



In November 2007, the JSE announced that Netcare had met the requirements to be included in the 2007 JSE SRI Index. Netcare's corporate responsibility disciplines reflect a commitment to build and sustain the trust of its stakeholders whilst endeavouring to optimise shareholder value in its strategy of meeting the healthcare needs of its markets.

Joel Wolpert *Company Secretary*



Netcare's corporate governance philosophy

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

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

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

Netcare will continue to demonstrate the link between its corporate governance practices and its role as an enhancer of business prosperity.

Introduction

Netcare recognises that a company's corporate governance policies form an integral part of the overall strategy by which it intends to meet its commitments to its stakeholders. Within the Netcare business structure, corporate governance is embedded in the organisation's structure, values, policies, processes and systems and is not viewed in isolation as a series of peripheral guidelines on which a company must report simply to meet its regulatory obligations.

Netcare appreciates that the maintenance of the highest standards of corporate governance are necessary to ensure its status as a corporate citizen, and has adopted the "comply or explain" approach in its current and proposed application of corporate governance best practice; we have deliberately avoided the 'box-ticking' approach in assessing our corporate governance strategy and bear in mind the size and complexity of our business as well as the nature of the risks and challenges facing it, whilst recognising the business primacy of value creation as a key driver in corporate performance.

The Netcare Group subscribes to the highest level of corporate governance tenets and processes and is committed to complying with the recommendations contained in the Code of Corporate Practices and Conduct as set out in the second King Report on Corporate Governance for South Africa 2002 ("King II"), most elements of which are either formally or informally in place. In addition, Netcare's Corporate Governance standards are incorporated into the Group's overall balanced scorecard performance appraisal programme.

Netcare complied with the King Code throughout the year ended 30 September 2007, except for the following:

- ➔ The Board Chair is not independent (The Chair, whose position became non-executive on 1 March 2005, is a founding shareholder of the Group and his unique skills, experience, competence and business and corporate network are regarded as value adding to Netcare).
- ➔ The Audit Committee is chaired by a non-executive director who is the senior partner of the Group's external legal advisers and therefore not independent.
- ➔ The Audit Committee does not have a majority of independent non-executive directors.
- ➔ The Remuneration Committee does not have a majority of independent non-executive directors and is chaired by a non-executive director who is also the Chair of the Audit Committee.

- ➔ The Risk Committee does not have a majority of independent non-executive directors.
- ➔ The Nominations Committee is composed of a majority of independent non-executive directors and is not chaired by the Board Chair, but by an independent non-executive director (Board Chair is not independent).

Significant developments planned for the future are:

- a. The elevation of the Transformation Committee to a holding company board committee status being chaired by an independent non-executive director.
- b. The implementation of activities for a new holding company board committee, namely the Quality Assurance and Clinical Risk Audit Committee, also chaired by an independent non-executive director. The formation of this committee was driven by Netcare's recognition of the importance of Clinical Governance in the delivery of its operational objectives.
- c. Augmenting the independence of committee Chairs as necessary.
- d. Implementing a formal board evaluation process.

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

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

Netcare is cognisant of the dynamic nature of corporate governance and reviews current and emerging trends in benchmarking the Group's governance systems against local and international best practice.

Role and composition of the Board

Netcare believes that the composition, attitude and functioning of its Board contribute to its effectiveness in fulfilling its responsibility for the success and prosperity of the Group.

Netcare has a unitary Board structure and the Netcare Board is considered to comprise an appropriate balance of executive and non-executive directors (total Board membership is 13 directors of which four are executive – five of the nine non-executive directors are independent). The classification of directors into executive, non-executive and independent, is reflected on pages 10 and 11.

The following changes occurred in the composition of the Board:

- On 1 September 2007, N Weltman's status changed from executive director to that of non-executive director; and
- On 9 November 2007, Dr R Noach resigned as an executive director with effect from 14 December 2007.

Board of directors – role and functions

The governance structure of the Group is reflected in the diagram on page 59.

The Board currently comprises nine non-executive and four executive directors. Five of the nine non-executive directors are classifiable as independent.

The Board Chair is a non-executive director.

The diversity of the Netcare Board brings together a wealth of experience and expertise from the directors' broad fields of business activity to ensure the effective leadership of Netcare into the future.

A Board Charter is in place which defines the Board's responsibilities for:

- approving corporate philosophy, vision, mission and ethical values;
- approving strategic plans, operating policies and implementing organisation structure;
- identifying appropriate performance indices;
- monitoring and evaluating performance against plans;
- ensuring compliance with relevant legislation, regulations and corporate policy;

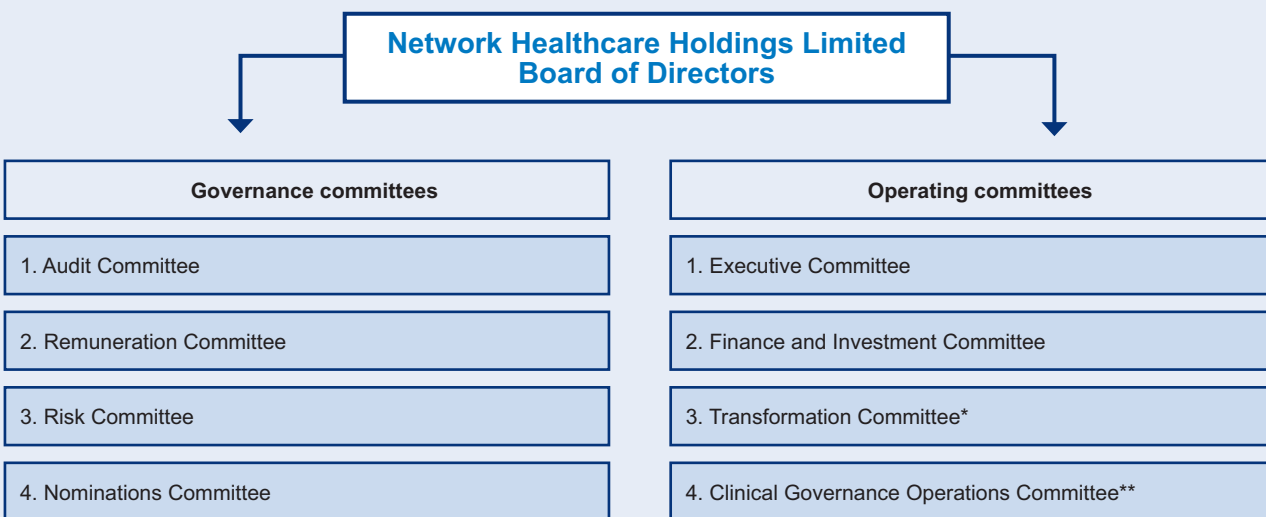
- approving internal and external communication protocols and monitoring relations with shareholders and other stakeholders;
- implementing risk management and internal control;
- establishing appropriate Board committees;
- selecting, monitoring, evaluating and compensating directors and key management personnel;
- succession planning; and
- assessing the Board's own effectiveness.

The Board retains full and effective control over the organisation; decisions on material matters are reserved for the Board. The Board meets at least four times annually and more frequently if circumstances or decisions require it. Standing subcommittees of the Board have been appointed, details of which are set out below, while ad hoc subcommittees are created as and when necessary. The Board has also adopted, and regularly reviews, an authority policy governing the authority delegated to the management of the Group and setting out which matters are retained for decision by the Board.

The Board has unrestricted access to all information, records and documents to enable it to discharge its responsibilities. Information needs of the Board are reviewed and appropriate procedures exist for informing and briefing Board members prior to Board and committee meetings. The Board agenda is designed to focus on strategy and performance monitoring, governance and related matters.

The Board recognises the importance of promoting entrepreneurial flair whilst ensuring conformance with governance and other compliance realities.

No executive director has a service contract exceeding two years. Generally, directors have no fixed term of appointment but retire by rotation every three years and, if available, are considered for re-appointment at the annual general meeting; the CEO is not required to offer himself for re-election.



*After the financial year end, the Transformation Committee was elevated to a holding company board committee status being chaired by an independent non-executive director (the existing Transformation Committee will continue to operate on a task-force basis).

**A new holding company board committee has been formed, namely the Quality Assurance and Clinical Risk Audit Committee, also chaired by an independent non-executive director. The formation of this committee was driven by Netcare's recognition of the importance of clinical governance in the delivery of its operational objectives.

Committees of the Board

Governance committees

Audit Committee

Members

- HR Levin (Chair) – non-executive director
- Dr APH Jammine – independent non-executive director
- Advocate K Moroka (appointed 9 May 2007) – independent non-executive director
- MI Sacks – non-executive director

Terms of reference

- Review of internal and external financial reporting;
- Monitoring internal control systems;
- Management of internal audit processes;
- External audit scope and relationship; and
- Review of compliance with legislation, regulation and internal policies.

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

Remuneration Committee

Members

- HR Levin (Chair) – non-executive director
- Dr APH Jammine – independent non-executive director
- AA Ngcaba (appointed 14 March 2007) – independent non-executive director
- MI Sacks – non-executive director

Terms of reference

- Development of remuneration philosophy and strategy for the Group;
- Determination of Group policy regarding executive remuneration;
- Determination of specific remuneration packages for executive directors and senior management; and
- Recommendation, for approval by the Company in general meeting, of fees payable to non-executive directors.

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

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

Risk Committee

Members

- JM Kahn (Chair) – independent non-executive director
- Dr RH Friedland – executive director
- Professor TR Mokoena (appointed 29 May 2007) – independent non-executive director
- PG Nelson – executive director
- MI Sacks – non-executive director

Terms of reference

- Determination of policy regarding Group risk appetite;
- Identification and assessment of risks facing the Group;
- Determination of nature, role, responsibility, authority and scope of risk management function in the Group;
- Development of procedures to quantify and measure risks; and
- Development of risk mitigation action plans.

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

Nominations Committee

Members

- Dr APH Jammie (Chair) – independent non-executive director
- JM Kahn – independent non-executive director
- MI Sacks – non-executive director

Terms of reference

- Review structure, size and composition of the Board and its committees;
- Evaluate leadership needs of the organisation and succession planning; and
- Identify and nominate candidates for Board appointment.

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

Operating committees

Executive Committee (“ExCo”)

Members

Directors of Network Healthcare Holdings Limited

- Dr RH Friedland (Chief Executive Officer)
- IM Davis (Group Pharmacy Director)
- Dr VLJ Lithakanyane (Executive Director)
- PG Nelson (Chief Financial Officer)

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

- E Brannigan (Group Nursing Director)
- M da Costa (Health Policy Director)
- J du Plessis (CEO Primary Care)
- MB Nkosi (Marketing Director)
- P Warrener (Group Human Resources Director)

Terms of reference

- Strategic direction;
- Competitive landscape;
- Business philosophy and practices;
- Human resource management;
- Information systems management;
- Business plans/annual budget;
- Operational policies and procedures;
- Design and monitoring of key performance indicators; and
- Evaluation of performance against targets.

Finance and Investment Committee

Members

- Chair – PG Nelson (Chief Financial Officer)

Membership comprises three executive directors, the non-executive chair and a member of ExCo.

Terms of reference

- Capital raising and administration of banking facilities and relationships;
- Evaluation of acquisitions and capital expenditure;
- Determination of budget parameters;
- Treasury protocol;
- Accounting policies;
- Taxation;
- Dividend policy; and
- Transaction approval frameworks.

Transformation Committee

Members

- Chair – Dr VLJ Lithakanyane (Executive Director)

Membership comprises two executive directors, various ExCo members and other senior managers.

Terms of reference

- Participation in development of Health Sector Charter;
- Implementation of transformation strategies at Netcare;
- Review of BEE legislation/regulations; and
- Liaison with relevant stakeholders regarding BEE targets.

After the financial year end, the Transformation Committee was elevated to a holding company board committee status being chaired by an independent non-executive director (the existing Transformation Committee will continue to operate on a task-force basis).

Clinical Governance Operations Committee

Members

→ Chair – VLJ Litlhakanyane (Executive Director)

Membership comprises various ExCo members and other senior managers.

Terms of reference

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

During the financial year, a new holding company Board committee was formed, namely the Quality Assurance and Clinical Risk Audit Committee, also chaired by an independent non-executive director. The formation of this committee was driven by Netcare's recognition of the importance of clinical governance in the delivery of its operational objectives.

