

Employee report

Group employees

Netcare's permanent employee base expanded by 58,5% during the year to 27 229 full-time employees due to the acquisition of Prime Cure

company, which engaged with a wide sample of employees and other stakeholders to determine what Netcare stands for and what employees value in the company. The values

Group employees

At 30 September

	2006	2005	% change
South Africa	17 718	16 393	8,1
United Kingdom ¹	8 550	181	
	26 268	16 574	58,5

¹ United Kingdom includes GHG (BMI, Amicus and Netcare UK) employees.

in South Africa and General Healthcare Group ("GHG") in the United Kingdom.

The Group employed 2 000 agency employees in South Africa and 4 653 bank (part time) employees in the United Kingdom at 30 September 2006.

Netcare's executive management team was restructured to accommodate the acquisition and facilitate the integration of GHG. A group executive management team has been established as well as dedicated South African and United Kingdom executive management teams. There have been limited requirements for the transfer of resources from South Africa to GHG.

South Africa

Netcare recognises that people are a vital resource for achieving sustained success. One of the Group's strategic themes – "Growing with Passionate People" – embraces the core leadership strategy of building meaningful partnerships with employees, management and stakeholders so as to ensure that patients get the best patient care and that doctors are part of a winning team.

In 2006, the Netcare values were launched to all employees after an extensive and exciting research process conducted by an external

of truth, care, dignity, participation and passion have been rolled out throughout the organisation and acceptance has been tested by means of employee and external surveys.

In line with our vision to become the leading healthcare provider in Africa, Netcare has embraced six key strategic themes – Physician Partnerships, Best and Safest Care; Growing with Passionate People; Operational Excellence; Transformation and Organisational Growth. These strategic business drivers are aligned with the values and the key behavioural actions required for continued business growth. To ensure consistent communication across the Group, top management spent time in the operations during the year to create awareness of Netcare's strategic goals and projects.

The Human Resources Shared Services Centre ("HRSSC") – a technology-based human resources ("HR") centre – was successfully implemented across the South African operations in November 2005, effectively centralising administrative functions such as payroll management and training management. This has resulted in increased efficiencies and facilitated greater compliance and control over human resource matters. It has also created capacity for the HR function to place greater emphasis on retention of employees,



Netcare's Chef's D'Oeuvre Annual Awards 2006 – South West and Cape winning teams.



improving leadership skills and maximising performance. Since its inception, the HRSSC has achieved the following:

- Making R2,2 billion-worth of payments to employees and third parties;
- Launching E-Recruitment in May 2006;
- Registering 1 085 people as potential job seekers;
- Introducing Employee Self-Service and Manager Self-Service modules on the HR information system;
- Managing the employee payroll and benefits of Prime Cure and its integration into the Group, through HRSSC;
- Launching a unique Netcare Agency Loyalty Bonus programme in May 2006, to reward agency employees for their commitment to Netcare; and
- Re-launching a Finder's Fee Programme to reward employees for attracting potential talent to Netcare. During the year R515 000, was paid out to employees representing a

considerable saving compared to market related recruitment fees.

The Group's biggest achievement for the year was Netcare's attainment of fourth place in the Corporate Research Foundation Best Companies to Work for in South Africa 2006 survey.

Employee profile

In South Africa, Netcare has 17 718 full-time employees of whom 57,2% are Asian, Black and Coloured ("ABC"), 83,0% female and 0,3% are classified as disabled.

Employee turnover remains high both in the company and the industry as a result of the national skills shortage. For the year ended 30 September 2006, employee turnover was 18,4% (30 September 2005: 18,1%).

The vacancy rate of registered nurses was the highest in our history in South Africa. The vacancy rate peaked at 23,9% in June 2006, and then improved to 21,7% in September 2006. Most of these vacancies are in the specialised units such as intensive care.

Netcare has taken a proactive, multi-pronged approach to address the problem. A record number of 1 500 of basic nursing students have been enrolled at the Netcare Training Academy ("NTA") and even higher enrolments are expected in 2007. We also launched our "Woza Ekhaya" ("Come Home") project with the Homecoming Revolution of South Africa, successfully encouraging many nurses to return home from the United Kingdom. However, the general shortage of nurses in SA is chronic. As it takes four years to train a registered nurse, the financial burden of training is likely to escalate over the medium to long term.

