



You're in safe hands

Netcare Limited

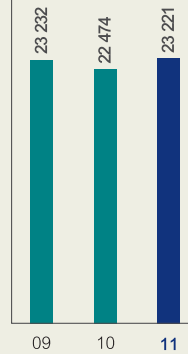
AUDITED GROUP RESULTS

For the year ended 30 September 2011

Financial highlights

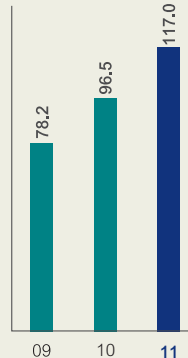
Revenue
(Rm)

3.3%



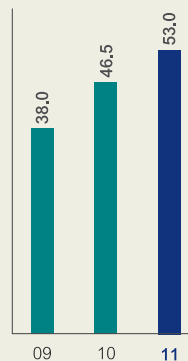
Headline earnings
per share
(cents)

21.2%



Distributions
per share
(cents)

14.0%



113.4% cash
conversion to EBITDA
2010: 101.4%

Commentary

The Netcare Group is pleased to report solid financial results for the year ended 30 September 2011, and a meaningful contribution to the delivery of comprehensive healthcare services in South Africa (SA) and the United Kingdom (UK).

Overview

The Group's focus on operational efficiency was reflected in an improved performance from the South African businesses and enhanced working capital management in both SA and the UK. The weaker economic environment and a stronger prevailing Rand on the translation of the UK results weighed on UK performance, which impacted on the strong performance in SA. Group operating profit for the year was R3 701 million (2010: R3 708 million). Profit after taxation increased by 27.1% to R1 855 million, largely due to a deferred tax release of R301 million in the UK (2010: R157 million) following a further 2% reduction in the UK tax rate to 25%. Profit attributable to shareholders increased by 25.7% to R1 617 million, while headline earnings per share (HEPS) increased by 21.2% to 117.0 cents.

Cash generated from operations of R5 572 million (2010: R4 934 million) was underpinned by a stringent focus on optimising working capital.

The Group continued to expand its facilities with the opening of the 126-bed Netcare Waterfall City Hospital in Midrand in July 2011, and the addition of 52 beds across various facilities in SA. The 425-bed Queen 'Mamohato Memorial Hospital in Lesotho, part of the Lesotho Public Private Partnership (PPP), commenced operations in October 2011.

Group financial review

Summarised financial information

Rm	2011	2010	% change
Revenue	23 221	22 474	3.3
EBITDA	4 914	4 865	1.0
Operating profit	3 701	3 708	(0.2)
Net financial expenses	1 755	1 978	11.3
Profit for the year	1 855	1 460	27.1
Headline earnings	1 504	1 226	22.7
Net debt	25 689	24 197	(6.2)
Cash generated from operations	5 572	4 934	12.9
Capital expenditure	1 327	1 284	3.3
Basic earnings per share (cents)	122.1	97.0	25.9
Headline earnings per share (cents)	117.0	96.5	21.2
Distributions per share (cents)	53.0	46.5	14.0

Currency conversion guide (Rand: Pound Sterling)

	2011	2010	% change
Closing exchange rate	12.54	10.93	14.7
Average exchange rate for the year	11.09	11.63	(4.6)

Financial performance

In their respective local currencies, revenue grew in both SA and the UK. On a constant currency basis, Group revenue rose 5.3% compared to the prior year.

Group operating profit was impacted by lower profits in the UK and currency conversion, with the operating margin declining from 16.5% to 15.9%.

Net financial expenses decreased by 11.3% to R1 755 million, driven by strong cash generation in SA and the UK, reduced interest rates in SA and a lower average exchange rate on UK borrowing costs. Net financial expenses were also favourably impacted by a net R43 million non-cash credit (2010: R103 million charge), representing the ineffective portion of the fair value adjustment of interest rate swaps for the year. The Group hedges its exposure to interest rate fluctuations through interest rate swaps, and fair value adjustments are recognised directly in equity to the extent that hedging proves to be effective.

Group taxation of R114 million, which represents an effective tax rate of 5.8%, was favourably impacted by the reduction in the UK tax rate. Excluding the impact of the rate change, the Group's effective tax rate was 21.1%.

Financial position

Property, plant and equipment, goodwill and intangible assets were positively impacted by foreign currency translation adjustments of R4 525 million.

