned as director on 16 September 2005
	1 400 000	62	250 000	513	1 127 500	
			500 000	606	2 720 000	
	750 000	265				
	100 000	436				
PJ Lindeque	50 000	62	50 000	645	291 500	Not applicable at 30 September 2005 – resigned as director on 16 September 2005
	200 000	265	100 000	645	380 000	
	75 000	436				
	3 265 000		1 440 000		7 201 200	

DIRECTORS' EMOLUMENTS – BENEFITS ON SHARE OPTIONS EXERCISED

The following are the gains on share options exercised by directors:

	Share options exercised during the year		2005	2004
	Exercise price (cents)	Number	Market price at exercise date (cents)	Benefits arising on exercise of options (R)
IM Davis	100			128 400
	62	700 000	606	3 808 000
	265	300 000	606	1 023 000
Dr RH Friedland	100	40 000	606	202 400
	62			3 225 600
	265			1 470 000
MI Sacks	100			714 000
	62	800 000	510	3 584 000
	265	1 500 000	510	3 675 000
Dr J Shevel	100			411 600
	62	800 000	606	4 352 000
	265	600 000	606	2 046 000
	436	200 000	606	340 000
N Weltman	100			138 800
	62	400 000	606	2 176 000
	265	150 000	606	511 500
		5 490 000		21 717 900
				22 562 400

DIRECTORS' REPORT (continued)

for the year ended 30 September 2005

LEVERAGED EXECUTIVE BONUS SCHEME

During the year, the Company introduced a Leveraged Executive Bonus Scheme ("the Scheme") designed to align the interests of selected executives with shareholders, as well as to promote superior performance and increase the retention of those executives who are regarded as key to the future growth of Netcare and who need to be retained and rewarded for innovation and value creation, and to counter the increasing competitiveness and skill shortages in the market. The Scheme is designed with these objectives in mind, as all these factors are critical to the future profitability and success of Netcare.

The Scheme consists of three elements:

- The first element of the Scheme comprises a cash settled phantom share ("the bonus phantom shares") in terms of which the Company agrees to pay a participating executive a bonus equal to the amount determined by multiplying the number of agreed bonus phantom shares by the increase in the 10-day volume weighted average price ("VWAP") of the Netcare share over a minimum future Netcare share price ("the strike price"). The strike price takes into account a minimum return over and above inflation and accordingly includes a suitable "stretch" for executives. The amount is paid at an agreed future date ("the vesting date") and is subject to the condition that the executive is in the employment of Netcare (or any of its subsidiary or associated companies) on that date or, if no longer employed, at the sole discretion of the directors of Netcare.
- The second element of the Scheme makes provision for executives to purchase additional call options ("the call options/options") on Netcare shares from an approved and registered financial institution in their personal capacity. The call options were priced and offered to the executives on market-related terms. These options have vesting periods similar to the vesting periods envisaged by the overall Scheme and are based on the same strike prices.
- The third element of the Scheme comprises a mechanism in terms of which Netcare allocated additional cash settled phantom shares ("matching phantom shares") to an executive, if the executive purchased the options described above. The bonus amount on the matching phantom shares is the amount determined by multiplying the number of matching phantom shares by the increase over the strike price as set out above. The amount to be paid in terms of the matching phantom shares will be paid at an agreed future date and is subject to the condition that the executive is in the employ of Netcare (or any of its subsidiary or associated companies) on that date or, if no longer employed, at the sole discretion of the directors of Netcare. This "leverage" facility was offered on the basis that Netcare believes it beneficial for executives to have, and to demonstrate, a long-term commitment to the Company.

Bonus phantom shares and matching phantom shares do not carry any rights to dividends or capital distributions. In no instance will the application of the requirements of the above elements require the issue of new ordinary shares by Netcare. Bonus obligations in terms of the bonus phantom shares and the matching phantom shares have been hedged with/ceded to a financial institution and accordingly the bonus liability for directors has been settled by the Company. Therefore no further liability falls on Netcare.

Bonus and matching phantom shares – Company purchased

On 24 February 2005, the Company purchased European-styled call options to acquire Netcare shares and simultaneously ceded these options to directors as set out below:

	30 November 2005	31 May 2006	30 November 2006	31 May 2007	Total number of options
Dr RH Bush (resigned 16 September 2005)	264 746	226 925	134 780	123 549	750 000
IM Davis	264 746	226 925	134 780	123 549	750 000
Dr RH Friedland	264 746	226 925	134 780	123 549	750 000
Dr I Kadish (resigned 16 September 2005)	264 746	226 925	134 780	123 549	750 000
PJ Lindeque (resigned 16 September 2005)	176 497	151 284	89 854	82 365	500 000
Dr VLJ Lithakanyane	211 797	181 540	107 824	98 839	600 000
PG Nelson	264 746	226 925	134 780	123 549	750 000
Dr J Shevel	264 746	226 925	134 780	123 549	750 000
N Weltman	264 746	226 925	134 780	123 549	750 000
Total	2 241 516	1 921 299	1 141 138	1 046 047	6 350 000



LEVERAGED EXECUTIVE BONUS SCHEME (continued)

Independently owned call options – privately purchased by directors

On 24 February 2005, the undermentioned directors purchased European-styled call options to acquire Netcare shares in their personal capacities at a total cost to those directors of R629 800:

	30 November 2005	31 May 2006	30 November 2006	31 May 2007	Total number of options
Dr RH Bush (resigned 16 September 2005)	52 949	45 385	26 956	24 710	150 000
IM Davis	52 949	45 385	26 956	24 710	150 000
Dr RH Friedland	52 949	45 385	26 956	24 710	150 000
Dr I Kadish (resigned 16 September 2005)	52 949	45 385	26 956	24 710	150 000
PJ Lindeque (resigned 16 September 2005)	35 299	30 257	17 971	16 473	100 000
PG Nelson	52 949	45 385	26 956	24 710	150 000
Dr J Shevel	52 949	45 385	26 956	24 710	150 000
N Weltman	52 949	45 385	26 956	24 710	150 000
Total	405 942	347 952	206 663	189 443	1 150 000

The strike price on the above options is as follows:

	Strike price R
30 November 2005	5,67
31 May 2006	5,92
30 November 2006	6,18
31 May 2007	6,44

DIRECTORS' EMOLUMENTS

Emoluments paid to directors of the Company by the Company and its subsidiaries (excluding gains on share options exercised reflected on page 103) for the year to 30 September 2005, are set out below:

Executive directors (R000)	Salary	Retirement contri- bution	Perfor- mance bonus	Other allowances	2005	2004
Dr RH Bush (resigned 16 September 2005)	1 738	112	400	97	2 347	1 533
IM Davis	1 766	119	669	74	2 628	1 680
SR Favish (resigned 2 August 2004)						2 378
Dr RH Friedland	2 245	175	550	11	2 981	2 000
Dr I Kadish (resigned 16 September 2005)	1 290	108	400	195	1 993	1 546
PJ Lindeque (resigned 16 September 2005)	882	75	495	91	1 543	1 167
Dr VLJ Litlhakanyane (appointed 1 December 2004)	704	60		178	942	
PG Nelson	1 288	109	100	183	1 680	124
Dr C Rossolimos (resigned 30 September 2004)						5 237
MI Sacks (executive until 1 March 2005)	719	61	2 500	4	3 284	1 867
Dr J Shevel (executive until 1 September 2005)	2 717		750	11	3 478	2 115
N Weltman	1 051	94	400	113	1 658	1 491
Total	14 400	913	6 264	957	22 534	21 138

DIRECTORS' REPORT (continued)

for the year ended 30 September 2005

DIRECTORS' EMOLUMENTS (continued)

Non-executive directors (R000)	Consulting fees	Fees for services as directors	Total 2005	Fees for services as directors 2004
Dr APH Jammie		130	130	109
JM Kahn		116	116	94
Prof MB Kistnasamy (appointed 1 December 2004)		75	75	
HR Levin		150	150	109
MI Sacks (non-executive from 1 March 2005)	467		467	
JA van Rooyen		90	90	79
Total	467	561	1 028	391

CONTRACTS

The following directors are restrained from competing with the Group and have entered into service agreements with the Company for periods as indicated: IM Davis (six months), Dr J Shevel (five years and six months) and N Weltman (six months).

COMPANY SECRETARY

The office of Company Secretary was held by J Wolpert during the period under review. The Secretary's business, postal and e-mail addresses are as follows:

Business address

76 Maude Street
Sandton 2196

Postal address

Private Bag X34
Benmore 2010

E-mail address

Joel.Wolpert@netcare.co.za

CAPITAL DISTRIBUTIONS

Details of the capital distributions for the year are:

	2005 Rm	2004 Rm
Interim distribution of 10,0 cents (2004: 7,5 cents) per share paid on 18 July 2005	144,1	108,5
Final distribution of 15,0 cents (2004: 11,5 cents) per share payable on 23 January 2006	216,9	163,7
	361,0	272,2

Capital distributions are accounted for on the date of declaration. As a result, the final capital distribution of 15,0 cents per share is not reflected in the financial statements for the year ended 30 September 2005.

SHARE INCENTIVE SCHEME

The Network Healthcare Holdings Limited Share Incentive Scheme (1996)

The Network Healthcare Holdings Limited Share Incentive Scheme (1996) was adopted on 7 November 1996. The purpose of the scheme is to facilitate the acquisition of shares in the Company by the Group's employees, including executive directors. Pursuant to the rules of the scheme, options granted to acquire shares in the Company are releasable to beneficiaries in five equal annual tranches commencing on the second anniversary of an option offer date. Options expire seven years after the offer date. In terms of the rules of the option scheme, all share options are granted at the closing market price of the Company's shares on the JSE Limited on the trading day immediately preceding the day on which the relevant options are granted.



