





Blaauwberg Hospital

**24 hour Accident
and Emergency Unit**



**BLAAUWBERG
HOSPITAL**

Annual financial statements

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Directors' approval

The directors of Netcare 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 International Financial Reporting Standards. These financial statements are examined by our auditors in conformity with International Standards on Auditing.

The annual financial statements were approved by the Board of directors on 20 November 2009 and are signed on its behalf by:



SJ Vilakazi
Chairman



RH Friedland
Chief Executive Officer



VE Firman
Chief Financial Officer
Sandton

Certificate by the Company Secretary

I hereby certify that to the best of my knowledge, in accordance with the Companies Act of South Africa, 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
Company Secretary

Sandton

20 November 2009

Report of the independent auditors

To the members of Netcare Limited

We have audited the accompanying Group annual financial statements and separate annual financial statements of Netcare Limited, which comprise the directors' report, consolidated and separate statement of financial position as at 30 September 2009, and consolidated and separate income statements, consolidated and separate statement of comprehensive income, consolidated and separate statement of changes in equity and consolidated and separate statement of cash flows for the year then ended, and notes which include a summary of significant accounting policies and other explanatory notes, as set out on pages 121 to 215.

Directors' responsibility for the annual financial statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these annual financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the annual financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the annual financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these annual financial statements present fairly, in all material respects, the consolidated and separate financial position of Netcare Limited as at 30 September 2009, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.



Grant Thornton

Chartered Accountants (SA)
Registered Auditors

per EFG Dreyer
Chartered Accountant (SA)
Registered Auditor

20 November 2009
137 Daisy Street
Sandown
Johannesburg
2196

Audit Committee report

for the year ended 30 September 2009

This report is issued in compliance with section 270A(1)(f) of the Companies Act of South Africa as amended by the Corporate Laws Amendment Act (Companies Act).

Committee structure and functioning

The Netcare Audit Committee was appointed by the Board of directors during the financial year ended 30 September 2008, to hold office in respect of the financial year ended 30 September 2009.

The members of the Audit Committee holding office in respect of the financial year ended 30 September 2009 were: HR Levin (Chair), APH Jammine, KD Moroka and MI Sacks, each of whom satisfied the membership requirements of the Companies Act.

The Netcare Audit Committee resolved that it will perform the functions required under section 270A(1) on behalf of all the relevant subsidiary companies of Netcare.

In respect of the audit cycle relating to the financial year ended 30 September 2009, the Audit Committee met on 19 November 2008, 13 May 2009 and 22 September 2009.

The head of Netcare Group internal audit as well as Grant Thornton, in their capacity as auditors to Netcare and its South African subsidiaries (the Group), attended and reported at all meetings of the Audit Committee. The Group risk management function was also presented. Executive directors and relevant senior managers attended meetings by invitation.

In the United Kingdom, General Healthcare Group (GHG) operates an independent Audit Committee that reports through the Group Audit Committee. The GHG Audit Committee is chaired by Sir Peter Gershon and has three members, all non-executive directors.

Committee functions

In respect of the audit cycle relating to the financial year ended 30 September 2009, the Audit Committee performed, inter alia, the following functions:

- reviewed and recommended for approval, interim and annual financial statements and related SENS and press announcements;
- monitored and reviewed the effectiveness of internal control systems;
- monitored and reviewed the staffing, work plan, resources and activities of the internal audit function;
- reviewed and evaluated the effectiveness of the internal audit, financial risk management and compliance functions;
- reviewed and evaluated reports relating to findings of internal audit investigations and whistleblowing arrangements;
- reviewed developments in corporate governance in relation to the Audit Committee's functions;
- reviewed and, where appropriate, updated the Audit Committee's own terms of reference; and
- assessed the effectiveness of the external audit process following the end of the audit cycle.

External auditors

Pursuant to section 270A of the Companies Act, the Audit Committee:

- nominated for appointment as auditor of the Group and Company under section 270, in respect of the year ended 30 September 2009, the firm of auditors and accountants Grant Thornton, with its audit partner, EFG Dreyer, as designated registered auditor;
- satisfied itself that both the audit firm and audit partner are independent of the Group and the Company;
- ensured that the appointment of Grant Thornton and the designated auditor complies with the Companies Act and any other legislation relating to the appointment of auditors;
- determined the fees of R9 million to be paid to Grant Thornton as well as their terms of engagement in respect of the year ended 30 September 2009;
- determined the nature and extent of non-audit services which Grant Thornton were permitted to provide to Netcare, amounting to R1 million for the year ended 30 September 2009; and
- pre-approved, where relevant, proposed contracts with Grant Thornton for the provision of non-audit services to the Company in respect of the financial year ended 30 September 2009.

On 18 November 2009, the Audit Committee resolved that:

- It has no objection to Grant Thornton and the designated registered audit partner, EFG Dreyer, being re-appointed as the Group and Company's auditor for the financial year ending 30 September 2010, and that it has satisfied itself that both the audit firm and audit partner are independent of the Group and Company.
- Non-audit services to be rendered by Grant Thornton relating to tax advice, technical accounting advice, audit certification required in respect of commercial paper transactions and other audit certifications as may be required from time to time by regulatory authorities, are pre-approved on the basis that this authority will be reviewed at each Audit Committee meeting.

Deloitte LLP has been appointed as the auditors of GHG. The fees paid to Deloitte for the financial year ended 30 September 2009 amounted to R5 million for audit services and R2 million for other services.

Approval of the report

The Audit Committee considers that it has discharged its functions in terms of its charter and as required by the Companies Act of South Africa.

This report of the Netcare Audit Committee in respect of the financial year ended 30 September 2009 was approved by the Board of directors on 20 November 2009.



HR Levin
Chairman: Audit Committee

Directors' report

for the year ended 30 September 2009

Your directors have pleasure in presenting their report on the activities of the Company and of the Group for the year ended 30 September 2009.

Nature of business

Netcare is an investment holding Company and through its subsidiaries, joint ventures and associates in South Africa and in the United Kingdom carries on business as a private hospital group, providing an extensive range of general and specialised medical care services.

Ancillary healthcare businesses include primary, administration and logistical services.

The nature of the business and operations is detailed on page 6.

Financial results and review of operations

The financial results of the Group are set out on page 133 of this report. The segment report is included in note 35 to the annual financial statements.

A detailed review of the activities of the Group is contained in the Chief Financial Officer's review on pages 24 to 29 and in the operational reviews on pages 38 to 63.

Subsidiaries, associates and joint ventures

Details of interests in subsidiaries, associates and joint ventures are shown on pages 210 to 215.

Changes in holdings

Changes to holdings in material subsidiaries, associates and joint ventures are as follows:

- With effect from 1 October 2008:
The Group acquired 50% of the shares in the Thornbury Radiosurgery Centre Limited in the United Kingdom.
- With effect from 17 October 2008:
The Group acquired 100% of the shares in City Medical Limited in the United Kingdom.
- With effect from 15 February 2009:
The Group acquired the remaining 30% interest in Netcare Pretoria Three (Proprietary) Limited. The Company housed the operations of Wierda Park Clinic which, subsequent to the acquisition of the non-controlling interest, was closed down.
- With effect from 26 February 2009:
The Group acquired a 40% stake in Tsepong (Proprietary) Limited, an entity incorporated in the Kingdom of Lesotho, for the purpose of the Lesotho Public Private Partnership.
- With effect from 28 February 2009:
The Group acquired a further 7.5% shareholding in Bougainville Private Hospital (Proprietary) Limited, increasing the holding to 95.5%.
- With effect from 28 February 2009:
The Group disposed of its 50% interest in the Ampath Holdings Trust.
- With effect from 15 May 2009:
The Group disposed of the non-controlling interest held in Wilgers Hospital Limited.
- With effect from 26 June 2009:
The Group acquired a 40% stake in Botle Facilities Management (Proprietary) Limited, an entity incorporated in the Kingdom of Lesotho, for the purpose of the Lesotho Public Private Partnership.

Directors' report (continued)

for the year ended 30 September 2009

Subsidiaries, associates and joint ventures (continued)

Changes in Group structure

Changes in Group structure during the year are as follows:

- The Group rationalised five stand-alone operating companies by transferring the business to Netcare Hospitals (Proprietary) Limited.
- Clinic Holdings Limited was voluntarily liquidated.
- The Group deregistered 21 dormant companies during the year.
- Application was made to deregister a further ten dormant companies in the Group.

Aggregate profits and losses of subsidiaries and joint ventures

The aggregate profits and losses of subsidiaries and joint ventures attributable to the holding company, excluding dividends received are:

Rm	2009	2008	2007
Profits after taxation	3 007	692	781
Losses	(214)	(85)	(42)
	2 793	607	739

Share capital

Authorised and issued

The Company's authorised share capital remained unchanged during the year. The Company issued four million shares (R31 million) during the year in terms of the Netcare Share Incentive Scheme. The Company repurchased 436 million shares during the year, in order to remove the cross-holding in the Group. The Company also repurchased and delisted 31 669 shares in terms of a specific repurchase of shares resulting from an odd lot offer.

Further details of the authorised and issued share capital of the company are given in note 11 to the annual financial statements.

Share incentive scheme

Netcare Share Incentive Scheme

Particulars relating to the Netcare Share Incentive Scheme are given in note 34 to the annual financial statements.

Property, plant and equipment

Capital expenditure incurred during the year amounted to R1 272 million (2008: R1 240 million; 2007: R1 291 million).

Details of capital commitments are provided in note 30 to the annual financial statements.

Capital reduction

Details of the capital reductions paid for the year are:

Rm	2009	2008	2007
Final capital reduction paid on 26 January 2009 of 18.0 cents per share (2008: 18.0 cents per share; 2007: 15.0 cents per share)	335	334	275
Interim capital reduction paid on 27 July 2009 of 16.0 cents per share (2008: 14.0 cents; 2007: 13.0 cents)	228	260	239
	563	594	514
Capital reduction attributable to treasury shares	(133)	(188)	(167)
Paid to Netcare Limited shareholders	430	406	347

Capital reduction (continued)

Capital reductions are accounted for on the date of declaration. As a result, the final capital reduction of 22.0 cents per share declared on 19 November 2009 is not reflected in the annual financial statements for the year ended 30 September 2009.

In compliance with the requirements of the JSE Limited, the following dates are applicable:

Last day to trade cum the capital reduction	15 January 2010
Trading ex capital reduction commences	18 January 2010
Record date	22 January 2010
Payment	25 January 2010

Capital reductions declared in respect of current year's earnings are:

Cents	2009	2008	2007
Interim capital reduction	16	14	13
Final capital reduction	22	18	18
	38	32	31

The estimated total cash flow of the final capital reduction of 22.0 cents per share, payable on 25 January 2010, is R314 million. This amount includes R35 million attributable to treasury shares.

Preference dividends

Details of the preference dividends paid for the year are:

Rm	2009	2008	2007
Interim preference dividend	36	32	30
Final dividend	37	35	
	73	67	30

Directors

Resigned

PG Nelson resigned as executive director with effect from 5 December 2008.

On 20 July 2009, it was announced that IM Davis resigned as director effective 31 December 2009.

Appointed

VE Firman, who has been acting Chief Financial Officer of the Group since 5 December 2008, was appointed as Executive Director with effect from 12 February 2009.

Further information

The composition of the Board of directors is given on pages 14 and 15 of the annual report. The remuneration of Netcare's directors is set out on pages 128 to 130.

Events after balance sheet date

Appointment of Company Secretary

L Kok has been appointed as Group Company Secretary with effect from 1 December 2009.

No further events which are material to the understanding of this report have occurred between the end of the reporting period and the date of this report.

Directors' report (continued)

for the year ended 30 September 2009

Auditors

Grant Thornton continued in office as auditors of Netcare Limited.

Company Secretary

The Netcare Company Secretary as at the date of this report is J Wolpert. He will be retiring on 1 December 2009 and L Kok will be appointed on the same date. The business and postal addresses of the Company Secretary appear on the inside back cover.

Going concern

The directors have reviewed the Group's budget and cash flow forecasts and have satisfied themselves that the Group is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. On the basis of this review, the directors consider it appropriate to adopt the going concern basis in preparing the Group and Company's annual financial statements.

Special resolutions

Netcare Limited

- Amendment to the Articles of Association by deleting Article 70 of the Company's Articles of Association (N preference shares no longer in issue).
- General authority to repurchase shares.
- Specific authority to repurchase 340 million treasury shares held by Netpartner Investments Limited.
- Specific authority to repurchase 96 million treasury shares held by The Netcare Trust.
- Amendment of the Articles of Association by the insertion of Article 75 to cater for odd lot offers.

Subsidiaries

The following special resolutions were passed by South African subsidiary companies:

- Changing the name of Centre for Stereotactic Irradiation (Proprietary) Limited to Netcare Centre for Stereotactic Irradiation (Proprietary) Limited.
- Creating preference shares in Netpartner Investments Limited.
- Changing the name of Nedbank Medical Centre Limited to Nedpark Medical Centre Limited.
- Disposal of the greater part of the assets of Cornucopia (Proprietary) Limited in terms of section 228 of the Companies Act of South Africa.
- Adoption of new Articles of Association for Specialised Practice Administration (Proprietary) Limited.

The following special resolutions were passed by the General Healthcare Group of companies in the United Kingdom:

- Adoption of new memorandum and Articles of Association for certain subsidiaries.
- Changing the name of GHG Shelf Co 5 Limited to BMI Syon Clinic Limited.
- Special resolution approving the transfer of land and buildings at Mount Alvernia Hospital to BMI Healthcare Limited.
- Amendment to the PropCo facilities agreement.

A register of special resolutions passed is available to members on request.

There were no other special resolutions passed by subsidiary companies during the year under review that affects the understanding of the Company and its subsidiaries.

Directors' remuneration and interest report

for the year ended 30 September 2009

Remuneration strategy

Our remuneration strategy is designed to attract, retain and appropriately reward talented and committed executives to ensure that the strategic objectives of the Group and Company are achieved in a sustainable and ethical manner.

Remuneration Committee

The main purpose of the Remuneration Committee is to assist the Board in fulfilling its responsibilities in establishing remuneration policies and practices. This ensures that Netcare is able to attract and retain executives and to award executives appropriately based on their achievement of the short- and long-term objectives of the Group.

The Remuneration Committee consists of five non-executive directors, HR Levin (Chair), APH Jammie, AA Ngcaba, MI Sacks and SJ Vilakazi (appointed 12 February 2009), three of whom are independent.

The Committee meets twice a year, once in December to consider the payment of bonuses and again in March to review and confirm annual increases for executives. The Chief Executive Officer and Group Human Resources Director attend meetings by invitation and are not present when matters relating to their own remuneration are discussed.

External consultants are used on a bi-annual basis to evaluate the benchmarks of executive's salaries and to ensure that we remain cognisant of best practice.

Details on the terms of reference of the Remuneration Committee are outlined in the Corporate governance report on page 78.

Executive remuneration structure

The executive remuneration structure consists of a guaranteed package, short- and long-term incentives.

Guaranteed package

Our policy is to provide guaranteed remuneration at the median of the market taking into account individual responsibilities and performance. Guaranteed remuneration packages are benchmarked against the market every two years. Guaranteed pay includes salary, employee benefits such as retirement funding and medical aid contributions and leave allocations. Executives are not entitled to carry over, accumulate or encash leave.

Variable pay

Short-term incentives

The objective of the short-term incentives are to provide managers and executives with rewards based on the achievement of annual strategic objectives. The targets and objectives are compiled in individual balanced scorecards which are evaluated on a six-monthly basis.

Short-term incentives are calculated based on individual, divisional and company achievement gateways and the maximum potential rewards are based on set percentages of guaranteed remuneration. All short-term incentives are calculated after the audited results of the business unit and the Group are confirmed. Eligible participants are all managers with varying degrees of potential bonus qualification.

Long-term incentives

The objectives of long-term incentives are to align the objectives of executives with those of shareholders; to provide the opportunity for longer-term reward for sustainable performance and to retain key executives.

The Netcare Share Incentive Scheme

Recent scheme allocations have been linked to senior employees. The granting of options was last made in 2008. The vesting of options occur in tranches of 20% commencing two years after issue. Additional details on the Netcare Share Incentive Scheme are provided in note 34 on pages 191 to 193 of the annual financial statements of the Group.

Executive leveraged bonus scheme

The objectives of the scheme are to provide medium-term reward and retention opportunities to executives which are directly aligned to the growth in the share price. Allocations were made during the course of the year and potential payments based on the prevailing share price are due in May and November of 2009 and 2010. Participants have to be employees in service to qualify for payment at the above stated dates.

Non-executive directors' remuneration

The remuneration of non-executive directors is reviewed annually in line with market practices by the Remuneration Committee. Recommendations are made to shareholders at the annual general meeting for consideration and approval.

Service contracts

All executives have notice periods of three months. Restraint of trade agreements are detailed on page 131 of this report.

Directors' remuneration and interest report (continued)

for the year ended 30 September 2009

Interests of directors

Director holding in excess of 1% in Netcare is: MI Sacks 2.3% (2008: 2.4%; 2007: 2.4%). The calculation of the director's holdings is based on 1 266 451 288 (2008: 1 262 072 944; 2007: 1 244 765 494) shares in issue, after deducting treasury shares.

The beneficial and non-beneficial interests of directors in the ordinary shares of the Company were:

Name of director	Beneficial number of shares Direct	Non- beneficial number of shares Indirect	Total number of shares held	% of issued share capital
2009				
Executive directors				
IM Davis (resigned with effect from 31 December 2009)	500 000		500 000	
VE Firman (appointed 12 February 2009)	120 000		120 000	
RH Friedland	7 993 109	450 000	8 443 109	0.7
VLJ Litlhakanyane	176 327		176 327	
Non-executive directors				
HR Levin	10 937 974		10 937 974	0.9
MI Sacks	6 038 750	23 719 214	29 757 964	2.3
N Weltman	110 000		110 000	
	25 876 160	24 169 214	50 045 374	3.9
2008				
Executive directors				
IM Davis	5 606 523		5 606 523	0.4
RH Friedland	7 993 109	450 000	8 443 109	0.7
VLJ Litlhakanyane	149 827		149 827	
PG Nelson		150 000	150 000	
Non-executive directors				
HR Levin	10 937 974		10 937 974	0.9
MI Sacks	6 038 750	23 719 214	29 757 964	2.4
N Weltman	110 000		110 000	
	30 836 183	24 319 214	55 155 397	4.4
2007				
Executive directors				
IM Davis	6 046 523		6 046 523	0.5
RH Friedland	7 993 109	450 000	8 443 109	0.7
VLJ Litlhakanyane	125 327		125 327	
RN Noach (resigned 14 December 2007)	42 027		42 027	
Non-executive directors				
HR Levin	10 937 974		10 937 974	0.9
MI Sacks	6 038 750	23 719 214	29 757 964	2.4
N Weltman (non-executive from 1 September 2007)	110 000		110 000	
	31 293 710	24 169 214	55 462 924	4.5

The register of interests of directors and others in the shares of the Company is available to members on request.

Directors' share options

The following share options were held by the directors at 30 September 2009:

	Exercise price	Share options at 30 September 2008	Share options exercised during the year	Share options at 30 September 2009
	Cents	Number	Number	Number
IM Davis (resigned with effect from 31 December 2009)	436	160 000		160 000
	907	1 000 000		1 000 000
	838	800 000		800 000
VE Firman (appointed 12 February 2009)	436	60 000	40 000	20 000
	907	500 000	100 000	400 000
	838	400 000		400 000
RH Friedland	436	150 000		150 000
	907	2 000 000		2 000 000
	838	1 300 000		1 300 000
VLJ Litlhakanyane	436	100 000	50 000	50 000
	685	200 000	50 000	150 000
	907	1 000 000		1 000 000
	838	800 000		800 000
		8 470 000	240 000	8 230 000

PG Nelson resigned as executive director with effect from 5 December 2008. Details of his share options exercised are as follows:

	Exercise price	Share options at 30 September 2008	Share options exercised during the year	Share options lapsed during 2009
	Cents	Number	Number	Number
PG Nelson (resigned 5 December 2008)	436	100 000		100 000
	685	250 000	100 000	150 000
	907	1 000 000		1 000 000
	838	900 000		900 000
		2 250 000	100 000	2 150 000

Directors' remuneration and interest report (continued)

for the year ended 30 September 2009

Directors' emoluments – Benefits on share options exercised

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

				2009	2008	2007
	Exercise price	Share options exercised during the year	Market price at exercise date	Benefits arising on exercise of options	Benefits arising on exercise of options	Benefits arising on exercise of options
	Cents	Number	Cents	R000	R000	R000
IM Davis						
(resigned with effect from 31 December 2009)	265					3 291
	436					370
VE Firman (appointed 12 February 2009)	436	40 000	1 025	236		
	907	100 000	1 020	113		
RH Friedland	265					11 754
VLJ Litlhakanyane	436	50 000	1 044	304	140	561
	685	23 500	1 044	84	230	
	685	26 500	1 025	90		
PG Nelson (resigned 5 December 2008)	436				356	
	685	100 000	755	70		
		340 000		897	726	15 976

The share option exercise terms are detailed on page 191.

Directors' emoluments

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

Executive directors

R000	Salary	Company contributions	Bonuses ¹	Other allowances	Total	Fair value of options granted ²
2009						
IM Davis						
(resigned with effect from 31 December 2009)	2 154	204	678	82	3 118	769
VE Firman (appointed 12 February 2009)	1 381	127		77	1 585	436
RH Friedland	4 856	429	1 600	2	6 887	1 408
VLJ Litlhakanyane	1 621	157	500	214	2 492	972
PG Nelson (resigned 5 December 2008)	537	52		24	613	
	10 549	969	2 778	399	14 695	3 585

¹ Bonuses paid in respect of the 2008 financial year.

² The fair value of options granted is the annual expense determined by IFRS 2.

Directors' emoluments (continued)

Executive directors (continued)

R000	Salary	Company contributions	Bonuses ¹	Other allowances	Total	Fair value of options granted ²
2008						
IM Davis	1 999	190	1 034	82	3 305	474
RH Friedland	4 355	385	2 276		7 016	929
VLJ Litlhakanyane	1 492	143	627	214	2 476	619
PG Nelson (resigned 5 December 2008)	2 203	207	908	130	3 448	619
RN Noach (resigned 14 December 2007)	246	26	620	1 397	2 289	
	10 295	951	5 465	1 823	18 534	2 641

¹ Bonuses paid in respect of the 2007 financial year.

² The fair value of options granted is the annual expense determined by IFRS 2.

R000	Salary	Company contributions	Bonuses ¹	Other allowances	Total	Fair value of options granted ²
2007						
IM Davis	1 863	177	1 229	82	3 351	406
RH Friedland	4 088	360	2 500		6 948	778
VLJ Litlhakanyane	1 357	131	588	214	2 290	484
PG Nelson	1 966	185	1 134	130	3 415	484
RN Noach	1 383	134	826	205	2 548	450
N Weltman (executive until 31 August 2007)	1 233	132	763	1 745	3 873	393
	11 890	1 119	7 040	2 376	22 425	2 995

¹ Bonuses paid in respect of the 2006 financial year.

² The fair value of options granted is the annual expense determined by IFRS 2.

Non-executive directors

R000	Consulting fees	Fees for services as directors	Total
2009			
APH Jammie		450	450
JM Kahn		337	337
MJ Kuscus		270	270
HR Levin		507	507
KD Moroka		300	300
AA Ngcaba		258	258
MI Sacks	1 343	372	1 715
SJ Vilakazi		451	451
N Weltman		180	180
	1 343	3 125	4 468

Directors' remuneration and interest report (continued)

for the year ended 30 September 2009

Directors' emoluments (continued)

Non-executive directors (continued)

R000	Consulting fees	Fees for services as directors	Total
2008			
APH Jammine		356	356
JM Kahn		267	267
MJ Kuscus (appointed 1 July 2008)		40	40
HR Levin		378	378
TR Mokoena (resigned 4 June 2008)		150	150
KD Moroka		236	236
AA Ngcaba		232	232
MI Sacks	2 723	422	3 145
JA van Rooyen (resigned 11 August 2008)		133	133
SJ Vilakazi (appointed 1 June 2008)		107	107
N Weltman		160	160
	2 723	2 481	5 204

R000	Consulting fees	Fees for services as directors	Total
2007			
APH Jammine		292	292
JM Kahn		220	220
HR Levin		370	370
TR Mokoena		165	165
KD Moroka		210	210
AA Ngcaba		150	150
MI Sacks	1 241	432	1 673
JA van Rooyen		150	150
N Weltman (non-executive from 1 September 2007)		13	13
	1 241	2 002	3 243

Leveraged executive bonus scheme – share option gains

In May 2009, the Group entered into a leveraged bonus scheme with a financial institution. The bonus obligation yielding the benefits has been settled by the Group during the year following a hedging arrangement entered into with the financial institution. The bonus obligation is expensed in the income statement over the vesting period of the options. An amount of R1 million relating to the directors listed below was expensed in the current financial year. The effective share option gains earned during the year by the directors are listed below.

R000	2009
IM Davis (resigned with effect from 31 December 2009)	148
VE Firman (appointed 12 February 2009)	192
RH Friedland	192
VLJ Litlhakanyane	192
	724

Pursuant to the leveraged bonus scheme entered into by the Company with a financial institution in February 2005, the undermentioned effective share option gains were earned by the directors listed below. The bonus obligations yielding the benefits had been settled by the Company during the September 2005 financial year pursuant to a hedging arrangement with the financial institution.

R000	2007
IM Davis	2 079
RH Friedland	2 079
VLJ Litlhakanyane	1 663
PG Nelson	2 079
RN Noach	2 079
N Weltman (executive until 31 August 2007)	2 079
	12 058

Contracts

The following directors are restrained from competing with the Group and have entered into service agreements with the Company for a six-month period: IM Davis and RH Friedland.

