



**Life** Group  
HEALTH CARE

# ANNUAL FINANCIAL STATEMENTS 2019



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# ADMINISTRATION

Company name:	Life Healthcare Group Holdings Limited
Registration number:	2003/002733/06
Date of incorporation:	7 February 2003
Country of incorporation:	Republic of South Africa
Registered business address:	Oxford Manor 21 Chaplin Road Illovo 2196
Registered postal address:	Private Bag X13 Northlands 2116
Composition of board of directors:	MA Brey (Chairman) SB Viranna (Group Chief Executive Officer) PP van der Westhuizen (Group Chief Financial Officer) PJ Golesworthy ME Jacobs AM Mothupi JK Netshitenzhe MP Ngatane M Sello GC Solomon RT Vice
Group Company Secretary:	A Parboosing
Auditor:	PricewaterhouseCoopers Inc. (PwC) Johannesburg

## PREPARATION OF THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

These financial statements have been audited by our external auditor, PwC. The preparation of the financial statements was done under supervision of PP van der Westhuizen (Group Chief Financial Officer).



# STATEMENT OF DIRECTORS' RESPONSIBILITY

FOR THE YEAR ENDED 30 SEPTEMBER 2019

The directors are responsible for the preparation, integrity and fair presentation of the consolidated and Company financial statements of Life Healthcare Group Holdings Limited and its subsidiaries, associates and joint ventures (Group) in accordance with International Financial Reporting Standards (IFRS) and the South Africa Companies Act, No 71 of 2008 as amended (Companies Act).

The directors consider that the most appropriate accounting policies, consistently applied (apart from adoption of new accounting standards) and supported by reasonable and prudent judgements and estimates, have been used in the preparation of the financial statements and that all IFRS that they consider to be applicable have been followed. The directors are satisfied that the information contained in the financial statements fairly presents the consolidated and separate financial position of Life Healthcare Group Holdings Limited at 30 September 2019, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended. The directors are also responsible for reviewing the other information included in the integrated report and ensuring both its accuracy and its consistency with the financial statements.

The directors have responsibility for ensuring that accounting records are kept. The accounting records disclose, with reasonable accuracy, the financial position of the Group and the Company and enable the directors to ensure that the financial statements comply with the relevant legislation.

The Group operated in a well-established control environment, which is documented and regularly reviewed. This incorporates risk management and internal control procedures, which are designed to provide reasonable, but not absolute, assurance that assets are safeguarded and the risks facing the business are being controlled. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The going concern basis has been adopted in preparing the financial statements. The directors have no reason to believe that the Group and Company will not be a going concern in the foreseeable future, based on forecasts, available cash resources and available banking facilities. These financial statements support the viability of the Group and Company.

The Code of Corporate Practices and Conduct has been adhered to.

The Group's external auditor, PwC, audited the financial statements, and their unqualified audit report is presented on page 10.

## APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements set out on pages 16 to 113 were approved by the board of directors on 20 November 2019 and are signed by:

**MA Brey**  
Chairman

Johannesburg

**SB Viranna**  
Group Chief Executive Officer

# STATEMENT OF GROUP COMPANY SECRETARY

FOR THE YEAR ENDED 30 SEPTEMBER 2019

In terms of the Companies Act, all returns submitted as required by the Companies Act are true, correct and up to date and have been lodged with the Registrar.

**A Parboosing**  
Group Company Secretary

# REPORT OF THE AUDIT COMMITTEE

FOR THE YEAR ENDED 30 SEPTEMBER 2019

## INTRODUCTION

The Life Healthcare Group Holding Limited audit committee (the committee) is pleased to present its report in terms of section 94(7)(f) of the Companies Act and as recommended by King IV, for the year under review. The committee's primary role is assisting the board in discharging its responsibilities by monitoring the adequacy and effectiveness of the Group's systems and control environment, including that the Group has appropriate financial reporting procedures and that these procedures are operating as intended, and oversight over the preparation of the integrated report and fairly presented financial statements in compliance with all applicable legal and regulatory requirements and accounting standards. The Chairman of the committee reports to the board on the committee's deliberations and decisions at every board meeting.

## COMPOSITION OF THE AUDIT COMMITTEE

Members of the committee are formally nominated by the board for re-election by shareholders. The individual members satisfy the requirements to serve as members of an audit committee as provided in section 94 of the Companies Act and have the requisite level of knowledge and experience to fulfil their duties.

The Chairman of the board, Group Chief Executive Officer, Group Chief Financial Officer, the Group Chief Internal Audit Executive, Group Risk Manager and senior management in the financial department attended meetings at the invitation of the committee, together with the external auditor. In line with best practice, the internal and external auditors have unrestricted access to the committee where they are able to raise any matter which requires the committee's attention and also have the opportunity to meet with the committee without members of management being present. The Chairman of the committee and AM Mothupi are members of the risk committee, which ensures the flow of information between the two committees.

As part of the annual evaluation of the board, the performance of the committee and its members were assessed and found to be satisfactory. In addition, members were assessed in terms of the independence requirements of King IV and the Companies Act. All members of the audit committee continue to meet the independence requirements.

The composition of the committee and the attendance at the meetings by its members are set out below for the year 1 October 2018 to 30 September 2019:

Name	Qualifications	Date appointed	Attendance <sup>1</sup>
PJ Golesworthy (Chairman)	BA (Hons), Accountancy Studies, CA	10 June 2010	5/5
AM Mothupi	BA (Honours), Political Science	3 July 2017	5/5
GC Solomon	CA(SA)	23 March 2005	5/5
RT Vice	CA(SA)	1 February 2014	5/5

<sup>1</sup> Four (4) scheduled meetings and one (1) special meeting were held during the year under review.

The biographical details of the committee members can be viewed on the Group's website. The fees paid to committee members are outlined in the table of directors' remuneration on page 71.

The current members of the committee will be recommended to shareholders at the next annual general meeting (AGM) for appointment for the financial year ending 30 September 2020.

## FULFILMENT OF THE COMMITTEE'S MANDATE

The committee has adopted comprehensive and formal terms of reference which have been approved by the board and are reviewed on an annual basis. The terms of reference can be viewed on the Group's website at [www.lifehealthcare.co.za](http://www.lifehealthcare.co.za).

The committee has discharged all its responsibilities as contained in these terms of reference, including but not limited to reviewing accounting policies and ensuring that financial information issued to stakeholders is prepared in alignment with relevant legislation and best practice.

The main functions performed by the committee during the year under review were as follows:

- monitored the proper operation of adequate and effective systems of internal controls, including receiving and reviewing reports from both internal and external auditors concerning the effectiveness of the internal control environment;
- considered and satisfied itself that no significant weaknesses in the design, implementation or execution of the internal financial controls were identified;
- considered and satisfied itself on the appropriateness of accounting policies and critical judgements, accounting estimates and assumptions;



- monitored the reporting processes and the preparation of fairly presented financial statements in compliance with the applicable legal and regulatory requirements and accounting standards, and recommended, for adoption by the board, the financial information that is publicly disclosed, which for the year, included:
  - the interim results for the six months ended 31 March 2018
  - the annual results for the year ended 30 September 2019
  - the related SENS and press announcements for both interim and year-end;
- confirmed the going concern basis of preparation of the interim and annual financial statements;
- considered the JSE's proactive monitoring of financial statements report, as issued in 2019, and the applicability of the issues raised, with the view to improving disclosure where applicable. Further, the committee considered and responded to queries raised by the JSE in terms of its proactive monitoring programme to the satisfaction of the JSE;
- made recommendations regarding dividend declarations, having considered the liquidity and solvency tests;
- reviewed and recommended for approval by the board the integrated report, including the disclosure of sustainability issues;
- reviewed the qualifications, experience and expertise of the Group Chief Financial Officer, PP van der Westhuizen, and satisfied itself that his expertise and experience is appropriate to meet the responsibilities of the position;
- the committee also considered and satisfied itself of the appropriateness of the expertise and adequacy of resources and experience of the Group's finance function;
- considered the reports of management and the internal and external auditors regarding compliance with legal and regulatory requirements, as well as relevant findings of the risk committee;
- reviewed legal matters that could have a material impact on the Group; and
- performed the functions required in terms of section 94(2) of the Companies Act on behalf of the Group's subsidiary companies.

## INTERNAL AUDIT AND INTERNAL CONTROLS

The committee ensured that the internal audit function is independent and has the necessary resources to enable it to fulfil its mandate. The Group Chief Internal Audit Executive reports functionally to the Chairman of the committee and administratively to the Group Chief Financial Officer. An outsourced internal audit function operates across the Group with the Group Chief Internal Audit Executive responsible for coordinating the planning, implementation and reporting thereon. The South African internal audit function has been outsourced to Ernst & Young (EY) and a limited scope internal audit in Poland was outsourced to Deloitte, as in the prior year. BDO was appointed as internal auditors for Alliance Medical during the 2019 financial year.

The committee:

- reviewed the internal audit charter in line with King IV recommendations and recommended the approval thereof to the board;
- approved the risk-based internal audit plan for the 2019 financial year and subsequent changes thereto during the year;
- considered the effectiveness and performance of the internal audit function and were found to be satisfactory for the year under review;
- reviewed the combined assurance model and considered its effectiveness;
- received risk updates, particularly in relation to matters affecting financial reporting;
- reviewed and evaluated reports relating to internal audit and risk management and the adequacy of management's responses and corrective actions;
- reviewed arrangements made by the Company to enable employees and outside whistle blowers to report any concerns about possible improprieties and received reports on the issues raised; and
- reviewed internal audit's assessment of the internal control environment.

## EXTERNAL AUDIT

Following approval by shareholders at the annual general meeting in January 2019, PwC served as the Group's registered external auditor for the 2019 financial year and M Naidoo was reappointed as the designated partner. During the year under review, M Naidoo resigned as a partner from PwC and joined the Company as Chief Financial Officer-designate for our South African business. The committee ensured that a proper and transparent process was in place to ensure the independence of PwC in carrying out the 2019 audit and considered assurances provided by management, M Naidoo and PwC to give effect thereto. A Rossouw was subsequently appointed as the designated audit partner for the Company and M Naidoo has remained completely outside of the year-end audit and assurance process.



# REPORT OF THE AUDIT COMMITTEE continued

FOR THE YEAR ENDED 30 SEPTEMBER 2019

The committee:

- approved the auditors' terms of engagement and fees. The fees paid to the external auditors are disclosed in note 6 to the annual financial statements;
- reviewed and approved the external audit plan and ensured no limitations were imposed on the scope of external audit;
- reviewed the external auditor's report and confirmed that no material unresolved issues existed between the Group and the external auditor;
- reviewed and agreed the key audit matters identified by PwC that are set out in its report;
- obtained assurances from the external auditors that adequate accounting records were being maintained;
- reviewed the quality and effectiveness of the external audit process, based on the committee's own assessment, the views of management and PwC's own assessment, and found it to be satisfactory. Confirmation was obtained from PwC that no material matters had been raised in regulatory or internal reviews of the audit partner;
- considered the external auditor's suitability assessment in terms of paragraph 3.84(g)(iii) and section 22.15(h) of the JSE Listings Requirements;
- confirmed that PwC's independence was not impaired and received assurance that its internal governance processes support and demonstrate its claim to independence;
- reviewed and confirmed the non-audit services provided by PwC in terms of the approved non-audit services policy which amounted to R7 million, being 21% of the Group audit fee in the current year; and
- confirmed that no reportable irregularities had been identified or reported by the external auditor under the Auditing Profession Act.

## AUDIT FIRM ROTATION

One of the material focus areas for the committee during the year under review was the approval and appointment of the new Group external auditor, effective for the Group in the 2020 financial year. PwC has served as auditors for more than 20 years and the committee resolved in the prior year to make the change before the mandatory audit firm rotation requirements became effective for the Group.

The board and committee, following a formal tender process, appointed Deloitte & Touche (Deloitte) as the Company's external auditor, with B Nyembe as the designated audit partner, for the financial year ending 30 September 2020.

PwC's appointment as external auditors ended on conclusion of its responsibilities relating to the 30 September 2019 financial year audit, which was concluded on 20 November 2019. Deloitte's appointment as external auditor was made effective immediately after PwC's appointment concluded, subject to further shareholder approval at the Company's AGM in January 2020. During the course of the 2019 audit Deloitte has engaged with management and PwC in preparation.

The committee satisfied itself through enquiry that both Deloitte and the audit partner are independent as defined by the Companies Act and as per the standards stipulated in the audit profession. The committee is also satisfied that the audit firm and designated partner are accredited to appear on the JSE list of accredited auditors and advisers.

The committee wishes to thank PwC for its professional and dedicated service to the Group during its tenure.

## KEY AREAS OF FOCUS FOR 2019

The significant areas of focus for the committee in relation to the 2019 financial year included:

- overseeing the accounting for the disposal of Max Healthcare Institute Limited and the subsequent disclosures to the market following the sale;
- reviewing impairment testing of goodwill, including key assumptions to the impairment tests, which included the cash flows derived from the annual financial plans, long-term growth rates and the discount rates applicable to the respective geographies and businesses, as well as considered the sensitivities to changes in the assumptions and the related disclosure required by IAS 36 *Impairment of Assets*;
- reviewing the adoption of new and amended accounting standards, including IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers*, applicable in 2019 and evaluating the approach and current disclosure for IFRS 16 *Leases*, which is effective for the 2020 financial year;



- continued focus on the Group's reporting processes and controls, as well as further integration of the international operations;
- monitoring of digital transformation, information security and continuous improvement initiatives, particularly within the finance function;
- further improvements to the Group-wide approach to combined assurance and internal audit and bedding down of the outsourced internal audit model in international operations;
- focus on building the appropriate bench strength across the enlarged Group, and in particular with Alliance Medical Group Limited following a number of finance staff changes, and to ensure appropriate financial systems to facilitate more effective and timeous reporting at Group level; and
- continued monitoring of the implementation of the SAP enterprise resource planning (ERP) system which impacts the financial control environment.

### **KEY AREAS OF FOCUS FOR 2020**

- Reviewing the adoption of new and amended accounting standards, including IFRS 16 *Leases*, which is effective for the 2020 financial year.
- Continuous focus on the Group's reporting processes and financial controls and integration of the international operations.
- Evaluating key risks, related controls, mitigations in respect of IT infrastructure and project implementation, as it relates to internal controls.
- Oversight of the transition in external auditors to Deloitte.

The committee confirms for the 2019 financial year that it has discharged its responsibilities in accordance with its terms of reference and in compliance with the requirements of the Companies Act, the JSE Listings Requirements and all other relevant legislation.

On behalf of the audit committee

**PJ Golesworthy**

*Chairman: audit committee*

Johannesburg

18 November 2019



# DIRECTORS' REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2019

The directors have pleasure in submitting their report on the annual financial statements of the Group and the Company for the year ended 30 September 2019. The directors are of the opinion that stakeholders' interests are best served by presenting the Group's annual financial statements separately from those of the Company. The latter financial statements appear on pages 105 to 108.

## NATURE OF THE BUSINESS

Life Healthcare Group Holdings Limited is an investment holding company and through its subsidiaries, associates and joint ventures operates and has extensive interests in private healthcare facilities and healthcare services companies in southern Africa and Poland and provides diagnostic-related services and sells radiopharmaceuticals in the United Kingdom and various European territories. The Group is listed on the main board of the JSE Limited.

## SUMMARY OF FINANCIAL PERFORMANCE AND OVERVIEW

Life Healthcare delivered a healthy overall performance, despite challenging trading environments in most of the markets in which we operate.

The increase in Group revenue by 9.3% to R25.7 billion (2018: R23.5 billion) consisted of a 7.1% increase in southern African revenue to R18.5 billion (2018: R17.2 billion); a 12.1% increase in international revenue to R6.9 billion (2018: R6.2 billion) and R269 million revenue contribution from growth initiatives (2018: R66 million).

Earnings per share (EPS) increased by 62.4% to 176.4 cps (2018: 108.6 cps) primarily due to the impact of the disposal of Max Healthcare Institute Limited (Max).

The decrease of headline earnings per share (HEPS) by 18.5% to 88.7 cps (2018: 108.8 cps) is due to the impact of the mark-to-market loss of R292 million (net of tax) on the Max foreign exchange option contracts, diluting HEPS by 20.1 cps. EPS on a normalised basis, which excludes non-trading related items, increased by 5.6% to 116.4 cps (2018: 110.2 cps).

The Group produced excellent cash flows from operations due to strong working capital management.

The capex for the year was R2.3 billion (2018: R3.4 billion), comprising mainly of capital projects of R2.1 billion (2018: R2.2 billion) and new acquisitions (net of cash acquired) by Alliance Medical of R190 million. The maintenance capex for the year was R1.2 billion (2018: R878 million).

The disposal of Max was concluded during the current year and funds were received on 21 June 2019. The results for the year include the profit on the sale of R1.5 billion before withholding tax of R94 million, transaction costs of R118 million and the loss on foreign exchange option contracts of R292 million (net of tax).

The net cash proceeds of R3.8 billion, after withholding tax, the hedge costs and transaction costs, was utilised to repay debt.

The Group's earnings were impacted by the impairment of R125 million relating to the Polish investment as well as the impairment of software development costs in southern Africa.

The financial statements on pages 16 and 113 fully set out the financial results of the Group and Company.

## Special resolutions

The following special resolutions were passed during the course of the year:

- General authority to repurchase Company shares
- General authority to provide financial assistance to related and inter-related companies
- Approval of non-executive directors' remuneration

## Distributions to shareholders

The Company considers an interim and final distribution in respect of each financial year.

The Company had the following cash distributions during the current financial year:

Date dividend paid	R'm	Cents per share	Type of distribution
18 December 2018	734*	50.0	Final 2018
24 June 2019	587*	40.0	Interim 2019

\* A dividend withholding tax of 20% is applicable to all shareholders not exempted therefrom.



The board approved a final gross cash dividend of 53.0 cents per ordinary share for the year ended 30 September 2019. The dividend has been declared from income reserves. The dividend is subject to South African dividend withholding tax of 20%, which will be applicable to all shareholders not exempt therefrom, after deduction of which the net cash dividend is 42.4 cents per share.

In compliance with the requirements of the JSE, the following salient dates are applicable:

Last date to trade cum dividend	Tuesday, 10 December 2019
Shares trade ex the dividend	Wednesday, 11 December 2019
Record date	Friday, 13 December 2019
Payment date	Tuesday, 17 December 2019

Share certificates may not be dematerialised or rematerialised between Wednesday, 11 December 2019 and Friday, 13 December 2019, both days inclusive.

### **Board of directors**

The names of the directors in office at the date of this report are set out on page 2. The remuneration and interests of the directors are set out in note 27 to the annual financial statements.

### **Changes to board of directors**

There have been no changes to the board of directors for the year ended 30 September 2019.

### **Resignation of Group Company Secretary**

Fazila Patel has resigned as Life Healthcare's Group Company Secretary with effect from 31 January 2019.

### **Appointment of Group Company Secretary**

Avanthi Parboosing was appointed as Life Healthcare's Group Company Secretary with effect from 1 March 2019.

### **Interests of directors**

No change in the interests as set out in note 27 has occurred between 30 September 2019 and the date of this report. No arrangements to which the Company is a party existed at year-end that would enable the directors or their families to acquire benefits by means of the acquisition of shares in the Company, other than the long-term incentive scheme in respect of executive directors.

There were no contracts of any significance during or at the end of the financial year in which any director of the Company had a material interest.

### **Secretary**

The address of the Group Company Secretary is the same as the Company's registered address.

# INDEPENDENT AUDITOR'S REPORT

## TO THE SHAREHOLDERS OF LIFE HEALTHCARE GROUP HOLDINGS LIMITED REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

### Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Life Healthcare Group Holdings Limited (the Company) and its subsidiaries (together the Group) as at 30 September 2019, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

### What we have audited

Life Healthcare Group Holdings Limited's consolidated and separate financial statements set out on pages 16 to 108 comprise:

- the consolidated statement of financial position and the company statement of financial position as at 30 September 2019;
- the consolidated statement of profit or loss and other comprehensive income and the company statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity and the company statement of changes in equity for the year then ended;
- the consolidated statement of cash flows and the company statement of cash flows for the year then ended;
- the notes to the consolidated annual financial statements;
- the notes to the company annual financial statements, which include a summary of significant accounting policies;
- Annexure A: Significant accounting policies;
- Annexure B: Simplified group structure; and
- Annexure C: Associate undertakings.

### BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report.

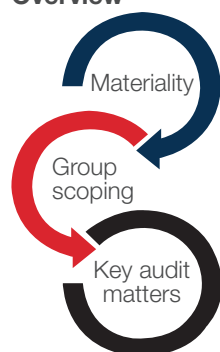
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Group in accordance with sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively.

### OUR AUDIT APPROACH

#### Overview



#### Overall Group materiality

- Overall Group materiality: R123 million, which represents 5% of adjusted consolidated profit before tax.

#### Group audit scope

- We conducted full scope audit procedures at 25 business units and audit procedures on specific financial statement line items at a further 3 business units.

#### Key audit matters

- Impairment consideration of goodwill and non-financial assets; and
- Adoption of new accounting standard – IFRS 9 '*Financial Instruments*'.



As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

### Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

<b>Overall group materiality</b>	R123 million
<b>How we determined it</b>	5% of adjusted consolidated profit before tax (adjusted for once off items including impairment charges on the Poland operations R125 million, profit on disposal of investment in Max India joint venture R1 501 million and transaction costs relating to the disposal of investment in Max India joint venture R118 million).
<b>Rationale for the materiality benchmark applied</b>	We chose profit before tax, adjusted for non-recurring items, as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

### How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

In-scope business units were identified based on scoping benchmarks such as the business unit's contribution to key financial statement line items (consolidated profit before tax, consolidated revenue and consolidated total assets) and risks associated with the business unit.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed by us, as the Group engagement team, or component auditors from other PwC network firms or other networks operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole.

The audits undertaken for Group reporting purposes are in respect of the key reporting business units of the Group, equating to full scope audit procedures being performed at 25 business units. We performed audit procedures on specific financial statement line items at a further 3 business units.

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

# INDEPENDENT AUDITOR'S REPORT continued

The following key audit matters relate to the consolidated financial statements. We have determined that there are no key audit matters in respect of the separate financial statements to communicate in our report.

Key audit matter	How our audit addressed the key audit matter
<p><b>Impairment consideration of goodwill and non-financial assets</b></p> <p>Refer to note 1.2 (Critical judgements, accounting estimates and assumptions – non-financial assets), note 10 (Property, plant and equipment) and note 11 (Intangible assets) to the consolidated financial statements.</p> <p>At 30 September 2019 the Group's consolidated statement of financial position included property, plant and equipment amounting to R12 929 million and goodwill amounting to R13 141 million relating to both its southern Africa and international operations.</p> <p>An impairment assessment of non-financial assets is required to be performed by management when there is an indication that these assets may be impaired. Assets that are not amortised, such as goodwill and indefinite life intangible assets are required to be assessed for impairment annually even if there is no impairment indicator.</p> <p><b>Alliance Medical Group (UK):</b> Management performed an impairment assessment for the Alliance Medical Group cash-generating unit ("CGU"), using the value in use model to identify if the recoverable amount is less than the carrying amount.</p> <p>Management applied judgement in the determination of key assumptions and future market conditions, particularly in relation to:</p> <ul style="list-style-type: none"> <li>● Discount rate;</li> <li>● Tariff adjustments;</li> <li>● Cost inflation;</li> <li>● Growth rate in activities;</li> <li>● Terminal growth rate; and</li> <li>● Future cash flow forecasts.</li> </ul> <p>Future cash flows are estimated based on financial budgets covering a five-year period.</p> <p>Based on the results of the impairment assessment, management did not recognise an impairment in respect of the Alliance Medical Group at 30 September 2019.</p> <p><b>Poland operations:</b> Management performed impairment assessments for all CGUs within Poland with allocated goodwill using the value in use model based on five-year cash flow forecasts with a terminal value.</p> <p>Management applied judgement in the determination of key assumptions and future market conditions, particularly in relation to:</p> <ul style="list-style-type: none"> <li>● Discount rate;</li> <li>● Growth rate in activities;</li> <li>● Tariff and inflation increases;</li> <li>● Terminal growth rate; and</li> <li>● Future cash flow forecasts.</li> </ul>	<p>Through our discussions with management and inspection of underlying calculations, we gained an understanding of the methodology and calculations used by management for impairment assessment purposes, which consisted of discounted cash flow calculations.</p> <p><b>Impairment consideration of goodwill</b></p> <p>We evaluated management's impairment assessments, considering the key assumptions and estimates by performing the following procedures:</p> <ul style="list-style-type: none"> <li>● We tested the mathematical accuracy of the calculations, which included recalculating the recoverable amount for each respective CGU and compared this to the respective net carrying values. No material differences were noted;</li> <li>● We made use of our valuation expertise to assess the valuation models used in management's impairment assessments and found that they were materially consistent with best practice;</li> <li>● Growth rates and tariff increases/adjustments were assessed against actual performance, and correspondence with funders and regulators. Based on the outcome of our procedures, we accepted the reasonability of management's assumptions;</li> <li>● We utilised our corporate finance experts to assess the appropriateness of management's various discount rates used within the Group by calculating an independent discount rate range using relevant third-party sources. The UK and Poland rate used by management fell within our independently determined ranges. The South Africa rate as used by management was marginally below our independently determined rate and further assessed by means of sensitivity analysis and an independently performed calculation. No material differences were noted;</li> <li>● We assessed the reasonableness of management's future forecasts of revenue growth, gross margins and cash flows included in the cash flow forecasts by comparing them to current and historical operational results as well as approved budgets. Where variances were noted, we obtained an understanding of the variances. We found the future forecasts of revenue growth, gross margins and cash flows used by management to be reasonable;</li> <li>● We performed sensitivity analyses to assess the impact of possible variability in key input assumptions; and</li> <li>● We utilised our corporate finance experts and using the independently calculated discount rate range and the key inputs assessed above, we performed an independent impairment assessment.</li> </ul> <p>Based on the results of our independently performed calculations and sensitivity analysis, management's assessment was found to be within an acceptable range of our independent assessment.</p>



Key audit matter	How our audit addressed the key audit matter
<p>Poor current and previous period results and regulatory changes are impairment indicators which may impact the assessment of the recoverable amounts of non-financial assets. Management performed a specific impairment assessment in relation to a CGU, which is an individual hospital, where these impairment indicators were identified.</p> <p>As the value in use calculation for the one hospital indicated an impairment, management engaged external valuers in determining the higher of value in use and fair value less cost of disposal in determining the recoverable amount of this hospital.</p> <p>The fair value method was used, and the valuation was based on market values as independently determined by an external valuer using the direct capitalisation valuation methodology.</p> <p>Impairments of R103 million and R22 million were recognised in relation to property, plant and equipment and computer software respectively, at 30 September 2019.</p> <p><b>Southern Africa operations:</b></p> <p>CGUs within the southern Africa operations are defined as individual hospitals and healthcare service operating units. Goodwill is allocated to these operations based on expected benefit arising from synergies due to the business combinations. At 30 September 2019, goodwill in relation to the southern Africa operations amounted to R1.3 billion.</p> <p>Management performed annual impairment assessments on the cash-generating units to which goodwill has been allocated based on value in use calculations.</p> <p>Management applied judgement in the determination of key assumptions and future market conditions, particularly in relation to:</p> <ul style="list-style-type: none"><li>● Discount rate;</li><li>● Growth rate in activities;</li><li>● Tariff and inflation increases;</li><li>● Terminal growth rate; and</li><li>● Future cash flow forecasts.</li></ul> <p>Future cash flows are estimated based on financial budgets covering a five-year period.</p> <p>Based on the results of the impairment assessments, management did not recognise an impairment in respect of the southern Africa operations at 30 September 2019.</p> <p>The impairment consideration of goodwill and non-financial assets was considered to be a matter of most significance to the current year audit for the following reasons:</p> <ul style="list-style-type: none"><li>● The impairment assessments are based on complex economic models, key assumptions, estimates and management judgement, including the level at which goodwill is monitored for impairment and the determination of CGUs; and</li><li>● The magnitude of the balances to the financial statements.</li></ul>	<p><b>Impairment of non-financial assets for Poland operations</b></p> <p>We evaluated management's impairment assessment, by performing the following procedures:</p> <ul style="list-style-type: none"><li>● We tested the mathematical accuracy of the calculation. No material differences were noted;</li><li>● We made use of our valuation experts to assess the valuation methodology used in management's impairment assessment and no material differences were noted;</li><li>● We utilised our valuation experts to assess the appropriateness of management's assumptions including the discount rate used, and found these assumptions to be within a reasonable range of market/industry assumptions; and</li><li>● We independently recalculated the recoverable amount for the hospital, and compared this to the net carrying value. Based on the results of our procedures performed, no material differences were noted.</li></ul>



# INDEPENDENT AUDITOR'S REPORT continued

Key audit matter	How our audit addressed the key audit matter
<p><b>Adoption of new accounting standard – IFRS 9 <i>Financial Instruments</i></b></p> <p>Refer to note 1.2 (Critical judgements, accounting estimates and assumptions – Financial instruments) and note 16 (Trade and other receivables) to the consolidated financial statements.</p> <p>In the current financial year, the Group has adopted IFRS 9 '<i>Financial Instruments</i>' (IFRS 9). This resulted in the Group revising its financial asset impairment methodology from an incurred loss model to an expected credit loss (ECL) model.</p> <p>In calculating the provision on transition to IFRS 9 for trade receivables, the Group applied the simplified approach to measure the ECLs, which uses a lifetime expected loss allowance.</p> <p>Management used in-house and external experts to perform IFRS 9 impairment assessments on the trade receivables.</p> <p>The initial application of IFRS 9 resulted in a decrease in the impairment provision and subsequent increase in trade receivables as disclosed in note 16 to the financial statements. The difference on initial application was recognised in opening retained earnings.</p> <p>This was considered to be a matter of most significance to the current year audit for the following reasons:</p> <ul style="list-style-type: none"><li>• The ECL assessments are based on models which incorporate key assumptions, estimates and management judgement (such as risk of default, expected loss given default rates, and forward-looking information); and</li><li>• The significant impact that an ECL provision could have on the financial statements.</li></ul>	<p>We assessed the competence, capabilities and objectivity of management's external experts by verifying their qualifications. We found management's external experts had the necessary qualifications and there was no evidence to suggest that their objectivity was compromised. We also determined whether there are any matters that might have affected the independent valuer's objectivity or may have imposed scope limitations upon the work performed by the independent valuer.</p> <p>With the assistance of our actuarial experts, we:</p> <ul style="list-style-type: none"><li>• Assessed the accuracy of the historical data used in management's assessment by agreeing the data to previously audited financial information. We found no material inaccuracies;</li><li>• We built an independent model to assess the underlying estimates and assumptions (i.e. risk of default, expected loss given default rates, and forward-looking information) applied by management. We found these to be within an acceptable range; and</li><li>• Independently recalculated the Group ECL provision for the current year and compared this to the provision calculated by management. No material differences were noted.</li></ul>

## OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the document titled "Life Healthcare Group Annual Financial Statements 2019", which includes the Directors' Report, the Report of the audit committee and the Statement of Group Company Secretary as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report, and the document titled "Life Healthcare Group Integrated Report 2019", which is expected to be made available to us after that date. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

## **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS**

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Life Healthcare Group Holdings Limited for 21 years.