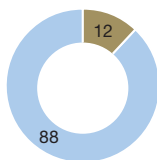
Employment equity

Employment equity ("EE") is a pillar of the Netcare transformation strategy. The Group's

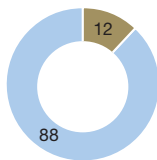
Employee race profile (%)

At 30 September 2006

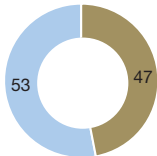
Executive



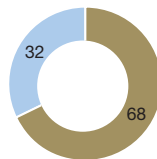
Managerial



Professional



Enrolled nursing and support



■ White ■ ABC

South African employees

At 30 September

	2006	2005	% change
Executive	41	9	
Management	1 399	1 458	(4,1)
Professional ²	5 586	5 263	6,1
Enrolled nursing and support	10 692	9 844	8,6
	17 718	16 574	6,9

² Includes registered nurses

EE plan is holistic, focusing not only on demographic targets but also other diversity strategies – such as recruitment and promotion – that will ensure the sustainability of our EE efforts.

A five-year EE plan, which has been approved by our unions and submitted to the Department of Labour, has been implemented for our South African operations. Five-year national EE targets have been set and agreed upon at executive level. EE targets are included in the balanced scorecard for management and therefore performance against such targets will impact executive and managerial incentives.

According to recent media reports, the Minister of Labour, Minister Mambathisi Mdladlana, released the names of 13 JSE Limited-listed companies that allegedly have not submitted their Employment Equity Reports for 2005 as required by law. Netcare was included on the list, despite the fact that the Group had submitted the relevant Employment Equity reports. The Department of Labour acknowledged receipt in October 2005.

A national transformation forum has been established and meets three times per year with the mandate to monitor Group compliance with legislation and transformation policy. In addition, each workplace has a transformation forum where employees are elected to office. The latter consult on EE,

employee development and training, and any other employee impacts. A Transformation Manager has been appointed, who assists in securing best practice and managing national implementation to ensure consistency.

Netcare recognises that, as an Employer of Choice, encouraging a diverse workforce is mandatory and ensures that the Group's values are included in all policies and procedures. A further 235 diversity workshops for employees were convened in the past year. These workshops have been very well received and the intent is that managers leverage diversity to maximise unit sustainability.

Netcare has set targets for the promotion of internal candidates and especially ABC employees. Black representation in management has improved from 16% in 2003 to 22% in 2006. Our 2010 EE target for the entire organisation is 60%.

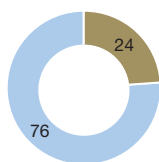
Remuneration and benefits

Our remuneration structures are designed to ensure both internal and external equity as well as to attract and retain talent. Netcare continually monitors its market position and to this end participates in both industry specific and general surveys that encompass both remuneration and rewards. The Group pays above the median for private hospital market-related salaries and the other benefits include retirement funding, medical aid, performance bonuses, housing loans and education loan

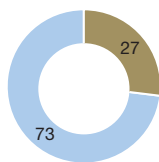
Employee gender profile (%)

At 30 September 2006

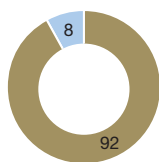
Executive



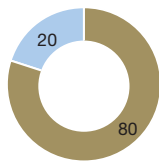
Managerial



Professional



Enrolled nursing and support



■ Male ■ Female

facilities. To ensure continued competitive advantage, the company employs all supervisory and management employees on a total cost to company basis.

The Patient Care and Passionate People Trust ("PCT") was created for Netcare employees in 2005 as part of the Health Partners for Life ("HPFL") black economic empowerment ("BEE") transaction. The trust has 92 million shares issued at R6,42 per share and its beneficiaries primarily comprise the 8 700 employees within the Netcare Group that make up the greater portion of the nursing fraternity, plus paramedics and other care givers.

Following a survey to measure employee commitment to Netcare, the Goldcare incentive programme was re-launched in September 2006 with six modules that are aligned to the Group's six strategic themes, thereby integrating rewards and strategy.

Executive remuneration

Executive remuneration comprises: fixed pay; variable pay (incentive bonus scheme); short-term incentive (executive leverage bonus scheme); long-term incentive (share option scheme); and benefits. It is set at levels that are responsible and competitive within the benchmarked market (the company participates in external surveys to benchmark executive remuneration and reward).

