



# Network Healthcare Holdings Limited

(Incorporated in the Republic of South Africa)

(Registration number 1996/008242/06)

Share code: NTC ISIN: ZAE000011953

("Netcare")

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## PLACING MEMORANDUM

**Placing Memorandum relating to a subscription by way of private placement of a maximum of 10 000 000 cumulative, non-redeemable, non-participating, non-convertible preference shares of 50 cents each ("preference shares") at a deemed subscription price of R100.00 per share.**

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Opening date of the private placement (09:00)

Thursday, 29 June 2006

Closing date of the private placement (16:00)

Tuesday, 4 July 2006

Proposed listing date on the JSE (09:00) (the "listing date")

Wednesday, 12 July 2006

**Subscriptions can only be made at an acquisition cost, for a single addressee acting as principal, of not less than R100 000.**

This Placing Memorandum is not an invitation to the public to subscribe for preference shares in Netcare.

The preference shares, when issued, will rank *pari passu* with one another in respect of all rights. The JSE has granted Netcare a listing of 10 000 000 preference shares, in the Specialist Securities – "Preference Shares" sector of the JSE list under the abbreviated name "NTC Pref", subject to Netcare meeting the requirements of the JSE in respect of the requisite spread of preference shareholders, being a minimum of 50 (fifty) public shareholders holding at least 20% of the preference shares, excluding employees and their associates.

**Preference shares will only be traded in electronic form and accordingly all preference shareholders who elect to receive certificated preference shares will have to dematerialise their certificated preference shares should they wish to trade on the JSE.**

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Corporate adviser



Sponsor



Legal adviser



Attorneys, Notaries  
and Conveyancers

Independent reporting accountants  
and auditors



Accountants &  
business advisers

Independent  
professional expert



Deloitte & Touche  
Corporate Finance Division  
Registered Auditors

Preference share  
arranger



Investec Bank Limited  
(Registration number 1969/004763/061)

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Date of issue: 7 July 2006

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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)

### Independent 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)

### Sponsor

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

### Executive directors

Dr R H Friedland (*Chief Executive Officer*)  
Dr V L J Litlhakanyane  
P G Nelson (*Chief Financial Officer*)  
I M Davis  
N Weltman

### Non-executive directors

M I Sacks (*Chairman*)  
Dr A H Jammie+  
J M Kahn+  
H R Levin  
Dr J A van Rooyen  
+ *Independent*

### Corporate adviser

KPMG Services (Proprietary) Limited  
KPMG Crescent  
85 Empire Road  
Parktown, 2193  
(Private Bag 9, Parkview, 2122)

### Transfer secretaries

Link Market Services South Africa  
(Proprietary) Limited  
(Registration number 2000/007239/07)  
11 Diagonal Street  
Johannesburg, 2001  
(PO Box 4844, Johannesburg, 2000)

### Legal adviser

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

### Arranger

Investec Bank Limited  
(Registration number 1969/004763/06)  
Third Floor  
100 Grayston Drive  
Sandown, Sandton, 2146  
(PO Box 785700, Sandton, 2146)

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## CONTENTS

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<b>Corporate information</b>	Inside front cover
<b>Interpretations and definitions</b>	2
<b>Placing Memorandum</b>	4
1. Details of the private placement and listing	4
2. Rights attaching to preference shares	6
3. Full details of Netcare	8
<b>Irrevocable undertaking and application form</b>	Attached
<b>The information required to be given in terms of the JSE Listings Requirements is contained in Annexure 5 of the enclosed circular.</b>	

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## INTERPRETATIONS AND DEFINITIONS

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Throughout this Placing Memorandum, unless otherwise stated or the context otherwise indicates, the words in the first column shall have the corresponding meaning stated opposite them in the second column and words in the singular shall include the plural and *vice versa*, words importing natural persons shall include corporations and associations of persons and any reference to one gender shall include the other genders:

“circular”	the Netcare circular dated 26 May 2006 enclosed with this Placing Memorandum, including all annexures and enclosures thereto;
“common monetary area”	collectively, South Africa, the Republic of Namibia and the Kingdoms of Lesotho and Swaziland;
“CSDP”	Central Securities Depository Participant, accepted as a participant in terms of the Securities Services Act, No. 36 of 2004, as amended;
“dematerialisation”	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;
“directors”	the board of directors of Netcare;
“general meeting”	the general meeting of Netcare shareholders held at the registered office of Netcare at 12:00 on Monday, 19 June 2006;
“Income Tax Act”	Income Tax Act, 1962 (Act 58 of 1962), as amended;
“JSE”	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;
“Netcare” or “the company”	Network Healthcare Holdings Limited (Registration number 1996/008242/06), a company duly incorporated in South Africa and listed in accordance with the laws of the JSE;
“ordinary shares”	the ordinary shares of 1.0 cent each in the issued share capital of Netcare;
“preference shares”	the cumulative, non-redeemable, non-participating, non-convertible preference shares with a par value of 50 cents each proposed to be created in terms of a special resolution to be proposed at the general meeting;
“preference shareholders”	holders of Netcare preference shares;
“private placement”	the private placing of a maximum 10 000 000 preference shares with select investors at a deemed subscription price of R100.00 per preference share to raise an amount not exceeding a deemed value of R1 billion;
“proposed transactions”	collectively the specific repurchase, the sale of the interest in Lethimvula, the scheme, the substitute offer, the related party transaction and the creation and issue of preference shares, full details of which are outlined in the circular;

“shareholders”	holders of Netcare shares;
“South Africa”	the Republic of South Africa;
“STRATE”	STRATE Limited (Registration number 1998/022242/06), a registered central securities depository in terms of section 1 of the Securities Services Act, 2004 (Act 36 of 2004); and
“transfer secretaries”	Link Market Services South Africa (Proprietary) Limited (Registration number 2000/007239/07), a company duly incorporated in terms of the laws of South Africa, full details of which are set out on the inside front cover of this placing memorandum.



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Share code: NTC ISIN: ZAE000011953

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## Executive directors

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Dr V L J Litlhakanyane

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M I Sacks (*Chairman*)

Dr A P H Jammie+

J M Kahn+

H R Levin

Dr J A van Rooyen

+ *Independent*

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## PLACING MEMORANDUM

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### 1. DETAILS OF THE PRIVATE PLACEMENT AND LISTING

#### 1.1 Particulars of the private placement

Issue price per preference share (which equates to a premium of R99.50 per preference share)	R100.00 <sup>1</sup>
Dividend yield based on deemed value of R100.00	75% of prime
Minimum Rand value of subscription per subscriber acting as principal	R100 000.00
Number of preference shares offered	10 000 000
Maximum deemed amount to be raised in terms of the private placement	R1 billion
1. Deemed value per preference share.	

#### 1.2 Important dates

Opening date of the private placement (09:00)	Thursday, 29 June 2006
Closing date of the private placement (16:00)	Tuesday, 4 July 2006
Proposed listing date on the JSE (09:00)	Wednesday, 12 July 2006

Shareholders applying for dematerialised shares must inform their CSDP or broker of their application by the cut-off time stipulated by their CSDP or broker in terms of their agreement.

### **1.3 Private placement**

A maximum of 10 000 000 preference shares with a par value of 50 cents each will be placed with select investors at a deemed subscription price of R100.00 per preference share.

### **1.4 Listing of the preference shares on the JSE**

Application has been made to the JSE for a listing of 6 500 000 preference shares in the Specialist Securities – “Preference Shares” sector of the JSE list, under the abbreviated name “NTC Pref” (share code: NTCP and ISIN: ZAE000081121) from the commencement of trade on Wednesday, 12 July 2006, subject to Netcare meeting the requirements of the JSE in respect of the requisite spread of preference shareholders, being a minimum of 50 (fifty) public shareholders holding at least 20% of the preference shares, excluding employees and their associates.

