helping care for the health of humankind

Netcare Limited 2014

ANNUAL INTEGRATED REPORT

NETCARE

You're in safe hands

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primary report

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Supplementary information

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Corporate social investment
Environment
Transformation

UK additional reports:
Quality and clinical governance
Our people
Corporate social investment
Environment

REFERENCE ICONS IN OUR REPORT

AIR For more information

This icon refers readers to related information elsewhere in the annual integrated report.

AFS Complete Group annual financial statements

This icon refers readers to our AFS online at **www.netcareinvestor.co.za**.

www Available online

This icon refers readers to our additional information available on our investor relations website at **www.netcareinvestor.co.za**.

Our report

"Our quest for continual improvement, our focus on governance and sustainability, and our awareness of the role we need to play in the societies we serve, underpins our approach to everything we do."

– Dr Richard Friedland
Chief Executive Officer

Introduction

Our annual integrated report for the year ended 30 September 2014 is our primary report to stakeholders, and aims to provide concise and material information on the Group's strategy, performance and prospects. It caters for a broad stakeholder readership, while also providing the information that shareholders have traditionally required. Abridged Group annual financial statements are included in this report. According to our Memorandum of Incorporation, we print a limited number of annual integrated reports and post the notice to the annual general meeting, to be held on 6 February 2015, to shareholders.

Our annual integrated report, the complete annual financial statements, and supplementary reports that provide additional information on the Group's non-financial performance, are available on our investor relations website, www.netcareinvestor.co.za.

In line with our commitment to continual improvement, and in response to internal and external feedback, we have continued to advance on our integrated reporting journey. This year, besides making structural improvements, we have aimed to clearly explain our business model. The management systems that underpin the sustainability of our business model and the key stakeholder relationships that affect our ability to create value over time, are specified as part of this explanation. We have also introduced overviews of health policy and regulation in each of our markets into our operational reports, as well as a summary of quality indicators in response to calls for the industry to provide greater disclosure in this regard.

Scope and boundary

Netcare's annual integrated report covers the Group's financial and non-financial performance for the year ended 30 September 2014. It incorporates all our operating subsidiaries, joint ventures and key associates in South Africa (SA), Lesotho and the United Kingdom (UK), unless otherwise stated.

We fully report the non-financial data of joint ventures over which we exert control, for instance those that are co-located at our facilities, as well our Public Private Partnerships in SA and Lesotho. The scope of our report extends to other entities, such as organised labour and the public sector, that may affect our strategic, operational, financial, social and environmental performance, and hence our ability to create value. Our report is framed by the longer-term intent of our strategy and our expectations for the future of healthcare as well as the macroeconomic conditions and prospects of the countries in which we operate.

No key changes to the Group structure have been effected. The application of new IFRS standards are explained in the CFO's report on page 48 and in the annual financial statements available online.

Materiality

Netcare defines material issues as those that have the potential to substantially impact our ability to achieve our strategic priorities (set out on pages 14 to 19). The Group Executive Committee, which is significantly involved in preparing the integrated report, has determined the material issues for the year based on the attention they required from the Board and executive teams, the views of operational management and the concerns of key stakeholders. These issues are covered in detail throughout our integrated report and are not presented separately as in previous years, with the aim of providing greater connectivity of material information. Comprehensive information on the key issues raised by our stakeholders, the channels we use to engage with them and our responses can be found online.

Reporting frameworks

We have prepared our report in accordance with all applicable reporting requirements, including:

- South African Companies Act No 71 of 2008;
- JSE Limited (JSE) Listings Requirements;
- Reporting principles contained in the Code of Corporate Practices and Conduct of the King Report on Corporate Governance for South Africa (King III);
- International Integrated Reporting Committee's International Integrated Reporting Framework, published in December 2013;
- Global Reporting Initiative's (GRI) G3.1 Sustainability Reporting Guidelines;
- International Financial Reporting Standards (IFRS); and
- SAICA Financial Reporting Guides as issued by the Accounting Practices Committee.

Assurance

In accordance with the combined assurance model, Netcare has obtained assurance from management, internal and external audit on the financial information and certain non-financial performance indicators for the reporting period. A Combined Assurance Committee has been constituted to implement and oversee the combined assurance model. Key business representatives have been included and feedback has been provided to the Group Risk and Group Audit Committees as well as the executive.

Group Risk, Audit and Forensic Services (Internal Audit), assessed the effectiveness of the Group's system of internal control and risk management, which is overseen by the Audit Committee, and found it to be effective. Internal Audit has also assured certain non-financial information presented in the annual integrated report. Continuous development of the key controls relating to the non-financial information will enable Netcare to assure an increasing range of key performance indicators, to ensure the veracity of information used within the organisation and disclosed externally.

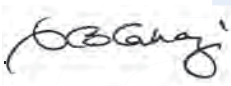
Accredited rating agency, Empowerdex, has assured the Group's Level 2 contributor rating according to the Department of Trade and Industry's Code of Good Practice for Broad-based Black Economic Empowerment. Netcare requested a limited level of assurance on the Greenhouse Gas Protocol Corporate Standard assertion. The results reflected in our environmental sustainability report have been independently assured by Global Carbon Exchange SA (Pty) Ltd. The verification was performed in accordance with the principles of the WBCSD/WRI GHG Protocol Corporate Accounting Standard, 2nd Edition, 2004 (the GHG Protocol Corporate Standard).

Our external auditors, Grant Thornton, have provided unqualified assurance of the Group annual financial statements. The assurance statement can be found in the complete Group annual financial statements online. The≈Group consolidated annual financial statements are presented in the annual integrated report in a condensed format and are correctly quoted in this report.

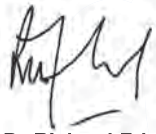
Approval

The Board acknowledges its responsibility to ensure the integrity of the annual integrated report. In the Board's opinion, this report provides a fair and balanced account of the Group's performance on those material issues that we believe have a bearing on the Group's capacity to create value over the short, medium and long term. The 2014 integrated report has been prepared in line with internationally recognised best practice and complies with the recommendations of King III, principle 9.1. The annual financial statements of the Group for the year ended 30 September 2014 were approved by the Board of directors on 20 November 2014.

This report was approved by the Board of directors on 19 December 2014 and signed on its behalf by:



Jerry Vilakazi
Chairman



Dr Richard Friedland
Chief Executive Officer

KING III COMPLIANCE

A schedule outlining the Group's application of each of the principles of King III is available at www.netcareinvestor.co.za.

GRI SELF-ASSESSMENT

Our report meets the requirements of a level B report in terms of the GRI's G3.1 Sustainability Reporting Guidelines. For our GRI response table go to www.netcareinvestor.co.za.

FORWARD-LOOKING STATEMENTS

For important information on the forward-looking statements contained in this report, please refer to the inside back cover.

GLOSSARY

A glossary of terms and abbreviations used in this report is provided on page 154.

FEEDBACK

We welcome feedback from our stakeholders on our annual integrated report, and the supplementary information we provide, which can be emailed to ir@netcareinvestor.co.za.

Our profile

Netcare's core purpose to help care for the health of humankind is expressed in the work our people do with care and compassion, every hour of every day. This is our greatest contribution to the societies we serve.

Netcare operates the largest private hospital networks in SA and the UK, and provides comprehensive healthcare services in SA. We continue to invest in our capacity and capabilities, and in partnering with the public sector, to support the effective delivery of quality healthcare in the national health systems in which we operate.

We strive to deliver the best clinical outcomes and the best patient experience in the most cost-effective manner, grounded in our unwavering commitment to our values. We endeavour to treat patients with the utmost dignity and respect, and offer outstanding medical facilities staffed by dedicated and passionate healthcare professionals. Our people continuously enhance their skills and expertise through Netcare's well-respected education and training programmes, and we partner with doctors and specialists at the forefront of medical innovation.

The Company's ordinary shares have been listed on the JSE, SA, since December 1996.

Operations

Hospital division

54	owned and managed hospitals
9 424	registered beds
1 601	intensive care and high care beds
47	retail pharmacies
343	theatres
26	catheterisation and electrophysiology laboratories
44	emergency centres

NETCARE
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Emergency services

86	emergency bases
209	vehicles
2	helicopters
1 078	paramedics

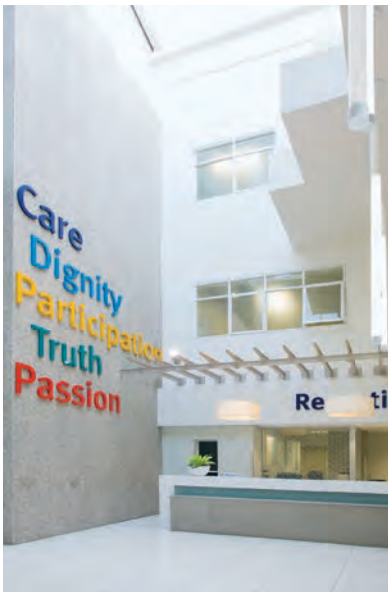
NETCARE 082 911
24HR EMERGENCY MEDICAL ASSISTANCE

Primary Care

70	Medicross medical and dental centres
17	Prime Cure clinics
13	Medicross theatres
36	retail pharmacies

primecure health

MEDICROSS MEDICAL CENTRE
All the quality care you need.



total registered beds **12 212**

National Renal Care

85	NRC units
668	dialysis stations
12	Healthcare programmes

NATIONAL RENAL CARE

UK Hospitals

57	acute care private patient hospitals
2 788	acute and critical care beds
188	operating theatres
8	catheterisation and electrophysiology laboratories
5	accident and emergency centres
8	level III critical care centres

BMI Healthcare
Serious about health.
Passionate about care.

GHG
General Healthcare Group

Our performance

	2014 Rm	2013 Rm	Increase
Revenue	**31 783**	27 382	16.1%
EBITDA (*normalised*)[1]	**4 404**	4 086	7.8%*
Operating profit	**3 253**	2 997	8.5%
HEPS (cents)	**158.2**	134.6	17.5%*
Adjusted HEPS (cents)	**167.8**	140.4	19.5%
Cash from operations	**4 382**	3 790	15.6%
Net working capital	**3 214**	2 967	7.7%*
Return on equity	**26.7%**	25.1%	1.5%
Total distributions	**1 173**	901	30.2%
Market capitalisation (billion)	**42.3**	31.9	32.5%
Net asset value	**12 172**	10 415	16.9%

1. Excluding non-cash profit on deconsolidation of the GHG Property businesses.
* Included in executive balanced scorecard measures.

Of the 307 quality measures across all divisions in Netcare,

74% showed a year-on-year improvement

SA service levels improved to 85%

(2013: 84%) based on an annualised increase of **28%** in patient feedback responses, compared to the US HCAHPS benchmark of 71%.

SA Nurses trained 1 531

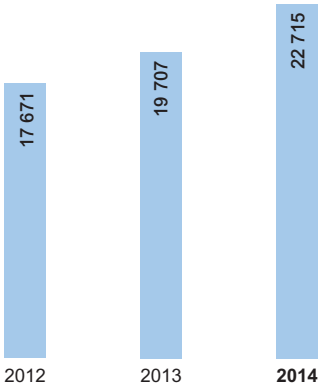
(2013: 1 322).

UK Training days 39 340

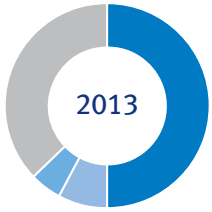
(2013: 33 447).

WEALTH CREATED

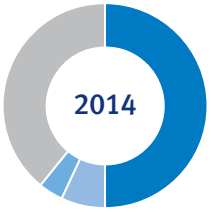
(R MILLION)



WEALTH DISTRIBUTED



- 50% Employees
- 8% Providers of capital
- 5% Government
- 37% Reinvested in the Group



- 50% Employees
- 7% Providers of capital
- 4% Government
- 39% Reinvested in the Group

Retained **level 2 B-BBEE rating** and overall score up from 87.52 to 90.85.

Savings of **R9.4 million** from current energy efficiency projects.

Since 1998 assisted over **10 400** survivors at our **sexual assault centres[2].**

2. Won the Trialogue award for best CSI initiative for sexual assault centres initiative.

Total CSI spend R47.2 million 2.17% of net profit after tax.

Treated **6 949 indigent patients** needing emergency care.

Our strategy

CORE PURPOSE
Why we exist

Helping **care** for the health of humankind

VISION
What we aspire to

- Develop and implement solutions to provide quality affordable healthcare, by inspiring our people, creating new healthcare horizons and delivering value to all stakeholders.
- Strive for excellence in a unique brand of patient care delivered by people who are passionate about the sanctity of life, personal respect and dignity.
- Invest in people, infrastructure and technology and establish lasting relationships with healthcare professionals.
- Be a leading corporate citizen, proud of our heritage and what we give to society.

STRATEGIC INTENT
How we create value

As a comprehensive healthcare group, Netcare's strategy is to provide the most effective, efficient and highest quality care through our core hospital business and ancillary services.

We achieve this through a relentless commitment to improving systems and processes, and eliminating harm and waste in every area of operation.

We execute our strategy through six strategic priorities, which ensure a balanced approach to growth, profitability and value creation for all our stakeholders. This is inseparable from generating competitive returns for our shareholders over the long term.

OUR LONG-TERM GOAL
What we aim for

To be the leading South African based global healthcare group best known for:

- Delivering innovative quality healthcare solutions;
- Broadening access to affordable quality healthcare; and
- Leveraging our value proposition to expand into other international markets.

OUR VALUES
What we stand for

At Netcare, our core value is care. We care about the dignity of our patients and all members of the Netcare family. We care about the participation of our people and our partners in everything we do. We care about truth in all our actions. We are passionate about quality care and professional excellence.

value

Our business model

Our main activities p.10

OUR CORE BUSINESS
- Private hospitals

ANCILLARY SERVICES (SA only)
- Emergency medical services
- Primary Care facilities
- Dialysis services
- Cancer care
- Retail pharmacies
- Training colleges

PUBLIC PRIVATE PARTNERSHIPS
- National Health Service (UK)
- South Africa
- Lesotho

Key relationships p.12

PATIENTS

EMPLOYEES

SPECIALISTS

ALLIED HEALTHCARE PROFESSIONALS

PRIMARY HEALTHCARE PROVIDERS

FUNDERS

SUPPLIERS

GOVERNMENT

REGULATORS

INVESTORS

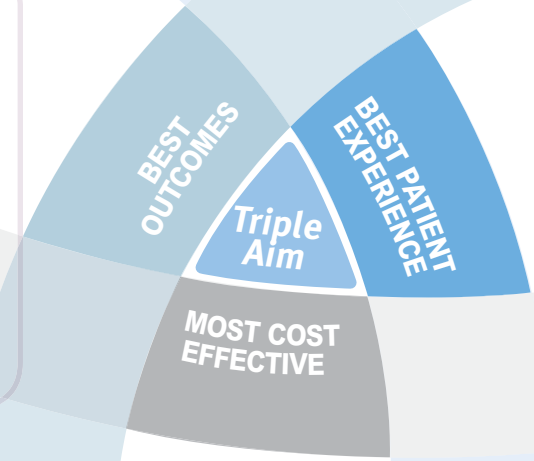
Management systems p.11

CULTURE, SYSTEMS AND PROCESSES
- The *Triple Aim*
- People management
- Quality leadership
- IT optimisation

FACILITIES, PROPERTY, PLANT AND EQUIPMENT

UTILITIES MANAGEMENT

RISK MANAGEMENT, COMPLIANCE AND GOVERNANCE



Our business model **main activities**

Investing in and managing our business for the long term is our single greatest contribution to society in the countries in which we operate.

OUR CORE BUSINESS

We operate the largest **private hospital networks** in SA and the UK. We are differentiated by our high acuity network of hospitals, which provide the latest medical technology and treatment protocols. Our continued focus on implementing behavioural and process changes that lead to excellent patient care, sets us apart. Our network in SA includes the only accredited level 1 and 2 trauma units in the country and a number of centres of excellence. All Netcare SA hospitals are benchmarked against the Department of Health's (DoH) National Core Standards. In the UK, we are an accredited provider of services to the National Health Service (NHS).

ANCILLARY SERVICES (SA only)

Netcare 911 provides critical medical care in emergency situations. Our skilled paramedics and broad network of specialised road ambulances, fixed wing operations and helicopters ensure that patients have access to the very best in **emergency medical services** and inter-hospital transfers. We also provide on-site emergency services to industrial and corporate clients. Our ongoing investment in improving our systems, equipment and technology ensures the highest standard of emergency medical service. Netcare 911 responds to any emergency, irrespective of whether the patient is a medically insured individual, a private individual in a position to fund their treatment, or indigent patients that are unable to pay for the service.

Netcare's extensive and well-equipped network of **Primary Care facilities** provide access to General Practitioner (GP) and dental consultations, preventative and chronic disease management services as well as referrals to specialist care. These facilities include group GP practices. This aligns with the DoH's intentions of contracting with group practices under a National Health Insurance plan (as espoused in its Green Paper). Netcare believes that primary care is the foundation of a sustainable healthcare system.

National Renal Care (NRC) provides **dialysis services** to patients with compromised kidney function, improving their quality of life and life expectancy.

Oncology practices specialise in the treatment of cancer through chemotherapy and radiotherapy. We have a joint-venture arrangement with oncologists who operate these practices, and provide them with access to the best facilities, equipment and consumables. We host regular clinical development initiatives and invest in technology and equipment that enable oncologists to remain at the forefront of **cancer care**.

Netcare has a national network of **retail pharmacies** located within its hospitals and Medicross clinics.

Netcare Education has five nursing **training colleges** and two paramedic training colleges. These facilities have almost 3 500 nursing students and 500 paramedics enrolled for training. NRC has four training academies and 13 units accredited for training of clinical technology students and 18 units accredited for training nephrology nursing students.

PUBLIC PRIVATE PARTNERSHIPS (PPPs)

NATIONAL HEALTH SERVICE (UK)

Netcare has provided publicly funded healthcare to UK citizens as part of a mixed delivery model for more than 10 years. **NHS** funded patients can access treatment from private healthcare providers as long as these providers meet set quality standards.

SOUTH AFRICA AND LESOTHO

In **South Africa** we are involved in a number of PPPs with provincial governments, which encompass the construction, refurbishment and management of hospital facilities, but excludes the provision of clinical services. NRC has 12 PPPs ensuring that public sector patients with compromised kidney function have access to dialysis.

We have broadened our role in public sector healthcare delivery through our flagship partnership with the Lesotho government. In **Lesotho**, we also provide clinical services. Through this important and innovative incubator project, we have refined our approach to public healthcare delivery in an African context. In terms of delivering significantly improved clinical outcomes, the success of this model has been independently verified.

Our business model **management systems**

We invest significantly in optimising the management systems that underpin the performance and sustainability of our main activities.

CULTURE, SYSTEMS AND PROCESSES

THE *TRIPLE AIM*

Fundamental to our business model is the *Triple Aim* framework, developed by the Institute for Healthcare Improvement as an international standard for improvement in the quality of healthcare. We have embedded the philosophy of the *Triple Aim* framework through various programmes of action aligned to our organisational culture initiative, ***the Netcare Way***. Primarily, it informs our efforts in achieving the best clinical outcomes and providing the best patient experience, as cost effectively as possible.

PEOPLE MANAGEMENT

We focus on creating a supportive employment culture for our people to deliver the highest quality healthcare. We track our people's levels of engagement, understanding and implementation of ***Caring the Netcare Way***, a values-driven programme that guides our interactions. Our education and training systems, quality measures and operational processes all align with the principles of the *Triple Aim* framework, ensuring that this philosophy is embedded across the business. Development opportunities available to staff range from technical and clinical courses to management and leadership development programmes. Onsite career management committees identify individuals for accelerated development interventions.

QUALITY LEADERSHIP

Our quality management system focuses on structure (tools and resources), process (activities between providers, practitioners and end users), and outcome (change in current and future health status). The ***Netcare Way of Improvement***, an initiative focused on deep improvement, supports this system. We have entrenched Group-wide quality management processes, supported by integrated IT systems, which enable all our business units to track and monitor quality outcomes and identify areas for improvement.

IT OPTIMISATION

At a process level, our nursing and theatre planning tools ensure that our human resources and facilities are managed optimally. We continue to digitise our business through various optimisation projects and investments in IT infrastructure, using the SAP backbone. Benefits include improving the accuracy of record-keeping and data analysis, improved facilities management and streamlined business processes. Aligned to process optimisation are our efforts to standardise and centralise processes across the business, for example in the standardisation of medical consumables.

FACILITIES, PROPERTY, PLANT AND EQUIPMENT

Our facilities are a key component of Netcare's value proposition, and underpin the overall patient experience. We invest significantly in cutting-edge medical technology and conduct regular maintenance and repairs to this equipment and our facilities.

We continue to allocate significant capital expenditure to maintaining and refurbishing our facilities. In SA, we are constructing two green-field hospitals, and our brown-field expansions represent a total of 212 beds which will come on-stream during 2015. Our environmental sustainability strategy to eliminate harm and waste in every area of operation and optimise energy and water use guides all new developments.

UTILITIES MANAGEMENT

Our operations depend on a constant, predictable supply of water and electricity. Our environmental sustainability strategy is focused on projects aimed at reducing our energy demands by 35%, maintaining the integrity of our operations and generating sustainable cost savings while also easing the pressure on national supply. We also reduce waste, recycle and re-use resources where possible. Our responsible disposal of medical waste complies with the relevant requirements.

RISK MANAGEMENT, COMPLIANCE AND GOVERNANCE

Healthcare systems are complex in relation to risk and compliance. Netcare has well-developed systems of control in place with dedicated resources, which ensure a co-ordinated approach in adhering to all applicable regulatory frameworks. Our systems include comprehensive financial controls, an entrenched governance model and an enterprise-wide approach to managing Group risk. Furthermore, good corporate governance is central to managing the Group in a way that is efficient, accountable, transparent and ethical.

Our business model **key relationships**

Our ability to deliver affordable quality healthcare requires that we manage the complex interplay of critical relationships on which our business depends.

KEY RELATIONSHIP	NATURE OF THE RELATIONSHIP IN RESPECT OF VALUE CREATION
PATIENTS	
• Medically insured • Self-pay • Indigent • Public sector	Providing quality care to our patients requires an integrated value chain of relationships, and ongoing investment in the quality of care and provision of comprehensive, well-maintained medical infrastructure and equipment across all our hospitals and facilities. We monitor patient concerns and the quality of their experience by conducting regular real-time patient feedback surveys, which enables us to be responsive to concerns raised. We assess the healthcare needs of communities, considering the concentration of our existing services and access, to establish the feasibility of extending our footprint into different areas or changing the mix of licenced beds (to accommodate different medical needs) in our existing facilities.
EMPLOYEES	
• Nurses • Paramedics • Pharmacists • Management teams • Administration teams • Facilities management teams • Support staff • Contract staff	We invest significantly in ongoing training and professional development of our nurses, paramedics and pharmacists, given their vital role in delivering the highest standard of medical care. Facilities management is also vital to the best and most cost-effective clinical outcomes and patient experience. Our dedicated facilities management teams ensure that our facilities and equipment are sustainably maintained and operated at optimum efficiency.
SPECIALISTS	
• Physicians across all clinical disciplines	GPs refer patients to specialists who elect to be based at our facilities. The calibre of these specialists is fundamental in attracting patients to our facilities. To ensure the best clinical outcomes for patients, physicians need us to provide quality nursing support, the most clinically advanced and appropriate medical equipment, instruments, consumables, medicine and support staff. We regularly facilitate training sessions and forums that add to the continuous professional development requirements for specialists and other healthcare professionals.
ALLIED HEALTHCARE PROFESSIONALS	
• Healthcare professionals such as physiotherapists, occupational therapists and mental health professionals	Allied healthcare professionals are an important part of the healthcare value chain. Specialists and patients rely on the therapeutic services they provide because it expedites recovery after surgical or medical treatment, rehabilitation after a traumatic incident, or counselling and psychiatric support.
PRIMARY HEALTHCARE PROVIDERS	
• GPs • Emergency medicine practitioners • Dentists	Primary care practitioners play a vital role in early detection, prevention, management and treatment of disease. The healthcare practitioners who operate in our facilities have access to state-of-the-art equipment, medical and IT infrastructure, and a broad range of practice management, administration and support services.

KEY RELATIONSHIP	NATURE OF THE RELATIONSHIP IN RESPECT OF VALUE CREATION
FUNDERS	
• Medical schemes (SA) • Compensation for Occupational Injuries and Diseases (COID) (SA) • Private medical insurance (UK) • NHS (UK)	Our relationship with funders is critical to our business as it represents the most significant contributor to revenue. Funders use managed care principles and clinical protocols to manage admissions and levels of utilisation of our facilities as part of their benefit and network design. Funders pay a negotiated fee to Netcare for hospital accommodation, threatre utilisation, medical equipment, and for surgical consumables and drugs on either a fee-for-service or alternative reimbursement basis.
SUPPLIERS	
• From suppliers of medicines, equipment and consumables, to IT systems, professional services and outsourced services	Our business depends on strategic partnerships with a wide range of suppliers who support our business activities. We provide fair and transparent tender processes, fairly negotiated contractual terms, delivery to schedule, and additional value-added services. To advance the aims of B-BBEE in SA, we seek to do business with and help develop enterprises that increase the representation of previously disadvantaged groups in the economy, for example through investment in small, medium and micro-sized enterprises.
GOVERNMENT	
• Public sector partners including national and provincial departments of health	In SA, we partner with government in delivering affordable access to quality care through our PPP hospitals, and our participation in government initiatives including national incident responses. Our contribution extends to training healthcare practitioners in excess of our needs, as well as our ongoing investment in providing emergency medical services to indigent patients, healthcare accessibility initiatives, and academic, community, health and welfare sponsorships. In Lesotho, our PPP continues to deliver excellent clinical outcomes for a unitary fee, and we are servicing patient volumes that are higher than our contractual obligations.
REGULATORS	
• The authorities that regulate respective providers within the healthcare system	Our relationships with regulators and other legislative bodies are pivotal to our ability to operate our business. In every country of operation our interactions with these bodies differ in scope and intensity. We adhere to stringent licencing requirements as well as the relevant laws, standards, codes and guidelines, including B-BBEE requirements in SA. We remain aware of our legislated responsibility towards our employees, and engage with unions on a wide range of relevant issues.
INVESTORS	
• Shareholders • Investment community	We operate capital intensive operations with long-term investment horizons. We endeavour to deliver competitive financial performance and invest in growing and managing our business prudently. This ensures that we create long-term shareholder value and attract continued investment in the healthcare sector.

Our strategic priorities

Netcare's strategy is executed through six priorities that are included in management balanced scorecards to ensure strategic alignment across divisions.

Within each priority we have a number of key performance indicators (KPIs) which are measured on an ongoing basis. An overview of our progress against each priority is provided in the following pages, with detailed information contained throughout the annual integrated report.

Organisational growth

STRATEGIC INTENT

Identify opportunities for growth in existing operations

Engage with government in SA on further partnership initiatives

Strengthen our position as a provider of choice to the NHS in the UK

Explore new markets outside SA and the UK for expansion

PROGRESS IN 2014

In SA:

- Spent R1 195 million (2013: R800 million) on capital expenditure programmes, with 26% relating to expansion projects;
- Opened 89 new beds and commissioned five new theatres in the Hospital division;
- Re-assigned licences for 65 beds from under-utilised to in-demand disciplines;
- Commenced two major new hospital building projects;
- Expanded Emergency services client base of corporate and industrial sites by adding 93 access clients;
- Acquired a new day theatre centre in Medicross; and
- Added 49 dialysis stations in National Renal Care.

In the UK:

- Invested £42.2 million (2013: £39.8 million) in capital expenditure in cyclical medical equipment replacement, particularly imaging equipment;
- Increased NHS volumes to 35.3% of caseload (2012: 32.2%); and
- Focused on growing higher acuity service lines, particularly in NHS procedures.

LOOKING AHEAD

In SA:

- Expansionary and replacement capital expenditure of R2 billion approved for the 2015 financial year;
- Evaluate opportunities to acquire hospitals which complement the Netcare portfolio and meet our internal rates of return;
- Open 510 new beds across 17 hospitals, including:
  - Netcare Waterfall hospital Phase II (68 new beds); and
  - Two green-fields projects by end of the 2015 financial year – Pinehaven (100 beds) in Gauteng and Polokwane (170 beds) in Limpopo.
- Maintain progress on relocating the Netcare Christiaan Barnard Memorial Hospital to the state-of-the-art facility on the Cape Town foreshore in 2016;
- At Netcare Milpark Hospital, maintain momentum to complete the parking deck and hybrid theatre development in 2016;
- Review our portfolio of hospital beds to better match supply to demand across various disciplines;
- Further expand emergency services to industrial sites in SA and Mozambique;
- Grow the Primary Care network, including day theatres; and
- Add 67 National Renal Care dialysis stations.

In the UK:

- Planned investment of approximately £40 million to maintain the hospital properties and medical equipment;
- Install new state-of-the-art medical equipment, particularly imaging and diagnostics equipment; and
- Further advance our strategy to invest for growth in more complex surgical and medical cases, and centres of excellence.

Elsewhere:

- Continue investigating and assessing expansion opportunities in existing countries and new markets, where these are aligned with our strategic intent and meet our required rate of return.

AIR Also refer to Our top risks on pages 23 to 35, which links the Group's key risks to our strategic priorities.

Operational excellence

STRATEGIC INTENT

Focus on excellence

Enhance efficiency in all our operations

Contain costs without compromising quality

Develop affordable healthcare services

Achieve sustainable cost savings through reducing consumption of utilities

PROGRESS IN 2014

In SA:

- Continued to refine operational business processes to eliminate cost duplication and improve standardisation;
- Initiated an organisation-wide statutory structure review to optimise the Group structure and associated overhead costs;
- Controlled electricity costs by implementing environmental sustainability projects. Electricity expenses for 2014 increased to R246 million (2013: R235 million); however, we estimate electricity costs would have risen to R255 million if these projects had not been implemented;
- Reduced antibiotic costs across all hospitals by 23% with ongoing successes in our antibiotic stewardship programme;
- Fine-tuned the nursing and theatre utilisation models for efficient resource allocation and improved care;
- Reduced the time from receiving an emergency call to the arrival of a paramedic at the scene by 22%. In addition, new technology in the call centre reduced the rate of abandoned calls by 82%; and
- Conducted a structural review of supporting functions in Primary Care to improve back office efficiency.

In the UK:

- Focused on increasing efficiencies in all areas of operation;
- Continued to improve processes using the upgraded integrated functionality of the PeopleSoft IT platform across all key business areas;
- Exited from four non-core hospitals; and
- Developed and rolled out improved appointment booking system.

LOOKING AHEAD

- Ongoing focus on initiatives to enhance efficiencies across all divisions;
- Analyse and enhance key financial processes to achieve further administrative efficiencies across all divisions;
- Improve data and reporting from the environmental management system in SA;
- Allocated R136 million for environmental projects in 2015 and more than R450 million over the next four years, with a targeted reduction in energy consumption of 35% over the next 10 years. Cumulative savings are estimated at R1 billion on our forecast electricity costs over the next 10 years;
- Continue to improve the collection of patient data by Emergency services staff on site through IT-enabled processes; and
- In the UK, implement initiatives for sustainable efficiencies identified in the review of BMI Healthcare's business model, and continue enhancing health pathways to deal with increased volumes of complex cases.

Physician **partnerships**

STRATEGIC INTENT

Focus on excellence

Partner with doctors that are highly qualified and competent

Develop quality doctor networks and assist doctors in their professional development

Create and maintain facilities and equipment to ensure the best clinical outcomes

Promote leading centres of excellence

PROGRESS IN 2014

- Secured net growth of 95 medical practitioners with admission rights at our hospitals;
- Completed 3 735 visits to doctors as part of the revised doctor engagement strategy;
- Held 86 continuous professional development (CPD) events at SA hospitals for healthcare professionals;
- Made measurable improvements in quality leadership in partnership with doctors in areas including hospital acquired infections and antibiotic stewardship;
- Supported the development of medical professionals by sponsoring seven registrar posts for medical graduates at public institutions in SA;
- Invested R418 million in medical equipment in SA and £18 million in the UK to ensure our doctors have access to the latest medical technology; and
- Primary Care facilitated continuous medical education on tuberculosis with 45 doctors and public sector practitioners.

LOOKING AHEAD

- Hold key forums in specialised disciplines in SA hospitals;
- Ongoing upgrades to facilities and investment in leading technology:
  - R272 million planned for SA; and
  - £17 million planned for the UK.
- Maintain benchmarking of best practice and medical innovation internationally; and
- Support ongoing collaboration and innovation in infection control and antibiotic stewardship.

Best and safest **patient care**

STRATEGIC INTENT

Work towards best clinical outcomes and best patient experience

Entrench quality as a strategic priority, where "quality is everybody's work"

Evolve best operating practices to meet developments in the healthcare and economic landscape

Achieve consistency in the quality of service delivery across multiple facilities

Measure outcomes and processes to drive quality improvement

Stay abreast of developments in clinical protocols and continue to define new clinical pathways

Live *the Netcare Way*

Ensure security of supply of electricity and water

PROGRESS IN 2014

In SA:

- The *Triple Aim* methodology was further entrenched to support improvements in clinical results with 74% of the 307 measures showing year-on-year improvement;

AIR See our SA Quality leadership scorecard on page 67 for quality indicators.

- Increased the National Core Standards score to over 81% (2013: 71%);
- Achieved an 83% positive patient feedback score on the specific behaviours of ***Caring the Netcare Way;***
- Achieved an overall satisfaction rating of 85% from patients in our hospitals. Ongoing qualitative feedback from patients on the quality of care enables us to be responsive to their needs;
- Focused on patient awareness programmes regarding medical procedures, including post-discharge care, pain management and medication usage;
- Implemented a new patient satisfaction survey in Primary Care, achieving 83.8% for an overall "definitely recommend" score. Also implemented quality leadership alerts and medication safety directives for the use of antibiotic treatment; and
- As part of ***Leading the Netcare Way,*** more than 1 500 leaders have been trained across SA divisions in quality improvement skills.

In Lesotho:

- The Lesotho PPP has achieved full compliance with the Independent Monitor evaluation at all four facilities, and 90% was achieved by the Queen 'Mamohato Memorial Hospital in the patient and family satisfaction rating.

In the UK:

- Continued to embed "Serious about health, passionate about care" in all aspects of our UK business;
- Refined methodologies for optimising pathways for the delivery of quality care; and
- Patient feedback during the year indicated that 97.8% of our patients would recommend BMI Healthcare to friends and family, and 99.3% rate the quality of care provided as "good", "very good" or "excellent".

LOOKING AHEAD

- Enhance the quality and accuracy of data collation within the ambit of the combined assurance model;
- Following a successful pilot, implement an automated laboratory results and electronic antibiotic stewardship IT monitoring system in 2015;
- Maintain focus on regular quality leadership learning events and continuous professional development for employees and doctors;
- Seek new ways to engage with patients and families, and identify and meet the needs and preferences of patients; and
- As part of our environmental sustainability initiatives in SA, implement identified energy projects and formulate water strategy in 2015.

Growing with **passionate people**

STRATEGIC INTENT

Attract and retain the skills we require to achieve our objectives

Provide training and development opportunities

Recognise and reward performance

Be an employer of choice

PROGRESS IN 2014

In SA:

- Embedded the newly introduced Enhancing Performance and Development programme across all business units;
- Grew number of employees with disabilities from 505 to 540. The second phase of our disability initiative, Sinako, saw 53 learnerships and internships for disabled learners completed;
- Training spend of R44.6 million for 35 548 (2013: 40 994) learning interventions delivered to 12 021 employees;
- 3 465 (2013: 3 331) registered students at Netcare Education, with:
  - 1 531 (2013: 1 322) nursing graduates qualified between 2013 and early 2014, an increase of 15.8%;
  - 492 (2013: 439) paramedics on training programmes; and
  - 294 (2013: 281) employees registered on various management development programmes, with 77% (2013: 71%) being African, Coloured and Indian (ACI) candidates.
- 72 (2013: 65) employees enrolled in undergraduate and postgraduate studies.

In the UK:

- Finalised pension auto-enrolment project to automatically enrol all employees in a pension scheme, in line with new legislation;
- 110 290 e-learning modules and 39 340 training days delivered (an increase of 18%), with training compliance rates near 85%;
- Established an Executive Director Engagement Group to deliver more regular communication and clearer focus on linking reward to objectives for the top 200 employees across the business; and
- Successfully rolled out the first stage of a project to harmonise and standardise pay and work conditions.

LOOKING AHEAD

In SA:

- Implement the new talent management framework to ensure retention of key talent;
- Continue our ***Caring the Netcare Way*** intervention with all employees and management, and our ***Leading the Netcare Way*** intervention that focuses on middle management; and
- Create a platform for further automation and continuous improvement of HR processes.

In the UK:

- Address theatre staff shortages through overseas recruitment, driving an efficient internal recruitment process and developing a clearer presence in the market;
- Maintain talent development and training initiatives; and
- Progress the drive to harmonise all main terms and conditions of employment across the network.

transform

Accelerating **transformation**

STRATEGIC INTENT

Embrace transformation and normalisation

+

Fulfil the requirements of the revised B-BBEE Codes of Good Practice

+

Support Netcare's B-BBEE strategy

PROGRESS IN 2014

- Retained Level 2 B-BBEE rating with an improved Empowerdex AAA rating:
  - Improved verified score to 90.85 (2013: 87.82; 2012: 82.11);
  - Improvements in employment equity, skills development and preferential procurement pillars, while ownership, enterprise development and socioeconomic development remained constant;
  - Improved ACI representation at management and professional level by 1.2%; and
  - Distributed R88 million to more than 10 400 Netcare employees through our Health Partners for Life trust.
- Employees with disabilities as a percentage of total staff at 2.73% (2013: 2.26%) against the national target of 2%;
- Total training spend on ACI employees increased to 84%; and
- 72% of Netcare's employees are ACI.

LOOKING AHEAD

- Implement the revised B-BBEE Codes of Good Practice issued by the Department of Trade and Industry, which become effective in April 2015;
- Further improve skills development score as well as preferential procurement practices, especially among small and medium enterprises; and
- Retain focus on hiring and training staff with disabilities.

Our top risks

Netcare's risk management strategy and processes are fundamental to achieving our strategic objectives in a sustainable manner.

The governance of risk

The governance of risk within Netcare is ultimately the responsibility of the Board, which has appointed the Group Risk Committee to assist in discharging this responsibility. The Board, through the Risk Committee, sets the strategic direction for the process and system of risk management by authorising the risk management policy and plan.

WWW The Risk Committee's terms of reference can be found online at http://www.netcareinvestor.co.za/jse_sri.php.

The Board defines the risk appetite for the Group in terms of the level of risk that it is willing to accept in pursuit of its vision and in creating sustainable value for stakeholders. In defining the risk appetite, the Board considers the economic, social and environmental requirements of stakeholders. Our risk appetite is not one specific figure or formula, but varies depending on the specific category of risk.

Management is accountable to the Board for designing, implementing and monitoring the process and system of risk management. Risk management is embedded in overall Group governance as part of the policy framework.

Risk management process

Netcare has adopted a comprehensive, enterprise-wide approach to managing the Group's risk to provide management with an overview of Netcare's exposure and a basis for improved decision making.

A key objective of our risk management process is to ensure that material risks are systematically identified, assessed, evaluated and managed in accordance with the agreed risk appetite. Netcare's material risks, which are inter-related, are matters over which we exert limited influence. Group management identifies the material risks based on the attention they require from the Board and executive teams, the views of operational management and concerns raised by key stakeholders. The material items are reviewed and approved annually by the Audit Committee. Our approach is to manage these risks within our strategic framework to mitigate any negative impact and to optimise competitive advantage. Risks are also considered in our stakeholder engagement processes.

The Group Risk Management function is the custodian of the risk management policy and plan, and co-ordinates risk management activities throughout the Group. In implementing the risk management policy, the Group ensures that risk management is embedded in business activities and decision-making processes at all levels within a common framework for managing risk.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The Group Risk Management function engages with key management from the major divisions and business units in SA and Lesotho to identify key risks, and monitors the plans and processes to manage these risks. The key risks are consolidated to assess and define the top business risks affecting the organisation. Netcare assesses risks based on the potential impact (low, medium, high and significant) on achieving strategic and business objectives. All of the top business risks affecting Netcare have been assessed as either high or significant. The top business risks are managed at an executive level and are formally reported to the Risk Committee, which meets twice a year.

The process and system of managing risk takes into account the:

- Strategic direction and objectives of the business;
- Nature and extent of risks facing the business;
- Extent and categories of risk regarded as acceptable for the business to tolerate;
- Likelihood and impact of identified risks materialising;
- Ability of the business to reduce the incidence and impact to the business if identified risks materialise;
- Effectiveness of the implemented risk response plans; and
- Cost of risk response plans and processes relative to the exposure and benefit obtained.

Effectiveness of risk management

The Audit Committee is responsible for providing independent and objective assurance on the effectiveness of the system of internal control, governance and risk management within Netcare. The Audit Committee has specific oversight over Netcare's internal audit function, financial risk management, compliance and the information technology (IT) internal control environment.

The Group internal audit function is an integral component of the risk management process and provides independent and objective assurance to the Board, through the Audit Committee, on the effectiveness of the systems of internal control and risk management, and provides recommendations for improvement, where appropriate. Netcare's internal control environment comprises the policies and control procedures adopted and implemented by management to provide reasonable assurance that risks are mitigated and that the attainment of our business objectives are not compromised.

During the year, the Group Risk Management function continued to embed the revised management self-assessment process throughout the organisation. All major divisions and business units perform cyclical management self-assessments and the results are reported to the Risk Committee and Audit Committee. Management self-assessments form an integral part of Netcare's internal control environment, where management assumes responsibility and ownership for identifying and assessing risks, and for developing, implementing and maintaining control activities to manage those risks. The management self-assessment process enhances overall risk management practices within Netcare and supports a culture of responsibility for control within its operations. In addition, management submits quarterly statements of assurance to the Netcare Executive Committee on the adequacy of the design and the effective operation of their systems of internal control.

The Board is satisfied that Netcare's risk funding strategy and existing cover are adequate and appropriate in relation to the exposures identified. The Board, through the Audit Committee, has also considered the effectiveness and efficiency of the process and system of risk management and found it to be effective, a determination that has been endorsed by appropriate compliance reports. Furthermore, in the event of a disastrous incident there is a documented and tested major incident plan and disaster recovery programme to support continuity of critical business processes.

The Board is confident that:

- The system and process of risk management in place is appropriate for Netcare's model and strategy;
- The risk appetite inherent in the business model is appropriate;
- An appropriate management of risk culture has been embedded in Netcare's strategy; and
- The system and process of risk management operates appropriately to inform the Board of major risks facing the Group.

An ongoing process for identifying, evaluating and managing the top risks faced by Netcare has been in place for the year under review and up to the date of approval of the integrated report.

risk

Top business risks
Southern Africa

The table below discusses the top business risks currently faced by Netcare's Southern African operations, together with the plans and processes to mitigate these risks. There have been developments in the overall risk profile of the organisation during the year with two new risks being included to reflect nine top business risks (seven top business risks in the 2013 annual integrated report. The two new business risks are:

- Appropriately maintained plant and equipment; and
- Security of utilities (including electricity and water).

Information relating to the top business risks, including developments in the risk descriptions and risk mitigations are included in the table below.

PANDEMIC OR INFECTIOUS OUTBREAK (VIRAL HAEMORRHAGIC FEVERS)

Risk description

Viral haemorrhagic fevers (VHFs) are a group of acute diseases that are highly contagious and are characterised by pyrexia and bleeding into the body organs and tissues. This group includes Ebola Virus Disease (EVD), Marburg, Lassa and Crimean Congo Fever.