Group statement of financial position

at 30 September 2009

Rm	Notes	2009	2008	2007
ASSETS				
Non-current assets				
Property, plant and equipment	2	25 097	29 732	26 683
Goodwill	3	14 303	17 555	16 091
Intangible assets	4	366	355	289
Investment in associated companies	5	122	89	282
Loans and receivables	6	8	15	16
Financial asset – Derivative financial instruments	32		558	1 453
Deferred taxation	17	1 147	689	514
Total non-current assets		41 043	48 993	45 328
Current assets				
Loans and receivables	6	54	75	56
Inventories	7	621	638	600
Trade and other receivables	8	3 416	3 274	2 875
Cash and cash equivalents	9	803	1 202	1 361
		4 894	5 189	4 892
Assets held for sale	10	4	304	319
Total current assets		4 898	5 493	5 211
Total assets		45 941	54 486	50 539
EQUITY AND LIABILITIES				
Capital and reserves				
Ordinary share capital and premium	11	1 065	1 601	1 819
Treasury shares	11	(767)	(5 555)	(5 555)
Option premium on convertible bond		169	172	172
Other reserves		231	1 685	1 863
Retained earnings	12	3 446	6 590	5 833
Equity attributable to owners of the parent		4 144	4 493	4 132
Preference share capital and premium	13	644	644	644
Non-controlling interest		2 345	3 714	3 806
Total shareholders' equity		7 133	8 851	8 582
Non-current liabilities				
Long-term debt	14	25 423	31 530	28 944
Financial liability – Derivative financial instruments	32	2 797	1 654	1 156
Post-retirement benefit obligations	15	297	126	115
Deferred lease liability	16	114	91	63
Deferred taxation	17	5 041	6 463	6 073
Provisions	18	48	56	90
Total non-current liabilities		33 720	39 920	36 441
Current liabilities				
Trade and other payables	19	2 924	3 105	2 480
Short-term debt	20	1 745	2 021	2 086
Taxation payable		330	268	410
Bank overdrafts	9	89	240	461
		5 088	5 634	5 437
Liabilities in disposal group held for sale	10		81	79
Total current liabilities		5 088	5 715	5 516
Total equity and liabilities		45 941	54 486	50 539

Group income statement

for the year ended 30 September 2009

Rm	Notes	2009	2008	2007
CONTINUING OPERATIONS				
Revenue	21	23 232	21 735	18 607
Cost of sales		(13 701)	(12 842)	(10 856)
Gross profit		9 531	8 893	7 751
Other income		232	256	204
Administrative and other expenses		(6 063)	(5 779)	(4 965)
Operating profit	22	3 700	3 370	2 990
Financial income	23	171	294	328
Financial expenses	24	(2 431)	(2 721)	(2 463)
Attributable earnings of associates		27	2	32
Profit before taxation		1 467	945	887
Taxation	25	(350)	(68)	99
Profit for the year from continuing operations		1 117	877	986
DISCONTINUED OPERATION				
Profit for the year from discontinued operation	10	634	105	109
Profit for the year		1 751	982	1 095
Attributable to:				
Owners of the parent		1 564	801	927
Preference shareholders		73	67	30
Profit attributable to shareholders		1 637	868	957
Non-controlling interest		114	114	138
		1 751	982	1 095
Earnings per share (cents)				
Basic	26	123.8	63.5	75.4
Continuing operations		73.6	55.2	66.5
Discontinued operation		50.2	8.3	8.9
Diluted	26	122.6	62.6	71.7
Continuing operations		72.9	54.4	63.3
Discontinued operation		49.7	8.2	8.4

Group statement of comprehensive income

for the year ended 30 September 2009

Rm	Notes	2009	2008	2007
Profit for the year		1 751	982	1 095
Other comprehensive (loss)/income, net of tax	27	(3 086)	(535)	938
Actuarial (losses)/ gains on defined benefit plans		(130)	(49)	28
Effect of cash flow hedge accounting		(2 086)	(790)	1 136
Effect of translation of foreign entities		(870)	304	(226)
Total comprehensive (loss)/income for the year		(1 335)	447	2 033
Attributable to:				
Owners of the parent		(48)	480	1 435
Preference shareholders		73	67	30
Non-controlling interest		(1 360)	(100)	568
		(1 335)	447	2 033

Group statement of financial position

(British pound convenience translation) at 30 September 2009

£m	2009	2008	2007
ASSETS			
Non-current assets			
Property, plant and equipment	2 100	2 015	1 902
Goodwill	1 197	1 190	1 147
Intangible assets	31	24	21
Investment in associated companies	10	6	20
Loans and receivables	1	1	1
Financial asset – Derivative financial instruments		38	104
Deferred taxation	96	47	37
Total non-current assets	3 435	3 321	3 232
Current assets			
Loans and receivables	5	5	4
Inventories	52	43	43
Trade and other receivables	286	222	204
Cash and cash equivalents	67	81	97
	410	351	348
Assets held for sale		21	23
Total current assets	410	372	371
Total assets	3 845	3 693	3 603
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary share capital and premium	89	108	130
Treasury shares	(64)	(376)	(396)
Option premium on convertible bond	14	12	12
Other reserves	19	113	133
Retained earnings	289	447	416
Equity attributable to owners of the parent	347	304	295
Preference share capital and premium	54	44	46
Non-controlling interest	196	252	271
Total shareholders' equity	597	600	612
Non-current liabilities			
Long-term debt	2 128	2 137	2 063
Financial liability – Derivative financial instruments	234	112	82
Post-retirement benefit obligations	25	9	8
Deferred lease liability	10	6	4
Deferred taxation	422	438	433
Provisions	4	4	6
Total non-current liabilities	2 823	2 706	2 596
Current liabilities			
Trade and other payables	244	211	178
Short-term debt	146	137	149
Taxation payable	28	18	29
Bank overdrafts	7	16	33
	425	382	389
Liabilities in disposal group held for sale		5	6
Total current liabilities	425	387	395
Total equity and liabilities	3 845	3 693	3 603
Exchange rate			
Converted at closing rate R:£	11.95	14.76	14.03

Group income statement

(British pound convenience translation) at 30 September 2009

£m	2009	2008	2007
CONTINUING OPERATIONS			
Revenue	1 692	1 483	1 317
Cost of sales	(998)	(876)	(768)
Gross profit	694	607	549
Other income	17	17	14
Administrative and other expenses	(442)	(394)	(351)
Operating profit	269	230	212
Financial income	12	20	23
Financial expenses	(177)	(186)	(174)
Attributable earnings of associates	2		2
Profit before taxation	106	64	63
Taxation	(25)	(5)	7
Profit for the year from continuing operations	81	59	70
DISCONTINUED OPERATION			
Profit for the year from discontinued operation	46	7	8
Profit for the year	127	66	78
Attributable to:			
Owners of the parent	114	53	66
Preference shareholders	5	5	2
Profit attributable to shareholders	119	58	68
Non-controlling interest	8	8	10
	127	66	78
Earnings per share (cents)			
Basic	9.0	4.3	5.3
Continuing operations	5.4	3.7	4.7
Discontinued operation	3.6	0.6	0.6
Diluted	8.9	4.3	5.1
Continuing operations	5.3	3.7	4.5
Discontinued operation	3.6	0.6	0.6
Exchange rate			
Converted at average rate R:£	13.73	14.65	14.13

Group statement of changes in equity

at 30 September 2009

Rm	Ordinary share capital	Ordinary share premium	Treasury shares	Foreign currency translation reserve	Investment fair value reserve	Cash flow hedge accounting reserve
Balance at 1 October 2006	18	1 479	(5 555)	1 414	230	(299)
Shares issued during the year	1	668				
Capital reduction		(347)				
Disposal of shares in a subsidiary				(29)		5
Settlement of the zero cost collar					(24)	
Option premium on convertible bond						
Share-based payments reserve movements						
Preference dividends paid						
Other reserve movements						
Total comprehensive income for the year				(93)		600
Balance at 30 September 2007	19	1 800	(5 555)	1 292	206	306
Shares issued during the year		188				
Capital reduction		(406)				
Revaluation of land and buildings following a business combination					93	
Movement in employee share trust reserve						
Share-based payments reserve movements						
Capital gains tax on capital reductions attributable to treasury shares						
Preference dividends paid						
Other reserve movements						
Disposal of shares in a subsidiary						
Dividends paid by subsidiaries						
Total comprehensive income for the year				130		(427)
Balance at 30 September 2008	19	1 582	(5 555)	1 422	299	(121)
Shares issued during the year		31				
Capital reduction		(430)				
Repurchase of shares	(4)	(133)	4 788			
Repurchase of convertible bond						
Movement in employee share trust reserve						
Share-based payments reserve movements						
Capital gains tax on capital reductions attributable to treasury shares						
Preference dividends paid						
Other reserve movements						
Acquisition of shares in subsidiary						
Dividends paid by subsidiaries						
Total comprehensive income for the year				(446)		(1 095)
Balance at 30 September 2009	15	1 050	(767)	976	299	(1 216)

Net investment hedging reserve	Capital redemption reserve	Contingency reserve	Option premium on convertible bond	Employee share trust reserve	Share-based payment reserve	Retained earnings	Equity attributable to owners of the parent	Preference share capital and premium	Non-controlling interest	Total shareholders' equity
(98)	25	1			84	4 938	2 237	644	3 355	6 236
							669			669
							(347)			(347)
						(19)	(43)		(117)	(160)
							(24)			(24)
			172				172			172
					27		27			27
						(30)	(30)			(30)
	14	6				(14)	6			6
						958	1 465		568	2 033
(98)	39	7	172		111	5 833	4 132	644	3 806	8 582
							188			188
							(406)			(406)
							93			93
				30			30			30
					5		5			5
						(10)	(10)			(10)
						(67)	(67)			(67)
		(9)				(10)	(19)			(19)
								9		9
								(1)		(1)
						844	547		(100)	447
(98)	39	(2)	172	30	116	6 590	4 493	644	3 714	8 851
							31			31
							(430)			(430)
						(4 583)	68			68
			(3)			7	4			4
				1			1			1
					32		32			32
						(7)	(7)			(7)
						(73)	(73)			(73)
	51	3				(54)				(6)
									(6)	(6)
									(3)	(3)
						1 566	25		(1 360)	(1 335)
(98)	90	1	169	31	148	3 446	4 144	644	2 345	7 133

Group statement of cash flows

for the year ended 30 September 2009

Rm	Notes	2009	2008	2007
Cash flows from operating activities				
Cash received from customers		22 921	21 099	18 869
Cash paid to suppliers and employees		(18 281)	(16 436)	(14 895)
Cash generated from operations				
Interest paid	A	4 640	4 663	3 974
Continuing operations		(2 430)	(2 558)	(2 355)
Discontinued operation		(2 425)	(2 550)	(2 348)
Taxation paid		(5)	(8)	(7)
Continuing operations	B	(526)	(290)	(286)
Discontinued operation		(520)	(268)	(269)
Ordinary dividends paid by subsidiaries		(6)	(22)	(17)
Preference dividends paid		(3)	(1)	
Capital reductions paid		(73)	(67)	(30)
		(430)	(406)	(347)
Net cash from operating activities				
Continuing operations		1 178	1 341	956
Discontinued operation		1 179	1 352	882
		(1)	(11)	74
Cash flows from investing activities				
Purchase of property, plant and equipment		(1 283)	(1 268)	(1 389)
Continuing operations		(1 272)	(1 240)	(1 291)
Discontinued operation		(11)	(28)	(98)
Proceeds on disposal of property, plant and equipment		60	708	40
Post-retirement benefit obligation				(151)
Additions to intangible assets		(144)	(148)	(103)
Decrease/(increase) in investments and loans		40	128	(52)
Proceeds from disposal of businesses	C	852	15	1
Interest received		150	134	158
Realised gain on cross-currency swap			324	
Dividends received		1	44	1
Acquisition of subsidiaries and businesses, net of cash acquired	D	(9)	(2 112)	(169)
Net cash from investing activities				
Continuing operations		(333)	(2 175)	(1 664)
Discontinued operation		(322)	(2 147)	(1 632)
		(11)	(28)	(32)
Cash flows from financing activities				
Proceeds from issue of ordinary shares		31	48	669
Repurchase of shares		(11)		
Settlement of derivatives		(19)		
Long-term liabilities (repaid)/raised		(840)	974	262
Short-term liabilities repaid		(139)	(133)	(317)
Net cash from financing activities				
Continuing operations		(978)	889	614
Discontinued operation		(974)	889	617
		(4)		(3)
Net (decrease)/increase in cash and cash equivalents				
Translation effects on cash and cash equivalents of foreign entities		(133)	55	(94)
		(115)	(32)	39
Cash and cash equivalents at beginning of year		962	900	1 009
Cash flows in disposal group held for sale			39	(54)
Cash and cash equivalents at end of year	E	714	962	900

Notes to the Group statement of cash flows

for the year ended 30 September 2009

Rm	2009	2008	2007
A. Cash generated from operations			
Operating profit	4 447	3 509	3 117
Continuing operations	3 700	3 370	2 990
Discontinued operation	747	139	127
Adjustments for:			
Depreciation	1 161	1 204	1 017
Continuing operations	1 156	1 193	1 007
Discontinued operation	5	11	10
Amortisation of intangible assets	71	51	37
Profit on disposal of property, plant and equipment	(5)	(28)	(1)
Profit on disposal of subsidiaries			(1)
Profit on disposal of joint venture	(678)		
Adjustment on goodwill		53	
Reversal of impairment of land and buildings		(17)	(11)
Reversal of impairment of investments and loans	(31)		
Impairment of land and buildings	13		
Impairment of investments and loans			25
Impairment of goodwill		1	24
Impairment of intangible assets			40
Share-based payment movements	32	(20)	27
Unrealised net foreign exchange (profits)/losses	(11)	17	(31)
(Decrease)/increase in post-retirement benefit obligation	(15)	(54)	10
Increase/(decrease) in deferred lease liability	23	28	(1)
Other non-cash flow items	4	(9)	
Cash generated from operations before working capital changes	5 011	4 735	4 252
Increase in trade and other receivables	(578)	(644)	(212)
Increase in inventories	(46)	(28)	(27)
Increase in trade and other payables	261	634	19
Decrease in provisions	(8)	(34)	(58)
	4 640	4 663	3 974
B. Taxation paid			
Amounts payable at beginning of year	268	410	138
Charge per the income statement (excluding deferred taxation)	464	84	552
Acquisition of subsidiaries		8	
Disposal of businesses	90		
Taxation movement through equity	34	10	
Translation of foreign entities	(6)	24	(11)
Amounts payable at end of year	(330)	(268)	(410)
	520	268	269

Notes to the Group statement of cash flows (continued)

for the year ended 30 September 2009

Rm	2009	2008	2007
C. Proceeds from disposal of businesses			
Property, plant and equipment	76	15	
Intangible assets	45		
Investment in associated companies	10		
Inventories	11		
Trade and other receivables	171		
Long-term debt	(8)		
Trade and other payables	(56)		
Income tax payable	(16)		
Net assets disposed	233	15	
Loan from joint venture	(59)		
Non-controlling interest			1
	174	15	1
Profit on disposal	678		
Cash proceeds on disposal	852	15	1
Comprising:			
The Ampath Holdings Trust	852		
Waterberg Lodge (Proprietary) Limited		15	
Cancare (Proprietary) Limited			1
	852	15	1
D. Acquisition of businesses			
Property, plant and equipment	15	2 365	4
Investments		4	
Inventories		26	
Trade and other receivables	1	89	
Cash and cash equivalents	5	50	
Long-term debt	(15)	(121)	
Short-term debt		(66)	
Deferred taxation		(318)	
Trade and other payables	(5)	(284)	
Taxation payable		(8)	
Fair value of assets acquired	1	1 737	4
Non-controlling interest		(4)	152
	1	1 733	156
Goodwill	13	700	13
Less: Previously held investment		(102)	
Purchase consideration	14	2 331	169
Less: Amount issued in shares		(169)	
Cash and cash equivalents in acquiree	(5)	(50)	
Cash outflow on acquisition	9	2 112	169

Rm	2009	2008	2007
D. Acquisition of businesses (continued)			
Comprising:			
City Medical Limited	6		
Thornbury Radiosurgery Centre Limited	3		
Bougainville Private Hospital (Proprietary) Limited		6	
Community Hospital Group (Proprietary) Limited		(44)	
Linkwood Clinic (Proprietary) Limited		(5)	
Nuffield hospitals		2 156	
Oxford Musculoskeletal Clinic Limited Liability Partnership		(1)	
General Healthcare Group Limited			153
Health Management Technologies (Proprietary) Limited			8
Netpartner Investments Limited			6
Rosewood Clinic			2
Total consideration	9	2 112	169
E. Cash and cash equivalents and bank overdrafts			
Cash on hand and balances with banks	803	1 202	1 361
Short-term money market borrowings and bank overdrafts	(89)	(240)	(461)
	714	962	900

Notes to the Group annual financial statements

for the year ended 30 September 2009

1. Accounting policies

The principal accounting policies adopted in the preparation of these annual financial statements are set out below:

1.1 Basis of preparation

The Group and Company annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The financial statements are presented in South African rand (ZAR), the functional currency of the Group and Company and all amounts are rounded to the nearest million, except when otherwise indicated. They are prepared on the historical cost basis, except for certain financial instruments that are stated at fair value.

The accounting policies adopted are consistent with those applied in the prior year except for the following revision of an accounting standard that was adopted prior to the effective date:

IAS 1 Revision of International Accounting Standard 1 Presentation of Financial Statements

The adoption of the revised standard does not affect the financial position or profits of the Group, but gives rise to additional disclosures and changes in presentation. In terms of the revised standard, the Group is required to disclose all non-owner changes in equity in a statement of comprehensive income. The statement of recognised income and expense included in the 30 September 2008 annual financial statements is no longer presented. A statement of changes in equity is now required. A statement of financial position, previously known as the balance sheet, is required at the beginning of the earliest comparative period when the Group applies an accounting policy retrospectively or makes a retrospective adjustment.

This standard is required to be adopted by the Group for the financial year ending 30 September 2010 but was early adopted in the current year. This standard has not had any impact on the reported results of the Group.

1.2 Basis of consolidation of financial results

Subsidiaries

Subsidiaries are those entities (including special purpose entities) over which the Group has an interest of more than half the voting rights or otherwise has power to exercise control over the operations. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries in accordance with the Group's accounting policy for business combinations.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Where the Group decreases its controlling interest in a subsidiary without losing control, the partial disposal is accounted for as an equity transaction. The difference between the proceeds and the carrying value of the share of net assets disposed of is taken to equity and no adjustment is made to the carrying amount of goodwill.

In the Company's financial statements, investments in subsidiaries are stated at cost less any impairment losses.

Investment in associated companies

An associate is an entity over which the Group has significant influence, and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but has no control or joint control over those policies.

The results, assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in associates are initially recognised at cost and adjusted for post-acquisition changes in the Group's share of net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's investment in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognised, unless the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

1. Accounting policies (continued)

1.2 Basis of consolidation of financial results (continued)

Investment in associated companies (continued)

Any excess of the cost of acquisition over the Group's share of the net fair value of identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the fair value of the net identifiable assets and contingent liabilities of the entity acquired over the cost of acquisition is recognised immediately in the income statement.

Where the Group transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Interests in joint ventures

A joint venture is an entity jointly controlled by the Group and one or more other venturers in terms of a contractual arrangement requiring unanimous consent for strategic financial and operating decisions. It may involve a corporation, partnership or other entity in which the Group has an interest.

The Group's share of the assets, liabilities, income, expenditure and cash flows of jointly controlled entities are accounted for using the proportionate consolidation method, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Proportionate consolidation combines the Group's share of the results of the joint venture entity on a line-by-line basis with similar items in the Group's financial statements.

Where necessary, the results of joint ventures are restated to ensure consistency with Group policies.

Goodwill on the acquisition of joint ventures is treated in accordance with the Group's accounting policy for goodwill.

Where the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture.

1.3 Business combinations

Initial recognition and measurement

All business combinations are accounted for by applying the purchase method. The cost of the business combination is the fair values at the date of exchange of the assets given, liabilities incurred or assumed, and equity instruments issued by the Group, in exchange for control of the acquiree; and any costs directly attributable to the business combination. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

At the acquisition date, the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised as goodwill in accordance with the Group's accounting policy for goodwill. The acquisition date is the date on which the Group effectively obtains control of the acquiree.

Negative goodwill arising on a business combination represents the excess of the fair value of the net identifiable assets and contingent liabilities of the entity acquired over the cost of acquisition and are recognised immediately in the income statement.

Subsequent measurement

If the initial accounting for business combinations has been determined provisionally, then adjustments to these values resulting from the emergence of new information within 12 months after the acquisition date are made against goodwill. In addition, the cost of the business combination and, subsequently, goodwill is adjusted for changes in the estimated value of contingent considerations in respect of the business combination when they arise.

1.4 Goodwill

Initial recognition and measurement

Goodwill arising on the acquisition of subsidiaries and joint ventures represents the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. Goodwill acquired is recognised as an asset and initially measured at its cost.

Negative goodwill arising on a business combination represents the excess of the fair value of the net identifiable assets and contingent liabilities of the entity acquired over the cost of acquisition and are recognised immediately in the income statement.

Subsequent measurement

Goodwill is subsequently measured at cost less any accumulated impairment.

Notes to the Group annual financial statements

(continued) for the year ended 30 September 2009

1. Accounting policies (continued)

1.4 Goodwill (continued)

Derecognition

When goodwill forms part of a cash-generating unit and part of that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation in determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill is allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period. Refer to note 3 for a description of impairment testing procedures.

1.5 Discontinuing operations and non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their carrying amount and their fair value less costs to sell. Non-current assets (and disposal groups) are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use.

This condition is regarded as met only when it is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets are classified as held for sale from the date these conditions are met and are measured at the lower of their carrying amount and their fair value less costs to sell. Any resulting impairment is reported through the income statement.

On classification as held for sale the assets are no longer depreciated. Comparative amounts are not adjusted.

Discontinued operations are classified as held for sale and are either a separate major line of business or geographical area of operations that have been sold or are part of a single coordinated plan to be disposed of, or a subsidiary acquired exclusively with a view to sell. Once an operation has been identified as discontinued, or is reclassified as continuing, the comparative information is restated.

1.6 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. Land is not depreciated.

Where an item comprises major components with different useful lives, these components are accounted for as separate items.

Property, plant and equipment are depreciated to estimated residual value on a straight-line basis over their expected useful lives. The depreciation methods, estimated remaining useful lives and residual values are reviewed annually.

The assumptions regarding estimated useful lives for the 2009 financial year were as follows:

Land	Indefinite
Buildings	3 – 75 years
Computer equipment	3 – 7 years
Furniture and equipment	4 – 10 years
Medical equipment	2 – 12 years
Motor vehicles	5 years
Aircrafts	Useful life based on the number of hours used
Plant and machinery	5 – 12 years

Borrowing costs directly attributable to the acquisition, construction or production of assets that take necessarily a substantial period of time to prepare for their intended use or sale, are capitalised to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

1. Accounting policies (continued)

1.7 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets are recognised if it is probable that future economic benefits will flow to the entity from the assets and the costs of the assets can be reliably measured.

Intangible assets are amortised on a straight-line basis over their estimated useful lives.

The assumptions regarding estimated useful lives for the 2009 financial year were as follows:

Management contracts	over contract period
Computer software – purchased	3 – 10 years
Computer software – internally generated	7 years
Development expenditure	over contract period

Internally generated computer software is amortised when brought into use.

Research and development

Expenditure on research is recognised as an expense when it is incurred.

Development costs relating to the design and testing of new or improved products, systems or processes, are recognised as intangible assets when it is probable that the products, systems or processes will be commercially and technically feasible and the costs can be measured reliably. Other development expenditure is recognised as an expense as incurred. Development costs initially recognised as an expense are not recognised as an asset in a subsequent period.

1.8 Financial instruments

Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Initial recognition and measurement

Financial instruments are initially measured at fair value plus, in the case of a financial asset or financial liability not at fair value through the income statement, transaction costs directly attributable to the acquisition or issue of the financial asset or financial liability. Subsequent to initial recognition, financial instruments are measured as set out below.

Derecognition of financial assets and liabilities

Financial assets are derecognised where:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset and has either transferred substantially all the risks and rewards of the asset or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Fair value

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 asset is valued at cost less accumulated impairment.

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.

Investments

Investments are classified as either held-for-trading or as available for sale, and are subsequently measured at fair value.

Held-for-trading investments are classified as current assets and any gains or losses from changes in fair value are recognised in the income statement.

Notes to the Group annual financial statements

(continued) for the year ended 30 September 2009

1. Accounting policies (continued)

1.8 Financial instruments (continued)

Investments (continued)

Unrealised gains and losses on available-for-sale investments are recognised in other comprehensive income and are reported within the investment fair value reserve until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in other comprehensive income is reclassified from the equity reserve to profit or loss and is presented as a reclassification adjustment within other comprehensive income.

Trade and other receivables

Trade and other receivables are classified as loans and receivables and are measured at amortised cost less allowances for doubtful debts.

Individually significant receivables are considered for impairment when objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the type and region of counterparty and other available features of shared credit risk characteristics. The percentage of the writedown is then based on recent historical counterparty default rates for each identified group. Impairment of these assets is expensed in the income statement. The carrying amount of the asset is reduced through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the income statement.

