

NOTES

1. Basis of preparation and accounting policies

The interim financial information for the six months ended 31 March 2008 has been prepared in accordance with International Financial Reporting Standards (IFRS), and are in compliance with IAS 34 *Interim Financial Reporting*, the Listings Requirements of the JSE Limited and the South African Companies Act, 1973, as amended.

The accounting policies applied in the preparation of the interim financial statements are consistent with those applied for the year ended 30 September 2007, except for the following:

– IFRS 7 *Financial Instruments: Disclosures*.

– Amendment to IAS 1 *Presentation of Financial Statements: Capital Disclosures*.

The adoption of these accounting statements had no material impact on the results of the Group or disclosure in this interim report.

2. Business combinations

The following significant business combinations took effect during the period:

2.1 With effect from 2 October 2007, the Group acquired the remaining 56,25% interest in Community Hospital Group (Proprietary) Limited (Community) for a consideration of R169 million.

The acquisition consideration was settled through the issuance of 14,2 million Netcare shares on 5 October 2007 at the closing Netcare share price of R11,89 at the acquisition date. In addition, the Group assumed debt of R171 million and capital commitments of R53 million for the projects in progress. The results of Community have previously been equity accounted.

2.2 Effective 12 November 2007, the Group acquired 100% of the shares in Linkwood Clinic (Proprietary) Limited.

2.3 On 1 February 2008, the Group acquired nine hospitals in the United Kingdom from the Nuffield Hospital Group for a total consideration of R2 076 million (£140 million), excluding transaction costs of R57 million (£4 million). This was an asset acquisition whereby the Group acquired property, inventory and tangible fixed assets. Subsequently, Nottingham Hospital and Gerrards Cross Hospital were disposed of in March 2008 and April 2008 respectively. The assets and liabilities of Gerrards Hospital are included in assets held for sale.

The following amounts have been included in the Group's income statement from the dates of acquisition to 31 March 2008:

Rm	Community	Linkwood	Nuffield	Total
Revenue	282	10	154	446
Operating profit	48		3	51

NOTES (continued)

2. Business combinations (continued)

2.3 The following table reflects the carrying values of the pre-acquisition net assets and the fair values at acquisition:

Rm	Community	Linkwood	Nuffield	
	Fair value*	Fair value*	Carrying value	Fair value
Property, plant and equipment	535	8	1 397	2 005
Investments	8			
Inventories	2		25	25
Accounts receivable	79	3		
Cash and cash equivalents	44	5		
Long-term debt	(104)			
Deferred taxation	(81)			(170)
Accounts payable and short-term debt	(314)	(27)		
Taxation payable	(7)			
	162	(11)	1 422	1 860
Minority interest	10			
Fair value of net assets acquired	172	(11)		1 860
Investment in associate	(104)			
	68	(11)		1 860
Goodwill	101	11		273
Purchase consideration	169			2 133
Less amounts settled by issue of shares	(169)			
				2 133
Cash and cash equivalents in acquiree	(44)	(5)		
Cash (inflow)/outflow on acquisition	(44)	(5)		2 133

*The carrying value is equal to the fair value at acquisition

NOTES (continued)

3. Restatement of comparative information

In line with the treatment at 30 September 2007, the diluted weighted average number of shares at 31 March 2007 has been restated to include the effect of the fair value of services to be received in the future from participants in the Netcare Share Incentive Scheme and the HPFL trusts. The effect of the restatement is as follows:

	31 March 2007
Diluted weighted average number of shares (million)	
As previously reported	1 386
Effect of restatement	(105)
As restated	1 281
Headline earnings per share – Diluted (cents)	
As previously reported	25,6
Effect of restatement	(3,1)
As restated	22,5
Earnings per share – Diluted (cents)	
As previously reported	24,9
Effect of restatement	(3,2)
As restated	21,7

4. Reclassification of comparative information

In line with the treatment at 30 September 2007, the following reclassifications to the 31 March 2007 income statement have been made:

Financial income

Fair value adjustments on investments and profit on disposal of subsidiaries and investments previously included in financial income have been reclassified to other income. These reclassifications amounted to R7 million.

Financial expenses

Impairment of goodwill and impairment of investments and loans previously included in financial expenses have been reclassified to administrative and other expenses. These reclassifications amounted to R24 million.