Net debt of R25 689 million increased from R24 197 million at 30 September 2010, with currency conversion contributing R2 876 million to this movement. The SA operations reduced debt levels by R403 million driven by strong cash generation and lower interest payments. UK net debt reduced by £89.8 million, assisted by strong cash generation as well as the sale of the freehold of two hospital properties and the settlement of the corresponding debt. In September 2011, the Group redeemed its convertible bond that was listed on the Singapore Stock Exchange in 2006 at a value of R1.7 billion. This was partly funded by raising a further R1 billion under the Domestic Medium Term Note programme in August 2011.

At 30 September 2011, the Group had R1 805 million in cash and cash equivalents and unutilised facilities of R3 142 million.

Cash flow

Cash generated from operations grew by R638 million mainly due to increased SA EBITDA, coupled with improved working capital in both geographies. Cash conversion to EBITDA increased to 113.4% (2010: 101.4%).

The Group invested R1 408 million in capital expenditure (including intangible assets), while R639 million was returned to shareholders in capital reductions and ordinary dividends paid. Net cash flows utilised by financing activities increased by R1 018 million due to higher debt repayments.

Recognition

Netcare is humbled to have been recognised by the following awards, rankings and accreditations in the year:

- Ranked the most empowered company in the JSE's healthcare sector for the third year in a row in the Financial Mail's Top Empowerment Companies Survey for 2011.
- Triple winner of the Metropolitan Oliver Empowerment Awards for Overall Top Empowered Company of the Year, winner of the Big Business category and winner in the Healthcare and Pharmaceuticals sector.
- Ranked the most empowered company in the Science, Biotechnology and Healthcare category of the Annual Top Women Awards, hosted by Topco Media in conjunction with the Top Women in Business and Government publication.
- Named a Level 1 Gold Community Contributor by the National Department of Social Development.
- Certified as the Best Employer in the Healthcare category, third in the Large Company category and seventh in the overall Employer category by the CRF Institutes' Best Employers South Africa 2011/2012 publication.
- Reinstated to the SRI Index for 2011 by the JSE Limited and SRI Index Advisory Committee on 24 March 2011.
- First officially accredited South African Level 1 trauma centres at Netcare Milpark and Netcare Union hospitals.
- Excellence in Resuscitation award from the Resuscitation Council of Southern

Africa for the implementation of a best practice resuscitation system across the group of Netcare hospitals.

- Netcare 911 accredited by the European Air Ambulance Institute (EURAMI) for the second year in a row.
- Mid-cap category winner at the Annual Report Awards hosted by the Chartered Secretaries Southern Africa and the JSE.
- Runner-up in the Best Sustainability Report Award in the Non-resources category of the Association of Certified Chartered Accountants (ACCA) South Africa Awards for Sustainability Reporting 2010.

Divisional review

South Africa

The South African operations delivered a strong performance due to a continued focus on operational efficiency, cost containment and business improvement. Revenue grew 6.5% to R13 361 million and operating profit rose 16.9% to R2 220 million. The operating profit margin increased by 1.5 percentage points to 16.6%. The SA operations contributed 86.5% to HEPS.

Cash generated in SA increased by 24.0% to R3 010 million. During the year the SA operations reduced its investment in working capital by R463 million despite higher levels of activity. This was due to the exceptional management of trade receivables and accounts payable. Capital expenditure including intangible assets totalled R921 million (2010: R826 million).



Netcare embraces the renewed focus on universal health access through the National Health Insurance (NHI) reform policy published in August 2011 and stands ready to make a meaningful contribution. In preparation for NHI, all Netcare's 55 hospitals will be benchmarked against the National Department of Health's core standards by February 2012. As part of its quality leadership, Netcare continues its Group-wide focus to drive quality care. To this end, all Netcare hospitals are benchmarked against USA hospitals.

Hospitals and Emergency services

Revenue from Hospitals and Emergency services grew 8.3% to R12 089 million and operating profit rose 15.3% to R2 182 million. The operating profit margin improved by one percentage point to 18.0%. The division grew patient days by 2.2% and net revenue per patient day increased by 6.4% for the year.

The number of registered beds increased from 8 874 in the prior year to 9 052. Netcare Waterfall City Hospital, which was constructed in conjunction with our empowerment partners, Phelang Bonolo, opened in July 2011 and contributed 126 beds to this increase.