SHARE INCENTIVE SCHEME (continued)

At 30 September 2005 there were 42,1 million unexercised options which had been awarded in terms of this scheme.

Information regarding options granted to the directors under the scheme is reflected on page 102 of the report.

The scheme did not hold any shares in the Company at 30 September 2005.

The Network Healthcare Holdings Limited Share Incentive Scheme (2005)

The abovementioned option scheme was amended by the Network Healthcare Holding Limited Share Incentive Scheme (2005) which was adopted on 26 September 2005.

The amendments to the scheme have been consolidated into one document.

The purpose of the amendment was to cater for, inter alia, the offer for sale of shares to increase the number of shares which may be offered to participants, the simplification of certain structures (including the removal of switching mechanisms, deferred sales and combined options/deferred sales) and certain of the developments in the law regarding share incentive schemes in South Africa.

Participants in the amended scheme may be officers or other employees of the Group, including, but not limited to, executive directors, selected by the Board. Participants may be offered the opportunity to acquire shares in terms of the offer to purchase scheme and the option scheme. In terms of the rules of the scheme, all offers are granted at the closing market price of the Company's shares on the JSE Limited on the trading day immediately preceding the day on which relevant options are granted. Vesting of shares takes place in equal annual tranches of 20% over a five-year period commencing two years after the acceptance date.

The rules of the scheme provide that the aggregate number of scheme shares and options is limited to 213 510 858. As at 30 September 2005, no options/offers to purchase shares had been awarded.

The scheme did not hold any shares in the Company at 30 September 2005.

LITIGATION

There is no material outstanding litigation in the Group.

EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to year-end, the Group is currently implementing the Health Partners for Life ("HPFL") deal, a Black Economic Empowerment ("BEE") transaction which entails the facilitation of an investment by a broad grouping of historically disadvantaged individuals in Netcare's equity.

The implementation of the HPFL transaction will not have a material effect on dividends or capital distributions per share until the funding obligations have been fully settled.

Upon adopting International Financial Reporting Standard 2 – Share-based payments ("IFRS2"), which is compulsory and will be introduced for the year ending 30 September 2006, the HPFL shares:

- relating to the trust units in respect of The Patient Care and Passionate People Trust, will be valued at the date that benefits are granted to the participants and this amount will be expensed in the Group's income statement over the qualification period;
- relating to the trust units in respect of The Physician Partnerships Trust, The Healthy Lifestyle Trust and The Mother & Child Trust, which have been allocated to specific beneficiaries, will be valued and this entire amount, representing the cost of the BEE credentials, will be expensed in the Group's income statement at the effective date.

Netcare estimates that the impact of the transaction upon the adoption of IFRS2 will result in an expense of R93 million in the income statement for the year ending 30 September 2006. The expense has been calculated in accordance with the guidelines set out in IFRS2 based on an independent valuation of the various trust units performed by Deloitte.

The application of IFRS2 to BEE transactions is subject to ongoing debate, both in South Africa and internationally. The outcome of these discussions may have an impact on the accounting treatment described above and, if material, shareholders will be duly advised.

The directors are not aware of any matter circumstance, other than that mentioned above, occurring between the balance sheet date and the date of this report that materially affects or the results of the Group for the year ended 30 September 2005 or the financial position at that date.

BALANCE SHEETS

as at 30 September 2005

	Notes	Group		Company	
		2005 Rm	2004* Rm	2005 Rm	2004 Rm
ASSETS					
Non-current assets					
Property, plant and equipment	2	3 108,7	2 880,0		
Goodwill and development expenditure	3	350,4	227,2		
Subsidiaries	4			596,1	1 027,8
Investment in associated companies	5	728,4	539,2		
Investments and loans	6	74,5	48,8	559,1	296,1
Deferred taxation	14	18,7	42,7		
Total non-current assets		4 280,7	3 737,9	1 155,2	1 323,9
Current assets					
Investments and loans	6	75,8	93,3	49,9	19,4
Inventories	7	274,6	241,6		
Accounts receivable	8	1 348,2	1 278,1		0,1
Cash and cash equivalents	9	292,9	145,5	3,0	2,2
Total current assets		1 991,5	1 758,5	52,9	21,7
Total assets		6 272,2	5 496,4	1 208,1	1 345,6
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital and premium	10	597,2	860,8	488,7	809,1
Treasury shares	10	(897,5)	(865,3)		
Reserves	11	3 642,6	2 726,3	671,9	515,9
Ordinary shareholders' equity		3 342,3	2 721,8	1 160,6	1 325,0
Minority interest		75,8	74,2		
Total shareholders' equity		3 418,1	2 796,0	1,160,6	1 325,0
Non-current liabilities					
Interest-bearing debt	12	492,9	792,5		
Deferred lease liability	13	159,5	152,9		
Deferred taxation	14	61,8	202,9	40,1	7,1
Total non-current liabilities		714,2	1 148,3	40,1	7,1
Current liabilities					
Accounts payable	15	1 152,0	880,2	4,3	2,9
Provisions	16	65,4	55,1		
Short-term interest-bearing debt	12	913,4	559,6		
Taxation payable		9,1	57,2	1,1	6,9
Bank overdrafts	9			2,0	3,7
Total current liabilities		2 139,9	1 552,1	7,4	13,5
Total equity and liabilities		6 272,2	5 496,4	1 208,1	1 345,6
Ordinary shareholders' equity per share (cents)		231,1	190,9		

* Restated (refer to note 27)

INCOME STATEMENTS

for the year ended 30 September 2005



	Notes	Group		Company	
		2005 Rm	2004* Rm	2005 Rm	2004 Rm
Revenue	17	7 533,7	6 852,5		
Net operating (costs)/income before depreciation and amortisation	18	(6 092,4)	(5 616,7)	14,8	5,0
Operating profit before depreciation and amortisation (EBITDA)		1 441,3	1 235,8	14,8	5,0
Depreciation and amortisation	19	(251,6)	(214,8)		
Operating profit before abnormal items		1 189,7	1 021,0	14,8	5,0
Abnormal items	19	(3,5)	(56,6)		
Operating profit (EBIT)	19	1 186,2	964,4	14,8	5,0
Interest received		46,5	80,2	27,1	24,6
Interest paid		(176,0)	(199,3)		
Profit before taxation		1 056,7	845,3	41,9	29,6
Taxation	20	(299,5)	(215,8)	(19,9)	(8,6)
Profit after taxation		757,2	629,5	22,0	21,0
Attributable earnings of associates		62,9	24,7		
Profit after taxation including associates		820,1	654,2	22,0	21,0
Minority interest		(1,7)	(2,4)		
Earnings attributable to ordinary shareholders		818,4	651,8	22,0	21,0
Earnings per share (cents)					
Attributable earnings	21.1	57,2	44,0		
Fully diluted attributable earnings	21.3	55,5	42,3		

* Restated (refer to note 27)

CASH FLOW STATEMENTS

for the year ended 30 September 2005

		Group		Company	
	Notes	2005 Rm	2004 Rm	2005 Rm	2004 Rm
Cash received from customers	22.1	7 462,7	6 734,3	1,3	18,6
Cash paid to suppliers and employees	22.2	(5 842,8)	(5 631,7)	(2,8)	(0,9)
Cash generated from/(utilised in) operating activities		1 619,9	1 102,6	(1,5)	17,7
Interest paid		(176,0)	(199,3)		
Taxation paid	22.3	(465,7)	(357,6)	(15,6)	
Capital distributions paid		(307,8)	(245,6)	(364,6)	(273,8)
Net cash from operating activities		670,4	300,1	(381,7)	(256,1)
Cash flows from investing activities		(612,9)	(699,9)	(91,7)	24,6
Investment to maintain operations	22.4	(187,4)	(136,0)		
Investment to expand operations	22.5	(472,3)	(387,6)	(129,8)	
Proceeds from sale of non-current assets	22.6	40,3		11,0	
Interest received		46,5	80,2	27,1	24,6
Net investment in businesses	22.7	(7,8)	(19,7)		
Share buyback		(32,2)	(236,8)		
Cash flows from financing activities		89,9	108,4	475,9	99,0
Net equity movements	22.8	35,8	97,7	44,2	61,5
Long-term liabilities repaid		(299,7)	(129,0)		
Short-term liabilities raised		353,8	139,7		
Movement in subsidiary companies' loans				431,7	37,5
Net cash generated/(utilised)		147,4	(291,4)	2,5	(132,5)
Net cash resources assumed on acquisition of businesses			(5,1)		
Net increase/(decrease) in cash and cash equivalents		147,4	(296,5)	2,5	(132,5)
Cash and cash equivalents at beginning of year		145,5	442,0	(1,5)	131,0
Cash and cash equivalents at end of year	9	292,9	145,5	1,0	(1,5)



STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

for the year ended 30 September 2005

	Share capital Rm	Share premium Rm	Treasury shares Rm	Non-distributable reserves Rm	Distributable reserves Rm	Total Rm
GROUP						
Balance at 1 October 2003						
– As previously reported	16,4	1 028,5	(143,2)	164,2	1 901,5	2 967,4
– Prior year adjustment (note 27)					(100,4)	(100,4)
Restated balance at 1 October 2003	16,4	1 028,5	(143,2)	164,2	1 801,1	2 867,0
Foreign currency translation reserve				(3,8)		(3,8)
Transfer to non-distributable reserves				0,7	(0,7)	
Fair value surplus on investments net of tax R21,7 million				71,3		71,3
Income from Netcare Trust financial asset net of tax of R18,6 million					43,3	43,3
Contingency reserve				(1,6)		(1,6)
Earnings attributable to ordinary shareholders					651,8	651,8
Issue of shares	0,4	62,1				62,5
Share buyback			(236,8)			(236,8)
Treasury shares acquired on unwinding of Netcare Trust financial asset			(485,3)			(485,3)
Share issue and listing expenses		(1,0)				(1,0)
Capital distributions		(245,6)				(245,6)
Restated balance at 30 September 2004	16,8	844,0	(865,3)	230,8	2 495,5	2 721,8
Negative goodwill derecognised					116,6	116,6
Foreign currency translation reserve				(1,3)		(1,3)
Transfer to non-distributable reserves				0,1	(0,1)	
Fair value deficit on disposal of joint venture's investment				(10,3)		(10,3)
Contingency reserve				(7,1)		(7,1)
Earnings attributable to ordinary shareholders					818,4	818,4
Issue of shares	0,3	44,2				44,5
Share buyback			(32,2)			(32,2)
Share issue and listing expenses		(0,3)				(0,3)
Capital distributions		(307,8)				(307,8)
Balance at 30 September 2005	17,1	580,1	(897,5)	212,2	3 430,4	3 342,3