The current EVD outbreak in West Africa is the largest and most complex EVD outbreak since the Ebola virus was first discovered in 1976. At the end of November 2014, 17 145 confirmed, probable, and suspected cases of EVD have been reported in five affected countries (Guinea, Liberia, Mali, Sierra Leone and the United States of America) and three previously affected countries (Nigeria, Senegal and Spain), resulting in 6 070 deaths. There is as yet no proven treatment available for EVD, however, a range of potential treatments including blood products, immune therapies and drug therapies are currently being evaluated. No licensed vaccines are available yet, with two potential vaccines currently undergoing human safety testing.

Strategic priorities

Best and safest patient care:

- Ensure patients receive the best and safest care.

Performance

During the calendar year to November 2014 Netcare has risk assessed in excess of 1 200 patients for suspected EVD, all of whom have proven negative. At the end of September 2014 there have been no confirmed cases of EVD reported in South Africa.

Netcare's precautionary protocols and screening guidelines have been adopted and co-branded by the South African military as well as the Department of Health (DoH) and have been shared with the United States Centre for Disease Control (CDC) and other organisations.

Key stakeholders

- Patients
- Doctors
- Employees
- Government
- Communities

Potential impact

A pandemic or widespread infection outbreak, affecting the wider population as well as healthcare professionals, may result in the quarantine or closure of healthcare facilities, a breakdown in healthcare services and loss of life.

Top business risks – Southern Africa continued

PANDEMIC OR INFECTIOUS OUTBREAK (VIRAL HAEMORRHAGIC FEVERS) CONTINUED

Risk mitigation

Netcare maintains a proactive, preventative approach of vigilance and risk management. During the year we extensively reviewed and updated our standard operating procedures for the management of patients with suspected VHFs. In addition, we have developed and implemented strict precautionary protocols and screening guidelines for all suspected patients.

VHFs packs containing personal protective equipment are available at every Netcare facility and at identified Netcare 911 and Primary Care division sites. During the year we acquired three special negative pressure isolation chambers (one mobile unit and two fixed units) to fully isolate, contain and transport potential EVD cases. Ongoing training and the reinforcement of our protocols and guidelines continue on a national basis.

Netcare has a documented and tested major incident plan that contains detailed procedures to be adhered to in response to a major incident. The major incident plan is reviewed and updated at least every two years and published on the Group intranet. We also have a Pandemic Preparedness Plan which outlines the roles, responsibilities, authorities and mechanisms to prevent and manage a potential pandemic or infection outbreak. The Pandemic Preparedness Plan is also published on the Group intranet.

QUALITY PATIENT CARE (CLINICAL QUALITY)

Risk description

A failure by the Group to consistently provide quality care in every patient interaction throughout the organisation. The growing resistance to antibiotics and the spread of Carbapenemase-producing Enterobacteriaceae (CPE) and Carbapenem-resistant Enterobacteriaceae (CRE) remains one of the biggest threats to the global healthcare system.

Strategic priorities

Best and safest patient care:

- Ensure patients receive the best and safest care;
- Remove the variability of service offerings and increasingly define clinical pathways under a clinical governance programme; and
- Define clinical protocols.

Performance

WWW Refer to the SA Quality and clinical governance report online for information on specific clinical quality measures and key performance indicators (KPIs).

AIR A selection of quality measures can be found in the SA Quality leadership scorecard on pages 67 to 69.

Netcare has embedded the *Triple Aim* as a foundational principle and philosophy for quality leadership across the Group. Netcare's *Triple Aim* is based on a framework developed by the Institute for Healthcare Improvement. The *Triple Aim* concept aims to optimise health system performance through the integration of three critical objectives:

- Improving health outcomes;
- Enhancing the patient experience; and
- Reducing or controlling the cost of healthcare.

Key stakeholders

- Patients
- Doctors
- Employees
- Government
- Communities

Potential impact

Failure to consistently provide the best and safest patient care could adversely affect Netcare's:

- Quality of clinical outcomes;
- Brand and reputation; and
- Long-term sustainability.

Top business risks – Southern Africa continued

QUALITY PATIENT CARE (CLINICAL QUALITY) CONTINUED

Risk mitigation

The Netcare Quality Leadership Board and quality governance structures provide oversight to the implementation of the quality improvement strategy and evaluate quality outcomes across all divisions. Netcare continues to measure quality leadership performance through multi-dimensional quality balanced scorecards (BSCs). Progress against targets included in the BSCs is tracked monthly and formally reviewed quarterly at business unit and executive level.

The Group's quality management system ensures accredited quality standards in specialist areas and clinical risk management focus areas. Quality standards are measured across all divisions through the annual quality review process.

The Group's risk mitigation strategy against multidrug-resistant infections includes the improvement of our ability to timeously detect infections and our protocols in place to control identified infections.

Netcare's Group-wide antibiotic stewardship programme (ASP) continues to improve clinical outcomes by using appropriate antimicrobial treatment regimes, reducing overall exposure to antibiotics, preventing antimicrobial resistance and decreasing antibiotic utilisation. The ASP relies on the co-operation of multi-disciplinary teams (clinicians, pharmacists, nursing employees and infection prevention and control practitioners) who monitor the use of antibiotics against standardised measurement criteria and improvement goals.

The National Quality Leadership Review Committee (NQLRC), a sub-committee of the Quality Leadership Committee, meets monthly and includes representatives from all divisions and clinical functions across the Group. The NQLRC reviews trends for adverse events and medico legal matters, agrees on specific interventions required, communicates the interventions in the form of notifications, alerts or directives and reviews the progress of the interventions.

We continue to incorporate ***the Netcare Way*** into all training, induction and orientation programs and the impact of ***the Netcare Way*** initiative is also specifically monitored through improved patient feedback mechanisms and Employee Engagement surveys. It is a programme of behaviour and actions focused on Netcare's core value of Care and is a key area of differentiation supporting the realisation of Netcare's strategy.

Patient feedback collected through our patient feedback systems continues to be used to improve our understanding of our patients' needs and to direct resources appropriately to improve the overall patient experience. Patient feedback is benchmarked locally and internationally.

AVAILABILITY AND QUALITY OF SKILLS

Risk description

The healthcare sector continues to experience a shortage of specialists and specialist registered nurses.

Strategic priorities

Best and safest patient care:

- Ensure patients receive the best and safest care; and
- Implement ***the Netcare Way***.

Organisational growth:

- Expand our network of hospitals and multi-disciplinary facilities.

Physician partnerships:

- Attract and retain the best physicians.

Growing with passionate people:

- Attract and retain the skills we require to achieve our objectives;
- Provide training and development opportunities;
- Recognise and reward performance; and
- Be an employer of choice.

Top business risks – Southern Africa continued

AVAILABILITY AND QUALITY OF SKILLS CONTINUED

Performance

Our Hospital division Executive Committee monitors the number of healthcare practitioners joining and leaving on a monthly basis. Through regular attendance of meetings of the Physician Advisory Boards (PABs), the Hospital division senior management are able to monitor healthcare practitioner satisfaction.

Our business model encourages building relationships between specialists in our hospitals and the hospital staff on all levels from nurses through to hospital management, ensuring a team effort in delivering and advancing quality healthcare.

www Refer to the SA Our people report online for specific measures and KPIs relating to employee attraction and retention, and training and development.

Key stakeholders

- Patients
- Doctors
- Employees
- Communities

Potential impact

The shortage of skilled healthcare professionals may impact:

- Quality of clinical outcomes;
- Netcare's ability to implement expansion opportunities; and
- Access to healthcare in SA and the future sustainability of health access.

Risk mitigation

An adequate solution to the shortage of specialists in SA is currently not in the control of Netcare nor the private hospital sector.

Netcare Education, the largest private trainer of nurses in SA, assists in alleviating the shortage of skills by providing specialist training to qualified nurses.

We provide training interventions which cover all levels of nursing as well as specialised courses, paramedic training and management.

INDUSTRY REGULATIONS AND FUNDER REGIME

Risk description

Changes in healthcare industry regulation and funder regime impact on the industry landscape and competitive environment. The most significant changes are:

Competition Commission market inquiry in SA

The Competition Commission (CC) is conducting a market inquiry into the private healthcare sector. The inquiry commenced in 2014 and the CC is anticipated to publish its initial findings in 2015. During August 2014 the CC published the final Statement of Issues (topics for investigation) and Administrative Guidelines and issued a Call for Submissions to all parties wishing to participate in the inquiry. Participants in the inquiry had until 31 October 2014 to make submissions on the topics identified in the Statement of Issues, read with the Terms of Reference.

Medical scheme consolidation

Medical scheme consolidation is expected to continue, further strengthening the negotiating position of the larger schemes with four entities (i.e. three administrators and one scheme) already negotiating on behalf of the majority of medical scheme lives.

Alternative reimbursement models (ARMs)

There is a financial risk associated with ARMs, such as "fixed fees". Netcare's ARMs offerings will contribute approximately 45% – 50% of revenue for the 2014 medical scheme year.

National Health Insurance (NHI)

The South African Government is planning to implement healthcare sector reform through the introduction of NHI. As at the end of July 2014, Government had not yet published the NHI white paper or the financing paper prepared by National Treasury to address the funding requirements for NHI.

Office for Health Standards Compliance (OHSC)

The National Health Amendment Act formally established the OHSC, a statutory body created to monitor compliance with norms and standards for healthcare delivery. During January 2014 the Minister of Health unveiled the 12 member board of the OHSC which includes healthcare professionals, academics and activists. The OHSC comprises three units, an inspectorate, an accreditation body and an ombudsman. The OHSC is empowered to monitor and enforce health standards in all SA health establishments, including both private and public hospitals.

Top business risks – Southern Africa continued

INDUSTRY REGULATIONS AND FUNDER REGIME CONTINUED

Strategic priorities

Organisational growth:

- Engage with government in SA, the rest of the continent and abroad on further partnership initiatives.

Operational excellence:

- Contain costs without compromising quality; and
- Develop affordable healthcare services.

Performance

AIR Refer to SA Health policy and regulation on pages 64 to 66 for information on the healthcare industry and funder regime.

Key stakeholders

- Funders
- Government
- Investors

Potential impact

Changes in healthcare regulation and funder regime may impact the industry landscape and competitive environment.

Constraints and delays in obtaining licences for new hospital beds may impact on future expansion opportunities.

Risk mitigation

Netcare continuously monitors the regulatory environment and engages with regulators regarding policy decisions where appropriate. This enables proactive amendments to our strategy and business model.

Netcare views the CC market inquiry as an opportunity for an independent and impartial process that comprehensively reflects the facts that inform the functioning of the national health market. Netcare is contributing towards this process and the development of health policy that aims to improve universal access to quality healthcare.

Netcare has dedicated internal and external resources who research and analyse changes to healthcare policy and inform our engagement with industry stakeholders.

Netcare continues to manage its cost base through a sustained focus on cost containment, increasing efficiencies and product standardisation throughout the business. Netcare has conducted an introspective review of all administrative structures and functions during the 2014 financial year and we have commenced with a review of our financial and administrative systems and processes. These initiatives continue to prove effective in managing the potential exposure associated with Netcare's ARMs offerings.

IT ENABLED BUSINESS CHANGE

Risk description

To meet the challenges of a complex and constantly evolving operating environment. Netcare is required to transform its operational and administrative systems and processes to remain "future fit".

Strategic priorities

Operational excellence:

- Enhance operational efficiency.

Performance

The Information Systems Division manages the performance of the IT environment and service delivery through Netcare's IT helpdesk system (Sigma). The performance of the IT environment is presented at the quarterly meetings of the Information Technology Steering Committee (ITSC).

During the year Netcare completed phase one of the IT Governance Improvement Programme.

Key stakeholders

- Patients
- Funders
- Investors
- Doctors

Potential impact

Netcare's IT systems, infrastructure and resources will be critical in enabling the level of business change required to not only meet operational challenges, but to create a platform for sustainable growth, quality improvement and innovation.

Top business risks – Southern Africa continued

IT ENABLED BUSINESS CHANGE CONTINUED

Risk mitigation

Netcare's IT strategy applies suitable levels of IT resources efficiently, to maintain an appropriate balance between sustaining the current IT infrastructure (operational continuity and risk management) and driving technological advancement and innovation.

Capital expenditure projects, resourcing of appropriately skilled staff and development of our IT intellectual capital are carefully planned to support the long term IT strategy.

Innovative technology concepts and ideas trending internationally are discussed and tracked at the innovation forum meetings held preceding meetings of the Netcare Executive Committee. The innovation forum evaluates high impact opportunities and ultimately approves business cases for further evaluation. Additionally, the IT management team, through their management committees and strategy forums, monitor and report on the potential to innovate through the use of technology.

The ITSC is an integral element in the IT governance framework and convenes quarterly. The ITSC has overall responsibility for recommendations and decisions regarding IT priorities, funding and other IT and security requirements. The ITSC provides strategic and governance direction for IT throughout the business.

These initiatives are operationalised by implementation of efficiency programmes and continuous business improvement projects according to agreed timelines, as well as agreed deliverables relating to phase two of the IT Governance Improvement Programme.

APPROPRIATELY MAINTAINED PLANT AND EQUIPMENT

Risk description

An integral part of our value proposition is the competitive advantage we derive from our investment in plant and equipment. Improper maintenance of our plant and equipment impacts the quality of patient care and poses a risk to patients and employee safety.

Strategic priorities

Physician partnerships:

- Create and maintain facilities to ensure the best clinical outcomes.

Best and safest patient care:

- Ensure patients receive the best and safest care.

Performance

Netcare's preventative maintenance programme is evaluated as part of the quality review process.

Key stakeholders

- Patients
- Doctors
- Employees

Potential impact

Improperly maintained plant and equipment poses a risk to the safety of patients and employees and impacts the quality of patient care.

Risk mitigation

Netcare continues to invest significantly in the maintenance of our existing facilities and equipment.

During the 2015 financial year Netcare will undertake a strategic review of our Technical Services Division, informed by our approach to energy sustainability and a move towards a more proactive asset management philosophy.

Our compliance to preventative maintenance programmes is assessed during the quality review process and informs our repairs and maintenance spending.

We are currently implementing agreed deliverables relating to a holistic asset management strategy.

Top business risks – Southern Africa continued

SECURITY OF UTILITIES (INCLUDING ELECTRICITY AND WATER)

Risk description

As an organisation that operates 24 hours a day, 365 days a year to care for patients, our operations are dependent on a secure and stable national electricity grid and water supply. Netcare continues to face significant potential threats to the sustainability of our operations as a result of the fragility and instability of the ageing national electricity grid and water infrastructure capability.

Strategic priorities

Physician partnerships:

- Create and maintain facilities to ensure the best clinical outcomes.

Best and safest patient care:

- Ensure patients receive the best and safest care.

Performance

Emergency preparedness is evaluated as part of the quality review process.

Netcare has secured a loan focused on sustainability initiatives from Nedbank Corporate Banking in conjunction with the Agence Française de Développement (French Development Agency) on favourable terms. This is the first award made to a South African company and testimony to the progress Netcare has made in this area of the business.

Key stakeholders

- Patients
- Doctors

Potential impact

Electricity and water supply interruptions may impact business operations and the quality of patient care.

Power surges resulting from the unstable electricity grid and frequent electricity interruptions may affect the performance, uptime and sustainability of Netcare's plant and equipment.

Risk mitigation

The Netcare Sustainability Committee, a sub-committee of the Social and Ethics Committee, continues to consider the impact of climate change on Netcare's current and future operations, and reviews compliance initiatives relating to applicable environmental legislation and the CDP.

Over the last two years Netcare has been developing and implementing a five-year sustainability strategy aimed at ensuring Netcare's environmental sustainability and management of efficient energy usage. The Property and Technical Services Division continues their partnership with Energy Partners, a company that specialises in energy optimisation, to implement a holistic sustainability platform. The Group has identified specific sustainability targets for the next five years and continues to roll out its strategy to achieve the identified targets.

"Smart" water meters are currently being installed at Netcare hospitals, and during the 2015 financial year Netcare will commence with the development of a sustainable water strategy to inform water saving initiatives, water installations and risk mitigation strategies.

Netcare has a documented and tested major incident plan that contains detailed procedures to be adhered to in response to a major incident. The major incident plan is reviewed and updated at least every two years and published on the Group intranet.

Our sustainability targets are included in executive balanced scorecards and compliance to emergency preparedness policies is assessed during the quality review process.

Top business risks – Southern Africa continued

INTERNATIONAL INVESTMENTS – PUBLIC PRIVATE PARTNERSHIP (PPP) IN LESOTHO

Risk description

A key factor for the continued success of the Lesotho PPP remains the commitment and support demonstrated by the Government of Lesotho (GoL). Unfortunately the environment in Lesotho has recently experienced varying degrees of political instability.

Strategic priorities

Organisational growth:

- Engage with government in SA, the rest of the continent and abroad on further partnership initiatives; and
- Expand our network of hospitals and multi-disciplinary facilities.

Best and safest patient care:

- Ensure patients receive the best and safest care.

Performance

The Lesotho PPP continues to produce excellent improvements in clinical outcomes across all key indicators. The Independent Monitor monitors the performance of the Lesotho PPP against specific performance indicators on a quarterly basis and reports its findings to management and the GoL.

The Council for Health Service Accreditation of Southern Africa has awarded full accreditation for all three filter clinics as well as the Queen 'Mamohato Memorial Hospital (including the Gateway clinic).

Key stakeholders

- Patients
- Doctors
- Employees
- Investors

Potential impact

The success of the Lesotho PPP is critical to Netcare's brand and reputation, and may create future growth and expansion opportunities to support and improve public healthcare infrastructure and delivery, while redressing existing healthcare inequalities.

Risk mitigation

The Lesotho PPP management continues to engage with the Minister of Health and remains confident that the positive relationship between the Lesotho PPP and the Ministry of Health will continue.

The PPP in Lesotho continues to focus on improving the quality of care, enabling it to sustain excellent clinical outcomes across all indicators.

INTERNATIONAL INVESTMENTS – BMI HEALTHCARE (BMI OPCO) AND GENERAL HEALTHCARE GROUP PROPCO 1 AND PROPCO 2 IN THE UK

Risk description

In the UK, economic data indicates that the economy is starting to recover. Healthcare tends to be a late cycle beneficiary, and the broader macroeconomic improvements will take some time before they translate into tangible increase in demand for Private Medical Insurance (PMI). Private volumes continue to decline, influenced by the increasing practice of more stringent claims management activities by insurers and a shift in profile of PMI members to corporate policy holders, who are typically younger and healthier. The demand from the National Health Insurance (NHS), however, remains strong and volumes continue to increase.

The non-recourse GHG PropCo 1 debt facility, which exceeds £1.5 billion, matures on 15 January 2015. The relevant stakeholders have agreed to five short term (three month) extensions of the initial maturity date of 15 October 2013 to continue discussions relating to a longer term restructuring solution.

Strategic priorities

Organisational growth:

- Become a provider of choice to the NHS in the UK; and
- Expand our network of hospitals and multi-disciplinary facilities.

Top business risks – Southern Africa continued

INTERNATIONAL INVESTMENTS – BMI HEALTHCARE (BMI OPCO) AND GENERAL HEALTHCARE GROUP PROPCO 1 AND PROPCO 2 IN THE UK CONTINUED

Performance

AIR For further information on the performance of BMI OpCo, refer to the UK Hospital division review on pages 94 to 97.

On 2 April 2014 the UK Competition Commission released its Final Report on their two year investigation into the private healthcare market. The report concluded, most notably, that insured patients did not suffer from an adverse effect on competition outside central London and that BMI OpCo would not be required to divest of any hospitals.

Key stakeholders

- Employees
- Investors

Potential impact

The success of BMI OpCo in the UK is critical to Netcare's brand and reputation, and may create future growth and expansion opportunities through improved collaboration between private and public healthcare providers.

Risk mitigation

The growth in NHS caseload reflects the success of BMI OpCo's targeted initiatives and the solid national and local partnerships being built with commissioning bodies. BMI OpCo continues to focus on attracting higher complexity work while effectively managing its cost base through a sustained focus on increasing efficiencies, product standardisation and reducing costs throughout the business. Actual performance against approved budgets is measured and reported on monthly, along with regular trading updates and/or Board meetings.

The GHG PropCo 1 debt facility is ring-fenced and without recourse to Netcare or its South African operations. The Board of GHG PropCo 1 and lender classes (junior, senior and swap counterparties) continue to actively engage in constructive discussions with a view to facilitating an orderly and consensual solution to the GHG PropCo 1 debt. No default has occurred as the maturity date has been extended to 15 January 2015. Discussions have progressed well to date and a proposed restructuring plan is being developed.

FIRE AND ELECTRICAL SAFETY

Risk description

The appropriate operation of the fire safety measures incorporated in Netcare facilities, including the safety of electrical installations.

Strategic priorities

Physician partnerships:

- Create and maintain facilities to ensure the best clinical outcomes.

Best and safest patient care:

- Ensure patients receive the best and safest care.

Performance

Emergency preparedness is evaluated as part of the quality reviews performed during the year.

Netcare has reduced the residual exposure associated with this risk to an acceptable level through the implementation of the risk mitigations identified by management. Due to the potential impact on Netcare's brand and reputation in the event of a major fire, this risk inherently remains as a top business risk.

Key stakeholders

- Patients
- Doctors
- Employees
- Government

Potential impact

The appropriate operation of fire safety measures is essential to maintain business continuity and ensure the safety of patients, doctors, employees and members of the public.

Top business risks – Southern Africa continued

FIRE AND ELECTRICAL SAFETY CONTINUED

Risk mitigation

Netcare continues to be proactive in ensuring that facilities provide a safe and secure environment for all users of our services.

The Group has a documented and tested major incident plan that contains detailed procedures to be adhered to in response to a major incident. The plan is reviewed and updated at least every two years and is published on the Group intranet.

Emergency preparedness is evaluated as part of annual quality reviews and the quarterly balanced scorecards. The scope of the emergency preparedness reviews includes written hospital-specific evacuation plans, training for disaster management teams and fire marshals, annual evacuation drills and inspection of fire equipment.

Netcare maintains comprehensive insurance cover to mitigate the financial impact of physical damage and interruption to business operations and allocates part of its annual replacement capital expenditure budget to these projects.

Compliance to emergency preparedness policies is assessed during the quality review process.

Combined assurance

During the 2014 financial year Netcare has formalised a combined assurance framework for the management of the top business risks affecting the Southern African operations. Netcare constituted the Combined Assurance Committee comprising Executive Committee members, internal and external audit, risk management and key business unit managers. The Combined Assurance Committee is governed by formal terms of reference approved by the Chairpersons of the Audit Committee and the Combined Assurance Committee.

The Combined Assurance Committee, through its terms of reference, endeavours to co-ordinate the efforts of all assurance providers in the Group to avoid duplication of assurance services, optimisation of assurance cost and a better understanding of the business requirements by all participants in the forum. Netcare's combined assurance framework is based on the application of three levels of assurance:

- Level 1: Management assurance;
- Level 2: Internal assurance; and
- Level 3: Independent assurance.

Netcare's combined assurance matrix maps its top business risks to the relevant assurance providers. The combined assurance matrix also reflects the mitigating actions that management have instituted for the risks identified. The combined assurance matrix continues to evolve to include identified risks, management mitigation processes and the related assurance providers.

Financial risk management

AFS Details on Netcare's financial risk management can be found online in note 34 to the Group annual financial statements.

Looking ahead

Through key stakeholders the Group Risk Management function will continue to concentrate on agreed risk mitigation and timelines to address the top business and key operational risk exposure facing the Group. Key priorities and focus areas for the 2015 financial year include:

- Continue to embed the combined assurance framework to manage the top business risks affecting the Southern African operations;
- Expand the combined assurance framework beyond the top business risks to include the key operational risks affecting individual divisions and business units; and
- Implement an electronic solution to administer the control management self-assessment process.

Top business risks
United Kingdom

Risks pertaining to the UK operations are identified by both the Clinical Risk Committee, the Health, Safety and Non-Clinical Risk Committee and by the executive management of BMI Healthcare. A consolidated risk matrix is then reported to the BMI Healthcare Board and formally ratified twice a year. The UK risks are presented to the Netcare Group Risk Committee.

The major risks identified as being business critical for the sustainability of the UK operations, together with the plans and processes to mitigate these risks, are detailed below:

ECONOMIC, POLITICAL AND BUSINESS ENVIRONMENT

Risk description

The slow pace of recovery in the UK economy and business environment continues to adversely affect the demand for private healthcare services. Political focus on the NHS, its capacity constraints and the role of the independent sector in healthcare provision is anticipated to grow as the 2015 general election approaches.

Performance

Financial KPIs are monitored each month, including revenue growth by case type, cost/efficiencies and profitability.

AIR See the UK Hospital operating review on pages 94 to 97 for more details on performance.

Impact

The UK economy and business environment adversely affects the demand for private healthcare services procured through private medical insurance and direct patient payment.

Risk mitigation

BMI Healthcare continues to monitor, analyse and forecast the impact of the economic downturn, to enable proactive change to our strategy and hospital operating models.

INDUSTRY REGULATIONS

Risk description

Failure to comply with healthcare regulation and legislation.

Performance

AIR Refer to page 90 for the UK Health policy and regulation report.

Impact

Possible prosecution if BMI Healthcare is considered non-compliant, which – depending on the nature of such non-compliance – could in turn risk BMI Healthcare's ability to continue operating one or more of its hospitals and adversely affect BMI Healthcare's reputation.

Risk mitigation

BMI Healthcare continuously monitors the regulatory and legislative environment, and makes proactive changes where required to ensure ongoing compliance.

QUALITY PATIENT CARE (CLINICAL QUALITY)

Risk description

A failure to provide safe and clinically effective care.

Performance

WWW Refer to the UK Clinical governance report online for information on specific clinical quality measures and KPIs.

Impact

Failure to provide safe and high quality patient care adversely affects BMI Healthcare's operations, brand and reputation.

Top business risks – United Kingdom continued

QUALITY PATIENT CARE (CLINICAL QUALITY) CONTINUED

Risk mitigation

BMI Healthcare operates within a robust clinical governance framework and has further developed its clinical governance processes to ensure that only the highest standards of patient outcomes are achieved. Where any issues are identified, they are investigated and Group-wide learning is undertaken to minimise risk of recurrence.
In 2014, BMI Healthcare launched its new branding, "Serious about health, passionate about care", which emphasises our pledge to provide high quality healthcare, reiterating that there are two sides to healthcare – clinical expertise and caring support for the patient. "Serious about health, passionate about care" embodies the key message demonstrated by everyone throughout BMI Healthcare, from the consultants who perform operations, to the nurses, hospital porters and catering staff.

DEBT SERVICING AND COVENANT COMPLIANCE

Risk description

Failure to meet the requirements of debt covenants.

Performance

Compliance with all loan covenants is reported on a quarterly basis.

AIR Refer to the Chief Financial Officer's review on page 48 for further details on debt covenants.

Impact

Failure to meet the requirements of debt covenants would require BMI Healthcare to seek a waiver from lenders, and if this was not forthcoming it could result in the need to refinance or restructure existing debt. This would be subject to the cost and availability of capital that has been affected by the prevailing capital market conditions and interest in the wider healthcare market.

Risk mitigation

BMI Healthcare continues to monitor, analyse and forecast compliance with the requirements of debt covenants and remains confident of its ability to comply with debt covenants in the coming year and beyond.

KEY SKILLS SHORTAGES

Risk description

A failure to attract and retain the appropriate quality and number of medical consultants, nurses and other staff critical to the continued success of BMI Healthcare.

Performance

- Employee attraction and retention; and
- Training and development.

WWW Refer to the UK Our people report online for specific measures and KPIs

Impact

BMI Healthcare's future success will depend on its ability to attract and retain highly skilled and qualified personnel.

Risk mitigation

BMI Healthcare strives to be an employer of choice. Levels of remuneration are benchmarked against peers.

We make a concerted effort to retain and manage our talent pool. We have introduced a number of new training, recognition and management development programmes to recognise and nurture potential, and to acknowledge and reward good performance.

The annual staff survey "BMI Say" provided a forum for detailed feedback which is open to all staff and 6 914 responses were received.

Line management briefings continue to be a key communication channel across the business and there are also regular briefings and communications provided by the Chief Executive Officer.

Top business risks – United Kingdom continued

IT DEPENDENCIES

Risk description

A failure of IT platforms that will impact BMI Healthcare's ability to meet its objectives.

Performance	Measured as the number of service-impacting outages during the year and time taken to respond and resolve issues, compared to the Service Level Agreement for IT services.
Impact	BMI Healthcare's IT systems need to be reliable to support clinical services and commercial objectives.
Risk mitigation	BMI Healthcare has contracts in place with third parties for the delivery of all core IT services incorporating telecommunications, server hosting and core application delivery.

PRESSURE ON MARGINS

Risk description

A decline in insured lives and self-pay patients, and lower margins from NHS work are being driven by the current economic conditions, as well as a lag in the private healthcare market recovery.

Performance	Profit margins across all areas of the business are monitored closely on a monthly basis to ensure targets are met. AIR Refer to the UK Hospital division review on page 94 for further information relating to the performance of BMI Healthcare.
Impact	Reduced profit margins would hinder the ability of BMI Healthcare to invest in capital expenditure, future growth and innovation in key clinical areas to drive quality and choice for patients.
Risk mitigation	BMI Healthcare continues to focus on ensuring that its operating framework and patient pathways are as efficient as possible, while delivering clinical excellence. It also ensures that administrative support and discretionary costs are adequately controlled and appropriate.


NETCARE

leadership

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Two key considerations inform the Board's stewardship of Netcare's philosophy, strategy and performance. The first is realising the opportunities posed by the critical role the Group plays in the national healthcare systems in which we operate, by delivering quality healthcare as cost effectively as possible and finding ways to broaden access to healthcare services. The second is managing the risks of operating within complex parameters in a competitive sector that is highly regulated, and capital and labour intensive.

CHAIRMAN'S review

At the outset of my report this year I wish to express my confidence in the strength of the Netcare Board and its ability to fulfil its stewardship role. The Board comprises appropriately skilled and experienced individuals, equipped to ask informed and incisive questions in providing oversight. It applies its collective mind independently in interrogating management's strategic thinking and planning. It takes an integrated view of the regulatory, economic, social and environmental constraints that affect our business, and cultivates an understanding of the relationships that are crucial to delivering the highest standards of healthcare.

The Board is also well aware of the importance of ongoing succession planning, in keeping its oversight role sharp and its strategic guidance relevant in relation to the Group's opportunities and risks as a South African based global healthcare business. Furthermore, in the Board's view, Netcare has an experienced and solid executive team. The recent appointment of Jill Watts as Group CEO of General Healthcare Group (GHG) in the United Kingdom (UK), and her appointment to the Netcare Board, lends additional support to this view. Jill brings to the position a wealth of experience and a successful track record in the healthcare sector, and I look forward to her input to the Board's deliberations.

The cohesive relationship between the Board and the executive teams in both our markets has again provided the basis for the strategic progress and exceptional performance Netcare delivered over the last year. Netcare continued to create value for shareholders, growing adjusted headline earnings by 19.5% and, notwithstanding capital expenditure equal to 92.8% of profit after tax, lifting total distributions to shareholders by 26.6%. Inseparable from the responsibility we have to grow shareholder value is the value the Group creates for all our stakeholders, which is demonstrated throughout our integrated report.

Our operations in South Africa (SA) performed strongly, benefitting from higher demand and management's focus on cost containment and operational efficiencies. Most pleasing was the progress made in quality leadership and service levels. The optimisation of the Hospital and Emergency services division over the last few years has been well timed given the price constrained environment. The pressure from medical schemes on annual tariff increases continues to grow, wage inflation is high and the outlook for economic and employment growth remains poor.

Our Public Private Partnership (PPP) in Lesotho continued to deliver excellent clinical outcomes, despite the political instability in the second half of the year. We are hopeful that the people of Lesotho are beginning to see the PPP as a national asset, in recognition of the healthcare services it has made available for the first time and the clinical outcomes it is achieving. As an innovative healthcare delivery model in a developing country context, which is demonstrating its effectiveness according to independent studies, the Lesotho PPP remains strategically important for Netcare. The Board believes in the sustainability of the project, and sees it as a model that can be successfully replicated in other developing countries.

In the UK, the considerable work that has been done to reposition and streamline BMI Healthcare's operations translated into an improved performance. The business is on a solid footing and, with the positive conclusion of the UK Competition Commission's investigation, is positioned for growth as the economic recovery gathers momentum.

Discussions between the GHG PropCo 1 company and its lenders are ongoing to facilitate an orderly and consensual solution to restructuring the debt facility of £1.5 billion. The original maturity date of 15 October 2013 has been extended a number of times and the facility currently falls due on 15 January 2015. The GHG PropCo 1 debt, as previously indicated, is ring-fenced from the operations of both BMI Healthcare and GHG PropCo 2 and there is no recourse to Netcare and its SA operations.

The UK Competition Commission published its Final Report on 2 April 2014, finding no adverse effect on competition in the private healthcare market. No price regulation or controls were introduced and BMI Healthcare was not required to divest any of its hospitals. In our consideration of the process in the UK, the Board has noted the importance of robust fact-based engagement, which we believe informed the sensible, measured and fair conclusion that was reached.

> The private sector has an important role to play in advancing universal access to affordable, quality healthcare, and an acknowledgement of this would facilitate and enable proper planning and management in sharing resources, capacity and knowledge as required.

Looking ahead, our appetite for growth in our existing markets is evident in the acceleration of the Group's capital expenditure programme. In SA, planned capital expenditure of R2 billion for the 2015 financial year is the highest in the Group's history. This demonstration of our confidence in the growth prospects of our SA operations has been carefully considered, given our concerns about regulatory uncertainty from both a sector and a national perspective, and the economic headwinds the country faces.

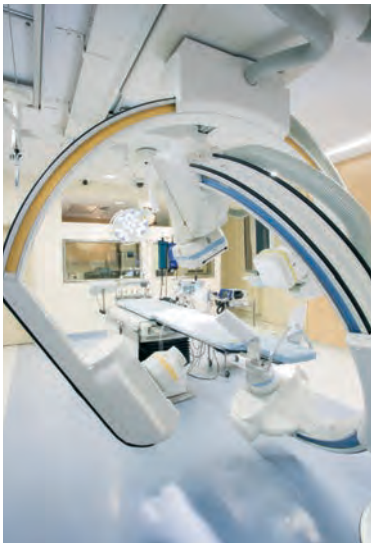
Also concerning is the persistent and often unwarranted criticism of private healthcare providers. This denies the public an appreciation of the collaboration and partnership that takes place between the public and the private sectors in providing access to healthcare, and the ongoing support the private sector provides at national, provincial and operational levels – too often without any acknowledgement.

Examples include Netcare's contribution to ensuring South Africa's preparedness to deal with the risk of an Ebola outbreak and making our hospitals and emergency services available in times of need. This is in addition to the time our senior and hospital managers invest in sharing know-how with their peers in the public sector, and training nurses, paramedics and pharmacists in excess of our own requirements and as part of specific public sector requests. This support makes a real difference to the lives of ordinary citizens and Netcare will continue to seek greater collaboration with the public sector.

The private sector has an important role to play in advancing universal access to affordable, quality healthcare, and an acknowledgement of this would facilitate and enable proper planning and management in sharing resources, capacity and knowledge as required. I have spoken often in this regard about our longstanding experience as a private provider to the NHS, which has been instrumental in lowering the costs of specific procedures and reducing waiting lists in the UK. This experience will be of particular value in the implementation of National Health Insurance in SA. We stand ready to enter into dialogue with government on this and other matters pertinent to advancing universal access to healthcare.

It is a reality that delivering a world-class standard of healthcare and medical innovation requires significant and sustained investment. Moreover, investment is required not only to broaden access to quality healthcare but also to achieve the efficiencies that greater affordability demands. The other reality is that we compete globally for capital and, increasingly, also for skills. A more constructive relationship between the public and private sectors, and greater certainty in respect of healthcare policy, is necessary for investors to continue placing their faith and their capital in the healthcare sector.

This is not to decry criticism of the private sector where it is due, nor to avoid the vigorous debates that are necessary to manage the difficult trade-offs in healthcare. But certainly, the mistrust in this relationship cannot be left unchecked. A resolution will require bold leadership from both public and private sectors and an acceptance that working together to find viable solutions to healthcare provision is imperative. This is especially so in SA as we face a steep climb to make sufficient economic headway to address the persistent socioeconomic imbalances in our country.



We reiterate our hope that the SA Competition Commission inquiry into the functioning of the private healthcare sector will provide a valuable opportunity for vigorous and transparent engagement, informed by accurate data and expert analysis. That it will separate ideological perceptions from reality, substantiated facts from sectarian views, ask probing questions and provide workable remedies is essential. We hold the panel in high regard and are committed to contributing positively to the process, following the comprehensive submissions we have already made. The inquiry is expected to be completed by the end of 2015.

In relation to the macroeconomic outlook for SA, the Board remains concerned about the downgrades to the country's sovereign debt rating and the confluence of factors that led to them, not least the fractious labour relations environment and dislocation between wage increases, administered prices and the targeted inflation rate. Most concerning is that the weak economic growth rates are well below the assumptions made in the National Development Plan (NDP), raising serious questions about the country's capacity to achieve the objectives of the NDP.

As concerning as they may be, these are not insurmountable challenges. It is necessary, however, that we acknowledge and correct the impediments to growth that are within our control. Policy certainty, and decisively managing the enablers and inhibitors of investment, is not only critical to our sector, but also to the aims of the NDP. Across all sectors of business, government and civil society, we need to find creative ways to accelerate the implementation of the NDP as the route to higher growth rates and greater social cohesion; and we need to do so without further delay.

Notwithstanding these challenges, we expect the demand for private healthcare in SA to remain strong, which will support Netcare's growth over the next few years. The focus on cost containment and optimisation, broad-based quality improvement and superior patient care will continue. The Board has adopted an ambitious environmental sustainability strategy to lessen our dependence on national utilities, and we expect to extract sustainable cost savings from our energy efficiency projects in the years ahead.

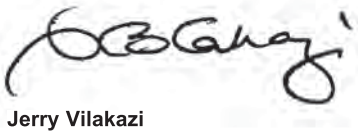
It will take time for the economic recovery in the UK to become more evident in private healthcare demand, but prospects for growth in this business have improved. Given existing capacity, there is still significant opportunity to increase NHS caseload. Under the leadership of our newly appointed CEO, the management team will seek to drive caseload, increase acuity and rationalise costs, while addressing the challenge of clinical staffing shortages.

Geographic expansion remains a strategic intention for the Board. We continue to investigate growth opportunities in other markets that make sense in respect of the Group's competitive advantages and targeted rates of return.

I extend my thanks to our stakeholders who continue to show confidence in the strength of our business and its leadership. I acknowledge my colleagues on the Board for their diligence and commitment in what has been a challenging year. Dr Richard Friedland and his executive team have once again done an outstanding job of navigating economic uncertainties and regulatory pressures to deliver excellent results and create value for all of our stakeholders.

Hymie Levin retired as a non-executive director on 28 February 2014, having served as a member of the Netcare Board from 6 November 1996. The Board expresses its sincere gratitude and appreciation to him for his immense contribution to the Group over his tenure.

In closing, the Board remains confident in the Group's value proposition, strategic direction and growth prospects. We will continue to exercise our stewardship of Netcare in a way that creates value for all of our stakeholders as well as sustainable returns for our shareholders. This will enable us to keep on attracting the skills and capital we need to continue playing a critical role in a sector that is fundamental to the health and productivity of society.



Jerry Vilakazi
Chairman

At Netcare our pursuit of leadership in all that we do is premised on our significant and sustained investments in our growth and our capability to provide the best clinical outcomes and the best patient experience, in the most cost-effective and sustainable manner. This is in line with the international *Triple Aim* concept for improved health system performance, which has become the foundational principle of Netcare's approach. Our quest for continual improvement, our focus on governance and sustainability, and our awareness of the role we need to play in the societies we serve, underpins this approach.

review

CHIEF EXECUTIVE OFFICER'S

Overview

The Group has made substantial progress in the last few years, developing the operational platforms to provide the highest standards of healthcare. We continue to benchmark our performance against international best practices and measures in all the key aspects required to deliver the three inter-related *Triple Aim* objectives.

More specifically, we have improved our underlying management and governance systems, from quality leadership to human capital development, facilities and utilities management to IT optimisation. The maturing of these critical systems, supported by a constantly improving analytical capability, has deepened the culture of accountability within our organisation. From this robust foundation we continue to respond to the opportunities for growth in our markets, notwithstanding challenging socioeconomic conditions and regulatory constraints.

In SA our Hospital and Emergency services division performed particularly well in the year, as the demand for private healthcare services continued to escalate. Our hospitals improved volumes and occupancies, with full-week occupancy up by 1.5% to 68.9%. The division's growth was largely organic, with cost management and operational efficiencies providing excellent operating leverage. Patient days grew by 2.6%, with revenue per patient day increasing by 6.7% due to a more complex mix of cases.

Pleasingly, price inflation was contained in line with consumer price inflation (CPI). This accords with independent research which shows that Netcare's real price increases have equated to only 8.2% over a 13-year period. This substantiates our contention that the cost drivers in private healthcare are primarily due to inflation and utilisation, the latter being driven by the growth in the medically insured population, an aging patient base and an increasing burden of disease over this period.

The Hospital division added 89 beds, the majority of which became available in the latter part of the year. A further 65 under-utilised beds were converted to high demand disciplines in surgery, intensive care and high care, demonstrating the high acuity capability that sets Netcare apart. The total number of registered beds at year-end was 9 424 beds (2013: 9 289 beds). Subsequent to year-end, with effect from 1 November 2014, Netcare acquired the 28-bed Ceres Private Hospital, broadening our footprint in the Western Cape.

Good progress has been made in refocusing Netcare 911's strategy over the last year. Continued innovation and operational focus has delivered dramatic improvements in response times and ongoing improvements in the quality of service rendered.

Our Primary Care division, a national network of Medicross family medical and dental centres and Prime Cure clinics, managed in excess of three million patient visits and dispensed two million pharmacy scripts during the year. Prime Cure concluded its transition from a managed healthcare risk model to a managed healthcare administration model, which reduced revenue but lifted profitability.

We remain restless in Netcare and ever conscious that as managers we need to continue improving all that we do. Key initiatives in 2014 included reviewing all Group administrative structures and functions, which generated significant savings of 15% at head office level. In the Hospital division, after thorough investigation and due diligence, we decided to outsource catering services from October 2014, which will result in sustainable annualised savings and an improved service offering.

Despite the fractious labour relations environment in SA, wage negotiations were amicably concluded without any disruption. Nearly 80% of Netcare staff are members of Netcare's medical scheme, the highest percentage in the industry. Our employee engagement index score, which measures the extent to which our employees feel fully involved, enthusiastic and passionate about their work and their interactions with colleagues, customers and patients, was slightly lower than last year. This was in line with national norms surveyed by our independent provider. With a score of 62.5, we were however above the national average across several other industries. The progress we have made in engaging with and managing our people was recognised

> Netcare has been awarded a number of key accolades in the year, which recognise the progress we are making in implementing our strategy and strengthening our leadership in service excellence, governance, employment practices, empowerment and corporate social responsibility.

by Netcare being certified as the top employer in the healthcare sector by the Top Employers Institute for the third consecutive year.

Netcare continues to partner with the public sector in a number of PPPs, and specific initiatives that seek to extend affordable, quality healthcare to more people. One of our most important contributions is in supporting the country's ability to manage major incidents within South Africa and affecting its citizens abroad, as well as in its response to international humanitarian disasters.

The largest and most significant medical crisis affecting Africa after Aids and Malaria has been the outbreak of the Ebola virus in West Africa. The rapid acceleration of the disease, which for the past 30 years has remained contained to remote areas in West Africa, is emblematic of the collapse of basic healthcare infrastructure and services in the region. The delayed international response has exacerbated the crisis, which may still have global ramifications if it is not swiftly brought under control.