PricewaterhouseCoopers Inc.  
Director: AJ Rossouw  
Registered Auditor  
Waterfall City  
21 November 2019

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Notes	2019 R'm	2018 R'm
Revenue	2	25 672	23 488
Other income	2	232	228
Drugs and consumables		(5 311)	(5 062)
Employee benefits expense	3	(8 860)	(8 064)
Retirement benefit asset and post-employment medical aid income		39	34
Depreciation on property, plant and equipment		(1 236)	(1 133)
Amortisation of intangible assets		(586)	(537)
Repairs and maintenance expenditure on property, plant and equipment		(540)	(529)
Occupational expenses		(971)	(829)
Hospital service expenses		(838)	(786)
Communication expenses		(365)	(399)
Radiology service costs		(1 376)	(1 033)
Professional, legal and secretarial fees		(582)	(292)
Provision for expected credit losses (2018: provision for impairment of receivables)		(19)	(33)
Other expenses		(1 315)	(1 205)
<b>Operating profit</b>		<b>3 944</b>	<b>3 848</b>
Fair value adjustments to contingent consideration		2	(18)
Fair value (loss)/profit on derivative financial instruments	4	(438)	127
Gain on derecognition of lease assets and liabilities		–	79
Impairment of assets and investments	10 and 11	(164)	(34)
Profit on disposal of investment in joint venture	26	1 501	–
Profit on disposal of investment in subsidiary	26	11	–
Profit on disposal of property, plant and equipment		–	35
Transaction costs relating to acquisitions and disposals		(148)	(38)
Other		(22)	(95)
Finance income	5	60	40
Finance cost	5	(1 058)	(1 002)
Share of associates' and joint ventures' net profit/(loss) after tax	12	18	(105)
<b>Profit before tax</b>	6	<b>3 706</b>	<b>2 837</b>
Tax expense	7	(835)	(923)
<b>Profit after tax</b>		<b>2 871</b>	<b>1 914</b>
<b>Other comprehensive income/(loss), net of tax</b>			
<b>Items that may be reclassified to profit or loss</b>			
Movement in foreign currency translation reserve		117	183
<b>Items that may not be reclassified to profit or loss</b>			
Retirement benefit asset and post-employment medical aid		(54)	–
<b>Total comprehensive income for the year</b>		<b>2 934</b>	<b>2 097</b>
<b>Profit after tax attributable to:</b>			
Ordinary equity holders of the parent		2 569	1 575
Non-controlling interest		302	339
		<b>2 871</b>	<b>1 914</b>
<b>Total comprehensive income attributable to:</b>			
Ordinary equity holders of the parent		2 622	1 757
Non-controlling interest		312	340
		<b>2 934</b>	<b>2 097</b>
Earnings per share (cents)	8	176.4	108.6
Diluted earnings per share (cents)	8	175.8	108.1

The accompanying notes are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 SEPTEMBER 2019



	Notes	2019 R'm	2018 R'm
<b>ASSETS</b>			
<b>Non-current assets</b>			
		<b>31 588</b>	30 558
Property, plant and equipment	10	12 929	12 243
Intangible assets	11	16 969	17 084
Investment in associates and joint ventures	12	53	35
Employee benefit assets	13	448	401
Deferred tax assets	14	1 102	700
Other assets		87	95
<b>Current assets</b>			
		<b>5 978</b>	8 584
Cash and cash equivalents	15	1 544	1 494
Trade and other receivables	16	3 923	3 761
Inventories	17	379	360
Income tax receivable		124	24
Other assets		8	104
		<b>5 978</b>	5 743
Asset classified as held for sale	18	–	2 841
<b>Total assets</b>		<b>37 566</b>	39 142
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Stated capital	19	13 515	13 510
Reserves		2 673	1 406
Non-controlling interest		1 303	1 286
<b>Total equity</b>		<b>17 491</b>	16 202
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
		<b>11 632</b>	14 764
Interest-bearing borrowings	21	9 399	12 870
Employee benefit liabilities	13	130	–
Deferred tax liabilities	14	1 371	1 226
Trade and other payables	22	120	127
Contingent consideration liabilities	26	506	463
Other liabilities		106	78
<b>Current liabilities</b>			
		<b>8 443</b>	8 176
Bank overdrafts	15	867	488
Trade and other payables	22	4 799	4 409
Contingent consideration liabilities	26	37	71
Interest-bearing borrowings	21	2 596	3 086
Income tax payable		129	110
Other liabilities		15	12
<b>Total liabilities</b>		<b>20 075</b>	22 940
<b>Total equity and liabilities</b>		<b>37 566</b>	39 142

The accompanying notes are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2019

		Attributable to equity holders of the Company						
Notes	Stated capital R'm	Other reserves R'm	Distributable reserves R'm	Retained earnings R'm	Reserves R'm	Non-controlling interest R'm	Total equity R'm	
	<b>Balance at 1 October 2018 (as previously reported)</b>	13 510	(189)	26	1 569	1 406	1 286	16 202
	Transition adjustment relating to IFRS 9	-	-	-	20	20	-	20
	<b>Balance at 1 October 2018 (restated)</b>	13 510	(189)	26	1 589	1 426	1 286	16 222
	Total comprehensive income for the year	-	53	-	2 569	2 622	312	2 934
	Profit for the year	-	-	-	2 569	2 569	302	2 871
	Other comprehensive income	-	53	-	-	53	10	63
	Transactions with non-controlling interests	26	(60)	-	-	(60)	(44)	(104)
	Disposal of subsidiary	-	(5)	-	-	(5)	(18)	(23)
	Distributions to shareholders	-	-	-	(1 321)	(1 321)	(233)	(1 554)
	Purchase of treasury shares for staff benefit schemes	(72)	-	-	-	-	-	(72)
	Vesting of treasury shares for staff benefit schemes	75	(65)	-	-	(65)	-	10
	Disposal of treasury shares (exercised and forfeited)	2	(2)	-	-	(2)	-	-
	Loss on disposal of treasury shares	-	-	(3)	-	(3)	-	(3)
	Long-term incentive scheme charge	-	23	-	-	23	-	23
	Life Healthcare employee share trust charge	-	58	-	-	58	-	58
	<b>Balance at 30 September 2019</b>	<b>13 515</b>	<b>(187)</b>	<b>23</b>	<b>2 837</b>	<b>2 673</b>	<b>1 303</b>	<b>17 491</b>
Note			20					
	<b>Balance at 1 October 2017</b>	13 084	68	26	1 202	1 296	1 171	15 551
	Total comprehensive income for the year	-	182	-	1 575	1 757	340	2 097
	Profit for the year	-	-	-	1 575	1 575	339	1 914
	Other comprehensive income	-	182	-	-	182	1	183
	Issue of new shares as a result of scrip distributions	450	-	-	-	-	-	450
	Transactions with non-controlling interests	26	(474)	-	-	(474)	19	(455)
	Distributions to shareholders	-	-	-	(1 208)	(1 208)	(244)	(1 452)
	Purchase of treasury shares for staff benefit schemes	(72)	-	-	-	-	-	(72)
	Vesting of treasury shares for staff benefit schemes	46	(40)	-	-	(40)	-	6
	Disposal of treasury shares (exercised and forfeited)	2	(2)	-	-	(2)	-	-
	Long-term incentive scheme charge	-	29	-	-	29	-	29
	Life Healthcare employee share trust charge	-	48	-	-	48	-	48
	<b>Balance at 30 September 2018</b>	<b>13 510</b>	<b>(189)</b>	<b>26</b>	<b>1 569</b>	<b>1 406</b>	<b>1 286</b>	<b>16 202</b>
Note			20					

The accompanying notes are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2019



	Notes	2019 R'm	2018 R'm
<b>Cash flows from operating activities</b>			
Cash generated from operations	25	5 927	5 503
Transaction costs paid relating to acquisitions and disposals		(147)	(38)
Interest received		60	40
Tax paid		(1 185)	(1 065)
<b>Net cash from operating activities</b>		<b>4 655</b>	<b>4 440</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(1 898)	(2 123)
Purchase of intangible assets		(162)	(121)
Proceeds from disposal of property, plant and equipment		23	61
Business combinations, net of cash acquired	26	(190)	(458)
Proceeds from disposal of subsidiary	26	48	–
Contingent considerations paid	26	(79)	(33)
Settlement of B-share liability	23	–	(640)
Proceeds from disposal of joint venture	26	4 347	–
Premiums paid/settlement of foreign exchange option contracts relating to disposal of joint venture	23	(322)	(61)
Other cash payments received		9	22
Other cash payments made		(5)	(11)
<b>Net cash generated from/(utilised in) investing activities</b>		<b>1 771</b>	<b>(3 364)</b>
<b>Cash flows from financing activities</b>			
Proceeds from interest-bearing borrowings	21	5 496	8 437
Repayment of interest-bearing borrowings	21	(7 352)	(5 534)
Proceeds from preference shares	21	500	–
Repayment of preference shares	21	(2 700)	(1 250)
Distributions to non-controlling interests		(238)	(252)
Cash flow on increases in ownership interests	26	(125)	(484)
Proceeds on decreases in ownership interests	26	21	29
Finance cost paid		(984)	(903)
Treasury shares acquired for delivery to staff trust and long-term incentive scheme	19 and 20	(72)	(72)
Dividends paid to Company's shareholders		(1 321)	(758)
Other cash payments received		10	–
Other cash payments made		–	(39)
<b>Net cash utilised in financing activities</b>		<b>(6 765)</b>	<b>(826)</b>
Net (decrease)/increase in cash and cash equivalents		(339)	250
Cash and cash equivalents – beginning of the year		1 006	726
Effect of foreign exchange rate movements		10	30
<b>Cash and cash equivalents – end of the year</b>	15	<b>677</b>	<b>1 006</b>

The accompanying notes are an integral part of these consolidated financial statements.



# NOTES TO CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

## 1. BASIS OF PREPARATION, CRITICAL JUDGEMENTS AND ACCOUNTING ESTIMATES AND ASSUMPTIONS

### 1.1 Basis of preparation

The Group annual financial statements present the consolidated financial position and changes therein, operating results and cash flow information of Life Healthcare Group Holdings Limited, its subsidiaries, associates and joint ventures, and have been prepared on a historical cost basis, unless otherwise stated.

#### Basis of preparation

Prepared in accordance with:

International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations effective for the Group's financial year, as well as the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.

JSE Listings Requirements

South African Companies Act, 71 of 2008 (as amended)

Going concern principles

#### Presentation currency

South African rand

#### Rounding principles

Rounded to the nearest million, unless otherwise stated. The Group has a policy of rounding in increments of R500 000. Amounts less than R500 000 will therefore round down to Rnil and are presented as a dash.

#### Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from translation of monetary assets and liabilities denominated in foreign currencies at reporting date closing rates are recognised in profit or loss.

Foreign exchange gains and losses are deferred in equity if they relate to qualifying cash flow hedges or are attributable to part of the net investment in a foreign operation.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains or losses are presented in the statement of profit or loss on a net basis within other income/(expenses).

### 1.2 Critical judgements, accounting estimates and assumptions

The preparation of the annual financial statements requires the use of critical accounting estimates and assumptions (refer 1.2.2) and requires management to exercise judgements (refer 1.2.1) in the process of applying the Group's accounting policies. Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.



## 1. BASIS OF PREPARATION, CRITICAL JUDGEMENTS AND ACCOUNTING ESTIMATES AND ASSUMPTIONS continued

### 1.2 Critical judgements, accounting estimates and assumptions continued

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. A description of the accounting estimates, assumptions and judgements that were critical to preparing specific financial statement items as well as the processes employed to do so, are set out as follows:

#### 1.2.1 Critical judgements

##### *Group accounting*

##### *Factors considered to determine whether the Group has control*

The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has less than 50% interest in a number of southern African companies. An assessment is made as to whether or not the Group has control. It was concluded that the Group has control over these southern African companies through a vertical structure or through management control. Additional facts and circumstances also considered in assessing control over an entity include:

- rights arising from contractual agreements; and
- the Group's voting rights and potential voting rights.

The Group reassesses whether or not it controls an entity, when the facts and circumstances indicate that a change to the elements of control exist.

##### *Non-financial assets*

##### *Goodwill*

The level at which management monitors goodwill for impairment testing as well as determining the allocation of goodwill to the different cash-generating units (CGUs) for impairment testing require the use of judgement.

Goodwill is tested for impairment annually or when there is an indication of impairment.

At acquisition date, goodwill is allocated to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose. CGUs are defined as individual hospitals and healthcare services operating units in southern Africa and Poland. CGUs for Alliance Medical Group Limited (Alliance Medical) are defined as the Alliance Medical Group, and as individual operating units acquired subsequently. The allocation of goodwill to the different CGUs is done based on the expected benefit arising from synergies due to the business combinations.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of the non-controlling interest over the net identifiable assets acquired, and liabilities and contingent liabilities assumed.

The original goodwill and intangible assets were allocated to the various CGUs for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill and intangibles arose. Goodwill and intangibles arising from subsequent additions are allocated to the specific CGUs.

Refer note 11.

# NOTES TO CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 SEPTEMBER 2019

## 1. BASIS OF PREPARATION, CRITICAL JUDGEMENTS AND ACCOUNTING ESTIMATES AND ASSUMPTIONS continued

### 1.2 Critical judgements, accounting estimates and assumptions continued

#### 1.2.1 Critical judgements continued

##### Other operating assets

##### *Useful lives, residual values and impairment*

Useful lives	The Group depreciates or amortises its assets over their estimated useful lives. The useful lives of assets are based on historic performance as well as expectations about future use and therefore requires a degree of judgement to be applied. The actual lives of these assets can vary depending on a variety of factors, including technological innovation, product lifecycles and maintenance programmes. The useful lives are reviewed at each reporting date.
Residual values	Judgement is applied when determining the residual values for property, plant and equipment and intangible assets. When determining the residual value for property, plant and equipment, the following factors are taken into account: <ul style="list-style-type: none"> <li>● External residual value information</li> <li>● Internal technical assessments for complex medical equipment</li> </ul> The residual values are reviewed at each reporting date.
Impairment	The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. In the event of contractual obligations in terms of which a termination consideration is payable to the Group, a residual value will be applied to the intangible asset.

Statement of financial position	Statement of profit or loss and other comprehensive income	Estimated useful lives		Impairment indicators
		Item	Average useful life	External sources of information:
Intangible assets	Amortisation	Customer relations	10 – 15 years	<ul style="list-style-type: none"> <li>● Significant adverse changes that have taken place or are expected in the near future in the technological, market, economic or legal environment in which the Group operates</li> <li>● Increases in interest rates or other market rates of return that may materially affect the discount rate used in calculating the asset's recoverable amount</li> <li>● The carrying amount of the Group's net assets exceeds the Group's market capitalisation</li> </ul>
		Hospital licences		
		Brand name	12 years	
		Product development	Over the life of the relevant patent period	
		Computer software	3 – 20 years	
		Other intangible assets	Duration of the respective agreements	
Property, plant and equipment	Depreciation	Land	Not depreciable	<b>Internal sources of information:</b> <ul style="list-style-type: none"> <li>● Obsolescence or physical damage affecting the asset</li> <li>● Idle or unutilised assets</li> <li>● Plans to discontinue or restructure the operations to which the asset belongs or the asset's disposal</li> <li>● Significant decline in management's forecasts of future net cash inflows</li> </ul>
		Assets under construction		
		Buildings – owned	40 – 50 years	
		Medical equipment	3 – 25 years	
		Other property, plant and equipment – owned		
		Motor vehicles	3 – 8 years	
		Leased: <ul style="list-style-type: none"> <li>● Buildings</li> <li>● Other property, plant and equipment</li> <li>● Improvements to leased assets</li> </ul>	Shorter of useful life or lease term	

Refer note 10 and 11.



## 1. BASIS OF PREPARATION, CRITICAL JUDGEMENTS AND ACCOUNTING ESTIMATES AND ASSUMPTIONS continued

### 1.2 Critical judgements, accounting estimates and assumptions continued

#### 1.2.1 Critical judgements continued

##### *Financial instruments*

##### *Impairment of financial assets (judgement applied from 1 October 2018)*

##### *Trade receivables*

The Group uses a provision matrix to calculate expected credit losses (ECLs) for trade receivables.

The matrix is based on days past due for groupings of various customer segments that have similar loss patterns (mainly by customer type).

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history and existing market conditions, as well as forward-looking estimates at the end of each reporting period.

The ECLs raised during the year have been included as a separate line item in the statement of profit or loss and other comprehensive income.

Refer note 16.

##### *Cash and cash equivalents and other assets*

While the above balances are also subject to the impairment requirements of IFRS 9, the identified impairment loss was negligible. The provision was calculated using a simplification of the general provision method.

Information regarding the ECLs is disclosed in note 31 and Annexure A "significant accounting policies" – section 1.11 "financial instruments".

##### *Impairment of financial assets (judgement applied before 1 October 2018)*

The Group assessed at each reporting date whether there is objective evidence that a financial asset or a class of financial assets is impaired. The Group collects deposits for private market customers where possible and raises a provision for the balance of long-outstanding trade receivables where it considers the recoverability to be doubtful. A degree of judgement is applied when considering whether a trade receivable is recoverable or not.

The following factors were taken into account when considering whether a trade receivable is impaired:

- The customer has defaulted on their payments due
- The history of the specific customer with the Group
- Indications of financial difficulties of the specific customer
- Credit terms specific to the customer
- General economic conditions

#### 1.2.2 Critical accounting estimates and assumptions

##### *Group accounting*

##### *Fair value determination in business combinations*

Intangible assets are determined during the fair value exercise, using critical accounting estimates and assumptions in accordance with IFRS.

The Group makes use of various valuation methodologies in determining the fair values of assets acquired and liabilities assumed in a business combination, including the use of reputable independent valuers. Valuations are inherently subjective and therefore the determination of the fair values of the assets, liabilities and contingent liabilities requires the use of estimates and assumptions. When the accounting for a business combination can only be determined provisionally at the date of reporting, provisional values are used. These provisional values are adjusted once the initial accounting has been completed, which must be within 12 months from the date of acquisition, by retrospectively adjusting the fair values of the net identifiable assets acquired and goodwill. In certain circumstances the purchase consideration includes contingent consideration. The calculation of contingent consideration requires the use of estimates and assumptions. This includes estimates and assumptions on future cash flows as well as determining an appropriate discount rate. Refer note 26.

# NOTES TO CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 SEPTEMBER 2019

## 1. BASIS OF PREPARATION, CRITICAL JUDGEMENTS AND ACCOUNTING ESTIMATES AND ASSUMPTIONS continued

### 1.2 Critical judgements, accounting estimates and assumptions continued

#### 1.2.2 Critical accounting estimates and assumptions continued

##### *Financial instruments*

##### *Fair value determination*

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active and for unlisted securities, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs. Refer note 23.

##### *Non-financial assets*

##### *Impairment – Goodwill*

The recoverable amounts of CGUs have been determined based on the higher of value-in-use calculations and fair value less cost to sell. These calculations require the use of estimates. An impairment loss is recognised for CGUs if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order: first, to reduce the carrying amount of any goodwill allocated to the CGU and then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit. The key assumptions used in the value-in-use calculations were as follows:

	Southern Africa		Poland	
	2019 %	2018 %	2019 %	2018 %
Growth rate in activities	0.0 – 2.0	0.0 – 4.0	2.5 – 6.3	6.3 – 6.9
Average discount rate	12.25	13.40	7.60	8.20
Tariff and inflation increases	0.0 – 5.5	0.0 – 6.0	2.5 – 3.0	1.8 – 2.9
Terminal growth rate	1.50	1.50	2.6 – 3.0	3.5-4.0

Alliance Medical operates in the United Kingdom and various European territories, and the territories' growth rates differ. The growth rates assumed are a combination of tariff increases/decreases as well as volume increases. The tariff and volume assumptions are also different for each modality (diagnostic imaging (DI), molecular imaging (MI) and radiopharmacy).

	Alliance Medical	
	2019 %	2018 %
Growth rate in activities (across all markets)	0.0 – 13.0	0.0 – 14.0
Tariff adjustment (across all markets)	(5.0) – 1.5	(0.3) – 3.0
Cost inflation (across all markets)	1.6 – 5.0	2.0 – 5.0
Average discount rate	6.70	6.60
Terminal growth rate	1.50	1.50

The value-in-use calculations were determined by discounting the expected future cash flows over a period of five years.

The discount rates used are pre-tax and reflect the specific risks relating to the industry and the countries in which they operate. The growth rate in activities and revenue is based on historical experience, capacity availability and the expected developments in the market. Tariff and inflation rates are based on latest available economic forecasts and management's expectations of the outcome of annual tariff negotiations.

Refer note 11.



# 1. BASIS OF PREPARATION, CRITICAL JUDGEMENTS AND ACCOUNTING ESTIMATES AND ASSUMPTIONS continued

## 1.2 Critical judgements, accounting estimates and assumptions continued

### 1.2.2 Critical accounting estimates and assumptions continued

#### Non-financial assets continued

#### Impairment – Goodwill continued

#### Sensitivity analysis

For all territories, the assumption that has the most significant impact on the value-in-use calculation is the average discount rate.

- If the average discount rate for southern Africa increases to 13.54% the first CGU's carrying amount will exceed its recoverable amount.
- If the average discount rate for Alliance Medical increases to 8.16% the headroom will reduce to nil.
- If the average discount rate for Poland increases to 8.60%, the impairment will increase from R125 million to R151 million.

#### Employee benefits

#### Defined benefit plans

Determining the present value of the defined benefit obligation	The present value of the defined benefit obligations is discounted using appropriate interest rates. The cost of providing the benefits is determined using the projected unit credit method. Refer note 13.
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#### Long-term incentive plans

#### Determining the fair value

<p>Long-term incentive scheme effective from 2019:</p> <ol style="list-style-type: none"> <li>1. Southern Africa – equity-settled share-based payments</li> <li>2. International – cash-settled share-based payments</li> </ol>	The fair value of awards granted during the period was determined using risk-neutral valuation principles. This methodology takes into consideration the number of active awards, the Life Healthcare Group Holdings Limited (Life Healthcare) share price, expected dividends over the vesting period, expected forfeiture rates and the expected vesting of the awards based on performance conditions. Vesting in terms of this scheme takes place in three years from allocation.
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Refer note 20 and Annexure A under 1.2 – Share-based payments.

The key assumptions used in the model were as follows:

	2019	2018
Average discount rate (WACC)	12.4%	
Average consumer price index (CPI)	4.5%	n/a <sup>1</sup>
Life core purposes	100% achievement	

<sup>1</sup> No allocation was granted in the prior year, and therefore no valuation was performed.

#### Determining the fair value: Cash-settled share-based payments

Long-term incentive scheme (Alliance Medical)	The fair value of the C-shares liability was determined using the Monte Carlo simulation model. Volatility is measured using an equally weighted average volatility estimate, over a period of five years. As Alliance Medical is an unlisted entity, entities within an index tracker basket were named as suitable proxies in calculating a suitable volatility input.
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# NOTES TO CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 SEPTEMBER 2019

## 1. BASIS OF PREPARATION, CRITICAL JUDGEMENTS AND ACCOUNTING ESTIMATES AND ASSUMPTIONS continued

### 1.2 Critical judgements, accounting estimates and assumptions continued

#### 1.2.2 Critical accounting estimates and assumptions continued

*Employee benefits* continued

*Long-term incentive plans* continued

*Determining the fair value: Cash settled share-based payments* continued

The key assumptions used in the model were as follows:

	2019	2018
Initial investment (GBP'm)	573	573
Equity value (GBP'm) <sup>1</sup>	282	509
Risk-free rate	0.35%	0.95%
Volatility input	35.00%	30.00%
Term to maturity	2 years	3 years

#### *Sensitivity analysis*

The potential increase in the fair value of the options when:

	R'm	R'm
The volatility input increases by 5%	2	9
The equity value increases by 20%	6	43

<sup>1</sup> The equity value is calculated based on an index mean multiple derived from a basket of companies as well as the equity value impacted by normalised EBITDA and net debt movements. Different methodologies are used for impairment considerations (in terms of IFRS).

Refer notes 20 and 22.

#### *Other*

##### *Taxation*

The Group periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. The Group is subject to income taxes in numerous jurisdictions and the calculation of the Group's tax charge and worldwide provisions for income taxes necessarily involves a degree of estimation and judgement.

Current and deferred tax calculations have been determined on the basis of prior year assessed computation methodologies adjusted for changes in taxation legislation and interpretation in the year. No significant new transactions, other than acquisitions made by Alliance Medical, that require specific additional estimates or judgements have been entered into in the current year.

The Group recognises the future benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of the deferred income tax assets requires the Group to make estimates related to expectations in future taxable income. Estimates of future taxable income are based on forecast cash flows from operations, assumptions regarding economic growth, interest rates, inflation rates and the application of existing tax laws. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the deferred tax assets recorded at the reporting date could be impacted. The deferred tax asset is reviewed at the end of the reporting period and adjusted if required. Additionally future changes in tax laws could limit the ability of the Group to obtain tax deductions in future periods. Refer note 14.

##### *Insurance provision*

In the ordinary course of business the Group, from time to time, receives potential litigation and claims. Such claims are assessed by management and legal counsel and dealt with on a case-by-case basis taking into consideration applicable excess levels per claim and external legal advice on the merits and probability of the claim. The provision is discounted at a pre-tax average cost of debt rate where applicable.



## 2. REVENUE AND OTHER INCOME

The revenue note below disaggregates revenue based on the type of customer (private, government and public healthcare facilities and corporate institutions) as well as per type of services (hospitals and complementary services, healthcare services, diagnostic services and growth initiatives) per geographical region (southern Africa and international), similar to the segmental report (refer note 9)

Management believes that both disaggregations depict how the nature, amount, timing and uncertainty of the Group's revenue and cash flows are affected by economic factors.

	2019 R'm	2018 R'm
<b>Disaggregation of revenue based on the type of customer</b>		
<b>Contract from customers</b>		
Private (including private medical aids and cash paying patients)	18 031	16 302
Government and public healthcare facilities	5 299	6 453
Corporate institutions	2 263	658
<b>Other revenue</b>		
Rental income related to auxiliary services	79	75
<b>Total revenue</b>	<b>25 672</b>	<b>23 488</b>
<b>Disaggregation of revenue based on type of services per geographical region</b>		
<b>Southern Africa</b>		
Hospitals and complementary services	17 213	16 118
Healthcare services	1 259	1 122
<b>International</b>		
Diagnostic services	5 582	4 922
Healthcare services	1 349	1 260
<b>Growth initiatives</b>	<b>269</b>	<b>66</b>
<b>Total revenue</b>	<b>25 672</b>	<b>23 488</b>
<b>Timing of revenue recognition<sup>1</sup></b>		
Over time	14 306	
At a point in time	11 366	
<b>Total revenue</b>	<b>25 672</b>	
<b>Other income</b>		
Other rental income	99	91
Other income	133	137
<b>Total other income</b>	<b>232</b>	<b>228</b>
<i><sup>1</sup> IFRS 15 was adopted during the current year, without restating comparative periods.</i>		

## 3. EMPLOYEE BENEFITS EXPENSE

Salaries	6 488	5 822
Long-term incentive scheme	21	11
Share-based payment – Life Healthcare employee share trust	58	50
Severance payments	1	51
Agency fees	1 384	1 318
Medical aid contributions	282	258
Pension fund costs – defined benefit and contribution plans	74	19
Provident fund costs – defined contribution plans	219	200
Social security costs	257	226
Other	76	109
<b>Total</b>	<b>8 860</b>	<b>8 064</b>

Includes executive directors' and prescribed officers' remuneration.