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (continued)

for the year ended 30 September 2005

	Share capital Rm	Share premium Rm	Non-distributable reserves Rm	Distributable reserves Rm	Total Rm
COMPANY					
Balance at 1 October 2003	16,4	1 005,0	476,8	(9,6)	1 488,6
Fair value surplus on available-for-sale investments net of tax of R4,8 million			27,7		27,7
Net profit for the year				21,0	21,0
Issue of shares	0,4	62,1			62,5
Share issue and listing expenses		(1,0)			(1,0)
Capital distributions		(273,8)			(273,8)
Balance at 30 September 2004	16,8	792,3	504,5	11,4	1 325,0
Fair value surplus on available-for-sale investments net of tax of R22,7 million			134,0		134,0
Net profit for the year				22,0	22,0
Issue of shares	0,3	44,2			44,5
Share issue and listing expenses		(0,3)			(0,3)
Capital distributions		(364,6)			(364,6)
Balance at 30 September 2005	17,1	471,6	638,5	33,4	1 160,6

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2005



1. PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

The annual financial statements have been prepared in conformity with South African Statements of Generally Accepted Accounting Practice. The principal accounting policies of the Group have been applied consistently with the previous year with the exception of the treatment of operating leases and goodwill.

As guided by Circular 7/2005, issued by the South African Institute of Chartered Accountants, the Company has revised its interpretation of IAS17 (Leases) as this relates to operating leases with fixed rental escalation clauses. The impact of the change on our current year and comparative results is detailed in note 27. The Group previously recognised acquired goodwill at cost less accumulated amortisation and any impairment. In terms of IFRS3 (Business combinations) goodwill is no longer amortised but is subject to impairment reviews, both annually and where there are indications that the carrying value may not be recoverable.

The financial statements are prepared on the historical cost basis, except for certain financial instruments that are stated at fair value or amortised cost as appropriate.

Basis of consolidation

The Group annual financial statements incorporate those of the Company, its subsidiaries, contracted entities, special purpose entities for the benefit of the Group and a proportionate share of the annual financial statements of joint ventures. Results of associates are equity accounted.

Borrowing costs

Borrowing costs that are directly attributable to qualifying assets are capitalised. Qualifying assets are those that take necessarily a substantial period of time to prepare for their intended use or sale. Capitalisation continues up to the date that the assets are substantially ready for their intended use or sale. Capitalisation is suspended during extended periods in which active development is interrupted.

All other borrowing costs are recognised in net profit in the period in which they are incurred.

Contracted entities

Contracted entities are entities that provide components of the comprehensive healthcare services which are provided by the Group on an outsourced basis.

Cost of sales

Cost of sales consists of the cost of inventories which have been expensed during the year, together with personnel costs and related overheads which are directly attributable to the provision of goods and services.

Development expenditure

Development costs which relate to the design and testing of new improved materials, products, systems or processes are recognised as an asset to the extent that it is expected that such assets will generate future economic benefits. Such assets are amortised on a straight-line basis over their estimated useful lives.

Research costs are expensed against income in the year in which they are incurred.

Employee benefits

Employment benefits – Retirement funds

The Group's contributions to defined contribution plans in respect of service during a particular period are recognised as an expense in that period.

Post-employment benefits – Medical funds

The Group provides medical benefits by funding a portion of the medical aid contributions of all retired employees. The expected cost of these benefits is assessed every three years in accordance with the advice of qualified actuaries. The post-retirement medical obligation is valued by actuaries using the projected unit credit method. Actuarial gains and losses are recognised in the income statement in the period in which they are incurred. Employees joining the Group after 1 November 2004 do not qualify for post-retirement medical subsidies.

Equity compensation benefits

Share options are granted to eligible employees. No compensation cost or obligation is recognised in the financial statements other than through the calculation of diluted earnings per share. When the options are exercised, share capital and share premium are increased by the proceeds received for the par value and the premium, net of transaction costs respectively.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2005

1. PRINCIPAL ACCOUNTING POLICIES (continued)

Financial instruments

Initial recognition and measurement

Financial instruments are initially measured at cost, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition, financial instruments are measured as set out below:

Investments

Financial instruments held-for-trading are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in the income statement.

Other financial instruments held by the Group are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity, except for impairment losses.

Fair value represents the current market value where a regulated market exists. Otherwise fair value is determined utilising appropriate methodology including discounted cash flow models. If fair values cannot be measured reliably, the financial instrument is valued at cost less impairment.

Trade and other receivables

Trade and other receivables originated by the Group are stated at amortised cost less provision for doubtful debts unless the receivable is designated on initial recognition to be measured at fair value. Fair value changes are included in net profit or loss in the period the change occurs.

Cash and cash equivalents

Cash and cash equivalents are measured at fair value.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation unless they are designated on initial recognition to be measured at fair value. Fair value changes are included in net profit or loss in the period the change occurs.

Amortised cost

Amortised cost is calculated using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the instrument. All fees, transaction costs and other premiums or discounts are included in the calculation.

Gains and losses on subsequent measurements

Unrealised gains and losses on available-for-sale investments are recognised directly in equity until the disposal or impairment of the relevant investment, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period.

Other gains and losses from a change in the fair value of financial instruments that are not part of a hedging relationship are included in net profit or loss in the period in which the change arises.

Derivative instruments

Derivative instruments are measured at fair value (without deduction of transaction costs which may be incurred upon disposal). Fair value changes are included in net profit or loss in the period the change occurs.

Hedge accounting

For the purposes of hedge accounting, hedges are classified into three categories:

- Fair value hedges which hedge the exposure to changes in fair value of a recognised asset or liability;
- Cash flow hedges, which hedge the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction that could affect profit and loss; and
- Hedges of a net investment in a foreign entity.

In relation to fair value hedges which meet the conditions for hedge accounting, any gain or loss on the hedged item attributable to the hedged risk is included in the carrying amount of the hedged item and recognised in income.

In relation to cash flow hedges which meet the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in shareholders' equity and the ineffective portion is recognised in income.



Where the hedge of a forecast transaction subsequently results in the recognition of a financial asset or financial liability, the gains or losses which are recognised in shareholders' equity are transferred to income in the same period in which the asset or liability affects income. Where the hedge of a forecast transaction results in the recognition of a non-financial asset or non-financial liability, the associated gains or losses that had previously been recognised in shareholders' equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability.

In relation to hedges of a net investment in a foreign entity which meet the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in shareholders' equity and the ineffective portion is recognised in income. The gain or loss recognised in equity is taken to profit or loss on disposal of the foreign operation.

Hedge accounting is discontinued on a prospective basis when the hedge no longer meets the hedge accounting criteria (including when it becomes ineffective), when the hedge is sold, terminated or exercised, when for cash flow hedges the forecast transaction is no longer expected to occur or when the hedge designation is revoked.

Derecognition

Financial assets are derecognised once the contractual right to receive cash flows has been transferred or has expired as well as substantially all the risks and rewards of ownership.

Financial liabilities are derecognised when the relevant obligation has either been discharged or cancelled or it has expired.

Foreign currencies

Transactions and balances

Transactions denominated in foreign currencies are translated at the rate of exchange ruling at the transaction date. Monetary items denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Gains or losses arising on translation are credited to or charged against income.

Foreign entities

All foreign subsidiaries are classified as foreign entities for the purposes of foreign currency translation. The financial statements of foreign entities are translated into South African Rand as follows:

- Assets, including intangibles and liabilities, at rates of exchange ruling at balance sheet date; and
- Income, expenditure and cash flow items at weighted average rates.

All resulting exchange differences are reflected in a foreign currency translation reserve as part of shareholders' equity. On disposal, such translation differences are recognised in the income statement as part of the cumulative gain or loss on disposal.

Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is no longer amortised, but tested annually for impairment.

Negative goodwill arising on an acquisition is recognised directly in profit or loss.

Impairment of assets

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated.

The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset on an arm's length basis while the value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash generating unit. Impairment losses are recognised through the income statement.

A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a change in the estimates used to determine the recoverable amount, but not to an amount higher than the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior years. For goodwill, a recognised impairment loss is not reversed, unless the impairment loss was caused by a specific external event of an exceptional nature that is not expected to recur and the increase relates clearly to the reversal of the effect of that specific event.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2005

1. PRINCIPAL ACCOUNTING POLICIES (continued)

Income recognition

Revenue comprises the amount charged for accommodation, theatre fees and medical consumables, but excludes value-added tax. Revenue within the Group is eliminated on consolidation. Revenue also includes administration fees charged to third parties.

Revenue from charges to patients is recognised when the service giving rise to this revenue is rendered.

Revenue arising from administration fees is recognised on the accrual basis in accordance with the substance of the relevant agreements.

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

Dividends are recognised when the shareholders' right to receive payment is established.