Netcare's investment in infrastructure included:

- Renovating operating theatres at Netcare Park Lane and Netcare Garden City hospitals.
- Ward renovations at Netcare Milpark Hospital.
- Adding four new Intensive Care Unit (ICU) beds at Netcare Pretoria East Hospital.
- Refurbishing the paediatric wards at Netcare Unitas and Netcare St. Anne's hospitals.
- The first phase of a 54-bed expansion project at Netcare Montana Hospital, which included eight new ICU beds, theatre renovations and new consulting rooms.

Construction has started at the following hospitals, with completion expected during the 2012 financial year:

- Second phase of the Netcare Montana Hospital expansion – 30 surgical, four paediatric, four neo-natal intensive care unit (NICU) and eight day ward beds.
- 64 beds at Netcare The Bay Hospital – 30 surgical, 20 medical and 14 ICU beds.

- 57 beds at Netcare Mulbarton Hospital
– 30 surgical beds, 20-bed maternity and a seven-bed NICU.
- 35 beds at Netcare Kingsway Hospital
– 23 medical and 12 surgical beds.
- 31 beds at Netcare Linmed Hospital
– 26 surgical and 5 day ward beds.

The construction of the 425-bed hospital in Lesotho, part of the Lesotho PPP, was successfully completed and commenced operations in October 2011. AVENG Grinaker-LTA was awarded the Excellence in Construction Awards 2011 in the Health Facilities category by the Master Builders Association for the construction of the Lesotho hospital. The Queen 'Mamohato Memorial Hospital is fully operated by Netcare, including both clinical and non-clinical services, representing an innovative approach in providing integrated, outcome based quality healthcare in Africa. The four primary care clinics that form part of the overall PPP delivery model are performing as expected.

The Group's Emergency services division, Netcare 911, remains the leading provider of emergency medical services in Africa and provides a critical service to society in times of medical crisis. Netcare 911 provided free emergency services to more than 6 400 indigent patients during the year.

Primary Care

The division delivered pleasing results for the year. In line with the strategy to reduce full risk lives under management, revenue decreased by 7.4% to R1 272 million.

Operating profit improved to R38 million (2010: R6 million), underpinned by stringent cost control measures and operational efficiencies as well as effective managed care risk management.

The division's Medicross family medical and dental centres (Medicentres) and Prime Cure clinics managed approximately 3.2 million patient visits and dispensed 1.7 million pharmacy scripts during the year.

United Kingdom

General Healthcare Group (GHG) experienced a difficult trading year due to continued economic uncertainty in the UK, constrained NHS spending and a further decline in the number of insured lives.

Rising unemployment, reduced levels of policy cover and diminishing disposable incomes continued to drive a decline in the number and nature of insured lives. While these economic factors also negatively impacted the self-pay market, there are positive signs of a recovery in this segment with year-on-year growth recorded in response to specific GHG initiatives and lengthening NHS waiting times.

GHG's partnership with the NHS to deliver care through Choose & Book (C&B) has been through a year of uncertainty due to financial constraints and regulatory changes in the healthcare sector. The Health and Social Care Bill was delayed, contractual relationships according to the Any Qualified Provider framework were decentralised and

Primary Care Trusts (PCTs) were disbanded in favour of GP-led commissioning bodies. The changes occur at a time when the NHS aims to save £16-20 billion by 2014 (equating to 6% of the national healthcare budget).

Despite these challenges, GHG remains an important provider to the NHS under the C&B programme. GHG has grown its market share in this area faster than any of its competitors over the last two years.

GHG's overall caseload grew by 4.2% and revenue rose by 3.8% to £887.6 million. GHG's EBITDA however, declined by 11.4% to £196.2 million. The decline was due to:

- Continued reduction in insured volumes.
- Increased external rent charges from the sale of the BMI The Duchy and BMI The Harbour hospitals (refer below).
- VAT increase to 20%, which added to GHG's cost base as it cannot claim input VAT.
- The winding down of NHS Independent Sector Treatment Centres (ISTC).

The EBITDA margin declined to 22.1% (2010: 25.9%), mainly as a result of the continued shift from private patient volumes to lower-margin NHS cases, and the impact of OpCo businesses acquired in prior years, which are EBITDA accretive but have lower margins.

Net financial income and expenses were positively impacted by a credit of £2.8 million relating to the ineffective portion of the mark-to-market movement in interest rate swaps, compared to an £8.7 million charge in the prior year. A tax credit of

£27.5 million (2010: £13.7 million) was recognised following a further 2% reduction in the UK company tax rate to 25% and as a result, profit after tax reflects £41.6 million (2010: £31.5 million).