# NOTES TO CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 SEPTEMBER 2019

## 4. FAIR VALUE LOSS/(PROFIT) ON DERIVATIVE FINANCIAL INSTRUMENTS

	2019 R'm	2018 R'm
Fair value loss/(profit) on interest rate swap contracts	32	(30)
Fair value loss/(profit) on the Max <sup>1</sup> foreign exchange option contracts	406	(23)
Fair value profit on B-share option liability	–	(74)
	<b>438</b>	<b>(127)</b>

## 5. FINANCE INCOME AND COST

Finance income	(60)	(40)
Interest revenue calculated using the effective interest rate method	(1)	(2)
Foreign exchange gains	(54)	(30)
Other	(5)	(8)
Finance cost	<b>1 058</b>	1 002
Interest-bearing borrowings and bank overdrafts	739	733
Interest rate swap contracts	16	12
Borrowing cost capitalised <sup>1</sup>	(8)	(16)
Preference shares	142	224
Foreign exchange losses	66	30
Unwinding of contingent consideration	44	–
Other	59	19
Net finance cost	<b>998</b>	962

<sup>1</sup> The Group has used an average rate of 8.7% (2018: 8.6%) in determining the borrowing costs capitalised.

## 6. PROFIT BEFORE TAX

The following items have been included in arriving at profit before tax:

Operating lease rentals	297	242
Auditors' remuneration	41	48
Total audit fees	34	30
Fees relating to non-audit services	7	18
Directors' and prescribed officers' emoluments (refer note 27)	43	48

## 7. TAX EXPENSE

Current income tax		
Current year	990	1 007
Prior year underprovision	25	16
Deferred income tax		
Origination and reversal of temporary differences	(270)	(99)
Prior year overprovision	(5)	(1)
Withholding taxes	95	–
Total tax expense	<b>835</b>	<b>923</b>

<sup>1</sup> Max Healthcare Institute Limited (Max).



## 7. TAX EXPENSE continued

	2019 %	2018 %
<b>Reconciliation of the tax rate</b>		
South African normal tax rate	28.00	28.00
Adjustments for non-cash items:		
Income not taxable – profit on sale of property, plant and equipment and investments	(9.83)	(0.15)
Income not taxable – partnerships	(0.36)	(0.48)
Income not taxable – gain on derecognition of lease assets and liabilities	–	(0.78)
Expenses not deductible – associate loss	–	1.10
Expenses not deductible – impairment of intangible assets and investment	0.28	0.28
Expenses not deductible – interest on preference shares	1.15	2.21
Expenses not deductible – interest on borrowings and acquisition costs	0.48	0.79
Other	(1.09)	(0.54)
Deferred tax through other comprehensive income	0.56	–
Prior year underprovision	0.81	0.54
Withholding taxes	2.57	0.02
Assessed losses previously not recognised	(1.67)	0.27
Impact of different international tax rates	1.62	1.27
<b>Effective rate</b>	<b>22.52</b>	<b>32.53</b>

The Group has raised deferred tax on estimated tax losses of R622 million (2018: R256 million) available to offset against future taxable income. Tax losses of R64 million (2018: R26 million) were utilised during the year.

## 8. EARNINGS (EPS), HEADLINE EARNINGS (HEPS) AND DIVIDEND (DPS) PER SHARE

	Attributable earnings R'm		Weighted average number of shares ('000)		Cents per share	
	2019	2018	2019	2018	2019	2018
EPS – basic	2 569	1 575	1 456 430	1 450 710	176.4	108.6
EPS – diluted	2 569	1 575	1 461 449	1 456 525	175.8	108.1
HEPS – basic	1 291	1 579	1 456 430	1 450 710	88.7	108.8
HEPS – diluted	1 291	1 579	1 461 449	1 456 525	88.4	108.3
Normalised EPS (NEPS)	1 695	1 598	1 456 430	1 450 710	116.4	110.2
	Total dividend (R'm)		Total number of issued shares ('000)		Cents per share	
DPS – ordinary shares						
• Final (previous financial year)	734	652	1 467 349	1 449 391	50	45
• Interim	587	556	1 467 349	1 463 980	40	38

The cash portion of the total dividend was subject to dividend withholding tax at a rate of 20%, which resulted in a net final dividend, for the year ended 30 September 2018, of 40.0 cents per ordinary share and net interim dividend of 32.0 cents per ordinary share to those shareholders who are not exempt in terms of section 64F of the Income Tax Act.

# NOTES TO CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 SEPTEMBER 2019

## 8. EARNINGS (EPS), HEADLINE EARNINGS (HEPS) AND DIVIDEND (DPS) PER SHARE continued

	2019		2018	
	Gross amount R'm	Net amount R'm	Gross amount R'm	Net amount R'm
<b>Headline earnings reconciliation</b>				
Profit attributable to ordinary equity holders	2 569	2 569	1 575	1 575
Adjustments (net of tax):				
Impairment of assets and investments	164	140	34	34
Profit on disposal of investment in joint venture	(1 501)	(1 407)	–	–
Profit on disposal of investment in subsidiary	(11)	(11)	–	–
Profit on disposal of property, plant and equipment	–	–	(35)	(30)
<b>Headline earnings</b>	<b>1 221</b>	<b>1 291</b>	<b>1 574</b>	<b>1 579</b>

Difference between gross and net amount relates to tax.

	2019 '000	2018 '000
<b>Reconciliation between weighted average number of shares and diluted number of shares</b>		
Issued ordinary shares – at the beginning of the year	1 467 349	1 449 391
Shares issued as a result of scrip distributions	–	11 488
Effect of treasury shares	(10 919)	(10 169)
<b>Weighted average number of shares at the end of the year</b>	<b>1 456 430</b>	<b>1 450 710</b>
Effect of dilutive potential ordinary shares – treasury shares	5 019	5 815
<b>Diluted weighted average number of shares at the end of the year</b>	<b>1 461 449</b>	<b>1 456 525</b>

### Normalised earnings per share (NEPS)

The presentation of normalised earnings is not an IFRS requirement and is a measurement used by the chief operating decision maker (CODM). The calculation of NEPS excludes non-trading related items as listed below and is based on the normalised profit attributable to equity holders of the parent, divided by the weighted average number of ordinary shares during the year. Investors should not consider normalised earnings or NEPS in isolation or as an alternative to operating profit, profit after tax or any other measure of financial performance presented in the consolidated financial statements. Normalised earnings and NEPS as disclosed below may not be comparable to other similarly titled measures of performance of other companies.

	R'm	R'm
Profit attributable to ordinary equity holders	2 569	1 575
Adjustments (net of tax):		
Retirement benefit asset and post-employment medical aid income	(28)	(24)
Fair value adjustments to contingent consideration	(2)	18
Fair value loss/(profit) on the Max foreign exchange option contracts	292	(17)
Gain on derecognition of lease assets and liabilities	–	(71)
Impairment of assets and investments	140	34
Profit on disposal of investment in joint venture	(1 407)	–
Profit on disposal of investment in subsidiary	(11)	–
Profit on disposal of property, plant and equipment	–	(30)
Transaction costs relating to acquisitions and disposals	148	38
Other	30	75
Unwinding of contingent consideration	44	–
Deferred tax raised on historical losses	(80)	–
Normalised earnings	1 695	1 598
NEPS (cents)	116.4	110.2



## 9. SEGMENT INFORMATION

IFRS 8 requires operating segments to be identified on the basis of internal reports about the components of the Group that are regularly reviewed by the CODM in order to allocate resources to the segments and to assess their performance.

The Group's segments are aligned to those business units that are evaluated regularly by the CODM in deciding how to allocate resources and in assessing performance.

In southern Africa, the hospitals and complementary services segment comprises all the acute hospitals and complementary services which include mental health, acute rehabilitation, renal dialysis and oncology. The healthcare services segment comprises Life Esidimeni and Life Employee Health Solutions.

International comprises diagnostic services and healthcare services (Scanmed) across Europe and the United Kingdom.

Growth initiatives comprise the new outpatient business model, developing the imaging opportunity, investing in data analytics and clinical quality products within South Africa and product development internationally.

Corporate is an additional non-operating segment.

The comparative information has been restated to adjust for the change in the composition of the reportable segments. Growth initiatives were included as part of the diagnostic services segment in the prior year. In the current year, growth initiatives are disclosed as a separate segment and the comparative information has therefore been adjusted.

The operating businesses have been aggregated into different segments based on the similar nature of products and services, similar economic characteristics, similar type of customers and operating in a similar regulatory environment.

Inter-segment revenue of R5 million (2018: R4 million) is eliminated and relates to revenue between Life Employee Health Solutions and the southern Africa business.

Refer note 2 for a split of the major revenue streams.

	2019 R'm	2018 R'm
<b>Revenue<sup>1</sup></b>		
<b>Southern Africa</b>		
Hospitals and complementary services	17 213	16 118
Healthcare services	1 259	1 122
<b>International</b>		
Diagnostic services	5 582	4 922
Healthcare services	1 349	1 260
<b>Growth initiatives</b>	269	66
	<b>25 672</b>	<b>23 488</b>
<b>Normalised EBITDA<sup>2</sup></b>		
<b>Southern Africa</b>		
Hospitals and complementary services	3 933	3 703
Healthcare services	148	131
<b>International</b>		
Diagnostic services	1 253	1 206
Healthcare services	97	85
<b>Growth initiatives</b>	(25)	(45)
<b>Corporate</b>		
Recoveries	1 292	1 218
Corporate costs	(971)	(763)
	<b>5 727</b>	<b>5 535</b>

<sup>1</sup> Revenue of approximately 33% (2018: 23%) is derived from two (2018: one) external customers. The revenues are attributed to the southern Africa segment.

<sup>2</sup> Life Healthcare defines normalised EBITDA as operating profit before depreciation on property, plant and equipment, amortisation of intangible assets and non-trading-related costs or income. The presentation of normalised EBITDA is not an IFRS requirement and is a measurement used by the CODM. Investors should not consider normalised EBITDA in isolation or as an alternative to operating profit, profit after tax or any other measure of financial performance presented in the consolidated financial statements. Normalised EBITDA as disclosed above may not be comparable to other similarly titled measures of performance of other companies.

# NOTES TO CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 SEPTEMBER 2019

## 9. SEGMENT INFORMATION continued

	2019 R'm	2018 R'm
<b>Depreciation</b>		
<b>Southern Africa</b>		
Hospitals and complementary services	(576)	(531)
Healthcare services	(18)	(17)
<b>International</b>		
Diagnostic services	(521)	(478)
Healthcare services	(62)	(59)
<b>Growth initiatives</b>	(10)	(2)
<b>Corporate</b>	(49)	(46)
	(1 236)	(1 133)
<b>EBITA<sup>1</sup></b>		
<b>Southern Africa</b>		
Hospitals and complementary services	3 357	3 172
Healthcare services	130	114
<b>International</b>		
Diagnostic services	732	728
Healthcare services	35	26
<b>Growth initiatives</b>	(35)	(47)
<b>Corporate</b>	272	409
	4 491	4 402
<b>Amortisation of intangible assets</b>		
<b>Southern Africa</b>		
Hospitals and complementary services	(110)	(110)
<b>International</b>		
Diagnostic services	(411)	(368)
Healthcare services	(17)	(19)
<b>Growth initiatives</b>	(18)	(19)
<b>Corporate</b>	(30)	(21)
	(586)	(537)

<sup>1</sup> EBITA is defined as normalised EBITDA less depreciation.





## 9. SEGMENT INFORMATION continued

	2019 R'm	2018 R'm
<b>Operating profit before items detailed below</b>		
<b>Southern Africa</b>		
Hospitals and complementary services	3 247	3 062
Healthcare services	130	114
<b>International</b>		
Diagnostic services	321	360
Healthcare services	18	7
<b>Growth initiatives</b>	(53)	(66)
<b>Corporate</b>	242	388
	<b>3 905</b>	<b>3 865</b>
Retirement benefit asset and post-employment medical aid income	39	34
Severance payments	–	(51)
<b>Operating profit</b>	<b>3 944</b>	<b>3 848</b>
Fair value adjustment to contingent consideration	2	(18)
Fair value (loss)/gain on derivative financial instruments	(438)	127
Gain on derecognition of lease assets and liabilities	–	79
Impairment of assets and investments (refer notes 10 and 11)	(164)	(34)
Profit on disposal of investment in joint venture	1 501	–
Profit on disposal of investment in subsidiary	11	–
Profit on disposal of property, plant and equipment	–	35
Transaction costs relating to acquisitions and disposals	(148)	(38)
Other	(22)	(95)
Finance income	60	40
Finance cost	(1 058)	(1 002)
Share of associates' and joint ventures' net profit/(loss) after tax	18	(105)
<b>Profit before tax</b>	<b>3 706</b>	<b>2 837</b>
Operating profit before items detailed includes the segment's share of shared services and rental costs. These costs are all at market-related rates.		
<b>Total assets before items detailed below</b>		
Southern Africa	13 550	12 998
International	22 342	22 078
	<b>35 892</b>	<b>35 076</b>
Asset classified as held for sale (Max)	–	2 841
Employee benefit assets	448	401
Deferred tax assets	1 102	700
Derivative financial assets (included in other assets)	–	100
Income tax receivable	124	24
<b>Total assets per the balance sheet</b>	<b>37 566</b>	<b>39 142</b>

# NOTES TO CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 SEPTEMBER 2019

## 9. SEGMENT INFORMATION continued

	2019 R'm	2018 R'm
<b>Net debt</b>		
Southern Africa	4 481	8 018
International	6 837	6 932
	<b>11 318</b>	14 950
<b>Cash and cash equivalents (net of bank overdrafts)</b>		
Southern Africa	(141)	(82)
International	818	1 088
	<b>677</b>	1 006

Net debt is a key measure for the Group, which comprises all interest-bearing borrowings, overdraft balances and cash on hand.



## 10. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings – owned R'm	Fixed property – leased R'm	Improvements to leased premises R'm	Medical equipment R'm	Motor vehicles and other equipment R'm	Assets under construction R'm	Total R'm
<b>Carrying value at 1 October 2018</b>	5 822	580	1 019	3 351	554	917	12 243
Additions	299	–	96	600	102	896	1 993
Arising on acquisition of subsidiaries	–	–	–	40	–	–	40
Disposal of subsidiary	(35)	–	–	(3)	(1)	–	(39)
Disposals, scrappings or derecognitions	–	–	–	(8)	(15)	–	(23)
Transfers	308	(1)	149	498	126	(1 080)	–
Borrowing costs capitalised	7	–	–	–	–	–	7
Depreciation for the year	(168)	(27)	(145)	(729)	(167)	–	(1 236)
Impairment loss <sup>1</sup>	–	(103)	–	–	–	–	(103)
Effect of foreign currency movement	(1)	–	10	23	9	6	47
<b>Carrying value at 30 September 2019</b>	<b>6 232</b>	<b>449</b>	<b>1 129</b>	<b>3 772</b>	<b>608</b>	<b>739</b>	<b>12 929</b>
Comprising:							
Cost	8 012	870	2 215	9 403	1 618	739	22 857
Accumulated depreciation and impairment losses	(1 780)	(421)	(1 086)	(5 631)	(1 010)	–	(9 928)
	<b>6 232</b>	<b>449</b>	<b>1 129</b>	<b>3 772</b>	<b>608</b>	<b>739</b>	<b>12 929</b>

Refer note 21 for carrying amounts of assets held as security for interest-bearing borrowings.

A register containing the information required by Regulation 25(3) of the Companies Regulations, 2011 is available for inspection at the registered office of the Company.

### <sup>1</sup> Impairment in Poland

Regulatory changes impacted minimum employment costs in Poland primarily resulted in a R125 million impairment in the carrying value of the Polish investment in the Group's results during 2019, which was allocated to the following assets:

	R'm
Fixed property leased <sup>2</sup>	103
Computer software (refer note 11)	22

<sup>2</sup> The property was impaired to the market value as independently determined by an external valuer using the direct capitalisation valuation methodology. The value is the present value of the future rental income discounted at a rate of 8.0%.

The fair value hierarchy within which the fair value measurement of the lease property is categorised to, is included under level 3.

# NOTES TO CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 SEPTEMBER 2019

## 10. PROPERTY, PLANT AND EQUIPMENT continued

	Land and buildings – owned R'm	Fixed property – leased R'm	Improvements to leased premises R'm	Medical equipment R'm	Motor vehicles and other equipment R'm	Assets under construction R'm	Total R'm
<b>Carrying value at 1 October 2017</b>	5 241	627	825	2 952	483	1 003	11 131
Additions	354	1	49	567	118	1 035	2 124
Arising on acquisition of subsidiaries	6	–	6	52	18	5	87
Disposals or scrappings	–	(30)	(11)	(29)	(10)	–	(80)
Transfers	354	–	249	428	100	(1 131)	–
Borrowing costs capitalised	12	–	–	–	–	–	12
Depreciation for the year	(161)	(31)	(122)	(657)	(162)	–	(1 133)
Impairment loss	–	–	–	(5)	(1)	–	(6)
Effect of foreign currency movement	16	13	23	43	8	5	108
<b>Carrying value at 30 September 2018</b>	5 822	580	1 019	3 351	554	917	12 243
Comprising:							
Cost	7 429	873	1 991	8 532	1 500	917	21 242
Accumulated depreciation and impairment losses	(1 607)	(293)	(972)	(5 181)	(946)	–	(8 999)
	5 822	580	1 019	3 351	554	917	12 243



## 11. INTANGIBLE ASSETS

	Computer software R'm	Goodwill R'm	Customer relations R'm	Brand name R'm	Intellectual property R'm	Hospital licences R'm	Other intangible assets R'm	Total R'm
<b>Carrying value at 1 October 2018</b>	353	12 991	3 148	113	263	182	34	17 084
Additions	72	-	-	-	90	-	-	162
Arising on acquisition of subsidiaries	-	134	71	15	-	-	-	220
Adjustments relating to prior year acquisitions (refer note 26)	-	(92)	-	-	93	-	-	1
Amortisation for the year	(62)	-	(441)	(12)	(18)	(53)	-	(586)
Borrowing costs capitalised	2	-	-	-	-	-	-	2
Impairment loss <sup>1,2</sup>	(61)	-	-	-	-	-	-	(61)
Effect of foreign currency movement	1	107	26	2	11	-	-	147
<b>Carrying value at 30 September 2019</b>	305	13 140	2 804	118	439	129	34	16 969
Comprising:								
Cost	685	13 781	4 765	150	463	829	34	20 707
Accumulated amortisation and impairment losses	(380)	(641)	(1 961)	(32)	(24)	(700)	-	(3 738)
	305	13 140	2 804	118	439	129	34	16 969

### <sup>1</sup> Impairment in southern Africa

Software development costs of R39 million (2018: R28 million), that did not meet business requirements were fully impaired.

### <sup>2</sup> Impairment in Poland

Regulatory changes impacted minimum employment costs in Poland primarily resulted in a R125 million impairment in the carrying value of the Polish investment in the Group's results during 2019, which was allocated to the following assets:

	R'm
Fixed property leased (refer note 10)	103
Computer software	22

# NOTES TO CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 SEPTEMBER 2019

## 11. INTANGIBLE ASSETS continued

	Computer software R'm	Goodwill R'm	Customer relations R'm	Brand name R'm	Intellectual property R'm	Hospital licences R'm	Other intangible assets R'm	Total R'm
<b>Carrying value at 1 October 2017</b>	337	12 170	3 385	122	–	235	32	16 281
Additions	83	–	–	–	38	–	–	121
Arising on acquisition of subsidiaries	2	590	131	–	221	–	–	944
Amortisation for the year	(49)	–	(419)	(11)	(5)	(53)	–	(537)
Borrowing costs capitalised	4	–	–	–	–	–	–	4
Impairment loss <sup>1</sup>	(28)	–	–	–	–	–	–	(28)
Effect of foreign currency movement	4	231	51	2	9	–	2	299
<b>Carrying value at 30 September 2018</b>	353	12 991	3 148	113	263	182	34	17 084
Comprising:								
Cost	615	13 637	4 653	133	266	828	36	20 168
Accumulated amortisation and impairment losses	(262)	(646)	(1 505)	(20)	(3)	(646)	(2)	(3 084)
	353	12 991	3 148	113	263	182	34	17 084

### <sup>1</sup> Impairment in southern Africa

Software development costs of R39 million (2018: R28 million), that did not meet business requirements were fully impaired.

### Goodwill impairment testing

Goodwill has been allocated to the CGUs<sup>2</sup> for impairment testing as follows:

	2019 R'm	2018 R'm
<b>Southern Africa</b>		
Hospitals and complementary services	1 031	1 031
Healthcare services	234	234
<b>International</b>		
Diagnostic services	10 758	10 505
Healthcare services	960	971
<b>Growth initiatives</b>	157	250
	<b>13 140</b>	12 991

<sup>2</sup> Each operating unit is a CGU but due to the magnitude it has been disclosed in aggregate. CGUs are defined as individual hospitals and healthcare services operating units, Alliance Medical Group, and as individual operating units acquired subsequently.



## 12. INVESTMENT IN ASSOCIATES AND JOINT VENTURES

	2019 R'm	2018 R'm
<b>Unlisted ordinary shares</b>		
Balance at 1 October	35	2 976
Share of net profit/(loss) after tax	18	(105)
Share of current year profit/(loss) before tax	19	(102)
Share of current year tax	(1)	(3)
Dividends declared by associates	–	(4)
Capital distributions	(5)	(8)
Reversal of impairment	–	15
Effect of foreign currency movement	5	2
Investment in Max classified as held for sale (refer note 18)	–	(2 841)
<b>Balance at 30 September</b>	<b>53</b>	<b>35</b>

Refer Annexure C – associate undertakings.

### Aggregate information of individually immaterial associates and joint ventures adjusted for percentage ownership by the Group:

	Associates		Joint ventures	
	2019 R'm	2018 R'm	2019 R'm	2018 R'm
Carrying amount	–	2	12	11
Group's share of profit after tax	4	2	14	11

The aggregate post-acquisition reserves (adjusted for the Group's ownership) for associates and joint ventures are a R10 million loss (2018: R43 million).

## 13. EMPLOYEE BENEFIT ASSETS AND LIABILITIES

	2019 R'm	2018 R'm
<b>Employee benefit assets</b>		
Retirement benefit asset	304	504
Employer surplus asset	136	–
Trattamento di Fine Rapporto (TFR) retirement benefit obligation	–	(111)
Post-employment medical aid asset	16	17
Post-employment medical aid obligation	(8)	(9)
	<b>448</b>	<b>401</b>
<b>Employee benefit liabilities</b>		
Trattamento di Fine Rapporto (TFR) retirement benefit obligation	130	–



# NOTES TO CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 SEPTEMBER 2019

## 13. EMPLOYEE BENEFIT ASSETS AND LIABILITIES continued

The Group currently participates in the following pension and provident funds in southern Africa:

Name of fund	Life Healthcare DB Pension Fund	Lifecare Group Holdings Pension Fund	Life Healthcare Provident Fund	Life Healthcare DC Pension Fund	Lifecare National Provident Fund	Old Healthcare Provident Fund
<b>Fund description</b>	Closed fund	Dormant	Active	Active	Dormant	Dormant
<b>Classification</b>	Defined benefit	Defined benefit	Defined contribution provident fund	Defined contribution pension fund	Defined benefit	Defined benefit

The assets of all the funds, whether they are defined benefit or defined contribution, are held and administered separately from the Group's assets. The assets are administered on behalf of the funds by external financial services companies. All the funds are governed by the Pension Funds Act of 1956.

The active pension and provident funds require triennial statutory financial reviews. Financial reviews are, however, carried out annually to determine the solvency of the plans. Defined contribution funds are not guaranteed by the employer.

An application to the Financial Sector Conduct Authority (FSCA) was submitted on 20 February 2019 to transfer the sum of approximately R165 million from the Employer Surplus Account (ESA) in the Life Healthcare DB Pension Fund (LHC Fund) to the ESA in the Life Healthcare Provident Fund in terms of section 15E(2) of the Pension Funds Act, Act 24 of 1956.

On 2 May 2019 approval was obtained from the FSCA to transfer the funds to the ESA of the Life Healthcare Provident Fund with the effective date of transfer set as 31 January 2019. 95% was a scrip transfer between the two funds and 5% was in cash, resulting in a total transfer value of R165.7 million. Life Healthcare will take a partial contribution holiday in the Provident Fund, resulting in a portion of the employer contributions being paid from the ESA in the Provident Fund, and the balance being paid by the employer over approximately four years.

### Pension funds

Actuarial assumptions applied in the valuation of the defined benefit funds:

	Life Healthcare DB Pension Fund		Lifecare Group Holdings Pension Fund	
	2019 R'm	2018 R'm	2019 R'm	2018 R'm
Discount rate	9.64	9.74	7.50	8.00
Consumer price inflation (CPI)	6.07	6.60	4.10	4.80
Expected long-term rate of return	9.64	9.74	7.50	8.00
Compensation increase rate	7.07	7.60	n/a	5.80
Pension increase rate	6.07 <sup>1</sup>	6.60 <sup>1</sup>	n/a	3.60
Rates of mortality	0.50 <sup>2</sup>	0.50 <sup>2</sup>	n/a	1.00 <sup>3</sup>

The long-term investment return assumption is based on the expected long-term returns on equities, cash and bonds. In setting these assumptions the actual asset split of the various funds is used.

<sup>1</sup> A future pension increase assumption of 100% of the long-term inflation assumption was used. This is in excess of the LHC Fund's formal pension increase target of 75% of CPI but is in line with the LHC Fund's secondary target of providing increases of up to 100% of CPI, subject to affordability. It is assumed that, in line with actual LHC Fund experience, 85% of members uplift the capital value of their benefits on retirement, calculated as per the rules of the LHC Fund, and use these to purchase pensions outside of the LHC Fund. Only 15% of members are assumed to retire and draw a pension from the LHC Fund.

<sup>2</sup> The full mortality assumption is as follows: PA(90) rated down 1 year plus 0.5% improvement per annum from 2015.

<sup>3</sup> The full mortality assumption is as follows: PA(90) rated down 2 years plus 1.0% improvement per annum from 2004.



### 13. EMPLOYEE BENEFIT ASSETS AND LIABILITIES continued

The last statutory actuarial valuations for the funds were:

Life Healthcare DB Pension Fund	30 June 2018. The next statutory valuation report will be prepared as at 30 June 2021.
Lifecare Group Holdings Pension Fund	31 March 2016. The next statutory valuation report is currently being prepared for the valuation date ended 31 March 2019.

The main risks to the Company of sponsoring a defined benefit plan is that a net loss/deficit may arise.

In terms of legislation any deficit arising from a triennial statutory valuation will need to be funded by the participating employer over the next three years.

Fund deficits tend to arise from any of the following events:

- Investment returns lower than the valuation assumptions
- Higher than expected salary and pension increases
- A strengthening of the valuation assumptions from time to time
- Increasing pensioner longevity

The Company contribution rate could increase in real terms in future.

Increases in the Company's contribution in real terms could be caused by an ageing membership, a strengthening of the actuarial valuation assumptions and increases in future real pensionable salaries.

The Group's obligation in respect of retirement benefits as measured in terms of IAS 19 are tabled below.

	Life Healthcare DB Pension Fund		Lifecare Group Holdings Pension Fund		Life Healthcare Provident Fund (ESA)	
	2019 R'm	2018 R'm	2019 R'm	2018 R'm	2019 R'm	2018 R'm
<b>Defined benefit fund asset</b>						
Balance at 1 October	504	471	-	-	-	-
Net income/(expense) recognised in profit or loss	37	35	(1)	(2)	(26)	-
Current service cost	(11)	(10)	(1)	(2)	-	-
Past services cost	-	(17)	-	-	-	-
Transfers	-	17	-	-	-	-
Company contributions	-	-	-	-	(30)	-
Net interest income	48	45	-	-	4	-
Remeasurements recognised in other comprehensive income	(71)	(2)	1	2	(4)	-
Remeasurements on pension asset	(96)	(34)	-	30	(4)	-
Liability gain arising from changes in economic assumptions	29	13	-	-	-	-
Experience variance	(4)	19	-	(32)	-	-
Impact of paragraph 64 limit adjustment on asset	-	-	1	4	-	-
Transfers (out)/in	(166)	-	-	-	166	-
<b>Balance at 30 September</b>	<b>304</b>	<b>504</b>	<b>-</b>	<b>-</b>	<b>136</b>	<b>-</b>

# NOTES TO CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 SEPTEMBER 2019

## 13. EMPLOYEE BENEFIT ASSETS AND LIABILITIES continued

	Life Healthcare DB Pension Fund		Lifecare Group Holdings Pension Fund		Life Healthcare Provident Fund (ESA)	
	2019 R'm	2018 R'm	2019 R'm	2018 R'm	2019 R'm	2018 R'm
<b>Actual value of defined benefit liability and funded status</b>						
Present value of defined benefit obligation	(490)	(522)	(118)	(113)	–	–
Asset at fair market value	794	1 026	141	136	136	–
<b>Funded status</b>	304	504	23	23	136	–
Unrecognised due to ceiling	–	–	(23)	(23)	–	–
<b>Asset recognised in the statement of financial position</b>	304	504	–	–	136	–
<b>Reconciliation of defined benefit obligation</b>						
Balance at 1 October	(522)	(520)	(113)	(138)	–	–
Service costs	(11)	(10)	(1)	(2)	–	–
Contributions	(2)	(3)	–	–	–	–
Interest cost	(52)	(53)	(9)	(10)	–	–
Benefits paid	69	47	5	15	–	–
Settlements	–	–	–	48	–	–
Past services cost	–	(17)	–	–	–	–
Risk premiums	1	–	–	–	–	–
Settlement gain	–	–	–	4	–	–
Expenses	2	2	(1)	2	–	–
Remeasurements	25	32	1	(32)	–	–
<b>Balance at 30 September</b>	(490)	(522)	(118)	(113)	–	–
<b>Reconciliation of fair value of plan assets</b>						
Balance at 1 October	1 026	991	136	159	–	–
Expected return on assets	100	98	11	12	4	–
Contributions	2	3	–	–	(30)	–
Risk premiums	(1)	–	–	–	–	–
Benefits paid	(69)	(47)	(5)	(15)	–	–
Remeasurements	(96)	(34)	–	30	(4)	–
Transfers (out)/in	(166)	17	–	(17)	166	–
Settlements	–	–	–	(31)	–	–
Expenses	(2)	(2)	(1)	(2)	–	–
<b>Balance at 30 September</b>	794	1 026	141	136	136	–
<b>Composition of plan assets</b>	%	%	%	%	%	
Cash	1.0	6.6	50.7	56.8	5.0	–
Equity instruments	36.2	51.8	–	22.3	32.1	–
Bonds	12.1	12.4	28.5	20.9	12.3	–
Commodities	1.4	1.4	–	–	1.0	–
Property	3.7	4.5	–	–	4.1	–
Offshore and other	45.6	23.3	20.8	–	45.5	–
	100.0	100.0	100.0	100.0	100.0	–



### 13. EMPLOYEE BENEFIT ASSETS AND LIABILITIES continued

	Life Healthcare DB Pension Fund R'm	Lifecare Group Holdings Pension Fund R'm
Expected contributions for the next annual reporting period:		
Member contributions	2	–
Company contributions	8	–
Benefit payments	(23)	(4)
Expenses	(2)	(1)
Risk premiums	(1)	–
The weighted average duration (years)	8.0	–

An employer contribution rate of 22.56% was recommended in the statutory actuarial valuation as at 30 June 2018. The employer contribution rate is fully funded from the employer-owned surplus within the LHC Fund. The employer elected to take a full contribution holiday with effect from 1 December 2016.