Netcare was quick to respond to the potential threat of the disease spreading to SA, taking a leadership role in developing comprehensive policies and procedures to manage the risk, and providing the facilities for extensive training of personnel and screening of people at risk entering the country. We collaborated closely with the Department of Health, South African Military Health Service and the National Institute for Communicable Diseases, and shared our response plans with the United States Centre for Disease Control and other organisations. Specialised mobile isolation wards and mobile transport equipment were procured and a team of 40 specialised staff trained in viral haemorrhagic fever (VHF) risk management. Netcare responded to the global appeal for assistance to West Africa and donated four fully equipped ambulances to Liberia. We continue to screen all patients with a travel history to and from Africa. To date we have risk assessed over 1 200 patients with no occurrence of VHF.

In Lesotho, we faced a year of complex challenges. Healthcare workers embarked on an illegal strike, demanding average pay increases of 48%. Netcare responded by making nursing staff available and engaging with both the union, at their request, and the Government of Lesotho. The strike was called off after 16 days with our patients experiencing no harm. The political instability and attempted coup in the country added another level of challenge to a difficult year, but throughout the period our hospital remained functional, on full alert and provided treatment to those injured in the unrest.

In the midst of these difficulties, we remain focused on what this PPP is achieving for the people of Lesotho. It has made available new healthcare services and facilities, including 24-hour midwifery, dentistry, adult and neonatal ICUs, MRI, neurosurgery and laparoscopic surgery for the first time. As it enters its fourth year of operation, it continues to deliver outstanding clinical outcomes and service levels, and demand levels remain high with patient volumes exceeding contractual thresholds.

In the UK, BMI Healthcare delivered a credible performance, contributing 4% to Group earnings, despite a challenging trading environment. The recovery in the UK economy has yet to filter through to the Private Medical Insurance (PMI) market. Total inpatient and day case volumes increased marginally year-on-year, with growth in NHS procedures largely compensating for declines in private activity. Over 35% of the patients we now treat in the UK are NHS patients at a national tariff. Not only are we able to provide services cost effectively, but we are able to do so in accordance with the stringent quality measures the NHS demands. Capital expenditure of £42.2 million was allocated to maintenance of the property portfolio and upgrades of medical equipment, with an emphasis on imaging facilities to keep pace with the advancement of medical technology.

More stringent claims management initiatives and a shift in the profile of PMI members to corporate policyholders, who are typically younger and healthier than independent members, continued to affect PMI cases. Self-pay cases declined marginally. The impact on margins of the increase in NHS work, at reduced year-on-year tariffs, was contained through tight cost control and ongoing improvements in clinical pathways for higher acuity procedures. This is a pleasing reflection of the management team's efforts to re-engineer the business in line with the structural shifts in the market and the change in case mix.

Netcare has been awarded a number of key accolades in the year, which recognise the progress we are making in

implementing our strategy and strengthening our leadership in service excellence, governance, employment practices, empowerment and corporate social responsibility. While the most notable of these are listed elsewhere in our integrated report, the following awards provide important substantiation of our progress across the broader aspects of sustainability. Netcare was recognised as a top performer and placed eighth overall in the JSE's Socially Responsible Investment (SRI) Index (out of 157 participating companies), and included in the Dow Jones Sustainability World Index and Dow Jones Sustainability Emerging Markets Index.

For the past six years Netcare has remained the most empowered company in the healthcare sector and in 2014 again received the Mail & Guardian's Most Empowered Companies Award in the healthcare sector, and the Diversity Award in the 2014 Oliver Empowerment Awards. We retained our Level 2, AAA contributor accreditation from Empowerdex in terms of the Department of Trade and Industry Codes of Practice for Broad-based Black Economic Empowerment, with a very pleasing increase in total score of 3.03 points to 90.85 points. We were also awarded the inaugural Trialogue Strategic CSI Award for our Sexual Assault Centres, which provide holistic services to assist survivors of sexual assault.

Strategic review

Our pursuit of quality leadership is pervasive, with the *Triple Aim* informing interventions that extend to all areas of the business. Enabling our approach is a comprehensive learning system, ***the Netcare Way*** *of quality improvement*, which aims to embed a deep quality improvement capability throughout the Group. It applies internationally recognised methods to train leaders and employees at all levels, and emphasises our dedication to continual improvement of systems and processes.

Quality leadership principles also form part of Netcare Education's training programmes, which ensures they are instilled in future generations of healthcare professionals. This is significant for the healthcare sector in general, given that we train nurses, paramedics and pharmacists in excess of our own requirements, and continue to partner with the public sector in rolling out specific training initiatives.

The development of the Netcare Enterprise Data Warehouse, which provides a central repository for quality data, has improved our ability to measure and monitor key performance indicators for quality. We monitor more than 300 quality measures across all our divisions in SA as a fundamental part of our business processes, and strive for broad-based improvements every year. Quality assurance assessments showed positive results across all divisions in the year, with improved outcomes achieved in 74% of these quality measures. Continuous improvement of the quality and accuracy of data collation within the ambit of the combined assurance model will remain a key focus area.

The improvement in clinical best practice over the year has been encouraging. Our ongoing improvement programmes cover a range of important areas, including the prevention of healthcare associated infections and antibiotic stewardship. We enhanced our clinical ability to manage the risk of multidrug-resistant organisms, a major global healthcare challenge. Multi-disciplinary teams comprising clinicians, pharmacists, nursing employees and infection prevention and control practitioners collaborate to monitor and optimise antibiotic use. This has resulted in more rational application of antibiotics and translated into a 23% reduction in antibiotic costs across our network.

In the UK, BMI Healthcare was a finalist in the Safety in Surgical Recovery category at the recent HSJ Patient Safety and Care Awards, the only private hospital group represented at the awards. We have also been selected as a finalist at the forthcoming 2014 Independent Healthcare Awards in the Excellence in Risk Management category.

A feature of Netcare that supports the delivery of best clinical outcomes, and one that characterises the very DNA of the organisation, is the ongoing introduction of the latest medical technology. Some notable examples are the introduction of da Vinci robots at Netcare Waterfall and Netcare Christiaan Barnard Memorial Hospitals, the country's first high definition three-dimensional laparoscopic surgical video system at the Netcare Sunward Park Hospital, and SA's first polymeric bioresorbable drug-eluting vascular scaffold procedure for the treatment of coronary artery

disease at Netcare Sunninghill and Milpark hospitals. These examples provide evidence of Netcare's ability to make available the gold standard in treatment protocols and to lead the way in medical innovation.

The core behaviours associated with ***Caring the Netcare Way*** are a fundamental tenet of our culture, which we continue to reinforce. Our progress is measured on an ongoing basis through our multimodal feedback system, used in all our operations in SA. The system generates reliable patient feedback on a daily basis, providing a basis for responsive engagement with our patients. The system is aligned to the United States (US) Hospital Consumer Assessment of Healthcare Providers and Systems survey, which enables us to benchmark our standard of patient care against some 3 800 hospitals in the US.

Our focus on providing the best patient experience is making a tangible difference. Netcare was the recipient of The Ask Afrika Orange Index® 2014/2015 award in the category of Private Hospital Providers. The survey was updated to assess customers' emotional journeys across service touch points and included an evaluation of "customer effort, overall reputation, treating customers fairly, first call resolution and Net Promoter Score". Netcare was benchmarked against major competitors as well as other providers. Similarly in the UK, patient experience measures are showing improvement. Patient feedback during the year indicated that 97.8% of our patients would recommend BMI Healthcare hospitals to friends and family, and 97.3% rate the quality of care provided as "good", "very good" or "excellent".

Removing any variability in standards of care across the Group, which equates to consistently delivering the best patient experience, depends largely on our people. Our Enhancing Performance and Development programme incorporates the Netcare values and ***Caring the Netcare Way*** at a 50% weighting for the relevant managers. Another programme of action that aims to differentiate Netcare by the standard of care we provide is our ***Leading the Netcare Way*** initiative, which focuses on training leaders and human resources practitioners to create a culture of care in the workplace. Ultimately, instilling a learning culture in our organisation is the bedrock of our efforts to achieve the *Triple Aim* objectives, and we continued to invest significantly in training and development, exceeding planned spend in the year.

Netcare operates 24 hours a day, 365 days a year to care for our patients. Given the large proportion of high acuity cases we deal with, many of our patients are critically ill, ventilated or in theatre. Our operations therefore depend on a secure and stable electricity and water supply. In SA, due to the instability of the ageing national electricity and water infrastructure, we face significant potential threats to the sustainability of our operations. This year alone we have experienced over 116 power outages across our network, representing a fourfold increase since 2010. In addition, tariff escalations substantially above inflation have driven our electricity costs up by more than 165% between 2009 and our estimated cost for 2015. We estimate water costs for the 2015 financial year to be 46% higher than 2013.

To counter these significant operational and financial risks, we have been developing an ambitious five-year environmental sustainability strategy over the last two years, with explicit targets for reducing our electricity usage. Our initial focus has been on planning and prioritising a number of significant projects to drive energy efficiency and the self-provision of renewable energy, specifically solar energy. In 2015, we will also give focus to developing a sustainable water strategy with plans to establish a data baseline for target setting.

Subsequent to year-end, we secured a seven-year facility of R500 million on favourable terms from Nedbank Corporate Banking in conjunction with the Agence Française de Développement (French Development Agency or AFD). This facility, the first of its kind to be awarded to a South African company, will be used to fund over 150 energy efficiency and renewable energy projects. We anticipate that these projects will allow us to reduce our energy consumption by 35% and result in cumulative savings of an estimated R1 billion on our forecast electricity costs over the next 10 years.

Information technology is driving fundamental shifts in healthcare and investing in the increasing digitisation of our business is the ultimate enabler of our strategic progress and competitive advantage in respect of the *Triple Aim*. Our journey to ensure that our healthcare network is "fit for the future" involves multiple technological implementations and developments across the Group. The foundational work in the preceding years, specifically the implementation of SAP, has provided a robust enterprise platform. We are now focused on optimising and enhancing this platform to accelerate service delivery, productivity, efficiency and innovation through a range of projects at Group and divisional levels.

The regulatory environment in our markets ultimately determines our ability to achieve our strategic objectives and create value for our stakeholders. Healthcare reform remains a contentious issue, and the regulatory landscape continues to shift in SA and the UK. Our approach to managing these dynamics is to engage with regulatory bodies proactively and constructively, with the aim of harmonising the objectives of policy makers with those of our stakeholders, as challenging as this may be.

In SA, we remain hopeful that the Competition Commission's inquiry into private healthcare, which commenced in January 2014, will provide a valuable opportunity to deepen the understanding of the complexities in healthcare delivery. The Group is committed to participating fully in the process, notwithstanding the significant call on management's time and the costs involved. In the UK, the Competition Commission's Final Report was released on 2 April 2014, bringing a welcome end to a protracted and difficult process, in which rational determinations finally prevailed. The remedies the Competition Commission has imposed are not expected to have any adverse effect on BMI Healthcare.

Outlook and appreciation

We are focused on readying the Group for the challenges we anticipate in the years ahead. In SA, in preparation for an increasingly price constrained environment and growth beyond 2015 that may be largely organic brown-fields development in nature, we will continue to streamline and optimise every aspect of our business. An important aspect of this preparation is to build operational resilience in relation to key risks, particularly national infrastructural constraints. We expect to spend approximately R136 million of the energy loan facility in the 2015 financial year on our environmental sustainability strategy, systematically lessening our dependence on national utilities and yielding an estimated R27 million in cumulative savings for the 2015 financial year.

A review of our technical services, given the strategic importance of this function, will be undertaken during the new financial year. This is will include our approach to energy sustainability and a move towards a more sophisticated system of asset management covering all aspects of our property and plant portfolios. Automating manual and digitising paper driven processes throughout our business will remain a key focus for management over the next three years. This will free up key roles across the organisation to focus on delivering care. An independent review of the efficiency of our key financial systems and recommendations to enhance them will be implemented in 2015.

Paradoxically, despite the worsening macroeconomic and social factors impacting SA, we expect demand growth to continue its strong trend, auguring well for the Hospital division. The 2015 financial year represents Netcare's most ambitious capital expenditure programme to date, with a budgeted spend of approximately R2 billion. A feature of this expenditure is the demonstrable rise in expenditure for expansion rather than maintenance. These include the construction of a new 100-bed hospital in Pinehaven, west of Johannesburg, and a new 170-bed hospital in Polokwane. Commissioning is expected late in the 2015 financial year. The new Netcare Christiaan Barnard Memorial Hospital in Cape Town is on track to open in 2016. In total, our expansion and refurbishment projects will deliver some 510 new beds in 2015, including the newly acquired Ceres Private Hospital. This represents a 5.4% increase in the number of registered beds.

In the UK, we have undertaken an in-depth review of BMI Healthcare's business model, and have recommended initiatives with the potential to extract sustainable annualised savings when fully implemented. The UK economy should continue to improve, albeit slowly. We expect the shift from PMI to NHS work to continue. National elections in 2015 are likely to put pressure on the NHS to reduce waiting lists, which will drive NHS volumes serviced by the private sector. While PMI lives may increase this is likely to be younger and healthier members. Hospital utilisation as a result of this trend, as well as tighter and more efficient authorisation of admissions by PMI administrators, is expected to offset any medium-term recovery in our caseload from covered lives. Self-pay volumes, an indicator of NHS waiting lists and the level of disposable income, will at the very least, remain stable. All in all, we believe BMI Healthcare is strongly positioned for growth in the years ahead.

At our mid-year results presentation, we announced that Stephen Collier would be stepping down as the Group CEO of GHG at the end of the 2014 calendar year. Stephen has been a loyal manager and executive of GHG for the past 32 years, serving in several key roles. We thank Stephen for his enormous contribution to the business in what has been a very difficult period. We are delighted to welcome Jill Watts as Group CEO of GHG with effect from 17 November 2014. Jill has an impressive track record in the private hospital sector, and is recognised as a leader and opinion-shaper in the UK healthcare sector.

In closing, I extend my personal gratitude to our executive teams, our management teams and our staff across our networks in SA, the UK and Lesotho for their concerted and committed pursuit of leadership. My deep appreciation also goes to the Board for their stewardship and invaluable guidance over the year.

Dr Richard Friedland
Chief Executive Officer

The Netcare Group continued to deliver on its strategic priority of organisational growth in the 2014 financial year. This was underpinned by a strong performance from the South African operations, which benefited from good cost management and operational efficiencies, and an improved result in the United Kingdom, despite a challenging trading environment.

review

CHIEF FINANCIAL OFFICER'S

Normalised Group profit for the year grew 16.9% to R2 096 million (2013: R1 793 million). Headline earnings per share (HEPS) increased 17.5% to 158.2 cents (2013: 134.6 cents). Adjusted HEPS, which we believe to be a better indicator of sustainable earnings, improved by 19.5% to 167.8 cents (2013: 140.4 cents). Group cash generated from operations improved by 15.6% to R4 382 million (2013: R3 790 million), with a cash conversion ratio of 99.5%.

The Group has continued to generate earnings and cash flow, providing for significant capital expenditure planned in the year ahead, to drive growth and sustain our operations. We have created value for shareholders through increased dividend returns and appreciation of the share price. The net asset value of the business has increased by 16.9% and our market capitalisation by 32.5%. This reflects confidence in the long-term sustainability of earnings from our operations.

Accounting policies

The annual financial statements have been prepared in compliance with the Listings Requirements of the JSE Limited, the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), SAICA Financial Reporting Guidelines as issued by the Accounting Practices Committee, Financial Pronouncements issued by the Financial Reporting Standards Council, and the South African Companies Act No 71 of 2008.

The Group adopted a number of new and amended IFRS requirements during the 2014 financial year:

- IFRS 10: *Consolidated Financial Statements;*
- IFRS 11: *Joint Arrangements;*
- IFRS 12: *Disclosure of Interests in Other Entities;*
- IFRS 13: *Fair Value Measurement;*
- Amendment to IAS 19: *Employee Benefits;*
- Amendment to IAS 27: *Separate Financial Statements;*
- Amendment to IAS 28: *Investments in Associates and Joint Ventures;*
- Amendment to IAS 36: *Impairment of Assets;*
- Amendment to IAS 39: *Financial Instruments: Recognition and Measurement;* and
- Certain improvements to 2013 IFRS.

The application of these new and amended accounting standards required a restatement of the 2013 results. Full disclosure of the impact on the results of the 2013 restatement can be found in note 2 to the Group annual financial statements.

With the exception of the above, the accounting policies applied in preparing the 2014 annual financial statements are consistent in all material respects with those applied in the previous year.

AFS Further details on the Group's accounting policies can be found online in the Group annual financial statements.

Income statement

The prior year's results included a non-recurring, non-cash profit of R3 257 million arising from the deconsolidation of the GHG Property Businesses (the Deconsolidation), which took effect on 16 November 2012. To enable meaningful comparison, this commentary refers to 'normalised results' which exclude this non-recurring, non-cash profit.

The GHG Property Businesses were consolidated for one-and-a-half months of the 2013 financial year. As a result, certain key lines in the Group income statement for 2013 and 2014 are not directly comparable. During the one-and-a-half month period of 2013 in which the GHG Property Businesses were consolidated, the rental paid by BMI Healthcare to the GHG Property Businesses (GHG PropCo rental) was eliminated on consolidation. Therefore the 2013 income statement reflects a rental expense in this regard for only the ten-and-a-half months following the Deconsolidation. However, the 2014 results include a full year's GHG PropCo rental expense. Accordingly, it is not possible to make a direct year-on-year comparison of Group earnings before interest, tax, depreciation and amortisation (EBITDA) and the related margin. By the same token, the 2013 results include the depreciation and interest charges of the GHG Property Businesses for the period prior to Deconsolidation, while there are no such charges in the 2014 results.

Summarised Group income statement

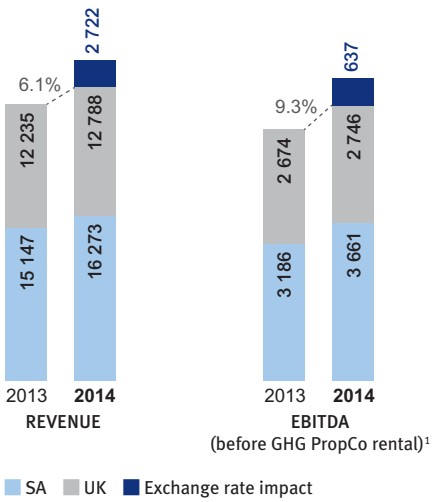
Rm	2013 Reported	**2014 Reported**	change %
Revenue	27 382	**31 783**	16.1
EBITDA before GHG PropCo rental	5 805	**6 868**	18.3
GHG PropCo rental	(1 719)	**(2 464)**	
EBITDA	4 086	**4 404**	7.8
Operating profit before profit on deconsolidation	2 997	**3 253**	8.5
Net financial expenses	(653)	**(431)**	
Attributable earnings of associates and joint ventures	89	**75**	
Taxation	(640)	**(801)**	
Normalised profit for the year	1 793	**2 096**	16.9
Profit on Deconsolidation	3 257		
Profit for the year	5 050	**2 096**	
Ratios:			
EBITDA margin (%)	14.9	**13.9**	
Operating profit margin (%)	10.9	**10.2**	
Interest cover (times)	6.4	**9.2**	

> The Group has continued to generate earnings and cash flow, providing for significant capital expenditure planned in the year ahead, to drive growth and sustain our operations

The average exchange rate of R17.49 applicable in 2014 to convert offshore income and expenditure was 21.2% weaker than the average rate of R14.43 in the 2013 financial year. As reflected in the graphs below, the weakening of the Rand against the Pound added R2 722 million to revenue and R637 million to EBITDA before GHG PropCo rental. However, notwithstanding currency impacts, the Group was able to deliver strong operating leverage, converting a constant currency increase in revenue of 6.1% into a constant currency increase in EBITDA before GHG PropCo rental of 9.3%.

CONSTANT CURRENCY PERFORMANCE

(R MILLION)



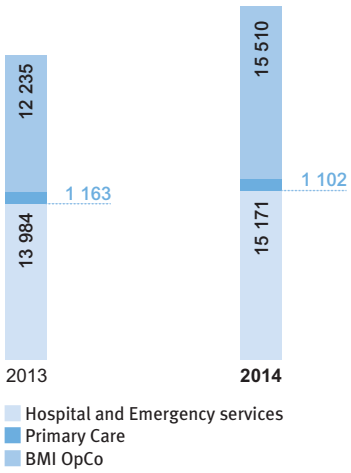
1. Adjusted to exclude all Competition Commission and UK site closure costs

Revenue

Group revenue for the year ended 30 September 2014 increased by 16.1% to R31 783 million (2013: R27 382 million). The composition of Group revenue by segment is set out in the graph below.

EXTERNAL REVENUE

(R MILLION)



In SA, revenue grew by 7.4% to R16 273 million (2013: R15 147 million). The Hospital and Emergency services division increased revenue by 8.5% to R15 171 million (2013: R13 984 million) with the growing demand for private hospital services resulting in a 2.6% increase in patient days. While price inflation was contained in line with CPI, a higher mix of complex cases drove revenue per patient day up by 6.7%. Primary Care revenue declined by 5.2% to R1 102 million (2013: R1 163 million). This reflected the Prime Cure business unit's strategic transition from a managed healthcare risk model to a managed healthcare administration model, which was completed in the year.

In the UK, BMI Healthcare grew revenue by 4.5% to £886.2 million (2013: £847.9 million). Total inpatient and day case volumes increased marginally year-on-year, with growth in NHS procedures largely compensating for declines in private activity. State funded caseload through the NHS continued to show strong growth and now comprises 35.3% of total caseload (2013: 32.2%). More stringent claims management and a shift in the profile of PMI members to corporate policy holders (typically younger and healthier than independent members) continued to affect PMI caseload. Self-pay caseload declined marginally.

EBITDA

Normalised Group EBITDA increased by 18.3% to R6 868 million (2013: R5 805 million) before recognising GHG PropCo rental of R2 464 million (2013: R1 719 million). Group EBITDA, as reported, improved by 7.8% to R4 404 million (2013: R4 086 million). However, the underlying improvement measured on a pro forma like-for-like basis was 15.6% from R3 811 million in 2013 to R4 404 million in 2014.

EBITDA from Hospital and Emergency services was up 13.4% to R3 501 million (2013: R3 087 million). A key feature of the 2014 results has been the operating leverage that the SA business units have been able to achieve through efficiency projects and cost management. This is reflected in the year-on-year improvement in EBITDA of 13.4% from largely organic revenue growth of 8.5%, with the EBITDA margin widening by 100 basis points to 23.1% (2013: 22.1%). Similarly, the Primary Care division grew its EBITDA by 18.1% to R98 million (2013: R83 million) off a reduced revenue base, at an EBITDA margin of 8.9% (2013: 7.1%).

In the UK, BMI Healthcare incurred significant non-recurring costs of £4.6 million (2013: £3.0 million) relating to the UK Competition Commission market inquiry and £1.7 million in respect of site closure provisions. Prior to recognising the GHG PropCo rental charge and these non-recurring costs, EBITDA rose 5.4% to £194.0 million (2013: £184.0 million). However, after recognising property rentals of £140.9 million (2013: £136.3 million), EBITDA before non-recurring costs increased 11.3% to £53.1 million (2013: £47.7 million) at an EBITDA margin of 6.0% (2013: 5.6%). EBITDA after non-recurring costs amounted to £46.8 million (2013: £44.7 million). The impact on margins of the case mix shift to more NHS work at reduced year-on-year tariffs was contained through tight cost control and a focus on higher acuity procedures.

Operating profit

Normalised Group operating profit, as reported, improved by 8.5% to R3 253 million (2013: R2 997 million). However, the underlying improvement measured on a pro forma like-for-like basis was 17.5% from R2 769 million in 2013 to R3 253 million in 2014.

Net financial expenses

Net financial expenses, as reported, reduced substantially from R653 million to R431 million. However, the underlying change measured on a pro forma like-for-like basis was 27.9% from R337 million in 2013 to R431 million in 2014.

In SA, net financial expenses increased from R79 million in 2013 to R129 million. An increase in the cost of debt to 7.9% (2013: 7.0%) impacted the net interest expense. The increase was in line with the rising interest rate environment in which the three-month Johannesburg Interbank Agreed Rate (Jibar) rate rose by 100 basis points during the course of the year. This was softened by the steady reduction in levels of outstanding borrowings. A benefit of R116 million (2013: R149 million) arising from Netcare's economic interest in the debt of BMI Healthcare was recorded in interest received.

In the UK, pro forma net financial expenses amounted to R302 million (£17.2 million) compared to R258 million (£16.9 million) in 2013. The refinanced BMI Healthcare debt facilities concluded in August 2013 were in place throughout the year at a cost of debt of 6.9% per annum.

Attributable earnings of associates and joint ventures

Attributable earnings of associates decreased from R53 million to R39 million. Earnings from associates comprise various investments in SA and the UK, as well as the results of Netcare's PPP investments in SA and Lesotho. The UK associates include the GHG Property Businesses.

Attributable earnings of joint ventures remained flat at R36 million for the year. In 2014, the Group adopted IFRS 11: *Joint Arrangements*, which requires the equity method to be applied when accounting for interests in joint ventures in place of the previously applied proportional consolidation of these interests. The 2013 results have been restated accordingly. The most significant impact of the restatement on the Group financial statements relates to its 50% joint interest in National Renal Care (NRC).

AFS Details of the Group's principal investments in associated companies and joint ventures can be found online in Annexures B and C to the Group annual financial statements.

Taxation

Normalised profit before taxation increased by 19.1% to R2 897 million (2013: R2 433 million). The taxation expense for the Group increased to R801 million (2013: R640 million), representing an effective tax rate of 27.6% (2013: 26.3%). The effective tax rate of 27.9% for the SA operations was in line with the statutory tax rate of 28.0%. A non-cash, net tax credit of R40 million (£2.2 million) was recognised by the UK business.

Profit for the year

Normalised profit for the year grew by 16.9% to R2 096 million (2013: R1 793 million), underlining a strong Group performance.

Statement of financial position

This section discusses the most material components of the statement of financial position.

Summarised Group statement of financial position

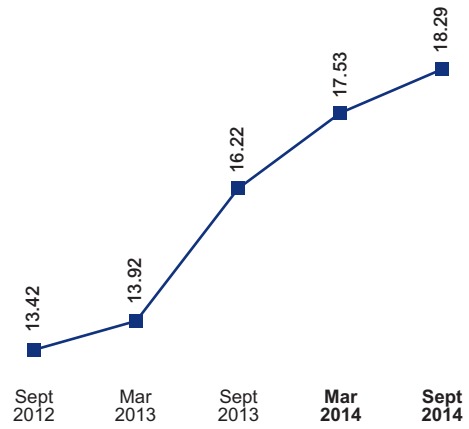
Rm	2013	Currency impact	Other net movements	2014
Assets				
Property, plant and equipment and intangible assets	10 790	486	665	**11 941**
Goodwill	3 466	393	20	**3 879**
Deferred taxation	1 218	121	80	**1 419**
Other assets	8 334	583	561	**9 478**
Total assets	23 808	1 583	1 326	**26 717**
Equity and liabilities				
Total shareholders' equity	10 415	694	1 063	**12 172**
Long- and short-term debt	6 430	350	(102)	**6 678**
Financial liability – derivative financial instruments	8	–	89	**97**
Deferred taxation	1 129	130	101	**1 360**
Other liabilities	5 826	409	175	**6 410**
Total equity and liabilities	23 808	1 583	1 326	**26 717**

The Rand weakened by 12.8% against the Pound Sterling (Pound) during the year to end at a closing rate of R18.29 (2013: R16.22) to the Pound. Currency conversion has therefore had a significant impact on the Group statement of financial position, adding R1 583 million to the asset base, boosting total shareholders' equity by R694 million and increasing total liabilities by R889 million. The table above analyses the year-on-year change in the carrying value of the key line items on the statement of financial position between exchange rate impacts and the underlying real movements.

The graph below shows the movement of the Rand against the Pound over the past three years:

RAND: POUND STERLING MONTHLY CLOSING RATE

(R:£)



Property, plant and equipment and intangible assets

The carrying value of property, plant and equipment and intangible assets increased from R10 790 million to R11 941 million, with currency conversion accounting for R486 million of this movement. The Group continued to invest in its facilities, both locally and abroad, spending R1 945 million (2013: R1 387 million) during the year in expanding and maintaining its land and buildings, medical equipment and related assets.

The fair market value of SA hospital land and buildings (excluding furniture and fittings, medical equipment, loose plant and machinery and commissioning costs) with a carrying value of R5 billion was independently valued by Mills Fitchet at R17 billion at 30 September 2013.

The SA operations invested R1 195 million (2013: R800 million) in its fixed asset base. The Hospital and Emergency services division added 89 new beds during 2014.

Planned capital expenditure of approximately R2 billion for the 2015 financial year will cover green-fields and brown-fields expansion projects, as well as refurbishments and replacements. These projects will deliver approximately 510 new beds in 2015, including the newly acquired Ceres Private Hospital, representing a 5.4% increase in the number of registered beds.

In the UK, capital expenditure including intangible assets amounted to £42.2 million (2013: £39.8 million). This was spread across projects initiated to enhance revenue generation and maintain the hospital portfolio.

Capital expenditure will be funded from existing cash flows and facilities available to the Group.

Goodwill

The carrying value of goodwill increased from R3 466 million to R3 879 million by 30 September 2014. Currency conversion accounted for most of the movement.

Goodwill is allocated to the Cash Generating Units (CGUs) of the Hospital operations and Primary Care operations in SA, and to BMI Healthcare in the UK. Goodwill is reviewed for impairment at each reporting date in accordance with the provisions of IAS 36: *Impairment of Assets*. The recoverable amount of the SA and BMI Healthcare CGUs are based on a value-in-use calculation. The key assumptions applicable to the value-in-use calculations involve discount rate, EBITDA growth and capital expenditure.

AFS Further details on the Group's goodwill impairment testing can be found online in note 5 to the Group annual financial statements.

Debt

Group net debt increased from R4 927 million to R4 972 million at 30 September 2014. However, currency conversion added R225 million to the carrying value, with a real underlying decrease in net debt of R180 million. The Group net debt to normalised EBITDA ratio improved to 1.1 times (2013: 1.2 times), while interest cover strengthened to 9.2 times (2013: 6.4 times).

GEOGRAPHICAL SPLIT OF NET DEBT

Rm	2014	2013
South Africa	**2 967**	3 214
United Kingdom	**2 005**	1 713
Total net debt	**4 972**	4 927

SOUTH AFRICAN DEBT

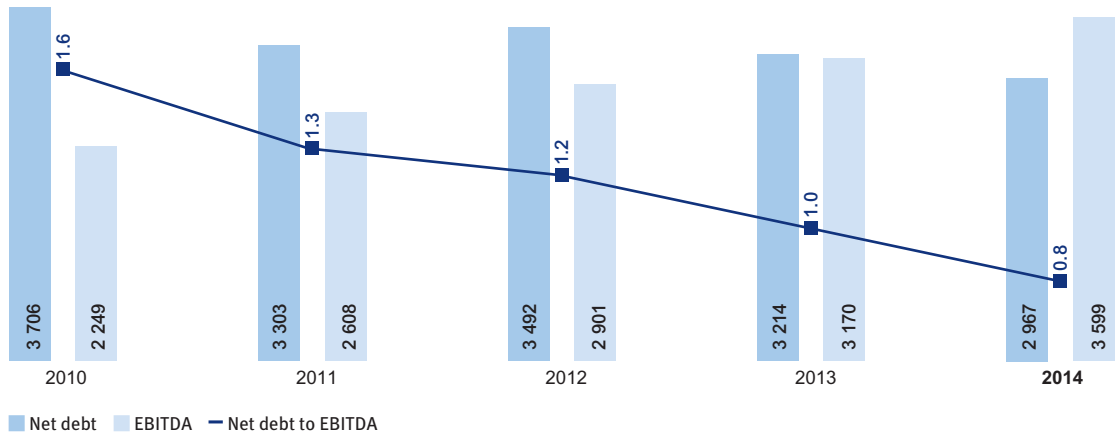
Rm	2014	2013
Promissory notes*	**3 567**	3 851
Unsecured liabilities	**–**	1
Finance leases	**23**	47
Gross debt	**3 590**	3 899
Cash and cash equivalents	**(629)**	(802)
Bank overdrafts	**6**	117
Net debt	**2 967**	3 214

* Raised in terms of Netcare's Domestic Medium Term Note programme.

SA gross debt of R3 590 million at 30 September 2014 reduced by R309 million from gross debt levels at September 2013. Cash generation has been strong with cash generated by operations improving by 19.3% year-on-year and a cash conversion ratio of 97.9% being achieved. Net debt reduced by R247 million to R2 967 million at September 2014, the lowest in over a decade. Interest cover remains healthy at 24.3 times and, as reflected in the graph below, the leverage of the SA operations has shown steady improvement. EBITDA has grown consistently, while net debt has reduced, such that the net debt outstanding at 30 September 2014 represents only 80% of a full year's EBITDA.

SA NET DEBT: LEVERAGE IMPROVEMENT

(R MILLION)



In February 2014, the Group raised a R550 million five-year note and a R250 million three-year note under its Domestic Medium Term Note programme. This improved the maturity profile of the SA debt position and secures the Group's funding needs over the medium term.

UNITED KINGDOM DEBT

£m	2014	2013
Secured bank debt	**150.0**	146.1
Finance leases	**16.0**	10.5
Accrued interest	**3.7**	0.5
Unamortised debt-raising fees	**(0.8)**	(1.1)
Gross debt	**168.9**	156.0
Cash and cash equivalents	**(59.3)**	(50.4)
Net debt	**109.6**	105.6

UK net debt at 30 September 2014 amounted to £109.6 million (2013: £105.6 million). In August 2013, BMI OpCo successfully completed an early refinancing of its debt facilities. In addition to achieving a more efficient capital structure, one of the benefits of the refinancing was the refinement of the measurement of the covenants, creating additional headroom for the business. BMI OpCo comfortably complied with its quarterly debt covenants, which comprise:

- Cash cover;
- Interest cover;
- Leverage; and
- Capital expenditure.

BMI OpCo has an undrawn revolving credit facility of £22.3 million available to finance working capital, capital expenditure or for general corporate purposes.

GHG PropCo 1 debt

Discussions are ongoing between the Board of GHG PropCo 1 and the lenders (comprising junior, senior and swap counterparties) to facilitate an orderly and consensual solution to the £1.5 billion GHG PropCo 1 debt facility. The original maturity date of 15 October 2013 has been extended on five separate occasions, with a current maturity date of 15 January 2015. These extensions have been granted on the basis that lenders are comfortable with the progress that has been made to date. To ensure that the process continues to move forward, the latest extension allows the Master Servicer and a majority of the senior lenders to bring the maturity date forward to 2 December 2014, should they determine that insufficient progress is being made in finalising the restructuring.

The debt of GHG PropCo 1 is ring-fenced from BMI OpCo and GHG PropCo 2 and there is no recourse to Netcare and its SA operations in this regard.

Derivative financial instruments

The Group manages its exposure to interest rate fluctuations by means of interest rate swaps and uses inflation rate swaps to hedge inflationary increases in certain property lease contracts.

AFS Further details on these derivative financial instruments can be found online in notes 9 and 17 to the Group annual financial statements.

The net asset value of the business has increased by 16.9% and our market capitalisation by 32.5%.

This reflects confidence in the long-term sustainability of earnings from our operations.

The SA business manages its interest rate exposure by means of a pool of funds, with up to 75% of total debt hedged through interest rate swaps. At year-end, 52% of total debt was fixed, while the balance remains at floating rates linked to the prime lending rate and Jibar. The SA interest rate swaps at 30 September 2014 amounted to a net asset of R15 million (2013: asset of R16 million). Certain inflation rate swaps have been entered into, to hedge the exposure to inflation rate fluctuations in leases where escalations are calculated in terms of CPI. The mark-to-market value of these inflation rate swaps at 30 September 2014 was a liability of R5 million (2013: nil).

Certain inflation rate swaps have been entered into to hedge the exposure to inflation rate fluctuations in leases where escalations are calculated in terms of the retail price index (RPI). The mark-to-market value of these inflation rate swaps at 30 September 2014 was a liability of £4.7 million (2013: asset of £1.5 million).

The Group applies hedge accounting on the interest rate swaps in accordance with IAS 39: *Financial Instruments: Recognition and Measurement*. Regression analysis modelling is used to determine hedge effectiveness in both geographies. A dynamic hedging strategy is employed on certain interest rate swaps whereby the portion of the swap designated for hedging purposes may be varied to achieve optimum hedge effectiveness. All the interest rate swaps in SA are designated as hedging instruments. The UK interest rate swaps are no longer hedge accounted following the replacement of the out-of-the-money swap with a shorter-term, on-market instrument. Hedge accounting has been applied to the UK RPI swaps from 1 April 2013.

Working capital

The table below summarises the working capital position in both SA and the UK at the end of the year, compared to 2013:

	2014	2013	Change
SOUTH AFRICA (Rm)			
Inventories	**527**	499	(28)
Trade and other receivables	**2 280**	1 896	(384)
Trade and other payables	**(2 410)**	(2 094)	316
Taxation payable (net)	**(198)**	(174)	24
	199	127	(72)
UNITED KINGDOM (£m)			
Inventories	**25**	26	1
Trade and other receivables	**132**	132	–
Trade and other payables	**(171)**	(169)	2
	(14)	(11)	3

The optimisation of working capital remains a key focus of both the SA and UK operations, which is managed and monitored by local working capital committees.

The SA investment in working capital increased by a net R72 million. There has been a general improvement in debtor collections across all categories of receivables. The one exception is collections from the Compensation for Occupational Injuries and Diseases (COID) office, which have been affected by a system change on their part. Excluding COID, Hospital debtors' collections improved by approximately two days. The increase in trade and other payables is largely attributable to suppliers of goods and services related to capital expenditure, particularly the construction of our two new hospitals.

The UK remains in a self-funded working capital position, with a reduction of £3 million in the net working capital investment. This has been achieved on the back of stringent working capital management, with a particular highlight being a substantial reduction in NHS debtors' days to below the 50-day mark.

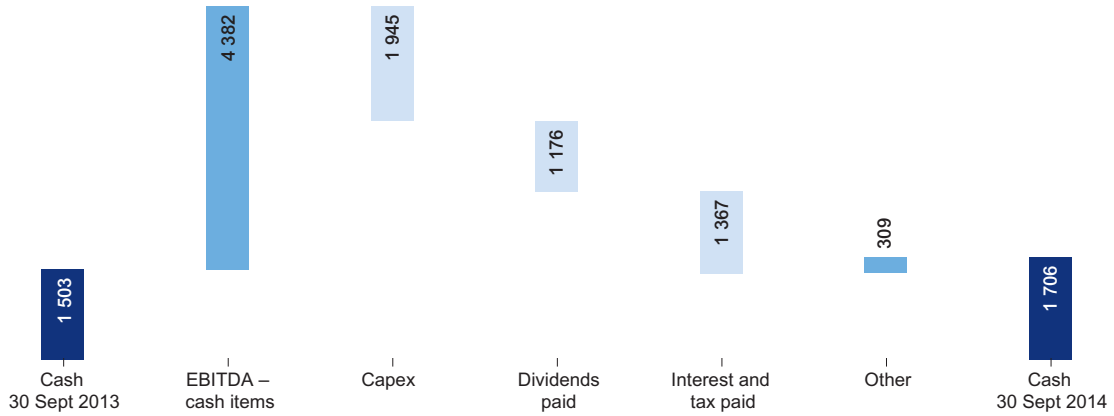
Statement of cash flows

SUMMARISED GROUP STATEMENT OF CASH FLOWS

Rm	2014	2013
Cash generated from operations	**4 382**	3 790
Interest paid	**(545)**	(812)
Taxation paid	**(822)**	(725)
Ordinary dividends paid by subsidiaries	**(3)**	(3)
Ordinary dividends paid	**(973)**	(788)
Preference dividends paid	**(46)**	(47)
Distributions to beneficiaries of the HPFL trusts	**(154)**	(66)
Net cash from operating activities	**1 839**	1 349
Net cash from investing activities	**(1 827)**	(955)
Net cash from financing activities	**66**	(1 352)

ANALYSIS OF CASH MOVEMENTS FOR THE YEAR

(R MILLION)



Cash generated from operations increased by 15.6% to R4 382 million (2013: R3 790 million) and a cash conversion of 99.5% was achieved. The increase is mainly attributable to the growth in EBITDA.

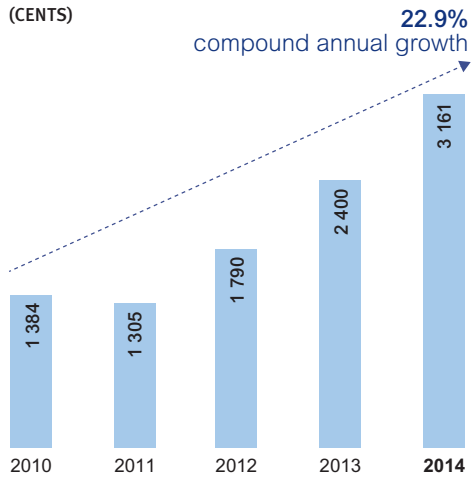
The Group invested R1 945 million (2013: R1 387 million) in capital expenditure, with expansion expenditure making up approximately 26% of the total. In addition, R1 176 million (2013: R904 million) was returned to shareholders in dividends paid, while interest and tax payments disbursed amounted to R1 367 million (2013: R1 537 million) for the year. The Group's cash and cash equivalents at 30 September 2014 amounted to R1 706 million (2013: R1 503 million), with higher cash balances in the UK offsetting slightly lower cash balances in SA.

Shareholders' returns

Netcare creates value for its shareholders through share price appreciation and dividends.

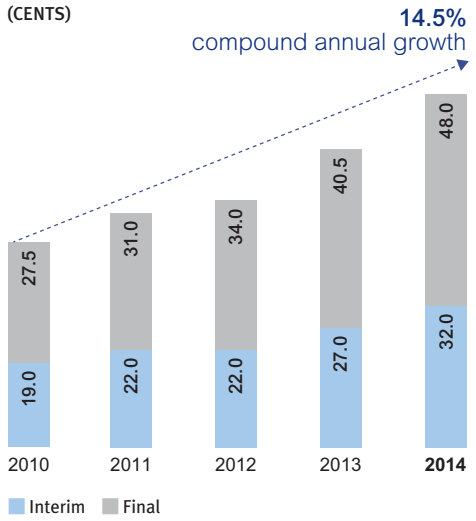
The Netcare share price has shown pleasing growth during the year, with the closing share price of R31.61 per share up by 31.7% over the prior year closing price of R24.00 per share. A return on equity of 26.7% (2013: 25.1%) was delivered in the 2014 financial year. The compound annual growth in the value of Netcare's share price has been 22.9% over the past five years.

SHARE PRICE PERFORMANCE



The total dividend for the financial year of 80.0 cents per ordinary share represents an increase of 18.5% compared to the prior year (2013: 67.5 cents). Total distributions to shareholders comprise the interim dividend of 32.0 cents (2013: 27.0 cents) per share and a final dividend of 48.0 cents (2013: 40.5 cents) per share. There has been a compound annual growth of 14.5% in distributions to shareholders over the past five years.

DISTRIBUTION PERFORMANCE



In addition to distributions to ordinary shareholders, the Group has paid distributions in the amount of R154 million (2013: R66 million) to the beneficiaries of the Health Partners For Life (HPFL) trusts, which were established by Netcare as part of its Broad-based Black Economic Empowerment initiative.

Financial guidance

Our guidance of continued growth in SA private healthcare services manifested itself in the 2.6% growth experienced in patient days during 2014. In respect of the operational efficiencies expected, the success we achieved in this area was demonstrated in the EBITDA margin expanding from 21.0% to 22.1%. Planned capital expenditure of R1.2 billion related to actual capital expenditure incurred of R1 195 million for the year.

In the UK, we expected the PMI market to remain under pressure, and our actual experience reflected continued decline in PMI caseload, with the total market having lost 764 000 lives since 1995. Our focus for 2014 on driving efficiency programmes and attracting higher complexity cases was successful although there is still some way to go. This is reflected in the slight improvement in EBITDA margin before GHG PropCo rental and non-recurring costs to 21.9% (2013: 21.7%), notwithstanding the adverse impact of the increase in NHS caseload. Our guidance for capital expenditure of £40 million related to actual capital expenditure of £42.2 million.