Cash and cash equivalents

Cash and cash equivalents are stated at carrying value which is deemed to be fair value. In the statement of cash flows, bank overdrafts are offset against cash and cash equivalents.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangement entered into and the definitions of a financial liability and an equity instrument in IFRS. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Financial liabilities, other than derivative instruments, are recognised at amortised cost, comprising original debt less principal payments and amortisations.

The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Compound instruments

The component parts of compound instruments are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is accounted for as a liability on an amortised cost basis until extinguished upon conversion or the instruments maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured.

Trade payables

Trade and other payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

1.9 Derivative financial instruments and hedge accounting

Derivative financial instruments are initially recognised at fair value; with changes in fair value being included in the income statement other than derivatives designated as cash flow hedges.

A derivative instrument needs to meet the following criteria to be designated as a hedging instrument:

- the hedge transaction is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk;
- the effectiveness of the hedge can be reliably measured throughout the duration of the hedge;
- there is adequate documentation of the hedging relationship at the inception of the hedge; and
- for cash flow hedges, the forecasted transaction that is the subject of the hedge must be highly probable.

1. Accounting policies (continued)

1.9 Derivative financial instruments and hedge accounting (continued)

The Group designates certain derivatives as 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 the income statement. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and the ineffective portion is recognised in the income statement. Further details of derivative financial instruments are disclosed in note 32.

If an effective hedge of a forecast transaction subsequently results in the recognition of a financial asset or financial liability, the gains or losses recognised in equity are transferred to income in the same period in which the asset or liability affects the income statement.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated gains or losses that had previously been recognised in equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability.

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. Any cumulative gain or loss on the hedging instrument for a forecast transaction is retained in equity until the transaction occurs, unless the transaction is no longer expected to occur, in which case it is transferred to the income statement for the period.

1.10 Impairment of tangible and intangible assets excluding goodwill

At each year-end reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset, or cash-generating unit, is estimated to be less than its carrying amount, the carrying amount of the asset, or cash-generating unit, is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset, or cash-generating unit, is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised immediately in the income statement.

1.11 Insurance contracts

Contracts under which the Group accepts significant risk from other parties by indemnifying that party against uncertain future costs are classified as insurance contracts. The contracts issued compensate the other party for medical and emergency service expenses incurred.

Recognition and measurement

Capitation premiums

The Group receives premiums from medical aid schemes/members in return for underwriting the cost of providing medical or emergency services. These premiums are recognised as revenue before the deduction of any brokerage, commissions or similar costs.

Provision for outstanding claims

All claims assessed but not yet paid are accrued for in full.

Claims incurred but not reported (IBNR) liability

Claims arising from insured events that occurred within the accounting period, but which have not yet been received or reported to the Group within the period are provided for. The IBNR liability is estimated by independent actuarial consultants using statistical methods. The IBNR liability is based on assessed claim patterns as these patterns are more stable than claims paid patterns. Claims IBNR estimates are arrived at by using independent actuarial assessments of the claims based on the chain-ladder method of forecasting claims development patterns.

Notes to the Group annual financial statements

(continued) for the year ended 30 September 2009

1. Accounting policies (continued)

1.11 Insurance contracts (continued)

Recognition and measurement (continued)

Reinsurance contracts held

Contracts entered into with reinsurers, under which compensation for specified losses that meet the classification requirements for insurance contracts, are accounted for as reinsurance contracts. Reinsurance contracts are entered into for calendar years, coinciding with the term of the insurance contracts entered into with other parties. Reinsurance premiums and any associated recoveries are accounted for monthly in the income statement. Amounts recoverable from or payable to the reinsurer are measured consistently in terms of each reinsurance contract and are classified as trade and other receivables or financial liabilities respectively.

1.12 Set-off

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

1.13 Inventories

Inventories, comprising medical consumables held by contracted entities are valued at the lower of cost and net realisable value on a first-in first-out basis. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Other consumables, including crockery, cutlery, linen and soft furnishings, are valued at average cost and written down with regard to their age and condition.

Writedowns to net realisable value and inventory losses are expensed in the period in which the writedowns or losses occur.

1.14 Share capital and share premium

Issued share capital and share premium are stated as the amount of the proceeds received less directly attributable issue costs.

1.15 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.

1.16 Provisions

Provisions represent liabilities of uncertain timing or amount. 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.

1.17 Foreign currency translation

Items included in the financial results of each entity are measured using the functional currency of that entity. The consolidated financial results are presented in rand, which is Netcare's functional and presentation currency.

Foreign currency transactions

Income and expenditure transactions are translated into the functional currency of the entity at the rate of exchange ruling at the transaction date.

Monetary assets and liabilities are translated into the functional currency of the entity at the rate of exchange ruling at the reporting date. Foreign exchange gains and losses resulting from the translation and settlement of monetary assets and liabilities are charged to the income statement, except when they relate to cash flow hedging activities in which case these gains and losses are recognised in other comprehensive income and included in the cash flow hedge accounting reserve in equity.

1. Accounting policies (continued)

1.17 Foreign currency translation (continued)

Foreign operations

The financial results of all entities that have a functional currency different from the presentation currency of their parent entity are translated into the presentation currency. Income and expenditure transactions of foreign operations are translated at the average rate of exchange for the year. All assets and liabilities, including fair value adjustments arising on acquisition, are translated at the rate of exchange ruling at the reporting date. Differences arising on translation are recognised in other comprehensive income and included in the foreign currency translation reserve in equity.

On consolidation, differences arising from the translation of the net investment in a foreign operation are recognised in other comprehensive income and included in the foreign currency translation reserve in equity.

On disposal of part or all of the investment, the proportionate share of the related cumulative gains and losses previously recognised in the foreign currency translation reserve in equity are included in determining the profit or loss on disposal of that investment charged to the income statement.

1.18 Taxation

The tax expense consists of current South African and foreign tax, deferred tax and secondary tax on companies.

Current South African and foreign tax

The current tax charge is the expected tax payable on the taxable income for the period. The tax rates and tax laws used to compute this amount are those that are enacted or substantively enacted by the reporting date.

Deferred tax

The provision for deferred tax assets and liabilities reflects the tax consequences that would follow from the expected recovery or settlement of the carrying amount of the Group's assets and liabilities.

Deferred tax is provided, using the liability method, for all temporary differences at the reporting date between the tax bases of assets or liabilities and their respective carrying amounts.

A deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries, joint ventures and associates, except to the extent that both of the following conditions are satisfied: the parent or investor is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. No deferred tax liability is recognised on temporary differences caused by the initial recognition of goodwill.

A deferred tax asset is recognised where it is probable that, in the foreseeable future, taxable profits will be available against which the deferred tax asset can be realised. Neither a deferred tax asset nor liability is recognised where it arises from a transaction that is not part of a business combination, and, at the time of the transaction, has not impacted accounting or taxable profit. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Current and deferred tax relating to items recognised in other comprehensive income are recognised in other comprehensive income and equity respectively.

Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Secondary tax on companies (STC)

STC is recognised as part of the tax expense in the income statement when the related dividend has been paid. There are no material unutilised STC credits within the Group that would have resulted in the recognition of a deferred tax asset.

Notes to the Group annual financial statements

(continued) for the year ended 30 September 2009

1. Accounting policies (continued)

1.19 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.

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

Administration fees

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

Rental income

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Dividend and interest revenue

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

Interest is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Group.

1.21 Cost of sales

Cost of sales includes all costs of purchase. Inventory writedowns are included in cost of sales when recognised. Trade discounts, settlement discounts and similar costs are deducted in determining the costs of purchase.

1.22 Employee benefits

Short-term employee benefits

Remuneration to employees is recognised in the income statement as services are rendered.

Post-employment benefits – Defined contribution pension plans

Contributions to defined contribution plans are recognised in the income statement.

Post-employment benefits – Defined benefit pension plans

The Group's obligation in respect of defined benefit pension plans is actuarially calculated by deducting the fair value of the plan assets from the gross obligation for post-retirement benefits. The gross obligation is determined by estimating the future benefit attributable to employees in return for services rendered to date.

The future benefit is discounted using the discount rate to determine its present value. Independent actuaries perform this calculation annually using the projected unit credit method.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income, with the exception of gains or losses arising from changes in the benefits regarding past services, which are recognised in the income statement.

Past service costs are recognised immediately to the extent that the benefits are already vested. Otherwise they are amortised on a straight-line basis over the average period until the amended benefits become vested.

1. Accounting policies (continued)

1.22 Employee benefits (continued)

Post-employment benefits – Defined benefit pension plans (continued)

Where the plan assets exceed the gross obligation, the asset recognised is limited to the total of unrecognised net actuarial losses, unrecognised past service costs related to the improvements of the defined benefit pension plan and the present value of any future refunds from the plan or reductions in future contributions to the plan.

Post-employment benefits – Medical funds

The Group provides post-retirement benefits to certain of its retirees in South Africa only. Employees who joined the employment of the Group prior to 1 November 2004 are entitled to a post-retirement medical aid subsidy. Due to previous employment benefits offered, the Group has honoured its contractual commitment in respect of post-retirement medical obligations before the change in policy.

The future benefit is discounted using the discount rate to determine its present value. Independent actuaries perform this calculation every three years for the Group, using the projected unit credit method.

Actuarial gains and losses are recognised in comprehensive income.

Equity compensation benefits – Netcare Share Incentive Scheme

The Group grants share options to certain employees under the Netcare Share Incentive Scheme. The fair value of the employee services received in exchange for the grant of options is recognised as an expense with a corresponding increase in equity. The total amount to be expensed over the vesting period is determined with reference to the fair value of the options granted on grant date and is expensed on a straight-line basis over the vesting period. The fair value is determined by using the trinomial model and the assumptions used to determine the fair value are detailed in note 34.

Equity compensation benefits – Health Partners for Life

The beneficiaries of the Health Partners for Life trusts hold trust units which entitle them to the economic benefits of a specified number of Netcare shares over a vesting period. The total amount to be expensed over the vesting period is determined with reference to the fair value of the units at grant date and is expensed on a straight-line basis over the vesting period. The fair value is determined by using the trinomial model and the assumptions used to determine the fair value are detailed in note 34.

1.23 Employee benefit trust

Cash held on behalf of employees within the Group's employee benefit trusts is consolidated in accordance with SIC 12 Consolidation – Special Purpose Entities. This is included within the employee share trust reserve in the statement of changes in equity.

1.24 Distributions paid to shareholders

Distributions are recorded in the period in which the distribution is declared. All transactions with owners of the parent are recorded separately within equity.

1.25 Comparative figures

Comparative figures are reclassified or restated where necessary to afford a proper and more meaningful comparison of results as set out in the affected notes to the financial statements. Refer to note 31 for further details.

1.26 Significant judgements and estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and the application of judgement are inherent in the formation of estimates. Actual amounts could differ from these estimates.

The following accounting policies have been identified as involving particularly complex or subjective judgements or assessments:

Impairment of assets

Goodwill is considered for impairment at least annually. Property, plant and equipment and intangible assets are considered for impairment if there is any reason to believe that impairment may be necessary. Factors taken into consideration include the economic viability of the asset itself and where it is a component of a larger cash generating unit, the viability of the unit.

Future cash flows expected to be generated by the assets are projected, taking into account market conditions and the expected useful lives of the assets. The present value of these cash flows, determined using an appropriate discount rate, is compared to the current asset value and, if lower, the assets are impaired to the present value.

Notes to the Group annual financial statements

(continued) for the year ended 30 September 2009

1. Accounting policies (continued)

1.26 Significant judgements and estimates (continued)

Asset lives and residual values

Property, plant and equipment are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining lives of the assets and projected disposal values.

Deferred taxation assets

Deferred tax assets are recognised to the extent it is probable that taxable income will be available in future against which they can be utilised. Future taxable profits are estimated based on business plans which include estimates and assumptions regarding economic growth, interest inflation and taxation rates and competitive forces.

Fair value of share-based payments

The fair value of options granted in terms of the Netcare Share Incentive Scheme and the trust units issued in terms of the Health Partners for Life initiative are determined using the trinomial model. Additional details regarding the assumptions used to value the share options and trust units are detailed in note 34.

Post-employment benefit obligations

Post-retirement defined benefits are provided for certain existing and former employees. Actuarial valuations are based on assumptions which include employee turnover, mortality rates, the discount rate, the expected long-term rate of return of retirement plan assets, healthcare inflation cost and rates of increase in compensation costs.

Incurred but not yet reported (IBNR) liability

Judgement is required in estimating accruals required in respect of the IBNR which have not yet been settled and in determination of the IBNR accrual.

The assumption that have the greatest effect on the measurement of the outstanding claims provision are the previous experience in claims processing patterns and the average claims paid in the run-off period.

Assumptions are adapted continuously in line with developments in claims patterns and are made at a point in time whenever evaluating the IBNR estimates. Claims are sensitive to key variables but due to the widely differing profiles and number of schemes administered the overall sensitivity to any one variable is impossible to quantify and thus no quantitative sensitivity analysis has been done.

Valuation of financial instruments

The valuation of derivative financial instruments is based on the market situation at the reporting date. The value of the derivative instruments fluctuates on a daily basis and the actual amounts realised may differ materially from their value at the reporting date. The fair value of financial instruments is calculated based on a discounted cash flow model using a number of key assumptions. The inter-bank rate used in fair value calculations has been adjusted in the case of interest rate swaps to take into account credit risk to which the Group is exposed to as an active market participant.

Fair value determination in business combinations

IFRS 3 requires all assets, liabilities and contingent liabilities to be measured at fair value when accounting for business combinations. The Group makes use of various valuation methodologies in determining these fair values, including the use of reputable independent valuers. Valuations are inherently subjective, and require the use of judgement.

Fair value determination

Short-term receivables and payables are measured at original invoice amount when the effect of discounting is immaterial.

1. Accounting policies (continued)

1.26 Significant judgements and estimates (continued)

Going concern

Management expects that there will be adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Group continues to adopt the going concern basis in preparing its annual financial statements.

Consistent with other companies in the healthcare sector, the Group has been relatively well protected from the global economic downturn.

In the United Kingdom (UK), this is due to the majority of revenue being generated through private medical insurers and the National Health Service, with a smaller reliance on the self-pay market. Nonetheless, the UK is implementing various volume-enhancing and cost saving initiatives to further shield the impact of the global economic downturn. These initiatives are expected to further improve the financial health of the UK operations.

Under the senior bank facilities, the UK is required to comply with various financial covenants which are tested quarterly. Management forecasts demonstrate that the UK will continue to operate within the level of its current facilities and that the UK will comply with its financial covenants throughout the forecast period.

In the event of a decline in performance, the Group could limit capital expenditure and/or utilise available borrowing facilities to ensure compliance with financial covenants.

1.27 Impact of new issued standards and interpretations

Management anticipates that all of the pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement or at an earlier date. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's annual financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's annual financial statements.

IFRS 3 Revision of Business Combinations and revised IAS 27 Consolidated and Separate Financial Statements

These revisions require significant changes to the application of the acquisition method to business combinations and the accounting for subsequent changes in ownership interests. The most notable changes are: (a) Transaction costs incurred in a business combination will be expensed instead of being included in the cost of the investment; (b) Non-controlling interests in the acquiree can be measured at fair value with a consequential impact on the calculation of goodwill; (c) Goodwill in a business combination is determined only at the acquisition date (the date when control is obtained), all other increases or decreases in ownership interest are reported in equity and will no longer result in goodwill adjustments or gains and losses. This standard first becomes applicable to the Group for the financial year ending 30 September 2010. The Group is in the process of evaluating the effects of this standard.

IFRS 8 Operating segments

This IFRS replaces IAS 14 Segment Reporting and essentially changes the identification of segments and the measurement of segment information. New disclosures have also been added. This standard first becomes applicable to the Group for the financial year ending 30 September 2010. The Group is in the process of evaluating the effects of this standard.

IAS 27 Revision of Consolidated and Separate Financial Statements

The revision to IAS 27 requires that part disposals of shares in a subsidiary and purchases of shares held by non-controlling interests be accounted for as equity transactions. No income statement gain or loss will be recorded and no adjustment will be made to goodwill on such transaction. In the case of the disposal of a subsidiary, any retained interest will be remeasured to fair value and the difference between the fair value and the carrying value will be recognised in the income statement. The standard first becomes applicable to the Group for the financial year ending 30 September 2010. This amendment is not expected to have a material impact on the results of the Group.

Improvements to International Financial reporting standards 2008 and 2009

The IASB has issued various amendments to standards which they consider to be non-urgent but important. Most of these amendments become effective in annual periods beginning on or after 1 January 2009. None of these updates are expected to have a material impact on the Group's financial statements.

Notes to the Group annual financial statements

(continued) for the year ended 30 September 2009

Rm	Freehold and leasehold land and buildings	Assets under construction
2. Property, plant and equipment		
2009		
Cost		
Balance at 1 October 2008	28 517	487
Additions	94	392
Disposals	(18)	
Acquisition of businesses		
Transfers between categories	116	(201)
Transfer to assets held for sale	(3)	
Translation of foreign entities	(4 683)	(69)
Balance at 30 September 2009	24 023	609
Accumulated depreciation and impairment		
Balance at 1 October 2008	(1 461)	
Depreciation	(503)	
Disposals	6	
Impairment	(13)	
Transfers between categories	(2)	
Translation of foreign entities	268	
Balance at 30 September 2009	(1 705)	
Carrying value at 30 September 2009	22 318	609
2008		
Cost		
Balance at 1 October 2007	25 001	406
Additions	410	348
Disposals	(435)	(5)
Acquisition of businesses	2 001	6
Disposal of businesses	(10)	
Transfers between categories	365	(271)
Transfers from intangible assets		
Transfer to assets held for sale	(10)	
Translation of foreign entities	1 195	3
Balance at 30 September 2008	28 517	487
Accumulated depreciation and impairment		
Balance at 1 October 2007	(909)	
Depreciation	(539)	
Disposals	6	
Impairment	(1)	
Impairment reversal	17	
Transfers between categories	(4)	
Transfers from intangible assets		
Transfer to assets held for sale	1	
Translation of foreign entities	(32)	
Balance at 30 September 2008	(1 461)	
Carrying value at 30 September 2008	27 056	487

Computer equipment	Furniture and equipment	Medical equipment	Motor vehicles and aircraft	Plant and machinery	Total
365	340	3 645	43	152	33 549
116	37	623	6	4	1 272
(54)	(64)	(167)		(6)	(309)
		15			15
15	21	49			
					(3)
(34)	(14)	(331)		(26)	(5 157)
408	320	3 834	49	124	29 367
(204)	(205)	(1 894)	(17)	(36)	(3 817)
(69)	(70)	(505)	(6)	(3)	(1 156)
51	41	162		2	262
					(13)
(5)	7				
12	14	154		6	454
(215)	(213)	(2 083)	(23)	(31)	(4 270)
193	107	1 751	26	93	25 097
328	322	3 189	39	128	29 413
64	41	352	5	20	1 240
(41)	(23)	(339)	(1)	(3)	(847)
1		357			2 365
	(1)				(11)
7	(2)	(99)			
		106			106
					(10)
6	3	79		7	1 293
365	340	3 645	43	152	33 549
(190)	(179)	(1 418)	(12)	(22)	(2 730)
(52)	(45)	(535)	(5)	(17)	(1 193)
41	20	138		2	207
					(1)
					17
(2)		4		2	
		(67)			(67)
					1
(1)	(1)	(16)		(1)	(51)
(204)	(205)	(1 894)	(17)	(36)	(3 817)
161	135	1 751	26	116	29 732

Notes to the Group annual financial statements

(continued) for the year ended 30 September 2009

Rm	Freehold and leasehold land and buildings	Assets under construction
2. Property, plant and equipment (continued)		
2007		
Cost		
Balance at 1 October 2006	25 420	224
Additions	373	184
Disposals	(1)	
Acquisition of businesses	4	
Transfers between categories	73	
Transfer to disposal group held for sale	(95)	
Translation of foreign entities	(773)	(2)
Balance at 30 September 2007	25 001	406
Accumulated depreciation and impairment		
Balance at 1 October 2006	(437)	
Depreciation	(479)	
Continuing operations	(479)	
Discontinued operation		
Disposals		
Impairment reversal	11	
Transfers between categories	(30)	
Transfer to disposal group held for sale	22	
Translation of foreign entities	4	
Balance at 30 September 2007	(909)	
Carrying value at 30 September 2007	24 092	406

Computer equipment	Furniture and equipment	Medical equipment	Motor vehicles and aircraft	Plant and machinery	Total
325	294	2 815	60	196	29 334
117	45	633	6	31	1 389
(19)	(34)	(238)	(11)	(12)	(315)
					4
(68)	28	51		(84)	
(24)	(9)	(34)	(16)		(178)
(3)	(2)	(38)		(3)	(821)
328	322	3 189	39	128	29 413
(173)	(169)	(1 247)	(18)	(44)	(2 088)
(51)	(42)	(419)	(6)	(20)	(1 017)
(47)	(41)	(415)	(5)	(20)	(1 007)
(4)	(1)	(4)	(1)		(10)
19	26	220	3	8	276
					11
		(4)		34	
15	6	28	9		80
		4			8
(190)	(179)	(1 418)	(12)	(22)	(2 730)
138	143	1 771	27	106	26 683

Notes to the Group annual financial statements

(continued) for the year ended 30 September 2009

Rm	Cost	Accumulated depreciation and impairments	Carrying value
2. Property, plant and equipment (continued)			
Net carrying value			
2009			
Freehold and leasehold land and buildings	24 023	(1 705)	22 318
Assets under construction	609		609
Computer equipment	408	(215)	193
Furniture and equipment	320	(213)	107
Medical equipment	3 834	(2 083)	1 751
Motor vehicles and aircraft	49	(23)	26
Plant and machinery	124	(31)	93
	29 367	(4 270)	25 097
2008			
Freehold and leasehold land and buildings	28 517	(1 461)	27 056
Assets under construction	487		487
Computer equipment	365	(204)	161
Furniture and equipment	340	(205)	135
Medical equipment	3 645	(1 894)	1 751
Motor vehicles and aircraft	43	(17)	26
Plant and machinery	152	(36)	116
	33 549	(3 817)	29 732
2007			
Freehold and leasehold land and buildings	25 001	(909)	24 092
Assets under construction	406		406
Computer equipment	328	(190)	138
Furniture and equipment	322	(179)	143
Medical equipment	3 189	(1 418)	1 771
Motor vehicles and aircraft	39	(12)	27
Plant and machinery	128	(22)	106
	29 413	(2 730)	26 683

Land and buildings

Properties are valued at intervals not exceeding five years. At 30 June 2008 Mills Fitchet Valuation Surveyors carried out an external valuation of the South African properties based on open-market values. The properties in the United Kingdom were valued by DTZ (International Property Advisors) on 30 November 2008. The valuation was based on market values in accordance with Appraisal and Valuation Standards published by the Royal Institution of Chartered Surveyors.

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.

Borrowing costs

Borrowing costs of R8 million (2008: R16 million; 2007: R19 million) were capitalised during the year and are included in "Additions" in the movement summary.

Security

Certain property, plant and equipment has been encumbered as security for debt as reflected in note 14.

Rm	2009	2008	2007
Property, plant and equipment	18 081	22 815	20 996

Rm	2009	2008	2007
3. Goodwill			
Net carrying value			
Cost	14 371	17 633	16 115
Accumulated impairment losses	(68)	(78)	(24)
	14 303	17 555	16 091
Movement in goodwill			
Opening carrying amount	17 555	16 091	16 745
Acquisition of businesses	13	700	13
Additional amounts recognised from acquisition of businesses occurring in prior years			6
Reduction arising from realisation of deferred tax assets not previously recognised		(53)	(10)
Impairment – continuing operations		(1)	(24)
Transfer to disposal group held for sale			(72)
Translation of foreign entities	(3 265)	818	(567)
Closing carrying value	14 303	17 555	16 091

Goodwill impairment testing

Goodwill is allocated to the cash-generating unit that is expected to benefit from the acquisition. An impairment loss is recognised when the recoverable amount of the cash-generating unit is less than the net carrying value and is included in the income statement. Impairment losses of cash-generating units are first used to reduce the net carrying value of the goodwill and then to reduce the carrying value of other assets.

