



Netcare Limited

Audited Group results for the year ended 30 September 2009

committed to our values



Highlights



6.9%

revenue

2009: R23 232 million

2008: R21 735 million



9.8%

operating profit

2009: R3 700 million

2008: R3 370 million



27.2%

basic headline earnings per share

2009: 78.2 cents

2008: 61.5 cents



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THE CONSULTANTS' CHOICE



All the quality care
you need.



General Healthcare Group



Commentary

Group financial review

Netcare delivered strong results in the year under review reflecting continued healthcare demand and the defensive nature of healthcare despite the global economic downturn.

Group revenue rose 6.9% to R23 232 million (2008: R21 735 million), supported by higher demand for private healthcare services in SA. The UK showed solid growth and benefited from the inclusion of newly acquired hospitals and the inclusion of Nuffield hospitals for the full 12 months.

The Group operating margin increased from 15.5% to 15.9%, largely due to strong patient volumes and efficiency improvements. The margin translated into 9.8% growth in Group operating profit to R3 700 million (2008: R3 370 million).

Results for the period include the sale of Netcare's 50% interest in Ampath Holdings Trust (Amphath) in February 2009. Gross proceeds from the sale were R1 027 million and a profit of R588 million, after capital gains tax of R90 million, has been included in profit from discontinued operations.

Group net financial expenses reflects 6.9% lower at R2 260 million (2008: R2 427 million) as a result of the lower average exchange rate. The interest benefit arising from the Amphath proceeds, better working capital management and lower interest rates in SA also contributed to the reduction.

The effective tax rate increased to 23.9% (2008: 7.5%) mainly due to the abnormally low rate in the prior year which included a once-off tax credit of £7.5 million in the UK.

Headline earnings per share rose 27.2% to 78.2 cents (2008: 61.5 cents) with basic earnings per share up 95.0% to 123.8 cents (2008: 63.5 cents). The Group's results were impacted by the lower average ZAR:GBP exchange rate in the period, which reduced headline earnings per share by 3.3 cents.

The final capital reduction of 22.0 cents per share (2008: 18.0 cents) brings total capital reductions for the year to 38.0 cents per share (2008: 32.0 cents), growing 18.8%.

Net debt at R26 454 million was significantly lower than the R32 589 million recorded at 30 September 2008, and was down R3 907 million from March 2009. Contributing to the lower debt level were the depreciation of the British pound against the rand, which reduced debt by R5 270 million and the net cash proceeds of R852 million from the Amphath disposal. On receiving the Amphath proceeds, the Group was able to repurchase convertible bonds with a nominal value of R95 million, as well as repay expensive bank debt.

Equity decreased by R1 718 million mainly due to unfavourable non-cash mark-to-market fair value adjustments on the UK interest rate swaps. These adverse adjustments are recognised in the cash flow hedge accounting reserve.

Cash generated by operations declined marginally to R4 640 million (2008: R4 663 million) primarily as a result of increased working capital requirements in the UK. The Group converted 94.2% (2008: 101.1%) of its EBITDA into cash.

Capital expenditure for the year was R1 272 million compared to R1 240 million in the prior year.

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

Divisional review

South Africa

Revenue was 13.9% higher at R11 832 million (2008: R10 385 million) driven largely by organic growth in all SA divisions.

EBITDA rose 16.0% to R2 018 million (2008: R1 739 million) and operating profit increased 18.6% to R1 662 million (2008: R1 401 million). SA's operating performance was adversely affected by underwriting losses and higher doubtful debt provisions in Primary Care.

Cash generated by the SA operations was up 15.0% to R2 270 million (2008: R1 974 million), with the improvement coming mainly from better working capital management. Investment in capital infrastructure continued with expenditure of R747 million (2008: R687 million) including investments in hospital infrastructure and medical equipment.

The SA balance sheet strengthened with a 19.3% year-on-year reduction in net debt to R3 903 million (2008: R4 837 million). Working capital was well managed with patient debtors' days at record low levels, while stock was kept at a minimum throughout the year. The centralisation of the creditors function also contributed to the improved working capital management.

