



INTEGRATED REPORT 2020

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ABOUT OUR REPORT

ABOUT LIFE HEALTHCARE

Life Healthcare Group Holdings Limited (the Group, Company or Life Healthcare) is a **global, people-centred, diversified healthcare organisation** listed on the Johannesburg Stock Exchange (JSE). Our integrated report is our primary report prepared for all stakeholders, and includes information relating to our external operating environment, business model, stakeholders, key risks and opportunities, governance and leadership, strategy and other material matters.

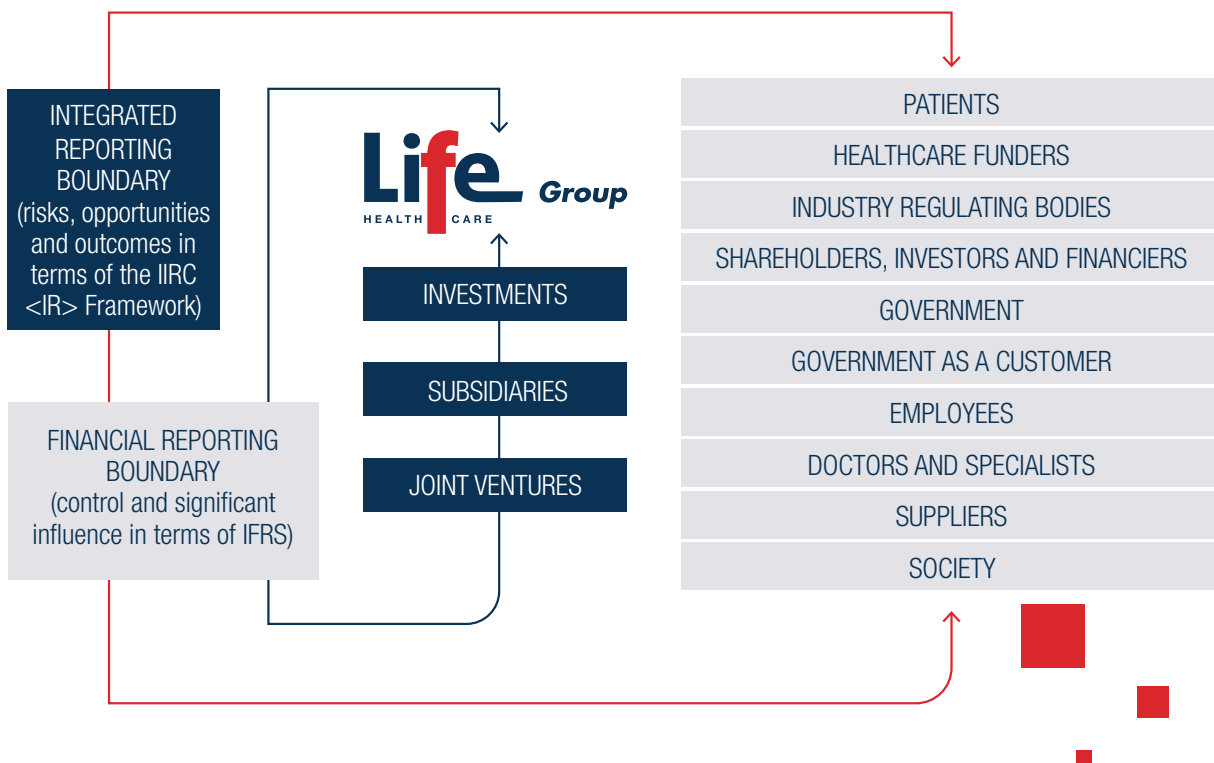
SCOPE AND BOUNDARY

This integrated report covers the period 1 October 2019 to 30 September 2020, and was compiled with information that the Board of directors (the Board) and management believe is relevant and material to provide an integrated view of the Group's performance. We have also included all relevant information and material events after year-end up to the approval of the integrated report on 9 December 2020.

To reflect how we create value, this report focuses on the performance, plans, risks and opportunities for our two geographical regions, namely:

- **Southern Africa:** Our primary operations are in South Africa, with business activities also taking place in Botswana, which represent 67.9% of the Group's revenue and include both hospital and healthcare services divisions.
- **International:** Our growing international operation includes Alliance Medical Group Limited (Alliance Medical) across the United Kingdom (UK) and Europe, as well as Scanmed S.A. (Scanmed) in Poland. International operations represent 32.1% of the Group's revenue, and include diagnostic and molecular imaging, radiopharmacy, product development and healthcare services.

 For more information on what we do, refer to page 10.




ABOUT OUR REPORT continued

OUR REPORTING SUITE AND FRAMEWORK

Our reporting suite comprises the following reports:

<p>Integrated report</p> <p>The following local and international guidelines were followed during the preparation of our integrated report:</p> <ul style="list-style-type: none"> ■ the International Integrated Reporting Council (IIRC) International <IR> Framework (International <IR> Framework); ■ the reporting principles contained in the King IV Report on Corporate Governance for South Africa, 2016 (King IV™¹); ■ the JSE Listings Requirements; ■ the Companies Act, 71 of 2008, as amended (the Companies Act); and ■ the International Financial Reporting Standards (IFRS). 	<p>Assurance</p> <ul style="list-style-type: none"> ■ The Board, assisted by the Board sub-committees, oversees the integrated reporting process.
<p>Audited consolidated Group and Company annual financial statements</p> <ul style="list-style-type: none"> ■ Life Healthcare's financial statements were prepared in accordance with: <ul style="list-style-type: none"> ■ IFRS; ■ the Companies Act in South Africa; and ■ the JSE Listings Requirements. 	<p>Assurance</p> <ul style="list-style-type: none"> ■ Deloitte & Touche (Deloitte) assurance statement.
<p>Notice of annual general meeting (AGM) and abridged shareholder report</p> <ul style="list-style-type: none"> ■ The required statutory information and notice of AGM are distributed to shareholders to convene the AGM. 	


¹ Copyright and trademarks are owned by the Institute of Directors in South Africa NPC and all of its rights are reserved.

 Please visit our website for detailed information on governance and sustainability matters, as well as our latest results and announcements.

 You can find our full reporting suite online at www.lifehealthcare.co.za.

MATERIALITY

We strive to only report on those material matters that could have a direct or indirect impact on our ability to create or preserve value for the Group and our stakeholders in the short, medium and long term. We consider a range of internal and external influences when identifying our material matters and, once identified, we prioritise these matters according to the likelihood and potential impact. Finally, we integrate the identified material matters into our strategy. We review our material matters annually.

 For more information on our material matters, refer to page 60.

- We identified the following matters as material during 2020:
- COVID-19
- Labour relations and employee retention
- Healthcare funders
- Cost of care
- Specialised skills shortage
- Quality of care standards
- Portfolio performance
- Government relationships
- Increased regulations
- Cyber-security and data protection

ASSURANCE

We followed a combined assurance process during the preparation of this integrated report, with the Board, its committees and management responsible for finalising the disclosures contained herein. Our integrated report evolves from our performance reports, which are compiled monthly and reviewed by management – an integral part of this report’s overall assurance, in respect of the integrity of the data.

1

First line of defence, which comprises our operational employees, who are required to understand their roles and responsibilities and carry them out correctly and completely.

2

Second line of defence consisting of our oversight functions, including risk and compliance management. These functions define work practices, monitor adherence to policies, and oversee the first line of defence with regard to risk and compliance.

3

Third line of defence, which comprises the internal and external assurance providers and the Board. Internal and external auditors regularly review the first and second lines of defence to ensure that they are carrying out their tasks as required. The Board mandates the audit committee to review the information provided by various Board committees regarding tasks and business information. The Board plays an oversight role and is responsible for approving the information reviewed by the audit committee, among others.

The Group’s annual financial statements were independently assured by our external auditors, Deloitte. However, this report in its entirety has not been independently assured. The summarised financial information included in this report was extracted from the audited Group’s annual financial statements.



A number of non-financial indicators were assured by Deloitte. For the selection of indicators and the independent assurance report, refer to page 193.



ABOUT OUR REPORT continued

FORWARD-LOOKING STATEMENT

This integrated report contains forward-looking statements that, unless otherwise indicated, reflect the Group's expectations as at 9 December 2020. The actual results may differ materially from our expectations if known or unknown risks or uncertainties affect the business, or if estimates or assumptions prove inaccurate. The Group cannot guarantee that any forward-looking statement will materialise. Readers are cautioned not to place undue reliance on these forward-looking statements, and the Group disclaims any intention and assumes no obligation to update or revise any forward-looking statement.

BOARD RESPONSIBILITY

Life Healthcare's Board is ultimately responsible for the integrity and completeness of this integrated report, and is assisted by its sub-committees throughout the reporting process. The Board applied its collective mind during the preparation of this integrated report. Based on the completeness of the information collected and the assurance thereof, it concluded that it aligns with the International <IR> Framework and provides a true and material account of the Group's performance and strategic direction.

This integrated report was approved by the Board on 9 December 2020.

Mustaq Brey
Chairman

Peter Golesworthy
Chairman: audit committee

Peter Wharton-Hood
Chief Executive Officer (CEO)

Pieter van der Westhuizen
Chief Financial Officer (CFO)

FEEDBACK

At Life Healthcare, we value your feedback as we endeavour to provide accurate, transparent and balanced information to our stakeholders. We invite you to contact the Group Company Secretary, **A Parboosing, on +27 11 219 9000** or **avanthip@life.co.za** should you have any questions.



NAVIGATION

For easy navigation and cross referencing, we use the following icons throughout this report:

A non-financial indicator that was assured by Deloitte

MOVEMENTS IN OUR KEY PERFORMANCE INDICATORS (KPIs)

Indicates a decrease or increase that is positive

Indicates a decrease or increase that is not positive

Indicates the KPI remained the same

This icon indicates that further information is available online.

This icon indicates that further information can be found elsewhere in this report.

STRATEGIC FOCUS AREAS



Growth



Quality



Efficiency



Sustainability

STAKEHOLDERS

- Patients
- Doctors and specialists
- Healthcare funders
- Industry regulatory bodies
- Shareholders, investors and financiers
- Government
- Government as a customer
- Employees
- Suppliers
- Society

MATERIAL MATTERS

- COVID-19
- Labour relations and employee retention
- Healthcare funders
- Cost of care
- Specialised skills shortage
- Quality of care standards
- Portfolio performance
- Government relationships
- Increased regulations
- Cyber-security and data protection





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WHO WE ARE



OUR VISION

To be a global, people-centred, diversified healthcare organisation.



OUR MISSION

We improve the lives of people through the delivery of high-quality, cost-effective care.



OUR PURPOSE

Making life better.

OUR STRATEGIC PILLARS SUPPORT OUR VISION

GROWTH



Continue to **grow** our businesses, while **diversifying** our sources of revenue.

QUALITY



Deliver market-leading quality care and **patient experience**.

EFFICIENCY



Deliver cost-effective care through our **employees, clinicians, efficient** processes, and the use of technology, research and innovation.

SUSTAINABILITY



Effectively engage with our stakeholders to ensure our **long-term sustainability**.



WHO WE ARE continued



OUR CORE VALUES

We aim to leave a lasting impression of understanding and meeting our patients' needs. We achieve this by focusing on our core values.



PASSION FOR PEOPLE

those that are the life of our business



Q^e

quality to the power of **e**: ethics, excellence, empowerment, empathy, energy

A SNAPSHOT OF OUR CAPACITY

SOUTHERN AFRICA



¹ Acute rehabilitation, mental health, specialised maternity.



PERFORMANCE PRIDE
we act for the right reasons,
with quality in mind



PERSONAL CARE
adding the human touch



LIFETIME PARTNERSHIPS
with our patients at the very centre

INTERNATIONAL

Number of
locations served¹

233

(2019: 220)

Number of machines¹

265

(2019: 244)

Number of cyclotron
locations¹

10

(2019: 9)

Permanent and
temporary employees²

4 047

(2019: 4 060)

Registered beds³

582

(2019: 579)

Cardiac units³

13

(2019: 12)

Medical facilities³

42

(2019: 41)

¹ Across the UK and Europe for Alliance Medical.

² Across the UK and Europe by Alliance Medical.

³ In Poland.

WHAT WE DO

SOUTHERN AFRICA

In southern Africa, we strive to improve the lives of people through high-quality, cost-effective care offered through our hospital and healthcare services divisions.

HOSPITAL DIVISION

Primarily serves the private market, and comprises acute hospitals and complementary services.

ACUTE HOSPITALS

Our acute hospitals are located in the metropolitan areas in seven of South Africa's nine provinces, as well as in Botswana.

Our hospital facilities are world-class, technologically advanced and multi-functional. With our employees and approximately 3 630 (2019: 3 800) supporting healthcare professionals and specialists, we are able to deliver quality, compassionate and effective care.

Our principal offerings

- Specialised medical disciplines
- Community hospitals
- Same-day surgical centres
- Niche facilities
- Intensive care units (ICUs)
- High-care units
- Operating theatres
- Emergency units
- Maternity units
- Cardiac units
- Paediatric units
- Surgical units



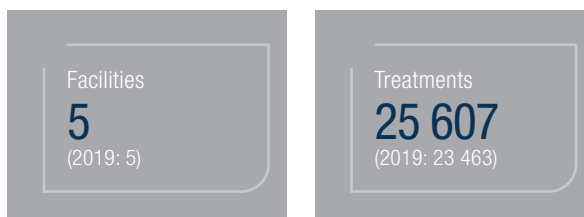
ONCOLOGY

Our oncology centres offer a holistic care model with technologically advanced diagnostic and interventional services supporting comprehensive cancer management.

Our significant investment in technologies place our oncology centres at the forefront of advanced treatments in surgical, medical, gynaecological and radiation oncology.

Our principal offerings

- Patient counselling and support
- Surgery
- Radiotherapy (comprising brachytherapy and stereotatic radiotherapy)
- Chemotherapy
- Linear accelerators and treatment planning software



HOSPITAL DIVISION CONTINUED

COMPLEMENTARY SERVICES

Life Healthcare provides specialised healthcare facilities that offer both inpatient and outpatient services, including acute rehabilitation, mental healthcare, renal dialysis and oncology. Our specialised care model promotes continuity of care and uniquely positions Life Healthcare to provide comprehensive therapeutic interventions for chronically ill patients.

ACUTE REHABILITATION

Facilities that provide for patients with disabling or traumatic brain injuries, offering acute physical and cognitive rehabilitation. Our focus on patient care helps to restore quality of life for our patients and their families.

Life Rehabilitation uses the Functional Assessment Measure (FAM) for cognitive, behavioural, communication and community functioning, which provides insight on patients with brain injuries. We measure the clinical outcomes of each patient and track their overall progress to benchmark the performance of rehabilitation units and denote clear patient outcomes. In this way, we can support patients' families and provide in-depth detail to healthcare funders during the rehabilitation process.

Life Rehabilitation is International Standards Organisation (ISO) 9001 2015 certified and also a certified licence holder for the Functional Independence Measure™ (FIM™) in South Africa, which allows us to evaluate the functional status of patients during their rehabilitation process.

Our principal offerings

- Traumatic brain injuries or spinal trauma
- Severe orthopaedic injuries
- Orthopaedic injuries
- Stroke or nerve-related illnesses
- Amputation or joint replacement
- Rehabilitation to restore health and mobility after a joint replacement

<p>Facilities</p> <p>7</p> <p>(2019: 7)</p>	<p>Beds</p> <p>319</p> <p>(2019: 319)</p>
<p>Admissions</p> <p>2 506</p> <p>(2019: 3 025)</p>	<p>PPDs</p> <p>82 493</p> <p>(2019: 90 302)</p>

RENAL DIALYSIS

For patients with renal failure who need outpatient-based chronic dialysis, inpatient-based acute renal dialysis or home-based peritoneal dialysis.

<p>Facilities</p> <p>29</p> <p>(2019: 26)</p>	<p>Stations</p> <p>375</p> <p>(2019: 329)</p>
<p>Treatments</p> <p>167 322</p> <p>(2019: 159 729)</p>	

MENTAL HEALTH

Multi-disciplinary mental healthcare service offerings, designed for transitory care in a therapeutic and tranquil environment. Our facilities house voluntary, assisted and involuntary mental healthcare users. We also operate theatres with anaesthetic capability for electroconvulsive therapy.

Our principal offerings

- Psychiatry
- Substance dependence
- Compulsion anxiety
- Work-related stress
- Bereavement and adjustment disorders
- Diet-related mental illness programmes (e.g. eating disorders)
- Neuro-geriatric wellness

<p>Facilities</p> <p>9</p> <p>(2019: 9)</p>	<p>Beds</p> <p>592</p> <p>(2019: 592)</p>
<p>Admissions</p> <p>11 484</p> <p>(2019: 13 483)</p>	<p>PPDs</p> <p>128 652</p> <p>(2019: 143 600)</p>

WHAT WE DO continued

SOUTHERN AFRICA

HEALTHCARE SERVICES DIVISION

Healthcare services relate to specialised care offered by Life Esidimeni, occupational health and employee wellness services offered by Life Employee Health Solutions and primary healthcare provided by MyLife Healthcare Centres.

LIFE ESIDIMENI

We offer specialised care for the most vulnerable in our society. We partner with South Africa's provincial health and social development departments to provide comprehensive, long-term services. These services are offered on contract, which are awarded through the National Treasury tender processes.

Our principal offerings

- Long-term chronic mental healthcare
- Frail care rehabilitation
- Step-down care
- Primary healthcare
- Substance abuse recovery programmes
- Correctional services care



LIFE EMPLOYEE HEALTH SOLUTIONS (LIFE EHS)

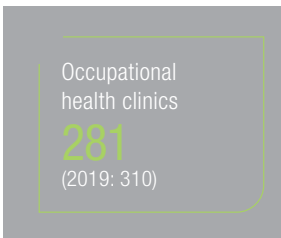
We offer an integrated health risk management service providing wellness programmes, occupational and primary healthcare to corporate and institutional clients.

We provide contracted on-site occupational and primary healthcare services to large employer groups in various industries and various government departments, and specialise in implementing and delivering comprehensive health strategies for employees.

We furthermore provide outcomes-based employee wellness programmes (EWPs), helping companies and institutions in the public and private sector to encourage and support healthy and balanced living for their employees. The goal is to improve their well-being and promote maximum productivity through health.

Our principal offerings

- Occupational health services
- Outcomes-based EWPs
- Primary healthcare
- Direct doctor-to-patient virtual consultations for corporate clients
- COVID-19 staff risk tracker for employers
- COVID-19 symptom checker



MYLIFE HEALTHCARE CENTRES

- Our MyLife Healthcare Centres (MyLife) offer high-quality primary healthcare provided by nurses and supported by doctors through virtual consultations.



INTERNATIONAL

 For more information on our international performance section, refer to page 114.

ALLIANCE MEDICAL

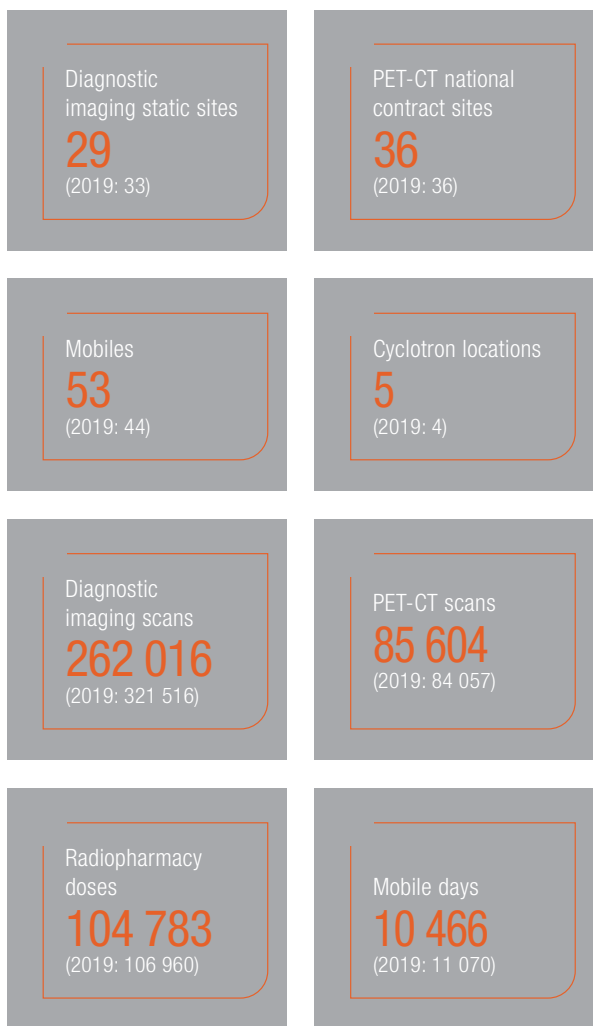
Diagnostic and molecular imaging, radiopharmaceuticals and product development.

As western Europe's leading independent provider of diagnostic imaging services, we improve patient care by combining innovative imaging technologies and excellent service.

We support public and private organisations with their imaging requirements, and work collaboratively with healthcare professionals, healthcare organisations and academic institutions – ensuring high-quality yet cost-effective care for our patients and customers.

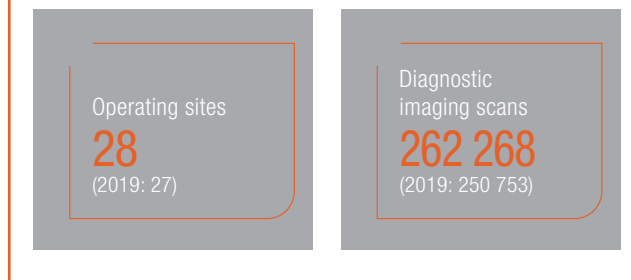
Our principal offerings UK

- Magnetic resonance imaging (MRI)
- Computerised tomography (CT)
- Positron emission tomography-computerised tomography (PET-CT)
- Radiopharmacy



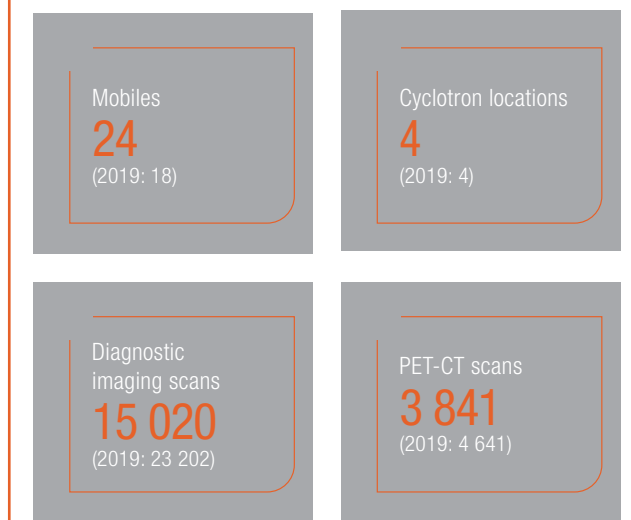
Our principal offerings Ireland

- MRI
- CT
- PET-CT



Our principal offerings Northern Europe

- MRI
- CT
- PET-CT
- Radiopharmacy



WHAT WE DO continued

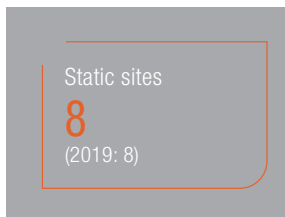
INTERNATIONAL

ALLIANCE MEDICAL

Our principal offerings

Italy

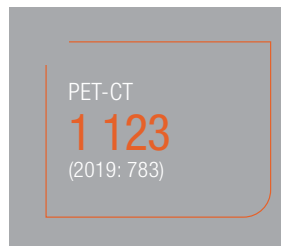
- MRI
- CT
- PET-CT
- Radiopharmacy
- X-ray
- OPT
- Mammogram
- Mammotomo-synthesis
- Lab
- Physiotherapy
- Ultrasound
- Cone beam
- DEXA



Our principal offerings

Spain

- MRI
- CT
- PET-CT
- X-ray



Our principal offerings

LMI

A fully integrated research and development pharmaceutical company dedicated to developing and globally commercialising innovative molecular imaging agents for use in PET-CT diagnostics. LMI has a pipeline of novel imaging agents that address major unmet clinical needs in neurological, oncological and cardiovascular diseases.

NeuraCeq™ (florbetaben F18), is FDA approved with the second largest market share in US.

SCANMED

Co-ordinated healthcare for private and institutional patients.

Scanmed is both privately and publicly funded and, for more than 15 years, has offered broad-spectrum health in some of Poland's major cities. By increasing access to comprehensive treatment methods, excellent specialists and advanced medical equipment, we provide our patients the best service and fast recovery – ensuring we are their preferred medical supplier.

Our principal offerings

- Primary care
- Outpatient specialist care
- Hospital care
- Rehabilitation
- Cardiology
- Orthopaedics
- Paediatrics
- Dermatology
- Gynaecology and obstetrics
- Diagnostics

Facilities
42
(2019: 41)

Cardiac units
13
(2019: 12)

Beds
582
(2019: 579)



OUR GEOGRAPHIC FOOTPRINT



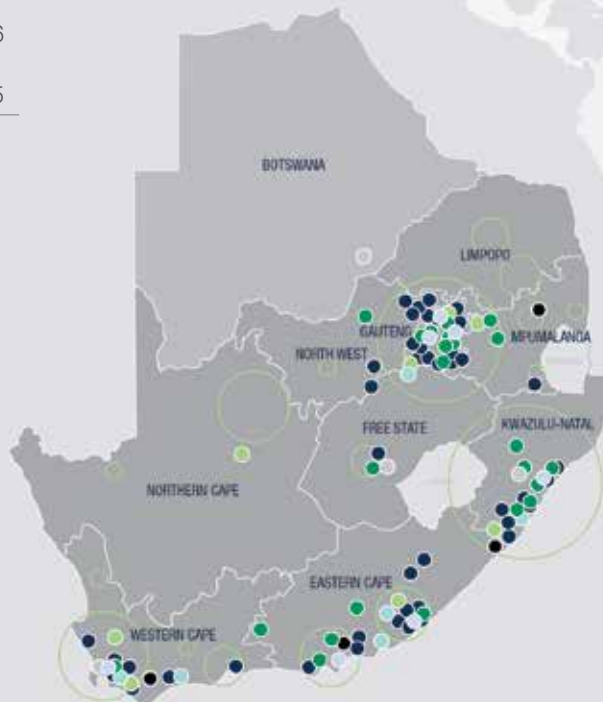
SOUTHERN AFRICA

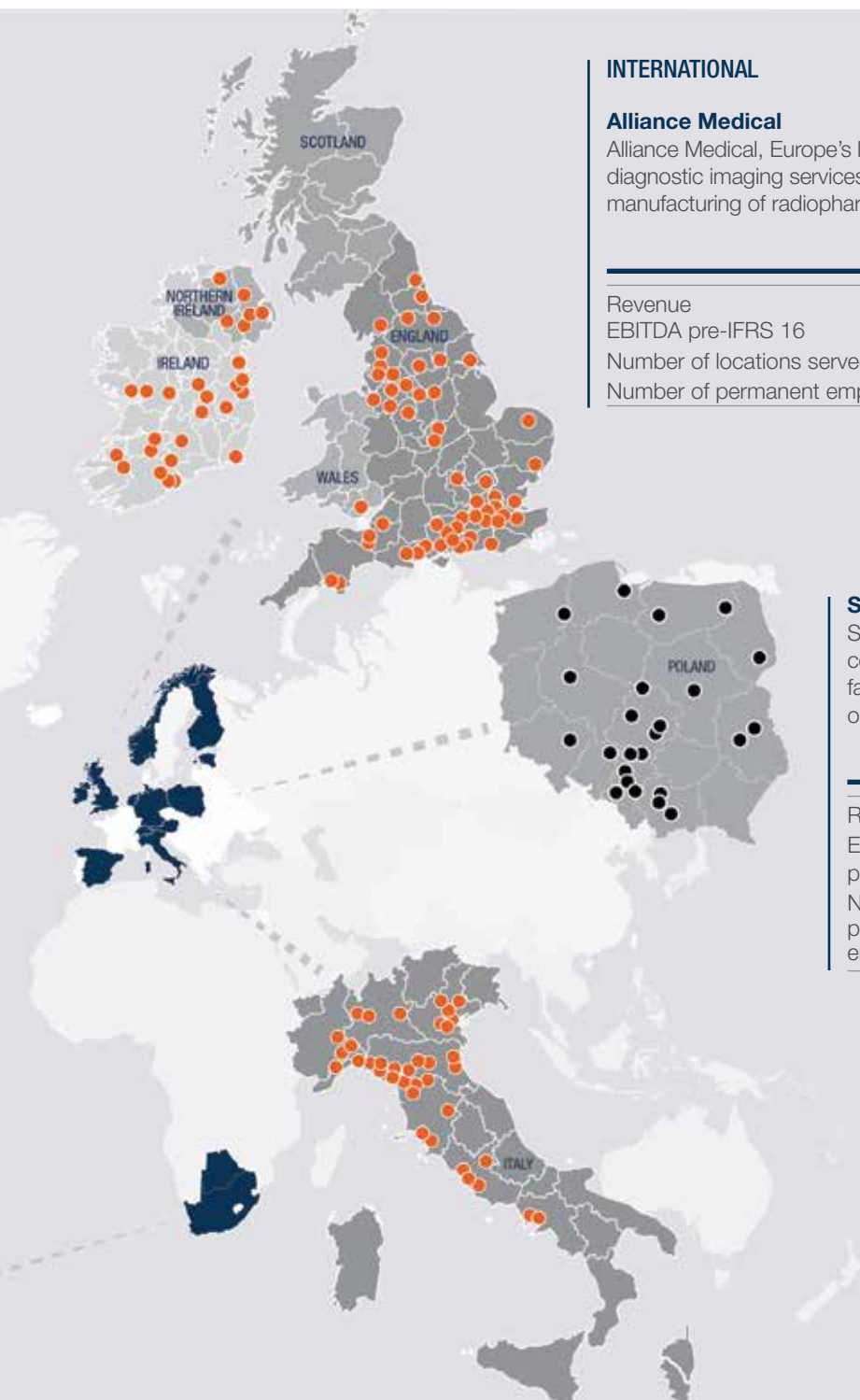
Life Healthcare provides quality healthcare to the southern Africa market, which includes South Africa and Botswana. Our primary service offering is organised into two divisions – namely, the hospital division and the healthcare services division.

Southern Africa	2020	2019
Revenue	R17.2 billion	R18.5 billion
Earnings before interest, tax, depreciation and amortisation (EBITDA) (pre-IFRS 16)	R2.8 billion	R4.4 billion
Number of paid patient days (PPDs)	1 914 159	2 269 756
Number of permanent employees	15 060	15 385

Southern Africa locations

- Hospitals and same-day surgical centres
- Rehabilitation units
- Mental health facilities
- Employee Health solutions
- Renal dialysis units
- Esidimeni units
- Specialised maternity unit
- College of learning centres
- Oncology units





INTERNATIONAL

Alliance Medical

Alliance Medical, Europe's leading independent provider of complex diagnostic imaging services, integrated molecular imaging services and manufacturing of radiopharmaceuticals.

	2020	2019
Revenue	R6.3 billion	R5.6 billion
EBITDA pre-IFRS 16	R1.2 billion	R1.3 billion
Number of locations served	233	220
Number of permanent employees	2 160	2 040

Scanmed

Scanmed operates across Poland and offers comprehensive medical services in acute facilities, cardiac centres, monoclinics and outpatient facilities.

