

Annual financial statements

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Directors' approval

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

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

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

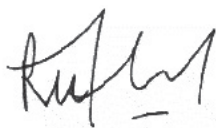
The annual financial statements are prepared on a going concern basis and in accordance with International Financial Reporting Standards.

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 15 November 2007 and are signed on its behalf by:



Michael I Sacks
Chairman



Dr Richard H Friedland
Chief Executive Officer



Peter G Nelson
Chief Financial Officer

Sandton

Certificate by the company secretary

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



Joel Wolpert
Company Secretary

Sandton

15 November 2007

Report of the independent auditors

To the shareholders of NETWORK HEALTHCARE HOLDINGS LIMITED

We have audited the Group annual financial statements and annual financial statements of Network Healthcare Holdings Limited, which comprise the consolidated and separate balance sheets as at 30 September 2007, and the consolidated and separate income statements, the consolidated statement of recognised income and expense and consolidated and separate cash flow statements for the year then ended, and notes which include a summary of significant accounting policies and other explanatory notes and the directors' report, as set out on pages 104 to 174.

Directors' responsibility for the 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 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

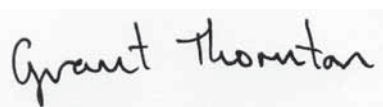
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the 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 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 principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Audit opinion

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of Network Healthcare Holdings Limited as at 30 September 2007, 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 CV Amoils
Chartered Accountant (SA)
Registered Auditor

15 November 2007
137 Daisy Street
Sandown
Johannesburg
2196

Directors' report

for the year ended 30 September 2007

Your directors have pleasure in presenting their report on the activities of the Company and of the Group for the year ended 30 September 2007.

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 pages 6 and 7.

Financial results and review of operations

The financial results of the Group are set out on page 113 of this report. The segment report is included in note 34 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 22 to 27 and in the operating reviews on pages 32 to 50.

Subsidiaries, associates and joint ventures

Details of interests in subsidiaries, associates and joint ventures are shown on pages 172 to 174.

Changes in holdings

There were no changes to holdings in material subsidiaries, associates or joint ventures.

Changes in Group structure

- The Group restructured the main hospital operations from eight operating companies into one company, namely Netcare Hospitals (Proprietary) Limited with effect 1 October 2006.

The following companies are therefore dormant and no longer disclosed in Annexure A:

- Netcare Cape (Proprietary) Limited
 - Netcare Gauteng One (Proprietary) Limited
 - Netcare Gauteng Two (Proprietary) Limited
 - Netcare Gauteng Three (Proprietary) Limited
 - Netcare Gauteng Four Limited
 - Netcare Kwa-Zulu (Proprietary) Limited
 - Netcare Pretoria One (Proprietary) Limited
 - Netcare Pretoria Two (Proprietary) Limited
- Medicross Healthcare Group (Proprietary) Limited and Netcare 911 (Proprietary) Limited assumed the operations of SAA-Netcare Travel Clinics (Proprietary) Limited.
 - Prometheus Healthcare Holdings (Pty) Limited was put into deregistration on 6 October 2006.
 - Application was made to deregister a further 32 dormant companies in the Group in the year under review.

Aggregate profits and losses of subsidiaries and joint venture interests

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

	2007 Rm	2006 Rm
Profits after taxation	781	1 266
Losses	(42)	(685)
	739	581

Share capital

Authorised and issued

The Company's authorised share capital remained unchanged during the year. The Company issued 15 million shares during the year in terms of the Netcare Share Incentive Scheme. 47 million shares were issued for cash pursuant to an institutional placement whereby Netpartner simultaneously settled its debt obligation to Investec under a zero-cost collar obligation in cash.

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

The Netcare Share Incentive Scheme (As amended)

Particulars relating to the Netcare Share Incentive Scheme are given in note 33 to the annual financial statements.

Property, plant and equipment

Capital expenditure incurred during the year amounted to R1 389 million (2006: R1 038 million).

Details of capital commitments are provided in note 29 to the annual financial statements.

Reductions of capital

Details of the reductions of capital for the year are:

	2007 Rm	2006 Rm
Interim reduction of capital of 13,0 cents (2006: 12,0 cents) per share paid on 16 July 2007	239	218
Final reduction of capital of 18,0 cents (2006: 15,0 cents) per share payable on 21 January 2008	224	275
	463	493

Reductions of capital are accounted for on the date of declaration. As a result, the final reduction of capital of 18,0 cents per share declared on 15 November 2007 is not reflected in the annual financial statements for the year ended 30 September 2007.

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

Last day to trade cum the reduction of capital	11 January 2008
Trading ex reduction of capital commences	14 January 2008
Record date	18 January 2008
Payment date	21 January 2008

Preference dividends

Details of the preference dividends paid for the year are:

	2007 Rm	2006 Rm
Interim preference dividend	30	
Final dividend		12
	30	12

The final preference dividend declared on 5 October 2007 and payable on 29 October 2007 is not reflected in the annual financial statements for the year ended 30 September 2007.

Directors

Change in status

N Weltman retired as an executive director with effect from 31 August 2007 and became a non-executive director.

Further information

The composition of the board of directors is given on pages 10 and 11 of the annual report. The remuneration of Netcare's directors is set out on pages 110 and 111.

Directors' report continued

for the year ended 30 September 2007

Events after balance sheet date

Acquisition of remaining interest in associate

The Group acquired the remaining 56,3% of Community Hospital Group (Proprietary) Limited for a consideration of R169 million settled by the issue of 14 200 000 Netcare shares on 5 October 2007.

The transaction was approved by the competition authorities on 2 August 2007 and the effective date was ratified to 2 October 2007. Refer to note 27 of the annual financial statements for further details.

Resignation of director

On 9 November 2007, it was announced that Dr RN Noach resigned as director effective 14 December 2007.

Auditors

Grant Thornton were appointed as sole auditors of Network Healthcare Holdings Limited and PKF (Jhb) Inc. resigned as joint auditors of the Company with effect from the date of release of the 2006 annual report.

Company secretary

The company secretary of Netcare is J Wolpert. His business and postal addresses appear on page 176.

Special resolutions

Network Healthcare Holdings Limited

No special resolutions were passed by the Company during the year.

Subsidiaries

The following special resolutions were passed by subsidiary companies:

- Increase in the authorised share capital of Clindeb Investments (Proprietary) Limited by creating 20 000 cumulative, redeemable preference shares with a par value of R0,001 each.
- Changing the name of Basfour 2179 (Proprietary) Limited to Lamko Trading (Proprietary) Limited.
- Increase in the authorised share capital of Clindeb Investments (Proprietary) Limited by creating an additional 80 000 cumulative, redeemable preference shares with a par value of R0,001 each.
- Increase in the authorised share capital of Netcare Redeemable Preference Share Investments (Proprietary) Limited by creating an additional 80 000 cumulative, redeemable preference shares with a par value of R0,001 each.

Directors' remuneration report

for the year ended 30 September 2007

Interests of directors

Director holding in excess of 1% in Netcare is: Mr MI Sacks 2,4% (2006: 2,5%). The calculation of the director's holdings is based on 1 244 765 494 (2006: 1 182 421 777) 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		Non-beneficial number of shares	Total number of shares held	% of issued share capital
	Direct	Indirect	Indirect		
2007					
<i>Executive directors</i>					
IM Davis	6 046 523			6 046 523	0,5
Dr RH Friedland	6 393 109		2 050 000	8 443 109	0,7
Dr VLJ Litlhakanyane	125 327			125 327	
Dr RN Noach	42 027			42 027	
<i>Non-executive directors</i>					
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	
	29 693 710		25 769 214	55 462 924	4,5

Name of director	Beneficial number of shares		Non-beneficial number of shares	Total number of shares held	% of issued share capital
	Direct	Indirect	Indirect		
2006					
<i>Executive directors</i>					
IM Davis	5 272 773	1 613 750		6 886 523	0,6
Dr RH Friedland	4 779 359	1 613 750	1 600 000	7 993 109	0,7
Dr VLJ Litlhakanyane	95 327			95 327	
PG Nelson			109 928	109 928	
Dr RN Noach (appointed 17 July 2006)	42 027		4 000	46 027	
N Weltman	3 302 027			3 302 027	0,3
<i>Non-executive directors</i>					
HR Levin	10 937 974			10 937 974	0,9
MI Sacks	4 425 000	1 613 750	23 719 214	29 757 964	2,5
Dr JA van Rooyen	85 000			85 000	
	28 939 487	4 841 250	25 433 142	59 213 879	5,0

Directors' remuneration report continued

for the year ended 30 September 2007

Interests of directors (continued)

The direct and indirect interests of directors in the preference shares of the Company were:

Name of director	Number of shares		Total number of shares held
	Direct	Indirect	
2006			
P G Nelson		1 000	1 000
N Weltman	2 000		2 000
	2 000	1 000	3 000

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 2007:

	Exercise price	Share options at 30 September 2006	Share options exercised during the year	Share options at
				30 September 2007
	Cents	Number	Number	Number
IM Davis	265	300 000	300 000	
	436	200 000	40 000	160 000
	907	1 000 000		1 000 000
Dr RH Friedland	265	900 000	900 000	
	436	150 000		150 000
	907	2 000 000		2 000 000
Dr VLJ Litlhakanyane	436	200 000	50 000	150 000
	685	250 000		250 000
	907	1 000 000		1 000 000
PG Nelson	436	250 000		250 000
	685	250 000		250 000
	907	1 000 000		1 000 000
Dr RN Noach	436	60 000		60 000
	685	250 000		250 000
	907	1 000 000		1 000 000
		8 810 000	1 290 000	7 520 000

Directors' emoluments – Benefits on share options exercised

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

				2007	2006
	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
	Cents	Number	Cents	R000	R000
IM Davis	265	300 000	1 362	3 291	
	436	40 000	1 362	370	
Dr RH Friedland	265	900 000	1 571	11 754	13 520
Dr VLJ Litlhakanyane	436	50 000	1 558	561	267
Dr RN Noach	265				151
	436				88
		1 290 000		15 976	14 026

N Weltman's status changed to non-executive director effective 1 September 2007. His details are as follows:

				2007	2006
	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
	Cents	Number	Cents	R000	R000
N Weltman	265				1 042
	436	40 000	1 506	428	
	436	40 000	1 186	300	
	436	20 000	1 180	149	
	907	1 000 000	1 186	2 790	
		1 100 000		3 667	1 042

The share option exercise terms are detailed on page 158.

Directors' remuneration report continued

for the year ended 30 September 2007

Directors' emoluments

Emoluments paid to directors of the Company by the Company and its subsidiaries (excluding gains on share options exercised reflected on page 109) for the year to 30 September, are set out below:

2007 Executive directors (R000)	Salary	Company contri- butions	Bonuses	Other allowances	Total	Fair value of options granted*
IM Davis	1 863	177	1 229	82	3 351	406
Dr RH Friedland	4 088	360	2 500		6 948	778
Dr VLJ Litlhakanyane	1 357	131	588	214	2 290	484
PG Nelson	1 966	185	1 134	130	3 415	484
Dr 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

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

2006 Executive directors (R000)	Salary	Company contri- butions	Bonuses [#]	Other allowances	Total	Fair value of options granted*
IM Davis	1 732	159	1 537	78	3 506	227
Dr RH Friedland	3 392	300	2 276		5 968	401
Dr VLJ Litlhakanyane	1 229	116	1 276	210	2 831	285
PG Nelson	1 707	156	2 399	126	4 388	285
Dr RN Noach	290	27		44	361	248
N Weltman	1 212	121	904	108	2 345	206
	9 562	879	8 392	566	19 399	1 652

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

[#] The share option gains on the leveraged executive bonus scheme previously included in bonuses have been separately disclosed.

Directors' emoluments (continued)

Non-executive directors (R000)	Consulting fees	Fees for services as directors	Total
Dr APH Jammine		180	180
JM Kahn		150	150
Professor MB Kistnasamy (resigned 20 June 2006)		50	50
HR Levin		175	175
Professor TR Mokoena (appointed 17 July 2006)		21	21
Advocate K Moroka (appointed 17 July 2006)		21	21
Dr AA Ngcaba (appointed 17 July 2006)		21	21
MI Sacks	847		847
Dr JA van Rooyen		100	100
	847	718	1 565

Leveraged executive bonus scheme – share option gains

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.