Professional advice

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

Appointment mechanisms

The Nominations Committee considers executive succession planning and makes appropriate recommendations regarding appointments to the Board. This process encompasses an evaluation of the skills, knowledge and experience required to implement Group strategy as well as relevant consideration of transformation imperatives. All recommended appointments are processed in terms of a formal and transparent procedure by the full Board of directors acting within its powers under the Articles of Association.

Attendance at Board/Committee meetings

during the year ended 30 September 2007

	Board		Audit		Remuneration		Risk		Nominations	
	A	B	A	B	A	B	A	B	A	B
MI Sacks	5 (Note 1)	4 (Note 2)	3	3	3	3	2	2		
IM Davis	5	5								
Dr RH Friedland	5	5					2	2		
Dr APH Jammie	5	5	3	3	3	3	2	2	(Note 1)	
JM Kahn	5	5					2	2		
HR Levin	5	5	3 (Note 1)	3	3 (Note 1)	3				
Dr VLJ Litlhakanyane	5	5								
Professor TR Mokoena	5	5					1	1		
Advocate K Moroka	5	5								
PG Nelson	5	5	3	3			2	2		
AA Ngcaba (Note 2)	5	4								
Dr JA van Rooyen (Note 3)	5	3								
N Weltman	5	5								
Resigned – Dr RN Noach (Note 4)	5	5								

Notes

- Column A – indicates the number of meetings held during the period the director was a member of the Board and/or Committee
Column B – indicates the number of meetings attended during the period the director was a member of the Board and/or Committee
1. Committee Chairperson
 2. Absent with apology
 3. Recused from two meetings
 4. Resigned on 9 November 2007 with effect from 14 December 2007

Institutional best practices

Company secretary

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

The Board has unrestricted access to all company information, records, documents and property to enable it to discharge its responsibilities. The information needs of the Board are reviewed annually. Efficient and timely procedures for informing and briefing Board members prior to Board meetings have been developed.

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

The Company Secretary is qualified to perform his duties in accordance with the applicable legislation and is considered by the Board to be fit and proper for the post.

Closed periods

The Company operates a closed period between its interim and year-end reporting dates and 24 hours after the publication of its interim and final results, and also at times cautionary notices are extant.

During these periods, directors, officers and other designated members of Group management who may have access to price-sensitive information, are precluded from dealing in the Company's shares.

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

Audit and accountability

Audit Committee

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

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

Financial statements

The Board is responsible for preparing the annual financial statements and other information presented in reports to shareholders in a manner that fairly presents the state of affairs and results of the Group's business operations. The external auditors are responsible for carrying out an independent examination of the financial statements in accordance with International Standards on Auditing.

The annual financial statements are prepared in terms of International Financial Reporting Standards, the Companies Act and JSE Limited listing requirements.

The annual financial statements are based on appropriate accounting policies which have been consistently applied and are supported by reasonable and prudent judgements and estimates. The Board of Netcare is satisfied that the annual financial statements fairly represent the state of affairs of the Group as at the end of the financial year and the financial performance and cash flows for the financial year.

Going concern

The financial statements have been prepared on a going concern basis. After making enquiries, the directors have formed a judgement, at the time of approving the annual financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going-concern basis in preparing the annual financial statements.

Internal control and internal audit

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

The internal audit department is a function established at Group level, reporting to the Audit Committee, to assist executive management and the Audit Committee in the effective discharge of their respective responsibilities, by means of independent financial, internal control and operational systems reviews.

The Audit Committee ensures that the internal audit function has the necessary resources and access to information to enable it to fulfil its mandate. The Audit Committee:

- ensures that the Head: Group Audit Services has direct access to the Board chairman and to the Audit Committee and is accountable to the Audit Committee;
- reviews and assesses the annual internal audit work plan;
- receives reports on the results of the internal auditor's work on a periodic basis;
- reviews and monitors management's responsiveness to the internal auditor's findings and recommendations; and
- monitors and assesses the role and effectiveness of the internal audit function in the overall context of the Company's risk management framework.

The Board is confident that major business risks are being identified and managed appropriately and that the risk management and internal control framework is operating effectively.

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

Communication protocols

Investor relations

The Board has established an investor relations (IR) unit. Strict protocols are in place to control the nature, scope and frequency of Group communications with analysts, financial institutions and the financial community in general.

The primary goals of the Netcare IR programme are:

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

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

Disclosure policy

Netcare is committed to fair disclosure of information to its shareholders, the investment community and the public, while preventing selective disclosure of material, non-public information regarding the Netcare Group. Netcare and its management team believe it is in the Group's best interest to maintain active and open communication with shareholders and potential investors regarding Netcare's historic performance and future prospects. The Company is also aware of its need for confidentiality regarding details of key business and operating strategies.

Netcare will endeavour to periodically and regularly communicate with its shareholders and other members of the investment community about its business operations. Netcare will communicate with the investment community and shareholders only through designated representatives. All new material information will be disseminated via a formal press release and SENS to ensure public disclosure.

In line with corporate governance best practice, Netcare conducts investor communication seminars from time to time, details of which are announced via SENS.

Stakeholder communication and relationships

The Board considers that regular communication of the Group's activities to stakeholders is essential and endeavours to timeously present information when appropriate. The Board recognises the Company's ongoing obligation regarding the timely disclosure of all relevant information to shareholders coupled with the equal treatment of all shareholders.

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

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

During closed periods, no communication with the investor community by directors, officers and those designated members of Group management who may have access to price-sensitive information, is permitted.

In line with corporate governance best practice, the Board recognises its responsibility for ensuring that a satisfactory dialogue with shareholders has taken place.

Business risk management

Risk management

The Netcare Group considers that risk management is a basic component of its competitive advantage and, in order to achieve this objective, devotes the required effort and resources to ensure that the risks incurred by the Group in the course of its business activities are appropriately identified, measured, valued and managed. The Board, in conjunction with senior executives, is responsible for overall risk management, which is a process of identifying and managing the risk factors across the Group, and the implementation of appropriate systems of internal control to mitigate risks to an acceptable level.

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

business plans. Risk management practices are incorporated into business operations through control mechanisms, risk awareness training and compliance protocols.

The Group has an independent risk management department which is involved in the implementation and monitoring of processes designed to incorporate a risk management philosophy into the day-to-day activities of the Group. The Risk Management Department ensures that risks are properly controlled, consistent with agreed risk appetite and endeavours to ensure that relevant risk management policies are properly compiled and implemented at each business unit. These policies and procedures include the financing of residual risks as well as self-insurance.

The risk management function is monitored by a Board Risk Committee whose deliberations include consideration of the following factors:

- ➔ the nature and extent of the risks facing the Group;
- ➔ the extent and categories of risk which it regards as acceptable for the Group to bear;
- ➔ the likelihood of the risks concerned materialising;
- ➔ the Group's ability to reduce the incidence and impact on the business of risks that do materialise; and
- ➔ the costs of risk mitigation procedures relative to the benefit thereby obtained in managing the related risks.

The Board Risk Committee formalises and standardises this process by guiding management and assessing their effectiveness on risk management. The required management information and metrics to objectively assess exposure to the key risks are clearly defined and actual performance against these targets are appropriately monitored.

The Group has identified the undermentioned seven major risks as the most significant:

- i. Skill shortages (nursing/medical professionals)
- ii. Industry regulation/legislative/funder regime
- iii. Operational/SAP transition
- iv. Business model/structuring of fee pricing/competitive environment
- v. Brand/medico-legal/reputation
- vi. Impact of HIV/Aids
- vii. Infection control

The Board is satisfied that the Group's risk funding strategy and existing cover are adequate and appropriate in relation to the exposures identified. In addition, the Board has considered

the effectiveness and efficiency of the risk management process, all of which have been corroborated by appropriate compliance reports. Furthermore, in the event of the occurrence of a disastrous incident, there is a documented and tested process in place that will allow the continuity of critical business processes.

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

Sustainability and socio-economic responsibility

Ethics and corporate culture

The task of helping people find a moral compass in the complex world of business is a challenging one. Achieving this is a key leadership objective of the Netcare Board, which strives to ensure that an ethical, values-based culture is embedded throughout the Group.

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

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

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

The Group is mindful of the professional codes which govern the conduct and ethics of health professionals in South Africa. The Group supports the Health Professions Council of South Africa in all its endeavours to enforce any breaches of its code, its principles and its values.

The Group has implemented a Code of Ethics which incorporates the following tenets of the group's value statement:

- Care
- Dignity
- Participation
- Truth
- Passion

The Board has inculcated the appropriate tone at the top to ensure that the values are practised through all levels of the organisation by ensuring that ethical culture is assumed as part of individual responsibility. In this respect, the Board has endeavoured to balance the formality of structured compliance regimes coupled with the development of a personal integrity culture.

Netcare has a zero tolerance approach to any type of fraudulent activity or non-ethical medical practice; it has made available an anonymous hotline facility (Fraud Line – 0860 fraud 1 (0860 372 831) or email fraud@netcare.co.za) for the purpose of reporting dishonest and unethical behaviour. All calls logged on the hotline are reported to the Audit Committee via the Internal Audit framework.

Black economic empowerment

Netcare's black economic empowerment (BEE) strategies and performance against the DTI B-BBEE Codes are contained in the BEE report on pages 66 to 69.

Sustainability review

A sustainability review, detailing the Group's economic, social and environmental performance, is contained on pages 70 to 100.

Black economic empowerment

Introduction

Since listing 10 years ago, Netcare has implicitly understood the importance of transformation, throughout all its operations and within the broader society in which it operates. Recognising that broad-based black economic empowerment (B-BBEE) is a framework that redresses the exclusions and imbalances of apartheid and is a key driver of South Africa's sustainable growth into the future. Netcare continues to support and interact with government and sector bodies to address South Africa's transformation challenges, specifically as they relate to the healthcare sector. Netcare remains committed to the finalisation of the Health Sector Charter process.

Established in 2005, Netcare's Black Economic Empowerment (BEE) and Transformation Committee comprises members from different divisions and grades in the Group. In 2008, the BEE and Transformation Committee will be elevated to a main board committee and will be chaired by an independent non-executive director.

Netcare completed its internal scoring according to the Department of Trade and Industry (DTI) Broad-Based Black Economic Empowerment Codes of Good Practice (the DTI B-BBEE Codes) in April 2007, and in August 2007 external verification agency, Empowerdex, rated Netcare (incorporating Netcare 911 and Medicross) a level 5 (BBB) and Prime Cure a level 4 (A) contributor. The Empowerdex rating was based on data for the year ended 30 September 2006, excluding skills development where the training year ended 31 March 2007 was used.

Areas that will receive top management attention during the coming year include employment equity at management levels and preferential procurement. Netcare is aiming to achieve a level 4 (A) rating in 2008.

Netcare's B-BBEE scorecard

Element	Weighting	Empowerdex score
Ownership	20	13,6
Management control	10	5,1
Employment equity	15	4,4
Skills development	15	11,8
Preferential procurement	20	1,1
Enterprise development	15	15,0
Socio-economic development	5	5,0
	100	56,0

Ownership

In 2005 Netcare concluded a BEE transaction transferring 160 million shares to the Health Partners for Life (HPFL) trusts for a range of beneficiaries in a deal worth R1 billion. Coupled with the BEE retail and company holdings, Netcare's BEE share ownership was 17,3% (2006: 17,8%) and black women ownership of at least 7,0% of votable shares at 30 September 2007.

Netcare's BEE shareholding comprises:

- ➔ 65,9 million shares allocated to black beneficiaries under the HPFL BEE transaction;
- ➔ 18,7 million shares held by black retail shareholders, largely resulting from the previous black doctor ownership in Netpartner now directly owning Netcare shares; and
- ➔ 22,6 million shares held by black trusts and companies including Community Healthcare Holdings Limited and the South African Medical and Dental Practitioners Association (SAMP).

As at 30 September 2007, 109,2 million of the 160 million HPFL shares had been allocated, of which 65,9 million shares or 68,5% were allocated to black beneficiaries.