#### Sensitivity analysis

	2019		2018	
	Increase R'm	Decrease R'm	Increase R'm	Decrease R'm
1% movement in the key assumptions:				
<b>Life Healthcare DB Pension Fund</b>				
Effect on the defined benefit obligation				
Discount rate	(36)	+47	(47)	+56
Inflation rate	+42	(32)	+49	(42)
Pension increase rate	– <sup>1</sup>	(32)	– <sup>1</sup>	(38)
Mortality rate	(14)	+12	–	–

<sup>1</sup> The impact of a 1% increase in the future pension increase assumption is not included, as the normal valuation basis already assumes future pension increases of 100% of CPI, and in terms of the fund's pension increase policy, increases of greater than 100% of CPI cannot be granted.

#### Lifecare Group Holdings Pension Fund

The active members had been transferred to another scheme in the previous financial year and had no liability as at the valuation date. The surplus liabilities and paid up liabilities are defined contribution type of benefits and are not affected by any assumptions made.

The assumptions that have the greatest impact on the fund's valuation liabilities are the pre and post-retirement valuation discount rates.

# NOTES TO CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 SEPTEMBER 2019

## 13. EMPLOYEE BENEFIT ASSETS AND LIABILITIES continued

### TFR retirement benefit obligation (Alliance Medical)

Italian employees are entitled to a payment when they cease to be employed by the company under a TFR scheme. The scheme is not defined as a defined benefit pension but is an unfunded liability, and therefore not all requirements under IAS 19 (revised) are applicable and therefore limited disclosure is provided below:

	TFR scheme	
	2019 %	2018 %
Actuarial assumptions applied in the valuation of the unfunded liability:		
Discount rate for liabilities	0.8	1.5
Inflation rate	1.5	1.5
Future salary increases	1.0	1.0
Future pension increases	2.6	2.6
	2019 R'm	2018 R'm
<b>Reconciliation of the unfunded liability</b>		
Balance at 1 October	(111)	(79)
Service costs	(10)	(7)
Interest cost	(2)	(1)
Remeasurements	(8)	(3)
Arising on acquisition of subsidiary	–	(25)
Contributions	(2)	–
Expenses	–	(1)
Benefits paid	4	5
Effect of foreign currency movement	(1)	–
<b>Balance at 30 September</b>	<b>(130)</b>	<b>(111)</b>

### Sensitivity analysis

	2019		2018	
	Increase R'm	Decrease R'm	Increase R'm	Decrease R'm
0.25% movement in the key assumptions:				
Effect on TFR unfunded liability				
Discount rate	(3)	+4	(2)	+2
Inflation rate	+3	(3)	+2	(2)
Future salary increases	+1	(1)	+1	(1)

### Post-employment medical aid benefit (southern Africa)

Life Healthcare Group has a liability arising as a result of a post-employment employer subsidy of healthcare benefits. Members of certain medical aid plans, who joined the Company before 1 November 1996 and remain in the employment of Life Healthcare Group until retirement, are eligible for a post-employment subsidy of their medical contributions.

Life Healthcare carries a fully funded liability for a post-retirement medical aid subsidy in respect of 8 (2018: 8) employees and 34 (2018: 40) pensioners who did not accept an alternative benefit offer made by the Company during the 2013 financial year.

The post-employment medical aid liability is funded via investments held in the PFV benefit fund and is a closed fund.

Life Healthcare Group is liable to make good on any shortfalls in the fund.

The benefit fund meets the definition of a defined benefit plan and has been disclosed in accordance with IAS 19.

The plan represents the market value of the assets.

The defined benefit fund is actuarially valued using the projected unit credit method. The benefit fund is a closed fund.



### 13. EMPLOYEE BENEFIT ASSETS AND LIABILITIES continued

	Post-employment medical aid benefit	
	2019 %	2018 %
The following actuarial assumptions were applied:		
Discount rate	9.50	9.80
Consumer price inflation	5.40	6.30
Expected return on assets	9.50	9.80
Healthcare cost inflation	7.40	8.30

The Group's obligation in respect of post-employment medical aid benefit is tabled below:

	2019 R'm	2018 R'm
<b>Defined benefit fund asset</b>		
Balance at 1 October	8	7
Net periodic income		
Net interest income	1	1
Remeasurement recognised in other comprehensive income		
Loss on benefit payments from plan assets	(1)	–
<b>Balance at 30 September</b>	<b>8</b>	<b>8</b>
<b>Actual value of defined benefit liability and funded status</b>		
Present value of defined benefit obligation	(8)	(9)
Asset at fair market value	16	17
Funded status	8	8
<b>Asset recognised in the statement of financial position</b>	<b>8</b>	<b>8</b>

#### Sensitivity analysis

	2019		2018	
	Increase R'm	Decrease R'm	Increase R'm	Decrease R'm
1% movement in the key assumptions:				
Effect on the defined benefit obligation				
Healthcare cost inflation rate	+9	(8)	+10	(9)
Discount rate	(8)	+9	(9)	+10

# NOTES TO CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 SEPTEMBER 2019

## 14. DEFERRED INCOME TAX

	2019 R'm	2018 R'm
Deferred tax comprises:		
Deferred tax assets	1 102	700
Deferred tax liabilities	(1 371)	(1 226)
	(269)	(526)
<b>The movement in the deferred tax account is as follows:</b>		
Balance at 1 October	(526)	(595)
Adjustment upon adoption of IFRS 9	(5)	–
Acquired through acquisition of subsidiaries	(15)	(24)
Disposed through disposal of subsidiary	(15)	–
Effect of foreign currency movement	(3)	(7)
Current year charge through profit or loss	275	100
Current year charge through other comprehensive income	20	–
<b>Carrying amount at 30 September</b>	<b>(269)</b>	<b>(526)</b>
<b>Deferred income tax assets and liabilities attributable to the following items:</b>		
Employee benefit liabilities	154	137
Other liabilities	54	45
Provision for expected credit losses (2018: provision for impairment of receivables)	15	15
Share-based payment liability	10	5
Accelerated wear and tear for tax purposes on property, plant and equipment	(52)	(57)
Tax loss carried forward	168	98
Property leases	55	7
Credit balances in trade receivables	25	23
Prepaid expenses	(30)	(19)
Intangible assets on acquisition of subsidiaries	(546)	(628)
Retirement benefit asset	(126)	(143)
Derivative financial instruments	4	(9)
	(269)	(526)

Analysis of recoverability period of deferred tax assets and deferred tax liabilities is as follows:

	Deferred tax assets		Deferred tax liabilities	
	2019 R'm	2018 R'm	2019 R'm	2018 R'm
Within 12 months	258	226	(30)	(19)
After more than 12 months	227	105	(724)	(838)
	485	331	(754)	(857)

The Group has tax losses of R757 million (2018: R719 million) to carry forward against future taxable income, which have not been recognised in these financial statements due to uncertainties regarding the utilisation of these losses in the foreseeable future. These losses originated predominantly in the Alliance Medical and Poland businesses. None of these losses are expected to expire.





## 15. CASH AND CASH EQUIVALENTS

	2019 R'm	2018 R'm
Bank accounts and petty cash	1 385	1 321
Short-term money market instruments	159	173
<b>Cash and cash equivalents</b>	<b>1 544</b>	1 494
Bank overdrafts	(867)	(488)
<b>Cash and cash equivalents as per the statement of cash flows</b>	<b>677</b>	1 006
<p>The cash at bank and deposits are on call, immediately available and consist of money market call deposits and short-term money market instruments.</p> <p>Overdraft facilities within the Group are secured by means of cross sureties by certain Group companies.</p> <p>Cash and cash equivalents include R22 million (2018: R19 million) restricted cash which is held by various third parties in Italy and Spain and is not available for general use by other entities within the Group.</p>		
<b>16. TRADE AND OTHER RECEIVABLES</b>		
Trade receivables	3 332	3 277
Less: Provision for expected credit losses (2018: provision for impairment of receivables)	(220)	(239)
Net trade receivables	3 112	3 038
Other receivables	635	598
Prepaid expenses	176	125
<b>Balance at 30 September</b>	<b>3 923</b>	3 761
<b>Reconciliation of provision for expected credit losses<sup>1</sup> (2018: provision for impairment of receivables)</b>		
Balance at 1 October	(239)	(247)
Adjustment upon adoption of IFRS 9	20	–
Restated balance at 1 October 2018	(219)	(247)
Provision raised	(19)	(33)
Debt written off	18	41
<b>Balance at 30 September</b>	<b>(220)</b>	(239)
<p><sup>1</sup> Refer note 31 – risk management (credit risk).</p> <p>The carrying amounts of the trade receivables include some receivables balances in Alliance Medical which are factored on a full recourse basis, and hence which the Group continues to recognise in their entirety in the statement of financial position. The amount repayable under the factoring agreement is presented as a secured borrowing in note 21.</p>		

# NOTES TO CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 SEPTEMBER 2019

## 17. INVENTORIES

	2019 R'm	2018 R'm
Ethical drugs and consumable products (including surgicals consumed as well as consumables related to the production of doses relating to the diagnostic services business)	379	360
"Drugs and consumables" represents the cost of inventories recorded as an expense in the statement of profit and loss.		
The cost of inventories written off as expired stock is recognised as an expense and is included in "drugs and consumables" in profit or loss. Inventories written off amounted to:	9	9
<b>18. ASSET CLASSIFIED AS HELD FOR SALE (RELATING TO 2018 FINANCIAL YEAR)</b>		
Non-current asset held for sale		
Investment in Max	-	2 841
During the prior year the directors of the Group decided to dispose of its 49.7% equity shareholding in Max. The IFRS 5 criteria were met on 1 July 2018.		
<b>Loss recognised in profit or loss and other comprehensive income</b>	-	118
The results of Max as at the date of classified as held for sale (1 July 2018) are summarised as follows (not adjusted for the percentage ownership by the Group):		
Revenue		3 690
Depreciation and amortisation		(185)
Net finance costs	n/a	(183)
Tax expense		(6)
<b>Total loss</b>		(165)
The disposal of Max was concluded during the current year and the net proceeds were received on 21 June 2019 (refer note 26).		
<b>19. STATED CAPITAL</b>		
<b>Stated capital comprises:</b>		
Share capital	10 507	10 507
Share premium	3 373	3 373
Treasury shares	(365)	(370)
	<b>13 515</b>	13 510
<b>Reconciliation of number of shares</b>		
<b>Ordinary shares ('000)</b>		
Authorised (share capital of R0.000001 each)	4 149 980	4 149 980
Total value = R4 149 (2018: R4 149)		
Issued and fully paid:		
Balance at 1 October	1 467 349	1 449 391
Shares issued as a result of scrip distributions	-	17 958
<b>Balance at 30 September</b>	<b>1 467 349</b>	1 467 349
Total value = R1 467 (2018: R1 467)		

**19. STATED CAPITAL** continued

	Number of shares		Value of shares	
	2019 '000	2018 '000	2019 '000	2018 '000
<b>Treasury shares</b>				
Balance at 1 October	11 782	10 387	(370)	(346)
Granted	3 284	2 731	(72)	(72)
Forfeited	(17)	–	1	–
Exercised	(14)	(67)	1	2
Vested	(2 179)	(1 269)	75	46
<b>Balance at 30 September</b>	<b>12 856</b>	<b>11 782</b>	<b>(365)</b>	<b>(370)</b>

Treasury shares are shares in Life Healthcare Group Holdings Limited that are held for the purpose of the staff benefit schemes (Life Healthcare employee share trust and long-term incentive schemes). Refer note 20.

**20. OTHER RESERVES**

	2019 R'm	2018 R'm
Life Healthcare employee share trust	130	118
Long-term incentive schemes	54	52
Foreign currency translation reserve	480	427
Transactions with non-controlling interest reserve	(851)	(786)
	<b>(187)</b>	<b>(189)</b>

# NOTES TO CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 SEPTEMBER 2019

## 20. OTHER RESERVES continued

### Terms and conditions

	Life Healthcare employee share trust	Long-term incentive scheme – Group CEO	
Type	An equity-settled scheme	An equity-settled scheme	
Background	In terms of the scheme, the employer acquired Life Healthcare shares in the market at the ruling market price. The number of shares acquired for the scheme is limited to the value as approved by the Group's remuneration and human resources committee.	The board wanted the new Group CEO to own unencumbered shares in the Company. In terms of this arrangement the Company matched an investment of R3 million by the Group CEO in Life Healthcare with a share purchase to the value of R9 million in the market at the ruling market price. The number of shares acquired for the scheme is limited to the value as approved by the Group's remuneration and human resources committee.	
Qualifying employees	All permanent employees employed by the employer in South Africa for a continuous period of at least one year as at the date of the allocation and who (i) is a member of an employer-supported retirement scheme and who (ii) does not participate in the long-term incentive schemes are beneficiaries of the trust and participate in the scheme. Voting rights and dividends vest with the qualifying employees.	Available to Group CEO	
Vesting requirements	Qualifying employees will need to be in service on the fifth (25%), sixth (25%) and seventh (50%) anniversaries when the shares are delivered.	The vesting of these shares is subject to continued employment and will vest on the following basis: one-third on 1 February 2019, one-third on 1 February 2020 and one-third on 1 February 2021.	
Method of settlement	Shares	Shares	
Leavers	Employees who leave, other than good leavers, forfeit their beneficial interest in the trust and their rights will be distributed equally among the remaining employees.	If the employee leaves, other than as a good leaver, he will be entitled to all his co-investment shares but will forfeit the entire Company matched shares that have not vested.	
2018 granted shares	2 394 301 shares at R26.21	337 096 shares at R26.46	
2019 granted shares	3 000 462 shares at R21.55	n/a	
Forfeited (number of shares)	n/a	n/a	
Exercised (number of shares)	n/a	n/a	
Vested (number of shares)	1 737 049 <sup>1</sup>	112 365	
Contribution	An annual contribution is made by each employer company in the Group for its qualifying employees. The charge and contribution reflected is for the Company's proportionate share only.		

<sup>1</sup> Relates to shares vested and shares transferred to good leavers.



	<b>Long-term incentive scheme with last allocation in 2014</b>
	An equity-settled scheme. It is a hybrid scheme that combines a pure unit appreciations component, and a performance share component.
	There was a modification to the bonus scheme in the 2012 financial year in which each participant shall in respect of future awards and allocations, prior to the vesting date or at the time of the award or allocation, have the right to make a co-investment election. This cost will be accounted for as a share-based payment (IFRS 2).
	Available to all executives and senior managers in southern Africa.
	Vesting in terms of this scheme takes place in two years from allocation. Based on the employee's seniority a larger proportion of the allocation is based on returns achieved.
	Shares
	On the maturity date, the shares will become unrestricted and the participant will forthwith hold the shares directly, free of any restrictions or encumbrance. If employees exit the scheme before the maturity date, the following will apply: <ul style="list-style-type: none"> <li>● Good leaver means that the employee will be entitled to all the co-investment shares and a portion of the Company matched shares. The portion will be based on a time apportionment scale. The employee will forfeit the balance of the matched shares allocated to him/her. These shares will be sold in the open market and will be cancelled as treasury shares.</li> <li>● Bad leaver means that the employee will be entitled to all the co-investment shares but will forfeit the entire Company matched shares. These shares will be sold in the open market and will be cancelled as treasury shares.</li> </ul>
	n/a
	n/a
	8 014
	303 358
	13 818
	An annual contribution is made by each employer company in the Group for its qualifying employees. The charge and contribution reflected is for the Company's proportionate share only.

# NOTES TO CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 SEPTEMBER 2019

## 20. OTHER RESERVES continued

### Terms and conditions continued

	<b>Long-term incentive scheme effective from 2015</b>	
Type	A new equity-settled performance share scheme set.	
Background	The value of awards will be tier-based and linked to individual performance. Each award will be converted into notional performance shares. In terms of the scheme the value of the awards and the performance conditions for vesting will be approved by the Group's remuneration and human resources committee. The value of the notional performance shares will be determined by the price of the Life Healthcare shares on the JSE Limited using the 30-day volume weighted average price (VWAP).	
Qualifying employees	Available to all executives and senior managers in southern Africa.	
Vesting requirements	Vesting in terms of this scheme takes place in three years from allocation. The vesting of the awards is subject to the Group meeting two performance conditions: – <b>50% weighting:</b> <b>Group CEO and Group CFO:</b> HEPS compared to CPI plus a percentage with a hurdle rate of minimum growth of CPI + 1% in HEPS for the award vested; <b>Other executives and senior managers:</b> Growth on earnings before interest and tax (EBIT) compared to CPI plus a percentage with a hurdle rate of minimum growth of CPI + 1% in EBIT for the award vested; and – <b>50% weighting:</b> Growth on total shareholder return (TSR) over predetermined thresholds relative to the TSR of a comparator group of listed companies.	
Method of settlement	Shares	
Leavers	If a participant ceases to be employed by the Group prior to the vesting of the grant date, the following will apply: ● Good leavers with a date of termination of employment: – that is more than one year before the vesting date of the grant, will result in all notional performance shares held by the participant being forfeited and cancelled for no consideration; or – that is one year or less before the vesting date of the grant, will retain all notional performance shares and he/she shall continue to be treated as a participant as if his/her employment had not been terminated. ● Bad leavers with a date of termination of employment prior to vesting date, will result in all notional performance shares held by the participant being forfeited and cancelled for no consideration.	
2018 granted shares	No shares granted during 2018, as a result of the Group being in an extended closed period since November 2017.	
2019 granted shares	n/a	
Forfeited (number of shares)	n/a	
Exercised (number of shares)	n/a	
Vested (number of shares)	n/a	
Contribution	An annual contribution is made by each employer company in the Group for its qualifying employees. The charge and contribution reflected is for the Company's proportionate share only.	



	<b>Long-term incentive scheme effective from 2019</b>
	An equity-settled performance share scheme.
	<p>The value of awards will be tier-based and linked to individual performance. Each award will be converted into notional performance shares. In terms of the scheme the value of the awards and the performance conditions for vesting will be approved by the Group's remuneration and human resources committee. The value of the notional performance shares will be determined by the price of the Life Healthcare shares on the JSE Limited using the 30-day VWAP. Life Healthcare shares will be purchased on vesting date.</p> <p>A modifier of between 1 and 2 can be applied to the allocation for key talent retention, this is applicable to all participants at the discretion of the Group CEO. The employees are not entitled to any dividends declared on the shares underlying the awards over the period from the grant date to the vesting date.</p>
	Available to all executives and senior managers in southern Africa.
	<p>Vesting in terms of this scheme takes place in three years from allocation. The vesting of the awards is subject to the following performance conditions:</p> <p><b>Group executives:</b></p> <ul style="list-style-type: none"> <li>● Capital efficiency (40% weighting)</li> <li>● Normalised Group HEPS (40% weighting)</li> <li>● Life core purposes outcome (20% weighting)</li> </ul> <p><b>Country executives and Group senior managers:</b></p> <ul style="list-style-type: none"> <li>● Capital efficiency (30% weighting)</li> <li>● Normalised country EBIT (30% weighting)</li> <li>● Life core purposes outcome (40% weighting)</li> </ul> <p><b>Other senior managers:</b></p> <ul style="list-style-type: none"> <li>● Capital efficiency (15% weighting)</li> <li>● Normalised country EBIT (35% weighting)</li> <li>● Life core purposes outcome (50% weighting)</li> </ul> <p>Capital efficiency is measured as return on capital employed compared to WACC.            Normalised Group HEPS is based on growth of HEPS in excess of CPI.            Normalised country EBIT is based on growth of EBIT in excess of CPI.            Life core purpose outcomes are based on country specific non-financial measures that drive long-term sustainability of the Group.</p>
	Shares
	<p>If a participant ceases to be employed by the Group prior to the vesting of the grant date, the following will apply:</p> <ul style="list-style-type: none"> <li>● Good leavers with a date of termination of employment:               <ul style="list-style-type: none"> <li>– that is more than one year before the vesting date of the grant, will result in all notional performance shares held by the participant being forfeited and cancelled for no consideration; or</li> <li>– that is one year or less before the vesting date of the grant, will retain all notional performance shares and he/she shall continue to be treated as a participant as if his/her employment had not been terminated.</li> </ul> </li> <li>● Bad leavers with a date of termination of employment prior to vesting date, will result in all notional performance shares held by the participant being forfeited and cancelled for no consideration.</li> </ul>
	n/a
	Life Healthcare shares will be purchased on vesting date.
	n/a
	n/a
	n/a
	An annual contribution is made by each employer company in the Group for its qualifying employees. The charge and contribution reflected is for the Company's proportionate share only.



# NOTES TO CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 SEPTEMBER 2019

## 21. INTEREST-BEARING BORROWINGS

	2019		2018	
	Non-current portion R'm	Current portion R'm	Non-current portion R'm	Current portion R'm
<b>Unsecured borrowings</b>				
Bilateral term loans	2 237	531	4 582	500
Syndicated term loans	5 485	–	5 244	593
Bank loan	12	4	15	5
Life Healthcare Multi-Issuer programme notes	–	850	–	447
Preference shares	500	–	1 725	975
<b>Secured borrowings</b>				
Equipment instalment sale	–	5	4	5
Mortgage bonds	49	14	63	12
Bank loans	–	152	–	156
Term loans	11	13	23	15
Revolving credit facility	–	705	–	88
Finance leases	1 105	322	1 214	290
<b>Total borrowings – 30 September</b>	<b>9 399</b>	<b>2 596</b>	<b>12 870</b>	<b>3 086</b>

### Terms and repayment schedule

	Interest rate	Repayment terms <sup>6</sup>	Date of maturity/final settlement	Carrying value 2019 R'm	Carrying value 2018 R'm
<b>Bilateral term loans Southern Africa</b>					
Term loan one	3-month JIBAR plus 1.65% <sup>1</sup>	Eight equal quarterly instalments of R50 million, payable from 30 September 2018	15 May 2020	150	350
Term loan two	3-month JIBAR plus 1.70%	Eight equal quarterly instalments of R43.8 million, payable from 30 September 2018	15 May 2020	131	306
Term loan three	3-month JIBAR plus 2.29% <sup>2</sup>	Six equal semi-annual instalments of R125 million, payable from 30 June 2019	17 Mar 2022	625	750
Term loan four	3-month JIBAR plus 2.49% <sup>2</sup>	Single instalment	28 Jun 2019	–	750
Term loan five	3-month JIBAR plus 2.05% <sup>3</sup>	Five equal semi-annual instalments of R100 million, payable from 30 September 2020	29 Mar 2019	–	500
Term loan six	3-month JIBAR plus 1.55%	Five equal semi-annual instalments of R200 million, payable from 30 September 2021	27 Sep 2023	1 000	1 000
Term loan seven	3-month JIBAR plus 1.59%	Five equal semi-annual instalments of R100 million, payable from 30 September 2021	27 Sep 2023	500	500



## 21. INTEREST-BEARING BORROWINGS continued

### Terms and repayment schedule

	Interest rate	Repayment terms <sup>6</sup>	Date of maturity/final settlement	Carrying value 2019 R'm	Carrying value 2018 R'm
<b>Polish</b>					
Term loan one	3-month WIBOR plus 2.04%	Single instalment	31 Dec 2020	362	830
Term loan two	3-month WIBOR plus 2.05%	Single instalment	23 Sep 2019	–	96
<b>Syndicated term loans</b>					
<b>United Kingdom</b>					
Term loan A1	3-month LIBOR plus 2.20% <sup>1</sup>	Single instalment	22 Nov 2020	1 160	1 143
Term loan A2	3-month LIBOR plus 2.50% <sup>1</sup>	Single instalment	22 Nov 2022	1 160	1 143
Term loan B1	3-month EURIBOR plus 2.00% <sup>1</sup>	Single instalment	22 Nov 2020	1 133	1 120
Term loan B2	3-month EURIBOR plus 2.30% <sup>1</sup>	Single instalment	22 Nov 2022	1 133	1 120
Term loan C	3M LIBOR plus 2.35% <sup>1</sup>	Single instalment	22 Nov 2022	899	702
Credit facility	3M EURIBOR plus 1.75% <sup>4</sup>	Single instalment	30 Nov 2018	–	609
<b>Bank loan</b>	1.03% – 3.17%	Monthly/quarterly instalments of R0.9 million	31 Apr 2031	16	20
<b>Life Healthcare Multi-Issuer programme notes</b>					
Note one	3-month JIBAR plus 0.40%	Single instalment	27 Nov 2018	–	300
Note two	3-month JIBAR plus 0.70%	Single instalment	21 Feb 2019	–	147
Note three	3-month JIBAR plus 0.725%	Single instalment	16 Oct 2019	250	–
Note four	3-month JIBAR plus 0.735%	Single instalment	28 Nov 2019	200	–
Note five	3-month JIBAR plus 0.715%	Single instalment	2 Mar 2020	400	–
<b>Preference shares</b>					
Class A1	77% of 3-month JIBAR plus 1.61% <sup>5</sup>	Four equal six-monthly instalments of R200 million, payable from 31 March 2018	28 Jun 2019	–	400
Class B	77% of 3-month JIBAR plus 1.61% <sup>5</sup>	Four equal six-monthly instalments of R125 million, payable from 31 March 2018	28 Jun 2019	–	250
Class C	67% of prime <sup>1</sup>	Four equal six-monthly instalments of R162.5 million, payable from 15 November 2018	28 Jun 2019	–	650

# NOTES TO CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued

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## 21. INTEREST-BEARING BORROWINGS continued

Terms and repayment schedule continued

	Interest rate	Repayment terms <sup>6</sup>	Date of maturity/final settlement	Carrying value 2019 R'm	Carrying value 2018 R'm
<b>Preference shares</b> continued					
Class D1	72% of 3-month JIBAR plus 1.80%	Four equal six-monthly instalments of R175 million, payable from 30 March 2021	28 Jun 2019	–	700
Class D2	72% of 3-month JIBAR plus 1.80%	Four equal six-monthly instalments of R175 million, payable from 30 March 2021	28 Jun 2019	–	700
Class E	72% of 3-month JIBAR plus 1.60%	Single instalment	30 Mar 2022	500	–
<b>Unsecured borrowings</b>				<b>9 619</b>	14 086
Equipment instalment sale	Botswana prime less 0.25%	60 equal monthly instalments of R0.4 million	31 Jul 2020	5	9
Mortgage bonds	1-month Jibar plus 2.65%	120 equal monthly instalments of R1.6 million	30 Sep 2023	63	75
Bank loans (trade receivable subject to factoring arrangement refer note 16)	1-month EURIBOR + 1.40% or 1-month LIBOR + 1.75%	Payable as cash is received from debtors	Overarching agreement ends August 2020	152	156
Term loans in Polish operations	1-month/3-month WIBOR plus 1.0% – 4.0%	Monthly instalments of R0.4 million	14 Nov 2024	24	38
<b>Revolving credit facility</b>					
Credit facility (EUR facility)	3-month EURIBOR plus 1.10%	Single instalment	11 Dec 2019	616	–
Alliance Medical (GBP facility)	LIBOR + 3.75%	n/a	Rolling credit agreement of maximum 3 months	31	29
Alliance Medical (EUR facility)	EURIBOR + 3.75%	n/a	Overarching agreement ends August 2020	58	59
<b>Finance leases</b>					
Southern Africa (property)	8.5% – 18.0%	Repayable in monthly instalments over 1 to 15 years ending February 2034		515	548
Alliance Medical (property, equipment and other)	1.72% – 7.70%	Repayable in either quarterly or monthly instalments over 1 to 7 years ending April 2026		660	697
Polish (property, equipment and other)	1-month/3-month WIBOR plus 1.8% – 4.0%	Repayable in monthly instalments over 1 to 5 years ending February 2024		252	259
<b>Secured borrowings</b>				<b>2 376</b>	1 870
<b>Total borrowings</b>				<b>11 995</b>	15 956



**21. INTEREST-BEARING BORROWINGS** continued  
**Terms and repayment schedule** continued

	Carrying value 2019 R'm	Carrying value 2018 R'm
The interest-bearing borrowings carrying amount is denominated in the following currencies:		
South African rand	4 194	7 793
Botswana pula	145	142
Pound sterling	3 972	3 729
European euro	3 046	3 069
Polish zloty	638	1 223
	<b>11 995</b>	15 956

The lenders have the right to change the interest rate margin on the term loans in the following conditions:

- <sup>1</sup> – If the net debt to normalised EBITDA ratio is higher than 3.00:1, then the interest rate margin shall increase by 0.25%.
- <sup>2</sup> – If the net debt to normalised EBITDA ratio is at or less than 1.75:1, then the interest rate margin shall be 1.84% for term loan three and 2.04% for term loan four.
- If the net debt to normalised EBITDA ratio is higher than 1.75:1 and less than or equal to 2.25:1, then the interest rate margin shall be 1.99% for term loan three and 2.19% for term loan four.
- If the net debt to normalised EBITDA ratio is higher than 2.25:1 and less than or equal to 2.75:1, then the interest rate margin shall be 2.14% for term loan three and 2.34% for term loan four.
- If the net debt to normalised EBITDA ratio is higher than 2.75:1, then the interest rate margin shall be 2.29% for term loan three and 2.49% for term loan four.
- <sup>3</sup> – If the net debt to normalised EBITDA ratio is higher than 3.00:1, then the interest rate margin shall be 2.20%.
- <sup>4</sup> – The margin for each facility increases after six, nine and 12 months.
- <sup>5</sup> – If the net debt to normalised EBITDA ratio is higher than 1.75:1 and less than 2.25:1, then the applicable interest rate margin shall increase by 0.25% for the next two interest periods; or
- If the net debt to normalised EBITDA ratio is at or higher than 2.25:1, then the applicable interest rate margin shall increase by 0.5% for the next two interest periods.
- <sup>6</sup> – The final capital repayment date is stipulated in the funding agreement and may differ slightly from the instalment dates.