GHG continued to invest in its infrastructure and facilities, with capital expenditure (including intangible assets) amounting to £43.9 million (2010: £47.4 million). This included the following:

- Refurbishing BMI The Park Hospital, with a major extension to the existing building including a new intensive treatment units (ITU) department, new endoscopy suite and new theatre, and the refurbishment of three existing theatres.
- Refurbishing seven theatre suites and three existing wards, and building new oncology and paediatric wards at the BMI The Alexandra Hospital.
- New operating theatres and refurbishments at the BMI The Ridgeway Hospital.

Working capital was tightly controlled and improved during the year despite the shift to more NHS caseload and the longer payment cycles associated with it. As a result, GHG increased its year-end cash balances to £130.6 million (2010: £79.8 million) and reduced net debt by £89.8 million to £1 785.4 million. The reduction in net debt was aided by £35.4 million of funds generated from the sale and leaseback of the BMI The Duchy Hospital in January 2011 and the BMI The Harbour Hospital in July 2011, with

the accompanying repayment of debt and associated swap obligations. GHG continues to meet all financial covenants on both the OpCo and PropCo debt facilities, which are ring-fenced from each other and without recourse to the SA operations.

Outlook

Netcare remains confident that the demand for private healthcare services at primary and tertiary levels will be sustained in SA over the medium and long term. Netcare's capital investment in expansionary projects is expected to sustain growth in SA.

With global economic uncertainty persisting, budgetary and structural uncertainties in the NHS and the impact of austerity measures on the UK economy, the next 12 months are anticipated to remain very challenging for GHG. Private caseload is likely to continue to be constrained, while NHS volumes will depend on which areas are targeted for budget savings. Nevertheless, the strategies and improvements implemented during the year should position GHG to address these challenges.

Board changes

Thevendrie Brewer was appointed as an independent non-executive director with effect from 24 January 2011.

Lynelle Bagwandeem was appointed Company Secretary with effect from 1 March 2011, following the resignation of Bert Kok on 28 February 2011.

Michael (Motty) Sacks retired as a non-executive director with effect from 30 September 2011. Motty served as both executive and non-executive Chairman of Netcare for 12 years until 2008, and remained a non-executive director thereafter. The Board expresses its wholehearted appreciation for his extraordinary contribution to the Group.

Vaughan Firman resigned as an executive director and Group Chief Financial Officer of Netcare effective 31 July 2011. Victor Litlhakanyane resigned as Group Stakeholder Relations Director with effect from 31 December 2011. The Board expresses its gratitude and appreciation to Vaughan and Victor for their valuable contribution to Netcare.

Keith Gibson was appointed Acting Chief Financial Officer of the Group effective 1 August 2011. The Board approved Keith's appointment as executive director and Group Chief Financial Officer of Netcare effective 10 November 2011.

Declaration of dividend number 5

Notice is hereby given that a final dividend of 31.0 cents per ordinary share (2010: capital reduction out of share premium of 6.5 cents per ordinary share and a dividend of 21.0 cents per ordinary share) has been declared for the year ended 30 September 2011. The directors have confirmed by resolution that the solvency and liquidity test as contemplated by the Companies Act No 71 of 2008 has been duly considered, applied and satisfied.

In accordance with the provisions of STRATE, the electronic settlement and custody system used by the JSE Limited, the relevant dates for the dividend are as follows:

Last day to trade cum dividend	Friday, 13 January 2012
Trading ex dividend commences	Monday, 16 January 2012
Record date	Friday, 20 January 2012
Payment date	Monday, 23 January 2012

Share certificates may not be dematerialised nor rematerialised between Monday, 16 January 2012 and Friday, 20 January 2012, both days inclusive.

On Monday, 23 January 2012, the dividend will be electronically transferred to the bank accounts of all certificated shareholders where this facility is available. Where electronic funds transfer is either not available or not elected by the shareholder, cheques dated Monday, 23 January 2012 will be posted on that date. Holders of dematerialised shares will have their accounts credited at their participant or broker on Monday, 23 January 2012.