Sister Roshni Essakjee with patient Sfiso and family at Netcare Park Lane Hospital

Although cleft lip and palate deformities are fairly common, not many people realise that it can be easily rectified. This condition, which affects children across South Africa, causes facial disfigurement and impedes speech. Through a fairly simple surgical procedure, cleft lip and palate deformities can be rectified. Netcare, in association with Vodacom, has launched the “Smiles for You” initiative, which offers free cleft lip and palate treatment for anyone who can’t afford it. Children like Sfiso Mlambo featured here with her mother Emily, father Luke and Sister Roshni Essakjee, unit manager of paediatric ward at Netcare Park Lane Hospital, have benefited from the programme.

HPFL value created

Since the HPFL transaction almost R900 million in equity value has been created for the HPFL beneficiaries and capital distributions of R88 million have been paid in respect of the 160 million shares.

	Share price R	Value of shares Rm	Value of debt Rm
September 2005	6,42	1 027	994
September 2007	11,93	1 909	915

The HPFL trusts are funded in the form of preference shares to the value of R861 million subscribed for by Netcare and in respect of R100 million subscribed for by a third party financier. Dividends on the preference shares subscribed for by Netcare are payable at 72% of the prime rate and the debt will be settled over time by the trusts out of the receipt of dividends and other payments by Netcare. This means that ultimately the trusts will own Netcare shares free of any funding obligations. The external financier's preference shares attract a dividend at a fixed rate of 8,77% and are repayable in full by 28 February 2013. The shares under the control of the trusts have full voting rights, provided that the trustees qualify as independent trustees and have secured the direction of the beneficiaries as to the manner in which these shares should be voted. The beneficiaries of the trusts hold trust units which will entitle them to a specified number of Netcare shares in tranches of 20% per annum over five years commencing in October 2010.

Management control

The Netcare board comprises 13 directors of which four are black directors, including a black woman. Three of the five independent non-executive directors are black. Netcare's board nomination committee aims to increase the level of black participation on the board as members retire in the future. The South African executive committee of nine employees includes two black men.

Employment equity

Black representation in Netcare's employees in South Africa was 61,5% (2006: 59,2%) and black women representation was 49,0% (2006: 48,6%) at 30 September 2007. Netcare's black representation in senior top, middle and junior management

was 10,5%, 20,6% and 46,8%, respectively. The 2008 black representation targets for management have been set at 25%. Employees with disabilities represent 0,4% of total employees, of which 21,9% are black employees.

Netcare's employment equity report for the period ended 30 September 2007 was signed by its unions, DENOSA, HOSPERSA and NEHAWU, on 26 September 2007 and was submitted to the Department of Labour on 1 October 2007.

Skills development

Netcare has a well-established education division operating five training academies across the country together with the Netcare 911 School of Emergency and Critical Care and other programmes focused on pharmacy, catering, general skills and management development training.

The total value of Netcare's training initiatives was R65 million in the training year ended 31 March 2007. This value has been calculated in accordance with the DTI B-BBEE Codes and the enhanced recognition criteria of the Adult Basic Education and Training (ABET) programmes. The total value of training initiatives for black employees is 3,3% of leviabile payroll, ahead of the DTI target of 3% and 768 black employees were registered on learnership programmes, 4,6% of total employees compared to the DTI target of 5%.

Preferential procurement

For the year ended 30 September 2007, Netcare's BEE procurement spend from all suppliers with a recognition level in accordance with the DTI B-BBEE Codes was R886 million (2006: R220 million) or 20,3% (2006: 4,2%) of total measured procurement spend of R4 376 million, compared to the DTI target of 50%. Netcare has a preferential procurement policy in place to increase spending with black-owned and BEE compliant businesses. However, the current preferential procurement score is limited by the relatively low level of adoption of the DTI B-BBEE Codes amongst suppliers. An external consultant has been engaged to assist in increasing the level of compliance with the DTI B-BBEE Codes by suppliers.

Enterprise development

Netcare has been involved in numerous partnerships with black-owned healthcare groups, providing financial support, investment and skills transfer. Netcare's partnership in Community Hospital Group (CHG) with Community Healthcare Holdings Limited (CHHL), a 100% black-owned healthcare investment company is one of the most successful enterprise development case studies in the healthcare sector. In 2002, Netcare acquired a 50% interest in CHG, the hospital division borne out of the Macmed liquidation, owning five hospitals with 682 beds. In August 2007, the Competition Tribunal approved the acquisition by Netcare of the remaining interest of CHG from CHHL for 14,2 million Netcare shares. Today CHHL is one of the leading empowerment companies with interests in several sectors.

Netcare's average annual enterprise development spend over the five years ended 30 September 2006 was R33 million, or 4,9% of South African net profit after taxation, ahead of the DTI target of 3%.

Socio-economic development

In the year ended 30 September 2007, Netcare's group socio-economic development spend was R37 million (2006: R29 million), 4,7% of South African net profit after taxation. In the year ended 30 September 2006, Netcare's cost of socio-economic development projects for black beneficiaries as measured for the Empowerdex rating was estimated at R15 million or 1,5% of South African net profit after taxation, ahead of the DTI's target of 1,0%.

Netcare's socio-economic development is focused on increasing accessibility to private healthcare and supporting the local communities where hospitals and clinics are located. At the heart of Netcare's commitment to providing greater accessibility, is Netcare 911's response to all requests for emergency assistance regardless of a patient's financial standing. Netcare 911 spent R18 million in 2007 (2006: R18 million) attending to approximately 15 300 indigent patients.

Working in partnership with other corporates Netcare has several programmes to ensure the provision of private healthcare services to indigent and rural patients including "Sight for Life" (cataract operations); "Netcare Vodacom Smiles for You" (cleft lip and palate); "Hear for Life" (cochlear implants) Walter Sisulu Paediatric Cardiac Centre for Africa (cardiac operations); and Phelophepa Train (dental services).

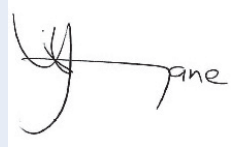
Netcare believes that meaningful partnerships with government will go a long way to ensure that we address the inequities in the provision of healthcare. Netcare has two public private partnerships with government in hospital management in the Free State and the Eastern Cape and has several public private initiatives in the training of healthcare professionals. Netcare has agreed to contribute R2 million over a period of four years to assist government in building new operating theatres for the Red Cross Children's Hospital in Cape Town.

Community involvement projects include Habitat for Humanity, Water Playpumps, Operation Warm-up and free health screening and awareness activities that coincide with the health calendar.



Netcare's values guide the company in its interactions with stakeholders and in conducting its business to ensure long-term sustainable growth. Netcare is proud to be rated a Level 5 BEE contributor by Empowerdex.

Dr Victor Lithakanyane *Executive Director*



Highlights

- Acquired the remaining interest in Community Hospital Group
- 17-year PPP concession agreement signed with the Eastern Cape Department of Health
- Neonatal and trauma clinical governance systems implemented
- Addressing the nursing skills shortages through the "Training 4 000" nurses programme
- Expanded primary care network to 3 300 predominantly black doctors
- HIV/Aids VCT rolled out to five sites
- Environmentally friendly laundry commissioned

Awards/Ratings

- Awarded one of the Top Empowered Companies by Impumelelo, Top Companies
- Netcare and Prime Cure rated Level 5 and 4 BEE contributors respectively by Empowerdex
- ABSA Healthcare Award for Netcare Park Lane Hospital's Cleft Lip and Palate programme
- Sunday Times Markinor Brand Award to Netcare 911
- Employer of Choice awards – Sixth place in Deloitte's "Best Company to Work for" and tenth place in Corporate Research Foundation's "Employer of Choice"
- Dealmakers "Deal of the Year" award for GHG acquisition
- Appointment of Netcare 911's medical director, as chairman of the International Assistance Group

Introduction

Performance summary

		2007	2006	Page number
ECONOMIC				
Revenue	Rm	18 607	11 152	113
Operating profit	Rm	2 990	1 578	113
Capital expenditure	Rm	1 389	1 038	105
Reductions of capital	Cents per share	31	27	27
Patients attended to ^{1,2}	millions	4,8	4,4	32
BEE rating	DTI level	Level 4	NA	66
SOCIAL				
Employees	Number	27 730	26 532	78
Employee costs	Rm	6 155	3 799	146
Training spend ¹	Rm	100	86	86
ABC employee representation ¹	%	61,4	57,6	80
HIV/Aids spend ¹	Rm	4	NA	92
Injuries on duty ¹	Number	1 413	1 306	90
Community investment ¹	Rm	37	29	94
ENVIRONMENT				
Energy use ¹	Giga Joules	1 151 853	731 003	100
Water use ¹	Kilo litres	1 682 000	1 613 800	100
Waste (Hazardous) ¹	Tons	3 716	4 753	100

¹SA operations only

²Includes hospital admissions, primary care visits, emergency patients transported and renal dialysis patients

Netcare operates in a highly regulated environment and the interests and expectations of stakeholders are complex and inter-related. It is imperative that Netcare ensures the ongoing support of all stakeholders by having a clear understanding of their respective requirements. Active, ongoing stakeholder engagement informs corporate responsibility strategies and the approach to managing sustainability issues. Netcare aims to balance the interests of diverse stakeholder groups and build effective partnerships, investing in supporting structures to drive and monitor these interactions. This stakeholder focus is incorporated in Netcare's business model, ensuring accountability to all stakeholders in conducting its business.

This sustainability review aims to set out Netcare's strategic priorities and reflects the concerns and priorities of stakeholders. In preparing this sustainability report, Netcare has taken cognisance of the Global Reporting Initiative (GRI) version 3 guidelines, and has aimed to meet the requirements

of an application level C reporter. In line with best practice, an incremental approach is being followed to reporting on sustainability performance. Where available, performance indicators have been included for the UK operations in this review. Netcare will focus on further improving sustainability reporting in this region in 2008.

The Netcare board is responsible for overseeing the Group's economic, social and environmental performance. Risk management is central to Netcare's commitment to sustainable development, and the risk management committee drives a formalised risk management process ensuring that potential non-financial risks and opportunities are identified and appropriately managed. The Quality Assurance and Clinical Risk Audit and the Transformation and BEE committees have been elevated to full board committees. The Group continues to actively monitor material non-financial issues through regular audits and reporting quarterly on progress to the board.

Strategy

Healthcare is an inalienable human right and basic need in every society. As a leading healthcare provider, Netcare is committed to play a meaningful role in the equitable and sustainable development of both private and public healthcare in the markets in which it operates. By harnessing core competencies and resources in close cooperation with national and local government, Netcare can assist to improve and broaden the delivery of affordable, quality healthcare.

In the UK, General Healthcare Group (GHG), Netcare's subsidiary, is an important partner in the National Health Service's 2000 plan to become a world-class, patient-centred public healthcare provider. In South Africa, Netcare continues to develop its network of primary healthcare facilities to provide more citizens with access to affordable quality healthcare, and is working with government on several Public Private Partnerships (PPPs). Netcare continues to engage pro-actively with government on further partnership initiatives.

Stakeholder engagement

Netcare's core business, as an operator of private hospitals and medical facilities, is to provide a hotelling service, nursing care and modern facilities for doctors and specialists to function within. Netcare's product is essentially excellent patient care. Stakeholders therefore include patients, doctors, employees (including nursing, administrative and managerial staff), funders (mainly medical insurance schemes), government, suppliers and investors. A breakdown in Netcare's relationships with any of these stakeholder groups is a key risk to the business.

Patients

People define their experience in hospitals in terms of quality, emotional fulfillment and the service, comfort and convenience experienced during their stay. As consumers, patients are becoming more pro-active in making decisions relating to cost and more patients are using publicly reported quality measures in making their choice of healthcare facility.

Patient concerns include:

- Safe environment with low infection rates;
- The quality of nursing staff; and
- Knowledge of medical procedure and processes.

To ensure that Netcare's facilities meet patient expectations, there is a requirement to:

- Actively address patient complaints;
- Partner with physicians and healthcare service providers to enhance patient care;
- Operate according to a stringent clinical governance framework;
- Provide highly trained and qualified nursing staff;

- Invest in new facilities and upgrade existing facilities; and
- Provide patients with adequate information that is increasingly web-based.