Goodwill has been allocated to the following cash-generating units for impairment testing:

Rm	2009	2008	2007
South Africa			
Hospital operations	354	352	225
Primary care operations	137	137	138
Property companies	10	10	6
United Kingdom			
Hospital operations	2 206	2 708	2 090
Property	11 596	14 348	13 632
	14 303	17 555	16 091

The recoverable amount of the cash-generating units are determined based on a value in use calculation. The value in use is calculated as the net present value of the projected risk-adjusted post-tax cash flows plus a terminal value of the cash-generating unit to which the goodwill is allocated. The key assumptions applied when testing for impairment at 30 September 2009 include:

Discount rate	9.3% to 13.0%
Growth rate	2.5% to 5.0%
Forecast period	5 to 25 years

Notes to the Group annual financial statements

(continued) for the year ended 30 September 2009

Rm	Management contracts	Software	Development expenditure	Total
4. Intangible assets				
2009				
Net carrying value				
Cost	126	420	10	556
Accumulated amortisation and impairment losses	(63)	(125)	(2)	(190)
	63	295	8	366
Movement in intangible assets				
Opening carrying amount at 1 October 2008	82	255	18	355
Additions	1	143		144
Disposals				
Amortisation	(6)	(64)	(1)	(71)
Transfers between categories		7	(7)	
Translation of foreign entities	(14)	(46)	(2)	(62)
Carrying value at 30 September 2009	63	295	8	366
2008				
Net carrying value				
Cost	154	332	20	506
Accumulated amortisation and impairment losses	(72)	(77)	(2)	(151)
	82	255	18	355
Movement in intangible assets				
Opening carrying amount at 1 October 2007	85	161	43	289
Additions	2	140	6	148
Amortisation	(7)	(43)	(1)	(51)
Transfers between categories		40	(40)	
Transfers (to)/from property, plant and equipment		(49)	10	(39)
Translation of foreign entities	2	6		8
Carrying value at 30 September 2008	82	255	18	355
2007				
Net carrying value				
Cost	145	195	44	384
Accumulated amortisation and impairment losses	(60)	(34)	(1)	(95)
	85	161	43	289
Movement in intangible assets				
Opening carrying amount at 1 October 2006	72	179	20	271
Additions	45	31	27	103
Amortisation	(7)	(29)	(1)	(37)
Impairment	(40)			(40)
Transfers between categories	18	(15)	(3)	
Translation of foreign entities	(3)	(5)		(8)
Carrying value at 30 September 2007	85	161	43	289

The remaining amortisation period for intangible assets at 30 September 2009 is:

Management contracts	1 – 20 years
Software	3 – 7 years
Development expenditure	1 – 4 years

Rm	2009	2008	2007
5. Investment in associated companies			
Investments at cost	41	50	39
Share of post-acquisition reserves	70	18	69
Carrying value of shares	111	68	108
Loans	11	21	174
	122	89	282
Directors' valuation of associated companies.	395	282	466
Details of the Group's principal associated companies are set out in Annexure B.			
6. Loans and receivables			
Included in:			
Non-current assets	8	15	16
Current assets	54	75	56
	62	90	72
The above loans are unsecured, bearing interest between 0.0% – 13.5% and are repayable between 0 – 4 years.			
7. Inventories			
Medical and pharmaceutical merchandise	571	586	552
Crockery, cutlery, linen, soft furnishings and other consumables	50	52	48
	621	638	600
The cost of inventories recognised as an expense during the period was R6 681 million (2008: R5 033 million; 2007: R4 678 million) after the deduction of R7 million (2008: R12 million; 2007: R11 million) in respect of amounts written off.			
There has been no writedown of inventories to net realisable value.			
8. Trade and other receivables			
Trade receivables	3 002	2 857	2 394
Allowance for doubtful debts	(271)	(245)	(186)
Trade receivables – net	2 731	2 612	2 208
Prepaid expenses	168	176	148
Joint venture receivables (refer to Annexure C)	11	4	
Current portion of deferred lease liability (refer to note 16)	25	24	
Other debtors	481	458	519
	3 416	3 274	2 875
Trade receivables include R7 million (2008: R8 million; 2007: R10 million) for accounts with renegotiated credit terms. The carrying values of trade and other receivables are considered to be a close approximation of their fair values.			
The carrying amount of trade and other receivables are denominated in the following currencies:			
British pound	1 622	1 570	1 751
SA rand	1 794	1 704	1 124
	3 416	3 274	2 875

Notes to the Group annual financial statements

(continued) for the year ended 30 September 2009

Rm	2009	2008	2007
8. Trade and other receivables (continued)			
The trade receivables (net) as at 30 September can be categorised into the following types:			
South Africa			
Medical aid	581	553	530
Private	186	234	265
Road accident fund	9	20	16
Compensation for occupational injuries and disease	220	183	182
Patient work in progress	217	182	165
Other	95	103	113
	1 308	1 275	1 271
United Kingdom			
Insured	655	850	612
Self-pay patients	95	71	55
National Health Service (NHS)	250	182	60
Patient work in progress	79	129	116
Other	344	105	94
	1 423	1 337	937
At 30 September 2009 trade receivables of R717 million (2008: R632 million; 2007: R401 million) were passed due but not impaired. The ageing of the past due but not impaired trade receivables are shown below:			
Past due 0 – 30 days	180	198	143
Past due 31 – 60 days	108	126	90
Past due 60 – 120 days	104	131	51
More than 120 days	325	177	117

Trade receivables that are not past their due date are not considered to be impaired, except in situations where they are part of individually impaired trade receivables. The allowance for doubtful debts is based on individually identified accounts that are considered to be impaired, and the estimated irrecoverable amounts determined by reference to past default experience.

Refer to note 32 for more detail on the Group's exposure to credit risk.

The movement in the allowance for doubtful debts is as follows:

Rm	2009	2008	2007
Balance at beginning of year	(245)	(186)	(192)
Impairment losses recognised	(91)	(126)	(51)
Acquisition of businesses		(10)	
Impairment losses reversed	29		1
Amounts written off as uncollectible	16	74	50
Transfer to disposal group held for sale			8
Translation of foreign entities	20	3	(2)
Balance at end of year	(271)	(245)	(186)

Rm	2009	2008	2007
9. Cash and cash equivalents and bank overdrafts			
Cash on hand and balances with banks	803	1 202	1 361
Bank overdrafts	(89)	(240)	(461)
	714	962	900
Currency analysis			
Cash on hand and balances with banks			
British pound	485	869	1 090
SA rand	318	333	271
Bank overdrafts			
SA rand	(89)	(240)	(461)
	714	962	900
10. Disposal group and assets held for sale			
Assets held for sale			
Assets in disposal group – Ampath Holdings Trust		295	275
Land and buildings held for sale	4	9	44
	4	304	319
Liabilities in disposal group held for sale			
Ampath Holdings Trust		(81)	(79)
	4	223	240
10.1 Discontinued operation – Ampath Holdings Trust			
Sale of our interest in Ampath Holdings Trust was completed in February 2009, following Competition Commission approval. The sale of our units and claims amounted to R1 027 million.			
The disposal group includes the following assets:			
Property, plant and equipment		71	54
Goodwill		72	72
Investments and loans		11	5
Inventories		10	8
Trade and other receivables		116	76
Taxation receivable			6
Cash and cash equivalents		15	54
Assets in disposal group held for sale		295	275
The disposal group includes the following liabilities:			
Long-term debt		(8)	(6)
Post-retirement benefit obligation		(9)	(10)
Trade and other payables		(56)	(57)
Taxation payable		(4)	
Short-term debt		(4)	(6)
Liabilities in disposal group held for sale		(81)	(79)
The cash flows are as follows:			
Cash flows from operating activities	(1)	(11)	74
Cash flows from investing activities	(11)	(28)	(32)
Cash flows from financing activities	(4)		(3)

Notes to the Group annual financial statements

(continued) for the year ended 30 September 2009

Rm	2009	2008	2007
10. Disposal group and assets held for sale (continued)			
10.1 Discontinued operation – Ampath Holdings Trust (continued)			
The Group's 50% share of the results of the discontinued operation were as follows:			
Revenue	267	563	507
Other income		2	
Administrative and other expenses	(198)	(426)	(380)
Operating profit	69	139	127
Financial expenses	(5)	(8)	(7)
Profit before taxation	64	131	120
Taxation	(18)	(26)	(11)
Profit for the year before profit on disposal	46	105	109
Profit on disposal of discontinued operation, net of tax*	588		
Profit for the year from discontinued operation	634	105	109
*The profit on the sale of Ampath Holdings Trust can be reconciled as follows:			
Sale of units and claims	1 027		
Less: Carrying value	(349)		
Claims settled	(175)		
Net asset value	(174)		
Profit on disposal	678		
Less: Capital gains tax	(90)		
Profit on disposal of discontinued operation, net of tax	588		
10.2 Land and buildings held for sale			
The Group intends disposing of land and buildings in the 2010 financial year. Buyers have already been identified.			
A reversal of impairment amounting to R17 million was recognised in 2008 and R11 million in 2007.			
Land and buildings held for sale at beginning of year	9	44	
Transfer from property, plant and equipment	3	9	44
Disposal	(8)	(44)	
Land and buildings held for sale at end of year	4	9	44

Number of shares (m)	2009	2008	2007
11. Ordinary share capital and premium			
Authorised			
Ordinary shares of 1.0 cent each	2 500	2 500	2 500
Issued			
Shares in issue at beginning of year	1 858	1 841	1 779
Shares issued during the year	4	17	62
Shares cancelled during the year	(436)		
Shares in issue at end of year	1 426	1 858	1 841
Treasury shares			
Balance at beginning of year	(596)	(596)	(596)
Repurchase of shares	436		
Treasury shares at end of year	(160)	(596)	(596)
Total issued ordinary share capital and premium	1 266	1 262	1 245
Treasury shares are held as follows:			
Subsidiaries		340	340
The Netcare Trust		96	96
HPFL Trusts	160	160	160
	160	596	596
Rm			
Authorised			
Ordinary shares of 1.0 cent each	25	25	25
Issued			
Shares in issue at beginning of year	19	19	18
Shares issued during the year			1
Shares repurchased and cancelled during the year	(4)		
Shares in issue at end of year	15	19	19
Share premium			
Balance at beginning of year	1 582	1 800	1 479
Share premium arising on issue of shares	31	188	668
Repurchase and cancellation of shares	(133)		
Capital reduction	(430)	(406)	(347)
Balance at end of year	1 050	1 582	1 800
Issued ordinary share capital and premium	1 065	1 601	1 819
Treasury shares			
Balance at beginning of year	(5 555)	(5 555)	(5 555)
Repurchase and cancellation of shares	4 788		
Balance at end of year	(767)	(5 555)	(5 555)
Total issued ordinary share capital and premium	298	(3 954)	(3 736)

The Netcare Trust and the HPFL Trusts are special purpose entities of which Netcare is a beneficiary. They are consolidated in terms of SIC 12.

The treasury shares held, excluding shares acquired by The Netcare Trust and the HPFL Trusts, do not carry voting rights.

Treasury shares are deducted from the number of shares in issue for the purposes of calculating earnings per share.

During the year, 436 million treasury shares held by Netpartner Investments Limited and The Netcare Trust were repurchased and cancelled.

Unissued ordinary shares

Number of shares (m)	2009	2008	2007
Unissued ordinary shares	1 074	642	659

Share-based payments

Details of options under the Netcare Share Incentive Scheme and trust units issued by the HPFL Trust are disclosed under note 34.

Notes to the Group annual financial statements

(continued) for the year ended 30 September 2009

Rm	2009	2008	2007
12. Retained earnings			
Balance at beginning of year	6 590	5 833	4 938
Profit for the year	1 637	868	957
Amounts recognised in other comprehensive income	(71)	(24)	1
Shares repurchased and cancelled	(4 583)		
Other movements	(54)	(20)	(14)
Disposal of shares in subsidiary			(12)
Fair value deficit on disposal of shares			(7)
Preference dividends paid	(73)	(67)	(30)
Balance at end of year	3 446	6 590	5 833
13. Preference share capital and premium			
Authorised			
10 million (2008 and 2007: 10 million) variable rate, cumulative, non-redeemable, non-convertible preference shares of 50.0 cents each	5	5	5
Issued			
7 million (2008 and 2007: 7 million) preference shares in issue at beginning and end of year	3	3	3
Share premium			
Balance at beginning and end of year	641	641	641
Total issued preference share capital and premium	644	644	644
The preference shares earn dividends on the issue price at the rate of 75% of the prime rate. Although the rights to receive dividends are cumulative, declaration of such dividends is at the discretion of the directors.			
14. Long-term debt			
Total South African rand and foreign currency debt	25 859	31 975	29 869
Short-term portion (refer to note 20)	(436)	(445)	(925)
Total South African rand and foreign currency long-term debt	25 423	31 530	28 944
Comprising			
South African rand			
Finance leases	9	12	7
Redeemable cumulative preference shares	466	477	485
Convertible bonds (debt portion)	1 480	1 506	1 446
Promissory notes	910	1 060	750
Unsecured liabilities	269	675	1 562
	3 134	3 730	4 250
Foreign currency			
Secured liabilities	22 684	28 218	25 532
Finance leases	41	9	70
Redeemable cumulative preference shares		18	17
	22 725	28 245	25 619
	25 859	31 975	29 869

14. Long-term debt (continued)

Loan details

Terms of repayment	Security	Effective interest rate at 30 September 2009	2009 Rm	2008 Rm	2007 Rm
Liabilities in South African rand					
Finance leases					
Repayable in monthly instalments ending in 2012	Secured by medical equipment with a book value of R11 million (2008: R8 million; 2007: R6 million)	9.0% – 11.0%	9	12	7
Redeemable cumulative preference shares					
Repayable semi-annually and in full ending February 2013		6.7% – 8.8%	466	477	485
Convertible bonds					
The bonds are convertible into Netcare ordinary shares in September 2011		10.5% fixed	1 480	1 506	1 446
Promissory notes					
Repayable on maturity in April 2011		7.6% – 9.9%	910	1 060	750
Unsecured liabilities					
Repaid in full in 2008					1 363
Repayable quarterly ending in July 2011		JIBAR + 1.3%	106	150	197
Repayable quarterly ending in April 2010		JIBAR + 2.0%	75	275	
Repayable quarterly ending in July 2011		JIBAR + 2.1%	88	250	
Other					2
			269	675	1 562
			3 134	3 730	4 250
Liabilities in foreign currency					
Secured liabilities					
Repayable in monthly and quarterly instalments including lump sum payments in October 2013, 2014 and 2015	Secured by property and fixtures with a book value of R18 035 million (2008: R22 804 million; 2007: R20 916 million)	2.5% – 3.9%	22 684	28 218	25 530
Repaid in full in 2008	Secured by property with a book value of Rnil million (2008: Rnil; 2007: R4 million)				2
			22 684	28 218	25 532
Finance leases					
Repayable in monthly instalments ending in 2012	Secured by plant and equipment with a book value of R35 million (2008: R3 million; 2007: R70 million)	6.5% – 8.8%	41	9	70
Redeemable cumulative preference shares					
Repayable on exit or as determined by shareholder. This was repaid in full in 2009.		4.0% fixed		18	17
			22 725	28 245	25 619

Notes to the Group annual financial statements

(continued) for the year ended 30 September 2009

14. Long-term debt (continued)

Finance lease liabilities

Rm	Minimum lease payments			Present value of minimum lease payments		
	2009	2008	2007	2009	2008	2007
Less than 1 year	19	14	21	16	6	15
Later than 1 year but not later than 5 years	38	11	74	32	15	62
Later than 5 years	3			2		
	60	25	95	50	21	77
Less: Future finance charges	(10)	(4)	(18)			
Present value of minimum lease payments	50	21	77	50	21	77

Details of convertible bonds

Convertible bonds to the value of R1 700 million were issued on 12 October 2006. The bonds are convertible into 111 million ordinary shares of Netcare Limited at R15.30 per ordinary share. Conversion may occur at any time between 22 November 2006 and 24 September 2011. The coupon rate of 6% per annum is payable semi-annually.

The fair values of the liability component and the equity conversion component were determined at issuance of the bond. The fair value of the liability component was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity, net of deferred tax.

The liability component is measured at amortised cost. The interest expense for the year of R161 million (2008: R162 million; 2007 R154 million) is calculated by applying an effective interest rate of 10.05% to the liability component and is included within financial expenses.

During the year the Group repurchased convertible bonds with a nominal value of R95 million for a total consideration of R83 million. These convertible bonds had a net book value of R86 million resulting in a profit of R3 million on the repurchase which is included within other income. The remainder of the bonds are convertible into 107 million ordinary shares of Netcare Limited at R15.03 per ordinary share. If the bonds have not been converted, they will be redeemed on 30 September 2011 at R1 605 million.

Maturity profile

Rm	Total	< 1 year	1 – 2 years	2 – 3 years	3 – 4 years	> 4 years
2009						
Liabilities in South African rand	3 134	186	2 513	421	14	
Liabilities in foreign currency	22 725	250	329	414	515	21 217
	25 859	436	2 842	835	529	21 217
2008						
Liabilities in South African rand	3 730	230	420	2 679	401	
Liabilities in foreign currency	28 245	215	325	424	540	26 741
	31 975	445	745	3 103	941	26 741
2007						
Liabilities in South African rand	4 250	816	1 888	96	1 448	2
Liabilities in foreign currency	25 619	109	189	281	368	24 672
	29 869	925	2 077	377	1 816	24 674

14. Long-term debt (continued)**Undrawn borrowing facilities**

The Group has the following undrawn borrowing facilities at 30 September:

Rm	2009	2008	2007
Facilities expire:			
Within 1 year	1 500	1 445	2 946
Between 1 and 2 years	435		1 122
In 2 years or more	1 025	1 920	797
	2 960	3 365	4 865

15. Post-retirement benefit obligations

Post-retirement healthcare benefits 146 126 115

Post-retirement pension benefits 151

Total post-retirement benefit obligations 297 126 115

15.1 Post-retirement healthcare benefits

The Group provides post-retirement healthcare benefits to certain of its retirees in South Africa only. 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 at least every three years for the Netcare Medical Scheme. The post-retirement medical benefits are unfunded.

Details of the defined benefit obligations are set out below.

Valuation

Last actuarial valuation

Netcare Medical Scheme

30 September 2009

Valuation method adopted

Projected unit

%	2009	2008	2007
Principal actuarial assumptions			
Discount rate	6.8	5.8	5.8 – 6.5
Return on assets	10.0	9.0	8.3 – 9.0
Rm			
Reconciliation of the actuarial obligations to amounts recognised in the statement of financial position			
Unfunded obligation	146	126	115
Reconciliation of net liability to amounts recognised in the statement of financial position			
Net liability at the beginning of year	126	115	87
Service cost	6	6	5
Interest cost	11	10	9
Benefits paid	(5)	(5)	(5)
Actuarial losses	8		29
Continuing operations	8		32
Discontinued operations			(3)
Transfer to disposal group held for sale			(10)
Net liability at end of year	146	126	115
Net post-retirement healthcare costs recognised in the income statement			
Service cost	6	6	5
Interest cost	11	10	9
Benefits paid	(5)	(5)	(5)
Total cost recognised in the income statement	12	11	9
Continuing operations	12	11	7
Discontinued operations			2

Actuarial losses amounting to R8 million (2008: Rnil; 2007: R29 million) were recognised in other comprehensive income.

Notes to the Group annual financial statements

(continued) for the year ended 30 September 2009

15. Post-retirement benefit obligations (continued)

15.2 Post-retirement pension benefits

In South Africa, all employees are covered by defined contribution schemes. There are currently four funds, of which two are closed to new entrants. The assets of the schemes are under the control of trustees. The defined contribution schemes are governed by the Pension Funds Act.

In the United Kingdom, employees are covered by defined contribution schemes and a defined benefit scheme. There are currently nine defined contribution schemes, of which eight are closed to new entrants.

Details of the defined benefit scheme are set out below.

Valuation

Last actuarial valuation 30 September 2007
Valuation method adopted Projected unit

Principal actuarial assumptions

%	2009	2008	2007
Discount rate	5.5	6.5	5.8
Expected rate of salary increases	N/A	N/A	4.8
Future pension increases	3.2	3.4	3.2
Expected rate of return of plan assets	6.8	7.4	7.4

N/A = Not applicable

The overall expected return of assets is calculated as the weighted average of the expected return of each individual asset class. The expected return on equities is 3.5% above UK government bond yields. The return on bonds is the current market yield on long-term bonds. The expected return on property has been set equal to the expected return on equities. The expected return on other assets is a long-term estimate of the return available on cash.

The actual return on plan assets is 7.8% (2008: 14.0% negative; 2007: 13.2%).

Rm	2009	2008	2007
Present value of obligation			
Balance at beginning of year	977	1 043	1 130
Current service cost		36	42
Interest cost	58	63	55
Past service cost			1
Contributions by plan participants		10	12
Benefit payments	(21)	(39)	(43)
Actuarial losses/(gains)	243	(109)	(116)
Gain on curtailment		(76)	
Translation of foreign entities	(221)	49	(38)
Benefit obligation at end of year	1 036	977	1 043
Fair value of plan assets			
Balance at beginning of year	1 027	1 135	923
Expected return on plan assets	63	82	69
Contributions by plan participants		10	12
Employer contributions	10	29	150
Benefit payments	(21)	(39)	(43)
Actuarial gains/(losses)	8	(248)	57
Translation of foreign entities	(202)	58	(33)
Fair value of plan assets at end of year	885	1 027	1 135

Rm	2009	2008	2007
15. Post-retirement benefit obligations (continued)			
15.2 Post-retirement pension benefits (continued)			
Fair value of plan assets (continued)			
Represented by investments in:			
Equity instruments	645	745	910
Debt instruments	135	59	30
Property	54	73	112
Other	51	150	83
	885	1 027	1 135
Reconciliation to the statement of financial position			
Present value of obligation	1 036	977	1 043
Fair value of plan assets	(885)	(1 027)	(1 135)
	151	(50)	(92)
Unrecognised actuarial gains		50	92
Net pension cost recognised in the income statement			
Current service cost		36	42
Interest cost	58	63	55
Past service cost			1
Expected return on plan assets	(63)	(82)	(69)
Gain on curtailment		(76)	
Total (income)/cost recognised in the income statement	(5)	(59)	29

Actuarial losses amounting to R122 million (2008: R49 million actuarial losses; 2007: R57 million actuarial gains) (net of tax) were recognised in other comprehensive income.

History of experience adjustments

Rm	2009	2008	2007	2006
The history of experience adjustments is as follows:				
Present value of defined benefit obligation	(1 036)	(977)	(1 043)	(1 130)
Fair value of plan assets	885	1 027	1 135	923
(Deficit)/surplus	(151)	50	92	(207)
Experience adjustments on plan liabilities	(243)	109	116	(18)
Experience adjustments on plan assets	8	(248)	57	1

The Group contributions to the defined benefit plan during the next financial year are unknown as negotiations are yet to be finalised.

Notes to the Group annual financial statements

(continued) for the year ended 30 September 2009

Rm	2009	2008	2007
16. Deferred lease liability			
Net operating lease accrual			
Balance at beginning of year	78	77	73
Increase in accrual	21	1	4
Balance at end of year	99	78	77
Less: Current portion included in:			
Trade and other receivables (refer to note 8)	25	24	
Trade and other payables (refer to note 19)	(10)	(11)	(14)
	114	91	63
To be realised as follows:			
Within 1 year	(15)	(13)	14
1 – 5 years	(10)	(15)	49
5 – 10 years	38	41	14
> 10 years	86	65	
	99	78	77
17. Deferred taxation			
Reconciliation of movement			
Balance at beginning of year	5 774	5 559	6 003
Current year charge			
Per the income statement (refer to note 25)	(114)	(16)	(651)
Amounts recognised in other comprehensive income (refer to note 27)	(602)	(370)	322
Amounts recognised directly in equity	(111)	22	74
Movement relating to discontinued operation			3
Translation of foreign entities	(1 056)	297	(198)
Acquisition of businesses		282	
Other	3		6
Balance at the end of the year	3 894	5 774	5 559
Comprising			
Deferred tax asset	(1 147)	(689)	(514)
Deferred tax liability	5 041	6 463	6 073
	3 894	5 774	5 559
Arising from the following temporary differences			
Property, plant and equipment	4 890	6 149	5 423
Prepayments	4	11	13
Allowance for doubtful debts	(36)	(35)	(3)
Post-retirement benefit obligations	(41)	(35)	(44)
Payroll accruals	(108)	(81)	(81)
Deferred lease liability	(31)	(22)	(22)
Calculated tax losses	(315)	(423)	(180)
Option premium on convertible bond	35	54	74
Financial instruments	(545)	(14)	311
Pension deficit	(42)		
Other temporary differences	83	170	68
	3 894	5 774	5 559

Rm	2009	2008	2007
18. Provisions			
Legal claims	29	31	33
Property related provisions	19	25	57
	48	56	90

The carrying amount of provisions can be analysed as follows:

Rm	Legal claims	Property related	Total
Balance at 1 October 2006	31	109	140
Increase in the provision	3	4	7
Amounts utilised		(53)	(53)
Translation of foreign entities	(1)	(3)	(4)
Balance at 30 September 2007	33	57	90
Amounts utilised	(4)	(33)	(37)
Translation of foreign entities	2	1	3
Balance at 30 September 2008	31	25	56
Increase in the provision	6		6
Amounts utilised	(2)	(1)	(3)
Translation of foreign entities	(6)	(5)	(11)
Balance at 30 September 2009	29	19	48

The Group is subject to a number of legal claims. Provision has been made for the estimated cost of settlement based on management's best estimate of the outcome of settlements on a case-by-case basis. This provision is expected to be utilised within five years.

Provision has been made for the estimated costs of leases on underutilised properties, and for work necessary to meet building regulations. These provisions will be utilised within the next five to ten years.

Rm	2009	2008	2007
19. Trade and other payables			
Trade payables	1 166	941	1 026
Leave pay	186	179	158
Bonuses	192	168	146
Joint venture payables (refer to Annexure C)	14	11	17
Current portion of deferred lease liability (refer to note 16)	10	11	14
Accrued expenses	879	1 125	599
Claims incurred but not reported	78	57	24
Other payables	477	613	496
	2 924	3 105	2 480

Notes to the Group annual financial statements

(continued) for the year ended 30 September 2009

19. Trade and other payables (continued)

Claims incurred but not reported (IBNR) liability

The IBNR liability is calculated by independent actuaries using the chain-ladder method. This method is applied to paid and assessed claims to calculate incurred claims (assessed claims plus IBNR). The assessed IBNR liability is used for accounting purposes and the paid IBNR serves as a reasonability check. The chain-ladder method involves the selection of estimated development factors based on historical patterns to forecast future claims. The selected development factors are then applied to cumulative claims data for each month that is not yet fully developed in order to predict an ultimate claims value.

The chain-ladder method is most appropriate to mature classes of business that have relatively stable development patterns. This method is less suitable in cases where the insurer does not have a developed claims history for a particular class of business. To the extent that this method uses historical claims development information, we assume that the historical claims development patterns will be repeated. There are reasons why this may not be the case, which, insofar as they can be identified, have been allowed for by modifying the method. Such reasons include, *inter alia*:

- Changes in processes that affect the development or recording of claims paid and incurred;
- Economic, legal, political and social trends;
- Changes in composition of members and their dependants; and
- Random fluctuations, including the impact of large losses.