### **1.5 Issue of preference shares**

All preference shares to be issued in terms of the private placement will be:

- issued at the expense of Netcare; and
- allotted and issued subject to the provisions of the Articles of Association of Netcare.

### **1.6 Trading of preference shares**

The JSE introduced STRATE, which was designed to eliminate the many risks inherent in the previous method of clearing and settling transactions executed on the JSE. The principal features of STRATE are as follows:

- trades executed on the JSE must be settled on a T+5 basis, being five business days after the date of the trade;
- there will be penalties for late settlement;
- electronic record of ownership replaces share certificates and physical delivery thereof;
- all investors are required to appoint either a broker or CSDP to act on their behalf and to handle their settlement requirements; and
- preference shares will be listed on the listing date against receipt of application monies from a CSDP or broker.

However, should a preference shareholder require a certificate for his preference shares, the requisite certificate will be issued within five business days of Netcare receiving written notification of such request.

### **1.7 Exchange Control Regulations**

The following summary is intended as a guide and is therefore not comprehensive. If you are in any doubt in regard hereto, please consult your professional adviser.

#### **1.7.1 South African Exchange Control Regulations**

In terms of the South African Exchange Control Regulations:

- 1.7.1.1 a former resident of the common monetary area who has emigrated may use emigrant blocked funds to subscribe for preference shares in terms of this Placing Memorandum;
- 1.7.1.2 all payments in respect of the private placement by an emigrant using emigrant blocked funds must be made through the authorised dealer in foreign exchange controlling the blocked assets;
- 1.7.1.3 preference shares purchased in respect of the private placement with blocked funds will be endorsed “non-resident” and will be sent to the authorised dealer in foreign exchange through whom the payment was made; and

1.7.1.4 if applicable, refund monies payable in respect of unsuccessful applications or partly successful applications, as the case may be, for preference shares in terms of this Placing Memorandum, emanating from emigrant blocked funds will be returned to the authorised dealer in foreign exchange through whom the payments were made, for credit to such applicants' blocked funds. Applicants resident outside the common monetary area should note that, where preference share certificates are in fact issued, such preference share certificates will be endorsed "non-resident" in terms of the South African Exchange Control Regulations.

### **1.7.2 Applicants resident outside the common monetary area**

1.7.2.1 A person who is not resident in the common monetary area should obtain advice as to whether any governmental and/or legal consent is required and/or whether any other formality must be observed to enable a subscription to be made in terms of the offer for subscription.

1.7.2.2 The private placement as contained in this Placing Memorandum is not an offer in any area or jurisdiction in which it is illegal to make such an offer. In such circumstances, this Placing Memorandum is sent for information purposes only.

## **2. RIGHTS ATTACHING TO PREFERENCE SHARES**

The preference shares will be cumulative, non-redeemable, non-convertible and non-participating, and preference dividends will be payable on the date upon which a preference dividend is declared to be payable, which must be a date prior to the date upon which the company pays its dividends, if any, to holders of its ordinary shares in respect of the same dividend period.

### **2.1 Voting rights**

The preference shares will be non-voting, save in those circumstances prescribed under section 194 of the Act. Preference shareholders will only be entitled to vote during periods when a preference dividend or any part of it remains in arrear and unpaid after 120 days from the expiry of a dividend period, and when resolutions are proposed which directly affect any rights attaching to the preference shares or which affect the interests of preference shareholders.

Based on the current issued ordinary share capital of Netcare and assuming that all the new preference shares created in terms of the special resolution to be proposed at the general meeting, notice of which is incorporated in the circular attached to this Placing Memorandum are issued, the total voting rights attributable to the preference shareholders, should they be required to vote, in terms of the requirements of section 194 of the Act, as set out above, will be a maximum of 21.94% of the total voting rights of all the shareholders at a meeting of all shareholders.

