

# Directors' report

for the year ended 30 September 2007

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

## Nature of business

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

Ancillary healthcare businesses include primary, administration and logistical services.

The nature of the business and operations is detailed on pages 6 and 7.

## Financial results and review of operations

The financial results of the Group are set out on page 113 of this report. The segment report is included in note 34 to the annual financial statements.

A detailed review of the activities of the Group is contained in the chief financial officer's review on pages 22 to 27 and in the operating reviews on pages 32 to 50.

## Subsidiaries, associates and joint ventures

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

## Changes in holdings

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

## Changes in Group structure

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

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

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

## Aggregate profits and losses of subsidiaries and joint venture interests

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

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

## Share capital

### Authorised and issued

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

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

### Share incentive scheme

#### The Netcare Share Incentive Scheme (As amended)

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

### Property, plant and equipment

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

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

### Reductions of capital

Details of the reductions of capital for the year are:

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

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

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

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

### Preference dividends

Details of the preference dividends paid for the year are:

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

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

## Directors

### Change in status

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

### Further information

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

# Directors' report continued

*for the year ended 30 September 2007*

## **Events after balance sheet date**

### **Acquisition of remaining interest in associate**

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

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

### **Resignation of director**

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

## **Auditors**

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

## **Company secretary**

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

## **Special resolutions**

### **Network Healthcare Holdings Limited**

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

## **Subsidiaries**

The following special resolutions were passed by subsidiary companies:

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