Netcare is strongly committed to broadening access to quality healthcare in South Africa. Two new Public Private Partnership (PPP) Hospitals, Settlers Hospital in Grahamstown and Port Alfred Hospital in the Eastern Cape opened during the year. Construction of the 425-bed Lesotho Hospital PPP and refurbishment of four primary care clinics commenced in March 2009. The performance of the Universitas/Pelonomi Hospital PPP improved significantly during the year.

Netcare employs 20 581 people in SA, and was ranked fifth in the Large Companies category of the 2009 Deloitte Best Company to Work For Survey.

We maintained our AA rating from Empowerdex, equivalent to Level 3 compliance in terms of the Department of Trade and Industry (dti) Codes of Good Practice for Broad-Based Black Economic Empowerment which demonstrates our ongoing commitment to transformation. Netcare was also recognised for clear leadership on environmental issues in the South African private healthcare market by attaining 14th place on the Carbon Disclosure Project (CDP) Carbon Leadership Index.

Hospitals and Emergency services

The Hospital division delivered strong results underpinned by increases in patient day growth of 4.9%. Average occupancy, including weekends, rose from 65.4% to 67.0%.

Netcare trained more than 3 800 learners in the year, in line with our commitment to skills development in SA and specifically to address the shortage of skilled nursing, pharmacy and paramedic personnel.

Netcare continued to invest in current infrastructure to meet rising demand. During the year, additional beds were added to our existing facilities, taking total beds to 8 766. This included the addition of 16 general ward beds at Netcare Akasia Hospital, 10 high-care (HC) beds at Netcare Kuilsrivier Hospital and six trauma ICU beds at Netcare Sunninghill Hospital. An oncology and day ward was built at Netcare Kingsway Hospital and a trauma unit at Netcare Greenacres Hospital. In addition, an extensive upgrade of ICU, HC and the pharmacy at Netcare Greenacres Hospital was also completed. The number of beds is expected to increase by 204 to 8 970 beds next year.

Emergency services division, Netcare 911, recorded 15.1% growth in total lives under management to 7.5 million lives.

Primary Care

The Primary Care division posted disappointing results, adversely impacted by, inter alia, issues in the prior year and changes to its organisational structure.

Revenue rose 10.8% to R1 513 million (R1 365 million) aided by a 10.7% increase in the Reference Price List (RPL), additional Medicross clinics and expanding the managed care and risk management services. Prime Cure's managed care lives grew 10.3% to 246 205 lives. The division reported an EBITDA loss of R24 million (2008: R4 million profit).

As communicated previously, the division continues its remedial programme to address risk matters and underperformance. It is expected to break even for the 2010 financial year.

United Kingdom

Netcare owns a 50.1% stake in General Healthcare Group (GHG) which has hospitals operating under the BMI brand name, in addition to an NHS outsourcing division known as Netcare UK.

GHG delivered strong results against the backdrop of the prevailing recessionary climate within the UK economy. During the year GHG has been successful in introducing new services to many of its hospitals and growing its geographic presence. The Woodlands Hospital in Darlington and City Medical consulting suites were acquired in October 2008, and Fitzroy Square Hospital in London was purchased in April 2009. In addition, the integration of the seven hospitals acquired from Nuffield in February 2008 was completed. Almost 90% of the UK population now lives less than an hour from a BMI facility and GHG's extended scale and national coverage are beginning to yield real customer and business benefits.

Demand for private healthcare facilities has remained relatively strong despite the economic environment. Overall caseload in the UK grew 7.8% year-on-year, reflecting both organic growth and the acquisitions noted above. There was a shift in the business mix with good growth in NHS patients, offsetting some declines in the self-pay market. Private Medical Insurance (PMI) patients remained at a stable level on a same site basis. The NHS is expected to remain a key partner now that the national Choose and Book (C&B) programme has been introduced, allowing the public, through their GPs, to select private facilities directly for their treatment. The demographics of an ageing population and lifestyle diseases are also expected to support growth in private caseload over the longer term.

Revenue from the UK operations was up 7.6% to £831.5 million (2008: £772.6 million). Due to the lower average exchange rates during the year, rand denominated revenue increased marginally by 0.4% to R11 400 million (2008: R11 350 million).