The movement in the IBNR accrual can be analysed as follows:

IBNR accrual movement	Rm
Balance at 1 October 2006	15
Charge to the income statement	9
Balance at 30 September 2007	24
Charge to the income statement	33
Balance at 30 September 2008	57
Charge to the income statement	21
Balance at 30 September 2009	78

Rm	2009	2008	2007
20. Short-term debt			
Total South African rand and foreign currency short-term debt			
Comprising			
South African rand			
Commercial paper in issue	1 000	1 200	800
Short-term portion of long-term debt (refer to note 14)	186	230	816
Other			6
	1 186	1 430	1 622
Foreign currency			
Short-term portion of long-term debt (refer to note 14)	250	215	109
Other	309	376	355
	559	591	464
	1 745	2 021	2 086
21. Revenue			
South Africa			
Hospitals and Emergency services	10 319	9 020	7 782
Primary care	1 513	1 365	1 087
United Kingdom	11 400	11 350	9 738
	23 232	21 735	18 607

Rm	2009	2008	2007
22. Operating profit			
After charging:			
Amortisation of intangible assets	71	51	37
Auditors' remuneration	17	20	22
Audit fees	14	16	19
Fees for other services	3	4	3
Depreciation – property, plant and equipment	1 156	1 193	1 007
Directors' emoluments (refer to pages 128 to 130)	19	24	25
Executive directors paid by subsidiaries			
Basic remuneration, bonuses, retirement and medical benefits	15	19	22
Non-executive directors			
Consulting fees and fees for services as directors	4	5	3
Employee costs (excluding directors' emoluments)	7 782	7 313	6 155
Salaries and wages	7 484	7 019	5 898
Group retirement benefit contributions	258	261	194
Amounts expensed in terms of defined benefit obligations (refer to note 15)	7	28	36
Share-based payment expense – Share options (refer to note 34)	19	4	21
Share-based payment expense – HPFL (refer to note 34)	14	1	6
Leveraged bonus scheme	5		
Fair value adjustments on investments		3	
Loss on disposal of subsidiaries/investments		2	
Impairment of goodwill		1	24
Impairment of intangible assets			40
Impairment of investments and loans	3	1	25
Impairment of land and buildings	13	1	
Operating lease charges	410	345	190
Land and buildings	383	316	164
Motor vehicles	27	29	26
Restructuring costs		113	
Technical, managerial and secretarial services	124	83	93
After crediting:			
Income in terms of defined benefit obligations (refer to note 15)	5	59	
Gain on pension fund curtailment (refer to note 15)		76	
Profit on disposal of property, plant and equipment	5	28	1
Profit on disposal of subsidiaries			1
Reversal of impairment of investments and loans	34		
Reversal of impairment of property, plant and equipment		17	11
23. Financial income			
Dividends received	1	1	1
Fair value gain on cross-currency swap contracts (refer to note 32)		136	
Recycling of cash flow hedge reserve	20	23	
Ineffectiveness recognised in the income statement arising from cash flow hedges (net)			65
Foreign exchange gains (net)			104
Interest received	150	134	158
	171	294	328

Notes to the Group annual financial statements

(continued) for the year ended 30 September 2009

Rm	2009	2008	2007
24. Financial expenses			
Fair value loss on cross-currency swap contracts (refer to note 32)			115
Foreign exchange losses (net)	1	156	
Ineffectiveness recognised in the income statement arising from cash flow hedges (net)	5	15	
Interest paid	2 425	2 550	2 348
	2 431	2 721	2 463
25. Taxation			
South African normal taxation			
Current year	397	278	330
Prior years	(1)	(42)	(1)
Capital gains tax	2	19	
	398	255	329
Foreign tax			
Current year	55	125	230
Prior years		(302)	(13)
	55	(177)	217
STC	11	6	6
Income tax	464	84	552
Deferred taxation			
Current year	(115)	4	(659)
Prior years	1	(18)	8
Rate change		(2)	
	(114)	(16)	(651)
Total taxation per the income statement	350	68	(99)
Reconciliation of effective taxation rate (%)			
South African normal tax rate	28.0	28.0	29.0
Adjusted for:			
Unutilised tax losses	4.5	15.5	(2.1)
Capital gains tax		2.0	
STC	0.7	0.7	0.8
Different foreign tax rate		0.6	(1.3)
Permanent differences	(6.9)	(1.2)	0.9
Rate change		(1.0)	(39.4)
Prior year adjustments	0.3	(37.5)	(0.3)
Translation of foreign entities	(0.5)	(3.3)	
Other	(2.2)	3.7	2.0
Effective taxation rate	23.9	7.5	(10.4)

Rm	2009	2008	2007
25. Taxation (continued)			
Estimated taxation losses			
Unused tax losses available for set-off against future taxable income			
South Africa	405	286	88
United Kingdom	2 801	3 035	1 133
	3 206	3 321	1 221
Utilised against the deferred tax balance			
South Africa	(96)		
United Kingdom	(1 184)	(1 477)	(181)
	(1 280)	(1 477)	(181)
Not recognised as a deferred tax asset			
South Africa	309	286	88
United Kingdom	1 617	1 558	952
	1 926	1 844	1 040

Deferred tax assets have been recognised to the extent that it is probable that the entities will generate future taxable income against which these tax losses can be utilised.

26. Earnings per share

Earnings per share is derived by dividing attributable earnings by the weighted average number of shares after taking the Netcare Share Incentive Scheme and HPFL trust units into account. Appropriate adjustments are made in calculating diluted and headline earnings per share.

Diluted earnings per share reflect the potential dilution that could occur if all of the Group's outstanding share options and HPFL units were exercised. The number of shares outstanding is adjusted to show the potential dilution if employee share options and HPFL units are converted into ordinary shares.

No adjustments were made to reported earnings attributable to shareholders in the computation of diluted earnings per share.

Rm	2009	2008	2007
Profit attributable to shareholders			
Basic earnings per share (cents)	123.8	63.5	75.4
Continuing operations	73.6	55.2	66.5
Discontinued operation	50.2	8.3	8.9
Diluted earnings per share (cents)	122.6	62.6	71.7
Continuing operations	72.9	54.4	63.3
Discontinued operation	49.7	8.2	8.4
Headline earnings			
Basic earnings per share (cents)	78.2	61.5	77.6
Continuing operations	74.6	53.3	68.8
Discontinued operation	3.6	8.2	8.8
Diluted earnings per share (cents)	77.5	60.5	73.8
Continuing operations	73.9	52.5	65.4
Discontinued operation	3.6	8.0	8.4
Weighted average number of ordinary shares			
The weighted average number of ordinary shares used in the calculations are as follows:			
Weighted average number of shares (million)	1 263	1 261	1 230
Potential dilutive effect of employee share options and HPFL units (million)	12	19	63
Diluted weighted average number of shares (million)	1 275	1 280	1 293

Notes to the Group annual financial statements

(continued) for the year ended 30 September 2009

Rm	2009	2008	2007
26. Earnings per share (continued)			
Basic earnings per share			
The earnings used in the calculation of basic earnings per share are as follows:			
Profit for the year from continuing operations	1 117	877	986
Less: Preference shareholders	(73)	(67)	(30)
Less: Non-controlling interest	(114)	(114)	(138)
Earnings used in the calculation of basic earnings per share from continuing operations	930	696	818
Profit for the year from discontinued operation	634	105	109
Profit attributable to owners of the parent	1 564	801	927
Headline earnings			
Headline earnings is determined as follows:			
Earnings used in the calculation of basic earnings per share from continuing operations	930	696	818
Adjusted for:			
Impairment of goodwill		1	16
Impairment of intangible assets			40
Impairment of investments	2	1	1
Impairment of land and buildings	13	1	
Reversal of impairment of land and buildings		(17)	(11)
Profit on disposal of property, plant and equipment	(5)	(28)	(1)
Loss/(profit) on disposal of subsidiaries/investments		2	(1)
Tax effect of headline adjusting items	2	6	
Non-controlling share of headline adjusting items		10	(16)
Headline earnings from continuing operations	942	672	846
Profit for the year from discontinued operations	634	105	109
Adjusted for:			
Profit on disposal of property, plant and equipment		(2)	
Profit on disposal of discontinued operation	(678)		
Tax effect of headline adjusting items	90		
Headline earnings from discontinued operation	46	103	109
Headline earnings	988	775	955
Potential dilutive effect of employee share options and HPFL Trust units			
The dilutive effect is arrived as follows:			
Netcare Share Incentive Scheme			18
HPFL Trust units	12	19	45
	12	19	63
Non-dilutive potential ordinary shares			
The following potential ordinary shares are not dilutive and are therefore excluded from the weighted average number of ordinary shares for the purposes of diluted earnings per share:			
Convertible bond	107	111	111

Rm	Gross	Tax	Other comprehensive (loss)/ income	Non-controlling interest	Net attributable to owners of the parent
27. Other comprehensive income					
2009					
Actuarial losses on defined benefit plans	(177)	47	(130)	59	(71)
Effect of cash flow hedge accounting	(2 641)	555	(2 086)	991	(1 095)
Effect of translation of foreign entities	(870)		(870)	424	(446)
	(3 688)	602	(3 086)	1 474	(1 612)
2008					
Actuarial losses on defined benefit plans	(88)	39	(49)	25	(24)
Effect of cash flow hedge accounting	(1 121)	331	(790)	363	(427)
Effect of translation of foreign entities	304		304	(174)	130
	(905)	370	(535)	214	(321)
2007					
Actuarial gains on defined benefit plans	52	(24)	28	(27)	1
Effect of cash flow hedge accounting	1 434	(298)	1 136	(536)	600
Effect of translation of foreign entities	(226)		(226)	133	(93)
	1 260	(322)	938	(430)	508

28. Acquisition of businesses

Subsidiaries acquired

The following significant business combinations took effect during the year:

United Kingdom

Effective 1 October 2008, the Group acquired 50% of the shares in the Thornbury Radiosurgery Centre Limited.

With effect from 17 October 2008, the Group acquired 100% of the shares in City Medical Limited in the United Kingdom.

On 31 October 2008, the Group acquired 100% of the business, excluding certain assets, of Woodlands Hospital for a nominal consideration. A lease agreement was entered into with the seller for the rental of the premises and use of the excluded assets.

Effective 14 April 2009, the Group acquired the business of the St Luke's Hospital in central London for a nominal consideration.

From the date of acquisition to 30 September 2009, the following amounts have been included in the Group's income statement:

Rm	City Medical Limited	St Luke's Hospital	Thornbury Radiosurgery Centre Limited	Woodlands Hospital	Total
Revenue	4	8	11	100	123
Operating profit/(loss)		(6)	4	10	8

Notes to the Group annual financial statements

(continued) for the year ended 30 September 2009

28. Acquisition of businesses (continued)

The following table reflects the carrying values of net assets pre-acquisition and the fair values at acquisition:

Rm	City Medical Limited	Thornbury Radiosur- gery Centre Limited
Property, plant and equipment		15
Trade and other receivables	1	
Cash and cash equivalents	1	4
Long-term debt		(15)
Trade and other payables	(5)	
Fair value of net assets acquired	(3)	4
Goodwill	10	3
Purchase consideration	7	7
Consideration satisfied by:		
Cash	7	7

The fair values are equal to the carrying value at acquisition.

Goodwill arising on acquisition

The consideration paid for the acquisitions effectively included amounts paid in relation to the benefit of expected synergies and anticipated profitability of the businesses acquired. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

Rm	2009	2008	2007
29. Contingent liabilities			
29.1 Financial 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). Community is a black empowerment hospital group, in which the Group has a 100.0% interest (2007: 43.75%).			45
– Guarantees covering the obligations of certain subsidiaries of Community.			86
– Guarantees covering certain educational loan obligations of employees.	20	20	20
– Guarantee and indemnity provided to a supplier of a subsidiary in the United Kingdom.		15	14
– Guarantee provided for certain obligations of its subsidiary in the United Kingdom relating to the Company's obligation under sales contracts.		103	98
– Guarantees covering the obligations of an associate company.	142	151	
– Deed of suretyship covering the obligations of a third party to a banking institution.	22		
– Guarantee covering the obligations of pathologists to a banking institution following the sale of Ampath.	393		
– Surety for certain performance obligations relating to the construction of hospital buildings for the Free State Health Department.		51	51
– Guarantees issued in favour of a construction company for the construction of a hospital in Lesotho.	44		
– Guarantees to banks	11	31	34
29.2 Litigation			
– There are current and pending legal cases, which have been adequately provided for (refer to note 18). The Group is not aware of any other current or pending legal cases that would have a material adverse effect on the Group.			

Rm	2009	2008	2007
30. Commitments			
30.1 Capital expenditure commitments to be incurred:			
Authorised and contracted for			
Land and buildings	305	137	145
Plant and equipment	30	544	476
Authorised but not yet contracted for			
Land and buildings	70	34	349
Plant and equipment	464	38	61
	869	753	1 031
This expenditure will be financed from internally generated funds and existing banking facilities			
To be expended			
Within 1 year	724	617	896
Over 1 year	145	136	135

30.2 Operating lease commitments

The Group has entered into various operating lease agreements on properties, motor vehicles and equipment.

Leases on properties are contracted for periods between 1 and 100 years with renewal options of between 1 and 20 years. Rental escalations on properties vary between 0% and 12% per annum.

Motor vehicles leases are contracted for periods between 1 and 57 months with rentals linked to prime.

Leases on plant and equipment are contracted for periods between 1 and 3 years with rentals linked to prime.

At 30 September future non-cancellable minimum lease rentals are payable during the following financial years:

Rm	2009	2008*	2007*
Properties			
Within 1 year	216	209	129
1 – 5 years	698	880	483
5 – 10 years	512	645	197
> 10 years	1 759	1 953	1 629
Motor vehicles			
Within 1 year	16	18	19
1 – 5 years	9	8	11
Plant and equipment			
Within 1 year	4	11	60
1 – 5 years	1	11	12
	3 215	3 735	2 540

* The operating lease commitments relating to properties have been restated.

Notes to the Group annual financial statements

(continued) for the year ended 30 September 2009

31. Reclassification of comparative information

31.1 Statement of financial position reclassifications

The following reclassifications to the statement of financial position have been made:

Rm	As previously reported	Adjustments	As reclassified
2008			
Assets			
Deferred taxation	907	(218)	689
Trade and other receivables	3 500	(226)	3 274
Liabilities			
Deferred taxation	6 681	(218)	6 463
Provisions		56	56
Trade and other payables	3 387	(282)	3 105
2007			
Liabilities			
Provisions		90	90
Trade and other payables	2 570	(90)	2 480

31.2 Income statement reclassifications

The following reclassifications to the September 2008 income statement have been made:

Finance income and expenses

The ineffectiveness arising on the cash flow hedge of R15 million, previously included with the fair value gain on interest rate swaps, has been reclassified from financial income to financial expenses.

32. Risk management policies

The Group is exposed to a number of risks which could significantly impact on results. These risks are monitored continuously and where appropriate derivative instruments are used by the Group for hedging purposes. The Group does not speculate in the trading of derivative instruments.

It is the Group's objective to minimise its exposure to various financial risks through its management policies and processes. Major risks are reviewed by the Risk Committee on a bi-annual basis. In addition, the internal audit department includes these risks in its internal reviews and monitoring.

The Group has a central treasury function that manages the funding and financial risks relating to the Group's operations. The treasury function is also responsible for adding value by reducing costs without unduly increasing risk and providing specialist financing advice to the business. Key functions are managed from the head office in South Africa and the United Kingdom, but due authority is obtained from central treasury. The treasury function is a subsection of the Finance and Investment Committee which meets at least monthly to discuss treasury risks.

Risks to which the Group is exposed to can be classified into the following major categories:

32.1 Interest rate cash flow risk

The Group is exposed to cash flow interest rate risk on floating rate borrowings, while fixed rate borrowings expose the Group to fair value interest rate risk.

Interest rate cash flow risk arises from movements in market rates relative to the agreed lending rates on contractual debt instruments. The Group enters into derivative interest rate swap instruments in order to mitigate risk and applies hedge accounting where the effectiveness criteria can be met.

In the United Kingdom, the indebtedness of GHG has been converted to fixed rates through fixed-for-floating interest rate swaps covering a notional amount of £1 621 million relating to property mortgage loan finance, with a further £223 million relating to operating company debt. The acquisition of Nuffield has resulted in an additional fixed-for-floating rate swap covering a notional amount of £81 million relating to property mortgage loan finance.

Local interest rate swaps have been entered into on a funds pool approach as the Group seeks to fix the interest on 50% to 75% of local debt at any given time. The convertible bonds are also an integral part of the above policy.

32. Risk management policies (continued)**32.1 Interest rate cash flow risk** (continued)

The sensitivity of the Group's profits or equity to the cash flow interest rate risk is presented below:

Floating rate loans	Movement in the interest rate	Effect on profit before tax Rm
2009		
South African rand	Increase of 1%	(18)
	Decrease of 1%	18
2008		
South African rand	Increase of 1%	(16)
	Decrease of 1%	16
2007		
South African rand	Increase of 1%	(18)
	Decrease of 1%	18

The above table excludes borrowings which have been fixed through the use of fixed-for-floating interest rate swaps.

Interest rate derivatives

As at 30 September 2009, the Group had 8 (2008: 16; 2007: 7) interest rate swap contracts.

Details are as follows:

Fixed-for-floating interest rate swaps	Notional amount Rm	Interest rate (%)	Maturity date	Fair value gain/(loss) Rm
2009				
South African rand	656	8.7 – 11.0	2011 – 2012	(7)
British pound	23 003	4.8 – 5.8	2015 – 2031	2
				(5)
2008				
South African rand	2 468	8.5 – 12.9	2009 – 2012	
British pound	28 277	4.8 – 5.8	2015 – 2031	(15)
				(15)
2007				
South African rand	942	7.8 – 9.6	2007 – 2011	7
British pound	25 873	4.8 – 5.8	2015 – 2031	58
				65

The fair value gain or loss recognised in the income statement is reflected above. The income statement also includes a credit of R20 million (2008: R23 million; 2007: Rnil) which related to the recycling of the cash flow hedge reserve resulting from a discontinued hedge relationship.

In addition to the above, losses of R2 086 million (2008: loss of R790 million; 2007: gain of R1 136 million) were recognised in other comprehensive income and included within the cash flow hedge accounting reserve as a result of interest rate swaps designated as cash flow hedges. The Group's ability to apply hedge accounting is determined on a year-by-year basis and is subject to development in the financial markets.

Notes to the Group annual financial statements

(continued) for the year ended 30 September 2009

32. Risk management policies (continued)

32.1 Interest rate cash flow risk (continued)

Interest rate derivatives (continued)

The impact of changes in the interest rate on the interest rate swap contracts are presented below:

Interest rate derivatives	Movement in the interest rate	Effect on profit before tax Rm	Effect on equity Rm
2009			
South African rand	Increase of 1%		7
	Decrease of 1%		(7)
British pound	Increase of 1%	(10)	2 250
	Decrease of 1%	3	(2 590)
2008			
South African rand	Increase of 1%	6	16
	Decrease of 1%	(6)	(16)
British pound	Increase of 1%		2 790
	Decrease of 1%		(3 274)
2007			
South African rand	Increase of 1%	5	4
	Decrease of 1%	(5)	(4)
British pound	Increase of 1%		2 650
	Decrease of 1%		(3 116)

32.2 Foreign exchange risk

Exchange rate risk arises from adverse movements in the exchange rate with reference to major currencies.

The South African operations have limited trading with foreign markets, and are not particularly susceptible to either an appreciation or depreciation of the rand. South African based capital expenditure is rarely, if ever, denominated in foreign currency.

The Group is exposed to translational foreign exchange risk. The Group has investments in foreign subsidiaries whose net assets are exposed to foreign currency translation risk.

The United Kingdom debt of GHG provides a natural hedge against the assets of that subsidiary.

The impact of a R1 change in the rand/pound exchange rate are presented below:

	Movement in the basis points	Effect on equity Rm
2009		
British pound	Increase	193
	Decrease	(193)
2008		
British pound	Increase	345
	Decrease	(345)
2007		
British pound	Increase	382
	Decrease	(382)

During the year, a loss of R870 million (2008: profit of R304 million; 2007: loss of R226 million) was made on the currency translation arising from the consolidation of GHG which was recognised in the statement of comprehensive income and included within the foreign currency translation reserve in equity.

32. Risk management policies (continued)

32.2 Foreign exchange risk (continued)

Currency derivatives

The cross-currency swap contract was settled during 2008. The cross currency-swap contract was designated as a cash flow hedge. The fair value gain at 30 September 2008 was R136 million (2007: loss of R115 million).

32.3 Credit risk

Credit risk arises from cash and cash equivalents, trade and other receivables and derivative financial instruments as a result of non-performance or default. The Group's maximum exposure to credit risk is equal to the carrying amount of these assets. Considerable resources, expertise and controls are in place to ensure efficient and effective management of credit risk. The Group has a comprehensive credit risk policy which is updated on a regular basis. Our credit risk arises predominantly from settlement risk which stems from transactions involving the non-simultaneous exchange of values where the Group honours its obligations to deliver value, and the counterparty does not.

The Group only deposits short-term cash surpluses and enters into derivative contracts with major banks of high quality credit standing. Information as to the creditworthiness of customers is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available information and its own trading records to rate its customers and counterparties.

In South Africa, trade receivables consist mainly of medical aid funders acting as agents for its customers (patients). These funds are regulated by the Medical Schemes Act and are monitored and controlled by the Registrar of Medical Schemes. The Act stipulates minimum reserves for the funders which mitigate the Group's credit risk.

In the United Kingdom, trade receivables consist mainly of amounts owed by private medical insurers and the National Health Service. Medical insurance companies are registered insurers, and are subject to liquidity ratios. The National Health Service is backed by the government in the United Kingdom.

Credit risk for customers who do not have medical insurance is mitigated by taking an appropriate deposit calculated with specific regard to the services being provided.

The Group also experiences concentration risk in that a significant proportion of trade and other receivables relate to one party. The Group is exposed to concentration risk in the Compensation for Occupational Injuries and Diseases. The amount due by the Commissioner as at 30 September 2009 was R220 million (2008: R183 million). Although the average period of settlement for this funder is 191 days at September 2009 (2008: 150 days), the level of risk associated with this funder is low due to their strong financial position and their low risk of repudiation of accounts.

32.4 Liquidity risk

Liquidity risk arises should the Group have insufficient funds or marketable assets available to fulfil its future cash flow obligations. The Group's liquidity risk management framework is designed to identify, measure and manage liquidity risk such that sufficient liquid resources are always available to fund operations and commitments.

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained. Appropriate probability factors are applied to cash flow forecasts, when forecasts are not certain. Monthly, quarterly and five year cash flows are updated on a regular basis.

Convertible bonds to the value of R1.6 billion are due 2011. These bonds are convertible at the option of the bondholder into 107 (2008 and 2007: 111) Netcare shares at a price of R15.03 (2008 and 2007: R15.30) per Netcare share at any time up until 30 September 2011. The bonds carry a fixed coupon of 6% payable semi-annually in arrears. Refer to note 14 for more details.

Notes to the Group annual financial statements

(continued) for the year ended 30 September 2009

32. Risk management policies (continued)

32.4 Liquidity risk (continued)

The undiscounted cash flows of the Group's borrowings, payables and derivative financial liabilities fall into the following maturity profiles:

Rm	< 1 year	1 – 5 years	> 5 years	Total
2009				
Trade and other payables	2 924			2 924
Bank overdrafts	89			89
Short-term debt	1 380			1 380
Long-term debt	1 368	27 743	2 906	32 017
	5 761	27 743	2 906	36 410
2008				
Trade and other payables	3 105			3 105
Bank overdrafts	240			240
Short-term debt	2 564			2 564
Long-term debt	1 284	12 240	27 138	40 662
	7 193	12 240	27 138	46 571
2007				
Trade and other payables	2 570			2 570
Bank overdrafts	461			461
Short-term debt	2 399			2 399
Long-term debt	1 300	12 176	27 350	40 826
	6 730	12 176	27 350	46 256

32.5 Risk arising from insurance contracts

The Group is exposed to insurance risk resulting from contracts entered into with other parties for the provision of certain emergency and medical services whereby risk is transferred from the party to the Group.

Management of insurance risk

Risk parameters and unforeseen circumstances may affect the cost of claims and the patterns or size of claims. These risks are controlled through underwriting mandates and guidelines. The key risk is that the frequency or severity of the claims are greater than expected or that premiums have not been correctly noted for the level of risk assumed.

Risk management objectives and policies for mitigating insurance risk

The Group uses several methods to assess and monitor insurance risk exposures, both for individual types of risk insured and overall risks. These methods include:

- Internal risk measurement models and analysis of claims history; and
- The use of external actuarial consultants to analyse the claims development patterns to predict future costs and identify areas where claims are likely to exceed expectations.

Insurance events are random by nature and the actual number and size of events may vary from those estimated using statistical techniques. Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and demographics of the party covered.

Monthly actuarial modelling of claims development patterns are used to provide early warning of deteriorating risk. Insurance contracts are constantly evaluated to ensure that the necessary profitability is maintained relative to the risk exposure. Assessment of future claim payments is dependent on the speed and predictability of claim development patterns.

32. Risk management policies (continued)**32.6 Operational risk**

Operational risk arises from inadequate or failed internal processes and controls. Operational risk is inherent in all areas of our business. The strategic focus is on preventing, detecting, investigating and whistle blowing on fraudulent activities. The Group's internal activities adopt a risk based approach and aim to audit all business units at least every three years and areas of greater risk more frequently.

