

## THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to the action you should take, please consult your stockbroker, banker, accountant, attorney or other professional advisor immediately.

If you have disposed of all your shares in Network Healthcare Holdings Limited ("Netcare"), please forward this document to the stockbroker, banker or agent through whom the disposal was effected.

### Action required

#### *Certificated or own-name registered dematerialised shareholders*

If you are a certificated Netcare shareholder or an own-name registered dematerialised Netcare shareholder and are unable to attend the general meeting of Netcare shareholders to be held at 12:00 on Monday, 26 September 2005 ("the general meeting") but wish to be represented thereat, you must complete the form of proxy (*yellow*) attached hereto in accordance with the instructions therein and return it to Netcare's transfer secretaries, Ultra Registrars (Proprietary) Limited, 11 Diagonal Street, Johannesburg, 2001 (PO Box 4844, Johannesburg, 2000) by no later than 12:00 on Friday, 23 September 2005.

#### *Dematerialised (other than own-name registered) shareholders*

If you hold dematerialised Netcare shares and have not elected own-name registration then your Central Securities Depository Participant ("CSDP") or broker, as the case may be, should contact you to ascertain how you wish to cast your vote at the general meeting and thereafter cast your vote in accordance with your instructions. If your CSDP or broker does not contact you, you should ensure that your CSDP or broker is timeously instructed and such instructions communicated by the CSDP or broker to STRATE, who in turn will advise Netcare's transfer secretaries by no later than 12:00 on Friday, 23 September 2005.

Dematerialised Netcare shareholders (other than own-name registered dematerialised shareholders) who wish to attend the general meeting must obtain a Letter of Representation from their CSDP or broker, as the case may be, and submit same to Netcare's transfer secretaries to be received by no later than 12:00 on Friday, 23 September 2005.

The action to be taken by a dematerialised (other than own-name registered) shareholder is regulated in terms of the agreement entered into between the dematerialised Netcare shareholder and their CSDP or broker in the manner and time periods stipulated therein.



## Network Healthcare Holdings Limited

(Registration number 1996/008242/06)

JSE code: NTC ISIN: ZAE000011953

("Netcare" or "the company")

## CIRCULAR TO SHAREHOLDERS

relating to:

- a **Broad-Based Black Economic Empowerment proposal entailing a specific issue of ordinary shares for cash and the disposal of the issued shares in Basfour 2078 (Proprietary) Limited;**
- **the amendment of the Netcare Share Incentive Scheme; and**
- **a specific authority for Netcare and/or its subsidiaries to repurchase its shares**

and incorporating:

- **a notice convening a general meeting of shareholders; and**
- **a form of proxy for use by certificated and own-name dematerialised shareholders (*yellow*)**

Corporate advisor and legal advisor

**JAVACAPITAL**

Independent advisor

**Deloitte.**

Corporate Finance Division  
Deloitte & Touche Chartered Accountants (SA)  
Registered Accountants and Auditors

Joint reporting accountants and auditors

**PKF**

Accountants &  
business advisers

**Grant Thornton**

Chartered Accountants (SA)  
Accountants, Auditors & Business Advisers

Sponsor

**Merrill Lynch**

Global Markets & Investment Banking Group  
Merrill Lynch South Africa (Pty) Ltd  
Registration number 1995/001805/07  
Registered Sponsor and Member of the  
JSE Securities Exchange South Africa

Attorneys

**H R LEVIN**

Attorneys, Notaries  
and Conveyancers

Third party financier



**RAND MERCHANT BANK**

A division of FirstRand Bank Limited

This circular is only available in English. Copies may be obtained from the company, 76 Maude Street (corner West Street), Sandton, 2196.

Date of issue: Thursday, 1 September 2005

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## CORPORATE INFORMATION

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### Company secretary and registered office

J Wolpert CA(SA) FCMA FCIS  
76 Maude Street  
(corner West Street)  
Sandton, 2196  
(Private Bag X34, Benmore, 2010)

### Joint reporting accountants and auditors

PKF (Jhb) Inc.  
Chartered Accountants (SA)  
(Registration number 1994/001166/21)  
PKF House  
15 Girton Road  
Parktown, 2193  
(PO Box 1370, Johannesburg, 2000)

Grant Thornton  
Chartered Accountants (SA)  
Grant Thornton Office Park  
137 Daisy Street  
Sandown  
Sandton, 2196  
(Private Bag X28, Benmore, 2010)

### Sponsor

Merrill Lynch South Africa (Proprietary) Limited  
(Registration number 1995/001805/07)  
138 West Street  
Sandown  
Sandton, 2196  
(PO Box 651987, Benmore, 2010)

### Directors

Michael Ivan Sacks† (*Chairman*)  
Dr Jack Shevel\*‡ (*Chief Executive Officer*)  
Dr Richard Harold Friedland\*■ (*CEO – International*)  
Peter Nelson\* (*Chief Financial Officer*)  
Dr Reginald Hedley Bush\*●  
Ingrid Marion Davis\*  
Dr Ian Kadish\*●  
Petrus Johannes Lindeque\*●  
Dr Victor L J Litlhakanyane\*  
Norman Weltman\*  
Dr Johannes Albertus van Rooyen†  
Dr Azar Paul Hindelly Jammie▲†  
Jacob Meyer Kahn▲†  
Hymie Reuvin Levin†  
Professor Malcolm Barry Kistnasamy†

\* *Executive*

† *Non-executive*

‡ Resigned as Chief Executive Officer and appointed as non-executive director with effect from 1 September 2005

■ Appointed as Chief Executive Officer with effect from 1 September 2005

▲ Independent

● Resigning with effect from 16 September 2005

### Corporate advisor and legal advisor

Java Capital (Proprietary) Limited  
(Registration number 2002/031862/07)  
2 Arnold Road  
Rosebank, 2196  
(PO Box 2087, Parklands, 2121)

### Transfer secretaries

Ultra Registrars (Proprietary) Limited  
(Registration number 2000/007239/07)  
11 Diagonal Street  
Johannesburg, 2001  
(PO Box 4844, Johannesburg, 2000)

### Attorneys

HR Levin Attorneys, Notaries & Conveyancers  
Kentgate  
64 Kent Road  
corner Oxford Road  
Dunkeld, 2196  
(PO Box 52235, Saxonwold, 2132)

### Independent advisor

Deloitte & Touche Corporate Finance  
Deloitte Place  
The Woodlands  
Woodlands Drive  
Woodmead, 2191  
(Private Bag X6, Gallo Manor, 2052)

### Third party financier

Rand Merchant Bank, a division of FirstRand Bank Limited  
(Registration number 1929/001225/06)  
1 Merchant Place  
corner Fredman Drive and Rivonia Road  
Sandton, 2196  
(PO Box 786273, Sandton, 2146)

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## TABLE OF CONTENTS

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	<i>Page</i>
<b>Corporate information</b>	2
<b>Salient features</b>	4
<b>Salient dates and times</b>	5
<b>Action required by Netcare shareholders in terms of the general meeting</b>	6
<b>Interpretations and definitions</b>	7
<b>Circular to Netcare shareholders</b>	11
<b>Part I – Overview of the HPFL transaction</b>	11
1. Introduction	11
2. Purpose of this document	12
3. Rationale	12
4. Background and Netcare’s Integrated Healthcare Model	12
5. The Codes	14
6. Principles of the proposed transaction	14
7. Overview of the proposed transaction	14
8. The HPFL trusts and the participants	16
9. Directors’ recommendation	21
<b>Part II – Amendment of the Netcare Share Incentive Scheme</b>	22
1. Introduction	22
2. Proposed amendments to the Netcare Share Incentive Scheme	22
3. Condition precedent	22
<b>Part III – Financial information</b>	23
1. Financial and accounting effects of the transaction	23
2. Reporting accountants’ report	23
<b>Part IV – Directors’ information</b>	24
1. Directors’ details and experience	24
2. Directors’ remuneration and changes to the board of directors	26
3. Effect on directors’ interests	26
4. Directors’ interests in Netcare shares	27
5. Directors’ interests in transactions	28
<b>Part V – Additional information</b>	29
1. Affected transaction	29
2. Prospects	29
3. Exchange Control Regulations	29
4. Share capital	30
5. Major shareholders	30
6. Share price history	30
7. Material contracts	30
8. Litigation statement	30
9. Material change statement	31
10. King Code	31
11. Directors’ responsibility statement	31
12. Experts’ consent letters	31
13. Documentation available for inspection	31
<b>Annexure 1</b> Report on the estimated cost to shareholders of the HPFL transaction	32
<b>Annexure 2</b> Salient features of the Netcare Share Incentive Scheme (as amended)	34
<b>Annexure 3</b> Unaudited <i>pro forma</i> financial information	36
<b>Annexure 4</b> Report of the independent reporting accountants on the unaudited <i>pro forma</i> financial information	39
<b>Annexure 5</b> Share price history	41
<b>Annexure 6</b> King Code	43
<b>Notice of general meeting of shareholders</b>	46
<b>Form of proxy (for use by certificated and own-name dematerialised shareholders) (yellow)</b>	Attached

## SALIENT FEATURES

As detailed in announcements published on 21 April and 30 June 2005 regarding Netcare's Health Partners for Life initiative, the company proposes to effect broad-based black economic participation and transformation within Netcare. This will be achieved by the issue of new ordinary Netcare shares and the sale of the equity in Basfour (a wholly-owned subsidiary of Netcare, which holds Netcare shares as treasury shares) to trusts representing a broad grouping of predominantly historically disadvantaged individuals comprising nurses and caregivers, Netcare management and staff, doctors, women and children and sport and wellness groupings.

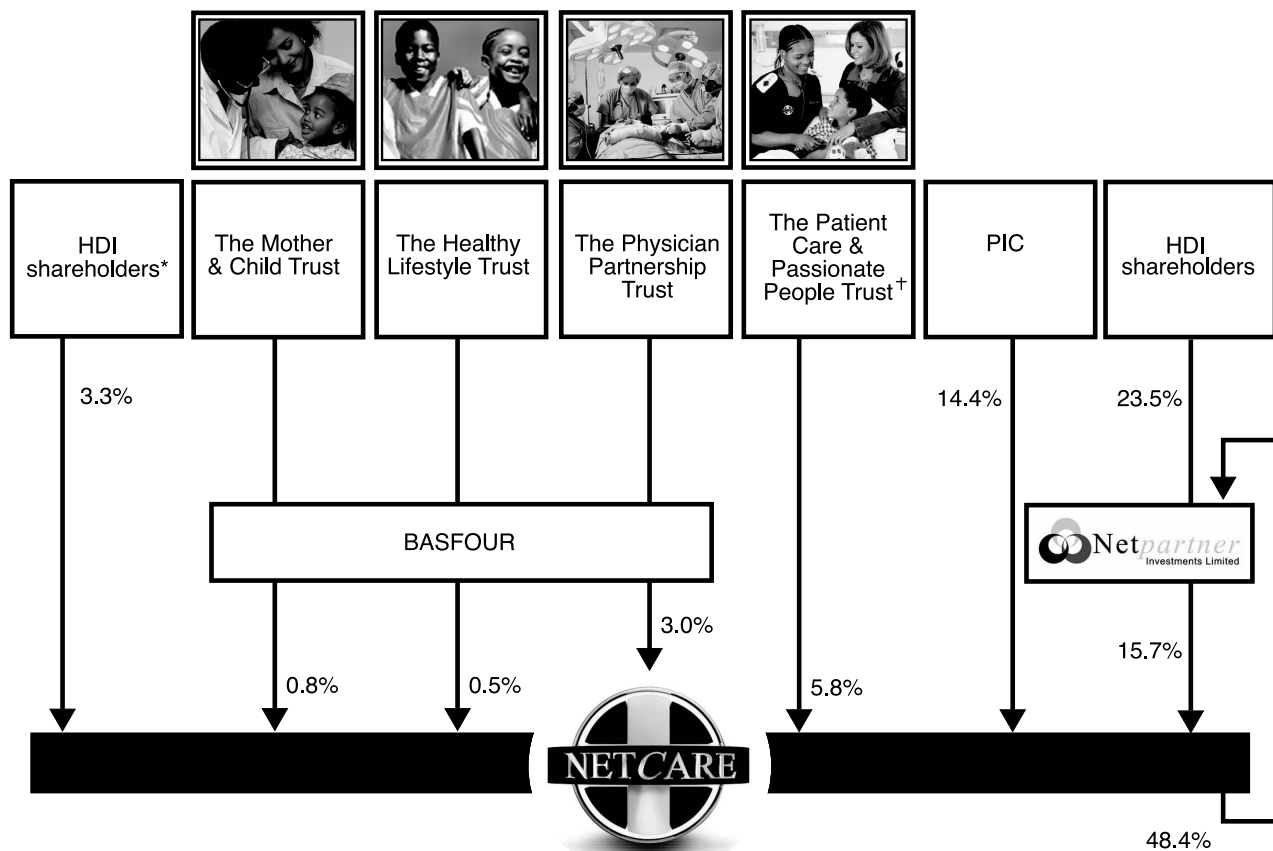
The more than 45 000 participants are expected to hold, through their participation in these trusts, approximately 10% of the issued ordinary shares in Netcare following the transaction, with the result that approximately 30% of the issued shares in Netcare will, either directly or indirectly, be controlled by HDI and broad-based BEE and community institutions.

The HPFL initiative is an undertaking by Netcare to transform healthcare by mobilising the potential of all South Africans and ensuring **better care to more people**. The HPFL initiative also reflects the group's ongoing commitment to providing the best quality of accessible and affordable healthcare through a world-class infrastructure of medical facilities, professionals and technology.

The board believes that the long-term commercial and strategic benefits to be gained should exceed the costs of the HPFL transaction.

The HPFL transaction will be effective on 1 October 2005 and is proposed to be implemented during October 2005, subject to the requisite shareholder approvals being obtained.

The following diagram illustrates the holdings (both direct and indirect) of broad-based BEE participants in the Netcare group (excluding treasury shares) pursuant to the HPFL transaction.



\*Estimate in terms of independent survey by Symphony.

†The Patient Care & Passionate People Trust will hold the Netcare shares either directly or indirectly via a wholly-owned subsidiary.

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## SALIENT DATES AND TIMES

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The interpretations and definitions commencing on page 7 of the circular have been used below.

**2005**

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Circular and notice of general meeting posted to shareholders on	Thursday, 1 September
Forms of proxy for the general meeting to be received by 12:00 on	Friday, 23 September
General meeting of shareholders to be held at 12:00 on	Monday, 26 September
Results of the general meeting to be released on SENS on	Monday, 26 September
Results of the general meeting to be published in the press on	Tuesday, 27 September
Issue of new HPFL shares	during October
Commencement of listing of new HPFL shares	during October

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The dates and times set out above may be changed at the instance of the company. Any changes will be published on SENS and in the press.

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## ACTION REQUIRED BY NETCARE SHAREHOLDERS IN TERMS OF THE GENERAL MEETING

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1. If you are in any doubt as to the action you should take in relation to this circular or the general meeting, you should consult your broker, banker, attorney, accountant, CSDP or other professional adviser immediately.
2. If you have disposed of all of your Netcare shares, this circular should be handed to the purchaser of such shares or the broker, banker, attorney, accountant, CSDP, professional adviser or other agent through whom the disposal was effected.
3. The general meeting, convened in terms of the notice of general meeting enclosed with this circular, will commence at 12:00 on Monday, 26 September 2005 at the offices of Netcare, 76 Maude Street (corner West Street), Sandton.

4. *Certificated or own-name registered dematerialised shareholders*

If you hold certificated or own-name registered dematerialised shares, you are entitled to attend, or be represented by proxy, at the general meeting. If you are unable to attend the general meeting, but wish to be represented thereat, you must complete and return the attached form of proxy, in accordance with the instructions contained therein, to be received by the transfer secretaries, Ultra Registrars (Proprietary) Limited, 11 Diagonal Street, Johannesburg, 2001 (PO Box 4844, Johannesburg, 2000) by not later than 12:00 on Friday, 23 September 2005.