Name of director (R000)	2007	2006
IM Davis	2 079	1 182
Dr RH Friedland	2 079	1 182
Dr VLJ Litlhakanyane	1 663	945
PG Nelson	2 079	1 182
Dr RN Noach	2 079	
N Weltman (executive until 31 August 2007)	2 079	1 182
	12 058	5 673

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 Dr RH Friedland.

Group balance sheet

at 30 September 2007

	Notes	2007 Rm	2006* Rm
ASSETS			
Non-current assets			
Property, plant and equipment	2	26 683	27 246
Goodwill	3	16 091	16 745
Intangible assets	4	289	271
Investment in associated companies	5	282	242
Investments and loans	6	16	13
Financial asset – Derivative financial instruments	31	1 453	834
Deferred taxation	18	514	396
Total non-current assets		45 328	45 747
Current assets			
Investments and loans	6	56	51
Inventories	7	600	571
Accounts receivable	8	2 875	2 706
Cash and cash equivalents	9	1 361	1 463
		4 892	4 791
Assets held for sale	10	319	
Total current assets		5 211	4 791
Total assets		50 539	50 538
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary share capital and premium	11	1 819	1 497
Treasury shares	11	(5 555)	(5 555)
Other reserves	12	2 035	1 357
Retained earnings	13	5 833	4 938
Ordinary shareholders' equity		4 132	2 237
Preference share capital and premium	14	644	644
Minority interest		3 806	3 355
Total shareholders' equity		8 582	6 236
Non-current liabilities			
Long-term debt	15	28 944	29 224
Financial liability – Derivative financial instruments	31	1 156	2 152
Post-retirement benefit obligations	16	115	294
Deferred lease liability	17	63	64
Deferred taxation	18	6 073	6 399
Total non-current liabilities		36 351	38 133
Current liabilities			
Accounts payable	19	2 570	2 624
Short-term debt	20	2 086	2 953
Taxation payable		410	138
Bank overdrafts	9	461	454
		5 527	6 169
Liabilities in disposal group held for sale	10	79	
Total current liabilities		5 606	6 169
Total equity and liabilities		50 539	50 538

*Restated (refer to note 30)

Group income statement

for the year ended 30 September 2007

	Notes	2007 Rm	2006 Rm
CONTINUING OPERATIONS			
Revenue	21	18 607	11 152
Cost of sales		(10 856)	(6 376)
Gross profit		7 751	4 776
Other income		204	349
Administrative and other expenses		(4 965)	(3 547)
Operating profit	22	2 990	1 578
Financial income	23	328	563
Financial expenses	24	(2 463)	(1 490)
Attributable earnings of associates		32	28
Profit before taxation		887	679
Taxation	25	99	(229)
Profit for the year from continuing operations		986	450
DISCONTINUED OPERATION			
Profit for the year from discontinued operation	10	109	87
Profit for the year		1 095	537
Attributable to:			
Ordinary shareholders		927	729
Preference shareholders		30	12
Profit attributable to shareholders		957	741
Minority interest		138	(204)
		1 095	537
Earnings per share (cents)			
Basic	26	75,4	50,3
Continuing operations		66,5	44,3
Discontinued operation		8,9	6,0
Diluted	26	71,7	49,6*
Continuing operations		63,3	43,7
Discontinued operation		8,4	5,9

*Restated (refer to note 30)

Group cash flow statement

for the year ended 30 September 2007

	Notes	2007 Rm	2006 Rm
Cash flows from operating activities			
Cash received from customers		18 869	11 433
Cash paid to suppliers and employees		(14 895)	(9 304)
Cash generated from operations	A	3 974	2 129
Interest paid		(2 355)	(838)
Continuing operations		(2 348)	
Discontinued operation		(7)	
Taxation paid		(286)	(234)
Continuing operations	B	(269)	
Discontinued operation		(17)	
Preference dividends paid		(30)	(12)
Reductions of capital paid		(347)	(391)
Net cash from operating activities		956	654
Continuing operations		882	
Discontinued operation		74	
Cash flows from investing activities			
Purchase of property, plant and equipment		(1 389)	(1 014)
Proceeds on disposal of property, plant and equipment		40	50
Settlement of post-retirement benefit obligation		(151)	
Additions to intangible assets		(103)	(111)
(Increase)/decrease in investments and loans		(52)	171
Disposal of businesses	C	1	
Proceeds from disposal of investments			9
Interest received		158	151
Dividends received		1	1
Acquisition of businesses	D	(169)	(16 393)
Share buybacks			(682)
Net cash from investing activities		(1 664)	(17 818)
Continuing operations		(1 632)	
Discontinued operation		(32)	
Cash flows from financing activities			
Proceeds from issue of ordinary shares		669	1 678
Proceeds from issue of preference shares			644
Repurchase of shares			(134)
Long-term liabilities raised		262	25 021
Short-term liabilities repaid		(317)	(7 936)
Net cash from financing activities		614	19 273
Continuing operations		617	
Discontinued operation		(3)	
Translation effects on cash and cash equivalents of foreign entities			
		39	(1 393)
Net (decrease)/increase in cash and cash equivalents		(55)	716
Cash and cash equivalents at beginning of year		1 009	293
Cash in disposal group held for sale		(54)	
Cash and cash equivalents at end of year	E	900	1 009

Notes to the group cash flow statement

for the year ended 30 September 2007

	2007 Rm	2006 Rm
A. Cash generated from operations		
Operating profit	3 117	1 681
Continuing operations	2 990	1 578
Discontinued operation	127	103
Adjustments for:		
Depreciation	1 017	528
Continuing operations	1 007	517
Discontinued operation	10	11
Amortisation of intangible assets	37	25
Profit on disposal of property, plant and equipment	(1)	(7)
Profit on disposal of subsidiaries	(1)	(111)
Profit on disposal of investments		(9)
Fair value adjustments on investments		(16)
(Reversal of impairment)/impairment of property, plant and equipment	(11)	15
Impairment of investments and loans	25	21
Impairment of goodwill	24	2
Impairment of intangible assets	40	
Share-based payment expense	27	78
Net foreign exchange (profits)/losses	(31)	15
Increase in post-retirement benefit obligation	10	58
Decrease in deferred lease liability	(1)	(95)
Other non-cash flow items		(6)
Cash generated from operations before working capital changes	4 252	2 179
Increase in accounts receivable	(212)	(186)
Increase in inventories	(27)	(25)
(Decrease)/increase in accounts payable	(39)	163
Movement in short-term financial liabilities		(2)
	3 974	2 129
B. Taxation paid		
Amounts payable at beginning of year	138	9
Charge per the income statement (excluding deferred taxation)	552	346*
Acquisition of subsidiaries		17
Translation of foreign entities	(11)	
Amounts payable at end of year	(410)	(138)
	269	234

*Including discontinued operation

Notes to the Group cash flow statement continued

for the year ended 30 September 2007

	2007 Rm	2006 Rm
C. Disposal of businesses		
Accounts payable		1
Intangible assets		(1)
Minority interest	1	
Total consideration	1	
Comprising:		
Cancare (Proprietary) Limited	1	
Prometheus Healthcare (Proprietary) Limited		
	1	
D. Acquisition of businesses		
Property, plant and equipment	4	19 143
Intangible assets		111
Investments		(535)
Treasury shares		4 221
Inventories		217
Accounts receivable		937
Cash and cash equivalents		691
Long and short-term debt		(8 445)
Financial liability – Derivative financial instruments		(1 113)
Post-retirement benefit obligations		(167)
Deferred taxation		(4 906)
Accounts payable		(924)
Provisions		(1 106)
Taxation payable		(17)
Fair value of assets acquired	4	8 107
Minority interest	152	(3 480)
	156	4 627
Goodwill	13	13 277
Negative goodwill		(820)
Purchase consideration	169	17 084
Cash and cash equivalents in acquiree		(691)
Cash outflow on acquisition	169	16 393
Comprising:		
General Healthcare Group Limited	153	14 265
Health Management Technologies (Proprietary) Limited	8	
Rosewood Clinic	2	
South Manchester Imaging Plc		49
Prime Cure Holdings (Proprietary) Limited		125
Netpartner Investments Limited	6	1 952
SAA Netcare Travel Clinics (Proprietary) Limited		2
Total consideration	169	16 393
E. Cash and cash equivalents and bank overdrafts		
Cash on hand and balances with banks	1 415	1 463
Short-term money market borrowings and bank overdrafts	(461)	(454)
Less:		
Cash in disposal group held for sale	(54)	
	900	1 009

Group statement of recognised income and expense

for the year ended 30 September 2007

	2007 Rm	2006 Rm
Effect of translation of foreign entities	(93)	1 427
Fair value (losses)/gains on investments	(24)	5
Effect of cash flow hedge accounting	600	(299)
Net investment hedges – fair value losses for the year		(98)
Actuarial gains/(losses) on defined benefit plans	1	(12)
Movement in contingency reserve	6	2
Disposal of shares in subsidiary	(36)	
Fair value deficit on disposal of shares	(7)	
Negative goodwill derecognised		820
Other reserve movements		1
Net income recognised directly in equity	447	1 846
Profit for the year	1 095	537
Total recognised income for the year	1 542	2 383
Attributable to:		
Ordinary shareholders	1 062	(909)
Preference shareholders	30	12
Minority interest	450	3 280
	1 542	2 383

Notes to the Group annual financial statements

for the year ended 30 September 2007

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 accounting standards, interpretations and amendments to published accounting standards which were adopted prior to their effective dates:

IAS 23 Revision of International Accounting Standard 23 Borrowing Costs

This revised standard requires the Group to capitalise all borrowing costs as part of the cost of the asset that relate to the acquisition, construction or production of a qualifying asset. All other borrowing costs should be expensed as incurred.

This revised standard is effective for the Group for the financial year ending 30 September 2010. The requirements do not have a significant impact on the Group and this standard was early adopted in the current year.

IFRIC Interpretation 10 Interim Financial Reporting and Impairment

This interpretation clarifies that an entity shall not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost.

This interpretation is effective for the Group for the financial year ending 30 September 2008. The requirements do not have a significant impact on the Group and the interpretation was early adopted in the current year.

IFRIC Interpretation 11 Group and Treasury Share Transactions

This interpretation specifies that share-based payment transactions in which an entity receives services as consideration for its own equity instruments shall be accounted for as equity-settled regardless of whether the entity chooses or is required to buy those equity instruments from another party to satisfy its obligations to its employees under the share-based payment and also regardless of whether the grant was made by the entity itself or its shareholder or whether the share-based payment was settled by the entity itself or its shareholder. The interpretation also specifies the treatment in subsidiaries where a parent grants rights to its equity instruments to employees of its subsidiaries (to be treated as an equity-settled share-based payment as long as it is treated as such in the parent's consolidated accounts) as well as where subsidiaries themselves grant rights to the equity instruments of its parent to its employees (to be treated as cash-settled share-based payments).

This interpretation is effective for the Group for the financial year ending 30 September 2008. The requirements do not have a significant impact on the Group and the interpretation was early adopted in the current year.

IFRIC Interpretation 12 Service Concession Arrangements

This interpretation draws a distinction between two types of service concession arrangement. In one, the operator receives a financial asset, specifically an unconditional contractual right to receive cash or another financial asset from the government in return for constructing or upgrading the public sector asset. In the other, the operator receives an intangible asset – a right to charge for use of the public sector asset that it constructs or upgrades. A right to charge users is not an unconditional right to receive cash because the amounts are contingent on the extent to which the public uses the service. IFRIC 12 allows for the possibility that both types of arrangement may exist within a single contract: to the extent that the government has given an unconditional guarantee of payment for the construction of the public sector asset, the operator has a financial asset; to the extent that the operator has to rely on the public using the service in order to obtain payment, the operator has an intangible asset.