We strive to establish a balance between fixed base pay and variable incentive pay, the latter being determined by both Group and individual performance goals. A performance-driven culture with aligned strategic objectives ensures that all outcomes are structured to maximise shareholder value. Long-term incentives are designed not to expose shareholders to any financial risk.

Fixed pay

The base pay of all executives is reviewed annually in March, taking into consideration

the status of the position, how it compares to market, complexities in the sector and individual performance. In instances of changed portfolios with increased responsibilities, changes to base pay are considered at the time of promotion.

Variable pay

The incentive bonus scheme aims to measure both tangible and intangible outcomes that will drive shareholder value. It is reviewed annually and approved by the Executive Remuneration Committee and is neither a contractual obligation nor pensionable. Group targets based on headline earnings per share and/or CFROI® must be achieved before any bonus payment can be considered. Suitable stretch is built into targets so as to align incentives with shareholder interests. A financial threshold has been set in the form of EBIT on the relevant Balanced Scorecard. The gateway for qualifying for any bonus is that the division must achieve the targeted EBIT.

Short-term incentive

The short-term incentive scheme was designed to create future value, align interests with those of shareholders, increase retention, and promote performance. Executive participation in the scheme is at the discretion of the Chief Executive Officer and the Remuneration Committee. Participation from year to year (or granting) is not guaranteed and any payments made under the scheme do not form part of an executive's contracted cost to company or employment contract with the company.

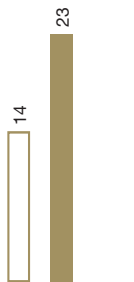
The scheme is effectively a cash settled phantom share scheme where the company agrees to pay a participating executive a bonus equal to the amount determined by multiplying the number of agreed shares ("the phantom shares") by the increase in the ten-day Volume Weighted Average Price ("VWAP") of the Netcare share over a minimum future Netcare share price ("the strike price"). The first vesting

Employment equity performance against targets
(% of employees)

At 30 September 2006



Black persons: Executive management



Women: Executive management



Black persons: Senior/middle management

□ Target ■ Actual

date for the scheme was 30 November 2005 and the last vesting date was 31 May 2006.

Long-term incentive

Options are granted to Netcare executives and other managerial employees based on criteria that include the return on equity of the Group, individual performance and salary packages. The allocations are granted at the VWAP ruling on the trading day prior to the date of allocation and vest after the stipulated periods.

Benefits

All executives are employed on a total cost to company package and are entitled to structure their packages in respect of a travel allowance, company-sponsored cell phone expenditure, medical insurance, retirement funding, death and disability cover.

Medical aid

Membership of the Netcare Medical Scheme (“NMS”) increased by 6% during the year and the scheme solvency was 46,3% (2005: 42%) at 30 September 2006. A Board of Trustees is responsible for the affairs of the scheme with 50% of the trustees being member-elected. Three sub-committees assist the Board in the execution of their duties: the Investment Committee, Board Audit Committee and Benefit Design Committee.

Acknowledging the need for mandatory medical cover for all employees, NMS in 2006 gave low income earners the opportunity to join the scheme at an affordable price-point (facilitated by cross-subsidisation on the premium table). The Board of Trustees also agreed to waive any underwriting for people who join the scheme on or before 1 June 2006, and 15% of the 1 368 staff eligible to take advantage of the offer availed themselves of the option.

Retirement fund

Substantially all employees are covered by defined contribution schemes. There are

currently four funds, of which two are closed to new entrants. Netcare gives employees the option to vary their retirement fund contribution from 0% to 7,5%.

Following the promulgation of legislation pertaining to surpluses on 7 December 2001, all schemes had to submit their surplus apportionments by the end of 2006. This posed a challenge for the Trustees of the eight Netcare funds as a result of the historic issues relating to Clinic Holdings. The media has created the impression that members will be entitled to large sums, such that the Trustees have the difficult task of ensuring that members’ expectations are managed.

During the year under review, the adjudicator of the Pension Fund has ruled on a number of complaints, causing great distress to the insurance industry. The Netcare Board of Trustees has taken cognisance of these reviews and has put in a concerted effort to communicate more frequently with members.

Education, training and development

The main aim of the Netcare Education Division (“NED”) is to ensure that employees will be able to improve their job performance while enjoying individual growth opportunities. The key objectives of NED are focused in three areas:

- Technical/Professional skills training (nursing, paramedics, etc);
- Management development programmes; and
- General skills training.