EBITDA rose 8.9% to £213.1 million (2008: £195.7 million) and operating profit grew 14.9% to £147.9 million (2008: £128.7 million). However, due to exchange rate fluctuations, Rand denominated EBITDA of R2 919 million (2008: R2 885 million) represents a year-on-year increase of 1.2%, while operating profit was 3.5% higher at R2 048 million (2008: R1 979 million). Restructuring and retrenchment costs of R71 million (£5.2 million) were incurred compared to R97 million (£6.6 million) in the prior year. These costs relate to structural changes to the business, which have reduced its cost base. Profit after tax was £16.0 million (R237 million), an increase of 44.1%.

Capital expenditure including intangible assets amounted to R653 million (£46.5 million) compared to R689 million (£51.2 million) in 2008 as GHG continued to invest in its hospital infrastructure, including a major refurbishment of reception areas and wards, the acquisition of leading edge scanning and imaging equipment, and the implementation of business-enabling IT systems.

Net debt increased by £7 million to £1 887 million (2008: £1 880 million) and was impacted by higher working capital arising from both the underlying growth in the business and the increased NHS caseload, at longer payment cycles. Cash collection remains a key focus to limit the impact of this industry-wide shift. GHG continued to meet its financial covenants and has sufficient headroom for the remaining debt term. The debt relating to the UK is without recourse to the SA operations.

Outlook

Netcare is wholly committed to working with the SA and UK governments both to meet increasing demand for, and improve access to, quality healthcare.

The global debate on affordable and equitable healthcare delivery and reform continues to evolve. Whilst demand for healthcare services in both the Group's markets is expected to increase due to a higher burden of disease, particularly in SA, and an ageing population particularly in the UK, regulatory pressure to provide greater access and reduce pricing is inevitable. Given the capital intensive nature of delivering tertiary healthcare, it is important that consensus on pricing which allows for an adequate return on capital and routine replacement of existing infrastructure is reached.

In SA, through our Primary Care network, Netcare is well positioned to assist government in meeting the healthcare-related Millennium Development Goals for 2015. In addition, Netcare welcomes the establishment of the National Health Insurance (NHI) Advisory Committee to the Minister of Health and we remain committed to working with the Department of Health in addressing the challenges outlined in the Department's 10 Point Plan.

In the UK, recessionary pressures are expected to subdue the growth of PMI and self-pay spending on private healthcare in the short term, but this is likely to be largely offset by growth in NHS activity. However, the underlying fundamentals of the UK private healthcare sector remain intact, with NHS budgetary pressures likely to further increase demand for private facilities. GHG is well positioned to make progress in the current market and increasingly well positioned to benefit from a future economic upturn.

Board and management changes

Vaughan Firman was appointed Chief Financial Officer of the Netcare Group and Financial Director of Netcare Limited from 12 February 2009, following the resignation of Peter Nelson on 5 December 2008.

On 20 July 2009, it was announced that Ingrid Davis resigned as Director effective 31 December 2009. The Board thanks Ingrid sincerely for her very significant contribution to Netcare over the last 15 years.

Joel Wolpert will be retiring as Group Company Secretary with effect from 1 December 2009. The Board expresses its wholehearted appreciation for his contribution to the Group over the last 16 years. The Board has appointed Bert Kok as Group Company Secretary with effect from 1 December 2009.

Audit opinion of the independent auditors

These condensed financial statements have been extracted from the Group audited annual financial statements on which Grant Thornton have issued an unqualified audit report. This report is available for inspection at the Company's registered office.

Declaration of capital reduction number 21

In accordance with the authority given to the directors by way of an ordinary resolution passed on 30 January 2009, the Board of Directors declared on Thursday, 19 November 2009 a final capital reduction (number 21) out of share premium of 22.0 cents per ordinary share, payable on Monday 25 January 2010, to shareholders recorded in the register of the Company as at Friday, 22 January 2010. In terms of Article 54.12 of the Company's Articles of Association, all capital reductions with a value of R5,00 or less will be donated to a registered charity approved by the directors of the Company.

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

Last day to trade cum the capital reduction (LDT)	Friday, 15 January 2010
Trading ex capital reduction commences	Monday, 18 January 2010
Record date	Friday, 22 January 2010
Date of payment	Monday, 25 January 2010

Share certificates may not be dematerialised nor rematerialised between Friday, 15 January 2010 and Friday, 22 January 2010, both days inclusive.