1.1 Basis of preparation (continued)

This standard first becomes applicable to the Group for the financial year ending 30 September 2009. The requirements do not have a significant impact on the Group and the interpretation was early adopted in the current year.

IFRIC Interpretation 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

This interpretation provides guidance on how to assess the limit placed by paragraph 58 of IAS 19 *Employee Benefits* on the amount of the surplus that can be recognised as an asset. It also explains how the pension's asset or liability may be affected when there is a statutory or contractual minimum funding requirement.

This standard first becomes applicable to the Group for the financial year ending 30 September 2009. The requirements do not have a significant impact on the Group and the interpretation was early adopted in the current year.

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. The cost of an acquisition is measured at the fair value of assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. 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 minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

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 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 is not 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 interest 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.

Notes to the Group annual financial statements continued

for the year ended 30 September 2007

1.2 Basis of consolidation of financial results (continued)

Investment in associated companies (continued)

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

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.

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

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.

In the Company's financial statements, interests in joint ventures are stated at cost less any impairment losses.

1.3 Business combinations and goodwill

Initial recognition and measurement

All business combinations are accounted for by applying the purchase method. Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and 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. 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.

At the acquisition date, goodwill acquired in a business combination is recognised as an asset and initially measured at cost. 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 fair value of the net identifiable assets and contingent liabilities of the entity acquired over the cost of acquisition and is 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.

Goodwill is subsequently measured at cost less any accumulated impairment.

1.3 Business combinations and 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.

1.4 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 is a subsidiary acquired exclusively with a view to sale. Once an operation has been identified as discontinued, or is reclassified as continuing, the comparative information is restated.

1.5 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 is depreciated to its estimated residual value on a straight-line basis over its expected useful life. The depreciation methods, estimated remaining useful lives and residual values are reviewed annually.

Notes to the Group annual financial statements continued

for the year ended 30 September 2007

1.5 Property, plant and equipment (continued)

The assumptions regarding estimated useful lives for the 2007 financial year were as follows:

Land	Indefinite
Buildings	3 – 75 years
Computer equipment	3 – 7 years
Furniture and equipment	8 – 10 years
Medical equipment	3 – 10 years
Motor vehicles	5 years
Aircraft	Useful life based on the number of hours used
Plant and machinery	2 – 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.

1.6 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 2007 financial year were as follows:

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

Internally generated computer software is depreciated 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.

1.7 Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet 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.

1.7 Financial instruments (continued)

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 instrument 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.

Unrealised gains and losses on available-for-sale investments are recognised directly in equity until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the income statement.

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, which is determined as set out under impairment of assets in accounting policy note 1.9 below. Impairment of these assets is expensed in the income statement.

Cash and cash equivalents

Cash and cash equivalents are stated at carrying value which is deemed to be fair value. For cash flow statement purposes bank overdrafts are offset against cash and cash equivalents.

Financial liabilities and equity

Financial liability 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. 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.

1.7 Financial instruments (continued)

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.

1.8 Derivative instruments and hedge accounting

Derivatives are initially measured at fair value, with changes in fair value being included in the income statement other than derivatives designated as cash flow hedges.

The method of recognising the resulting gain or loss is dependent on the item being hedged. The Group designates certain derivatives as one of the following on the date the derivative contract is entered into:

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

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

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

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.

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

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.

1.9 Impairment of assets excluding goodwill

At each balance sheet 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.

1.10 Set off

Financial assets and liabilities are offset and the net amount reported in the balance sheet 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.

1.11 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.

Write-downs to net realisable value and inventory losses are expensed in the period in which the write-downs or losses occur.

1.12 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.

1.13 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.

1.14 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.

Notes to the Group annual financial statements continued

for the year ended 30 September 2007

1.15 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 the Group'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 balance sheet 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 equity in the cash flow hedge accounting reserve.

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 balance sheet date. Differences arising on translation are recognised in equity as foreign currency translation reserve.

On consolidation, differences arising from the translation of the net investment in a foreign operation are recognised 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 income statement on disposal of that investment charged to the income statement.

1.16 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 balance sheet 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 balance sheet date between the tax bases of assets or liabilities and their respective balance sheet 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 balance sheet 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.

1.16 Taxation (continued)

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 balance sheet date.

Current and deferred tax relating to items recognised directly in equity are recognised in equity and not in the income statement.

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.

1.17 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.

1.18 Income recognition

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

Revenue from charges to patients is recognised when the service giving rise to this revenue is rendered, based on the stage of completion.

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

Interest is recognised on a time proportion basis, 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.

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

1.19 Cost of sales

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

1.20 Employee benefits

Short-term employee benefits

Remuneration to employees is recognised in the income statement.

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 full as they arise outside of the income statement, 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.

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 and in the case of Ampath Trust, 1 August 2006. 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 and annually for the Ampath Trust, using the projected unit credit method.

Actuarial gains and losses are recognised in full as they arise outside of the income statement.

Equity compensation benefits – The 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 33. No expense has been recognised for share options granted before 7 November 2002 that had not vested by that date.

Equity compensation benefits – Health Partners for Life

The beneficiaries of the Health Partners for Life trusts will hold trust units which will 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 33.

1.21 Distributions paid to shareholders

Distributions are recorded in the period in which the distribution is declared, and charged directly to equity.

1.22 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 30 for further details.

1.23 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 an 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 economic 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.

Asset lives and residual values

Property, plant and equipment is depreciated over its useful life 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 life of the asset 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 33.

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.

1.23 Significant judgements and estimates (continued)

Valuation of financial instruments

The valuation of derivative financial instruments is based on the market situation at balance sheet 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 balance sheet 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.

1.24 Sources of estimation uncertainty

There are no key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that management have assessed as having a significant risk of causing material adjustment to the carrying amounts of the assets and liabilities within the next financial year.

1.25 Impact of new issued standards and interpretations

The following standards, interpretations and amendments to published accounting standards are not yet effective and have not been adopted in the current year:

IAS 1 Amendment to International Accounting Standard 1 Presentation of Financial Statements: Capital Disclosures

This amendment requires the Group to disclose information that will enable users of its financial statements to evaluate the entity's objectives, policies and processes of managing capital. This amendment first becomes applicable to the Group for the financial year ending 30 September 2008. The Group is in the process of gathering the required disclosable information.

IAS 1 Revision of International Accounting Standard 1 Presentation of Financial Statements: Comprehensive Revision including requiring a Statement of Comprehensive Income

This revised statement requires the Group to disclose all non-owner changes in equity either in one statement of comprehensive income or in two statements. The Group is also required to present a balance sheet as at the beginning of the earliest comparative period in a complete set of financial statements when the Group applies an accounting policy retrospectively or makes a retrospective restatement. Disclosures are also required for income tax relating to each component of other comprehensive income and reclassification adjustments relating to components of other comprehensive income. The 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 7 Financial instruments: Disclosures

This IFRS adds new disclosures about financial instruments to those currently required by IAS 32 *Financial Instruments: Disclosure and Presentation* and also replaces the disclosures currently required by IAS 30: *Disclosures in the Financial Statements of Banks and Similar Financial Institutions*. The standard first becomes applicable to the Group for the financial year ending 30 September 2008. The Group is in the process of gathering the required disclosable information.

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.

2. Property, plant and equipment

Net carrying value

	Cost Rm	Accumulated depreciation and impairments Rm	Carrying value Rm
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
2006			
Freehold and leasehold land and buildings	25 420	(437)	24 983
Assets under construction	224		224
Computer equipment	325	(173)	152
Furniture and equipment	294	(169)	125
Medical equipment	2 815	(1 247)	1 568
Motor vehicles and aircraft	60	(18)	42
Plant and machinery	196	(44)	152
	29 334	(2 088)	27 246

Land and buildings

At 30 June 2007 Mills Fitchet Valuation Surveyors carried out an external valuation of the South African properties based on open market values. This valuation resulted in an aggregate value of land and buildings of R9 581 million. The carrying value of the above properties at 30 September 2007 is R2 761 million. Properties are valued at intervals not exceeding five years.

The properties in the United Kingdom were valued by GVA Grimley (International Property Advisors) on 12 May 2006. 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 R19 million (2006: R13 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 long-term and short-term debt as reflected in note 15.

	2007 Rm	2006 Rm
Property, plant and equipment	20 996	22 035

Notes to the Group annual financial statements continued

for the year ended 30 September 2007

	Freehold and leasehold land and buildings Rm	Assets under construction Rm
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
2006		
Cost		
Balance at 1 October 2005	2 514	
Additions	456	155
Disposals	(44)	
Acquisition of businesses	18 148	120
Disposal of business		
Transfers between categories	3	(72)
Translation of foreign entities	4 343	21
Balance at 30 September 2006	25 420	224
Accumulated depreciation and impairment		
Balance at 1 October 2005	(206)	
Depreciation	(174)	
Disposals		
Disposal of business		
Impairment	(15)	
Transfers between categories		
Translation of foreign entities	(42)	
Balance at 30 September 2006	(437)	
Carrying value at 30 September 2006	24 983	224

Computer equipment Rm	Furniture and equipment Rm	Medical equipment Rm	Motor vehicles and aircraft Rm	Plant and machinery Rm	Total Rm
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
		(4)		34	11
15	6	28	9		80
		4			8
(190)	(179)	(1 418)	(12)	(22)	(2 730)
138	143	1 771	27	106	26 683
201	221	1 647	49	49	4 681
46	32	291	12	46	1 038
(11)	(8)	(53)	(1)	(6)	(123)
74	41	668		92	19 143
(1)					(1)
(2)	(3)	78		(4)	
18	11	184		19	4 596
325	294	2 815	60	196	29 334
(155)	(150)	(1 029)	(12)	(20)	(1 572)
(40)	(30)	(257)	(7)	(20)	(528)
18	9	52	1		80
1					1
					(15)
4	3	(5)		(2)	
(1)	(1)	(8)		(2)	(54)
(173)	(169)	(1 247)	(18)	(44)	(2 088)
152	125	1 568	42	152	27 246

Notes to the Group annual financial statements continued

for the year ended 30 September 2007

	2007 Rm	2006 Rm
3. Goodwill		
Net carrying value		
Cost	16 213	16 849
Accumulated impairment losses	(122)	(104)
	16 091	16 745
Movement in goodwill		
Opening carrying amount	16 745	309
Acquisition of businesses	13	13 277
Additional amounts recognised from acquisition of businesses occurring in prior years	6	
Reduction arising from realisation of deferred tax assets not previously recognised	(10)	
Impairment – continuing operations	(24)	(2)
Transfer to disposal group held for sale	(72)	
Translation of foreign entities	(567)	3 161
Closing carrying amount	16 091	16 745

	Management contracts Rm	Software Rm	Development expenditure Rm	Total Rm
4. Intangible assets				
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	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
2006				
Net carrying value				
Cost	85	185	34	304
Accumulated amortisation and impairment losses	(13)	(6)	(14)	(33)
	72	179	20	271
Movement in intangible assets				
Opening carrying amount		25	16	41
Acquisition of businesses	69	42		111
Additions		102	9	111
Amortisation	(12)	(5)	(8)	(25)
Disposal of business			(1)	(1)
Translation of foreign entities	15	15	4	34
Carrying value at 30 September 2006	72	179	20	271

	2007 Rm	2006 Rm
5. Investment in associated companies		
Shares and equity accounted profits	108	81
Loans	174	161
	282	242
Directors' valuation of associated companies.	466	423
Details of the Group's principal associated companies are set out in Annexure B.		
6. Investments and loans		
Non-current assets		
Loans	16	13
	16	13
Current assets		
Loans	56	46
Held-for-trading investments		5
	56	51
	72	64
Held-for-trading investments comprise:		
Listed		
Biopure Corporation (166 667 shares)		1
Advtech Limited (1 400 000 shares)		4
		5
Refer to note 31 for details of the Group's derivative financial assets which are classified as held-for-trading.		
7. Inventories		
Medical and pharmaceutical merchandise	552	523
Crockery, cutlery, linen, soft furnishings and other consumables	48	48
	600	571
8. Accounts receivable		
Trade receivables	2 394	2 185
Allowance for doubtful debts	(186)	(192)
Trade receivables – net	2 208	1 993
Prepaid expenses	148	128
Joint venture receivables (refer to Annexure C)		2
Other debtors and prepayments	519	583
	2 875	2 706
9. Cash and cash equivalents and bank overdrafts		
Cash on hand and balances with banks	1 361	1 463
Bank overdrafts	(461)	(454)
	900	1 009
Currency analysis		
Cash on hand and balances with banks		
Pound Sterling	1 090	836
US Dollar		3
SA Rand	271	624
Bank overdrafts		
SA Rand	(461)	(454)
	900	1 009