On behalf of the Board

Jerry Vilakazi
Chairman

Richard Friedland
Chief Executive Officer

Keith Gibson
Chief Financial Officer

Sandton

10 November 2011

Group income statement

FOR THE YEAR ENDED 30 SEPTEMBER

Rm	Note	2011	2010	% change
Revenue		23 221	22 474	3.3
Cost of sales		(13 513)	(12 893)	
Gross profit		9 708	9 581	1.3
Other income		408	255	
Administrative and other expenses		(6 415)	(6 128)	
Operating profit	4	3 701	3 708	(0.2)
Investment income	5	115	95	
Financial expenses	6	(1 847)	(1 981)	6.8
Other losses – net	7	(23)	(92)	
Attributable earnings of associates		23	24	
Profit before taxation		1 969	1 754	12.3
Taxation		(114)	(294)	
Profit for the year		1 855	1 460	27.1
Attributable to:				
Owners of the parent		1 570	1 233	
Preference shareholders		47	53	
Profit attributable to shareholders		1 617	1 286	
Non-controlling interest		238	174	
		1 855	1 460	
Earnings per share (cents)				
Basic		122.1	97.0	25.9
Diluted		119.2	94.6	26.0
Distributions per share (cents)				
Capital reduction per share			25.5	
Dividend per share		53.0	21.0	
Total distributions per share		53.0	46.5	14.0

Group statement of comprehensive income

FOR THE YEAR ENDED 30 SEPTEMBER

Rm	Note	2011	2010*
Profit for the year		1 855	1 460
Other comprehensive income/(loss), net of tax		22	(1 503)
Actuarial (losses)/gains on defined benefit plans		(1)	29
Effect of cash flow hedge accounting			
Change in the fair value of cash flow hedges		(608)	(1 118)
Reclassification of the cash flow hedge reserve	7	43	(10)
Effect of translation of foreign entities		588	(404)
Total comprehensive income/(loss) for the year		1 877	(43)
Attributable to:			
Owners of the parent		1 605	449
Preference shareholders		47	53
Non-controlling interest		225	(545)
		1 877	(43)

* Restated refer to note 3.

Condensed Group statement of financial position

AS AT 30 SEPTEMBER

Rm	2011	2010*	2009*
ASSETS			
Non-current assets			
Property, plant and equipment	26 416	23 852	25 097
Goodwill	15 034	13 153	14 303
Intangible assets	366	331	366
Associated companies, investments and loans	494	180	130
Financial asset – Derivative financial instruments	3	26	
Deferred taxation	2 165	1 753	1 385
Total non-current assets	44 478	39 295	41 281
Current assets			
Investments and loans	43	45	54
Financial asset – Derivative financial instruments	2	6	
Inventories	721	652	621
Trade and other receivables	3 057	3 290	3 416
Cash and cash equivalents	2 355	1 378	803
	6 178	5 371	4 894
Assets held for sale	8	13	4
Total current assets	6 186	5 384	4 898
Total assets	50 664	44 679	46 179
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent	5 155	4 069	4 048
Preference share capital and premium	644	644	644
Non-controlling interest	1 886	1 645	2 254
Total shareholders' equity	7 685	6 358	6 946
Non-current liabilities			
Long-term debt	25 106	21 630	25 423
Financial liability – Derivative financial instruments	5 319	4 113	2 797
Post-retirement benefit obligations	188	179	297
Deferred lease liability	54	122	114
Deferred taxation	5 178	4 908	5 466
Cash-settled compensation liability	1		
Provisions	89	30	48
Total non-current liabilities	35 935	30 982	34 145
Current liabilities			
Trade and other payables	3 901	3 118	2 924
Short-term debt	2 388	3 852	1 745
Taxation payable	205	276	330
Bank overdrafts	550	93	89
Total current liabilities	7 044	7 339	5 088
Total equity and liabilities	50 664	44 679	46 179

* Restated refer to note 3.

Condensed Group statement of changes in equity

AS AT 30 SEPTEMBER

Rm	Ordinary share capital and premium	Treasury shares	Option premium on convertible bond
Balance at 30 September 2009 as previously reported	1 065	(767)	169
Prior year restatement (refer to note 3)			
Restated balance at 30 September 2009	1 065	(767)	169
Shares issued during the year	80		
Capital reduction	(521)		
Repurchase of convertible bonds			(5)
Share-based payments reserve movements			
Capital gains tax on capital reductions attributable to treasury shares			
Preference dividends paid			
Other reserve movements			
Decrease in equity interest in subsidiaries			
Dividends paid by subsidiaries			
Restated total comprehensive loss for the year			
Total comprehensive loss for the year as previously reported			
Prior year restatement (refer to note 3)			
Restated balance at 30 September 2010	624	(767)	164
Shares issued during the year	74		
Capital reduction	(83)		
Sale of treasury shares		53	
Repurchase of convertible bonds			6
Share-based payments reserve movements			
Capital gains tax on capital reductions attributable to treasury shares			
Preference dividends paid			
Dividends paid			
Distributions to beneficiaries of the HPFL trusts			
Other reserve movements			(170)
Increase in equity interest in subsidiaries			
Total comprehensive income for the year			
Balance at 30 September 2011	615	(714)	