On behalf of the Board

Jerry Vilakazi	Chairman
Richard Friedland	Chief Executive Officer
Vaughan Firman	Chief Financial Officer

Sandton
20 November 2009

Group statement of financial position

as at 30 September

Rm	Note	2009	2008	2007
ASSETS				
Non-current assets				
Property, plant and equipment		25 097	29 732	26 683
Goodwill		14 303	17 555	16 091
Intangible assets		366	355	289
Associated companies and loans	4	130	104	298
Financial asset - Derivative financial instruments			558	1 453
Deferred taxation		1 147	689	514
Total non-current assets		41 043	48 993	45 328
Current assets				
Loans and receivables	4	54	75	56
Inventories		621	638	600
Trade and other receivables		3 416	3 274	2 875
Cash and cash equivalents		803	1 202	1 361
		4 894	5 189	4 892
Assets held for sale	5	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		1 065	1 601	1 819
Treasury shares		(767)	(5 555)	(5 555)
Option premium on convertible bond		169	172	172
Other reserves		231	1 685	1 863
Retained earnings		3 446	6 590	5 833
Equity attributable to owners of the parent		4 144	4 493	4 132
Preference share capital and premium		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		25 423	31 530	28 944
Financial liability - Derivative financial instruments		2 797	1 654	1 156
Post-retirement benefit obligations		297	126	115
Deferred lease liability		114	91	63
Deferred taxation		5 041	6 463	6 073
Provisions		48	56	90
Total non-current liabilities		33 720	39 920	36 441
Current liabilities				
Trade and other payables		2 924	3 105	2 480
Short-term debt		1 745	2 021	2 086
Taxation payable		330	268	410
Bank overdrafts		89	240	461
		5 088	5 634	5 437
Liabilities in disposal groups held for sale	5		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

Rm	Note	2009	2008	% change	2007
CONTINUING OPERATIONS					
Revenue		23 232	21 735	6.9	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	6	3 700	3 370	9.8	2 990
Financial income	7	171	294		328
Financial expenses	8	(2 431)	(2 721)	10.7	(2 463)
Attributable earnings of associates		27	2		32
Profit before taxation		1 467	945	55.2	887
Taxation		(350)	(68)		99
Profit for the year from continuing operations		1 117	877	27.4	986
DISCONTINUED OPERATION					
Profit for the year from discontinued operation	5	634	105		109
Profit for the year		1 751	982	78.3	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		123.8	63.5	95.0	75.4
Continuing operations		73.6	55.2	33.3	66.5
Discontinued operation		50.2	8.3		8.9
Diluted		122.6	62.6	95.8	71.7
Continuing operations		72.9	54.4	34.0	63.3
Discontinued operation		49.7	8.2		8.4
Capital reduction per share (cents)		38.0	32.0	18.8	31.0

Group statement of comprehensive income

for the year ended 30 September

Rm	2009	2008	2007
Profit for the year	1 751	982	1 095
Other comprehensive income, net of tax	(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 cash flows

for the year ended 30 September

Rm	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	4 640	4 663	3 974
Interest paid	(2 430)	(2 558)	(2 355)
Continuing operations	(2 425)	(2 550)	(2 348)
Discontinued operation	(5)	(8)	(7)
Taxation paid	(526)	(290)	(286)
Continuing operations	(520)	(268)	(269)
Discontinued operation	(6)	(22)	(17)
Ordinary dividends paid by subsidiaries	(3)	(1)	
Preference dividends paid	(73)	(67)	(30)
Capital reductions paid	(430)	(406)	(347)
Net cash from operating activities	1 178	1 341	956
Continuing operations	1 179	1 352	882
Discontinued operations	(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 operations	(11)	(28)	(98)
Proceeds on disposal of property, plant and equipment	60	708	40
Additions to intangible assets	(144)	(148)	(103)
Post-retirement benefit obligation			(151)
Decrease / (Increase) in investments and loans	40	128	(52)
Proceeds from disposal of subsidiaries, net of cash	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	(9)	(2 112)	(169)
Net cash from investing activities	(333)	(2 175)	(1 664)
Continuing operations	(322)	(2 147)	(1 632)
Discontinued operations	(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	(978)	889	614
Continuing operations	(974)	899	617
Discontinued operations	(4)		(3)
Net (decrease)/ increase in cash and cash equivalents	(133)	55	(94)
Translation effects on cash and cash equivalents of foreign entities	(115)	(32)	39
Cash and cash equivalents at beginning of the year	962	900	1 009
Effects of cash in disposal group held for sale		39	(54)
Cash and cash equivalents at end of the year	714	962	900