5. *Dematerialised shareholders who have not elected own-name registration*

If you have dematerialised your Netcare shares and have not elected own-name registration you are entitled to attend, or be represented by proxy, at the general meeting. You must not, however, complete the attached form of proxy. You must advise your CSDP or broker timeously if you wish to attend, or be represented at, the general meeting.

If you do wish to attend the general meeting, your CSDP or broker will be required to issue the necessary Letter of Representation to you to enable you to attend and vote at the general meeting.

If your CSDP or broker does not contact you, you are advised to contact your CSDP or broker and provide them with your voting instructions. If your CSDP or broker does not obtain instructions from you, they will be obliged to act in terms of your mandate furnished to them.

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## INTERPRETATIONS AND DEFINITIONS

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In this circular and the annexures hereto, unless inconsistent with the context:

- the singular includes the plural and *vice versa*;
- the masculine gender includes both the feminine gender and the neuter;
- a reference to a person includes a body corporate or incorporate and *vice versa*; and
- the words of the first column shall have the meanings assigned to them in the second column.

“Act”	the Companies Act, 1973 (Act 61 of 1973), as amended;
“Basfour”	Basfour 2078 (Proprietary) Limited (Registration number 2000/007632/07), a wholly-owned subsidiary of Netcare, the issued ordinary shares of which are to be disposed of to The Mother & Child Trust, The Healthy Lifestyle Trust and The Physician Partnerships Trust, further details of which are set out in paragraph 8 of Part I of this circular;
“Basfour share sale price”	the nominal purchase price payable by The Healthy Lifestyle Trust, The Mother & Child Trust and The Physician Partnerships Trust in consideration for the acquisition by the aforesaid trusts of the entire issued ordinary share capital in Basfour, being R10,00 in the aggregate, being the nominal value of the ordinary shares following the distribution by Basfour to its sole shareholder, NHG, of the reserves arising from the revaluation of the HPFL sale shares;
“BEE”	black economic empowerment as defined in the BEE Act;
“BEE Act”	the Broad-Based Black Economic Empowerment Act, 2003 (Act 53 of 2003);
“black people”	collectively, Africans, Coloureds and Indians, as defined in the BEE Act;
the “board” or the “directors”	the board of directors of Netcare;
“broad-based BEE”	shall carry the meaning given to it in the BEE Act, namely the economic empowerment of all black people including women, workers, youth, people with disabilities and people living in rural areas through diverse but integrated socio-economic strategies that include, but are not limited to- <ol style="list-style-type: none"><li>increasing the number of black people that manage, own and control enterprises and productive assets;</li><li>facilitating ownership and management of enterprises and productive assets by communities, workers, co-operatives and other collective enterprises;</li><li>human resource and skills development;</li><li>achieving equitable representation in all occupational categories and levels in the workforce;</li><li>preferential procurement; and</li><li>investment in enterprises that are owned or managed by black people;</li></ol>
“business day”	any day other than a Saturday, Sunday or official public holiday in South Africa;
“certificated shareholders”	shareholders who have not dematerialised their shares, title to which is represented by a share certificate or other physical document of title;
“CGT”	Capital Gains Tax;
“this circular”	this bound document, dated 1 September 2005, including all annexures and enclosures;

<b>“the Codes”</b>	the Codes of Good Practice and Statements issued in draft form by the Department of Trade and Industry in terms of Section 9 of the BEE Act, including recent revisions and drafts;
<b>“common monetary area”</b>	collectively, South Africa, the Republic of Namibia and the Kingdoms of Lesotho and Swaziland;
<b>“CSDP”</b>	Central Securities Depository Participant;
<b>“deed of amendment”</b>	the deed incorporating all proposed amendments to the Netcare Share Incentive Scheme, signed on 30 August 2005, a copy of which will be available for inspection in accordance with the provisions of paragraph 13 of Part V of this circular;
<b>“dematerialisation”</b>	the process by which certificated shares are converted to an electronic form as uncertificated shares and recorded in the sub-register of shareholders maintained by a CSDP or broker;
<b>“dematerialised shareholders”</b>	shareholders who have dematerialised their Netcare shares in terms of STRATE;
<b>“documents of title”</b>	share certificates and/or certified transfer deeds and/or balance receipts or any other document of title in respect of Netcare shares;
<b>“effective date”</b>	the effective date of the HPFL transaction, being 1 October 2005;
<b>“funding obligations”</b>	collectively, the third party funding obligation and the Netcare funding obligation;
<b>“general meeting”</b>	the general meeting of Netcare shareholders to be held at the registered office of Netcare at 12:00 on Monday, 26 September 2005, to consider and, if deemed appropriate, approve the resolutions proposed in the notice of general meeting enclosed with this circular;
the <b>“group”</b> or <b>“Netcare group”</b>	Netcare, its subsidiaries and associated companies;
<b>“HDI’s”</b>	individuals historically and previously disadvantaged by unfair discrimination, primarily black people;
<b>“Healthcare Charter”</b>	the Transformation Charter to be published for the healthcare sector in terms of section 12 of the BEE Act;
<b>“HPFL initiative”</b> or <b>“Health Partners for Life initiative”</b>	the Health Partners for Life initiative proposed by Netcare in an announcement published on SENS on 21 April 2005 and as further detailed in an announcement published on SENS on 30 June 2005;
<b>“HPFL sale shares”</b>	52 655 546 Netcare shares held by Basfour, the issued shares of which are to be disposed of to The Mother & Child Trust, The Healthy Lifestyle Trust and The Physician Partnerships Trust by Netcare as described in paragraph 7.1 of Part I of this circular;
<b>“HPFL shares”</b>	160 000 000 Netcare shares comprising, collectively, the new HPFL shares and the HPFL sale shares;
<b>“HPFL transaction”</b>	the transaction described in this circular proposed to effect broad-based black economic participation and transformation within the Netcare group and in the private healthcare sector with the result that a broad grouping of predominantly HDI’s will acquire, through their participation in the HPFL trusts, the HPFL shares equal to approximately 10% of the issued share capital in Netcare;
the <b>“HPFL trusts”</b> or the <b>“trusts”</b>	collectively, The Patient Care and Passionate People Trust, The Physician Partnerships Trust, The Mother & Child Trust and The Healthy Lifestyle Trust;

<b>“independent trustees”</b>	trustees who qualify as being independent of Netcare because they are: <ul style="list-style-type: none"> <li>– not representative of any Netcare shareholder who/which has the ability to control or significantly influence management and/or the board; and</li> <li>– not a professional advisor to the group; and</li> <li>– not a significant supplier to or customer of the group; and</li> <li>– have no significant contractual relationship with the group; and</li> <li>– are free from any business or other relationship which could be seen to materially interfere with the individual’s capacity to act in an independent manner;</li> </ul>
<b>“JSE”</b>	JSE Limited, a company duly registered and incorporated with limited liability under the company laws of South Africa under Registration number 2005/022939/06 and licensed as an exchange under the Securities Services Act, Act 36 of 2004;
<b>“last practicable date”</b>	Thursday, 25 August 2005, being the last practicable date prior to the finalisation of this circular;
<b>“Netcare” or “the company”</b>	Network Healthcare Holdings Limited (Registration number 1996/008242/06), a company duly incorporated in accordance with the laws of South Africa and listed on the JSE;
<b>“NAWA”</b>	NAWA (Proprietary) Limited (Registration number 2003/012102/07), a broad-based womens’ economic empowerment consortium, the directors and shareholders of which are all independent of Netcare;
<b>“Netcare funding obligation”</b>	the redeemable cumulative preference shares to be issued by Basfour and the wholly-owned subsidiary of The Patient Care and Passionate People Trust to NHG at an aggregate issue price (utilising a notional VWAP price of R6,25) of R861 million entitling the holder to receipt of cumulative preferential cash dividends at a variable rate equivalent to 72% of the prime rate;
<b>“Netcare Share Incentive Scheme” or the “scheme”</b>	the Network Healthcare Holdings Limited Share Incentive Trust, adopted by the company on 7 November 1996;
<b>“Netcare shares” or “shares”</b>	the ordinary shares of 1,0 cent each in the issued share capital of Netcare;
<b>“Netcare Trust”</b>	The Netcare Trust (IT8504/99), the current Trustees of which are Access Trustees (Pty) Limited, represented by Matthew Lionel Levin and whose beneficiaries are collectively, Netcare, Netcare Finance Company (Pty) Limited (Registration number 1998/025659/07), Prime Vest Holdings (Pty) Limited (Registration number 1993/02883/07) and any other party selected from time to time by the Trustees acting in their sole discretion;
<b>“Netpartner”</b>	Netpartner Investments Limited (Registration number 2003/014215/06), a company in which Netcare has a 48.4% interest;
<b>“new HPFL shares”</b>	the 107 344 454 Netcare shares that will be issued as follows: <ul style="list-style-type: none"> <li>– 92 million to The Patient Care and Passionate People Trust (or its wholly-owned subsidiary); and</li> <li>– 15 344 454 to Basfour;</li> </ul>
<b>“NHG”</b>	Netcare Hospital Group (Proprietary) Limited (Registration number 1981/012516/07), a wholly-owned subsidiary of Netcare;
<b>“notice of general meeting”</b>	the notice enclosed with this circular in terms of which the general meeting is to be convened;
<b>“the participants”</b>	the participants in the transaction, namely the beneficiaries of the HPFL trusts;

“PIC”	the Public Investment Corporation Limited;
“prime rate”	the publicly quoted basic rate of interest per annum from time to time published by First National Bank, a division of FirstRand Bank Limited, as being its prime overdraft rate;
“proposed amendments”	the proposed amendments to the Netcare Share Incentive Scheme, as more fully described in Part II of this circular;
“SENS”	the Securities Exchange News Service of the JSE;
“shareholders” or “Netcare shareholders”	holders of Netcare shares;
“South Africa”	the Republic of South Africa;
“specific repurchase”	the specific authority proposed to be granted to Netcare (as detailed in paragraph 7.5 of Part I of this circular) so as to enable Netcare (and/or any subsidiary thereof) to exercise its rights of pre-emption to repurchase any HPFL shares proposed to be realised by Basfour, the HPFL trusts or any subsidiary of the HPFL trusts;
“STC”	Secondary Tax on Companies;
“STRATE”	an electronic custody, clearing and settlement system for all share transactions concluded on the JSE’s trading platform operated by STRATE Limited (Registration number 1998/022242/06);
“The Healthy Lifestyle Trust”	the trust to be established as described in paragraph 8.1.2 of Part I of this circular;
“The Mother & Child Trust”	the trust to be established as described in paragraph 8.1.1 of Part I of this circular;
“The Patient Care and Passionate People Trust”	the trust to be established as described in paragraph 8.1.3 of Part I of this circular;
“The Physician Partnerships Trust”	the trust to be established as described in paragraph 8.1.4 of Part I of this circular;
“third party financier” or “RMB”	Rand Merchant Bank, a division of FirstRand Bank Limited;
“third party funding obligation”	the redeemable cumulative preference shares to be issued by Basfour at an aggregate issue price of R100 million to the third party financier entitling the holder to receipt of cumulative preference dividends at a fixed rate anticipated as at the last practicable date to be 8.15% nominal annual compounded monthly, but which rate may vary with fluctuations in market interest rates prior to advance of the funding;
the “transaction”	collectively, the HPFL transaction, the proposed amendments and the specific repurchase;
“transfer secretaries”	Ultra Registrars (Proprietary) Limited (Registration number 2000/006082/06), a company duly incorporated in terms of the laws of South Africa, full details of which are set out on the inside front cover;
“trust units”	the award to be allocated by the trustees to beneficiaries of the HPFL trusts representing their rights as beneficiaries thereof, carrying rights to participate in decisions of the trusts and, in the case of The Patient Care and Passionate People Trust, to appoint or re-elect trustees and influence the manner in which the trusts vote the HPFL shares; and
“VWAP price”	the price at which the new HPFL shares will be issued, being the volume weighted average traded price of Netcare shares for the 10 business day period prior to the effective date.



# Network Healthcare Holdings Limited

(Registration number 1996/008242/06)  
JSE code: NTC ISIN: ZAE000011953

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## Directors

Michael Ivan Sacks† (*Chairman*)  
Dr Jack Shevel\*‡ (*Chief Executive Officer*)  
Dr Richard Harold Friedland\*■ (*CEO – International*)  
Peter Nelson\* (*Chief Financial Officer*)  
Dr Reginald Hedley Bush\*●  
Ingrid Marion Davis\*  
Dr Ian Kadish\*●  
Petrus Johannes Lindeque\*●  
Dr Victor L J Litlhakanyane\*  
Norman Weltman\*  
Dr Johannes Albertus van Rooyen†  
Dr Azar Paul Hindelly Jammine▲†  
Jacob Meyer Kahn▲†  
Hymie Reuvin Levin†  
Professor Malcolm Barry Kistnasamy†

\* *Executive*

† *Non-executive*

‡ Resigned as Chief Executive Officer and appointed as non-executive director with effect from 1 September 2005

■ Appointed as Chief Executive Officer with effect from 1 September 2005

▲ Independent

● Resigning with effect from 16 September 2005

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## CIRCULAR TO NETCARE SHAREHOLDERS

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### PART I – OVERVIEW OF THE HPFL TRANSACTION

#### 1. INTRODUCTION

On 21 April and 30 June 2005 Netcare announced its intention to implement the Health Partners for Life initiative, a strategy to effect broad-based black economic participation and transformation within the private healthcare sector in general and the Netcare group in particular.

The HPFL initiative is an undertaking by Netcare to transform healthcare by mobilising the potential of all South Africans and ensuring **better care to more people**. The HPFL initiative also reflects the group's ongoing commitment to providing the best quality of accessible and affordable healthcare through a world-class infrastructure of medical facilities, professionals and technology.

On implementation of the equity ownership component of the HPFL initiative, a broad grouping of predominantly historically disadvantaged individuals will, through their participation in the HPFL trusts, acquire, directly or indirectly, 160 000 000 Netcare shares equal to approximately 10% of the issued share capital in Netcare, with the result that approximately 30% of the issued shares in Netcare will, either directly or indirectly, be controlled by HDI and broad-based BEE shareholders and community institutions, including the PIC.

In addition, the board intends increasing the capacity and scope of Netcare's existing employee incentive scheme by increasing the number of Netcare shares available for allocation under the scheme and increasing the choices available to executives and management under the scheme.

## 2. PURPOSE OF THIS DOCUMENT

The purpose of this circular is to provide Netcare shareholders with relevant information regarding the transaction and in particular:

- 2.1 the specific issue of the new HPFL shares for cash;
- 2.2 the disposal by Netcare of the issued shares in Basfour (which currently holds approximately 3% of the issued shares in Netcare);
- 2.3 a specific authority for Netcare and/or any of its subsidiaries to repurchase the HPFL shares, should the board at the relevant time consider it in Netcare's best interests to do so, pursuant to the exercise by Netcare of rights of pre-emption afforded to Netcare by Basfour, the HPFL trusts (and the subsidiaries of the HPFL trusts);
- 2.4 the proposed amendment of the Netcare Share Incentive Scheme; and
- 2.5 to convene a general meeting of Netcare shareholders, in terms of the notice of general meeting enclosed with this circular, at which meeting the resolutions required to approve and implement the HPFL transaction, the specific repurchase and the proposed amendments to the Netcare Share Incentive Scheme will be proposed.

## 3. RATIONALE

The Netcare group is committed to the delivery of the best quality of accessible and affordable healthcare through a world-class infrastructure of medical facilities, professionals and technology. Netcare is committed to the transformation of healthcare by mobilising the potential of all South Africans and ensuring better care to more people. Netcare has committed itself to the aims of the Codes and to playing its part in the achievement of comprehensive transformation.

The transaction involves an economic cost (as described in paragraph 7.4 below) comparable with other BEE deals. The board believes that the long-term commercial and strategic benefits to be gained should exceed the initial and ongoing costs of the transaction. In addition, the board believes that the transaction is likely in the longer term to strengthen the group's growth prospects within South Africa, to attract additional business as well as scarce healthcare resources and bring about benefits for the group that would otherwise be denied. The board believes that if shareholders do not vote in favour of the transaction there could be a material adverse impact on the business, placing Netcare at a competitive disadvantage, including the risk of not attracting certain new business and the potential loss of valuable staff and professionals.