	Bank loans 2019 R'm	Preference shares 2019 R'm	Finance leases 2019 R'm	Bank loans 2018 R'm	Preference shares 2018 R'm	Finance leases 2018 R'm
<b>Reconciliation of opening balance to closing balance</b>						
Balance at 1 October	11 752	2 700	1 504	8 497	3 950	1 640
<b>Cash flow movements</b>						
Proceeds from interest-bearing borrowings	5 285	500	211	8 306	–	131
Repayment of interest-bearing borrowings	(7 048)	(2 700)	(304)	(5 191)	(1 250)	(343)
Interest paid	(576)	(143)	(115)	(514)	(224)	–
Debt raising fees capitalised	–	–	–	(76)	–	–
<b>Non-cash items</b>						
Interest accrued	576	143	115	514	224	136
Recognition/(derecognition) of finance lease liabilities	–	–	3	–	–	(94)
Arising on acquisition of subsidiaries	–	–	4	–	–	3
Amortisation of debt raising fees capitalised	20	–	–	30	–	–
Effect of foreign currency movement	59	–	9	186	–	31
<b>Balance at 30 September</b>	<b>10 068</b>	<b>500</b>	<b>1 427</b>	11 752	2 700	1 504

# NOTES TO CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 SEPTEMBER 2019

## 21. INTEREST-BEARING BORROWINGS continued

	Carrying amount		Fair value			
	2019 R'm	2018 R'm	2019 R'm	2018 R'm		
<b>Secured borrowings</b>						
Finance leases	1 427	1 504	1 437	1 529		
	Receivables		Property, plant and equipment			
	2019 R'm	2018 R'm	2019 R'm	2018 R'm		
<b>Carrying value of assets held as security for borrowings</b>						
Equipment instalment sale	–	–	12	13		
Mortgage bonds	–	–	115	124		
Bank loans	359	340	–	–		
Term loans in Polish operations	–	–	102	100		
Revolving credit facility (Alliance Medical – secured against gross assets)	–	–	1 727	1 584		
Finance leases	–	–	1 598	1 583		
<b>Total</b>	<b>359</b>	<b>340</b>	<b>3 554</b>	<b>3 404</b>		
	Future minimum lease payments		Interest		Present value of future finance lease payments	
	2019 R'm	2018 R'm	2019 R'm	2018 R'm	2019 R'm	2018 R'm
Finance lease liabilities						
Within one year	423	400	101	110	322	290
Between one and five years	1 079	1 227	247	304	832	923
Later than five years	419	465	146	174	273	291
<b>Total</b>	<b>1 921</b>	<b>2 092</b>	<b>494</b>	<b>588</b>	<b>1 427</b>	<b>1 504</b>



## 21. INTEREST-BEARING BORROWINGS continued

	Total 2019 R'm	Available 2019 R'm	Total 2018 R'm
<b>Borrowing facilities</b>			
The Group has the following borrowing facilities:			
Southern Africa			
Available and uncommitted revolving credit facility	2 000	2 000	1 500
Committed working capital and guarantee facility <sup>1</sup>	1 500	633	1 250
Uncommitted primary lending facility	500	500	500
International			
Available and committed GBP revolving credit facility	1 868	964	1 846
Available and committed EUR credit facility	829	213	2 714
Available and committed revolving credit facility (GBP and EUR)	93	4	92
Committed working capital facility (zloty)	21	21	14
Committed leasing facility (GBP)	560	46	554
Factoring facility (GBP and EUR)	284	132	281
	<b>7 655</b>	<b>4 513</b>	<b>8 751</b>

<sup>1</sup> *Fluctuates seasonally.*

## 22. TRADE AND OTHER PAYABLES

	2019 R'm	2018 R'm
<b>Under current liabilities:</b>		
Trade payables	1 631	1 609
Accruals	1 617	1 293
Employee-related payables	943	859
Value added tax	102	70
Deferred income	44	86
Other payables	462	492
<b>Balance at 30 September</b>	<b>4 799</b>	<b>4 409</b>
<b>Under non-current liabilities:</b>		
Employee-related payables	13	38
Deferred income	17	–
Other payables	90	89
	<b>120</b>	<b>127</b>

The employee-related payables represent:

- the employee benefits payable to revenue tax authorities as well as medical aid and provident fund payment obligations at year-end
- the pro rata portion of a 13th cheque that is payable to employees annually in terms of their employment contracts, accrued annual leave and a performance bonus scheme
- the long-term incentive schemes for the executives and senior employees for international employees. Provisions are raised as payment is subject to the employee being in employment at vesting date

The total long-term incentive liabilities (short-term and long-term portion) relating to the international executives and senior employees amount to R13 million (2018: R38 million).

# NOTES TO CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 SEPTEMBER 2019

## 23. FINANCIAL INSTRUMENTS BY CATEGORY

	2019 R'm	2018 R'm
The following table summarises the Group's classification of financial instruments:		
<b>Assets</b>		
Fair value through profit and loss		
Derivative financial instruments (included in other assets)	–	100
Amortised cost		
Trade and other receivables	3 747	3 636
Cash and cash equivalents	1 544	1 494
Other assets	87	77
<b>Total assets</b>	<b>5 378</b>	<b>5 307</b>
<b>Liabilities</b>		
Fair value through profit and loss		
Contingent consideration liabilities	543	534
Derivative financial instruments (included in other liabilities)	30	6
Amortised cost		
Trade and other payables	3 800	3 483
Interest-bearing borrowings	11 995	15 956
Bank overdraft	867	488
<b>Total liabilities</b>	<b>17 235</b>	<b>20 467</b>

### Derivative financial instruments

	Carrying value		Fair value	
	2019 R'm	2018 R'm	2019 R'm	2018 R'm
<b>Mark-to-market valuation at 30 September</b>				
<b>ASSETS</b>				
<b>Non-current assets</b>				
Interest rate swap contracts (included in other)	–	13	–	13
<b>Current assets</b>				
Interest rate swap contracts (included in other)	–	–	–	–
Foreign exchange option contracts (included in other)	–	87	–	87
<b>Total assets</b>	<b>–</b>	<b>100</b>	<b>–</b>	<b>100</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Interest rate swap contracts (included in other)	(27)	(6)	(27)	(6)
<b>Current liabilities</b>				
Interest rate swap contracts (included in other)	(3)	–	(3)	–
<b>Total liabilities</b>	<b>(30)</b>	<b>(6)</b>	<b>(30)</b>	<b>(6)</b>

### Interest rate swap contracts

The Group enters into interest rate swap contracts to manage exposure to fluctuations in interest rates on the interest-bearing borrowings. Gains and losses on the interest rate swap contracts are recognised in profit or loss.

Previous interest rate swap contracts, with a total notional principal amount of R900 million, matured on 1 November 2018.



## 23. FINANCIAL INSTRUMENTS BY CATEGORY continued

### Interest rate swap contracts continued

	Swap 1	Swap 2	Swap 3	Swap 4	Swap 5	Swap 6
Contract commencement date	1 Nov 2016	8 Aug 2017	15 Dec 2017	19 April 2018	6 Feb 2019	6 Feb 2019
Maturity date	1 Nov 2019	11 Aug 2020	15 Dec 2019	20 April 2020	8 Feb 2021	7 Feb 2022
Currency	R'm	R'm	R'm	R'm	R'm	R'm
Notional amount	900	500	600	900	500	500
Fixed interest rate (%)	7.70	6.91	7.63	6.81	7.15	7.23
Floating interest rate (%)	7.16	6.84	6.81	6.88	6.85	6.85
Interest settlement terms	Three-month JIBAR (safex) settled quarterly					

	Swap 7	Swap 8
Contract commencement date	27 Sep 2018	8 Feb 2019
Maturity date	27 Sep 2021	8 Feb 2021
Currency	£'m	£'m
Notional amount	50	25
Fixed interest rate (%)	1.23	1.014
Floating interest rate (%)	0.76	0.77
Interest settlement terms	Three-month GBP-LIBOR, settled quarterly	

### Foreign exchange option contracts relating to the disposal of Max

On 19 September 2018, the Group entered into a number of foreign exchange option contracts (option contracts) to mitigate the risk of fluctuations in the exchange rates on the disposal proceeds relating to Max. The option contracts expired in January 2019. The Group extended the option contracts at prevailing rates in January 2019 until June 2019. The option contracts were closed out and the liabilities were settled on 26 and 28 June 2019.

The mark-to-market loss recognised in profit or loss on the option contracts for the year ended 30 September 2019 is R292 million net of tax (2018: profit of R17 million net of tax).

Reconciliation of the option contract asset/(liability) as at 30 September:

	2019 R'm	2018 R'm
Balance at 1 October	84	–
Fair value (loss)/profit recognised in profit in loss	(406)	23
Premiums paid	55	61
Settlement	267	–
<b>Balance at 30 September</b>	<b>–</b>	<b>84</b>

### Held for trading

#### Foreign exchange contracts

The Group entered into United States dollar exchange contracts to manage exposure to fluctuations in the rand dollar exchange rate on foreign liabilities.



# NOTES TO CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 SEPTEMBER 2019

## 23. FINANCIAL INSTRUMENTS BY CATEGORY continued

### Held for trading continued

#### B-share liability

At acquisition, the UK Healthcare Limited B-shares were issued to key management within Alliance Medical in exchange for a portion of their shares held in Alliance Medical. In terms of the original shareholder agreement, the B-shares were to be redeemed after year three (45%), year four (30%) and year five (25%) after the acquisition date. Life Healthcare in conjunction with the Alliance Medical management agreed to bring forward the settlement of the B-shares. On 14 June 2018 the Group acquired these shares from the Alliance Medical management for GBP35.7 million (R640 million).

	2018 R'm
Balance at 1 October	727
Fair value profit recognised in profit or loss	(74)
Settlement	(640)
Effect of foreign currency movement	(13)
<b>Balance at 30 September</b>	<b>–</b>

## 24. OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

	2019 R'm	2018 R'm
The financial assets and liabilities relating to the derivative financial instruments are subject to offsetting and similar agreements.		
<b>Assets</b>		
<b>Offsetting applied</b>		
Gross amount	–	316
Amount set-off	–	(218)
Net amount	–	98
Financial instruments not subject to set-off	–	2
Total other current assets per statement of financial position	–	87
Total other non-current assets per statement of financial position	–	13
<b>Liabilities</b>		
<b>Offsetting applied</b>		
Gross amount	(298)	(181)
Amount set-off	268	175
Net amount	(30)	(6)
Financial instruments not subject to set-off	–	–
Total other non-current liabilities per statement of financial position	(27)	(6)
Total other current liabilities per statement of financial position	(3)	–



## 25. CASH GENERATED FROM OPERATIONS

	2019 R'm	2018 R'm
Reconciliation of profit before tax to cash generated from operations		
Net profit before tax	3 706	2 837
<i>Adjusted for:</i>		
Share of associates' and joint ventures' net (profit)/loss after tax	(18)	105
Depreciation on property, plant and equipment	1 236	1 133
Amortisation of intangible assets	586	537
Net finance costs (refer note 5)	998	962
Fair value adjustments to contingent consideration	(2)	18
Fair value loss/(gain) on derivative financial instruments	438	(127)
Gain on derecognition of lease assets and liabilities	–	(79)
Impairment of assets and investments	164	34
Profit on disposal of investment in joint venture	(1 501)	–
Profit on disposal of investment in subsidiary	(11)	–
Profit on disposal of property, plant and equipment	–	(35)
Transaction costs relating to acquisitions and disposals	148	38
Other	–	4
Share-based payment reserve charge	81	77
Operating lease expense – straight-line	61	81
Retirement benefit asset and post-employment medical aid income	(39)	(34)
Employer surplus asset payments	30	–
Cost of inventories written off as expired stock	9	9
Operating cash flow before working capital changes	5 886	5 560
Working capital changes:		
Inventories	(27)	(7)
Trade and other receivables	(127)	(23)
Trade and other payables	195	(27)
<b>Cash generated from operations</b>	<b>5 927</b>	<b>5 503</b>

# NOTES TO CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 SEPTEMBER 2019

## 26. ACQUISITIONS AND DISPOSALS OF INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURE

### Acquisitions that resulted in business combinations

#### Cork Community Imaging Limited (Cork)

The Group, through Alliance Medical, acquired 100% of Cork on 25 May 2019 for a total consideration of R4 million. Goodwill of R3 million was recognised. No significant contingent liabilities existed at the acquisition date.

#### European Scanning Centre Limited (ESC)

Acquirer	Alliance Medical
Country of incorporation	United Kingdom
Acquisition date	21 December 2018
Percentage voting equity interest acquired	100%
Primary reasons for business combination	In line with Life Healthcare's strategy to establish a sizeable international business, and complements the Group's existing diagnostic services segment
Qualitative factors that make up goodwill recognised	Attributable to future earnings potential and synergies relating to property consolidation, reduction in administrative costs and improved procurement
Contingent liabilities at acquisition	None

None of the goodwill recognised is expected to be deductible for income tax purposes.

Details of the fair value of net assets acquired and goodwill are as follows:

	ESC 2019 R'm
<b>Total purchase consideration</b>	(211)
Cash portion	(195)
Contingent consideration <sup>1</sup>	(16)
<b>Fair value of net assets acquired</b>	80
Property, plant and equipment	40
Customer relationships	71
Brand name	15
Trade and other receivables	12
Cash and cash equivalents	8
Interest-bearing borrowings	(4)
Deferred tax liabilities	(15)
Trade and other payables	(46)
Income tax payable	(1)
Goodwill	(131)

<sup>1</sup> Contingent consideration is based on performance and is expected to become payable between six and 12 months from the date of acquisition.



## 26. ACQUISITIONS AND DISPOSALS OF INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURE

continued

**Acquisitions that resulted in business combinations** continued

	ESC 2019 R'm
<b>Cash outflow to acquire business, net of cash acquired</b>	
Initial cash consideration	195
Less: Cash at acquisition	(8)
	187
<b>Impact on consolidated information from date of acquisition</b>	
Revenue	54
Net loss	(7)
<b>Impact on consolidated information if business combination took place on 1 October 2018</b>	
Revenue	76
Net loss	(16)

### Changes to fair values of previously acquired business

During the prior year, the Group acquired the business of Piramal Imaging (renamed Life Molecular Imaging (LMI)). The fair values identified on acquisition were treated as provisional and have now been finalised. The following adjustments were made during the current year:

	R'm
Increase in intellectual property	93
Decrease in goodwill	(92)
Decrease in trade and other receivables	(24)
Increase in trade and other payables	23

# NOTES TO CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 SEPTEMBER 2019

## 26. ACQUISITIONS AND DISPOSALS OF INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURE continued

	2019 R'm	2018 R'm
<b>Contingent consideration liabilities</b>		
Balance at 1 October	534	116
Arising on acquisition of subsidiaries	16	413
Paid during the year	(79)	(33)
Fair value adjustment recognised in profit or loss	(2)	18
Unwinding of contingent consideration	44	–
Effect of foreign currency movement	30	20
<b>Balance at 30 September</b>	<b>543</b>	<b>534</b>
Included under non-current liabilities	506	463
Included under current liabilities	37	71
	<b>543</b>	<b>534</b>

### Disposal of investment in subsidiary – Life Piet Retief Hospital Proprietary Limited

On 31 May 2019, the Group disposed of its 62.28% interest in Life Piet Retief Hospital Limited (incorporated in South Africa):

	2019 R'm
Proceeds from disposal	48
Carrying amount of net assets sold	(55)
Non-controlling interest	18
Profit on disposal	11
<b>Disposal of investment in joint venture – Max</b>	
On 21 June 2019, the Group disposed of its 49.7% equity shareholding in Max (incorporated in India):	
Proceeds from disposal	4 347
Investment in joint venture	(2 846)
Profit on disposal	1 501
Transaction costs relating to disposal	(118)
Withholding tax	(94)
Profit on disposal after transaction costs and withholding tax	1 289

The net cash proceeds of R3.8 billion (after payment of withholding tax and costs) were utilised to repay interest-bearing borrowings.



## 26. ACQUISITIONS AND DISPOSALS OF INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURE

continued

### Transactions with non-controlling interests

#### Increase and decrease in ownership interest in southern Africa and Polish subsidiaries

During the current and previous financial year, the Group had increases in its percentage shareholdings in some of its subsidiary companies.

The largest impact on the Group cash flows was the acquisition of additional shares in Border Hospitals Proprietary Limited (2018: Metropol Hospitals Proprietary Limited and Border Hospitals Proprietary Limited).

	2019 R'm	2018 R'm
<b>Total purchase consideration</b>	<b>(125)</b>	(484)
Cash portion	(125)	(484)
<b>Carrying amount of non-controlling interest recognised</b>	<b>57</b>	10
Carrying amount of non-controlling interest acquired	57	10
<b>Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity</b>	<b>68</b>	474
During the current and previous financial year, the Group disposed of marginal percentages of its holdings in subsidiary companies to non-controlling interest. The Group still maintained control over the subsidiary entities after the decrease in ownership interest.		
Total value of decrease in carrying amount of non-controlling interest	<b>(13)</b>	(29)
Transactions with non-controlling interest reserve	<b>(8)</b>	–
Proceeds on disposal of investments	<b>21</b>	29

# NOTES TO CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 SEPTEMBER 2019

## 27. DIRECTORS' EMOLUMENTS AND INTERESTS IN THE COMPANY

Emoluments accrued to the directors and prescribed officers of the Company for the year to 30 September, are set out below:

### Shareholding

	2019			2018		
	Direct	Indirect <sup>2</sup>	Associate interest	Direct	Indirect <sup>2</sup>	Associate interest
<b>Executive directors</b>						
SB Viranna <sup>1</sup>	170 515	224 731	–	11 318	337 096	–
PP van der Westhuizen	164 746	–	4 832	136 046	26 696	4 832
	<b>335 261</b>	<b>224 731</b>	<b>4 832</b>	<b>147 364</b>	<b>363 792</b>	<b>4 832</b>

### Total remuneration

	Salaries R'000	Bonus and performance-related payments R'000	Performance-related accrual relating to current year R'000
<b>2019</b>			
<b>Executive directors</b>			
SB Viranna <sup>1</sup>	5 887	2 624	4 462
PP van der Westhuizen	4 084	2 352	2 311
	<b>9 971</b>	<b>4 976</b>	<b>6 773</b>
<b>2018</b>			
<b>Executive directors</b>			
SB Viranna <sup>1</sup>	3 485	–	3 878
PP van der Westhuizen	3 486	880	2 748
PP van der Westhuizen <sup>3</sup>	–	–	–
	<b>6 971</b>	<b>880</b>	<b>6 626</b>

<sup>1</sup> SB Viranna was appointed as Group Chief Executive Officer on 1 February 2018.

<sup>2</sup> The indirect beneficial shareholding is subject to vesting conditions. Refer note 20.

<sup>3</sup> PP van der Westhuizen in his capacity as acting Group Chief Executive Officer from 1 July 2017 to 31 January 2018.



CEO acting allowance <sup>3</sup> R'000	Other allowances R'000	Gains on long-term incentive scheme R'000	Medical aid contributions R'000	Pension fund contribution R'000	Total remuneration R'000
–	33	3 038	32	247	16 323
–	95	460	37	174	9 513
–	128	3 498	69	421	25 836
–	112	–	21	146	7 642
–	64	418	35	149	7 780
2 500	–	–	–	–	2 500
2 500	176	418	56	295	17 922



# NOTES TO CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 SEPTEMBER 2019

## 27. DIRECTORS' EMOLUMENTS AND INTERESTS IN THE COMPANY continued

	Opening balance at 1 October 2018		Awards vested during 2019		
	Number of shares	Issue price R/share	Number of shares vested	Market price at vesting R/share	Value gained on vesting R
<b>Long-term incentive scheme</b>					
<b>SB Viranna</b>					
2018 allocation	337 096	26.46	(112 365)	27.04	3 038 050
<b>Total</b>	337 096		(112 365)		3 038 050
			Closing balance at 30 September 2019		
			Dividends		
			Value of dividends in respect of all plans (R)	Number of shares	Final vesting date
<b>Long-term incentive scheme</b>					
<b>SB Viranna</b>					
2018 allocation			258 440	224 731	Feb 2021
<b>Total</b>			258 440	224 731	

	Opening balance at 1 October 2018		Awards vested during 2019		
	Number of shares	Issue price R/share	Number of shares vested	Market price at vesting R/share	Value gained on vesting R
<b>Long-term incentive scheme</b>					
<b>PP van der Westhuizen</b>					
2014 allocation	26 696	35.05	(26 696)	27.24	459 350
<b>Total</b>	26 696		(26 696)		459 350
			Closing balance at 30 September 2019		
			Dividends		
			Value of dividends in respect of all plans (R)	Number of shares	Final vesting date
<b>Long-term incentive scheme</b>					
<b>PP van der Westhuizen</b>					
2014 allocation			13 348	–	Jan 2019
<b>Total</b>			13 348	–	



## 27. DIRECTORS' EMOLUMENTS AND INTERESTS IN THE COMPANY continued

	Total shareholding Shares		Directors' fees	
	2019	2018	2019 R'000	2018 R'000
<b>Non-executive directors</b>				
MA Brey <sup>1</sup>	4 900 349	6 000 402	1 175	1 116
PJ Golesworthy <sup>2</sup>	31 224	31 224	1 080	1 004
ME Jacobs	–	–	507	406
AM Mothupi	–	–	664	517
JK Netshitenzhe	–	–	421	347
MP Ngatane	–	–	493	433
MEK Nkeli <sup>3</sup>	–	–	–	310
M Sello	–	–	421	350
GC Solomon <sup>2</sup>	143 612	143 612	810	780
RT Vice	–	–	826	719
	<b>5 075 185</b>	<b>6 175 238</b>	<b>6 397</b>	<b>5 982</b>

<sup>1</sup> MA Brey's direct beneficial shareholding is 716 370 (2018: 716 423), his indirect beneficial shareholding is 4 084 787 (2018: 5 184 787) and his associate interest is 99 192 (2018: 99 192).

<sup>2</sup> PJ Golesworthy and GC Solomon's total shareholding only includes direct beneficial shares.

<sup>3</sup> MEK Nkeli resigned as non-executive director on 31 May 2018.

The directors' fees are paid by a subsidiary company of Life Healthcare Group Holdings Limited.

### Prescribed officers

In line with the requirements of the Companies Act, the Group discloses the remuneration paid to prescribed officers who are defined as the Group's Chief Executive Officer, the Group's Chief Financial Officer, Chief Executive Office – southern Africa and Chief Executive Officer – Alliance Medical.

	Total share- holding	Sever- ance pay- ment R'000	Salaries R'000	Bonus and perform- ance- related pay- ments R'000	Perform- ance- related accrual relating to current year R'000	Other allow- ances R'000	Gains on long- term incentive scheme R'000	Medical aid contri- butions R'000	Pension fund contri- butions R'000	Total remun- eration R'000
<b>2019</b>										
SB Viranna										
PP van der Westhuizen										
AM Pyle <sup>4</sup>	–	–	3 374	1 469	2 357	151	–	37	142	7 530
MD Chapman <sup>5</sup>	–	–	1 681	–	1 232	61	–	–	168	3 142
<b>2018</b>										
SB Viranna										
PP van der Westhuizen										
AM Pyle <sup>4</sup>	–	–	932	–	482	5	–	9	32	1 460
CLW Bekker <sup>4</sup>	–	–	2 076	1 954	–	750	500	26	644 <sup>6</sup>	5 950
GE Blomfield <sup>7</sup>	–	7 920	7 260	–	–	202	–	–	957	16 339

<sup>4</sup> CLW Bekker retired on 31 October 2018, and AM Pyle was appointed as acting CEO – SA on an interim handover period from 1 July 2018 (permanently from 22 November 2018).

<sup>5</sup> MD Chapman was appointed as a prescribed officer from 1 June 2019.

<sup>6</sup> Includes contributions paid from the employer surplus account in the Life Healthcare DB Pension Fund.

<sup>7</sup> GE Blomfield ceased being a prescribed officer from 4 September 2018.

# NOTES TO CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 SEPTEMBER 2019

## 27. DIRECTORS' EMOLUMENTS AND INTERESTS IN THE COMPANY continued

### Prescribed officers continued

Long-term incentive scheme (C-shares)	Opening balance at 1 October 2017		Dividends	Closing balance at 30 September 2018	
	Number of shares	Issue price GBP/share	Value of dividends in respect of all plans	Number of shares	Final vesting date
<b>MD Chapman</b>					
C convertible shares	10 000	n/a	n/a	10 000	30 Sept 2021

No director or prescribed officer has a notice period of more than six months. No director's service contract includes predetermined compensation as a result of termination that would exceed one year's salary and benefits.

## 28. RELATED PARTIES

### Subsidiary companies – refer Annexure B

During the year, certain companies in the Group entered into transactions with other companies in the Group. These intra-group transactions have been eliminated on consolidation. The net loan receivable balance with subsidiary companies is R391 million (2018: R390 million). The complete list of outstanding balances is available at the Company's registered office.

### Related-party transactions

Management fees	A management fee is charged to subsidiaries and is charged to cover costs associated with services carried out on their behalf, for example: tariff negotiations, treasury, tax compliance, human resource, payroll, marketing, nursing management, engineering, credit control, insurance claim management, etc. The fees are based on a percentage of revenue for most southern Africa subsidiaries. The percentage varies between 1% and 4% depending on the types of service Life Healthcare Group Proprietary Limited (LHC) carries out on behalf of the southern Africa subsidiary. The fees to international businesses are based on a cost plus margin basis.
Information management fees (IM fees)	In southern Africa, an IM fee is charged to subsidiaries to recover the cost incurred to run the IM infrastructure and services. The fee is based on a net cost recovery basis.
Guarantee fees	The Group charges a fee to the relevant subsidiaries where the Group is used as guarantor for debt.
Pharmacy fees	LHC charges all units that utilise the central purchasing and pharmacy management services a 1% fee on the monthly purchases.
Other cost recharges	The Group recharges all other costs it incurs on a cost recovery basis without any margin.
Interest	Interest is charged or paid on all inter-group balances at market-related rates.
Rentals	LHC and Scanmed S.A. (Scanmed) are lessors for a number of properties that are occupied by subsidiary companies. Rent is charged at market-related rates.  Alliance Medical leases mobile scanners between certain Group companies at market-related rates.
Royalties	Alliance Medical charges a 1% fee of the relevant revenue where countries use the Alliance Medical brand.  Scanmed charges a 1.5% fee of revenue where Group companies use the Scanmed trademark.



## 28. RELATED PARTIES continued

### Associate companies and joint ventures – refer Annexure C

The Group has investments in a number of associate companies and joint ventures. Details are disclosed in note 12 and Annexure C to the financial statements. No provision has been required in 2019 and 2018 for the loans made to associates and joint ventures.

	2019 R'm	2018 R'm
<b>Loans to associates and joint ventures</b>		
Balance at 1 October	10	9
Net movements in amounts owned	(4)	1
<b>Balance at 30 September</b>	<b>6</b>	10

### Directors and director-related entities

Details of directors are disclosed in the administration to the financial statements on page 2. No direct loans were made to or received from any director and no other transactions were entered into with any director. Refer note 27 for details on directors' emoluments.

### Key management

Key management is defined as all executive management, functional heads, hospital managers, pharmacy managers, nursing managers, administration managers and patient service managers.

Key management disclosure excludes non-executive directors' fees – refer note 27.

	2019 R'm	2018 R'm
<b>Remuneration</b>		
Salaries	444	374
Medical aid contributions	6	6
Pension fund costs – defined benefit and contribution plans	3	4
Provident fund costs – defined contribution plans	15	13
	<b>468</b>	397

## 29. COMMITMENTS AND CONTINGENCIES

### Capital commitments

Capital expenditure approved for property, plant and equipment

2 532

2 570

Funds to meet capital expenditure will be provided from Group resources.