Notes to the Group annual financial statements continued
for the year ended 30 September 2007

	2007 Rm	2006 Rm
10. Disposal group and assets held for sale		
Assets held for sale		
Assets in disposal group – Ampath Holdings Trust	275	
Land and buildings held for sale	44	
	319	
Liabilities in disposal group held for sale		
Ampath Holdings Trust	(79)	
	240	
10.1 Discontinued operation – Ampath Holdings Trust		
In 2006 Netcare decided to exit its 50% interest in Ampath Holdings Trust. It is anticipated that the sale will be finalised by the publication of the interim results in 2008.		
The disposal group includes the following assets:		
Property, plant and equipment	54	
Goodwill	72	
Investments and loans	5	
Inventories	8	
Accounts receivable	76	
Taxation receivable	6	
Cash and cash equivalents	54	
Assets in disposal group held for sale	275	
The disposal group includes the following liabilities:		
Long-term debt	(6)	
Post-retirement benefit obligation	(10)	
Accounts payable	(57)	
Short-term debt	(6)	
Liabilities in disposal group held for sale	(79)	
Our 50% share of the results of the discontinued operation were as follows:		
Revenue	507	465
Other income		2
Administrative and other expenses	(380)	(363)
Operating profit	127	104
Financial expenses	(7)	(11)
Profit before taxation	120	93
Taxation	(11)	(6)
Profit for the year	109	87
The cash flows are as follows:		
Net cash from operating activities	74	
Net cash from investing activities	(32)	
Net cash from financing activities	(3)	
10.2 Land and buildings held for sale		
The Group intends disposing of land and buildings in the 2008 financial year. Buyers have already been identified.		
A reversal of impairment amounting to R11 million was recognised at 30 September 2007.		
Land and buildings held for sale	44	

11. Ordinary share capital and premium

	2007 Number of shares (m)	2006 Number of shares (m)	2007 Rm	2006 Rm
Authorised				
Ordinary shares of 1,0 cent each	2 500	2 500	25	25
Issued				
Shares in issue at beginning of year	1 779	1 710	18	17
Shares issued during the year	62	199	1	2
Shares repurchased during the year		(130)		(1)
Shares in issue at end of year	1 841	1 779	19	18
Share premium				
Balance at beginning of year			1 479	580
Share premium arising on issue of shares			668	1 686
Share issue and listing expenses				(10)
Repurchase of shares				(386)
Reductions of capital			(347)	(391)
Balance at end of year			1 800	1 479
Issued ordinary share capital and premium			1 819	1 497
Treasury shares				
Balance at beginning of year	(596)	(264)	(5 555)	(898)
Acquired by:				
The Netcare Trust		(1)		(2)
HPFL Trusts		(160)		(767)
Treasury shares held by subsidiary (previously associate)		(340)		(4 221)
Purchase of treasury shares		169		333
Balance at end of year	(596)	(596)	(5 555)	(5 555)
Total issued ordinary share capital and premium	1 245	1 183	(3 736)	(4 058)
Treasury shares held				
Treasury shares are held as follows:				
Subsidiaries	340	340		
The Netcare Trust	96	96		
HPFL Trusts	160	160		
	596	596		
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.				
Unissued number of ordinary shares				
Unissued ordinary shares	659	721		
Share-based payments				
Details of options under the Netcare Share Incentive Scheme and trust units issued by the HPFL Trusts are disclosed under note 33.				

Notes to the Group annual financial statements continued

for the year ended 30 September 2007

	Foreign currency translation reserve Rm	Invest- ment fair value reserve Rm	Cash flow hedge account- ing reserve Rm	Net invest- ment hedging reserve Rm	Capital redemp- tion reserve Rm	Contin- gency reserve Rm	Option premium on con- vertible bond Rm	Share- based payment reserve Rm	Total equity Rm
12. Other reserves									
Balance at 1 October 2005	(13)	226				(1)		6	218
Net income/ (expense) recognised directly in equity	1 427	4	(299)	(98)	25	2			1 061
Effect of translation of foreign entities	1 427								1 427
Fair value gain on investments		4							4
Effect of cash flow hedge accounting			(299)						(299)
Net investment hedges – fair value losses				(98)					(98)
Other reserve movements					25				25
Movement in contingency reserve						2			2
Share-based payments reserve movements								78	78
Balance at 30 September 2006	1 414	230	(299)	(98)	25	1		84	1 357
Net income/ (expense) recognised directly in equity	(122)	(24)	605		14	6			479
Effect of translation of foreign entities	(93)								(93)
Disposal of shares in subsidiary	(29)		5						(24)
Fair value loss on investments		(24)							(24)
Effect of cash flow hedge accounting			600						600
Other reserve movements					14				14
Movement in contingency reserve						6			6
Option premium on convertible bond							172		172
Share-based payments reserve movements								27	27
Balance at 30 September 2007	1 292	206	306	(98)	39	7	172	111	2 035

	2007 Rm	2006 Rm
13. Retained earnings		
Balance at beginning of year	4 938	3 425
Profit for the year	957	741
Negative goodwill derecognised		820
Actuarial gains/(losses) taken to equity	1	(12)
Other movements	(14)	(24)
Disposal of shares in subsidiary	(12)	
Fair value deficit on disposal of shares	(7)	
Preference dividends paid	(30)	(12)
Balance at end of year	5 833	4 938

	2007 Number of shares (m)	2006 Number of shares (m)		
14. Preference share capital and premium				
Authorised				
Variable rate, cumulative, non-redeemable, non-convertible preference shares of 50,0 cents each	10	10	5	5
Issued				
In issue at beginning of year	7		3	
Shares issued during the year		7		3
Shares in issue at end of year	7	7	3	3
Share premium				
Balance at beginning of year			641	
Share premium arising on issue of shares				647
Share issue expenses				(6)
Balance at end of year			641	641
Total issued preference share capital and premium			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.

15. Long-term debt				
Total South African Rand and foreign currency debt			29 869	30 451
Short-term portion (refer to note 20)			(925)	(1 227)
Total South African Rand and foreign currency long-term debt			28 944	29 224
Comprising:				
South African Rand				
Secured liabilities				311
Finance leases			7	10
Mortgage bonds				5
Redeemable cumulative preference shares			485	91
Convertible bonds (debt portion)			1 446	
Promissory notes			750	750
Unsecured liabilities			1 562	2 820
			4 250	3 987
Foreign currency				
Secured liabilities			25 532	26 421
Finance leases			70	
Redeemable cumulative preference shares			17	22
Unsecured liabilities				21
			25 619	26 464
			29 869	30 451

Notes to the Group annual financial statements continued

for the year ended 30 September 2007

15. Long-term debt (continued)

Loan details

Terms of repayment	Security	Interest rate at 30 September 2007	2007 Rm	2006 Rm
Liabilities in South African Rand				
Secured liabilities				
Repayable in semi-annual instalments ending in 2010	Secured by a cession of shares and rights under a series of put options			310
Repayable in monthly instalments ending in 2008 and 2011*	Various			1
				311
Finance leases				
Repayable in monthly instalments ending in 2012	Secured by medical equipment with a book value of R6 million (2006: R11 million)	11%	7	10
Mortgage bonds				
Repayable in monthly and annual instalments ending in 2015*	Secured by property with a book value of RNil million (2006: R8 million)			5
Redeemable cumulative preference shares				
Repayable semi-annually and in full ending February 2013		8,6% – 8,8%	485	91
Convertible bonds				
The bonds are convertible into Netcare ordinary shares in 2011		6% fixed	1 446	
Promissory notes				
Repayable on maturity in February and September 2008			750	750
Unsecured liabilities				
Repayable in full in May 2009		LIBOR + 1,7% variable	1 363	2 593
Repayable quarterly ending in July 2011		JIBAR + 1,3%	197	218
Various			2	9
			1 562	2 820
			4 250	3 987
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 R20 916 million (2006: R22 012 million)	7,5% – 8,9%	25 530	26 419
Repayable in monthly instalments ending in 2014	Secured by property with a book value of R4 million (2006: R4 million)	6,3%	2	2
			25 532	26 421

*Included in liabilities in disposal group held for sale (refer to note 10)

15. Long-term debt (continued)

Loan details (continued)

Terms of repayment	Security	Interest rate at 30 September 2007	2007 Rm	2006 Rm
Liabilities in foreign currency (continued)				
Finance leases				
Repayable in monthly instalments ending in 2012	Secured by plant and equipment with a book value of R70 million	5,5%	70	
Redeemable cumulative preference shares				
Repayable on exit or as determined by shareholder		4% fixed	17	22
Unsecured liabilities				
Repayable in April 2008		5,1%		21
			25 619	26 464

Details of convertible bonds

The convertible bonds are convertible into 111 million ordinary shares of Network Healthcare Holdings Limited at R15,30 per ordinary share. The coupon rate is 6% per annum. 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 in other reserves (refer to note 12), net of deferred tax.

	2007 Rm
Proceeds from issue of convertible bond	1 700
Transaction costs	(47)
Net proceeds	1 653
Amount classified as equity (net of deferred tax)	(172)
Deferred tax liability	(90)
Liability component	1 391

Maturity profile

	Total Rm	< 1 year Rm	1 – 2 years Rm	2 – 3 years Rm	3 – 4 years Rm	> 4 years Rm
2007						
Liabilities in South African Rand	4 250	816	1 888	96	1	1 449
Liabilities in foreign currency	25 619	109	189	281	368	24 672
	29 869	925	2 077	377	369	26 121
2006						
Liabilities in South African Rand	3 987	1 227	800	1 469	65	426
Liabilities in foreign currency	26 464		26 419			45
	30 451	1 227	27 219	1 469	65	471

Undrawn borrowing facilities

The Group has the following undrawn borrowing facilities at 30 September 2007:

	2007 Rm	2006 Rm
Facilities expire:		
Within 1 year	2 946	786
Between 1 and 2 years	1 122	1 910
In 2 years or more	797	974
	4 865	3 670

Notes to the Group annual financial statements continued

for the year ended 30 September 2007

	2007 Rm	2006 Rm
16. Post-retirement benefit obligations		
Post-retirement healthcare benefits	115	87
Post-retirement pension benefits		207
	115	294
16.1 Post-retirement healthcare benefits		
<p>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 and in the case of Ampath Trust, 1 August 2006. The Ampath Holdings Trust has been classified as held for sale at 30 September 2007.</p> <p>An actuarial valuation is performed every three years for the Netcare Medical Scheme and annually for the Ampath defined benefit obligation. The post-retirement medical benefits are unfunded.</p> <p>Details of the defined benefit obligations are set out below.</p>		
Valuation		
Last actuarial valuation		
Netcare Medical Scheme		30 September 2007
Amphat defined benefit obligation		28 February 2007
Valuation method adopted		Projected unit
Principal actuarial assumptions		
	2007 %	2006 %
Healthcare cost inflation	5,8 – 6,5	5,3 – 6,8
Discount rate	8,3 – 9,0	7,3 – 10,0
Reconciliation of the actuarial obligations to amounts recognised in the balance sheet		
Unfunded obligation	115	87
Reconciliation of net liability to amounts recognised in the balance sheet		
Net liability at the beginning of year	87	66
Service cost	5	7
Past service cost		8
Interest cost	9	7
Benefits paid	(5)	(1)
Actuarial losses	29	
Continuing operations	32	
Discontinued operation	(3)	
Transfer to disposal group held for sale	(10)	
Net liability at end of year	115	87
Net post-retirement healthcare costs recognised in the income statement		
Service cost	5	7
Past service cost		8
Interest cost	9	7
Benefits paid	(5)	(1)
Total cost recognised in the income statement	9	21
Continuing operations	7	19
Discontinued operation	2	2

Actuarial losses amounting to R29 million (2006: Nil) were recognised directly in equity. Included in this amount is a gain of R3 million relating to the Ampath Holdings Trust.