Interests in joint ventures

A joint venture is a contractual arrangement between the Company and another party to undertake an economic activity which is subject to agreed sharing of control. Interests in joint ventures are stated at cost less any provision for impairment. In the consolidated financial statements, interests in joint ventures are accounted for using the proportionate consolidation method.

Additional details about the Group's principal joint ventures are reflected in Annexure B.

Inventories

Inventories, comprising medical consumables held by contracted entities, are valued at the lower of cost and net realisable value determined on the first-in first-out basis. Other consumables, including crockery, cutlery, linen and soft furnishings, are valued at average cost and written down with regard to their age and condition.

Investment in associated companies

An associate is an enterprise in which the Group has significant influence and which is neither a subsidiary nor a joint venture. Investments in associates are accounted for under the equity method in the preparation of the Group annual financial statements, adjusted for impairment losses.

Details of the Group's principal associates are set out in Annexure B.

In the Company's financial statements, investments in associates are stated at cost less any impairment losses.

Leasing

Finance leases

Leases of assets, where the Group assumes substantially all the benefits and risks of ownership, are classified as finance leases. Finance leases are capitalised at the fair value of leased property or, if lower, at the present value of the minimum lease payments and are depreciated at appropriate rates over the shorter of the estimated useful lives of the assets or the lease period. Finance lease payments are allocated using the effective interest rate method, between the finance charge and the capital repayment.

Operating leases

Leases of assets, where the Group does not assume substantially all the benefits and risks of ownership, are classified as operating leases. Payments made in respect of operating leases with a fixed escalation clause are charged to the income statement on a straight-line basis over the lease term. All other lease payments are expensed as they occur. Minimum rentals due after year-end are reflected under commitments.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment losses.

Depreciation is calculated on a straight-line basis over the effective useful lives of the assets. The useful lives of the major categories of property, plant and equipment are:

Land	Indefinite
Buildings	50 years
Plant and machinery	8 years
Medical equipment	7 years
Furniture and fittings	10 years
Computer equipment and software	2 – 3 years
Medical and theatre instruments	5 years
Motor vehicles	5 years
Other equipment	1 – 10 years



Provisions

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

Subsidiaries

Subsidiaries are enterprises controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition up to the effective date of disposal.

The identifiable assets and liabilities of enterprises acquired are assessed and included in the balance sheet at their fair values at the date of acquisition.

A schedule of the Group's principal subsidiaries is set out in Annexure A.

In the holding Company's financial statements, investments in subsidiaries are stated at cost less any impairment losses.

Taxation

Current tax comprises tax payable calculated on the expected taxable income for the year, using the tax rates substantially enacted at the balance sheet date, and any adjustment of tax payable for the previous years.

Deferred taxation is provided using the balance sheet liability method, based on temporary differences. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. The amount of deferred taxation provided is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Treasury shares

Treasury shares held by subsidiary companies are deducted from share capital and premium on consolidation. These shares are not included in the number of shares in issue for purposes of calculating earnings per share and certain other performance ratios.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2005

	Group		Company	
	2005 Rm	2004 Rm	2005 Rm	2004 Rm
2. PROPERTY, PLANT AND EQUIPMENT				
2.1 Land and buildings				
– Cost	2 513,7	2 314,6		
– Accumulated depreciation	(190,3)	(154,6)		
– Accumulated impairment loss	(15,8)	(25,6)		
Carrying value of land and buildings	2 307,6	2 134,4		
2.2 Plant and equipment				
– Cost	2 167,5	1 955,5		
– Accumulated depreciation	(1 366,4)	(1 209,9)		
Carrying value of plant and equipment	801,1	745,6		
Carrying value of property, plant and equipment	3 108,7	2 880,0		
2.3 Movement in property, plant and equipment				
Land and buildings:				
Net book value at beginning of year	2 134,4	2 020,5		
Interest capitalised	8,2	7,0		
Additions	190,9	134,5		
Depreciation	(35,7)	(28,0)		
Reversal of impairments	9,8	0,4		
Net book value at end of year	2 307,6	2 134,4		
Plant and equipment:				
Net book value at beginning of year	745,6	683,5		
Additions	271,6	237,0		
Disposals	(3,6)			
Depreciation	(212,5)	(174,9)		
Net book value at end of year	801,1	745,6		

2.4 Properties are valued at intervals not exceeding five years. Mills Fitchet Valuation Surveyors carried out an external valuation of the Group's properties based on open market values effective 30 September 2005. This valuation has resulted in an aggregate value of land and buildings of R4 675,2 million at year-end. The revaluation surplus of R2 367,6 million has not been recognised in the financial statements.

A register of land and buildings, containing the information required by Schedule 4 of the Companies Act, is available for inspection by members at the Company's registered office.

2.5 Certain property, plant and equipment has been encumbered as security for interest-bearing debt (note 12).

	2005 Rm	2004 Rm
Land and buildings	511,0	1 294,1
Plant and equipment	323,1	390,3
	834,1	1 684,4



Group	Goodwill Rm	Development expenditure Rm	Total Rm
3. GOODWILL AND DEVELOPMENT EXPENDITURE			
2005			
3.1 Net carrying value			
Carrying value/Cost	411,0	47,0	458,0
Accumulated impairment losses and amortisation	(102,0)	(5,6)	(107,6)
	309,0	41,4	350,4
3.2 Movement in goodwill and development expenditure			
Opening carrying amount	211,5	15,7	227,2
Net acquisition of subsidiaries and businesses	0,8		0,8
Negative goodwill derecognised	116,6		116,6
Translation movement		1,1	1,1
Amounts capitalised		28,0	28,0
Amortisation		(3,4)	(3,4)
Impairment	(19,9)		(19,9)
Closing carrying amount	309,0	41,4	350,4

3.3 Development expenditure

Included in the R28,0 million capitalised development expenditure above is an amount of R25,4 million relating to the implementation of an enterprise-wide SAP IT system and shared services platform.

2004

3.4 Net carrying value

Cost	232,1	19,0	251,1
Accumulated impairment losses and amortisation	(20,6)	(3,3)	(23,9)
	211,5	15,7	227,2

3.5 Movement in goodwill and development expenditure

Opening carrying amount	161,4	8,2	169,6
Net acquisition of subsidiaries and businesses	60,8		60,8
Amounts capitalised		8,7	8,7
Amortisation	(10,7)	(1,2)	(11,9)
Closing carrying amount	211,5	15,7	227,2

	Group		Company	
	2005 Rm	2004 Rm	2005 Rm	2004 Rm
4. SUBSIDIARIES				
4.1 Investment in subsidiaries				
Shares at cost less amounts written off			1 338,0	1 338,0
Amounts owing by subsidiaries			385,9	415,8
Amounts owing to subsidiaries			(1 127,8)	(726,0)
			596,1	1 027,8
4.2 The loan accounts of certain subsidiaries amounting to R169,9 million (2004: R184,5 million) have been subordinated in favour of other creditors. In addition, the loan due by an associate in 2004 for R31,8 million was subordinated in favour of other creditors.				
4.3 A schedule of the Group's principal subsidiaries is set out in Annexure A.				

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2005

	Group		Company	
	2005 Rm	2004 Rm	2005 Rm	2004 Rm
5. INVESTMENT IN ASSOCIATED COMPANIES				
5.1 Investment in associates (unlisted)	559,8	293,3		
5.2 Loans	168,6	245,9		
	728,4	539,2		
5.3 Directors' valuation of associated companies Details of the Group's principal associated entities are set out in Annexure B.	823,9	589,7		
6. INVESTMENTS AND LOANS				
6.1 Non-current				
Interest in joint ventures (note 6.2)	11,7	(6,3)		
Available-for-sale investments (note 6.4)			527,7	296,1
Loans (note 6.7)	62,8	55,1	31,4	
	74,5	48,8	559,1	296,1
Current				
Held-for-trading investments (note 6.5)	49,9	57,9	49,9	19,4
Loans (note 6.7)	25,9	35,4		
	75,8	93,3	49,9	19,4
	150,3	142,1	609,0	315,5
6.2 Interest in joint ventures Investments and loans	11,7	(6,3)		
6.3 Directors' valuation of joint ventures Details of the Group's principal joint ventures are set out in Annexure B.	11,7	(6,3)		
6.4 Available-for-sale investments Unlisted share investments			527,7	296,1
6.5 Held-for-trading investments				
Listed share investments	49,9	23,7	49,9	
Unlisted share investments		34,2		19,4
	49,9	57,9	49,9	19,4
6.6 Details of the Group's available-for-sale and held-for-trading investments are set out in Annexure C.				
6.7 Loans Other loans	88,7	90,5	31,4	



	Group		Company	
	2005 Rm	2004 Rm	2005 Rm	2004 Rm
7. INVENTORIES				
Medical and pharmaceutical merchandise	235,2	195,7		
Crockery, cutlery, linen, soft furnishings and other consumables	39,4	45,9		
	274,6	241,6		
8. ACCOUNTS RECEIVABLE				
Trade debtors	964,0	837,4		
Other debtors and prepayments	384,2	440,7		0,1
	1 348,2	1 278,1		0,1
Included above is an amount of R105,1 million (2004: R106,4 million) relating to amounts due by the Road Accident Fund.				
9. CASH AND CASH EQUIVALENTS AND BANK OVERDRAFTS				
Cash on hand and balances with banks	292,9	145,5	3,0	2,2
Short-term money market borrowings and bank overdrafts			(2,0)	(3,7)
	292,9	145,5	1,0	(1,5)
10. SHARE CAPITAL AND PREMIUM				
10.1 Authorised share capital				
2 500 000 000 ordinary shares of 1,0 cent each	25,0	25,0	25,0	25,0
10.2 Issued share capital				
1 710 322 989 (2004: 1 683 340 243) ordinary shares of 1,0 cent each	17,1	16,8	17,1	16,8
Share premium	580,1	844,0	471,6	792,3
At beginning of year	844,0	1 028,5	792,3	1 005,0
Arising on share issues	44,2	62,1	44,2	62,1
Share issue and listing expenses	(0,3)	(1,0)	(0,3)	(1,0)
Capital distributions	(307,8)	(245,6)	(364,6)	(273,8)
	597,2	860,8	488,7	809,1
Treasury shares held	(897,5)	(865,3)		
Included in the ordinary shares above are 168 711 767 (2004: 162 486 767) shares held as treasury shares by subsidiaries representing 9,9% (2004: 9,7%) of the Company's issued share capital				
In addition, 95 432 700 (2004: 95 015 500) shares are held by the Netcare Trust, representing 5,6% (2004: 5,7%) of the Company's issued share capital. The Netcare Trust is a special purpose entity of which Netcare is a beneficiary. It is consolidated in terms of AC412.				
Total share capital and premium	(300,3)	(4,5)	488,7	809,1
1 446 178 522 (2004: 1 425 837 976) ordinary shares				