### Operating lease commitments

The Group is a lessee to various hospital and administration office properties as well as medical and office equipment under non-cancellable lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

Not later than one year	218	204
Later than one year and not later than five years	651	664
Later than five years	424	457
	<b>1 293</b>	1 325

# NOTES TO CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 SEPTEMBER 2019

## 29. COMMITMENTS AND CONTINGENCIES continued

### Contingencies

The Group stands as guarantor in respect of certain operating leases, instalment sale agreements and mortgage bonds concluded by subsidiaries and also pro rata in relation to the Group's interest in joint ventures.

The Group has issued various guarantees as security for leases and construction projects to the value of R123 million (2018: R64 million).

Certain subsidiary companies have issued letters of support to other fellow subsidiary companies, when required.

### Disposal of Max

As part of the conditions in the share purchase agreement (SPA), Life Healthcare indemnified the purchaser (Radiant Life Care Private Limited) from and against, any and all losses incurred or suffered by the purchaser in relation to claims set out in the SPA. The value of the contingent liability is limited to a maximum exposure of R206 million to Life Healthcare (excluding tax payable in respect of any indemnification payments). In the event where tax is payable on the indemnification payment, the tax liability will be payable equally by Life Healthcare and the purchaser. The liability for Life Healthcare with respect to the payment of the specific indemnity tax shall be in addition to the liability of R206 million. The contingent liability is valid for a period of three years from the closing date (ie until 21 June 2022).

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## 30. EVENTS AFTER THE REPORTING PERIOD

No event which is material to the understanding of this report has occurred between year-end and the date of the annual financial statements, other than:

### Cash dividend declaration

The board approved a final gross cash dividend of 53.0 cents per ordinary share for the year ended 30 September 2019. The dividend has been declared from income reserves. A dividend withholding tax of 20% will be applicable to all shareholders not exempt therefrom, after deduction of which the net cash dividend is 42.4 cents per share.

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## 31. RISK MANAGEMENT

### Overall risk management programme

The Group's overall financial risk management programme focuses, inter alia, on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group does not apply formal hedge accounting but uses derivative financial instruments to hedge interest and foreign currency risk exposures. Financial risk management is carried out by a central treasury department (treasury) under policies approved by the investment committee. Treasury identifies, evaluates and economically hedges financial risks in close cooperation with the Group's operating units. The Group has written principles for overall financial risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

### Capital risk management

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to provide for sufficient capital expansion. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 21, cash and cash equivalents disclosed in note 15 and equity as disclosed in the statement of financial position. Preference shares are included in borrowings. The Group uses the net debt to normalised EBITDA ratio to measure the funding requirements in the form of debt or equity.

The ratio is calculated as net debt divided by normalised EBITDA. Net debt is calculated as total interest-bearing borrowings (including current interest-bearing and non-current interest-bearing borrowings as shown in the statement of financial position) plus guarantees (if applicable) less net cash and cash equivalents. Normalised EBITDA is defined, in the debt agreements, as earnings before interest, tax, depreciation and amortisation, adjusted for non-recurring items and including the EBITDA of new acquisitions for that part of the year when it was not owned by the Group.

In order to maintain or adjust the capital structure, the Group may adjust the amount of distributions paid to shareholders, return capital to shareholders, issue new shares or sell assets to manage the debt level.

There have been no changes to what the Group manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year. Although the implementation of IFRS 16 *Leases* has an immaterial impact on the covenants, the Group has had initial discussions with the lenders to potentially adjust the calculations.



### 31. RISK MANAGEMENT continued

	2019 R'm	2018 R'm
Total interest cover ratio (times)	<b>5.63</b>	5.71
Net debt to normalised EBITDA ratio (times)	<b>1.96</b>	2.73
The Group has externally imposed debt covenants in place as part of the terms of the current debt structures.		
<b>The covenants imposed arising from preference shares, syndicated and bilateral term loans are as follows:</b>		
A minimum of total interest cover ratio (times)	<b>4.00</b>	4.00
A maximum of net debt to normalised EBITDA ratio (times)	<b>3.50</b>	3.50

#### Financial risk

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk and cash flow interest rate risk), credit risk, liquidity risk and fair value risk.

#### Market risk

##### Foreign exchange risk

<b>Risk exposure</b>	<p>The Group interacts with international suppliers and is exposed to foreign exchange risk arising from various currency exposures. The foreign currency transactions are mainly denominated in:</p> <ul style="list-style-type: none"> <li>● Pound sterling;</li> <li>● European euro; and</li> <li>● US dollar.</li> </ul> <p>The Group's presentation currency is the South African rand, but as it operates internationally with investments in foreign operations, it is exposed to a number of currencies, of which the exposure to the Botswana pula (BWP), pound sterling (GBP), US dollar (USD), European euro (EUR), Swiss franc (CHF) and Polish zloty (PLN) are the most significant.</p>
<b>How the risk arises</b>	<p>Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency and from net investments in foreign operations. These transactions include certain inter-company loans which expose the Group to foreign exchange risk.</p>
<b>Objectives, policies and processes for managing the risk and methods used to measure risk</b>	<p>The Group has set up a policy to require Group companies to manage their foreign exchange risk against their functional currency. The Group's treasury risk management principle is to hedge material cash flows where the local cash flow impact is in excess of 5 million (2018: 5 million) functional currency denomination. The Group companies are required to economically hedge their foreign exchange risk exposure in consultation with treasury. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group use forward contracts and options, transacted with commercial banks on an all-inclusive price in the companies' functional currency.</p> <p>Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies, as and when it is required. At 30 September 2019, foreign denominated borrowings to the equivalent of R7 800 million existed (2018: R8 161 million).</p> <p>The Group reviews its foreign currency exposure, including commitments, on an ongoing basis.</p>
<b>Concentration of risk</b>	<p>The Group has investments in foreign operations in Botswana, the United Kingdom, Italy, Spain, Switzerland, northern Europe, Ireland and Poland. The net assets of the Botswana, United Kingdom, Italy, Spain, Switzerland, northern Europe, Ireland and Polish investments are exposed to foreign currency translation risk as the companies are subsidiaries of the Group.</p>

# NOTES TO CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 SEPTEMBER 2019

## 31. RISK MANAGEMENT continued

**Financial risk** continued

**Market risk** continued

**Foreign exchange risk** continued

Foreign currency exposure at statement of financial position date:

	Rand millions									
	2019					2018				
	BWP	GBP	EUR	CHF	PLN	BWP	GBP	EUR	CHF	PLN
Non-current assets	196	16 027	1 405	750	2 002	205	14 999	1 574	683	2 151
Current assets	410	1 006	1 081	17	411	318	1 062	844	226	314
Current liabilities	(59)	(1 783)	(1 338)	(89)	(268)	(42)	(1 624)	(1 208)	(35)	(355)
Non-current liabilities	(154)	(4 233)	(3 017)	–	(672)	(148)	(3 372)	(3 455)	–	(1 252)
<b>Exposure on external balances</b>	<b>393</b>	<b>11 017</b>	<b>(1 869)</b>	<b>678</b>	<b>1 473</b>	<b>333</b>	<b>11 065</b>	<b>(2 245)</b>	<b>874</b>	<b>858</b>
Net exposure on balances between Group companies	(3)	1 829	(2 579)	869	(119)	(3)	1 922	(2 637)	826	(111)
<b>Total net exposure</b>	<b>390</b>	<b>12 846</b>	<b>(4 448)</b>	<b>1 547</b>	<b>1 354</b>	<b>330</b>	<b>12 987</b>	<b>(4 882)</b>	<b>1 700</b>	<b>747</b>

	Foreign currency in millions									
	2019					2018				
	BWP	GBP	EUR	CHF	PLN	BWP	GBP	EUR	CHF	PLN
Non-current assets	142	858	85	49	528	155	813	96	47	562
Current assets	297	54	65	1	108	241	58	51	16	82
Current liabilities	(43)	(95)	(81)	(6)	(71)	(32)	(88)	(73)	(2)	(93)
Non-current liabilities	(112)	(227)	(182)	–	(177)	(112)	(183)	(210)	–	(327)
<b>Exposure on external balances</b>	<b>284</b>	<b>590</b>	<b>(113)</b>	<b>44</b>	<b>388</b>	<b>252</b>	<b>600</b>	<b>(136)</b>	<b>61</b>	<b>224</b>
Net exposure on balances between Group companies	(2)	98	(155)	57	(31)	(2)	104	(160)	57	(29)
<b>Total net exposure</b>	<b>282</b>	<b>688</b>	<b>(268)</b>	<b>101</b>	<b>357</b>	<b>250</b>	<b>704</b>	<b>(296)</b>	<b>118</b>	<b>195</b>

### Sensitivities analysis

The table below analyses the impact on the Group's foreign currency translation reserve (FCTR). The analysis is based on the assumption that the South African rand had strengthened/weakened by 10% against the GBP with all other variables held constant. The other foreign currencies do not have a significant impact on the FCTR sensitivity.

	2019 R'm
<b>Impact on movement in FCTR in other comprehensive income</b>	
Rand strengthened	(1 090)
Rand weakened	1 090



### 31. RISK MANAGEMENT continued

#### Financial risk continued

#### Market risk continued

#### Foreign exchange risk continued

#### Sensitivities analysis continued

The tables below analyse the impact on the Group's revenue, operating profit and post-tax profit. The analysis is based on the assumption that the South African rand had strengthened/weakened by 10% against the foreign currency with all other variables held constant. The CHF has an insignificant impact on the Group's revenue, operating profit and post-tax profit and therefore its impact is included under the EUR.

	Rand strengthened		Rand weakened	
	2019 R'm	2018 R'm	2019 R'm	2018 R'm
<b>Impact on revenue</b>				
BWP	(60)	(49)	60	49
GBP	(271)	(242)	271	242
EUR	(286)	(251)	286	251
USD	(27)	n/a	27	n/a
PLN	(136)	(128)	136	128
<b>Impact on operating profit</b>				
BWP	(16)	(15)	16	15
GBP (loss position)	5	5	(5)	(5)
EUR	(46)	(36)	46	36
USD (loss position)	12	n/a	(12)	n/a
PLN	(1)	-	1	-
<b>Impact on post-tax profit</b>				
BWP	(11)	(12)	11	12
GBP (loss position)	12	19	(12)	(19)
EUR	(26)	(13)	26	13
USD (loss position)	10	n/a	(10)	n/a
PLN (loss position)	21	5	(21)	(5)
INR <sup>1</sup>	n/a	(11)	n/a	11
<b>Exchange rates used for conversion of foreign denominated items</b>				
<b>Assets and liabilities</b>				
BWP			1.38	1.32
GBP			18.68	18.46
EUR			16.59	16.45
USD			15.18	n/a
CHF			15.27	14.44
PLN			3.79	3.83
<b>Income/expense items</b>				
BWP			1.35	1.30
GBP			18.34	17.60
EUR			16.22	15.37
USD			14.42	n/a
PLN			3.77	3.66
INR <sup>1</sup>			n/a	0.19

<sup>1</sup> Disposed of its Indian equity investment (Max) – refer note 26.



# NOTES TO CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 SEPTEMBER 2019

## 31. RISK MANAGEMENT continued

### Financial risk continued

#### Market risk continued

#### Interest rate risk

<b>Risk exposure</b>	Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates economically expose the Group to fair value interest rate risk. Refer note 21.
<b>How the risk arises</b>	The Group's interest rate risk primarily arises from a mix of short and long-term borrowings. The Group's income and operating cash flows are substantially independent of changes in market interest rates. Refer to note 15.
<b>Objectives, policies and processes for managing the risk and methods used to measure risk</b>	The Group manages its interest rate exposure in total and mainly borrows or invests as far as possible at Group level, unless it is more appropriate to do so at subsidiary level. Based on the various scenarios, the Group manages its cash flow interest rate risk by using interest rate collars, caps and swaps. Such interest rate hedges have the economic effect of capping the exposure to floating rates to a maximum rate. Generally, the Group raises long-term borrowings at floating rates and then hedges floating rates to a known maximum exposure. Under the interest rate collars, caps and swaps, the Group agrees with other parties to exchange, at specified intervals (primarily quarterly), the difference between the hedge and the floating rate interest amounts calculated by reference to the agreed notional amounts. Swaps are entered into to fix interest rates from floating rates.
<b>Concentration of risk</b>	Group policy is to hedge a maximum of 80% of its borrowings and to hedge a quantum of borrowings to ensure the profit or loss impact of a 1% movement in interest rates on unhedged borrowings is less than 2.0% of the previous 12-month Group normalised EBITDA. At 30 September 2019, 42% of the Group debt was hedged (2018: 33%). Refer to note 23 for the current interest rate hedges in place.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on profit or loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

	2019 R'm	2018 R'm
<b>Impact on post-tax profit</b>		
1% increase	(81)	(64)
1% decrease	123	95

The simulation is done on a quarterly basis to verify that the maximum loss potential is within the Group's limits. The Group's debt is partially hedged by interest rate swap contracts. The interest rate swap contracts hedge R5.3 billion (2018: R4.7 billion) of the variable interest rate outstanding balance of Group debt of R11 289 million (2018: R12 690 million).

#### Liquidity risk

<b>Risk exposure</b>	Those financial liabilities of the Group with contractual cash flows and maturity dates are exposed to liquidity risk.
<b>How the risk arises</b>	Liquidity risk arises should the Group not be able to meet its obligations as they become due.



### 31. RISK MANAGEMENT continued

#### Financial risk continued

#### Liquidity risk continued

<b>Objectives, policies and processes for managing the risk and methods used to measure risk</b>	<p>Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group's liquidity risk is mitigated by the availability of funds to cover future commitments. The Group manages liquidity risk through an ongoing review of future commitments and credit facilities. Due to the dynamic nature of the underlying businesses, treasury maintains flexibility in funding by maintaining availability under committed credit lines.</p> <p>The Group has sufficient available bank facilities that can be utilised to service short-term commitments. Refer note 21.</p> <p>Cash flow forecasts are prepared and utilised borrowing facilities are monitored on a daily basis. Longer-term cash flow forecasts are updated quarterly.</p>
<b>Concentration of risk</b>	<p>The table below analyses the Group's financial liabilities into relevant maturity groupings, based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Refer note 29 for operating lease commitments.</p>

	Southern Africa		Alliance Medical		Poland	
	2019 R'm	2018 R'm	2019 R'm	2018 R'm	2019 R'm	2018 R'm
<b>Interest-bearing borrowings</b>	<b>5 398</b>	9 811	<b>7 998</b>	7 364	<b>1 339</b>	1 425
Less than one year	1 752	2 563	1 469	1 267	73	78
Between one and five years	3 227	6 786	6 505	6 090	1 266	1 347
Over five years	419	462	24	7	–	–
<b>Trade and other payables</b>	<b>1 800</b>	1 753	<b>1 882</b>	1 608	<b>118</b>	122
Less than one year	1 800	1 753	1 794	1 519	116	122
Between one and five years	–	–	88	89	2	–
<b>Contingent consideration liabilities</b>	<b>–</b>	4	<b>1 225</b>	1 179	<b>33</b>	67
Less than one year	–	4	4	–	33	67
Between one and five years	–	–	4	44	–	–
Over five years	–	–	1 217	1 135	–	–
<b>Derivative financial instruments</b>	<b>13</b>	6	<b>17</b>	–	<b>–</b>	–
Less than one year	3	–	–	–	–	–
Between one and five years	10	6	17	–	–	–
<b>Total</b>	<b>7 211</b>	11 574	<b>11 122</b>	10 151	<b>1 490</b>	1 614

The table below analyses the Group's derivative financial instruments which will be settled on a gross basis into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Outflow		Inflow	
	2019 R'm	2018 R'm	2019 R'm	2018 R'm
<b>Trading derivatives (foreign exchange contracts and interest rate swap contracts)</b>				
Less than one year	(3)	–	–	87
Between one and five years	(27)	(6)	–	13
<b>Total</b>	<b>(30)</b>	(6)	<b>–</b>	100

# NOTES TO CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 SEPTEMBER 2019

## 31. RISK MANAGEMENT continued

### Financial risk continued

#### Credit risk

<b>Risk exposure</b>	<p>Credit risk arises mainly from cash and cash equivalents, trade and other receivables and other assets.</p> <p>Trade receivables comprise a widespread customer base.</p>														
<b>How the risk arises</b>	<p>Credit risk is the risk of financial loss due to counterparties to financial instruments not meeting their contractual obligations.</p>														
<b>Objectives, policies and processes for managing the risk and methods used to measure risk</b>	<p>Credit risk is managed using Group policies within the territories it arises.</p> <p>The Group deposits the surplus cash with major banks with high-quality credit standing and maintains an appropriate spread of cash deposits between various financial institutions to limit the exposure to any one counterparty. For banks and financial institutions, only independently rated parties with a minimum Moody's rating "Baa+" for South African banks are accepted. For both Alliance Medical and Poland, counterparty risk is managed through the active monitoring and management of counterparties with which Alliance Medical and Poland transact.</p> <p>The Group evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. If there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set for patients without medical aid insurance. Services to customers without medical aid insurance are settled in cash or using major credit cards on discharge date as far as possible. Credit guarantee insurance is not purchased.</p> <p>In certain Alliance Medical territories, use is made of invoice factoring facilities which are on a non-recourse basis, further reducing the credit risk from individual customers.</p>														
<b>Concentration of risk</b>	<p>The maximum exposures to credit risk at the reporting date are cash and cash equivalents as well as the carrying value of each class of trade and other receivables and other assets. The Group does not hold any collateral as security. The Group is exposed to a number of guarantees for the overdraft facilities of Group companies. Refer to note 29 for additional details.</p>														
<b>Maximum exposure to credit risk by class of financial instrument</b>	<p>Financial assets exposed to credit risk at year-end were as follows:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 70%;"></th> <th style="width: 15%; text-align: center;">2019 R'm</th> <th style="width: 15%; text-align: center;">2018 R'm</th> </tr> </thead> <tbody> <tr> <td>Trade and other receivables</td> <td style="text-align: right;">3 747</td> <td style="text-align: right;">3 636</td> </tr> <tr> <td>Cash and cash equivalents</td> <td style="text-align: right;">1 544</td> <td style="text-align: right;">1 494</td> </tr> <tr> <td>Other assets</td> <td style="text-align: right;">87</td> <td style="text-align: right;">177</td> </tr> </tbody> </table>				2019 R'm	2018 R'm	Trade and other receivables	3 747	3 636	Cash and cash equivalents	1 544	1 494	Other assets	87	177
	2019 R'm	2018 R'm													
Trade and other receivables	3 747	3 636													
Cash and cash equivalents	1 544	1 494													
Other assets	87	177													
<b>Credit quality analysis of financial assets that are neither past due nor impaired (applied before 1 October 2018)</b>	<p>The credit quality of trade and other receivables that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates. No material historical default rates exist that require additional impairments.</p> <p>The Group does not expect any significant loss from non-performance by counterparties on credit granted that has not been provided for.</p> <p>Amounts owing by associates and joint ventures are interest-bearing at rates negotiated on an annual basis (2019: 10.00% and 2018: 10.00%) and are repayable on terms agreed by the associate and/or joint venture company's directors. The credit quality of these loans is determined based on past default rates taking into account expected changes in the economic environment. No such defaults existed in the past.</p>														



### 31. RISK MANAGEMENT continued

#### Financial risk continued

#### Credit risk continued

The cash and cash equivalents carrying amount is denominated in the following currencies:

	2019 R'm	2018 R'm
South African rand	546	273
Botswana pula	180	133
Pound sterling	288	395
European euro	430	537
Polish zloty	90	145
United States dollar	8	8
Swiss franc	2	3
Balance at 30 September	1 544	1 494
Overdraft facilities within the Group are secured by means of cross sureties by Group companies. The credit quality of cash at bank and short-term money market instruments is:		
Southern Africa <sup>1</sup>	544	272
Botswana <sup>2</sup>	180	133
Alliance Medical <sup>3</sup>	730	944
Poland <sup>4</sup>	86	142
Cash on hand	4	3
	1 544	1 494

<sup>1</sup> The counterparties have a South African Moody's rating of Baa3 (2018: Baa3).

<sup>2</sup> The counterparties have a Botswana Standard & Poor rating of A- (2018: A-).

<sup>3</sup> The counterparties have a minimum Fitch credit rating of BBB- (2018: BB-).

<sup>4</sup> The counterparties have a minimum Polish Fitch rating of B (2018: B).

#### Trade and other receivables

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses (ECLs). The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (mainly by customer type).

The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off when the Group has exhausted all options regarding the debt. Refer Annexure A – significant accounting policies (section 1.11 financial instruments).

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in this note. The Group does not hold collateral as security.

# NOTES TO CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 SEPTEMBER 2019

## 31. RISK MANAGEMENT continued

### Financial risk continued

#### Credit risk continued

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

	Current R'm	31 – 60 days R'm	61 – 90 days R'm	91 – 180 days R'm	>180 days R'm	Total R'm
Private patients	310	118	49	108	196	781
Medical aids	1 101	141	97	66	127	1 532
Government and public healthcare facilities	482	92	59	66	320	1 019
Trade receivables	1 893	351	205	240	643	3 332
Expected credit loss (R'm)	1	1	1	2	215	220
Weighted average expected credit loss rate (%)	0.1%	0.3%	0.5%	0.8%	33.4%	

The ageing of amounts past due but not impaired is as follows relating to the year ended 30 September 2018:

	1 373
Southern Africa	823
Alliance Medical	491
Poland	59

#### Trade and other receivables at 30 September 2018

	31 – 60 days R'm	61 – 90 days R'm	91 – 180 days R'm	181 – 360 days R'm	More than a year R'm	Total R'm
<b>Southern Africa</b>						
Private clients	–	–	40	26	2	68
Medical aids	–	63	130	146	71	410
Government	51	28	52	50	158	339
Foreign patients	1	–	2	1	2	6
	52	91	224	223	233	823
<b>Alliance Medical</b>						
Debtors <sup>1</sup>	310	33	65	39	44	491
	310	33	65	39	44	491
<b>Poland</b>						
Private clients	2	1	1	1	4	9
Government (National Health Fund in Poland)	4	1	–	–	24	29
Other	7	–	–	7	7	21
	13	2	1	8	35	59

<sup>1</sup> Due to the nature of Alliance Medical's business the key customers are, or are funded by, government-funded public bodies such as NHS trusts in the UK or ASL bodies in Italy, and therefore the nature of these organisations further reduces the susceptibility to credit risk. In certain territories, use is made of invoice factoring facilities which are on a non-recourse basis, further reducing the credit risk from individual customers. As such any further detailed analysis of the credit risk of the financial assets by category was not considered meaningful in prior years.



## 31. RISK MANAGEMENT continued

### Financial risk continued

#### Fair value

The derivative assets and liabilities used for hedging, as presented in the statement of financial position, are the financial assets and liabilities that are measured at fair value.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active and for unlisted securities, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group's financial instruments held at fair value, are measured subsequent to their initial recognition and are grouped into levels 1 to 3 based on the extent to which the fair values are observable. All of the resulting fair value estimates for the derivatives used for hedging are included in level 2. The contingent considerations are included in level 3. The fair value of interest rate swaps is calculated as the mark-to-market valuation, which represents the mid-market value of the instrument as determined by the financial institution at 30 September 2019.

The fair value of forward exchange contracts is determined using forward exchange rates at the statement of financial position date, with the resulting value discounted back to the present value, as determined by the financial institution at 30 September 2019.

There were no transfers between levels 1, 2 and 3 during the year.

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# ANNEXURE A

## 1. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these Group and Company financial statements are set out below. These accounting policies have been consistently applied to all the years presented, unless otherwise stated.

Summary of significant accounting policies				
<b>1.1 Revenue and other income</b>				
<b>1.1.1 Revenue</b>		<b>1.1.2 Other income</b>		
<b>1.2 Employee benefits</b>				
Short-term benefits	Termination benefits	Post-employment benefits	Share-based payments	
<b>Group accounting</b>				
1.3 Consolidation		1.4 Equity accounting	1.5 Translation of foreign operations	
<b>Operating assets</b>				
1.6 Property, plant and equipment	1.7 Intangible assets	1.8 Leases	1.9 Inventories	1.10 Assets held for sale
<b>1.11 Financial instruments</b>				
Initial recognition and measurement		Subsequent measurement	Offsetting	
<b>1.12 Capital and reserves</b>				
Share capital and equity		Treasury shares		
<b>1.13 New and amended accounting standards adopted by the Group</b>				
<b>1.14 New accounting standards and IFRIC interpretations not yet effective</b>				

### 1.1 Revenue and other income

#### 1.1.1 Revenue from contracts with customers (accounting policy applied from 1 October 2018)

##### *Recognition of revenue*

The Group is in the business of providing hospital and complementary services (which include acute rehabilitation, mental healthcare, renal dialysis and oncology), healthcare services as well as diagnostic services. Revenue is measured at the amount which the Group expects to become entitled to as a result of providing those goods or services under the specific contract.

Credit risk is accounted for separately as part of the impairment consideration for financial instruments.

##### **Southern Africa**

##### *Hospital and complementary services*

These services include charges for ward, theatre, pathology, equipment, radiology and pharmaceutical goods used.

##### **Performance obligations**

##### **Recognition**

<ul style="list-style-type: none"> <li>The provision of accommodation, meals and healthcare professional services</li> </ul>	Revenue is recognised over time in relation to the services provided, as the customer simultaneously receives and consumes the benefits provided by the Group during the patient's stay
<ul style="list-style-type: none"> <li>The use of operating theatres and/or equipment</li> </ul>	Revenue is recognised over time as the services are performed on a per usage basis
<ul style="list-style-type: none"> <li>Dispensing of medicine and medicine supplies</li> </ul>	Revenue is recognised at the point in time when the medicine is dispensed to the customer, which is either as the patient consumes the product (for example, consumables used in theatre); or upon delivery to the customer (for example medicine dispensed and medical supplies)



## 1. SIGNIFICANT ACCOUNTING POLICIES continued

### 1.1 Revenue and other income continued

#### 1.1.1 Revenue from contracts with customers (accounting policy applied from 1 October 2018) continued

##### *Hospital and complementary services continued*

Performance obligations are measured from admission to the point when there are no further services required for the patient, which is the time of discharge.

The transaction price is determined based on gross charges for services provided.

The services are provided on a fee for service basis. The fees are determined on various tariff agreements with funders and/or medical aids.

Certain discounts are contractually agreed upon with funders upfront and recorded as a deduction from revenue at the time the related revenues are recorded. Any settlement discounts or other ad hoc discounts approved by funders or at hospital discretion subsequent to discharge are recorded as an expense.

Private patients may be required to make a co-payment or to pay a deposit upfront, and is recognised as revenue when the future goods or services are billed.

##### *Healthcare services*

Healthcare services comprise Life Esidimeni and Life Employee Health Solutions.

##### *↳ Life Esidimeni*

Life Esidimeni care centres work through public-private partnership (PPP) contracts with the South African government.

Through these centres the Group provides long-term chronic mental healthcare, frail care rehabilitation, step-down care, correctional services, primary healthcare and substance abuse recovery programmes to patients from the public sector.

The above is considered to be a single performance obligation as it is considered an interdependent service for providing accommodation, clinical and non-clinical support as well as dispensing medicine. The drug revenue which is separately identifiable is not allocated as it constitutes an insignificant portion of the total cost of the services.

The services are provided on an all-inclusive rate per patient day.

Revenue is recognised over time as the services are provided.

There are instances where the Group together with the government have approved a modification to the contract price, subsequent to the performance of the obligations. In general these are not significant. In this case the modification is treated as an adjustment to revenue and trade receivables, in the period wherein the modified price is agreed.

##### *↳ Life Employee Health Solutions*

Life Employee Health Solutions provides contracted on-site occupational and primary healthcare services to large employer groups in the commercial, industrial, mining and state-owned sectors as well as encourages and supports healthy and balanced living in employees, improving their well-being and promoting maximum productivity for employers. Wellness services are provided to companies and institutions across the public and private sectors.

The contract with the client is negotiated as a package and includes a series of distinct services that are substantially the same. The services stipulated in the contracts are considered to be a single performance obligation.

The services are provided either on a fixed fee basis for services performed in terms of the contract or on a fee-for-service basis for those services or goods not stipulated in the contract.

The fixed monthly revenue is recognised over time based on the term of the contract.

Fee-for-services revenue is recognised at a point of time when services are performed.



# ANNEXURE A continued

## 1. SIGNIFICANT ACCOUNTING POLICIES continued

### 1.1 Revenue and other income continued

#### 1.1.1 Revenue from contracts with customers continued

##### *International*

##### *Diagnostic services*

Performance obligations include the provision of diagnostic imaging services, molecular imaging services and patient services as well as the development, manufacturing and distribution of radiopharmaceuticals.

Imaging services focus on magnetic resonance imaging (MRI), computerised tomography (CT) and molecular imaging via positron emission tomography-computerised tomography (PET-CT) services across the UK and Europe.

These services are predominantly supplied to public funders, such as the National Health Service (NHS) in the UK and Azienda Sanitaria Locale (ASL) in Italy, and numerous public and private funders across Europe.

Revenue is provided on a fixed fee basis for imaging services (per scan or per day rate) depending on the terms of the contract.

Radiopharmaceuticals are developed, manufactured and distributed for PET-CT scanning operations and clinical trials.

Revenue is provided on a fixed fee basis (per dose or per delivery) for manufacturing activities and on reaching contractual obligations or as a royalty percentage of sales of products for development activities.