Statement of changes in equity

for the year ended 30 September

Rm	Ordinary share capital and premium	Treasury shares	Option premium on convertible bond
Balance at 1 October 2006	1 497	(5 555)	
Shares issued during the year	669		
Capital reduction	(347)		
Option premium on convertible bond			172
Disposal of shares in a subsidiary			
Settlement of zero cost collar			
Share-based payments reserve movements			
Preference dividends paid			
Other reserve movements			
Total comprehensive income for the year			
Balance at 30 September 2007	1 819	(5 555)	172
Shares issued during the year	188		
Capital reduction	(406)		
Revaluation of land and buildings following a business combination			
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			
Total comprehensive income for the year			
Balance at 30 September 2008	1 601	(5 555)	172
Shares issued during the year	31		
Capital reduction	(430)		
Repurchase of shares	(137)	4 788	
Repurchase of convertible bond			(3)
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			
Total comprehensive income for the year			
Balance at 30 September 2009	1 065	(767)	169

Foreign currency translation reserve	Cash flow hedge accounting reserve	Other reserves	Retained earnings	Equity attributable to owners of the parent	Preference share capital and premium	Non- controlling interest	Total shareholders' equity
1 414	(299)	242	4 938	2 237	644	3 355	6 236
				669			669
				(347)			(347)
				172			172
(29)	5		(19)	(43)		(117)	(160)
		(24)		(24)			(24)
		27		27			27
			(30)	(30)			(30)
		20	(14)	6			6
(93)	600		958	1 465		568	2 033
1 292	306	265	5 833	4 132	644	3 806	8 582
				188			188
				(406)			(406)
		93		93			93
		30		30			30
		5		5			5
			(10)	(10)			(10)
			(67)	(67)			(67)
		(9)	(10)	(19)			(19)
						9	9
						(1)	(1)
130	(427)		844	547		(100)	447
1 422	(121)	384	6 590	4 493	644	3 714	8 851
				31			31
				(430)			(430)
			(4 583)	68			68
			7	4			4
		1		1			1
		32		32			32
			(7)	(7)			(7)
			(73)	(73)			(73)
		54	(54)				
						(6)	(6)
						(3)	(3)
(446)	(1 095)		1 566	25		(1 360)	(1 335)
976	(1 216)	471	3 446	4 144	644	2 345	7 133

Headline earnings

for the year ended 30 September

Rm	2009	2008	% change	2007
Reconciliation of headline earnings				
Profit for the period from continuing operations	1 117	877	27.4	986
Less:				
Preference shareholders	(73)	(67)		(30)
Non-controlling interest	(114)	(114)		(138)
Earnings used in the calculation of basic earnings per share from continuing operations	930	696	33.6	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 property, plant and equipment		(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
Earnings from discontinued operation	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 operations	46	103		109
Headline earnings	988	775	27.5	955
Headline earnings per share (cents)				
Basic	78.2	61.5	27.2	77.6
Continuing operations	74.6	53.3	40.0	68.8
Discontinued operation	3.6	8.2	(56.1)	8.8
Diluted	77.5	60.5	28.6	73.8
Continuing operations	73.9	52.5	41.3	65.4
Discontinued operation	3.6	8.0	(55.0)	8.4

Notes

for the year ended 30 September

1. Basis of preparation and accounting policies

The condensed financial statements have been extracted from the Group financial statements which have been prepared in accordance with International Financial Reporting Standards (IFRS), the Listing Requirements of the JSE Limited and the Companies Act of South Africa.

The accounting policies applied in the preparation of these statements are consistent with those applied for the year ended 30 September 2008, except for the following:

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

2. Acquisition of businesses

The following business combinations took effect during the year:

- 2.1** Effective 1 October 2008, the Group acquired 50% of the shares in The Thornbury Radiosurgery Centre Limited in the United Kingdom.
- 2.2** With effect from 17 October 2008, the Group acquired 100% of the shares in City Medical Limited in the United Kingdom.
- 2.3** On 31 October 2008, the Group acquired 100% of the business, excluding certain assets of Woodlands Hospital in the United Kingdom 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.
- 2.4** Effective 14 April 2009, the Group acquired the business of the St Luke's Hospital in central London for a nominal consideration.