	2020	2019
Revenue	R1 535 million	R1 349 million
EBITDA pre-IFRS 16	R140 million	R97 million
Number of permanent employees	1 887	2 020

Life Molecular Imaging (LMI)

LMI is a research and development company dedicated to the development and global commercialisation of innovative molecular imaging agents for use in PET-CT diagnostics, addressing major unmet clinical needs in neurological, oncological, and cardiovascular diseases. LMI currently have active supply sites in 20 countries.

LMI	2020	2019
Revenue	R319 million	R268 million
EBITDA pre-IFRS 16 ¹	R1 million	(R12 million)

¹ Excludes non-trading foreign exchange loss of R8 million (2019: R30 million profit).

- Alliance Medical
- Scanmed
- Represent LMI active supply sites.

OUR INVESTMENT PROPOSITION



By investing in Life Healthcare, investors gain access to the growing healthcare sector through our diversified portfolio of acute and non-acute services in southern Africa, diagnostic and molecular imaging, radiopharmaceutical manufacturing, LMI research and development, as well as healthcare services across western Europe. We are committed to being a good corporate citizen, and conducting our business ethically and sustainably to protect our reputation.

We are a global healthcare provider offering an integrated healthcare model and diagnostic imaging capability

A diversified offering with a growing share of revenue and earnings from non-acute sources

We provide care that is meaningful and valued by our patients by focusing on our employees, clinicians, clinical excellence, using analytics and technology to positively impact patient care

Pursuing sustainable growth

Our diversified portfolio offering of growth opportunities in non-acute complementary and healthcare services, as well as the advantage of leveraging our international operations' experience in diagnostic imaging to develop the opportunity in southern Africa, place us in a favourable position to advance the growth initiative. While the COVID-19 pandemic delayed progress, the latter half of 2020 saw our efforts gathering significant momentum.

Internationally, **Life Molecular Imaging (LMI)** is a fully integrated research and development pharma company dedicated to developing and globally commercialising innovative molecular imaging agents for use in PET-CT diagnostics. Neuraceq™ is a radiopharmaceutical indicated for Positron Emission Tomography (PET) imaging of β -amyloid neuritic plaque density in the brains of adult patients with cognitive impairment who are being evaluated for Alzheimer's disease (AD) and other causes of cognitive impairment. Neuraceq™, is a Food and Drug Administration (FDA) approved product market demand that will expand significantly once an Alzheimer's therapeutic disease modifying drug (TDMD) is approved by the FDA.

We are a world-class hospital operator that is highly cash generative, delivering world-leading margins and clinical quality. In South Africa, we have a national footprint offering care across acute, complementary and occupational health facilities. Internationally, diagnostic imaging shows good prospects for growth, particularly from a PET-CT perspective in the UK. Our 18-month cyclotron refurbishment programme is nearing completion, and will ease radiopharmacy supply challenges. We have opened our fifth cyclotron location in September 2020 and will start producing commercially in the first quarter of 2021, supporting the longer-term growth in PET-CT.

Creating shareholder wealth

R7.0 billion

paid in dividends to shareholders over the past six years



Continued focus on quality outcomes and patient experience

Our patient-centric approach is what drives us to achieve clinical excellence. We are transparent about our quality scores, which continue to improve year-on-year, and we pride ourselves on our ability to provide excellent, affordable healthcare.

Adaptable and well-positioned

Our ability to pivot during times of crisis has been tested in 2020, with our response to COVID-19 demonstrating the resilience of our business. Our diverse operations and our proficiency in adjusting our operational processes have shown that we are well-positioned to continue our growth path in a post-COVID-19 environment.

Furthermore, while the cyber-incident resulted in taking our systems in South Africa offline for a period as a precautionary measure, we continued to provide quality healthcare across hospitals and clinics, which is testament to the alternative processes in place and our well-trained employees.

Driving clinical excellence

We are committed to driving excellence by continuously embedding operational efficiency initiatives throughout the Group. We are relentless in our focus on clinical outcomes and were the first hospital group in southern Africa to publish quality measures per hospital annually on our website, with patient experience updated daily.

Our quality efficient care initiatives focus on reducing the cost per event through formulary compliance and management of utilisation.

Our investment continues in data and analytics, with a focus on value-driven analytics use cases targeting improved clinical outcomes and continually yield operational efficiency.

Our nursing excellence efficiency drive through our DOMINO programme delivered exceptional results during a very challenging year. Improving on a new clinical practice environment that support our nurses and achieves the highest level of patient care in the safest and most optimal way is a key focus area for us.

A diversified strategy across business lines and territories

Southern Africa

68%
revenue

International

32%
revenue

Acute services

63%
revenue

Non-acute services

37%
revenue

Experienced leadership

This year, we successfully balanced changes to our executive team with responsible crisis management. Leadership changes and the performance of the business, in addition to the pandemic and impact of the cyber-incident, attest to the bench strength across our teams in our various businesses.

Our leadership's capabilities extend beyond times of crisis – we have a motivated and united team that is committed to moving the business forward.

Cultivating relationships

We work with various stakeholder groups across our businesses, and we continue to invest in these relationships to maintain our competitive edge. Building relationships with our doctors and specialists is critical and leads to a growing and highly skilled base of healthcare professionals. Our engagement with hospitals, medical associations and tertiary institutions is ongoing to establish a pipeline of specialists for the future.

We build solid and lasting relationships with governments and regulators in the regions where we operate. This supports our commitment to simplifying access to high-quality healthcare for our patients. We remain committed to supporting government to help ease the burden on public healthcare facilities.

We continue to foster and sustain collaborative relationships with our healthcare funders and suppliers, promoting fair and transparent procurement activities and, particularly in South Africa, supporting enterprise development initiatives.

We will continue in developing and nurturing good working relationships with organised labour unions in southern Africa.

Operating ethically and sustainably

With an ingrained ethical culture, our organisation is supported by robust governance and good corporate citizenship.

We invest in our employees

Our ability to provide excellent and high-quality healthcare would not be possible without our employees, who are the essence of our business. We continue investing in our employees, creating sustainable partnerships that in turn, translates to quality care for our patients. We cohesively strive towards a common goal – to create the best patient experience and most positive patient outcomes.

We care

Caring is in our DNA, and this has never been more visible than during the COVID-19 pandemic. Our employees showed immense support for each other and our communities throughout this pandemic. Frontline employees continue to place their lives on the line to serve our patients. Sadly, 19 employees passed away due to COVID-19.

We continued to engage with government to care for patients in the public healthcare system, and to support its efforts in combatting the virus. With caring at the heart of our value system, we will never stop striving to improve the lives of our patients and communities.

OUR LEADERSHIP

Our Board of directors plays a crucial role in our organisation's leadership, providing guidance on strategy, governance and policy. Appropriately balanced between independent non-executive and executive directors, the Board is committed to upholding the Group's vision, mission and purpose.



MUSTAQ BREY^{1,3}
66

Role
Non-executive
director
Chairman

Date appointed
10 June 2010*
Appointed
Chairman –
February 2013

Qualification
CA(SA)

Committee
Nominations and
governance
committee

**PETER
GOLESWORTHY²**
62

Role
Lead independent
non-executive
director

Date appointed
10 June 2010

Qualification
BA (Hons) (first
class), Accountancy
Studies, CA

Committee
Audit (chairman),
nominations and
governance
(chairman), risk,
compliance and IT
governance,
investment

**PROF MARIAN
JACOBS¹**
72

Role
Independent
non-executive
director

Date appointed
1 January 2014

Qualification
MBChB (UCT),
Diploma in
Community Medicine
(UCT), Fellow of the
College of South
Africa (paediatrics)

Committee
Clinical (chairman),
social, ethics and
transformation and
risk, compliance and
IT governance

**DR VICTOR
LITLHAKANYANE^{1,3}**
54

Role
Independent
non-executive
director
Chairman-designate

Date appointed
15 April 2020

Qualification
MBChB, Masters in
Medicine
(radiotherapy),
Masters: Business
Administration

Committee
Investment and
clinical

AUDREY MOTHUPI¹
50

Role
Independent
non-executive
director

Date appointed
3 July 2017

Qualification
BA (Hons), (PolSci),
Trent University,
Canada

Committee
Social, ethics and
transformation
(chairman), audit and
risk, compliance and
IT governance

**JOEL
NETSHITENZHE¹**
63

Role
Independent
non-executive
director

Date appointed
30 November 2010

Qualification
MSc (University of
London, School of
Oriental and African
Studies), PGDip
(Economic Principles),
Dip (PolSci)

Committee
Risk, compliance
and IT governance
(chairman), social,
ethics and
transformation



DR MALEFETSANE NGATANE¹ 66	ADV MAHLAPE SELLO¹ 58	GARTH SOLOMON¹ 53	ROYDEN VICE¹ 73	PETER WHARTON-HOOD^{1, 4} 55	PIETER VAN DER WESTHUIZEN^{1, 4} 49
Role Independent non-executive director	Role Independent non-executive director	Role Independent non-executive director	Role Independent non-executive director	Role Executive director, Chief Executive Officer	Role Executive director, Chief Financial Officer
Date appointed 10 June 2010*	Date appointed 3 July 2017	Date appointed 10 June 2010*	Date appointed 1 January 2014	Date appointed 1 September 2020	Date appointed 1 June 2013
Qualification BSc, MBChB, FCOG	Qualification Master of Arts and Law (Russia), LLB (Wits)	Qualification CA(SA)	Qualification CA(SA)	Qualification CA(SA)	Qualification CA(SA)
Committee Social, ethics and transformation, clinical, nominations and governance	Committee Human resources and remuneration and risk, compliance and IT governance	Committee Investment (chairman), audit, human resources and remuneration, clinical	Committee Human resources and remuneration (chairman), audit and investment	Committee Social, ethics and transformation, investment, risk, compliance and IT governance	Committee Risk, compliance and IT governance

¹ South African.

² British.

³ Mr Mustaq Brey will serve as chairman of the Board until the conclusion of Life Healthcare's annual general meeting (AGM) in 2021, whereafter Dr Victor Lithakwanyane will assume the role of chairman.

⁴ Dr Shrey Viranna resigned as CEO on 17 January 2020. Mr Pieter van der Westhuizen served as acting CEO until Mr Peter Wharton-Hood's appointment as CEO from 1 September 2020.

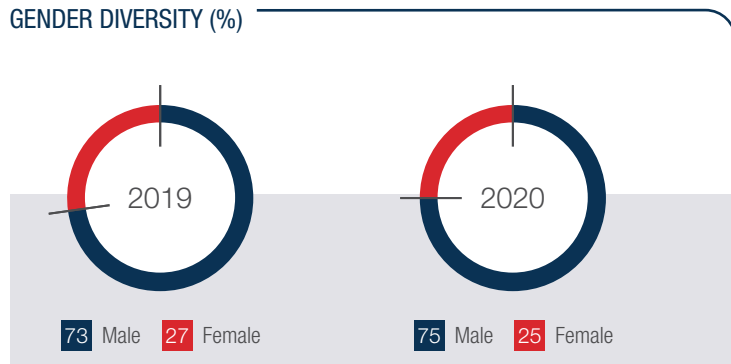
* Refer to page 146 for further information in respect of tenure.



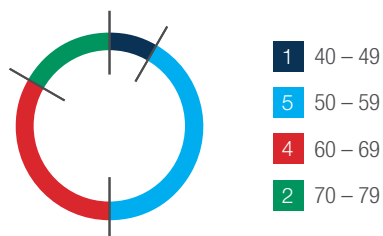
For a detailed biography of each member, please refer to our Board and executive management supplementary report, available online at <https://www.lifehealthcare.co.za/investor-relations/our-directors/>.

OUR LEADERSHIP continued

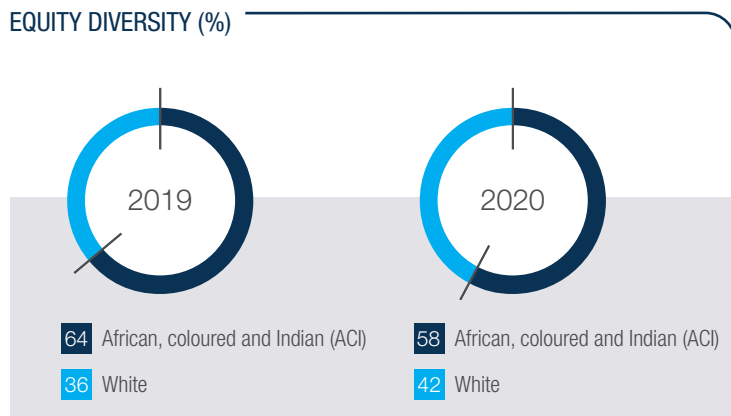
GENDER DIVERSITY (%)



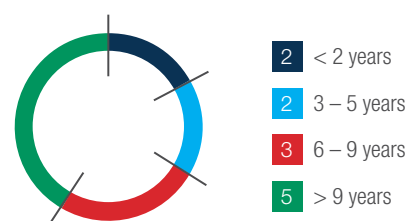
AGE (Number of directors)



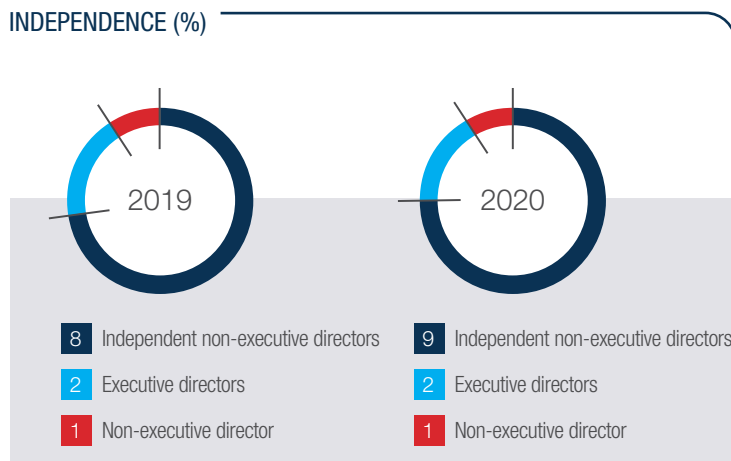
EQUITY DIVERSITY (%)



TENURE (Number of directors)



INDEPENDENCE (%)



GROUP EXECUTIVE COMMITTEE



PETER WHARTON-HOOD

55

Role
Chief Executive Officer

Qualification
CA(SA)



PIETER VAN DER WESTHUIZEN

49

Role
Chief Financial Officer

Qualification
CA(SA)



ADAM PYLE

53

Role
CEO – Southern Africa

Qualification
BCom, LLB



MARK CHAPMAN¹

48

Role
CEO – International

Qualification
BSc (Hons) Applied Statistics and Econometrics



BRETT MILL

46

Role
Strategic Planning Executive

Qualification
BEconSC, FFA, FASSA (Economics and actuarial science)



AVANTHI PARBOOSING

45

Role
Group Company Secretary

Qualification
BA (Law and Political Science), BA (Hons) and Masters (Political Science and International Relations)



SUREN GOVENDER

48

Role
Chief Digital Officer

Qualification
Masters (Business information systems)



MARK FERREIRA

59

Role
Acting Chief Medical Officer (International Medical Director)

Qualification
MBBCh; MFamMed; MHealthEcon

Group executive members who resigned during the year:

- Dr Shrey Viranna's (CEO) last day as director was 17 January 2020
- Tanya Little (Operations Executive) resigned 31 July 2020

¹ British.






Detailed biographies of our Group executive committee are available online at

<https://www.lifehealthcare.co.za/investor-relations/group-executives/>.

EXTERNAL OPERATING ENVIRONMENT

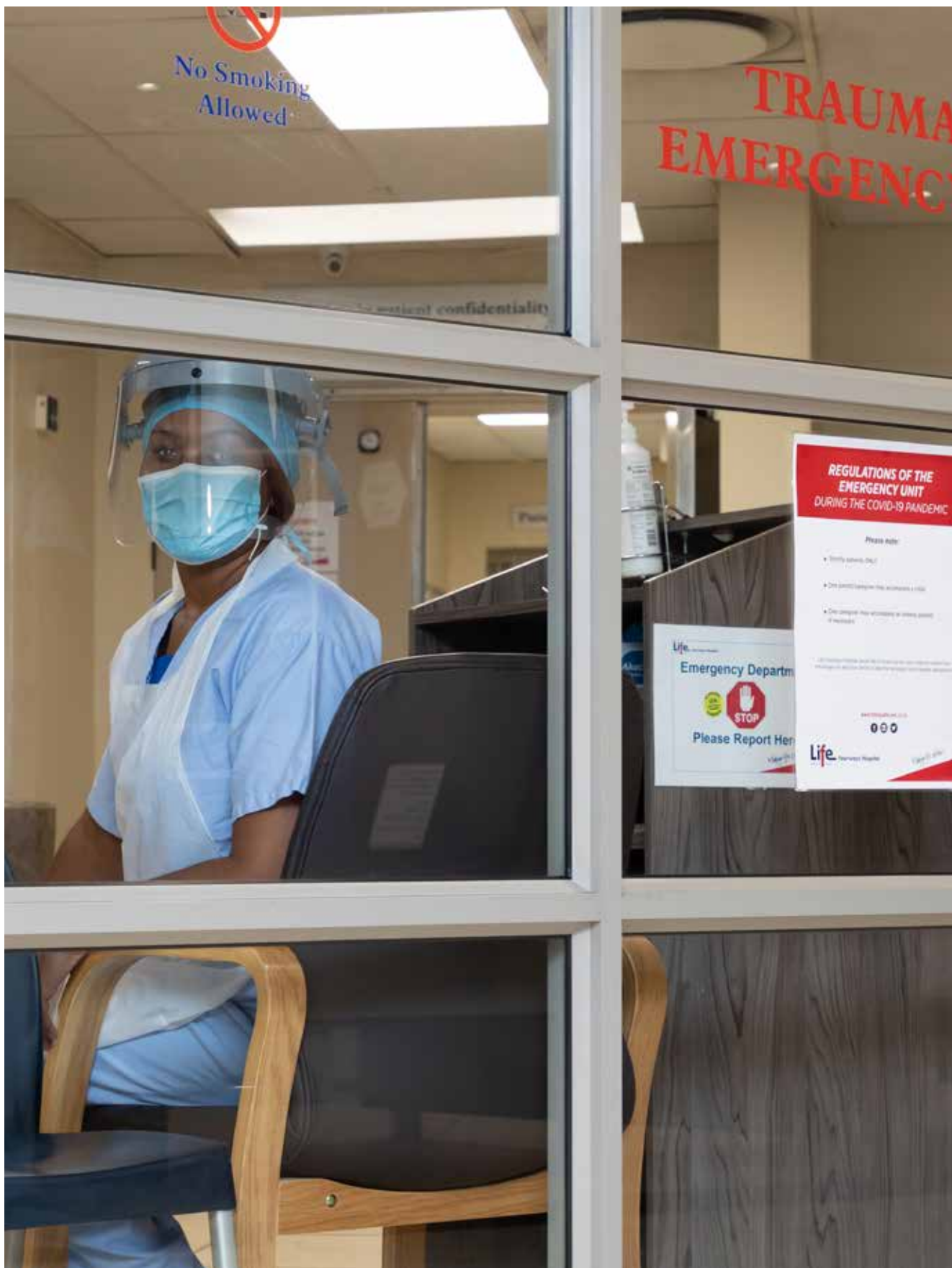
As a global healthcare provider, we must consider how the regions' economic and social contexts where we operate, impact our business. Therefore, we monitor the drivers that influence both our southern African and international healthcare landscape to make life better for our patients, employees and other stakeholders.

Driver	Trend	What this means for us
 <p>1 Changing demographics</p>	<p>Global demographics continue to shift and, with this, healthcare needs. As life expectancy increases, for example, so does the demand for healthcare services. An ageing population will require longer-term care for complex health issues. Furthermore, unhealthy changes in lifestyle will increase the prevalence of obesity and other chronic health conditions.</p>	<p>We expect that the demand for healthcare services will continue to grow as people live longer. Treatments will need to be adjusted to respond to more complex health issues. To remain competitive, we will continue to meet the changing needs of our patients.</p>
 <p>2 COVID-19</p>	<p>The COVID-19 pandemic has been disruptive on a global level, putting pressure on healthcare organisations to evaluate and adapt how they deliver care.</p>	<p>The impact of COVID-19 varied across the Group's geographic regions and business lines, mainly due to the timing of the spread of the disease and the interventions by governments. Our response to COVID-19 may lead to long-lasting change, impacting cost, through-put due to social distancing, ways of working, data and technology. We have adopted a multi-faceted approach to adapt our operations, ensuring we comply with all in-country regulations. We believe that our business is well-positioned to navigate the post-COVID-19 environment. Our key focus will be on clinical excellence, the safety and well-being of our employees, our doctors, our patients and ongoing safeguarding of our financial position.</p>
 <p>3 Cost of care</p>	<p>On a global scale, the cost of care continues to increase and is expected to become increasingly difficult to afford, placing pressure on margins for healthcare providers who want to provide quality care while remaining competitive in a challenging environment.</p>	<p>Healthcare providers need to be disruptive and innovative to remain competitive. For Life Healthcare, this means driving industry change by leveraging technology, engaging with regulators and healthcare funders, influencing behaviour, improving utilisation and reducing operational costs while offering efficient quality care to our patients.</p>

 Global  Southern Africa

Driver	Trend	What this means for us
 <p>Evolving technology</p>	<p>Development in technology continues to transform the way in which we care for our patients, enabling constant innovation in treatments and how we leverage big data, the Internet of Things and artificial intelligence (AI). Patients are also increasingly expecting on-demand online services from healthcare providers. The protection and safeguarding of personal data will again come under increased scrutiny as technology is leveraged within global healthcare systems.</p>	<p>We aim to build a future-fit data and analytics capabilities across the Group. Capturing the opportunities unlocked by technological advances will increase efficiencies across the Group, enabling us to transform healthcare delivery, patient monitoring and auxiliary services in the regions where we operate. By doing this, we can empower our patients and clinicians to make better choices. We embed mature information technology (IT) systems throughout our business to ensure data privacy and protect personal information.</p>
 <p>Growing consumerism</p>	<p>Patients continue to place significant importance on value-based healthcare. Furthermore, they expect consistent, high-quality care and clinical excellence from their healthcare providers.</p>	<p>We must remain ahead of the curve by providing patient-centric care with a focus on experience. This can be delivered through the rigorous measuring of customer experience and by driving employees to instil a patient-centric focus.</p>
 <p>Regulatory landscape</p>	<p>The global healthcare industry continues to be highly regulated, with matters relating to licences, conduct, data privacy and security, occupational health and safety, and quality standards becoming increasingly complex.</p>	<p>Compliance and ethical standards remain an important focus area for us, which is inextricably linked to our culture. We rigorously monitor codes, regulations and frameworks applicable to our business to stay up-to-date on changes, which we then cascade throughout our operations as needed. As a Group, we will continue to adapt to the ever-changing landscape.</p>
 <p>Specialised skills shortages</p>	<p>Skilled medical professionals, particularly doctors and nurses, continue to be in demand. This is further impacted by the uneven distribution of the global health workforce. While the need for specialised skills increases, so does the need to upskill and reskill healthcare workers to adequately respond to emerging disease patterns and technological advancements.</p>	<p>To ensure our sustainability in a highly complex operating environment, we recruit high-calibre resources for key roles across the Group. Furthermore, we have dedicated succession plans in place for our executives. We offer learning and training programmes to our employees, and provide attractive benefits and remuneration for employees as well as consultant doctors.</p>

OUR RESPONSE TO COVID-19



OUR COVID-19 RESPONSE

The COVID-19 pandemic created an extraordinary situation medically, socially and economically during 2020, and had a significant impact on the Group. Geographically, our operations are diverse, and the timing of the spread of the virus and the associated responses of different governments has been varied.

Life Healthcare established a response framework and adopted an integrated approach to combating the pandemic within our various geographies. Strong teamwork, across functions and close collaboration with doctors, suppliers and external stakeholders played a key role in allowing the Group to effectively respond to the challenges of the difficult operating environment.

The safety and wellbeing of our employees, our doctors and our patients remain our key priority. We have taken a multi-faceted approach to dealing with risks to our business and quickly adopted a level of agility required in times of crises.

Various protocols and measures that have been introduced have now become embedded into the organisation and will remain in place in perpetuity.

Our continued focus will be on ensuring flexibility in responding to a pent-up demand or potential second wave impact across the business, with delivery of clinical excellence and ongoing safeguarding of our financial position.



OUR RESPONSE TO COVID-19 continued

SOUTHERN AFRICA

We implemented specific operational, staffing and clinical interventions in response to COVID-19 in all our facilities, guided by the National and Provincial Departments of Health (DoH), the National Institute of Communicable Diseases (NICD), the World Health Organization (WHO), including input from various medical societies and experts.

Providing adequate personal protective equipment (PPE) for our frontline employees, doctors and allied professionals working at our hospitals has been a key priority. To secure stock, we expanded our supply lines and collaborated on various industry initiatives, including the Business for South Africa (B4SA) initiative.

As at the end of the financial year, Life Healthcare had admitted approximately 11 000 patients with COVID-19. The peak number of admissions was 1 658 in the latter part of July 2020 and by the end of September 2020, the total number of admissions had dropped below 300. The average age of admitted patients was 54 years. In total, 15% of admitted patients succumbed to the disease, a case fatality rate for hospitalised patients similar to that of the private hospital sector in general. More than 2 800 personnel in our hospitals became infected, with nearly 2 000 of these being nurses and 139 being doctors. Tragically, 19 employees have passed away from COVID-19.

KEY MEASURES IMPLEMENTED IN PREPARING, PROTECTING AND RESPONDING TO COVID-19

Protecting our employees, our patients and managing our facilities

- Established separate teams and consulting structures for employees and doctors to limit the potential impact and spread of COVID-19
- Established COVID-19 committees in all our hospitals to manage clinical outcomes and operational matters
- Quick deployment of technology in response to COVID-19, including a free symptom tracker, as well as a risk solution and virtual general practitioner (GP) consultations for Life EHS corporate clients
- Clinical measures, backed by policies and procedure guidelines and in line with standards issued by the DoH, NICD, WHO and various medical societies
- Providing vaccinations against seasonal influenza for employees and doctors
- Sufficient and appropriate availability of nurses and other frontline employees, including redeployment of employees between units and hospitals, as well as a number of initiatives focused on increasing nursing and healthcare worker capacity
- Enlisted infection prevention specialists to drive training on and compliance with relevant protocols
- Developed and implemented extensive guidelines covering screening, clinical care, infection prevention and PPE usage
- Training across our facilities, using multiple communication channels were developed
- Created an operational model for all our hospitals
- Reduced entry points to our hospitals and introduced stringent screening protocols across all our facilities
- Introduced staggered admission times
- Suspended patient visiting hours, with limited exceptions
- Managed patient flow
- Temporarily closed 17 retail pharmacies
- Revised and adapted PPE protocols in line with increasing knowledge of the disease and availability of PPE
- Detailed surge plans prepared by all facilities within the Group guidelines, covering:
 - reconfiguration of existing wards within different surge scenarios
 - patient flow (split between COVID-19 and non-COVID-19)
 - introduced emergency unit triage patient flow and isolation
 - planning for medically necessary cases



SOUTHERN AFRICA *continued*

Collaboration

The outbreak of COVID-19 highlighted the importance of engagements between the public and private sectors in South Africa. Guided by our belief that healthcare providers have a moral obligation to partner with government, we were ready to assist the South African government in various ways to treat public sector patients in our facilities.

New channels of communication opened up with government at both national and provincial level. We actively approached provincial legislatures' portfolio committees to keep them abreast of measures taken in their respective provinces, including information on bed availability, with the information and our willingness to collaborate being favourably received. Extensive discussions were held on the arrangements to manage the transfer of patients between public and private sector, should the need arise – with varying degrees of success in different provinces.

The pandemic also presented a unique opportunity to collaborate with our doctors, such as:

- Establishing a doctor COVID-19 committee at each hospital to share information across the group
- Leveraging the expertise of our ethics sub-committees to make the difficult decisions of where to allocate scarce resources
- Consulting with a clinical review panel on recommended treatment protocols
- Meeting with the B4SA Providers Group, which included doctors' associations such as the South African Private Practitioners Forum, Surgicom, South African Society of Anaesthesiologists, and the South African Medical Association
- Establishing new forms of communication with our doctors, including Telegram, WhatsApp groups, webinars and virtual doctor meetings in each region (often attended by up to 100 doctors)
- Supplying PPE to doctors for use in their consulting rooms



For more information on how COVID-19 affected our operational performance, refer to our southern Africa performance section on page 86.

INTERNATIONAL

At the outset of the pandemic, our international teams established response frameworks according to the various government measures and healthcare policies. This allowed our teams to ensure that all country-specific government measures and policy guidelines were followed, while also considering the Group's overarching guidelines. By adapting our operational procedures to best reflect the situation in each country where we operate, we were able to effectively partner with government and national health providers to support their pandemic responses.

Throughout the pandemic, our first priority was to protect the health and safety of our employees and patients. Due to the nature of our operations, employees were impacted differently based on their roles. Therefore, each business introduced a flexible approach in responding to COVID-19 to ensure the safety and well-being of each employee. We expect that the measures we have introduced over the past year will remain in place for the foreseeable future.

Internationally across geographies, fewer than 200 international employees have become infected, with no deaths.

KEY MEASURES IMPLEMENTED IN PREPARING, PROTECTING AND RESPONDING TO COVID-19

Protecting our employees, patients and managing our facilities

- Reviewed and modified working practices at all patient-facing facilities
- Telephone pre-screening processes were introduced along with additional patient information leaflets. Physical patient pathways on attending a unit were amended as appropriate to minimise avoidable risks, including the provision of screening at reception, the introduction of temperature checking, increased equipment cleaning schedules, increased personal protective equipment requirements and COVID-19 patient checklists
- Modified plans and processes for high-risk patients
- Increased equipment cleaning schedules
- Acquired additional PPE
- COVID-19 patient checklists
- Modified plans and processes to care for high-risk patients
- Introduced flexible, remote working practices
- Each business conducted immediate supplier management reviews. This process already formed a part of our Brexit preparations, and our Ireland and UK operations already had the majority of these measures in place

OUR RESPONSE TO COVID-19 continued

INTERNATIONAL continued

Collaboration

In the UK, Alliance Medical reached an agreement with the National Health Service (NHS) to secure average payments for the national PET-CT contract from April to June 2020. This enabled us to continue providing this essential service to our patients, while also protecting both revenues and employment. Similar average revenue agreements contracts are being discussed with individual NHS trusts. We also secured an additional contract with the NHS to provide CT scanners and employees to support the government's COVID-19 response.

International teams utilised government support schemes where available and appropriate, which included deferred insurance contributions and tax opportunities, preferential business loans and employment protection funds.



For more information on how COVID-19 affected our operational performance, refer to our international performance section on page 114.