32.7 Fair value of derivative financial instruments

Rm	Assets	Liabilities
2009		
Interest rate swaps		(2 797)
2008		
Interest rate swaps	558	(1 654)
2007		
Cross-currency swaps	188	
Interest rate swaps	1 265	(1 156)
	1 453	(1 156)

32.8 Financial instruments by category

Rm	Loans and receivables	Amortised cost	Derivatives designated as hedging instruments	Total
2009				
Financial assets				
Loans and receivables	62			62
Trade and other receivables	3 416			3 416
Cash and cash equivalents	803			803
	4 281			4 281
Financial liabilities				
Long-term debt		25 423		25 423
Financial liability – Derivative financial instruments			2 797	2 797
Deferred lease liability		114		114
Provisions		48		48
Trade and other payables		2 924		2 924
Short-term debt		1 745		1 745
Bank overdrafts		89		89
		30 343	2 797	33 140

Notes to the Group annual financial statements

(continued) for the year ended 30 September 2009

32. Risk management policies (continued)

32.8 Financial instruments by category (continued)

Rm	Loans and receivables	Amortised cost	Derivatives designated as hedging instruments	Total
2008				
Financial assets				
Loans and receivables	90			90
Financial asset – Derivative financial instruments			558	558
Trade and other receivables	3 274			3 274
Cash and cash equivalents	1 202			1 202
	4 566		558	5 124
Financial liabilities				
Long-term debt		31 530		31 530
Financial liability – Derivative financial instruments			1 654	1 654
Deferred lease liability		91		91
Provisions		56		56
Trade and other payables		3 105		3 105
Short-term debt		2 021		2 021
Bank overdrafts		240		240
		37 043	1 654	38 697
2007				
Financial assets				
Loans and receivables	72			72
Financial asset – Derivative financial instruments			1 453	1 453
Trade and other receivables	2 875			2 875
Cash and cash equivalents	1 361			1 361
	4 308		1 453	5 761
Financial liabilities				
Long-term debt		28 944		28 944
Financial liability – Derivative financial instruments			1 156	1 156
Deferred lease liability		63		63
Provisions		90		90
Trade and other payables		2 480		2 480
Short-term debt		2 086		2 086
Bank overdrafts		461		461
		34 124	1 156	35 280

32. Risk management policies (continued)

32.9 Capital management

The Board of directors manages its capital to ensure that the Group maintains a strong credit rating and healthy capital ratios in order for it to be able to continue as a going concern, while maximising the return to its stakeholders. To maintain or adjust the capital structure, the Board may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group's overall strategy has remained unchanged from 2008.

The capital structure of the Group consists of equity attributable to equity holders of the parent, comprising issued ordinary share capital, share premium, non-distributable reserves and retained earnings, less treasury shares as disclosed in note 11.

The primary objectives of the Group's capital management are:

- to ensure that the Group maintains healthy capital ratios in order to support its business;
- to maximise the return to shareholders after benchmarking anticipated returns against the Group's targets;
- to ensure that entities within the Group will be able to continue as going concerns and have sufficient capital for their operations; and
- to provide flexibility so as to be able to take advantage of opportunities that could improve returns to shareholders and enhance shareholder value.

The management of capital is reviewed by South African and United Kingdom sub-committees of the Board of directors on at least a quarterly basis. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the needs of the Group. The Group monitors capital using the cash flow return on investment, return on equity (ROE), and return on capital (ROC) ratios. The Group's policy is to keep these ratios in line with annual targets.

The Group is partially restricted by covenants given to lenders in respect of some borrowing obligations. The major covenant imposed by the lenders is in respect of the UK subsidiary where the cash cover ratio cannot be less than 1.15:1.

33. Related parties

Related party relationships exist within the Group. Transactions are on commercial terms. Details of transactions with related parties not disclosed elsewhere in the financial statements are set out below.

33.1 Key management personnel

Key management personnel are directors and those executives having authority and responsibility for planning, directing and controlling the activities of the Group. Directors of the Company and certain senior management personnel have been classified as key management personnel.

The Group has many different operations, where Group personnel may be transacting. Transactions entered into during the year with key management personnel were on terms and conditions no more favourable than those available to other employees, customers or suppliers and include transactions in respect of the employee option plans, contracts of employment and reimbursement of expenses, as well as other transactions which are domestic in nature.

Directors

Details relating to executive and non-executive directors' remuneration are disclosed in the directors' remuneration and interest report on pages 128 to 130.

Information pertaining to directors interest in the share capital of the Company, as well as information pertaining to share options outstanding and benefits in terms of share options exercised, are reflected on page 126 to 128 of the directors' remuneration and interest report.

One of the non-executive directors is the Company's legal counsel. Services rendered amounted to R1 million (2008: R2 million; 2007: R1 million) for the year.

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.

During the year, the Group paid consulting fees to the son of one of the non-executive directors. The amount paid for consulting services during the year was not material.

Notes to the Group annual financial statements

(continued) for the year ended 30 September 2009

33. Related parties (continued)

33.1 Key management personnel (continued)

As part of arm's length business operations, certain subsidiaries of the Netcare group enter into contracts with Medscheme Limited, a multi-medical scheme administrator operating in South Africa. Medscheme Limited is owned by Lethimvula Investments Limited. 83.8% of the share capital of Lethimvula Investments Limited is owned by AfroCentric Investment Corporation Limited. MI Sacks and JM Kahn, who are Netcare directors, are also directors of AfroCentric Investment Corporation Limited.

At 30 September 2009 the shareholding of Netcare directors in AfroCentric Investment Corporation Limited (total issued share capital 258 350 896) was as follows:

	Shares held	% of total issued share capital
IM Davis	276 150	0.1
RH Friedland	113 075	
VLJ Litlhakanyane	100 460	
MI Sacks (direct and indirect holding)	6 019 925	2.3
JM Kahn	5 002 250	2.0
VE Firman	4 523	
	11 516 383	4.4

Key management personnel

Netcare South Africa Executive Committee (Exco) – 6 posts (2008: 6 posts; 2007: 13 posts) on average.

United Kingdom (UK) Exco – 7 posts (2008 and 2007: 7 posts) on average.

Remuneration paid to key management personnel is as follows:

Rm	2009	2008	2007
Netcare South Africa Exco			
Salaries and allowances	10	7	14
Company contributions	1	1	1
Bonuses and termination payments	2	2	9
Leveraged phantom share bonus scheme	1		17
	14	10	41
UK Exco			
Salaries and allowances	26	21	20
Company contributions	2	2	2
Bonuses and termination payments	11	11	4
	39	34	26

33.2 Netcare Medical Scheme

The Netcare Medical Scheme is a related party of the Group. Netcare Medical Scheme is a restricted membership scheme whose members consist solely of Netcare employees (including key management personnel) and retirees.

The employer-subsidised portion of medical aid contributions payable by members has been included within employee costs.

A member of Netcare's Exco is also a trustee of the Netcare Medical Scheme. Certain members of Exco are also directors of certain wholly owned Netcare subsidiaries which render healthcare services to members of the Netcare Medical Scheme.

The Netcare Medical Scheme has also entered into a contract with a wholly owned subsidiary of Netcare, Clinical Partners (Proprietary) Limited for the provision of managed care services. The Chief Executive Officer of Clinical Partners (Proprietary) Limited is a member of Netcare's Exco.

33. Related parties (continued)**33.2 Netcare Medical Scheme** (continued)

The financial effects of transactions between the Netcare Medical Scheme and Netcare Limited subsidiaries are reflected below:

Entity	Nature of revenue	2009 Rm	2008 Rm	2007 Rm
Clinical Partners (Proprietary) Limited	Managed care fee	5	8	6
Netcare Hospitals (Proprietary) Limited	Healthcare services	138	114	95
Netcare 911 (Proprietary) Limited	Capitation fee	2	2	2
		145	124	103

34. Share-based payments**34.1 Netcare Share Incentive Scheme**

The Netcare Share Incentive Scheme was adopted on 7 November 1996. Amendments to the scheme were made on 26 September 2005.

Participants in the 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 the 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 last day on which the relevant options are granted.

In the event of death, serious disability, retrenchment or retirement of a participant, options may be taken up and paid for within twelve months of such event. In the event of resignation of a participant, options which have been vested may be taken up and paid for and the balance of any shares will be cancelled.

The rules of the scheme provide that the aggregate number of shares which may be made available for the purposes of the scheme may not be more than 12.5% of the total issued ordinary share capital of the Company.

Pursuant to an ordinary resolution passed on 26 January 2007, the maximum cumulative number of shares available for allocation under the scheme is 222 811 277. The number of Netcare ordinary shares to which any eligible participant is entitled shall not exceed 1% of the ordinary shares in issue.

As at 30 September 2009, the cumulative number of options granted (net of lapsed) was 208 511 145.

Accordingly, at 30 September 2009, the net number of shares available for allocation under the scheme was 14 300 132.

The scheme did not hold any shares in the Company at 30 September 2009.

Share options

Movement in the number of share options outstanding was as follows:

	2009		2008		2007	
	Number of share options	Weighted average exercise price (cents)	Number of share options	Weighted average exercise price (cents)	Number of share options	Weighted average exercise price (cents)
Balance at beginning of period	65 480 090	821*	54 233 221	823*	76 896 858	714*
Granted			20 860 000	838	1 250 000	1 339*
Exercised	(4 378 344)	699*	(3 107 450)	626*	(14 935 883)	347*
Expired/forfeited	(6 063 367)	858*	(6 505 681)	927*	(8 977 754)	668*
Balance at end of period	55 038 379	826*	65 480 090	821*	54 233 221	823*

* Weighted average price

Notes to the Group annual financial statements

(continued) for the year ended 30 September 2009

34. Share-based payments (continued)

34.1 Netcare Share Incentive Scheme (continued)

Analysis of exercise dates and prices

	2009		2008		2007	
	Number of share options	Exercise price (cents)	Number of share options	Exercise price (cents)	Number of share options	Exercise price (cents)
Vested	4 609 158	436	4 323 140	436	2 873 590	436
	40 000	838	50 000	685		
	11 160 121	907	8 340 000	907	7 799 631	436
Unvested	1 992 200	436	4 420 700	436	43 560 000	916*
	150 000	685	400 000	685		
	18 895 000	838	20 860 000	838		
	18 192 000	907	27 086 250	907		
	55 038 479	826*	65 480 090	821*	54 233 221	823*

* Weighted average price

The quantity of options forfeited during 2008 includes 100 000 (1 235 cents), 200 000 (1 495 cents) and 750 000 (1 402 cents) option awards in respect of which the participants have undertaken not to exercise their options. 1 050 000 options granted during 2008 relate to the aforementioned participants. In terms of the JSE listing requirements, the forfeited options are regarded as awarded and are included in the cumulative granted total of 208 511 145.

Refer to page 127 of the Directors' remuneration and interest report for details on share options held by directors.

Share options outstanding at 30 September 2009 have the following terms:

Financial year of grant	Financial year of lapse	Unexercised options	Vested options	Unvested options
2004	2011	6 601 358	4 609 158	1 992 200
2005	2012	150 000		150 000
2006	2013	29 352 121	11 160 121	18 192 000
2008	2015	18 935 000	40 000	18 895 000
Balance at 30 September 2009		55 038 479	15 809 279	39 229 200

The fair value of options granted since 7 November 2002 was calculated using the trinomial model.

The expensing thereof is as follows:

Financial year of grants	Current year Rm	Within 1 year Rm	1 – 5 years Rm	Total Rm
2004	1			1
2006	13	11	22	46
2008	5	5	20	30
	19	16	42	77

Share option cost expensed in 2008 was R4 million (2007: R21 million).

34. Share-based payments (continued)**34.1 Netcare Share Incentive Scheme** (continued)

The following assumptions were used to value the share options granted:

	%
Volatility	24.0 – 29.7
Forfeiture rate	10.0 – 11.0
Risk-free interest rate	9.0 – 10.1
Dividend yield	3.3 – 5.5

34.2 Health Partners for Life (BEE transaction)

The Group implemented the Health Partners for Life (HPFL) initiative on 1 October 2005, a strategy to effect broad-based black economic participation and transformation within the Netcare group and in the private healthcare sector.

A broad grouping of predominantly historically disadvantaged individuals, through their participation in the HPFL trusts, will acquire Netcare shares. The HPFL trusts that are participants to the transaction are The Patient Care and Passionate People Trust, Physician Partnerships Trust, Mother & Child Trust and Healthy Lifestyle Trust. The objective of the HPFL trusts is to manage and administer the award, settlement and repurchase of trust units, the assets and liabilities of the trusts and the making of income awards, if applicable, in a manner consistent with Netcare's commitment to broad-based black economic empowerment.

The terms of the trusts are as follows:

The Patient Care and Passionate People Trust and Physician Partnerships Trust

The Patient Care and Passionate People Trust indirectly assists the Group in attracting and retaining management and staff. Awards made under this trust are in addition to any awards participants may receive under the Netcare Share Incentive Trust. Directors and other senior management are only entitled to participate under the Netcare Share Incentive Trust and not in the HPFL transaction.

The Physician Partnerships Trust assists the Group in attracting and retaining quality medical professionals.

The awards to beneficiaries of these trusts are effected by the trustees. The beneficiaries hold trust units which entitle them to the economic benefits of a specified number of Netcare shares in tranches of 20% over five years commencing on the 5th anniversary of the commencement of their participation.

Beneficiaries who are Netcare employees cease to be entitled to hold trust units if they resign or are dismissed from their employment. Beneficiaries who are medical doctors cease to be entitled to hold trust units if they emigrate from South Africa or cease to be a practising doctor in good standing with the relevant professional board or council.

Dividends or other distributions received on HPFL shares are applied first to meet funding obligations and administrative and operating expenses, and thereafter distributed to holders of the trust units entitled thereto.

Mother & Child Trust and Healthy Lifestyle Trust

The Mother & Child Trust funds the provision of healthcare assistance to women and children historically and previously disadvantaged, through selected women's groups and children's organisations.

The Healthy Lifestyle Trust promotes a healthy lifestyle through wellness programmes and selected national screening initiatives.

Dividends and cash distributions made in respect of the Netcare shares held by the Mother & Child Trust and Healthy Lifestyle Trust are applied firstly toward servicing the third party funding obligation and a portion of the remainder of any such dividends and cash distributions are applied to the benefit of or distributed to the beneficiaries.

Notes to the Group annual financial statements

(continued) for the year ended 30 September 2009

34. Share based payments (continued)

34.2 Health Partners for Life (BEE transaction) (continued)

Details of the trust units at 30 September 2009 are:

Trust	Shares allocated to trust	Units in issue
The Patient Care and Passionate People Trust	92 000 000	55 316 154
Physician Partnerships Trust	48 000 000	26 604 000
Mother & Child Trust	12 000 000	6 000 000
Healthy Lifestyle Trust	8 000 000	4 000 000
	160 000 000	91 920 154

Movement in the number of units was as follows:

	The Patient Care and Passionate People Trust	Physician Partnerships Trust	Mother & Child Trust	Healthy Lifestyle Trust	Total
Balance at beginning of year	60 647 078	26 604 000	6 000 000	4 000 000	97 251 078
Exercised	(89 360)				(89 360)
Forfeited	(5 241 564)				(5 241 564)
Balance at end of period	55 316 154	26 604 000	6 000 000	4 000 000	91 920 154

The fair value of the units issued was calculated using the trinomial model. The expensing thereof is as follows:

Trust	Current year Rm	Within 1 year Rm	1 – 5 years Rm	> 5 years Rm	Total Rm
The Patient Care and Passionate People Trust	14	7	29	2	52
	14	7	29	2	52

The fair value of units expensed in 2008 was R1 million (2007: R6 million).

The following assumptions were used to value the units issued:

	%
Volatility	30.0
Forfeiture rate	15.0
Risk-free interest rate	7.1 – 8.4
Dividend yield	2.0 – 3.0

35. Segment report

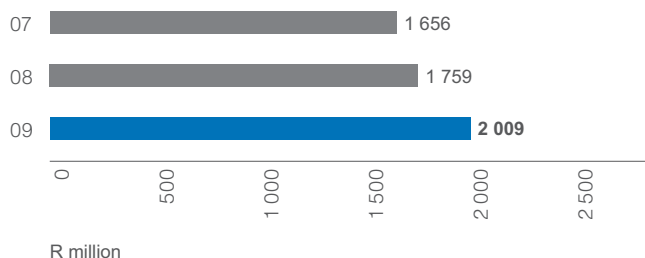
Income statement

Rm	Revenue			EBITDA		
	2009	2008	2007	2009	2008	2007
South Africa	11 832	10 385	8 869	2 009	1 759	1 656
Hospitals and Emergency services	10 319	9 020	7 782	2 042	1 735	1 584
Primary care	1 513	1 365	1 087	(24)	4	101
Other				(9)	20	(29)
United Kingdom	11 400	11 350	9 738	2 918	2 855	2 378
United Kingdom operations	11 400	11 350	9 738	2 919	2 885	2 411
Other				(1)	(30)	(33)
	23 232	21 735	18 607	4 927	4 614	4 034

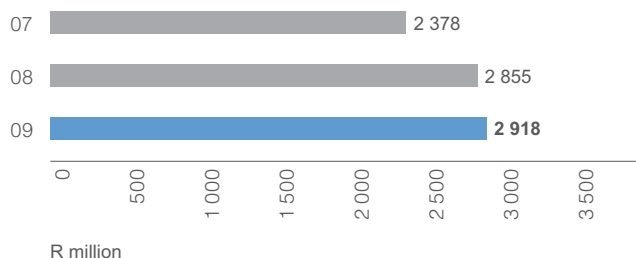
Rm	Depreciation and amortisation			Operating profit		
	2009	2008	2007	2009	2008	2007
South Africa	356	338	279	1 653	1 421	1 377
Hospitals and Emergency services	339	321	256	1 703	1 414	1 328
Primary care	17	17	23	(41)	(13)	78
Other				(9)	20	(29)
United Kingdom	871	906	765	2 047	1 949	1 613
United Kingdom operations	871	906	765	2 048	1 979	1 646
Other				(1)	(30)	(33)
	1 227	1 244	1 044	3 700	3 370	2 990

Rm	Net interest paid		
	2009	2008	2007
South Africa	463	518	456
United Kingdom	1 812	1 898	1 734
	2 275	2 416	2 190

South Africa – EBITDA



United Kingdom – EBITDA



Notes to the Group annual financial statements

(continued) for the year ended 30 September 2009

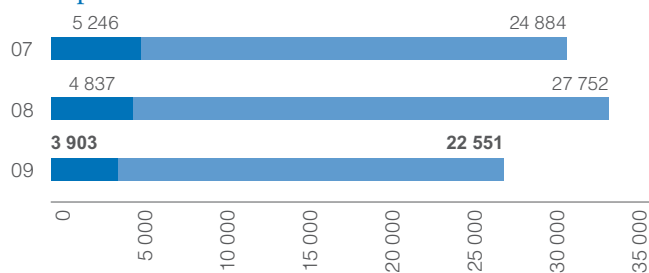
35. Segment report (continued)

Statement of financial position

Rm	Total assets			Total liabilities		
	2009	2008	2007	2009	2008	2007
South Africa	8 611	8 073	7 387	6 590	7 333	7 198
Hospitals and Emergency services	8 080	7 562	7 056	6 332	7 133	7 067
Primary care	707	648	453	434	337	253
Other	(176)	(137)	(122)	(176)	(137)	(122)
United Kingdom	37 326	46 109	42 833	32 218	38 221	34 680
	45 937	54 182	50 220	38 808	45 554	41 878

Rm	Debt net of cash			Capital additions		
	2009	2008	2007	2009	2008	2007
South Africa	3 903	4 837	5 246	747	687	702
United Kingdom	22 551	27 752	24 884	525	553	589
	26 454	32 589	30 130	1 272	1 240	1 291

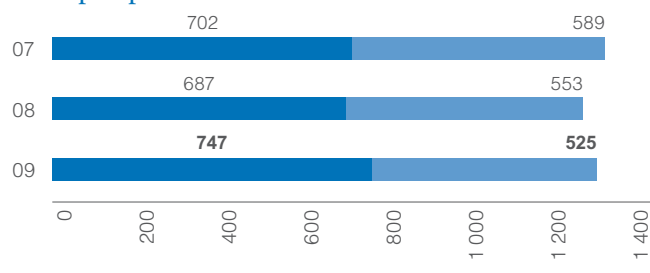
Group debt net of cash



R million

■ South Africa
■ United Kingdom

Group capital additions



R million

■ South Africa
■ United Kingdom

35. Segment report (continued)

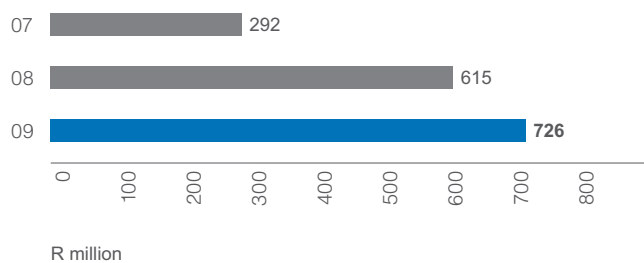
Statement of cash flows*

Rm	Net cash from operating activities			Net cash from investing activities		
	2009	2008	2007	2009	2008	2007
South Africa	726	615	292	219	(307)	(899)
United Kingdom	452	726	664	(552)	(1 868)	(765)
	1 178	1 341	956	(333)	(2 175)	(1 664)

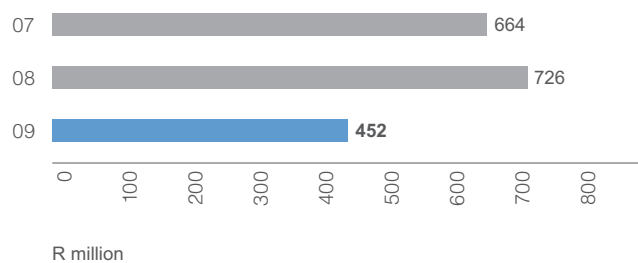
Rm	Net cash from financing activities		
	2009	2008	2007
South Africa	(808)	(112)	298
United Kingdom	(170)	1 001	316
	(978)	889	614

* Includes cash flow attributable to discontinued operations

South Africa – net cash from operating activities



United Kingdom – net cash from operating activities



Company statement of financial position

at 30 September 2009

Rm	Notes	2009	2008	2007
ASSETS				
Non-current assets				
Interest in subsidiaries	2	5 255	7 883	6 267
Financial asset – Derivative financial instruments	3			188
Total non-current assets		5 255	7 883	6 455
Current assets				
Trade and other receivables	4	13	14	82
Cash and cash equivalents	5	7	3	11
Total current assets		20	17	93
Total assets		5 275	7 900	6 548
EQUITY AND LIABILITIES				
Capital and reserves				
Ordinary share capital and premium	6	622	1 291	1 697
Option premium on convertible bond		169	172	172
Other reserves	7	792	760	749
Retained earnings	8	1 416	3 456	378
Equity attributable to owners of the parent		2 999	5 679	2 996
Preference share capital and premium	9	644	644	644
Total shareholders' equity		3 643	6 323	3 640
Non-current liabilities				
Long-term debt	10	1 480	1 506	2 809
Deferred taxation liability	11	35	55	76
Total non-current liabilities		1 515	1 561	2 885
Current liabilities				
Trade and other payables	12	10	8	7
Short-term debt	13			6
Taxation payable		56	8	10
Bank overdraft	5	51		
Total current liabilities		117	16	23
Total equity and liabilities		5 275	7 900	6 548

Company income statement

for the year ended 30 September 2009

Rm	Notes	2009	2008	2007
Operating (loss)/profit	14	(3 031)	303	(375)
Financial income	15	3 643	3 067	579
Financial expenses	16	(161)	(246)	(322)
Profit/(loss) before taxation		451	3 124	(118)
Taxation	17	(30)	21	9
Profit/(loss) for the year		421	3 145	(109)
Attributable to:				
Owners of the parent		348	3 078	(139)
Preference shareholders		73	67	30
		421	3 145	(109)

Company statement of changes in equity

for the year ended 30 September 2009

Rm	Ordinary share capital	Ordinary share premium	Investment fair value reserve
Balance at 1 October 2006	18	1 524	161
Shares issued during the year	1	668	
Capital reduction		(514)	
Option premium on convertible bond			
Share-based payments reserve movements			
Preference dividends paid			
Loss for the year			
Balance at 30 September 2007	19	1 678	161
Shares issued during the year		188	
Capital reduction		(594)	
Other reserve movements			6
Share-based payments reserve movements			
Preference dividends paid			
Profit for the year			
Balance at 30 September 2008	19	1 272	167
Shares issued during the year		31	
Capital reduction		(563)	
Repurchase of shares	(4)	(133)	
Repurchase of convertible bonds			
Share-based payments reserve movements			
Distribution received from trust			
Preference dividends paid			
Profit for the year			
Balance at 30 September 2009	15	607	167

Surplus on disposal of subsidiaries	Option premium on convertible bond	Share-based payment reserve	Retained earnings	Equity attributable to owners of the parent	Preference share capital and premium	Total shareholders' equity
477		84	517	2 781	644	3 425
				669		669
	172			(514)		(514)
		27		172		172
			(30)	27		27
			(109)	(30)		(30)
				(109)		(109)
477	172	111	378	2 996	644	3 640
				188		188
				(594)		(594)
		5		6		6
			(67)	5		5
			3 145	(67)		(67)
				3 145		3 145
477	172	116	3 456	5 679	644	6 323
				31		31
				(563)		(563)
			(3 111)	(3 248)		(3 248)
	(3)		7	4		4
		32		32		32
			716	716		716
			(73)	(73)		(73)
			421	421		421
477	169	148	1 416	2 999	644	3 643

Company statement of cash flows

for the year ended 30 September 2009

Rm	Notes	2009	2008	2007
Cash flows from operating activities				
Cash received from customers		1	74	(21)
Cash paid to suppliers and employees		156	58	(10)
Cash generated/(utilised) in operations	A	157	132	(31)
Interest paid		(161)	(246)	(311)
Taxation paid	B	(30)	(2)	(7)
Preference dividends paid		(73)	(67)	(30)
Capital reductions paid		(563)	(594)	(514)
Net cash from operating activities		(670)	(777)	(893)
Cash flows from investing activities				
Increase in investments and loans		(2 866)	(1 305)	(1 157)
Proceeds from disposal of investments				5
Interest received		187	295	398
Dividends received		3 456	2 772	181
Net cash from investing activities		777	1 762	(573)
Cash flows from financing activities				
Proceeds from issue of ordinary shares		31	188	669
Long-term liabilities raised		(185)	(1 181)	1 708
Short-term liabilities repaid				(1 009)
Net cash from financing activities		(154)	(993)	1 368
Net decrease in cash and cash equivalents				
Cash and cash equivalents at beginning of year		3	11	109
Cash and cash equivalents at end of year	C	(44)	3	11

Notes to the Company statement of cash flows

for the year ended 30 September 2009

Rm	2009	2008	2007
A. Cash utilised in operations			
Operating (loss)/profit	(3 031)	303	(375)
Adjustments for:			
Impairment of investments	3 035	28	614
Profit on convertible bond buy-back	(4)		
Reversal of impairment of investments	(5)	(334)	(239)
Other non-cash flow items	159	60	
Cash utilised from operations before working capital changes	154	57	
Decrease/(increase) in trade and other receivables	1	74	(21)
Increase/(decrease) in trade and other payables	2	1	(10)
	157	132	(31)
B. Taxation paid			
Amounts payable at beginning of year	8	10	1
Charge per the income statement (excluding deferred taxation)	40	(1)	14
Taxation recognised directly in equity	34		
STC payment	4	1	2
Amounts payable at end of year	(56)	(8)	(10)
	30	2	7
C. Cash and cash equivalents and bank overdrafts			
Cash on hand and balances with banks	7	3	11
Bank overdraft	(51)		
	(44)	3	11

Notes to the Company annual financial statements

for the year ended 30 September 2009

1. Accounting policies, significant judgements and estimates and impact of new issued standards and interpretations

Refer to note 1 of the Group annual financial statements.