From the dates 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	The Thornbury Radiosurgery Centre Limited	Woodlands Hospital	Total
Revenue	4	8	11	100	123
Operating profit		(6)	4	10	8

The following table reflects the fair values at acquisition:

Rm	City Medical Limited	The Thornbury Radiosurgery 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 including short term debt	(5)	
Fair value of net assets acquired	(3)	4
Goodwill	10	3
Purchase consideration	7	7
Cash and cash equivalents in acquiree	(1)	(4)
Cash outflow on acquisition	6	3

The fair values reflected above are equal to the carrying values at acquisition.

Notes (continued)

for the year ended 30 September

3. Reclassification of comparative information**3.1 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

3.2 Income statement reclassifications

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

Financial 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.

Rm	2009	2008	2007
4. Associated companies and loans			
Non-current			
Associated companies*	122	89	282
Other loans	8	15	16
	130	104	298
Current			
Loans	54	75	56
	184	179	354
*Directors' valuation of associated companies	395	282	466
5. 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 groups held for sale			
Liabilities in disposal group – Ampath Holdings Trust		(81)	(79)

Notes (continued)

for the year ended 30 September

5. Disposal group and assets held for sale (continued)

Rm	2009	2008	2007
5.1 Discontinued operation – Ampath Holdings Trust			
Sale of our interest in Ampath Holdings Trust was completed in February 2009, following Competition Commissioner approval. The sale of our units and claims amounted to R1,027 million. Our 50% share of the discontinued operation was 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 operations	634	105	109

The profit on the sale of Ampath Holdings Trust can be reconciled as follows:

	Rm
Sale of units and claims	1,027
Less: Carrying value	(349)
Claims settled	(174)
Net asset value	(175)
Profit on disposal	678
Less: Capital gains tax	(90)
Profit on disposal of discontinued operation, net of tax	588

Rm	2009	2008	2007
The assets and liabilities of the disposal group are as follows:			
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
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)
The cash flows are as follows:			
Net cash from operating activities	(1)	(11)	74
Net cash from investing activities	(11)	(28)	(32)
Net cash from financing activities	(4)		(3)

Notes (continued)

for the year ended 30 September

5. Disposal group and assets held for sale (continued)

Rm	2009	2008	2007
5.2 Land and buildings held for sale			
Certain land and buildings were classified as held for sale. A reversal of impairment amounting to R17 million was recognised in 2008 and R11 million in 2007. Land and buildings held for sale	4	9	44
6. Operating profit			
After charging:			
Depreciation and amortisation	1 227	1 244	1 044
Operating lease charges	410	345	190
7. Financial income			
Dividends received	1	1	1
Fair value gain on cross-currency swap contracts		136	
Ineffectiveness recognised in the income statement arising from cash flow hedges (net)			65
Foreign exchange gains (net)			104
Recycling of cash flow hedge reserve	20	23	
Interest received	150	134	158
	171	294	328
8. Financial expenses			
Fair value loss on cross-currency swap contracts			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
9. Commitments			
Capital commitments	869	753	1 031
South Africa	441	258	492
United Kingdom	428	495	539
Operating lease commitments	3 215	4 496	5 413
South Africa	1 369	1 460	395
United Kingdom	1 846	3 036	5 018
10. Contingent liabilities (guarantees and suretyships)			
South Africa	632	253	236
United Kingdom		118	112
	632	371	348

The Group has guaranteed R410 million covering the obligations of pathologists to a banking institution following the sale of Ampath.