This division contributes to the broader healthcare education landscape in five key ways:

- Creating a collaborative approach, whereby all stakeholders work together to achieve the overall goals, including cross-training of professional practitioners and other healthcare workers within both the public and the private sectors (public-private initiatives are key delivery vehicles);

Employment equity performance against targets (% of employees)

At 30 September 2006



□ Target ■ Actual

- Entrenching a more integrated, long-term approach, through initiatives such as continuing medical education programmes for professional practitioners and other healthcare workers that are relevant, practical and focused on developing independent thinkers who deliver the benefits of their learning in the workplace;
- Developing skills at the level that is needed, which includes providing clinically trained individuals (such as nurses) with the technical and management skills required for management positions (such as that of a unit manager); and consciously addressing the overall skills shortages in nursing professionals, physicians, emergency services personnel and healthcare leadership; and
- Embracing transformation and BEE, by bridging people from disadvantaged backgrounds into a global organisation where the focus is on corporate citizenship.

During the year, Netcare increased its training spend by 29% to R22 million, or 2,1% of payroll costs.

Technical skills training

Aiming to redress the chronic skills shortages in diverse specialist areas, NED oversees the activities of educational facilities dedicated to developing skills in specific fields. These include:

- NTA, which strives to be the market leader in healthcare and medical-related education and training. In addition to standard training courses that cover the basic and post-basic programmes, NTA also offers a number of three- and five-day short programmes that focus on specific areas of care (such as HIV/AIDS and Infection Control Principles). Due to the incredible skills shortage, especially in post-basic skills, Netcare has implemented a special project whereby additional post-basic intakes have been accommodated every six months. The first additional intake of 280 students started in September 2006.

- Netcare 911 School of Emergency and Critical Care (“SECC”), which is one of the largest private Emergency Medical Services (“EMS”) training facilities in Africa, offers a variety of short courses, undergraduate and post-graduate programmes to members of the general public and healthcare professionals, at basic, intermediate and advanced levels.
- Pharmacy training, where the Netcare Pharmacy Division has embarked on a multi-pronged strategy to overcome the shortage of skills in the pharmaceutical industry. Initiatives include accommodating larger numbers of pharmacy interns at Netcare’s pharmacies, pharmacy assistant training (both basic and post-basic courses are offered) and continuing medical education opportunities for practising pharmacists within the Group’s facilities.
- Catering training, which provides access to career advancement opportunities through an array of courses such as healthy eating habits, menu planning, kitchen design, confectionery techniques, the essentials of food and sanitation, hazard analysis critical control points, hospitality law and food legislation, professional cookery programme, chef training programmes (basic and advanced), cuisines of the world, and others. There’s also the Netcare Chef of the Year competition, and a two-year chef apprenticeship programme (resulting in a City and Guilds qualification).

Management development training

NED is actively developing the Group’s management capacity, firstly through internal development of management programmes, and secondly, in co-operation with selected universities and business schools.

The implementation of a Training Outside of Professional Practice (“TOPP”) programme to train future financial managers through a three-year training programme for employees in finance to qualify as Chartered Accountants

has also been launched and has already enrolled its first intake.

General skills training

NED has identified several skills development priorities and implemented appropriate training interventions to meet current and future skills needs for the organisation. In addition to formal technical skills training (for nurses, emergency medical personnel and pharmacists), and developing management and leadership competence, these include: diversity management; finance for non-financial employees; HIV/AIDS; and continued professional development.

Innovation in education

Perpetuating Netcare's reputation as a first-mover in the healthcare industry, NED has taken the lead in healthcare training and education by starting to develop a much wider Corporate Institute for Healthcare Leadership, which will address the ongoing need for training, education, and Continued Professional Development in the healthcare industry.

The management development division, NTA and SECC offer access to their training resources to individuals and organisations outside of Netcare – in the public and private sectors. Netcare has also engaged in public-private partnerships ("PPPs") and public-private initiatives ("PPIs") that have helped make high quality training and development resources available to individuals in the public sector. These include:

- The award to SECC by the Free State Department of Health of a three-year contract to provide pre-hospital skills training to emergency care practitioners within the Free State Provincial Emergency Medical Services;
- Accommodating 160 learners from Mpumalanga Department of Health in Netcare hospitals to do their first year practical with NTA clinical facilitators;
- The development by NTA of a customised

five-day Infection Control Principles Programme for the Bisho Department of Health; and

- The training of students enrolled for the registered nurse qualification from the KwaZulu-Natal Department of Health using NTA's accredited six-month Infection Control Programme.