COVID-19 FINANCIAL IMPACT

	Group	Southern Africa	International
Revenue	R2 710 million	R2 273 million	R428 million
EBITDA	R2 077 million	R1 786 million	R291 million

Mitigating COVID-19 risks

We immediately introduced measures to safeguard our financial stability as volumes declined during the COVID-19 crisis, including:

- Increasing our committed banking facilities
 - In our southern Africa operations we increased committed facilities by R3.7 billion since the onset of the pandemic
 - In our international operations we refinanced the term debt of our international operations and increased committed facilities by approximately GBP55 million, with an additional GBP100 million available with 30 days' notice
- Agreeing amendments to covenants with banks
- Suspending interim and year-end dividends
- Delaying capex projects while ensuring that we did not compromise the business
- Reducing temporary staff through increased utilisation of permanent employees
- Negotiating additional revenue contracts with the UK NHS
- Actively managing debtors and creditors
- Restricting non-clinical recruitment drives
- Accessing government support schemes as appropriate
- Conducted supplier management reviews, including negotiating extended payment terms with some suppliers, as well as co-ordinating funding supplier payment deferrals through trade finance facilities

Charitable donations

Our executive committee decided to suspend their short-term incentive and, along with our non-executive directors, voluntarily donated up to 30% of their salaries for six months to funds that we established to benefit Life Healthcare employees and contractors impacted by the pandemic.

During the COVID-19 period, we provided 770 employees who could not isolate or quarantine at home with Company-funded accommodation. Additionally, the Employee Assistance Fund paid out R5.8 million in support of 1 435 employees during these unprecedented times. The Company also paid out a gratuity bonus totalling R45 million to 14 947 employees. We have donated R1.5 million towards a food relief project that will provide approximately 4 000 food parcels to communities across Gauteng, the Western Cape, Eastern Cape, North-West, Mpumalanga, Limpopo, KwaZulu-Natal and the Free State. Each food parcel feeds a family of four for one month. We additionally donated approximately 2 000 cloth masks for students and employees at the SANCB Optima College, and 750 cloth masks to the volunteer employees at SA Depression and Anxiety Group – an NGO with a focus on mental health. We also provided funding to families for the funerals of employees who tragically lost their lives as a result of COVID-19.

What we could have done differently

COVID-19 provides Life Healthcare with a learning opportunity unprecedented in our lifetime. As a result, we are documenting our learnings in a handbook which will prepare us better for future infectious epidemics which might emerge within, or be imported into, the countries within which we operate, as well as improve on the speed of operational decision making.

We do think we did many things right and will build on those but our improvements come from identifying shortcomings and responding to them.

In spite of their known financial constraints, the aggressive recruitment of nurses by the public sector, took the private sector by surprise. With high-paying short-term contracts of a year, the public sector attracted a significant number of nurses from the private sector, often to field hospitals that were underutilised. Short-term retention schemes for our staff need to be considered early on when there is such a high demand for a healthcare human resource.

We did introduce a campaign to ensure that the non-pharmaceutical interventions (handwashing, cleaning of surfaces, maskwearing and social distancing) became part of everyday behaviour. It is essential that in any disease outbreak we support and educate our staff to protect themselves using measures aligned to the mode of transmission of the disease within communities as well as in the clinical setting.

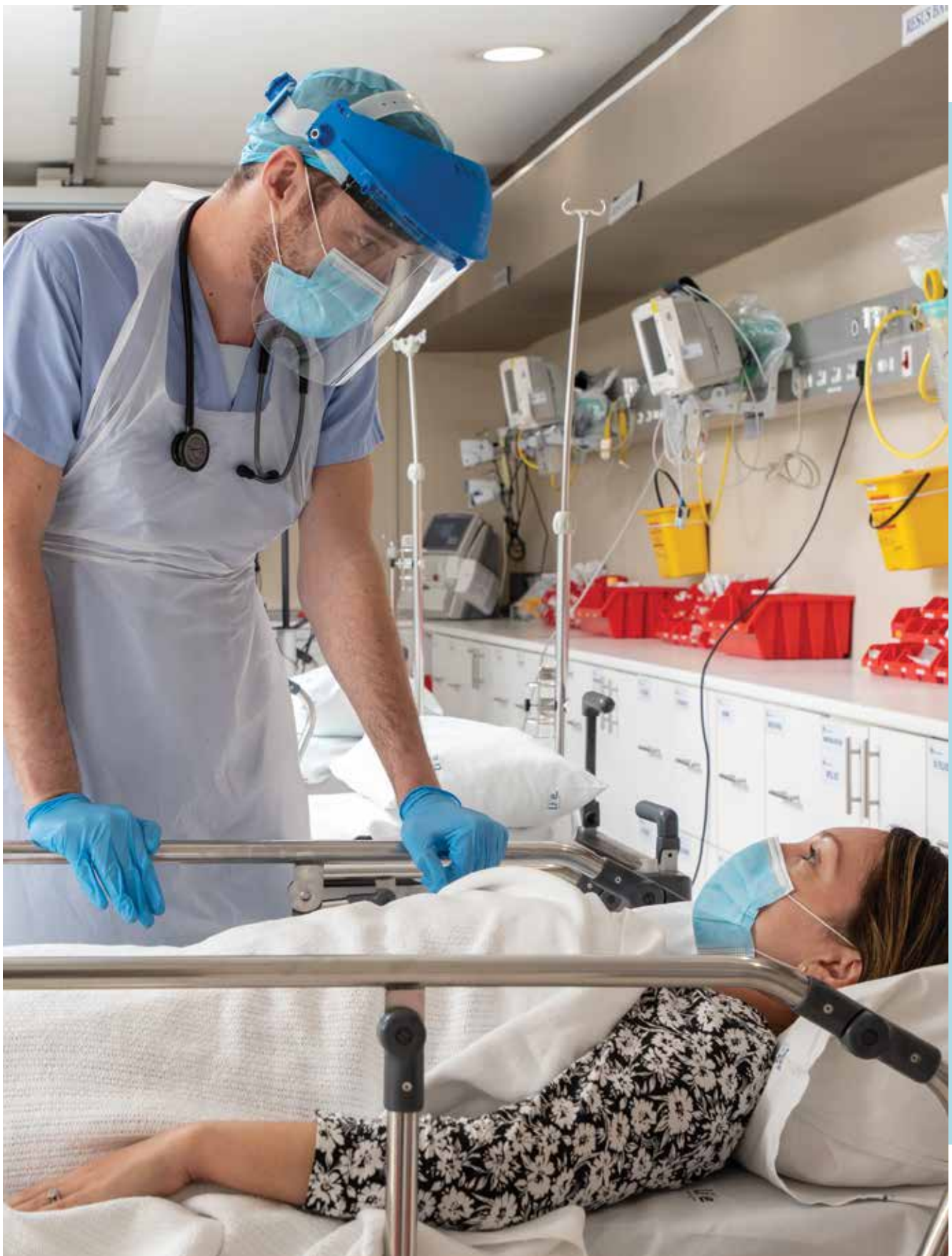
An early learning to which Life Healthcare did respond promptly was the importance of psychosocial support to personnel who were suddenly quarantined or isolated due to infection with, or high-risk exposure to, this new disease. Fear of the unknown, the uncertainty of the course of the disease and the isolation from family and community had serious consequences practically and emotionally for the individuals concerned.

Collaboration with the public sector (national and provincial health departments in seven provinces in which Life Healthcare operates) proved time-consuming. Each province had to be approached individually by different hospital groups. Similar to a national agreement on pricing, there needs to be a national service level agreement for the referral of patients between the public and private sectors.

Outlook

The business is preparing for a potential COVID-19 second wave, but we are confident that the lessons learned will enable us to respond effectively to future COVID-19 or similar related challenges.





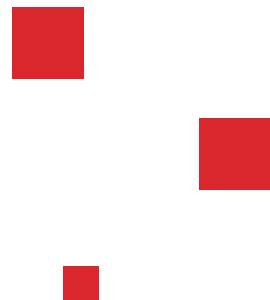
VALUE CREATION

- 34** How we create value
- 36** Business model
- 38** How we created value for our stakeholders
- 42** Our stakeholders
- 49** Key risks and opportunities
- 60** Material matters
- 66** Our strategy

HOW WE CREATE VALUE

LIFE, HEALTH and CARE form the essence of what makes us unique.

We balance these three elements to deliver sustainable value to our stakeholders



<p>LIFE Well-being and quality of life</p>	<p>HEALTH Clinical excellence in world-class facilities</p>	<p>CARE Quality, service, respect and empathy for those entrusted to our care</p>
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The value we create is based on our external operating environment¹ along with economic, social and environmental factors, and the nature and quality of our relationships with stakeholders².

By analysing these spheres in the context of our business, we can identify our risks and opportunities³ which, in turn, enables us to develop those matters that are most material to our business and mitigate any negative effects, which could impact our ability to create value in the short, medium or long term.

We manage our risks strategically to ensure sustainable value creation into the future⁴



Growth



Quality



Efficiency



Sustainability



¹ External operating environment – pages 88 and 119.

² Stakeholder relationships – page 42.

³ Risks and opportunities – page 49.

⁴ Material matters – page 60.

STATEMENT OF FINANCIAL VALUE ADDED

Through the power of efficiency, quality, sustainability and growth, we improve lives and deliver value to our stakeholders.

	2020 R'm	2019 R'm	2018 R'm
Revenue	25 386	25 672	23 488
Less: Purchased cost of goods and services	(14 283)	(13 292)	(11 936)
Financial value added	11 103	12 380	11 552
Other income ¹	101	1 715	104
Financial wealth created	11 204	14 095	11 656
Employees	6 843	6 493	5 976
Providers of equity	778	1 321	1 209
Providers of funding ²	672	1 018	819
Governments	726	1 022	1 095
Maintenance and expansion of capital	2 925	1 986	1 704
Reinvestment in the Group ³	(740)	2 255	853
Financial wealth distributed	11 204	14 095	11 656
Average number of employees	21 660	21 795	21 227
Financial wealth created per employee (R'000)	517	647	549
Weighted average number of shares (million)	1 455	1 456	1 451
Financial wealth created per share (R)	7.70	9.69	8.03

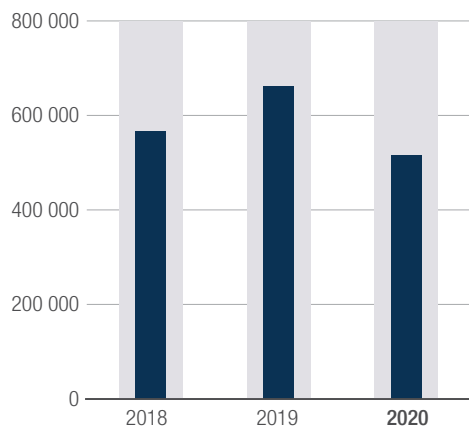
¹ Other income in 2019 includes the profit on disposal of Max of R1.5 billion before withholding tax.

² The decrease from 2019 to 2020 is mainly due to a repayment of debt in Q4 FY19. The increase in 2019 is mainly due to the acquisition of the equity holding of 6.22% from the Alliance Medical management for GBP35.7 million (R640 million) in June 2018, and the acquisition of the European Scanning Centre (ESC) in December 2018 for GBP10.6 million (R195 million) offset by the settlement of debt during 2019.

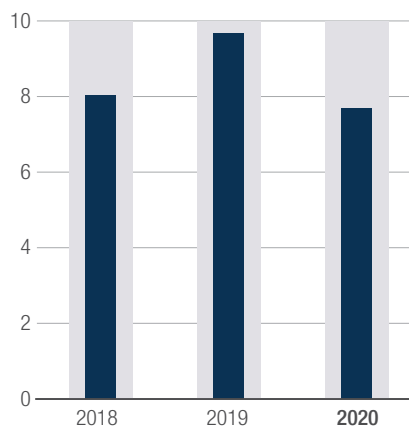
³ The reinvestment in the Group includes impairment of R798 million, with R793 million related to impairment of investment in Poland. 2019 includes impairment of R164 million for 2019, with R125 million related to impairment of investment in Poland and R39 million software development costs relating to our southern Africa operations.

Despite the challenges faced in 2020, our strategy remains sound, and we aim to diversify our offerings to support long-term growth in becoming a global, people-centred, diversified healthcare organisation.

**FINANCIAL WEALTH CREATED
PER EMPLOYEE (R'000)**



**FINANCIAL WEALTH CREATED
PER SHARE (R)**



BUSINESS MODEL

Capitals we use to create value for our stakeholders



FINANCIAL CAPITAL

The sustainability of our Group depends on how efficiently we manage the pool of funds entrusted to us by our shareholders and capital providers. Funds include equity capital, short and long-term loans, as well as profits generated from our business activities and reinvestments.



MANUFACTURED CAPITAL

Our clinical excellence is supported by our technologically advanced and multi-disciplinary facilities, optimal infrastructure, data and analytics capabilities, and world-class medical equipment and consumables.



INTELLECTUAL CAPITAL

We differentiate ourselves through excellent service offerings, responsible corporate governance and adherence to quality standards – the intangibles of our business that contribute to our competitive advantage.

KEY ACTIVITIES

OUR STRATEGY IS SUPPORTED BY THREE GENERAL TIERS OF HEALTHCARE AS WE PROVIDE QUALITY AND EFFECTIVE HEALTHCARE TO OUR PATIENTS.

OUR PRIMARY CARE OFFERING

– the broadest scope of healthcare – begins with health professionals as the first point of consultation for patients, including those with acute and chronic physical, mental and social health issues, as well as patients who want to maintain optimal health.

OUTCOMES

EXCELLENT SERVICE OFFERINGS	OPTIMAL INFRASTRUCTURE	EFFICIENT PERFORMANCE	HIGH-QUALITY CARE
-----------------------------	------------------------	-----------------------	-------------------

OUTPUTS

SOUTHERN AFRICA

HOSPITAL DIVISION

Acute Hospitals

- Same-day surgical centres
- ICUs
- High-care units
- Operating theatres
- Emergency units
- Maternity units
- Cardiac units
- Paediatric units

Complementary services

- Acute rehabilitation
- Mental health
- Renal dialysis
- Oncology

HEALTHCARE SERVICES DIVISION

Life Esidimeni

- Long-term chronic mental healthcare
- Frail care rehabilitation
- Step-down care
- Primary healthcare
- Substance abuse recovery
- Correctional services

Life EHS

- On-site occupational healthcare services
- On-site primary healthcare services
- Employee wellness programmes
- Direct doctor-to-patient virtual consultations

MANAGING TRADE-OFFS THAT INFLUENCE OUR VALUE CREATION

Protecting our employees to drive future growth

In light of the impacts of COVID-19, we had to carefully balance the expectations of our key stakeholders. This year, we made the decision to as far as possible not to reduce our employee headcount or apply any decreases to their salaries. We initiated several measures to assist employees including, establishing an employee assistance fund, accommodation, providing PPE and payment of funeral costs amongst others. As part of this decision we have, however, reduced temporary staff and increased the utilisation of our permanent employees. While this decision had a short-term cost impact, we believe this was the right decision to ensure we had sufficient capacity during the period to respond to the pandemic. Furthermore, this decision will drive the sustainability of our business in the long term, with the new ways of working being incorporated into future operating models.

We create value by successfully implementing our business model, with our inputs and activities guided by the six capitals. As a result, we create positive and sustainable outputs and outcomes for our stakeholders.



HUMAN CAPITAL

We depend on the skills, knowledge and experience of our employees to implement our strategy. By delivering our products and services, our employees attend to our patients' needs, thereby creating sustainable value for our stakeholders.



SOCIAL AND RELATIONSHIP CAPITAL

Creating and nurturing long-term relationships with our key stakeholders – including doctors, patients, suppliers, business partners, governments and labour unions in southern Africa – is how we build our reputation and brand, which is essential to our success.



NATURAL CAPITAL

We make use of both renewable and non-renewable natural resources in the delivery of services to our patients. While our business has an unavoidable impact on the environment, we endeavour to reduce negative impacts by measuring and managing our activities.

OUR SECONDARY CARE OFFERING

During secondary care, also known as acute care, health professionals treat patients for brief, but serious, illnesses, injuries or other health conditions. This type of care includes emergency medical services and intensive care, skilled attendance at childbirth, and medical imaging services.

OUR TERTIARY CARE OFFERING

Tertiary care comprises specialised consultative healthcare for inpatients and patients referred by primary and secondary healthcare professionals. It includes cancer management, cardiac and neurosurgery, and other complex medical and surgical interventions.

Growth Quality Efficiency Sustainability

For more information on our Group structure and services, refer to pages 10 to 15.

PROFESSIONAL AND FULFILLED EMPLOYEES	SUCCESSFUL LONG-TERM PARTNERSHIPS	ENVIRONMENTAL IMPACT	INCREASED PROFITABILITY
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For specific outcomes, refer to page 38.

WE DELIVER HIGH-QUALITY, COST-EFFECTIVE CARE TO OUR PATIENTS BY OFFERING THE FOLLOWING SERVICES:

INTERNATIONAL			
GROWTH INITIATIVE	ALLIANCE MEDICAL	GROWTH INITIATIVE	SCANMED
MyLife Healthcare Centres		Life Molecular Imaging	
On-site primary healthcare clinics	MRI CT PET-CT Other diagnostic imaging services Radiopharmacy Product development	Product development	Broad-spectrum healthcare Medical consultations Primary healthcare Diagnostics Medical transportation In-patient hospitalisation Analytical tests Home visits

For more information on our Group structure and services, refer to pages 10 to 17.

Balancing short-term returns with long-term sustainability

The trade-off between short-term benefits and long-term sustainability continues to be an important consideration for the Group. With prevailing uncertainty in the environments in which we operate, we made the decision to not pay dividends for the 2020 financial year, as well as delayed capital projects without compromise to the business. These decisions were not taken lightly, and were made with the intention to conserve cash to safeguard our operations, as well as position the business to capture any future opportunities that may emerge.

Investing in future growth opportunities

While we strive to deliver strong financial returns, short-term results must be balanced with long-term growth. Last year, we made the decision to enter the imaging market in South Africa. Planning for success in LMI will require investment into sales and manufacturing distribution pipeline and is factored into our strategy. Notwithstanding this, we believe that, in the long term, our decision will allow us to deliver on our strategy to offer an integrated healthcare model and diagnostic imaging capability and create sustainable returns for our stakeholders. However, our entrance into the South African imaging market has been delayed as a result of the pandemic, with traction expected in 2021.

HOW WE CREATED VALUE FOR OUR STAKEHOLDERS

INPUTS

FINANCIAL CAPITAL

- Equity of R18 278 million (2019: R17 491 million)
- Net debt of R14 116 million (2019: R11 318 million)

Strategic focus areas



MANUFACTURED CAPITAL

- R1 205 million (2019: R1 166 million) invested in maintenance capex
- R759 million (2019: R894 million) in growth capex

Southern Africa

- 49 acute hospitals, seven acute rehabilitation and nine mental health facilities
- 363 Life Employee Health Solutions clinics (2018: 391)
- 9 151 registered beds (2019: 9 136)
- 304 hospital theatres (2019: 302)
- Five oncology units (2019: five)
- 375 renal dialysis units (2019: 329)

Alliance Medical

- 213 diagnostic imaging units (2019: 206)
- 52 molecular imaging units (2019: 48)
- Ten radiopharmacy locations (2019: nine)

Scanmed

- 42 medical facilities
- 582 beds and
- 13 cardiac units

Strategic focus areas



INTELLECTUAL CAPITAL

- Alternative reimbursement pricing models
- International experience in serving governments
- Diverse footprint in southern Africa and internationally
- World-class hospital operator, delivering world-leading clinical quality
- Strength in operating models reflected in best-in-class margins
- Depth and resilience in management teams reflected through the efficacy displayed when dealing with the concurrent of COVID-19, the cyber-attack and leadership changes
- Vertically integrated international diagnostic and radiopharmacy business
- Formulaic and standardised procurement processes
- An in-house nursing dashboard in southern Africa
- LMI has a pipeline of novel imaging agents that address major unmet clinical needs in neurological, oncological and cardiovascular diseases, with FDA approved Neuraceq™ (florbetaben F18), having the second-largest market share in US that would expand significantly if an Alzheimer's therapeutic disease-modifying drug is approved

Strategic focus areas



OUTCOMES	ACTIONS TO ENHANCE OUTCOMES
<ul style="list-style-type: none"> ■ R38 million profit after tax (2019: R2 871 million) ■ R4 098 million normalised EBITDA pre-IFRS 16 (2019: R5 727 million) ■ Net debt: normalised EBITDA ratio of 2.96 times (2019: 1.96 times) ■ 23.0% decline in cash generated from operations ■ Zero cents per share (cps) dividends paid (2019: 93 cps) ■ Interest cover ratio of 5.8 times (2019: 5.6 times) ■ Normalised earnings per share (EPS) of 61.0 cps (2019: 116.4 cps) ■ Normalised EPS excluding amortisation of 94.0 cps (2019: 148.1 cps) ■ Headline EPS of 48.7 cps (2019: 88.7 cps) ■ Capex as percentage of revenue of 7.7% (2019: 8.0%) ■ Free cash flow before transaction costs of R1 790 million (2019: R2 342 million) 	<ul style="list-style-type: none"> ■ Adapting long-term strategic objectives in response to the economic environment post-COVID-19 ■ Implementing cash preservation levers ■ Cost control ■ Delaying capex spend without compromising the business ■ Deferring executive and management bonuses ■ Suspension of dividends ■ Financial covenant amendments ■ Refinancing and increased committed facilities with banks
<ul style="list-style-type: none"> ■ 58.4% weighted occupancy rate (2019: 69.7%) ■ Improved hospital efficiencies ■ Technological superiority recognised by patients and markets, supporting brand strength and differentiation internationally ■ Easing burden on public healthcare facilities during the COVID-19 pandemic ■ Simplifying healthcare access for patients ■ Improved clinical safety 	<ul style="list-style-type: none"> ■ Providing world-class facilities and equipment to allow for quality and cost-effective care ■ Diversifying the business across lines and territories ■ Completing vital upgrades to our equipment ■ Repurposing mobile units to better serve our patients
<ul style="list-style-type: none"> ■ Developing new service offerings and creating new business opportunities ■ Improved clinical excellence and efficiencies ■ Quality standards are maintained and improved by our quality and safety Board sub-committee and through clinical governance ■ Leveraging IT and technology to drive standardisation, and to reduce administrative costs and economies of scale ■ Best practice and knowledge-sharing collaboration among territories 	<ul style="list-style-type: none"> ■ Entrenching our digital strategy throughout the business ■ Focusing on governance evolution and maturity ■ Driving compliance with established processes and systems at the point of care ■ Integrating Group initiatives as we move towards a standardised reporting and core enterprise resource planning (ERP) system ■ Providing a digital ecosystem by introducing digital solutions ■ Engaging with SA government leveraging off local and international expertise in the offering of services to the public sector ■ Focus on further integration within our acute and non-acute offering to drive value based care and building towards an integrated healthcare model ■ Continue to lead in delivering improved patient-centric experience

HOW WE CREATED VALUE FOR OUR STAKEHOLDERS continued

INPUTS

HUMAN CAPITAL

- An experienced leadership team, with a newly appointed Group Chief Executive
- 19 969 employees across the Group, comprising nurses, radiologists, pharmacists and other skilled employees (2019: 20 436)
- R224 million invested in training in southern Africa (2019: R201 million)
- R5.8 million raised for the Employee Assistance Fund to support employees during the pandemic
- Fair and transparent remuneration practices
- Substantive and meaningful improvement in diversity and inclusion at all levels

Strategic focus areas



SOCIAL AND RELATIONSHIP CAPITAL

- Life Healthcare, Alliance Medical and Scanmed brands and reputation
- Relationships with 3 630 healthcare professionals (in southern Africa, where work is on an associative basis) (2019: 3 800)
- Relationships with healthcare funders, including preferred network agreements
- Investing R65 million in community upliftment, health and education projects (2019: R106 million)
- Partnering with government to deliver access to high-quality care
- Contracts and agreements with suppliers
- Relationships with shareholders, investors and financiers
- Good working relationships with organised labour

Strategic focus areas



NATURAL CAPITAL

- Invested R8 million in renewable energy sources in southern Africa
- Consumed 997 867 kℓ water in our healthcare facilities (2019: 913 090 kℓ) in southern Africa
- Used 155 600 509 kWh electricity (2019: 151 177 164 kWh) in southern Africa
- Installed solar photovoltaic (PV) panels at four facilities, bringing the total to 12 facilities (2019: 7) in southern Africa

Strategic focus areas



OUTCOMES	ACTIONS TO ENHANCE OUTCOMES
<ul style="list-style-type: none"> ■ R9 534 million (2019: R8 860 million) paid to employees in salaries and benefits ■ 3 095 employee COVID-19 infections, with 19 employees tragically passing away ■ 802 nurses were enrolled for training (2019: 1 005) ■ 1 587 learnerships provided in southern Africa (2019: 1 083) and 27 apprentices on programme in the UK (2019: 32) ■ Improved employee engagement ■ Addressed skills shortages ■ Fulfilled and healthy employees ■ Increased employee loyalty ■ Gratuity bonuses amounting to a total of R45 million paid to employees for their efforts during the COVID-19 pandemic 	<ul style="list-style-type: none"> ■ Optimising utilisation and nursing efficiency ■ Implementing initiatives to sustain labour resources ■ Modernising human resource systems ■ Recruiting and developing talent by enhancing our employee value proposition (EVP) and cultivating an engaged workforce ■ Partnering with business leaders to implement effective human resource (HR) strategies ■ Partnering with leading training institutions to continually upskill our leadership teams
<ul style="list-style-type: none"> ■ Developed and enriched partnerships ■ Doctor shareholding ■ Level 4 broad-based black economic empowerment (B-BBEE) rating ■ 50% of preferential procurement spent on level 1 to 3 vendors (2019: 38%) ■ Increased patient experience scores ■ Excellent relationships with healthcare professionals, creating a pipeline of future specialists 	<ul style="list-style-type: none"> ■ Cultivating long-term relationships with stakeholders ■ Increasing preferred network deals with designated service providers (DSPs) ■ Ongoing engagement with governments ■ Monitoring relationships with suppliers ■ Driving transformation and diversity initiatives across the business ■ Cultivating and nurturing good working relationships with organised labour unions in southern Africa ■ Collaboration with international radiopharmaceutical manufacturers to expand Neuraceq's™ current manufacturing network
<ul style="list-style-type: none"> ■ Improved monitoring of water use ■ Reduced carbon emissions beyond our target ■ Solar harvesting reduced electricity reliance on national grid ■ Healthcare risk waste increased to 2.01 (2019: 1.93 kg/PPD) 	<ul style="list-style-type: none"> ■ Installing solar capacity at four additional facilities in southern Africa ■ Monitoring energy reduction projects ■ Exploring opportunities to reduce water consumption ■ Upgrading the measuring system for water and electricity consumption to improve accuracy of reporting

OUR STAKEHOLDERS

The sustainability of our business depends on positive relationships with stakeholders. We pursue stakeholder engagement systematically, which allows us to understand those risks that could impact our business. We believe that open exchange with and between diverse stakeholder groups has the potential for value creation.

STAKEHOLDER	WHAT OUR STAKEHOLDERS CARE ABOUT	THE VALUE WE CREATE
<p>PATIENTS</p> 	<ul style="list-style-type: none"> ■ Cost and quality of care ■ Reputation and quality of doctors, specialists, healthcare and other service providers ■ Compassionate and caring nursing employees ■ Clinical pathway experience 	<ul style="list-style-type: none"> ■ We strive to improve the quality of our patients' lives and achieve this by upholding a high standard of healthcare throughout our operations. By responding to the needs of our patients and their families holistically, we can ensure an outcomes efficiency that differentiates us from our competitors. ■ We are transparent in our operations as we publish quality and patient experience per hospital on our website.
<p>DOCTORS AND SPECIALISTS</p> 	<ul style="list-style-type: none"> ■ Clinical efficiency ■ Insurance ■ Quality of facilities ■ Technology ■ Clinical governance ■ Quality of nursing 	<ul style="list-style-type: none"> ■ Our doctors and specialists have access to our world-class facilities and advanced medical equipment. Through our partnership model, we enable doctors and specialists to provide excellent care to patients. We also provide bursaries and training to facilitate upskilling.
<p>HEALTHCARE FUNDERS</p> 	<ul style="list-style-type: none"> ■ Clinical efficiency ■ Quality of care ■ Cost of healthcare ■ Networks and accessibility ■ Care pathways ■ Geographic coverage ■ Value-based care products 	<ul style="list-style-type: none"> ■ With specific healthcare funders, we have a model in place that minimises costs and improves tariffs. Our differentiated service offering sets us apart and makes us a service provider of choice, both in southern Africa and internationally. ■ In southern Africa, we continue to secure DSP network deals.

We are therefore committed to understanding the needs of our stakeholders at each point of our value chain, and responding appropriately so we can consistently create value in the short, medium and long term.

HOW WE ENGAGE WITH OUR STAKEHOLDERS

- Patient experience surveys
- Website, social media, press releases and editorials
- One-on-one and virtual patient consultations
- Communication of clinical outcome and process measures; and patient quality and safety measures
- Email
- Brochures, advertisements (radio and print), open days
- Targeted, curated content campaigns driving health education linked to services

OUR STRATEGIC RESPONSE



HOW WE ENGAGE WITH OUR STAKEHOLDERS

- Email and newsletters
- Internal company communications
- Employee updates
- Training and development
- Networking, professional and social events, and conferences
- Operational and procedural notices
- Clinical reporting
- Website, social media
- Intranet
- One-on-one meetings

OUR STRATEGIC RESPONSE



HOW WE ENGAGE WITH OUR STAKEHOLDERS

- One-on-one meetings
- Participation in industry discussions, conferences and events
- Site visits
- Email driven content campaigns and case studies

OUR STRATEGIC RESPONSE



OUR STAKEHOLDERS continued

<p>STAKEHOLDER</p> <p>INDUSTRY AND REGULATORY BODIES</p> 	<p>WHAT OUR STAKEHOLDERS CARE ABOUT</p> <ul style="list-style-type: none"> ■ Compliance with regulatory and legal requirements ■ Involvement in industry discussions ■ Proactive discussions on opportunities to improve ■ Continued engagement 	<p>THE VALUE WE CREATE</p> <ul style="list-style-type: none"> ■ We consistently engage with relevant industry and regulatory bodies on critical issues relevant to our business, including the future impacts of the Health Market Inquiry (HMI) and National Health Insurance (NHI) in South Africa. Our goal is to ensure the best possible outcomes for all our stakeholders.
<p>STAKEHOLDER</p> <p>SHAREHOLDERS, INVESTORS AND FINANCIERS</p> 	<p>WHAT OUR STAKEHOLDERS CARE ABOUT</p> <ul style="list-style-type: none"> ■ Profitability margins ■ Dividends paid ■ Increasing regulation ■ Effective corporate governance and experienced leaders ■ Cashflow ■ Return on capital employed (ROCE) ■ Quality of management ■ Succession plans ■ Capital efficiency 	<p>THE VALUE WE CREATE</p> <ul style="list-style-type: none"> ■ Our shareholders, investors and financiers are introduced to the healthcare sector through our diversified portfolio of investments in southern Africa and Europe.
<p>STAKEHOLDER</p> <p>GOVERNMENT</p> 	<p>WHAT OUR STAKEHOLDERS CARE ABOUT</p> <ul style="list-style-type: none"> ■ Regulatory compliance ■ A strong and sustainable healthcare system ■ Cost of healthcare ■ Employment opportunities 	<p>THE VALUE WE CREATE</p> <ul style="list-style-type: none"> ■ We foster a pipeline of skilled healthcare professionals (nurses, pharmacists and leaders) by continued investment in training and development in southern Africa. Our community health projects help uplift the communities in which we operate. Internationally we provide complex imaging and healthcare services to public health authorities to strengthen the underlying healthcare systems.
<p>STAKEHOLDER</p> <p>GOVERNMENT AS A CUSTOMER</p> 	<p>WHAT OUR STAKEHOLDERS CARE ABOUT</p> <ul style="list-style-type: none"> ■ Cost of healthcare ■ Quality ■ Efficiency ■ Accessibility ■ Safety ■ Clinical outcomes 	<p>THE VALUE WE CREATE</p> <ul style="list-style-type: none"> ■ Through public-private partnerships (PPPs) with governments in southern Africa and internationally, we continued reinforcing of partnerships, as well as creating and implementing initiatives that contribute to healthcare systems in the territories we operate.