Future outlook

The demand for private healthcare in SA is expected to remain strong, which will support Netcare's growth over the next few years. The Hospital and Emergency services division has a strong growth profile, with major expansion projects underway. Planned capital expenditure of approximately R2 billion for the 2015 financial year will cover green-fields expansion projects as well as refurbishments and other brown-fields expansion projects. We will continue to focus on cost containment and optimisation initiatives and expect to extract further efficiency benefits from our IT optimisation projects in the years ahead. In addition, we expect our energy efficiency and renewable energy projects across the Group to deliver savings in our utility costs in the short to medium term.

We expect it to take more time before the economic recovery in the UK becomes evident in the healthcare sector. Given existing capacity, there remains significant opportunity for private sector treatment of NHS patients. Under the leadership of newly appointed CEO, Jill Watts, the BMI Healthcare management team will seek to drive volumes, increase acuity and rationalise the cost base, while dealing with the challenge of clinical staffing shortages. BMI Healthcare will continue to invest in sustaining and expanding its infrastructure and is expected to spend approximately £40 million on capital expenditure projects in the year ahead.

Appreciation/acknowledgment

I would like to thank all financial staff across the Group for their diligence and commitment. Your efforts are critical in ensuring that we provide relevant and high quality information that informs the decisions of management as well as our stakeholders.

Keith Gibson
Chief Financial Officer

Board of directors

Dr Richard Friedland

1

Thevendrie Brewer

1

Keith Gibson

2

Jill Watts

3

Azar Jammine

2

Executive directors

1 Dr RH (Richard) Friedland (53)

Group Chief Executive Officer

Qualifications: BvSc, MBBCh, Dip Fin Man, MBA

Appointed: 15 May 1997

2 KN (Keith) Gibson (44)

Group Chief Financial Officer

Qualifications: BAcc, CA(SA)

Appointed: 10 November 2011

3 JM (Jill) Watts (56)

Chief Executive Officer – GHG

Qualifications: MBA (Griffith University), Grad Diploma in Health Administration and Information Systems, Wharton J&J Leadership Program

Appointed: 17 November 2014

Non-executive directors[1]

1 T (Thevendrie) Brewer (42)

Audit Committee Chair

Qualifications: BCom, Postgraduate Diploma in Accountancy, CA(SA)

Appointed: 24 January 2011

2 APH (Azar) Jammine (65)

GHG Sub-committee Chair

Qualifications: BSc (Hons), BA (Hons), MSc, PHD

Appointed: 14 December 1998

Other directorships: Econometrix Proprietary Limited, Federated Employers' Mutual Assurance Co Limited, York Timber Holdings Limited, ETM Analytics and Iron Fireman (SA) Proprietary Limited.

Committee membership

- AUDIT COMMITTEE
- RISK COMMITTEE
- NOMINATION COMMITTEE
- REMUNERATION COMMITTEE
- QUALITY LEADERSHIP COMMITTEE
- SOCIAL AND ETHICS COMMITTEE

dership

Meyer Kahn

3

Kgomotso Moroka

5

Martin Kuscus

4

Jerry Vilakazi

6

Norman Weltman

7

3 JM (Meyer) Kahn (75)

Risk Committee Chair
Remuneration Committee Chair

Qualifications: BA (Law), MBA, DCom (hc), SOE

Appointed: 14 April 2000

Other directorships: Former Chairman of SAB Miller Plc.

4 MJ (Martin) Kuscus (59)

Quality Leadership Committee Chair

Qualifications: BA Cur, Dip Company Direction, EDP

Appointed: 1 July 2008

Other directorships: Synergy Income Fund and Mineworkers Provident Fund.

5 KD (Kgomotso) Moroka SC (60)

Social and Ethics Committee Chair

Qualifications: BProc, LLB

Appointed: 23 July 2006

Other directorships: Standard Bank Group Limited, South African Breweries Limited, MultiChoice South Africa Proprietary Limited and Royal Bafokeng Platinum Limited.

6 SJ (Jerry) Vilakazi (53)

Chairman
Nomination Committee Chair

Qualifications: BA, MA in ELT, MA in Ed Management, MBA

Appointed: 1 June 2008

Other directorships: Goliath Gold Mining Limited, Blue Label Telecoms Limited, Palama Group, Saatchi & Saatchi South Africa, Sibanya Gold Limited and SITA (SOC) Limited.

7 N (Norman) Weltman (65)[2]

Qualifications: CTA, CA (SA)

Appointed: 3 November 1999

Other directorships: None.

1. Reflected in alphabetical order.
2. Executive director from 3 November 1999 and non-executive director from 1 September 2008.

AIR Abridged corporate governance report on page 108.

operations

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overview

SOUTH AFRICA

SA awards

BRAND

BrandFinance's 2014 Top 40 Brands in South Africa

Netcare was placed 13th in BrandFinance's 2014 report on Top 40 Brands in South Africa. The brand valuation consultancy publishes the report in partnership with Brand South Africa and Brand Africa.

TRAINING

2014 Instructor of the Year Award

Sister Brenda Farrell, a registered nurse and qualified cardiopulmonary resuscitation and basic life support instructor at Netcare Education's Faculty of Emergency and Critical Care, has been named the 2014 Instructor of the Year by the Resuscitation Council of South Africa.

HUMAN RESOURCES

2014 Top Employers Institute's Top Employer Award

Netcare was certified top employer in the South African healthcare sector category for the third consecutive year.

Forum for Professional Nurse Leaders (FPNL) 2014 Leadership Excellence Award

Mande Toubkin, General Manager: Trauma, Emergency, Transplant and CSI at Netcare, won the 2014 FPNL Leadership Excellence Award for her outstanding contribution to leadership within the nursing profession in South Africa.

Melanie Da Costa (42)*

Director – Strategy and Health Policy

Qualifications: MCom, CFA

Joined in 2006

Travis Dewing (41)

Chief Information Officer

Qualifications: NDip IT

Joined in 1997

Tumi Nkosi (51)

Director – Business Development and Corporate Affairs

Qualifications: MBA and Chartered Marketer

Joined in 2007

Dr Dena van den Bergh (52)*

Director – Quality Leadership and IT

Qualifications: BPharm, MSc (Med), Eng D

Joined in 2011

Peter Warrener (53)*

Group Human Resources Director

Qualifications: BSocSci, Dip Fin Man

Joined in 2007

Lynelle Bagwandeen (39)*

Group Company Secretary and General Counsel

Qualifications: BSc, LLB (summa cum laude), LLM, FCIS

Joined in 2011

Dr Charmaine Pailman (58)

Managing Director – Primary Care

Qualifications: BMChB, MPH

Joined in 2006

Keith Gibson (44)*

Group Chief Financial Officer

Qualifications: BAcc, CA(SA)

Joined in 2006

Dr Richard Friedland (53)*

Group Chief Executive Officer

Qualifications: BvSc, MBBCh, Dip Fin Man, MBA

Joined Medicross in 1995

Jacques du Plessis (50)

Managing Director – Hospitals

Qualifications: BCompt (Hons) Accounting

Joined Medicross in 1996

Noeleen Phillipson (46)

Managing Director – Netcare 911

Qualifications: RN, MBA

Joined Clinic Holdings in 1994

* Executives with SA and UK responsibilities.

GOVERNANCE

2014 JSE SRI Index top performer

In 2013 Netcare was confirmed as a best performer on the JSE SRI being one of six companies recognised, and retained this status in 2014 being one of nine companies recognised.

2013 Integrated Reporting and Assurance Services' (IRAS) survey

Netcare was named top performer in the health sector in the IRAS Sustainability Data Transparency Index for 2013.

2014 Standard Bank Top Women Awards

Netcare was the winner in the health and pharmaceuticals category of the 11th annual Standard Bank Top Women's Awards.

2014 Mail & Guardian's Most Empowered Companies Award

Netcare won Mail & Guardian's Most Empowered Companies Award in the healthcare sector. Netcare ranked 15th overall, the only healthcare company to feature in the top 20 of South Africa's most empowered companies.

CSI

2014 Trialogue Strategic CSI Award

The Netcare Foundation won the inaugural 2014 Trialogue Strategic CSI Award for its Sexual Assault Centres at various Netcare hospitals and its sustained programme to assist survivors of sexual assault.

2014 Oliver Empowerment Awards

Netcare won the Diversity Award of the 2014 Oliver Empowerment Awards and was also recognised as a finalist in the Job Creation and Skills and Development categories. Last year Netcare received the Socially Responsible Investment Award and was a finalist in the Africa's Transformation and Skills Development category.

SA Health policy and regulation

Private healthcare in South Africa

The private healthcare sector in South Africa (SA) has evolved and grown considerably over the last two decades. It plays a critical role in providing quality healthcare services to an estimated 28% to 38% of the South African population[1]. Since 2000, an additional 2 190 659 beneficiaries joined medical schemes, a growth of approximately 34% to 8 778 348 beneficiaries. By 2013, approximately 16.5% of the population were beneficiaries of medical schemes[2]. With an estimated population of 53 million[3], SA has a small base of approximately 9.6 million formally employed people, with only 5.9 million being assessed for personal income tax returns. Thus current medical scheme coverage of 8.8 million lives appears representative of income and affordability levels.

According to the 2011/12 Council for Medical Schemes report, the 2011 financial performance of the medical scheme sector was one of the best in recent history[4]. This is consistent with the annual operating surpluses and current high levels of reserves, which are generally evident across the medical scheme sector.

Notwithstanding the reported strength of medical schemes, the provision of healthcare in SA is currently facing a number of significant challenges, including:

- A high and increasing quadruple burden of disease and an ageing population within medical schemes;
- A chronic shortage of medical professionals including nurses and doctors (particularly specialists); and
- An inflexible regulatory and administrative regime that constrains innovation and limits competition.

Due to failings in the public healthcare system, private healthcare has become increasingly important in fulfilling the healthcare requirements of the country. Currently, there are approximately 363 private hospitals and day theatres in SA, with a total of approximately 34 000 beds[5]. Of these private hospitals, 211 hospitals provide comprehensive services across multiple diagnostic categories and offer a wide range of services, with patients generally staying overnight for treatment. In addition to private hospitals and day theatres, there are approximately 7 529 general practitioners (GPs), 6 726 specialists and 77 569 nurses who are active in the private healthcare sector[6].

The health policy agenda in SA was dominated by two primary matters in 2014, being the Certificate of Need and the Competition Commission's inquiry into the private healthcare sector.

Certificate of Need

The Certificate of Need (CoN) provisions of the National Health Act 61 of 2003 have been on the statute book for more than 10 years without being implemented. When the CoN was first considered, it was highly contested and as a result, was not proclaimed. It was therefore a surprise that it was proclaimed in April 2014 without any prior warning, consultation or the required draft regulations, introducing significant uncertainty into the healthcare-provider market.

The law gives unfettered power to the Department of Health (DoH) through the Director General to effectively decide where all healthcare providers, facilities and medical equipment may or may not operate or practice.

After much consultation, government has agreed to withdraw the CoN through an application to the Constitutional Court.

Private healthcare market inquiry

On 29 November 2013, the Competition Commission (CC) announced that it would conduct a market inquiry into the private healthcare sector (the Inquiry). The CC appointed an independent panel of experts chaired by the former Chief Justice Sandile Ngcobo, to conduct the Inquiry on its behalf.

Stakeholders were required to make submissions on matters of interest to the Inquiry by 31 October 2014. Netcare's submissions to the panel included a number of comprehensive expert reports addressing certain of the "theories of harm" identified by the panel that relate to various facets of the private healthcare environment. These include healthcare financing, healthcare facilities, healthcare practitioners, the regulatory framework and the healthcare value chain as a whole.

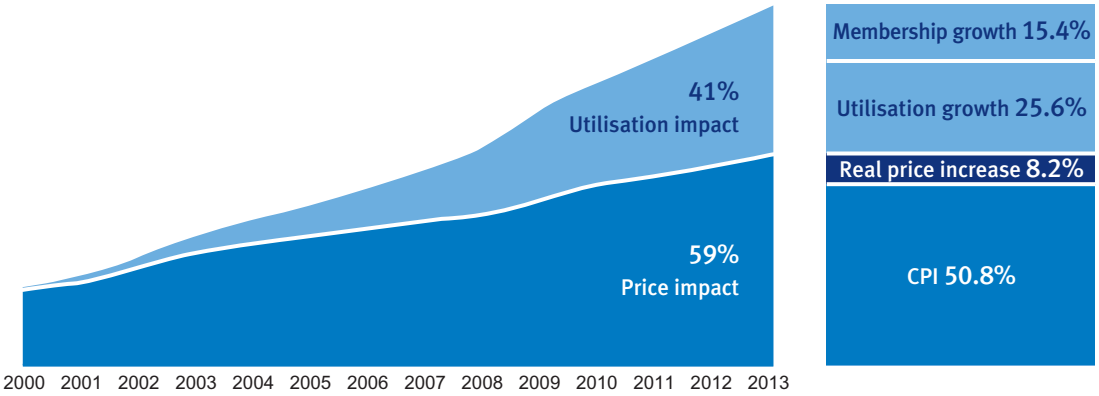
Netcare's submission included:

- **Assessment of hospital competition by geography:** Netcare commissioned a paper by Margaret Guerin-Calvert from Compass Lexecon, one of the world's leading economic consulting firms, which deals with the extent to which Netcare facilities face competition from other private hospitals in the areas where our facilities are situated. A large body of evidence is set out in Ms Guerin-Calvert's paper which demonstrates that private hospital operators, such as Netcare, face numerous competitive constraints. In summary, patients and schemes can choose between a wide variety of private hospitals. In most areas where Netcare has facilities, there are at least three to four competing private hospital groups, some with more than one facility in that area. In certain instances, there are five or more competing alternatives.

- **Assessment of bargaining position with medical schemes:** Netcare requested Professor Peter Davis (ex-Deputy Commissioner of the United Kingdom Competition Commission) of Compass Lexecon to produce a paper which discusses the bargaining process between medical schemes and Netcare. In summary, the evidence demonstrates that medical schemes have countervailing bargaining power with private hospital groups such as Netcare. The medical schemes use various mechanisms in their negotiations with all private hospital groups to secure the best possible benefit for the scheme.
- **Price concentration analysis:** For this submission, Professor Peter Davis analysed and assessed the available evidence from Netcare's pricing tariffs and patient discharge data to determine whether there was any relationship between local prices and local concentration in respect of Netcare's pricing to medical schemes. In this regard, it is important to note that Netcare negotiates its tariffs on a national basis, rather than at individual hospital level. Professor Davis found little variation in Netcare's pricing across local markets to a specific medical scheme or scheme option. The submission suggests that there is no evidence of a relationship between Netcare's pricing and local market concentration and, interestingly, medical scheme and administrator concentration appears to have increased at more significant levels over the last 10 years when compared to concentration in the private hospital market.
- **Assessment of profitability:** Mr Greg Harman of FTI Consulting performed a detailed analysis of the economic profitability of Netcare's hospital business over a seven-year period from 2007 to 2013. The report considers various benchmarks for assessing profitability and concludes that return on capital employed (ROCE) is the most appropriate methodology to apply and is consistent with regulatory precedents in the United Kingdom (UK) and SA. ROCE was used in the recent UK private healthcare market investigation. Mr Harman found that Netcare's ROCE is at, or below, the industry weighted average cost of capital. Consequently, Mr Harman concludes that the profitability of Netcare's hospital business is not higher than is expected to prevail in a competitive market.
- **Assessment of market concentration:** Trends in market concentration show no material increase in concentration in the private hospital market in the last 10 years, whereas medical scheme and administrator markets have shown increasing trends in market concentration over the same period[7]. According to Econex, an SA-based economic consulting firm, one of the reasons for the lack of increased concentration in the private hospital sector was due to an increase in the number of beds across all private hospital groups during this period. Most of the increase in bed numbers can be attributed to the National Hospital Network, which is a grouping of independently-owned hospital facilities[8]. Furthermore, a number of new hospitals commenced operation, or are about to commence operation, owned by independent players.

1. Econex: The South African Private Healthcare Sector: Role and Contribution to the Economy. Page 6. December 2013. This includes medical scheme beneficiaries as well as people who use their own funds to pay for visits to GPs or who purchase medicines from pharmacies.
2. Insight Actuaries and Consultants Report. Figure 3.
3. Mid-year Population Estimates. Statistics South Africa. 2013.
4. Council for Medical Schemes annual report. Page 27. 2011/12.
5. Compass Lexecon report. Table 1.
6. Econex: The South African Private Healthcare Sector: Role and Contribution to the Economy. Page 6. December 2013.
7. Econex: Market Concentration Trends in the Private Healthcare Industry. Page 2. March 2014.
8. Econex: Market Concentration Trends in the Private Healthcare Industry. Pages 1 – 2. March 2014.

HOSPITAL EXPENDITURE, 2000 – 2013



- **Medical scheme expenditure:** A number of commentators have suggested that increased medical expenditure is largely driven by increased costs for private hospitalisation and that these costs have increased above average consumer price inflation (CPI) during the period 2000 to 2010. This is considered in detail in the paper by Mr Barry Childs of Insight Actuaries and Consultants, which shows that Netcare hospital price inflation was 5.7% per annum over the past 10 years. This is lower than contribution increases to medical schemes of 7.5%[9] and the 7.7% wage inflation per annum over the same period. Increased medical scheme expenditure on private hospitals is largely due to factors such as changes in utilisation, the burden of chronic disease, costs associated with pharmaceuticals and technology, and importantly, the requirements of the Medical Schemes Act.

9. Insight Actuaries and Consultants Report. Page 78.

Conclusion

Our analysis shows that the medical scheme industry remains healthy and that access to private healthcare has grown significantly over the last decade. We are cognisant of escalating healthcare costs, and apply significant effort to manage the costs within our control to minimise price inflation. As a number of our submissions to the CC demonstrate, we are confident that increases in hospital costs are not attributable to hospital pricing but to increasing demand for healthcare services.

With over 16 million social grant beneficiaries and 72.4% of SA households with monthly per capita income of less than R10 000, we fully appreciate that there is limited capacity for self-funded healthcare in our country. These circumstances place enormous pressure on the public sector to deliver healthcare to the majority of the population. However, this highlights the vital role of the private sector as a partner in providing healthcare, and in relieving some of the pressure on public sector healthcare facilities.

SA Quality leadership scorecard

Introduction

Our pervasive quality leadership initiatives enable Netcare to deliver healthcare services of the highest international standard. The principles of the *Triple Aim* inform our efforts to deliver better clinical outcomes and an improved patient experience more cost effectively from year to year.

Quality measures are evaluated in all our divisions and facilities as a fundamental part of our operating processes. This provides a balanced view of what has been accomplished and the areas for improvement. We track 307 quality measures across our divisions in SA, and have extended our strong track record for quality leadership in the last year.

We acknowledge the call for greater transparency in quality data, and have therefore included this summary quality scorecard for 2014. Our engagement with key stakeholders in the last year has included providing detailed feedback on our quality initiatives to the top 10 health insurance organisations, and ongoing discussions with the National Department of Health in SA.

Our quality leadership journey in the last year has demonstrated the commitment of our leaders, clinicians and frontline staff to providing continuous quality care, and has benefited from ongoing patient feedback.

quality

- Netcare Group
- Hospital division
- Primary Care division
- Lesotho
- Netcare 911
- NRC[1]

Our overall achievements in quality

- **307** quality measures in Netcare across all divisions in Netcare
- **74%** of the 307 measures had a year-on-year improvement
- **35%** weighting for quality measures on Executive Balanced Scorecards

Quality assurance and audit

- **86%** overall Quality Assurance Score in Hospital division (up from 80% in 2013)
- **2** Netcare Milpark and Netcare Union First hospitals in SA to be awarded Level 1 Independent Trauma accreditation
- **96%** score for transplant regulatory audit outcomes
- **100%** compliance to Independent Monitor evaluation at all four facilities in Lesotho

1. National Renal Care.

quality

Netcare Group | Hospital division | Primary Care division

Lesotho | Netcare 911 | NRC

Improving patient experience

- **8.48** average overall rating by hospital patients – out of 10 (US Hospital Consumer Assessment of Healthcare Providers and Systems (US HCAHPS) = 7.1)
- **76%** of patients would "definitely recommend" Netcare services and facilities
- **81%** pain management patient feedback score – up from 79% (US HCAHPS = 71%)
- **66%** medication information on indications and side effects – up from 61% (US HCAHPS = 64%)
- **90%** patient and family satisfaction rate at Lesotho Queen 'Mamohato Memorial Hospital
- **81%** of patients would "definitely recommend" Medicross services
- **83%** of patients would "definitely recommend" Netcare 911's emergency services
- **86%** NRC patient satisfaction score (up from 84%)

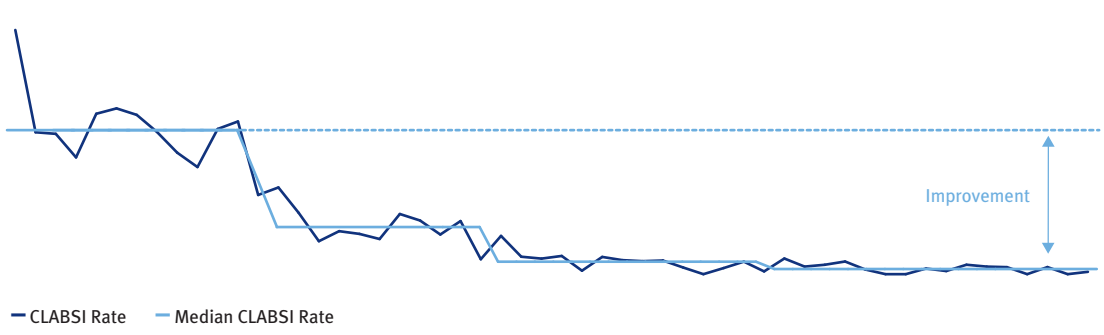
Preventing harm – health and safety

- **11.3%** reduction in total adverse events per 1 000 patient days since 2012
- **89%** compliance to nursing clinical audit for mock cardiopulmonary resuscitation (CPR) across Medicross facilities
- **10%** reduction in hospitalisation rate for peritoneal dialysis patients

Improving clinical outcomes

- **0.09** central-line infection rate per 1 000 line days (down from 2.25 in 2011)
- **2.17** ventilator-associated pneumonias per 1 000 ventilator days (down from 8.43 in 2011)
- **5.5%** acute myocardial infarction (AMI) in-hospital mortality per 100 cases across 17 hospitals (down from 7.7% in 2011)

Netcare central line associated blood stream infection bundle (CLABSI) October 2010 to September 2014 (N = 47)



- 12.1% reduction in antibiotic usage (defined daily doses per 100 bed days) across all hospitals
- 87% compliance to clinical standards audit across all Medicross facilities
- 84% of patients above benchmark on Quality of Life measurement for chronic haemodialysis in NRC
- 0.7% paediatric mortality rate as a percentage of admission (2013: 0.9%)
- 5.5% paediatric deaths as a percentage of admissions (2013: 6.1%)
- 4.8% total in-patient mortality (2013: 5.8%)

Growing with passionate people

- >1 500 leaders in all divisions in Netcare trained in quality improvement skills
- 163 improvement projects submitted for Netcare Quality Leadership Awards (110 in 2013)
- 91% compliance to resuscitation programme key performance indicators in Trauma and Emergency departments
- 89% average score on audit of ***the Netcare Way*** behaviours in Hospital division
- 105 number of GPs and nurses from 27 Medicross and Prime Cure clinics trained in DoH public health Tuberculosis management programme
- 13 continuing professional development (CPD) sessions for all Netcare 911 staff nationally
- 42 NRC morbidity and mortality and journal club multidisciplinary CPD events held nationally

Clinician leadership

- 86% of antibiotic stewardship committees in Netcare hospitals with active clinician leadership
- 90% of clinician involvement in neonatal and AMI quality improvement projects
- 93% of Physician Advisory Boards at hospitals actively review data on quality outcomes
- 100% compliance to targets for morbidity and mortality meetings for clinicians in trauma, emergency care and transplant
- 8 CPD events for Level I and II trauma and emergency department teams
- 70% of Medicross clinicians engaged in regional antibiotic stewardship discussions
- 100% compliance to Netcare 911 targets for morbidity and mortality review
- 17 NRC doctor CPD forums and other forms or engagement with active clinician participation

Contribution to healthcare in SA

- 30 abstracts at Best Care Always QI Summit 2014 were contributions from Netcare
- 18 Netcare quality initiatives recognised at international professional conferences
- 55 pharmacy quality improvement projects presented at national and international professional conferences
- 50% increase in immunisation for babies in Public Private Partnership with Western Cape DoH and Medicross
- 12 NRC public-private dialysis service centres

SA Hospital division review

Key figures

	2014	2013
Patient day growth	**2.6%**	2.7%
Occupancy	**68.9%**	67.4%
Length of stay (days)	**3.6**	3.5
Revenue (Rm)	**15 171**	13 984
EBITDA margin	**23.1%**	22.1%

Strategic focus

The Group's core business is our Hospital division which executes our strategic objective of providing best-quality patient care in the most effective and efficient manner, consistently achieving the best quality outcomes for our patients.

Our hospitals comprise a mix of technologically advanced multi-disciplinary tertiary institutions, centres of excellence and same-day surgical units. Our hospitals support dedicated, passionate and committed specialists with treating privileges and employees who make a positive difference in the lives of our patients. We continue to establish and maintain strategic partnerships with doctors, funders, suppliers and government.

Operating environment

Despite the constrained economic environment in SA, limited job creation and modest growth in medical scheme membership, the demand for private healthcare continues to rise due to the burden of disease, an ageing population and medical advancement.

Our challenges include obtaining hospital bed licences from provincial departments of health, shortages of doctors and registered nurses, and pressure for above inflation salary increases, while functioning in a highly competitive market.

Performance

In line with our continued investment in SA and our expansion strategy, the Hospital division added 89 new beds, mostly in the latter part of the year. The division currently has 9 424 registered beds.

www A full listing of hospitals and registered beds compared to last year can be found online at www.netcareinvestor.co.za.

We also converted 65 underutilised beds to disciplines with greater demand, mainly to intensive care, high care and surgical beds. Patient day activity has grown by 2.6%, mostly related to organic growth.

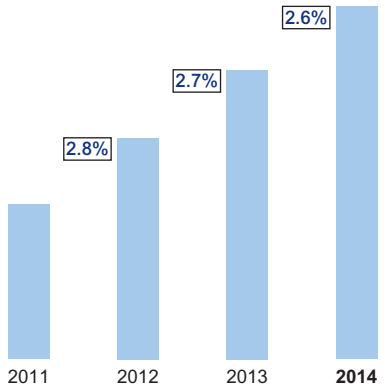
Full week occupancy increased from 67.4% to 68.9%, and weekday occupancy increased from 74.1% to 75.0%. The average length of stay increased from 3.54 days to 3.64 days. An analysis of patient day growth by ward type shows that improvement in intensive care unit, high care bed days, and specialised adult bed occupancies during Tuesdays to Thursday are as high as 85%. As a percentage of inpatient admissions, theatre cases were slightly higher at 63.6% (2013: 63.2%) and we experienced improved utilisation of our theatre facilities through use of our bespoke theatre planning tool. Revenue from surgical disciplines increased marginally to 72% of total revenue and inpatient admissions related to surgical procedures remained static at 62.8%.

Net revenue per patient day increased by 6.7% with price inflation at approximately 5.6%, which is slightly below inflation. Price per patient day inflation relates to tariff

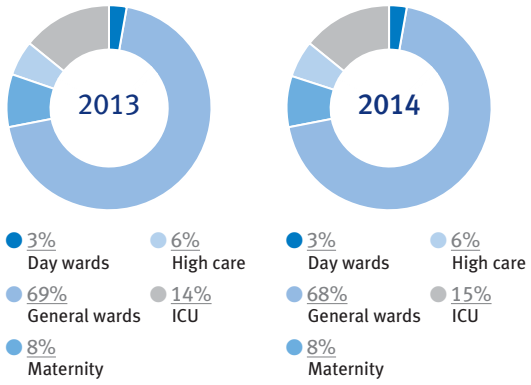

9 424
registered
beds
NETCARE

GROWTH IN PATIENT DAYS

(%)

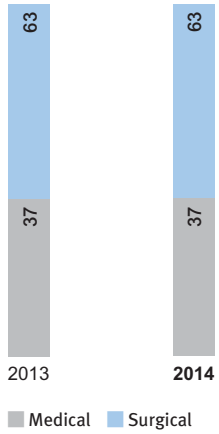


PATIENT DAYS BY WARD TYPE



IN-PATIENT ADMISSIONS

(%)



increases and the increased cost of drugs and surgical supplies, well contained through our standardisation initiatives. The balance of the increase is made up of case mix changes.

Overhead expenses were well controlled by successfully managing our direct nursing costs and nursing acuities with the help of our automated ward planning tool. Hospital and Emergency services EBITDA has improved from 22.1% in 2013 to 23.1% in the current year due to operational leverage and an increase in hospital occupancy.

Retail pharmacies increased the number of scripts filled by 1.5% to 1.6 million scripts despite strong competition in the pharmacy retail market.

We continue to focus on standardising protocols and processes, identifying further opportunities for centralisation of services, managing nursing acuities and controlling fixed costs. A key initiative is minimising the number of manual transactions and paper use in all administration systems and processes, which reduces costs and human error, and ensures that key staff such as nurses can dedicate more time to their core role as providers of care. As part of the broader SAP project, we are prioritising IT projects and streamlining business processes to gain optimum benefit from the SAP implementation, to streamline the cost base.

Based on a thorough assessment, we have decided to outsource our catering services at all hospitals. This will allow management to focus on the core business of patient care. We are also reviewing the structure of our technical services departments and will be broadening the role beyond the previous focus on repairs and maintenance. The new structure will encompass a more strategic role of asset management that considers the importance of our physical infrastructure and equipment, and aligns asset management with our environmental sustainability strategy.

Debtors' days were well controlled despite slow payments from Compensation for Occupational Injuries and Diseases (COID) cases during the year. The lack of co-operation from the department resulted in COID days outstanding rising to 252.0 days, whereas debtors' days outstanding without COID debtors stood at 20.4 days (2013: 22.7 days). The quality of the medical scheme debtors' book improved considerably from the previous year.

Stock days have decreased due to stringent stock control and regular cycle stock counts.

Growth and expansion

We have a number of large projects in progress that bridge the 2014 and 2015 financial years, and expect to add approximately 510 new beds during the latter part of the 2015 financial year. This represents an increase of 5.4% in registered beds.

The construction of the 170-bed Polokwane hospital is on schedule to open in August 2015. The 100-bed Pinehaven hospital will be commissioned in September 2015.

On 1 November 2014 Netcare acquired a 28-bed private hospital in Ceres, Western Cape. The hospital has a high care unit, maternity ward, 24-hour emergency department, theatre and pharmacy, and offers radiology and pathology services. Netcare plans to further enhance the services on offer.

Our pipeline of brown-fields expansion comprises 68 beds at Netcare Waterfall Hospital, 48 beds at Netcare Ferncrest Hospital, 10 beds at Netcare Rehabilitation centre, 38 beds at Netcare St Annes Hospital and 48 beds at Netcare Kingsway Hospital. This represents 212 beds coming online in 2015. All our expansion projects are the result of careful assessment and evaluation of healthcare demand and the availability of services in the respective areas, supported by full financial viability models which meet our internal hurdle rate targets.

The Hospital division's budget for 2015 represents the most ambitious capital expenditure programme for Netcare to date, with a budgeted spend of approximately R2 billion. A key feature of this programme is the significant increase in expenditure for expansion and environmental sustainability projects, with expenditure on maintenance also increasing to accommodate refurbishment projects. Our environmental sustainability projects have benefited from a favourable funding arrangement and grant from Agence Française de Développement. Further developments are reflected in the looking ahead section at the end of this report.

www For more information see our SA Environment report online at www.netcareinvestor.co.za.

Building of the new 248-bed Christiaan Barnard Memorial Hospital in Cape Town is ongoing, with the construction of the 13th floor in progress at the date of this report. The hospital is scheduled to open in 2016.

The weakness of the Rand to major currencies continues to impact capital costs, as most equipment and technology is only available from advanced economies. While the Group manages this impact where possible, escalating costs, constraints on medical innovation and long lead times remain a reality in procuring advanced medical technology.

Government partnerships

Our Public Private Partnership (PPP) in Bloemfontein represents an excellent example of the success that can be achieved with active public and private sector participation in delivering healthcare. The PPP is showing strong growth in activity and profitability, especially Pelonomi Hospital. We have added 46 beds to meet demand within the terms of our PPP agreement with government.

Lesotho PPP

The Lesotho PPP continues to perform satisfactorily and is well supported by the community. Our investment in staff training has increased the capacity of the country to perform higher complexity cases within Lesotho. Cases that previously could not be treated locally and were referred to Bloemfontein, are now treated in the country on a routine basis.

Patient care

Quality leadership remains a top priority for the division, underpinned by our commitment to the *Triple Aim* framework which stands as a foundational principle and philosophy for our efforts in providing best patient experience, best outcomes and the most cost-effective care. This supports our effort to improve against internal measures of quality (which consider international benchmarks) as well as meeting and surpassing the standards set by regulators.

> We expect to add approximately 510 new beds during the latter part of the 2015 financial year. This represents an increase of 5.4% in registered beds

HOSPITAL AWARDS

2014/15 Ask Afrika Orange Index®

Netcare won the 2014/15 Ask Afrika Orange Index award in the Private Hospitals category. The index acknowledges customer service excellence across various industries.

2014 Daily News Your Choice Award

Netcare St Augustine's Hospital achieved first place in the Best Hospital category of the 2014 Daily News Your Choice awards for the fifth consecutive year. Netcare Umhlanga Hospital was voted third in this survey.

2014 PMR.africa awards

Netcare St Augustine's Hospital was placed second in PMR.africa awards' private hospitals category. PMR.africa also bestowed a special award to Netcare St Augustine's Hospital in recognition of their dedicated service to the KwaZulu-Natal community over the last 121 years.

2013 Readers' Choice Awards

Three Netcare hospitals were voted Best Hospital by readers of Daily News, The Star and Pretoria Rekord.

Our commitment to best and safest patient care is evident across all areas of business, from the nurses on the frontline of delivering care to the back office functions that prioritise programmes according to the principles of the *Triple Aim*.

AIR For key quality performance indicators, see page 67.

www For further details refer to the SA Quality and clinical governance report online at www.netcareinvestor.co.za.

We continue to invest in medical technology that provides quality care and supports our specialists with the latest equipment in the fast-evolving field of healthcare. Some examples include:

- Netcare Greenacres Hospital is the first hospital in Africa to invest in the Mizuho OSI proAXIS spinal surgery table, which features software-controlled, advanced hinge technology to support the biomechanical aspects of spinal procedures;
- The heart transplant team at Netcare Christiaan Barnard Memorial Hospital performed the hospital's 200th heart transplant in September 2014. Thanks to the advances made in medicine since the first heart transplant in 1967, this life-saving surgery has now become routine and is a well proven treatment modality offering excellent patient outcomes. The transplant team is well-known for embracing ground-breaking technology, such as the artificial Berlin heart that is used to keep severely compromised patients alive while awaiting a transplant; and
- At Netcare Sunward Park Hospital, we introduced SA's first Olympus articulating high-definition three-dimensional (3D) laparoscopic surgical video system. This 3D technology enables surgeons to perform laparoscopic procedures with improved precision and speed, resulting in a substantial reduction in operating time and increase in patient safety, recovery time and length of hospital stay.

AIR For other examples of Netcare's focus on leading technology, see the focus story on page 100.

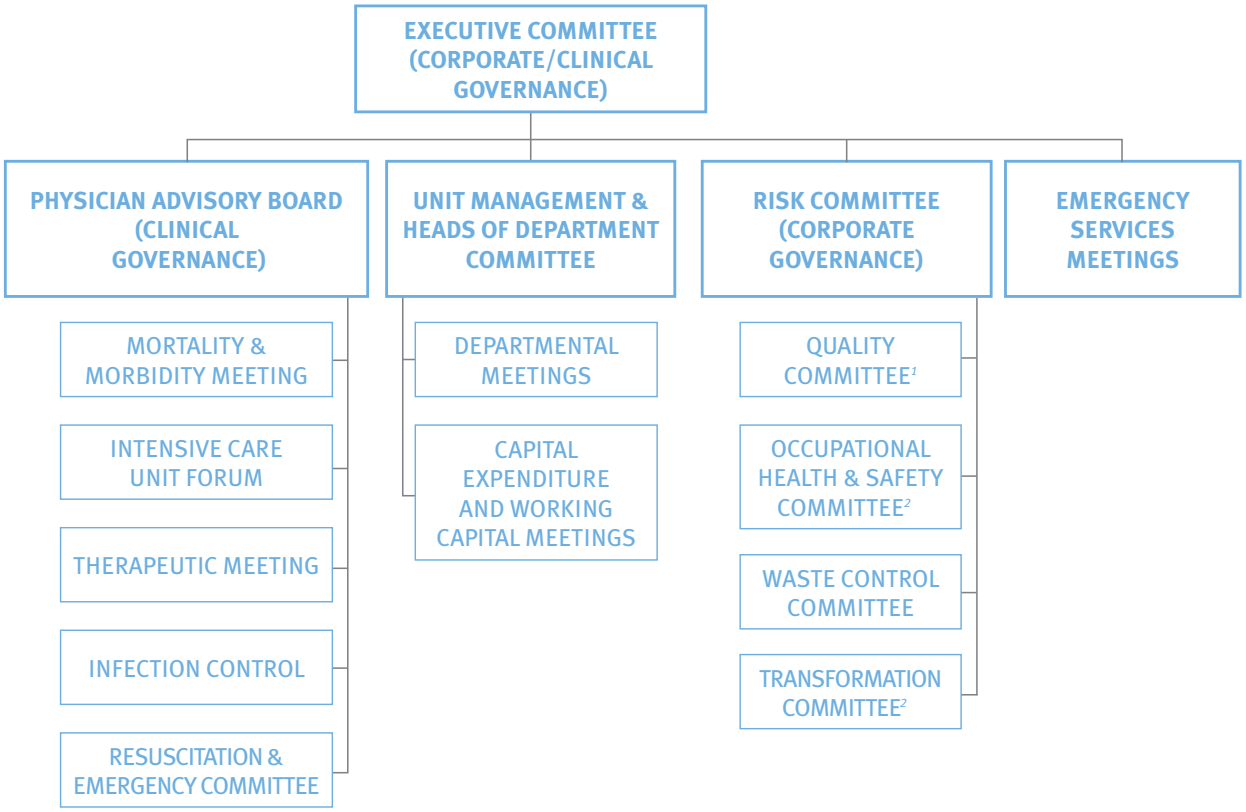
Physician partnerships

We continue to engage GPs to enhance communication between them, specialists and hospitals to understand how we can improve services to patients. The programme is progressing well with 3 735 GP visits conducted during the period under review and 4 000 visits planned for the next 12 months. The Hospital division remains committed to supporting and developing the skills of our healthcare professional partners in rapidly developing clinical fields, and we held 86 continuous professional development (CPD) events during the year.

With strong partnerships, high acuity facilities, state-of-the-art equipment and a reputation for quality leadership, the Hospital division attracted 117 new specialists who started practicing in Netcare facilities during the period under review. Over the year, 22 doctors left our network, mainly due to retirement or death.

www For further details about our stakeholder engagement, refer to Stakeholder engagement: SA online.

Hospital governance structure



Includes where relevant theatre, radiology and key stakeholder sub-committees.
1. Deals with infection prevention, customer satisfaction, compliments and complaints.
2. Unions attend these meetings.

Growing our people

The ***Leading the Netcare Way*** initiative was launched in the Hospital division, as a leadership development programme that focuses on specific leadership skills, namely emotional resilience, building a culture of care in the workplace, and developing personal authority in a changing world of work. The programme targets the nursing and human resources management teams.

We also have a targeted training intervention for unit manager's in our wards. Our unit managers face daily challenges as they deal with the needs of patients, their families, doctors and their teams. Formal nursing training has not always equipped them for taking on this management role, which requires specific people management and administration skills. The targeted management programme is building their competencies for this crucial role in delivering care, supporting their teams and meeting the needs of multiple stakeholders. To date, 640 unit managers have participated in the programme.

All employees have also been trained on our updated performance management programme, Enhancing Performance and Development (EPD), and have participated in an electronic EPD interim review process. The EPD programme has been changed to include the Netcare values and ***Caring the Netcare Way*** behaviours, carrying a 50% weighting. We believe that if employees are managed and rated effectively on these objectives, an increase in patient satisfaction will follow.

Over the skills period (from 1 April 2013 to 31 March 2014), 10 122 employees received training.

Environment

Netcare's strategic efforts in environmental sustainability are supporting a consistent reduction in the usage of electricity. Tariff structures have also been revised through negotiation with electricity providers and municipalities. The energy reduction projects commenced in 2013 and are being rolled out to more facilities in 2014. In the period under review, the identified and initiated projects have supported savings in usage from the baseline set in 2013, resulting in an increase of only 5.1% in costs, against an increase of 8.3% by Eskom, the national energy utility.

We have reduced water consumption by 9% against our baseline set in 2013. We expect further reduction and cost savings as our water optimisation projects gain traction in 2015. We have experienced tariff increases of up to 40% in 2014 and expect these increases to remain above 30% in the short to medium term. To counter this increasing cost we aim to roll out water meters to all facilities to verify the accuracy of billing and monitor the water optimisation initiatives that are currently in development.

Our primary concern remains patient safety. This is driving enhancements with benefits to both patients and environmental management. One example is the advanced telemetry systems that measure water and oxygen levels, and sends notifications on low levels. This ensures continuity of services combined with dual redundancies that decrease pressure on state utilities.

AIR WWW For further information on our environmental sustainability projects please refer to our environmental focus story on page 102 and our SA Environment report online at www.netcareinvestor.co.za.

Looking ahead

Our priorities for 2015 include:

Our green-fields development in Polokwane will commission 170 beds in September 2015

Our green-fields development in Pinehaven will commission 100 beds in September 2015

Phase II of Netcare Waterfall Hospital, adding 68 beds, will be completed in September 2015

Brown-fields expansions of 212 beds will be commissioned in 2015

Netcare Milpark Hospital is adding a hybrid theatre and a parking deck with 600 bays

Major upgrades have commenced or are planned for:

- Catherisation laboratories at five hospitals;
- General hospital refurbishments at seven hospitals
- Specific refurbishments to three theatres, one neonatal ICU and one maternity ward

Efficiency processes will focus on minimising the use of paper and manual transactions in all our administration systems and processes

Analysis of the efficiency of our key financial systems and implementation of enhancements

SA Emergency services review

Strategic focus

Since inception in 1998, Netcare 911 has provided a fully integrated and efficient emergency medical services solution to South Africans in medical need.

Our core competency is emergency medical assistance, evacuation by road or air transportation and telephonic medical advisory services, using a range of innovative products coupled with extensive management expertise. Through these integrated services we minimise medical risk for our patients while staying true to the intent of our "Saving Time Saves Lives" initiative.

Our competitive advantage is held in our:

- Network capacity to deliver comprehensive emergency medical service solutions;
- Strong track record of providing quality in-field emergency assistance solutions;
- Established culture of implementing initiatives and measuring performance to sustain a high standard of clinical care;
- Leadership in providing advanced life-saving technology; and
- Ability to manage service delivery through self-owned infrastructural capabilities which sustains high service levels.

Enhancing service delivery and driving operational excellence

Quality improvement

At Netcare 911, we continually examine our processes and resources to best serve patients' needs.

We believe that building an organisational culture of sustainable quality improvement is a dynamic and continuous process. The foundational principle of our improvement in quality leadership is the Group's strategic *Triple Aim* concept, which focuses on three critical objectives: best health outcomes, best patient experience and providing the most cost-effective care.