An Academic Advisory Board has been established by Netcare to consider and make recommendations for the maintenance and improvement of training, so as to ensure a learner-friendly academic environment. It also serves as a forum to increase awareness of healthcare developments in South Africa, and globally.

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

International employment opportunities

The continued expansion of Netcare's business operations into the United Kingdom, particularly the recent acquisition of GHG, provides the opportunity for cross-pollination of skills between the two organisations and provides the opportunity for Netcare employees in South Africa to work overseas for varying lengths of time without having to emigrate or forfeit their jobs and other benefits such as medical insurance or retirement funds. As an added benefit, project participants return with newly-acquired knowledge and the benefit of the experience, which they are able to share with their colleagues.

Change management

In June 2006, the SAP financials and indirect procurement modules were rolled out at four sites – Netcare Operations Centre, Mediacross Operations Centre, 911 Operations Centre and



Netcare's Chef's D'Oeuvre Annual Awards 2006 – North East and KwaZulu-Natal winning teams.



Sunninghill Hospital. Warehouse management and direct procurement were rolled out to Netcare Pharmacy Division with effect from 1 August 2006.

A change management team has concentrated on the people and organisational impact of the technology changes. This was to ensure that when the systems go live the employees are willing to accept the new processes, technology and revised work flows.

Employee communication

In an ongoing attempt to improve communications with employees Netcare continues to investigate how to ensure maximum reach of all communicated initiatives and employee messages.

We conduct an annual internal employee perception survey. The 2006 employee survey

reflected similar results to the prior year. The outcome was favourable considering the number of changes within the Group. The areas which showed improvement included Team Spirit; Training and Development and Senior Management. The focus areas for 2007 remains the challenge of communication across units and change management.

During the year, the CEO and HR Director conducted a road show to all divisions to communicate the Group strategy and revised values. In addition, each executive is expected to spend four working days in an operational unit. This “back to the floor” initiative has been well received and helps ensure that the senior leadership is kept aware of employee perceptions and concerns. The concept was broadened with a “Leadership in Touch” initiative, where leadership increases its presence in the operations and communicates key messages directly.

Netcare communicates with employees using “Face to Face” e-mail messages, newsletters and SMS messaging. The HR Division launched an easy-to-read employee handbook.

Industrial relations

Netcare recognises three labour unions – Health and Other Service Personnel Trade Union of South Africa (“HOSPERSA”), Democratic Nursing Organisation of South Africa (“DENOSA”) and National Education Health Allied Workers’ Union (“NEHAWU”). As of 30 September 2006, approximately 42,1% of employees were unionised.

We continue to engage with the unions and have a very proactive and consultative approach to industrial relations. No significant industrial action was experienced during the year under review. The unions meet with a national team on a quarterly basis and we manage regional and site forums. We agreed a wage increase of 6% for base pay and 1% for

performance based pay in 2006. We achieved an element of a performance-based increase during the 2006 annual wage negotiations with the unions.

Employee assistance programme

Acknowledging that employees are under more pressure than ever as a result of changing work patterns and the additional external demands of life today, Netcare has implemented an Employee Assistance Programme (“EAP”). The EAP promotes the concept of employee well-being and the development of managerial skills. The EAP encourages early intervention as this is more likely to result in a positive outcome than support provided once a difficulty becomes a crisis. Trained counsellors are experienced in helping employees discuss concerns at all stages in order to achieve a solution. In addition to individual counselling, the EAP assists with trauma debriefing for employees, stress management, diversity management, HIV/AIDS support and isolated investigations such as the impact of shift work on the employee.

HIV/AIDS

Netcare has developed a strategy to manage HIV/AIDS in the workplace, focusing on employees, business partners, communities and the role of leadership. An HIV/AIDS impact analysis was conducted in 2004. This study projected the infection rate to be 4,8% in 2004 and that the infection rate will increase to 5,1% between 2008 and 2016. There are no absolute statistics indicating the current infection rate and as a result the approach being adopted is a preventative one. Netcare does not have a voluntary testing and counselling strategy at present, but this is being investigated with two initial pilot sites being identified.