## 4. BACKGROUND AND NETCARE'S INTEGRATED HEALTHCARE MODEL

Netcare, which listed on the JSE in December 1996, is an investment holding company and through its subsidiaries carries on business as South Africa's largest private surgical and medical hospital group. Outside the United States of America, Netcare has the largest hospital and doctor network. Through its integrated healthcare model with a broad representation, Netcare provides an extensive range of general and specialised medical care services throughout South Africa, Southern Africa, the United Kingdom and elsewhere in the world. The company's shares are included in many prestigious indices, including the FTSE/JSE All Share Top 40, FINDI 30, INDI 25 and SRI Indices.

The group's healthcare investments include:

**Netcare's Hospital Network** encompasses Netcare's full service, acute care hospitals and specialised medical units, collectively representing the most modern and sophisticated medical facilities in South Africa. The network comprises 64 hospitals and same-day surgical units with over 7 200 beds, 320 theatres and 128 specialised medical units focused at the tertiary end of the market. Every healthcare service is covered, from major organ transplants to the latest diagnostic procedures. In addition, Netcare has a 43,75% interest in Community Hospital Group, a BEE associate having six hospitals.

**Traumanet**, trading as **Netcare 911**, is Africa's largest private emergency medical service covering more than eight million insured lives in Southern Africa. Services include roadside assistance, helicopter services, fixed-wing air ambulance services, emergency and critical care training, pre-hospital insurance, disaster management and special events medical standby.

**Netcare Training Academy** is the largest provider of nursing and emergency services training in South Africa's private sector. Basic nurse training is complemented by a selection of post-basic courses not available through local tertiary institutions as well as short specialisation and refresher courses.

**Netcare IT** comprises a broad array of IT businesses that enhance the group's business processes. It includes **Tridata**, the group's established information technology division and **Prometheus Healthcare**, a creative IT business that has revolutionised medical practice by delivering a complete IT solution for the doctor's desktop, the core of which is an electronic scripting module that interfaces with the pharmacy and dispensary system in the hospital environment.

**SAA-Netcare Travel Clinics** delivers an important consulting and treatment service to the travel and tourist industry, as well as developing and implementing travel medicine solutions for individuals and corporate organisations operating in medically hazardous areas elsewhere in southern Africa and developing occupational health programmes for corporates.

**Medicross** comprises over 50 Medicross Family Medical and Dental Centres offering a wide range of healthcare services under one roof, delivered by a team of full-time doctors, dentists, pharmacists and medical support staff, as well as physiotherapists, dieticians, optometrists and other related medical specialists. Services include after-hours emergency facilities, sonar and x-rays, pathology and fully fledged pharmacy services. Many of the centres have additional facilities that provide for same-day, routine surgical procedures.

**HIVCare** is a division established to help combat the catastrophic effect of HIV/AIDS through the disease management of people living with HIV/AIDS. The activities of the division are focused on holistic and strategic management of HIV/AIDS in the workplace, thereby helping organisations to mitigate the impact of HIV/AIDS on their businesses.

**Netcare PPP Division** actively pursues Netcare's conviction that the pooling of expertise and resources between the public and private sectors has the potential to make quality medical care available to more South African citizens.

**Pharmacy operations** comprise over 88 retail units as well as hospital dispensaries. In addition to comprehensive patient distribution networks, the infrastructure has wholesaling and chronic dispensing capabilities on a national basis.

**Centres of Excellence** relates to the group's strategic expansion into niche care, endometriosis, epilepsy, cardiology, radiotherapy, and mother and baby wellness centres.

**Clinical Partners** is a company dedicated to delivering appropriate managed care products and services to both the medically insured population and the emerging market.

**National Renal Care** ("NRC") operates renal dialysis units countrywide. The Healthy Start Clinic concept helps educate and manage patients with early renal disease so as to increase the probability of complete recovery from acute renal failure. **Netcare Transplant Division** co-ordinates transplant procedures undertaken within the Netcare group.

**Clinical Trials.** Given the extensive provider and facility network, the group has initiated business ventures in clinical trials.

**Netcare International** is dedicated to expanding the group's business internationally by sharing expertise and skills. The main focus area in which Netcare Healthcare UK has excelled is the provision of specialised healthcare services on contract to the United Kingdom's NHS.

**Diagnostic Services** comprises the activities of the diagnostics and imaging administration and management businesses falling within Netcare Diagnostics. It includes **Ampath**, which provides comprehensive management and administration services to a network of pathology laboratories and units across South Africa.

**Health Maintenance Organisation** ("HMO"). Through the group's integrated delivery model and comprehensive network of facilities and medical professionals, various initiatives are being developed in creating a model to deliver more affordable healthcare to more South Africans. The establishment of South Africa's first formal HMO was initiated with the development of **Netpartner**. With over 10 000 affiliated medical professionals (over 45% being PDIs), and by aligning provider interests, Netpartner will offer medical schemes innovative managed care products, thereby giving more South Africans access to affordable quality healthcare. The business has also invested in healthcare enterprises, including the development and management of the Netpartner managed care network.

## 5. THE CODES

The Codes provide guidelines for the implementation of BEE in South Africa and require that each enterprise shall have a target for ownership by black people of 25% of the voting rights and economic interest by the year 2010.

On 12 July 2005 the Department of Health released the draft Healthcare Charter. Netcare has taken cognisance of the Charter in its current form and will strive to ensure compliance with it once its terms have been finalised.

After implementation of the transaction, approximately 30% of Netcare's issued share capital will be held, directly and indirectly, by or for the benefit of black people.

## 6. PRINCIPLES OF THE PROPOSED TRANSACTION

The transaction has been structured to give effect to the following principles:

- broad-based black economic empowerment which maximises the group's transformation goals in particular and is aligned with the content of the recently revised Codes;
- from the outset the trusts will enjoy, on behalf of their beneficiaries, the full economic value and voting rights in respect of the Netcare shares held by them;
- a cost to shareholders which is in the range considered acceptable for transactions of this nature and which cost should be outweighed by the envisaged medium to long-term commercial and strategic benefits and growth to be derived by the group from the HPFL transaction;
- the inclusion of participants who will contribute to the growth of Netcare, through transformation of and recognition of the dedication and contribution to healthcare made by its doctors, nurses and staff; and
- economic sustainability, so that the transaction is enduring irrespective of conditions such as the performance of equity markets or fluctuations in interest rates.

In each case the economic benefits accruing to the trusts will be deployed by the trustees for the beneficiaries of each trust in the manner required and in accordance with the objectives set out in the applicable trust deed. This is more fully described below.

## 7. OVERVIEW OF THE PROPOSED TRANSACTION

### 7.1 Creation of the trusts

Netcare is in the process of founding the HPFL trusts as the vehicles through which participation in the transaction will be effected. The trusts will be financed at market-related funding rates. The funding is structured in an efficient and effective manner in the form of preference shares to be subscribed for by the group and, in respect of R100 million, by RMB. Each of the trusts will be established for the specific purpose of acquiring and holding, either directly or indirectly, the HPFL shares.

Subject to receipt of the requisite shareholder approvals, the trusts (directly and indirectly) and Basfour will, after implementation of the HPFL transaction, hold in aggregate 160 million Netcare shares, to be acquired and allocated as follows:

- 107 344 454 shares are to be issued for cash:
  - 92 million to The Patient Care and Passionate People Trust (or its wholly-owned subsidiary); and
  - 15 344 454 to Basfour;
- the shares of Basfour will be acquired by The Healthy Lifestyle Trust, The Mother & Child Trust and The Physician Partnerships Trust for the Basfour share sale price; and
- in addition, the trusts holding the issued shares of Basfour will acquire an indirect interest in 52 655 546 of the Netcare group's treasury shares, currently held by Basfour.

## 7.2 Funding

The funding of the acquisition of the HPFL shares is structured in the form of preference shares to be subscribed for by the Netcare group (in an amount of R861 million, assuming a notional VWAP price of R6,25) and, in respect of R100 million, by the third party financier subscribing for preference shares to be issued by Basfour. The funding will enable the trusts (whether directly or indirectly) to subscribe for Netcare shares at current market value (namely, at the VWAP price). The funding will be settled over time by the trusts out of the receipt of dividends or other payments by Netcare to shareholders, so that ultimately the trusts will own Netcare shares free of any funding obligations. On discharge of the funding obligations, all dividends and other distributions made in respect of the HPFL shares shall be available for distribution to the beneficiaries to whom trust units have been awarded. In the meantime, each of the HPFL trusts will benefit from the increase in the value of the Netcare shares held.

The Mother & Child Trust and The Healthy Lifestyle Trust will apply a portion of any dividends and other distributions received on their Netcare shares for the benefit of beneficiaries with immediate effect to allow for the benefits to accrue to the participants of these trusts as early as possible (after servicing the third party funding obligation and administrative costs and expenses) with the balance being utilised to settle the funding obligations.

## 7.3 Voting rights

Subsequent to the sale by Netcare of the issued ordinary shares of Basfour to The Healthy Lifestyle Trust, The Mother & Child Trust and The Physician Partnerships Trust, Basfour will cease to constitute a subsidiary of Netcare and the 52 655 546 Netcare shares owned by Basfour shall cease to constitute treasury shares for voting purposes.

The beneficiaries of The Patient Care and Passionate People Trust shall as soon as practicable and not later than 31 July 2006 (and at least every two years thereafter) be given the opportunity to nominate and direct the appointment and/or re-election of trustees, a majority of whom shall be independent trustees.

The HPFL shares under the control of this trust (whether allocated or unallocated) shall enjoy full voting rights, provided that:

- a majority of the trustees qualify as independent trustees; and
- the trustees have secured the direction of the beneficiaries as to the manner in which these shares (whether allocated or unallocated) should be voted.

The trustees of The Patient Care and Passionate People Trust shall exercise the voting rights attaching to any unallocated Netcare shares and any allocated Netcare shares in respect of which no voting instruction has been given in the same manner as (and proportionate to) the directions of the beneficiaries as to the manner in which the votes attaching to their allocated Netcare shares are to be exercised.

Whilst the identity of the trustees of The Healthy Lifestyle Trust, The Mother & Child Trust and The Physician Partnerships Trust will be informed by the various organisations, bodies and interest groups which constitute potential beneficiaries of these trusts and the requirement for a majority of the trustees of these trusts to be independent of Netcare, the trustees of these trusts will not be elected as such. The HPFL shares under the control of these trusts (*via* Basfour) will be voted by the directors of Basfour (appointed by the trustees of the relevant trusts, subject to a majority of the Basfour directors being independent of Netcare), who shall exercise the voting rights in respect of these shares (whether allocated or unallocated) in such manner as they may determine at their discretion, in the best interests of the shareholders of Basfour (i.e. The Healthy Lifestyle Trust, The Mother & Child Trust and The Physician Partnerships Trust).

In addition, the beneficiaries will be fully empowered to understand and comment on the decisions of the trustees and, to the extent permissible by law, to participate, in accordance with the provisions of the trust deeds, in the decision making processes required for the administration of the trust.

The company shall have no influence on the manner in which the HPFL shares are voted.

#### 7.4 The cost of the HPFL transaction to Netcare shareholders

The economic cost of the HPFL transaction to existing Netcare shareholders over the expected term of the funding structure, utilising a notional price of R6,25 per Netcare share, is estimated to be equal to 3.2% of the market capitalisation of Netcare as at the last practicable date.

This cost is within the range considered acceptable for BEE transactions and is in line with other BEE transactions already concluded in South Africa.

The economic cost to existing shareholders is calculated as the difference between the current market value of the HPFL shares less the sum of the third party funding obligation and the present value of the cash flow attributable to existing shareholders resulting from the repayment of the Netcare funding obligation discounted at Netcare's cost of equity.

Deloitte & Touche Corporate Finance has confirmed the reasonableness of the methodology used to calculate the cost. Their report is set out in **Annexure 1**. The board believes that this cost will be convincingly outweighed by the commercial and strategic benefits and growth to be derived by the group from this transaction as well as its related strategic and transformation objectives in the medium to long term.

#### 7.5 Share repurchase

The Patient Care and Passionate People Trust and Basfour have granted Netcare a right of first refusal to acquire the HPFL shares held by them (or, in the case of The Patient Care and Passionate People Trust, its wholly-owned subsidiary) in respect of a realisation by them of any of the HPFL shares. This will afford Netcare the opportunity, should the board at the time consider it in the interests of Netcare to do so, of either re-acquiring all or some of such shares itself (and/or *via* a subsidiary) and/or placing such shares with other empowerment parties. In order to afford Netcare the requisite authority, the board proposes that, subject to Netcare satisfying the requirements stipulated in the Act and the JSE Listings Requirements at the time of repurchase, shareholders authorise the specific repurchase by Netcare of the HPFL shares (utilising cash resources available to it at the time) at a price per share equal to the volume weighted average traded price of Netcare shares for the five business day period prior to the date of the repurchase.

### 8. THE HPFL TRUSTS AND THE PARTICIPANTS

#### 8.1 The participants

Netcare's strategic vision and values have been the basis of the trust categorisations and the selection of participants in the transaction. The nature of the trusts and their participants, together with the shares and values attributable to each of them, are set out in the table below.

Name of trust	Beneficiaries	% of HPFL shares held directly or via a wholly-owned subsidiary	% of HPFL shares held via Basfour	Total % of HPFL shares held (directly or indirectly)	Indicative value R'm	% share-holding
The Patient Care and Passionate People Trust	Nurses and caregivers, Netcare management and staff	57.5	–	57.5	575	5.75
The Physician Partnerships Trust	Healthcare professionals and educational bodies	–	30.0	30.0	300	3.00
The Mother & Child Trust	Children and women	–	7.5	7.5	75	0.75
The Healthy Lifestyle Trust	Sport and wellness groups	–	5.0	5.0	50	0.50

The values set out in the "Indicative value" column in the table above are for indicative purposes only and have been based on a notional share price of R6,25 per share. The new HPFL shares are to be issued at the VWAP price.

### 8.1.1 *The Mother & Child Trust – Our Children/Our Future*

The trustees of The Mother & Child Trust will control an allocation of 7,5% of the HPFL shares (amounting to 12 million shares) with an approximate acquisition value of R75 million. It is intended that this trust will fund the provision of healthcare assistance to more than 10 000 HDI woman and children beneficiaries, through selected woman's groups and children's organisations, including, but not limited to:

#### 8.1.1.1 *NAWA*

Established early in 2003, NAWA (the National African Women Alliance) is representative of black women throughout the country, being 100% owned, controlled and managed by HDI women from various professions, businesses and industries.

NAWA's emphasis on empowerment, development and the creation of better opportunities is centred on those who want it, need it and are willing to use it.

The NAWA structure is unique and fulfils requirements and needs with regard to:

- Government's BEE initiatives;
- Gender inequality issues;
- Broad-based empowerment; and
- Skills development and transfer.

NAWA highlights the social reality and potential value that women contribute to the national task of change and transformation, economic growth and the extension of democracy in South Africa.

NAWA's composition and structure established it as a unique force in achieving the country's BEE objectives through, *inter alia*, the following:

Broad-based:

- Direct shareholding in NAWA consists of about 900 to 1 000 women with 4 500 indirect beneficiaries who are dependents of the shareholders. A further estimated 6 000 women will benefit from NAWA via its provincial trusts.
- Representation of all nine provinces of South Africa via NAWA's provincial structures.

Involvement in community and social upliftment projects:

- The structure of NAWA in itself represents social and community upliftment especially through the provincial structures.
- NAWA development and empowerment trusts in the provinces will be used as vehicles to facilitate growth and development of women in rural and under-developed communities.

#### 8.1.1.2 *Mother and Child Health Services*

It is intended that the trustees will apply a portion of the distributions in respect of the Netcare shares held by them to contribute to, *inter alia*, the reduction of maternal and infant mortality rates, focusing on cervical and breast cancer screening for woman, antenatal care, nutrition affecting maternal health and child health through wellness baby clinics and programmes dealing with gastroenteritis and congenital heart diseases. They will also focus on emerging and re-emerging diseases affecting rural black communities by increasing access to health education, health promotion and primary care.