16. Post-retirement benefit obligations (continued)

16.2 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 eight defined contribution schemes, of which six 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	2007	2006
	%	%
Discount rate	5,8	5,0
Expected rate of salary increases	4,8	4,5
Future pension increases	3,2	2,9
Expected rate of return of plan assets	7,4	7,0

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 the sum of inflation, the dividend yield, economic growth and investment expenses. 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 13,2% (2006: 6,7%).

	2007	2006
	Rm	Rm
Present value of obligation		
Opening balance at beginning of year	1 130	
Acquisitions of business		879
Current service cost	42	15
Interest cost	55	19
Past service cost	1	2
Contributions by plan participants	12	5
Benefit payments	(43)	(5)
Actuarial (gains)/losses	(116)	1
Translation of foreign entities	(38)	214
Benefit obligation at end of year	1 043	1 130
Fair value of plan assets		
Opening balance at beginning of year	923	
Acquisitions of business		712
Expected return on plan assets	69	23
Contributions by plan participants	12	5
Employer contributions	150	30
Benefit payments	(43)	(5)
Actuarial gains/(losses)	57	(16)
Translation of foreign entities	(33)	174
Fair value of plan assets at end of year	1 135	923

Notes to the Group annual financial statements continued

for the year ended 30 September 2007

	2007 Rm	2006 Rm
16. Post-retirement benefit obligations (continued)		
16.2 Post-retirement pension benefits (continued)		
Represented by investments in:		
Equity instruments	910	738
Debt instruments	30	83
Property	112	14
Other	83	88
	1 135	923
Reconciliation to balance sheet		
Present value of obligation	1 043	1 130
Fair value of plan assets	(1 135)	(923)
	(92)	207
Unrecognised actuarial gains	92	
Net liability recognised		207
Net pension cost recognised in the income statement		
Current service cost	42	15
Interest cost	55	19
Past service cost	1	2
Expected return on plan assets	(69)	(23)
Total cost recognised in the income statement	29	13
Actuarial gains amounting to R30 million (2006: R12 million of actuarial losses) (net of tax) were recognised directly in equity.		
History of experience adjustments		
The history of experience adjustments is as follows:		
Present value of defined benefit obligation	1 043	1 130
Fair value of plan assets	(1 135)	(923)
Surplus/(deficit)	92	(207)
Experience adjustments on plan liabilities	16	(18)
Experience adjustments on plan assets	94	1
The Group expects to make a contribution of R38 million (2006: R42 million) to the defined benefit plan during the next financial year.		
17. Deferred lease liability		
Net operating lease accrual		
Balance at beginning of year	73	160
Increase/(decrease) in accrual	4	(87)
Balance at end of year	77	73
Less current portion included in accounts payable (refer to note 19)	(14)	(9)
	63	64
Movement as follows:		
Within 1 year	14	9
1 – 5 years	49	41
5 – 10 years	14	23
	77	73

	2007 Rm	2006 Rm
18. Deferred taxation		
Reconciliation of movement		
Balance at beginning of year	6 003	43
Current year charge		
Per the income statement (refer to note 25)	(651)	(108)
Movement relating to discontinued operation	3	(3)
Amounts recognised directly in equity	408	26
Acquisition of businesses		4 906
Translation of foreign entities	(210)	1 155
Other	6	(16)
Balance at the end of the year	5 559	6 003
Comprising:		
Deferred tax asset	(514)	(396)
Deferred tax liability	6 073	6 399
	5 559	6 003
Arising from the following temporary differences:		
Property, plant and equipment	5 423	6 281
Investments		169
Prepayments	13	6
Allowance for doubtful debts	(3)	(28)
Post-retirement benefit obligations	(44)	(85)
Payroll accruals	(81)	(64)
Deferred lease liability	(22)	(21)
Calculated tax losses	(180)	(213)
Option premium on convertible bond	74	
Financial instruments	311	
Other temporary differences	68	(42)
	5 559	6 003
19. Accounts payable		
Trade creditors	1 026	1 192
Leave pay	158	145
Bonuses	146	86
Joint venture payables (refer to Annexure C)	17	14
Current portion of deferred lease liability (refer to note 17)	14	9
Other payables	1 209	1 178
	2 570	2 624
20. Short-term debt		
Total South African Rand and foreign currency short-term debt		
Comprising:		
South African Rand		
Commercial paper in issue	800	800
Overnight loans		621
Share cover loan		201
Short-term portion of long-term debt (refer to note 15)	816	1 227
Other	6	8
	1 622	2 857
Foreign currency		
Short-term portion of long-term debt (refer to note 15)	109	
Other	355	96
	464	96
	2 086	2 953

Notes to the Group annual financial statements continued

for the year ended 30 September 2007

	2007 Rm	2006 Rm
21. Revenue		
South Africa		
Hospitals and Trauma	7 782	6 907
Primary care	1 087	813
United Kingdom	9 738	3 432
	18 607	11 152
22. Operating profit		
After charging:		
Amortisation of intangible assets	37	25
Auditors' remuneration	22	12
Audit fees	19	9
Fees for other services	3	3
Depreciation – property, plant and equipment	1 007	517
Directors' emoluments (refer to pages 110 and 111)	25	21
Executive directors paid by subsidiaries		
Basic remuneration, bonuses, retirement and medical benefits	22	19
Non-executive directors		
Consulting fees and fees for services as directors	3	2
Employee costs (excluding directors' emoluments)	6 155	3 799
Salaries and wages	5 898	3 571
Group retirement benefit contributions	194	176
Amounts expensed in terms of defined benefit obligations (refer to note 16)	36	32
Share-based payment expense – Share options (refer to note 33)	21	13
Share-based payment expense – HPFL (refer to note 33)	6	7
Impairment of goodwill	24	2
Impairment of intangible assets	40	
Impairment of investments and loans	25	21
Impairment of property, plant and equipment		15
Operating lease charges	190	208
Land and buildings	164	191
Motor vehicles	26	17
Restructuring costs		280
Share-based payment expense – HPFL (excluding amounts included in employee costs) (refer to note 33)		58
Technical, managerial and secretarial services	93	106
After crediting:		
Fair value adjustments on investments		16
Profit on disposal of investments		9
Profit on disposal of property, plant and equipment	1	4
Profit on disposal of subsidiaries	1	111
Reversal of impairment of property, plant and equipment	11	

	2007 Rm	2006 Rm
23. Financial income		
Dividends received	1	1
Fair value gain on cross-currency swap contracts (refer to note 31)		442
Fair value gain on interest rate swaps (refer to note 31)	65	
Foreign exchange gains (net)	104	
Interest received	158	120
	328	563
24. Financial expenses		
Fair value loss on cross-currency swap contracts (refer to note 31)	115	
Foreign exchange losses (net)		454
Fair value loss on interest rate swaps (refer to note 31)		85
Interest paid	2 348	951
	2 463	1 490
25. Taxation		
South African normal taxation		
Current year	560	377
Prior years	(14)	(54)
Capital gains tax		8
	546	331
Foreign tax		4
STC	6	2
Income tax	552	337
Deferred taxation		
Current year	(659)	(127)
Prior years	8	19
	(651)	(108)
Total taxation per the income statement	(99)	229
Reconciliation of effective taxation rate (%)		
South African normal tax rate	29	29
Adjusted for:		
Exempt income		4
Unutilised tax losses	(2)	
Capital gains tax		1
STC	1	
Different foreign tax rate	(1)	(1)
Permanent differences	1	(2)
Rate change	(39)	
Prior year adjustments		(4)
Other	1	
Effective taxation rate	(10)	27
Estimated taxation losses		
Unused tax losses available for set-off against future taxable income	1 221	784

Notes to the Group annual financial statements continued

for the year ended 30 September 2007

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 reflects 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.

	2007 Rm	2006 Rm
Profit attributable to shareholders		
Basic earnings per share (cents)	75,4	50,3
Continuing operations	66,5	44,3
Discontinued operation	8,9	6,0
Diluted earnings per share (cents)	71,7	49,6*
Continuing operations	63,3	43,7
Discontinued operation	8,4	5,9
Headline earnings		
Basic headline earnings per share (cents)	77,6	44,3*
Continuing operations	68,8	38,3
Discontinued operation	8,8	6,0
Diluted headline earnings per share (cents)	73,8	43,7*
Continuing operations	65,4	37,8
Discontinued operation	8,4	5,9
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)	1 230	1 448
Potential dilutive effect of employee share options and HPFL units (million)	63	21
Diluted weighted average number of shares (million)	1 293	1 469*
Basic earnings		
The earnings used in the calculation of basic earnings per share is follows:		
Profit for the year from continuing operations	986	450
Less:		
Preference shareholders	(30)	(12)
Minority interest	(138)	204
Earnings used in the calculation of basic earnings per share from continuing operations	818	642
Profit for the year from discontinued operation	109	87
Profit attributable to ordinary shareholders	927	729

*Restated (refer to note 30)

	2007 Rm	2006* Rm
26. Earnings per share (continued)		
Headline earnings		
Headline earnings is determined as follows:		
Earnings used in the calculation of basic earnings per share from continuing operations	818	642
Adjusted for:		
Impairment of goodwill	16	2
Impairment of intangible assets	40	
Impairment of investments	1	21
Impairment of land and buildings		14
Reversal of impairment of property, plant and equipment	(11)	
Profit on disposal of property, plant and equipment	(1)	(4)
Profit on disposal of subsidiaries/investments	(1)	(120)
Minority share of headline adjusting items	(16)	
Headline earnings from continuing operations	846	555
Headline earnings from discontinued operation	109	87
Headline earnings	955	642
Potential dilutive effect of employee share options and HPFL Trust units (Million)		
The dilutive effect is arrived as follows:		
Netcare Share Incentive Scheme	18	2
HPFL Trust units	45	19
	63	21
Non-dilutive potential ordinary shares (Million)		
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	111	

*Restated (refer to note 30)

Notes to the Group annual financial statements continued

for the year ended 30 September 2007

27. Acquisition of businesses

Subsidiaries acquired	Country of incorporation	Date of acquisition	Proportion of shares acquired %	Cost of acquisition Rm
2007				
Health Management Technologies (Proprietary) Limited	South Africa	1 December 2006	100,0	8
2006				
Prime Cure Holdings (Proprietary) Limited	South Africa	28 February 2006	100,0	125
General Healthcare Group Limited*	United Kingdom	12 May 2006	52,6	14 314
Netpartner Investments Limited	South Africa	26 September 2006	53,7	1 952
Other				2
				16 393

The initial accounting for General Healthcare Group Limited was only provisionally determined at 30 September 2006. The following adjustments to the fair values at acquisition have subsequently been made:

Balance sheet	Provisional fair values Rm	Adjustments Rm	Adjusted fair values on acquisition Rm
Goodwill	13 140	(162)	12 978
Accounts receivable	920	(1)	919
Deferred taxation	(5 067)	200	(4 867)
Accounts payable	(862)	(37)	(899)

*Including South Manchester Imaging Plc

Acquisitions after balance sheet date

The Group acquired 56,3% of Community Hospital Group (Proprietary) Limited on 2 October 2007. The purchase price amounted to R169 million settled by the issue of 14 million Netcare shares at the closing Netcare share price of R11,89 at the acquisition date.

The fair values at acquisition have not yet been finalised at the date these financial statements were authorised. As a result the carrying values at acquisition and fair value adjustments have not been presented.