We have developed a policy that guides managers and employees in managing HIV/AIDS in the workplace. This policy will be communicated in a structured manner to employees in the coming year, so as to drive awareness.

In total, 85 peer educators in various hospitals have been trained on HIV/AIDS and more educators will be trained in the new financial year. These educators play an integral role in creating awareness of HIV/AIDS. Managing HIV/AIDS in the workplace training has been piloted for managers in the Gauteng North East region and a roll out plan is being discussed at present. Representatives of Aid For AIDS, our partners in managing HIV/AIDS in the workplace, conduct HIV/AIDS awareness sessions for employees during the induction process and at regular intervals.

Employees who are infected with HIV have several benefits such as medical aid, which provides an HIV benefit of R25 000 for each participant; plus a wellness programme that provides counselling services. The latter service is completely anonymous and offers employees telephonic and face-to-face counselling as well as other forms of support.

Condom dispensers have been distributed in all hospitals to encourage safe sexual behaviour. An Infection Control policy has been implemented to help nurses manage the risk of exposure to infected blood.

United Kingdom

GHG operates two separate businesses, namely BMI Healthcare (“BMI”), which provides healthcare in the private sector; and Netcare UK, which provides services to the United Kingdom’s National Health Service (“NHS”). Recently, GHG’s public sector division, Amicus Healthcare, was merged with Netcare UK to create an even stronger partner for the NHS.

BMI

The major HR activity for GHG during the year was the provision of support to the business during the sale process. This included an extensive process of collating data, analysing complex employee and resource planning trends and presenting it in a clear and concise manner to a variety of audiences with

different levels of healthcare insight. Since the acquisition by Netcare, the Balanced Scorecard performance management system has been implemented for the Executive Committee and Regional Directors in the United Kingdom, with full roll out across all managers planned for January 2007.

A programme to support strategic alignment is planned for late 2006, comprising two strategy and teambuilding workshops for the Executive Committee and senior managers, followed by a strategy conference for all Executive Directors, and subsequent communications roll out to all employees in hospitals. The materials will be based on similar workshops delivered successfully within Netcare SA with the aim of building a common understanding of the strategic imperatives for the business and its underpinning values.

The UK business has a programme of change workstreams underway, with the aim of improving organisation effectiveness in key areas. These include reviews of nursing staffing, procurement and warehouse, and decontamination services. HR is providing change management support to all these initiatives, including developing detailed 'people plans' for managing the HR implications of the changes.

Talent management and development

The recruitment market for nursing staff in the United Kingdom has shifted markedly over the last twelve months. In the early part of 2005, there were still significant skills shortages, which BMI addressed via a successful overseas recruitment campaign, including a programme in the Philippines that won an award for best practice. Latterly, redundancies in the NHS have led to oversupply of nurses in the United Kingdom.

BMI supports the ongoing development of employees. The hospitals run training programmes which meet the requirements

for statutory training, continuing professional development and personal needs identified through the annual performance review. In 2005, a Postgraduate Certificate of Management Programme was launched with City University to train 25 high potential managers.

A talent management review is planned for 2007 to assess the potential of the top 70 senior managers for succession planning and management development.

HR database

Over the last two years, BMI has implemented a comprehensive HR information system that provides consistent and extensive HR data across the company. This, together with centralised payroll processing, has reduced payroll costs and delivered faster more efficient processing.

The emphasis is now on developing the system as an interactive information resource for managers. During 2006, an extensive training programme took place across all hospitals using the 'People Manager' module, which allows line managers to view data on their employees. An extensive suite of standard reports for HR, finance, payroll and training is now available on the system for use by trained and authorised managers.

Important new functionality added during 2006 included the design and implementation of an electronic timesheet to allow fast and efficient management of all variable pay, including employees on casual contracts. Development and testing is ongoing for two new modules to be implemented early in 2007 that will track and manage absence from work, as well as plan training and development requirements across the company. The company has also recently started work with suppliers to specify an online module for performance management.