Rm	2009	2008	2007
2. Interest in subsidiaries			
Investment	4 954	6 277	5 985
Amounts owing by subsidiaries	1 530	1 663	1 354
Amounts owing to subsidiaries	(1 229)	(57)	(1 072)
	5 255	7 883	6 267
Amounts owing by/(to) subsidiaries are disclosed as follows:			
Amounts owing by subsidiaries			
Non-current	1 530	1 663	1 354
Amounts owing to subsidiaries			
Current	(1 229)	(57)	(1 072)
Details of the Company's principal subsidiaries are reflected in Annexure A.			
3. Financial asset – Derivative financial instruments			
Cross-currency swap contract			188
Refer to note 32 of the Group annual financial statements.			
4. Trade and other receivables			
Other receivables and prepayments	13	14	82
The carrying values of trade and other receivables are considered to be a close approximation of their fair values.			
None of the amounts are considered to be passed due.			
5. Cash and cash equivalents and bank overdrafts			
Cash on hand and balances with banks	7	3	11
Bank overdrafts	(51)		
	(44)	3	11
6. Ordinary share capital and premium			
Number of shares (m)			
Authorised			
Ordinary shares of 1.0 cent each	2 500	2 500	2 500
Issued			
Shares in issue at beginning of year	1 858	1 841	1 779
Shares issued during the year	4	17	62
Shares repurchased during the year	(436)		
Shares in issue at end of year	1 426	1 858	1 841

6. Ordinary share capital and premium (continued)

Rm	2009	2008	2007
Authorised			
Ordinary shares of 1.0 cent each	25	25	25
Issued			
Shares in issue at beginning of year	19	19	18
Shares issued during the year			1
Shares repurchased during the year	(4)		
Shares in issue at end of year	15	19	19
Share premium			
Balance at beginning of year	1 272	1 678	1 524
Share premium arising on issue of shares	31	188	668
Repurchase of shares	(133)		
Reductions of capital	(563)	(594)	(514)
Balance at end of year	607	1 272	1 678
Total issued ordinary share capital and premium	622	1 291	1 697
Refer to note 11 of the notes to the Group financial statements for further details.			
7. Retained earnings			
Balance at beginning of year	3 456	378	517
Profit/(loss) for the year	421	3 145	(109)
Distribution received from trust	716		
Repurchase of shares	(3 111)		
Repurchase of convertible bond	7		
Preference dividends paid	(73)	(67)	(30)
Balance at end of year	1 416	3 456	378
8. Preference share capital and premium			
Number of shares (m)			
Authorised			
Variable rate, cumulative, non-redeemable, non-convertible preference shares of 50.0 cents each	10	10	10
Issued			
Shares in issue at beginning and end of year	7	7	7
Rm			
Authorised			
Variable rate, cumulative, non-redeemable, non-convertible preference shares of 50.0 cents each	5	5	5
Issued			
Shares in issue at beginning and end of year	3	3	3
Share premium			
Balance at beginning and end of year	641	641	641
Total issued preference share capital and premium	644	644	644

Notes to the Company annual financial statements

(continued) for the year ended 30 September 2009

Rm	2009	2008	2007
9. Long-term debt			
Total debt (South African rand)	1 480	1 506	2 809
Loan details			
Terms of repayment			
Convertible bond			
The bonds are convertible into Netcare ordinary shares in 2011. Refer to note 14 of the Group financial statements for further details.	1 480	1 506	1 446
Unsecured liabilities			
Unsecured liability repaid in full in 2008, bearing interest at LIBOR + 1.7% variable			1 363
	1 480	1 506	2 809
Maturity profile			
Between 1 and 2 years	1 480		1 363
In 2 years or more		1 506	1 446
	1 480	1 506	2 809
10. Deferred taxation liability			
Reconciliation of movement			
Balance at beginning of year	55	76	11
Current year charge per the income statement (refer to note 16)	(14)	(21)	(25)
Recognised directly in equity	(5)		90
Other	(1)		
Balance at the end of the year	35	55	76
Arising from the following temporary differences			
Prepayments			2
Option premium on convertible bond	35	52	74
	35	52	76
11. Trade and other payables			
Other payables	10	8	7
12. Short-term debt			
Total short-term debt (South African rand)			6
Comprising			
Other			6

Rm	2009	2008	2007
13. Operating loss			
After charging:			
Impairment of investments	3 035	28	614
After crediting:			
Profit on convertible bond buy-back	4		
Reversal of impairment of investments	5	334	239
14. Financial income			
Dividends received	3 456	2 772	181
Interest received	187	295	398
	3 643	3 067	579
15. Financial expenses			
Foreign exchange losses (net)			11
Interest paid	161	246	311
	161	246	322
16. Taxation			
South African normal taxation			
Current year	22	15	22
Prior years	17	(16)	
Capital gains tax	1		(8)
	40	(1)	14
STC	4	1	2
Income tax	44		16
Deferred taxation			
Current year	(17)	(21)	(14)
Prior years	3		(11)
	(14)	(21)	(25)
Total taxation per the income statement	30	(21)	(9)
Reconciliation of effective taxation rate (%)			
South African normal tax rate	28.0	28.0	29.0
Adjusted for:			
Exempt income	(215.2)	(31.0)	35.4
Tax losses			9.7
STC tax	0.9		
Capital gains tax	0.2		
Permanent differences	188.3	4.5	(79.2)
Prior year adjustments	4.5	(0.6)	7.6
Other			4.2
Effective taxation rate	6.7	(0.9)	6.7

Notes to the Company annual financial statements

(continued) for the year ended 30 September 2009

Rm	2009	2008	2007
17. Contingent liabilities			
Financial 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). Community is a black empowerment hospital group, in which the Group also has a 43.75% interest.			45
– Guarantees covering the obligations of certain subsidiaries of Community.			86
– Guarantees covering certain educational loan obligations of employees.	20	20	20
– Guarantee and indemnity provided to a supplier of a subsidiary in the United Kingdom.		15	14
– Guarantee provided for certain obligations of its subsidiary in the United Kingdom relating to the Company's obligation under sales contracts.		103	98
– Guarantee covering the obligations of pathologists to a banking institution following the sale of Ampath.	393		
– Deed of suretyship covering the obligations of a third party to a banking institution.	22		
– Surety for certain performance obligations relating to the construction of hospital buildings for the Free State Health Department.		51	51
– Guarantees to banks.	10	31	42
– The Company has provided guarantees in respect of securing certain subsidiaries' loan finance obligations.			
– The Company has provided a cross deed of suretyship in favour of Nedbank which cover the facilities granted to Traumanet (Proprietary) Limited.			

Rm	2009	2008	2007
18. Related parties			
Related party transactions			
Various transactions were entered into by the Company during the period with related parties. Details of loan balances with the investment in subsidiaries are disclosed in Annexure A.			
The following is a summary of transactions with related parties during the year:			
Distributions received:			
The Netcare Trust	723		
Dividends received:			
Clinical Partners (Proprietary) Limited			4
Netcare Hospitals (Proprietary) Limited	1 006		
Netcare Hospital Group (Proprietary) Limited	75	2 667	
Netcare Health Systems (Proprietary) Limited		75	150
Netpartner investments	2 375		
The Netcare Trust		30	27
	3 456	2 772	181
Interest received:			
Clindeb Investments (Proprietary) Limited	185	295	395
Management fees received:			
Clindeb Investments (Proprietary) Limited		2	
Netcare Management (Proprietary) Limited		1	
		3	
Key management personnel			
Refer to note 33 of the Group annual financial statements.			

Annexure A

Interest in subsidiaries

Principal subsidiaries	Nature of business	Issued share capital Rm
Direct		
Clinical Partners (Proprietary) Limited	Specialised managed healthcare	
Health Management Technologies (Proprietary) Limited	Property owning	
Medicross Healthcare Group (Proprietary) Limited	Healthcare services	
Netcare 911 (Proprietary) Limited	Emergency medical services	
Netcare Finance Company (Proprietary) Limited	Financing	
Netcare Health Systems (Proprietary) Limited	Healthcare management services	
Netcare Hospital Group (Proprietary) Limited	Investment holding	
Netcare Hospitals (Proprietary) Limited	Hospital/healthcare services	
Netcare International SA (Proprietary) Limited	Investment holding	
Netcare Management (Proprietary) Limited	Management services	
Netcare Prefshare Holdings (Proprietary) Limited	Investment holding	
Netcare Redeemable Preference Share Investments (Proprietary) Limited	Financing	
Netpartner Investments Limited	Investment holding	6
Traumanet (Proprietary) Limited	Investment holding	
Indirect		
Alberlito Hospital (Proprietary) Limited	Hospital/healthcare services	
Alberlito Hospital Properties (Proprietary) Limited	Property owning	
Bougainville Private Hospital (Proprietary) Limited (note 4)	Hospital/healthcare services	
Clindeb Investments (Proprietary) Limited	Financing	
Community Hospital Group (Proprietary) Limited (note 5)	Hospital/healthcare services	
Constantia Clinic (Proprietary) Limited	Hospital/healthcare services	
General Healthcare Group Limited (note 6)	Hospital/healthcare services	12
Netcare Healthcare UK Limited (note 6)	Healthcare services	
Netcare Hospital Management (Proprietary) Limited	Management services	
Netcare Life Limited	Life insurance	
Netcare Property Holdings (Proprietary) Limited	Property owning	
Pedalclip Limited (note 6)	Investment holding	
Prime Cure Holdings (Proprietary) Limited	Primary care	
St Augustine's Hyperbaric Joint Venture (Proprietary) Limited	Hyperbaric oxygen therapy	
Other		

Notes

1. All companies are incorporated in South Africa unless otherwise stated.
2. 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.
3. 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.
4. Bougainville Private Hospital (Proprietary) Limited became a subsidiary with effect from 1 October 2008.
5. Community Hospital Group (Proprietary) Limited became a subsidiary with effect from 1 October 2008.
6. Incorporated in the United Kingdom.

Effective Group holding			Investment			Loans to/(from) subsidiaries		
2009 %	2008 %	2007 %	2009 Rm	2008 Rm	2007 Rm	2009 Rm	2008 Rm	2007 Rm
100	100	100				(8)	(5)	(2)
100	100	100	16	12				
100	100	100	544	353	381		(1)	
100	100	100	208	211	6			
100	100	100				(918)	(51)	
100	100	100	3 899	2 354	8			
100	100	100	86	27	13	(60)	101	
100	100	100	2		1			
100	100	100	32	23	1 444	(44)	32	
100	100	100						
100	100	100	3					
100	100	100	141	3 293	3 399	(141)		
100	100	100	5					
80	80	80						
80	80	80						
96	88							
100	100	100				1 530	1 530	1 354
100	100							
50	50	50						
50	50	50						
50	50	50						
100	100	100						
100	100	100						
100	100	100						
50	50	50						
100	100	100						
61	61	61						
			18	4	733	(58)		(1 070)
			4 954	6 277	5 985	301	1 606	282

Annexure B

Investment in associated companies

Company	Country of incorporation	Nature of business
Chaucer Diagnostics Limited	United Kingdom	Providers of MRI scanning
Community Hospital Group (Proprietary) Limited ¹	South Africa	Hospital/healthcare services
Community Hospital Management Limited	South Africa	Hospital/healthcare services
Garden Hospital MRI Limited	United Kingdom	Providers of MRI scanning
Healthshare Health Solutions (Proprietary) Limited ²	South Africa	Hospital/healthcare services
KOPM Investment Holdings (Proprietary) Limited	South Africa	Investment company which owns Lesedi Hospital
Meriden Hospital Advanced Imaging Centre Limited	United Kingdom	Providers of MRI scanning
Nalithemba (Proprietary) Limited	South Africa	Hospital/healthcare services
Three Shires Hospital Limited	United Kingdom	Hospital/healthcare services
Tsepong (Proprietary) Limited	Lesotho	Hospital/healthcare services
Other	Lesotho/South Africa	

Total investment in associated companies

¹ Community Hospital Group (Proprietary) Limited became a subsidiary with effect from 1 October 2008.

² The 45% interest in Healthshare Health Solutions (Proprietary) Limited was disposed of in 2008.

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.

Refer to note 5 in the Group annual financial statements for further details of the carrying amount of the associated companies.

Summarised statement of financial position and income statement

The Group's effective share of income statement and the statement of financial position items in respect of associated companies is as follows:

Rm	2009	2008	2007
Income statement			
Revenue	352	197	307
Operating profit	41	18	58
Financial income and expenses	(9)	(9)	(11)
Profit before taxation	32	9	47
Taxation	(5)	(7)	(15)
Profit after taxation	27	2	32
Statement of financial position			
Non-current assets	276	86	297
Current assets	80	42	155
Total assets	356	128	452
Equity	72	35	87
Non-current liabilities	230	59	225
Current liabilities	54	34	140
Total equity and liabilities	356	128	452

Percentage holding			Carrying value			Year-end other than 30 September
2009 %	2008 %	2007 %	2009 Rm	2008 Rm	2007 Rm	
49	49	49	7	7	6	30 April
		44			182	31 March
25	25	25	(13)		6	
40	40	40	4	5	4	31 December
		45			13	30 June
45	45	45	37	30	52	
50	50	50	4	3	3	31 October
50	50		46	19		
50	50	50	20	20	13	31 March
40			13			28 February
			4	5	3	
			122	89	282	

Annexure C

Interest in joint ventures

Company	Nature of business
National Renal Care (Proprietary) Limited	Providers of acute and chronic renal care
Olivevale Clinic Oncology Centre (Proprietary) Limited	Providers of radiation therapy treatments
Parklands Stereotactic Radiosurgery (Proprietary) Limited	Providers of stereotactic radiosurgery
Rand Clinic Oncology Centre (Proprietary) Limited	Providers of radiation therapy treatments
Waterberg Lodge (Proprietary) Limited	Hospitality services
Other	

Total interest in joint ventures

Included in:

Trade and other receivable (refer to note 8 in the Group annual financial statements)

Trade and other payable (refer to note 19 in the Group annual financial statements)

Notes

1. The amounts reflected in the carrying value above consist of loans receivable and payable.
2. All companies are incorporated in South Africa unless otherwise stated.

Summarised statement of financial position and income statement

The Group's effective share of income statement and the statement of financial position items in respect of joint ventures is as follows:

Rm	2009	2008	2007
Income statement			
Revenue	206	168	141
Profit before taxation	32	24	27
Taxation	(8)	(5)	(4)
Profit after taxation	24	19	23
Statement of financial position			
Non-current assets	54	49	46
Current assets	29	30	20
Total assets	83	79	66
Equity	37	25	24
Non-current liabilities	10	17	18
Current liabilities	36	37	24
Total equity and liabilities	83	79	66

Percentage holding			Carrying value		
2009 %	2008 %	2007 %	2009 Rm	2008 Rm	2007 Rm
50	50	50	1		
50	50	50	(1)		(2)
50	50	50			(1)
50	50	50	(13)	(11)	(14)
50	50	100	6		
			4	4	
			(3)	(7)	(17)
			11	4	
			(14)	(11)	(17)
			(3)	(7)	(17)

Glossary

An explanation of some of the terms and abbreviations used in this annual report is shown below.

Financial definitions

Attributable earnings

Earnings attributable to owners of the parent.

Capital reductions cover

Basic headline earnings per share divided by capital reductions per share.

CFROI®

This is the HOLT method of cash flow return on investment used to monitor performance. CFROI® is a registered trademark in the United States of Credit Suisse First Boston or its subsidiaries or affiliates.

Compound growth %

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.

Current ratio

Current assets divided by current liabilities.

Debt : equity ratio

Net debt to total shareholders' equity.

Distribution yield

Capital reductions per share divided by the closing share price on the JSE.

Earnings yield

Basic headline earnings per share divided by the closing share price on the JSE.

EBITDA

Operating profit before depreciation and amortisation.

Effective tax rate

Taxation expressed as a percentage of profit before taxation.

Headline earnings

This comprises the earnings attributable to owners of the parent after adjusting for re-measurements specifically included as defined in Circular 3/2009 issued by the South African Institute of Chartered Accountants.

Interest cover

Operating profit divided by net interest paid.

Market capitalisation

Closing share price on the JSE times ordinary shares in issue before deducting treasury shares.

Net debt

Long-term debt, short-term debt and bank overdrafts net of cash and cash equivalents.

Operating profit return on net assets

Operating profit and pre-tax income from associates divided by average total shareholders' equity and net debt.

Price : earnings ratio

The closing share price on the JSE divided by basic headline earnings per share.

Quick ratio

Current assets less inventory divided by current liabilities.

Return on equity attributable to owners of the parent

Headline earnings attributable to owners of the parent divided by average equity attributable to owners of the parent.

Acronyms

ABC

Asian, Black and Coloured

ARM

Alternative reimbursement models

B-BBEE

Broad-based Black Economic Empowerment

BEE

Black economic empowerment

BMI

BMI Healthcare

CDP

Carbon Disclosure Project

Community

Community Hospital Group (Proprietary) Limited

CPI

Consumer price inflation

CQC

Care Quality Commission

CSI

Corporate social investment

DOH

Department of Health (South Africa)

DSM

Demand Side Management

Acronyms (continued)

Dti

Department of Trade and Industry, South Africa

EE

Employment equity

EMS

Emergency medical services

EPRF

Electronic Patient Report Form

FFS

Fee-for-service

GDP

Gross domestic product

GEMS

Government Employee Medical Scheme

GHG

General Healthcare Group Limited, a subsidiary in the United Kingdom

GHG

Greenhouse gas emissions

GP

General practitioner

HAQU

Health Accreditation Unit

HASA

Hospital Association of South Africa

HC

High care

HCA

Hospital Corporation of America

HCAI

Healthcare Associated Infections

GRI

Global Reporting Initiative

HIV/Aids

Human immunodeficiency virus /Acquired immune deficiency syndrome

HPFL

Health Partners for Life

IBNR

Incurred but not yet recorded

ICU

Intensive care unit

IPO

Initial public offering

ISTC

Independent Service Treatment Centre

IVF

In Vitro Fertilisation

MDGs

Millennium Development Goals

NHI

National Health Insurance

NHRPL

National Health Reference Price List

NHS

National Health Service (United Kingdom)

OECD

Organisation for Economic Cooperation and Development

PMI

Private medical insurance

PPP

Public Private Partnership

RN

Registered nurse

RPL

Reference Price List

SA

South Africa

SABR

South African Breast Milk Reserve

SEP

Single Exit Price

TB

Tuberculosis, a chronic infectious disease

UK

United Kingdom

VCT

Voluntary counselling and testing

VLBW

Very low birth weight

Analysis of shareholders

at 30 September 2009

	Number of shareholders	Percentage of shareholders	Number of shares	Percentage of issued shares
Shareholder spread				
1 – 1 000	6 623	35.60%	2 034 937	0.16%
1 001 – 50 000	10 985	59.06%	80 849 882	6.38%
50 001 – 100 000	293	1.58%	20 983 430	1.66%
100 001 – 10 000 000	676	3.63%	454 266 846	35.87%
10 000 001 and above	24	0.13%	708 316 193	55.93%
Total	18 601	100.00%	1 266 451 288	100.00%
Distribution of shareholders				
Category				
Individuals	14 579	78.38%	105 148 842	8.30%
Companies	209	1.12%	172 859 810	13.65%
Investment and trust companies	2 300	12.37%	865 579 828	68.35%
Nominee companies	26	0.14%	839 773	0.07%
Other corporate bodies	1 487	7.99%	122 023 035	9.63%
Total	18 601	100.00%	1 266 451 288	100.00%
Public and non-public shareholdings				
Public	18 593	99.96%	1 210 996 648	95.62%
Non-public	8	0.04%	55 454 640	4.38%
Directors	7	0.04%	50 045 374	3.95%
Retirement funds	1		5 409 266	0.43%
Total	18 601	100.00%	1 266 451 288	100.00%

Share ownership at 30 September 2009 is based on shares in issue less treasury shares. For directors' shareholdings refer to directors' remuneration and interest report on page 126. 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 2009 which represent 5.0% or more of the total issued shares of the Company were:

	Number of shares	Percentage of issued shares
Beneficial shareholdings		
Public Investment Corporation	227 120 269	17.93%

Distribution of shareholders at 30 September 2009



Letter from the Chairman

Dear member

I extend an invitation to you to attend the 13th annual general meeting (AGM) of Netcare Limited (Netcare) to be held in the Auditorium, Ground Floor, 76 Maude Street (corner West Street), Sandton, 2196 on Friday, 29 January 2010 at 12:00.

The following documents are enclosed:

- Question form for AGM;
- The notice of AGM, setting out the resolutions to be proposed, together with explanatory notes;
- Guidance notes if you wish to attend the AGM or to vote by proxy; and
- Proxy form.

This is your opportunity to meet and question members of the Netcare Board of directors regarding the Group's performance for the year ended 30 September 2009 and to receive a first-hand account of Netcare's mission to maximise shareholder value whilst fulfilling our responsibilities to all stakeholders.

I would like to remind members of their right to raise questions, at the appropriate time, at the AGM. It is normally not possible to answer every question at the AGM, and to ensure that matters of particular interest to members are covered, I would like to suggest that members use the attached question form to raise in advance any questions of particular interest to them. From the forms returned, we can assess the most popular topics and I shall endeavour to address these at the AGM, thereby ensuring that they will not be overlooked. This advance notice of relevant questions will, of course, not prevent any member from raising questions during the AGM.

The question form can be:

- Returned to the Company Secretary, L Kok to be received no later than 24 hours before the AGM; or
- Sent together with the proxy form to our transfer secretaries; or
- Handed in at the time of registering attendance at the AGM.

Refer to the inside back cover of the annual report for contact details.

If you are unable to attend, you will be able to exercise your right as a member to take part in the AGM by completing, signing and returning the enclosed proxy form before the AGM.

If dematerialised holders, other than those with own name registration, wish to attend the AGM, they must obtain a letter of representation from their Central Securities Depository Participant (CSDP) or broker. If they are unable to attend the AGM, but wish to be represented at the meeting, they must instruct their CSDP or broker accordingly.

Yours faithfully



SJ Vilakazi

Chairman – Netcare

23 December 2009

Notice of annual general meeting

for the year ended 30 September 2009

Netcare Limited

Registration number: 1996/008242/06
(Netcare, the Company or the Group)
JSE share code: NTC
ISIN code: ZAE000011953

Notice is hereby given that the 13th annual general meeting of shareholders of Netcare will be held on Friday, 29 January 2010 at 12:00 in the auditorium, ground floor, 76 Maude Street, (corner West Street), Sandton, 2196, to consider and, if deemed fit, to pass, with or without modification, the following resolutions in the manner required the Companies Act, 61 of 1973, as amended (the Companies Act), and subject to the JSE Limited (JSE) Listing Requirements:

1. Ordinary resolution number 1 – Approval of the annual financial statements

“Resolved that the annual financial statements of the Company and the Group for the year ended 30 September 2009, be and they are hereby received and adopted.”

2. Ordinary resolution number 2 – Confirmation of the executive directors’ remuneration

“Resolved that the remuneration of the executive directors of Netcare Limited for the financial year ended 30 September 2009, as reflected in note 22 to the annual financial statements be and they are hereby confirmed.”