Our commitment to quality was recognised by being awarded first place in Netcare's 2013 Quality Leadership Awards for our "Saving Time Saves Lives" project. By analysing and understanding the key links in the value chain, and incorporating quality and clinical guidelines into our processes, we have reduced the time from receiving a call to the arrival of an appropriate medical practitioner at the scene by 22%. We managed the change in processes using the "Plan-Do-Study-Act" methodology to build our model for improvement.

Our call centre operators can now also use points of interest in addition to street names when trying to locate a patient by using advanced geolocation technology. For the first time, they can also give information to patients about an ambulance's estimated arrival time by using heat mapping, which shows an ambulance's exact location while on route to a scene. This helps improve response times and provides greater peace of mind to Netcare 911 patients.

In the Netcare 911 emergency call centre, we removed the interactive voice response (IVR) system from the inbound line, which led to a sharp increase of 79.1% more inbound calls being directly answered by an agent, rather than the IVR. This ensures that emergency callers are able to speak to a call centre agent immediately. We have also recorded an 82% decrease in calls abandoned (measured as calls unanswered after 15 seconds) by standardising the systems and timeframes used. Since these improvements were introduced our average time to answer calls is now two seconds.

Our average time to answer calls is now
2 seconds

> Every aspect of an emergency call-out is now managed electronically. This has resulted in a number of efficiencies and benefits, such as an improved patient experience and shorter response times

Technology improvements

Netcare 911 is a pioneer in the South African emergency medical services sector. We continue to leverage the latest advances in technology to improve clinical and service quality.

We prioritise the use of advances in technology to achieve our key strategic objectives. We are particularly pleased with the upgrade to our patient reporting system, which uses mobile technology to improve the overall patient experience. In partnering with Geopal Systems, we have developed an intelligent patient reporting tool which is run on an interactive mobile platform that serves as the foundation for our business processes. This system automates many data capturing tasks, with automated record-keeping improving our focus on patient interaction and care. This allows the attending paramedic to spend less time on manual record-keeping without compromising the quality of patient data collecting. As the system reduces the use of paper-based records, it also reduces our carbon footprint.

Many of Netcare 911's key functions have been streamlined by using end-to-end electronic processes. Every aspect of an emergency call-out is now managed electronically. This has resulted in a number of efficiencies and benefits, such as an improved patient experience and shorter response times, ability of paramedics to spend more of their time on clinical management, and funders receiving timely, comprehensive billing information.

Netcare 911's patient care documentation templates are now designed to meet the dynamic needs of both our healthcare environment and the passionate professionals caring for our patients.

In a technological first, Netcare 911 now has three dedicated intensive care unit (ICU) road ambulances in Gauteng. These emergency vehicles are specially configured mobile ICUs, equipped to provide transport to critically ill patients. These ambulances can accommodate a range of patients in need of specialised care – from ventilated adults to neonatal patients who weigh as little as 500 grams. Our investment in these technologically advanced road ambulances complements our rotary and fixed wing units which have the same ICU-level capabilities.

Working towards best practice

Patients from all over South Africa can expect even better care from Netcare 911 paramedics as we leverage technology to enhance best practice.

To ensure our units remain at the forefront of providing excellent care, we are now streaming our monthly mortality and morbidity meetings to all Netcare 911 sites across our footprint. Our advanced life support paramedics derive great benefit from this in-depth analysis of best practice in the field of critical care. In addition, independent medical experts in disciplines ranging from paediatric and adult care to trauma, review Netcare 911's handling of all emergency medicine and critical care cases. Critical cases are meticulously reviewed and evaluated by these external consultants and key learnings are shared regularly.

Netcare's Education Faculty of Emergency and Critical Care (FECC) provides advanced life support paramedic students with access to state-of-the-art equipment to ensure that their learning experience simulates a real emergency environment. The FECC currently runs training from basic to advanced life support, as well as several post-graduate programmes. Learners have access to a comprehensive resource centre, as well as a computer and simulation laboratory. These facilities ensure that our students receive cutting-edge academic content supported by current and well-founded educational methodology.

Emergency healthcare workers are graded according to their level of training and matched with patients' required level of medical care – from basic to advanced life support – when dispatched. We also ensure that all employees who are likely to have interactions with patients have received the appropriate level of training.

Looking after communities, our people and planet

Netcare 911 is committed to cleaner and safer performance across its fleet of more than 200 emergency vehicles.

Netcare 911 has replaced its current fleet of petrol-powered emergency response vehicles with a diesel-powered fleet equipped with advanced technology to reduce environmental impact, and improve safety and fleet reliability. This is helping us improve response times while reducing our environmental impact.

The safety of our patients and staff is our primary consideration. Consequently, our new ambulances have been designed to deliver a smoother ride, improving patient comfort and reducing driver fatigue. The change is aligned with the company's ongoing focus of seeking new ways to operate more safely and efficiently while minimising our impact.

Occupational health, safety and environmental compliance

Netcare 911 is committed to creating safe and healthy working conditions which minimise the risk of injury or ill health.

OHS 18001 is an international standard for occupational health and safety (OHS) management systems. Netcare 911 will be the first emergency medical service provider in SA to be accredited by this international body, with the accreditation differentiating Netcare 911 from our competitors and providing our clients with assurance that we comply with the most stringent international standards.

In conjunction with our Quality Leadership team, we have implemented a number of quality initiatives that contribute to our safety, health and environmental (SHE) compliance. These include standardisation of equipment and disposables, quality improvement tools, and infection prevention and control measures. We use an interactive team approach to work towards compliance with our legal, financial, moral and social obligations to ensure continued provision of world-class quality emergency medical services as well as stable employment. We strive to meet these obligations while ensuring the lowest possible impact on the environment.

Corporate social investment (CSI)

Netcare 911 continues to practise our core value of care by supporting underprivileged individuals and communities.

Netcare 911 places the sanctity of human life above all else and provides pre-hospital emergency medical assistance to victims of accidents and incidents irrespective of their ability to pay. During the 2014 financial year, Netcare 911 personnel attended to nearly 7 000 indigent patients at a cost of R25 million.

Staff and management around the country have been involved in a variety of initiatives to support the underprivileged. These ranged from providing duvets that were distributed to the less fortunate in Hammanskraal and Leratong Hospice in Atteridgeville, to assisting various Netcare hospitals with their CSI projects.

We also sponsored and built a new two-roomed home for a six-member family in Diepsloot, Johannesburg. We partnered with Afrika Tikkun, a non-governmental and public benefit organisation that is focused on the sustainable transformation of communities. The family's old, weather-beaten shack was demolished and a new structure was built in its place with proper flooring, roofing, windows and insulation.

Our achievements in 2014

- The safety, health, environmental and quality (SHEQ) management tool was successfully implemented. Data gathered by this tool will help us identify areas for improvement and track the progress of related initiatives;
- Changes made to our business model and concerted efforts to leverage technology have produced efficiencies and more sustainable, streamlined business processes;
- We have expanded our client base of corporate and industrial sites in South Africa and Mozambique by adding 93 access clients during the last financial year;
- The continued embedding of our Pride, Protocol and Care culture development programme has brought about positive cultural changes, with the team becoming more focused and engaged; and
- A number of quality improvement initiatives have been implemented across many departments aimed at supporting continuous performance improvements.

Looking ahead

Our priorities for the year ahead include:

Several new initiatives to improve business and operational effectiveness and increase efficiencies will be implemented over the next three years. This will continue the evolution of our robust operational foundation

In SA we will work to increase our share of the capitated medical scheme market as well as increase the number of access and corporate clients

Maintain our focus on growth by ensuring the expansion and diversification of our portfolio of South African industrial sites

SA Primary Care review

Key figures

	2014	2013
Revenue (Rm)	**1 102**	1 163
EBITDA margin	**8.9%**	7.1%

Strategic focus

Netcare's Primary Care division provides a service platform to private independent group medical and dental practices across a national network of medical and dental family medical centres. We provide a comprehensive suite of services which includes practice management, administration, support services, human resources management, facilities management, retail pharmacies and day theatres. Our day theatre network provides patients with access to same-day specialist surgical procedures for minor surgical cases.

We provide a well-established system of managed care for various funders across a range of options through our network of about 8 000 contracted providers. These options include specialised managed care for dental treatment, HIV disease management, hospital utilisation, chronic disease management, drug utilisation and provider network management.

Our workplace wellness and occupational health services aim to provide employer groups with a value proposition that not only assists in meeting the regulated occupational health risk needs of their employees, but also ensures that their organisations' productivity is not adversely affected by poor employee health. Occupational health and workplace wellness services are provided on- or off-site to small, medium and large employer groups across various sectors, and include travel medicine and advice at our travel clinics.

With stability in our Medicross operations, we are focusing on the next stage of the evolution of our business. We recognise the need for a greater focus on healthcare outcomes and the role of primary care as a catalyst to wellness promotion. We have engaged specialists in organisational design and development to assist with our business review, which will focus on enhancements to the business model and a review of the strategic direction of the Primary Care division.

Our performance

Primary Care experienced steady performance across all its operations and increased activity in day theatre cases.

Effective cost management and rationalisation of the business structure resulted in good operating leverage being achieved, with an increased EBITDA margin of 8.9% compared to a prior year margin of 7.1%. Operating expenses were contained to an increase of 4.8% despite higher volumes of activity and general cost inflation.

Working capital was well managed and remains a key focus with a marginal increase in debtor days from 19.0 days to 19.4 days.

AFS More information about our financial performance can be found online in note 1 to the Group annual financial statements.

Sustainability

The division will participate in the energy strategy of the Group and will be implementing lighting projects in its medical and dental clinics.

Growth and expansion

As part of our review of the business, we seek to promote optimal utilisation of our infrastructure. We will continue to optimise our IT platform and investigate technology-driven efficiencies.

We will also continue to build an understanding of the demographics of acute and chronic patients to identify the most appropriate methods to promote patients' wellness and early health-seeking behaviour. Our systems will be developed to support the management of high-risk chronic patients and treatment compliance to improve overall patient health.

We plan to direct our investment to meet the need for lower acuity sub-acute health services which will increase and improve the role of family practitioners in care co-ordination, and will extend our range of services to allow us greater participation in the overall health services value chain.

3 million
patient visits

During the year in review we acquired a day theatre in Cape Town and will initiate plans to enhance our service offering with the planned development of new facilities in Gauteng from 2015.

Government partnerships

Medicross facilities provided immunisation and family planning services as part of a collaborative initiative with the Western Cape DoH. We also participate in the Western Cape Public Private Forum. Through their involvement in the General Practitioner Forums, Medicross-associated practitioners have participated in engagements between the National DoH and private family practitioners to understand how primary care service models can be improved.

AIR Refer to page 64 for the Health policy and regulation report.

Patient care

The Netcare *Triple Aim* approach to quality management provides the foundation for our continuous quality improvement (CQI) programmes across ambulatory healthcare services, management of healthcare access as well as disease management in Primary Care.

The CQI programmes are designed to deliver our pledge of *"All the Quality Care You Need"*, which is included in the brand of our Medicross family medical and dental centres. Our CQI programmes underpin service delivery efforts to ensure that we create industry leading customer experiences, assurance and compliance with national standards as well as evidence-based clinical practices to optimise patient experience and clinical outcomes.

Our quality initiatives this year targeted:

- Quality as a Netcare differentiator to improve customer experience;
- Quality as a business imperative to ensure sustainability and the right to trade-assurance and compliance; and
- Quality as a service promise to achieve the best patient results through clinical best practice.

Based on our newly implemented patient satisfaction survey, an overall "definitely recommend" score of 83.8% was attained with 57% of our clinics scoring above 80% in the "definitely recommend" category. These responses guide our interventions to improve patient satisfaction across a number of measured parameters.

Our medical practitioners engage in industry forums which aim to address the international challenge of rational antibiotic use in response to the threat of multidrug-resistant organisms.

AIR Refer to page 67 for the Quality leadership scorecard.

WWW SA Quality and clinical governance report.

Physician partnerships

We have facilitated continuous medical education on Tuberculosis as a key public health programme. In Gauteng, 45 doctors from 27 Medicross centres participated in this programme in collaboration with the DoH and a key private healthcare funder.

www SA Stakeholder engagement report.

Investing in the growth of our people

Continuous education and training remains a focus, especially in supporting the clinical skills of our nursing teams to ensure quality service.

We supported the participation of 20 people living with disabilities in the Sinako II project in positions at various clinics and the Prime Cure operations centre and our 36 pharmacies provided learnership opportunities for the Pharmacist Assistants' training programme in Netcare.

Our CQI programmes underpin service delivery efforts to ensure that we create industry leading customer experiences, assurance and compliance with national standards as well as evidence-based clinical practices to optimise patient experience and clinical outcomes.

Looking ahead

Our priorities for the year ahead include:

Growing the Primary Care network and exploring various avenues for future expansion

Continue centralising and standardising processes to yield greater efficiencies

Providing capital investment for the cyclical replacement of clinical equipment reaching the end of its useful life

Participating in the energy strategy programme to achieve an estimated saving of 700 tonnes of carbon dioxide equivalent per annum

SA National Renal Care review

Strategic focus

Before the advent of haemodialysis (HD), patients diagnosed with kidney failure faced dire consequences. National Renal Care provides access to affordable renal care of outstanding quality to patients with compromised renal function. Our patients' quality of life is improved dramatically through the comprehensive set of services provided at our dialysis units.

Our strategy to remain at the forefront of renal support therapies is underpinned by the pillars of operational excellence, a sustainable workforce and striving for optimal patient satisfaction. This is enhanced by our ongoing efforts to establish and maintain long-term strategic partnerships with the public healthcare sector, hospital groups, medical professionals, suppliers and medical funders.

Continued growth

Over the last decade, the number of renal dialysis providers in South Africa has increased as several new providers entered the private market. We will focus on increasing market share through efficient service delivery, the introduction of new products and maintaining excellent clinical outcomes for our patients.

We increased the number of dialysis stations by 49 to 668 in the year, extending our national footprint and expanding our capacity to service a greater number of patients. We improved staffing ratios in our existing units, supporting our strategic pillars of growth and efficiency, while maintaining a high level of patient care.

The 7.2% increase in chronic patient numbers supported an increase in chronic HD sessions by 9.2%. We experienced a decline in the number of patients requiring peritoneal dialysis (PD), in line with global trends. We are reviewing our PD strategy to identify options to grow our patient numbers as there is clinical evidence supporting the benefits of this treatment modality for certain patients.

We are increasing focus on patient education through our Healthy Start programmes. This advanced kidney disease management programme assists patients to make informed decisions about the treatment options available to them and encourages sustained treatment for the most effective long-term outcomes.

Acute HD sessions increased by 10.1%, reflecting our drive to expand our product range into different therapies and geographies where needs exist.

Enhancing patient outcomes

Last year we developed and started implementing focused practice guidelines that were established using evidence-based protocols for clinical outcome management. We are pleased to report improvements in a number of elements and treatment outcomes this year.

In 2014 we achieved a reduction in mortality and an improvement in quality of life scores for both HD and PD.

In HD we saw a slight improvement in the measurement of the haemoglobin levels and achieved the targets for haemoglobin and calcium in PD. HD saw a reduction in phosphate and PTH levels, with a decline for the year in albumin, phosphate, PTH and Kt/V in PD.

Total quality score

Our 20 point total score for HD improved to 12.44 (2013: 11.11) while the PD score improved to 11.90 (2013: 9.6).

668
dialysis stations

Quality of life score

In both HD and PD as measured through the most widely used quality of life survey, called the Short form 36 (SF-36) index, our patients' quality of life score increased. In HD, the average score remained at 43, however the percentage of patients above 35 increased from 77% to 84.5% over the period. In PD the patients' average quality of life score increased from 44 to 45 and the percentage above 35 was 89%.

National Renal Care's Healthy Start programme and the 90-day programme for patients within their first three months of treatment are collaborative initiatives between the referring doctor and renal staff which continue to enhance the clinical outcomes of our patients.

Following our voluntary implementation of the National Core Standards last year, in 2014 we met all "vital" and "extreme" measures identified in 2013.

During 2014 we updated our patient questionnaire, adopting questions from the US Consumer Assessment of Healthcare Providers and Systems survey. This will support comparability with international benchmarks.

Our patient satisfaction score improved to 86% (2013: 84%). Feedback from our patients is being analysed, allowing us to better address specific patient concerns. We now have a more comprehensive view of service delivery and can manage improvement initiatives accordingly.

Maintaining key partnerships

National Renal Care continues to cultivate and sustain the relationships that help us deliver quality care and excellent service.

We are a member of the recently formed Dialysis Association of South Africa, an association that is well-placed to promote the interests and ensure the adequate representation of private dialysis service providers within the South African healthcare industry. The aim of the association is to ensure appropriate standards are set and maintained in dialysis service provision.

We have 12 PPPs with public healthcare institutions that support greater access to care for all South Africans.

Our established footprint and continued expansion programme of dialysis units, designated service provider agreements with funders and brand reputation will ensure we maintain our position as the provider of choice.

Forming collaborative partnerships with our doctors and benefiting from their expertise is an important enabler of continuous improvement, in both clinical outcomes and service levels. The Group-wide regional doctors' forums conducted during the year encouraged better interactions with our consulting physicians, and our clinical outcomes continue to benefit from their valuable contribution. Our doctor satisfaction score improved to 92% (2013: 90%).

Continued focus on training and transformation

National Renal Care has four training academies. Education is aligned to our focus on operational excellence and optimising our quality leadership position.

National Renal Care has 13 units (2013: 12) accredited by the Health Professions Council of South Africa for training clinical technology students, and 18 South African Nursing Council accredited training units (2013: 6) for nephrology nursing students.

We continued our internal leadership development strategy, which includes leadership and management development programmes. Both programmes are supported by formal coaching and mentorship.

Further progress has been made in managing our employment equity targets. In line with our employment equity strategy, our African, Coloured and Indian junior management profile increased to 67.5% (2013: 63.5%).

Our representation of employees with disabilities has increased marginally to 2.73% (2013: 2.49%).

Our sustainability

HD is a resource-intensive healthcare procedure with an associated impact on the environment. Industry analysis has indicated that an average HD session uses between 400 to 500 litres of water, 10 kilowatt-hours of electricity, and up to three kilograms of medical waste is generated (greendialysis.org).

We currently have three innovative projects to achieve water savings:

- Re-routing reject water back into our reverse osmosis systems (our water treatment system);
- Recycling waste water for general use; and
- An initiative to route reject water to machine drains.

To support further improvements in our environmental performance, focus areas for 2015 include:

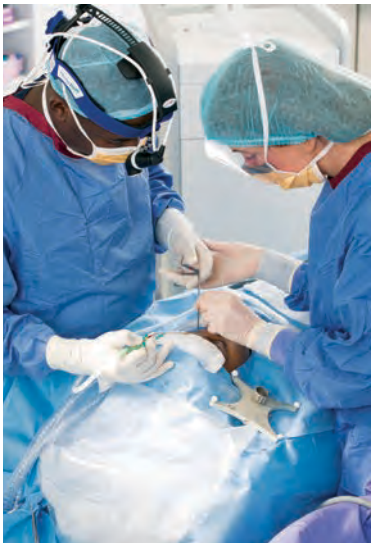
- Defining our environmental strategy in detail;
- Mapping and communicating policies and procedures, process flows and standard operating procedures;
- Monitoring and measuring our environmental performance indicators; and
- Reviewing and re-evaluating our performance at year-end.

www For more information about our participation in the Group's overarching sustainability strategy refer to the SA Environment report online.

Our contribution to our communities

National Renal Care has an established Corporate Social Investment (CSI) Committee which is responsible for the overall financial management of CSI initiatives. All regions and support service functions are actively involved in local CSI projects and programmes.

The bulk of our CSI funding is used to assist patients with transport, and provided in excess of 1 000 ex gratia treatments within the units and at patients' homes to the value of R1 million.



Our progress in 2014:

- We enhanced operational efficiencies through a more integrated IT system, process automation and database sharing. During 2014 we finalised our renal management system that greatly enhances our ability to automate essential processes within the organisation;
- We finalised our operating structure for delivery of infusions, enhancing our service offerings in renal support therapies;
- We have made great strides and upgraded a significant portion of our fixed reverse osmosis system to ensure consistency in the quality of water used during dialysis. The process will be completed in 2015 when the final 14 units are upgraded;
- We have extended the pilot period for the new patient care system for a further 12-month period ending in September 2015. The system will help us deliver better and more efficient patient care through the collation of real-time dialysis session data; and
- We are working to enhance the Healthy Start programme to benefit our patients and the healthcare system at large, across the public and private sectors. A research paper in this regard is intended to be published at the World Congress of Nephrology in 2015.

Looking ahead

Our priorities for 2015 include:

Empowering our leaders to enable them to effectively deliver within their functional areas

Utilising integrated IT systems to drive efficiency improvements and the use of technology in our operational structures

Focus on operational excellence through creating greater efficiencies by constantly reviewing our basic processes in areas such as time on dialysis, pump speeds, increased fistula ratios and our bundles of care

Driving improved patient outcomes through individualised patient care

A rigorous focus on improving staff engagement

UNITED KINGDOM

UK awards

WINNER

Independent Healthcare Awards

BMI Healthcare's enhanced recovery programme team was been recognised for 'Excellence in Risk Management' at the 2014 Independent Healthcare Awards.

SHORTLISTED

Independent Healthcare Awards

Beverly Jordan was nominated in the Nursing Practice category for her work at BMI The Park Hospital in Nottingham; Leila Hanna, a Consultant Gynaecologist and Obstetrician at BMI Healthcare was nominated in the Medical Practice Category for her work in the field of women's health, fertility and IVF; Sean Molloy, a Consultant Spinal Surgeon at BMI The Clementine Churchill Hospital was nominated for his outstanding contribution to the field of spinal surgery.

SHORTLISTED

2014 Awarded finalist Chartered Institute of Personnel & Development Annual Awards

BMiLearn was awarded finalist for best use of technology in training in the prestigious 2014 Chartered Institute of Personnel & Development Annual Awards.

2014 nomination in Training Journal Awards

Moments of Truth has been nominated in the Training Journal Awards 2014 in the categories of Best Leadership Development and Best Training Partnership.

Craig Lovelace (41)

Chief Financial Officer

Qualifications:
BSc (Hons) Land Management, FCA

Joined in 2010

Richard Evans (51)

Managing Director – Hospitals

Qualifications:
FCMA

Joined in 1992

Martin Johnson (41)

Managing Director – Commercial, Business Improvement, Technology and Infrastructure

Qualifications:
BEng Mechanical Engineering, Chartered Engineer, MSc Business Management

Joined in 2012

Mark Ferreira (53)

Group Medical Director

Qualifications:
MBBCh, MFamMed, MHealthEcon

Joined in 2009

Catherine Vickery (39)

General Counsel and Company Secretary

Qualifications:
Solicitor, BA (Hons) Jurisprudence and PGDip Legal Practice

Joined in 2005

Stephen Collier (57)

Chief Executive Officer

Qualifications:
Barrister; LLB (Hons), LLM, Dip AL

Joined in 1982

2013 European Pathway Conference

At the European Pathway Conference in Glasgow in 2013, BMI Healthcare won the poster competition for implementing enhanced recovery pathways. We have been invited to speak at the European Pathway conference in Italy and at the Enhanced Recovery after Surgery conference in Spain in 2015.

People Management CIPD Awards

BMI Healthcare's Learning Management Portal, BMiLearn, was made a finalist in the Best Use of Technology. The BMiLearn portal ensures that learner experience, especially in mandatory training assignments, is focused, and tracked effectively across BMI Healthcare's network of UK hospitals and corporate sites.

Patient Safety & Care Awards

BMI Healthcare's Enhanced Recovery Programme Multidisciplinary Group was nominated for its work in improving patient pathways in a variety of medical specialities including colorectal and orthopaedics.

HealthInvestor Awards

BMI Healthcare was a finalist for Private Hospital Group of the Year 2014.

Finalist HSJ Patient Safety and Care Awards

BMI Healthcare was a finalist in the Safety in Surgical Recovery category at the recent HSJ Patient Safety and Care Awards, where we were the only private hospital group represented.

2014 finalist Independent Healthcare Awards

We were awarded winner of the 2014 Independent Healthcare Awards in the Excellence in Risk Management category.

UK Health policy and regulation

The conclusion of the Competition and Markets Authority (CMA) enquiry into private healthcare, bedding down the new National Health Service (NHS) structures and slow, but steady recovery in the economy has resolved several key challenges for the independent healthcare sector. However, the Private Medical Insurance (PMI) market remains under pressure and a long-term solution for the NHS budgeting conundrum, whatever the outcome of the 2015 election, remains unresolved. Against this backdrop, 2014 has been an active year for providers and investors in the industry.

Economic recovery and political uncertainty

In 2008/9, the UK experienced the deepest recession since the Office for National Statistics (ONS) records began in 1948, with a peak to trough fall of 6 – 7%. The subsequent recovery has also been the slowest recorded, but UK GDP re-attained its pre-downturn peak in the second quarter of 2014[1]. As a primary driver of demand for insured caseload, employment has continued to rise over the past two years[2]. Household spending (adjusted for inflation) grew by 2.2% in the first quarter of 2014 compared to the prior year, albeit with minimal contribution from the healthcare sector[3].

We experienced a period of political and constitutional uncertainty as we awaited the impact of the decision over Scotland's future, and uncertainty lingers as the 2015 UK election approaches. In the referendum on 18 September 2014, citizens of Scotland decided against becoming an independent nation. However, Scotland is already subject to different legislation, and in terms of healthcare it does not support a significant role for independent healthcare providers in terms of treating NHS patients. While political parties in the remainder of the UK are divided over the role of the independent sector in supporting the NHS, the concept of patient choice has been embedded in the NHS Constitution. It would be very difficult to portray its removal as a positive step for the electorate.

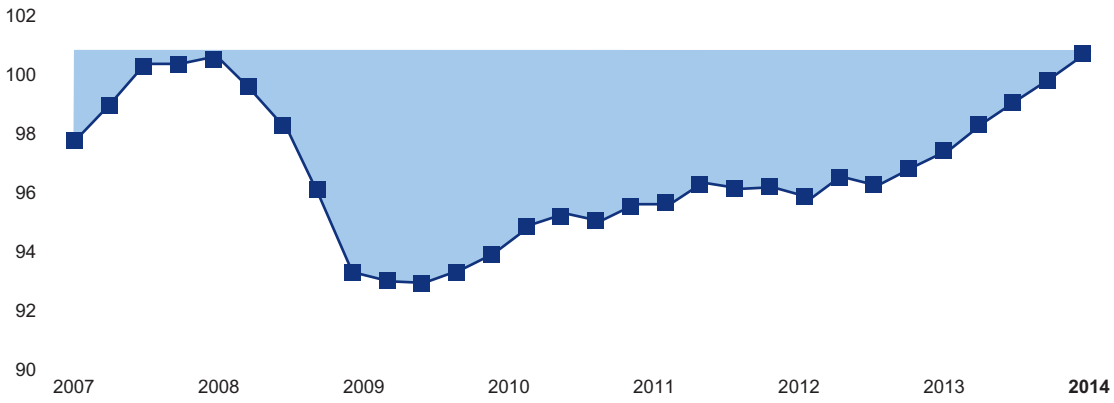
The UK health environment

Since the structures established under the Health and Social Care Act 2012 came into being, NHS Clinical Commissioning Groups are now well established and have proven to be largely open to working with independent providers.

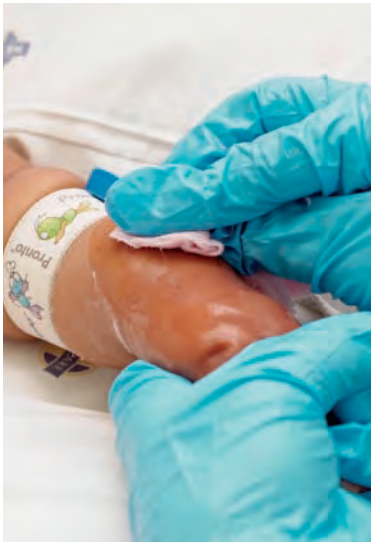
In 2013, the independent sector provided 409 000 episodes of care, which is 9.6% more than in 2013 despite a 1.3% decrease in overall activity in the NHS and independent sector. Independent sector providers now deliver around 19% of all hip and knee replacements, 7.5% of all inpatient elective admissions and 5.3% of all outpatient referrals[4]. Nevertheless, only 4.4%[5] of patients currently use Choose and Book to be treated in the private sector, and the majority of the public are unaware of their right to choose[6].

GROSS DOMESTIC PRODUCT (GDP); CONSTANT PRICES, SEASONALLY ADJUSTED

(INDEX, Q1 2008 = 100)



Source: Office for National Statistics



The funding gap, driven by rising underlying demand and frozen budgets, is projected to reach £35 billion by 2021[7]. Now in its penultimate year, the NHS Quality, Innovation, Productivity and Prevention (QIPP) programme, or "Nicholson challenge", is intended to bridge £20 billion of this gap, but its success looks uncertain. 2014 ended with one in four trusts or foundation trusts, and one in ten Clinical Commissioning Groups, in deficit. In response, central funding of an additional £250 – £650 million has been announced by the Department of Health and NHS England[8].

In July 2014, three million people were on waiting lists, the highest level for six years[9]. In the run-up to the election, it is likely that increased use of the private sector will be one of the solutions to reducing target breaches. Under NHS England's Operational Resilience and Capacity Planning initiative, additional funds (variously reported as £250 million and £650 million) were authorised in June 2014 to address the trend[10].

UK private healthcare

Total revenue for independent acute medical hospitals and clinics grew by 4.27% to £4.5 billion in 2013[11]. Private payers account for over two thirds of revenue, but the NHS has been rapidly increasing its share thereof.

Private Medical Insurance

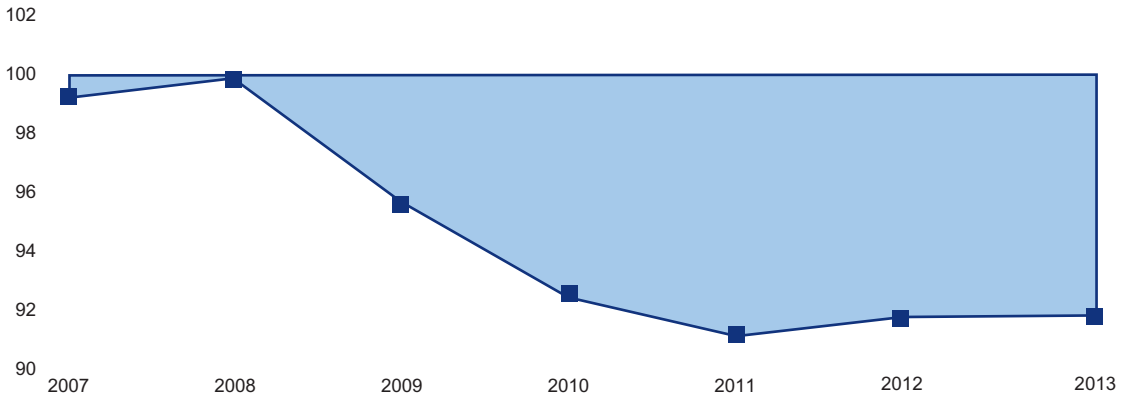
The full impact of economic recovery has yet to be felt in the PMI market, which traditionally trails other sectors. Cover declined by over 9% between 2008 and 2011 as a function of several years of NHS funding growth of 8.4% per annum in real terms. This investment also impacted the quality of the free NHS offering. In 2013, cover was stable with small gains in company paid demand offset by a further slide in individual paid demand. The volume of people covered by medical policies decreased marginally, whereas claims paid on private medical cover fell by 5% in real terms, driven down by cost-containment initiatives and changes to the demographics of the insured population[12].

LaingBuisson projects that private medical cover subscriber growth will approach 5% over the three years to 2016, with 7% growth in company paid demand and a modest 2% decline in individual-paid subscribers. In our view, this turnaround relies on continued economic stability and ongoing differentiation of the private offering versus NHS in terms of quality and waiting times.

1. Statistics from ONS Economic Review, August 2014.
2. Statistics from ONS Labour Market Statistics, August 2014.
3. Statistics from ONS Consumer Trends, Q1 2014.
4. NHSPN, July 2014.
5. Hospital Episode Statistics, 2014.
6. Investec Spire coverage, August 2014.
7. Morgan Stanley calculations: Laing & Buisson Private Acute Medical Care 2013, PESA 2013, NHS England.
8. Quarterly Monitoring Report, July 2014, http://qmr.kingsfund.org.uk/2014/12/overview.
9. Kings Fund Quarterly Monitoring Report, July 2014, http://qmr.kingsfund.org.uk/2014/12/.
10. http://www.england.nhs.uk/wp-content/uploads/2014/06/op-res-cap-plan-1415.pdf.
11. LaingBuisson Healthcare Market Review, 2013-14.
12. LaingBuisson Health Cover UK Market Report, 2014.

PRIVATE MEDICAL COVER – COMPANY AND INDIVIDUAL PAID SUBSCRIBERS

(INDEX: 2008 = 100)



Competition and Markets Authority ruling

The two-year enquiry into the market concluded with the CMA publishing its final ruling on the private healthcare market in April 2014. In its original determination published in August 2013, the Competition Commission (the CMA's predecessor) had proposed up to 20 divestments across the industry, including seven BMI Healthcare facilities. However, the final ruling did not find evidence that provider concentration outside central London led to higher prices for insured patients and consequently diluted its requirement to one or two divestments by HCA in London[13].

Other remedies mandated by the CMA intend to enhance transparency and ease of decision making for patients, including:

- Restrictions on clinician benefits, required by April 2015; and
- Publishing information on healthcare facility performance, consultant performance and consultant fee information, required by April 2017.

Following the report's publication, applications have been made to the Competition Appeal Tribunal by HCA, AXA PPP and FIPO (a consultant representative organisation) contesting its recommendations[14].

13. http://uk.reuters.com/article/2014/04/02/uk-britain-hospitals-idUKBREA310IM20140402.
14. https://assets.digital.cabinet-office.gov.uk/media/540dcc5040f0b612d3000009/Notice_of_further_consultation_on_draft_order.pdf.

UK quality leadership scorecard

Introduction

Serious about health, passionate about care is more than just a tagline for us at BMI Healthcare. This statement reflects the "core behaviors" of our managers and staff in our continuing efforts to provide competent and compassionate care. We hold ourselves to high standards, continually striving to eliminate harm and to improve outcomes while keeping the patient at the centre of care. This report provides evidence of these behaviours and our quality leadership efforts.

quality

Improving patient experience

- **97.3%** of surveyed patients rated our overall quality of care as either excellent or very good
- **98.4%** said that we met or exceeded their expectations
- **97.8%** said that they were extremely likely or likely to recommend the hospital to friends and family

Improving clinical outcomes

- **0.16** rate of unplanned readmission to hospital care per 100 discharges within 28 days of discharge, down from 0.19 last year
- **34%** reduction in the average length of stay for a primary knee replacement since 2011
- **33%** reduction in the average length of stay for a primary hip replacement since 2011
- **0.155** per 100 theatre cases made an unplanned return to theatre (2013: 0.165 per 100 theatre cases). This is a standard clinical performance indicator required by the Care Quality Commission and is used an indication of the quality of surgical teams and pathways

Improving patient safety

- **1** hospital attributable MRSA bacteraemia recorded over the last year. MRSA bacteraemia is associated with patient harm, including in some cases death. A low MRSA rate is indicative of good overall infection control practices
- **1.4** *C. difficile* hospital apportioned infections (after 96 hours) per 100 000 bed days, down on 1.6 per 100 000 bed days last year and significantly better than the comparable figure in the NHS of 14.7[1] per 100 000 bed days. A low *C. difficile* rate is indicative of good overall infection control practices and good antibiotic usage
- **0.64** patient falls per 1 000 bed days, down from 0.92 per 1 000 bed days last year. This is a leading cause of adverse events in acute care hospitals and the falls rate is universally accepted as a "nursing-sensitive" quality indicator

1 Public Health England; July 2014.

UK Hospital division review

Key figures

	2014	2013
Patient admissions (total caseload)	**281 129**	280 782
Caseload mix		
Private medical insurance	**53.7%**	56.5%
National Health Service	**35.3%**	32.2%
Self-pay	**11.0%**	11.3%
Occupancy	**45.3%**	43.7%
Length of stay (days)	**2.5**	2.6
Employees	**7 805**	7 761
Revenue (£m)	**886**	848
Revenue (Rm)	**15 510**	12 235
EBITDA margin	**5.3%**	5.3%

The environment in which we operate

BMI Healthcare delivered a credible performance in what remains a challenging trading environment. While economic recovery progresses in the UK, healthcare is generally a late-cycle beneficiary and the acute healthcare sector is expected to lag behind the wider economic recovery.

We expect suppressed demand for private-pay caseload, primarily in PMI. However, National NHS caseload continues to provide a significant boost in volumes, albeit at lower margins.

The Competition Commission (now the Competition and Markets Authority or CMA) review into the UK private healthcare market was completed and the final report issued in April 2014. While the outcome was satisfactory for BMI Healthcare, the two-year process has been a significant distraction for management and resulted in a considerable and unavoidable cost.

AIR Refer to page 90 for the UK Health policy and regulation report.

UK business performance

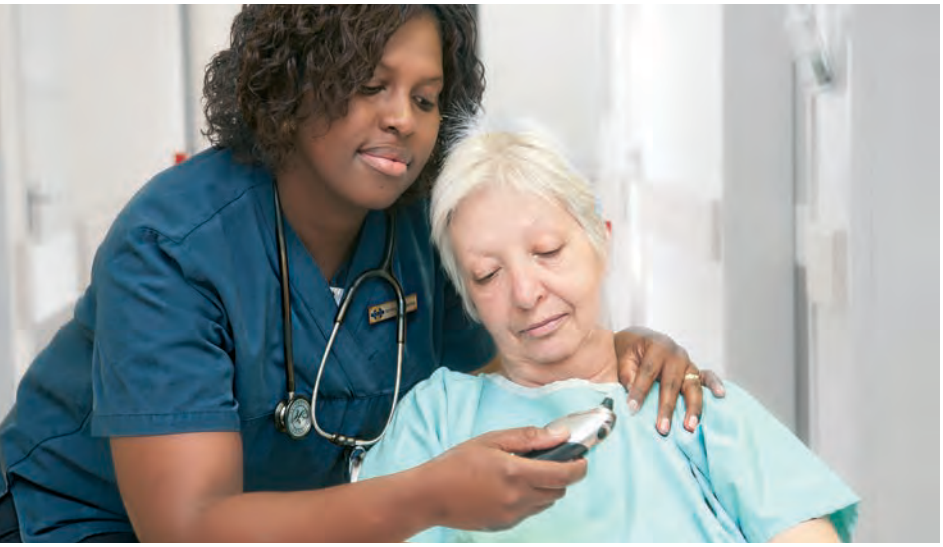
BMI Healthcare

Against the backdrop of a constrained economy, revenues increased by 4.5% to £886.2 million (2013: £847.8 million). This was driven by growth in NHS and outpatient activity, and increased acuity of cases, particularly within NHS caseload.

Costs are being tightly managed, but the business is still experiencing significant cost-push pressures. The UK health sector is facing a significant skills and qualified clinical labour shortage, placing substantial pressure on salaries and increasing reliance on agency staff. While we are seeing growth in NHS volumes, inflationary cost increases and declining NHS tariffs (applicable to all providers to the NHS) put significant pressure on margins.

NHS tariffs are notably lower than tariffs for private-pay patients, which reflects the different clinical pathways used. Tariff pressures for NHS caseload will be ongoing in the 2015 financial year, given the substantial challenges to achieve the cost-reduction targets set by NHS commissioners. The message remains very much one of "more for less" for all providers of services to NHS commissioners (including NHS hospitals).


10%
growth in
NHS caseload



During the year the government introduced a new pension regime, requiring employers to auto-enrol all employees in a pension scheme and make an employer contribution for them. This new cost has also impacted margins. Earnings before interest, taxes, depreciation and amortisation (EBITDA) before recognising GHG Property Businesses' rentals and non-recurring costs stood at £194.0 million, up 5.4% on the prior year (£184.0 million) at a margin of 21.9% (2013: 21.7%).

After the GHG Property Businesses' rental, the UK operations generated EBITDA before non-recurring costs of £53.1 million (2013: £47.7 million), an increase of 11.3%. The EBITDA margin before non-recurring costs stood at 6.0% (2013: 5.6%), although before the new costs of the pension auto-enrolment, the EBITDA margin improved to 6.3%.

Non-recurring costs related to the robust defence of our position in respect of the CMA healthcare market investigation and site closure costs. After taking these non-recurring items into account, reported EBITDA stood at £46.8 million (2013: £44.7 million).

Net financial expenses for BMI Healthcare were £17.2 million, including non-cash charges relating to movements in the fair value of the retail price index (RPI) swaps of £4.4 million. The tax credit was £2.2 million, predominantly relating to deferred tax movements.

The reported loss after tax was £5.7 million (2013: £7.6 million). However, excluding the non-recurring costs related to the CMA defence and site closures, and the non-cash, fair value adjustments on the RPI swap, the underlying bottom line result was £2.8 million.

Net debt of £109.6 million at 30 September 2014 rose marginally (2013: £105.6 million) due to the unwinding of the fair value adjustment on the payment in kind (PIK) tranche of debt created as part of the Amend & Extend transaction in 2013. The scheduled debt repayment of £24.1 million in early October 2014 (thus falling into the 2015 financial year) was funded from cash held on the balance sheet at year end.

Working capital continued to be tightly controlled and, in comparison with the prior year, improved metrics were again achieved. Closing cash balances are solid at £59.3 million compared to £50.4 million at 30 September 2013. This was largely due to the cash generated from the operations in the year, supported by discrete elements of capital expenditure being funded through finance leases.

Investment in infrastructure and facilities

Capital expenditure of £42.2 million (2013: £39.8 million) was invested in the portfolio. This was funded through a combination of cash generated from operations and finance leases. Capital expenditure reflects both a sustained investment in the portfolio and refurbishments and updated IT platforms, including:

- Installing a new MRI scanner at BMI The Highfield Hospital, Rochdale;
- Installing a new CT scanner at BMI The Alexandra Hospital, South Manchester;
- Installing a new MRI scanner at BMI Thornbury Hospital, Sheffield;
- Installing a new CT scanner at BMI Ross Hall Hospital, Glasgow;
- Installing a new MRI scanner at BMI Bath Clinic, Bath;
- Ongoing development of the Critical Care Unit at BMI Blackheath Hospital, South London;
- A full theatre refurbishment and upgrade at BMI Blackheath Hospital, South London;
- Completing a new minor operations unit at BMI Chaucer Hospital, Kent;
- Our upgrade programme of endoscopy equipment in nine additional sites across the portfolio to ensure both equipment and environment gain Joint Advisory Group (JAG) accreditation, and are therefore fully compliant with leading practice;

- Providing new ultrasound imaging technology across the portfolio; and
- Ongoing maintenance and upgrade spend on facilities and equipment.

We continue with our business rationalisation programme. During the year, we exited from two non-core hospitals at Sefton in Liverpool and Fitzroy Square in London, and terminated contracts on two managed sites at McIndoe in West Sussex and Foscote in Scotland. These exits form part of the plan communicated during 2012 to reduce the overall portfolio to allow UK management to focus on the core business. Certain one-off exit costs have been incurred as part of this strategy, and these are reflected in the non-recurring costs.

Caring for our patients

Our primary goal is to provide the best care for our patients in the most convenient locations and with the highest quality outcomes. This commitment is expressed in BMI Healthcare's brand slogan: "Serious about health, passionate about care". It emphasises our pledge to provide high-quality healthcare and reiterates that there are two sides to healthcare – clinical expertise and caring support for the patient. From the consultants who perform operations, to the nurses, hospital porters and catering staff, all BMI Healthcare employees live this brand.