### 8.1.2 *The Healthy Lifestyle Trust – Our Body – Sport and Wellness*

With an allocation of 5% of the HPFL shares (amounting to 8 million shares) at an acquisition value of R50 million, the mandate of the trustees will be to promote a healthy lifestyle through wellness programmes and selected national screening initiatives.

The Healthy Lifestyle Trust will make allocations and distributions to national sporting bodies to promote sport in rural and under-served areas, focusing on development and growth to 2010 and beyond. Through the media and other projects, this trust will also promote healthy lifestyle choices such as physical exercise, weight loss and proper nutrition.

### 8.1.3 *The Patient Care and Passionate People Trust*

This trust will be allocated 57,5% of the HPFL shares (amounting to 92 million shares valued at approximately R575 million).

#### *– Our Hearts – Nurses and Care Givers*

Central to Netcare’s philosophy is the concept of “Best and Safest Patient Care”, with key contributors to the implementation of this objective being nursing professionals and care givers who give unselfishly of themselves every day to strangers, with little or no recognition. Nursing is increasingly a profession of scarce resources, yet provides such an integral and valuable service to patients in need. Over 8 700 nurses, paramedics and other care givers will benefit under this trust, with allocations being used to attract and retain quality care givers.

#### *– Our Excellence – Our Management and Staff*

Supporting the group’s strategies of “Growing with Passionate People” and “Operational Excellence”, more than 9 200 members of management and staff of Netcare will benefit from allocations under this trust. Staff who are HDI’s will be favoured in the allocation of benefits, with all staff (excluding directors and other staff in the F band and above (as defined in the Paterson job grading system)), regardless of race, colour or creed, benefiting in recognition of their involvement in the Netcare family and contribution to society.

A majority of the Netcare shares allocated to this trust will be allocated for the benefit of HDI’s.

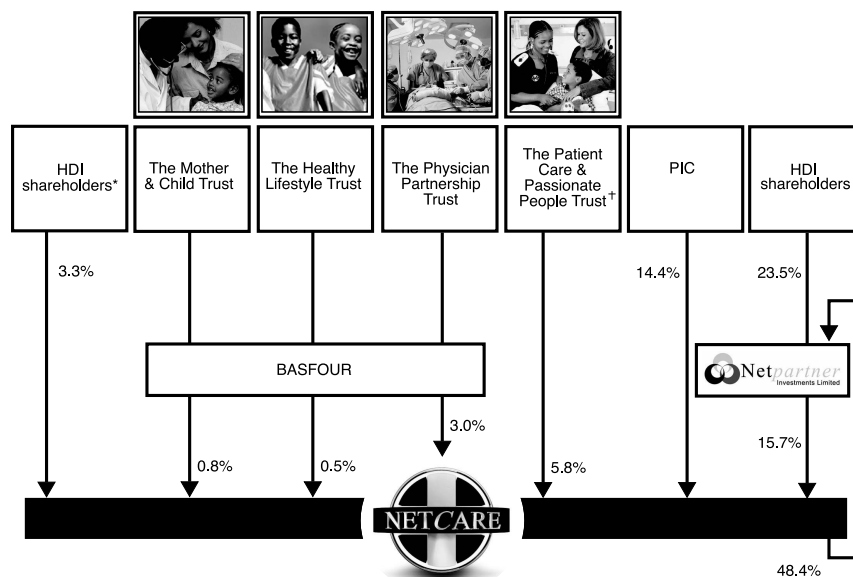
### 8.1.4 *The Physician Partnerships Trust – Our Skills – Doctors*

Essential to the delivery of quality healthcare to all South Africans are the healthcare professionals whose skilled and valuable contribution to the every day health of South African society is pivotal to the future growth and investment in South Africa.

Netcare pays tribute to the dedicated general practitioners and specialists who provide excellent medical care to patients within Netcare facilities, the committed medical academic personnel providing education and training to undergraduate and postgraduate medical students at all medical schools in South Africa, the aspirant hard working Registrars and medical students who are studying to provide quality medical care and Community service doctors who do their best to provide medical care under very difficult conditions, especially in underserved rural areas of South Africa.

In recognition of the significant daily responsibilities, long working hours and the challenges these healthcare professionals face in the complex medical environment, The Physician Partnerships Trust will allocate its 30% of the HPFL shares (amounting to 48 million shares valued at approximately R300 million) to healthcare professionals and educational bodies in recognition of their contribution to healthcare in this country. These beneficiaries are predominantly HDI’s associated with Netcare, Netpartner, the public and private sector, medical schools, academic institutions and shall also include medical Registrars, medical students and doctors working in rural areas where the need for quality medical treatment is more urgent. The participation of educational bodies is intended to help ensure that future South African medical graduates continue to rank amongst the best in the world. It is expected that the number of beneficiaries of this trust will exceed 21 000 professionals.

8.1.5 The following diagram illustrates the holdings (both direct and indirect) of broad-based BEE participants in the Netcare group (excluding treasury shares) pursuant to the HPFL transaction. Approximately 30% of the issued shares in Netcare will, after implementation of the HPFL transaction, either directly or indirectly, be controlled by HDI and broad-based BEE and community institutions, including the PIC.



\*Estimate in terms of independent survey by Symphony.

†The Patient Care & Passionate People Trust will hold the Netcare shares either directly or indirectly via a wholly-owned subsidiary.

## 8.2 The trustees

The following people (save for Ms Lotter and Ms Hopkins, who have been elected by the beneficiaries of The Patient Care and Passionate People Trust) have been appointed as the initial trustees by the Netcare Transformation Committee, details of which are included in **Annexure 6**. As soon as is practicable after 1 October 2005, but no later than 31 July 2006 and at least every second year thereafter, the beneficiaries of The Patient Care and Passionate People Trust shall be entitled to direct the re-election of trustees or appointment of new trustees.

- **Prof B Kistnasamy** – Prof Kistnasamy is registered with the Health Professions Council of South Africa as a Community Health Specialist and holds an MBChB degree from the University of Natal. He formerly held the positions of Head of the Northern Cape Health Department and the Dean of the Nelson Mandela Medical School. He is presently non-executive chairman of Netpartner and a non-executive director of Netcare. Prof Kistnasamy will be a trustee of The Physician Partnerships Trust.
- **Dr V L Litlhakanyane** – Dr Litlhakanyane holds an MBChB degree from the University of Natal, MMed and MBA degrees from the University of the Free State and a post-graduate diploma in Health Management from the University of Cape Town. He has more than 10 years' health management experience and is presently an executive director of Netcare. Dr Litlhakanyane will represent Netcare on all of the trusts.
- **Mr L Mazwai** – Mr Mazwai holds BA and LLB degrees from the University of KwaZulu-Natal and is admitted as an Attorney. He serves on the Audit Committee of the office of the Presidency, is a non-executive director of the Land and Agricultural Development Bank of South Africa and a member of the *ad hoc* legal sub-committee of the Gauteng Provincial Government Labour Intensive Monitoring Committee. He has extensive experience in advising public and private sector clients on corporate and commercial legal issues. Mr Mazwai will be a trustee of all of the trusts.
- **Dr B Nyembezi** – Dr Nyembezi holds a BSc degree from the University of Fort Hare, MBBch degree from the National University Ireland and a Postgraduate Diploma in Health Management (With Distinction) from the University of Cape Town. She was named the Oliver Tambo Fellow in Public Health Leadership in 1996. She is registered with the Health Professions Council of South Africa as a medical practitioner and worked as a doctor in the UK and South Africa. Dr Nyembezi has extensive experience in public health management, is passionate about public service delivery and serves as a non-executive director on a number of boards of private companies. She presently manages her own private consultancy. Dr Nyembezi will be a trustee of The Mother & Child Trust.

- **Ms T B Ntjantja Ned** – Ms Ned holds a BA Social Work Honours degree from the University of Fort Hare, a Master's degree in Social Work from the University of Cincinnati, USA, a Postgraduate Diploma in Policy and Development Management from the University of the Witwatersrand and a Postgraduate Diploma in Advanced Executive Programme from Unisa School of Business Leadership. She has extensive experience in social work and social development in the public, private and NGO sectors up to senior management level. Ms Ned was the Head of the Free State Department of Social Development, Deputy Director General of the National Department of Social Development, a programme officer for social policy and local governance for UNICEF and a director for programmes with the Nelson Mandela Children's Fund. She is presently self-employed as a consultant in rural development, social development and rights of children. She sits on a number of boards of NGOs. Ms Ned will be a trustee of The Mother & Child Trust.
- **Dr J Phaahla** – Dr Phaahla holds an MBChB degree from the University of Natal and is the outgoing head of the South African Sports Commission. He was recently appointed as the Head of the 2010 Soccer World Cup Unit in Government and was previously MEC for Health in the province of Limpopo. Dr Phaahla will be a trustee of The Healthy Lifestyle Trust.
- **Ms L Sangion** – Ms Sangion is the founder and Chief Executive Officer of NAWA. She holds a BA degree in communication and a Diploma in Public Relations. She serves as a director of a number of BEE companies. Ms Sangion will be a trustee of The Mother & Child Trust.
- **Ms T Sibisi** – Ms Sibisi is presently the Head of Transformation & Talent Management at Netcare. She was previously a senior Human Resources Consultant for IBM. She holds an Honours Degree in Social Sciences, majoring in psychology from the North West University and a Business Management Diploma from Henley Management College in London. She has extensive experience in the Human Resources field, both locally and internationally. Ms Sibisi will be a trustee of The Patient Care and Passionate People Trust.
- **Ms P Lotter** – Ms Lotter has worked in the healthcare industry for 24 years and holds diplomas in Accounting, Payroll Management and Industrial Relations. She served as a Medical Aid Trustee and a Pension Fund Trustee for more than 10 years and is currently Salaries Administrator, responsible for all payroll functions at Park Lane Clinic. She is also active in community projects through her Church. Ms Lotter has been elected by the beneficiaries as a trustee of The Patient Care and Passionate People Trust.
- **Ms B Hopkins** – Ms Hopkins started her career in the banking sector after which she moved into the medical field as Practice Manager of a General Practitioner Practice. She was approached to accept the position of Hospital Manager of Clinton Clinic and fulfilled this role for a period of 11 years. When Netcare acquired Medicross, she was seconded to Medicross, bringing with her medical operational experience to assist in the management of joint ventures, theatres, customer service, operations and marketing. More recently she has assumed responsibility for the Operations Division of Medicross as General Manager. Ms Hopkins has been elected as a trustee by the beneficiaries of The Patient Care and Passionate People Trust.
- **Mr S Sithole** – Mr Stefaan Sithole matriculated from Morrison Issacson High School in Soweto. He obtained a BCom and BAcc degrees from the University of the Witwatersrand and qualified as a Chartered Accountant after serving articles at Deloitte Haskins and Sells. He worked as an internal auditor for Anglo American Corporation, and as a financial manager for Rosslyn Breweries, prior to becoming a partner in the following auditing firms: Fisher Hoffman Sithole and Sithole AB & T Inc. He is presently a managing partner at Sithole Incorporated. Mr Sithole will be a trustee of all of the trusts.
- **Dr B M Mayosi** – Dr Bongani Mayosi obtained a B.Med.Sci. and MBChB degrees from the University of Kwazulu Natal. He gained the Fellowship of the College of Physicians of South Africa in 1995 and obtained a DPhil at the University of Oxford in 2003. His doctoral thesis was on "*Genetic determination of cardiovascular risk factors in families*". He was awarded the Nuffield Oxford Medical Fellowship to study cardiovascular genetics at the University of Oxford from 1998 to 2001. In August 2001 he joined the University of Cape Town and Groote Schuur Hospital where he works as a researcher, teacher and clinician in internal medicine and cardiology. He was awarded an *ad hominem* associate professorship in October 2003 and elected to the Fellowship of the European Society of Cardiology in 2004. Dr Mayosi has published widely in both local and international journals and books on various topics related to cardiovascular medicine. He is a member of the editorial board of several national and international journals and a member of Senate and Council of the University of Cape Town. He serves as the Honorary Registrar of the Colleges of Medicine of South Africa, Chairman of the Advisory Board of the South African Cochrane Centre and Chairman of the Specialist Committee of the Health Professions Council of South Africa. Dr Mayosi is a recognised national, continental and international leader in his field. Recently he was awarded the National Research Foundation President's award in recognition of his achievements. Dr Mayosi will be a trustee of The Physician Partnerships Trust.

Other trustees will be appointed from time to time in accordance with the provisions of the trust deeds.

### 8.3 Objectives

The objective of the HPFL trusts shall be to manage and administer the award, settlement and re-purchase of trust units, the assets and liabilities of the trusts and the making of income awards, if applicable, in a manner consistent with Netcare's commitment to broad-based black economic empowerment.

### 8.4 Terms of The Patient Care and Passionate People Trust and The Physician Partnerships Trust

#### 8.4.1 Introduction

In addition to the direct transformation objectives, The Patient Care and Passionate People Trust will indirectly assist the Netcare group in attracting and retaining management and staff. Awards made under this trust will be in addition to any awards participants may receive under the Netcare Share Incentive Trust. Directors and other staff in the F band and above (as defined in the Paterson job grading system) will only be entitled to participate under the Netcare Share Incentive Trust and not in the HPFL transaction.

The Physician Partnerships Trust will assist the Netcare group in attracting and retaining quality medical professionals.

#### 8.4.2 Awards and benefits

The awards to beneficiaries of these trusts will be effected by the trustees, as directed from time to time by Netcare, with preferential allocations being made to HDI's.

The beneficiaries will hold trust units which will entitle them to the economic benefits of a specified number of Netcare shares (the "beneficiary allocation") in tranches of 20% per annum over five years commencing on the 5th anniversary of the commencement of their participation.

A beneficiary who fails to meet specified qualifying criteria will cease to be entitled to hold trust units. Beneficiaries who are employees of Netcare will cease to be entitled to hold trust units if they resign or are dismissed from their employment. Beneficiaries who are medical doctors will cease to be entitled to hold trust units if they emigrate from South Africa or cease to be a practising doctor in good standing with the relevant professional board or council.

#### 8.4.3 Distributions

Dividends or other distributions received on HPFL shares shall be applied first to meet funding obligations and administrative and operating expenses, and thereafter shall be distributed to holders of trust units entitled thereto.

### 8.5 The Mother & Child Trust and The Healthy Lifestyle Trust

#### *Benefits and distributions*

Dividends and cash distributions made in respect of the Netcare shares held by The Mother & Child Trust and The Healthy Lifestyle Trust shall be applied firstly toward servicing the third party funding obligation and a portion of the remainder of any such dividends and cash distributions shall (subject to the approval of the financiers (in their capacity as such) at the time) be applied to the benefit of or distributed to beneficiaries on a basis to be determined by the trustees, with the balance being utilised to service the Netcare funding obligation.

## 9. DIRECTORS' RECOMMENDATION

The directors (who will not participate in the HPFL transaction) intend voting their personal holdings of Netcare shares in favour of the transaction and all resolutions to be proposed at the general meeting.

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## PART II – AMENDMENT OF THE NETCARE SHARE INCENTIVE SCHEME

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### 1. INTRODUCTION

The board of directors of Netcare proposes effecting certain amendments to the Netcare Share Incentive Scheme which is a staff scheme designed to incentivise Netcare executives, management and other staff. Awards made to staff in terms of the HPFL transaction will be in addition to any awards participants may receive under this scheme (although directors and other staff in the F band and above (as described in the Paterson job grading system) will not participate at all under the HPFL transaction). The terms of the proposed amendments, which are required to be approved by shareholders in general meeting, are set out below. The shareholders' resolution is set out in the notice of general meeting.