	2007 Rm	2006 Rm
28. Contingent liabilities		
28.1 Guarantees		
<ul style="list-style-type: none"> • 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	70
<ul style="list-style-type: none"> • Guarantees covering the obligations of certain subsidiaries of Community. 	86	86
<ul style="list-style-type: none"> • Guarantees covering certain educational loan obligations of employees. 	20	20
<ul style="list-style-type: none"> • Termination guarantees in the United Kingdom 		31
<ul style="list-style-type: none"> • Guarantee and indemnity provided to a supplier of a subsidiary in the United Kingdom. 	14	14
<ul style="list-style-type: none"> • Guarantee provided for certain obligations of its subsidiary in the United Kingdom relating to the company's obligation under sales contracts. 	98	102
28.2 Sureties		
<ul style="list-style-type: none"> • Surety for certain performance obligations relating to the construction of hospital buildings for the Free State Health Department. 	51	51
<ul style="list-style-type: none"> • Guarantees to banks 	34	36
28.3 Litigation		
<ul style="list-style-type: none"> • Litigation, current or pending, is not considered likely to have a material adverse effect on the Group. 		
29. Commitments		
29.1 Capital expenditure commitments to be incurred:		
Authorised and contracted for		
Land and buildings	145	394
Plant and equipment	476	57
Authorised but not yet contracted for		
Land and buildings	349	603
Plant and equipment	61	
	1 031	1 054
This expenditure will be financed from internally generated funds and existing banking facilities		
To be expended		
Within one year	896	1 031
Over one year	135	23

Notes to the Group annual financial statements continued

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	2007 Rm	2006 Rm
29. Commitments (continued)		
29.2 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 1,75 and 125 years with renewal options of between 2 and 10 years. Rental escalations on properties vary between 0% and 11% per annum.		
Motor vehicles leases are contracted for periods between 18 and 60 months with rentals linked to prime.		
Leases on plant and equipment are contracted for periods between 1 and 5 years with rentals linked to prime.		
At 30 September future non-cancellable minimum lease rentals are payable during the following financial years:		
Properties		
Within 1 year	177	143
1 – 5 years	664	436
5 – 10 years	365	266
> 10 years	4 105	2 428
Motor vehicles		
Within 1 year	19	9
1 – 5 years	11	6
Plant and equipment		
Within 1 year	60	22
1 – 5 years	12	42
	5 413	3 352

30. Comparative information

30.1 Restatements

Business combinations

In accordance with IFRS 3 *Business Combinations*, adjustments to the provisional accounting for business combinations have been made. This has resulted in adjustments to the 30 September 2006 balance sheet as follows:

	As previously reported Rm	Adjustments Rm	As restated Rm
Balance sheet			
Goodwill	16 907	(162)	16 745
Deferred taxation – asset	196	200	396
Accounts receivable	2 707	(1)	2 706
Accounts payable	(2 587)	(37)	(2 624)

The above restatements had no effect on profit and equity.

30. Comparative information (continued)

30.1 Restatements (continued)

Earnings per share

Headline earnings and the diluted weighted average number of shares have been restated. The effect thereof is detailed below.

Headline earnings

Headline earnings at 30 September 2006 has been restated as a result of Circular 8/2007 issued on 31 July 2007 by the South African Institute of Chartered Accountants. Long-term debt reorganisation costs were excluded from headline earnings in the comparative period. These costs are not adjusting re-measurements as identified in Circular 8/2007 and are now included in headline earnings.

Diluted weighted average number of shares

The diluted weighted average number of shares has been restated to include the effect of the fair value of services to be received in the future from participants in the Netcare Share Incentive Scheme and the HPFL trusts.

The effect of the restatements are as follows:

Headline earnings (Rm)	2006
As previously reported	814
Effect of restatement	(172)
As restated	642
Diluted weighted average number of shares (Million)	
As previously reported	1 510
Effect of restatement	(41)
As restated	1 469
Headline earnings per share – Basic (Cents)	
As previously reported	56,2
Effect of restatement	(11,9)
As restated	44,3
Headline earnings per share – Diluted (Cents)	
As previously reported	53,9
Effect of restatement	(10,2)
As restated	43,7
Earnings per share – Diluted (Cents)	
As previously reported	48,3
Effect of restatement	1,3
As restated	49,6

30.2 Reclassifications

The following reclassifications to the 30 September 2006 income statement have been made:

Financial income

Fair value adjustments on investments, profit on disposal of subsidiaries and profit on disposal of investments have been reclassified to other income. These reclassifications amounted to R136 million.

Financial expenses

Impairment of goodwill and impairment of investments have been reclassified to administrative and other expenses. These reclassifications amounted to R23 million.

Notes to the Group annual financial statements continued

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31. Financial instruments

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.

The Group has a comprehensive risk management process to monitor and control these risks. 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 audit monitoring.

The Group has a central treasury function that manages the financial risks relating to the Group's operations. 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 sub-section 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:

31.1 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 due in 2011 to the value of R1,7 billion were raised during the year. These bonds are convertible at the option of the bondholder into Netcare shares at a price of 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.

31.2 Credit risk

Credit risk arises from customer non-performance or default. Considerable resources, expertise and controls are in place to ensure efficient and effective management of credit risk. The Group's 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.

Previously the Road Accident Fund was highlighted as a major concern, however this risk has been reduced significantly with the amount due of R16 million at 30 September 2007 (2006: R55 million).

The Group also experiences concentration risk in that a significant proportion of accounts receivable relate to one party. The concentrated risk around the Road Accident Fund has diminished significantly from last year. The Group is also exposed to concentration risk in the Compensation for Occupational Injuries and Diseases of where the balance due at 30 September 2007 was R133 million (2006: R127 million).

31.3 Interest rate cash flow 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 £1 644 million relating to property mortgage loan finance, with a further £200 million relating to operating company debt.

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

Interest rate derivatives

As at 30 September 2007, the Group had seven interest rate swap contracts. Details are as follows:

	Notional amount Rm	Interest rate (%)	Maturity date	Fair value gain Rm
Fixed-for-floating interest rate swaps				
Rand	942	7,8 – 9,6	2007 – 2011	7
Pound Sterling	25 873	4,8 – 5,8	2015 – 2031	58
				65

In addition to the above, gains of R600 million (2006: loss of R299 million) were recognised directly in the cash flow hedge accounting reserve as a result of interest rate swaps designated as cash flow hedges.

The fair value loss excluding amounts transferred directly to the cash flow hedge accounting reserve at 30 September 2006 was R85 million.

31. Financial instruments (continued)

31.4 Foreign exchange risk

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

The United Kingdom debt of GHG provides a natural hedge against the assets of that subsidiary. Netcare has hedged the foreign currency exposure with regard to its equity investment in terms of a cross-currency swap.

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.

Currency derivatives

As at 30 September 2007, the Group had a cross-currency swap contract which is designated as a cash flow hedge. Details are as follows:

	Foreign notional amount	Maturity date	Fair value loss Rm
Cross-currency swap contract			
Pound Sterling	97	2009	115

The fair value gain at 30 September 2006 was R442 million.

The Pound Sterling liabilities within the United Kingdom are offset by assets and no cross-currency hedging has been taken out on the translation of the United Kingdom operations into Rand.

During the year an exchange loss of R93 million was made on the currency translation arising from the consolidation of GHG. The loss has been credited directly to the foreign currency translation reserve in equity.

31.5 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.

It is Netcare's intention to restructure its pricing model including the elimination of cross-subsidies on surgical consumables. Netcare intends converting a substantial portion of its fee-for-service pricing model into an alternative reimbursement and risk sharing model with funders.

31.6 Other risk

Zero-cost collar

The 60 million European-styled put options acquired from Investec Bank Limited, due to expire on 23 September 2010 have been settled early. As a result the zero-cost collar is no longer in place.

31.7 Fair value of derivative financial instruments

Non-current derivative financial instruments

	Assets Rm	Liabilities Rm
2007		
Cross-currency swaps	188	
Interest rate swaps	1 265	(1 156)
	1 453	(1 156)
2006		
Cross-currency swaps	422	
Interest rate swaps	412	(1 864)
Zero-cost collar		(288)
	834	(2 152)

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31. Financial instruments (continued)

31.7 Maturity profile and fair value of financial instruments

The maturity profile of financial assets and liabilities are summarised as follows:

	< 1 year Rm	1 – 4 years Rm	> 4 years Rm	Total Rm
2007				
Financial assets				
Accounts receivable	2 875			2 875
Cash and cash equivalents	1 361			1 361
Financial asset – Derivative financial instruments		198	1 255	1 453
Loans	56	15	1	72
	4 292	213	1 256	5 761
Financial liabilities				
Accounts payable	2 570			2 570
Bank overdrafts	461			461
Financial liability – Derivative financial instruments			1 156	1 156
Short-term debt	2 086			2 086
Long-term debt		2 823	26 121	28 944
	5 117	2 823	27 277	35 217
2006				
Financial assets				
Accounts receivable	2 706			2 706
Cash and cash equivalents	1 463			1 463
Financial asset – Derivative financial instruments		427	407	834
Held-for-trading investments	5			5
Loans	46	12	1	59
	4 220	439	408	5 067
Financial liabilities				
Accounts payable	2 624			2 624
Bank overdrafts	454			454
Financial liability – Derivative financial instruments		290	1 862	2 152
Short-term debt	2 953			2 953
Long-term debt		28 753	471	29 224
	6 031	29 043	2 333	37 407

32. Related parties

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

32.1 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 report on pages 110 and 111.

Information pertaining to directors' interests 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 pages 107 to 109 of the directors' remuneration report.

One of the non-executive directors is the Company's legal counsel. Services rendered are billed on a commercial arm's length basis and amounted to R1 million (2006: R2 million) for the year.

Certain administrative and logistic services are provided by the Group to a pharmacy purchasing and dispensing organisation which is legally owned by one of the directors. Such services are contracted on an arm's length basis.

Senior management personnel

Netcare South Africa Exco – 13 posts (2006: 10 posts) on average

GHG (UK) Exco – 7 posts (2006: 6 posts) on average

Remuneration paid to key management personnel is as follows:

	2007 Rm	2006 Rm
Netcare South Africa Exco		
Salaries and allowances	14	12
Company contributions	1	1
Bonuses and termination payments	9	9
Leveraged phantom share bonus scheme	17	10
	41	32
GHG (UK) Exco*		
Salaries and allowances	20	5
Company contributions	2	1
Bonuses and termination payments	4	
	26	6

*2006 GHG numbers are for five months only.

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33. Share-based payments

33.1 The Netcare Share Incentive Scheme (As amended)

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 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 2007, the cumulative number of options granted (net of lapsed) was 199 176 193.

Accordingly, at 30 September 2007, the net number of shares available for allocation under the scheme was 23 635 084.

The scheme did not hold any shares in the Company at 30 September 2007.

Share options

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

	2007		2006	
	Number of share options	Weighted average exercise price (cents)	Number of share options	Weighted average exercise price (cents)
Balance at beginning of year	76 896 858	714	42 077 266	319
Granted	1 250 000	1 339	48 790 000	902
Exercised	(14 935 883)	347	(13 716 023)	204
Expired/forfeited	(8 977 754)	668	(254 385)	394
Balance at end of year	54 233 221	823	76 896 858	714

Analysis of exercise dates and prices

	2007		2006	
	Number of share options	Exercise price (cents)	Number of share options	Exercise price (cents)
Vested	2 873 590	436	13 090 129	265
Unvested	7 799 631	436	2 360 329	436
	43 560 000	916	48 790 000	902*
	54 233 221		76 896 858	

*Weighted average price

Refer to page 108 of the directors' remuneration report for details on share options held by directors.

33. Share-based payments (continued)

33.1 The Netcare Share Incentive Scheme (As amended) (continued)

Share options outstanding at 30 September 2007 have the following terms:

Financial year of grant	Financial year of lapse	Unexercised options	Vested options	Unvested options
2004	2011	10 673 221	2 873 590	7 799 631
2005	2012	750 000		750 000
2006	2013	41 560 000		41 560 000
2007	2014	1 250 000		1 250 000
Balance at 30 September 2007		54 233 221	2 873 590	51 359 631

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	> 5 years Rm	Total Rm
2004	3	2	1		6
2006	18	18	74		110
2007			1	1	2
	21	20	76	1	118

Share option cost expensed in 2006 was R13 million.