Netcare engages with patients in several ways, including:

- A web-based and telephonic pre-admission facility;
- An inbound and outbound customer call centre;
- An outbound telephonic patient satisfaction survey;
- Discharge SMSs;
- Patient focus groups;
- Brochures; and
- Netcare and related internet websites.

The Patient Rights Charter

The Department of Health of South Africa has issued a Patient Rights Charter to ensure that the general public is informed about their rights and obligations to healthcare. Under the charter, patients are granted the right to have full knowledge of their condition, the right to give informed consent, the right to participate in decisions regarding their health, the right to patient confidentiality and access to health records.

Doctors

Doctors working at Netcare hospitals are private practitioners and are not employed by Netcare, but are primary customers. Research shows that doctors tend to choose the private hospitals they work from based on convenience, access to the best equipment, instruments, medicines and support staff, support services including administration and marketing, and opportunities to develop a successful practice. Netcare's approach is to provide an ideal working environment for doctors with uncompromising quality of care, outstanding nursing and support staff and comprehensive medical infrastructure. Netcare's strategy to ensure good relationships with doctors includes a focused relationship building programme for specialists with GPs.

Each Netcare hospital has a formal Physician Advisory Body (PAB), which is designed to engage the assistance of resident doctors in setting and maintaining the highest quality standards in the clinical aspects of hospital management, and to serve as a peer review platform. A national PAB represents some 70 physicians and focuses on high-level, macro issues including quality management. Also at national level, the Medical Advisory Ethics Committee (MEAC) assists Netcare in clinical governance.

Doctors are offered ongoing professional development opportunities and in 2006 a research initiative was launched to encourage the participation of Netcare hospitals and doctors in clinical research, and to publish their results. The objective of the project is to turn the innovative, evidence-based medicine practised at Netcare hospitals into benchmarking research.

Through Netcare's Excellence Programme, an interactive feedback mechanism, doctors are able to communicate with hospital management on the prevalent issues at each Netcare facility.

Employees

Attracting and retaining the best skills and being recognised as an employer of choice are priorities at Netcare. The national nursing skills shortage has placed specific demands on staff, necessitating greater teamwork, open communication and coping with constant change. The human resources strategy, including training, retention, talent management and attraction, is discussed in more detail on pages 78 to 88. During the year under review Netcare rolled out a Voluntary Counselling and Testing campaign as part of managing HIV/Aids in the workplace and also launched a number of site-specific staff magazines and newsletters to enhance employee engagement. An annual employee satisfaction survey is conducted to obtain feedback and inform strategies to address key issues.

Funders

The majority of Netcare's revenue is derived from medical insurance, the remainder from the self-pay market. Engagement between Netcare and the medical schemes is driven largely by interaction with the medical scheme administrators and relates to issues such as managed care. Open and pro-active working relationships between funders and providers of healthcare services are essential to eliminate the possibility of misunderstandings occurring at the expense of the patient.

Regular liaison meetings and interaction related to operational issues, including payment on queries, contribute to ensuring a low write-off of debtors. Hospital tariff negotiations take place annually. The medical insurance sector and private healthcare sector in South Africa are in the process of finding an alternative tariff model based on shared risk. This is discussed in more detail in the discussion on Affordability of Services in the Economic Section of the Sustainability Review on page 74.

Government

Netcare's relationship with government, particularly in South Africa but also in the UK, is critical to maintaining licences to operate and also contributing to meeting national healthcare challenges.

Netcare is committed to being a trusted and reliable partner to the Ministers and Departments of Health in South Africa and in the UK. National health policy objectives are carefully analysed and incorporated into business strategy in each region. Netcare aims to propose policy changes in a constructive manner, and to promote the implementation of policies that encourage sustainable growth and investment in the sector.

Netcare has established a dedicated policy unit tasked with addressing government's concerns about the private healthcare sector and creating opportunities to partner with government to find solutions to healthcare challenges.

Formal interaction between Netcare and the Department of Health takes place through regular meetings. In addition, Netcare interacts with government through several industry organisations such as the Healthcare Charter Forum, 2010 World Cup Forum and the annual Health Sector Indaba, as well as the Hospital Association of South Africa (HASA).

Investors

Key concerns for Netcare's investors include improved shareholder value, corporate governance, the transformation of the Netcare board and top management, the regulatory uncertainty surrounding healthcare provision in both South Africa and the UK, the quality of management and its ability to execute Netcare's strategy, as well as timely and adequate provision of information. To provide a platform for investors to interact with senior management on material issues affecting the business and management's relevant strategies and plans, Netcare hosted an analyst day in Johannesburg in August 2007.

Suppliers

In selecting suppliers, ISO or internationally accredited companies are given preference over non-accredited companies. Relations with suppliers are governed by the Netcare Supplier Code of Conduct. In addition, both parties commit to the highest standard of ethics when dealing with one another. The Netcare Whistle Blowers Hotline (0860 102 103) is a vehicle for the reporting of unethical behaviour.

Meetings with selected strategic suppliers, at which delivery and quality performance, demand forecasting, pricing and continual improvement are discussed, take place at least quarterly. Other suppliers are visited at least annually. A questionnaire to assess suppliers' perceptions of Netcare is a valuable tool in an effort to be the customer of choice to suppliers. In addition, Netcare conducts a joint audit with selected suppliers annually to evaluate their performance in terms of various criteria ranging from fair pricing, timeousness of delivery, to additional value added services.

Netcare is a key sponsor and strategic partner of the Proudly South African campaign and aims to make all purchases, where logistically possible and commercially viable, from South African suppliers.

Economic

Netcare's strategy to ensure long-term sustainable economic growth is to promote equity of access to quality healthcare by:

- ➔ Increasing access to private healthcare for a larger portion of the population by investing in new facilities and partnering with government;
- ➔ Developing affordable services;
- ➔ Improving the quality of healthcare delivered;
- ➔ Developing skills to the benefit of the public and private sectors; and
- ➔ Investing in black economic empowerment.

Increasing access to private healthcare

In 2007, Netcare invested R800 million (2006: R849 million) in South Africa in new facilities, upgrades to existing facilities and new medical equipment. This investment is helping meet growing demand and broadening access to private healthcare for a greater majority of the population.

Netcare's SA national network	
Hospitals	56
Registered hospital beds	9 546
Pharmacies	86
Primary care clinics	100
Participating doctors for managed care patients	3 300
Netcare 911 operational bases	68
Netcare 911 emergency response vehicles	246
National Renal Care centres	54
Ampath laboratories and depots	290

Patients attended to by Netcare SA	
Hospital admissions	1 million
Scripts dispensed	3 million
Primary care visits	3,6 million
Managed care lives	177 400
Emergency calls attended to by Netcare 911	1 million
Patients transported by Netcare 911	175 600
Renal dialysis sessions	151 000
Ampath pathology requisitions	4,8 million

Corporate social investment

Netcare's corporate social investment funding is focused on increasing access to quality healthcare particularly to those in need of emergency medical care. During the year under review, 17 100 patients were privately treated at a cost to Netcare of R27 million through Netcare 911, the Accident and Emergency Units and the various healthcare accessibility initiatives such as "Hear for Life", "Sight for Life" and the "Netcare Vodacom Smiles for You" (Cleft Lip and Palate).

Public Private Partnerships (PPP)

In November 2006, in collaboration with National Treasury, Netcare organised a PPP study tour to the UK to expose South African senior health policy makers to the model of private and public interaction in which Netcare and the UK National Health Service (NHS) are currently engaged. More than 12 officials from National Treasury, National Department of Health and five provincial departments participated in the study tour.

The Port Alfred and Settlers hospitals

In May 2007 a 17-year PPP concession agreement for the Port Alfred and Settlers hospitals was signed with Eastern Cape Department of Health. The Consortium – Nalithemba Hospitals (Pty) Ltd – managed by Netcare, with Netcare as a 40% shareholder, and a BEE partner 60%, commenced the facelift of Settlers Hospital in Grahamstown and the re-building of Port Alfred Hospital in Port Alfred. The Port Alfred Hospital is due to be commissioned in 2008 with 90 beds, which includes 30 private beds, and Settlers Hospital in 2009 with 152 beds, of which 32 private patients. Initial capital expenditure on the two hospitals, including new equipment, will be over R200 million, with a further R120 million to be spent over the life of the project. Netcare is funding R24 million of the total investment costs.

Universitas and Pelonomi private hospitals

The Universitas and Pelonomi PPP involves the location of about 270 private beds, six operating theatres and 30 ICU beds at the Universitas and Pelonomi state hospitals for 21 years. Netcare assisted the Free State DOH in recruiting highly trained specialists and also funded R25 million of the total investment of around R130 million. A second phase of Pelonomi Private Hospital will be commissioned in November 2007.

Developing affordable services

The challenge in developing affordable services is to balance the need to increase the access of more South Africans to private healthcare with a sector-wide initiative to contain costs.

Recently, there has been much negative media attention related to escalating private medical costs and the issue of rebates.

In 2007, Netcare maintained its annual price increases within or below inflation, despite the pressure on nursing salaries and the significantly increased cost of training. The weighted effective price increase for hospitals was 5,7%, in line with CPIX and medical inflation and below CPI of 6,3%. The weighted effective price increase for primary care was just 2,6%, well below inflation.

The contentious rebate issue centres round the fact that traditionally private hospitals have subsidised low bed and theatre charges with the margin they make dispensing consumables such as pharmaceuticals and consumables. List prices of consumables are set by the vendors of these products and because hospital groups such as Netcare buy these items in bulk, discounting has been standard practice. Recognising that this is an outdated model, from January 2008, Netcare will remove rebates and invoice schemes the net acquisition price.

Netcare believes that the key to containing costs lies in collaborating with funders and healthcare professionals and sharing the risk with them. This can be achieved through a combination of strategies which includes the negotiation of alternative fee schedules, such as *per diem* and fixed fee structures, which transfer the risk of utilisation of surgical and consumable costs from Netcare. Netcare is currently working with other hospital providers to determine a National Health Reference Price List (NHRPL) for hospitals and will make recommendations to the Minister of Health in 2008.

There is a real need for enabling legislation that will further drive affordability of healthcare. This includes amendments to Regulation 158 which governs the building of hospitals, purchasing of pharmaceuticals at state tender prices and possibly the employment of doctors in specific areas.

Improving the quality of private healthcare

Netcare quantifies the quality of its care in terms of clinical outcomes and infection control, within the overall framework of its clinical governance model. Where possible, Netcare participates in benchmarking surveys such as hospital ratings indexes, in order to understand its position relative to the sector.

In May 2005, in keeping with World Health Organisation (WHO) recommendations, Netcare implemented a broad-based clinical governance framework that built on existing practices. In 2006 the framework was expanded to Netcare's ICUs, trauma and infection control areas. In addition Netcare established a Clinical Governance Operational Committee and Medical Advisory Ethics Committee, a body of doctors elected by their peers to assist Netcare on clinical governance issues.

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

Mortality and infection rates are key factors in ensuring consistently high clinical outcomes and maintaining Netcare's reputation as a high quality healthcare provider. Netcare has invested significantly in training and operational structures that minimise the risk of infection.

Mortality rates

September 2007

% of admissions	Netcare	International benchmark
Mortality rate	1,1%	1,0 – 3,0%
Neonatal ICU mortality rate	3,4%	4,31%

Infection rates

September 2007

Per 1000 patient days	Netcare	International benchmark
Hospital acquired infection	2,6	9,3

Economic *continued*

Investment in skills development

Netcare's biggest challenge is the current nursing shortage, a cyclical phenomenon experienced worldwide. In South Africa, the chronic skills shortage is aggravated by the high demand for local nurses overseas, particularly in the UK, Canada, Australia and the Middle East.

Against this backdrop, Netcare South Africa has increased training expenditure to R100 million this year, a 16,3% increase over last year, and implemented a five-year training programme to address the shortage. The aim is to increase registered nurses qualifying in 2008 from 181 to 500 in 2011. In 2007, 3 700 nurses and paramedics were trained

Training in support of public health sector

During 2007, Netcare invested in the following public health care initiatives:

- A five-day training programme in infection control in Ladysmith for the KZN Department;
- Basic Life Support training for registered nurses from ICU, Paediatric, Theatre and Trauma wards from the Port Elizabeth, Livingstone and Dora Nginza hospitals; and
- A three-month nurse upgrade programme for the Uitenhage Provincial Hospital.