A holder of any preference share shall, when that holder is entitled to vote in respect of a resolution for which a shareholder's resolution is required in terms of the JSE Listings Requirements and the Act, have (on the basis of the provisions set out in section 195(4)(b) of the Act):

- (a) the number of votes in respect of all preference shares of a class held by that holder, which is calculated (based on the number of votes attributable to the relevant shares using their par value) *pro rata* to all the issued preference shares, irrespective of class, of the company, which issued preference shares are entitled to be voted at the relevant meeting;
- (b) which number of votes shall be limited to that preference shareholder's said *pro rata* portion of the number of votes equal to 25% less one vote, of the number of votes to which all shareholders (including the holders of preference shares of whatever class) are entitled to cast (based on the number of votes attributable to the relevant shares using their par value) at the said meeting (with any cumulative fraction of a vote in respect of any shares held by a preference shareholder rounded down to the nearest whole number).

## 2.2 Entitlements to dividends

Each preference share will entitle the holder to receive, out of the profits of the company which it determines to distribute, a preference dividend, in priority to payment of dividends to holders of any other class of shares not ranking prior to or *pari passu* with the preference shares. The preference dividend rate is a rate per annum which is equal to a percentage of the prime rate, but shall be increased to 100% of the prime rate for so long as there are any arrear dividends which remain unpaid after the preference dividend payment date by which they should have been paid. The preference dividend payable per preference share in respect of each dividend period shall be calculated by multiplying the deemed value of the preference share by the preference dividend rate (determined on a 365-day year, irrespective of whether the year is a leap year or not) which shall be applied on a daily basis in arrear, for that dividend period. All of the amounts calculated by such multiplication for each day of the dividend period shall be aggregated to calculate the preference dividend payable in respect of the entire dividend period. Because the preference dividend rate is a percentage of the prime rate, the preference dividend rate applicable during any dividend period shall vary in accordance with any variations in the prime rate during that dividend period. The preference dividends shall if declared accrue on the date on which they are declared and be payable by no later than the preference dividend payment date. The deemed value for the purpose of calculating a preference dividend shall be an amount of R100.00, notwithstanding the actual issue price of a preference share, plus, for any portion of a dividend period during which any arrear dividends remain unpaid in respect of a preference share, the amount of such arrear dividends.

Any arrear dividend shall accumulate until the date of payment thereof and be paid by the company in preference to payments to any other class of shares in the capital of the company not ranking prior to or *pari passu* with the preference shares.

## 2.3 Changes to tax status

If there is an amendment or amendments to the Income Tax Act which results in the preference dividends being taxable in the hands of the preference shareholders and which results in payment of the preference dividends becoming a deductible expense for the company, provided such amendment is uniformly applicable to all corporate tax payers and not only because of the particular circumstances of the company or any preference shareholder, the percentage of the prime rate referred to above will be increased by the company. Such increase will be limited to the extent that the company incurs a reduced cost in servicing the preference shares, which cost savings it would not have obtained but for such amendments to the Income Tax Act. If such amendments to the Income Tax Act do not result in the company incurring reduced costs in servicing the preference shares, then, notwithstanding that such amendment may result in a decrease in the after-tax returns of any preference shareholder on its holding of preference shares, no amendment shall be made to the percentage of prime rate contemplated above. The company shall require its auditors to verify whether it is obliged to increase the preference dividend in accordance with Article 74.2.12 as set out in the notice of general meeting of the circular accompanying this Placing Memorandum and, if so, the amount of the increase. The auditors in deciding on such increase shall act as experts and not as arbitrators or quasi-arbitrators and their decision shall, in the absence of manifest error, be final and binding on the company and all preference shareholders. The costs of such auditors shall be borne and paid by the company.