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2005

	Group		Company	
	2005 millions	2004 millions	2005 millions	2004 millions
10. SHARE CAPITAL AND PREMIUM				
(continued)				
10.3 Reconciliation of treasury shares				
Treasury shares at beginning of year	257,5	111,1		
Share buyback	6,2	51,4		
Acquired by The Netcare Trust	0,4	95,0		
Treasury shares at end of year	264,1	257,5		
The treasury shares held, excluding shares acquired by the Netcare Trust, do not carry voting rights.				
Treasury shares are deducted from the number of shares in issue for the purposes of calculating earnings per share				
10.4 Unissued ordinary shares (number of shares)				
Unreserved*	576,2	648,4	576,2	648,4
Reserved for the Share Incentive Scheme	213,5	168,3	213,5	168,3
Unissued ordinary shares at 30 September 2005	789,7	816,7	789,7	816,7
<i>* 168,0 million (2004: 164,0 million) unissued ordinary shares are under the control of the directors until the next annual general meeting.</i>				
10.5 Reconciliation of issued shares (less treasury shares)				
In issue at beginning of year	1 425,8	1 530,7	1 683,4	1 641,9
Issued during the year	27,0	41,5	27,0	41,5
Share buyback (treasury shares)	(6,2)	(51,4)		
Acquired by Netcare Trust	(0,4)	(95,0)		
In issue at end of year	1 446,2	1 425,8	1 710,4	1 683,4
10.6 Reconciliation of share options				
Options at beginning of year	74,3	90,0	74,3	90,0
Options granted	0,3	25,8	0,3	25,8
Options exercised/lapsed	(32,5)	(41,5)	(32,5)	(41,5)
Options unexercised at end of year	42,1	74,3	42,1	74,3



	Group		Company	
	2005 Rm	2004 Rm	2005 Rm	2004 Rm
11. RESERVES				
11.1 Non-distributable reserves				
Surplus on disposal of subsidiaries			476,8	476,8
Foreign currency translation reserve	(13,0)	(11,7)		
Fair value surplus on investments	225,7	236,0		
Fair value surplus on available-for-sale investments			161,7	27,7
Contingency reserve	(0,5)	6,5		
	212,2	230,8	638,5	504,5
11.2 Distributable reserves	3 430,4	2 495,5	33,4	11,4
Total reserves	3 642,6	2 726,3	671,9	515,9
12. INTEREST-BEARING DEBT				
Instalment sales (note 12.1)	303,2	372,4		
Mortgage bonds (note 12.2)	5,7	10,6		
Money market promissory notes (note 12.3)	500,0	320,0		
Secured financial instruments (note 12.4)	286,0	325,3		
Unsecured liabilities (note 12.5)	311,4	323,8		
	1 406,3	1 352,1		
Less: Short-term interest-bearing debt	913,4	559,6		
Long-term interest-bearing debt	492,9	792,5		
12.1 Instalment sales				
The instalment sales are secured over plant and equipment having a book value of R323,1 million (2004: R390,3 million) bearing variable interest rates currently between 6,5% and 11,6% NACM (2004: 8,3% and 11,6% NACM), and are repayable in monthly instalments or in terms of banking facilities.	303,2	372,4		
12.2 Mortgage bonds				
Secured by properties having a book value of R9,0 million (2004: R13,3 million), bearing interest at rates between 9,4% and 13,7% NACM (2004: 9% and 13,7% NACM) and are repayable in monthly instalments or in terms of banking facilities	5,7	10,6		

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2005

	Group		Company	
	2005 Rm	2004 Rm	2005 Rm	2004 Rm
12. INTEREST-BEARING DEBT (continued)				
12.3 Money market promissory notes				
Promissory notes bearing interest at a rate of 7,4% NACM (2004: 7,9% NACM)	500,0	320,0		
12.4 Secured financial instruments				
Fair value of financial instruments issued by the Group, secured by covering bonds registered over properties with a book value of R502,0 million (2004: R1 280,8 million), and a pledge of shares in certain subsidiaries	286,0	325,3		
The term of the instruments is over a period ending in 2009, although arrangements are in place for early redemption from 2007. The liability incurs a floating interest rate, currently at 10,1% NACM (2004: 10,8% NACM)				
12.5 Unsecured liabilities				
Interest rates currently between 7,2% and 12,9% NACM (2004: 9,6% and 14,1% NACM)	311,4	323,8		
12.6 Repayable as follows:				
Within 1 year	913,4	559,6		
1 – 2 years	134,3	383,8		
2 – 3 years	193,1	136,0		
3 – 4 years	87,5	106,4		
> 4 years	78,0	166,3		
	1 406,3	1 352,1		
13. DEFERRED LEASE LIABILITY				
Balance at beginning of year	152,9	141,4		
Increase in accrual	6,6	11,5		
Balance at end of year	159,5	152,9		
Movement as follows:				
1 – 5 years	31,7	12,6		
5 – 10 years	89,1	83,5		
> 10 years	38,7	56,8		
	159,5	152,9		



	Group		Company	
	2005 Rm	2004 Rm	2005 Rm	2004 Rm
14. DEFERRED TAXATION				
Reconciliation of opening and closing balances				
Balance at beginning of year	160,2	185,6	7,1	0,6
Transferred this year	24,9	(47,2)	6,9	1,7
Reversing temporary differences	(138,0)			
Rate change	(5,3)		(0,2)	
Capital gains tax	1,4	1,4	3,4	
Other	(0,1)	20,4	22,9	4,8
Balance at end of year	43,1	160,2	40,1	7,1
Analysis of deferred tax assets and liabilities				
Property, plant and equipment	4,5	26,7		
Fair value adjustments on investments	160,6	166,1		
Operating leases	(42,6)	(45,8)		
Payroll accruals	(82,5)	(74,6)		
Deferred revenue		131,8		
Other temporary differences	21,8	(1,3)	40,1	7,1
Assessable losses	(18,7)	(42,7)		
	43,1	160,2	40,1	7,1
Deferred tax comprises				
Assets	(18,7)	(42,7)		
Liabilities	61,8	202,9	40,1	7,1
	43,1	160,2	40,1	7,1
15. ACCOUNTS PAYABLE				
Trade creditors	336,9	274,6		
Leave pay accrual	104,7	102,1		
Other payables	710,4	503,5	4,3	2,9
	1 152,0	880,2	4,3	2,9
16. PROVISIONS				
Post-retirement medical aid obligations (note 25)	65,4	55,1		
	65,4	55,1		

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2005

	Group		Company	
	2005 Rm	2004 Rm	2005 Rm	2004 Rm
17. REVENUE				
Hospitals and Trauma	5 927,8	5 444,9		
International	181,1	126,9		
Ancillary healthcare businesses	1 424,8	1 280,7		
	7 533,7	6 852,5		
18. NET OPERATING COSTS/(INCOME)				
Cost of sales	4 730,5	4 469,1		
Other net operating costs/(income)	1 361,9	1 147,6	(14,8)	(5,0)
	6 092,4	5 616,7	(14,8)	(5,0)
19. OPERATING PROFIT				
Operating profit is stated after taking into account:				
Income				
Capital loss on discontinued operations		9,0		
Profit on disposal of plant and equipment	1,4			
Fair value adjustments on held-for-trading investments	29,2	18,1	19,3	6,7
Reversal of impairments on land and buildings	9,8	0,4		
Charges				
Amortisation of development expenditure	3,4	1,2		
Amortisation of goodwill		10,7		
Capital loss on disposal of assets	7,6			
Impairment of goodwill	19,9			
Impairment of investments	29,3			
Auditors' remuneration	8,9	6,6		
Current year	7,1	6,0		
Prior year	0,9			
Fees for other services	0,9	0,6		
Depreciation – property, plant and equipment	248,2	202,9		
Foreign exchange losses	1,2	0,7		
Total employee costs	2 399,9	2 190,7		
Employee costs	2 281,4	2 081,8		
Retirement benefit contributions	108,2	97,2		
Post-retirement benefit contributions	10,3	11,7		
Operating lease charges	130,4	136,9		
Land and buildings	115,5	118,6		
Other	14,9	18,3		
Technical, managerial and secretarial services	54,3	50,4		
Directors' emoluments				
Executive directors	22,5	21,1		
Paid by subsidiaries				
Basic remuneration, bonuses, retirement and medical benefits	22,5	21,1		
Non-executive directors				
For services as directors	1,0	0,4		
	23,5	21,5		

Details of directors' emoluments are reflected on pages 105 and 106.