Investment in black economic empowerment

Recognising that broad-based black economic empowerment is a framework that drives South Africa's sustainable growth into the future, Netcare has successfully created economic value through its BEE strategies. In particular, meaningful value has been created for the black empowerment partners in Community Hospital Group (CHG).

Since Netcare's BEE deal in October 2005 whereby 160 million shares were transferred to the Health Partners For Life (HPFL) trusts for a range of beneficiaries in a deal worth about R1 billion, almost R900 million in equity value has been created and capital distributions of R88 million have been paid in respect of these 160 million shares.

Value added statement

	Notes	2007 Rm	%	2006* Rm	%
Revenue		18 607		11 152	
Payments to suppliers of materials and services		(5 625)		(3 505)	
		12 982		7 647	
Income from investments [†]		190		148	
Wealth created		13 172	100,0	7 795	100,0
Distributed as follows:					
Employees					
Salaries, wages and other benefits	1	6 155	46,8	3 799	48,7
Providers of capital					
Finance costs [#]		2 348	17,8	951	12,2
Reductions of capital		347	2,6	391	5,0
Preference dividends paid		30	0,2	12	0,2
Minority interest		450	3,4	3 280	42,1
Government	2	590	4,5	383	4,9
Reinvested in the Group to maintain and develop operations					
Retained earnings		2 245	17,0	(1 538)	(19,7)
Depreciation		1 007	7,7	517	6,6
Wealth distributed		13 172	100,0	7 795	100,0
NOTES					
1. Salaries, wages and other benefits					
Salaries, wages, overtime payments, bonuses and allowances		5 478		3 407	
Employer contributions [^]		677		392	
		6 155		3 799	
2. Government					
Central and local government:					
Tax – SA normal and CGT		546		331	
Regional services council levies				14	
Skills development levy		22		18	
Rates and taxes paid to local authorities		22		20	
		590		383	

* Restated to reflect performance of continuing operations

[†] Includes interest received and share of associate's retained profit

[#] Includes interest paid

[^] In respect of pension funds, provident funds, medical aid and insurance

Social – Workplace

Human resources

The quality of Netcare people is central to the running of a patient-centred organisation. The Group's ability to attract, motivate and retain key skills is therefore core to its sustainability, and identifying, developing, advancing and retaining high-calibre employees and managers is a top priority. Netcare has implemented long-term strategies to ensure a readily available pool of clinical skills, while continuing efforts to ensure the workplace reflects the demographics of the countries in which it operates.

Netcare South Africa was awarded sixth place in the large company category of the Deloitte's "Best Companies to Work For" survey, and tenth in the Corporate Research Foundation's Employer of Choice awards. This is the second year Netcare was placed in the top ten and is testament to the quality of Netcare's human resource practices.

Netcare employs over 27 000 people across two continents, South Africa and the United Kingdom.

Number of employees by region

At 30 September	2007	2006	% change
South Africa	18 877	17 718	6,5
United Kingdom	8 853	8 814	0,4
	27 730	26 532	4,5

Netcare's South African employees increased by 6,5% to 18 877 employees and an additional 1 071 agency staff were employed at 30 September 2007. The increase in headcount was due to the commissioning of two new hospitals, increased activity in the hospitals and a reduced nursing vacancy rate.

Employee type by number of employees

At 30 September	South Africa			United Kingdom		
	2007	2006	% change	2007	2006	% change
Executive	38	41	(7,3)	30	21	42,9
Management	1 448	1 399	3,5	280	269	4,1
Professional	5 692	5 586	1,9	3 626	3 599	0,8
Enrolled nursing and support	11 699	10 692	9,4	4 917	4 925	(0,2)
	18 877	17 718	6,5	8 853	8 814	0,4

GHG employees remained relatively flat at 8 853 employees at 30 September 2007. The permanent headcount was reduced by 440 during the year as a result of restructuring. This was offset by the acquisition of Mount Alvernia Hospital and changing the staffing mix to move to a more flexible resourcing structure using bank staff that enables staffing to be closely matched to patient volumes.

Diversity

Netcare encourages a diverse workforce and ensures that the Group's values are included in all policies and procedures. During the year 2 720 employees in South Africa underwent diversity training. The diversity resilience programme for 2008 will focus on creating a culture of appreciation, inquiry and engagement.

Employment equity

Netcare has implemented a five-year Employment Equity (EE) plan with EE targets agreed at executive level and included in management's balanced scorecards. Performance against EE targets therefore impact executive and managerial incentives.

Netcare's national transformation forum meets three times a year with a mandate to monitor company compliance with legislation and transformation policy. In addition, each workplace has a transformation forum comprising employees that are elected to office. The forums consult on EE, employee development and training, and any other employee issues. Stewardship of transformation lies with executive management to facilitate consistent national implementation.



Michelle Koen, Credit Manager, Netcare N1 City Hospital

The annual Netcare 'Night of the Stars' is an event that recognises extraordinary members of staff who have gone beyond and above the call of duty. It recognises the many heroes that reside within Netcare and the many facilities throughout the Group bringing praise to ordinary employees showing an extraordinary level of care, dignity, participation, truth and passion.

Many of the nominees are nominated not because they themselves have acted selflessly to better the life of another, but because they have inspired other to do selfless acts of kindness. One such person is Michelle Koen, a Credit Manager at Netcare N1 City Hospital who received the National Caregiver of the Year 2006 as well as the Coastal Region award.

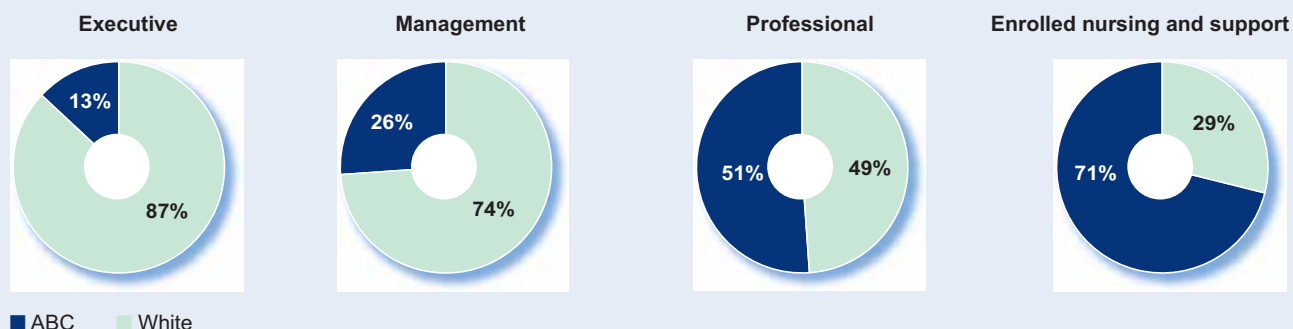
Social – Workplace *continued*

At 30 September 2007, 61,4% of South African employees were Asian, Black and Coloured (ABC) compared to 57,6% in the prior year. The ABC representation improved across all employee levels; however Netcare's employment equity strategy is mainly focused on the management level given good representation at lower levels. ABC representation in management increased from 22% in 2006 to 26% in 2007.

In the year 37,3% (2006: 28,5%) of management promotions and 52,0% (2006: 32,3%) of new management recruitments were ABC. Netcare's strategy for the coming year will remain focused on transforming the management level. The 2008 target for ABC representation in management is set at 29% compared to this year's actual achievement of 26%, ahead of the target of 21%.

Employee type by race (South Africa)

At 30 September 2007



The following table reflects the demographics of the employee base in Netcare South Africa as extracted from the most recent submission to the Department of Labour at 30 September 2007.

Occupational levels	Male			Female				Male White	Foreign Nationals		Total
	African	Coloured	Indian	African	Coloured	Indian	White		Male	Female	
Top management	1						1	4			6
Senior management	2						8	20			32
Professionally qualified and experienced specialists and middle management	16	9	21	17	5	28	221	145	2	2	466
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	219	60	79	1 562	626	605	3 185	350	10	30	6 726
Semi-skilled and discretionary decision making	928	233	228	3 244	1 085	811	2 731	531	6	34	9 831
Unskilled and defined decision making	378	69	6	1 055	216	20	82	53	1		1 880
Total permanent	1 544	371	336	5 878	1 932	1 464	6 228	1 103	19	66	18 941
Non-permanent employees	30	3	7	45	21	15	86	24	2	1	234
Total	1 574	374	343	5 923	1 953	1 479	6 314	1 127	21	67	19 175

Gender diversity

Netcare's diversity programme is structured to identify senior women with potential and fast track their development. There are also specific accelerated programmes in place to attract women to the paramedic profession in South Africa.

In 2007, 78,4% of the South African employees were female compared to 79,5% in the prior year. Female representation

of 26,3% (2006: 26,7%) in the management level remained relatively constant compared to the prior year.

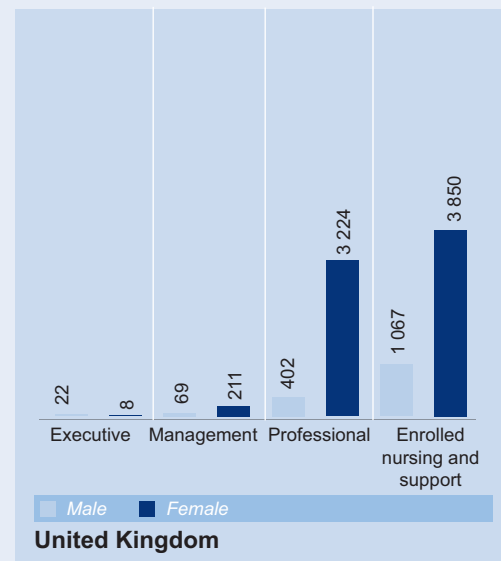
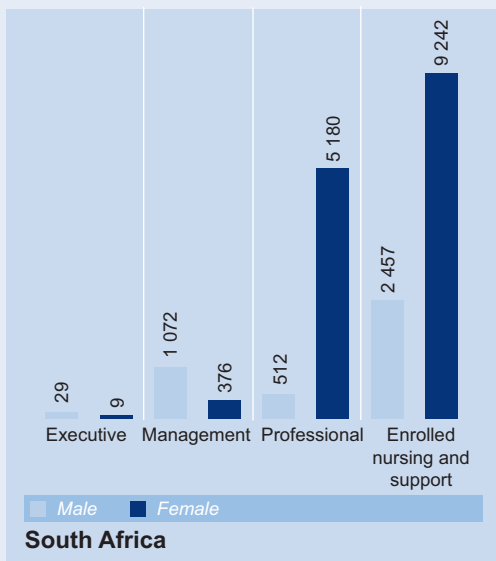
In 2007, 82,4% of the UK employees were female compared to 82,8% in the prior year. Female representation of 75,4% in the management level improved from 72,9% in the prior year.

Employee type by gender profile

At 30 September 2007	South Africa		United Kingdom	
	% Male	% Female	% Male	% Female
Executive	76,3	23,7	73,3	26,7
Management	73,8	26,2	24,6	75,4
Professional	9,4	90,6	11,1	88,9
Enrolled nursing and support	21,2	78,8	21,7	78,3
	21,6	78,4	17,6	82,4

Employee gender profile

at 30 September 2007



Social – Workplace *continued*

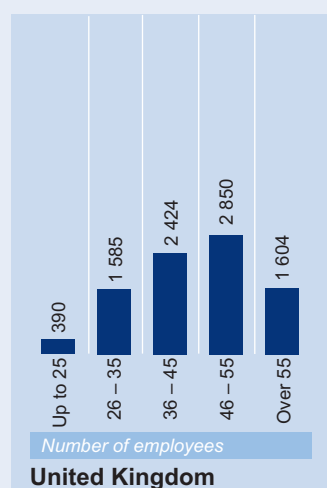
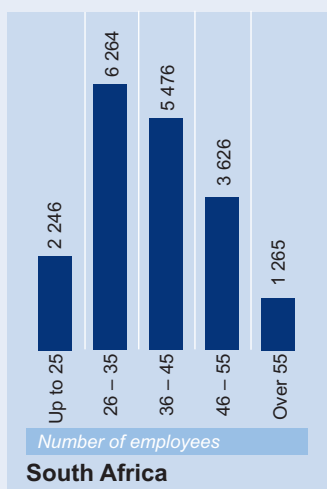
Age diversity

Netcare monitors age diversity across the business to ensure business continuity and skills transfer. Analysing age dynamics is also a requirement for understanding values and drivers of certain age groups to ensure appropriate communication and remuneration approaches.