3. Ordinary resolution number 3 – Confirmation of the non-executive directors’ fees

“Resolved that the fees payable to non-executive directors for the financial year ending 30 September 2010 are as follows:

Payable per annum:

Board Chair	R800 000
Board members	R400 000
Audit Committee Chair	R130 000
Audit Committee members	R100 000
Remuneration Committee Chair	R100 000
Remuneration Committee members	R75 000
Risk Committee Chair	R100 000
Risk Committee members	R75 000
Nominations Committee Chair	R100 000
Nominations Committee members	R75 000
Transformation Committee Chair	R100 000
Transformation Committee members	R75 000
Quality Assurance and Clinical Risk Audit Committee Chair	R130 000
Quality Assurance and Clinical Risk Audit Committee members	R100 000

Payable per meeting:

Ad hoc Committees	R25 000”
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4. Ordinary resolution number 4 – Consulting services for non-executive directors

“Resolved that non-executive directors may be contracted to render services, in addition to the foregoing services, to the Group from time-to-time and in addition to any of the foregoing remuneration, non-executive directors shall be entitled to receive an amount of remuneration recommended by the Remuneration Committee of the Company for the additional non-executive services subject to shareholder approval at the Company’s annual general meeting from time to time, as required by the Company’s Articles of Association.”

5. Ordinary resolution number 5 – Reappointment of retiring directors

“Resolved that the reappointment of the following directors, who retire by rotation in accordance with the provisions of the Company’s Articles of Association and, being eligible, offer themselves for re-election be authorised and confirmed by separate resolution in respect of each reappointment -

- 5.1 VE Firman
- 5.2 APH Jammine
- 5.3 VLJ Litlhakanyane
- 5.4 KD Moroka
- 5.5 AA Ngcaba”

A brief curriculum vitae of the directors are contained on pages 14 and 15 of the annual report.

6. Ordinary resolution number 6 – Authority to place shares under the control of the directors

“Resolved that 112 000 000 out of the 1 072 342 345 unissued ordinary shares of 1.0 cent each in the capital of the Company (as at the last practicable date prior to the posting of this notice) be placed under the control of the directors.”

7. Ordinary resolution number 7 – Authority to issue shares for cash relating to convertible bond

“Resolved that subject to the passing of ordinary resolution number 6, and in terms of the JSE Listing Requirements as presently constituted and which may be amended from time to time, the directors are hereby authorised to issue 112 000 000 ordinary shares for cash, without restricting to whom the ordinary shares will be issued, subject to 7f) below, subject to the following conditions:

- a) that this authority shall be valid only until the next annual general meeting provided that it shall not extend beyond 15 months from the date of this resolution;

Notice of annual general meeting (continued)

for the year ended 30 September 2009

7. Ordinary resolution number 7 – Authority to issue shares for cash relating to convertible bond (continued)

- b) that a paid press announcement giving full details, including the impact on net asset value and earnings per share, will be published at the time of any issue representing, on a cumulative basis within one financial year, 5% or more of the number of ordinary shares in issue prior to the issue/s;
- c) that issues in the aggregate in any one financial year shall not exceed 112 000 000 ordinary shares of the Company's issued ordinary share capital (including the number to be issued in the future as a result of the exercise of options or conversion of convertible securities issued in the same financial year);
- d) that, in determining the price at which an issue of ordinary shares will be made in terms of this authority, the maximum discount permitted will be 10% of the weighted average traded price of the ordinary shares in question, as determined over the 30 business days prior to the date of the price of the issue agreed between the Company and the party subscribing for the securities;
- e) that the equity securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue; and
- f) that any issue will only be made to public shareholders as defined in the JSE Listing Requirements, and not to any related parties."

In terms of the JSE Listing Requirements, the approval of a 75% majority of the votes cast by shareholders present or represented by proxy at the meeting, is required for this ordinary resolution to become effective.

8. Ordinary resolution number 8 – Capital reduction

"Resolved that in terms of Articles 54.1, 54.2 and 54.7 of the Company's Articles of Association and subject to the JSE Listing Requirements and the Companies Act, the directors of the Company shall be entitled, from time to time, to pay by way of a reduction of share premium, capital reductions to shareholders of the Company in lieu of a dividend, provided that:

- a) such capital reductions shall be amounts equal to the amounts which the directors would have declared and paid out of profits of the Company as interim and final dividends in respect of the financial year ending 30 September 2010;
- b) this authority shall be valid until Netcare's next annual general meeting, provided that it shall not extend beyond 15 months from the date of this annual general meeting;
- c) the payment shall be made pro rata to all shareholders;

- d) the payment shall not exceed 20% of the Company's issued stated capital, including reserves but excluding minority interests, and revaluations of assets and intangible assets that are not supported by a valuation by an independent professional expert acceptable to the JSE prepared within the last six months, in any one financial year, measured at the beginning of such financial year; and
- e) the Company undertaking that it will not implement the capital reduction until the Company's Sponsor has provided written confirmation to the JSE regarding the adequacy of the Company's working capital in accordance with schedule 25 of the JSE Listing Requirements."

The directors undertake that they will not implement such a capital reduction unless the following can be met:

- a) *the Company and the Group will be able, in the ordinary course of business, to pay its debts for a period of 12 months after the date of the notice of the annual general meeting;*
- b) *the assets of the Company and the Group will be in excess of the liabilities of the Company and the Group for a period of 12 months after the date of the notice of the annual general meeting. For this purpose, the assets and liabilities will be recognised and measured in accordance with the accounting policies used in the latest audited annual Group financial statements;*
- c) *the share capital and reserves of the Company and the Group will be adequate for ordinary business purposes for a period of 12 months after the date of the notice of the annual general meeting; and*
- d) *the working capital of the Company and the Group will be adequate for ordinary business purposes for a period of 12 months after the date of the notice of the annual general meeting.*

9. Ordinary resolution number 9 – Amendment to the share incentive scheme

"Resolved that the deed of trust described as the Network Healthcare Holdings Limited Share Incentive Scheme (2005) (the scheme) be amended, with the approval of the JSE, in order to ensure compliance with schedule 14 to the JSE Listing Requirements, as amended during October 2008."

The amendments to the scheme to ensure compliance with schedule 14 to the JSE Listings Requirements can be summarised as follows:

- *14.1 (b) Number of securities that may be utilised for purposes of the scheme must be stated: The trust deed reflects a percentage as well as the stated amount of shares. The reference to percentage is to be removed.*

9. Ordinary resolution number 9 – Amendment to the share incentive scheme (continued)

- 14.1 (c) Fixed number of securities for any one participant: The trust deed reflects a percentage as well as the stated amount of shares. The reference to percentage is to be removed.

The scheme will be available for inspection during normal business hours at the registered office of the Company from the date of issue of the annual report of which this notice of annual general meeting forms part, up to and including the date of the annual general meeting.

In terms of the JSE Listing Requirements, the approval of a 75% majority of the votes cast by shareholders present or represented by proxy at the meeting, is required for this ordinary resolution to become effective.

10. Special resolution number 1 – General authority to repurchase shares

“Resolved that in terms of articles 13.7, 13.8 and 13bis of the Articles of Association, the Netcare directors be hereby authorised, by way of a general authority in terms of sections 85 to 89 of the Companies Act to repurchase Netcare ordinary shares or to permit a subsidiary of Netcare to purchase Netcare ordinary shares, as and when deemed appropriate, subject to the provisions of the Companies Act, the JSE Listing Requirements and provided that:

- this authority shall be valid until Netcare's next annual general meeting, provided that it shall not extend beyond 15 months from the date of this annual general meeting;
- any such repurchase be effected through the order book operated by the JSE trading system and done without any prior understanding or agreement between Netcare and the counterparty;
- a paid press release giving such details as may be required in terms of the JSE Listing Requirements, be published when Netcare or its subsidiaries have cumulatively repurchased 3% of the initial number of shares in issue and for each 3% in aggregate of the initial number which is acquired thereafter;
- a general repurchase may not in aggregate in any one financial year exceed 20% of Netcare's issued ordinary shares as at the beginning of the financial year, provided that a subsidiary of Netcare may not hold at any one time more than 10% of Netcare's issued ordinary shares;
- no repurchase will be effected during a prohibited period as defined in paragraph 3.67 of the JSE Listing Requirements unless Netcare has in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and full details of the programme have been disclosed in an announcement over SENS prior to commencement of the prohibited period;
- at any point in time, Netcare may only appoint one agent to effect repurchases on its behalf;

- Netcare may only undertake a repurchase of Netcare ordinary shares if, after such repurchase, the shareholder spread of Netcare complies with the JSE Listing Requirements;
- the price at which Netcare ordinary shares may be repurchased be no more than at a maximum premium of 10% above the weighted average traded price or Netcare ordinary shares as determined over five business days immediately preceding the date of repurchase;
- the Company undertaking that it will not enter the market to repurchase the Company's shares until the Company's sponsor has provided written confirmation to the JSE regarding the adequacy of the Company's working capital in accordance with schedule 25 of the JSE Listing Requirements; and
- such repurchase shall be subject to the Companies Act and the applicable provisions of the JSE Listing Requirements.”

The directors undertake that they will not implement such a repurchase unless the following can be met:

- the Company and the Group will be able, in the ordinary course of business, to pay its debts for a period of 12 months after the date of the notice of the annual general meeting;*
- the assets of the Company and the Group will be in excess of the liabilities of the Company and the Group for a period of 12 months after the date of the notice of the annual general meeting. For this purpose, the assets and liabilities will be recognised and measured in accordance with the accounting policies used in the latest audited annual Group financial statements;*
- the share capital and reserves of the Company and the Group will be adequate for ordinary business purposes for a period of 12 months after the date of the notice of the annual general meeting; and*
- the working capital of the Company and the Group will be adequate for ordinary business purposes for a period of 12 months after the date of the notice of the annual general meeting;*

Reason and effect of special resolution number 1

The reason for special resolution number 1 is to grant Netcare's directors a general authority, up to and including the date of the following annual general meeting of Netcare, to approve the purchase of Netcare ordinary shares by Netcare or one of its subsidiaries. The effect of special resolution number 1 is to grant a general authority to the Netcare directors accordingly.

The directors of Netcare have no specific intention to effect the provisions of special resolution number 1 but will however, continually review the Company's position, having regard to prevailing circumstances and market conditions, in considering whether to effect the provisions of special resolution number 1.

Notice of annual general meeting (continued)

for the year ended 30 September 2009

11. Ordinary resolution number 10 – Signature of documents

“Resolved that any two directors of Netcare be and they are hereby authorised to sign all such documents and do all such things as may be necessary for or incidental to the implementation of the resolutions to be proposed at the annual general meeting convened to consider this resolution and, insofar as any of the foregoing may have occurred prior to such annual general meeting, same be and is hereby confirmed, ratified and approved.”

12. To transact any other business that may be transacted at an annual general meeting Details in regard to other JSE listing requirements applying to ordinary resolution number 8 and special resolution number 1.

General information included in the annual report:

	Page
Directors of the Company	14 – 15
Directors' interests	126
Major shareholders	218
Share capital	204 – 205
Litigation	180

Directors' responsibility statement

The directors collectively and individually accept full responsibility for the accuracy of the information pertaining to these resolutions and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that these resolutions contain all information required by law and the JSE Listing Requirements.

Material changes

Other than the facts and developments reported on in the annual report, there have been no material changes in the financial position of Netcare and its subsidiaries since the interim reporting period and the date of this notice.

Voting and proxies

Voting

Each ordinary shareholder entitled to attend and vote at the above meeting is entitled to appoint a proxy (who need not be a member of the Company) to attend, speak and vote in his stead.

Preference shareholders

The holders of the preference shares shall be entitled to receive notice of, and to be present, either in person or by proxy, at any general meeting of the Company, but they shall not be entitled to vote at any such meeting, by virtue of or in respect of the preference shares, unless either or both of the following circumstances prevail at the date of the meeting:

- any preference dividend or any part thereof has become an arrear dividend; or
- a resolution of the company is proposed which resolution directly affects the rights attached to the preference shares or the interests of the holders thereof, including, without limitation, a resolution for the winding-up of the company or for the reduction of its capital.

At a general meeting of the Company at which holders of preference shares as well as other classes of shares are present and entitled to vote, a preference shareholder shall be entitled to that proportion of the total votes in the Company which the aggregate amount of the par value of the preference shares held by him/her bears to the aggregate amount of the par value of all shares issued by the Company.

Subject to section 195 of the Companies Act, a holder of any preference share shall, when that holder is entitled to vote in respect of a resolution for which a shareholder's resolution is required in terms of the JSE Listings Requirements and the Companies Act, have (on the basis of the provisions set out in section 195(4) (b) of the Companies Act):

- a) the number of votes in respect of all preference shares of a class held by that holder, which is calculated (based on the number of votes attributable to the relevant shares using their par value) pro rata to all the issued preference shares, irrespective of class, of the Company, which issued preference shares are entitled to be voted at the relevant meeting;
- b) which number of votes shall be limited to that preference shareholder's said pro rata portion of the number of votes equal to 30% less one vote, of the number of votes to which all shareholders (including the holders of preference shares of whatever class) are entitled to cast (based on the number of votes attributable to the relevant shares using their par value) at the said meeting (with any cumulative fraction of a vote in respect of any shares held by a preference shareholder rounded down to the nearest whole number).

Appendix to notice of annual general meeting

for the year ended 30 September 2009

12. To transact any other business that may be transacted at an annual general meeting (continued)

Voting and proxies (continued)

Proxies

All beneficial owners of ordinary shares who have dematerialised their ordinary shares through a Central Securities Depository Participant (CSDP) or broker, other than those shareholders who have elected to dematerialise their ordinary shares with "own name" registration, and all beneficial owners of ordinary shares who hold certificated ordinary shares through a nominee, must provide their CSDP, broker or nominee with their voting instructions. Voting instructions must reach the CSDP, broker or nominee in sufficient time to allow the CSDP, broker or nominee to advise the Company or its transfer secretaries of this instruction not less than 24 hours before the time appointed for the holding of the meeting.

Should you as the beneficial owner, however, wish to attend the meeting in person, you may do so by requesting your CSDP, broker or nominee to issue you with a letter of representation in terms of the custody agreement entered into with your CSDP, broker or nominee. Letters of representation must be lodged with the Company's transfer secretaries or at the registered office of the Company not less than 24 hours before the time appointed for the holding of the meeting.

Shareholders who hold certificated ordinary shares in their own name and shareholders who have dematerialised their ordinary shares in "own name" registrations must lodge their completed proxy forms with the Company's transfer secretaries or at the registered office of the Company not less than 24 hours before the time appointed for the holding of the meeting.



L Kok, FCIS
Company Secretary

Sandton

23 December 2009

A copy of the existing Memorandum and Articles of the Company may be inspected at the registered office of the Company, 3rd Floor, 76 Maude Street (corner West Street), Sandton, 2196 during normal business hours on any weekday excluding official public holidays.

Important notes about the annual general meeting (AGM) to be held on Friday, 29 January 2010 at 12:00.

Enquiries and questions

Shareholders intending to ask questions on the business of the AGM or on related matters are asked to register their names, addresses and questions at the question registration desk. A question form is enclosed for this purpose. Staff will be on hand to provide any advice and assistance required.

Please furthermore note:

1. Certificated members

Shareholders wishing to attend the AGM must ensure beforehand with the Company's transfer secretaries that their ordinary shares are in fact registered in their name. Should this not be the case and the ordinary shares are registered in any other name or in the name of a nominee company, it is incumbent on shareholders attending the meeting to make the necessary arrangements with the party beforehand, so as to be able to attend and vote in their personal capacity. The proxy form contains detailed instructions in this regard.

2. Uncertificated shareholders

Beneficial owners of dematerialised ordinary shares who wish to attend the AGM have to request their Central Securities Depository Participant (CSDP) or broker to provide them with a letter of representation, or instruct their CSDP or broker to vote by proxy on their behalf.

3. Proxies

Certificated shareholders, where applicable, must ensure that their proxy form reaches the Company's transfer secretaries or the registered office not later than 12:00 on Thursday, 28 January 2010.

4. Enquiries

Any shareholders having difficulties or queries in regard to the AGM or the above are invited to contact the Company Secretary, L Kok on +27 11 301-0160, fax +27 11 301-0481, e-mail Bert.kok@netcare.co.za.

Explanatory notes to the notice of annual general meeting for the year ended 30 September 2009

Resolutions

Ordinary resolution number 1

In terms of the Companies Act the directors are obliged to present to members at the annual general meeting (AGM), the annual financial statements and Group annual financial statements for the year ended 30 September 2009.

Ordinary resolution number 2

In terms of the Company's Articles of Association, the remuneration payable to the executive directors must be determined by the Company in general meeting.

Ordinary resolution number 3

In terms of the Company's Articles of Association, the fees payable to the non-executive directors must be determined by the Company in general meeting.

Ordinary resolution number 4

In terms of the Company's Articles of Association, the consulting fees payable to the non-executive directors must be determined by the Company in general meeting.

Ordinary resolution number 5

The Company's Articles of Association make provision for the annual retirement from office of a certain proportion of the Board of directors. In line with current corporate governance best practice, the appointment of each director standing for re-election will be voted on by a separate resolution.

Ordinary resolution number 6

In terms of section 221 and 222 of the Act, the members of the Company must approve the placement of the unissued ordinary shares under the control of the directors. This authority is due to expire at the forthcoming AGM, unless renewed. The authority being sought in terms of this resolution at this AGM relates to 112 million ordinary shares, being the approximate number of ordinary shares required to be issued for the potential conversion pursuant to the terms of the convertible bonds issued in October 2006.

In order to maintain technical compliance with the JSE Listings Requirements the directors require authority to issue, for cash, the requisite number of unissued ordinary shares required for this potential conversion.

This authority is required in terms of the JSE Listings Requirements.

Ordinary resolution number 7

A general authority to issue ordinary shares for cash was granted to the directors at the AGM held on Friday, 30 January 2009. This authority is due to expire at the forthcoming AGM unless renewed. This general authority is technically linked to resolution 4 which places a specific quantity of shares under the control of the directors to cater for the number of ordinary shares required to be issued on potential conversion in respect of a previous convertible bond issue.

In order to maintain technical compliance with the JSE Listings Requirements the directors require authority to issue, for cash, the requisite number of unissued ordinary shares, required for this potential conversion.

This authority is required in terms of the JSE Listings Requirements.

Ordinary resolution number 8

Article 54 of the Company's Articles of Association already permits the directors to make payments to shareholders pursuant to section 90 of the Companies Act. The annual renewal of this authority is necessary pursuant to the JSE Listings Requirements to enable the directors to pay a reduction of capital to shareholders.

Ordinary resolution number 9

Share option awards made by the Company are governed in terms of a trust deed, namely the Network Healthcare Holdings Ltd Share Incentive Trust (2005). The proposed amendment is necessary to ensure compliance with Schedule 14 to the JSE Listings Requirements, as amended during October 2008.

Special resolution number 1

This resolution is required to grant Netcare's directors a general authority, up to and including the date of the following annual general meeting of Netcare, to approve the purchase of Netcare ordinary shares by Netcare or one of its subsidiaries.

Ordinary resolution number 10

The reason for proposing this ordinary resolution is that the Board requires authorisation to take various actions and sign the documents pertaining to the resolutions to be proposed at this meeting. It is appropriate corporate practice for the members to grant this authority.

Proxy form

Netcare Limited

Registration number: 1996/008242/06
(Netcare, the Company or the Group)
JSE share code: NTC
ISIN code: ZAE000011953

Form of proxy – for use at the 13th Annual General Meeting (AGM) of the Company to be held in the Auditorium, Ground Floor, 76 Maude Street, Sandton, 2196 on Friday, 29 January 2010 at 12:00.

This form of proxy is only for use by:

1. Registered members who have not yet dematerialised their shares in the Company, and
2. Registered members who have already dematerialised their shares in the Company and are registered in their own names in the Company's sub-register*.

I/We _____ (Please print in Block Letters)

of (address) _____

holding _____ ordinary/preference shares in the Company,

do hereby appoint _____

or failing him, the Chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the thirteenth annual general meeting of the Company to be held on Friday, 29 January 2010 at 12:00 and at any adjournment thereof as follows:

Resolution	Number of votes		
	For	Against	Abstain
1. Ordinary resolution number 1 – approval of financial statements			
2. Ordinary resolution number 2 – confirmation of the executive directors' remuneration			
3. Ordinary resolution number 3 – confirmation of the non-executive directors' fees			
4. Ordinary resolution number 4 – consulting services for non-executive directors			
5. Ordinary resolution number 5 – re-appointment of retiring directors by separate resolution			
5.1 VE Firman			
5.2 APH Jammine			
5.3 VLJ Litlhakanyane			
5.4 KD Moroka			
5.5 AA Ngcaba			
6. Ordinary resolution number 6 – authority to place shares under the control of the directors			
7. Ordinary resolution number 7 – authority to issue shares for cash			
8. Ordinary resolution number 8 – reduction in capital			
9. Ordinary resolution number 9 – amendment to the share incentive scheme			
10. Special resolution number 1 – general authority to repurchase shares			
11. Ordinary resolution number 10 – signature of documents			

Every person present and entitled to vote at the annual general meeting as a member or as a representative of a body corporate shall, on a show of hands, have one vote only, irrespective of the number of shares such person holds or represents, but in the event of a poll, every share shall have one vote.

Indicate instructions to proxy by way of a cross in space provided above. Unless otherwise instructed, my/our proxy may vote as he/she thinks fit.

Signed at _____ on _____ 2010.

Signature: _____

Assisted by (if applicable): _____

This proxy form is NOT for use by members who have already dematerialised their Netcare shares, other than those with own name registration.

Contact Details – Tel: _____ Fax: _____

E-mail: _____

* Members registered in their own names are members who have appointed Computershare Custodial Services Limited as their Central Securities Depository Participant with the express instruction that their uncertificated shares are to be registered in the electronic sub-register of members in their own names.

Proxy form (continued)

1. A member may insert the name(s) of one or more proxies (none of whom needs to be a member of the Company) in the space provided, with or without deleting the words Chairman of the meeting. The person whose name stands first on the proxy form and has not been deleted and who is present at the meeting will be entitled to act as proxy to the exclusion of those whose names follow. In the event that no names are indicated, the proxy shall be exercised by the Chairman of the annual general meeting (AGM).
2. A member's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that member in the appropriate box/boxes provided. Failure to comply with the above will be deemed to authorise the proxy to vote as he/she thinks fit or, where the proxy is the Chairman, such failure shall be deemed to authorise the Chairman to vote in favour of the resolutions in respect of all the members' votes exercisable thereat.
3. The completion and lodging of this Form of Proxy shall in no way preclude the member from attending, speaking and voting in person at the AGM to the exclusion of any proxy appointed in terms hereof.
4. Should this proxy form not be completed and or received in accordance with these notes, the Chairman may accept or reject it, provided that in respect of this acceptance, the Chairman is satisfied as to the manner in which the member wishes to vote.
5. Documentary evidence establishing the authority of the person signing the proxy form in a representative capacity must be attached to this proxy form unless previously recorded by the Company's transfer secretaries or waived by the Chairman of the AGM.
6. Where this proxy form is signed under power of attorney, such power of attorney must accompany this form unless it has previously been registered with the Company.
7. Where shares are held jointly, all joint holders are required to sign.
8. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity have been produced or have been registered by the Company's transfer secretaries.
9. Any alteration or correction made to this proxy form must be signed in full and not initialled by the signatories.
10. This proxy form must be lodged with the registered office of the Company or the transfer secretaries, Link Market Services South Africa (Proprietary) Limited, 11 Diagonal Street, Johannesburg 2001 (PO Box 4844 Johannesburg 2000), not later than 24 hours before the AGM.

Shareholders' diary

Annual general meeting

29 January 2010

Reports

Interim results announcement
Final results announcement

May
November

Convertible bond coupon payment

March and September

Capital reductions and dividends

Capital reduction

Interim
Final

Declared	Paid
May November	July January

Preference dividends

Interim
Final

April October	April October
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Administration

Company registration number

1996/008242/06

Business address and registered office

Netcare Limited
76 Maude Street (corner West Street)
Sandton 2196
Private Bag X34, Benmore 2010
Telephone: +27 (0) 11 301 0000

Company Secretary

Bert Kok
Telephone: +27 (0) 11 301 0160
Bert.kok@netcare.co.za

Investor relations

Fundisa Mgidi
Telephone: +27 (0) 11 301 0212
Fundisa.mgidi@netcare.co.za

Customer call centre

0860 NETCARE
customer.service@netcare.co.za

Fraud line

0860 fraud 1 (086 037 2831)
fraud@netcare.co.za

Selected websites

www.netcare.co.za
www.netcareinvestor.co.za
www.netcare911.co.za
www.netcareuk.com
www.medicross.co.za
www.thepharmacy.co.za
www.ghg.co.uk
www.travelclinics.co.za
www.bmihealthcare.co.uk
www.primecure.co.za

JSE information

JSE share code: NTC (Ordinary shares)
ISIN code: ZAE000011953
JSE share code: NTCP (Preference shares)
ISIN code: ZAE000081121

Transfer secretaries

Link Market Services (Proprietary) Limited
11 Diagonal Street, Johannesburg 2001
PO Box 4844, Johannesburg 2000
Telephone +27 (0) 11 832 2652

Auditors

Grant Thornton
Chartered Accountants (SA)
Registered Auditors
Grant Thornton Office Park
137 Daisy Street, Sandown 2196
Private Bag X28, Benmore 2010
Telephone +27 (0) 11 322 4500

Principal bankers

Nedbank

Attorneys

HR Levin Attorneys
Kentgate, 64 Kent Road (corner Oxford Road)
Dunkeld 2196
PO Box 52235, Saxonwold 2193

Sponsor

Nedbank Capital, a division of Nedbank Group Limited
Registration number 1951/000009/06
135 Rivonia Road, Sandown 2196
PO Box 1144, Johannesburg 2000