HOW WE ENGAGE WITH OUR STAKEHOLDERS

- Participation in industry discussions, conferences and events
- One-on-one meetings
- Presentations to industry and regulatory bodies and at conferences and seminars
- Representation on various industry boards
- Email driven content campaigns

OUR STRATEGIC RESPONSE



HOW WE ENGAGE WITH OUR STAKEHOLDERS

- Integrated report
- Investor relations team
- SENS announcements
- AGMs
- Investor roadshows and results presentations
- Press/media releases
- Investor engagements
- Site visits

OUR STRATEGIC RESPONSE



HOW WE ENGAGE WITH OUR STAKEHOLDERS

- Participation in and feedback on discussions on policy and regulations
- Transformation through B-BBEE (scorecards)
- Government committees
- Participation in government conferences and events
- Media engagement

OUR STRATEGIC RESPONSE



HOW WE ENGAGE WITH OUR STAKEHOLDERS

- Participation in, and feedback on, discussions on policy and regulations
- Cooperation and involvement in initiatives
- Press/media releases
- Events and conferences
- One-on-one meetings

OUR STRATEGIC RESPONSE



OUR STAKEHOLDERS continued

STAKEHOLDER	WHAT OUR STAKEHOLDERS CARE ABOUT	THE VALUE WE CREATE
<p>EMPLOYEES</p> 	<ul style="list-style-type: none"> ■ Opportunities for learning, development and advancement within the workplace ■ Health and safety in the workplace ■ Performance evaluation ■ Remuneration ■ Diversity and inclusion ■ Professional management ■ Leadership 	<ul style="list-style-type: none"> ■ We offer our employees benefits and opportunities over and above remuneration. This includes our investment in training and development, focusing on scarce skills in southern Africa and internationally.
<p>SUPPLIERS</p> 	<ul style="list-style-type: none"> ■ Timely payments ■ Beneficial relationships ■ Transformation through B-BBEE ■ Life Healthcare, Alliance Medical and Scanmed brands 	<ul style="list-style-type: none"> ■ We carefully cultivate and nurture our relationships with suppliers. We ensure that we continuously support enterprise development initiatives and prioritise fair and transparent remuneration practices. Our suppliers support us by offering us quality and affordable supplies that meet our requirements.
<p>SOCIETY</p> 	<ul style="list-style-type: none"> ■ Health and wellness ■ Community upliftment ■ Employment and development opportunities ■ Educational opportunities ■ Protection of rights 	<ul style="list-style-type: none"> ■ We believe that our investments in projects create opportunities to help make lives better. We benefit the communities in which we operate by investing in corporate social investment (CSI) programmes focusing on education and healthcare.

HOW WE ENGAGE WITH OUR STAKEHOLDERS

- Website and social media
- Internal company communications
- Intranet
- Surveys
- Email and newsletters
- Performance reviews
- Networking, professional and social events and conferences
- Wellness programmes
- Training and development
- Team building initiatives

OUR STRATEGIC RESPONSE



HOW WE ENGAGE WITH OUR STAKEHOLDERS

- Website, blog and social media
- Site visits
- One-on-one meetings
- Contract negotiations
- Preferential payment options
- Product training and evaluation
- Approval processes
- News updates

OUR STRATEGIC RESPONSE



HOW WE ENGAGE WITH OUR STAKEHOLDERS

- Health training and education
- Awarding of bursaries
- CSI programmes
- Environmental programmes
- Partnerships with governments to complement shortfalls in public healthcare services

OUR STRATEGIC RESPONSE





KEY RISKS AND OPPORTUNITIES

We face many risks and opportunities in our day-to-day operations. We carefully manage these risks and capitalise on related opportunities to ensure our business remains sustainable and profitable. We discuss our risk management process below, which shows the importance of our employees' and patients' safety during an unprecedented period of time.

RISK MANAGEMENT PROCESS

Our risk management processes are fundamental to our business, and align with our core values and strategic focus areas. The Board is ultimately responsible for governing enterprise risk management, and ensuring that effective and robust enterprise risk management framework and processes are in place. The Board risk, compliance and IT governance committee (RCITComm) and the Group risk management function support and assist the Board.

Our combined assurance process has three lines of defence to ensure accountability and distinguish between risk oversight, owning and managing risks, and providing independent assurance. The RCITComm receives periodic, independent assurance on the effectiveness of our risk management processes from Internal Audit. Risks and opportunities are appropriately identified, assessed, evaluated and managed as part of our best

practices. This is done by implementing an enterprise risk management strategy and framework that considers King IV's principles, and is based on the ISO 31000 international standards on risk management. Risks are also monitored according to their nature, potential impact and likelihood.

We embed risk management processes into our everyday operations to help us identify any events with potential to affect our ability to create value and to manage risks in line with our strategy effectively. Our line managers and employees ensure that the risk management framework and processes are implemented across the Group. The Group Risk Manager engages with key executives and senior management across the Group to identify risks relevant to both our southern Africa and international operations, which are then recorded in the Group risk register.

The Board and the RCITComm confirm they are satisfied that adequate, ongoing risk management processes are in place to provide reasonable assurance that key risks and opportunities are identified, evaluated and managed across the Group.



The key risks and opportunities we are exposed to are discussed below. This section can be read together with our material matters section on page 60.

KEY RISKS AND OPPORTUNITIES continued

1

FUNDER RISK (2019 RANKING: 1)

RISK DESCRIPTION AND CONTEXT

Life Healthcare is under continuous pricing pressure from healthcare funders in southern Africa looking to manage the overall cost of healthcare. This is primarily driven by a challenging economic environment compounded by COVID-19, which placed pressure on these funders to contain increases in member contributions in an environment where the number of medically insured lives is declining. In response to this, and coupled with escalations in healthcare costs and utilisation, funders instituted managed care initiatives, more affordable plans but with less cover, stringent case management and increased restricted provider networks. There is also the possibility that an increasing number of patients will buy down their medical insurance scheme cover to network options with lower tariffs given the poor economic conditions. Our admission rates could be impacted by our ability to secure preferred network agreements with healthcare funders, and more stringent case management.

Alliance Medical operates across several markets that provide a portfolio of healthcare services. Funding challenges remain prevalent across all the UK and northern European health economies. Alliance Medical has a mix of public and private income streams. Public revenue comprises 90% of total revenue in the UK, 63% in Italy and 41% in Ireland.

Scanmed relies on servicing Poland’s National Healthcare Fund, Narodowy Fundusz Zdrowia (NFZ), for a significant 81% portion of its revenue. It has limited diversification in its revenue sources, which places its revenue at risk when the NFZ applies pressure.

POTENTIAL OPPORTUNITIES

- Through increased engagement, targeted interventions and a differentiated service offering, we can position ourselves as the local and international service provider of choice.

2

SKILLED HEALTHCARE PROFESSIONAL SHORTAGES (2019 RANKING: 3)

RISK DESCRIPTION AND CONTEXT

There is a general shortage of doctors in the South African and Polish healthcare markets, and a shortage of radiologists and radiographers in the regions where Alliance Medical operates. These shortages affect the Group’s growth prospects, our ability to deliver quality care and services and, ultimately, our operations’ sustainability.

The general shortage of healthcare professionals was exacerbated by COVID-19 during the year. Contributing factors include imposed movement restrictions in international countries and fear-related absenteeism, as well as healthcare professionals’ illness after contracting COVID-19 or healthcare professionals being quarantined or isolated.

POTENTIAL OPPORTUNITIES

- Assisting to alleviate critical skills shortages through our interventions and position Life Healthcare as a business supporting our associated healthcare professionals.

1

1st line of defence

2

2nd line of defence

3

3rd line of defence

HOW WE ADDRESS THIS RISK

- Delivering excellent quality and cost effective care
- Implemented an appropriate pricing strategy focusing on efficiencies and input costs
- Focused on safeguarding good relationships with healthcare funders and engaging with them on their issues and concerns
- Provided a differentiated service offering
- Focused on interventions with doctors to increase clinical outcome data and efficiency
- Managed long-term contracts with our international businesses and their national healthcare funds
- Executed a strategy to include growth in private sector volumes

STAKEHOLDERS IMPACTED

-  Shareholders, investors and financiers
-  Patients
-  Doctors and specialists
-  Government
-  Healthcare funders
-  Employees
-  Suppliers

RELATED MATERIAL MATTERS AND ASSURANCE

- Healthcare funders
- Cost of care
- Quality of care standards
- Portfolio performance

1 2 3

HOW WE ADDRESS THIS RISK

- A transparent recruitment and retention strategy exists that includes:
 - providing bursaries and sponsorship programmes to specialists, and facilitating continuous professional development training for them
 - ongoing engagement
 - a doctor partnership model and support policy, with regional clinical managers appointed to enhance doctor relationships and implement quality improvement initiatives
 - ensuring infrastructure and equipment at facilities are improved
 - enabling reduced professional indemnity premiums through enhanced clinical measures
- Invested in various reward, development, recruitment and cultural initiatives to alleviate Alliance Medical's skills shortages
- Operating the Life College of Learning – a higher education institution offering one of the top three private nursing qualifications in the country
- Developing and retaining scarce pharmaceutical skills through online continuing professional education (CPE) modules and through our pharmacists' internship and pharmacists' assistant programmes
- Hosted internships in Poland for selected and identified specialists to secure their ongoing services, along with vocational practices and apprenticeships
- Constituted a dedicated workstream and hospital-based committees to address the impact of COVID-19, focusing on doctor availability and recruitment
- Instituted tele-reporting in our international business, sourcing additional reporting capacity from other third-party houses
- Supplied appropriate PPE to doctors and frontline employees, and instituted strict screening processes and protocols to manage infection risk

STAKEHOLDERS IMPACTED

-  Doctors and specialists
-  Patients
-  Employees
-  Healthcare funders

RELATED MATERIAL MATTERS AND ASSURANCE

- COVID-19
- Specialised skills shortage

1 2

KEY RISKS AND OPPORTUNITIES continued

3

CYBER-CRIME AND DATA BREACH

(2019 RANKING: 5)

RISK DESCRIPTION AND CONTEXT

The threat of cyber-security continues to be a key risk to our business globally. Criminal elements exploit the rapid and widespread adoption of work-from-home tools in light of COVID-19 to launch wide scale cyber-attacks. Remote working is the new norm and, as a result, extra vigilance and cyber-crime awareness is required around data security profiles and the accessibility of data. The balance between securing data behind a firewall and making it readily accessible to employees and business partners has to shift to support new working ways of working while keeping existing business processes and operations moving.

Our southern African business was a victim of a cyberattack during the year. For more information, refer to page 104.

POTENTIAL OPPORTUNITIES

- Investing in information security controls to enhance our existing security measures and safeguard our data to provide reassurance to our stakeholders.

4

HUMAN CAPITAL (PEOPLE) RISK

(2019 RANKING: 6)

RISK DESCRIPTION AND CONTEXT

People are our most important asset and are key to our ongoing success.

The healthcare sector has experienced a general shortage of nursing employees across all categories of nursing with increasing shortages in specialist registered nursing personnel. These shortages were further impacted by COVID-19 over the year. Some contributing factors included:

- Increased infection rates in nursing personnel and frontline employees caring for COVID-19 positive patients requiring employees to go into quarantine or isolation
- Increased demand for nursing skills in the South African public sector in light of the drive to supply resources to public facilities and field hospitals
- Increased demand for additional nursing personnel under COVID-19 surge conditions to treat the influx of COVID-19 positive patients at facilities

Due to the highly specialised nature of the healthcare industry and in light of key growth strategies, certain executive and management employees have a significant impact on the Group's performance. Failure to attract and to retain employees with the appropriate skillsets for these key roles could hamper performance and ultimately achievement of objectives.

As a responsible employer, we are required to provide a safe work environment for all our employees. At the same time, we need to provide care to our patients and fulfil all essential service provider responsibilities.

POTENTIAL OPPORTUNITIES

- Through targeted succession planning, we ensure business continuity and are able to attract talented leaders
- Quality human resources improve business performance

1

1st line of defence

2

2nd line of defence

3

3rd line of defence

HOW WE ADDRESS THIS RISK

- Continued implementation of a mature information security management system (ISMS) internationally certified by the British Standards Institution (BSI) (ISO 27001:2003)
- Performed regular risk assessments, including annual internal and external security assessments
- Implemented an information management strategy to improve security and manage residual risks, along with further measures to protect the Group’s intellectual property from hacking and other illegal cyber-activities
- Ongoing implementation of logical and physical IT security controls, including advanced email protection, firewalls, end-point protection, cyber-security enhancements and personal information protection
- Implemented proactive tools to detect and respond to cyber-threats
- Regularly provided information security and cyber-awareness training for employees
- Monitored security events through our 24/7 security operations centre (SOC)
- Ensured adherence with the requirements of the General Data Protection Regulation (GDPR)

STAKEHOLDERS IMPACTED

-  Patients
-  Employees
-  Suppliers

RELATED MATERIAL MATTERS AND ASSURANCE

- Cost of care
- Increasing regulations

1 2 3

HOW WE ADDRESS THIS RISK

- Effective sourcing strategies and recruitment campaigns
- Ongoing review of senior management resources and succession plans in place for key positions
- Enhanced employee value propositions, including employee share schemes, remuneration and other benefits to attract and retain employees
- Management and leadership development programmes in place
- Clear career path for employees and continuous training and development programmes
- Arrangements are in place with Agencies to provide agency employees in need
- Redeployment strategy in place for the utilisation of nursing employees from other units and regions in the event of shortages
- A number of infection prevention protocols were instituted and training provided to safeguard and protect employees from exposure to COVID-19
- Employees were provided with guidelines and training on the appropriate and correct use of PPE
- Employees were supplied with adequate PPE
- Remote working capabilities were effected for non-essential employees capable of working offsite
- Designated COVID-19 Compliance Officers were appointed to oversee implementation of the return-to-work plan and adherence to the standards of hygiene and health protocols related to COVID-19 at the workplace

STAKEHOLDERS IMPACTED

-  Employees

RELATED MATERIAL MATTERS AND ASSURANCE

- Specialised skills shortage
- Labour relations and employee retention

1 2 3

KEY RISKS AND OPPORTUNITIES continued

5

COMPLEXITY OF REGULATORY AND COMPLIANCE RISK

(2019 RANKING: 2)

RISK DESCRIPTION AND CONTEXT

The Group is required to comply with all applicable laws and regulations of the countries where we operate. In addition to these general compliance requirements, the global healthcare industry is subject to a growing number of new regulations.

A myriad of laws are being amended or promulgated in South Africa due to COVID-19, with which we are required to keep abreast of and comply with. Regulations issued in terms of the Disaster Management Act, 57 of 2002 (DMA) required that a COVID-19 Compliance Officer be appointed to oversee the implementation of a return-to-work plan and ensure adherence to the standards of hygiene and health protocols relating to COVID-19 at the workplace.

The Protection of Personal Information Act, 4 of 2013 (POPIA) was promulgated as of 1 July 2020, allowing for a one-year transition period for compliance. The National Health Insurance (NHI) Bill, the Medical Schemes Amendment Bill and the Office of Healthcare Standards: Norms and Standards introduced by the Department of Health (DOH) continue to require our attention.

Internationally, we remain committed to adhering to the GDPR, which applies to the European Union (EU) and the European Economic Area (EEA).

POTENTIAL OPPORTUNITIES

- Assisting the industry in developing appropriate solutions through continued engagement with regulators and relevant bodies.
- Enhancing and protecting our reputation through ongoing compliance with laws and regulations.
- Transparent engagement processes could potentially enhance our relationships with a variety of stakeholders, including regulatory bodies.

6

MACROECONOMIC AND GEOPOLITICAL RISK

(2019 RANKING: 4)

RISK DESCRIPTION AND CONTEXT

We operate in the global healthcare market, and our operations are spread across different countries. The risk exists that country-specific factors, such as economic and political factors, or government policies, could adversely affect the Group.

Economies worldwide are staggering under the devastating effects of government-imposed lockdowns and social distancing measures to combat the spread of COVID-19. A deep global economic recession could become a reality, which could further exacerbate the current economic conditions in South Africa, impacting the affordability of healthcare.

We also potentially face the implications of a *no deal* or disruptive Brexit.

POTENTIAL OPPORTUNITIES

- Building relationships based on trust by actively working with local governments, thereby positively impacting the healthcare markets in the countries where we operate.

1

1st line of defence

2

2nd line of defence

3

3rd line of defence

HOW WE ADDRESS THIS RISK

- Proactively monitored and, where possible, provided input for any new proposed legislation, considering the interest of all stakeholders in each respective territory
- Ensured compliance through our quality standards
- Appointed COVID-19 Compliance Officers in our southern Africa business, and instituted a COVID-19 compliance forum
- Consulted with legal, and health and safety experts to ensure compliance with DMA requirements
- Appointed a Group Privacy Officer, and in the process of developing an action plan to ensure full compliance with POPIA requirements
- Developed a privacy policy and standard operating procedures to guide our business
- Conducted training on GDPR and POPIA requirements
- Updated and designed processes to accommodate GDPR requirements

STAKEHOLDERS IMPACTED

-  Shareholders, investors and financiers
-  Patients
-  Doctors and specialists
-  Government
-  Healthcare funders
-  Employees
-  Suppliers
-  Industry and regulatory bodies

RELATED MATERIAL MATTERS AND ASSURANCE

- Cost of care
- Increasing regulations
- Quality of care standards
- Government relationships

1 2 3

HOW WE ADDRESS THIS RISK

- Actively monitored country-specific factors in the countries where we operate
- Ongoing engagements with regulators and governments
- Executed Brexit contingency and continuity planning
- Divested interest where appropriate

STAKEHOLDERS IMPACTED

-  Shareholders, investors and financiers
-  Government
-  Healthcare funders

RELATED MATERIAL MATTERS AND ASSURANCE

- Healthcare funders
- Government relationships
- COVID-19
- Portfolio performance

1 2

KEY RISKS AND OPPORTUNITIES continued

7

CLINICAL AND PATIENT SAFETY RISK

(2019 RANKING: 7)

RISK DESCRIPTION AND CONTEXT

The quality of healthcare services provided by the Group and healthcare professionals and our patients' safety is of utmost importance to us. Failure to consistently deliver safe, high-quality care to our patients is a risk.

Excessive demand arising from a surge in COVID-19 admissions and the resultant employee shortages and capacity constraints could negatively impact on the quality of care at facilities.

We are exposed to the potential risk of medical professionals not meeting their professional obligations in treating patients by following an incorrect or inadequate clinical protocol. This is because no specific treatment is available for COVID-19, and existing treatment is supportive.

With the highly contagious nature of COVID-19 there is the potential risk of a large-scale outbreak at one or multiple of our facilities. No large scale outbreaks were evident over the financial year particularly during the peak of COVID-19 infections.

POTENTIAL OPPORTUNITIES

- Enhancing the patient experience and protecting our reputation through an ongoing focus on quality and safety.
- Improving patient care and safety according to industry best practice through continuous, robust engagements with health authorities and specialists.

8

IT INFRASTRUCTURE, DISASTER RECOVERY AND PROJECT IMPLEMENTATION

(2019 RANKING: 8)

RISK DESCRIPTION AND CONTEXT

Information and information exchange are crucial to the delivery of care on all levels of the health care delivery system - the patient, healthcare funding providers, the Life Healthcare and management teams and healthcare regulators. There is a drive towards electronic health records and digitisation as healthcare becomes more consumer-friendly. Therefore, our IT infrastructure and systems must be appropriate and fit-for-purpose to respond to this cultural shift.

There is also a risk of failure to maintain reliable information systems for business operations in the event of an IT disaster like a data breach.

We are exposed to implementation risk regarding information management projects underway to improve existing infrastructure and ensure better Group-wide integration.

POTENTIAL OPPORTUNITIES

- Offer better and more efficient services to our patients by investing in our IT infrastructure, thereby lowering the cost of care while maintaining quality.
- Appropriate and effective IT infrastructure and systems are in place to support growth initiatives and performance expectations, allowing us the opportunity to be more competitive.

1

1st line of defence

2

2nd line of defence

3

3rd line of defence

HOW WE ADDRESS THIS RISK

- Implemented a quality management system (QMS) to ensure we provide quality healthcare, and established quality control procedures
- Acquired QMS certification, and we are ISO 9001 and ISO 13485 accredited through BSI
- Monitored clinical performance indicators
- Held quarterly national quality review meetings
- Carried out internal quality assessments at each hospital by the quality systems support specialist (QSSS)
- Medical malpractice and professional indemnity insurance is in place
- Regularly trained employees on quality procedures
- Established a dedicated doctor work stream, and constituted doctor COVID-19 committees and ethics sub-committees at hospitals to ensure correct clinical protocols are followed and ensure doctor supply
- Implemented various resourcing strategies, such as leveraging agency employees to meet increased demand or to stand in for infected employees, redeploying existing employees from other wards and postponing or cancelling leave
- Through a capacity workstream, managed the sourcing of additional ventilators and other equipment required for treatment
- Conducted independent verification reviews at facilities to review COVID-19 treatment readiness plans and ensure alignment with Group protocols
- Instituted the standard practice of temporary capacity diverts (TCDs) at facilities to ensure the best possible options or patients based on their acuity level
- Implemented various measures and guidelines to curb the spread of COVID-19 at our facilities, including infection prevention protocols, screening protocols, and guidelines for using PPE

STAKEHOLDERS IMPACTED

-  Patients
-  Healthcare funders
-  Doctors and specialists
-  Shareholders, investors and financiers
-  Industry and regulatory bodies

RELATED MATERIAL MATTERS AND ASSURANCE

- COVID-19
- Quality of care standards

1 2 3

HOW WE ADDRESS THIS RISK

- Conducted regular, periodic assessments of our IT infrastructure, and implemented action plans to effect enhancements and address shortcomings
- Maintained disaster recovery capabilities
- Annually perform disaster recovery tests, with action plans documented and implemented to address any identified shortcomings
- Followed rigorous project management methodology, with strong business sponsor leadership and oversight
- A formal systems development lifecycle (SDLC) process is in place and a total cost of ownership (TCO) costing model is applied to each project
- Conducted project prioritisation
- Maintained risk registers for projects, with a response plan in place for identified risks

STAKEHOLDERS IMPACTED

-  Patients
-  Doctors and specialists
-  Government
-  Employees
-  Suppliers
-  Healthcare funders

RELATED MATERIAL MATTERS AND ASSURANCE

- Cost of care

1 2 3

KEY RISKS AND OPPORTUNITIES continued

9

REPUTATIONAL RISK
(2019 RANKING: 9)

RISK DESCRIPTION AND CONTEXT

The Group's reputation and relationships with key stakeholders could be affected by adverse events that occur while healthcare professionals perform clinical procedures or other related activities.

Furthermore, events outside of our control can adversely affect our brand.

POTENTIAL OPPORTUNITIES

- Enhancing and protecting our reputation through an ongoing focus on quality and a clear communication strategy.



1

1st line of defence

2

2nd line of defence

3

3rd line of defence

HOW WE ADDRESS THIS RISK

- Implementing quality management processes across the business, with ISO 9001 certification held
- Dedicated media strategy in place for dealing with complaints raised through the media and other media-related issues

STAKEHOLDERS IMPACTED

-  Industry and regulatory bodies
-  Shareholders, investors and financiers
-  Healthcare funders
-  Doctors and specialists

RELATED MATERIAL MATTERS AND ASSURANCE

- Increasing regulations
- Quality of care standards

1 2 3



MATERIAL MATTERS

Our material matters are those issues that could affect the economic, environment and social value we create for our stakeholders. We manage our material matters strategically to ensure sustainable value in the short, medium and long term.

IDENTIFY

When identifying our material matters, we evaluate internal and external factors that are relevant to the environment in which we operate.

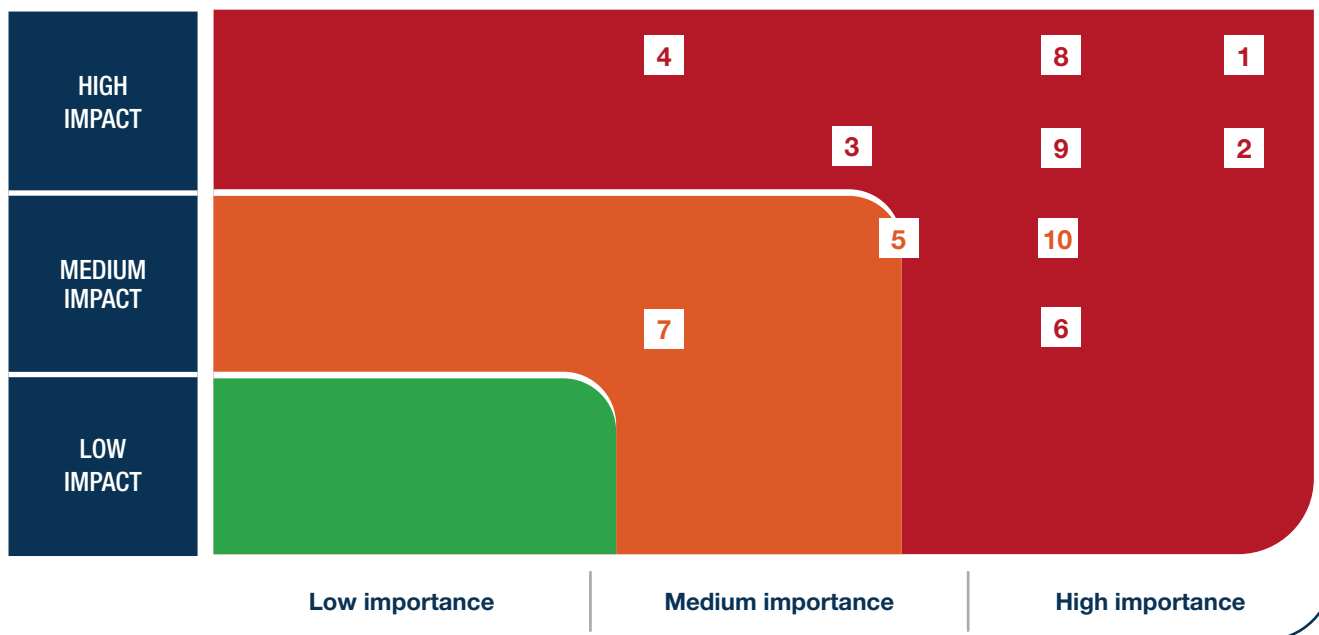
Our material matters influence Group strategy (page 66), the Board’s agenda, management reports, the external operating environment (pages 88 and 119), our relationships with stakeholders (page 42), and our key risks and opportunities (page 49).

PRIORITISE

The material matters we identify have the ability to impact the Group over time. We prioritise these material matters in terms of likelihood and potential impact, as depicted in the heat map below.





INTEGRATE

Once we have prioritised the most material matters to our business, we integrate these into our Group strategy.



- 1. COVID-19
- 2. Labour relations and employee retention
- 3. Healthcare funders
- 4. Cost of care
- 5. Specialised skills shortage
- 6. Quality of care standards
- 7. Portfolio performance
- 8. Government relationships
- 9. Increased regulations
- 10. Cyber-security and data protection

We have identified the following material matters that could impact our ability to create value in the short, medium and long term.

<p>COVID-19</p> <p>COVID-19 substantially impacted economies and societies throughout the world. Given our global footprint, our operations were at the frontline in combatting the effects of the pandemic. First and foremost, we prioritised the safety and health of our nurses, clinicians, employees and patients. Our response was informed by best practice local and international guidelines and procedures to safeguard the sustainability of the Group.</p>	<p>Factors impacting this material matter</p> <ul style="list-style-type: none"> ■ Availability of nursing and key human resources ■ Introduction of new laws and regulations ■ Best practice guidelines and protocols ■ Availability of PPE for frontline workers ■ Capacity within our hospitals and clinics ■ Rate of infection, timing of the COVID-19 peak and recurring outbreaks ■ Economic impact ■ Impact on elective cases ■ Government support ■ Unpredictability ■ Fear and anxiety 	
<p>Affected stakeholder groups</p> 	<p>Key risks and opportunities</p> <ul style="list-style-type: none"> ■ Skilled healthcare professional shortages and key human resource risk ■ Country risk ■ Clinical and patient safety risk ■ Operational risk ■ Performance and liquidity risk 	<p>Our response – strategic focus areas</p> 
<p>LABOUR RELATIONS AND EMPLOYEE RETENTION</p> <p>The shortages in critical skills lead to high wage increases which, in turn, can impact the affordability of care. Furthermore, this could also affect the level of quality care provided to our patients. Employee retention is crucial for the future growth of Life Healthcare.</p>	<p>Factors impacting this material matter</p> <ul style="list-style-type: none"> ■ Competition for specialised and scarce skills ■ Increases in salaries and wages exceeding inflation ■ The potential impact of industrial action in South Africa ■ Talent management, succession planning, development and training 	
<p>Affected stakeholder groups</p> 	<p>Key risks and opportunities</p> <ul style="list-style-type: none"> ■ Skilled healthcare professional shortages and key human resource risk ■ Cyber-crime and data breach ■ Clinical and patient safety risk 	<p>Our response – strategic focus areas</p> 

MATERIAL MATTERS continued

HEALTHCARE FUNDERS

Healthcare funders have a significant influence on patients' accessibility to healthcare. This directly impacts our revenue and market share. Healthcare funders reimburse 95.1% of our hospital division's revenue in southern Africa (2019: 95.1%). Internationally, a large proportion of revenue is derived from public funders, ranging between 40% to 85% in the different geographies in which we operate.

Factors impacting this material matter

- Prevalence of DSP network agreements
 - Significant exposure to medical schemes in South Africa administered by Discovery Health and the Government Employees Medical Scheme (GEMS) in South Africa, comprising approximately 52% (2019: 49%) of our southern Africa hospital division's turnover
- Increased bargaining power of funders due to consolidation
- Viability of agreements with public funders internationally
- Affordability of private medical insurance in southern Africa, coupled with increasing wealth inequality

Affected stakeholder groups



Key risks and opportunities

- Funder risk
- Regulatory and compliance risk
- Country risk

Our response – strategic focus areas



COST OF CARE

The increased cost of care remains a reality across the regions in which we operate. Providing efficient value-based care is crucial in enabling us to achieve our mission of improving the lives of people through the delivery of high-quality yet cost-effective care.