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

	%
Volatility	23,6 – 29,7
Forfeiture rate	5,0 – 15,0
Risk-free interest rate	7,5 – 10,1
Dividend yield	3,0 – 5,5

33.2 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, The Physician Partnerships Trust, The Mother & Child Trust and The Healthy Lifestyle Trust. The objective of the HPFL trusts is to manage and administer the award, settlement and re-purchase 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 The 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 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 fifth 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 HFPL shares are applied first to meet funding obligations and administrative and operating expenses, and thereafter distributed to holders of the trust units entitled thereto.

Notes to the Group annual financial statements continued

for the year ended 30 September 2007

33. Share-based payments (continued)

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

The Mother & Child Trust and The 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 The 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.

Details of the trust units at 30 September 2007 are:

Trust	Shares allocated to trust	Units in issue
The Patient Care and Passionate People Trust	92 000 000	72 593 843
The Physician Partnerships Trust	48 000 000	26 621 000
The Mother & Child Trust	12 000 000	6 000 000
The Healthy Lifestyle Trust	8 000 000	4 000 000
	160 000 000	109 214 843

Movement in the number of units was as follows:

	The Patient Care and Passionate People Trust	The Physician Partnerships Trust	The Mother & Child Trust	The Healthy Lifestyle Trust	Total
Balance at beginning of year	66 712 140	26 621 000	6 000 000	4 000 000	103 333 140
Issued	15 629 003				15 629 003
Forfeited	(9 747 300)				(9 747 300)
Balance at end of year	72 593 843	26 621 000	6 000 000	4 000 000	109 214 843

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	6	5	17	5	33

The fair value of units expensed in 2006 was R65 million.

The following assumptions were used to value the units issued:

	%
Volatility	30,0
Forfeiture rate	24,0
Risk-free interest rate	7,1 – 8,4
Dividend yield	2,0 – 3,0

34. Segment report

	Total assets		Revenue		EBITDA		Operating profit	
	2007 Rm	2006 Rm	2007 Rm	2006 Rm	2007 Rm	2006 Rm	2007 Rm	2006 Rm
South Africa	7 387	7 155	8 869	7 720	1 685	1 494	1 406	1 238
Hospitals and Trauma	6 934	5 520	7 782	6 907	1 584	1 403	1 328	1 171
Primary care	453	1 635	1 087	813	101	91	78	67
United Kingdom	42 833	43 383*	9 738	3 432	2 411	504	1 646	218
Other					(62)	122	(62)	122
	50 220	50 538	18 607	11 152	4 034	2 120	2 990	1 578

2007 %	Total assets	Revenue	EBITDA	Operating profit
Hospitals and Trauma	14	42	39	44
Primary care	1	6	2	2
United Kingdom	85	52	59	54

	Debt net of cash		Net interest paid	
	2007 Rm	2006 Rm	2007 Rm	2006 Rm
South Africa	5 246	5 444	456	152
United Kingdom	24 884	25 724	1 734	679
	30 130	31 168	2 190	831

2007 %	Debt net of cash	Net interest paid
South Africa	17	21
United Kingdom	83	79

The segment report excludes the disposal group and assets held for sale except for the 2006 balance sheet.

*This figure has been restated as a result of adjustment to the provisional accounting for business combinations. Refer to note 30.

Company balance sheet

at 30 September 2007

	Notes	2007 Rm	2006 Rm
ASSETS			
Non-current assets			
Interest in subsidiaries	2	6 267	5 458
Financial asset – Derivative financial instruments	3	188	422
Total non-current assets		6 455	5 880
Current assets			
Investments and loans	4		5
Accounts receivable	5	82	61
Cash and cash equivalents	6	11	109
Total current assets		93	175
Total assets		6 548	6 055
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary share capital and premium	7	1 697	1 542
Other reserves	8	921	722
Retained earnings	9	378	517
Ordinary shareholders' equity		2 996	2 781
Preference share capital and premium	10	644	644
Total shareholders' equity		3 640	3 425
Non-current liabilities			
Long-term debt	11	2 809	1 408
Deferred taxation liability	12	76	11
Total non-current liabilities		2 885	1 419
Current liabilities			
Accounts payable	13	7	18
Short-term debt	14	6	1 192
Taxation payable		10	1
Total current liabilities		23	1 211
Total equity and liabilities		6 548	6 055

Company income statement

for the year ended 30 September 2007

	Notes	2007 Rm	2006 Rm
Operating loss	15	(375)	(37)
Financial income	16	579	1 655
Financial expenses	17	(322)	(201)
(Loss)/profit before taxation		(118)	1 417
Taxation	18	9	23
(Loss)/profit for the year		(109)	1 440
Attributable to:			
Ordinary shareholders		(139)	1 428
Preference shareholders		30	12
		(109)	1 440

Company cash flow statement

for the year ended 30 September 2007

	Notes	2007 Rm	2006 Rm
Cash flows from operating activities			
Cash received from customers		(21)	(61)
Cash paid to suppliers and employees		(10)	19
Cash utilised in operations	A	(31)	(42)
Interest paid		(311)	(78)
Taxation paid	B	(7)	(6)
Preference dividends paid		(30)	(12)
Reductions of capital paid		(514)	(491)
Net cash from operating activities		(893)	(629)
Cash flows from investing activities			
Increase in investments and loans		(1 157)	(4 260)
Proceeds from disposal of investments		5	45
Interest received		398	143
Dividends received		181	1 512
Share buybacks			(945)
Net cash from investing activities		(573)	(3 505)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		669	1 678
Proceeds from issue of preference shares			644
Repurchase of shares			(134)
Long-term liabilities raised		1 708	862
Short-term liabilities (repaid)/raised		(1 009)	1 192
Net cash from financing activities		1 368	4 242
Net increase in cash and cash equivalents		(98)	108
Cash and cash equivalents at beginning of year		109	1
Cash and cash equivalents at end of year	C	11	109

Notes to the company cash flow statement

for the year ended 30 September 2007

	2007 Rm	2006 Rm
A. Cash utilised in operations		
Operating loss	(375)	(37)
Adjustments for:		
Fair value adjustments on investments		(16)
Profit on disposal of investments		(6)
Impairment of investments	614	6
Reversal of impairment of investments	(239)	
Share-based payment		58
Cash generated from operations before working capital changes		5
Increase in accounts receivable	(21)	(61)
(Decrease)/increase in accounts payable	(10)	14
	(31)	(42)
B. Taxation paid		
Amounts payable at beginning of year	1	1
Charge per the income statement (excluding deferred taxation)	14	6
STC payment	2	
Amounts payable at end of year	(10)	(1)
	7	6
C. Cash and cash equivalents		
Cash on hand and balances with banks	11	109

Notes to the company annual financial statements

for the year ended 30 September 2007

	2007 Rm	2006 Rm
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.		
2. Interest in subsidiaries		
Investment	5 985	3 107
Amounts owing by subsidiaries	1 354	2 434
Amounts owing to subsidiaries	(1 072)	(83)
	6 267	5 458
Amounts owing by/(to) subsidiaries are disclosed as follows:		
Amounts owing by subsidiaries		
Non-current	1 354	1 645
Current		789
	1 354	2 434
Amounts owing to subsidiaries		
Non-current		(83)
Current	(1 072)	
	(1 072)	(83)
Details of the Company's principal subsidiaries are reflected in Annexure A.		
3. Financial asset – Derivative financial instruments		
Cross-currency swap contract	188	422
Refer to note 31 of the Group annual financial statements.		
4. Investments and loans		
Held-for-trading investments		5
Held-for-trading investments comprise:		
Listed		
Biopure Corporation (166 667 shares)		1
Advtech Limited (1 400 000 shares)		4
		5
5. Accounts receivable		
Other debtors and prepayments	82	61
6. Cash and cash equivalents		
Cash on hand and balances with banks (South African Rand)	11	109

	2007 Number of shares (m)	2006 Number of shares (m)	2007 Rm	2006 Rm
7. Ordinary share capital and premium				
Authorised				
Ordinary shares of 1,0 cent each	2 500	2 500	25	25
Issued				
Shares in issue at beginning of year	1 779	1 710	18	17
Shares issued during the year	62	199	1	2
Shares repurchased during the year		(130)		(1)
Shares in issue at end of year	1 841	1 779	19	18
Share premium				
Balance at beginning of year			1 524	472
Share premium arising on issue of shares			668	1 686
Share issue and listing expenses				(10)
Repurchase of shares				(133)
Reductions of capital			(514)	(491)
Balance at end of year			1 678	1 524
Total issued ordinary share capital and premium			1 697	1 542

Refer to note 11 of the Group financial statements for further details.

	Option premium on convertible bond Rm	Investment fair value reserve Rm	Surplus on disposal of subsidiaries Rm	Share-based payment reserve Rm	Total Rm
8. Other reserves					
Balance at 1 October 2005		161	477	6	644
Share-based payments reserve movements				78	78
Balance at 30 September 2006		161	477	84	722
Issue of convertible bond	172				172
Share-based payments reserve movements				27	27
Balance at 30 September 2007	172	161	477	111	921

A statement of recognised income and expenses has not been prepared as there were no amounts recognised directly in equity.

	2007 Rm	2006 Rm
9. Retained earnings		
Balance at beginning of year	517	33
(Loss)/profit for the year	(109)	1 440
Repurchase and cancellation of shares		(944)
Preference dividends paid	(30)	(12)
Balance at end of year	378	517

Notes to the company annual financial statements continued

for the year ended 30 September 2007

	2007 Number of shares (m)	2006 Number of shares (m)	2007 Rm	2006 Rm
10. Preference share capital and premium				
Authorised				
Variable rate, cumulative, non-redeemable, non-convertible preference shares of 50,0 cents each	10	10	5	5
Issued				
In issue at beginning of year	7		3	
Shares issued during the year		7		3
Shares in issue at end of year	7	7	3	3
Share premium				
Balance at beginning of year			641	
Share premium arising on issue of shares				647
Share issue expenses				(6)
Balance at end of year			641	641
Total issued preference share capital and premium			644	644
Refer to note 14 of the Group financial statements for further details.				
11. Long-term debt				
Total South African Rand debt			2 809	2 593
Short-term portion (refer to note 14)				(1 185)
Total long-term debt (South African Rand)			2 809	1 408
Loan details				
Terms of repayment				
Convertible bond				
The bonds are convertible into Netcare ordinary shares in 2011			1 446	
Refer to note 15 of the Group financial statements for further details.				
Unsecured liabilities				
Unsecured liability repayable in full in 2009, bearing interest at LIBOR + 1,7% variable			1 363	2 593
			2 809	2 593
Maturity profile				
Within 1 year				1 185
Between 1 and 2 years			1 363	
In 2 years or more			1 446	1 408
			2 809	2 593

	2007 Rm	2006 Rm
12. Deferred taxation liability		
Reconciliation of movement		
Balance at beginning of year	11	40
Current year charge per the income statement (refer to note 18)	(25)	(29)
Other	90	
Balance at the end of the year	76	11
Arising from the following temporary differences:		
Prepayments	2	
Option premium on convertible bond	74	
Other temporary differences		11
	76	11
13. Accounts payable		
Other payables	7	18
14. Short-term debt		
Total South African Rand short-term debt	6	1 192
Comprising:		
Short-term portion of long-term debt (refer to note 11)		1 185
Other	6	7
	6	1 192
15. Operating loss		
After charging:		
Impairment of investments	614	6
Share-based payment expense – HPFL		58
After crediting:		
Fair value adjustments on investments		16
Profit on disposal of investments		6
Reversal of impairment of investments	239	
16. Financial income		
Dividends received	181	1 512
Interest received	398	143
	579	1 655
17. Financial expenses		
Foreign exchange losses (net)	11	123
Interest paid	311	78
	322	201

Notes to the company annual financial statements continued
for the year ended 30 September 2007

	2007 Rm	2006 Rm
18. Taxation		
South African normal taxation		
Current year	22	
Prior years		(2)
Capital gains tax	(8)	8
	14	6
STC	2	
Income tax	16	6
Deferred taxation		
Current year	(14)	(29)
Prior years	(11)	
	(25)	(29)
Total taxation per the income statement	(9)	(23)
Reconciliation of effective taxation rate (%)		
South African normal tax rate	29	29
Adjusted for:		
Exempt income	35	(31)
Tax losses	10	
Capital gains tax		1
Permanent differences	(79)	1
Prior year adjustments	8	
Other	4	(2)
Effective taxation rate	7	(2)
Estimated taxation losses		
Unused tax losses available for set-off against future taxable income		50
19. Contingent liabilities		
19.1 Guarantees		
<ul style="list-style-type: none"> • 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	70
<ul style="list-style-type: none"> • Guarantees covering the obligations of certain subsidiaries of Community. 	86	86
<ul style="list-style-type: none"> • Guarantees covering certain educational loan obligations of employees. 	20	20
<ul style="list-style-type: none"> • The Company has provided guarantees in respect of securing certain subsidiaries' loan finance obligations. 		1 768
<ul style="list-style-type: none"> • Guarantee and indemnity provided to a supplier of a subsidiary in the United Kingdom. 	14	15
<ul style="list-style-type: none"> • Guarantee provided for certain obligations of its subsidiary in the United Kingdom relating to the company's obligation under sales contracts. 	98	102
19.2 Suretyships		
<ul style="list-style-type: none"> • Surety for certain performance obligations relating to the construction of hospital buildings for the Free State Health Department. 	51	51
<ul style="list-style-type: none"> • Guarantees to banks 	42	36

20. Comparative information

Reclassifications

The following reclassifications to the 30 September 2006 balance sheet and income statement have been made:

Interest in subsidiaries

Amounts owing by subsidiaries of R493 million at 30 September 2006 have been included as part of the investment in subsidiary.