	Unaudited 31 March 2008 Rm	Unaudited 31 March 2007 Rm	Audited 30 September 2007 Rm
5. Associated companies and loans			
Non-current			
Associated companies*	117	251	282
Other loans	8	13	16
	125	264	298
Current			
Loans	91	61	56
	341	325	354
*Directors' valuation of associated companies	181	460	466

NOTES (continued)

	Unaudited 31 March 2008 Rm	Unaudited 31 March 2007 Rm	Audited 30 September 2007 Rm
6. Disposal group and assets held for sale			
Assets held for sale			
Assets in disposal group – Ampath Holdings Trust	326		275
Asset held for sale – Gerrards Cross Hospital	291		
Land and buildings held for sale			44
	617		319
Liabilities in disposal groups held for sale			
Liabilities in disposal group – Ampath Holdings Trust	(72)		(79)
Liabilities held for sale – Gerrards Cross Hospital	(159)		
	(231)		(79)
6.1 Discontinued operation – Ampath Holdings Trust			
The Ampath Holdings Trust has been classified as a disposal group held for sale. Our 50% share of the discontinued operation was as follows:			
Revenue	263	238	507
Other income	2		
Administrative and other expenses	(192)	(180)	(380)
Operating profit	73	58	127
Financial expenses	(3)	(3)	(7)
Profit before taxation	70	55	120
Taxation	(20)	(16)	(11)
Profit for the period	50	39	109
The assets and liabilities of the disposal group are as follows:			
Property, plant and equipment	56		54
Goodwill	72		72
Investments and loans	6		5
Inventories	10		8
Accounts receivable	127		76
Taxation receivable			6
Cash and cash equivalents	55		54
Long-term debt	(4)		(6)
Post-retirement benefit obligation	(9)		(10)
Accounts payable	(49)		(57)
Taxation payable	(3)		
Short-term debt	(7)		(6)
The cash flows are as follows:			
Net cash from operating activities	30		74
Net cash from investing activities	(15)		(32)
Net cash from financing activities	11		(3)

NOTES (continued)

	Unaudited 31 March 2008 Rm	Unaudited 31 March 2007 Rm	Audited 30 September 2007 Rm
6. Disposal group and assets held for sale (continued)			
6.2 Asset held for sale – Gerrards Cross Hospital			
Following discussions with the Office of Fair Trading, Gerrards Cross Hospital which forms part of the Nuffield Hospital Group in the United Kingdom was sold in April 2008 for R336 million (£23 million).			
The assets and liabilities of the hospital held for sale are as follows:			
Property, plant and equipment	267		
Inventories	5		
Accounts receivable	19		
Accounts payable	(11)		
Financial liability – Derivative financial instruments	(2)		
Short-term debt	(146)		
6.3 Land and buildings held for sale			
Certain land and buildings were classified as held for sale. A reversal of impairment amounting to R11 million was recognised at 30 September 2007.			
Land and buildings held for sale			44
7. Operating profit			
After charging:			
Depreciation and amortisation	602	523	1 044
Operating lease charges	173	144	190
8. Financial income			
Dividends received		1	1
Fair value gain on cross-currency swap contracts	186		
Fair value gain on interest rate swaps		14	65
Foreign exchange gains (net)		71	104
Interest received	64	103	158
	250	189	328

NOTES (continued)

	Unaudited 31 March 2008 Rm	Unaudited 31 March 2007 Rm	Audited 30 September 2007 Rm
9. Financial expenses			
Fair value loss on cross-currency swap contracts		83	115
Foreign exchange losses (net)	199		
Fair value loss on interest rate swaps	5		
Interest paid	1 231	1 208	2 348
	1 435	1 291	2 463
10. Taxation			
A tax rate of 28% has been applied in accordance with the reduction in the South African Corporate tax rate. This change is effective for companies having year-ends after 1 April 2008. As a result R5 million was released from deferred taxation.			
11. Commitments			
Capital commitments	814	732	1 031
South Africa	353	368	492
United Kingdom	461	364	539
Operating lease commitments	5 926	3 367	5 413
South Africa	425	403	395
United Kingdom	5 501	2 964	5 018
12. Contingent liabilities (guarantees and suretyships)			
South Africa	233	236	236
United Kingdom		187	112
	233	423	348