Factors impacting this material matter

- Costs of resources, materials and services to maintain quality of care
- Fluctuating exchange rates
- Need to import necessities, such as surgical consumables and medical equipment
- Pressures on healthcare funders to contain costs
- Specialised and critical skills shortages and labour costs
- Alignment between employee levels and occupancies in our facilities
- Partnerships with medical professionals

Affected stakeholder groups





Key risks and opportunities

- Performance and liquidity risk
- Funder risk
- Cyber-crime and data breach
- Regulatory and compliance risk
- Country risk
- Clinical and patient safety risk
- IT infrastructure, disaster recovery and project implementation
- Operational risk
- Reputational risk

Our response – strategic focus areas



<p>SPECIALISED SKILLS SHORTAGE</p> <p>The limited availability of skilled health professionals, including doctors, pharmacists, specialist and registered nurses, as well as ICU nurses, continues to be a concern globally. The skills provided by these specialists are a key driver of the Group’s future growth across southern Africa and internationally.</p>	<p>Factors impacting this material matter</p> <ul style="list-style-type: none"> ■ Highly competitive skills market ■ Immigration regulations and labour-related agreements ■ Brexit ■ The ability of people to work across borders ■ Limited training and skills development initiatives, sponsorships and bursaries ■ Leveraging skills and transfer of knowledge from our international operations to grow our presence in southern Africa 	
<p>Affected stakeholder groups</p> 	<p>Key risks and opportunities</p> <ul style="list-style-type: none"> ■ Skilled healthcare professional shortages and key human resource risk ■ Cyber-crime and data breach ■ Clinical and patient safety risk 	<p>Our response – strategic focus areas</p> 

<p>QUALITY OF CARE STANDARDS</p> <p>Maintaining and improving the quality of care is inextricably linked to our core values. It is also a crucial part of building strong and mutually beneficial relationships with our stakeholders, which is one of the ways in which we protect our reputation.</p>	<p>Factors impacting this material matter</p> <ul style="list-style-type: none"> ■ Standards and practices recommended by governments and other regulators ■ Group policies, including clinical quality procedures and frameworks ■ Environmental, health and safety requirements ■ Technological innovation ■ Shortages in specialised skilled personnel 	
<p>Affected stakeholder groups</p> 	<p>Key risks and opportunities</p> <ul style="list-style-type: none"> ■ Performance and liquidity risk ■ Funder risk ■ Regulatory and compliance risk ■ Country risk ■ Clinical and patient safety risk ■ IT infrastructure, disaster recovery and project implementation ■ Operational risk ■ Reputational risk 	<p>Our response – strategic focus areas</p> 

MATERIAL MATTERS continued

PORTFOLIO PERFORMANCE

Each business division is critical to delivering on our strategy and growth ambitions. We leverage our intellectual capital across the Group to support the expansion of our footprint.

Factors impacting this material matter

- Political and socio-economic circumstances in each area where we operate
- Demand for healthcare services
- Strength and leadership of management teams
- Competitive environment of each market
- Investment decisions made by management and the Board

Affected stakeholder groups



Key risks and opportunities

- Funder risk
- Country risk

Our response – strategic focus areas



GOVERNMENT RELATIONSHIPS

The governments in the regions where we operate are among our key stakeholders who have significant influence over our business, and also form a primary source of revenue in our international operations.

Factors impacting this material matter

- Requirements for brownfield and greenfield expansion in southern Africa
- Regulatory reforms and the impact on our revenue and profitability
- Changes in healthcare tariffs
- Reductions or delays in payments from governments

Affected stakeholder groups



Key risks and opportunities

- Regulatory and compliance risk
- Country risk
- Reputational risk

Our response – strategic focus areas



INCREASED REGULATIONS

The healthcare industry is highly regulated and, while this is often necessary, it does have a bearing on our cost of care and growth. We fully support regulators' intentions, but the scale and pace of change in our regulatory landscape remains unprecedented, placing an unavoidable burden on the Group. We protect our reputation and licence to operate by complying with all applicable regulations.

Factors impacting this material matter

- Regulations around licensing, operations conduct, security of medical records, occupational health and safety, quality standards and certain categories of pricing
- Maintaining the security of our medical records
- Compliance with occupational health and safety, and quality standards
- Potential impacts of the HMI, NHI and Medical Schemes Amendment Bill on our South Africa operations
- Compliance with POPIA in southern Africa and GDPR data privacy regulations internationally
- The potential impact of Brexit on our UK and European operations

Affected stakeholder groups



Key risks and opportunities

- Cyber-crime and data breach
- Regulatory and compliance risk
- Country risk
- Reputational risk

Our response – strategic focus areas



CYBER-SECURITY AND DATA PROTECTION

Cyber-crime is increasing globally, and as a healthcare provider, we are particularly at risk. Data breaches come in the form of external and internal attacks, resulting in the disruption of services and infringement of confidential information. With the adoption of work-from-home policies, extra vigilance and awareness are required.

Factors impacting this material matter

- COVID-19 and working-from-home
- Globalisation and geopolitics
- Vulnerabilities in IT infrastructure
- Lack of awareness and knowledge of cyber-threats within the organisation

Affected stakeholder groups



Key risks and opportunities

- Cyber-crime and data breach risk
- Regulatory and compliance risk
- IT, infrastructure, disaster recovery and project implementation risk
- Operational risk
- Reputational risk

Our response – strategic focus areas



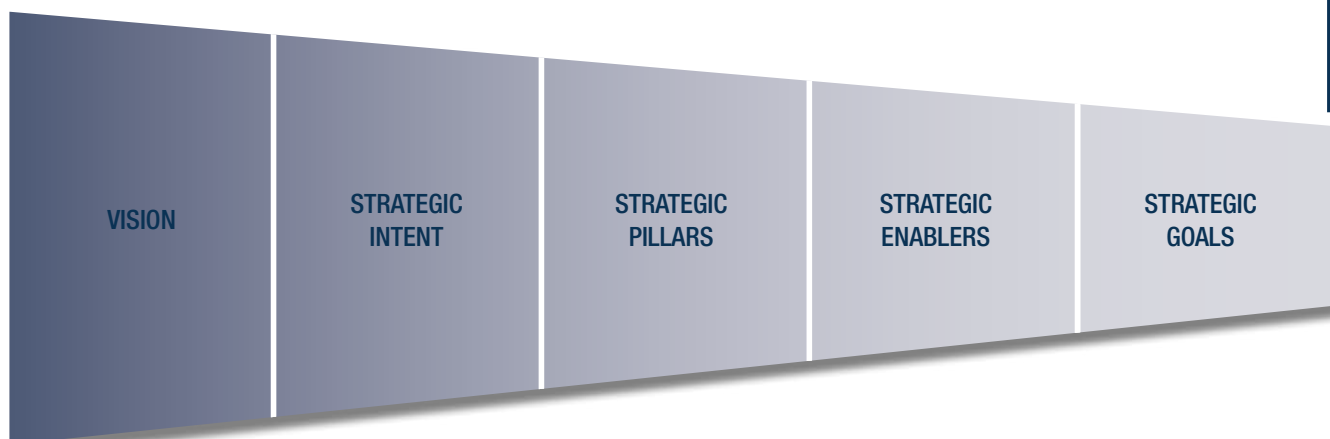
OUR STRATEGY



OUR VISION

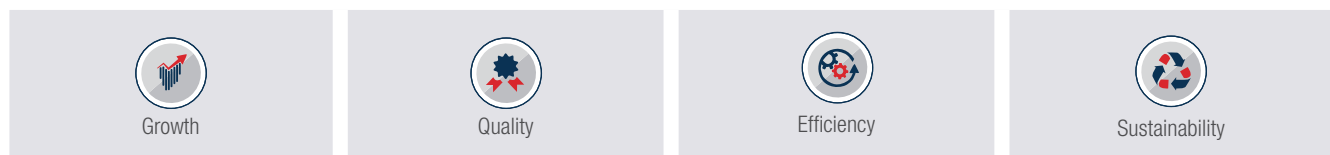
To be a global, people-centred, diversified healthcare organisation.

OUR STRATEGIC INTENT



Global healthcare provider	Diversified offering	Clinical excellence, analytics and technology
Offering an integrated healthcare model and diagnostic imaging capability	With a growing share of revenue and earnings from non-acute sources	Focus on our employees, clinicians, clinical excellence and using analytics and technology to positively impact patient care

OUR FOUNDATION – OUR FOUR STRATEGIC PILLARS



OUR STRATEGIC ENABLERS

Technology	Data and analytics	Our people
Our technology and infrastructure will underpin future digital enablement and ways of working.	Ultimately, we want analytics to be a key competitive differentiator that enable adaptable, innovative, decisive and insight driven decisions.	With skilled and dedicated professionals, we are assured of clinical excellence. We will continue to retain and attract the best talent in the market.

OUR STRATEGIC GOALS

How we get there	Our key measures
Become an employer of choice within the regions we operate Ensuring that we attract, develop and retain the best talent in each of our markets	<ul style="list-style-type: none"> ■ Employee turnover rate ■ Number of nurses enrolled in training ■ Total spend on training and development ■ Number of employees involved in education, training and development
Deliver clinical excellence and a leading patient experience Aligning clinical performance with evidence and consensus-based best practice	<ul style="list-style-type: none"> ■ Quality metrics published ■ Patient experience
Deliver operational excellence Resulting in excellent operating margins, return on capital and improved capital efficiency	<ul style="list-style-type: none"> ■ EBITDA and EBITA margin ■ Normalised EPS, headline EPS ■ Return on capital employed (ROCE) ■ Capital expenditure
Increase non-acute revenue and earnings Enhancing our diagnostic imaging footprint and expand along the continuum of care – creating an integrated healthcare model	<ul style="list-style-type: none"> ■ Percentage of revenue and earnings from non-acute services
Optimise our clinical and operational performance Leveraging technology, data and analytics	<ul style="list-style-type: none"> ■ Key clinical indicators ■ Serious reportable IT events ■ Analytics business as usual (BAU) and innovation
Develop long-term relationships with our stakeholders Focusing on our clinicians, suppliers, and private and public sector funders	<ul style="list-style-type: none"> ■ Funder engagement ■ Investor and employee opinion ■ Procurement and supplier satisfaction scoring
Create a culture that embeds transformation, diversity and inclusion	<ul style="list-style-type: none"> ■ B-BBEE scores ■ Diversity measures

HOW WE GROW

Focusing on:

Diagnostic imaging in southern Africa	Outpatient care	LMI	Government
As the leading independent provider of medical imaging services in Europe, we plan to harness Alliance Medical's expertise to offer high-quality, affordable diagnostic services in South Africa.	We want to broaden our healthcare delivery across the continuum of care by further expanding into step down, sub-acute and homecare services. Improve healthcare access and affordability by offering the employed uninsured population convenient, quality, nurse-led outpatient care via technology and scaled through partnerships.	Innovative PET radiopharmaceuticals improve the diagnosis of life-threatening diseases in neurology, oncology and cardiology. We plan to drive commercial sales of Neuraceq™, develop and commercialise our pipeline of products that address major unmet clinical needs in neurological, oncological and cardiovascular diseases.	We work with local governments across the Group, delivering access to high-quality care. Our intention is to strengthen these partnerships through excellent service delivery and ongoing support.



LEADERSHIP REVIEWS

- 70** Chairman's review
- 74** Chief Executive Officer's joint leadership review
- 78** Chief Financial Officer's review

CHAIRMAN'S REVIEW

Life Healthcare's **vision** is to be a **global, people-centred, diversified healthcare organisation** with solid fundamentals and a distinct, high-quality asset portfolio that positions us for sustainable growth.



Chairman
Mustaq Brey

OUR OPERATING CONTEXT

This has been a unique year with many complexities. We continue to operate in a challenging operating environment characterised by changing demographics, increasing cost of care, evolving technology, growing consumerism and ongoing shortages of scarce skills. Elective surgeries have significantly declined with the start of COVID-19, in line with most developed countries. In addition, we experienced a cyber-attack on our IT systems in southern Africa and executive leadership changes. The impact of these events was managed by various efficiency, growth, quality and sustainability initiatives across the Group, while consistently delivering excellent care to all our patients.

REFLECTING ON 2020

We operated in two distinct periods during 2020. Life Healthcare achieved strong results during the first half of the year, driven by the momentum of the various initiatives we implemented during our previous financial year. From March 2020, however, our operating environment was dominated by the impact of the COVID-19 pandemic.

Our management team, as well as our employees across the countries in which we operate, demonstrated phenomenal resilience during the year as we navigated several challenges and transitioned into new ways of working. Our employees have truly gone the extra mile, with our nurses, frontline employees, doctors and management demonstrating exceptional courage and commitment in the face of extremely challenging conditions.

Despite the rigorous safety procedures implemented throughout our operations, tragically, 19 employees lost their lives while protecting and saving our patients. Our condolences go out to their families and friends during this sad time. Life Healthcare remains unequivocally committed to protecting our employees. As part of this, we further strengthened our wellness initiatives to ensure our employees are equipped to handle the added stress and uncertainty brought on by this year. In addition the management team and Board contributed to a fund set up to assist our employees with financial assistance where needed. We have also contributed to the financial arrangements where employees unfortunately passed away.

In southern Africa, we remained committed to delivering the best medical care to our patients and, as the COVID-19 crisis unfolded, the business continued to prove its agility and resilience. Throughout the second half, our facilities attended to the demands driven by COVID-19 while also responding to essential surgeries and ensuring the availability of critical medical equipment. To this end, we were able to transfer our employees and equipment to areas in the country with extra demand, thereby supporting the country's response to the pandemic.

Unfortunately, our southern African operations fell victim to a criminal cyber-attack on our IT systems. It is important to note that our patient care was not impacted, and we continued providing quality healthcare across all our hospitals and clinics. We acted immediately and took proactive steps to contain the attack. In line with our business continuity plans, our hospitals and administrative offices switched to manual backup processing systems and continued to function. We thank our patients and other stakeholders for their understanding, support and patience and apologise for any frustration, delay or distress this has caused.

The robust performance during undoubtedly the most challenging time in our history is testament to the strength of our strategy. In southern Africa, our complementary and employee health services held up exceptionally well during the second half of the year. Internationally, in Alliance Medical, patient volumes declined sharply during the initial stages of the pandemic, but have subsequently recovered strongly. Pleasingly, through our refurbishment programme in the UK, we completed vital upgrades to three of our cyclotrons. Our fifth cyclotron site, which opened in September, will begin commercial production during quarter one 2021, and will further enable us to serve the market's growing demand. I truly believe that we have a unique, diverse portfolio of assets across the Group.

ADAPTING OUR STRATEGY

In a year dominated by COVID-19, we had to reflect on the future role we want to play in the healthcare industries of the countries in which we operate. While we believe that Life Healthcare's strategy remains sound in the current context, we are busy adapting for a post-COVID-19 world to ensure a sustainable future.

It is important to note that the core of our strategy has not changed. Patient care, as well as the safety and wellbeing of our employees, remained our first priority. However, certain growth initiatives – such as our entry into the diagnostic imaging market in South Africa – while delayed during the year, experienced encouraging traction during quarter four. As such, this year, we largely concentrated on our quality, efficiency and sustainability drivers.

Our vision to be a **global, people-centred, diversified healthcare organisation** will continue to be the driving force in everything we do. Technology, data analytics, diversity and inclusion will be the enablers that underpin the execution of our strategy.

REGULATORY LANDSCAPE

We believe that partnerships between healthcare providers and governments are critical to finding solutions for the challenges faced by our industry globally. In South Africa, given the enormity of healthcare challenges facing our country, the outbreak of COVID-19 emphasised the importance of engagements between the public and private sectors. We believe healthcare providers have a moral obligation to engage, cooperate and partner with government to find solutions and support the fundamental principle of universal healthcare coverage.

Our regulatory environment in southern Africa continues to be a complex and challenging environment. The industry also faces increasing costs of healthcare delivery without significant improvement in health outcomes.

We believe that the experience of our international operations – where government-led healthcare systems are the norm – will be invaluable in navigating the future of the healthcare industry in southern Africa. In all of the regions where we operate, we understand that effective and excellent healthcare depends on strong, long-lasting relationships.

ROBUST GOVERNANCE

There are no grey areas when it comes to corporate governance, and we continue to embed a culture of honesty, integrity and responsibility throughout the Group. We expect the best from ourselves to continue strengthening excellent governance processes at all levels.

In 2020 we implemented a Group-wide governance framework, which enables us to have a global perspective on our operations. We have a dedicated compliance function to help us drive the reporting and adherence to governance and regulatory compliance.

LEADERSHIP CHANGES

Succession planning continues to be high on the Board's agenda, and the Group underwent significant leadership changes during the year. In January 2020, Dr Shrey Viranna stepped down as CEO for personal and family reasons. During his tenure, Shrey displayed impeccable leadership, together with strong industry insight and stakeholder interaction. On behalf of the Board, I extend my gratitude to Shrey for his invaluable contribution, and wish him all the best on the next phase of his personal journey.

Following Shrey's departure, Pieter van der Westhuizen was appointed as acting CEO while also retaining his role as CFO. Pieter has been with Life Healthcare for over 20 years, and has vast experience in the industry in which we operate. He provided the immediate strategic, operational and leadership continuity that we needed, and displayed exceptional personal courage and determination as he guided the organisation through the challenges of COVID-19 and the cyber-attack. I would like to thank Pieter for his continued commitment and dedication.

CHAIRMAN'S REVIEW continued

Following an extensive search, we appointed Peter Wharton-Hood as CEO. He is a seasoned and proven business leader, with strong global experience in strategy and operational delivery in complex and ever-changing environments. I am delighted to welcome Peter to Life Healthcare, and believe that his experience and expertise will prove invaluable to the continued success and sustainability of the Group.

ENGAGING OUR STAKEHOLDERS

As Chairman, I have had the privilege of engaging with various stakeholder groups during the year. A large part of this was to ensure our employees remain motivated and resilient during this tough year. Our teams have risen to the challenge posed in 2020, with the outcomes of these efforts reflected in the improvement of our clinical quality metrics. I continue to receive positive personal feedback from those who have been treated at our facilities.

As a Group, we remain committed to fair and transparent remuneration. Post our 2020 AGM, we engaged with our shareholders to address matters of interest and continue to be proactive in our engagement with institutional investors.

A crisis can bring out the best in people, and I certainly believe this is true of our Board and executive management. Engagements between the Board and management increased substantially during this period of strife, further strengthening working relationships across the Group. Our Board had weekly meetings with our management, providing a sounding board and contributing to constructive discussions on Life Healthcare's approach to dealing with the pandemic. I am proud of the ethical and accountable leadership team we have in place to deliver a robust, sustainable long-term business.

OUTLOOK

I believe that Life Healthcare is in a favourable position to create value for our stakeholders going forward. We have built a solid foundation over the past few years – one that we can harness to drive our growth and expansion in the years ahead. Furthermore, the insights we have gained from our investment in Alliance Medical will be critical to a successful entry into imaging in South Africa.

While COVID-19 will remain part of our operating environment for the foreseeable future, the Group is prepared to deal with any challenges that may arise. With the added regulatory requirements around COVID-19 comes additional cost, however we will continue our endeavours to return to and exceed previous operational levels.

The pandemic also ushered in a new landscape that we all had to navigate, and certain learnings and best practices have become part of Life Healthcare's new normal. As we deal with these uncertainties, we remain committed to serving our patients in the best way possible – putting their health and safety first.

APPRECIATION

I want to end by expressing how extremely proud I am to have been given the chance to lead the Company as Chairman of the Board over my leadership tenure, as I will be stepping down at the forthcoming AGM. It truly is a privilege to be part of Life Healthcare's history, and I am excited to follow the Group's journey in the years ahead under the leadership of Dr Victor Litlhakanyane, whose industry knowledge and skills will certainly add significant value.

To our Board, thank you for your ongoing commitment during this turbulent year.

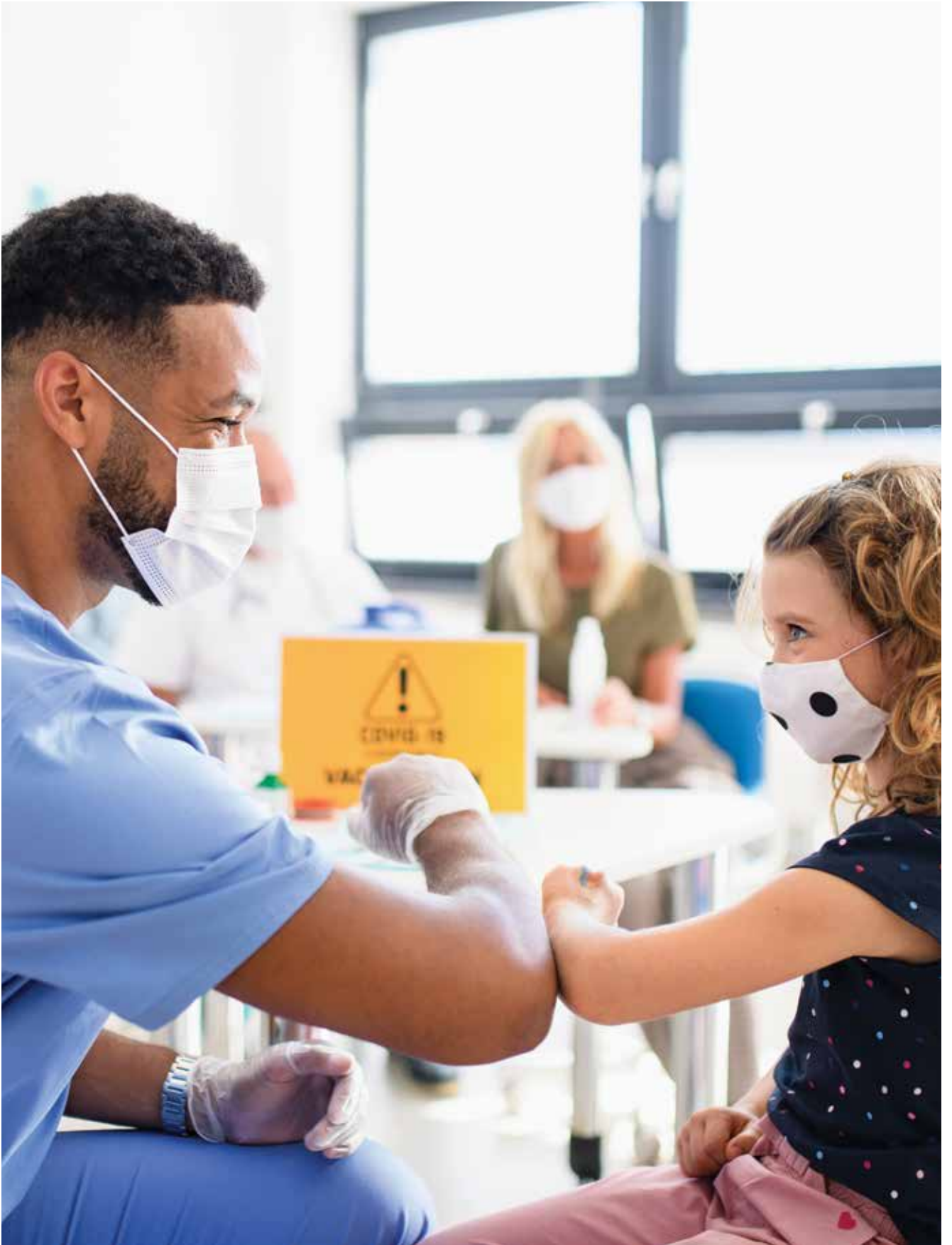
To our senior management and my fellow Board members, thank you for your unwavering commitment to always doing what is right for the Group and keeping our stakeholders front-of-mind. I want to specifically thank Pieter, who has been a galvanising force during this turbulent year – not only in leading the executive through the pandemic to ensure we continue to deliver to our patients, but also in dealing with the cyber-attack.

To our patients, thank you for your continued support. To our employees, healthcare specialists, support services and doctors across the world, thank you for your loyalty and dedication over the past year – you have done us proud, and I am honoured to have been a part of this dynamic team.



Mustaq Brey
Chairman





CHIEF EXECUTIVE OFFICER'S JOINT LEADERSHIP REVIEW

I am **extremely pleased** to have joined the Life Healthcare team. The Group's **internal energy and commitment to caring for our patients** epitomise what we do. It is this consistency in the organisation – between how we interact internally and what we exude externally – that I find incredibly **energising**. I am proud of the moral fibre, character and sincerity of the Group's employees, and look forward to being **part of Life Healthcare's journey**.

– Peter Wharton-Hood



Peter Wharton-Hood
from 1 September 2020

Pieter van der Westhuizen
Chief Financial Officer
Acting Chief Executive Officer from
17 January 2020 to 31 August 2020

On behalf of Life Healthcare, welcome to our jointly presented 2020 integrated report. In a year of unparalleled challenges across financial, economic and social spheres, our experienced leadership team, supported by our passionate and resilient employees, has been instrumental in navigating and moving us forward. The collective effort of the Group has also been key to ensuring we remain future-fit and geared for growth as we continue to position ourselves as a global, people-centred, diversified healthcare organisation.

TRENDS IMPACTING OUR BUSINESS IN 2020

While economic, political, regulatory and technological factors continue to transform our macro-environment, the outbreak of COVID-19 significantly changed the global socio-economic landscape and, particularly, the industry in which we operate.

We have always been proud of our management team's ability to adapt, and we continue to augment our business to remain relevant in a changing environment. The way in which we delivered care to our patients went through significant changes during the year. The prevention protocols we had in place were amplified in our response to COVID-19. Furthermore, the additional measures that we put in place during the year have been integrated into our daily operations, and will likely remain part of how we do business going forward.

During the year, the need arose to find alternative ways to support our stakeholders, given the lockdowns we faced globally. Telehealth grew rapidly across the world as consumers had limited access to in-person consultations. The Health Professions Council of South Africa (HPCSA) telemedicine guidelines were relaxed following the announcement of the national level 5 lockdown, recognising the need to carry out essential medical services while observing social distancing requirements. To this end, in rapid response to the pandemic, our focus shifted to also provide care via digital solutions, such as our free, public COVID-19 symptom checker, as well as the development of direct doctor-to-patient virtual consultations, to support the Life EHS risk solution application for corporates and their employees.

While responding to the challenges of the past year, it has become even more apparent that we need to protect our business from possible future threats. This responsibility will remain top-of-mind, and we believe that our strategy is resilient and sufficiently agile to adapt to the various events that may influence our business.

OUR 2020 YEAR IN REVIEW

As a Group, we can divide our review into two distinct periods. The business achieved strong results during the first half – building on the solid foundation and fundamentals established in prior years. We saw good progress in our efficiency programmes and the recruitment of doctors with the necessary experience. The second half of the year was dominated by the COVID-19 pandemic and the targeted, criminal cyber-attack on our IT systems in southern Africa. While the pandemic had a substantial financial impact on our business, our swift and efficient response mitigated the worst effects and our operations remain strong.

Collaboration and engagement between stakeholders across the healthcare industry are vital during times of crisis. As the COVID-19 pandemic emerged, we partnered with governments as far as possible, offering our support in the various regions where we operate. In South Africa, we reached agreement with national and provincial government departments to treat government patients at our facilities. In our international operations, we provided additional COVID-19 support measures to national healthcare providers, further cementing these relationships. While we were prepared for the worst, it was gratifying that the levels of support envisaged did not materialise, owing to the swift action taken by the South African and other governments.

The impact of COVID-19

Our ability to effectively respond to the pandemic and provide quality care to our patients in this time was largely due to the dedication and unwavering support of all our employees and supporting doctors. We are intensely aware of our responsibility to protect our employees, and the provision of adequate personal protective equipment (PPE) for our nurses, doctors and healthcare professionals working at our hospitals and clinics was critical. Despite the global shortage of PPE, we looked at innovative ways to expand the breadth of our supply lines to secure stock for our facilities.

The general shortage of nurses and skilled healthcare professionals continues to be a challenge in the regions in which we operate. This was further exacerbated during the year by governments understandably increasing their employee levels to supply resources to public facilities in their response to the pandemic. In addition, team members who contracted COVID-19 and needed to be quarantined or isolated were unable to work and this also impacted our operations, with over 2 600 employees diagnosed and testing positive. Our employees, however, rose to the challenges of the year with commitment and dedication. We believe this is testament to the trust they have in the future of Life Healthcare, and we continue to invest in them to develop a pipeline of talent that will be able to serve our future needs.

CHIEF EXECUTIVE'S JOINT LEADERSHIP REVIEW continued

At the end of the first half, the Group was in a strong position financially, and this, together with support from our lenders, assisted us in weathering the pandemic. As part of our response to COVID-19, we invested significant effort safeguarding the strength and flexibility of our balance sheet. Prudent capital management was a top priority, and we ensured that we could delay capital spend without any compromise to the business. We refinanced our term debt in our international operations during February 2020, and increased the committed facilities in the international operations by approximately GBP55 million, with a further optional GBP100 million facility if required. The Group increased its bank facilities to R10.2 billion since the onset of the pandemic. We believe these initiatives will ensure the financial resilience of the Group as we head into the next financial year.

To ensure Life Healthcare maintained its cash reserves, we implemented several mitigating actions and cash preservation levers across our business. These included the suspension of dividends, the reduction and deferral of capex spend, restrictions on non-critical spend and reducing temporary employee costs through increased utilisation of permanent employees.

The response to COVID-19 has called upon us all to make sacrifices. As part of this, our executive committee decided to defer their short-term incentive and, along with our non-executive directors, voluntarily donated up to 30% of their salaries and fees for up to six months to a fund that we established to benefit Life Healthcare employees impacted by COVID-19. We believe that this is a demonstration of the character of our leadership, and we are proud of their commitment to the sustainability of Life Healthcare.

Southern Africa

Our commitment to the safety and well-being of our frontline and non-frontline employees, our doctors and the patients we treat has never wavered. Since the national lockdown was announced and implemented, a multi-faceted approach has been taken to adapt operations to deal with the pandemic. COVID-19-specific operational, employee and clinical interventions were implemented with reference to guidelines issued by the national and provincial departments of health, the NICD, the WHO, as well as input from various clinical societies and medical experts. We continue to take learnings from the onset of the pandemic, position our businesses to become increasingly nimble and adaptable to cater for potential pent-up demand, as well as being prepared to continue to run our businesses with COVID-19 protocols.

Overall, our southern African operations' revenue decreased by 6.6% to R17.2 billion (2019: R18.5 billion), with our hospital division contributing R15.9 billion and our healthcare services division R1.3 billion. Normalised EBITDA pre-IFRS 16 decreased by 35.5% to R2.8 billion (2019: R4.4 billion) and normalised EBITDA margin pre-IFRS 16 decreased to 16.5% (2019: 23.8%). Total PPDs decreased by 15.7%, while overall occupancy at 58.4%. H2 has arguably been the most challenging time in the history of Life Healthcare. The month of April was the lowest point in terms of performance, with an occupancy level at approximately 40% largely as a result of all elective surgeries stopped during level 5 of the national lockdown. Despite this, the business performance was at breakeven point at an EBITDA level for the month of April, which reflects the resilience and strength of our business.

Our southern African growth initiatives are aimed at broadening Life Healthcare's exposure across the healthcare continuum, expanding our range of complementary services through entering and expanding diagnostic imaging services in South Africa. We will continue investing in data analytics and innovation. While we have made good progress in some aspects, the timing of implementation has been impacted due to the uncertainty of the impact of the pandemic, as well as the impact of the cyber-attack on the data analytics initiatives.



For more information on our southern Africa performance, refer to page 86.