	Group		Company	
	2005 Rm	2004 Rm	2005 Rm	2004 Rm
19. OPERATING PROFIT (continued)				
Abnormal items				
Restructure				
Traumanet restructuring costs				
Gross		26,9		
Taxation		(8,1)		
Net		18,8		
Discontinued operations				
Closure of Middle-Eastern and African Operations				
Gross		22,7		
Taxation		(4,1)		
Net		18,6		
Litigation costs				
Legal expenses incurred on Single Exit				
Pricing regulations				
Gross	3,5	7,0		
Taxation	(1,0)	(2,1)		
Net	2,5	4,9		
Decrease in profit before tax	3,5	56,6		
20. TAXATION				
20.1 South African normal taxation				
Current	270,4	261,9	6,7	6,9
Prior years	142,6	(0,3)	3,1	
Capital gains tax	3,5			
Deferred taxation				
Current	24,9	(47,2)	6,9	1,7
Capital gains tax	1,4	1,4	3,4	
Rate change	(5,3)		(0,2)	
Prior year	(138,0)			
	299,5	215,8	19,9	8,6
20.2 Reconciliation of rate of taxation (%)				
Standard rate	29,0	30,0		
Adjusted for:				
Permanent differences	(1,7)	(5,1)		
Rate change	(0,5)			
Prior year adjustments	0,4			
Effective rate	27,2	24,9		
20.3 Estimated taxation losses				
Unused tax losses available for setoff against future taxable income	105,0	186,0		

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2005

	Group		Company	
	2005 Rm	2004 Rm	2005 Rm	2004 Rm
21. EARNINGS PER SHARE				
21.1 Attributable earnings per share				
Earnings (cents)	57,2	44,0		
Weighted average number of shares (millions)	1 431,5	1 479,7		
21.2 Headline earnings per share				
Earnings (cents)	60,3	45,4		
Weighted average number of shares (millions)	1 431,5	1 479,7		
21.3 Fully diluted earnings per share				
Attributable earnings – fully diluted (cents)	55,5	42,3		
Headline earnings – fully diluted (cents)	58,6	43,6		
Weighted average number of shares (millions)	1 431,5	1 479,7		
Dilutive effect of employee share options (millions)	42,3	60,7		
Diluted, weighted average number of shares (millions)	1 473,8	1 540,4		
21.4 Reconciliation between attributable earnings and headline earnings				
Earnings attributable to ordinary shareholders	818,4	651,8		
Amortisation of goodwill		10,7		
Impairment of goodwill	19,9			
Impairment of investments	29,3			
Reversal of impairment of land and buildings	(9,8)			
Capital loss on discontinued operations		9,0		
Net capital loss on disposal of assets	6,1			
Headline earnings	863,9	671,5		
21.5 Attributable cash flow				
Net cash from operating activities*	670,4	300,1		
Weighted average number of shares (millions)	1 431,5	1 479,7		
Attributable cash flow per share (cents)	46,8	20,3		
21.6 Cash equivalent earnings				
Earnings attributable to ordinary shareholders	818,4	651,8		
Adjusted for:				
Depreciation and amortisation	251,6	214,8		
Deferred taxation and capital gains tax	(117,0)	(45,8)		
Other non-cash flow items	3,7	2,5		
Equity accounted retained earnings of associates	(62,9)	(24,7)		
Cash equivalent earnings	893,8	798,6		
Weighted average number of shares (millions)	1 431,5	1 479,7		
Cash equivalent earnings per share (cents)	62,4	54,0		

* Net cash from operating activities excluded capital distributions paid and included interest received in the 2004 Annual Report.



	Group		Company	
	2005 Rm	2004 Rm	2005 Rm	2004 Rm
22. CASH FLOW STATEMENTS				
22.1 Cash received from customers				
Revenue	7 533,7	6 852,5		
Adjustments:				
Capital distributions received			1,2	6,7
Profit on disposal of plant and equipment	(1,4)			
(Increase)/decrease in accounts receivable	(70,1)	(118,2)	0,1	11,9
Adjustment in respect of subsidiaries acquired	0,5			
	7 462,7	6 734,3	1,3	18,6
22.2 Cash paid to suppliers and employees				
Operating (costs)/income including depreciation and amortisation	(6 344,0)	(5 831,5)	14,8	5,0
Depreciation and amortisation	251,6	214,8		
(Increase)/decrease in inventories	(33,0)	103,2		
Increase/(decrease) in accounts payable	282,1	(38,7)	1,4	0,2
Impairment of goodwill	19,9			
Impairment of investments	29,3			
Reversal of impairments on land and buildings	(9,8)			
Fair value adjustments on held-for-trading investments	(29,2)	(18,1)	(19,3)	
Other non-cash flow items	(5,1)	20,6	0,3	(6,1)
Abnormal item	(3,5)	(56,6)		
Adjustment in respect of subsidiaries acquired	(1,1)	(25,4)		
	(5 842,8)	(5 631,7)	(2,8)	(0,9)
22.3 Taxation paid				
Amounts payable at beginning of year	(57,2)	(154,4)	(6,9)	
Normal tax charged to the income statement	(416,5)	(261,6)	(9,8)	(6,9)
Adjustment in respect of subsidiaries acquired	(1,1)	1,2		
Amounts payable at end of year	9,1	57,2	1,1	6,9
	(465,7)	(357,6)	(15,6)	
22.4 Investment to maintain operations				
Additions to land and buildings	(41,8)	(49,5)		
Replacement of plant and equipment	(145,6)	(86,5)		
	(187,4)	(136,0)		
22.5 Investment to expand operations				
Additions to land and buildings	(157,3)	(92,0)		
Additions to plant and equipment	(126,0)	(150,5)		
Increase in capitalised expenditure	(28,0)	(8,7)		
Increase in investments and loans	(162,4)	(152,6)	(129,8)	
Adjustment in respect of businesses acquired	1,4	16,2		
	(472,3)	(387,6)	(129,8)	

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2005

	Group		Company	
	2005 Rm	2004 Rm	2005 Rm	2004 Rm
22. CASH FLOW STATEMENTS (continued)				
22.6 Proceeds from sale of non-current assets				
Proceeds from disposal of investment	35,3		11,0	
Proceeds from disposal of equipment	5,0			
	40,3		11,0	
22.7 Net investment in businesses				
The fair value of assets acquired and liabilities assumed were as follows:				
Property, plant and equipment	(1,4)	(16,2)		
Taxation	1,1	(1,2)		
Working capital	(0,1)	25,4		
Net interest-bearing debt	0,1	5,1		
Goodwill on acquisitions	(7,5)	(32,8)		
	(7,8)	(19,7)		
22.8 Net equity movements				
Share issues	44,5	62,5	44,5	62,5
Share issue and listing expenses	(0,3)	(1,0)	(0,3)	(1,0)
Other	(8,4)	36,2		
	35,8	97,7	44,2	61,5
23. CONTINGENT LIABILITIES				
23.1 Guarantees				
Guarantee to secure a loan finance obligation of Community Healthcare Holdings (Proprietary) Limited, which is a 43,75% shareholder in Community Hospital Group (Proprietary) Limited ("Community").	70,0	63,0		
Guarantees covering the obligations of certain subsidiaries of Community.	86,0	86,0		
Community is a black empowerment hospital group, in which the Group also has a 43,75% interest.				
Guarantees covering certain educational loan obligations of employees.	20,0	20,0		
Guarantee provided to secure bank facilities provided to a business partner of its associate, Netpartner Investments Limited.	37,7	60,0		
The Company has provided guarantees in respect of securing certain subsidiaries' loan finance obligations.				



	Group		Company	
	2005 Rm	2004 Rm	2005 Rm	2004 Rm
23. CONTINGENT LIABILITIES (continued)				
23.2 Sureties				
Guarantee to secure obligations of Community Hospital Management Limited, in which the Group has a 25% interest.	25,0			
Surety for certain performance obligations relating to the construction of hospital buildings for the Free State Health Department.	51,0	51,0		
Surety for certain obligations of its subsidiaries relating to the provision of supplies and services to various overseas enterprises.	91,4	92,8		
23.3 Litigation				
Litigation, current or pending, is not considered likely to have a material adverse effect on the Group.				
24. COMMITMENTS				
24.1 Capital commitments				
Contracted, not otherwise provided for				
Land and buildings	260,0	258,9		
Investment in associate company		65,7		
Approved, not contracted for				
Land and buildings		32,1		
Plant and equipment	42,5	31,6		
SAP and shared services	87,8			
	390,3	388,3		
This expenditure will be financed from internally generated funds and existing banking facilities.				
To be expended				
Within one year	280,5	388,3		
Over one year	109,8			

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2005

	Group		Company	
	2005 Rm	2004 Rm	2005 Rm	2004 Rm
24. COMMITMENTS (continued)				
24.2 Operating lease commitments				
The Group has entered into various operating lease agreements on premises and motor vehicles.				
Leases on properties are contracted for periods between 1 and 20 years with renewal options of between 2 and 10 years. Rental escalations on properties vary between 8,0% and 11,0% per annum.				
Motor vehicle leases are contracted for periods between 18 and 60 months with rentals linked to prime.				
At 30 September future non-cancellable minimum lease rentals are payable during the following financial years:				
Properties				
Within 1 year	83,4	74,0*		
1 – 5 years	331,4	294,7*		
5 – 10 years	297,5	333,3*		
> 10 years	72,0	111,1*		
Motor vehicles				
Within 1 year	9,2	6,9		
1 – 5 years	5,1	3,9		
	798,6	823,9		

* Restated to remove contingent rental



	Group		Company	
	2005 Rm	2004 Rm	2005 Rm	2004 Rm
25. RETIREMENT BENEFITS				
Post-employment benefits – pensions				
Substantially all employees are covered by defined contribution schemes. There are currently four funds, of which two are closed to new entrants.				
All pension funds are governed by the Pension Funds Act.				
The assets of the schemes are under the control of trustees.				
Post-retirement medical aid benefits				
Employees who joined the employment of the Group prior to 1 November 2004 are entitled to a post-retirement medical aid subsidy. An actuarial valuation is performed every three years and the date of the last actuarial valuation was 30 September 2004. The valuation method adopted is the projected unit credit method. The post-retirement medical benefit is unfunded.				
The latest calculations reflect the following:				
Unfunded benefit obligation	65,4	55,1		
Less: Unrecognised past-service cost				
Total post-retirement medical benefit deficit	65,4	55,1		
Provision for post-retirement medical benefits:				
Opening balance	55,1	43,4		
Net expense in the income statement	10,3	11,7		
Closing liability	65,4	55,1		
Net expense recognised in the income statement				
Current-service cost	5,9	6,8		
Benefits	(1,0)	(1,0)		
Interest cost	5,4	4,9		
Actuarial loss		1,0		
	10,3	11,7		
The principal actuarial assumptions applied are as follows (%):				
Discount rate	10,0	10,0		
Healthcare cost inflation	6,8	6,8		
Service cost	9,3	9,3		

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2005

26. BORROWING POWERS

In terms of the Company's Articles of Association, borrowing powers are unlimited.