### 2. PROPOSED AMENDMENTS TO THE NETCARE SHARE INCENTIVE SCHEME

#### 2.1 Proposed amendments

- 2.1.1 The Netcare Share Incentive Scheme was adopted by the company on 7 November 1996.
- 2.1.2 On 14 July 2005, the board resolved to effect certain amendments to the Netcare Share Incentive Scheme:
- by effecting amendments to the drafting of the scheme to simplify certain structures (including the removal of switching mechanisms, deferred sales and combined options/deferred sales) and cater for developments in the law regarding share incentive schemes in South Africa;
  - to increase the capacity of the scheme from 10% of Netcare's issued share capital to 20% of Netcare's issued share capital, being 341 617 372 Netcare shares as at the last practicable date and 363 086 263 Netcare shares if the HPFL transaction is approved and implemented; and
  - to incorporate a share purchase scheme, on the bases set out in paragraph 5 of **Annexure 2**, in addition to the share option scheme currently provided for.
- 2.1.3 The salient provisions of the Netcare Share Incentive Scheme (as amended) are set out in **Annexure 2**.
- 2.1.4 The full text of the proposed amendments to the Netcare Share Incentive Scheme is contained in a deed of amendment, which will be available for inspection at the offices of Netcare during normal business hours from Thursday, 1 September 2005 until Monday, 26 September 2005.

#### 2.2 Rationale for the amendments

- 2.2.1 Given the reliance on intellectual capital within the Netcare group, the need to significantly augment management's ownership within the Netcare group and that the current capacity of the Netcare Share Incentive Scheme is insufficient for the company's executive, management and other staff incentivisation requirements, the number of Netcare shares available for allocation under the scheme will be increased to 20% of the issued share capital of the company, in line with the JSE's requirements.
- 2.2.2 In order to increase the choice available to executives and management, the amended scheme will allow participants the choice of share options or share purchases, thereby allowing them to align the scheme with their particular risk profile.
- 2.2.3 The revised wording contained in the deed of amendment will allow for greater clarity in the interpretation of the Netcare Share Incentive Scheme.

### 3. CONDITION PRECEDENT

The amendments are subject to the approval of a majority of Netcare shareholders present in person or represented by proxy at the general meeting.

In accordance with Paragraph 14.13 of Schedule 14 of the JSE Listings Requirements, the votes in respect of the shares held by the Netcare Share Incentive Scheme shall not be taken into account for purposes of determining the requisite majority.

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## PART III – FINANCIAL INFORMATION

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### 1. FINANCIAL AND ACCOUNTING EFFECTS OF THE TRANSACTION

Set out in **Annexure 3** are the unaudited *pro forma* income statement, balance sheet and financial effects of the HPFL transaction for the six month period to 31 March 2005, being the most recent financial period on which Netcare has published financial results.

### 2. REPORTING ACCOUNTANTS' REPORT

The reporting accountants report on the *pro forma* effects, *pro forma* income statement and *pro forma* balance sheet is set out in **Annexure 4**.

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## PART IV – DIRECTORS’ INFORMATION

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### 1. DIRECTORS’ DETAILS AND EXPERIENCE

1.1 **Michael I Sacks** (62) (*Chairman*) (*Non-Executive*) (Resigned as Executive Chairman on 28 February 2005)

*Business address:* Netcare Building, 76 Maude Street (corner West Street), Sandton.

*Qualifications:* CTA, CA(SA) AICPA (ISR).

*Occupation:*

Michael Sacks acted as an independent corporate advisor for 25 years prior to his appointment as Chairman of Netcare. He has served and continues to serve as a non-executive director of a number of listed companies and empowerment committees. Mr Sacks is also an Officer of the International Association of Political Consultants.

1.2 **Dr Jack Shevel** (48) (*Chief Executive Officer*) (*Executive*) (Resigned as Chief Executive Officer and appointed as non-executive director with effect from 1 September 2005)

*Business address:* Netcare Building, 76 Maude Street (corner West Street), Sandton.

*Qualifications:* MBBCh

*Occupation:*

With more than 18 years of experience in the healthcare industry, Dr Jack Shevel is known for his exceptional entrepreneurial flair and in-depth knowledge of this industry. The results of his pre-defined strategy for establishing a healthcare provider model bear testament to his ability and vision.

1.3 **Dr Richard H Friedland** (43) (*CEO – International*) (*Executive*) (Appointed as Chief Executive Officer of Netcare with effect from 1 September 2005)

*Business address:* Netcare Building, 76 Maude Street (corner West Street), Sandton.

*Qualifications:* BVSc, MBBCh, Dip Fin Man, MBA

*Occupation:*

Richard Friedland practised as a veterinary surgeon in South Africa and in the United Kingdom. After studying medicine and a short term in practice, he joined Medicross and was responsible for overall operations and establishing the medical centres on a national basis. Dr Friedland joined Netcare in early 1997 to lead the transformation and re-engineering of the businesses. He acted as CEO of the International Division from 2002 to August 2005.

1.4 **Peter G Nelson** (51) (*Chief Financial Officer*) (*Executive*)

*Business address:* Netcare Building, 76 Maude Street (corner West Street), Sandton.

*Qualifications:* B Com, B Compt Hons, CA(SA)

*Occupation:*

Peter Nelson has served various major corporations at board level over the past 20 years. He was previously a director of Pretoria Portland Cement Company Limited (subsidiary of Barloworld Limited), BMW (South Africa) (Proprietary) Limited and Mondi Paper Limited.

1.5 **Dr Reginald H Bush** (49) (*Executive*) (Resigning as Director with effect from 16 September 2005)

*Business address:* Netcare Building, 76 Maude Street (corner West Street), Sandton.

*Qualifications:* MBBCh, DCH (SA), Dip BusAd, MBA

*Occupation:*

Dr Reginald H Bush has 15 years’ experience in hospital operations and healthcare corporate development. He currently oversees the group’s involvement in Diagnostic Services. He serves on the board of trustees of the Ampath Holdings Trust and is a non-executive director of a number of companies.

1.6 **Ingrid M Davis** (52) (*Executive*)

*Business address:* Netcare Building, 76 Maude Street (corner West Street), Sandton.

*Qualifications:* Dip Pharm (MPS)

*Occupation:*

Ingrid Davis has 21 years' experience as a qualified pharmacist in the private hospital industry. Ingrid is the controlling member of the entity which owns and manages the pharmacy concessions at Netcare hospitals, working in conjunction with the division contracted to provide infrastructural, administration and logistical support services. Ingrid is also responsible for managing various hospitality and allied divisions within the group.

1.7 **Dr Ian Kadish** (42) (*Executive*) (Resigning as Director with effect from 16 September 2005)

*Business address:* Netcare Building, 76 Maude Street (corner West Street), Sandton.

*Qualifications:* MBBCh, MBA

*Occupation:*

Dr Ian Kadish has extensive experience in hospital management and healthcare management consulting in the United States and Canada. Dr Kadish is responsible for Specialised Services at Netcare and holds directorships in various private IT and managed care related companies in which Netcare has interests.

1.8 **Piet J Lindeque** (41) (*Executive*) (Resigning as Director with effect from 16 September 2005)

*Business address:* 15 Gerhard Street, Lyttleton.

*Qualifications:* CA(SA)

*Occupation:*

Piet Lindeque has more than 9 years' healthcare experience and is currently a Regional Director for the group.

1.9 **Dr Victor L J Litlhakanyane** (40) (*Executive*)

*Business address:* Netcare Building, 76 Maude Street (corner West Street), Sandton.

*Qualifications:* MBChB, M Med (Radiotherapy), MBA

*Occupation:*

Prior to assuming an executive directorship position with Netcare, Dr Victor Litlhakanyane was the Superintendent General, Department of Health, Free State Province. He is registered with the Health Professions Council of South Africa as a medical practitioner and radiation oncology specialist and is a member of the Council of the University of the Free State and the College of Radiation Oncologists. In addition, Victor serves as a technical advisor to the World Health Organisation World Alliance for Patient Safety.

1.10 **Norman Weltman** (56) (*Executive*)

*Business address:* Netcare Building, 76 Maude Street (corner West Street), Sandton.

*Qualifications:* CA(SA)

*Occupation:*

Norman Weltman has been with the group since 1993. His portfolios include funder negotiations and relations, managed healthcare and radiotherapy.

1.11 **Dr Johannes A van Rooyen** (50) (*Non-executive*)

*Business address:* 166 Witch-Hazel Street, Highveld Park, Centurion.

*Qualifications:* MBBCh, M Med (Clin Path)

*Occupation:*

Dr Johannes van Rooyen has significant medical and commercial pathology experience and is currently the national pathology director of The Ampath Trust.

1.12 **Dr Azar P H Jammie** (56) (*Independent non-executive*)

*Business address:* 8 West Street, Houghton.

*Qualifications:* BSc(Hons), BA (Hons), MSC PhD

*Occupation:*

Dr Azar Jammie has been a director and chief economist of Econometrix (Proprietary) Limited since 1985 and a non-executive director of many other companies in South Africa.

1.13 **J Meyer Kahn** (66) (*Independent non-executive*)

*Business address:* 2 Jan Smuts Avenue, Braamfontein.

*Qualifications:* BA(Law), MBA Dcom(hc), SOE

*Occupation:*

Meyer Kahn is the former managing director and currently the chairman of SAB Miller plc. He served 2½ years as Chief Executive of the South African Police Service. He is also a director of various other companies and trustee of numerous organisations.

1.14 **Hymie R Levin** (60) (*Non-executive*)

*Business address:* 64 Kent Road, Dunkeld.

*Qualifications:* BCom, LLB, LLM, H Dip Tax Law, H Dip Co Law

*Occupation:* Attorney

Hymie Levin is a specialist corporate and tax lawyer. He is the senior partner of HR Levin Attorneys and his experience spans more than 30 years. He is also a non-executive director of various companies listed on the JSE.

1.15 **Professor Barry Kistnasamy** (45) (*Non-executive*)

*Business address:* UKZN, Umbilo Road, Durban.

*Qualifications:* MBChB (Natal), M Med (Community Health) (Natal)

*Occupation:*

Professor Barry Kistnasamy was formerly the Dean of Medicine, Nelson Mandela School of Medicine KwaZulu-Natal. His established career in healthcare has included Deputy Director General of Health, Welfare and Environment in the Northern Cape from 1995 to 2000.

## 2. DIRECTORS' REMUNERATION AND CHANGES TO THE BOARD OF DIRECTORS

There will be no variation in the remuneration receivable by any of the directors of Netcare in consequence of the transaction.

Peter Nelson was appointed to the board with effect from 1 September 2004 as an executive director. Dr Victor Litlhakanyane and Professor Barry Kistnasamy were both appointed to the board with effect from 1 December 2004, Dr Litlhakanyane as an executive and Professor Kistnasamy in a non-executive capacity. Dr Jack Shevel has resigned as Chief Executive Officer and has been appointed as a non-executive director with effect from 1 September 2005. Dr Richard Friedland has been appointed Chief Executive Officer with effect from 1 September 2005.

In addition, Dr R H Bush, Dr I Kadish and Mr P J Lindeque will be resigning with effect from 16 September 2005.

## 3. EFFECT ON DIRECTORS' INTERESTS

The effect of the transaction on the directors who hold Netcare shares, details of which are set out in paragraph 4 below, does not differ from its effect on the interests of any other Netcare shareholder. Given that the HPFL transaction is intended to be a broad-based scheme and that directors will be entitled to participate under the Netcare Share Incentive Scheme, the board has resolved that none of the directors is to participate under the HPFL transaction.

#### 4. DIRECTORS' INTERESTS IN NETCARE SHARES

Set out in the table below are the interests of the directors in Netcare shares as published in the annual financial statements for the year ended 30 September 2004.

Director	Direct beneficial	Indirect beneficial	Direct non-beneficial	Indirect non-beneficial	Indirect interest via Netpartner	Total	Percentage of issued shares
M I Sacks	5 400 000	1 613 750	–	46 291 400	1 242 300	54 547 450	3.83
Dr J Shevel	3 420 000	1 613 750	–	87 370 394	1 656 400	94 060 544	6.60
Dr R H Friedland	4 587 332	1 613 705	–	–	138 033	6 339 115	0.44
Dr R H Bush	3 014 082	–	–	–	27 607	3 041 689	0.21
I M Davis	4 672 773	1 613 750	–	–	2 760	6 562 593	0.46
Dr I Kadish	1 664 392	–	–	–	55 214	1 259 606	0.09
P J Lindeque	–	–	–	2 101 830	27 607	2 129 437	0.15
N Weltman	3 250 000	–	–	–	138 033	3 388 033	0.24
H R Levin	10 937 974	–	–	–	–	10 937 974	0.77
Dr J A van Rooyen	114 372	–	–	–	82 820	197 192	0.01
P G Nelson	–	–	–	–	–	10 000	0.00
J M Kahn	–	–	–	–	–	–	–
Dr V L J Litlhakanyane	–	–	–	–	–	–	–
Prof M B Kistnasamy	–	–	–	–	–	–	–
	36 600 925	6 455 000	–	135 763 624	3 644 084	182 463 633	12.80

Set out in the table below are the changes in the interests of the directors in Netcare shares between publication of the annual financial statements for the year ended 30 September 2004 and the last practicable date. Disposals are indicated by brackets.

Director	Direct beneficial	Indirect beneficial	Direct non-beneficial	Indirect non-beneficial	Indirect interest via Netpartner	Total	Percentage of issued shares
M I Sacks	2 300 000	–	–	(26 251 780)	797 042	(23 154 738)	(1.36)
Dr J Shevel	1 600 000	–	–	(47 680 352)	1 062 723	(45 017 712)	(2.64)
Dr R H Friedland	40 000	–	–	–	88 561	128 561	0.01
Dr R H Bush	500 000	–	–	–	17 711	517 711	0.03
I M Davis	600 000	–	–	–	177 118	777 118	0.05
Dr I Kadish	370 000	–	–	–	35 423	405 423	0.02
P J Lindeque	–	–	–	–	17 711	17 711	0.00
N Weltman	550 000	–	–	–	88 561	638 561	0.04
Dr J A van Rooyen	(104 372)	–	–	–	53 137	(51 235)	0.00
P G Nelson	10 000	–	–	–	–	10 000	0.00
	5 865 628	–	–	(73 932 132)	2 337 987	(65 728 517)	(3.85)

The directors whose names are set out below have acquired call options to acquire Netcare shares on the following bases:

Director	Total number of options held as at the date of publication of the annual financial statements	Total number of options held as at the last practicable date
M I Sacks	2 300 000	–
Dr J Shevel	1 600 000	–
Dr R H Bush	650 000	150 000
I M Davis	1 500 000	500 000
Dr R H Friedland	2 690 000	2 650 000
Dr I Kadish	2 290 000	1 500 000
P J Lindeque	325 000	175 000
Dr V L J Litlhakanyane	–	250 000
P G Nelson	250 000	250 000
N Weltman	800 000	250 000
J M Kahn	–	–
Prof M B Kistnasamy	–	–
	12 405 000	5 725 000

## **5. DIRECTORS' INTERESTS IN TRANSACTIONS**

The directors of Nectare have not had any material beneficial interests, whether direct or indirect, in transactions that were effected by the company during the current or immediately preceding financial year or during an earlier financial year which remain in any respect outstanding or unperformed.

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## **PART V – ADDITIONAL INFORMATION**

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### **1. AFFECTED TRANSACTION**

The specific issue of shares for cash is not and does not result in an affected transaction in terms of the Securities Regulation Code on Take-overs and Mergers.

### **2. PROSPECTS**

The flexibility of the Netcare group's business model, comprehensive operational resources and strengthened leadership team will enable Netcare to continue to pursue various sector opportunities both locally and abroad in building stakeholder value in the future.

The board anticipates that the Health Partners for Life initiative will help to strengthen existing relationships and build new relationships, and importantly, be a meaningful component of Netcare's commitment to transformation in the private healthcare sector.

In the absence of any unforeseen circumstances in the South African and global economies or healthcare regulatory environment, it is considered that the group's business model is well balanced, sound and on track to continue generating meaningful returns and growth for all stakeholders during the balance of the current financial year.

### **3. EXCHANGE CONTROL REGULATIONS**

The following summary is intended only as a guide and is therefore not comprehensive.

Emigrant employees intending to participate in the transaction must obtain the prior approval of the South African Reserve Bank. The exercise of a share option under the Netcare Share Incentive Scheme by an emigrant (who, prior to emigrating had been granted an option) will only be permitted if blocked funds are utilised. Such shares must be lodged with the relevant authorised dealer. In addition, no employees of any offshore subsidiaries of Netcare (if any) who are residents of the common monetary area may, either directly or indirectly, participate in the transaction, other than on the same basis as any other South African resident. Any options to purchase shares granted in terms of the Netcare Share Incentive Scheme to an employee who intends emigrating should be reflected on the Form M.P.336 of the prospective emigrant.