International

While our international business felt the effects of the pandemic quite early on, the businesses have recovered well across geographies and have now reached approximately 90% of pre-COVID-19 levels. PET-CT, specifically in the UK, has proved more robust with volumes exceeding pre-COVID-19 levels.

Alliance Medical's revenue grew by 12.6% to R6.3 billion (2019: R5.6 billion). Normalised EBITDA pre-IFRS 16 decreased by 5.5% to R1.2 billion (2019: R1.3 billion) and normalised EBITDA margin decreased to 18.8% (2019: 22.4%). Our refurbishment of cyclotrons continued during the year, and we completed vital upgrades to Preston, which will ease radiopharmacy supply challenges. In the UK, we are now contracted to provide approximately 70% of the National Health Service (NHS) PET-CT services. UK PET-CT scans increased overall by 1.8% and continued strong recovery through quarter four, increasing by 5.2% in comparison with the same time last year. We believe that we are well positioned to continue supporting the UK NHS waiting lists that have been impacted by the pandemic and its resultant demand requirements for diagnostic and molecular imaging.

LMI delivered an exceptional performance having set a goal and producing a positive normalised EBITDA for the 2020 financial year despite experiencing a drop of more than 70% in volumes at one stage during the year.

Scanmed performed ahead of expectations despite the difficult operating environment, with revenue increasing by 13.8% to R1.5 billion and normalised EBITDA pre-IFRS 16 increasing by 44.3% to R140 million. A disposal agreement was signed on 24 November 2020 for an enterprise value of PLN340 million consisting of debt of PLN141 million and equity of PLN199 million. The Group will use the full proceeds to reduce debt levels.

 For more information on our international performance, refer to page 114.

OUTLOOK

While COVID-19 will remain part of our foreseeable future, we believe the Group is in a strong position to manage the challenge. We have delivered over the past period but believe that there is further work to be done. More than this, however, our portfolio of investments over the past few years has positioned us to capture demand opportunities as they emerge after the pandemic. Life Healthcare offers a unique value proposition, one driven by a diversified non-acute integrated portfolio of assets across southern Africa, the UK and western Europe.

Our LMI business is well-positioned to capture market share in the event of a disease modifying drug being developed. We are anticipating good progress in 2021 in advancing our South African diagnostic imaging growth initiative, further enhanced by leveraging Alliance Medical's technology, systems and international expertise in the provision and broad access to high-quality, affordable diagnostic imaging services across South Africa. Our continued focus will be on ensuring continued delivery on clinical excellence of our employees, doctors and patients while ensuring flexibility, and safeguarding our financial position. A diverse and inclusive culture continues being a key priority.

We believe that the foundation that we have built will enable delivery and execution of our strategy in realising future growth.

APPRECIATION

This year has been unprecedented in the challenges that have come our way. Our resilience, passion and care in the way our teams have responded to the crisis truly showed the commitment and loyalty of our employees. We are extremely grateful to everyone at Life Healthcare for their dedication and could not be prouder to be part of this incredible team.

Our employees, in particular, have led the fight against the pandemic, embodying the values we hold dear. We are enormously proud of the professionalism, passion and compassion shown by our employees – to each other, the community and especially to our patients. A special thanks goes to our nursing teams who went above and beyond caring for our patients, many of whom were isolated from their families and friends over this time.

To our frontline workers who lost their lives to the virus, our heartfelt gratitude for your commitment and sacrifice, and our condolences go out to your families and friends. At its heart, COVID-19 is a health crisis, and any loss of life remains one life too many. The health and safety of our patients, visitors, employees and our communities remains our top priority.


A crisis of this scale highlights the importance of collaboration. We would like to thank our suppliers for their support as we swiftly developed plans to ensure our facilities and teams had the necessary equipment to respond to the emerging threat. We are grateful to have been able to collaborate and assist the governments in the regions where we operate in responses to the pandemic.

To our investors and funders, thank you for your continued support. A particular thank you to our banks, whose support we were able to rely on continuously. We believe that these partnerships are what build a successful, resilient organisation.

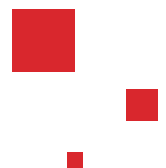
We would also like to thank the Board for their unfailing commitment to helping us weather this crisis – their experience, expertise and support is invaluable, enabling the management team to lead the Company responsibly and successfully through the worst of the difficulties.



Peter Wharton-Hood
Chief Executive Officer



Pieter van der Westhuizen
Chief Financial Officer



CHIEF FINANCIAL OFFICER'S REVIEW

Looking ahead, the uncertainty around the pandemic remain. Cost stewardship, capital discipline and **continued strong cash flow** generation is key to delivering on the **long-term success** of the Group.



Chief Financial Officer
Pieter van der Westhuizen

Life Healthcare's 2020 financial year was a year of vastly different halves. The Group delivered an excellent performance during H1 FY2020 but trading was significantly impacted in H2 FY2020 by the COVID-19 pandemic. The primary focus of the Group in H2 FY2020 was to manage the impact of the pandemic. A number of actions were taken over the period since the outbreak of the pandemic to ensure that we continued to deliver a safe environment providing quality care to our patients, protect the health, safety and job security of our employees in the short term and preserve liquidity. While there is still a high degree of uncertainty regarding the future progression of the pandemic, the Group is pleased with its

response to the challenges that arose during H2 FY2020 and we are confident that the lessons learned will enable us to respond effectively to future COVID-19-related challenges.

Revenue for the year ended 30 September 2020 decreased by 1.1% against last year and Group normalised EBITDA before the impact of IFRS 16 is 28.4% down against last year. Normalised EBITDA was impacted to a greater extent, due to additional costs associated with the pandemic and negative operational leverage due to lower activity levels.

	FY2020 R'm	FY2019 R'm	H1 FY2020 R'm	H1 FY2019 R'm	H2 FY2020 R'm	H2 FY2019 R'm
Revenue	25 386	25 672	13 244	12 399	12 142	13 273
Normalised EBITDA pre-IFRS 16	4 098	5 727	2 806	2 733	1 292	2 994
Attributable (loss)/profit	(93)	2 569	781	357	(874)	2 212

Indicator	Year-on-year trend	FY2020 R'm	FY2019 R'm
Growth			
Net debt: normalised EBITDA (ratio), amended debt covenant is <4.0x	↑	2.96	1.96
Interest cover (ratio), amended debt covenant is >3.75	↑	5.8 ¹	5.6
HEPS (cps)	↓	48.7	88.7
Dividend (cps)	↓	–	93.0
EBITA	↓	2 752	4 491
Free cash flow before transaction costs	↓	1 790	2 342
Efficiency			
Cash generated from operations as percentage of EBITDA	↑	111.3	103.5
Normalised EBITDA margin (%)	↓	17.1	22.3

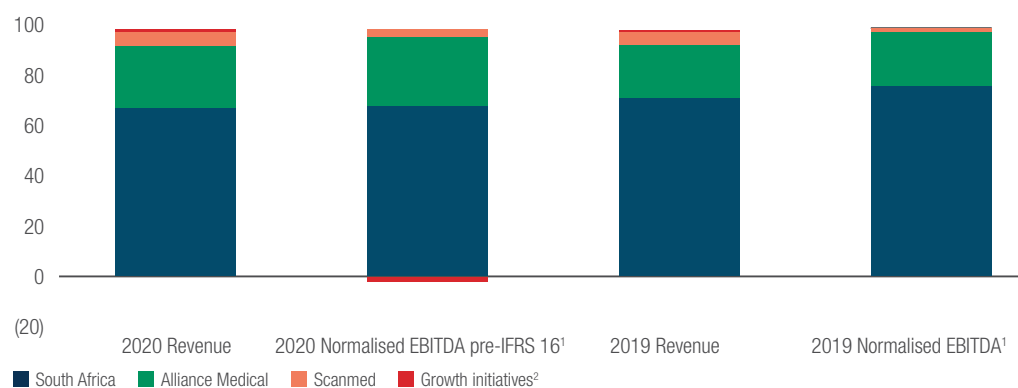
¹ Interest cover improved mainly due to settling of debt out of proceeds from the disposal of Max.

FINANCIAL RESULTS

	Change %	FY2020 R'm	FY2019 R'm
Revenue	(1.1)	25 386	25 672
Normalised EBITDA ¹	(24.1)	4 346	5 727
EBITA	(38.7)	2 752	4 491
Operating profit	(44.7)	2 180	3 944
Non-operating (expense)/income	>(100)	(788)	742
Net finance cost	(17.3)	(825)	(998)
Share of associate's net profit after tax	(22.2)	14	18
Profit for the year	(98.6)	38	2 871
Profit attributable to ordinary equity holders	>(100)	(93)	2 569

¹ Life Healthcare defines normalised EBITDA as operating profit before depreciation on property, plant and equipment, amortisation of intangible assets and non-trading related costs and income.

BUSINESS SEGMENT CONTRIBUTIONS (%)

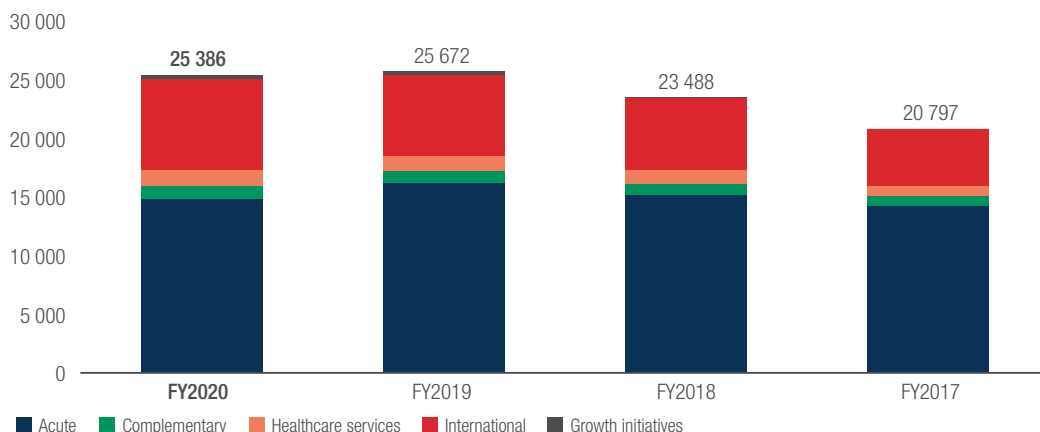


¹ Excludes the impact of IFRS 16.

² Growth initiatives comprises new outpatient models, imaging and other in southern Africa and LMI internationally.

CHIEF FINANCIAL OFFICER'S REVIEW continued

REVENUE (R'm)



REVENUE AND EBITDA

Group revenue decreased by 1.1% to R25.4 billion (2019: 25.7 billion) consisting of a 6.6% decrease in southern African revenue to R17.2 billion (2019: R18.5 billion), a 12.8% increase in international revenue to R7.8 billion (2019: R6.9 billion) and R320 million revenue contribution from growth initiatives (2019: R269 million). Normalised EBITDA pre-IFRS 16 decreased by 28.4% to R4.1 billion (2019: R5.7 billion). Normalised EBITDA was negatively impacted by the pandemic and related costs. The Group benefitted from the weakening of the Rand.

Southern Africa

Revenue for the southern African operations for the year under review decreased by 6.6% to R17.2 billion (2019: R18.5 billion) and normalised EBITDA pre-IFRS 16 decreased by 35.5% to R2.8 billion (2019: R4.4 billion). The main operating segment, hospitals and complementary services, did well to manage the pandemic. The overall weighted occupancy for the year decreased to 58.4% (2019: 69.7%). Paid patient days (PPDs) for the year decreased by 15.7% (2019: +0.8%) with PPDs for H2 FY2020 declining by 30.5% (H1 FY2020: +0.2%). The revenue per PPD for the year increased by 8.9% from FY2019. The higher than expected increase is due to a change in case mix as well as an increased proportion of higher acuity patients being admitted to hospital. The increase in revenue per PPD is made up of a 4.4% tariff increase and a 4.5% positive change in case mix.

Healthcare services was less affected with revenue for the year up 6.9% to R1 346 million (2019 R1 259 million) and normalised EBITDA pre-IFRS 16 down 9.5% to R134 million (2019: R148 million).

Normalised EBITDA pre-IFRS 16, for the southern African operations, decreased by 35.5% with a normalised EBITDA margin pre-IFRS 16 of 16.5% for the year (2019: 23.8%). As a large percentage of costs are fixed, the decline in activities due to the pandemic had a direct impact on the normalised EBITDA margin. The pandemic also resulted in additional costs incurred of approximately R244 million. The normalised EBITDA margin excluding the estimated pandemic impact was 23.7%.

The southern African operations were a victim of a criminal cyber-attack in June 2020. In response, the Group immediately took its systems offline and switched to manual processes and procedures. Although the care of patients was not impacted, the Group was unable to issue bills for a period of around 45 days. This billing backlog was resolved by end August 2020 and most of the outstanding accounts were collected by end September 2020. The direct costs of the restoration of the information technology (IT) infrastructure amounted to R64 million.

International

Revenue in diagnostic services increased by 12.6% to R6.3 billion (2019: R5.6 billion). This increase was driven by the good growth of the volumes within our PET-CT centres (1.8 %) in the UK, along with additional services to support governments' responses to the pandemic and the weakening of the rand against the pound sterling and the euro. Revenue in diagnostic services was negatively impacted by the pandemic, from February 2020 but more acutely between mid-March 2020 and mid-May 2020, with scan volumes dropping by an average 60% to 65% against pre-COVID-19 levels. Up to the end of February 2020, revenue in pound sterling was 8.4% ahead of the prior period. However, due to the impact of the pandemic, revenue in pound sterling for the year ended 30 September 2020 only increased by 0.3% compared to the prior year. The Alliance Medical operations showed good recovery in diagnostic scan volumes from June 2020 with Q4 FY2020 scan volumes up 0.2% against Q4 FY2019.

Within our UK business, our fourth cyclotron site in Preston was reopened in March 2020 after a period of closure for refurbishment. By having four sites operational again, we were able to meet demand, providing a more reliable PET-CT service. The fifth site, Dinnington, is going through its final accreditation and should be able to produce commercially from Q2 FY2021. This will further enhance our reliability of isotope production.

PET-CT scan volumes were impacted less severely than other modalities during the initial pandemic surge between mid-March 2020 and mid-May 2020. The full-year volume growth in our PET-CT scan centres in the UK was 1.8%, with Q4 FY2020 showing growth of 5.2% against Q4 FY2019.

Normalised EBITDA pre-IFRS 16 for diagnostic services was R1.2 billion (2019: R1.3 billion). The normalised EBITDA margin pre-IFRS 16 for Alliance Medical of 18.8% (2019: 22.4%) was negatively impacted by the pandemic. The normalised EBITDA margin, excluding the estimated pandemic impact, net of the benefit received due to the additional services to governments to support their COVID-19 response alongside cost-saving initiatives, was 21.9%.

Scanmed revenue for the year under review increased by 13.8% to R1 535 million (2019: R1 349 million). The normalised EBITDA margin pre-IFRS 16 increased to 9.1% (2019: 7.2%).

Scanmed had a good performance in the year under review, with an improvement on the prior year, as some of its facilities were designated as non-COVID-19 facilities and provided elective treatments to patients from other government facilities. The Group restarted the Scanmed disposal process during September 2020, and received an offer during November 2020 to dispose of its Polish operation. The offer is lower than the carrying value of Scanmed at 30 September 2020. With the receipt of the offer, it is considered prudent and appropriate to impair the carrying value at 30 September 2020 to reflect the value of the offer. The impairment for the year under review relating to Scanmed is R793 million. The disposal of Scanmed is in line with the Group's previously communicated strategy. A disposal agreement was signed on 24 November 2020 for an enterprise value of PLN340 million.

The disposal consideration will be settled in cash and Life Healthcare will receive approximately PLN199 million after settling debt in Poland. The full proceeds will be used to reduce the Group's debt levels. The disposal will be subject, inter alia, to regulatory approvals in Europe.

Growth initiatives

Growth initiatives comprise the development of a new outpatient business model, the development of the imaging services opportunity in South Africa, the investment in data analytics, and clinical quality products in South Africa and product development internationally.

The Group has made good progress with its imaging services opportunity in South Africa but delays were experienced in the execution of its first few transactions due to the pandemic. The acquisition process has restarted and the Group hopes to conclude transactions in H1 FY2021.

The outpatient business model continues to evolve and we have two standalone clinics, and four retail clinics in partnership with a large retailer. The management team has successfully developed a COVID-19 symptom checker, as well as a telemedicine tool with the ability to offer direct-to-patient doctor virtual consultations.

LMI, our primary international growth initiative, had a strong performance and contributed revenue of R319 million (2019: R268 million) and a normalised EBITDA pre-IFRS 16 loss of R7 million (2019: profit of R18 million). The loss in the year under review included a non-trading foreign exchange loss of R8 million (2019: profit: R30 million). Excluding this item the normalised EBITDA for 2020 was R1 million (2019: loss of R12 million) achieving its objective of breaking even in 2020 at normalised EBITDA level.

Growth initiatives contribution (R'm)

	FY2020 ¹	FY2019	FY2018
Revenue	320	269	66
Normalised EBITDA	(64)	(25)	(45)
Depreciation	(14)	(10)	(2)
EBITA	(78)	(35)	(47)
Amortisation	(20)	(18)	(19)
Operating loss	(98)	(53)	(66)

¹ Excludes the impact of IFRS 16.

CHIEF FINANCIAL OFFICER'S REVIEW continued

Earnings per share (EPS)

EPS decreased by more than 100% to a loss of 6.4 cps (2019: 176.4 cps). The impairment of R793 million relating to Scanmed reduced EPS by 54.5 cps. HEPS decreased by 45.1% to 48.7 cps (2019: 88.7 cps). Normalised EPS (NEPS), which excludes non-trading related items, decreased by 47.6% to 61.0 cps (2019: 116.4 cps). EPS, HEPS and NEPS for the year ended 30 September 2020 include the

impact of IFRS 16 (2019: no impact). Earnings in the prior year included a non-recurring profit on the disposal of our equity investment in Max Healthcare (net profit on the disposal in FY2019 of 68.5 cps). The earnings in the year under review have been positively impacted (+9.3 cps) by the reduction in post-tax interest cost of R135 million as a result of the repayment of debt in Q4 FY2019, following the disposal.

	Change %	FY2020 R'm	FY2019 R'm
Weighted average number of shares (million)	(0.1)	1 455	1 456
EPS (cents)	>(100)	(6.4)	176.4
Impairments of assets and investments		54.9	9.6
Profit in disposals of investments and PPE		0.2	(97.3)
HEPS (cents)	(45.1)	48.7	88.7
Adjustments to contingent considerations		7.1	2.9
Transaction costs		1.2	10.2
Fair value loss on Max option contracts		–	20.1
Gain on derecognition of finance lease asset and liability		(3.4)	–
Deferred tax raised on unrecognised exchange gain on intercompany loan/ (2019: historical losses)		9.1	(5.5)
Other		(1.7)	–
Normalised EPS (cents)	(47.6)	61.0	116.4
Normalised EPS excluding amortisation (cents)	(36.5)	94.0	148.1

FINANCIAL POSITION AND LIQUIDITY

The Group is in a strong financial position with net debt to normalised EBITDA as at 30 September 2020 at 2.96 times (2019: 1.96 times).

The Group negotiated amended bank covenants for the periods ended 30 September 2020 (net debt to normalised EBITDA of 4.0 times) and ending 31 March 2021 (net debt to normalised EBITDA of 4.5 times) due to the uncertainty of the pandemic. The Group agreed not to pay dividends without lender approval as part of the covenants amendment terms. The Group was well within its original bank covenant for net debt to normalised EBITDA of 3.50 times as at 30 September 2020.

The Group has implemented additional structures and processes to forecast, monitor and mitigate liquidity risks. The refinancing of the term debt in the international operations has increased the committed facilities by approximately GBP55 million.

The Group's available undrawn bank facilities as at 30 September 2020 amounted to R6.3 billion. To ensure the Group has sufficient cash reserves, in addition to securing additional bank facilities, management has implemented a number of mitigating actions and cash preservation levers across the Group's operations. These levers include the reduction and deferral of capital expenditure projects, suspending the interim and final dividend, placed an interim embargo on noncritical spend, reduced temporary employee costs through increased utilisation of permanent employees,

negotiated extended payment terms with suppliers, and utilised government incentive programmes, as far as possible. The Group's executive team has also agreed to defer their short-term incentives.

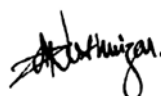
Cash flow and capital expenditure

The Group had strong working capital management despite the challenging environment in which the Group operated. The cash generated from operations amounted to R4.6 billion, and represented 111% of normalised EBITDA pre-IFRS 16 (2019: 103%).

During the financial year under review, the Group invested approximately R2.0 billion (2019: R2.3 billion), comprised mainly of capital projects of R2.0 billion (2019: R2.1 billion) and a new acquisition (net of cash acquired) by Alliance Medical of R6.0 million. The maintenance capital expenditure for the year was R1.2 billion (2019: R1.2 billion).

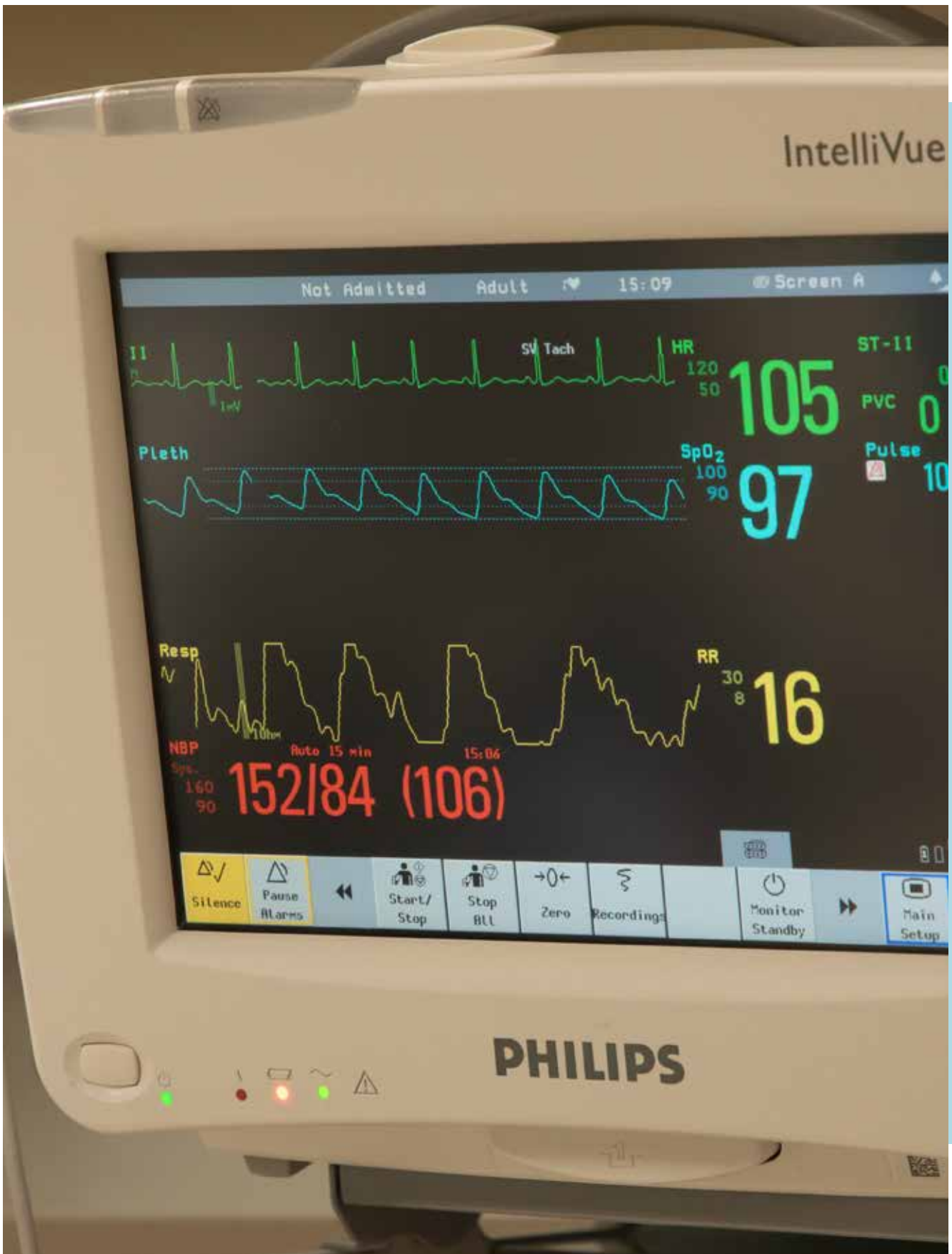
DISTRIBUTION

The Board of directors has decided, considering the current trading conditions and in order to preserve cash, not to pay a final dividend for the year. This position will be reviewed in the new financial year.



Pieter van der Westhuizen
Chief Financial Officer





HOW WE PERFORMED

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SOUTHERN AFRICA PERFORMANCE REVIEW

SOUTHERN AFRICA FOOTPRINT

The majority of the Group's operations are in southern Africa, with facilities in South Africa and Botswana. Revenue from this region comprises 67.9% of Group revenue (2019: 72.0%).

- Hospitals and same-day surgical centres
- Rehabilitation units
- Mental health facilities
- Employee Health solutions
- Renal dialysis units
- Esidimeni units
- Specialised maternity unit
- College of learning centres
- Oncology units



BOTSWANA

- Life Gaborone Private

NORTH WEST

- Life Anncron
- Life Peglerae

FREE STATE

- Life Pasteur
- Life Rosepark

MPUMALANGA

- Life Cosmos
- Life Midmed

GAUTENG

- Genesis Maternity Clinic
- Life Bedford Gardens
- Life Brackenview
- Life Brenthurst
- Life Brooklyn Day
- Life Carstenhof
- Life Carstenvue
- Life Dalview
- Life Eugene Marais
- Life Faerie Glen
- Life Flora
- Life Fourways
- Life Glynview
- Life Groenkloof
- Life New Kensington
- Life Poortview
- Life Pretoria North Surgical
- Life Riverfield Lodge

- Life Robinson Private
- Life Roseacres
- Life Springs Parkland
- Life Suikerbosrand
- Life The Glynwood
- Life Wilgeheuwel
- Life Wilgers

WESTERN CAPE

- Life Bay View Private
- Life Kingsbury
- Life Knysna Private
- Life Orthopaedic Centre
- Life Peninsula Eye
- Life Sports Science Orthopaedic
- Life St Vincent's
- Life Vincent Pallotti
- Life West Coast Private

EASTERN CAPE

- Life Beacon Bay
- Life East London Private
- Life Eye Hospital East London
- Life Huntersraig Private
- Life Isivivana Private
- Life Mercantile
- Life Queenstown Private
- Life St Dominic's
- Life St George's
- Life St James
- Life St Mark's
- Life St Mary's Private

KWAZULU-NATAL

- Life Chatsmed Garden
- Life Empangeni Private
- Life Entabeni
- Life Hilton Private
- Life Mount Edgecombe
- Life St Joseph's
- Life The Crompton
- Life Westville

LIFE ESIDIMENI

- Algoa Frail Care Centre
- Baneng Care Centre
- Kirkwood Care Centre
- Life Recovery Centre, Randfontein
- Life Recovery Centre, Witpoort
- Lorraine Frail Care Centre
- Mangaung Correctional Centre
- Shiluvana Care Centre
- Siyathuthuka Care Centre
- Waverley Care Centre

LIFE COLLEGE OF LEARNING

- Cape Town Learning Centre
- East London Learning Centre
- East Rand Learning Centre
- KwaZulu-Natal Learning Centre
- Port Elizabeth Learning Centre
- Pretoria Learning Centre
- West Rand Learning Centre

HOSPITAL DIVISION

ACUTE HOSPITALS

Facilities
49

Beds
8 240

COMPLEMENTARY SERVICES

ACUTE REHABILITATION

Facilities
7

Beds
319

MENTAL HEALTH

Facilities
9

Beds
592

RENAL DIALYSIS

Facilities
29

Stations
375

ONCOLOGY

Facilities
5

HEALTHCARE SERVICES DIVISION

LIFE ESIDIMENI

Facilities
10

Beds
3 135

LIFE EMPLOYEE HEALTH SOLUTIONS

Occupational health clinics
281

Employee wellness clinics
82

SOUTHERN AFRICA PERFORMANCE REVIEW continued

SOUTHERN AFRICA EXTERNAL ENVIRONMENT

MACRO-ECONOMIC TRENDS IMPACTING OUR BUSINESS

HOW WE ARE RESPONDING

Low growth and high unemployment

- Contraction in gross domestic product (GDP) growth rate
- Constrained consumer and capital spending
- Increased debt threatening South Africa's future economic prospects
- Constrained government finances
- Increased levels of unemployment
- Volatile exchange rates

- Providing consistent and excellent quality care to patients
- Improving cost efficiencies
- Developing and introducing new value-based products

Infrastructure challenges

- Electricity and water supply challenges

- Reducing our reliance on grid electricity
- Implementing adequate sustainability strategies

Complex regulatory landscape

- Introduction of new regulations due to COVID-19
- The one-year transition period from 1 July 2020 to comply with POPIA
- Uncertainty around the impact of the NHI Bill and Medical Schemes Amendment Bill

- Completing internal audits to ensure compliance with relevant laws and regulation
- Established a compliance function to drive adherence to governance and regulatory compliance
- Proactively monitoring and responding to changes in our regulatory universe
- Engaging with regulatory bodies to provide input for any new proposed legislation
- Future-proofing the business against regulatory changes

Industry challenges

- No growth in insured lives
- Shortages of specialised skills
- Funder pressure to reduce costs

- Implementing innovative service delivery
- Enhancing clinical quality outcomes
- Developing value-based products
- Expanding our services across the healthcare continuum
- Continued training and skills development initiatives
- Focusing growth into non-acute areas

MACRO-ECONOMIC TRENDS IMPACTING OUR BUSINESS

HOW WE ARE RESPONDING

Bed licences

- The provincial Department of Health (DOH) approves bed licences for both present and future facilities
- The efficiency of the application process, as well as the inconsistent application of the regulations by different provinces, remains a challenge and could impact our growth rate, as well as our capital expenditure levels
- Annual inspections and changes to legislation and compliance requirements may require changes to our facilities, which will entail unintended costs

- Engaging with provincial DOHs
- Amending our growth strategy, taking into account the potential future impacts of COVID-19
- Ensuring facility compliance to licence regulations across the different provinces

Doctor relationships


- In accordance with the Health Professions Council of South Africa (HPCSA) regulations, doctors and other health professionals are independent practitioners within our hospitals, which effectively prohibits their employment by Life Healthcare
- Shortage of specialists
- Tariff pressures require standardised formulary compliance

- Leveraging our reputation to build a portfolio of excellent specialists
- Partnering with doctors to provide cost-effective and quality care
- Increasing preferred network deals
- Offering relevant, world-class facilities and equipment

COVID-19 outbreak

- Shortage of nurses and frontline healthcare professionals
- Uncertainty around the timing of the COVID-19 peak
- Changes to how healthcare is delivered, with increased focus on technology and virtual care
- Lockdown restrictions imposed by the government
- Adequate PPE
- Reduction in elective cases
- Economic impact
- Government support

- Implementing COVID-19-specific measures and protocols
- Adopting guidelines issued by the DOH, NICD and the WHO
- Ensuring adequate PPE for employees and doctors
- Increasing ventilator capacity
- Implementing a dynamic forecasting model for logistical, capacity and employee planning

 Refer to page 28 for more information on our response to COVID-19.