Revenue is recognised at the point of time when the goods are used, distributed or sold.

##### *Healthcare services*

In Poland private healthcare and medical services are provided. This includes medical consultations, primary healthcare, diagnostics, medical transportation, inpatient hospitalisation, analytical tests and home visits.

Contracts with government (NHF) make up approximately 79.9% of revenue.

Revenue from hospital services based on NHF contracts is provided on a fixed fee basis (per NHF procedure list or per month) and recognised over time based on the term of the contract.

For these fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided.

Revenue from other NHF contracts and commercial patients (private insurance companies, corporate clients and private patients) is provided on a fixed fee-for-service basis per procedure and recognised at a point in time when the services are performed.

##### *Growth initiatives*

Growth initiatives focus on newly developed and emerging products and services that will be rolled out into one of our current revenue streams in future.

Revenue from growth initiatives mainly includes royalty charged on the worldwide sales of the medical product Neuraceq as well as proceeds from the sale of specialty components used in the manufacturing process of medical isotopes.

Revenue is provided on reaching contractual obligations or as a royalty percentage of sales of products for development activities.

Revenue is recognised at the point of time when the goods are dispatched or sold.



## 1. SIGNIFICANT ACCOUNTING POLICIES continued

### 1.1 Revenue and other income continued

#### 1.1.1 Revenue from contracts with customers continued

##### *Contract balances*

##### *Trade receivables*

Where the Group has established an unconditional right to receive consideration (for example, upon discharge), a trade receivable is recognised. Thereafter, as the trade receivable is a financial asset, the recognition and measurement is as per the accounting policies detailed for financial assets (under 1.11).

##### *Revenue (accounting policy applied before 1 October 2018)*

	Includes	Recognition	Measurement
<b>Revenue</b>	<b>Sales of services</b> Acute healthcare services, wellness programme services, same-day surgical centres, diagnostic-related services and sale (manufacturing and distribution) of radiopharmaceuticals.	The revenue recognised relates to invoiced fees for private healthcare, radiopharmaceuticals and fees for healthcare and diagnostic-related services and is recognised when the related service is provided.	The services are provided on a fixed-price basis. The revenue is recognised over the period during which the service is rendered, by reference to the stage of completion of the specific transaction and assessed on the basis of the actual service provided as a proportion of the total services to be provided.

#### 1.1.2 Other income

<b>Interest income</b>	Interest income on funds invested, unwinding of the discount on debtors, changes in the fair value of financial assets at fair value through profit or loss, foreign exchange gains and gains on hedging instruments are recognised in profit or loss.	Interest income is recognised, in profit or loss, using the effective interest rate method, unless it is doubtful.	<b>Effective interest method</b> When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.
<b>Rental income</b>	Rental income arising from operating leases.	Accounted for on a straight-line basis over the lease term in profit or loss.	Fair value.
<b>Dividend income</b>	External dividends.	Dividend income is recognised in profit or loss when the Group's right to receive payment is established.	Fair value.

#### **Company financial statements**

Revenue comprises dividends received from Life Healthcare Group Proprietary Limited.

# ANNEXURE A continued

## 1. SIGNIFICANT ACCOUNTING POLICIES continued

### 1.2 Employee benefits

#### Short-term employee benefits

<b>Includes</b>	Paid leave, sick leave, bonuses and non-monetary benefits such as medical care.
<b>Accounting treatment</b>	<p>The cost of all short-term employee benefits is recognised as an expense during the period in which the employee renders the related service.</p> <p>Accruals for employee entitlement to wages, salaries, bonuses and annual leave represent the amount which the Group has a present obligation to pay as a result of employees' services provided up to the reporting date. The accruals have been calculated at undiscounted amounts based on the current wage and salary rates and are included in trade and other payables in the statement of financial position.</p> <p>The expected cost of profit sharing and bonus payments is recognised as an expense with corresponding liability when there is a legal or constructive obligation to make such payments as a result of past performance, and a reliable estimate of the obligation can be made.</p>

#### Termination benefits

<b>Includes</b>	Benefits when an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits.
<b>Accounting treatment</b>	The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the Group recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

#### Post-employment benefits

Defined contribution plan		
	Fund name	Includes
Southern Africa schemes	● Life Healthcare DC Pension Fund	A pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.
	● Life Healthcare Provident Fund	
Alliance Medical Scheme	● TFR scheme	
<b>Accounting treatment</b>	<ul style="list-style-type: none"> <li>● The payments to defined contribution retirement benefit plans are charged as an expense as they fall due.</li> <li>● Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.</li> </ul>	
Defined benefit plan		
<b>Includes</b>	A pension plan that is not a defined contribution plan.	
<b>Fund name</b>	<ul style="list-style-type: none"> <li>● Life Healthcare DB Pension Fund</li> <li>● Lifecare Group Holdings Pension Fund</li> <li>● Life Healthcare Provident Fund (ESA)</li> <li>● Post-employment medical aid benefit (phased out)</li> </ul>	
<b>Accounting treatment</b>	<p>For defined benefit plans the cost of providing the benefits is determined using the projected unit credit method.</p> <p>Actuarial accounting valuations are conducted on an annual basis by independent actuaries separately for each plan. Consideration is given to any event that could impact the funds up to reporting date where the interim valuation is performed at an earlier date.</p> <p>Past service costs are charged to the income statement when the plan amendment or curtailment occurs.</p> <p>Gains or losses on the curtailment or settlement of a defined benefit plan are recognised when curtailment or settlement occurs.</p>	



## 1. SIGNIFICANT ACCOUNTING POLICIES continued

### 1.2 Employee benefits continued

Post-employment benefits continued

Defined benefit plan continued		
Statement of financial position	Assets or liabilities	The present value of the defined benefit obligation at the end of the reporting period less the fair value of the plan assets, together with adjustments for unrecognised past service costs.
	Assets	Any asset is limited to unrecognised actuarial losses, and unrecognised past service cost plus the present value of available refunds and reduction in future contributions to the plan. Right to reimbursement measured at fair value.
Statement of profit or loss and other comprehensive income	Profit or loss	<ul style="list-style-type: none"> <li>• Net interest income;</li> <li>• Current service cost.</li> </ul> <p>These costs are included in the statement of profit or loss and other comprehensive income under retirement benefit asset and post-employment medical aid income.</p>
	Other comprehensive income	<ul style="list-style-type: none"> <li>• Remeasurements arising from experience adjustments and changes in actuarial assumptions.</li> <li>• Changes in asset ceiling.</li> </ul>
Medical aid costs		
Includes	It is Group policy not to provide for post-employment medical aid benefits. However, due to a previous business combination transaction the Group did become party to a contractual obligation to provide post-employment medical aid benefits to certain employees. The entitlement for an employee to receive these benefits is dependent on the employee remaining in service until retirement age.	
Accounting treatment	For past service, the Group recognises and provides for the actuarially determined present value of post-employment medical aid employer contributions on an accrual basis using the projected unit credit method. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged to other comprehensive income in the period in which they arise. Independent qualified actuaries carry out annual valuations of these obligations.	

Shared-based payments (IFRS 2)

Cash-settled	
Includes	<p><b>Long-term incentive scheme (Alliance Medical – effective from 2016)</b></p> <p>The scheme is a bonus scheme available to senior employees. C-shares in Life UK Healthcare Limited were issued to management on 21 November 2016. Each C-share subscriber grants to Life UK Holdco Limited, on and from the business day immediately following the day on which the agreed market value (MVA) as at 30 September 2021 has been determined, an option for Life UK Holdco Limited to purchase all of each C-share subscriber's C-shares in cash at the relevant C-share price. The C-share value as at 30 September 2021 shall be:</p> <p>(a) if the compound return rate as at that date is equal to or greater than 11%, an amount equal to:</p> <p>(i) (A) MVA; minus (B) the number resulting from compounding annually over the investment period the initial investment at a hurdle return rate of 11% per annum to the calculation date; the result of (A) minus (B) being multiplied by</p> <p>(ii) the applicable percentage (between 12% and 15%); and</p> <p>(b) if the compound return rate as at that date is less than 11%, the aggregate nominal value of all of the C-shares in issue, which is GBP0.003 per share.</p> <p>MVA is calculated based on the agreed market value at calculation date and the dividends declared from effective date to the calculation date. A bad leaver's shares are converted to deferred shares which have a minimal value.</p>

# ANNEXURE A continued

## 1. SIGNIFICANT ACCOUNTING POLICIES continued

### 1.2 Employee benefits continued

Shared-based payments (IFRS 2) continued

<b>Cash-settled</b> <small>continued</small>	
<b>Includes</b>	<p><b>Long-term incentive scheme effective from 2019 (International)</b></p> <p>Life Healthcare granted awards to its international group and country executives as well as senior management (qualifying employees) on 1 January 2019. The value of awards will be tier-based and linked to individual performance. Each award will be converted into notional performance shares. The shares vest on 31 December 2021 (vesting date), with vesting subject to a range of non-market performance conditions.</p> <p>The benefits payable to these qualifying employees will be determined in ZAR and converted to their local currency at the prevailing exchange rates at the time, on vesting date. The number of awards that vest as ordinary shares in Life Healthcare are dependent on a service condition as well as various performance conditions, set out below:</p> <p>Group executives:</p> <ul style="list-style-type: none"> <li>● Capital efficiency (40% weighting)</li> <li>● Normalised Group HEPS (40% weighting)</li> <li>● Life core purposes outcome (20% weighting)</li> </ul> <p>Country executives:</p> <ul style="list-style-type: none"> <li>● Capital efficiency (30% weighting)</li> <li>● Normalised country EBIT (30% weighting)</li> <li>● Life core purposes outcome (40% weighting)</li> </ul> <p>Country managers:</p> <ul style="list-style-type: none"> <li>● Capital efficiency (15% weighting)</li> <li>● Normalised country EBIT (35% weighting)</li> <li>● Life core purposes outcome (50% weighting)</li> </ul> <p>Capital efficiency is measured as return on capital employed compared to WACC.</p> <p>Normalised Group HEPS is based on growth of HEPS in excess of CPI.</p> <p>Normalised country EBIT is based on growth of EBIT in excess of CPI.</p> <p>Life core purpose outcomes are based on country specific non-financial measures that drive long-term sustainability of the Group.</p> <p>The number of vested shares paid out in cash to the qualifying employees is based on the 30-day VWAP of ordinary shares in Life Healthcare as at the vesting date. Life Healthcare shares will be purchased on vesting date. A modifier of between 1 and 2 can be applied to the allocation for key talent retention, this is applicable to all participants at the discretion of the Group CEO. The employees are not entitled to any dividends declared on the shares underlying the awards over the period from the grant date to the vesting date.</p> <p>If a participant ceases to be employed by the Group prior to the vesting of the grant, the following will apply:</p> <ul style="list-style-type: none"> <li>● Good leavers with a date of termination of employment: <ul style="list-style-type: none"> <li>– that is more than one year before the vesting date of the grant, will result in all notional performance shares held by the participant being forfeited and cancelled for no consideration; or</li> <li>– that is one year or less before the vesting date of the grant, will retain all notional performance shares and he/she shall continue to be treated as a participant as if his/her employment had not been terminated.</li> </ul> </li> <li>● Bad leavers with a date of termination of employment prior to vesting date, will result in all notional performance shares held by the participant being forfeited and cancelled for no consideration.</li> </ul>
<b>Accounting treatment</b>	<p>The benefits are measured at the fair value of the liability at each reporting date and at the date of settlement, with any changes in fair value recognised in profit or loss for the period. The value of the services received (expense), and the related liability are recognised over the vesting period.</p>



## 1. SIGNIFICANT ACCOUNTING POLICIES continued

### 1.2 Employee benefits continued

Shared-based payments (IFRS 2) continued

Equity-settled		
Includes	Long-term incentive scheme (southern Africa)	Life Healthcare employee share trust
Accounting treatment	The Group operates these incentive schemes as equity-settled share-based payments schemes. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the grant date. At the end of the reporting period, the Group revises its estimate of the number of awards that are expected to vest, based on the number of employees remaining in the scheme and it recognises the corresponding impact of the revision of original estimates, if applicable, in profit or loss with a corresponding adjustment to equity. Refer note 20.	

### Group accounting

#### 1.3 Consolidation

##### *Subsidiaries and trust beneficiary accounts*

##### *Initial recognition and measurement*

Entities (including structured entities) over which the Group has control are consolidated in the Group annual financial statements. The Group applies the acquisition method to account for business combinations. The financial results of the Group and its subsidiaries are consolidated into the Group's results from acquisition date until control ceases. The financial statements of the subsidiaries (excluding the financial statements of Dadley Investments Limited (Dadley)) are prepared for the same period as the parent company. The financial statements of Dadley are prepared for the period ended 31 December using consistent accounting policies. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date and the adjustment is recognised in profit or loss.

At the date of acquisition, acquired deferred income tax assets may not be fully recognised under IFRS. Adjustments to the initial recognition of acquired deferred tax assets under IFRS, subsequent to the acquisition date, are recognised in profit or loss unless the adjustment qualifies as a measurement period adjustment in which case it is recognised as an adjustment to goodwill.

##### *Company financial statements*

In the financial statements of the Company, investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments.

##### *Non-controlling interest*

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

##### *Contingent consideration*

Contingent consideration is recognised at fair value at the acquisition date. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and the settlement thereof is accounted for wholly within equity. Alternatively other contingent considerations are remeasured at fair value at each reporting date and subsequent changes in fair value are recognised in profit or loss.

##### *Gain on bargain purchase*

In the case of a bargain purchase, where the fair value of the net assets of the subsidiary acquired is more than the total of:

- the total consideration transferred; plus
  - the existing non-control interest recognised; plus
  - any previous held interest;
- the difference is recognised in profit or loss.

##### *Inter-company transactions*

Inter-company transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated on consolidation.

# ANNEXURE A continued

## 1. SIGNIFICANT ACCOUNTING POLICIES continued

### Group accounting continued

#### 1.3 Consolidation *continued*

##### *Subsidiaries and trust beneficiary accounts continued*

##### *Changes in ownership without change in control*

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions, that is, as transactions with the owners in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interest are also recorded in equity.

##### *Loss of control*

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets and liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

The profit or loss realised on disposal or termination of an entity is calculated after taking into account the carrying amount of any related goodwill.

#### 1.4 Equity accounting

Equity-accounted investments consist of associates and joint ventures.

The accounting policies of the associated companies do not differ materially from the Group's accounting policies. The Group adjusts for these differences in accounting policies to align with those of the Group.

##### *Initial recognition and measurement*

Investments in associates and interests in joint ventures are initially recognised at cost in accordance with the equity method of accounting.

##### *Changes in ownership interest*

If the ownership interest in an associate or joint venture is reduced but significant influence or joint control is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit and loss where appropriate. If the ownership interest is increased, without gaining control, the cost of the additional interest is added to the carrying value of the associate or joint venture.

##### *Subsequent measurement*

Subsequent to initial recognition, the Group recognises its share of profit or loss and other comprehensive income until the date on which joint control or significant influence ceases. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. The Group does not recognise further losses, when the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, unless the Group has incurred legal or constructive obligations, issued guarantees or made payments on behalf of the associate or joint venture.

##### *Impairment*

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the amount in "share of associates' or joint ventures' net profit/loss after tax" in profit or loss.

##### *Unrealised gains and losses*

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the associates and joint ventures. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.





## 1. SIGNIFICANT ACCOUNTING POLICIES continued

### Group accounting continued

#### 1.5 Translation of foreign operations

##### *Procedures followed to translate to presentation currency*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency using the following procedures:

- Assets and liabilities including goodwill and fair value adjustments arising on acquisition, are translated at the closing rate at reporting date;
- Income and expenses are translated at an average exchange rate which is a reasonable approximation of the prevailing exchange rate at the date of each transaction.

The resulting differences in translation between these rates are recognised in the foreign currency translation reserve in other comprehensive income.

##### *Exchange differences on monetary items*

Exchange differences arising on a monetary item that forms part of a net investment in a foreign operation are recognised initially in other comprehensive income and recognised in profit or loss on disposal of the net investment as part of the gain or loss on the sale.

##### *Cash flows*

The cash flows of a foreign subsidiary are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case cash flows are translated at the dates of the transactions).

### Operating assets

#### 1.6 Property, plant and equipment

Categories	Initial measurement and recognition	Subsequent measurement	Depreciation method	
Land	Cost	Cost less accumulated impairment losses	Not depreciated	
Assets under construction		Cost less accumulated depreciation and impairment losses.	Depreciated on the straight-line method to their residual values over the useful life	
Buildings – owned				
Medical equipment				
Other property, plant and equipment – owned				
Motor vehicles				
Buildings – leased				Depreciated over the shorter of: <ul style="list-style-type: none"> <li>• the estimated useful lives of the assets on the same basis as owned assets; or</li> <li>• the remaining period of the lease, unless there is a reasonable certainty the lessee will obtain ownership of the asset by the end of the lease term in which case it is depreciated over its useful life.</li> </ul>
Other property, plant and equipment – leased				
Leasehold improvements				

Replacements of linen, cutlery and crockery and certain medical instruments are charged as an expense in the profit or loss over a 12-month period from the date of purchase.



# ANNEXURE A continued

## 1. SIGNIFICANT ACCOUNTING POLICIES continued

### Operating assets continued

#### 1.7 Intangible assets

Categories	Initial measurement and recognition	Subsequent measurement	Amortisation method
Goodwill	Excess of consideration transferred over the fair value of the net identifiable assets acquired at acquisition date.	Cost less accumulated impairment losses	Not amortised
Customer relations and hospital licences	Cost represents the fair value as at the date of the business combination, valued on the royalty method or the multi-period earnings excess method (MEEM).	Cost less accumulated amortisation and impairment losses	Amortised on the straight-line method over the estimated useful life
Brand name			
Product development	Cost		
Computer software			
Other intangible assets			

Costs associated with the developing or maintaining of computer software programs are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software and internally generated intangible assets in respect of product development costs controlled by the Group that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets when the criteria per IAS 38 have been met.

Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Other development expenditures that do not meet these criteria are recognised as an expense, in profit or loss, as incurred.

#### 1.8 Leases

The Group is the lessee of various hospital and administrative office properties leased under non-cancellable leases that are classified as operating leases. The Group is also the lessee of other assets that meet the definition of a finance lease.

At inception of an arrangement, the Group determines whether the arrangement is or contains a lease.

Any contingent rentals are expensed in the period they are incurred.

##### *Finance leases – lessee*

<i>Initial measurement and recognition</i>	<i>Subsequent measurement</i>	<i>Depreciation method</i>
<p>Finance leases are recognised as assets and liabilities at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments.</p> <p>The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.</p>	<ul style="list-style-type: none"> <li>• Asset at cost less depreciation</li> <li>• Liability at amortised cost</li> </ul>	<p>Finance lease assets are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the terms of the leases.</p>

##### *Operating leases – lessee and lessor*

###### *Initial measurement and recognition*

Operating lease income and expenses under operating leases are recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or operating lease liability in the statement of financial position.

Neither the asset nor the liability is discounted.



## 1. SIGNIFICANT ACCOUNTING POLICIES continued

### Operating assets continued

#### 1.9 Inventories

Inventories are measured at the lower of cost or net realisable value on the first-in-first-out basis.

All medical consumables are carried at cost which is lower than the net realisable value. The cost of inventories written off as expired stock, is recorded as an expense and included in drugs and consumables in profit or loss.

#### 1.10 Assets held for sale

Non-current assets and disposal groups are classified as assets held for sale, if their carrying amount will be recovered principally through a sale transaction rather than continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Immediately before classification as held for sale, the assets (and all assets and liabilities in a disposal group) are measured in terms of the applicable IFRS. Then, on initial classification as held for sale, non-current assets and disposal groups are recognised at the lower of the carrying amount and the fair value less costs to sell.

### 1.11 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### Financial assets (accounting policy applied from 1 October 2018)

The Group has the following financial assets:

- Cash and cash equivalents
- Trade and other receivables
- Other assets, which include:
  - Loans receivable
  - Loans to associates
  - Derivative assets – includes interest rate swaps and foreign option exchange contracts

#### *Initial recognition and measurement*

Financial assets in the Group are classified at initial recognition and subsequently measured as either amortised cost or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing it.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

On initial recognition:

- Financial assets held at fair value through profit and loss are measured initially at fair value, excluding transaction costs
- Trade receivables, which do not have a significant financing component, are initially measured at the transaction price determined under IFRS 15, including transaction costs
- All other financial assets are initially measured at fair value, including transaction costs

#### *Subsequent measurement*

Financial assets are subsequently measured as either:

- Financial assets at amortised cost, or
- Financial assets at fair value through profit or loss

#### *Financial assets at amortised cost*

The Group's financial assets at amortised cost includes trade and other receivables, loans to associates, loans receivable and cash and cash equivalents.

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held with the objective to collect contractual cash flows, and
- The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

# ANNEXURE A continued

## 1. SIGNIFICANT ACCOUNTING POLICIES continued

### 1.11 Financial instruments continued

Financial assets (accounting policy applied from 1 October 2018) continued

*Subsequent measurement* continued

*Financial assets at amortised cost* continued

This assessment is referred to as the SPPI test (solely payments of principal and interest) and is performed at an instrument level.

If it fails the criteria on page 95 it will be classified as fair value through profit or loss.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

*Financial assets at fair value through profit or loss*

Within the Group, this category comprises derivative instruments which include interest rate swaps and foreign option exchange contracts.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in the statement of profit or loss.

*Derecognition*

The Group derecognises a financial asset (ie removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation and either:
  - the Group has transferred substantially all the risks and rewards of the asset, or
  - the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

*Impairment of financial assets*

The Group recognises an allowance for ECLs for all financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

*Trade receivables*

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Disclosures for significant assumptions note 1.2.1
- Risk management – credit risk relating to trade receivables note 31

For trade receivables, the Group applies a simplified approach in calculating ECLs.

The provision matrix is initially based on the Group's historical observed default rates. The Group adjusts the historical credit loss experience with forward-looking information including macro-economic factors affecting the ability of the customer to settle outstanding balances. For instance, if the forecast economic conditions (ie GDP, unemployment, repo rate) are expected to lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Therefore, the Group does not track significant increases in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the trade receivables and the economic environment.



## 1. SIGNIFICANT ACCOUNTING POLICIES continued

### 1.11 Financial instruments continued

Financial assets (accounting policy applied from 1 October 2018) continued

*Impairment of financial assets* continued

*Trade receivables* continued

The Group considers a financial asset in default when contractual payments are past due which differ for each region. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full.

The Group considers the following factors:

- The history of the specific customer
- Indications of financial difficulties of the specific customer
- Credit terms specific to the customer
- General economic conditions

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. This is when the Group has exhausted all options regarding the debt, and it also includes the following factors:

- The account is handed back from the debt collectors as uncollectable, ie the Group has followed full legal process
- The debtor is deceased and the estate is insolvent
- The debtor cannot be traced

Financial assets (accounting policy applied before 1 October 2018)

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes party to the contractual provisions of the instrument.

Classification	Instruments included in the classification	Initial measurement	Subsequent measurement
<b>Financial assets at fair value through profit or loss</b>	These assets are held for trading or are designated as such and consist of derivative financial instruments, being foreign exchange option contracts and interest rate swaps.	Fair value with transaction costs expensed	Fair value with fair value gains and losses recognised in profit or loss as they arise.
<b>Loans and receivables</b>	The Group's loans and receivables comprise: loans to associates, trade and other receivables, loans receivable and cash and cash equivalents.	Fair value plus direct transaction costs	Amortised cost using the effective interest method, less any provision for impairment.

*Derecognition*

Financial assets are derecognised when the rights to receive cash flows from the financial asset have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Financial liabilities (accounting policy the same for 2019 and 2018)

The Group has the following financial liabilities:

- Interest-bearing borrowings
- Redeemable preference shares (included under interest-bearing borrowings)
- Contingent consideration liabilities
- Trade and other payables
- Bank overdrafts
- Other liabilities, which include:
  - Derivative liabilities – includes interest rate swaps and foreign option exchange contracts

# ANNEXURE A continued

## 1. SIGNIFICANT ACCOUNTING POLICIES continued

### 1.11 Financial instruments continued

Financial liabilities (accounting policy the same for 2019 and 2018) continued

#### *Initial recognition and measurement*

Financial liabilities in the Group are classified at initial recognition and subsequently measured as either amortised cost or fair value through profit or loss.

On initial recognition:

- Financial liabilities held at fair value through profit and loss are measured initially at fair value, excluding transaction costs.
- All other financial liabilities are initially measured at fair value, including transaction costs.

#### *Subsequent measurement*

Financial liabilities are subsequently measured as either:

- Financial liabilities at amortised cost, or
- Financial liabilities at fair value through profit or loss

#### *Financial liabilities at amortised cost*

Within the Group, this category applies to interest-bearing borrowings, redeemable preference shares, trade and other payables and bank overdrafts.

After initial recognition, these financial liabilities are subsequently measured at amortised cost, using the EIR method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the EIR amortisation process.

This EIR amortisation is included as finance costs in the statement of profit or loss.

Amortised cost is calculated by taking into account any discount or premium on acquisition, and fees or costs that are an integral part of the EIR.

#### *Financial liabilities at fair value through profit or loss*

Within the Group, this category applies to contingent consideration liabilities and derivative liabilities.

The Group has derivative financial instruments that are not designated as hedging instruments in hedge relationships.

These liabilities are mandatorily measured at fair value through profit or loss in terms of IFRS 9.

As a result, gains or losses on the liabilities are recognised in the statement of profit or loss.

The Group has not designated any financial liability at fair value through profit or loss.

#### *Trade and other payables include:*

##### *Other related liabilities*

The employee-related payables represent the pro rata portion of a 13th cheque, accrued annual leave, a performance bonus scheme, as well as long-term incentive schemes for the international senior employees.

##### *Insurance*

Judgement is required in estimating the insurance provision. This is calculated based on the probability of future claims arising, taking into consideration the Group insurance excess applicable to the claim and the liability is the present value of the exposure at a market-related discount rate.

#### *Derecognition*

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

#### *Offsetting of financial instruments*

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position only when there is a legally enforceable right to offset, an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.



## 1. SIGNIFICANT ACCOUNTING POLICIES continued

### 1.12 Capital and reserves

Stated capital comprises ordinary share capital, share premium and treasury shares.

#### Share capital and equity

Share capital issued by the Company is recorded at the proceeds received, net of issue costs. Incremental costs directly attributable to the issue of new shares or options, other than in connection with a business combination, are shown in equity as a deduction, net of tax, from the proceeds.

#### Treasury shares

Treasury shares held by subsidiary companies and special purpose entities are treated as a deduction from the issued and weighted average number of ordinary shares. The consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from the Group's total equity until the shares are cancelled, disposed of or vest in accordance with the terms of the Life Healthcare employee share trust or long-term incentive schemes.

### 1.13 New and amended accounting standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 October 2018. The nature and effect of the changes as a result of adoption of the new accounting standard are described below.

#### IFRS 9 *Financial Instruments*

IFRS 9 replaces the requirements of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, and impairment of financial assets.

#### Classification and measurement

The Group currently recognises the following financial assets – trade and other receivables, cash and cash equivalents and other assets which include loans to associates, loans receivable and derivative assets.

In terms of IFRS 9, all these financial assets will be measured at amortised cost, with the exception of derivative instruments which are recognised at fair value through profit or loss.

This is because the objective of the business model is to hold these financial assets for the collection of the contractual cash flows, and the contractual cash flows represent payments of principal and interest.

Consequently, the subsequent measurement (ie amortised cost) is the same under IAS 39 and IFRS 9.

Derivative financial assets are measured at fair value through profit or loss under IAS 39 and IFRS 9, and therefore no reclassification or remeasurement is required.

In summary, upon the adoption of IFRS 9, the Group had the following measurement categories:

	As at 30 Sep 2018 IAS 39		As at 1 Oct 2018 IFRS 9	
	Fair value through profit or loss	Loans and receivables at amortised cost	Fair value through profit or loss	Amortised cost
R'm				
Trade and other receivables <sup>1</sup>	–	3 636	–	3 656
Cash and cash equivalents	–	1 494	–	1 494
Other assets				
Loans receivable/loans to associates	–	77	–	77
Derivative financial instruments	100	–	100	–

<sup>1</sup> The change in carrying amount is a result of changes to the expected credit loss provision.

See the discussion on impairment on page 100 for more details.

# ANNEXURE A continued

## 1. SIGNIFICANT ACCOUNTING POLICIES continued

### 1.13 New and amended accounting standards adopted by the Group continued

IFRS 9 *Financial Instruments* continued

#### Impairment of financial assets

Under IFRS 9, the Group was required to revise its impairment methodology from an incurred loss model to an expected loss model.

The adoption of IFRS 9 has resulted in a decrease in the impairment provision of R20 million relating to trade receivables.

In calculating the provision on transition to IFRS 9, the Group applied the simplified approach to measure the ECLs, which uses a lifetime expected loss allowance.

While the remaining financial assets held at amortised cost are also subject to the impairment requirements under IFRS 9, the impairment provision on transition was determined to be immaterial.

#### Transition

It was determined that on transition to IFRS 9, it would not be possible to restate comparatives without the use of hindsight.

As a result, the Group did not restate prior periods, and rather recognised differences on initial application of IFRS 9 in opening retained earnings.

Consequently, the decrease in the ECL provision (outlined on page 99) on the initial application of IFRS 9 resulted in an increase in trade receivables and retained earnings of R20 million.