Segment report

for the year ended 30 September

Rm	2009	2008	% change	2007
INCOME STATEMENT				
Revenue	23 232	21 735	6.9	18 607
South Africa	11 832	10 385	13.9	8 869
Hospitals and Emergency services	10 319	9 020		7 782
Primary care	1 513	1 365		1 087
United Kingdom	11 400	11 350	0.4	9 738
EBITDA	4 927	4 614	6.8	4 034
South Africa	2 018	1 739	16.0	1 685
Hospitals and Emergency services	2 042	1 735		1 584
Primary care	(24)	4		101
United Kingdom	2 919	2 885	1.2	2 411
Capital items	(10)	(10)		(62)
South Africa	(9)	20		(29)
United Kingdom	(1)	(30)		(33)
Operating profit	3 700	3 370	9.8	2 990
South Africa	1 662	1 401	18.6	1 406
Hospitals and Emergency services	1 703	1 414		1 328
Primary care	(41)	(13)		78
United Kingdom	2 048	1 979	3.5	1 646
Capital items	(10)	(10)		(62)
South Africa	(9)	20		(29)
United Kingdom	(1)	(30)		(33)
Net interest paid	2 275	2 416	(5.8)	2 190
South Africa	463	518	(10.6)	456
United Kingdom	1 812	1 898	(4.5)	1 734
STATEMENT OF FINANCIAL POSITION				
Total assets	45 937	54 182	(15.2)	50 220
South Africa	8 611	8 073	6.7	7 387
United Kingdom	37 326	46 109	(19.0)	42 833
Debt net of cash	26 454	32 589	(18.8)	30 130
South Africa	3 903	4 837	(19.3)	5 246
United Kingdom	22 551	27 752	(18.7)	24 884
STATEMENT OF CASH FLOWS				
Cash generated from operations	4 640	4 663	(0.5)	3 974
South Africa	2 270	1 974	15.0	1 538
United Kingdom	2 370	2 689	(11.9)	2 436

The segment report excludes the disposal group and assets held for sale.

Foreign exchange impact

for the year ended 30 September

Rm	Reported 2009	Adjusted* 2009	2008	% change
INCOME STATEMENT				
Revenue	23 232	24 046	21 735	10.6
South Africa	11 832	11 832	10 385	13.9
United Kingdom	11 400	12 214	11 350	7.6
EBITDA	4 927	5 150	4 614	11.6
South Africa	2 018	2 018	1 739	16.0
United Kingdom	2 919	3 142	2 885	8.9
Capital items	(10)	(10)	(10)	
Operating profit	3 700	3 926	3 370	16.5
South Africa	1 662	1 662	1 401	18.6
United Kingdom	2 048	2 274	1 979	14.9
Capital items	(10)	(10)	(10)	
Net interest paid	2 275	2 275	2 416	(5.8)
South Africa	463	463	518	(10.6)
United Kingdom	1 812	1 903	1 898	0.3
STATEMENT OF FINANCIAL POSITION				
Total assets	45 937	54 705	54 182	1.0
South Africa	8 611	8 611	8 073	6.7
United Kingdom	37 326	46 094	46 109	
Debt net of cash	26 454	31 751	32 589	(2.6)
South Africa	3 903	3 903	4 837	(19.3)
United Kingdom	22 551	27 848	27 752	0.3

* The United Kingdom numbers have been recalculated at constant exchange rates to remove the impact of foreign currency fluctuations.

Salient features

for the year ended 30 September

Rm	2009	2008	2007
Share statistics			
<i>Ordinary shares</i>			
Total shares in issue (million)	1 266	1 262	1 245
Weighted average number of shares (million)	1 263	1 261	1 230
Diluted weighted average number of shares (million)	1 275	1 280	1 293
Market price per share (cents)	1 037	825	1 193
Currency conversion guide (R:£)			
Closing exchange rate	11.95	14.76	14.03
Average exchange rate for the period	13.73	14.65	14.13

Netcare Limited	("Netcare", "the Company" or "the Group")
Registration number:	1996/008242/06 (Incorporated in the Republic of South Africa)
JSE share code:	NTC
ISIN code:	ZAE000011953
Registered office:	76 Maude Street (corner West Street), Sandton 2196, Private Bag X34, Benmore 2010
Executive directors:	RH Friedland (Chief Executive Officer), VE Firman (Chief Financial Officer), IM Davis, VLJ Litlhakanyane
Non-executive directors:	SJ Vilakazi (Chairman), APH Jammine, JM Kahn, MJ Kuscus, HR Levin, KD Moroka, AA Ngcaba, MI Sacks, N Weltman
Company Secretary:	J Wolpert
Sponsors:	Nedbank Capital, a division of Nedbank Group Limited. Registration number: 1951/000009/06, 135 Rivonia Road, Sandown, 2196
Investor relations:	+27 11 301 0212; ir@netcare.co.za