Cash flow hedge accounting reserve	Foreign currency translation reserve	Other reserves	Retained earnings	Equity attributable to owners of the parent	Preference share capital and premium	Non- controlling interest	Total share- holders' equity
(1 216)	976	471	3 446	4 144	644	2 345	7 133
	18		(114)	(96)		(91)	(187)
(1 216)	994	471	3 332	4 048	644	2 254	6 946
				80			80
				(521)			(521)
			2	(3)			(3)
		26		26			26
			(7)	(7)			(7)
			(53)	(53)			(53)
		54	(57)	(3)			(3)
						(63)	(63)
						(1)	(1)
(574)	(225)		1 301	502		(545)	(43)
(574)	(233)		1 301	494		(553)	(59)
	8			8		8	16
(1 790)	769	551	4 518	4 069	644	1 645	6 358
				74			74
				(83)			(83)
			55	108			108
			(21)	(15)			(15)
		23		23			23
			(1)	(1)			(1)
			(47)	(47)			(47)
			(553)	(553)		(3)	(556)
			(47)	(47)			(47)
		123	52	5			5
			(30)	(30)		19	(11)
(301)	342		1 611	1 652		225	1 877
(2 091)	1 111	697	5 537	5 155	644	1 886	7 685

Group statement of cash flows

FOR THE YEAR ENDED 30 SEPTEMBER

Rm	2011	2010
Cash flows from operating activities		
Cash received from customers	23 645	22 518
Cash paid to suppliers and employees	(18 073)	(17 584)
Cash generated from operations	5 572	4 934
Interest paid	(1 836)	(1 981)
Taxation paid	(674)	(565)
Ordinary dividends paid by subsidiaries	(3)	(1)
Ordinary dividends paid	(553)	
Preference dividends paid	(47)	(53)
Capital reductions paid	(83)	(521)
Distributions to beneficiaries of the HPFL trusts	(47)	
Net cash from operating activities	2 329	1 813
Cash flows from investing activities		
Purchase of property, plant and equipment	(1 327)	(1 284)
Proceeds on disposal of property, plant and equipment	415	19
Additions to intangible assets	(81)	(86)
Increase in investments and loans	(250)	(29)
Additions to derivatives		(32)
Interest received	115	93
Dividends received		2
Increase in equity interest in subsidiaries	(11)	(2)
Acquisition of subsidiaries and businesses, net of cash acquired		21
Net cash from investing activities	(1 139)	(1 298)
Cash flows from financing activities		
Proceeds from issue of ordinary shares	74	80
Proceeds on disposal of treasury shares	123	
Equity premium on repurchase of convertible bond	(10)	
Long-term liabilities raised	477	883
Short-term liabilities repaid	(1 544)	(825)
Net cash from financing activities	(880)	138
Net increase in cash and cash equivalents	310	653
Translation effects on cash and cash equivalents of foreign entities	210	(82)
Cash and cash equivalents at beginning of the year	1 285	714
Cash and cash equivalents at end of the year	1 805	1 285
Consisting of:		
Cash on hand and balances with banks	2 355	1 378
Short-term money market borrowings and bank overdrafts	(550)	(93)
	1 805	1 285

Headline earnings

FOR THE YEAR ENDED 30 SEPTEMBER

Rm	2011	2010	% change
Reconciliation of headline earnings			
Profit for the year	1 855	1 460	27.1
Less:			
Preference shareholders	(47)	(53)	
Non-controlling interest	(238)	(174)	
Earnings used in the calculation of basic earnings per share	1 570	1 233	27.3
Adjusted for:			
Gain on bargain purchase		(81)	
Impairment of goodwill		9	
Impairment of investments	24	8	
Impairment of property, plant and equipment		19	
Reversal of impairment of property, plant and equipment	(7)	(1)	
(Profit)/loss on disposal of property, plant and equipment	(162)	1	
Tax effect of headline adjusting items	23		
Non-controlling share of headline adjusting items	56	38	
Headline earnings	1 504	1 226	22.7
Headline earnings per share (cents)	117.0	96.5	21.2
Diluted headline earnings per share (cents)	114.2	94.1	21.4

Condensed notes to the Group financial statements

FOR THE YEAR ENDED 30 SEPTEMBER

1. Basis of preparation and accounting policies

The annual financial statements from which these condensed financial statements have been derived, have been prepared in accordance with International Financial Reporting Standards (IFRS), the AC500 standards as previously issued by the Accounting Practices Board, the Listings Requirements of the JSE Limited and the South African Companies Act No 71 of 2008.