Financial income

Fair value adjustments on investments and profit on disposal of investments have been reclassified to other income. These reclassifications amounted to R22 million.

Financial expenses

Impairment of investments has been reclassified to administrative and other expenses. This reclassification amounted to R6 million.

	2007 Rm	2006 Rm
21. Related parties		
Related party transactions		
Various transactions were entered into by the Company during the period with related parties. Details of loan balances and the investment in subsidiaries are disclosed in Annexure A.		
The following is a summary of transactions with related parties during the year:		
Dividends received		
Clinical Partners (Proprietary) Limited	4	
Netcare Hospital Group (Proprietary) Limited		1 486
Netcare Health Systems (Proprietary) Limited	150	
The Netcare Trust	27	26
	181	1 512
Interest received		
Clindeb Investments (Proprietary) Limited	395	28
Medicross Healthcare Group (Proprietary) Limited		112
	395	140
Key management personnel		
Refer to note 32 of the Group annual financial statements.		

Annexure A

Interest in subsidiaries

Principal subsidiaries	Nature of business	Issued share capital	Effective Group holding		Investment		Loans to/(from) subsidiaries	
		Rm	2007 %	2006 %	2007 Rm	2006 Rm	2007 Rm	2006 Rm
Direct								
Clinical Partners (Proprietary) Limited	Specialised managed healthcare		100	100			(2)	
Medicross Healthcare Group (Proprietary) Limited	Healthcare services		100	100	381	181		
Netcare 911 (Proprietary) Limited	Emergency medical services		100	100	6			
Netcare Finance Company (Proprietary) Limited	Financing		100	100				(83)
Netcare Health Systems (Proprietary) Limited	Healthcare management services		100	100				
Netcare Hospital Group (Proprietary) Limited	Investment holding		100	100	8			
Netcare Hospitals (Proprietary) Limited	Hospital/healthcare services		100	100	13			
Netcare International SA (Proprietary) Limited	Investment holding		100	100	1			
Netcare Management (Proprietary) Limited	Management services		100	100	1 444	312		
Netcare Prefshare Holdings (Proprietary) Limited	Investment holding		100	100				156
Netcare Redeemable Preference Share Investments (Proprietary) Limited	Financing		100	100				
Netpartner Investments Limited	Investment holding	6	100	100	3 399	1 275		
Indirect								
Alberlito Hospital (Proprietary) Limited	Hospital/healthcare services		80	80				
Alberlito Hospital Properties (Proprietary) Limited	Property owning		80	80				
Clindeb Investments (Proprietary) Limited	Financing		100	100			1 354	1 645
Constantia Clinic (Proprietary) Limited	Hospital/healthcare services		50	50				
General Healthcare Group Limited (note 4)	Hospital/healthcare services	12	50	53				
Netcare Healthcare UK Limited (note 4)	Healthcare services		50	53				
Netcare Hospital Management (Proprietary) Limited	Management services		100	100				633
Netcare Institute of Cellular and Molecular Medicine (Proprietary) Limited	Provision of and investment in molecular medicine technology		90	90				
Netcare Life Limited	Life insurance		100	100				
Netcare Pretoria 3 (Proprietary) Limited	Hospital/healthcare services		70	70				
Netcare Property Holdings (Proprietary) Limited	Property owning		100	100				
Netcare Waterberg Lodge (Proprietary) Limited	Lodge service		100	100				
Optiklin (Proprietary) Limited	Hospital/healthcare services		100	100				
Pedalclip Limited (note 4)	Investment holding		50	53				
Prime Cure Holdings (Proprietary) Limited	Primary care		100	100				
St Augustine's Hyperbaric Joint Venture (Proprietary) Limited	Hyperbaric oxygen therapy		61	61				
Other					733	1 339	(1 070)	
					5 985	3 107	282	2 351

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. Incorporated in the United Kingdom.

Annexure B

Investment in associated companies

Company	Country of incorporation	Nature of business	Percentage holding		Carrying value		Year-end other than 30 September
			2007 %	2006 %	2007 Rm	2006 Rm	
Chaucer Diagnostics Limited	United Kingdom	Providers of MRI scanning	49	49	6	5	30 April
Community Hospital Group (Proprietary) Limited	South Africa	Hospital/healthcare services	44	44	182	136	31 March
Community Hospital Management Limited	South Africa	Hospital/healthcare services	25	25	6	28	
Garden Hospital MRI Limited	United Kingdom	Providers of MRI scanning	40	40	4	5	31 December
Healthshare Health Solutions (Proprietary) Limited	South Africa	Hospital/healthcare services	45	45	13	11	30 June
KOPM Investment Holdings (Proprietary) Limited	South Africa	Investment company which owns Lesedi Hospital	45	45	52	45	
Meriden Hospital Advanced Imaging Centre Limited	United Kingdom	Providers of MRI scanning	50	50	3		31 October
Three Shires Hospital Limited	United Kingdom	Hospital/healthcare services	50	50	13	9	31 March
Other	South Africa				3	3	
Total investment in associated companies					282	242	

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 balance sheet and income statement

The Group's effective share of income statement and balance sheet items in respect of associated companies is as follows:

	2007 Rm	2006 Rm
Income statement		
Revenue	307	253
Operating profit	58	49
Financial income and expenses	(11)	(11)
Profit before taxation	47	38
Taxation	(15)	(11)
Profit after taxation	32	27
Adjustment for cross holding with Netpartner		1
Attributable earnings of associates	32	28
Balance sheet		
Non-current assets	297	148
Current assets	155	95
Total assets	452	243
Equity	87	59
Non-current liabilities	225	109
Current liabilities	140	75
Total equity and liabilities	452	243

Financial statements

Annexure C

Interest in joint ventures

Company	Nature of business	Percentage holding		Carrying value	
		2007 %	2006 %	2007 Rm	2006 Rm
National Renal Care (Proprietary) Limited	Providers of acute and chronic renal care	50	50		
Olivedale Clinic Oncology Centre (Proprietary) Limited	Providers of radiation therapy treatments	50	50	(2)	(1)
Parklands Stereotactic Radiosurgery (Proprietary) Limited	Providers of stereotactic radiosurgery	50	50	(1)	(1)
Rand Clinic Oncology Centre (Proprietary) Limited	Providers of radiation therapy treatments	50	50	(14)	(9)
Other					(1)
Total interest in joint ventures				(17)	(12)
Included in:					
Accounts receivable (refer to note 8 of the Group annual financial statements)					
					2
Accounts payable (refer to note 19 of the Group annual financial statements)					
				(17)	(14)
				(17)	(12)

Notes

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

Summarised balance sheet and income statement

The Group's effective share of income statement and balance sheet items in respect of joint ventures is as follows:

	2007 Rm	2006 Rm
Income statement		
Revenue	141	579
Operating profit	27	125
Financial income and expenses		(11)
Profit before taxation	27	114
Taxation	(4)	(10)
Profit after taxation	23	104
Balance sheet		
Non-current assets	46	115
Current assets	20	136
Total assets	66	251
Equity	24	157
Non-current liabilities	18	24
Current liabilities	24	70
Total equity and liabilities	66	251

Analysis of shareholders

at 30 September 2007

Analysis of shareholding

Breakdown of shares	Number of shareholders	% of shareholders	Number of shares	% of issued shares
1 – 1 000	6 808	36,70%	2 133 220	0,17%
1 001 – 50 000	10 819	58,32%	79 098 634	6,36%
50 001 – 100 000	297	1,60%	21 305 732	1,71%
100 001 – 10 000 000	610	3,29%	587 511 620	47,20%
10 000 001 – 250 000 000	17	0,09%	554 716 288	44,56%
Total	18 551	100,00%	1 244 765 494	100,00%

Distribution of shareholders

Category

Individuals	13 876	74,80%	85 080 328	6,84%
Companies	726	3,91%	11 121 953	0,89%
Investment and trust companies	3 692	19,90%	1 054 293 954	84,70%
Nominee companies	9	0,05%	1 405 741	0,11%
Other corporate bodies	248	1,34%	92 863 518	7,46%
Total	18 551	100,00%	1 244 765 494	100,00%

Share ownership at 30 September 2007 (Percentages are based on shares in issue less treasury shares) – 1 244 765 494 (2006: 1 182 421 777)

Major individual holdings (excluding directors: for directors' shareholdings see directors' remuneration report on page 107). 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 2007 which represent 5,0% or more of the total issued shares of the Company were:

	Number of shares	Percentage of issued shares
The Public Investment Corporation Limited	21 104 966	17,2%
HPFL Trusts	160 000 000	12,9%

Notes:

Shareholder spread

- 18 543 public shareholders held 95,25% of shares issued and eight non-public shareholders (including directors) held 4,75%.
- There were no "non-public" shareholders holding in excess of 10,0% of the share capital of the Company.

Diary

	2008
Final reduction of capital paid	21 January
Annual general meeting	25 January
UK investor site visits	March
Perpetual preference share dividend declared	April and October
Convertible bond coupon payment	March and September
Interim results	May
SA investor site visits	August
Final results announcement	November

Administration

Company registration number

1996/008242/06

Company secretary

Joel Wolpert

Telephone: +27 (0) 11 301 0280

Joel.wolpert@netcare.co.za

Business address and registered office

Network Healthcare Holdings Limited

76 Maude Street (corner West Street)

Sandton 2196

Private Bag X34, Benmore 2010

Telephone: +27 (0) 11 301 0000

JSE information

JSE share code: NTC (Ordinary shares)

ISIN code: ZAE000011953

JSE share code: NTCP (Preference shares)

ISIN code: ZAE000081121

Customer call centre

0860 NETCARE

customer.service@netcare.co.za

Investor relations

Belinda Williams

Telephone: +27 (0) 11 301 0211

belinda.williams@netcare.co.za

Fraud line

0860 fraud 1

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.ampath.co.za

www.genecare.co.za

www.ghg.co.uk

www.travelclinics.co.za

Transfer secretaries

Ultra Registrars (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, Sandton 2196

Private Bag X28, Benmore 2010

Principal bankers

Nedcor Bank Limited

Investec Bank Limited

Attorneys

HR Levin Attorneys

Kentgate, 64 Kent Road (cnr Oxford Road)

Dunkeld 2196

PO Box 52235, Saxonwold 2193

Sponsor

Merrill Lynch South Africa (Proprietary) Limited

Registration number 1995/001805/07

138 West Street, Sandown, Sandton 2196