In our drive to achieve the highest standards, we rely on feedback from our patients. During the year, feedback indicated that 97.8% of our patients would recommend BMI Healthcare hospitals to friends and family, and 99.3% rate the quality of care provided as good, very good or excellent.

Relationships with doctors

We work closely with consultants and local General Practitioners (GPs) to support the delivery of high-quality care to our patients. Besides our day-to-day interactions, we have formal engagement with consultants and GPs through engagement forums, local presentations and clinical conferences where we share information and present an opportunity for them to provide feedback to management to drive the cycle of continuous improvement. We also provide them with our digital Consultant Connect magazine to provide regular information on developments at BMI Healthcare.

During the year, we made progress with rolling out our bespoke IT solution to provide a streamlined appointments booking process for both patients and consultants .

Investing in our people

BMI Healthcare focused on staff engagement and development programmes during the year. Line management briefings remain a key communication channel across the business with the Chief Executive Officer (CEO) giving regular briefings and communication. We received 6 914 responses to our annual employee survey, BMI Say.

www Refer to the UK Our people report online for further details.

Against the backdrop of a constrained economy, revenues increased by 4.5% to £886.2 million (2013: £847.8 million).

Looking ahead

Economic recovery in the UK is stabilising, and there are signs of consumer confidence returning. However, the recovery remains focused on London and the South East. The PMI market remains flat and, coupled with insurers' stringent claims management, this market is expected to remain challenging in the short term

Together with underlying fiscal constraints, structural uncertainties in the NHS and the upcoming general election, we expect next year to remain challenging for BMI Healthcare. However, we remain optimistic about the medium and longer-term prospects of the UK business

Under the leadership of the newly appointed CEO, Jill Watts, the management team will seek to drive caseload, increase acuity and rationalise the cost base, while dealing with the challenge of clinical staffing shortages

Education is integral to delivering the highest standard of healthcare

01 EDUCATION

Netcare operates in the fast-evolving healthcare sector, which is seeing rapid advances in primary and tertiary medical treatments, technology and pharmaceuticals. This requires all our employees, as well as the healthcare professionals with whom we partner, to stay up-to-date with the latest protocols and maintain the highest levels of skill to deliver advanced and effective care.

Shortages in specialist and nursing skills is a material issue for the Group in both South Africa (SA) and the United Kingdom (UK). Our key strategic priorities guide our efforts to direct sufficient funding and resources to education across various disciplines within the Group. This supports our focus on the strategic *Triple Aim* and is rooted in our core value of care.

AIR For more information about our strategy see the Overview section on pages 8 to 19.

Our education interventions form the foundation of our ability to provide high acuity healthcare to our patients every hour and every day, throughout the year. Training activities are dynamic and tailored to the skills need and clinical setting through formal learning, on-the-job training, professional updates and forums.

Netcare Education remains the largest private trainer of nurses in SA, and we continue to train nurses to meet not only our own, but also the greater healthcare need in SA. In addition, our Faculty of Emergency and Critical Care provided training for nearly 500 emergency medical services personnel in the year, an increase of 12% on 2013. Training also supports development pathways for our employees, healthcare professionals and other service providers.

Beyond this vital contribution to building scarce healthcare skills in SA, Netcare also offers education and training that touches all our stakeholders.

SA:

- **Netcare Quality Improvement Learning:** These teams combine front-line experience and relevant expertise in a collaborative culture that explores ways to improve the implementation of quality improvement plans;
- **The 'use antibiotics wisely' campaign:** This campaign raises awareness about the growing issue of antibiotic resistance and helps patients and healthcare professionals understand what they can do to ensure that antibiotics remain a valuable disease-fighting resource into the future. Pharmacists at Netcare hospitals, working closely with treating doctors, infection prevention practitioners and nursing staff, have taken the lead in ensuring the appropriate use of antibiotics, thus supporting patient safety;
- **Continuous professional development workshops for doctors in the public and private sectors:** These workshops ensure professionals continue to improve their skills in line with developing clinical practices, and cover topics such as advancements in orthopaedics, gynaecology and pathology as well as ethical issues and understanding the Protection of Personal Information Act. Healthcare professionals also have a chance to network with colleagues and specialists in their fields of clinical expertise;
- **The Netcare Pregnancy App:** This provides expectant mothers and their partners with easily accessible and reliable information and tips on pregnancy;
- **Community workshops:** Netcare Milpark Hospital (a level 1 trauma centre) and Netcare 911 joined forces with other service providers to educate over 1 600 primary school learners in the Orange Farm area about the prevention of burns in the home as well as basic first aid treatment for burns;
- **Trauma injury protection workshops:** Netcare supported the recent Child Safety Seat Distribution Day, which was held in Johannesburg in collaboration with various service providers, including the South African Police Services and Johannesburg Metro Police. Our aim was to reach and educate as many parents and guardians as possible about the benefits of using motor vehicle restraints. The programme also visited two schools in Gauteng to educate learners on the principles of helmet safety when cycling, quad-biking or motorcycling;
- **Teaching CPR to foster mothers:** An experienced team of nurses from Netcare Umhlanga Hospital recently trained 25 foster mothers in cardiopulmonary resuscitation (CPR) at LIV Village, a centre that provides residential care for orphaned and vulnerable children;
- **Health days for awareness and early detection of disease:** National Renal Care continues to improve awareness among South Africans about kidney disease, with health days where the public has the opportunity to have their kidney function, blood pressure and blood glucose levels screened, free of charge. They also receive information about health and lifestyle issues that can lead to kidney failure. At the SABC in Auckland Park, 245 employees chose to be tested for diabetes at a diabetes testing day. While the disease is reaching epidemic proportions in SA, many people remain undiagnosed and therefore untreated. The earlier diabetes is diagnosed and managed, the less impact it has on a person's health and well-being;
- **Oncology day:** Netcare Unitas Hospital in Pretoria hosted a health and oncology open day to raise public awareness about cancer prevention and early warning signs, and detection and treatment. Cancer is increasingly one of the greatest healthcare challenges but some cancers can be prevented through a healthy lifestyle, preventive screenings and vaccinations where available;
- **Travel information and advice:** Through our travel clinics, media releases and networks, we provide current information to support travellers and healthcare professionals on topics such as the Ebola outbreak in West Africa, hepatitis and malaria in specific parts of the world, and specific disease profiles for countries or regions; and
- **Asset maintenance and management:** We conduct regular training exercises as the main component of the awareness drive to empower the technical and management teams at our hospital facilities on all aspects of environmental sustainability, including energy and water efficiency.

UK:

- **National orthopaedics campaign:** BMI Healthcare launched Active for Life, a national orthopaedics campaign. It encourages people of all ages to learn about how they can look after their bone and joint health to stay flexible and active. Supported by Olympian, Steve Backley OBE, the campaign helped raise awareness of osteoarthritis and the important role diet and exercise play in staying healthy and maintaining an active lifestyle;
- **Exercise at work initiative:** BMI Healthcare supported the Chartered Society of Physiotherapy's Workout at Work campaign with community outreach into local businesses and offices. Supported by physiotherapists at BMI Healthcare and the wellbeing expert, Jessie Pavelka, the campaign encouraged people to build simple, yet effective, amounts of exercise into their working day; and
- **Disease awareness events:** BMI Healthcare hospitals supported healthcare events throughout the year to raise awareness of specific health conditions. Some events also provided early diagnosis screening opportunities for local communities.

Staying at the forefront of medical innovation

02 INNOVATION, TECHNOLOGY AND PROCESSES

Netcare's continued investment in technology, processes and clinical pathways ensure that we maintain our position as leaders in the field of high acuity medical care. This helps us attract and retain specialists at the forefront of their respective fields, so that together we can deliver world-class healthcare to our patients.

High acuity medical care is evolving quickly, and our medical specialists form part of an international community of practitioners who develop and share information on advances in medical science. Their passion for their disciplines and delivering effective patient care drives them to implement international best practice principles in the work they do. The equipment that they require inevitably proves to be imported and expensive, which necessitates substantial capital investment from the Group.

Netcare's Finance and Investment Committee reviews applications for major capital investment projects, with all environmental sustainability projects reviewed and approved by the Sustainability Committee to ensure alignment with our environmental sustainability strategy. Expansion capital projects are modelled to ensure that returns conform to our internal hurdle rates, satisfy geographic needs and are aligned with the clinical needs of the specialists who use the new equipment. Replacement projects are motivated on the basis of replacement cycles in line with useful life, activity and technological progress.

Specialists at Netcare provided many "firsts" in technologically-advanced treatments to patients this year, supported by our investment in state-of-the-art equipment and technology. This demonstrates our commitment to improving clinical outcomes and efficiencies while enhancing patient safety and the overall patient experience.

Some examples of innovations include:

- According to research by the Medical Research Council, premature deaths caused by heart and blood vessel diseases are expected to increase by 41% between 2000 and 2030 in the working age population – from 35 to 64 years – with an enormous negative economic impact. To help counter this trend, Netcare Sunninghill and Netcare Milpark Hospitals hosted the first procedures using SA's first polymeric bioresorbable drug-eluting vascular scaffold for the treatment of coronary artery disease. This ground-breaking therapeutic intervention supports the artery in the same way as a stent but dissolves over a two- three-year period, allowing the artery to resume its normal function and leaving no residual stent in the body;
- Africa's first Structural Heart Centre that specialises in percutaneous procedures has been established at Netcare Union Hospital in Johannesburg. Our specialists received international training in these procedures that repair leaking heart valves and various other cardiac anatomical abnormalities through minimally invasive surgery through a small puncture in the groin. This procedure is less invasive than traditional open-heart valve repair surgery, and can be life-saving for certain patients. An important benefit of the procedure is that the repair itself is permanent and does not deteriorate, eliminating the need for repeat repairs in future;
- Netcare St Augustine's Hospital was the first private hospital in KwaZulu-Natal to perform cardiac, vascular and neurosurgery in a hybrid theatre. This is a major investment by Netcare in the province, and will keep the hospital at the cutting edge of medical technology. It will assist in further improving the treatment outcomes in the fields of cardiovascular and neurosurgery while also containing the length of hospital stay;
- Netcare introduced South Africa's first Olympus articulating high-definition three-dimensional (3D) laparoscopic surgical video system at Netcare Sunward Park Hospital. This 3D technology enables surgeons to perform laparoscopic procedures with improved precision and speed. The substantial reduction in operating time brought about by the system is particularly beneficial in terms of patient safety, recovery time and length of hospital stay, and is also more cost-efficient;
- Netcare has introduced the state-of-the-art da Vinci robotic technology at two of its hospitals. This advanced robotic-assisted surgery equipment helps surgeons perform intricate prostatectomies, an operation to completely remove the prostate from patients where cancer is localised to the prostate. Robotic-assisted surgery requires much smaller incisions than traditional open surgery, which improves recovery and quality of life, with shorter hospital stays that decrease the cost of care;
- The brain and spinal column are highly complex, and are among the most challenging areas on which to perform surgery. Netcare St Anne's Hospital recently introduced cutting-edge technology for its neurosurgeons in the form of the Medtronic StealthStation S7 Neuro Navigation system, an advanced planning, instrument tracking and visualisation system used mainly in neurosurgery, spine surgery, as well as ear, nose and throat (ENT) surgery. The new equipment is already complementing the work of the experienced neurosurgical teams and helping improve surgical outcomes;
- The field of orthopaedic surgery has expanded significantly over the last few years, which has led to the development of several sub-specialist fields. Netcare UCT Private Academic Hospital opened an orthopaedic practice to offer the full spectrum of orthopaedic surgery. Patients at the facility receive care that is peer-reviewed and evidence-based, and in line with best international orthopaedic practice and the latest techniques and teachings;
- Netcare 911 has three intensive care ambulances in Gauteng. They are specifically equipped to provide transport to critically ill patients who are in need of the highest level of monitoring and support. The service is provided by advanced life support paramedics in a controlled environment with the aid of highly specialised equipment and medication. Equipment includes an incubator, syringe drivers, infusion pumps, monitors and a built-in refrigerator for certain medicines. Keeping critically ill patients stable in transit is a specialised discipline, which can have a significant impact on patient outcomes; and
- We have piloted a robotic stock management system in Richard's Bay. This is helping us counter the shortage of pharmacist skills and improve stock management. The system allows pharmacists to concentrate on clinical pharmacy practice and antibiotic stewardship, which represents better use of their time and skills.

Securing supply to deliver quality healthcare

ENVIRONMENTAL SUSTAINABILITY

03

Environmental considerations for many businesses are becoming more prominent on management's agenda, with the inter-related themes of reducing environmental impact and resource use, and the corresponding cost savings that can be achieved. In South Africa (SA), ensuring security of supply of resources is also a key consideration.

For Netcare, ensuring an uninterrupted supply of basic utilities such as electricity and water is critical, not only to achieve the *Triple Aim* objective of best patient care, but also to minimise the risk of patient morbidity and mortality. Since the 2008 power crisis in SA, there has not been sufficient progress in stabilising the national power grid with the number of power interruptions increasing from eight in 2008 to over 116 in the current year. Also, water supply systems are increasingly under threat. Given the nature of our business, security of utilities supply poses a major risk and has consequently been added to our risk register.

AIR For more information about this major risk, see Our top risks on page 29.

A catastrophic interruption in electricity or water supply could have life-threatening consequences for at-risk patients, such as patients on ventilators or dialysis, babies in incubators and patients undergoing theatre procedures at the time of a disruption. We have also long understood our responsibility as a corporate citizen to ensure responsible use of these resources, and recognise that reducing our consumption will reduce our burden on the national electricity grid and water supply system.

As electricity and water are fundamental to our ability to deliver quality care, we have a number of systems in place to mitigate the risk of unstable supply. All our facilities are equipped with generators, as required by legislation, which supply 100% of their capacity requirements. Many of our hospitals have additional back-up generators which can be operated independently. While we have contingency plans in place to replenish the diesel in the generators for use during long, unplanned outages, this is an expensive alternative with negative environmental impacts.

All our facilities have back-up water storage supplies to service the facility for 24 hours, which can be extended up to 48 hours by implementing emergency water conservation plans. Our disaster management systems include telemetry to alert key staff about low oxygen, water and power levels, and other critical supplies for patients.

In 2015 we will commit our largest investment to date, R136 million, to a number of sustainability initiatives to reduce our environmental impact, ensure security of supply and reduce cost. This will be achieved through 60 different projects, some of which will be rolled out nationally to all sites.

Our five-year environmental sustainability strategy includes energy efficiency and renewable energy projects that we estimate will save the Group R1 billion over the next 10 years, driven by a targeted 35% reduction in kWh consumption.

www SA Environment report online at www.netcareinvestor.co.za.

Leading sustainability in healthcare

Our ongoing efforts in environmental sustainability have enabled us to access a subsidised funding facility of R500 million from Nedbank Corporate Banking in conjunction with the Agence Française de Développement (the French Development Agency or AFD) on favourable terms. This funding is specifically provided to stimulate investment in the energy efficiency and renewable energy sector. It will be used to finance our pipeline of approximately 350 improvement projects at favourable rates over a seven-year period.

In addition to the funding facility, Netcare received an investment grant of R35 million which may be utilised to finance technical assessments and project costs, advisory fees relating to energy efficiency projects, performance monitoring expenses and media communication costs.

Aligned to our focus on environmental performance and security of supply, we have taken a more strategic approach to the role of asset management of our property portfolio. Our technical service managers are undergoing regular training to upgrade their skills to become more specialised in managing the assets and resources at each hospital. The role will now extend beyond being a caretaker to actively managing the utilisation of property, plant and equipment and consumption of utilities to optimise the use of resources and disposal of waste, and achieve greater cost savings.

Management and benchmarking of asset replacement cycles and long-term maintenance plans will be strengthened at each hospital. This will be done in conjunction with the implementation of the SAP Plant Maintenance module.

We are constantly improving our systems of collection, management and use of data and dashboards so that facility managers have the information they need to achieve pre-set targets.

Responding to the Ebola outbreak

MAJOR INCIDENT RESPONSE

04

In healthcare, preparation is the difference between an incident and a disaster. Being prepared for major incidents such as disease outbreaks, natural disasters or the devastating impact of war or insurrection is critical to containing their impact. In line with our leading position in the South African (SA) healthcare system, Netcare actively supports national responses to major incidents locally and internationally. In the case of the current outbreak of Ebola in West Africa, Netcare has taken a leadership role in the country's preparation for the potential risk of the disease spreading to SA.

The largest Ebola outbreak to date

The outbreak in West Africa of Ebola Virus Disease (Ebola), a highly contagious viral haemorrhagic fever, was first reported in a World Health Organisation communiqué on 23 March 2014. It is the largest and most complex outbreak since the virus was first discovered in 1976. Over 17 000 confirmed, probable and suspected cases and 6 000 deaths were recorded by the end of November 2014, mostly in Liberia, Sierra Leone and Guinea. There have also been a limited number of cases in ten other countries, leading to international concern about the possibility of Ebola spreading quickly beyond West Africa.

The failing public healthcare systems in the hardest-hit countries have not been able to manage the spread of the disease or deal with the volume of infected patients. Inadequate treatment facilities, insufficient human resources and, in some areas, community resistance to preventive measures have compounded the complexity of managing an outbreak of this scale. As a result, the response of international emergency health organisations has been crucial in containing the outbreak.

Managing the risk through protocols and pathways

Netcare developed a set of precautionary protocols and screening guidelines to be used by emergency medical personnel, doctors and hospital staff to assess and care for any patient who may have been exposed to viral haemorrhagic fevers (VHFs). These clinical pathways were developed in consultation with the National Institute for Communicable Diseases (NICD).

In response to the risk posed to South Africa, Netcare clinical management took a proactive, preventative approach. An alert was issued on 28 July 2014 to ensure that Netcare facilities and emergency services were prepared for requests for admission of patients from high risk countries, and that doctors and staff were aware of the standard operating procedures related to managing VHF infections.

Five clinical pathways were developed and communicated together with the alert. These were endorsed by the NICD and distributed to all emergency management services, the National Department of Health and South African Military Health Service. They were also shared with international assistance organisations, including the United States Centre for Disease Control.

Preparing designated facilities and staff

Netcare has prepared eight facilities to admit and treat patients with suspected VHF infections. Every Netcare facility has also identified a designated area for admission and care of patients with suspected or confirmed infection, especially as it is not always feasible to transport these patients.

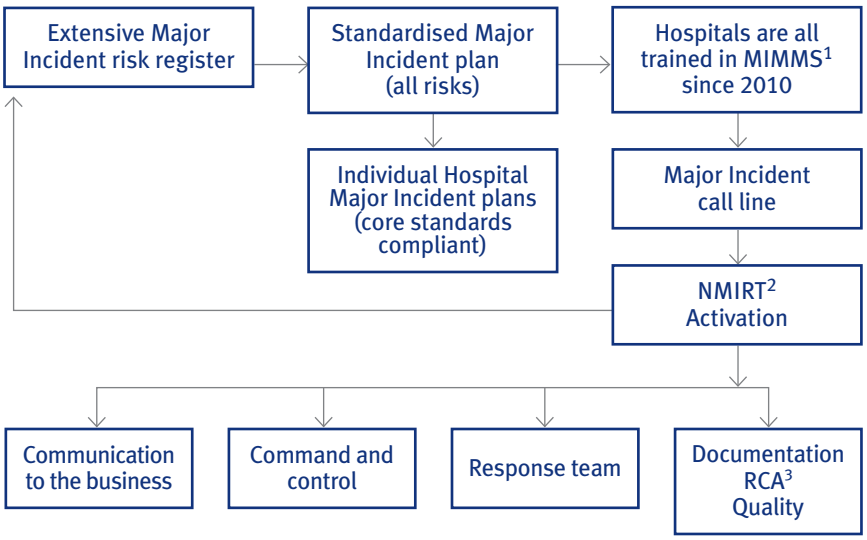
A database with willing and qualified nursing staff, infection prevention practitioners and doctors has been established.

Nationwide training was conducted at all Netcare facilities and the on-call line supports case assessments and answers queries and concerns of staff. A specialised team of 40 members is ready to respond to an incident in any part of the country. Personal protective equipment has been procured and stock levels have been adequately increased at all facilities, including Medicross centres and Netcare 911.

To fully isolate and contain potential cases, special negative pressure isolation chambers are required. We have therefore procured both a fixed unit and a mobile unit for ambulance (air and road) transfer.

Netcare has risk assessed in excess of 1 200 patients to the end of November 2014, all of whom tested negative for Ebola. At the end of November 2014 there have been no confirmed cases in SA. Our patients and stakeholders can rest assured that Netcare is adequately equipped to handle any suspected or confirmed case of an Ebola infection in SA, and stands ready to support the nation's responses to other major incidents as we have done over the years.

We have a well-developed process in place to manage major incidents, shown below.



1. Major incident medical management and support.
2. Netcare major incident response team.
3. Root cause analysis.

governance

ABRIDGED CORPORATE GOVERNANCE REPORT 108
REMUNERATION REPORT 114


Pp
Play
Cc
Bb
Ii

Abridged corporate governance report

Corporate governance provides the foundation upon which the Group is managed in accordance with the highest standards of ethics and in a manner that is efficient and accountable. Transparency and accountability are strictly applied, along with adherence to the Group's values, as the key principles that guide all the Group's business activities.

Introduction

This report provides an outline of the policies and frameworks that guide the Board in discharging its duties and the internal controls that support the executive management team in managing the Group. These controls promote an awareness of risk and good governance in every area of the business.

WWW A detailed Corporate governance report, from which this report has been extracted, is available online.

Netcare's approach to corporate governance focuses on performance and conformance, and extends beyond legislative and regulatory compliance. We have adopted a holistic approach to ensure decisions are taken openly and transparently, within an ethical framework. The Group consistently improves its governance framework and related policies to ensure they accurately reflect best practice.

At Netcare, we encourage greater integration of governance into operational management. This supports value creation through a sustained focus on improving systems and processes across the business, and combining clinical and governance oversight. In short, we are leveraging governance to constantly improve the way the business is managed, information is shared and protocols are established, guided by the *Triple Aim* framework.

Ultimately, applying the principles of good governance in every area of the business leads to value creation for all stakeholders. This supports a sustainable business with sustainable returns, which, in turn, attracts essential investment into the healthcare sector.

King III

Netcare is committed to and fully endorses the principles of good corporate governance as recommended in the Code of Corporate Practices and Conduct set out in the King Report on Corporate Governance for South Africa (King III) and the JSE Listings Requirements. The office of the Company Secretary benchmarked Netcare's practices against King III and found that the vast majority of principles have been applied.

The composition of the Nomination Committee has been appropriately revised to accurately reflect the JSE Listings Requirements, with the Chairman of the Board assuming chairmanship of the Nomination Committee from 1 October 2014.

WWW King III compliance checklist.

Apply or explain principle

Sustainability information disclosed in our annual integrated report and our online report was subjected to stringent internal review, and was independently assured by Global Carbon Exchange SA (Pty) Ltd (GCX). A detailed independent verification of Netcare's Broad-based Black Economic Empowerment (B-BBEE) scorecard (South Africa only) was also performed.

WWW SA Transformation report.

The Board has delegated the responsibility to deal with stakeholder relationships in a proactive and constructive fashion to management, and the Group has finalised its stakeholder communication strategy. Consequently, all King III principles have been complied with for the period under review. The dedicated stakeholder relations director has implemented the stakeholder management strategy and engagement protocol, which is underpinned by Netcare's principle of values-based engagement.

WWW SA Stakeholder engagement report and UK Stakeholder engagement report.

Group Internal Audit also performed a review of selected performance measures for our South African operations. Netcare successfully planned and implemented a combined assurance framework that will collate the efforts of all assurance providers at Netcare to avoid duplication of assurance services and optimise assurance costs.

AIR More details on this process can be found in internal control and internal audit below.

While the Group's direct impact on the environment is limited, we continue to focus on minimising our carbon footprint and enhancing our sustainability initiatives. We have developed and refined our environmental policy and management plan with defined action plans and targets to reduce energy and water usage, and increase recycling and control of waste.

WWW SA Environment report and UK Environment report.

Compliance

For the period under review, the Board is satisfied that the Group complied with the JSE Listings Requirements and the substance of the principles embodied in King III. It also considers other voluntary codes in reviewing the Group's governance framework, including the principles of the UN Global Compact, OECD recommendations and the Millennium Development Goals.

Netcare has critically reviewed the recommendations of the International Integrated Reporting <IR> Framework issued in December 2013, which encourage companies to establish and report on their most relevant and material issues. Netcare also endorses the G3 approach by focusing on the material issues which are core to the business.

The Board is regularly updated on legislative developments and considers adherence to non-binding rules, codes and standards as an integral part of doing business.

The Risk Committee has included compliance as a risk to be monitored to mitigate any potential impact on the business. During 2014, this served to strengthen the compliance review and monitoring framework, with each business unit reviewed in respect of the governance, compliance, legislative and contractual risks that required attention. Through the Compliance Committee, the compliance function also assesses the impact of all significant new laws and amendments on the Group and provides ongoing monitoring of the legislative landscape.

Netcare can confirm that no contravention that could expose the Company to any actual or contingent risk or liability was identified. During the year under review, Netcare complied with all relevant legislation and was not subject to any material penalties, fines or criminal prosecutions.

www The Compliance Committee's terms of reference can be found at www.netcareinvestor.co.za/jse_sri.php.

Based on recommendations by Group Internal Audit, a risk-based approach has been adopted for reviewing the majority of policies in place. This review was completed in September 2014 and is updated regularly.

The Board is of the opinion that there is no legal action either pending, ongoing or potentially threatening that will materially affect the operations of the Group.

Board of directors

Structure, composition and rotation

The Board of directors is responsible for the organisation in its entirety. It functions within the ambit of an annually reviewed charter, and instructs and oversees the management and control structure that directs and executes all functions within the organisation. It also drives strategy.

The directors embrace these responsibilities and endeavour to ensure that Group strategy, risk, performance and sustainability are managed in an integrated way that supports value creation for the Group. The Board provides effective leadership based on an ethical foundation of responsibility, accountability, fairness and transparency.

Netcare has a unitary Board structure with an appropriate balance of executive and non-executive directors. At 30 September 2014, the Board comprised nine directors; two directors are executive, and the remaining seven non-executive directors are independent. With the recent appointment of J Watts as a director from 17 November 2014, the number of executive directors will increase to three.

www The biographical details of directors can be found at www.netcareinvestor.co.za/over_board.php.

Netcare's directors have a wide range of expertise and experience in strategic, financial, commercial and healthcare activities, ensuring effective leadership of the Group.

The Board is led by the Chairman, SJ Vilakazi, who is an independent non-executive director.

Generally, directors have no fixed term of appointment and retire by rotation every three years. If available, they are considered for re-appointment at the annual general meeting.

Independence and performance

Assisted by the Nomination Committee and Chairman's Forum, the Board assesses its overall performance and that of individual directors, including their independence, on an ongoing basis. The continued independence of independent non-executive directors that have served for a period of nine years is evaluated, including factors that may impair their independence. This process is deliberated by the Nomination Committee in accordance with recommended governance practice.

The Board is assessed annually through an internally conducted process overseen by the Chairman's Forum that deals with individual directors as well as the Board and its various committees. The Chairman's Forum has been supplemented by a questionnaire-based review to facilitate further discussion on Board effectiveness and director development.

Board responsibilities and charter

The Board is accountable to shareholders and other stakeholders for the performance of the Group. It is responsible for the strategic direction of the Group and its primary objective of creating and building sustainable value for all its stakeholders. The Board does this by establishing goals, and managing and monitoring their achievement. The Board Charter was reviewed in 2014 by both the Board and the Company Secretary, and remains unchanged.

www The Board Charter is available at www.netcareinvestor.co.za/jse_sri.php.

Board meetings

The Board met four times during the year in Sandton, with all meetings convened by formal notice. Ad hoc meetings are held when necessary.

www The Board meeting attendance table can be found in the detailed corporate governance report available online.

Governance framework and structure

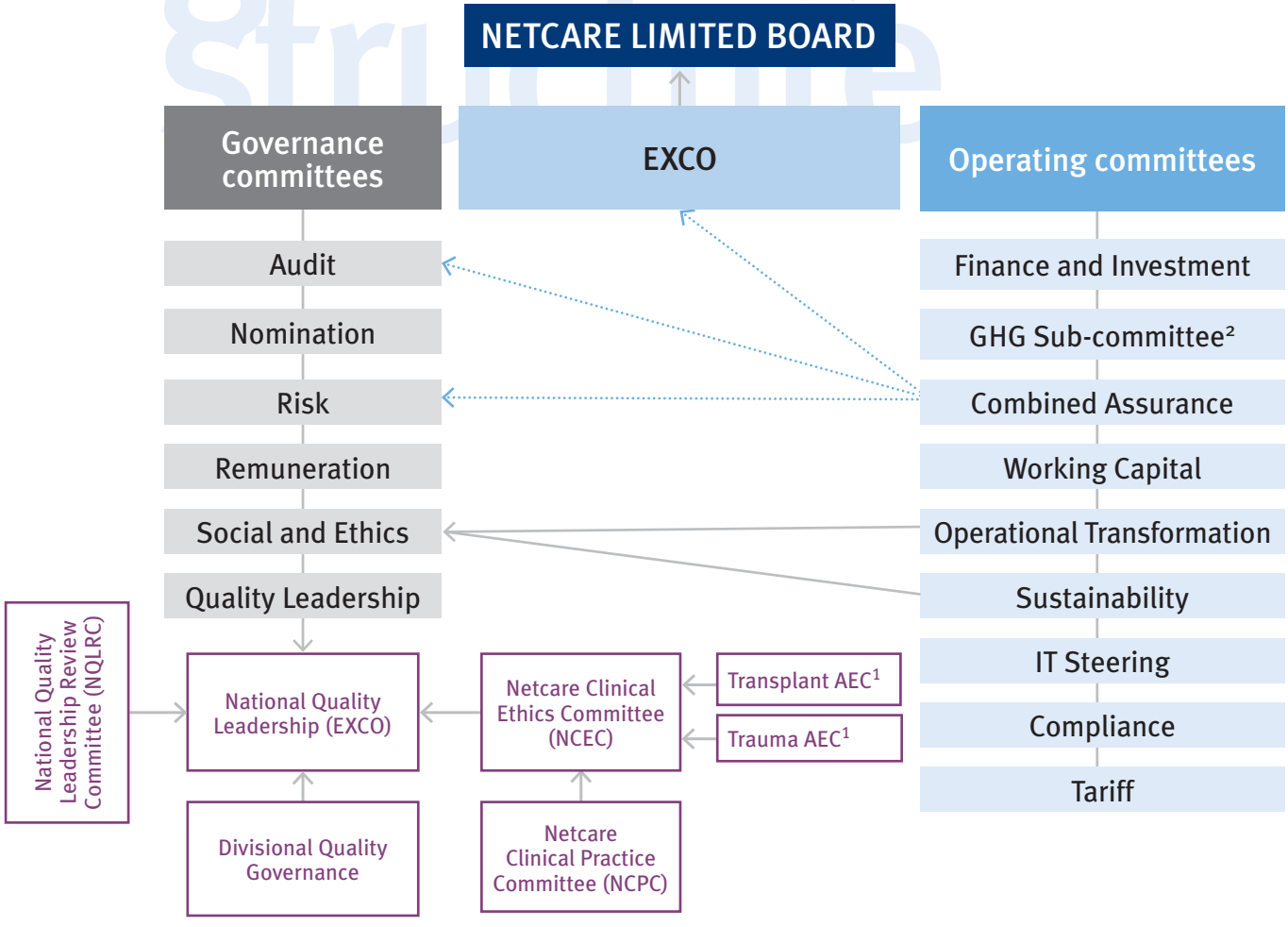
The Group continues to improve its corporate governance framework by entrenching responsible governance and effective operation of Board committees. In accordance with the established principles of delegation of authority, the Board has delegated specific duties to Board committees that are responsible for assisting the Board in discharging its responsibilities and providing an in-depth focus on specific areas in accordance with the Group's governance structure.

The Company Secretary undertook an extensive review of the Board Charter and the terms of reference of all committees, and confirmed that both the Board and committees remained fully compliant.

www The terms of reference of each committee are available at www.netcareinvestor.co.za/jse_sri.php.

AIR Refer to page 58 for the committee membership of directors.

www The committee meeting attendance tables can be found in the detailed corporate governance report online.



1 Advisory and Ethics Committee.
2. This has always been an operational committee but we have elected to update our operational committees' organogram with this committee to ensure a comprehensive review of the work of all committees within the Group is provided.

Board committee purpose and focus areas for 2014

Committee	Purpose	Key focus in 2014
Audit	Assists the Board in monitoring the integrity of the Company's financial statements, accounting policies and internal control functions, as well as statutory functions. www Disclosed in the Audit Committee report online.	Successful oversight of the Planning and roll-out of the combined assurance framework and implementation of the control self-assessment process. Increased meetings to four per annum to ensure oversight of external audit function and related audit fees. www More details regarding Group Internal Audit can be found at www.netcareinvestor.co.za/reports/ar_2014/fin-audit-committee-report.php.
Risk	Ensures that there are adequate risk management processes in place to identify and monitor the management of key risks and the suitability of risk mitigation plans. AIR Further details on risks and the Group's approach to risk management can be found on pages 20 to 35.	Reviewed the reporting mechanisms to ensure that top risks received prioritised attention. Reviewed the management of control self-assessments and the process applicable to managing and oversight of legal and compliance risk as proposed by the Company Secretary and General Counsel.
Nomination	Assists with appointing directors and evaluating leadership requirements of the Group, while assisting the Board in planning for Board succession.	Ensured ongoing compliance with requirements in terms of Regulation 3.84 of the JSE Listings Requirements and reviewed and revised the chairmanship of the Committee.
Remuneration	Determines directors' and senior executives' remuneration, and levels of remuneration of all employees, as well as adjustment of remuneration if so required. Also reviews additional remuneration such as bonuses, incentives and the implementation of the Forfeitable Share Plan.	Supplemented the performance metrics used to evaluate executives and senior management, and extensively reviewed the Remuneration Policy. www The Remuneration Committee framework can be found at www.netcareinvestor.co.za/reports/ar_2014/gov-remuneration-introduction.php.
Quality Leadership	Reviews the availability of transparent and accountable systems for the provision of patient-centred, safe, high-quality care. Identifies areas of clinical risk and standardised clinical practice.	Reviewed systems to enhance measurable improvements in quality outcomes. Focused on improving clinician engagement in quality improvement through enhanced governance structures.
Social and Ethics	Monitors Netcare's activities in compliance with regulation 43(5) of the Companies Act, and oversight of social and economic development and good corporate citizenship.	Approved the submission of the UN Global Compact assessment tool and endorsed Netcare's commitment to comply with the Global Compact Principles[3].

3. Netcare submitted its Communication on Progress and all related submissions which outline the Group's commitment to the UN Global Compact Principles.

www Details on the purpose and focus areas for the Group's operating committees can be found at www.netcareinvestor.co.za/reports/ar_2014/gov-operating-committees.php.

www Details on corporate governance in the UK can be found in the detailed corporate governance report online.

JSE Socially Responsible Investment index

Netcare has participated in the JSE Socially Responsible Investment (SRI) index since its inception. The SRI index assesses performance in terms of corporate governance and the environmental, economic and social sustainability practices of listed companies. The Group qualified for the 2013 SRI index based on the Experts in Responsible Investment Solutions (EIRIS) assessment. Netcare was named a best performer in 2013 and retained this status in 2014.

WWW Netcare's SRI index scorecard can be found in the detailed corporate governance report online.

Company Secretary

All directors have access to the advice and services of the Company Secretary, L Bagwandeen, who acts as a conduit between the Board and the Group. The Company Secretary is also responsible for the flow of information to the Board and its committees, and for ensuring compliance with Board procedures.

The Board has empowered the Company Secretary with the responsibility for advising the Board, through the Chairman, on all governance matters including the duties set out in Section 88 of the Companies Act.

Consistent with Regulation 3.84 of the JSE Listings Requirements, the qualifications and experience of the Company Secretary were formally evaluated by the Nomination Committee and subsequently ratified by the Board. Based on this process and the review of the quality of governance outputs, it was formally recommended to the Board that the Company Secretary is suitably qualified, experienced and fit and proper to perform the function of Company Secretary of the Company.

AIR The Company Secretary's qualifications are provided on page 63.

Accountability and control

Financial reporting

The Board, on recommendation from the Audit Committee, is responsible for preparing the Group annual financial statements and other information presented in reports to shareholders. The Board is satisfied that the Group annual financial statements fairly present the state of affairs of the Group at the end of the financial year, and the financial performance and cash flows for the financial year.

Internal control and internal audit

The Netcare Board is responsible for ensuring that an appropriate system of internal control is maintained to ensure that Netcare's assets are safeguarded and appropriately managed, losses arising from fraud and/or other illegal acts are minimised, and financial and operating information is fairly presented.

Group Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve Netcare's control environment and operations. Group Internal Audit assists Netcare to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Group Internal Audit functions at Group level. It reports to the Audit Committee and assists the Audit Committee in the effective discharge of its responsibilities as delegated by the Board. This is performed through independent financial, internal control and operational process reviews.

The Group Internal Audit Charter is prepared in accordance with the recommendations of King III and the standards set by the Institute of Internal Auditors. The Audit Charter is presented annually to the Audit Committee for its consideration and approval.

Based on the scope of their assignments, Group Internal Audit has concluded that "nothing has come to the attention of Group Internal Audit to suggest that the system of internal financial controls does not form a sound basis for the preparation of reliable financial statements".

Group Internal Audit is required to undergo an independent quality review at least every five years as per the standards set by the Institute of Internal Auditors. A reputable and accredited external audit firm conducted a quality assessment review of Netcare's Group Internal Audit function during the 2013 financial year and concluded that the function generally conformed to the standards of the Institute of Internal Auditors. The next external quality assessment is planned for the 2018 financial year.

AFS The Audit Committee's responsibility with regard to the Group Internal Audit function has been reported in the Audit Committee report in the Group annual financial statements, available at www.netcareinvestor.co.za/reports/ar_2014/fin-audit-committee-report.php.

Combined assurance

In accordance with the requirements of King III, Netcare has prepared a combined risk framework through setting terms of reference for the Combined Assurance Committee, which aims to co-ordinate the efforts of all assurance providers at Netcare to avoid duplication of assurance services.

An approach was recommended by Group Internal Audit and Forensic Services, and noted by the Board Audit and Risk Committees for implementing an effective combined assurance approach to compile an effective combined assurance framework. This is supported by the combined assurance matrix which details the Group's top business risks, assurance providers, key control activities and key assurance processes.

AIR Details on the top risks facing the Group can be found in the risk report on pages 20 to 35.

After embedding the combined assurance matrix for the top business risks affecting Netcare, the same approach will be applied to develop a combined assurance matrix for every division and business unit.

Governance of information technology

The executive and the Board recognise the importance of information technology (IT) governance in managing risks and achieving the Group's objectives. The IT Steering Committee is responsible for managing IT risk and IT governance in terms of a defined strategy to improve business outcomes.

Using the Control Objectives for Information and Related Technology framework, which provides a foundation for decisions and investments in the governance and management of enterprise IT, the IT Department was tasked by the IT Steering Committee to formulate and implement the IT governance strategy. This included defining a strategic plan, defining the information architecture, acquiring the necessary hardware and software to execute the strategy, managing projects, ensuring continuous service, and monitoring the performance of the IT system.

In conjunction with the Chief Information Officer, the Company Secretary has also overseen the implementation of the Protection of Personal Information Act (POPI) Steering Committee and the formulation of the POPI strategy to ensure that Netcare is ready to meet the legislative requirements of POPI once fully effective.

UN Global Compact

Netcare is a member of the UN Global Compact and supports its ten principles on human rights, labour, environment and anti-corruption. Netcare remains committed to making the principles of the UN Global Compact part of its strategy, culture and day-to-day operations. Netcare has implemented a revised programme to make employees more aware about their human rights.

www For more information on our health and safety performance and our human capital initiatives, refer to SA: Our people.

Ethics

The Netcare Board recognises that good governance emanates from effective, responsible leadership, which is characterised by the ethical values of responsibility, accountability, fairness and transparency.

The Group's Code of Ethics (the Code) articulates the Group's policy regarding conflicts of interest, gifts, confidentiality, fair dealings and protection and appropriate utilisation of Netcare's assets. Employees are discouraged from accepting any gifts or favours from suppliers that may obligate them in any way to reciprocate. The Netcare Group entrenches the Code's various principles in a number of ways, including training interventions and an annual survey.

The Board is committed to ensuring the consistent application of the Code. Moreover the Group has a formal disclosure process where directors are required to declare any personal financial interests that pose a conflict of interest.

Netcare has a whistle-blowing mechanism in place to facilitate anonymous reporting of alleged theft, or fraudulent, corrupt or unethical behaviour (including unethical medical behaviour) in the Group. This is facilitated through the Fraud and Ethics Hotline which is available to all Netcare employees, and ensures the anonymity of all reports and the protection of the employees reporting these incidents. The Fraud and Ethics Hotline can also be utilised by the public, including suppliers and patients.

As a responsible corporate citizen, Netcare takes a zero tolerance approach to theft, fraud and corruption. Accordingly all identified cases are reported to the South African Police Services and, where appropriate, to the applicable registered bodies such as the Health Professions Council of South Africa.

The Fraud and Ethics Hotline is one of a number of mechanisms that employees, management and external parties can use to report irregularities. All internal and external parties can contact Group Forensics by telephone, email or meeting request. Group Forensics resides within Group Risk, Audit and Forensic Services.

In the UK, BMI Healthcare's Code of Business Conduct sets out standards for all employees which define and govern illegal and unethical behaviour. This has been supplemented by BMI Healthcare's Anti-bribery and Corruption Policy which provides further guidance on appropriate behaviour. Our employees are able to confidentially raise concerns about the conduct of others in the business, or the way in which the business is run, through our whistle-blowing policy. When issues are raised, immediate action is taken to investigate and address the matter, with BMI Healthcare's Disciplinary Policy being applied, where appropriate.

Remuneration report

Introduction

As authorised by the Board, the Remuneration Committee (the Committee) is pleased to submit Netcare's remuneration report for the financial year ended 30 September 2014.

This report sets out the Group's remuneration policy and philosophy, and the principles that underpin the remuneration of all employees. It sets out details regarding Netcare's remuneration policy for executive directors, prescribed officers[1] and non-executive directors in South Africa (SA), as well as the actual payments, accruals and awards for the year ended 30 September 2014. It also sets out the remuneration structure in the United Kingdom.

Under the stewardship of the Committee Chairman, JM Kahn, the Committee has reviewed its operational processes and adopted appropriate remuneration principles to guide decisions.

The Committee has taken into account the performance of the Group and the value created for shareholders during the year. The Committee is of the view that the remuneration policy and its implementation reflect appropriate alignment of the Group's strategic imperatives to the interests of shareholders.

The Committee has also endeavoured to increase the quality and level of disclosure in respect of the short- and long-term incentives.

A key focus and tenet of Netcare's remuneration philosophy is rewarding individual and team performance, which remains a core component of the Group's executive incentive scheme. It is based on personal effort and success in meeting performance objectives that are aligned to the Group's strategic objectives.

The "performance-based remuneration" philosophy is also underpinned by a detailed and documented methodology that has been approved by the Committee. Elements of this process are included below.

Although the Committee is authorised and entitled to appoint external consultants to obtain salary survey information and assist in conducting reviews, it did not exercise this right for the period under review. These practices are, however, also competitively benchmarked in relation to performance attained within an agreeable level of risk appetite. In addition, through the offices of the Group HR Director and Company Secretary, the Committee receives regular reviews against relevant market and peer data.

In reviewing and finalising the remuneration policy, the Committee has sought to ensure that:

- Salary structures and short-term incentives motivate superior performance and are linked to realistic performance objectives that support long-term sustainable growth;
- Stakeholders are able to readily review the governance processes and reward practices; and
- The policy complies with all applicable laws and codes.