The accounting policies applied in the preparation of these statements are consistent with those applied for the year ended 30 September 2010, except for the adoption of improvements to International Financial Reporting Standards 2010 (certain improvements have been adopted earlier than required), and the change in accounting policy detailed in note 3 below.

The directors have reviewed the Group's budget and cash flow forecasts and have satisfied themselves that the Group is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. Certain General Healthcare Group (GHG) contracts with major medical insurers expire in 2012 and, based on past experience and current discussions, it is likely that negotiations will be lengthy and challenging. The directors are confident of a successful outcome in this regard, however, until these negotiations have been satisfactorily resolved, the GHG forecasts remain uncertain.

The borrowings of GHG, which are ring-fenced from the South African operations, include senior bank facilities and other long-term facilities, which are due for repayment between 2013 and 2017. A significant proportion of this debt is due for repayment in October 2013 and will need to be refinanced. The directors have considered a number of refinancing options that may exist at that point, but no final or likely solution has been determined. As such, no assessment can be reasonably made of the effect this may have on the financial statements. However, given the number and nature of refinancing options, the directors are comfortable with the going concern assessment.

The directors consider it appropriate to adopt the going concern basis in preparing the Group's annual financial statements.

The preparation of the annual financial statements was supervised by KN Gibson CA (SA), Chief Financial Officer of Netcare Limited.

2. Independent report of the auditors

The annual financial statements have been audited by Grant Thornton and their accompanying unqualified audit report is available for inspection at the Company's registered office.

3. Restatement of comparative information

During the current year, GHG in the United Kingdom revisited its interpretation of IAS 12 Income Taxes in relation to the differences that arise on the straight-lining of lease rentals on operating leases between its wholly owned subsidiaries, BMI Healthcare Limited and other property holding companies.

In prior years, the differences were accounted for as permanent differences with no deferred tax being raised. While this is considered to be an appropriate interpretation of IAS 12, management have concluded that fairer presentation will be achieved if these are treated as timing differences and the appropriate deferred tax liability raised.

To the extent available, a deferred tax asset has been recognised on the losses created by the straight-line adjustment.

The change in the accounting policy has been accounted for retrospectively, and the comparative information in the statement of financial position, statement of comprehensive income, statement of changes in equity and the relevant notes have been restated.

The restatement did not result in any changes to earnings or headline earnings per share in the prior year.

3. Restatement of comparative information (continued)

The effect of this change is summarised below:

Group statement of financial position for the year ended 30 September 2009

Rm	Previously reported	Adjustment	Restated
Non-current assets			
Deferred taxation	1 147	238	1 385
Non-current liabilities			
Deferred taxation	(5 041)	(425)	(5 466)
Equity			
Foreign currency translation reserve	(976)	(18)	(994)
Retained earnings	(3 446)	114	(3 332)
Non-controlling interest	(2 345)	91	(2 254)

Group statement of financial position for the year ended 30 September 2010

Rm	Previously reported	Adjustment	Restated
Non-current assets			
Deferred taxation	1 446	307	1 753
Non-current liabilities			
Deferred taxation	(4 430)	(478)	(4 908)
Equity			
Foreign currency translation reserve	(743)	(26)	(769)
Retained earnings	(4 632)	114	(4 518)
Non-controlling interest	(1 728)	83	(1 645)

Rm	2011	2010
4. Operating profit		
After charging:		
Depreciation and amortisation	1 213	1 157
Operating lease charges	469	420
5. Investment income		
Dividends received		2
Return on retirement benefit plan assets	49	48
Interest on bank accounts and other	66	45
	115	95
6. Financial expenses		
Amortisation of arrangement fee	90	85
Retirement benefit plan interest cost	63	55
Interest on convertible bonds (liability portion)	140	154
Interest on promissory notes	166	180
Interest on preference shares classified as debt	4	24
Interest on bank loans and other	1 384	1 483
	1 847	1 981

Condensed notes to the Group financial statements (continued)