In 2007, 62,2% (2006: 63,3%) of South African employees were aged between 26 and 45. The number of employees aged under 25 has increased slightly to 11,9% (2006: 10,8%) and the number of employees over the age of 55 has remained constant at 6,7% of employees (2006: 6,6%).

Employee age profile

at 30 September 2007



In 2007, 45,3% (2006: 46,1%) of UK employees were aged between 26 and 45. The number of employees aged under 25 has decreased slightly to 4,4% (2006: 4,7%) and the number of employees over the age of 55 has remained constant at 18,1% of employees (2006: 18,1%).

Employee retention

Employee turnover remains high in Netcare South Africa and in the sector as a result of the national skills shortage. In the year ended 30 September 2007, employee turnover was 19,4% (2006: 18,4%).

A key component of Netcare's retention strategy is the ongoing development of employees and providing opportunities for further learning. In addition, performance-based remuneration and share incentive schemes are in place. In January 2008, a retention programme will be initiated, aimed at retaining employees in core skill areas based on performance and tenure, reducing the employee turnover rate and promoting employee engagement.

Placements and employee movements within the Group's operations in the UK and South Africa show skilled South Africans returning to the country from the UK. Netcare attracted 40 employees back to South Africa in 2007, with 26 taking positions in the UK.

Reconciliation of SA employee numbers

30 September	2007	2006
Opening balance	17 718	16 574
Appointments	4 872	4 108
Additions due to acquisitions		284
Reductions:	3 713	3 248
– resignation	3 056	2 581
– retirement	85	97
– dismissal	199	188
– death	45	45
– other	328	337
Closing balance	18 877	17 718



Jean Tuyisenge, porter at Netcare Rosebank Hospital

The Rwandan genocide left many people wishing they could do something to help. At Netcare, we put those thoughts into action by helping Rwandan genocide victim Jean Tuyisenge. Jean's plight was highlighted by Radio 702's birthday wish list initiative in June 2006. A brutal attack left Jean with a facial injury which made talking and eating difficult. Maxillo-facial surgeons from our Rosebank and Milpark hospitals reconstructed his face in two operations. Inspired by the doctors who helped him, this extraordinary young man is determined to give back. An exceptional student, he was provisionally accepted at Wits Medical School and is currently working as a porter at Netcare Rosebank Hospital while he upgrades his maths and science skills.

Social – Workplace *continued*

Reconciliation of UK employee numbers

30 September	2007	2006
Opening balance	8 814	8 616
Appointments	949	1 311
Additions due to acquisitions	385	
Reductions:	1 295	1 113
– resignation	931	823
– retirement	130	109
– dismissal	69	68
– death	5	8
– other	160	105
Closing balance	8 853	8 814

Employee reward and recognition

Remuneration and benefits are annually benchmarked to ensure that Netcare compensates its employees above the industry average and remains competitive on remuneration and general benefits such as annual leave.

Executive and management performance remuneration can vary as a percentage of basic remuneration (cost to company less company contributions) depending on seniority. Performance incentives are based on individual targets agreed at the beginning of the year in Balanced Scorecards. Balanced Scorecards are linked directly to the Group's six strategic themes and related objectives.

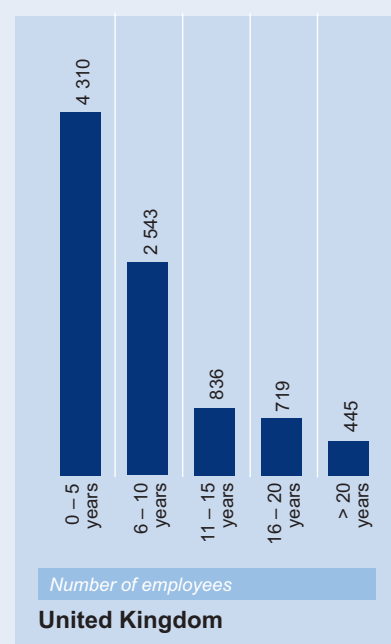
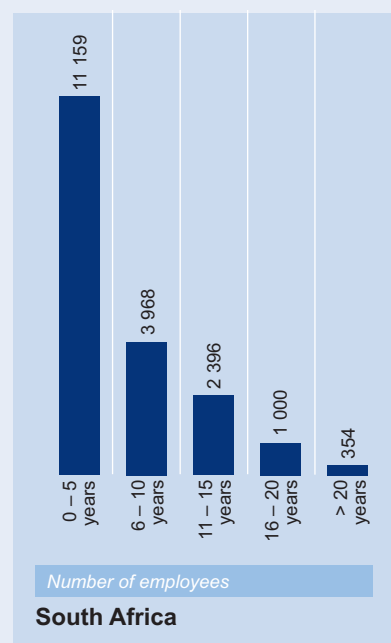
Individuals are required to score a minimum of 60% of their scorecard to qualify for performance incentives. Performance targets are aligned to seniority in the business where managers' performance targets are weighted more for operational unit performance and executives weighted more for overall company and/or group performance.

Incentives are self-funding based on the company's performance. The size of the pool available for incentives is determined by headline earnings per share or CFROI® targets coupled with profitability growth targets for individual business units. In 2007, the base targets for South Africa were set at a maximum of 15% growth in core headline earnings per share and 13% CFROI®. In 2007 the performance achieved was 75% of the maximum. The performance achieved against this target is then factored against individual balance scorecard achievements.

For other employees, organisationally aligned performance measurement mechanisms are linked to their annual increases, as agreed with unions. Netcare's unique "Goldcare" recognition model provides for "trophy" type awards by rewarding employees with points on an ad-hoc basis for achievements.

Length of service

at 30 September 2007





Sisters from Cardiac Intensive Care Unit, Netcare Union Hospital

The Nightingales 2007 winners from the Cardiac Intensive Care Unit at Netcare Union Hospital, Karien Meyer, Iren Maifala, Busi Cele, Anna Letsoalo, Sylvia Phakoe, Sanna Molala, Sinah Pako and Georgie Mohale, are an inspiration to all with whom they come into contact. With their incredible spirit they have unified not only their own diverse team, but also that of the hospital and all who work within it. With their music and spirit of giving they have brought colour and light to the lives of patients and colleagues alike.

Social – Workplace *continued*

The annual Netcare 'Night of the Stars' recognises extraordinary employees who demonstrate outstanding compassion and go way beyond their duties. Employees are nominated in each region by their peers.

Length of service

As a result of the high employee turnover in the industry, 59,1% (2006: 57,7%) of employees have been with Netcare South Africa for less than five years. In the UK, 48,7% (2006: 51,5%) of employees have been with GHG for less than five years.

Employee engagement

In 2007, over 13 500 South African employees (over 70% of the workforce) took part in the annual employee satisfaction survey. The results were encouraging with a clear improvement on the 2006 performance. The greatest improvements were in employee's understanding of the Group's vision and goals, organisation identification and organisational diversity. The lowest scores were in relation to reward and change leadership. The rollout of the Leadership Competency programme is aimed at addressing the latter and improving conflict and diversity management.

Industrial relations

Netcare recognises three labour unions in South Africa – Health and other Service Personnel Trade Union of South Africa (HOSPERSA), Democratic Nursing Organisation of South Africa (DENOSA) and National Education Health Allied Workers' Union (NEHAWU).

Union membership

At 30 September	2007	2006	% change
DENOSA	1 972	1 923	2,5
HOSPERSA	4 040	3 850	4,9
NEHAWU	1 294	1 208	7,1
Other	58	66	(12,1)
Non-unionised	11 513	10 671	7,9
Total	18 877	17 718	6,5

Netcare is the most unionised private hospital group in the sector (39,0% unionised), but had zero industrial action in 2007, due to an entrenched culture of respect and involvement of the unions in all major interventions. Netcare funds full time shop stewards for each of the unions to assist in maintaining good relations, in addition to the executive and operational interaction with unions that takes place on an ongoing basis.

Training and development

Netcare has embraced a pro-active skills development strategy that aims to nurture and further develop its employees and address the critical skills shortage in the industry.

The significant shortage of registered nurses in South Africa continues to pose a significant challenge to both the private and public healthcare sectors. The public sector cut nursing training of professional nurses from 2 629 in 1996 to 1 058 in 2005.

Against this backdrop, Netcare South Africa has increased its training expenditure to R100 million this year, a 16,3% increase over last year, and implemented a five-year training programme to address the shortage, which aims to increase the number of registered nurses qualifying from 181 in 2008 to 500 in 2011. In 2007, 3 700 nurses and paramedics were trained, at a total cost (direct and indirect costs) of R100 million, before Skills Education Training Authorities (SETA) levies and tax concessions received of R36 million.

Furthermore, seen only as an interim measure to alleviate nursing skills shortage until such time as the country has sufficient skills of its own, Netcare has applied for a corporate permit for around 800 foreign registered nurses. The Department of Trade and Industry has recommended to Immigration that such a permit be granted.

Netcare is also working to develop non-nurse categories of employees to perform non-nursing tasks that are currently carried out by nurses, thereby freeing up critical nursing skills. These include surgical technologists, clinical engineers and caregivers.

SA employees trained

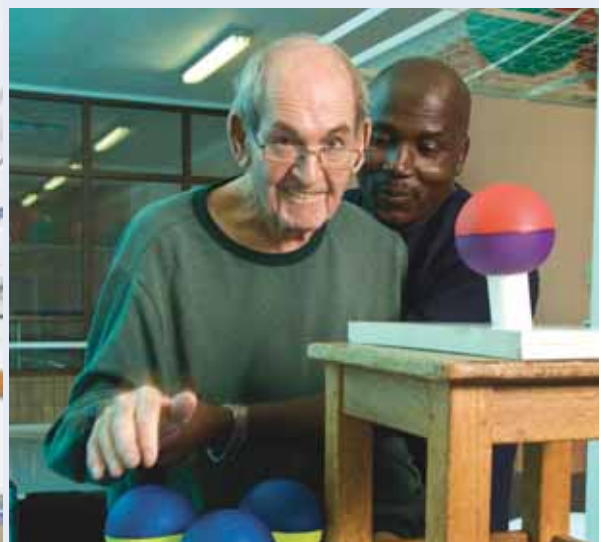
30 September	2007	2006	% change
Training spend (Rm)	100	86	16,3
Number of training interventions	37 675	22 019	71,1

UK employees trained

30 September	2007	2006	% change
Training spend (£m)	1,2	1,3	(7,7)
Number of training hours	104 786	115 732	(9,5)
Number of training hours per employee	11,8	13,1	(9,9)



*Sister Nokuthula Mahlangu, Acting Unit Manager,
Netcare Rehabilitation Hospital*



Ten years ago, Nokuthula Mahlangu was working as a cleaner at Netcare Rehabilitation Hospital. Today, she is the Acting Unit Manager for the Paediatrics Unit and Ward 4 at the same hospital. Just five months after starting work as a cleaner, Nokuthula's potential was noticed by the housekeeper, who suggested she become a care giver. This was the start of a career path that eventually saw her becoming a registered nurse and taking up her current position. Her career exemplifies Netcare's commitment to helping people develop their full potential and is evidence that Netcare's aim of becoming a learning organisation is being realised at every level.

Social – Workplace *continued*

The main aim of the Netcare Education division is to ensure that employees will be able to improve their job performance while enjoying individual growth opportunities. The education division is currently only responsible for training in South Africa.