## 2.4 Return on winding-up

Each preference share will rank *pari passu* with the other preference shares with regard to dividends and repayment of capital on the winding-up of the company, and shall, in both such respects, rank prior to the ordinary shares and any other class of shares in the capital of the company that do not rank prior to or *pari passu* with the preference shares. Each preference share shall confer upon its holder the right of a return of capital on the winding-up of the company of an amount equal to the sum of: (i) all arrear dividends in respect of that preference share; plus (ii) the preference dividend payable in respect of the last dividend period; plus (iii) an amount equal to the aggregate of the nominal value and premiums received by the company in respect of all preference shares issued divided by the number of preference shares in issued.

## **2.5 General**

Article 74, as set out in the notice of general meeting attached to the circular, may not be altered without the prior consent of the holders of at least three-quarters of the preference shares represented either in person or by proxy at a meeting of the preference shareholders.

The entire terms and conditions of the preference shares, as set out in the Articles of Association of Netcare, have been included in Annexure 2 of the enclosed circular and the notice of general meeting attached to the circular.

## **3. FULL DETAILS OF NETCARE**

The full details of Netcare as it will exist after the proposed transactions are contained in the Revised Listing Particulars annexed to the circular.

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## IRREVOCABLE UNDERTAKING AND APPLICATION FORM

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7 July 2006

Investec Bank Limited  
100 Grayston Drive  
Sandown  
Sandton

Per Fax: (011) 291-1021

Attention: Lourens van Rensburg/Sean Kerem

Dear Sirs,

**IRREVOCABLE UNDERTAKING TO SUBSCRIBE FOR CUMULATIVE NON-REDEEMABLE, NON-PARTICIPATING PREFERENCE SHARES IN NETWORK HEALTHCARE HOLDINGS LIMITED ("Netcare" or "the company")**

I/We, the undersigned, confirm that I/we have full legal capacity to contract and have read the "Netcare Private Placement Memorandum" and the Revised Listing Particulars contained in the enclosed circular as Annexure 5 relating to the company's issue of preference shares, to which this irrevocable undertaking is attached ("the placement memorandum").

I/We hereby irrevocably undertake to subscribe for \_\_\_\_\_

\_\_\_\_\_ (number of shares in words) cumulative, non-redeemable, non-participating preference shares with a par value of 50 cents per share in Netcare at a deemed subscription price of R100,00 per preference share, on the basis as set out in the placement memorandum.

**The irrevocable undertaking to subscribe is for a minimum subscription of 1 000 preference shares, per single addressee acting as principal. Netcare may reject any application that does not comply with this condition.**

I/We hereby confirm that I/we elect to hold the preference shares:

- in certified form, and therefore request that the share certificates be posted at my/our own risk by registered mail to the address set out below; or
- in dematerialized form, and have therefore contacted my/our CSDP or broker and instructed them accordingly.

*[Please tick whichever is applicable]*

**Certificated preference shares:**

In respect of those placees opting for certificated preference shares, funds should be transferred into the company's bank, detailed below by the close of business on **Friday, 7 July 2006**. The Irrevocable Undertaking as well as proof of deposit is to be received by no later than close of business on the aforementioned date.

Account name: Network Healthcare Holdings Limited  
Account number: 30001310679  
Bank: Investec Bank Limited  
Branch: Sandton  
Branch code: 580105  
Account type: Current

Please use name of subscriber as reference on any payment.

I/We accept that if the full amount is not paid as set out above, we may not be eligible to subscribe for any shares in the company as set out in the placement memorandum but that the company may in its discretion still hold me/us liable for payment of the subscription amount.

**NB. Preference shares will only be traded on the JSE in electronic form and, as such, all preference shareholders who elect to receive certified preference shares will have to dematerialise their certified preference shares should they wish to trade therein.**

**Dematerialised preference shares:**

In respect of those placees opting for dematerialised preference shares, applications must be made to their duly appointed CSDP or broker, in the manner and time stipulated in the agreement governing the relationship with their CSDP or broker, together with the method of payment required in terms of the relevant agreement with such CSDP or broker.