27. PRIOR YEAR ADJUSTMENT

During the year, the Company changed its interpretation of IAS17 (Leases). The Group has previously been accounting for operating leases in a manner widely regarded as accepted practice within the South African environment. The policy applied by the Company involved expensing and recording operating lease expenses as and when incurred. The South African Institute of Chartered Accountants issued circular 7/2005 on 2 August 2005, detailing practice in the past and the revised correct treatment thereof. The impact of this change in interpretation is as follows:

Income statement	2005 Rm	2004 Rm
Decrease in net profit due to change in accounting interpretation:		
Gross	(6,6)	(11,5)
Taxation	1,9	3,3
Net	(4,7)	(8,2)
Effect on distributable reserves prior to 2004:		
Gross		(141,4)
Taxation		41,0
Net		(100,4)
	Deferred lease liability Rm	Deferred taxation liability Rm
Balance sheet		
Effects of prior year adjustment on the 2004 balance sheet:		
As previously reported		247,2
Increase/(decrease)	152,9	(44,3)
As restated	152,9	202,9

28. FINANCIAL INSTRUMENTS

The Group's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans to and from subsidiaries, leases and derivatives.

Derivative instruments are used by the Group for hedging purposes. Such instruments include currency option contracts and interest rate swap agreements. The Group does not speculate in the trading of derivative instruments.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and foreign currency risk. Compliance with the Group's policies and exposure limits is reviewed on a regular basis.

28.1 Interest rate risk

This is the risk that fluctuations in interest rates adversely impact on the Group's earnings, assets, liabilities and equity. The Group is exposed to interest rate risk as it borrows and places funds at both fixed and floating rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings.

The Group has entered into interest rate swap contracts that entitle it to either receive or pay interest at floating rates on notional principal amounts and oblige it to receive or pay interest at fixed rates on the same amounts.

Liquidity risk

This is the risk of not being able to generate sufficient cash to meet commitments to borrowers, depositors and other creditors at any point in time.

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained, as indicated by the level of undrawn facilities. Short-term cash surpluses are placed on call with major financial institutions.



28. FINANCIAL INSTRUMENTS (continued)

28.1 Foreign currency risk

The Group's major currency risk is indirect exposure to risk through local South African suppliers, who provide the Group with certain medical equipment and medical consumables, which have initially been imported. The Group's risks are generally mitigated by recovering the bulk of imported cost increases from customers.

Credit risk

The principal area of credit risk consists of trade accounts receivable which are governed by clearly defined credit and collection policies and consist of a large number of individual patient accounts. It is Group policy to obtain confirmation in respect of those accounts where patients have medical insurance, which comprises the majority of the patient accounts. In other cases indebtedness is secured by advance deposits from patients. Credit risk is also mitigated by developments in the medical aid industry resulting in the imposition of requirements on medical aids relating to the build-up of reserves, accreditation and quarterly reporting.

An amount of R105,1 million (2004: R106,4 million) is owed by the Road Accident Fund. Adequate provision has been made for payment delays.

28.2 Interest rate derivatives

As at 30 September 2005, the Group had two interest rate swap contracts. Details are as follows:

Fixed for floating interest rate swaps	Interest rate (%)	Maturity date	Amount 2005 Rm
	9,17	July 2006	100,0
	8,70	December 2005	17,1
Total			117,1

The Group took a R400 million short position on the R194 Government Bond. This instrument was taken out as a hedge against rising long-term interest rates and in anticipation of a corporate bond issue. The rate is 7,77%.

28.3 Undrawn borrowing facilities

The Group has the following undrawn committed borrowing facilities available to it:

	Expiring within 1 year Rm	Expiring between 1 and 2 years Rm	Expiring in more than 2 years Rm	Total Rm
Instalment sales			211,6	211,6
Unsecured liabilities	983,5			983,5
	983,5		211,6	1 195,1

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2005

28. FINANCIAL INSTRUMENTS (continued)

28.4 Maturity profile and fair value of financial instruments

The maturity profile of financial instruments is summarised as follows:

2005	< 1 year Rm	1 – 4 years Rm	> 4 years Rm	Total Rm
Financial assets				
Accounts receivable	1 348,2			1 348,2
Cash and cash equivalents	292,9			292,9
Held-for-trading investments	49,9			49,9
Loans	25,9	31,5	31,3	88,7
Financial liabilities				
Accounts payable	1 152,0			1 152,0
Secured financial instruments	66,5	150,2	69,3	286,0
Unsecured liabilities	225,2	86,2		311,4

The fair value of financial instruments is as follows:

	Carrying value Rm	Fair value Rm
Financial assets		
Accounts receivable	1 348,2	1 348,2
Cash and cash equivalents	292,9	292,9
Held-for-trading investments	49,9	49,9
Loans	88,7	88,7
Financial liabilities		
Accounts payable	1 152,0	1 152,0
Secured financial instruments	286,0	286,0
Unsecured liabilities	311,4	311,4



28. FINANCIAL INSTRUMENTS (continued)

28.4 Maturity profile and fair value of financial instruments (continued)

The maturity profile of financial instruments is summarised as follows:

2004	< 1 year Rm	1 – 4 years Rm	> 4 years Rm	Total Rm
Financial assets				
Accounts receivable	1 278,1			1 278,1
Cash and cash equivalents	145,5			145,5
Held-for-trading investments	57,9			57,9
Loans	35,4	30,4	24,7	90,5
Financial liabilities				
Accounts payable	880,2			880,2
Secured financial instruments	19,3	224,1	81,9	325,3
Unsecured liabilities	84,9	238,8	0,1	323,8

The fair value of financial instruments is as follows:

	Carrying value Rm	Fair value Rm
Financial assets		
Accounts receivable	1 278,1	1 278,1
Cash and cash equivalents	145,5	145,5
Held-for-trading investments	57,9	57,9
Loans	90,5	90,5
Financial liabilities		
Accounts payable	880,2	880,2
Secured financial instruments	325,3	325,3
Unsecured liabilities	323,8	323,8

28.5 The following represents the extent to which the Group has uncovered monetary assets in currencies other than the Group companies' local currency:

	2005 Rm	2004 Rm
GB Pounds	4,2	24,0
US Dollar	2,6	8,7
Total	6,8	32,7

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2005

29. RELATED PARTIES

Related party relationships exist within the Group. Transactions are on commercial terms. Details of certain transactions with related parties not disclosed elsewhere in the financial statements are set out below:

29.1 During the year certain subsidiaries of the Group, in the ordinary course of business, entered into various rental arrangements with its joint venture, the Ampath Holdings Trust. These arrangements are on terms no less favourable than those arranged with third parties. The amount of rental received by the Group amounted to R9,8 million (2004: R7,7 million). The Chief Executive Officer of the Ampath Holdings Trust is a non-executive director of the Company.

29.2 Certain relatives of executive directors entered into consultancy arrangements with Group companies on commercial terms with a total value of R0,6 million (2004: R0,6 million).

29.3 One of the non-executive directors is the Company's legal counsel. Services rendered are billed on a commercial arm's length basis and amounted to R0,9 million (2004: R0,9 million) for the year.

29.4 During the year certain executive directors disposed of 75 million shares in the Company to Netpartner Investments Limited ("Netpartner"), an associate of the Group.

29.5 A non-executive director of the Group disposed of 38 million shares in the Company to Netpartner and 7,6 million shares to the Community consortium which were on-sold to Netpartner.

29.6 A non-executive director of the Company, Prof MB Kistnasamy is a director of Netpartner and its board chairman.

29.7 In terms of arm's length agreements, Netpartner paid an administration fee of R10,9 million (2004: R6,2 million) to Medicross Healthcare Group (Proprietary) Limited ("Medicross"), a subsidiary of the Group.

29.8 The Company owns 46,3% of Netpartner and 80% of Medicross. Netpartner holds 20% of Medicross and 23,5% of the net issued shares of the Company.

29.9 Certain administrative and logistic services are provided by the Group to a pharmacy purchasing and dispensing organisation which is owned by one of the directors. Such services are contracted on an arm's length basis.

