# Manufactured capital

## Estate and medical equipment

Our facilities, infrastructure and medical equipment give us unparalleled reach, scale and ability to serve South Africans. A great proportion of our capital expenditure is allocated to upgrade, replace and maintain our estate and medical equipment, as a cornerstone of our value proposition to patients, doctors and funders. In line with growing mental healthcare needs we intend to grow the Netcare Akeso network.

Our established long-term capital management policies ensure a disciplined approach to financial investment. Financial models are used to stress test our operating and financial assumptions to inform decision-making related to additions, upgrades and replacements of our asset base. Board approval is required for projects exceeding R50 million.

### Key focus areas for FY2022

- Opening Netcare Alberton Hospital and Netcare Akeso Richards Bay.
- Investing in projects that drive revenue growth, and ensure operational excellence and cost efficiency.
- Optimising the utilisation of our existing estate.
- Ensuring that our plant and medical equipment deliver optimal sustainable performance and comply with SHEQ requirements.

### Associated risks and opportunities

6 Delivering consistently outstanding person centred health and care PG 65

11 Competitor activity PG 70

## Key takeaways for FY2022

### Capital expenditure in FY2022

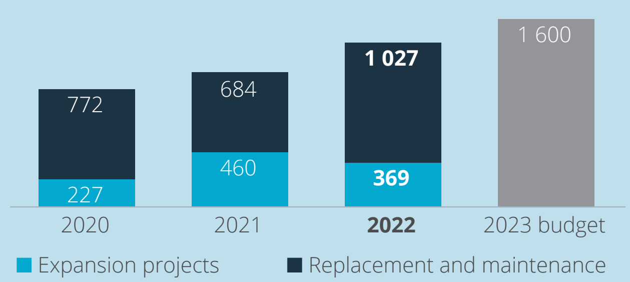
Capital expenditure in FY2022 totalled R1.4 billion, meeting budget. Key projects were the Netcare Alberton Hospital, the Hospital Division's Wi-Fi and firewall project, and an IT clinical system project (FY2021: R1.1 billion).

*Chief financial officer's review:* PG 162

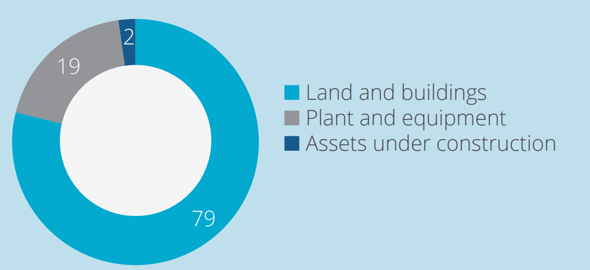
### Capital expenditure guidance

Overall capital expenditure guidance for FY2023 is R1.6 billion, allocated to expansion (Netcare Akeso and Netcare Cancer Care), digital and strategic projects as well as the capital required to improve the look and feel of our facilities and maintain the quality of our medical equipment. A portion of this capital expenditure includes projects that were put on hold during the pandemic.

Capital expenditure
(Rm)




Carrying value of property, plant and equipment
(%)



# Manufactured capital

## Estate and medical equipment continued

### FY2022 performance

**Hospital Division**

- No new beds were commissioned.
- We upgraded Netcare Garden City (ICU), Netcare Parklands (emergency department), Netcare Pretoria East (theatre HVAC[1] system), Netcare St Augustine's (foyer), Netcare Umhlanga (catheterisation laboratory) and Netcare Unitas (neonatal ICU) hospitals. We are also upgrading the emergency department of Netcare Ferncrest Hospital, which will take two years to complete.
- A new chemotherapy unit was opened at Netcare St Anne's Hospital in April 2022.
- The Netcare Ceres (28 beds), Netcare Bougainville (60 beds) and Netcare Optiklin (14 beds) hospitals were closed as they were not meeting our return on invested capital (ROIC) expectations. They are in the process of being sold.
- Major hospital projects planned for FY2023 will focus on medical equipment and monitors, and various upgrades of wards, theatres, emergency departments and infrastructure. Key projects include:
  - Expanding Netcare Milpark Hospital's oncology unit and upgrading the Gamma Knife unit.
  - A major theatre upgrade at Netcare St Augustine's Hospital.
  - Preparation for six major ward upgrades for Netcare Unitas Hospital (two upgrades a year) starting in FY2024.
  - A five-year upgrade project for Netcare Sunninghill Hospital.
  - A 35-bed medical ward upgrade at Netcare Parklane Hospital.
  - A cancer care unit at Netcare Alberton Hospital.

*1. Heating, ventilation and air-conditioning (HVAC) system.*

### Netcare Alberton Hospital


Netcare Alberton Hospital opened in April 2022[1] with occupancies in excess of 80% to date.

427 beds including 135 ICU and high care beds.

Level I[2] accredited accident and emergency department.

Two emergency helicopter pads.

A solar photovoltaic (PV) system able to provide 2GWh of electricity a year – equivalent to 76 000 energy efficient light bulbs burning for a year and saving R4 million a year.

A greywater treatment plant capable of reducing water consumption by up to 60% (pending municipal approval).

*1. The relocation of the Netcare Union and Netcare Clinton hospitals into one facility.*
*2. Accredited by South African Trauma Society.*

| | |
|---|---|
| **Netcare Akeso** | • We opened the 36-bed Netcare Akeso Richards Bay facility in May 2022.<br>• 36 new beds were commissioned.<br>• Looking ahead, we expect to open Netcare Akeso Gqeberha in Eastern Cape (72 beds) by May 2023 and Netcare Akeso Polokwane in Limpopo (87 beds) in May 2024. In addition, in line with our strategy to optimise beds in the acute segment and address the strong demand for mental health in KwaZulu-Natal, we will introduce mental health beds in the Netcare Alberlito Hospital. |
| **National Renal Care** | • National Renal Care opened a home therapy centre in Richards Bay and a paediatric centre in Sandton in October 2022 with five stations. |

## Looking forward

Capital expenditure will moderate from FY2024, settling at the investment needed to maintain our estate (approximately R1 billion).

| Facilities and assets | 2022 | 2021 | 2020 |
|---|---|---|---|
| **Hospital Division** | | | |
| Owned and managed acute hospitals | **49** | 53 | 53 |
| – Registered beds | **9 903** | 10 005 | 9 986 |
| – ICU and high care beds | **1 359** | 1 907 | 1 885 |
| – Wards | **525** | 505 | 477 |
| – Theatres | **343** | 349 | 349 |
| – Emergency departments | **38** | 40 | 41 |
| – Hybrid theatres, catheterisation and electrophysiology laboratories | **34** | 34 | 34 |
| – Cancer care centres | **16** | 15 | 15 |
| Mental health hospitals | **13** | 12 | 12 |
| – Registered beds | **935** | 891 | 891 |
| Medicross day clinics | **12** | 12 | 15 |
| **Primary Care Division** | | | |
| Medicross centres and Netcare Occupational Health clinics | **65** | 67 | 68 |
| Sub-acute facilities | **1** | 1 | 2 |
| **Netcare 911** | | | |
| Emergency bases | **87** | 82 | 82 |
| Vehicles | **239** | 215 | 211 |
| Helicopter ambulances | **8** | 8 | 8 |
| **National Renal Care** | | | |
| National Renal Care units | **71** | 69 | 68 |
| Dialysis stations | **971** | 956 | 979 |