SOUTHERN AFRICA PERFORMANCE REVIEW continued

Q&A WITH ADAM PYLE, OUR CEO – SOUTHERN AFRICA

Our southern Africa business achieved **excellent results** up to mid-March 2020, after which the impact of COVID-19 significantly impacted our **external operating environment**



Chief Executive Officer – southern Africa
Adam Pyle

Q HOW WOULD YOU DESCRIBE THE SOUTHERN AFRICAN OPERATING ENVIRONMENT IN 2020?

We can clearly divide our 2020 operating environment because of COVID-19. Before March 2020, when the first case of COVID-19 was announced in South Africa, we were already operating in a tough, low-growth economic environment. Growth in insured lives remained flat, and private providers were under constant pressure from funders to contain healthcare costs.

The operating environment became more challenging after COVID-19 emerged. There were very few guidelines on how to deal with the pandemic, and we faced several unprecedented challenges throughout H2 FY2020. However, I believe our response to the pandemic proved how resilient the southern African business truly is – a testament to the success of our efforts over the past few years.

Q HOW DID THE BUSINESS PERFORM BEFORE THE COVID-19 PANDEMIC EMERGED?

Our southern Africa business was responding well to the challenges we faced pre-COVID-19 and was well positioned for long-term growth. We saw strong overall business performance and growth across all business lines. Furthermore, we made good progress in stabilising margins, and business optimisation initiatives delivered positive contributions. Southern Africa saw excellent improvement in clinical quality outcomes, including enhanced patient quality scores, as well as decreases in healthcare associated infections (HAI) and patient safety adverse events.

Overall, our southern African operations' revenue decreased by 6.6% to R17.2 billion (2019: R18.5 billion), with our hospital division contributing R15.9 billion and our healthcare services division R1.3 billion. Revenue per PPD increased by 8.9% and PPDs decreased by 15.7% (2019: +0.8%). The increase in revenue per PPD comprises a 4.4% tariff increase and a 4.5% positive case-mix change. Overall weighted occupancy for the year was 58.4% (2019: 69.7%). Normalised EBITDA pre-IFRS 16 decreased by 35.5% to R2.8 billion (2019: R4.4 billion) with a normalised EBITDA margin pre-IFRS 16 of 16.5% (2019: 23.8%).

H2 has arguably been the most challenging time in the history of Life Healthcare. The month of April was the lowest point in terms of performance, with an occupancy level of below 40% largely as a result of all elective surgeries stopped during level 5 of the national lockdown. Despite this, the business performance was at breakeven point at an EBITDA level for the month of April, which reflects the resilience and strength of our business.

Q HOW DID SOUTHERN AFRICA RESPOND TO COVID-19? WHAT IMPACT DID THIS HAVE ON THE BUSINESS' PERFORMANCE?

Firstly, I am incredibly proud of how the southern African business responded to the COVID-19 outbreak. The commitment, dedication and bravery of our employees and management was remarkable to witness. In the face of seemingly insurmountable challenges, we showed that we are able to adapt and respond, and we proved that the business is truly resilient.

We worked closely with the NICD from the onset of the pandemic to implement various measures that support our existing processes. Our response was further informed by the guidelines of the WHO, international best practice as well as our consultations with, among others, our doctors, government and employees. Most importantly, we ensured that we adapted our protocols and processes as needed throughout the year as new information emerged, to ensure we provided the best possible care to our patients without interruption.

All hospital employees, including those in our emergency units, were briefed and trained on our new protocols. We established COVID-19 committees comprising representatives of internal leadership and management teams, as well as various medical specialties. These committees guided the implementation of new protocols within our facilities.

 Refer to page 28 for more details on our response to COVID-19.

While we welcomed the relaxation of lockdown regulations as the year progressed, we continue to remain vigilant about applying and implementing COVID-19 protocols and guidelines to ensure the continued safety of our patients, employees and doctors. We will continue abiding by strict hygiene practices and social distancing protocols as we gradually and carefully reintroduce normal operations and medical service to our patients. Furthermore, we continuously review the situation at each hospital and tailor our response accordingly.

The estimated financial impact of COVID-19 on the southern Africa business is a decrease in revenue of R2.3 billion and a decrease in EBITDA of R1.8 billion. We had approximately 11 000 COVID-19 admissions with a total of 138 000 PPDs, 69% of which occurred in July and August. Underlying acute activities showed recovery by September, although with an underlying change in case mix.

Q HOW WELL IS THE BUSINESS POSITIONED TO NAVIGATE A WORLD TRANSFORMED BY COVID-19?

We realise COVID-19 caused uncertainty, stress and anxiety among South Africans and it has not been easy to adapt to the new environment. We believe, however, that our business is well positioned to deal with these challenges.

We have a strong geographic spread of acute hospital facilities complemented with mental health, acute rehabilitation, renal dialysis and oncology businesses. We continue to focus on providing clinical excellence within an environment of operational excellence supplemented by pricing models which will differentiate us in the market. In addition, these businesses are supplemented by the occupational health and wellness business, Life EHS, MyLife and the largest healthcare PPP, Life Esidimeni. In line with our strategic objectives we will enter into the SA radiology market and we will continue to expand our services across the continuum of care broadening our business offering.

Q IS THERE ANYBODY YOU WOULD LIKE TO EXTEND YOUR APPRECIATION TO?

I am humbled by the strength of our nurses, doctors, pharmacists and support employees who fought this pandemic from the frontline in the face of uncertainty. I also extend my gratitude to our employees, executive team and management, who rallied to protect our business.

Sadly, 19 employees passed away due to COVID-19. These people were resilient and sacrificed their lives to help those around them. I extend my heartfelt condolences to their loved ones on behalf of the southern Africa team.

Q WHAT CAN WE EXPECT FROM THE BUSINESS GOING FORWARD?

The level and duration of the COVID-19 pandemic remains uncertain and this environment is expected to continue into 2021. Our focus remains on treating our patients and looking after our employees, doctors and other healthcare professionals. We will ensure appropriate capital and operational expenditure depending on COVID-19 and we will re-focus on business optimisation programmes as well as re-initiating our strategic growth projects.

SOUTHERN AFRICA PERFORMANCE REVIEW continued



GROWTH

We paused our investment in southern Africa’s growth due to COVID-19. Instead, our focus shifted to a cash preservation strategy in the short term, until such time where we have better clarity on the longer-term impact of COVID-19. We are confident that we will be well-positioned to achieve our long-term growth objectives.

KEY HIGHLIGHTS

- Recruited a net 76 doctors during the year
- Continued progress made on diversifying across business lines and territories before COVID-19

OUR 2020 PRIORITIES

■ Continue focusing on doctor recruitment, retention and training	■
■ Increase the portion of our revenue sourced from non-acute	■
■ Focused bed growth in select acute hospitals	■
■ Expand the geographic presence of our complementary services division	■
■ Introduce new products across acute and complementary services	■
■ Expand our presence in the imaging services market	■
■ Expand our services across the continuum of care into primary care provision, sub-acute, outpatient care, homecare and broad-based wellness	■
■ Continue engaging funders about introducing several clinical products to secure market share	■
■ Embed our IT strategy to optimise performance	■
■ Further execution of efficiency projects started in 2019	■

■ ACHIEVED	■ PARTIALLY ACHIEVED	■ ONGOING OR NOT ACHIEVED	■ DELAYED DUE TO COVID-19
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HOSPITAL AND COMPLEMENTARY SERVICES DIVISION

This financial year comprised two distinct periods. Firstly, our growth strategy performed against expectations before the COVID-19 outbreak. We grew our PPDs in a flat market by 2% at the end of February, mainly due to a focus on driving our key referrer channels, our continued doctor recruitment and the improved occupancy within our new mental health facility.

However, from March 2020, our focus shifted away from our growth initiatives to meet the unique challenges posed by COVID-19. A number of growth projects were put on hold and capex was curtailed as the business focused on cash preservation. The pandemic had a significant impact, with the business experiencing a decline in elective cases and non-COVID-19 medical cases.

The southern African business experienced 39.3% occupancy in April 2020 due to the national level 5 lockdown and the absence of elective cases. However, occupancy levels started to improve as elective cases returned in May and, despite a decline during June and July, the number of COVID-19 cases increased and, with it, occupancy levels reached just over 66% in July. Occupancies declined again during August and September as the increase in medically necessary procedures was slower than the drop off in COVID-19 cases.

Revenue during April 2020 was approximately 40% below April 2019, but continued to improve month-on-month – during July 2020, revenue was 11% below July 2019 and, in September 2020, approximately 5% below September 2019.

Although normalised EBITDA during April 2020 was at a breakeven point, the southern Africa operations subsequently contributed positively to normalised EBITDA over the remaining half of the year.

We expect to see a recovery in the number of elective surgical and medical cases over the first half of 2021, subject to how the COVID-19 pandemic plays out over this period. Cash preservation will remain a focus going forward, and we will:

- Continue to drive labour resource efficiencies
- Limit overheads to essential, non-discretionary items
- Drive cash collections
- Manage inventory, including bulk PPE purchases
- Limit capital expenditure
- Nursing excellence

Indicator	Year-on-year trend	2020	2019	2018
PPDs ^{1,2}	↓	1 914 159	2 269 756	2 251 600
Occupancy ³ (%)	↓	58.4	69.7	69.7
Length of stay (LOS) (days) ⁴	↑	4.08	3.76	3.72
Number of healthcare facilities	↔	66	66	66
Number of registered beds	↑	9 151	9 136	9 055
Number of acute facilities	↔	49	49	50
Number of dedicated acute rehabilitation facilities	↔	7	7	7
Number of dedicated mental health facilities	↔	9	9	8
Number of renal dialysis facilities	↑	29	26	26
Number of specialised maternity units	↔	1	1	1
Number of oncology units	↔	5	5	5

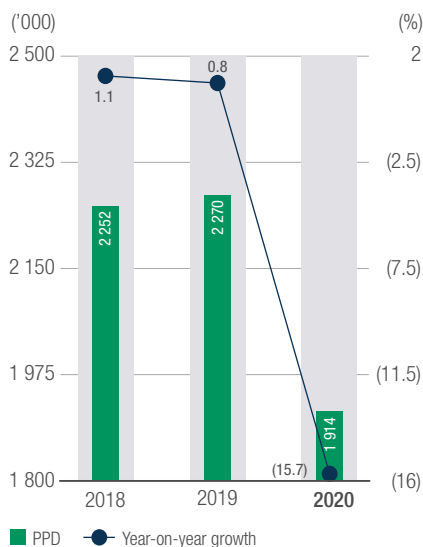
¹ PPDs refer to a unit of time during which the services of the institution or facility are used by a patient.

² This indicator is externally assured. (A)

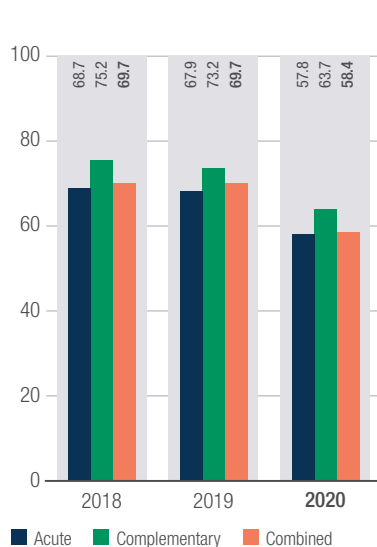
³ The number of beds in SA facilities utilised by patients.

⁴ The average amount of time spent in hospital per patient visit.

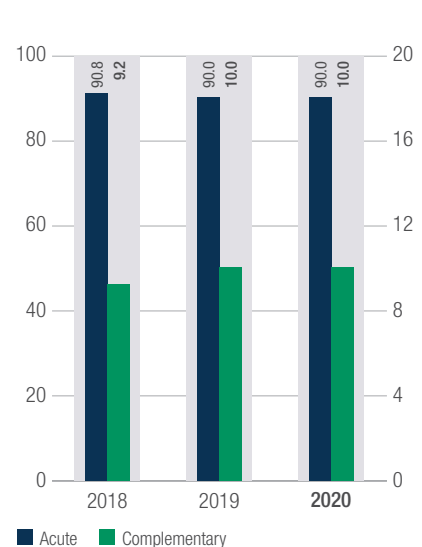
PPD GROWTH



SOUTHERN AFRICA OCCUPANCY (%)



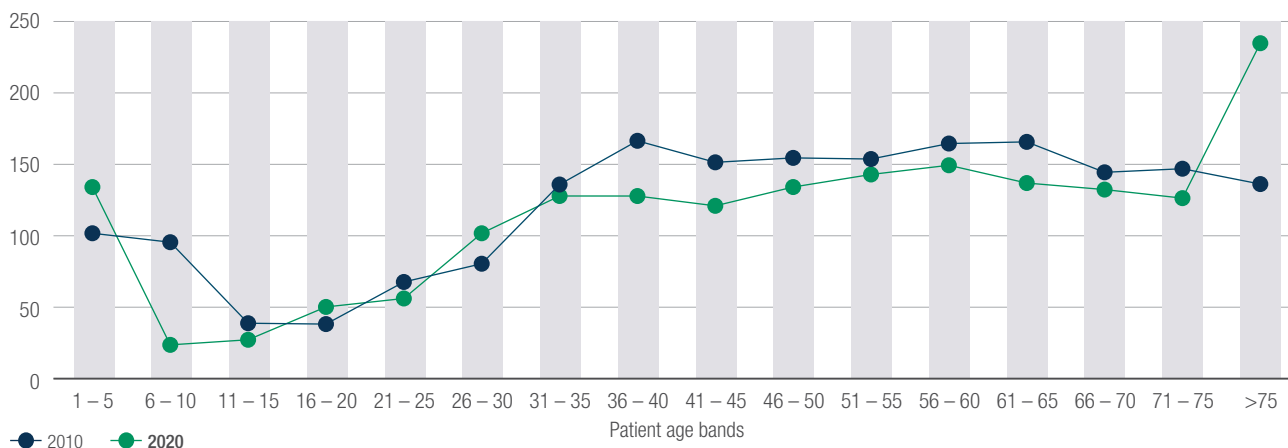
SOUTHERN AFRICA REGISTERED BEDS (%)



SOUTHERN AFRICA PERFORMANCE REVIEW continued

GROWTH CONTINUED

PPDs BY PATIENT AGE ('000)



We experienced pleasing PPD growth before the COVID-19 outbreak, with a February year-to-date increase of 2% compared with a PPD decline of 0.1% in 2019. Theatre minutes increased by 2.0%, and the number of cathlab cases increased by 7.1%. However, COVID-19 and the resultant lockdowns negatively impacted elective surgical cases, driving down theatre minutes. In addition, the reluctance of people to visit a hospital during the COVID-19 crisis – even for serious conditions – negatively impacted several areas of our business, including cathlab facilities, where cases were down on prior year. Overall PPDs declined by 15.7% from 2019.

As a result of the decline in PPDs, our overall occupancy levels decreased from 69.7% in 2019 to 58.4% in 2020. COVID-19 impacted the occupancy mix within our acute hospitals, with ICU and high-care occupancy levels remaining high at 65.3% (2019: 68.0%). General ward occupancy was impacted more severely, with occupancies of 49.7% (2019: 60.7%).

Within the complementary services division, our mental health facilities were significantly impacted by the pandemic and resultant lockdowns. The business started to see a steady recovery in occupancy since June 2020. The acute rehabilitation facilities were negatively affected by reduced demand for surgery and trauma-related events, but continued operating at satisfactory occupancy levels.

We suspended all expansion initiatives as part of our cash preservation strategy in response to COVID-19, placing all planned brownfield expansions on hold.

Our oncology business was negatively impacted by COVID-19, and we saw a reduction in the number of new patients treated during the year. This trend was not unique to Life Healthcare, and the number of check-ups and cancer screenings declined worldwide. The number of oncology patients increased from August onwards, but we remain concerned about the long-term impacts of delayed oncology diagnosis on our patients.

Pleasingly, our renal dialysis facilities increased to 29 during the year. Acute dialysis declined year-on-year due to COVID-19 and a reduced number of patients were admitted to ICU. However, chronic treatments continued to grow throughout the year.

HEALTHCARE SERVICES DIVISION

Life Esidimeni

- Operate across five provinces
- 3 135 registered beds in 10 facilities (2019: 3 119 beds in 10 facilities)
- 1 034 042 PPDs (2019: 1 054 391)

We partner with the South African government through Life Esidimeni to provide patient-centred, compassionate services to the most vulnerable South Africans. Our centres focus on recovery and rehabilitation, as well as clinical treatment and care, and we are a third-party primary healthcare provider for the Department of Correctional Services.

Life Esidimeni reacted quickly to the COVID-19 threat introducing appropriate COVID-19 protocols and guidelines, ensuring employees and patients had sufficient PPE and working closely with the acute hospital business, the NICD, doctors and government. Despite these challenges revenue increased by 8.4% over the prior year, driven by a 1.9% decrease in PPD volumes and improved tariffs. EBITDA margins were negatively impacted due to the increased costs of managing COVID-19 including, additional PPE and screening costs, setting up COVID-19 isolation wards and increased agency costs due to employees in isolation and quarantine.

We continued to strengthen our relationships with existing clients during the year, and all contracts were renewed except for the Eastern Cape Frail Care centre, which is still under court order. We received additional requests from the DOH to accommodate more patients, with additional mental health beds from the Gauteng DOH. Occupancies in mental health and frail care centres remain high.

Going forward, we will focus on growing existing contracts within Life Esidimeni and focus on new business developments. Specifically, we will endeavour to expand our Life Esidimeni footprint to KwaZulu-Natal, the Free State and the North West.

Life EHS

Life EHS is South Africa's leading provider of contracted on-site occupational, primary healthcare and wellness services to large employer groups. We focused on strengthening our relationships with customers and

maximising efficiencies this year by exiting non-performing contracts. We are pleased that overall revenue increased by 5.9% despite a loss in contracts and the impacts of COVID-19. This was mainly driven by price negotiations concluded before the COVID-19 outbreak, operational consolidation and integration, the sale of COVID-19-related products – including the launch of the innovative Life RISK Solution to over 35 000 employees, and the management of 15 isolation and quarantine facilities – and new contracts won in the wellness space.

Life EHS launched several new service offerings during the year, including offerings relating to COVID-19, such as:

- Quarantine and isolation facility management for the mining industry
- A digital mobile staff tracker and symptom checker
- Facilitating on-site COVID-19 testing
- Facility health and safety risk assessments
- Vulnerable employee management

We expect the revenue from these new offerings to offset any losses caused by the pandemic. Going forward, we will further support the growth of Life EHS by:

- Increasing the capacity of the business development, sales and IT teams
- Managing operational and overhead costs
- Improving customer satisfaction
- Developing more digital products to support our continuum of care offering within our acute business
- Diversifying our existing portfolio of services and clients

Indicator	Year-on-year trend	2020	2019	2018
Number of Life EHS clinics (Life Occupational Health)	↓	281	310	301
Number of lives covered through Life EHS occupational health	↑	226 378	210 589	211 086
Number of lives covered by Life EHS (employee wellness)	↓	379 680	383 082	367 670

New business in our employee wellness offering continued to grow during the year. The number of lives under administration decreased by 0.9% (2019: 4.2% increase). We will continue enhancing our network of affiliates and will leverage our existing care centres to improve our virtual service offerings.

SOUTHERN AFRICA PERFORMANCE REVIEW continued

GROWTH CONTINUED

MyLife Healthcare Centre (MyLife)

MyLife continued to offer high-quality primary healthcare provided by nurses and supported by doctors through virtual consultations. This year, we focused on growing our clinic footprint, piloting several different service modalities and price points, as well as implementing various marketing strategies.

Geographical location and indicator	Year-on-year trend	2020	2019
Number of MyLife clinics	↑	6	2
Number of patient consultations	↑	5 492	4 199

We relocated our flagship clinic at Campus Square to Life Brenthurst Hospital during the year, successfully migrating our patient base. We also launched six clinics across Gauteng, the Western Cape and Mpumalanga.

Our patient volumes are steadily increasing, from 4 199 in 2019 to 5 492 in 2020. However, remaining well below what we expected. We launched a marketing campaign in response, which gained significant traction until the government-imposed lockdown.

Due to the pandemic, many of our product development and system enhancements were delayed, while we focused on development products that would support our employees and patients during this critical time. A free COVID-19 symptom tracker and Direct2Patient virtual consultations ensured that our employees and patients were as well protected as possible.

With nursing employees significantly impacted, our clinic operating hours were reduced, although all clinics remained open and operational throughout the pandemic. We maintained a customer satisfaction score of 95% and enhanced our intellectual capacity, and we intend to remain flexible during this uncertain time while continuing with our growth strategy.

OUR 2021 PRIORITIES

- Stabilise the business in a post-COVID-19 environment
- When appropriate, execute on specific acute hospital growth initiatives
- Continue driving the expansion of the complementary services division based on the relaxation of our cash preservation strategy, as well as our overall capital allocation strategy
- Ongoing drive to recruit doctors
- Replace cathlabs at selected hospitals and complete the new cathlab at Life The Glynnwood
- Complete upgrade to Life Wilgeheuwel Hospital
- Leverage our Life EHS assets and digital innovation to deliver on our value-based care proposition, including the development of new care products
- Further improvement of nursing excellence
- Delivering continuous improvement in nursing excellence
- Further strengthening of our IT environment in response to the cyber-attack



QUALITY

We continued to pursue clinical excellence and provide world-class healthcare services to our patients, even though COVID-19 severely disrupted our operating environment during the year. We endeavour to address patient needs by consistently improving their experience at our facilities, which we measure through comprehensive reporting and benchmarking.

KEY HIGHLIGHTS

- Decreased the number of patient safety adverse events
- Enhanced overall clinical quality scores
- Developed a COVID-19 patient and employee tracker to monitor and report on statistics daily
- Enhanced quality improvement strategies by introducing a daily management system

OUR 2020 PRIORITIES

■ Develop a standard operating procedure for the patient journey throughout Life Healthcare's emergency units	■
■ Deliver clinical quality excellence and leading patient experience	■
■ Benchmark the performance of facilities of similar size	■
■ Continue reporting and updating our published data post-external assurance audit	■
■ Drive enhanced compliance with established processes and systems at the point of care	■

■ ACHIEVED	■ PARTIALLY ACHIEVED	■ ONGOING OR NOT ACHIEVED	■ DELAYED DUE TO COVID-19
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MAINTAINING QUALITY EXCELLENCE DURING COVID-19

We needed to adapt our southern Africa business to respond to the changing environment brought about by COVID-19. Throughout the period, we aimed to balance our efforts between treating COVID-19 patients and judicious management of necessary surgery. At any given point, our facilities were managing a demanding caseload driven by COVID-19 admissions, accommodating essential surgeries and ensuring the availability of critical care equipment. We implemented several initiatives during the year, including:

- Developing a COVID-19 incident reporting system
- Standardising clinical management protocols based on the best evidence available locally and internationally
- Reconfiguring our infection prevention and control measures

- Establishing a multi-disciplinary COVID-19 task team at a national and hospital-level to provide clinical and operational guidance
- Introducing ethical guidelines detailing procedures on how to allocate scarce resources
- Monitoring and evaluating COVID-19 admissions, including daily caseloads, respiratory support modalities and pharmacotherapy compliance

We developed a COVID-19 patient tracker during the year to keep accurate records of the number of patients diagnosed with COVID-19 admitted to our facilities, as well as the level of care and clinical support they needed. Life EHS developed a COVID-19 staff tracker to record the number of our employees infected with the virus and their recovery, which also supported management in prioritising interventions

SOUTHERN AFRICA PERFORMANCE REVIEW continued

QUALITY CONTINUED

based on reported outbreaks. Life EHS expanded the solution to include an app to screen our employees before entering their workplace. We share the data extracted from these trackers with provincial governments and the National DOH to inform their decision-making.

Throughout the pandemic, we invested significant effort into keeping healthcare professionals up to date on the latest developments and treatments. We also instituted COVID-19 treatment audits that enabled clinical pharmacists (CPs) to measure the alignment of prescribed pharmacotherapy. These audits also identified areas for improvement, which were then addressed through continuous engagement with COVID-19 clinical committees at hospital level.

CLINICAL GOVERNANCE AND QUALITY MANAGEMENT SYSTEMS (QMS)

We are committed to consistently improving the quality of the services we provide to our patients. Therefore, we have a clinical governance framework to cultivate an environment conducive to excellence. The framework also drives improvements to our processes across the business, enabling us to achieve our desired quality outcomes. Furthermore, all quality-related elements are managed through a single QMS, which aligns all processes and systems potentially impacting the delivery of quality services to our patients with the system.

Life Healthcare has two key components driving quality, namely quality assurance and quality improvement. Firstly, we maintain standards and identify gaps that exist within our system through our quality assurance processes. We then enhance established processes to improve the entire QMS, from patient experience and patient safety to employee safety and clinical outcomes. Our quality department, supported by the Board's clinical governance, quality and safety committee, is responsible for maintaining our QMS, as well as implementing internal clinical and quality strategies throughout Life Healthcare.

The quality department also supports the clinical directorate on the journey to improve clinical outcomes and process measures. We developed a platform to capture hip and knee arthroplasty patient-related outcome measures this year, as well as a monthly reporting suite for these measures. We also developed an automated, retrospective and concurrent patient documentation audit form with the Life Healthcare nursing department. The form ensures the excellent upkeep

of nursing documentation and compliance with legal requirements. We piloted a daily management system towards the end of the year to help hospital leaders efficiently and effectively manage their departments, driving improvement and productivity.

We conduct internal and external audits to assess whether our facilities comply with quality and environmental management standards, adequate allocation of leadership responsibilities, and industry-specific quality standards. Pleasingly, our acute hospitals, Life EHS and its occupational health clinics retained their ISO 9001:2015 quality management certification. Life EHS and its occupational health clinics are in the process of completing the migration from BS OHSAS 18001:2017 to ISO 45001:2018.



Please refer to our website at www.lifehealthcare/about-us/clinical-and-support-functions/quality/quality-assurance/ for information on our Group certification in terms of ISO standards.

IMPROVING PATIENT EXPERIENCE

We ensure that we offer our patients quality care and excellent experiences at our facilities to pursue clinical excellence. This commitment is also entrenched in our core value of quality to the power of e (ethics, excellence, empowerment, empathy and energy).

We focused specifically on improving critical care within our hospitals this year. Therefore, we identified 10 ICUs to drive improvements in the quality of care to critically ill patients by introducing multi-disciplinary teams and ICU-specific protocols. We also prepared 11 maternity units for an innovative collaboration with our obstetricians, through which we co-manage ante-natal care for both high and low-risk pregnancies to mitigate maternal adverse events.

Our regional clinical pharmacists (RCPs) actively drive alignment with evidence-based pharmacotherapy best practice to further enhance the care we provide within our hospitals and, in turn, patient outcomes. We employ clinical pharmacists (CPs) and clinical practice pharmacists (CPPs) at most of our medium and large acute hospitals, where they form part of the multi-disciplinary healthcare team making recommendations on treatments. RCPs – appointed within three regions thus far – guide quality improvement through regular site visits during ward rounds with CPs and CPPs. By doing this, we individualise treatment based on patient-specific factors and ensure safe, cost-effective, evidence-based therapy.

Patient safety adverse events

Indicator (per 1 000 PPDs)	Year-on-year trend	2020	2019	2018
Patient safety adverse events ^{1,2}	↓	2.07	2.44	2.68
Medication adverse events	↓	0.69	0.92	1.10
Falling adverse events	↓	0.68	0.71	0.68
Pressure ulcer rate	↓	0.09	0.10	0.12
Procedure-related adverse events	↓	0.39	0.46	0.55

¹ This indicator is externally assured. (A)

² Includes unintended or unexpected events which did, or could have, resulted in harm, such as falls, behaviour, medication, pressure ulcers, death due to unnatural causes, burns, procedure-related incidents, other patient incidents, patients absconding, and other patient information incidents.

Pleasingly, overall patient safety adverse events decreased by 15.2% during the year. Adverse events are investigated at both hospital and national level to identify mitigating actions, which are then implemented to prevent a recurrence. We also have a proactive alert reporting system in place at all hospitals.

Clinical infections

Clinical indicators	Year-on-year trend	2020	2019	2018
HAIs ¹ (per 1 000 PPDs)	↓	0.40	0.41	0.41
Ventilator-associated pneumonia (VAP) (per 1 000 ventilator days)	↓	0.82	0.90	1.09
Surgical site infections (SSIs) (per 1 000 theatre cases)	↓	0.73	1.05	0.99
Central line-associated bloodstream infections (CLABSI) (per 1 000 central lines)	↓	0.79	0.83	0.99
Catheter-associated urinary tract infections (CAUTI) (per 1 000 catheter days on one line)	↓	0.20	0.34	0.31
FIM™/FAM score (target >0.9)	↓	0.61	0.84	0.90
MHQ14 efficiency (average gain/PPD) (target >2.25)	↓	2.26	2.35	2.20

¹ This indicator is externally assured. (A)

Proposal

Clinical indicators are as determined in terms of the guidelines of the Centre of Diseases Control and Prevention, we focus on the most material metrics for proactively managing clinical infections.

The most common SSIs were caesarean sections, spinal and colorectal surgeries. The FIM™/FAM score is a measure of the patients' function while in an acute rehabilitation facility based on weekly assessments, while the MHQ14 efficiency is a measure of patient reported feedback while in a mental health facility.

SOUTHERN AFRICA PERFORMANCE REVIEW continued

QUALITY CONTINUED

Measuring and improving patient experience

We have robust internal processes in place to monitor quality measures relevant to our business. We communicate with patients electronically once they are discharged from our facilities to gather information on their experiences with Life Healthcare.

Third-party contractors conduct patient surveys based on the Hospital Consumer Assessment of Healthcare Providers and Systems in the United States, which we have further tailored to our specific needs. Patient responses have decreased by 40.5% year-on-year.

We revised the quality process and outcomes targets for our hospitals during the year, setting realistic goals to drive continuous improvement across the Group. We identified three relevant targets:

1. Measuring a hospital against its past performance
2. Benchmarking hospitals against other facilities of similar sizes
3. Comparing a hospital against other facilities within the Life Healthcare Group

We have dedicated key indicators and internal targets to measure our performance from a quality perspective. We focused on infection prevention and control this year and throughout the pandemic. The change in our patient profile during the year, along with reduced admissions and activities, impacted our quality metrics, even though we saw an improvement across most quality metrics.

- **36.3% decrease in the number of comment cards completed (2019: 3.6% decrease)**
- **Number of positive responses increased from 89.8% in 2019 to 91.0% in 2020**

Quality metrics ¹	Year-on-year trend	2020	2019	2018
Patient experience measure (PXM)	↓	8.39	8.4	8.4
Patient experience – inpatient	↓	8.39	8.4	8.4
Patient experience – emergency units	↑	8.15	8.0	8.1
Definitely recommend (%)	↑	70.8	70.7	70.7
Definitely recommend – inpatient (%)	↑	70.8	70.7	70.7
Definitely recommend – emergency units (%)	↑	68.7	66.5	67.3
Complaint rate (per 1 000 PPDs)	↓	0.66	0.8	0.83

¹ We monitor mortality rates, re-admission rates and other quality measures according to American standards, which are aligned with those used by Medicare in the United States of America.