Technical skills training

Netcare Education oversees the activities of educational facilities focused on developing skills in specific fields. These include:

- ➔ Netcare Training Academy, which offers standard nursing training courses that cover the basic and post-basic programmes, and a number of three- and five-day short programmes that focus on specific areas of care (such as HIV/Aids and Infection Control Principles).
- ➔ Netcare 911 School of Emergency and Critical Care (SECC), which is one of the largest private Emergency Medical Services (EMS) training facilities in Africa, and offers a variety of short courses, undergraduate and post-graduate programmes to members of the general public and healthcare professionals, at basic, intermediate and advanced levels.
- ➔ The Netcare Pharmacy Division has embarked on a multi-pronged strategy to counter the shortage of skills in the pharmaceutical industry. Initiatives include accommodating larger numbers of pharmacy interns at Netcare's pharmacies, pharmacy assistant training (both basic and post-basic courses are offered) and continuing medical education opportunities for practising pharmacists.
- ➔ Catering training, which includes courses such as healthy eating habits, menu planning, the essentials of food and sanitation, hospitality law and food legislation, and chef training programmes (basic and advanced). Netcare hosts the Chef of the Year competition, and a two-year chef apprenticeship programme (resulting in a City and Guilds qualification).

Management and leadership development training

Netcare Education is actively developing the Group's management capacity, firstly through the development of internal management programmes, and secondly, in cooperation with selected universities and business schools.

Netcare has been accredited by the South African Institute of Chartered Accountants (SAICA) as an Approved Training Organisation (ATO). The Netcare TOPP (Training Outside Public Practice) programme offers trainees an opportunity to become Chartered Accountants through a three-year training contract. The first TOPP intake achieved a 100% pass rate in Part I of the Qualifying Examination.

During 2007 Netcare Education trained 840 managers and implemented 10 new customised management development programmes, including the Healthshare's Nursing Leadership Programme, Clinical Facilitation Development Programme and Unit Management Programme.

General skills training

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

Creating a knowledge organisation

Netcare's Research Committee published its first Annual Research Publication in 2006. The publication comprises a collection of both medical and healthcare management research, published by doctors in practice at Netcare hospitals and by delegates who attend the management and leadership development programmes offered by Netcare Education's Corporate Institute for Healthcare and Business Leadership. This year's publication contains some 78 abstracts of healthcare management research written by Netcare's shift leaders, covering a diverse range of topics on innovations applied within Netcare hospitals, from customer and patient services, to equipment management, infection control, stock control and staff management. The publication also contains medical research papers written in fields such as biochemistry, cancer, cardiology, child neurology, clinical pathology, genetics, plastic and reconstructive surgery, orthopaedics, ophthalmology, traditional medicine and trauma.

Employee development

Netcare has an employee development programme in South Africa that has identified four pools of talented employees who have high potential with good emotional intelligence, problem solving abilities and the propensity for risk. Targeted development programmes are provided for these employees and ongoing assessments are undertaken. These employees are assigned a line coach and a mentor.



Alpheous Dube, Head Chef at Netcare St Augustine's Hospital

Alpheous Dube, Head Chef at Netcare St Augustine's Hospital started his career in the hospital's kitchen as a cleaner in 1992. After receiving extensive training he was promoted to Head Chef. Alpheous attributes his success to the many wonderful training programmes and opportunities afforded to him to grow and develop. Alpheous has won several categories over the years in Netcare's "Chef of the Year" competition. He is currently working towards the City of Guilds Diploma which trains chefs to become Catering Managers.

Social – Workplace *continued*

Safe working conditions

Netcare complies with local laws and regulations relating to occupational health and safety and endeavours to minimise, if not eradicate, work-related health hazards. All occupational health and safety risks have been identified and evaluated, allowing the development of appropriate mitigating processes. Health and safety committees at all operations use the Occupational Health and Safety Act as a benchmark minimum for their performance. Management of health and safety risks of the Group consists of regular audits, identification of material risks and managing these appropriately, pursuing accreditation against local and/or internationally recognised standards, and ongoing communication of health and safety matters to all employees.

The major occupational health risks facing employees and the mitigating initiatives are:

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

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

Nursing employees are encouraged to report occupational health-related incidents which are then recorded and analysed, prompting suitable preventative interventions. Employees whose health is compromised in any way while on duty receive comprehensive care.

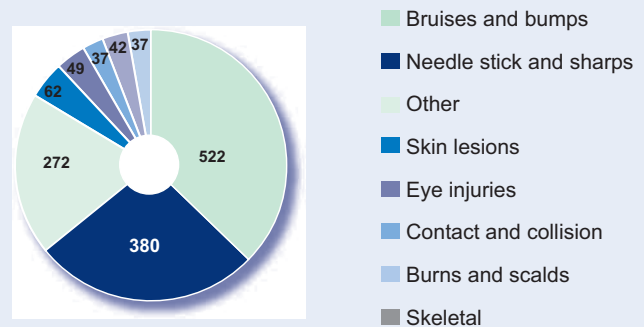
Occupational safety-related incidents in South Africa increased by 8,2% to 1 413 (2006: 1 306) during the year ended 30 September 2007, largely due to the increased reporting of such incidents. An analysis of injuries by type and hospital has

allowed the implementation of improved management of injury risks. Sero-conversion tracking is done on all staff who sustain a needle stick injury. No cases of HIV-transmission due to needle stick injuries have been reported.

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

SA staff injuries

30 September 2007



Hospital emergency planning guidelines

Guidelines to deal with a range of internal or external emergencies are in place at all Netcare facilities. Procedures for dealing with external incidents such as medical mass casualties resulting from food poisoning, nuclear incidents with contamination and irradiation, poisonous gas effects and biological incidents, natural or terrorist related, and the required actions under these circumstances are well documented.

In the unlikely event of an internal emergency such as fire, internal emergency planning is focused in the first instance on protecting patients from illness, injury or death as a result of the emergency and secondly to continue the treatment for which the patients were originally hospitalised. Netcare's Hospital Operations Centre together with external services such as the fire service, emergency medical service and police, head office or regional staff will, as appropriate implement documented policies and procedures to ensure emergencies are effectively managed.



Eileen Brannigan, Group Nursing Director with sister from Aid for Aids

Eileen Brannigan, Group Nursing Director was one of the 1 820 volunteers for HIV/Aids testing during Netcare's voluntary counselling and testing (VCT) programme 'Choose life today' in August 2007. The programme, which was outsourced to ensure confidentiality, led to more than 60% of Netcare's employees coming forward for testing. The VCT programme is viewed as an opportunity to engage in a meaningful way in raising awareness and highlighting the availability of potential assistance to our staff members and their families.

Social – Workplace *continued*

Accreditation

Since 2005, five of Netcare's Hospitals (Unitas, Milpark, N1 City, Sunninghill and St Augustine's hospitals) have been accredited by Health Accreditation and Quality Unit (HAQU) in the UK. In addition to the healthcare accreditation, Netcare has also acquired ISO9001:2000 certification in these five hospitals. Eleven hospitals are currently in the process of accreditation through the same body, namely Christiaan Barnard Memorial, Greenacres, Parklands, Umhlanga, The Bay Hospital, Linksfeld, Union, Clinton, Pretoria East, Krugersdorp and Garden City hospitals.

Promoting employee health and wellness

Netcare has a targeted and integrated employee wellbeing strategy. All employees have access to ICAS (Independent Counselling and Advisory Services). This service is confidential and 25% of employees have accessed this service.

Netcare has a formal non-punitive absenteeism management programme that treats cases and ensures management's ability to change behaviours of an absenting employee.

SA lost hours

30 September	2007	2006	% change
Sick leave	878 638	845 084	4,0%

UK lost hours

30 September	2007	2006	% change
Sick leave	412 926	479 820	(13,9)

Medical Scheme participation

Membership of the Netcare Medical Scheme increased by 12,1% to 13 206 members (2006: 11 784). Netcare's in-house medical aid scheme, following the restructuring of the contribution tables in June 2006, agreed to waive any underwriting fees to enable lower income employees to access medical cover and 15% of the 1 368 eligible employees took this option.

HIV/Aids

Netcare's strategy to manage HIV/Aids in the workplace focuses on employees, business partners, communities and the role of leadership. A policy to guide managers and employees in managing HIV/Aids in the workplace has been communicated in a structured manner to employees, so as to drive awareness. Netcare invested R4 million in HIV/Aids awareness and education, and Voluntary Counselling and Testing during the year under review.

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

During the year under review, Netcare launched its Voluntary Counselling and Testing (VCT) programme at five sites with 1 820 out of 2 800 employees volunteering for testing at a cost of R4 million. High levels of pre-sensitisation and awareness within the selected sites are created through briefing sessions and training, allowing VCT to be conducted within a positive and constructive environment. Participation at the sites ranged from 50% – 65% and prevalence rates were recorded well within single digits. The VCT programme will be rolled out to at least another 15 sites in the forthcoming year, with 7 200 employees budgeted for at a national level. The final sites will be completed by 2009.

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



Dr Peter Bettings with Seiso Ratsoane at Netcare Milpark Hospital

The story of little Seiso Ratsoane who at the age of 18-months survived extensive torture at the hands of minors shocked the nation. With burns covering more than 20% of his body, Seiso is undergoing operations and medical care at Netcare Milpark Hospital on an ongoing basis. Doctors and staff at the hospital have provided exemplary *pro-deo* treatment for the little boy. Photographed with Seiso is anaesthetist Dr Peter Bettings who together with plastic surgeon Dr Gareth Edwards has been responsible for restoring Seiso's health.

Social – Communities

Netcare's approach to socio-economic development is one based on its core business competency of providing quality healthcare. Netcare's objective is to focus its corporate social investment (CSI) funding on increasing access to quality healthcare particularly those in need of emergency medical care without the financial means and on developing healthcare professionals. Netcare's overall objective is to uplift our communities.

South Africa

The major projects supported by Netcare South Africa are carefully selected and actively managed to ensure that the resources committed to the initiative have maximum impact.

Focus areas include:

- Indigent emergency medical services;
- Healthcare accessibility initiatives;
- Community health and welfare sponsorships; and
- Academic grants and bursaries.

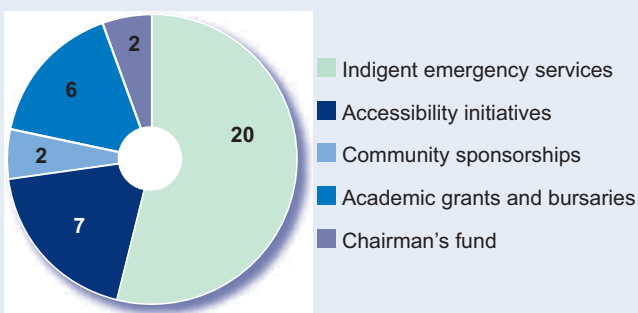
During the year Netcare South Africa spent R37 million (2006: R29 million) on CSI, including R18 million (2006: R18 million) on pre-hospital Netcare 911 emergency medical services. This figure includes cash contributions and *pro deo* health services. Netcare's CSI spend in South Africa which is largely allocated to black beneficiaries represents 4,7% of profit after taxation, well ahead of the 1% target set by the DTI's B-BBEE Codes.

Netcare's CSI includes **The Chairman's Fund** which provided funding of R2 million in 2007 to various charities, healthcare services for disadvantaged individuals and financial assistance to healthcare faculties at various universities in South Africa.

Netcare South Africa CSI spend

Year ended 30 September 2007

R million



Indigent emergency medical services

Netcare 911 responds to any request for emergency assistance, based on the belief that all people deserve access to basic emergency assistance services. During 2007, Netcare 911 assisted more than 15 300 indigent patients at a cost of R18 million.

The Accident and Emergency units at Netcare hospitals frequently provide emergency medical care to patients who require financial assistance. During 2007, Netcare assisted 116 patients at a cost of R2 million.

Healthcare accessibility initiatives

The Netcare Rape Crisis Centres operate within the Accident and Emergency units, at 28 Netcare hospitals, providing professional and compassionate treatment to victims of rape or sexual abuse. The service is offered free of charge, whether the patient has a medical aid or not (81% of the rape cases did not have a medical aid). Almost 4 000 patients have been treated since the inception of the centres in 2000, and 701 in 2007. The annual cost to Netcare to operate these centres is an estimated R600 000.

The Walter Sisulu Paediatric Centre for Africa, based at Netcare's Sunninghill Hospital, is the largest paediatric cardiac unit on the African continent. The centre has performed 135 procedures since its inception, many for indigent patients, and in 2007 Netcare contributed R1,5 million.