Legislative changes

Two significant legislative changes occurred during the year, which the HR function has addressed, namely:

- New legislation, effective 1 April 2006, which brought in the most significant reform to United Kingdom's pension regulations in decades, by enabling individuals to make greater contributions towards their retirement and providing more flexibility around investment options. The HR team developed materials to communicate the implications of the new legislation to employees, and conducted 15 road shows.
- Legislation addressing age discrimination was introduced, effective 1 October 2006, which provides employment protection to employees below state retirement age (65), and establishes requirements to enable access to work beyond retirement age. A new policy was developed, which has established the standard retirement age in the company as 65 with employees entitled to employment on a bank contract after retirement if they choose. This affected 316 employees in BMI hospitals. HR provided support to hospitals and individuals to manage the transition to the new policy.

Remuneration and benefits

BMI operates a comprehensive benefits structure designed to ensure an attractive position against the external private healthcare market, while ensuring that pay relativities between the NHS and BMI do not inhibit the flow of employees between the two sectors. This helps keep skills refreshed. BMI provides a suite of benefits, including pensions, private medical insurance and life assurance.

BMI currently has 4 836 active members on its pension schemes and 5 537 deferred members. New employees may join a money purchase pension scheme, to which both employees and the company contribute. BMI ran a defined benefit scheme which was

closed to new members in July 2003. To meet future pension commitments to members under this scheme, payments of £1 million and £3 million were made in early 2006 as part of the wider acquisition financing. A further payment of approximately £8 million will be made as a final payment.

BMI's private medical scheme, Medisure, covers 5 520 employees. The scheme is self-insured. In 2005, payments from the scheme totalled £3.5 million, which was in line with actuarial predictions, and compares favourably with the premium costs for a fully insured scheme of this size.

Employee relations

BMI conducted an employee survey in 2005 and will conduct another survey in 2007. BMI and the Royal College of Nurses ("RCN") have a long-standing recognition agreement. Over the last year, discussions have been held with the RCN to establish more representation in BMI hospitals and it has been agreed that one regional Training and Development RCN representative will be selected from employees for each region.

Communication

BMI issues a quarterly newsletter to which hospitals contribute and is well received. During the year, a corporate video was developed for use in induction programmes. A review of internal communications is underway with the aim of improving all avenues of communication.

Netcare UK

Mobilisation

Netcare UK is experiencing phenomenal growth as it wins more contracts from the NHS, and currently employs approximately 235 employees. Of these, 170 work in either the Greater Manchester Surgical Centre or the Ophthalmic Chain Independent Sector Treatment Centres ("ISTCs").



Netcare's National Caregiver of the year and first runner-up – Henry Heuer and Fikele Matsinye.



In addition, Netcare UK is mobilising three new centres that are due to open in the next year. Approximately 100 new employees will join Netcare when the Commuter Walk-in Centres at London Kings Cross station and Leeds city centre are opened alongside the new Treatment Centre in Stracathro, Scotland.

Values

Netcare UK has embraced the Group's five core values. The re-launched values were cascaded throughout the business via a series of workshops to employees. The events were well received, and contributed to patient satisfaction rates of 97%.

Remuneration and benefits

During the course of 2006, Netcare UK benchmarked its salaries in key positions against those in the NHS. In addition, a

review of benefits is underway to ensure competitiveness in the marketplace and internal consistency as the business expands.

Talent management and development

Netcare UK continues to welcome employees from Netcare SA for short- and long-term employment opportunities. Employees have joined in clinical roles, HR, IT, administrative and secretarial positions. Netcare UK is also supporting the Homecoming Revolution by interviewing candidates and liaising with Netcare SA to facilitate their return home.

An audit of skills and ambitions was performed within the senior management team so as to establish career aspirations and personal development needs. This will assist in career planning, succession planning and talent management. Plans are well underway to ensure employees are trained in disability awareness in line with Netcare UK's commitments as members of the Employers Forum on Disability, with the aim of setting the standard in disability management in the independent healthcare sector. Netcare UK is sponsoring a number of employees to sit professional qualifications in HR and Finance and also to undertake MBA qualifications where this is deemed appropriate to their role and will add value to the business. Workshops for the senior managers are helping individuals embrace cultural change and the fast pace of growth in the organisation.

Communication

Netcare News, a monthly magazine, has been launched to improve communication with employees. An intranet site and an employee opinion survey are both planned for the early part of 2007, and monthly management briefings have been introduced at Head Office. These briefings are to be extended to the Greater Manchester Surgical Centre and the Ophthalmic Chain ISTCs.