New certificates issued to any emigrant in terms of the transaction will be restrictively endorsed and deposited with the authorised dealer controlling such emigrant's blocked assets. In terms of the Exchange Control Regulations, such Netcare shares are not freely transferable from the common monetary area. The CSDP or broker will ensure that all requirements of the Exchange Control authorities are adhered to in respect of their clients falling into this category of investor, whether the Netcare shares are held in dematerialised or certificated form.

In terms of the Exchange Control Regulations of South Africa, non-residents will receive Netcare shares that will be endorsed "non-resident". The CSDP or broker will ensure that all requirements of Exchange Control are adhered to in respect of their clients falling into this category of investor, whether the shares are held in dematerialised or certificated form.

The issue of new Netcare shares to residents, citizens or nationals of jurisdictions outside South Africa may be prohibited or restricted in terms of the laws of the relevant jurisdictions. Such persons should acquaint themselves with and observe any applicable legal requirement.

#### 4. SHARE CAPITAL

As at the last practicable date, the authorised and issued share capital of Netcare was as set out in the table below:

	R'000
<i>Authorised share capital</i>	
2 500 000 000 ordinary shares of 1,0 cent each	25 000
<b>Before HPFL transaction</b>	
<i>Issued share capital</i>	
1 708 086 859 ordinary shares of 1,0 cent each†	484 098
Share premium	17 081
	467 017
<b>After HPFL transaction</b>	
<i>Issued share capital</i>	
1 815 431 313 ordinary shares of 1,0 cent each‡	1 155 000
Share premium*	18 154
	1 136 846

† Includes 168 711 767 treasury shares held by Basfour and NHG.

‡ Includes 116 056 221 treasury shares held by NHG.

\* Assuming that the new HPFL shares are issued at a price of R6,25 and before any issue expenses have been written off.

#### 5. MAJOR SHAREHOLDERS

At the last practicable date, the following shareholders were known to hold more than 5% of the total issued shares of the company:

Shareholder name	Number of shares before HPFL transaction	Percentage issued share capital before HPFL transaction	Percentage issued share capital after HPFL transaction	Percentage issued share capital (excluding treasury shares*) after HPFL transaction
Netpartner	250 894 255	14.69	13.82	15.64
PIC	230 675 762	13.50	12.70	14.38
NHG	116 056 221	6.79	6.39	N/A
Netcare Trust	95 432 700	5.59	5.23	N/A

\* 211 488 921 Netcare shares held by NHG and the Netcare Trust.

#### 6. SHARE PRICE HISTORY

A history of the Netcare share price on the JSE is set out in **Annexure 5**.

#### 7. MATERIAL CONTRACTS

No material contracts have been entered into by the Netcare group, either verbally or written, otherwise than in the ordinary course of business, within the two years preceding the date of issue of this circular or entered into at any other time but containing an outstanding obligation or settlement that is material at present.

#### 8. LITIGATION STATEMENT

The directors of the company are not aware of any legal or arbitration proceedings (including any such proceedings that are pending or threatened), which may have, or have had, a significant effect on the group's financial position during the 12 months preceding the last practicable date.

## 9. MATERIAL CHANGE STATEMENT

There has been no material change in the financial or trading position of the group since publication of the reviewed interim financial statements for the six month period ended 31 March 2005.

## 10. KING CODE

A statement regarding Netcare's compliance with the Code of Corporate Practices and Conduct set out in the second King Report on Corporate Governance for South Africa (2002) is set out in **Annexure 6**.

## 11. DIRECTORS' RESPONSIBILITY STATEMENT

The directors, whose names are set out in paragraph 1 of Part IV of this circular, collectively and individually accept full responsibility for the accuracy of the information given in this circular and certify that to the best of their knowledge and belief there are no other facts the omission of which would make any statement false or misleading and that they have made all reasonable enquiries to ascertain such facts and that this circular contains all the information required by the JSE.

## 12. EXPERTS' CONSENT LETTERS

The corporate advisor and legal advisor, attorneys, reporting accountants and auditors, sponsor, independent advisor, the third party financier and transfer secretaries of the company have consented to the inclusion of their names in this circular in the context and form in which they appear and have not withdrawn such consent as at the date of issue of this circular.

## 13. DOCUMENTATION AVAILABLE FOR INSPECTION

Copies of the following documents will be available at the offices of the company during normal business hours on business days from the date of issue of this circular up to and including Monday, 26 September 2005:

- the memorandum and articles of association of the company;
- the latest valuations in respect of immovable property owned by the group;
- copies of service agreements with directors entered into during the last three years as detailed in the statement of corporate governance set out in **Annexure 6**;
- the audited annual financial statements of the company for the last three financial years ended 30 September 2002, 2003 and 2004 and the interim financial statements for the six months ended 31 March 2005;
- the reporting accountants' report on the unaudited *pro forma* financial information and the financial effects of the company as it appears in **Annexure 4**;
- the written consent letters referred to in paragraph 12 above;
- the trust deeds referred to in paragraph 8 of Part I of this circular;
- the trust deed regulating the Netcare Share Incentive Scheme;
- the deed of amendment; and
- a signed copy of this document.

By order of the board

**Signed in Sandton by the directors of Network Healthcare Holdings Limited.**

1 September 2005

### **Registered office**

76 Maude Street  
(corner West Street)  
Sandton, 2196  
(Private Bag X34, Benmore, 2010)

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**REPORT ON THE ESTIMATED COST TO SHAREHOLDERS OF THE HPFL TRANSACTION**

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“The Directors  
Network Healthcare Holdings Limited  
76 Maude Street  
Sandown  
Sandton  
2196

26 August 2005

Dear Sirs

**Limited review on the estimated cost over the expected term of the funding structure to existing Network Healthcare Holdings Limited (“Netcare” or “the company”) shareholders of the Broad-Based Black Economic Empowerment (“BEE”) transaction (“the transaction”) announced on 30 June 2005**

### 1. INTRODUCTION

We are reporting to you following completion of our limited review in terms of our engagement letter dated 30 June 2005.

Netcare is in the process of finalising the transaction. In order to determine the expected cost of the transaction to existing Netcare shareholders over the expected term of the funding structure, Netcare management has caused to be prepared, a spreadsheet setting out the estimated cost of the transaction (“the cost model”). Based on this cost model presented to us, the estimated cost of the transaction to existing Netcare shareholders approximates 3.2% of the market capitalisation of Netcare based on the closing Netcare share price at 29 June 2005.

### 2. SCOPE

Our engagement was undertaken in accordance with the Statement of South African Auditing Standards applicable to review engagements. As the procedures we performed do not constitute an audit made in accordance with Statements of South African Auditing Standards, we do not express an audit opinion on any of the information we looked at in conducting this engagement and specifically the information contained in the cost model.

Furthermore, as we have not prepared the cost model, we accept no responsibility for it. Our review was limited to the following matters:

- gaining an understanding of the compilation of the cost model so as to furnish an opinion as to whether the methodology applied is a reasonable basis for the purposes of calculating the economic cost of the transaction to existing Netcare shareholders;
- agreeing the inputs and calculations contained in the cost model to the draft terms of the transaction announcement;
- agreeing the terms of the transaction contained in the draft terms of the transaction announcement to the inputs and calculation contained in the cost model.

We did not consider alternatives to the cost model as a basis for calculating the economic cost of the transaction nor did we consider alternative applications of the cost model in calculating the economic cost of the transaction.

### 3. REVIEW OPINION

Based on the performance of our engagement referred to above we are of the opinion that the methodology applied in the cost model is a reasonable basis to calculate the economic cost of the transaction to existing Netcare shareholders.

**4. RESTRICTIONS**

This report has been prepared solely for the information of Netcare and for the purpose of the transaction and may not be used for any other purpose, nor be reproduced or disclosed to any other party without our prior written consent.

**5. CONSENT**

We hereby consent to the inclusion of this letter and references thereto in the circular to Netcare shareholders to be issued on or about 30 August 2005.

Yours faithfully

**Deloitte & Touche Corporate Finance”**

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## SALIENT FEATURES OF THE NETCARE SHARE INCENTIVE SCHEME (AS AMENDED)

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### 1. INTRODUCTION

- 1.1 The scheme is to be amended to cater for, *inter alia*, the offer for sale of shares to increase the number of shares which may be offered to participants, the simplification of certain structures (including the removal of switching mechanisms, deferred sales and combined options/deferred sales) and certain of the developments in the law regarding share incentive schemes in South Africa.
- 1.2 The amendments to the scheme have been consolidated into one document.
- 1.3 A summary of the salient features of the amended scheme, if approved by shareholders in general meeting (“**the amended scheme**”), is set out below.
- 1.4 For the purposes of the amended scheme, “the group” comprises Netcare, its subsidiaries and associated companies any other entity controlled or jointly controlled by Netcare or any of its subsidiaries from time to time.

### 2. NUMBER OF SHARES TO BE MADE AVAILABLE FOR THE PURPOSES OF THE AMENDED SCHEME

- 2.1 The aggregate number of shares which may be made available for the purposes of the amended scheme shall not be more than 20% of the issued capital of Netcare, equating to 341 617 372 shares as at the last practicable date.
- 2.2 The aggregate number of shares which may be acquired by any one participant under the amended scheme shall not be more than 1% of the issued share capital of Netcare as at the date of signature, equating to 17 080 869 shares as at the last practicable date.
- 2.3 The percentages and numbers set out in 2.1 and 2.2 above shall not be exceeded without prior authority of the shareholders of Netcare in general meeting and the approval of the JSE.

### 3. TRUSTEES

- 3.1 The board of Netcare shall be entitled to appoint, remove and replace the trustees of the amended scheme. There shall at all times be a minimum of two trustees in office. The trustees may not be participants under the amended scheme. The current trustees are Dale Gordon Cohen and Jeffrey Charles Livingstone.
- 3.2 In accordance with the Act, the amended scheme will be funded out of its own resources, loans by the group in accordance with the provisions of section 38(2)(b) of the Act, loans by third parties and/or any other resource which is available to the amended scheme.

### 4. PARTICIPANTS AND MANNER OF PARTICIPATION

Participants in the amended scheme may be officers or other employees of the group, including, but not limited to, executive directors, selected by the board. Participants may be offered the opportunity to acquire shares in terms of the so-called offer to purchase scheme and the so-called option scheme.

### 5. OFFER TO PURCHASE SCHEME

The salient features of the offer to purchase scheme are set out hereunder –

- 5.1 under this scheme, shares (“**scheme shares**”) are sold by the trustees to the participants on the basis that ownership thereof passes to the participants on conclusion of the contract of sale but the purchase price need not be paid immediately. The amount due (together with interest thereon, if any – see 5.4) is hereinafter referred to as the “share debt”;

- 5.2 the amount payable by a participant for his scheme shares shall, in respect of the allocation, be not less than the fair market value of the relevant shares as determined by the sponsor of the company or such other valuers nominated by the board for that purpose acting in their sole and absolute discretion (“**share price**”);
- 5.3 scheme shares will be registered in the names of participants and will be pledged in favour of, and retained by, the amended scheme as security for payment of the share debt;
- 5.4 subject to certain limitations, a participant’s outstanding balance of the share price will bear interest at such rate (if any), as may from time to time be determined by the board. Dividends on scheme shares will be paid to the amended scheme and be applied in payment of such interest, and any excess shall be applied as follows-
  - 5.4.1 such percentage of the excess as is equal to the percentage which has been paid up by the participant in respect of the share price of the scheme shares shall be paid to the participant; and
  - 5.4.2 the balance shall be paid towards the reduction of the outstanding balance of the share price of the relevant participant’s scheme shares;
- 5.5 unless the board otherwise resolves at any time, notwithstanding that any scheme shares are paid for, in whole or in part, at any time by the participant concerned, no scheme shares shall be released from the amended scheme or from the pledge until;
  - 5.5.1 one year after date of acceptance of the offer (“**acceptance date**”), in respect of 25% of the scheme shares allocated to a participant (“**allocated shares**”);
  - 5.5.2 two years after the acceptance date, in respect of a further 25% of the allocated shares;
  - 5.5.3 three years after the acceptance date, in respect of a further 25% of the allocated shares; and
  - 5.5.4 four years after the acceptance date, in respect of a further 25% of the allocated shares; and
- 5.6 if any amount in respect of the share price of any scheme shares becomes payable on demand by the trustees in accordance with the provisions of the amended scheme and such amount is not paid by the due date thereof, the trustees shall be entitled, *inter alia*, to cancel that sale in terms of which those scheme shares were acquired by the participant concerned and, *inter alia*, the participant concerned shall cease to have any interest in the scheme shares in respect of which the balance of the share price was due to be paid, such scheme shares shall be transferred into the name of the trust and the trustees may repay to the participant all or any part of the share price which such participant has paid in respect of such scheme shares.

## 6. SHARE OPTION SCHEME

The salient features of the amended scheme relating to share options are set out hereunder –

- 6.1 the trustees may, if the board so directs, offer participants options (“**share options**”) to purchase scheme shares. Each share option shall confer upon the holder thereof the right to purchase scheme shares upon the terms and conditions summarised below;
- 6.2 the amount payable by a participant for his scheme shares shall be calculated mutatis mutandis in accordance with the provisions of 5.2 above;
- 6.3 share options may not be exercised any time but will only be released to a participant in accordance with the terms and conditions upon which the relevant option is granted and subject to the release periods referred to in paragraph 5.5 above.

## 7. PROCEDURE REGARDING TERMINATION OF EMPLOYMENT AND UNEXERCISED OPTIONS

- 7.1 If a participant ceases to be an employee by reason of serious incapacity, serious disability, retrenchment, death or retirement and as at the date on which he ceases to be an employee (the “**termination date**”), he has been granted options such options, shall *ipso facto* be deemed capable of exercise, as at the date immediately preceding the termination date and shall remain open for exercise and payment for a period of 12 (twelve) months reckoned from such date.
- 7.2 If a participant ceases to be an employee for any reason other than the reasons set out in 7.1, the trustees shall release those shares to which such participant is entitled and for which he has paid and the option in respect of the balance of any tranche or tranches of shares shall *ipso facto* be cancelled.

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**UNAUDITED PRO FORMA FINANCIAL INFORMATION**


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**1. INTRODUCTION**

The table below sets out the unaudited *pro forma* financial effects of the HPFL transaction based on Netcare's most recently published financial results for the six month period ended 31 March 2005. The unaudited *pro forma* financial effects are presented for illustrative purposes only and because of their nature may not give a fair reflection of Netcare's results and financial position after the HPFL transaction. It has been assumed for purposes of the unaudited *pro forma* financial effects that the HPFL transaction took place with effect from 1 October 2004 for income statement purposes and 31 March 2005 for balance sheet purposes. The directors of the company are responsible for the preparation of the unaudited *pro forma* financial effects.