The Sight for Life programme, a joint initiative funded by Netcare and the Vodacom Foundation, provides cataract procedures to economically disadvantaged patients. The programme has performed 1 514 procedures since its inception and 514 in 2007 at a cost to Netcare of R3 million.

The Hear for Life programme, funded by Netcare, 94.7 Highveld Stereo and Bidvest, offers cochlear implants to economically disadvantaged patients. During 2007, nine procedures were completed at a cost to Netcare of R224 200.

The Netcare Vodacom Smiles for You programme, a joint initiative funded by Netcare, the Vodacom Foundation, the Smile Train and the Park Lane Hospital, sponsors surgical procedures to repair cleft lip and palate deformities in economically disadvantaged patients. The Cleft Lip and Palate programme was awarded best "Individual Hospital Initiative" in the 2007 ABSA Healthcare Initiative Awards. The programme has performed 166 procedures since its inception and 61 in 2007 at a cost to Netcare of R410 000.



Nurse Ntombi Mkencele with cochlear patient, Sabelo Ndlovu

Another of the Centres of Excellence within the Group is Netcare Linksfield Hospital's Audiology Institute. Here disadvantaged patients benefit from the latest technological advances and facilities in audiology and expert treatment by a team of audiologists and ear, nose and throat surgeons. The Institute is the venue of choice for the many cochlear implants that are taking place under the auspices of the "Hear for Life" programme, formed in 2006 with Bidvest and 94.7 Highveld Stereo.

World Sight Day in October 2004 set in motion an ongoing joint venture between Netcare and Vodacom that has provided more than 1 500 disadvantaged individuals with the gift of sight. This worthy campaign which has changed the lives of many disadvantaged, elderly South Africans has been ongoing since and in 2007 514 operations were performed.



Patients treated under "Sight for Life" programme

Social – Communities *continued*

The Red Cross War Memorial Children's Hospital in Cape Town is the only specialist children's hospital in sub-Saharan Africa. The 50-year-old hospital is in need of an extensive upgrade, including eight new operating theatres to replace the existing four units that no longer meet the requirements of modern theatre practice. Netcare has granted R2 million to the Operation Theatre project, paid in tranches of R500 000 over four years to assist in building a new operating theatre.

The Phelophepha Train, an initiative of the Transnet Foundation to take basic healthcare to the poorest parts of South Africa by train providing primary care services to about 200 000 people over 36 weeks per year. Netcare sponsors the full salary package of a dentist at a cost of R360 000 in 2007.

The Organ Donor Foundation, received R140 000 from Netcare to assist in the operation of its toll-free line, the emergency flight fund and the annual Organ Donor Tribute Days of the Organ Donor Foundation. The Chairman's Fund granted a further R25 000 to the foundation.

During the **public sector strike** in South Africa in June 2007, Netcare was contracted directly and through HASA to assist provincial state hospitals in caring for critical patients. During the month long strike, Netcare admitted and treated 375 public patients at reduced rates based on the National Health Reference Price List (NHRPL) tariff.

Community health and welfare sponsorships

Habitat for Humanity, a not-for-profit organisation that builds affordable low-cost housing that Netcare began a partnership with in October 2006, building five houses in Katlehong on Gauteng's East Rand with around 500 employee volunteers. In September 2007, Netcare built two more houses in Ntshongweni in KwaZulu-Natal. Around 200 volunteers from the eight Netcare hospitals, Netcare 911 and local Medicross and Prime Cure facilities participated in the two-house, five day build. These two houses in Ntshongweni form part of a pilot project to provide homes for Aids orphans and their caregivers. Netcare's contribution to the project was R420 000 in 2007.

Roundabout Playpumps is a project dedicated to improving the lives of children and their families by providing access to clean drinking water across Africa. Netcare has sponsored the installation of nine water pumps in KwaZulu-Natal, Mpumalanga and Limpopo at a cost to Netcare of R600 000 in 2007. Health messages are advertised on these pumps.

Operation Snowball is an initiative of The Star newspaper that Netcare employees participated in, collecting more than 1 000 blankets for the elderly and homeless people, at a cost of R160 000 for Netcare and its employees.

Cell C Take a Girl Child to Work day in May 2007, where Netcare participated at head office and in the regions, with the aim of providing knowledge of different work environments, exposing them to the profession of nursing.

Local hospital community involvement by each hospital, pharmacy and Netcare 911 includes activities that address the specific needs of their surrounding communities. These range in scope from providing *pro deo* treatment to children living in homes and orphanages, indigent elderly and individual special cases; participating in larger projects such as "Sight For Life"; and health screening and awareness activities that coincide with the health calendar. Nurses, pharmacists and administrative staff members volunteer their services at special events for medical standby purposes. During 2007, the hospital and trauma business spent R565 000 on community health and welfare projects.

Local primary care community involvement by Medicross and Prime Cure facilities includes sponsoring the medication and vitamins required by homes; revamping and equipping these same institutions; providing doctor and dentist consultations to the residents of these organisations at no charge; collecting donations from the public and suppliers for onward distribution to the needy in the community; providing standby first aid attendance at local school sporting events (in conjunction with Netcare 911); and hosting Cuppa-for-CANSA and/or CANSA Shave-a-thon events, often accompanied by cancer awareness days. During 2007, the primary care business spent R235 000 on community health and welfare projects.



Sandi Mbatha, Government Relations and Corporate Social Investment Manager and Tumi Nkosi, Netcare's Marketing Director pictured here with children from Zimiselani Primary School.

Corporate
responsibility review

The children of the Zimiselani Primary School, situated in the village of Digwale B, more than a hundred miles northwest of Tshwane were given a highly unusual yet practical gift from Netcare. The “gift” which has been in use since December 2006 is a PlayPump, which is really a novel water system that is powered by playing children. As the children spin around on a merry go round, water is pumped from the borehole that has been specially tested to ensure that it provides clean drinking water.

Social – Communities *continued*

Community healthcare education through open days held at primary care facilities and hospitals throughout the country, coinciding with the health calendar. These include diabetes screening, heart health awareness, breast cancer awareness, eye health, asthma testing, cholesterol and hypertension screening. Examples are:

- ➔ Pregnancy awareness week – Netcare provided free blood pressure and blood sugar screenings as well as valuable advice to expectant mothers as well as various gifts and special offers at Netcare hospitals, Medicross and Prime Cure centres.
- ➔ National heart awareness month – Netcare held a Healthy Heart Drive and set up stations at prominent malls across South Africa that screened over 4 000 people to support the prevention of cardiovascular disease by early detection of risk and encouraging lifestyle changes.

Academic grants and bursaries

Netcare sponsors academic programmes by providing bursaries and other sponsorships to science students at targeted universities.

Netcare Education's joint initiative with the marketing and hospital divisions to promote nursing as a challenging and exciting career choice and reposition the profession in the minds of the general public is supported by a pro-active bursary programme, now in its seventh year. Netcare Education funds bursaries at South African tertiary training institutions and in 2007 Netcare provided bursaries to 149 learners (2006: 209 learners) at eight tertiary education institutions, with a total value of R5 million (2006: R6 million).

Netcare five-year, R2,5 million sponsorship of the Chair of Emergency Medicine at the University of the Witwatersrand Faculty of Medicine is now in its fourth year. Netcare granted a further R300 000 to various other academic institutions.

United Kingdom

BMI's corporate social involvement activities are focused on a number of core areas:

National health days/weeks – Several BMI hospitals support events on the national healthcare calendar that raise awareness of specific illnesses or health conditions and often provide early diagnosis screening opportunities. These include hypertension, hip replacement therapy, stress, allergies, prostate cancer,

cervical and breast cancers, coronary artery calcium, moles and other skin blemishes.

Health education – Dedicated Men's Health and Women's Health websites have been launched and are updated regularly.

Cancer research – Employees from numerous BMI hospitals participate in the annual Race For Life events, the proceeds of which go towards cancer research. Individual hospitals also organise fundraising events for the World Cancer Research Fund, the principal charity in the United Kingdom.

Heart health – BMI hospitals employees, including nurses from the wards, theatre and intensive care, radiographers, physiotherapists, reception, catering, housekeeping, porters, and marketing and administrative staff – participate in fundraising events organised by the British Heart Foundation.

In addition, hospitals provide ongoing and ad hoc support to schools, children's hospices, and associations for the disabled (particularly the blind). Likewise, regular and ad hoc contributions are made of equipment and financial resources to selected causes.

Netcare UK is a Gold Member of the Employers' Forum on Disability – an organisation established by UK business and launched by HRH The Prince of Wales in 1991. The forum currently has 400 members who collectively employ 20% of disabled people in the UK and jointly fund a unique central resource of expertise on disability, making it easier for companies to employ disabled people and serve disabled customers. Ranked as the world's leading employers' organisation focusing on disability as a business and a societal priority, the forum's Disability Standard is the world's only comprehensive audit tool on disability. Netcare UK is working with the forum to review its services so as to ensure they are fully accessible to the disabled, causing minimum inconvenience. All Netcare UK's facilities are compliant with the Disability Discrimination Act.



Nursing staff at The BMI Sandringham Hospital

All BMI hospitals support Breast Cancer Awareness Month in October, with events staged up and down the country, including Wear It Pink day in support of breast cancer research. Breast cancer is the most common form of cancer in the UK with one in nine women affected by it during their lifetime.

One hundred doughnuts were one of the more unusual contributions in support of The BMI Sandringham Hospital's "In The Pink" fundraising day. The local baker who donated them was joined by other local businesses that gave prizes for the raffle. Hospital staff also sold pink cakes and wore pink clothes and wigs to mark the day.

Environment

Netcare is committed to an increased focus on the Group's environmental impact and will also be identifying ways in which to respond to expected health impacts of global climate change and be part of formulating solutions.

Netcare's environment reporting focuses on the South African hospital division as it is the division with the most significant environmental impact. The UK operations' environmental impacts have not been reported on in this year's report but plans are in place to ensure that future environmental reporting includes this business.

South Africa

Energy use

Energy used is primarily in the form of electricity. Diesel is used for emergency electricity generation and natural gas used to fire steam boilers.

A solar water heating system has been installed at Netcare Rehabilitation Hospital and its long-term performance is being evaluated. However, in terms of the energy consumed by the South African business over the year, the savings from this as a percentage of overall consumption is still negligible.

30 September	Units	2007	2006
Energy use	Gigajoules	1 151 853	731 003
% Renewable	Percentage	Negligible	Negligible
CO ₂ emissions	Tons	133 257	76 900

The CO₂ emissions were calculated using the standard conversion factor of the energy type used. This does not include indirect energy consumed or the energy consumed by divisions outside the hospital division, such as Netcare 911. The increase in CO₂ emissions is largely attributable to the need for emergency electricity generation.

All operational incineration at Netcare hospitals has ceased. Emission from electricity generation is judged to be insignificant although an increasing trend is experienced due to large scale power outages. Natural gas is consumed in most boiler systems with the exception of two facilities, and is judged to have insignificant particulate emission.

Water consumption

Water consumption within the hospital division increased marginally from 1 613 800 kL in 2006 to 1 682 000 kL in 2007. The amount of cooling water used in the hospitals is judged to be insignificant in relation to the total water usage, as most cooling systems use direct refrigerant gas expansion technology. The water usage was calculated from the utility account received by each facility.

Waste management

Waste generated by Netcare consists mainly of medical and hazardous waste. At present, waste that is sent to landfills is not measured.

Waste incinerated increased by 9,8% from 3 055 tons in 2006 to 3 354 tons in 2007 and is mainly due to increased activity. Hazardous waste generated by operations decreased in 2007 from 4 753 kg in 2006 to 3 716 kg. This decrease is due to tight management controls that were put into place to manage hazardous waste generation.

Although the disposal of medical waste has been contracted out to a third party, Netcare does not delegate its responsibility for proper disposal. The stringent contractor selection process included a focus on their processes to ensure that medical waste is dealt with appropriately.

United Kingdom

GHG has established a Carbon Management Team in collaboration with the Carbon Trust, with the objective of establishing GHG's carbon footprint and ways to reduce it. A pilot programme was launched at The BMI Harbour Hospital, which focuses on recycling, utilities savings and medical waste disposal audits. The project has successfully improved control, reduced clinical waste and increased efficiency of utilities.