From a governance perspective, the Committee is satisfied that the principles advocated by King III, the Companies Act and the JSE Listings Requirements have been adhered to. This includes the level of disclosure made and the revised composition of the Committee, which consists only of independent non-executive directors (JM Kahn[2], T Brewer, APH Jammine and SJ Vilakazi)[3].

The Committee's 2014 assessment by the Board indicated that it was effective in performing its functions and supporting the Board appropriately. The Committee is also satisfied that its terms of reference have been met.

www The terms of reference of Netcare's Board committees are available at www.netcareinvestor.co.za/jse_sri.php.

The Committee invites stakeholders to submit comments on the Group's remuneration policy by emailing the Company Secretary at lynelle.bagwandeen@netcare.co.za as we seek to constantly improve oversight of Netcare's processes, policies and reporting mechanisms.

1. The methodology for determining prescribed officers was approved by the Nomination Committee in 2011/2012 and remains unchanged for the period under review.
2. JM Kahn was appointed as Chairman of the Remuneration Committee during 2014 to replace HR Levin, who retired on 28 February 2014. The Chairman of the Committee attends the annual general meeting and is available to address shareholder's questions regarding the remuneration policy, its application and the Committee's activities. The Group Chief Executive Officer (CEO) and the Group Human Resources Director attend the Remuneration Committee meetings by invitation and are not present when matters relating to their own remuneration are discussed. The Group Company Secretary acts as the secretary for the Committee and is also not present when matters relating to her remuneration are discussed.
3. Detailed information on attendance of members at committee meetings can be found in the online annual integrated report at www.netcareinvestor.co.za/reports/ar_2014/gov-board-of-directors.php

The annual non-binding advisory vote being sought from shareholders at the annual general meeting on 6 February 2015 pertains only to the remuneration policy outlined below. The policy has been enhanced since 2013 to provide details regarding additional performance metrics.

The principle of "performance-based remuneration" is a foundational element of our remuneration philosophy and is coupled with sound governance and management principles.

Performance conditions are designed to align with business strategy to ensure remuneration practices are equitable, in line with shareholder value and encourage longer-term business sustainability.

The Committee ensures that remuneration policy and practices target and support the business drivers, the corporate and strategic priorities of the Group, and ensure that the interests of executives are aligned with those of shareholders.

The Board delegates responsibility for oversight of the Group's remuneration practices to the SA and United Kingdom (UK) Remuneration Committees.

AIR For a summary of the remuneration structure in the UK, refer to page 123.

Remuneration philosophy

Netcare's remuneration philosophy is designed to ensure that employees are fairly, reasonably and responsibly rewarded for their contribution to the Group's operating and financial performance. The philosophy also seeks to be able to attract and to retain talent at every level of the organisation.

Netcare's remuneration philosophy is also guided by the principles of fairness and affordability. It is a policy of the Group to increase the annual salary of executives and managers by a lower percentage than that of supervisors and staff.

The key principles of our philosophy that shape and guide the Group's remuneration policy are as follows:

- Securing skills in our business is crucial to continue creating value through providing world-class healthcare;
- It remains a critical success factor to retain and reward our employees for achieving operational and strategic objectives;
- Short-term incentives are utilised to recognise superior performance. A significant portion of senior executive management's reward remains variable; and
- Long-term incentives operate as an appropriate mechanism to retain key executives and managers and ensure continued alignment of the objectives of management and stakeholders with regard to the long-term sustainability of the business.

The main objectives of the remuneration policy are to:

- Recruit, attract and retain high-quality employees to achieve Netcare's strategic goals;
- Ensure that all employees are recognised and rewarded for their performance;
- Ensure that remuneration and benefits provided to employees are competitive within the healthcare industry;
- Reward employees for achieving predetermined corporate, business unit and personal performance targets to ensure ongoing alignment with shareholder interests;
- Ensure that employee costs are within budget as determined by the Group Executive Committee and are thus sustainable; and
- Adhere to legislative and regulatory requirements relating to remuneration policies in SA and the UK.

These principles inform a holistic view in setting the Group's remuneration policy which is underpinned by best governance practice.

Benchmarking

To ensure the Group remains competitive and attractive to new talent, all elements of remuneration are subject to periodic review.

The Committee reviews the benefits offered by the Group to determine whether they are appropriate and competitive given the industry, the Group's financial position, legislative requirements, and market benchmarks and trends.

Executive directors' guaranteed remuneration packages are benchmarked against local and global competitors. The Committee endeavours to ensure that each director and executive is remunerated fairly and responsibly, and that the disclosure of the remuneration of directors is accurate, complete and transparent.

Remuneration policy

At the annual general meeting held on 7 February 2014, shareholders approved the Group's remuneration policy and the fees payable to independent non-executive directors for the 2014 calendar year.

The 2014 remuneration policy aims to encourage sustainable performance based on a values-driven organisational culture. In accordance with the Group's remuneration philosophy, the policy provides incentives for employee attraction, motivation and retention.

The policy ensures that executives are compensated according to their performance, which is measured in terms of financial and strategic delivery as well as non-financial objectives.

Netcare is committed to creating a strong performance culture that drives performance in line with the expectations of shareholders and the market in an active and responsible manner. Accordingly, incentive programmes reward individual, team and Group performance, and ensure alignment of the efforts and outputs of management with the strategic objectives of the Group.

Netcare's long-term sustainability is an underlying principle in determining remuneration. The Committee and Board are satisfied that the financial targets do not encourage an inappropriate level of risk taking to achieve the performance targets set.

In awarding annual salary increases and incentive payments, consideration is given to a number of factors including employees' performance and the financial performance of the Group. Consideration is also given to the macro-economic factors affecting the industry.

The effectiveness of the policy is reviewed annually and forms the basis of developing the Committee's annual work plan.

The Committee is satisfied that appropriate structures exist both at and below Board level to recognise and retain our top talent.

Remuneration structure

Executive remuneration

The table below summarises the different remuneration elements of the packages for executive directors, prescribed officers and the Executive Committee (ExCo) members.

A core element of executive remuneration is variable remuneration which aims to maximise performance and promote a culture of excellence, and provide rewards that attract and retain executives. It further seeks to achieve a suitable balance between fixed and variable remuneration.

Summary of the executive remuneration structure

Element	Type	Objective	Basis for determination	Delivery method
Guaranteed package	Fixed	Reflects individual contribution and market value relative to role, and recognises the individual's skill and experience.	Based on the complexity of the role, market value, the employee's personal performance and contribution to Netcare's overall performance. This is reviewed annually and the Committee ensures the following factors are considered: affordability, change in responsibilities, internal and external benchmarks, and average salary increases.	Monthly payment after deducting contributions to retirement funding and medical scheme. The Group also makes disability contributions.
Short-term incentives	Variable	Individual and Group performance.	Group financial gateway targets, which demonstrate annual improved financial performance, have to be achieved before consideration of any payment. Individuals must score a minimum of 60% on their scorecard to be eligible for participation. A weighting linked to Group-based targets exists to ensure alignment across team members in individual and Group balanced scorecards which document key performance areas.	The entitlement and quantum is determined and remains discretionary, being subject to the fulfilment of the KPAs. The maximum amount payable is outlined in the table below.
Long-term incentives	Variable	Attracting and retaining executives and senior management.	*Netcare Share Incentive Scheme* Equity share-based scheme with share options vesting in equal amounts over five years, commencing on the second anniversary of the grant date.	Delivered in Netcare shares over the vesting period.
	Variable – based on performance and retention	Attracting and retaining executives and senior management.	*Forfeitable Share Plan* Combination of performance-based share awards that are fixed to clearly defined performance targets (which, if not met, result in the forfeiture of shares) and a retention-based award that serves to incentivise the executive to remain in the employ of the Group. Consistent with the rules of the scheme and the decision of the Committee, the split in shares is awarded in favour of the performance-based targets and not the retention-based awards.	Delivered in Netcare shares over the vesting period with dividends being earned over the period.

Guaranteed package

Netcare aims to remunerate its employees by taking into account individual responsibilities and performance. Guaranteed pay includes salary, employee benefits (such as retirement funding and medical scheme contributions), Group life cover, funeral cover and disability insurance.

Guaranteed remuneration is reviewed annually and increases take effect in March. Annual increases are performance and market related, taking into account factors such as the prevailing economic conditions, inflation, Group performance and affordability. Ongoing reviews assess the contribution of an individual to the strategic objective of the Group and to its values. Executive increases are intentionally pitched at a lower percentage than managers, supervisors and general staff increases.

During the period under review the increase to the guaranteed package of executives was linked to consumer price inflation (CPI). The exceptions to this were two members of ExCo who had their salaries adjusted to reflect their broadened job description and to ensure internal parity with their peers.

AIR Details of executive directors' and prescribed officers' guaranteed packages can be found on page 121.

Short-term incentives

Executives and managers participate in an annual short-term incentive plan that delivers a bonus if certain targets are met. The evaluation of performance against the targets is predicated on the achievement of a minimum "gateway" improvement in annual financial performance at a Group level.

All participating members have a detailed balanced scorecard which contains divisional, functional and individual performance metrics that are aligned to the Group's strategic pillars and identified areas of focus. Individuals have to score a minimum of 60% in their balanced scorecards to be eligible for participation in the plan.

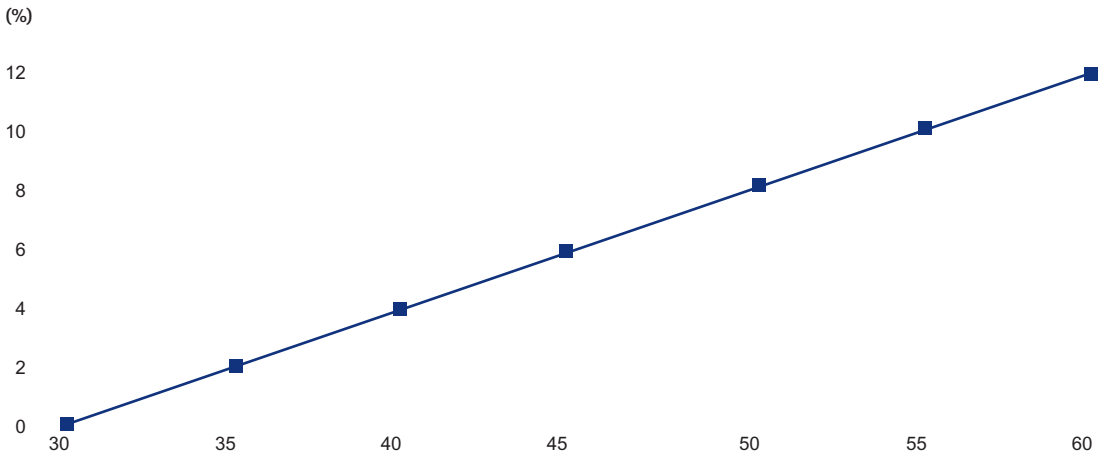
ExCo members participate in an ExCo balanced scorecard to ensure alignment across the operating divisions and support functions. The ExCo scorecard carries a 40% "team performance" weighting, measured against detailed deliverables and targets for the Group. The remaining 60% of the ExCo scorecard focuses on their individual and divisional responsibilities.

Actual incentives are linked to the performance of the Group, the division and the individual.

The incentive plan has a "gateway" of a minimum 6% (current CPI) annual improvement to SA headline earnings per share as approved on an annual basis by the Committee. If this gateway is achieved, achievements against targets linked to performance metrics are defined for incentive targets as detailed below.

The model below illustrates potential incentive percentage participation linked to the incremental increase of SA headline earnings per share (HEPS) above the inflation rate using an ExCo member with a maximum incentive eligibility of 60% of guaranteed package.

SA HEPS INCREASE ABOVE INFLATION



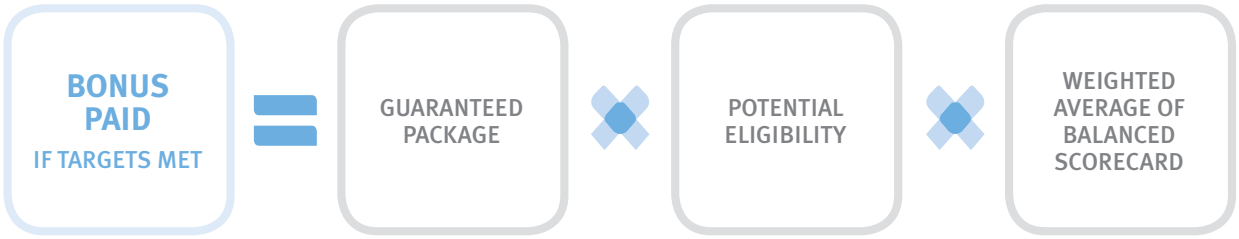
The SA HEPS performance determines the level of potential participation in the incentive plan. This is then factored against the executive's individual/divisional scorecards and the ExCo scorecard in calculating the actual proposed incentive value.

A broad range of specific strategic and operational targets aimed at providing the appropriate focal points to achieve sustainable growth are included in the individual/divisional and ExCo balanced scorecards. The weighting and targets vary between executives depending on their function. The targets are listed below:

- Earnings before interest, tax, depreciation and amortisation (EBITDA) measured against the prior year's performance and target;
- Business value creation targets (such as return on capital and net assets);
- Significant weighting is also allocated to several other parameters and targets including:
  - Patient care feedback;
  - Staff engagement feedback;
  - Sustainability initiatives;
  - Transformation targets;
  - Working capital management;
  - Control environment and governance; and
  - Quality metrics and outcomes.

The maximum levels of potential short-term incentives as a percentage of their guaranteed remuneration package (total cost to company excluding company contributions to retirement funding, medical aid and cellular phone allowances) as defined in the rules of the short-term incentive plan are detailed below:

Position	Maximum bonus
Group CEO	**75%**
ExCo members	**60%**
Other executives/senior management	**50%**



The Committee has the discretion to approve incentive payments outside of these levels should it deem such a decision to be appropriate in the circumstances.

The performance in respect of the targets approved by the Board was surpassed in the year under review.

Long-term incentives

Netcare Share Incentive Scheme

Long-term incentives are offered through participation in the Netcare Share Incentive Scheme. It aims to attract and retain quality executives, and reward improved, sustainable business performance to align with shareholder interest over the longer term. Share options granted, vest in equal amounts over five years commencing on the second anniversary of the grant date. Share options are granted at the discretion of the Committee. No awards were made in terms of this scheme during the year under review.

The potential dilution that could occur if all the share options are implemented under the Netcare Share Incentive Scheme is addressed online in note 30 to the Group annual financial statements.

AFS Details of the Netcare Share Incentive Scheme can be found online in note 37 to the Group annual financial statements.

AFS Details of the executive directors' and prescribed officers' share options in terms of the Netcare Share Incentive Scheme can be found online in note 36 to the Group annual financial statements.

Forfeitable Share Plan

The Forfeitable Share Plan (FSP) provides benefits that align with recommended governance practice. The most significant benefit is providing dividends but not voting rights, which addresses immediate retention risk. The FSP is also characterised by strictly monitored performance targets. Although the participants are predominantly executives and senior management, other employees may be invited to participate.

The number of forfeitable shares subject to an FSP award made to an employee, and the ratio between performance shares and retention shares, will primarily be based on the employee's total cost to company, grade, performance, retention requirements and market benchmarks as determined by the Committee.

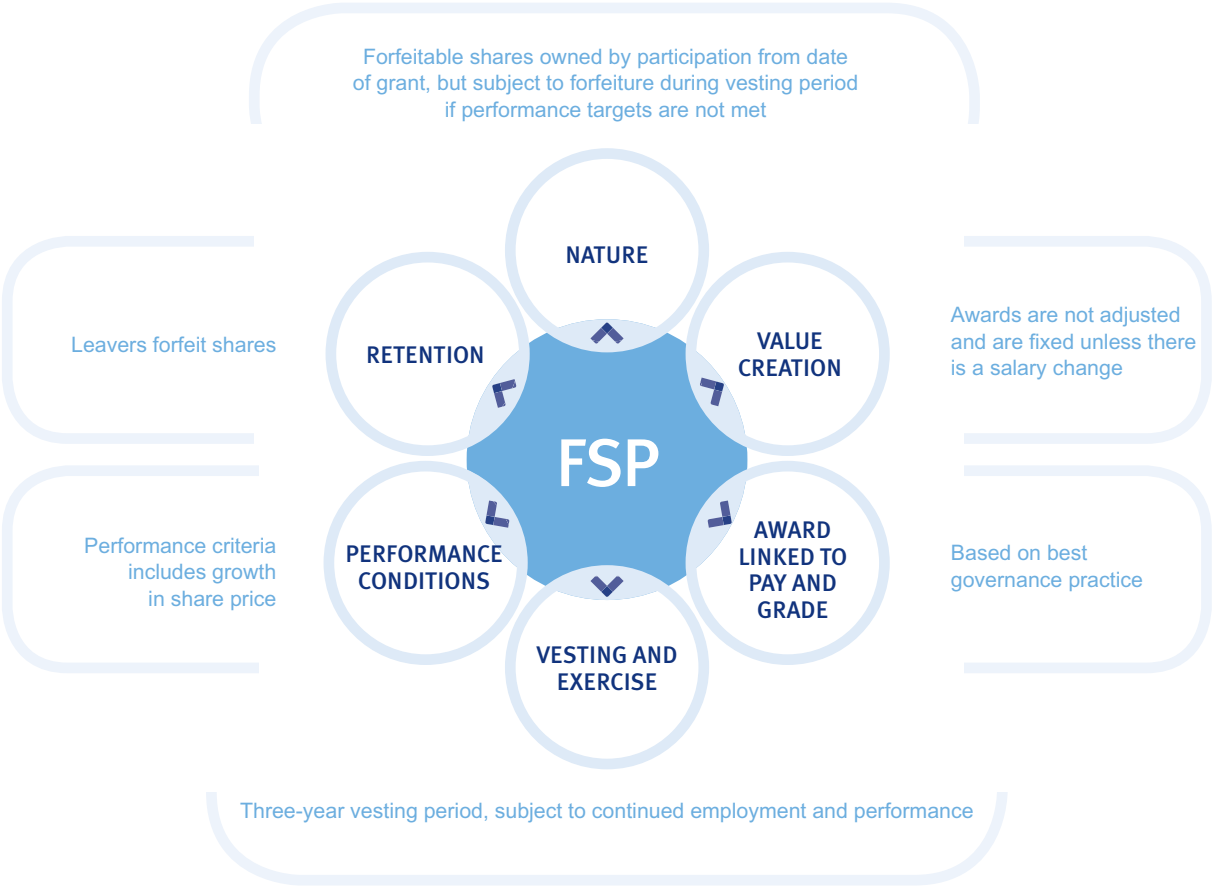
Generally, executives' weightings are 75% performance and 25% retention and other participants are 50% each for performance and retention.

Only one grant of forfeitable share awards has been issued to participants, including executives and prescribed officers to date. The vesting of the awards will occur over a five-year period after a three-year waiting period in respect of performance shares and two-and-a-half-year period in respect of retention shares. If the performance targets are not met, the performance portion is forfeited.

The principles relating to the prescribed targets ensure that they are:

- Linked to the Netcare share price and take into account a minimum return over and above inflation; and
- Based on suitable stretch targets for executives which are linked to financial targets that are commensurate with those cited under the short-term incentives.

The underpinning tenets are creating sustainable business value creation which is aligned to increasing shareholder value.



AFS Further details on the FSP can be found online in note 37 to the Group annual financial statements.

The Committee reviewed levels of adherence to the scheme rules, which remain in place, and there have been no deviations from the scheme rules approved by shareholders.

Service contracts

Executive directors are not employed on fixed-term contracts and have standard employment service agreements with current notice periods of three months. RH Friedland is restrained from competing with Netcare for a six-month period should he terminate his employment with the Group.

Executive directors' and prescribed officers' remuneration

The executive directors' and prescribed officers' emoluments are disclosed in the table below:

R'000	Guaranteed packages	Bonuses	Total
2014			
Executive directors			
RH Friedland	7 623	5 500	**13 123**
KN Gibson	3 944	2 000	**5 944**
Prescribed officers			
Prescribed officer A	3 026	1 400	**4 426**
Prescribed officer B	3 424	1 700	**5 124**
Prescribed officer E	2 603	1 100	**3 703**
2013			
Executive directors			
RH Friedland	7 230	5 169	**12 399**
KN Gibson	3 602	1 733	**5 335**
Prescribed officers			
Prescribed officer A	2 854	1 237	**4 091**
Prescribed officer B	3 183	1 469	**4 652**
Prescribed officer C[1]	459	–	**459**
Prescribed officer E[2]	1 821	238	**2 059**

1. Until 30 November 2012.
2. From 1 December 2012.

Netcare Share Incentive Scheme share options

The gains on share options exercised by prescribed officers during the year are reflected below:

	Exercise price (cents)	Share options exercised	Market price at exercise date (cents)	Gain arising on exercise (R'000)
Prescribed officers				
Prescribed officer B	**838**	**160 000**	**2 761**	**3 077**

AFS Further details of the executive directors' and prescribed officers' remuneration can be found online in note 36 to the Group annual financial statements.

Non-executive directors' remuneration

Non-executive directors are appointed to the Netcare Board based on their competence, insight and experience being an appropriate balance to assist the Group to set and achieve its objectives. Consequently fees are set at levels to attract and retain the calibre of directors necessary to contribute to a highly-effective Board. Non-executive directors receive a fixed level of remuneration for their services. King III recommends that non-executive directors be paid an attendance fee and a base fee. Netcare has elected to pay the non-executive directors a fixed fee-for-services rendered, on the basis that the services of directors extend beyond the boardroom and are therefore not confined to attendance at meetings only.

Non-executive directors do not qualify for participation in any share or incentive schemes.

The remuneration of non-executive directors is reviewed annually by the Committee and the Board, and recommendations for increases are made to shareholders at the annual general meeting for consideration and approval.

The non-executive directors' fees paid for the year ended 30 September 2014 and the proposed fees for the year ending 30 September 2015 are shown on page 18. An increase of approximately 6%, which is linked to inflation and consistent with the increasing demands faced by non-executive directors in respect of personal liability and ongoing regulatory demands, was proposed by the Remuneration Committee and remains subject to shareholder approval on 6 February 2015.

Fees paid to non-executive directors

Fees paid to non-executive directors for 2014 and 2013 were as follows:

R'000	2014	2013
T Brewer	**1 054**	1 188
APH Jammine	**1 019**	1 060
JM Kahn	**1 047**	894
MJ Kuscus	**912**	1 022
HR Levin[3]	**461**	938
KD Moroka	**652**	618
SJ Vilakazi	**1 401**	1 417
N Weltman	**1 053**	996
	7 599	8 133

3. Retired on 28 February 2014.

The total amount paid to non-executive directors for the period under review in respect of their Board, committee and ad hoc committee attendance is as follows:

01/10/2013 – 30/09/2014 R'000	Board	GHG#	Audit	Risk	Quality Leader-ship	Remu-neration	Social and Ethics	Nomi-nation	Finance and invest-ment	Tariff*	Total
T Brewer	517	102	169			96			170		**1 054**
APH Jammine	517	136	135			96		135			**1 019**
JM Kahn	517	68		135		135	96	96			**1 047**
MJ Kuscus	517	34		96	169		96				**912**
HR Levin	259	68	67			67					**461**
K Moroka	517						135				**652**
SJ Vilakazi	1 011	102		96		96		96			**1 401**
N Weltman	517		135	96	135					170	**1 053**
	4 372	**510**	**506**	**423**	**304**	**490**	**327**	**327**	**170**	**170**	**7 599**

* Operating committees.
\# Refer to the Corporate governance report online.

The table below reflects the annual fees paid to non-executive directors based on their chair or member status:

R'000	Proposed 2015	Actual 2014	Actual 2013
Board			
Chairman	1 072	**1 011**	955
Member	548	**517**	490
Audit Committee			
Chairman	179	**169**	160
Member	143	**135**	128
Remuneration Committee			
Chairman	143	**135**	128
Member	102	**96**	90
Risk Committee			
Chairman	143	**135**	128
Member	102	**96**	90
Nomination Committee			
Chairman	143	**135**	128
Member	102	**96**	90
Social and Ethics Committee			
Chairman	143	**135**	128
Member	102	**96**	90
Quality Leadership Committee			
Chairman	179	**169**	159
Member	143	**135**	127
Payable per meeting			
Ad hoc committees	36	**34**	32

AFS Details of the share options held by the directors and prescribed officers at 30 September 2014 can be found online in note 36 to the Group annual financial statements.

Shares awarded in terms of FSP

No shares were awarded to executive directors and prescribed officers during the year.

AFS Further details on the FSP can be found online in note 37 to the Group annual financial statements.

Summary of UK remuneration structure

The UK Remuneration Committee is currently chaired by the Netcare Group HR Director. This Committee reviews and sets the remuneration strategy, salary and benefit levels for BMI Healthcare to ensure competitiveness of remuneration. It also monitors the management of equity arrangements in place.

The maximum bonuses that can be earned by executives and management as a percentage of total guaranteed package, excluding car allowance, company contributions to retirement funding and medical insurance, are as follows:

Position	Maximum bonus
CEO	**50%**
CFO and managing directors	**50%**
Leadership team members (including Executive Committee)	**45%**

The remuneration elements in the UK consist of the following:

Guaranteed package

BMI Healthcare aims to remunerate its employees at the market median rate while taking into account individual responsibilities and performance. Basic remuneration packages are benchmarked against the market (including against remuneration in the National Health Service) periodically. Basic remuneration includes salary, employee benefits (such as car allowances, pension contributions and private health cover), life cover, and critical illness cover.

Basic remuneration is reviewed annually and increases take effect in October. Annual increases are performance and market related, taking into account factors such as the prevailing economic conditions, inflation, company performance and affordability.

Short-term incentives

Executives and senior management participate in an annual short-term incentive plan that delivers a cash incentive based on BMI Healthcare's achievement of financial targets and on team and personal performance objectives set annually. The incentive plan is activated on the achievement of certain financial targets. Once achieved, payment levels are determined by the achievement of team and personal objectives for the year. The Remuneration Committee approves the overall payment level for BMI Healthcare.

Long-term incentives

The Long Term Incentive Plan set up in 2011 matures in autumn 2014. The scheme is designed to reward achievement of certain targets over a three-year period and to retain key employees in the business. Amounts are accrued into the scheme over the three-year period if financial performance permits, under scheme rules. These amounts are then payable in cash to the members of the scheme at the end of the three-year period if they remain an employee at that time. The payments are broadly based on the remuneration of the individual and their period of employment during the three-year scheme.

Annual guaranteed remuneration and bonus payments 2013/2014 and 2012/2013

1 October 2013 to 30 September 2014

Name £	Basic salary	Car allowance	Broadband allowance	Private medical plan value estimated	Company pension contributions	Bonus paid Dec 2013
Stephen Collier	362 355	18 000	420	1 000	37 361	137 445
Craig Lovelace	260 100	15 000	–	400	26 010	100 202

1 October 2012 to 30 September 2013

Name £	Basic salary	Car allowance	Broadband allowance	Private medical plan value estimated	Company pension contributions	Bonus paid Nov 2012
Stephen Collier	357 000	18 000	420	3 533	30 959	130 251
Craig Lovelace	255 000	15 000	–	370	25 500	94 466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financials

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Five-year review

Rm	2014	Restated[1] 2013	2012	2011	2010
Summarised statement of financial position					
Assets					
Property, plant and equipment	**11 504**	10 401	27 678	26 416	23 852
Goodwill and intangible assets	**4 316**	3 855	5 426	15 400	13 484
Deferred taxation	**1 419**	1 218	2 730	2 165	1 753
Other non-current assets	**2 060**	1 718	1 132	497	206
Total non-current assets	**19 299**	17 192	36 966	44 478	39 295
Total current assets[2]	**7 418**	6 616	7 256	6 174	5 384
Total assets	**26 717**	23 808	44 222	50 652	44 679
Equity and liabilities					
Total shareholders' equity	**12 172**	10 415	(1 020)	7 685	6 358
Long-term debt	**4 939**	5 290	27 015	25 106	21 630
Financial liability – Derivative financial instruments	**97**	8	7 433	5 319	4 113
Deferred taxation	**1 360**	1 129	3 530	5 178	4 908
Other non-current liabilities	**472**	396	337	339	331
Total non-current liabilities	**6 868**	6 823	38 315	35 942	30 982
Total current liabilities	**7 677**	6 570	6 927	7 025	7 339
Total equity and liabilities	**26 717**	23 808	44 222	50 652	44 679
Summarised statement of cash flows					
Cash generated from operations before working capital changes	**4 483**	4 056	5 193	4 668	4 797
Working capital changes	**(101)**	(266)		904	137
Cash generated from operations	**4 382**	3 790	5 193	5 572	4 934
Interest paid	**(545)**	(812)	(1 976)	(1 836)	(1 981)
Taxation paid	**(822)**	(725)	(740)	(674)	(565)
Ordinary dividends paid by subsidiaries	**(3)**	(3)	(4)	(3)	(1)
Capital reductions and ordinary dividends paid	**(973)**	(788)	(694)	(636)	(521)
Preference dividends paid	**(46)**	(47)	(46)	(47)	(53)
Distributions to beneficiaries of the HPFL trusts	**(154)**	(66)	(43)	(47)	
Net cash from operating activities	**1 839**	1 349	1 690	2 329	1 813
Net cash from investing activities	**(1 827)**	(955)	(1 426)	(1 139)	(1 298)
Net cash from financing activities	**66**	(1 352)	296	(880)	138
Increase/(decrease) in cash and cash equivalents	**78**	(958)	560	310	653
Translation effects on cash and cash equivalents of foreign entities	**125**	148	131	210	(82)
Cash and cash equivalents at beginning of year	**1 503**	2 411	1 805	1 285	714
Cash and cash equivalents of businesses deconsolidated/disposed		(98)	(27)		
Cash and cash equivalents at end of year	**1 706**	1 503	2 469	1 805	1 285

1. Restated for the adoption of IFRS 10: *Consolidated Financial Statements*, IFRS 11: *Joint Arrangements* and IAS 19 (Revised): *Employee Benefits*. Years prior to 2013 have not been adjusted.
2. Includes discontinued operations and assets held for sale.

Five-year review continued

	Compound growth %[1]	2014	Restated[2] 2013	Normalised 2012[3,4]	Reported 2012[4]	2011	2010
Summarised income statement							
Continuing operations							
Revenue	9.1	**31 783**	27 382	25 174	25 174	22 584	22 474
Operating profit before items listed below		**3 253**	2 997	3 812	3 812	3 644	3 708
Impairment of goodwill					(10 773)		
Profit on deconsolidation			3 257				
Operating profit/(loss)[5]	(3.2)	**3 253**	6 254	3 812	(6 961)	3 644	3 708
Financial income and expenses		**(431)**	(653)	(1 835)	(4 795)	(1 736)	(1 978)
Attributable earnings of associates and joint ventures		**75**	89	27	27	23	24
Profit/(loss) before taxation	13.4	**2 897**	5 690	2 004	(11 729)	1 931	1 754
Taxation		**(801)**	(640)	(289)	2 016	(95)	(294)
Profit/(loss) for the year from continuing operations	9.5	**2 096**	5 050	1 715	(9 713)	1 836	1 460
Discontinued operations							
Profit for the year from discontinued operations				413	413	19	
Profit/(loss) for the year	9.5	**2 096**	5 050	2 128	(9 300)	1 855	1 460
Attributable to:							
Owners of the parent	14.3	**2 107**	5 044	1 825	(4 235)	1 570	1 233
Preference shareholders		**46**	47	46	46	47	53
Non-controlling interest		**(57)**	(41)	257	(5 111)	238	174
		2 096	5 050	2 128	(9 300)	1 855	1 460
Divisional analysis							
Revenue							
South Africa	6.7	**16 273**	15 147	14 607	14 607	13 361	12 541
Hospitals and Emergency services	8.0	**15 171**	13 984	13 219	13 219	12 089	11 167
Primary Care	(5.4)	**1 102**	1 163	1 388	1 388	1 272	1 374
United Kingdom	11.8	**15 510**	12 235	10 567	10 567	9 223	9 933
BMI OpCo		**15 510**	12 235	10 567	10 567	9 223	
GHG Property Businesses				1 699	1 699	1 465	
Eliminations				(1 699)	(1 699)	(1 465)	
		31 783	27 382	25 174	25 174	22 584	22 474
Operating profit							
South Africa	13.6	**3 110**	2 697	2 468	2 468	2 206	1 865
SA before capital items	13.1	**3 112**	2 692	2 461	2 461	2 220	1 899
Hospitals and Emergency services	12.6	**3 047**	2 643	2 409	2 409	2 182	1 893
Primary Care	81.4	**65**	49	52	52	38	6
Capital items		**(2)**	5	7	7	(14)	(34)
United Kingdom[6]	(47.2)	**143**	3 557	1 344	(9 429)	1 438	1 843
UK before capital items		**155**	306	1 349	1 349	1 327	1 764
BMI OpCo		**155**	(21)	(108)	(108)	78	1 764
GHG Property Businesses			227	1 133	1 133	966	
Adjustments and eliminations			100	324	324	283	
Capital items		**(12)**	3 251	(5)	(10 778)	111	79
		3 253	6 254	3 812	(6 961)	3 644	3 708

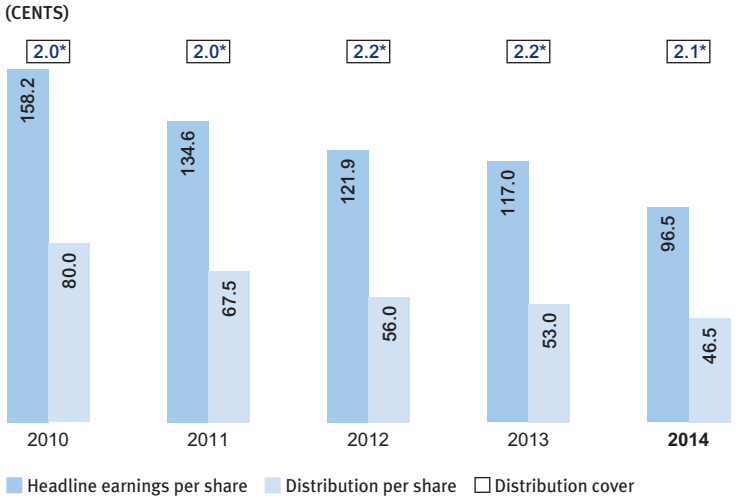
1. Compound annual growth rate for the period 2010 to 2014.
2. Restated for the adoption of IFRS 10: *Consolidated Financial Statements*, IFRS 11: *Joint Arrangements* and IAS 19 (Revised): *Employee Benefits*. Years prior to 2013 have not been adjusted.
3. Adjusted to exclude the non-cash exceptional items relating to GHG PropCo 1.
4. The 2012 and 2011 results of the Group and United Kingdom were adjusted to exclude discontinued operations. Years prior to 2011 have not been adjusted.
5. Operating profit has normalised in 2014 post the deconsolidation of the GHG Property Businesses. Prior years have not been adjusted. However net profit before tax is comparable.
6. The United Kingdom operating segment has been expanded to separately disclose BMI OpCo and the GHG Property Businesses. 2010 has not been amended.

Five-year review continued

		Compound growth %[1]	2014	Restated[2] 2013	Normalised 2012[3]	Reported 2012	2011	2010
Key performance								
Exchange rates								
Closing rate at 30 September	R:£		**18.29**	16.22	13.42	13.42	12.54	10.93
Average rate for the year	R:£		**17.49**	14.43	12.68	12.68	11.09	11.63
Ratios								
Operating profit margin[4]	%		**10.2**	10.9[5]	15.1	(27.7)	16.1	16.5
Interest cover[4]	times		**9.2**	6.4[5]	2.2	(4.0)	2.1	2.0
Effective tax rate[4]	%		**27.6**	26.3[5]	14.4	17.2	4.9	16.8
Current ratio	:1		**1.0**	1.0	1.0	1.0	0.9	0.7
Shareholder returns								
Attributable earnings/(loss) per share	cents	12.9	**157.5**	381.2	139.5	(323.8)	122.1	97.0
Continuing operations	cents		**157.5**	381.2	122.8	(340.5)	121.3	97.0
Discontinued operations	cents				16.7	16.7	0.8	
Headline earnings per share	cents	13.2	**158.2**	134.6	121.9	95.3	117.0	96.5
Continuing operations	cents		**158.2**	134.6	121.8	95.2	116.2	96.5
Discontinued operations	cents				0.1	0.1	0.8	
Distributions per share	cents	14.5	**80.0**	67.5	56.0	56.0	53.0	46.5
Capital reduction	cents							25.5
Dividend	cents		**80.0**	67.5	56.0	56.0	53.0	21.0
Distribution cover	times		**2.0**	2.0	2.2	1.7	2.2	2.1

1. Compound annual growth rate for the period 2010 to 2014.
2. Restated for the adoption of IFRS 10: *Consolidated Financial Statements*, IFRS 11: *Joint Arrangements* and IAS 19 (Revised): *Employee Benefits*. Years prior to 2013 have not been adjusted.
3. Adjusted to exclude the non-cash exceptional items relating to GHG PropCo 1.
4. Based on continuing operations.
5. Excluding profit on deconsolidation of the GHG Property Businesses.

DISTRIBUTION COVER* (TIMES)



Five-year review continued

Key performance indicators continued

Operational performance indicators

		2014	2013	2012	2011	2010
South African hospitals						
Number of hospitals[1]		**54**	54	55	55	54
Registered beds		**9 424**	9 289	9 262	9 052	8 874
Increase in patient days	%	**2.6**	2.7	2.8	2.2	0.6
Increase/(decrease) in patient admissions	%	**(1.5)**	3.4	1.6	0.7	(3.5)
Average length of stay	days	**3.64**	3.56	3.53	3.51	3.44
Primary Care						
Medicross centres		**70**	68	66	68	69
Prime Cure clinics		**17**	19	20	20	22
Total number of visits		**3 180 648**	3 177 206	3 203 327	3 235 127	3 345 330
Total number of managed care beneficiaries (end of period)		**1 893 711**	1 903 451	145 220	129 740	181 881
Managed care lives – risk		**14 040**	21 917	145 220	129 740	181 881
Managed care lives – non-risk		**1 879 671**	1 881 534			
United Kingdom hospitals						
Number of hospitals[1]		**57**	61	61	64	66
Registered beds		**2 788**	2 889	2 979	3 038	3 071
Patient admissions (total cases)[2]		**281 129**	280 781	285 969	280 060	276 192
Outpatient cases		**1 523 382**	1 515 732	1 544 671	1 485 838	1 279 539

Social performance indicators

		2014	2013	2012	2011	2010
Total employees		**27 609**	28 618	28 374	28 199	29 121
South Africa		**19 804**	20 857	20 583	20 165	20 887
United Kingdom		**7 805**	7 761	7 791	8 034	8 234
Employee turnover						
South Africa	%	**18.3**	13.7	14.6	15.6	14.7
United Kingdom	%	**18.1**	16.3	22.5	19.0	20.4
ACI employee representation[3]	%	**72.6**	72.1	70.0	67.8	66.4
Unionised employees[3]	%	**52.5**	53.0	52.7	50.6	48.4
Numbers of nurses registered for training[3]		**3 470**	3 331	3 294	3 186	3 231
Corporate social investment[3]	Rm	**34**	58	36	30	57

Environmental performance indicators

		2014	2013	2012	2011	2010
South Africa						
Energy usage	gigajoules	**1 118 169**	1 038 540[5]	945 489	719 727	820 075
Water usage[4]	kilolitres	**1 536 570**	1 679 930[5]	1 522 426	1 725 153	1 673 071
Carbon dioxide equivalent (CO_2e) emissions	tonnes	**319 213**	311 765[5]	257 943	193 006	274 041
Total CO_2e per R1 million revenue		**19.62**	20.09[5]	17.66	14.45	21.85
United Kingdom						
Energy usage	megawatt hours	**140 999**	154 388	147 188	142 560	145 090
Carbon dioxide equivalent (CO_2e) emissions[4]	tonnes	**49 902**	48 665[4]	49 206	50 830	58 750

1. Owned and managed hospitals.
2. The 2012 and 2011 figures exclude discontinued operations. Prior years were not adjusted.
3. SA operations only.
4. Hospital division only.
5. Restated.

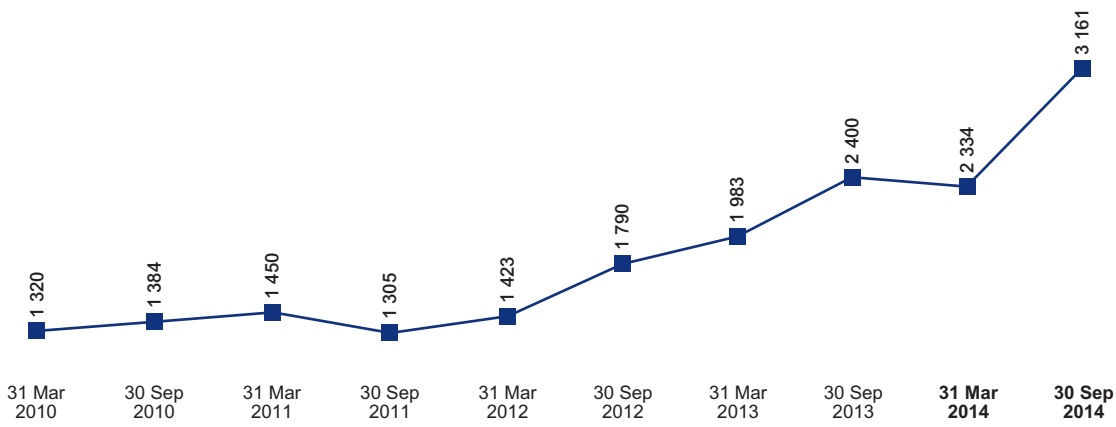
Five-year review continued

		2014	Restated[1] 2013	2012	2011	2010
Key performance indicators continued						
Ordinary share statistics						
Shares in issue	million	**1 478**	1 475	1 458	1 446	1 437
Shares in issue net of treasury shares	million	**1 337**	1 329	1 317	1 295	1 277
Weighted average number of shares	million	**1 334**	1 322	1 308	1 286	1 271
Diluted weighted average number of shares	million	**1 363**	1 354	1 332	1 317	1 303
Market capitalisation	R million	**46 720**	35 400	26 098	18 870	19 888
JSE statistics						
Market price per share						
at 30 September	cents	**3 161**	2 400	1 790	1 305	1 384
highest	cents	**3 444**	2 471	1 919	1 643	1 410
lowest	cents	**2 076**	1 710	1 275	1 285	1 048
weighted average	cents	**2 651**	2 052	1 503	1 438	1 291
Number of share transactions		**370 593**	236 805	138 679	141 063	129 387
Value of share transactions	R million	**20 394**	16 909	11 030	10 261	9 398
Volume of shares traded	million	**769.4**	823.6	733.6	713.4	727.9
Volume traded to issued	%	**52.1**	62.5	56.2	55.0	57.0
Market performance ratios						
Earnings yield[2]	%	**5.0**	5.6	5.3	8.9	7.0
Distribution yield[2]	%	**2.5**	2.8	3.1	4.1	3.4
Price:earnings ratio[2]	times	**20.0**	17.8	18.8	11.2	14.3

1. Restated for the adoption of IFRS 10: *Consolidated Financial Statements*, IFRS 11: *Joint Arrangements* and IAS 19 (Revised): *Employee Benefits*. Years prior to 2013 have not been adjusted.
2. Based on continuing operations.