	Before <sup>1</sup> the HPFL transaction and issue of new HPFL shares (cents)	After <sup>1</sup> the HPFL transaction and issue of new HPFL shares (cents)	Change (%)
Attributable earnings per share ("EPS")	24.7	24.6	(0.4)
Headline earnings per share ("HEPS")	25.6	25.4	(0.8)
Net asset value ("NAV") per share	209.5	208.7	(0.4)
Tangible net asset value ("TNAV") per share	196.1	195.3	(0.4)

**2. PRO FORMA INCOME STATEMENT**

	Before <sup>1</sup> (Rm)	Adjustments (Rm)	Notes	After <sup>1</sup> (Rm)	Change (%)
<b>Revenue</b>	<b>3,585.9</b>			<b>3,585.9</b>	
Net operating costs	(2,960.2)			(2,960.2)	
<b>Operating profit before depreciation and amortisation</b>	<b>625.7</b>			<b>625.7</b>	
Depreciation and amortisation	(123.2)			(123.2)	
<b>Operating profit</b>	<b>502.5</b>			<b>502.5</b>	
Net finance charges	(66.2)	(0.9)	2	(67.1)	1.4
<b>Profit before taxation</b>	<b>436.3</b>			<b>435.4</b>	
Taxation	(117.3)	(1.6)	3	(118.9)	1.3
<b>Profit after taxation</b>	<b>319.0</b>			<b>316.5</b>	
Attributable earnings of associates	34.4			34.4	
<b>Profit after taxation including associates</b>	<b>353.4</b>			<b>350.9</b>	
Minority interests	(1.0)			(1.0)	
<b>Attributable earnings</b>	<b>352.4</b>			<b>349.9</b>	
Goodwill amortised	5.3			5.3	
Loss on discontinued operations	7.0			7.0	
<b>Headline earnings</b>	<b>364.7</b>			<b>362.2</b>	
<b>Earnings per share (cents)</b>					
Headline – basic	25.6			25.4	(0.8)
Attributable – basic	24.7			24.6	(0.4)
Weighted average number of shares in issue (millions)	1,425.2			1,425.2	

### 3. PRO FORMA BALANCE SHEET

	Before <sup>1</sup> (Rm)	Adjustments (Rm)	Notes	After <sup>1</sup> (Rm)	Change (%)
<b>ASSETS</b>					
<b>Non-current assets</b>	<b>3,954.3</b>			<b>3,954.3</b>	
Property, plant and equipment	2,908.5			2,908.5	
Goodwill and development expenditure	191.2			191.2	
Associated companies, investments and loans	821.3			821.3	
Deferred taxation asset	33.3			33.3	
<b>Current assets</b>	<b>1,891.9</b>			<b>1,891.9</b>	
Inventories	274.4			274.4	
Accounts receivable	1,407.4			1,407.4	
Cash and cash equivalents	210.1			210.1	
<b>Total assets</b>	<b>5,846.2</b>			<b>5,846.2</b>	
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and reserves</b>	<b>3,064.3</b>			<b>3,053.2</b>	
Share capital and premium	711.1	662.2	4	1,373.3	93.1
Treasury shares	(897.5)	(670.9)	4	(1,568.4)	74.8
Reserves	3,175.5	(2.4)	5	3,173.1	(0.1)
Ordinary shareholders' equity	2,989.1			2,978.0	
Minority interest	75.2			75.2	
<b>Non-current liabilities</b>	<b>883.8</b>			<b>983.8</b>	
Interest bearing debt	794.1			794.1	
Preference shares		100.0	6	100.0	
Deferred taxation liability	89.7			89.7	
<b>Current liabilities</b>	<b>1,898.1</b>			<b>1,809.2</b>	
Accounts payable and provisions	1,055.6			1,055.6	
Short-term interest bearing debt	721.3	(88.9)	7	632.4	(12.3)
Taxation payable	121.2			121.2	
<b>Total equity and liabilities</b>	<b>5,846.2</b>			<b>5,846.2</b>	
Net asset value per share (cents)	209.5			208.7	(0.4)
Net tangible asset value per share (cents)	196.1			195.3	(0.4)
Shares in issue (millions)	1,427.0		4	1,427.0	

#### Notes:

- (1) The "Before" columns in the tables above have been extracted from the published financial results of Netcare for the six months ended 31 March 2005. The "After" column of the *pro forma* income statement reflects the financial results of the company on the assumption that the HPFL transaction was implemented on 1 October 2004. The "After" column of the *pro forma* balance sheet reflects the financial position of the company on the assumption that the HPFL transaction was implemented on 31 March 2005. Accounting policies have been consistently applied for the purposes of calculating all adjustments. As required by AC 412, the empowerment entities holding the Netcare shares will be consolidated by Netcare until such time as the preference shares held by Netcare are fully redeemed.
- (2) The change in net finance charges relates to the benefit derived by virtue of the interest saving, calculated at 10.5% (pre-tax), accruing to Netcare as a result of the application of the proceeds from the issue of preference shares by Basfour to the third party financier for the purchase by Basfour of new Netcare shares issued for cash and includes issue duty relating to the issue of all the preference shares.
- (3) The tax effect of the interest saving set out in note 2.
- (4) Share capital and premium, net of share issue expenses, has increased by the issue of the new HPFL shares which have been accounted for as treasury shares.
- (5) Issue duty of approximately R2,4 million relating to the issue of all preference shares is written off against retained income.
- (6) Preference shares to the value of R100 million are to be issued to the third party financier by Basfour and consolidated by Netcare.
- (7) Proceeds from the issue of preference shares to the third party financier to the value of R100 million less estimated transaction costs of R11,1 million which includes issue duty of R2,4 million.

The implementation of the HPFL transaction will not have a material effect on dividends or capital distributions per share until the funding obligations have been fully settled.

Upon adopting International Financial Reporting Standard 2 – Share-Based Payments (“**IFRS 2**”), which is compulsory and will be introduced for the year ending 30 September 2006, the HPFL shares:

- relating to the trust units in respect of The Patient Care and Passionate People Trust, will be valued at the date that benefits are granted to the participants and this amount will be expensed in the group’s income statement over the qualification period;
- relating to trust units in respect of The Physician Partnerships Trust, The Healthy Lifestyle Trust and The Mother & Child Trust, which have been allocated to specific beneficiaries will be valued and this entire amount, representing the cost of BEE credentials, will be expensed in the group’s income statement at the effective date.

Netcare estimates that the impact of the transaction upon the adoption of IFRS 2 will result in an expense of R93 million in the income statement for the year ending 30 September 2006. This expense has been calculated in accordance with the guidelines set out in IFRS 2 based on an independent valuation of the various trust units performed by Deloitte.

The application of IFRS 2 to BEE transactions is subject to ongoing debate, both in South Africa and internationally. The outcome of these discussions may have an impact on the accounting treatment described above and, if material, shareholders will be duly advised.

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**REPORT OF THE INDEPENDENT REPORTING ACCOUNTANTS ON THE UNAUDITED  
*PRO FORMA* FINANCIAL INFORMATION**

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“The Directors  
Network Healthcare Holdings Limited  
Private Bag X34  
Benmore  
2010

26 August 2005

Dear Sirs

**REPORT OF THE INDEPENDENT REPORTING ACCOUNTANTS ON THE UNAUDITED *PRO FORMA*  
FINANCIAL EFFECTS AND THE *PRO FORMA* CONSOLIDATED BALANCE SHEET AND INCOME  
STATEMENT INCLUDED IN THE CIRCULAR TO THE SHAREHOLDERS OF NETWORK HEALTHCARE  
HOLDINGS LIMITED (“NETCARE”)****1. INTRODUCTION**

We report on the unaudited *pro forma* financial effects and the *pro forma* consolidated balance sheet and income statement as set out in Annexure 3 of the circular to Netcare shareholders, to be dated on or about 30 August 2005 (“the circular”). The abovementioned *pro forma* financial information has been prepared, for illustrative purposes only, to provide information about how the HPFL transaction (as defined in the circular) might have affected Netcare’s financial information presented for the six months ended 31 March 2005 on the basis of the assumptions as detailed in Annexure 3. Because of their nature, the unaudited *pro forma* financial effects and *pro forma* consolidated balance sheet and income statement may not fairly present Netcare’s financial position after the HPFL transaction.

At your request, and for purposes of the HPFL transaction, we present our report on the unaudited *pro forma* financial effects and the *pro forma* consolidated balance sheet and income statement of Netcare in compliance with the Listings Requirements of JSE Limited (“JSE”).

**2. RESPONSIBILITIES**

The directors are solely responsible for the preparation of the unaudited *pro forma* financial effects and the *pro forma* consolidated balance sheet and income statement of Netcare to which this reporting accountants’ report relates, and for the financial statements and financial information from which it has been prepared.

It is our responsibility to express an opinion on the unaudited *pro forma* financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited *pro forma* financial information and *pro forma* consolidated balance sheet and income statement of Netcare, beyond that owed to those to whom those reports were addressed at their dates of issue.

**3. BASIS OF OPINION AND SCOPE OF WORK PERFORMED**

Our work, which did not involve any independent examination of any of the underlying financial information, consisted primarily of agreeing the unadjusted financial information to the unaudited consolidated interim financial statements of Netcare for the six months ended 31 March 2005, considering the evidence supporting the adjustments, recalculating the amounts based on the information obtained and discussing the unaudited *pro forma* financial information with the directors of Netcare.

Because the above procedures do not constitute either an audit or a review made in accordance with Statements of South African Auditing Standards, we do not express any assurance on the fair presentation of the unaudited *pro forma* financial information, other than the opinion set out below.

Had we performed additional procedures or had we performed an audit or review of the *pro forma* financial information in accordance with Statements of South African Auditing Standards, other matters might have come to our attention that would have been reported to you.

#### 4. OPINION

Based on our procedures, nothing has come to our attention that causes us to believe that:

- the unaudited *pro forma* financial effects and the *pro forma* consolidated balance sheet and income statement have not been properly compiled on the basis stated;
- such basis is inconsistent with the accounting policies of Nectcare; and
- the adjustments are not appropriate for the purposes of the unaudited *pro forma* financial effects and the *pro forma* consolidated balance sheet and income statement, as disclosed, in terms of Section 8.30 of the JSE Listings Requirements.

Yours faithfully

**GRANT THORNTON**

*Registered Accountants and Auditors*  
*Chartered Accountants (SA)*

Johannesburg

**PKF (Jhb) Inc.**

*Registered Accountants and Auditors*  
*Chartered Accountants (SA)*

Johannesburg”

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**SHARE PRICE HISTORY**


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	<b>CLOSE</b> (cents)	<b>HIGH</b> (cents)	<b>LOW</b> (cents)	<b>VOLUME</b>
<b>Quarterly</b>				
<b>2002</b>				
September	289	318	255	134,089,341
December	299	318	255	212,658,024
<b>2003</b>				
March	298	320	265	76,935,378
June	316	380	284	191,419,440
September	392	440	340	178,149,440
December	458	520	400	119,358,034
<b>2004</b>				
March	470	535	435	211,128,046
June	462	518	420	182,103,651
<b>Monthly</b>				
<b>2004</b>				
July	436	462	420	65,780,536
August	456	500	425	43,340,226
September	488	500	467	57,861,155
October	542	590	494	68,030,464
November	532	590	476	102,937,299
December	509	532	490	95,125,280
<b>2005</b>				
January	512	540	470	48,355,824
February	521	538	491	63,278,640
March	525	549	500	54,093,796
April	554	590	530	71,604,835
May	596	630	550	64,555,980
June	610	620	580	48,872,445
<b>Daily</b>				
<b>2005</b>				
1 July	605	615	605	2,457,973
4 July	606	609	605	1,110,859
5 July	610	615	605	1,158,069
6 July	630	630	610	5,088,837
7 July	626	640	615	7,120,071
8 July	625	640	615	2,742,095
11 July	622	625	617	2,356,665
12 July	635	640	620	7,013,104
13 July	637	638	615	3,356,890
14 July	640	645	631	3,644,445
15 July	645	645	628	3,556,010
18 July	640	645	635	2,019,193
19 July	640	640	635	4,261,041
20 July	635	648	635	2,508,496
21 July	648	650	640	2,802,728
22 July	650	655	645	1,911,737

	<b>CLOSE</b> <b>(cents)</b>	<b>HIGH</b> <b>(cents)</b>	<b>LOW</b> <b>(cents)</b>	<b>VOLUME</b>
25 July	650	655	630	2,363,223
26 July	635	650	629	2,115,755
27 July	632	636	638	1,439,478
28 July	630	640	630	1,969,737
29 July	627	642	627	47,928,698
1 August	650	650	632	2,009,584
2 August	645	655	643	3,134,128
3 August	635	650	630	746,587
4 August	645	645	625	1,330,767
5 August	650	654	620	1,732,864
8 August	645	650	630	854,572
10 August	649	650	645	3,988,731
11 August	642	648	640	2,195,906
12 August	642	645	640	1,911,073
15 August	645	649	635	1,381,703
16 August	624	640	615	2,303,331
17 August	615	630	600	2,631,663
18 August	619	625	608	1,533,327
19 August	615	630	610	2,337,490
22 August	625	625	605	2,041,650
23 August	624	625	615	2,150,125
24 August	620	625	611	1,096,426
25 August	605	618	600	1,715,558
26 August	605	618	590	2,392,671
29 August	615	620	600	2,677,745
30 August	614	620	605	1,914,732

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## KING CODE

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### 1. NETCARE'S CORPORATE GOVERNANCE PHILOSOPHY

Netcare strives for effective corporate governance by endeavouring to ensure that long-term strategies and plans are maintained and that the proper processes and management structures are in place to achieve business objectives and create shareholder value. At the same time Netcare seeks to ensure that the business operates to maintain the organisation's integrity, reputation and accountability to its stakeholders.

The Netcare group subscribes to the highest levels of corporate governance tenets and values and is committed to complying with the recommendations contained in the Code of Corporate Practices and Conduct as set out in the second King Report on Corporate Governance for South Africa 2002 ("**King II**"), all elements of which are either formally or informally in place, unless otherwise disclosed herein.

### 2. REPORTING AND GOVERNANCE STRUCTURES

The company's articles of association provide for the appointment of a "Management board". The Management board operates under the leadership of the Netcare Chief Executive Officer and comprises senior management and CEOs of all divisions and major subsidiaries of the Netcare group.

The Management board is responsible for creating and driving group strategy and the implementation of board and Management board decisions. The representatives of the Management board will be responsible for reporting on the progress of their business units and functional services so as to keep the board fully informed of all relevant matters relating to the group.

### 3. BOARD COMMITTEES

The following are the formally constituted Netcare board committees:

- Board Audit Committee;
- Board Risk Committee;
- Board Remuneration Committee;
- BEE and Transformation Committees.

The BEE and Transformation Committee comprises the following members, 4 out of 12 of whom are on the board of directors:

Dr Victor Lithakanyane (*chairperson*)\*

Dr Richard Friedland\*†

Norman Weltman\*

Italia Boninelli

Darren Youngleson

Kgati Malebana

Peter Nelson\*

Krisen Govender

Motlalentoa Motsokane

Tirelo Sibisi

Mari Bruwer

Corrine Kennedy

† CEO with effect from 1 September 2005

\* Director

In a relatively short period of time, the Netcare group has grown from a minor enterprise into the pre-eminent healthcare institution in South Africa. The group's national networks provide diverse and important services.

It is essential therefore that structures are in place not only to manage the business but to ensure that codes of good governance and conduct are embraced and meaningfully implemented.

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

- socio-economic and socio political stakeholder imperatives;
- role of the board;
- institutional best practice;
- audit, accountability and control;
- communication protocol; and
- business risk management.

#### 4. ROLE OF THE BOARD

##### **Composition, role and functions**

The board comprises five non-executive and ten executive directors. Three of the five non-executive directors are independent. The names and credentials of the directors appear on pages 24 to 26.

A board charter is in place and defines the board's responsibilities for:

- approving corporate philosophy, vision, mission and ethical values;
- approving strategic plans, operating policies and implementing organisation structures;
- identifying appropriate performance indices;
- monitoring and evaluating performance against plans;
- ensuring compliance with relevant laws, regulations and corporate policies;
- approving internal and external communication protocols and monitoring relations with shareholders and other stakeholders;
- implementing risk management and internal control;
- establishing appropriate board committees;
- selecting, monitoring, evaluation and compensation of directors;
- succession planning; and
- assessing the board's own effectiveness.

Save as set out below, directors have no fixed term of appointment but retire by rotation every three years and, if available, are considered for re-appointment at the annual general meeting.

After taking into account the board changes announced on SENS on Thursday, 11 August 2005, the board of directors of Netcare will comprise 7 non-executive and 5 executive directors. 2 of the 7 non-executive directors are independent. The following directors are restrained from competing with the group and have entered into service agreements with the company for periods as indicated: I M Davis (6 months), Dr R H Friedland (2 years), Dr I Kadish (12 months) and Dr J Shevel (5 years).

The roles of Chairman and CEO are separated, with Mr M Sacks having been appointed as the non-executive Chairman.

The board retains full and effective control over the organisation and decisions on material matters are reserved by the board. The board meets at least four times annually and more frequently as circumstances require. Standing sub-committees of the board have been appointed, details of which are set out below, while *ad hoc* sub-committees are created as and when necessary.