FOR THE YEAR ENDED 30 SEPTEMBER

Rm	2011	2010
7. Other losses – net		
Foreign exchange gains	5	1
Ineffectiveness gains/(losses) on cash flow hedges	43	(103)
Fair value loss on inflation rate swaps (not hedge accounted)	(2)	
Fair value loss on derivative financial assets (not hedge accounted)	(26)	
Amount reclassified from cash flow hedge reserve	(43)	10
	(23)	(92)
8. Commitments		
Capital commitments	1 268	1 392
South Africa	845	1 213
United Kingdom	423	179
Operating lease commitments	4 510	3 048
South Africa	1 410	1 212
United Kingdom	3 100	1 836
9. Contingent liabilities (guarantees and suretyships)		
South Africa	636	645

Condensed segment report

FOR THE YEAR ENDED 30 SEPTEMBER

The Group operates in two geographical regions, South Africa (SA) and the United Kingdom (UK). SA has two further segments, Hospital and Emergency services and Primary Care, which are separately monitored for decision-making purposes. The UK segment results are impacted by fluctuations in the Rand relative to the Pound Sterling on translation. The impact of foreign currency fluctuations have been removed from the UK segment for decision-making purposes.

Rm	2011	2010	% change
INCOME STATEMENT			
Revenue			
South Africa	13 361	12 541	6.5
Hospitals and Emergency services	12 089	11 167	8.3
Primary Care	1 272	1 374	(7.4)
United Kingdom	9 860	9 933	(0.7)
UK adjusted ¹	10 312	9 933	3.8
Exchange rate impact	(452)		
Group reported	23 221	22 474	3.3
Exchange rate impact	452		
Group adjusted¹	23 673	22 474	5.3
Operating profit			
South Africa	2 220	1 899	16.9
Hospitals and Emergency services	2 182	1 893	15.3
Primary Care	38	6	533.3
United Kingdom	1 384	1 764	(21.5)
UK adjusted ¹	1 420	1 764	(19.5)
Exchange rate impact	(36)		
Capital items	97	45	115.6
South Africa	(14)	(34)	58.8
UK adjusted ¹	119	79	50.6
Exchange rate impact	(8)		
Group reported	3 701	3 708	(0.2)
Exchange rate impact	44		
Group adjusted¹	3 745	3 708	1.0
Net interest expense			
South Africa	327	367	10.9
United Kingdom	1 405	1 521	7.6
UK adjusted ¹	1 477	1 521	2.9
Exchange rate impact	(72)		
Group reported	1 732	1 888	8.3
Exchange rate impact	72		
Group adjusted¹	1 804	1 888	4.5

¹ The September 2011 UK numbers have been recalculated to remove the impact of foreign currency fluctuations since the September 2010 results.

Condensed segment report (continued)

FOR THE YEAR ENDED 30 SEPTEMBER

Rm	2011	2010	% change	2009
STATEMENT OF FINANCIAL POSITION				
Total assets²				
South Africa	10 262	9 284	10.5	8 615
United Kingdom	40 402	35 395	14.1	37 564
UK adjusted ¹	35 212	35 395	(0.5)	37 564
Exchange rate impact	5 190			
Group reported	50 664	44 679	13.4	46 179
Exchange rate impact	(5 190)			
Group adjusted¹	45 474	44 679	1.8	46 179
Debt net of cash				
South Africa	3 303	3 706	10.9	3 903
United Kingdom	22 386	20 491	(9.2)	22 551
UK adjusted ¹	19 510	20 491	4.8	22 551
Exchange rate impact	2 876			
Group reported	25 689	24 197	(6.2)	26 454
Exchange rate impact	(2 876)			
Group adjusted¹	22 813	24 197	5.7	26 454

1 The September 2011 UK numbers have been recalculated to remove the impact of foreign currency fluctuations since the September 2010 results.

2 Restated comparatives refer to note 3.

Salient features

FOR THE YEAR ENDED 30 SEPTEMBER

	2011	2010	2009
Share statistics			
<i>Ordinary shares</i>			
Shares in issue net of treasury shares (million)	1 295	1 277	1 266
Weighted average number of shares (million)	1 286	1 271	1 263
Diluted weighted average number of shares (million)	1 317	1 303	1 275
Market price per share (cents)	1 305	1 384	1 037
Currency conversion guide (R:£)			
Closing exchange rate	12.54	10.93	11.95
Average exchange rate for the year	11.09	11.63	13.73



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