NETCARE SHARE PRICE PERFORMANCE ON THE JSE

(CENTS)



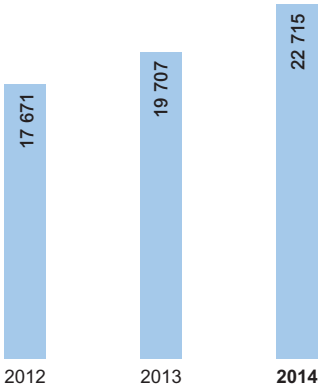
Value-added statement

Rm	2014	%	Restated 2013	%
Revenue	**31 783**		27 382	
Payments to suppliers of materials and services	**(9 356)**		(8 052)	
	22 427		19 330	
Income from investments[1]	**288**		377	
Wealth created	**22 715**	**100.0**	19 707	100.0
Distributed as follows:				
Employees				
Salaries, wages and other benefits	**11 113**	**48.9**	9 686	49.2
Distributions to beneficiaries of the HPFL trusts	**154**	**0.7**	66	0.4
Providers of capital				
Finance costs[2]	**564**	**2.5**	754	3.8
Preference dividends paid	**46**	**0.2**	47	0.2
Distributions paid	**976**	**4.3**	816	4.1
Government				
Direct taxes	**776**	**3.4**	752	3.8
Indirect taxes	**237**	**1.0**	184	0.9
Re-invested in the Group to maintain and develop operations				
Retained earnings	**7 698**	**33.9**	6 313	32.1
Depreciation and amortisation	**1 151**	**5.1**	1 089	5.5
Wealth distributed	**22 715**	**100.0**	19 707	100.0

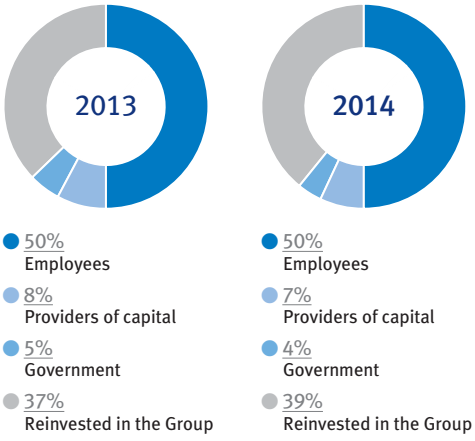
1. Includes interest received and share of associates' and joint ventures' earnings.
2. Includes interest paid.

WEALTH CREATED

(R MILLION)



WEALTH DISTRIBUTED




NETCARE

Abridged Group annual financial statements

for the year ended 30 September 2014

These abridged Group annual financial statements comprise a summary of the complete audited Group annual financial statements for the year ended 30 September 2014 that were approved by the Netcare Board on 20 November 2014. The abridged Group annual financial statements do not contain sufficient information to allow for a complete understanding of the results of the Group, as would be provided in the complete audited Group annual financial statements. The audited Group annual financial statements have been prepared under the supervision of KN Gibson CA (SA), Chief Financial Officer of Netcare Limited.

AFS A copy of the complete audited Group annual financial statements is available at www.netcareinvestor.co.za/reports/ar_2014.

The abridged Group annual financial statements comprise of:

- Group income statement;
- Group statement of comprehensive income;
- Group statement of financial position;
- Group statement of cash flows;
- Condensed Group statement of changes in equity; and
- Condensed notes to the abridged Group annual financial statements.

Basis of preparation and accounting policies

The annual financial statements from which these abridged financial statements have been derived, have been prepared in accordance with International Financial Reporting Standards (IFRS), including all interpretations applicable to companies reporting under IFRS, as issued by the International Accounting Standards Board (IASB), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the requirements of the South African Companies Act No 71 of 2008 and the JSE Listings Requirements.

The accounting policies adopted are consistent in all material respects with those applied for the year ended 30 September 2013, with the exception of the adoption of Amendment to IFRS 7: *Disclosures – Offsetting Financial Assets and Financial Liabilities*, IFRS 10: *Consolidated Financial Statements*, IFRS 11: *Joint Arrangements*, IFRS 12: *Disclosure of Interests in Other Entities*, IFRS 13: *Fair Value Measurement*, Amendment to IAS 19: *Employee Benefits*, Amendment to IAS 27: *Separate Financial Statements*, Amendment to IAS 28: *Investments in Associates and Joint Ventures*, Amendment to IAS 36: *Impairment of Assets,* Amendment to IAS 39: *Financial Instruments: Recognition and Measurement* and certain improvements to IFRS 2013. No standards were adopted before the effective date during the financial reporting period ended 30 September 2014.

The financial statements are presented in South African Rand (ZAR), the functional currency of the Group and Company and all amounts are rounded to the nearest million, except when otherwise indicated. They are prepared on the historical cost basis, except for the following material items included in the statement of financial position that are measured as described below:

- Derivative financial instruments and financial assets at fair value through profit or loss are measured at fair value; and
- Post-retirement benefit obligations are measured in terms of the projected unit credit method.

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

Independent report of the auditors

These abridged Group annual financial statements for the year ended 30 September 2014 have been extracted from the complete audited Group annual financial statements on which the auditors, Grant Thornton, have expressed an unqualified audit opinion.

Group income statement
for the year ended 30 September

Rm	Notes	2014	Restated[1] 2013	% change
Revenue		**31 783**	27 382	16.1
Cost of sales		**(18 227)**	(15 568)	
Gross profit		**13 556**	11 814	14.7
Other income		**350**	306	
Administrative and other expenses		**(10 653)**	(9 123)	
Operating profit before profit on deconsolidation		**3 253**	2 997	8.5
Profit on deconsolidation[2]	1	**–**	3 257	
Operating profit	2	**3 253**	6 254	(48.0)
Investment income	3	**213**	288	
Financial expenses	4	**(564)**	(754)	
Other financial losses – net	5	**(80)**	(187)	
Attributable earnings of associates		**39**	53	
Attributable earnings of joint ventures		**36**	36	
Profit before taxation		**2 897**	5 690	(49.1)
Taxation	6	**(801)**	(640)	
Profit for the year		**2 096**	5 050	(58.5)
Attributable to:				
Owners of the parent		**2 107**	5 044	
Preference shareholders		**46**	47	
Profit attributable to shareholders		**2 153**	5 091	(57.7)
Non-controlling interest		**(57)**	(41)	
		2 096	5 050	(58.5)
Cents				
Earnings per share (cents)				
Basic	7	**157.5**	381.2	(58.7)
Diluted	7	**154.2**	372.2	(58.6)
Total dividend per share (cents)		**80.0**	67.5	18.5

1. Restated for the adoption of IFRS 10: *Consolidated Financial Statements*, IFRS 11: *Joint Arrangements* and IAS 19 (Revised): *Employee Benefits*.
2. Profit on deconsolidation of the GHG Property Businesses.

Group statement of comprehensive income

for the year ended 30 September

Rm	2014	Restated[1] 2013
Profit for the year	**2 096**	5 050
Items that may not subsequently be reclassified to profit or loss	**(13)**	239
Remeasurement of defined benefit obligation	**(18)**	(43)
Effect of translation of foreign entities – Deconsolidation of GHG Property Businesses	**–**	274
Taxation on items that may not subsequently be reclassified to profit or loss	**5**	8
Items that may subsequently be reclassified to profit or loss	**694**	3 560
Effect of cash flow hedge accounting	**(39)**	3 108
Deconsolidation of GHG Property Businesses	**–**	2 473
Change in the fair value of cash flow hedges	**(39)**	177
Reclassification of the cash flow hedge accounting reserve	**–**	458
Effect of translation of foreign entities	**732**	521
Deconsolidation of GHG Property Businesses	**–**	310
Other	**732**	211
Taxation on items that may subsequently be reclassified to profit or loss	**1**	(69)
Other comprehensive income for the year	**681**	3 799
Total comprehensive income for the year	**2 777**	8 849
Attributable to:		
Owners of the parent	**2 469**	7 139
Preference shareholders	**46**	47
Non-controlling interest	**262**	1 663
	2 777	8 849

1. Restated for the adoption of IFRS 10: *Consolidated Financial Statements*, IFRS 11: *Joint Arrangements* and IAS 19 (Revised): *Employee Benefits.*

Group statement of financial position
at 30 September

Rm	Notes	2014	Restated[1] 2013
ASSETS			
Non-current assets			
Property, plant and equipment		**11 504**	10 401
Goodwill		**3 879**	3 466
Intangible assets		**437**	389
Equity-accounted investments, loans and receivables	8	**2 015**	1 646
Financial assets		**45**	72
Deferred taxation		**1 419**	1 218
Total non-current assets		**19 299**	17 192
Current assets			
Loans and receivables	8	**26**	34
Inventories		**987**	912
Trade and other receivables		**4 688**	4 033
Taxation receivable		**5**	17
Cash and cash equivalents		**1 712**	1 620
Total current assets		**7 418**	6 616
Total assets		**26 717**	23 808
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary share capital and premium		**962**	934
Treasury shares		**(735)**	(766)
Other reserves		**2 560**	2 146
Retained earnings		**5 859**	4 846
Equity attributable to owners of the parent		**8 646**	7 160
Preference share capital and premium		**644**	644
Non-controlling interest		**2 882**	2 611
Total shareholders' equity		**12 172**	10 415
Non-current liabilities			
Long-term debt	9	**4 939**	5 290
Financial liabilities		**97**	8
Post-retirement benefit obligations		**260**	229
Deferred lease liability		**74**	70
Deferred taxation		**1 360**	1 129
Provisions		**138**	97
Total non-current liabilities		**6 868**	6 823
Current liabilities			
Trade and other payables		**5 726**	5 066
Short-term debt	9	**1 739**	1 140
Financial liabilities		**3**	–
Taxation payable		**203**	247
Bank overdrafts		**6**	117
Total current liabilities		**7 677**	6 570
Total equity and liabilities		**26 717**	23 808

1. Restated for the adoption of IFRS 10: *Consolidated Financial Statements*, IFRS 11: *Joint Arrangements* and IAS 19 (Revised): *Employee Benefits*.

Group statement of cash flows
for the year ended 30 September

Rm	2014	Restated[1] 2013
Cash flows from operating activities		
Cash received from customers	**31 456**	27 197
Cash paid to suppliers and employees	**(27 074)**	(23 407)
Cash generated from operations	**4 382**	3 790
Interest paid	**(545)**	(812)
Taxation paid	**(822)**	(725)
Ordinary dividends paid by subsidiaries	**(3)**	(3)
Ordinary dividends paid	**(973)**	(788)
Preference dividends paid	**(46)**	(47)
Distributions to beneficiaries of the HPFL trusts	**(154)**	(66)
Net cash from operating activities	**1 839**	1 349
Cash flows from investing activities		
Purchase of property, plant and equipment	**(1 902)**	(1 350)
Proceeds on disposal of property, plant and equipment and intangible assets	**80**	15
Additions to intangible assets	**(43)**	(37)
Proceeds from financial assets	**–**	5
(Decrease)/increase in investments and loans	**(103)**	316
Interest received	**96**	244
Dividends received	**18**	24
Proceeds from disposal of businesses	**46**	–
Acquisition of business	**(19)**	–
Increase in equity interest in subsidiaries	**–**	(172)
Net cash from investing activities	**(1 827)**	(955)
Cash flows from financing activities		
Proceeds from issue of ordinary shares	**28**	94
Proceeds on disposal of treasury shares	**121**	36
Acquisition of non-controlling interests	**(4)**	–
Long-term debt repaid	**(614)**	(297)
Short-term debt raised/(repaid)	**535**	(1 065)
Settlement of derivatives	**–**	(120)
Net cash from financing activities	**66**	(1 352)
Net increase/(decrease) in cash and cash equivalents	**78**	(958)
Translation effects on cash and cash equivalents of foreign entities	**125**	148
Cash and cash equivalents at the beginning of the year	**1 503**	2 411
Cash and cash equivalents of businesses deconsolidated	**–**	(98)
Cash and cash equivalents at the end of the year	**1 706**	1 503
Consisting of:		
Cash on hand and balances with banks	**1 712**	1 620
Short-term money market borrowings and bank overdrafts	**(6)**	(117)
	1 706	1 503

1. Restated for the adoption of IFRS 10: *Consolidated Financial Statements*, IFRS 11: *Joint Arrangements* and IAS 19 (Revised): *Employee Benefits*.

Condensed Group statement of changes in equity
for the year ended 30 September

Rm	Ordinary share capital and premium	Treasury shares	Cash flow hedge accounting reserve
Balance at 1 October 2012 (as previously reported)	720	(654)	(1 635)
Restatement[1]	–	–	–
Balance at 1 October 2012 (restated)[1]	720	(654)	(1 635)
Shares issued during the year	214	(120)	–
Sale of treasury shares	–	8	–
Share-based payments reserve movements	–	–	–
Tax recognised in equity	–	–	–
Preference dividends paid	–	–	–
Dividends paid	–	–	–
Distributions to beneficiaries of the HPFL trusts	–	–	–
Other reserve movements	–	–	–
Increase in equity interest in subsidiaries	–	–	(6)
Deconsolidation of GHG Property Businesses	–	–	–
Total comprehensive income for the year	–	–	1 641
Deconsolidation of GHG Property Businesses	–	–	1 311
Other movements	–	–	330
Balance at 30 September 2013 (restated)[1]	**934**	**(766)**	**–**
Shares issued during the year	**28**	**–**	**–**
Sale of treasury shares	**–**	**31**	**–**
Share-based payments reserve movements	**–**	**–**	**–**
Tax recognised in equity	**–**	**–**	**–**
Preference dividends paid	**–**	**–**	**–**
Dividends paid	**–**	**–**	**–**
Distributions to beneficiaries of the HPFL trusts	**–**	**–**	**–**
Change in shareholding of subsidiary	**–**	**–**	**–**
Total comprehensive income for the year	**–**	**–**	**(19)**
Balance at 30 September 2014	**962**	**(735)**	**(19)**

1. Restated for the adoption of IFRS 10: *Consolidated Financial Statements*, IFRS 11: *Joint Arrangements* and IAS 19 (Revised): *Employee Benefits*.

Foreign currency translation reserve	Other reserves	Retained earnings	Equity attributable to owners of the parent	Preference share capital and premium	Non-controlling interest	Total shareholders' equity
1 290	854	427	1 002	644	(2 666)	(1 020)
–	–	–	–	–	(12)	(12)
1 290	854	427	1 002	644	(2 678)	(1 032)
–	–	–	94	–	–	94
–	–	22	30	–	–	30
–	36	–	36	–	–	36
–	–	21	21	–	–	21
–	–	–	–	(47)	–	(47)
–	–	(813)	(813)	–	(3)	(816)
–	–	(66)	(66)	–	–	(66)
–	(523)	523	–	–	–	–
37	1	(41)	(9)	–	(168)	(177)
–	–	(274)	(274)	–	3 797	3 523
451	–	5 047	7 139	47	1 663	8 849
310	–	3 257	4 878	–	1 436	6 314
141	–	1 790	2 261	47	227	2 535
1 778	**368**	**4 846**	**7 160**	**644**	**2 611**	**10 415**
–	**–**	**–**	**28**	**–**	**–**	**28**
–	**–**	**69**	**100**	**–**	**–**	**100**
–	**37**	**–**	**37**	**–**	**–**	**37**
–	**2**	**2**	**4**	**–**	**–**	**4**
–	**–**	**–**	**–**	**(46)**	**–**	**(46)**
–	**–**	**(973)**	**(973)**	**–**	**(3)**	**(976)**
–	**–**	**(154)**	**(154)**	**–**	**–**	**(154)**
–	**–**	**(25)**	**(25)**	**–**	**12**	**(13)**
394	**–**	**2 094**	**2 469**	**46**	**262**	**2 777**
2 172	**407**	**5 859**	**8 646**	**644**	**2 882**	**12 172**

Condensed segment report
for the year ended 30 September

	South Africa		
	Hospital and Emergency services	Primary Care	**Total**
30 September 2014			
Income Statement			
Revenue	15 171	1 102	**16 273**
Attributable earnings of associates and joint ventures	35	–	**35**
EBITDA	3 499	98	**3 597**
EBITDA before capital items	3 501	98	**3 599**
Capital items	(2)	–	**(2)**
Operating profit	3 045	65	**3 110**
Operating profit before capital items	3 047	65	**3 112**
Capital items	(2)	–	**(2)**
Segment assets and liabilities			
Total assets			**13 694**
Total liabilities			**(6 710)**
Restated 30 September 2013[1]			
Income Statement			
External revenue	13 984	1 163	**15 147**
Inter-segment revenue	–	–	**–**
PropCo 1 rent	–	–	**–**
PropCo 2 rent	–	–	**–**
Revenue	13 984	1 163	**15 147**
Attributable earnings of associates and joint ventures	52	–	**52**
EBITDA	3 093	82	**3 175**
EBITDA before capital items and profit on deconsolidation	3 087	83	**3 170**
Capital items	6	(1)	**5**
EBITDA before profit on deconsolidation	3 093	82	**3 175**
Profit on deconsolidation[3]	–	–	**–**
Operating profit/(loss)	2 649	48	**2 697**
Operating profit/(loss) before capital items and profit on deconsolidation	2 643	49	**2 692**
Capital items	6	(1)	**5**
Operating profit before profit on deconsolidation	2 649	48	**2 697**
Profit on deconsolidation[3]	–	–	**–**
Segment assets and liabilities			
Total assets			**12 454**
Total liabilities			**(6 727)**

Notes:
1. Restated for the adoption of IFRS 10: *Consolidated Financial Statements*, IFRS 11: *Joint Arrangements* and IAS 19 (Revised): *Employee Benefits*.
2. The results of the GHG Property Businesses are included until the date of deconsolidation. Refer to note 1 for more detail.
3. Profit on deconsolidation of the GHG Property Businesses.

United Kingdom				
BMI OpCo	GHG PropCo[2]	Adjustments and eliminations	**Total**	**Group**
15 510	–	–	**15 510**	**31 783**
40	–	–	**40**	**75**
807	–	–	**807**	**4 404**
819	–	–	**819**	**4 418**
(12)	–	–	**(12)**	**(14)**
143	–	–	**143**	**3 253**
155	–	–	**155**	**3 267**
(12)	–	–	**(12)**	**(14)**
			13 023	**26 717**
			(7 835)	**(14 545)**
12 235	–	–	**12 235**	**27 382**
–	275	(275)	**–**	**–**
–	264	(264)	**–**	**–**
–	11	(11)	**–**	**–**
12 235	275	(275)	**12 235**	**27 382**
37	–	–	**37**	**89**
637	274	3 257	**4 168**	**7 343**
643	274	–	**917**	**4 087**
(6)	–	–	**(6)**	**(1)**
637	274	–	**911**	**4 086**
–	–	3 257	**3 257**	**3 257**
(27)	227	3 357	**3 557**	**6 254**
(21)	227	100	**306**	**2 998**
(6)	–	–	**(6)**	**(1)**
(27)	227	100	**300**	**2 997**
–	–	3 257	**3 257**	**3 257**
			11 354	**23 808**
			(6 666)	**(13 393)**

Condensed notes to the abridged Group annual financial statements
for the year ended 30 September

1. Profit on deconsolidation

The 2013 non-cash profit on deconsolidation arose from the deconsolidation of GHG PropCo 1 and GHG PropCo 2 (collectively the "GHG Property Businesses"). After evaluation of the overall factors of control, including a decision to sell down Netcare's interests in GHG PropCo 1 to 50.0%, the GHG Property Businesses have been deconsolidated with effect from 16 November 2012. The GHG Property Businesses were consolidated for the first one-and-a-half months of the 2013 financial year, and thereafter they are equity accounted as Netcare continues to exercise significant influence.

Rm	2014	Restated[1] 2013
2. Operating profit		
After including:		
Profit on deconsolidation	**–**	3 257
Depreciation and amortisation	**(1 151)**	(1 089)
GHG Property Businesses	**–**	(47)
Other	**(1 151)**	(1 042)
Operating lease charges	**(3 070)**	(2 266)
GHG Property Businesses	**(2 464)**	(1 719)
Other	**(606)**	(547)
3. Investment income		
Expected return on retirement benefit plan assets	**70**	58
Interest on bank accounts and other	**143**	230
	213	288
4. Financial expenses		
Amortisation of arrangement fees	**(6)**	(23)
GHG Property Businesses	**–**	(11)
Other	**(6)**	(12)
Interest on bank loans and other	**(206)**	(399)
GHG Property Businesses	**–**	(185)
Other	**(206)**	(214)
Interest on promissory notes	**(262)**	(255)
Retirement benefit plan interest cost	**(90)**	(77)
	(564)	(754)
5. Other financial losses – net		
Amount reclassified from the cash flow hedge accounting reserve	**–**	(224)
Fair value losses on derivative financial instruments	**–**	(4)
Fair value (losses)/gains on inflation rate swaps (not hedge accounted)	**(78)**	44
Fair value gains on interest rate swaps (not hedge accounted)	**1**	3
Fair value (losses)/gains on other financial assets	**(3)**	6
Ineffectiveness losses on cash flow hedges	**–**	(12)
	(80)	(187)

1. Restated for the adoption of IFRS 10: *Consolidated Financial Statements*, IFRS 11: *Joint Arrangements* and IAS 19 (Revised): *Employee Benefits*.

Rm	2014	Restated[1] 2013
6. Taxation		
South African normal and deferred taxation		
Current year	**(819)**	(734)
Prior years	**(4)**	(2)
Capital gains tax	**(6)**	–
	(829)	(736)
Foreign normal and deferred taxation		
Current year	**(16)**	(37)
Prior years	**45**	113
Rate change	**–**	20
	29	96
Dividend tax	**(1)**	–
Total taxation per the income statement	**(801)**	(640)
The 2013 prior year foreign taxation adjustment included an amount of R103 million related to a change in the deferred taxation treatment of subsequent additions to non-qualifying fixed assets that were initially acquired through business combinations.		

Cents	2014	Restated[1] 2013
7. Earnings per share		
Basic earnings per share	**157.5**	381.2
Diluted earnings per share	**154.2**	372.2
Headline earnings per share	**158.2**	134.6
Diluted headline earnings per share	**154.9**	131.5
Adjusted headline earnings per share	**167.8**	140.4
Million		
Weighted average number of ordinary shares		
The weighted average number of ordinary shares used in the calculations is as follows:		
Weighted average number of shares	**1 334**	1 322
Potential dilutive effect of employee share options and HPFL units	**29**	32
Diluted weighted average number of shares	**1 363**	1 354
Potential dilutive effect of employee share options and HPFL trust units		
The dilutive effect is arrived as follows:		
Netcare Share Incentive Scheme	**5**	9
Forfeitable Share Plan	**5**	4
HPFL trust units	**19**	19
	29	32

1. Restated for the adoption of IFRS 10: *Consolidated Financial Statements*, IFRS 11: *Joint Arrangements* and IAS 19 (Revised): *Employee Benefits*.

Condensed notes to the abridged Group annual financial statements
continued
for the year ended 30 September

Rm	2014	Restated[1] 2013
7. Earnings per share continued		
Basic earnings per share		
The earnings used in the calculation of basic earnings per share is as follows:		
Profit for the year	**2 096**	5 050
Less:		
Dividends paid on shares attributable to the Forfeitable Share Plan	**(5)**	(4)
Preference shareholders	**(46)**	(47)
Non-controlling interest	**57**	41
Profit attributable to owners of the parent	**2 102**	5 040
Headline earnings		
Headline earnings are determined as follows:		
Earnings used in the calculation of basic earnings per share	**2 102**	5 040
Adjusted for:		
Profit on deconsolidation	**–**	(3 257)
Recognition/(reversal) of impairment of property, plant and equipment	**1**	(9)
Loss on disposal of property, plant and equipment and intangible assets	**27**	10
Profit on disposal of investments (net)	**(10)**	–
Tax effect of headline adjusting items	**(5)**	(2)
Non-controlling share of headline adjusting items	**(4)**	(2)
Headline earnings	**2 111**	1 780
Adjusted headline earnings		
Adjusted headline earnings are determined as follows:		
Headline earnings	**2 111**	1 780
Adjusted for:		
Amount reclassified from the cash flow hedge accounting reserve	**–**	224
Fair value (gains)/losses on derivative financial instruments	**77**	(43)
Fair value losses on derivative financial assets	**–**	4
Fair value losses/(gains) on inflation rate swaps	**78**	(44)
Fair value (gains)/losses on interest rate swaps	**(1)**	(3)
Ineffectiveness losses on cash flow hedges	**–**	12
Reversal of loan impairment	**(4)**	–
Reduction in UK statutory tax rate	**–**	(20)
Deferred tax adjustment relating to prior periods	**–**	(103)
Fees related to UK debt refinancing	**–**	41
Competition Commission costs*	**145**	55
Site closure costs	**31**	–
Remeasurement of defined benefit obligation	**–**	(61)
Tax effect of adjusting items	**(56)**	(7)
Non-controlling share of adjusting items	**(66)**	(24)
Adjusted headline earnings	**2 238**	1 854

1. Restated for the adoption of IFRS 10: *Consolidated Financial Statements*, IFRS 11: *Joint Arrangements* and IAS 19 (Revised): *Employee Benefits*.
* Adjusted headline earnings per share have been restated to exclude Competition Commission costs, as these are regarded as non-recurring and exceptional.

Rm	2014	Restated[1] 2013
8. Equity-accounted investments, loans and receivables		
Non-current		
Associated companies	**602**	628
Joint ventures	**76**	62
Loans and receivables	**1 337**	956
	2 015	1 646
Current		
Loans and receivables	**26**	34
	2 041	1 680
Included in loans and receivables is an investment of R1 087 million (2013: R855 million) relating to the acquisition of a contractual economic interest in the debt of BMI OpCo.		
9. Debt		
Long-term debt	**4 939**	5 290
Short-term debt	**1 739**	1 140
Total debt	**6 678**	6 430
Comprising:		
Debt in South African Rand		
Finance leases	**23**	47
Promissory notes and commercial paper in issue	**3 567**	3 851
Unsecured liabilities	**–**	1
	3 590	3 899
Debt in foreign currency		
Secured liabilities	**2 743**	2 361
Finance leases	**292**	170
Accrued interest	**67**	17
Arrangement fees	**(14)**	(17)
	3 088	2 531
	6 678	6 430

Maturity profile

Rm	Total	< 1 year	1 – 2 years	2 – 3 years	3 – 4 years	> 4 years
2014						
Debt in South African Rand	**3 590**	**1 178**	**992**	**258**	**602**	**560**
Debt in foreign currency	**3 088**	**561**	**467**	**418**	**423**	**1 219**
	6 678	**1 739**	**1 459**	**676**	**1 025**	**1 779**
2013						
Debt in South African Rand	3 899	1 095	1 176	1 011	8	609
Debt in foreign currency	2 531	45	421	400	355	1 310
	6 430	1 140	1 597	1 411	363	1 919

1. Restated for the adoption of IFRS 10: *Consolidated Financial Statements*, IFRS 11: *Joint Arrangements* and IAS 19 (Revised): *Employee Benefits*.

Condensed notes to the abridged Group annual financial statements
continued
for the year ended 30 September

Rm	2014	Restated[1] 2013
10. Commitments		
Capital commitments	**2 600**	1 915
South Africa	**2 399**	1 776
United Kingdom	**201**	139
Operating lease commitments	**55 542**	45 722
South Africa	**4 326**	1 368
United Kingdom	**51 216**	44 354
11. Contingent liabilities		
South Africa	**171**	481

12. Events after the reporting period

The directors are not aware of any matter or circumstance arising since the end of the financial year, not otherwise dealt with in the Group's annual financial statements, which significantly affects the financial position at 30 September 2014 or the results of its operations or cash flows for the year then ended.

1. Restated for the adoption of IFRS 10: *Consolidated Financial Statements*, IFRS 11: *Joint Arrangements* and IAS 19 (Revised): *Employee Benefits.*

13. Restatement of comparative figures

Netcare Limited adopted IFRS 10: *Consolidated Financial Statements*, IFRS 11: *Joint Arrangements* and IAS 19 (Revised): *Employee Benefits* on 1 October 2013. The effect of the new standards is detailed under note 2 and, as required by the standards, retrospective application has been applied. The results for the comparative year ended 30 September 2013, have been restated, however no restatement has been performed for earlier comparative years. In line with both the transitional provisions of the relevant standards, as well as IAS 1: *Presentation of Financial Statements,* the effect of the restatement for earlier years is not required. The impact was assessed by management to be immaterial both qualitatively and quantitatively, and it was therefore considered that the information would provide no benefit to the users of the annual financial statements.

The impact of the adoption of the standards on the 2013 financial results is detailed below:

	Audited Year ended 30 September 2013				
Rm	Previously reported	IFRS 10 adjust-ments	IFRS 11 adjust-ments	IAS 19R adjust-ments	Restated
GROUP INCOME STATEMENT					
Revenue	27 801	–	(419)	–	**27 382**
Cost of sales	(15 746)	–	178	–	**(15 568)**
Gross profit	12 055	–	(241)	–	**11 814**
Other income	306	–	–	–	**306**
Administrative and other expenses	(9 301)	(6)	187	(3)	**(9 123)**
Operating profit before profit on deconsolidation	3 060	(6)	(54)	(3)	**2 997**
Profit on deconsolidation*	3 257	–	–	–	**3 257**
Operating profit	6 317	(6)	(54)	(3)	**6 254**
Investment income	351	(2)	(3)	(58)	**288**
Financial expenses	(756)	–	2	–	**(754)**
Other financial losses – net	(193)	6	–	–	**(187)**
Attributable earnings of associates	58	–	(5)	–	**53**
Attributable earnings of joint ventures	–	–	36	–	**36**
Profit before taxation	5 777	(2)	(24)	(61)	**5 690**
Taxation	(673)	2	19	12	**(640)**
Profit for the year	5 104	–	(5)	(49)	**5 050**
Earnings per share (cents)					
Basic	384.9	–	–	(3.7)	**381.2**
Diluted	375.8	–	–	(3.6)	**372.2**

* Profit on deconsolidation of the GHG Property Businesses. Refer to note 1 for more detail.

13. Restatement of comparative figures continued

Rm	Audited Year ended 30 September 2013 Previously reported	IFRS 10 adjustments	IFRS 11 adjustments	IAS 19R adjustments	Restated
GROUP STATEMENT OF COMPREHENSIVE INCOME					
Profit for the year	5 104	–	(5)	(49)	**5 050**
Items that may not subsequently be reclassified to profit or loss	191	–	–	48	**239**
Remeasurement of defined benefit obligation	(103)	–	–	60	**(43)**
Effect of translation of foreign entities – Deconsolidation of GHG Property Businesses	274	–	–	–	**274**
Taxation on items that may not subsequently be reclassified to profit or loss	20	–	–	(12)	**8**
Items that may subsequently be reclassified to profit or loss	3 559	–	1	–	**3 560**
Effect of cash flow hedge accounting	3 108	–	–	–	**3 108**
Deconsolidation of GHG Property Businesses	2 473	–	–	–	**2 473**
Change in the fair value of cash flow hedges	177	–	–	–	**177**
Reclassification of the cash flow hedge accounting reserve	458	–	–	–	**458**
Effect of translation of foreign entities	520	–	1	–	**521**
Deconsolidation of GHG Property Businesses	310	–	–	–	**310**
Other	210	–	1	–	**211**
Taxation on items that may subsequently be reclassified to profit or loss	(69)	–	–	–	**(69)**
Other comprehensive income for the year	3 750	–	1	48	**3 799**
Total comprehensive income for the year	8 854	–	(4)	(1)	**8 849**
Attributable to:					
Owners of the parent	7 139	–	1	(1)	**7 139**
Preference shareholders	47	–	–	–	**47**
Profit attributable to shareholders	7 186	–	1	(1)	**7 186**
Non-controlling interest	1 668	–	(5)	–	**1 663**
	8 854	–	(4)	(1)	**8 849**

Condensed notes to the abridged Group annual financial statements
continued
for the year ended 30 September

13. Restatement of comparative figures continued

Rm	Previously reported	IFRS 10 adjust-ments	IFRS 11 adjust-ments	IAS 19R adjust-ments	Restated
	Audited Year ended 30 September 2013				
GROUP STATEMENT OF FINANCIAL POSITION					
ASSETS					
Non-current assets					
Property, plant and equipment	10 487	–	(86)	–	**10 401**
Goodwill	3 484	–	(18)	–	**3 466**
Intangible assets	389	–	–	–	**389**
Equity-accounted investments, loans and receivables	1 552	–	94	–	**1 646**
Financial assets	49	23	–	–	**72**
Deferred taxation	1 225	–	(7)	–	**1 218**
Total non-current assets	17 186	23	(17)	–	**17 192**
Current assets					
Loans and receivables	34	–	–	–	**34**
Inventories	920	–	(8)	–	**912**
Trade and other receivables	4 073	–	(40)	–	**4 033**
Taxation receivable	20	–	(3)	–	**17**
Cash and cash equivalents	1 686	(39)	(27)	–	**1 620**
Total current assets	6 733	(39)	(78)	–	**6 616**
Total assets	23 919	(16)	(95)	–	**23 808**
EQUITY AND LIABILITIES					
Capital and reserves					
Ordinary share capital and premium	934	–	–	–	**934**
Treasury shares	(766)	–	–	–	**(766)**
Other reserves	2 146	–	–	–	**2 146**
Retained earnings	4 846	–	–	–	**4 846**
Equity attributable to owners of the parent	7 160	–	–	–	**7 160**
Preference share capital and premium	644	–	–	–	**644**
Non-controlling interest	2 628	–	(17)	–	**2 611**
Total shareholders' equity	10 432	–	(17)	–	**10 415**

13. Restatement of comparative figures continued

Rm	Previously reported	IFRS 10 adjust-ments	IFRS 11 adjust-ments	IAS 19R adjust-ments	Restated
	Audited Year ended 30 September 2013				
GROUP STATEMENT OF FINANCIAL POSITION continued					
Non-current liabilities					
Long-term debt	5 293	–	(3)	–	**5 290**
Financial liabilities	8	–	–	–	**8**
Post-retirement benefit obligations	229	–	–	–	**229**
Deferred lease liability	71	–	(1)	–	**70**
Deferred taxation	1 129	–	–	–	**1 129**
Provisions	97	–	–	–	**97**
Total non-current liabilities	6 827	–	(4)	–	**6 823**
Current liabilities					
Trade and other payables	5 145	(15)	(64)	–	**5 066**
Short-term debt	1 147	–	(7)	–	**1 140**
Taxation payable	251	(1)	(3)	–	**247**
Bank overdrafts	117	–	–	–	**117**
Total current liabilities	6 660	(16)	(74)	–	**6 570**
Total equity and liabilities	23 919	(16)	(95)	–	**23 808**

Rm	Previously reported	IFRS 10 adjust-ments	IFRS 11 adjust-ments	IAS 19R adjust-ments	Restated
	Audited Year ended 30 September 2013				
CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY					
Non-controlling interest balance at 30 September 2012	(2 666)	–	(12)	–	**(2 678)**
Dividend paid	(3)	–	–	–	**(3)**
Increase in equity interest in subsidiaries	(168)	–	–	–	**(168)**
Deconsolidation of GHG Property Businesses	3 797	–	–	–	**3 797**
Total comprehensive income for the year	1 668	–	(5)	–	**1 663**
Balance at 30 September 2013	2 628	–	(17)	–	**2 611**

Condensed notes to the abridged Group annual financial statements
continued
for the year ended 30 September

13. Restatement of comparative figures continued

Condensed segment report

Rm	Previously reported South Africa Hospital and Emergency services	Primary Care	Adjustments and eliminations	Total
30 September 2013				
Income Statement				
Revenue	14 354	1 163	–	**15 517**
Attributable earnings of associates and joint ventures	–	–	–	**–**
EBITDA	3 164	82	–	**3 246**
EBITDA before capital items	3 158	83	–	**3 241**
Capital items	6	(1)	–	**5**
Operating profit	2 705	48	–	**2 753**
Operating profit before capital items	2 699	49	–	**2 748**
Capital items	6	(1)	–	**5**
Segment assets and liabilities				
Total assets				**12 546**
Total liabilities				**(6 802)**

Rm	Previously reported UK BMI OpCo	GHG PropCo	Adjustments and eliminations	Total
30 September 2013				
Income Statement				
External revenue	12 284	–	–	**12 284**
Inter-segment revenue	–	275	(275)	**–**
GHG PropCo1 rent	–	264	(264)	**–**
GHG PropCo2 rent	–	11	(11)	**–**
Revenue	12 284	275	(275)	**12 284**
Attributable earnings of associates and joint ventures	–	–	–	**–**
EBITDA	652	274	3 257	**4 183**
EBITDA before capital items and profit on deconsolidation	658	274	–	**932**
Capital items and profit on deconsolidation	(6)	–	3 257	**3 251**
Operating profit	(20)	227	3 357	**3 564**
Operating profit before capital items and profit on deconsolidation	(14)	227	100	**313**
Capital items and profit on deconsolidation	(6)	–	3 257	**3 251**
Segment assets and liabilities				
Total assets				**11 373**
Total liabilities				**(6 685)**

Effect of restatement South Africa				Restated South Africa			
Hospital and Emergency services	Primary Care	Adjustments and eliminations	Total	Hospital and Emergency services	Primary Care	Adjustments and eliminations	Total
(370)	–	–	**(370)**	13 984	1 163	–	**15 147**
52	–	–	**52**	52	–	–	**52**
(71)	–	–	**(71)**	3 093	82	–	**3 175**
(71)	–	–	**(71)**	3 087	83	–	**3 170**
–	–	–	**–**	6	(1)	–	**5**
(56)	–	–	**(56)**	2 649	48	–	**2 697**
(56)	–	–	**(56)**	2 643	49	–	**2 692**
–	–	–	**–**	6	(1)	–	**5**
			(92)				**12 454**
			75				**(6 727)**

Effect of restatement UK				Restated UK			
BMI OpCo	GHG PropCo	Adjustments and eliminations	Total	BMI OpCo	GHG PropCo	Adjustments and eliminations	Total
(49)	–	–	**(49)**	12 235	–	–	**12 235**
–	–	–	**–**	–	275	(275)	**–**
–	–	–	**–**	–	264	(264)	**–**
–	–	–	**–**	–	11	(11)	**–**
(49)	–	–	**(49)**	12 235	275	(275)	**12 235**
37	–	–	**37**	37	–	–	**37**
(15)	–	–	**(15)**	637	274	3 257	**4 168**
(15)	–	–	**(15)**	643	274	–	**917**
–	–	–	**–**	(6)	–	3 257	**3 251**
(7)	–	–	**(7)**	(27)	227	3 357	**3 557**
(7)	–	–	**(7)**	(21)	227	100	**306**
–	–	–	**–**	(6)	–	3 257	**3 251**
			(19)				**11 354**
			19				**(6 666)**

13. Restatement of comparative figures continued

Condensed segment report continued

Rm	Previously reported: South Africa	Previously reported: UK	Previously reported: Adjustments and eliminations	Previously reported: Total
30 September 2013				
Income Statement				
Revenue	15 517	12 559	(275)	**27 801**
Attributable earnings of associates and joint ventures	–	–	–	**–**
EBITDA	3 246	926	3 257	**7 429**
EBITDA before capital items and profit on deconsolidation	3 241	932	–	**4 173**
Capital items and profit on deconsolidation	5	(6)	3 257	**3 256**
Operating profit	2 753	207	3 357	**6 317**
Operating profit before capital items and profit on deconsolidation	2 748	213	100	**3 061**
Capital items and profit on deconsolidation	5	(6)	3 257	**3 256**
Segment assets and liabilities				
Total assets				**23 919**
Total liabilities				**(13 487)**

	Effect of restatement				Restated			
	South Africa	UK	Adjustments and eliminations	Total	South Africa	UK	Adjustments and eliminations	Total
	(370)	(49)	–	**(419)**	15 147	12 510	(275)	**27 382**
	52	37	–	**89**	52	37	–	**89**
	(71)	(15)	–	**(86)**	3 175	911	3 257	**7 343**
	(71)	(15)	–	**(86)**	3 170	917	–	**4 087**
	–	–	–	**–**	5	(6)	3 257	**3 256**
	(56)	(7)	–	**(63)**	2 697	200	3 357	**6 254**
	(56)	(7)	–	**(63)**	2 692	206	100	**2 998**
	–	–	–	**–**	5	(6)	3 257	**3 256**
				(111)				**23 808**
				94				**(13 393)**

Glossary

An explanation of some of the terms and abbreviations used in this annual integrated report is shown below.

Financial definitions

Capital items

Capital items includes items such as the impairment of goodwill, impairment of investments and loans, impairment of property, plant and equipment, profit/loss on disposal of property, plant and equipment, and profit/loss on disposal of subsidiaries.

EBITDA

Earnings before interest, taxation, depreciation and amortisation.

EBITDA margin

EBITDA expressed as a percentage of revenue.

Effective tax rate

Taxation expressed as a percentage of profit before taxation.

Headline earnings

This comprises the earnings attributable to owners of the parent after adjusting for specific re-measurements as defined in Circular 2/2013 issued by the South African Institute of Chartered Accountants.

Interest cover

Operating profit divided by net interest paid.

Net debt

Long-term debt, short-term debt and bank overdrafts net of cash and cash equivalents.

Net debt to EBITDA

Net debt divided by EBITDA.

Acronyms and non-financial definitions

ACI
African, Coloured and Indian

B-BBEE
Broad-based Black Economic Empowerment

BEE
Black Economic Empowerment

BMI Healthcare (BMI OpCo)
Operating business forming part of General Healthcare Group in the United Kingdom

CMS
Council for Medical Schemes

CSI
Corporate social investment

DoH
Department of Health (South Africa)

EE
Employment equity

EMS
Emergency medical services

GHG
General Healthcare Group Limited, a subsidiary in the United Kingdom

GHG PropCo 1
Portfolio of 35 UK hospital properties initially acquired as part of the General Healthcare Group acquisition in 2006

GHG PropCo 2
Six properties acquired from Nuffield in 2008 and incorporated as part of General Healthcare Group in the United Kingdom

GHG Property Businesses
The General Healthcare Group property businesses GHG PropCo 1 and GHG PropCo 2

GP
General practitioner

GRAFS
Group Risk, Audit and Forensic Services

GRI
Global Reporting Initiative

HAI
Healthcare associated infections

HASA
Hospital Association of South Africa

HC
High care

HIV/Aids
Human Immunodeficiency virus/Acquired immune deficiency syndrome

ICU
Intensive care unit

IFRS
International Financial Reporting Standards

IT
Information technology

JSE
Johannesburg Stock Exchange

NHI
National Health Insurance (South Africa)

NHS
National Health Service (United Kingdom)

NICU
Neo-natal intensive care unit

PMI
Private medical insurance

PPP
Public Private Partnership

SA
South Africa

UK
United Kingdom

Corporate information

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1996/008242/06

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www.netcareinvestor.co.za
www.netcare911.co.za
www.medicross.co.za
www.primecure.co.za
www.nrc.co.za
www.ghg.co.uk
www.bmihealthcare.co.uk

JSE information
JSE share code: NTC (Ordinary shares)
ISIN code: ZAE000011953
JSE share code: NTCP
(Preference shares)
ISIN code: ZAE000081121

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of Nedbank Group Limited

Auditors
Grant Thornton

Principal bankers
Nedbank Limited

Attorneys
HR Levin Attorneys

Shareholders' diary

Annual general meeting	6 February 2015	
Reports		
Interim results announcement	May	
Final results announcement	November	
Dividends	**Declared**	**Paid**
Ordinary dividend		
Interim	May	July
Final	November	February
Preference dividend		
Interim	April	May
Final	October	November

Disclaimer

Certain statements in this annual integrated report constitute 'forward-looking statements'. Forward-looking statements may be identified by words such as 'believe', 'anticipate', 'expect', 'plan', 'estimate', 'intend', 'project', 'target', 'predict' and 'hope'. By their nature, forward-looking statements are inherently predictive, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future, involve known and unknown risks, uncertainties and other facts or factors which may cause the actual results, performance or achievements of the Group, or the healthcare sector to be materially different from any results, performance or achievement expressed or implied by such forward-looking statements. Forward-looking statements are not guarantees of future performance and are based on assumptions regarding the Group's present and future business strategies and the environments in which it operates now and in the future. No assurance can be given that forward-looking statements will prove to be correct and undue reliance should not be placed on such statements.

Forward-looking statements apply only as of the date on which they are made, and Netcare does not undertake, other than in terms of the Listings Requirements of the JSE Limited, to update or revise any statement, whether as a result of new information, future events or otherwise.

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