##### **Appointment mechanisms**

Although the board has not formally constituted a nomination committee, all proposed appointments to the board are considered by the full board of directors.

## **Board sub-committees**

### *Board risk committee*

Four directors, three of whom are executive directors, constitute this committee. The Chairman of the committee is an independent non-executive director.

### *Board remuneration committee*

The board remuneration committee is responsible for approving the remuneration of executive directors and senior group management. Independent external studies and comparisons are used to ensure that remuneration is market related and is linked to both individual and company performance. Membership of the remuneration committee comprises two non-executive directors and the board chairman. One of the non-executive directors is the chairperson of the committee.

## **Professional advice**

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

## **Audit and accountability**

### *Board audit committee*

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

The audit committee is constituted as a sub-committee of the board and comprises four directors, namely H R Levin (*Chairman*), M I Sacks, A P H Jammine and P G Nelson. H R Levin and A P H Jammine are non-executive and A P H Jammine is also independent. The audit committee meets formally three times per year to consider financial reporting issues and to advise the board on a range of matters, including corporate governance practices, internal control policies and procedures and internal and external audit management. The external auditors attend the audit committee meetings and also have unrestricted access to the chairman of the audit committee. Fees in respect of non-audit services are reviewed by the audit committee.

### *Financial statements*

The board is responsible for preparing the financial statements and other information presented in reports to shareholders in a manner that fairly presents the state of affairs and results of the group's business operations. The external auditors are responsible for carrying out an independent examination of the financial statements in accordance with South African Generally Accepted Auditing Standards.

The annual financial statements are prepared in terms of the Companies Act and JSE Listings Requirements and comply with South African Statements of Generally Accepted Accounting Practice and are based on appropriate accounting policies which have been consistently applied and are supported by reasonable and prudent judgments and estimates.



## Network Healthcare Holdings Limited

(Registration number 1996/008242/06)

JSE code: NTC ISIN: ZAE000011953

("Netcare" or "the company")

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Michael Ivan Sacks† (*Chairman*)  
Dr Jack Shevel\*‡ (*Chief Executive Officer*)  
Dr Richard Harold Friedland\*■ (*CEO – International*)  
Peter Nelson\* (*Chief Financial Officer*)  
Dr Reginald Hedley Bush\*●  
Ingrid Marion Davis\*  
Dr Ian Kadish\*●  
Petrus Johannes Lindeque\*●  
Dr Victor L J Litlhakanyane\*  
Norman Weltman\*  
Dr Johannes Albertus van Rooyen†  
Dr Azar Paul Hindelly Jammie▲†  
Jacob Meyer Kahn▲†  
Hymie Reuvin Levin†  
Professor Malcolm Barry Kistnasamy†

\* *Executive*

† *Non-executive*

‡ Resigned as Chief Executive Officer and appointed as non-executive director with effect from 1 September 2005

■ Appointed as Chief Executive Officer with effect from 1 September 2005

▲ Independent

● Resigning with effect from 16 September 2005

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### NOTICE OF GENERAL MEETING OF SHAREHOLDERS

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Notice is hereby given that a general meeting of shareholders of the company will be held at the offices of the company at 76 Maude Street (corner West Street), Sandton, 2196, at 12:00 on Monday, 26 September 2005 ("the general meeting"), for the purpose of considering and, if deemed fit, passing with or without modification, the resolutions set out below.

#### ORDINARY RESOLUTION 1

The purpose of Ordinary Resolution 1 is to authorise the company to allot and issue new ordinary shares in the share capital of the company and dispose of the issued shares in Basfour 2078 (Proprietary) Limited pursuant to and for the purpose of implementing the Health Partners for Life share ownership initiative as described in the circular with which this notice of general meeting is enclosed.

**RESOLVED THAT** the company is hereby authorised:

1. to implement the sale by Netcare of the issued shares of Basfour 2078 (Proprietary) Limited to The Mother & Child Trust, The Healthy Lifestyle Trust and The Physician Partnerships Trust for a nominal price of R10,00; and
2. by way of a specific authority in terms of the JSE Listings Requirements to allot and issue in aggregate 107 344 454 Netcare shares at the weighted average traded price of Netcare shares for the ten business day period prior to 1 October 2005, to be allocated as follows:
  - 92 million shares to The Patient Care and Passionate People Trust (or its wholly-owned subsidiary); and
  - 15 344 454 shares to Basfour 2078 (Proprietary) Limited.

In terms of the Listings Requirements of the JSE Limited (“JSE”), the passing of this resolution is achieved by the attainment of a 75% majority of the votes cast in favour of such resolution by all shareholders present or represented at the general meeting, excluding any shareholders and their associates participating in the specific issue of shares for cash.

## **ORDINARY RESOLUTION 2**

The purpose of Ordinary Resolution 2 is to authorise the company to amend the Network Healthcare Holdings Limited Share Incentive Trust in the manner described below.

**RESOLVED THAT** the Network Healthcare Holdings Limited Share Incentive Trust be amended:

1. so as to increase the aggregate number of Netcare shares available for allocation under the scheme from 10% to 20% of the issued share capital of Netcare, being 341 617 372 Netcare shares as at 25 August 2005 and 363 086 263 Netcare shares (if Ordinary Resolution 1 is passed by the requisite majority);
2. so as to permit the introduction of a share purchase scheme in addition to a share option scheme; and
3. so as to simplify certain structures (including the removal of switching mechanisms, deferred sales and combined options/deferred sales) and to cater for certain of the developments in the law regarding share incentive schemes in South Africa;

on the basis set out in the deed of amendment, a copy of which has been tabled and initialled by the chairperson for identification purposes.

## **SPECIAL RESOLUTION 1**

In terms of section 223 of the Companies Act 61 of 1973, as amended (the “Companies Act”), a special resolution is required by a company to issue shares for the benefit of directors of that company where the right to shares is not given to directors in their capacity as employees. Accordingly, the purpose of the following special resolution is to authorise the company to allot and issue new shares in the share capital of the company for the benefit of existing and future directors of the company pursuant to the Network Healthcare Holdings Limited Share Incentive Trust.

**RESOLVED THAT** the company is hereby authorised, in terms of section 223 of the Companies Act and the JSE Listings Requirements, to allot and issue shares in the company for the benefit of existing and future directors of the company pursuant to the terms and conditions of the Network Healthcare Holdings Limited Share Incentive Trust.

## **REASON AND EFFECT**

The reason for and the effect of Special Resolution 1 is to give the directors of the company the specific authority to issue Netcare shares for the benefit of Netcare’s existing and future directors.

## **SPECIAL RESOLUTION 2**

In terms of sections 85 and 89 of the Companies Act, a company or its subsidiaries may repurchase its shares if authorised thereto by way of a special resolution.

**RESOLVED THAT** the directors of Network Healthcare Holdings Limited (“**Netcare**”) are hereby authorised, by way of a specific authority, in terms of sections 85(2) and 89 of the Companies Act and in terms of and subject to the Listings Requirements of the JSE, to acquire or to procure that any of its subsidiaries acquire at any time and from time to time from The Patient Care and Passionate People Trust (and/or its wholly-owned subsidiary) and Basfour 2078 (Proprietary) Limited up to 160 000 000 Netcare ordinary shares at a price per share no greater than the volume weighted average traded price of Netcare shares for the 5 business day period prior to the date of repurchase.

The reason for the special resolution is to authorise the company and/or any of its subsidiaries to repurchase all or any of the HPFL shares pursuant to the exercise of the right of first refusal afforded to Netcare by The Patient Care and Passionate People Trust (and/or its wholly-owned subsidiary) and Basfour 2078 (Proprietary) Limited on a realisation of Netcare shares by such entities. The effect thereof will be that Netcare (and/or any of its subsidiaries) will have authority to repurchase any of the HPFL shares held by The Patient Care and Passionate People Trust (and/or its wholly-owned subsidiary) and Basfour 2078 (Proprietary) Limited.

The special resolution is subject to at least 75% of the votes cast by Netcare ordinary shareholders present in person or represented by proxy (excluding any shareholder and its associates which may benefit from the repurchase) at the general meeting being cast in favour thereof.

### **ORDINARY RESOLUTION 3**

**RESOLVED THAT** the directors of the company be authorised to do all things and sign all documents as they consider necessary to give effect to and implement the abovementioned resolutions.

In accordance with paragraph 14.13 of Schedule 14 of the JSE Listings Requirements, the votes in respect of the shares held by the Network Healthcare Holdings Limited Share Incentive Trust (if any) shall not be taken into account for purposes of determining the requisite majority in respect of the resolutions set out above.

### **VOTING AND PROXIES**

Shareholders entitled to attend and vote at the general meeting may appoint a proxy to attend, speak and vote in his/her stead. A proxy need not be a member of the company. On a show of hands a shareholder present in person or represented by proxy is entitled to one vote irrespective of the number of shares he/she holds or represents, provided that a proxy will only have one vote irrespective of the number of shares he/she represents.

On a poll, a shareholder present in person or represented by proxy is entitled to that proportion of the total votes in the company which the aggregate amount of the nominal value of the Netcare shares held by him/her bears to the aggregate amount of the nominal value of all Netcare shares issued by the company and carrying the right to vote.

If you hold dematerialised shares and you have not elected own-name registration, you must NOT complete the attached form of proxy. You must furnish your CSDP or broker with your instructions for voting at the general meeting. If your CSDP or broker does not obtain instructions from you, they will be obliged to act in terms of your mandate furnished to them. Unless you advise your CSDP or broker in the manner and time stipulated in the agreement between your CSDP or broker that you wish to attend the general meeting or to send a proxy, your CSDP or broker will assume that you do not wish to attend the general meeting or send a proxy. If you wish to attend the general meeting, you are required to request that your CSDP or broker issue the necessary Letter of Representation to you to enable you to attend and vote at the general meeting.

If you hold dematerialised shares in your own name or hold certificated shares and are unable to attend the general meeting and wish to be represented thereat, you must complete the attached form of proxy in accordance with the instructions therein and lodge it with or post it to the transfer secretaries of the company:

**Hand deliveries to:**

Ultra Registrars (Proprietary) Limited  
11 Diagonal Street  
Johannesburg, 2001

**Postal deliveries to:**

Ultra Registrars (Proprietary) Limited  
PO Box 4844  
Johannesburg, 2000

to be received by not later than 12:00 on Friday, 23 September 2005 (or 24 hours before any adjournment of the general meeting which date, if necessary, will be notified on SENS and in the press).

By order of the board

**J Wolpert**

*Company secretary*

1 September 2005

Network Healthcare Holdings Limited  
(Registration number 1996/008242/06)

**Registered office**

76 Maude Street  
(corner West Street)  
Sandton, 2196  
(Private Bag X34, Benmore, 2010)  
Tel: (011) 301 0000

**Transfer secretaries**

Ultra Registrars (Proprietary) Limited  
(Registration number 2000/007239/07)  
11 Diagonal Street  
Johannesburg, 2001  
(PO Box 4844, Johannesburg, 2000)



# Network Healthcare Holdings Limited

(Registration number 1996/008242/06)  
JSE code: NTC ISIN: ZAE000011953  
("Netcare" or "the company")

## FORM OF PROXY (FOR USE BY CERTIFICATED AND OWN-NAME DEMATERIALISED SHAREHOLDERS)

For use by holders of certificated Netcare ordinary shares or holders of dematerialised Netcare ordinary shares who have elected own-name registration, at the general meeting of the company to be held at 12:00 on Monday, 26 September 2005 (or such later date as is advised on SENS and in the press in relation to any adjournment of the general meeting) ("the general meeting") at the registered address of Netcare, 76 Maude Street (corner West Street), Sandton, 2196. Such persons, being entitled to attend and vote at the general meeting, may appoint one or more persons as his/her proxy to attend, speak or vote in his/her stead at the general meeting. A proxy need not be a shareholder of the company.

Dematerialised shareholders who have not elected own-name registration must inform their Central Securities Depository Participant ("CSDP") or broker of their intention to attend the general meeting and request their CSDP or broker to issue them with the necessary authorisation to attend the general meeting in person and vote or provide the CSDP or broker with their voting instructions should they not wish to attend the general meeting in person. These shareholders must not use this form of proxy but must contact their CSDP or broker as the company will not take responsibility for shareholders who do not contact their CSDP or broker timeously.

I/We (BLOCK LETTERS PLEASE)

of (address)

being the holder/s of  ordinary shares hereby appoint:

1. \_\_\_\_\_ or failing him/her,
2. \_\_\_\_\_ of failing him/her,
3. \_\_\_\_\_ the chairman of the general meeting of shareholders,

as my/our proxy to attend and speak and to vote and/or to abstain from voting for and/or against the resolutions to be proposed at the general meeting of shareholders and at any adjournment thereof, in the following manner:

	Number of votes		
	*For	*Against	*Abstain
Ordinary resolution 1 – Specific issue of shares for cash and disposal of the issued shares in Basfour			
Ordinary resolution 2 – Amendment of Netcare Share Incentive Scheme			
Special resolution 1 – Specific issue of shares to directors			
Special resolution 2 – Specific repurchase of HPFL shares			
Ordinary resolution 3 – Authorisation of directors			

\*Mark "For", "Against" or "Abstain" as required. If no options are marked the proxy will be entitled to vote as he/she thinks fit.

Unless otherwise instructed, my proxy may vote or abstain from voting as he/she thinks fit.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2005

Signature

Assisted by me (where applicable)

(State capacity and full name)

A shareholder entitled to attend and vote at the abovementioned general meeting is entitled to appoint a proxy to attend, vote and speak in his/her stead. A proxy need not be a member of the company.

Forms of proxy must be deposited at Ultra Registrars (Proprietary) Limited, 11 Diagonal Street, Johannesburg, 2001 or posted to PO Box 4844, Johannesburg, 2000 so as to arrive by no later than 12:00 on Friday, 23 September 2005.

Please read the notes on the reverse side hereof.

**Notes:**

1. Each certificated shareholder and own-name registered dematerialised shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space. The person whose name stands first on this form of proxy and who is present at the general meeting of shareholders will be entitled to act as proxy to the exclusion of those whose names follow and to attend, speak and vote in place of such shareholder at the general meeting.
2. A shareholder's instructions to the proxy have to be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the general meeting as he/she deems fit in respect of all the shareholder's votes exercisable thereat relating to the proposed resolutions.
3. A shareholder or his/her proxy is not obliged to vote in respect of all of the shares held by such shareholder, but the total number of votes for or against the resolutions and in respect of which any abstention is recorded may not exceed the total number of votes to which the shareholder or his/her proxy is entitled.
4. The forms of proxy must be lodged at Ultra Registrars (Proprietary) Limited, 11 Diagonal Street, Johannesburg, 2001 or posted to PO Box 4844, Johannesburg, 2000 so as to be received by not later than 12:00 on Friday, 23 September 2005. Forms of proxy may also be submitted by fax to Ultra Registrars (Proprietary) Limited (Fax number +27 (0)11 834-4398), subject to the proxy instruction form meeting all other criteria. This form of proxy will be valid at any adjournment of the general meeting.
5. The completion and lodgement of this form of proxy will not preclude the relevant shareholder from attending the general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.
6. The chairman of the general meeting may reject or accept any form of proxy which is completed and/or received, other than in compliance with these notes.
7. Any alteration to this form of proxy, other than a deletion of alternatives, must be initialled by the signatory/ies.
8. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the company.
9. Where there are joint holders of shares:
  - (a) any one holder may sign this form of proxy; and
  - (b) the vote of the senior (for that purpose seniority will be determined by the order in which the names of shareholders appear in the register of members) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint holder(s) of shares.
10. This form of proxy is to be completed only by those shareholders who are:
  - (a) holding shares in certificated form; or
  - (b) recorded in the sub-register in dematerialised electronic form in their own name.
11. Holders of Netcare shares (whether certificated or dematerialised) through a nominee should timeously make the necessary arrangements with that nominee or, if applicable, CSDP or broker (as the case may be) on how they wish their votes to be cast at the general meeting on their behalf. Shareholders who hold their shares *via* a CSDP should be guided by the terms of the agreement entered into between the shareholder and their CSDP or broker.