Please ensure that the following information in respect of your CSDP/broker is provided by no later than close of business on **Wednesday, 5 July 2006**, or alternatively in accordance with the agreement in place with your CSDP/broker which will ensure same:

CSDP/Brokers Information:	
Your CSDP/broker's information:	
Full Name:	
Telephone Number:	
Email:	
Your safe custody account ("SCA") number:	
Your broker account number:	
Your business partner ("BP") ID:	
Your CSDP/broker will be able to provide you with the above information if you do not have it.	

Each application submitted must be in one name only and show only one address. The directors of Netcare reserve the right to accept any application, in whole or in part or to abate any or all applications (whether or not received timeously) in such manner as they may, in their sole and absolute discretion, determine.

I/We hereby confirm that I/we acknowledge and accept the terms and conditions of the private placement as contained in the placement memorandum and the terms and conditions attaching to the preference shares, as contained in Annexure 2 to the enclosed circular and the notice of the general meeting attached to the circular. I/we warrant that the information set out below is true and correct.

Yours sincerely,

\_\_\_\_\_  
Signed on behalf of:

\_\_\_\_\_  
Date:

**Compliance with the Financial Intelligence Centre Act (“FICA”)**

In the case of certificated preference shareholders, please attach a copy of your ID document/certificate of incorporation and written authorisation to bind the company, proof of residency and a copy of a utility bill (water and electricity, telephone, etc.) to confirm your address, alternatively such documentation certifying FICA compliance. Should you be applying for dematerialized preference shares, your CSDP/or broker will have the requisite FICA information on your behalf.

**Minimum Subscription**

Subscriptions can only be made at an acquisition cost of not less than R100 000 per single addressee acting as principal.

The directors of Netcare reserve the right to extend the period for submission of this Irrevocable Undertaking, for a maximum of 14 business days, for the purposes of raising further funds.

The directors of Netcare reserve the right to accept or refuse all applications for subscriptions, and/or to accept or refuse any application for subscription, either in whole or in part, or to abate any or all application(s) whether or not received timeously) in such manner as they may in their sole and absolute discretion determine.

Personal details of subscriber:

Full name of subscriber:	
ID Number:	
Registration Number:	
Physical Address:	
Postal Address:	
Email Address:	
Telephone Number:	
Fax Number:	
Cell Phone Number:	
Tax Reference Number:	

Banking details of subscriber:

Account Name:	
Account Number:	
Bank:	
Branch:	
Branch Code:	
Account Type:	

**Instructions**

1. Applications may be made in terms of this Irrevocable Undertaking form or copies or reproductions thereof.
2. Applications are irrevocable and may not be withdrawn once submitted to the company, Investec Bank Limited or any of their duly authorized representatives.
3. Please refer to the terms and conditions relating to the preference shares contained in Annexure 2 to the enclosed circular and the notice of the general meeting attached to the circular. Applicants should consult their stockbroker, banker or other professional adviser in case of doubt as to the correct completion of this Irrevocable Undertaking or understanding of the aforementioned terms and conditions.
4. Applicants must submit only one Irrevocable Undertaking form and one cheque or banker’s draft or proof of electronic deposit or CSDP/broker confirmatory instruction in respect of each application.
5. Receipts will not be issued for the subscription of the preference shares, subscription monies or supporting documents received.
6. If any cheque or banker’s draft is dishonoured, Netcare may, in its sole discretion, regard the relevant Irrevocable Undertaking as having been breached and may consequently regard it as invalid or take such other steps in regard thereto as it may in law be entitled to take.
7. A full signature must authenticate all alterations on this Irrevocable Undertaking form.
8. Any applications received from applicants outside of the Common Monetary Area (comprising the Republics of South Africa and Namibia and the Kingdoms of Swaziland and Lesotho) will be dealt with in terms of the South African Exchange Control Regulations in so far as it may be necessary to do so.
9. This private placement is not an offer in any area of jurisdiction in which it is illegal to make such an offer. In such circumstances, the placement memorandum is for the information purposes only.
10. Should the private placing not be successful or be oversubscribed for, all monies will be appropriately refunded within seven days of the closing of the private placing.