30. SEGMENT REPORT

	Hospitals and Trauma		International		Ancillary healthcare businesses		Total	
	2005	2004	2005	2004	2005	2004	2005	2004
	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Business segmentation								
Revenue								
Revenue – external	5 927,8	5 444,9	181,1	126,9	1 424,8	1 280,7	7 533,7	6 852,5
Segment result								
Operating profit before depreciation and amortisation	1 171,6	1 032,6	23,1	10,3	246,6	192,9	1,441,3	1 235,8
Depreciation and amortisation	(196,5)	(161,0)	(7,3)	(3,1)	(47,8)	(50,7)	(251,6)	(214,8)
Abnormal items		(33,9)		(13,8)	(3,5)	(8,9)	(3,5)	(56,6)
Operating profit (EBIT)	975,1	837,7	15,8	(6,6)	195,3	133,3	1 186,2	964,4
Segment assets and liabilities								
Segment assets	4 417,7	4 008,7	77,0	67,6	1 777,5	1 420,1	6 272,2	5 496,4
Segment liabilities	2 105,4	2 016,3	152,5	158,8	596,2	525,3	2 854,1	2 700,4



30. SEGMENT REPORT (continued)

	Gauteng and Corporate office		Coastal		International		Total	
	2005 Rm	2004 Rm	2005 Rm	2004 Rm	2005 Rm	2004 Rm	2005 Rm	2004 Rm
Geographical segmentation								
Revenue								
Revenue – external	6 377,3	5 900,5	975,3	825,1	181,1	126,9	7 533,7	6 852,5
Segment result								
Operating profit before depreciation and amortisation	1 140,0	1 024,1	278,2	201,4	23,1	10,3	1 441,3	1 235,8
Depreciation and amortisation	(225,6)	(193,0)	(18,7)	(18,7)	(7,3)	(3,1)	(251,6)	(214,8)
Abnormal items	(3,5)	(42,8)				(13,8)	(3,5)	(56,6)
Operating profit (EBIT)	910,9	788,3	259,5	182,7	15,8	(6,6)	1 186,2	964,4
Segment assets and liabilities								
Segment assets	5 114,7	4 440,2	1 080,5	988,6	77,0	67,6	6 272,2	5 496,4
Segment liabilities	1 918,5	1 819,7	783,1	721,9	152,5	158,8	2 854,1	2 700,4

ANNEXURE A

INVESTMENT IN PRINCIPAL SUBSIDIARIES

Netcare owns directly or indirectly 100% of the shares in the following companies unless otherwise stated:

Principal subsidiaries	Nature of business	Amount of issued capital		Book value of interest Shares		Indebtedness	
		2005 Rm	2004 Rm	2005 Rm	2004 Rm	2005 Rm	2004 Rm
Clindeb Investments (Proprietary) Limited	Financing					(870,2)	(501,9)
Clinical Partners (Proprietary) Limited	Specialist managed healthcare						
Clinic Holdings Limited	Investment holding	7,9	7,9	1 336,2	1 336,2	(89,8)	(89,8)
Constantia Clinic (Proprietary) Limited (50%)	Hospital/healthcare services						
Medicross Healthcare Group (Proprietary) Limited (80%)	Healthcare services					152,5	126,1
Netcare 911 (Proprietary) Limited (Note 1)	Pre-hospital emergency services						
Netcare Cape (Proprietary) Limited	Hospital/healthcare services						
Netcare Finance Company (Proprietary) Limited	Financing					(151,3)	(131,1)
Netcare Gauteng One (Proprietary) Limited	Hospital/healthcare services	0,2	0,2				
Netcare Gauteng Two (Proprietary) Limited	Hospital/healthcare services						
Netcare Gauteng Three (Proprietary) Limited	Hospital/healthcare services						
Netcare Gauteng Four Limited	Hospital/healthcare services	0,2	0,2				
Netcare Healthcare UK Limited (Note 2)	Hospital/healthcare services						
Netcare Health Systems (Proprietary) Limited	Healthcare management services						
Netcare Hospital Group (Proprietary) Limited	Investment holding						
Netcare Hospital Management (Proprietary) Limited	Hospital group management services					(16,5)	(3,2)
Netcare International Holdings Limited (Note 3)	Healthcare services						
Netcare International SA (Proprietary) Limited	Investment holding						
Netcare KwaZulu (Proprietary) Limited	Hospital/healthcare services						
Netcare Life Limited	Life insurance	0,1	0,1				
Netcare Management (Proprietary) Limited	Netcare Group management services			0,3	0,3	77,2	133,5
Netcare Preference (Proprietary) Limited	Investment holding					156,2	156,2



Principal subsidiaries	Nature of business	Amount of issued capital		Book value of interest			
		2005 Rm	2004 Rm	Shares		Indebtedness	
				2005 Rm	2004 Rm	2005 Rm	2004 Rm
Netcare Pretoria One (Proprietary) Limited	Hospital/healthcare services						
Netcare Pretoria Two (Proprietary) Limited	Hospital/healthcare services						
Netcare Pretoria Three (Proprietary) Limited	Hospital/healthcare services						
Netcare Property Holdings (Proprietary) Limited (Note 4)	Property owning						
Optiklin (Proprietary) Limited	Hospital/healthcare services						
Prometheus Healthcare (Proprietary) Limited	Hospital/healthcare services						
Prometheus Healthcare Holdings (Proprietary) Limited	Hospital/healthcare services			1,5	1,5		
SAA Netcare Travel Clinics (Proprietary) Limited (74%)	Travel clinics						
Traumanet (Proprietary) Limited	Investment holding						
		8,4	8,4	1 338,0	1 338,0	(741,9)	(310,2)

Notes

- All companies are incorporated in South Africa unless otherwise stated.
- Information in respect of subsidiaries as required in terms of paragraphs 69 and 70 of the Fourth Schedule to the Companies Act is set out in respect of only those subsidiaries, the financial position or results of which are material for a proper appreciation of the affairs of the Group.
- A register disclosing full details of all companies in which the Group has investments is available for inspection during business hours at the registered office of the Company by members or their duly authorised agents.

1. Previously Trauma-Link (Proprietary) Limited.

2. Incorporated in the United Kingdom.

3. Incorporated in Mauritius.

4. Previously Linksfield Grove (Proprietary) Limited. This is now the principal property holding company.

ANNEXURE B

INTEREST IN ASSOCIATED ENTITIES AND JOINT VENTURES

	Nature of business	Percentage holding		Carrying amount with loans		Year-end other than 30 September
		2005 %	2004 %	2005 Rm	2004 Rm	
Associated companies						
Community Hospital Group (Proprietary) Limited	Note 1	43,8	43,8	139,5	184,4	31 March
Community Hospital Management Limited	Note 1	25,0		7,9		
Healthshare Health Solutions (Proprietary) Limited	Note 1	45,0		9,1		30 June
KOPM Investment Holdings (Proprietary) Limited	Note 2	45,0		23,4		
Netpartner Investments Limited	Note 3	46,3	48,4	540,4	321,3	
Other				8,1	33,5	
Total associated companies (refer to note 5 in the financial statements)					728,4	539,2
Joint ventures						
National Renal Care (Proprietary) Limited	Note 4	50,0	50,0	0,5	0,4	
Olivedale Clinic Oncology Centre (Proprietary) Limited	Note 5	50,0	50,0	(0,1)	(0,5)	
Parklands Stereotactic Radiosurgery (Proprietary) Limited	Note 6	50,0	50,0	(1,1)	(1,3)	
Rand Clinic Oncology Centre (Proprietary) Limited	Note 5	50,0	50,0	(9,0)	0,1	
The Ampath Holdings Trust	Note 7	50,0	50,0	17,7	(7,6)	28 February
Other				3,7	2,6	
Total joint ventures (refer to note 6.2 in the financial statements)					11,7	(6,3)

Where the above entities' financial year-ends are not coterminous with that of the Company, financial information has been obtained from published information or management accounts as appropriate.

Notes

1. Providers of hospital/healthcare services.
2. Investment company which owns Lesedi Hospital.
3. Investment holding company and through its subsidiary facilitates the assembly of a national provider network as well as implementation and administration of managed care products.
4. Providers of acute and chronic renal care throughout South Africa.
5. Providers of radiation therapy treatments.
6. Providers of stereotactic radiosurgery.
7. Administration and logistical services to high technology pathology laboratories. Amounts owing from the Ampath Trust have been pledged as security for certain loan financing obligations of the Ampath Trust Group.



The Group's effective share of income statement and balance sheet items in respect of associated companies and joint ventures is as follows:

	Associates		Joint ventures	
	2005 Rm	2004 Rm	2005 Rm	2004 Rm
INCOME STATEMENTS				
Revenue	147,4	89,2	541,7	428,5
Operating profit	31,2	3,3	150,7	82,7
Net financing costs	(29,6)	(3,9)	(12,3)	(14,4)
Profit/(loss) before taxation	1,6	(0,6)	138,4	68,3
Taxation	(7,6)	(2,8)	(5,3)	(5,9)
(Loss)/profit after taxation	(6,0)	(3,4)	133,1	62,4
Attributable earnings of associates	1,8			
(Loss)/profit after taxation including associates	(4,2)	(3,4)	133,1	62,4
Adjustment for crossholding with Netpartner	67,1	28,1		
Attributable earnings of associates	62,9	24,7		
BALANCE SHEETS				
Total assets	1 129,9	464,8	215,4	247,5
Capital and reserves	375,0	300,8	145,2	127,0
Non-current liabilities	451,1	114,8	12,8	60,0
Deferred taxation	17,4	16,7		
Current liabilities	286,4	32,5	57,4	60,5
Total equity and liabilities	1 129,9	464,8	215,4	247,5

ANNEXURE C

DETAILS OF AVAILABLE-FOR-SALE AND HELD-FOR-TRADING INVESTMENTS

	Group		Company	
	2005 Rm	2004 Rm	2005 Rm	2004 Rm
Available-for-sale				
Unlisted				
Genecare Molecular Genetics (Proprietary) Limited			4,6	
Netpartner Investments Limited			523,1	296,1
			527,7	296,1
Held-for-trading				
Listed				
Biopure Corporation (166 667 shares)	1,2		1,2	
Advtech Limited (26 302 298 shares)	48,7	23,7	48,7	
	49,9	23,7	49,9	
Unlisted				
Digital Healthcare Solutions (Proprietary) Limited		34,2		19,4
		34,2		19,4
	49,9	57,9	49,9	19,4





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