The impact of the changes on the Group's retained earnings is as follows:

	R'm
Opening balance as at 1 October 2018 (as previously reported)	1 569
Decrease in provision for ECL (under IFRS 9)	20
Opening balance as at 1 October 2018 (restated)	1 589

#### IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 requires entities to recognise revenue, to depict the transfer of promised goods or services to customers, in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

This core principle is achieved through a five-step methodology that is required to be applied to all contracts with customers.

The application of IFRS 15 will depend on the facts and circumstances present in a contract and will require the exercise of judgement.

#### Impact

All contracts with customers within the Group were assessed against the new standard. It was determined that the implementation of IFRS 15 does not have an impact on the Group's revenue recognition and measurement.

Therefore, no adjustments were required and no practical expedients, as made available by IFRS 15, were used.

The presentation and disclosure requirements in IFRS 15 are more detailed than under the previous standard and where required, the Group's presentation and disclosures have been updated.

#### Transition

The Group has applied the modified retrospective approach which will reflect the cumulative effect of IFRS 15 on adoption. There was no resultant impact on equity.

#### Other standards adopted

- Classification and measurement of share-based payment transactions – amendments to IFRS 2.
- Annual improvements 2014 – 2016 cycle.
- Transfers to investment property – amendments to IAS 40.
- IFRIC 22 – Foreign currency transactions and advance consideration.

#### Impact

The implementation of these standards and amendments had no material financial impact on the Group.



## 1. SIGNIFICANT ACCOUNTING POLICIES continued

### 1.14 New accounting standards and IFRIC interpretations not yet effective

The following new accounting standards are expected to impact the Group:

#### IFRS 16 Leases

<b>Effective date</b>	Annual periods beginning on or after 1 January 2019. This will impact the Group for the first time in the 2020 financial year.														
<b>Description of change</b>	Life Healthcare as lessee will recognise right-of-use assets and lease liabilities for all lease contracts (with limited exceptions) on the statement of financial position. Lessor accounting will not substantially change under the new standard. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.														
<b>Description of impact</b>	<p>The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of R1 346 million, see note 29.</p> <p>Management has assessed the financial impact of all external and high value leases for each territory (southern Africa, Alliance Medical and Poland) within the Group. Property lease contracts have the most significant impact.</p> <p>Based on the assessment, the changes to the lessee accounting will have the following material impact in the 2020 financial year:</p> <table border="1" style="width: 100%; margin-left: 20px;"> <thead> <tr> <th></th> <th style="text-align: right;"><b>approximately</b></th> </tr> </thead> <tbody> <tr> <td>Increase in property, plant and equipment as a result of the recognition of right-of-use assets</td> <td style="text-align: right;"><b>R950 million – R1 billion</b></td> </tr> <tr> <td>Increase in interest-bearing borrowings as a result of the finance lease liabilities</td> <td style="text-align: right;"><b>R950 million – R1 billion</b></td> </tr> <tr> <td>Increase in normalised EBITDA – taking out operating lease rentals on straight-line basis</td> <td style="text-align: right;"><b>R220 million – R250 million</b></td> </tr> <tr> <td>Increase in depreciation</td> <td style="text-align: right;"><b>R210 million – R240 million</b></td> </tr> <tr> <td>Increase in finance cost</td> <td style="text-align: right;"><b>R40 million – R60 million</b></td> </tr> <tr> <td>Decrease in profit after tax</td> <td style="text-align: right;"><b>R25 million – R40 million</b></td> </tr> </tbody> </table> <p>As a result of the above:</p> <ul style="list-style-type: none"> <li>● EBITDA margins will increase;</li> <li>● Net debt:EBITDA will deteriorate slightly from 1.96 times to 2.05 times.</li> </ul> <p>The assessment has been made on current available information and exchange rates.</p>		<b>approximately</b>	Increase in property, plant and equipment as a result of the recognition of right-of-use assets	<b>R950 million – R1 billion</b>	Increase in interest-bearing borrowings as a result of the finance lease liabilities	<b>R950 million – R1 billion</b>	Increase in normalised EBITDA – taking out operating lease rentals on straight-line basis	<b>R220 million – R250 million</b>	Increase in depreciation	<b>R210 million – R240 million</b>	Increase in finance cost	<b>R40 million – R60 million</b>	Decrease in profit after tax	<b>R25 million – R40 million</b>
	<b>approximately</b>														
Increase in property, plant and equipment as a result of the recognition of right-of-use assets	<b>R950 million – R1 billion</b>														
Increase in interest-bearing borrowings as a result of the finance lease liabilities	<b>R950 million – R1 billion</b>														
Increase in normalised EBITDA – taking out operating lease rentals on straight-line basis	<b>R220 million – R250 million</b>														
Increase in depreciation	<b>R210 million – R240 million</b>														
Increase in finance cost	<b>R40 million – R60 million</b>														
Decrease in profit after tax	<b>R25 million – R40 million</b>														
<b>Transition option</b>	Either on a fully retrospective basis, requiring the restatement of the comparative periods presented, or with the cumulative retrospective impact of IFRS 16 applied as an adjustment to equity (modified retrospective approach). The Group has elected the modified retrospective approach, and no restatement to comparative information is required.														



# ANNEXURE A continued

## 1. SIGNIFICANT ACCOUNTING POLICIES continued

### 1.14 New accounting standards and IFRIC interpretations not yet effective continued

The following amendments and IFRICs are effective for annual periods beginning on or after 1 January 2019:

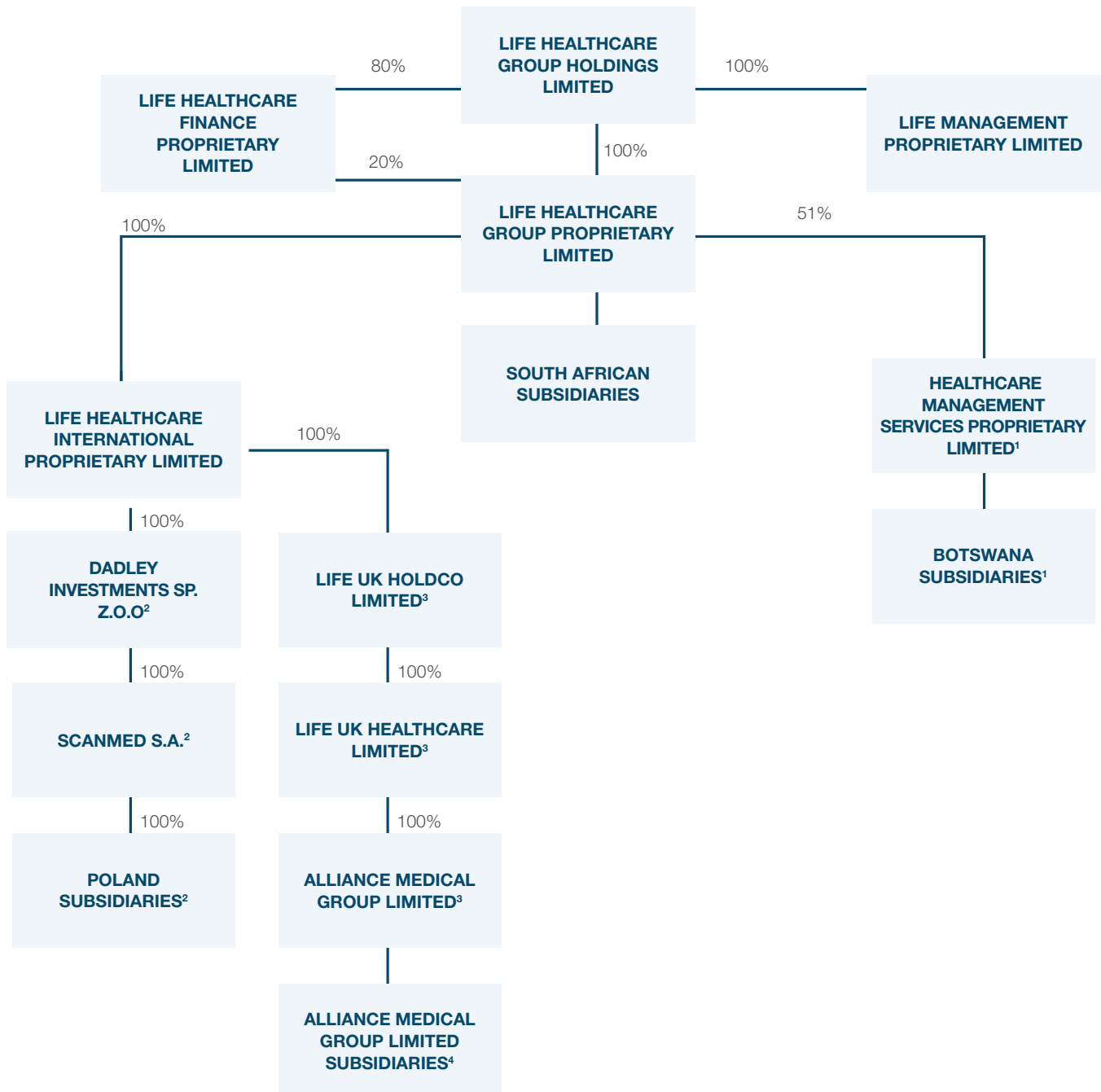
- Amendment to IAS 1 *Presentation of financial statements* and IAS 8 *Accounting policies, changes in accounting estimates and errors* – introduced a consistent definition of materiality throughout IFRS and the Conceptual Framework for Financial Reporting, clarifying when information is material and incorporate some of the guidance in IAS 1 about immaterial information.
- Amendments to IFRS 3 *Business combinations* – the amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments will likely result in more acquisitions being accounted for as asset acquisitions.
- Amendments to IFRS 9 *Financial instruments* – prepayment features with negative compensation and modification of financial liabilities.
- Amendments to IAS 19 *Employment benefits* – the amendment clarifies the accounting for defined benefit plan amendments, curtailments and settlements.
- Amendments to IAS 28 *Investments in associates and joint ventures* – the amendments clarify the accounting for long-term interests in an associate or joint venture, which in substance form part of the net investment in the associate or joint venture, but to which equity accounting is not applied.
- IFRIC 23 – the interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.
- Annual improvements cycle 2015 – 2017.

All the amendments and IFRICs listed above are not expected to have a material impact on the Group in the current or future periods.

# ANNEXURE B



## SIMPLIFIED GROUP STRUCTURE FOR THE YEAR ENDED 30 SEPTEMBER 2019



All South African investments are unlisted and incorporated in the Republic of South Africa.  
All Botswana, Poland and Alliance Medical investments are unlisted.

The shareholding percentages are the same for 2019 and 2018.

<sup>1</sup> Incorporated in Botswana. The functional currency is pula.

<sup>2</sup> Incorporated in Poland. The functional currency is zloty.

<sup>3</sup> Incorporated in England. The functional currency is sterling.

<sup>4</sup> Incorporated in England, across Europe (Germany, Netherlands, Ireland, Italy, Spain, Switzerland) and United States. The functional currencies used include sterling, euro, Swiss franc and United States dollar.

A full list of the Group's subsidiaries is available on request at the Company's registered office.

# ANNEXURE C

## ASSOCIATE UNDERTAKINGS FOR THE YEAR ENDED 30 SEPTEMBER 2019

### Associates

Name of associate	Functional currency	Issued share capital		Interest in share capital		Book value of the shares		Amounts owing by/(to) associates	
		2019 Total	2018 Total	2019 %	2018 %	2019 R'm	2018 R'm	2019 R'm	2018 R'm
<b>Unlisted investments</b>									
Mafikeng Hospital Proprietary Limited <sup>1</sup>	R	–	8 799	–	42	–	–	–	–
Wilgers Onkologie Spreekkamer Trust <sup>2</sup>	R	10 000	10 000	25	25	–	–	(1)	(1)
Wilgers Onkologie Radiologiese Trust <sup>2</sup>	R	10 000	10 000	40	40	–	–	(2)	(1)
Wilgers Stralingsonkologie Trust <sup>2</sup>	R	10 000	10 000	25	25	–	–	12	4
Consolidated Aone Trade and Invest 12 Proprietary Limited <sup>2</sup>	R	100	100	30	30	–	2	4	8
						–	2	13	10

All the associates provide medical and surgical services through private hospitals and/or same day surgical centres.

<sup>1</sup> Liquidated during the year.

<sup>2</sup> Indirectly held through Life Healthcare Group Proprietary Limited.

### Joint ventures

Name of joint venture	Functional currency	Issued share capital		Interest in share capital		Book value of the shares		Amounts owing by/(to) associates	
		2019 Total	2018 Total	2019 %	2018 %	2019 R'm	2018 R'm	2019 R'm	2018 R'm
<b>Unlisted investments</b>									
Max Healthcare Institute Limited <sup>1</sup>	Rs'00000	–	53 724	–	49.7	–	3 052	–	–
Brenthurst MRI	R	–	–	70	70	–	–	(7)	–
Brenthurst Equipment Trust 1	R	–	–	50	50	–	–	–	–
Brenthurst Equipment Trust 2	R	–	–	70	70	–	–	–	–
Brenthurst Radiology Cat Scan	R	–	–	50	50	–	–	–	–
Barringtons MRI Limited <sup>2</sup>	EUR	100	100	50	50	9	9	–	–
20:20 Imaging Limited <sup>2</sup>	EUR	300	300	30	33	3	2	–	–
						12	3 063	(7)	–

<sup>1</sup> The company is incorporated in India and has a March financial year-end and the issued shares are reflected in Indian rupees. The Group disposed of its investment on 21 June 2019 (2018: classified as held for sale). Refer note 26.

<sup>2</sup> The company is incorporated in the Republic of Ireland and the issued shares are reflected in euros.



# COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Note	2019 R'm	2018 R'm
Revenue	3	1 321	758
Provision for expected credit losses		(2)	–
<b>Profit before tax</b>		<b>1 319</b>	758
Tax expense	4	–	–
<b>Profit after tax</b>		<b>1 319</b>	758
Other comprehensive income		–	–
<b>Total comprehensive income for the year</b>		<b>1 319</b>	758

# COMPANY STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2019

	Note	2019 R'm	2018 R'm
<b>ASSETS</b>			
<b>Non-current assets</b>			
Interest in subsidiaries	1	9 288	9 287
<b>Current assets</b>			
Cash and cash equivalents		–	–
<b>Total assets</b>		<b>9 288</b>	9 287
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Stated capital	2	9 279	9 281
Accumulated loss		13 888	13 888
		(4 609)	(4 607)
<b>Current liabilities</b>			
Trade and other payables		9	6
Shareholders for dividend		4	–
		5	6
<b>Total equity and liabilities</b>		<b>9 288</b>	9 287

# COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Stated capital R'm	Retained earnings R'm	Total R'm
<b>Balance at 30 September 2018</b>	13 888	(4 607)	9 281
Total comprehensive income for the year	–	1 319	1 319
Distribution to shareholders	–	(1 321)	(1 321)
<b>Balance at 30 September 2019</b>	<b>13 888</b>	<b>(4 609)</b>	<b>9 279</b>
<b>Balance at 30 September 2017</b>	13 438	(4 157)	9 281
Total comprehensive income for the year	–	758	758
Issue of new shares as a result of scrip distributions	450	–	450
Distribution to shareholders	–	(1 208)	(1 208)
<b>Balance at 30 September 2018</b>	13 888	(4 607)	9 281

# COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Note	2019 R'm	2018 R'm
<b>Cash flows from operating activities</b>			–
Cash generated from operations	5	1 325	757
Tax paid		–	–
<b>Net cash generated from operating activities</b>		<b>1 325</b>	757
<b>Cash flows from investing activities</b>			
Loan to Life Healthcare Group Proprietary Limited		(3)	–
<b>Net cash utilised from investing activities</b>		<b>(3)</b>	–
<b>Cash flows from financing activities</b>			
Dividends paid to Company's shareholders		(1 322)	(758)
<b>Net cash utilised from financing activities</b>		<b>(1 322)</b>	(758)
Net decrease in cash and cash equivalents		–	(1)
Cash and cash equivalents – beginning of the year		–	1
<b>Cash and cash equivalents – end of the year</b>		<b>–</b>	–

# NOTES TO COMPANY ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2019



	2019 R'm	2018 R'm
<b>1. INTEREST IN SUBSIDIARIES</b>		
Unlisted investment in Life Healthcare Group Proprietary Limited		
Shares at cost		
Balance at 1 October	8 897	8 897
Additional investment	–	–
Balance at 30 September	8 897	8 897
Amounts owing by subsidiary		
Balance at 1 October	390	390
Movement	3	–
Less: Provision for expected credit losses	(2)	–
Balance at 30 September	391	390
<b>Total investment</b>	<b>9 288</b>	<b>9 287</b>
The Company's investments in Life Healthcare Finance Proprietary Limited and Life Management Proprietary Limited are less than R1 million.		
The loan is unsecured, has no fixed repayment terms and bears interest as determined by the directors. No interest was received during the current year or prior financial year.		
<b>2. STATED CAPITAL</b>		
<b>Stated capital comprises:</b>		
Share capital	10 515	10 515
Share premium	3 373	3 373
	<b>13 888</b>	<b>13 888</b>
<b>Ordinary shares ('000)</b>		
Authorised (share capital of R0.000001 each)	4 149 980	4 149 980
Total value = R4 149 (2018: R4 149)		
Issued and fully paid:		
Balance at 1 October	1 467 349	1 449 391
Shares issued as a result of scrip distributions	–	17 958
Balance at 30 September	1 467 349	1 467 349
Total value = R1 467 (2018: R1 467)		
<b>3. REVENUE</b>		
Revenue comprises dividends received from Life Healthcare Group Proprietary Limited.	1 321	758
<b>4. INCOME TAX EXPENSE</b>		
Reconciliation of the tax rate	%	%
South African normal tax rate	28.00	28.00
Adjusted for:		
No taxable income – dividends received	(28.00)	(28.00)
	–	–

# NOTES TO COMPANY ANNUAL FINANCIAL STATEMENTS

continued

FOR THE YEAR ENDED 30 SEPTEMBER 2019

	2019 R'm	2018 R'm
<b>5. CASH GENERATED FROM OPERATIONS</b>		
Reconciliation of profit before tax to cash generated from operations		
Profit before tax	1 319	758
Adjusted for:		
Expected credit losses	2	–
Operating profit before working capital changes	1 321	758
Trade and other payables	4	(1)
Cash generated from operations	1 325	757
<b>6. ACCOUNTING POLICIES</b>		
The accounting policies are the same for the Group and Company.		
<ul style="list-style-type: none"> <li>● Presentation of annual financial statements – refer page 20</li> </ul>		
<b>The following accounting policies are applicable to the Company – refer Annexure A:</b>		
<ul style="list-style-type: none"> <li>● Dividend income refer note 1.1.2</li> <li>● Interest income refer note 1.1.2</li> <li>● Group accounting refer note 1.3 (only section regarding Company financial statements)</li> <li>● Financial instruments (excluding section regarding derivatives) refer note 1.11</li> <li>● Capital and reserves refer note 1.12</li> <li>● New accounting standards and IFRIC interpretations not yet effective refer note 1.14</li> </ul>		
<b>7. EVENTS AFTER THE REPORTING PERIOD</b>		
No event which is material to the understanding of this report has occurred between year-end and the date of the annual financial statements, other than:		
<b>Cash dividend declaration</b>		
The board approved a final gross cash dividend of 53.0 cents per ordinary share for the year ended 30 September 2019. The dividend has been declared from income reserves. A dividend withholding tax of 20% will be applicable to all shareholders not exempt therefrom, after deduction of which the net cash dividend is 42.4 cents per share.		
<b>8. COMMITMENTS AND CONTINGENCIES</b>		
No commitments		
Some of the Company's subsidiaries stand as guarantors in respect of the unsecured borrowings as per note 21 of the Group financial statements.		
<b>9. RELATED PARTIES</b>		
<b>Relationships</b>		
Subsidiary company: Life Healthcare Group Proprietary Limited		
<b>Related-party balances</b>		
Refer to note 1 of the Company financial statements		
<b>Related-party transactions</b>		
Dividend received		
Life Healthcare Group Proprietary Limited	1 321	758

# ANNEXURE D



## SHAREHOLDER DISTRIBUTION

### 1. Analysis of registered shareholders and Company schemes

#### Registered shareholder spread

In accordance with the JSE Listings Requirements, the following table confirms the spread of registered shareholders as detailed in the annual report and accounts dated 30 September 2019 was:

#### Registered shareholder spread

Shareholder spread	Number of holders	% of total shareholders	Number of shares	% of issued capital
1 – 1 000 shares	5 680	57.15	1 307 053	0.09
1 001 – 10 000 shares	2 403	24.18	8 290 213	0.56
10 001 – 100 000 shares	1 113	11.20	40 387 139	2.75
100 001 – 1 000 000 shares	574	5.78	195 814 067	13.35
1 000 001 shares and above	168	1.69	1 221 550 690	83.25
<b>Total</b>	<b>9 938</b>	<b>100.00</b>	<b>1 467 349 162</b>	<b>100.00</b>

#### Public and non-public shareholdings

Within the shareholder base, we are able to confirm the split between public shareholdings and directors/Company-related schemes as being:

Shareholder spread	Number of holders	% of total shareholders	Number of shares	% of issued capital
<b>Non-public shareholders</b>	<b>9</b>	<b>0.09</b>	<b>24 131 973</b>	<b>1.64</b>
Directors	5	0.05	1 226 520	0.08
Brimstone Investment Corporation Limited	2	0.02	10 036 807	0.68
Life Healthcare Employees Share Trust	1	0.01	12 396 253	0.85
Life Healthcare long-term incentives scheme	1	0.01	472 393	0.03
<b>Public shareholders</b>	<b>9 930</b>	<b>99.91</b>	<b>1 443 217 189</b>	<b>98.36</b>
<b>Total</b>	<b>9 939</b>	<b>100.00</b>	<b>1 467 349 162</b>	<b>100.00</b>

### 2. Substantial investment management and beneficial interests

#### Substantial investment management and beneficial interests above 3%

Through regular analysis of STRATE registered holdings, and pursuant to the provisions of section 56 of the Companies Act, the following shareholders held directly and indirectly equal to or in excess of 3% of the issued share capital as at 30 September 2019:

Investment management shareholdings	Total shareholding	%
Allan Gray Proprietary Limited	301 325 861	20.54
Government Employees Pension Fund (PIC)	186 630 532	12.72
Lazard Asset Management LLC Group	112 351 305	7.66
Coronation Asset Management	78 399 149	5.34
Industrial Development Corporation (IDC)	69 867 972	4.76
BlackRock Inc.	59 972 962	4.09
The Vanguard Group Inc.	54 530 236	3.72
Sanlam Investment Management	53 649 989	3.66
<b>Total</b>	<b>916 728 006</b>	<b>62.49</b>

Beneficial shareholdings	Total shareholding	%
PIC	227 952 296	15.53
Allan Gray Balanced Fund	108 185 760	7.37
IDC	69 867 972	4.76
<b>Total</b>	<b>406 006 028</b>	<b>27.66</b>



# ANNEXURE D continued

## SHAREHOLDER DISTRIBUTION continued

### 2. Substantial investment management and beneficial interests continued

Previously disclosed holdings

Investment managers now holding below 3%

Investment manager	Total shareholding	%	Previous %
Newsshelf 831 Proprietary Limited	–	–	3.21
<b>Total</b>	–	–	3.21

Beneficial owners now holding below 3%

Beneficial owners	Total shareholding	%	Previous %
Lazard Emerging Market Fund	42 420 469	2.89	3.05
Newsshelf 831 Proprietary Limited	–	–	3.21
<b>Total</b>	42 420 469	2.89	6.26

### 3. Geographic split of shareholders

Geographic split of investment managers and Company-related holdings

Region	Total shareholding	% of issued capital
South Africa	947 970 749	64.60
United States of America and Canada	305 838 062	20.84
United Kingdom	54 195 922	3.70
Rest of Europe	58 137 956	3.96
Rest of world <sup>1</sup>	101 206 473	6.90
<b>Total</b>	<b>1 467 349 162</b>	<b>100.00</b>

Geographic split of beneficial shareholders

Region	Total shareholding	% of issued capital
South Africa	911 257 830	62.10
United States of America and Canada	280 638 417	19.12
United Kingdom	26 614 269	1.82
Rest of Europe	95 448 908	6.51
Rest of world <sup>1</sup>	153 389 738	10.45
<b>Total</b>	<b>1 467 349 162</b>	<b>100.00</b>

<sup>1</sup> Represents all shareholdings except those in the above regions.



## SHAREHOLDER DISTRIBUTION continued

### 4. Shareholder categories

An analysis of beneficial shareholdings, supported by the section 56 enquiry process, confirmed the following beneficial shareholder types:

Category	Total shareholding	% of issued capital
Unit trusts	562 486 973	38.33
Pension funds	450 313 938	30.69
Sovereign wealth	80 656 511	5.50
Government of SA	69 867 972	4.76
Private investors	52 380 407	3.57
Insurance companies	40 785 108	2.78
Trading position	35 635 274	2.43
Exchange-traded fund	25 575 366	1.74
Custodians	18 477 120	1.26
Employees	12 396 253	0.85
Black economic empowerment	10 623 146	0.72
American depository receipts	9 651 906	0.66
University	6 771 267	0.46
Medical aid scheme	3 351 741	0.23
Local authority	3 214 492	0.22
Charity	2 993 814	0.20
Hedge fund	1 268 745	0.09
Corporate holding	472 393	0.03
Foreign government	416 181	0.03
Remainder	80 010 555	5.45
<b>Total</b>	<b>1 467 349 162</b>	<b>100.00</b>

# ANNEXURE E

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION PER REGION AT 30 SEPTEMBER 2019

This information is presented for analysts. This information as presented below is not reviewed by the CODM.

		2019				
Notes		Group R'm	South Africa R'm	Botswana R'm	Alliance Medical R'm	Poland R'm
<b>ASSETS</b>						
<b>Non-current assets</b>		<b>31 588</b>	<b>11 208</b>	<b>196</b>	<b>18 262</b>	<b>1 922</b>
Property, plant and equipment	10	12 929	8 173	195	3 762	799
Intangible assets	11	16 969	1 678	–	14 168	1 123
Investment in associates and joint ventures	12	53	–	–	53	–
Employee benefit assets	13	448	448	–	–	–
Deferred tax assets	14	1 102	834	–	268	–
Other assets		87	75	1	11	–
<b>Current assets</b>		<b>5 978</b>	<b>3 050</b>	<b>410</b>	<b>2 107</b>	<b>411</b>
Cash and cash equivalents	15	1 544	546	180	730	88
Trade and other receivables	16	3 923	2 160	215	1 254	294
Inventories	17	379	306	13	34	26
Income tax receivable		124	30	2	89	3
Other assets		8	8	–	–	–
Asset classified as held for sale	18	–	–	–	–	–
<b>Total assets</b>		<b>37 566</b>	<b>14 258</b>	<b>606</b>	<b>20 369</b>	<b>2 333</b>
<b>Total equity</b>		<b>17 491</b>	<b>5 797</b>	<b>393</b>	<b>9 896</b>	<b>1 405</b>
<b>LIABILITIES</b>						
<b>Non-current liabilities</b>		<b>11 632</b>	<b>3 556</b>	<b>154</b>	<b>7 258</b>	<b>664</b>
Interest-bearing borrowings	21	9 399	2 744	140	5 894	621
Employee benefit liabilities	13	130	–	–	130	–
Deferred tax liabilities	14	1 371	730	7	610	24
Trade and other payables	22	120	–	–	101	19
Contingent consideration liabilities	26	506	–	–	506	–
Other liabilities		106	82	7	17	–
<b>Current liabilities</b>		<b>8 443</b>	<b>4 906</b>	<b>59</b>	<b>3 214</b>	<b>264</b>
Bank overdrafts	15	867	867	–	–	–
Trade and other payables	22	4 799	2 562	47	1 976	214
Contingent consideration liabilities	26	37	–	–	4	33
Interest-bearing borrowings	21	2 596	1 451	5	1 124	16
Income tax payable		129	11	7	110	1
Other liabilities		15	15	–	–	–
<b>Total liabilities</b>		<b>20 075</b>	<b>8 462</b>	<b>213</b>	<b>10 472</b>	<b>928</b>
<b>Total equity and liabilities</b>		<b>37 566</b>	<b>14 259</b>	<b>606</b>	<b>20 368</b>	<b>2 333</b>



2018

Group R'm	South Africa R'm	Botswana R'm	Alliance Medical R'm	Poland R'm
30 558	10 946	205	17 349	2 058
12 243	7 891	204	3 265	883
17 084	1 807	–	14 108	1 169
35	(7)	–	42	–
401	512	–	(111)	–
700	659	–	35	6
95	84	1	10	–
5 743	2 982	315	2 135	311
1 494	273	133	944	144
3 761	2 306	163	1 160	132
360	290	11	29	30
24	9	8	2	5
104	104	–	–	–
2 841	2 841	–	–	–
39 142	16 769	520	19 484	2 369
16 202	5 320	330	9 778	774
14 764	6 537	148	6 827	1 252
12 870	5 816	137	5 715	1 202
–	–	–	–	–
1 226	649	5	522	50
127	–	–	127	–
463	–	–	463	–
78	72	6	–	–
8 176	4 912	42	2 879	343
488	488	–	–	–
4 409	2 406	38	1 713	252
71	4	–	–	67
3 086	1 979	4	1 083	20
110	26	–	83	1
12	9	–	–	3
22 940	11 449	190	9 706	1 595
39 142	16 769	520	19 484	2 369



**Life** Group  
HEALTH CARE

**HEAD OFFICE:**

Oxford Manor, 21 Chaplin Road, Illovo, 2196

Tel: 011 219 9000

[www.lifehealthcare.co.za](http://www.lifehealthcare.co.za)