Overall patient experience decreased during the year, with six hospitals scoring <8.0 (2019: 8). Definitely recommend improved with 21 hospitals achieving scores >71% (2019: 21), and three hospitals scoring <60% (2019: 5).



Refer to our website at www.lifehealthcare.co.za/quality-measures/ for information on our quality measures and real-time PXM scores.

Our clinical pharmacy programme continues to focus on improving patient outcomes. The number of interventions increased by 44.0% this year (2019: 64.9%). Despite the COVID-19 pandemic – which significantly impacted pharmacist activity due to movement restrictions within the hospitals to reduce the spread of infection – ward rounds with doctors have only slightly been impacted (decreased by 3.7%).

Life Healthcare's antimicrobial stewardship (AMS) programme

- Number of inpatients assessed for AMS bundle compliance increased by 1.8%¹ (2019: 14.2%)
- AMS bundle compliance percentage increased to 96.1%¹ (2019: 95.0%)
- The acceptance of interventions to address non-compliance increased to 80.6%¹ (2019: 80.4%), just above our target of 80.0%
- 13.8% decrease in c.difficile infection rate per 1 000 PPDs (2019: 13.8% decrease)
- Carbapenem load (number of units per PPD) increased by 22.2%¹, and overall injectable antibiotic load by 5.7%¹

¹ Capturing of AMS and clinical pharmacy metrics were only done for 10 months of the financial year due to system downtime. Data has been extrapolated to a 12-month figure for comparative purposes.

We remain committed to aligning our multi-functional AMS programme with internationally recognised best practice. We can optimise infection treatment and reduce adverse events and antimicrobial resistance by improving rational antimicrobial use and decreasing inappropriate antibiotic utilisation, ultimately enabling our healthcare professionals to enhance quality patient care and safety.

During the pandemic, our AMS efforts focused on the appropriate use of antibiotics on COVID-19 patients. We leveraged the results from our weekly COVID-19 audits to decrease antibiotic prescriptions and utilisation. The number of COVID-19 patients on antibiotics in ICU and high-care units reduced by 17%, and by 22% in general ward patients.



We established the BetterObs programme in 2015 in partnership with the South African Society of Obstetricians and Gynaecologists. The programme aims to reduce the number of maternal deaths and complications.

OUR 2021 PRIORITIES

- Enhance our patient safety culture
- Continue improving patient experience outcomes and the documentation thereof
- Partner with the clinical directorate to develop additional clinical outcome measures for new clinical products
- Entrench value into all quality metrics while balancing patient experience, clinical outcomes and cost of healthcare
- Drive collaborative learning and continuous improvement across all patient experience, safety and outcome measures
- Provide safe and responsible nursing care through compliance with COVID-19-related protocols

SOUTHERN AFRICA PERFORMANCE REVIEW continued



EFFICIENCY

Our commitment to providing high-quality healthcare and ensuring clinical and operational efficiency prepared us to respond to the challenges of 2020.

KEY HIGHLIGHTS

- Improved cost efficiencies
- Containing net basket price increases within CPI levels despite COVID-19
- A 12% increase in preferential procurement spend on level 1 to 3 vendors in 2020

OUR 2020 PRIORITIES

■ Extensive use of technology and data analytics to optimise performance	■
■ Asset optimisation	■
■ Engage funders and clinicians to improve efficiency and reduce the cost of delivery	■
■ Drive DOMINO throughout the business	■

■ ACHIEVED	■ PARTIALLY ACHIEVED	■ ONGOING OR NOT ACHIEVED	■ DELAYED DUE TO COVID-19
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CLINICAL EFFICIENCY

Global healthcare systems are under pressure to contain the cost of healthcare delivery. We believe Life Healthcare can play a pivotal role within this context, and we remain committed to providing affordable healthcare to our communities.

We remain focused on driving clinical efficiencies throughout the Group as part of our commitment. This year, the COVID-19 pandemic necessitated rapidly introducing new ways of working. This was particularly relevant to our pharmacies, and we had to revisit how we operated to ensure the sustainable supply of pharmaceutical services to our hospitals. For example, we divided our pharmacy employees into two teams who worked separate shifts as part of our response. As a result, we reduced our reliance on locum staff and, consequently, improved cost efficiencies.

We focused on the appropriate utilisation of pharmaceutical products as it related to COVID-19 patients, but our overall focus on DOMINO – our internal programme aimed at driving clinical excellence and efficiency across our operations – was a challenge. Furthermore, the changing operating environment meant that new opportunities were not taken or immediately relevant to our business.

BUSINESS OPTIMISATION

Following the success of our DOMINO programme last year, in 2020 we integrated the programme throughout the business to further drive efficiencies. Initiatives within procurement and cost of sales achieved excellent results during H1. However, the sustainability of these initiatives – and the associated savings – were affected in H2 mainly due to capacity constraints as our employees and doctors focused on managing the pandemic. We are well positioned to recommence our planned initiatives with renewed focus, and will continue to engage funders and clinicians to improve efficiency and reduce the cost of delivery.

Our nursing excellence efficiency drive accomplished exceptional results during a very challenging year. We continue to collaborate and co-create a new clinical practice environment that supports our nurses and achieves the highest level of patient care in the safest and most optimal way.

Focus within business optimisation has been broadened to include support functions, and we are looking at ways to optimally allocate resources while modernising processes. Our approach to the non-clinical areas is also an important part of ensuring we manage costs and drive efficiencies in the business, thereby contributing to our focus on sustainability and providing excellent, cost effective care for our patients.

PROCUREMENT

- Total procurement spend amounted to R9.6 billion (2019: R9.5 billion), with R4.6 billion (2019: R4.5 billion) relating to pharmaceutical products and R5.0 billion (R2.6 billion) on equipment, services IT and consumables
- 65% (2019: 60%) of our total procurement spend is still exposed to exchange rate volatility, increasing due to the purchase of PPE

Procurement is central to ensuring we source cost-effective products and services, and simultaneously deliver on our quality and clinical outcomes to drive efficiencies throughout the Group.

The unexpected advent of COVID-19 unfortunately disrupted our strategic sourcing plan for the year. In response, the sourcing team pivoted and refocused its efforts on procuring essential PPE from both local and international sources to guarantee our healthcare professionals, employees and patients' safety. The cost of products was negatively impacted by the pandemic, volatile exchange rates and a struggling economy. Despite these challenges, Life Healthcare contained net basket price increases within CPI levels. Our strategic relationships with vendors assisted in mitigating the impact.

We remain committed to improving our preferential procurement levels. Pleasingly, we saw a 12% increase in preferential procurement spend on level 1 to 3 vendors in 2020. We collaborated with key vendors during the year to drive strategies and initiatives to improve their B-BBEE levels, and directed procurement spend to these vendors. Furthermore, we prioritised sourcing PPE from black-owned vendors.

Level (%)	2020	2019	2018
Level 1 to 3 B-BBEE spend	50	38	31
Level 4 to 6 B-BBEE spend	15	20	20
Level 7 and 8 spend	13	14	17
Non-B-BBEE spend	18	24	28
Exempt	4	4	4

INFORMATION TECHNOLOGY

In 2020, we built on our outcomes from the previous year to deliver reliable operational performance and bolster our risk management and risk treatment. During the first half of the financial year, we tracked well on delivery of strategic projects and governance maturity to restore a robust service culture. Our efforts focused on governance, risk, business continuity, compliance, supplier management, incident management and cyber-security improvements. As we entered the second half of the financial year, we experienced turbulence owing to the global COVID-19 pandemic and its associated challenges. This directed our attention on enabling our workforce to be able to operate safely, which included connectivity and security enhancements as well as business operations innovations to maintain reliable patient engagement. The pandemic continues to impact planning and delivery for the IT functions across the Group with greater attention given to business continuity and quality client services.

A serious cyber-security incident in the southern Africa business, further added to the difficult operating environment. The Group digital strategy was finalised and approved by the Board in February 2020. This has provided direction to the detailed plans for technology, cyber-security and business solutions. An immediate focus is on operational excellence and standardisation of governance and cyber-posture. Given the dramatic business landscape changes in 2020, the group business strategy is in the process of review.

SOUTHERN AFRICA PERFORMANCE REVIEW continued

EFFICIENCY continued

Cyber-incident

This year, we fell victim to an attack targeting some of our IT systems, a disappointing act by criminals during a time when we are all working tirelessly and collectively to fight the COVID-19 pandemic. We acted immediately on becoming aware of the incident – which affected admissions systems, business processing systems and email servers – and took proactive steps to contain the attack. As a precautionary measure, the affected systems were taken offline for investigation and, where necessary, remediation. Furthermore, we appointed external cyber-security experts and forensic teams to supplement our internal resources.

Our first priority was to do the right thing for our patients while maintaining a high degree of freedom to manoeuvre through the crisis. Patients are our foremost priority in line with our purpose of making life better. Importantly, our patient care systems were not affected, and we continued to provide quality healthcare across all our hospitals and clinics.

We have an experienced and committed team of IT security experts who actively and vigilantly ensure our systems are as secure as possible. Unfortunately, criminals continue to develop newer and more sophisticated ways of attacking systems. We have learnt some valuable lessons from this incident, and will continue to increase our security measures and behavioural protocols.

IT focus in 2021

Going forward, the Group will continue its IT strategic projects and governance maturity to develop and improve local competencies and effectiveness. Our focus areas for 2020 will be on governance, risk, business continuity, compliance, supplier management, incident management and cyber-security improvements.

Through the Group IT steering committee, we aim to restore our overall system stability, strengthen programme management capability and embed our newly developed digital strategy throughout the business. Furthermore, we aim to establish a Group-wide enterprise architecture capability to standardise and rationalise systems. We will further introduce a new system to classify, categorise, monitor, track and manage service events and incidents. This will increase oversight over vendors and suppliers and allow us to review service level metrics and measurements to identify improvements or efficiencies.

Our focus for 2021 is primarily on standardising capabilities and performance across the Group, while executing our strategic initiatives to embed and retain value for our business and our customers. We will sustain efforts to protect our systems, networks, and data from digital attacks by enhancing a sustainable, reliable and mature group-wide cyber-security capability that has an immediate focus on southern Africa. We will continue to optimise governance, structures and resource planning and implement a standardised IT risk optimisation strategy in partnership with Group Risk. The stability and modernisation of our systems and networks remains a high priority for the year, together with the enhancement of our strategic project delivery to measure and optimise value realisation for the current digital project.

OUR 2021 PRIORITIES

- Heightened focus on providing cost-effective, quality patient care, including partnering with our doctors to achieve this
- Appropriate and rational utilisation of pharmaceutical products
- Optimise clinical pharmacist resource capacity
- Further improving patient care and outcomes



SUSTAINABILITY

We prioritise the pursuit of social, environmental and financial stability across the Group. Our commitment to sustainability is supported by an engaged workforce, constructive engagement with our stakeholders and a conscientious approach to using natural resources. Our sustainability also depends on our compliance with the requirements of our regulatory universe.

KEY HIGHLIGHTS

- Invested R224 million in training and development initiatives
- Improvement in the overall results of our employee engagement survey
- Level 4 scorecard achieved in December 2020
- During the COVID-19 period, we provided 770 employees who could not isolate or quarantine at home with company-funded accommodation. Additionally, the Employee Assistance Fund paid out R5.8 million in support of 1 435 employees during these unprecedented times. The Company also paid out a gratuity bonus totalling R45 million to 14 947 employees

OUR 2020 PRIORITIES

■ Continue providing early orientation for specialists in training	■
■ Continue nurturing talent and implementing succession strategies	■
■ Build capabilities and resources across the operational and executive teams	■
■ Decrease dependency on grid sources of electricity and water	■
■ Install solar panels at seven additional facilities	■
■ Continue managing and reducing HCRW	■
■ Continue involvement in community projects	■

 ACHIEVED	 PARTIALLY ACHIEVED	 ONGOING OR NOT ACHIEVED	 DELAYED DUE TO COVID-19
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SOUTHERN AFRICA PERFORMANCE REVIEW continued

SUSTAINABILITY continued

ENSURING SUSTAINABILITY DURING COVID-19

This year, new and nimble ways of working and innovation became an everyday requisite, which our employees responded to admirably. Life EHS provided the platform for the Group's ecosystem to respond to the various stressors of the pandemic. Through this platform, we offered trauma debriefings, psychosocial support for our doctors, additional coaching for our leadership teams, proactive outreach support, and care for vulnerable employees. We also deployed a digital, integrated risk management solution.

We established COVID-19 committees at all our hospitals to manage clinical and operational matters. A key focus area was to ensure adequate PPE was secured to protect our employees and doctors. Furthermore, we implemented several measures in response to the outbreak, including:

- Enhanced hygiene and social distancing protocols
- Work-from-home principles
- Enlisting infection prevention specialists
- Redeployments between facilities
- Adapted leave policies, including sick leave, quarantine and isolation

Overall, we managed to contain our employee turnover level of critical resources across the Group, notwithstanding aggressive recruitment campaigns by the government. We continued to increase specialist capacity in the clinical pharmacy space. Our pharmacists are at the forefront of the pandemic, and we had to ensure continuity of supply in an environment where procurement required perseverance, flexibility and creativity. Nursing shortages due to illness meant pharmacists were sometimes called on to assist with the reconstitution of medicine in COVID-19 wards.

Our priority this year was to protect our employees while ensuring we had sufficient availability of clinical employees to meet our patients' needs. We achieved this by implementing a holistic employee management strategy to address the safety, well-being, retention, mobility, accommodation and contracting-in of critical skills. This strategy also enabled us to draft COVID-19-related HR policies.



Please refer to page 28 for more information on our response to COVID-19.

HUMAN CAPITAL

We aim to employ highly engaged individuals to deliver our vision to be a global, people-centred, diversified healthcare organisation. We remain committed to driving transformation by recruiting the right people with the right skills and, once employed, we offer them development programmes that feed our internal succession pool while further establishing an industry presence.

Category	2020	2019	2018
Administrative employees	3 091	3 176	3 006
Nursing personnel	9 379	9 657	9 438
Pharmacy employees	389	371	349
Rehabilitation employees	316	281	249
Services employees	1 627	1 629	1 412
Other	258	271	271
Total permanent	15 060	15 385	14 725
Temporary personnel ¹	862	991	1 116
Total employees	15 922	16 376	15 841

¹ Includes sessional and hourly paid employees and excludes agency employees.

Employee health and safety

It is paramount for our employees to be healthy and feel safe in the workplace where they are our direct line to our patients. The outbreak of COVID-19 further highlighted the importance of protecting our employees.

We have always been motivated to cultivate a culture of safety within our facilities, and encourage our employees to actively partake in health and safety practices. We comply with all relevant legislation, and new employees complete mandatory induction sessions on quality, health and safety, and the environment. During the year, the National DOH conducted an occupational health and safety inspection as part of its COVID-19 management initiatives. We report on all employee incidents to identify trends and key risk areas.

Indicator	Year-on-year trend	2020 target	2020	2019	2018
Employee adverse events (per 200 000 labour hours)	↓	3.45	4.06 ¹	4.11	4.09

¹ This does not include employee COVID infections, should employee COVID infections be included this would increase to 12.63.

The decrease is due to a reduction in the sharps, falling and mobility injuries in 2020, compared to 2019.

COVID-19 occupational diseases contributed significantly to the overall employee adverse events, with a total of 1 626 reported occupational-related COVID infections.

■ **Employee usage of our holistic wellness solution decreased from 18.6% in 2019 to 16.0% but remained significantly higher than the industry benchmark of 9.0%**

Our employee wellness provider (EWP), Life EHS, offers comprehensive services to employees and managers, which are well trusted and well utilised, with a usage rate of 16% against an industry benchmark of 9%. The EWP is designed to support and optimise workplace performance in the business. Life Healthcare has recognised the importance of taking care of the entire ecosystem and the Life EHS services have been extended to doctors, nursing agency staff and contractors.

This year, the COVID-19 pandemic has shifted the type of support and services offered. Since April, more than 2 200 employees were provided with containment and emotional support as part of group trauma interventions. Furthermore, we offered life coaching to management teams, focusing primarily on building resilience, time management and prioritising during a very uncertain and turbulent time.

The Life EHS COVID-19 tracking app – was built and developed to identify and manage COVID-19 positive employees, and Life EHS provided psychosocial support to employees in isolation and quarantine. Life EHS also provided occupational health support to ensure our facilities complied with best practice and regulatory requirements during COVID-19.

Over the coming months, the EWP will provide more proactive solutions for employees, with a focus on building resilience and finding practical solutions in managing mental health concerns.

Employee retention

Our efforts over the past few years to embed effective HR strategies proved to be successful, as evidenced by an increased ability to attract and retain talent. However, we lost a substantial number of key nurses to government during the COVID-19 surge.

Notwithstanding the aforementioned losses, we are pleased that our voluntary employee turnover rate has remained stable at 10.8% from 10.5% in 2019. We welcomed a significant decline in the turnover of pharmacists, registered nurses and case managers. We believe this achievement in the current competitive labour market is a testament to our attractive EVP.

SOUTHERN AFRICA PERFORMANCE REVIEW continued

SUSTAINABILITY continued

Training and development

- Invested R224 million in training and development initiatives (2019: R201 million)
- Total learnerships increased to 1 587, up from 1 083 in 2019
- Offered 501 bursaries (2019: 463) – with 80 (2019: 106) employees enrolled in registered nurse training and 32 (2019: 128) in basic nursing degrees

We continue believing that a significant part of our key skills will be sourced from within the Group. Therefore, we significantly focus on the personal development of our top talent to develop a pipeline that will address future needs. Our management fundamentals programme focuses on building leadership capability and managerial excellence, aimed at preparing emerging leaders for transitioning into a first-line management role. We rescheduled some initiatives due to COVID-19 but despite the difficulties of the year, 165 African and Coloured male employees completed a management principles learnership programme.

Life Healthcare also operates the Life College of Learning – a higher education institution offering one of the top three private nursing qualifications in the country. This initiative contributes to the national pool of essential skills and serves as an important tool in retaining and developing employees for the southern Africa business.

Category of nurses in training	2020	2019	2018
Higher certificate: Auxiliary nurse	11	–	–
Diploma in general nursing	42	–	–
Bridging programme leading to registration as a nurse	515	724	836
Specialist nurses (ICU, high care and theatre)	161	101	101
Total number of nurses registered in training	729	825	937

Student-level education	2020	2019	2018
Basic	568	724	836
Post-basic diplomas	161	101	101
Operating department assistant ¹	9	21	40
Midwifery	25	31	31
Short learning programme	39	128	67
Total	802	1 005	1 075

¹ Three-year operating department assistant diploma in health sciences.

90.8% (2019: 91.2%) of the total registered students are female and 92.3% (2019: 92.7%) are ACI candidates.

- Completed 349 training interventions during the year (2019: 381)
- Applications for our pharmacists' internship programme increased from 513 in 2019 to 618 in 2020

We focus on developing and retaining scarce pharmaceutical skills in a competitive local environment. Therefore, we develop online continuing professional education (CPE) modules throughout the year to upskill pharmacy employees on relevant topics, both business and clinical-related. The number of training interventions planned for the year was unfortunately significantly affected due to the pandemic. The provision of CPE modules further supports our standardisation and rationalisation processes to reduce the cost of care, and facilitates the mandatory completion of CPE for pharmacists now required by the South African Pharmacy Council.

Our pharmacists' internship and pharmacists' assistant programmes also faced challenges brought on by COVID-19. Due to the lockdown imposed by the government, pharmacists' assistant assessments were put on hold, as were the industry training visits for interns. The remainder of these programmes, as well as pre-registration examination, are however continuing in novel and challenging circumstances.

Talent and succession management

Due to the specialised nature of the environment in which we operate, the loss of key employees over a short period could severely impact the Group's performance. We have succession plans in place across Life Healthcare, which are reviewed annually by the Human Resources and Remuneration Committee. A substantial part of the financial year was devoted to the COVID-19 HR policy formulation, however, this did not advance longer-term strategic goals. Furthermore, we needed to re-schedule several succession management initiatives during the year because of the COVID-19 outbreak.

Social distancing and lockdown regulations impacted important strategic initiatives pertaining to leadership development. For example, our Gordon Institute of Business Science (GIBS) Middle Management and Senior Management development programmes were extended into Q1 2021, impacting the 37 managers who were enrolled in these programmes. We will continue investing in our employees to create resilient and responsible leaders despite the setbacks of the year.

Diversity, transformation and B-BBEE

- 76.4% ACI employees (2019: 75.8%)
- Number of female employees decreased slightly to 79.6% (2019: 80.2%)
- 56.8% of middle management or above are female (2019: 56.9%)
- Three of the Group's ten non-executive directors are women
- Employees with disabilities increased to 183 (2019: 87)
- Level 4 B-BBEE rating (2019: level 4)

We are committed to meaningful transformation within the Group to reflect the demographics of southern Africa. We believe this is crucial to building a culture of inclusivity and trust within our business.

We embraced the new B-BBEE code that came into effect in December 2019. Changes to the code will impact our B-BBEE rating negatively, particularly skills development. We focused our attention on training during the year. We suspended several strategic initiatives because of COVID-19, including management development, employee training and areas identified for improvement through our employee engagement survey. We will resume these initiatives during the next financial year, if possible. We are also exploring various mechanisms to deliver online training to employees.

As we close out the second year of our three-year plan, we exceeded our employment equity targets for top, senior and junior management levels. We fell just short of meeting our targets for middle management representation; this will receive focused attention during the next year.

Category	2020	2019	2018
Top management	43.8	41.2	39.0
Senior management	45.8	40.8	38.0
Middle management	44.0	41.9	40.0
Junior management	65.5	63.9	61.0
Total ACI employees	76.4	75.8	74.0

SOUTHERN AFRICA PERFORMANCE REVIEW continued

SUSTAINABILITY continued

We have an integrated approach to empowerment aligned with the pillars of the amended Codes of Good Practice. We focus on preferential procurement from designated groups of exempted micro-enterprises (EMEs), qualifying small enterprises (QSEs) and 51% black-owned companies.

B-BBEE scorecard	Available points	2020 score	2019 score
Ownership and management control	25.0	18.2	10.7
Management control (Board participation)	9.0	5.0	6.9
Enterprise and supplier development (ESD)	44.0 ¹	34.0	33.6
Employment equity	10.0	4.5	4.3
Skills development	25.0 ¹	15.3	20.8
Socio-economic development (SED)	5.0	5.0	5.0
Total score	118.0 ¹	82.0	81.3
B-BBEE level		4	4

¹ Available points changed from December 2019: ESD increased from 40 to 44 points and skills development increased from 20 to 25 points, bringing the total available points up from 109 to 118.

We increased procurement of level 1 to level 3 vendors and, overall, continue maintaining the minimum of 3% net profit after tax (NPAT) spend to ESD beneficiaries. We improved representation across all management categories. Based on the excellent results from our past management principles leadership programme, we intend to continue offering the national qualifications framework (NQF) level 5 programme, and add a new cohort of the NQF 6 business analysis programme for students who completed level 5. The one-year learnership programme for visually impaired students of the South African National Council for the Blind Optima College was extended by six months to accommodate lockdown and related COVID-19 restrictions. We will review an additional sponsorship of 120 students in April 2021. The COVID-19 pandemic posed challenges in training delivery mechanisms, considering employee safety and precautionary measures in place. We maintained a minimum spend of 1% NPAT for SED.

Nurses

Nurses across the Group are at the forefront of fighting COVID-19, playing a valuable role during this challenging year. Their contributions are critical to Life Healthcare's purpose. Therefore, it is imperative for us to attract and retain registered nurses with the necessary skills to deliver quality care.

Registered and specialised nurse turnover reduced from 16.4% in 2019 to 16.3% in 2020, with the turnover of qualified registered nurses working in specialised units decreasing by 1.4%. This was mainly due to the support for employees during the pandemic and competitive packages offered by Life Healthcare. However, general registered nurse turnover increased due to premium short-term contract packages offered by government. We foresee that these employees will return to Life Healthcare once the crisis of the

pandemic has abated. To aid flexible staffing, we endeavour to achieve a total monthly agency utilisation of less than 25%. Overall patient occupancies were severely impacted by COVID-19, but our average agency utilisation decreased to 22.0% (2019: 26.3%).

Pharmacists

Our pharmacists significantly contribute to the Group's commercial success and support the delivery of cost-effective care through efficient procurement and inventory management, as well as optimising pharmaceutical product utilisation. Furthermore, they play a supporting role in guiding and evaluating patient treatment and, when appropriate, intervening to improve quality care and patient outcomes. This was especially relevant in the context of COVID-19, where we had to work with numerous different clinical and experimental treatment protocols.

Our pharmacy personnel play an essential part in providing sustainable pharmaceutical services in a challenging healthcare setting where change is constant. The annual turnover rate of pharmacists and pharmacists’ assistants decreased to just over 8%, down from 12.9% in 2019, driven mainly by several strategic interventions to create an engaged and motivated workforce. Over the years, we have steadily increased our intake of pharmacists’ assistants in training to improve the ratio within our dispensary teams. This year, we also increased our clinical pharmacist master’s personnel in regional management roles to build the clinical pharmacy function within our hospitals.

Our pharmacy department conducts several training sessions throughout the year, where we engage with new pharmacy managers and high-potential senior pharmacists and inventory managers. During these sessions, we provide them with the necessary information to fulfil their job requirements optimally and support their development plans. All managers are required to have a succession plan in place, as well as independent development plans for their employees based on each individual’s needs and aspirations within Life Healthcare.

We look forward to the finalisation of the pharmacy technician qualification and scope of practice, which will allow effective integration of these mid-level workers and further strengthen the pharmacist support base.

We encourage our pharmacists to participate in industry workshops and conferences to present on relevant topics to their wider community, allowing their work and achievements to receive recognition.

Doctors

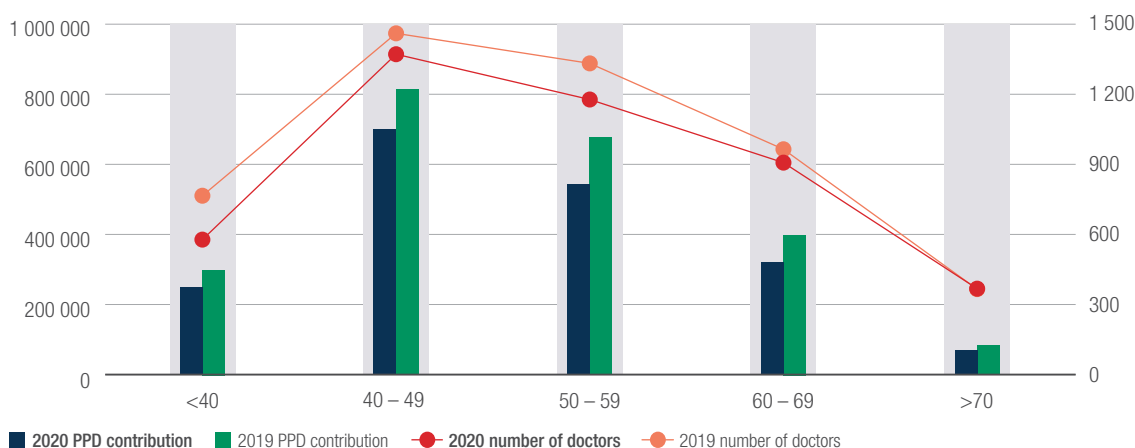
- **Successfully appointed 136 doctors (2019: 200) – due to the national lockdown, new doctor recruitment dropped significantly since April**
- **60 doctors left the Group due to retirement or to pursue other opportunities in the public service (2019: 62)**
- **3 630 doctors, specialists and other healthcare professionals offer services at our facilities (2019: 3 800)**
- **Average age of our doctors is 51.1 years (2019: 51.0 years)**

We have a team of appropriately trained and qualified specialists who deliver high-quality care to our patients. Over the years we have built strong relationships with our doctors, and we continue leveraging our good reputation to build a portfolio of excellent specialists. By doing this, we can offer accessible and inclusive healthcare for the communities surrounding our facilities.

All doctors with admission privileges at our facilities must have suitable malpractice insurance policies in place. We continue monitoring this through our online portal, which was launched during 2019. More than 80% of our doctors are registered on this portal, which has substantially improved control in managing doctors’ insurance renewals.

We engage with medical associations and tertiary institutions to train specific specialists in scarce disciplines based on our facilities’ needs to ensure we cultivate a pipeline of specialists. In recent years, we funded the training of specialists in cardiology, neurology, neurosurgery, nephrology and pulmonology. This initiative was expanded to a wider range of specialities, with 17 specialists in training for the coming year.

DOCTORS’ AGE PROFILE (PPD contribution) (number of doctors)



SOUTHERN AFRICA PERFORMANCE REVIEW continued

SUSTAINABILITY continued

ELECTRICITY, WATER AND WASTE

This year, we continued to implement projects supporting our commitments to sustainability and improving efficiencies. We upgraded the metering system infrastructure during the first quarter of the financial year, resulting in significant improvement in the accuracy of our water and electricity consumption.


We use an ISO 14001-approved environmental management system (EMS) across the Group. In addition, our environmental sustainability is driven by our environment and climate change forum. The forum is also responsible for the following:

- Providing direction to our quality and engineering departments on EMS-related matters
- Reports to the Board on environmental issues via the social, ethics and transformation committee

Quality metrics	Year-on-year trend	2020	2019	2018
Electricity usage (kWh) ²	↑	155 600 509	151 177 164 ¹	142 934 448
Water usage (kℓ)	↑	997 867	913 090 ¹	1 089 999
Scope 2 carbon emissions reduction (CO ₂) (%)	↑	5.5	3.8	7.9
HCRW (kg/PPD) ³	↑	2.01	1.93	1.88

¹ We have restated our 2019 figures due to the introduction of improved infrastructure, which has allowed for more accurate reporting.

² These figures are based on best estimates using available information.

³ This indicator is externally assured. 

Total electricity consumption increased by 2.9% due to the impact of COVID-19. However, the extent of the impact was mitigated by the implementation of best practices across the Group. During the year, we continued with the rollout of solar PV panels at our hospitals, despite the challenges presented by COVID-19. We commissioned panels at four hospitals, with the remaining seven hospitals to be commissioned during the first quarter of the 2021 financial year. This brings the total number of hospitals currently with solar harvesting plants in the Group to 12. Overall, solar harvesting contributes an estimated 16% towards our total energy consumption on the installed sites, and 4.3% on the total group consumption. This has achieved and exceeded the targeted 2% reduction in consumption from the electricity grid.

Total water consumption increased by 9.3% this year due to the impact of COVID-19, however, the extent of the impact was mitigated by best practices implemented across the Group.

We saw an increase in kl/PPD and kWh/PPD due to low activities in some hospitals coupled with changes to our infrastructure to reduce the chance of COVID-19 transmissions.

Our containerisation project was rolled out to 10 facilities during the year bringing the total facilities to 20, resulting in a 3.7% decrease in disposable cloth used – which, previously, would have ended up in landfill sites. In December 2019, we completed the rollout of our large volume parenteral project to our acute hospitals. Our hospitals can, on average, redirect 10 tonnes of waste from landfill sites to accredited HCRW treatment facilities per month.

OUR 2021 PRIORITIES

- Roll out three additional solar PV panels
- Ensure Group sustainability by driving DOMINO initiatives
- Embed transformation initiatives throughout Life Healthcare

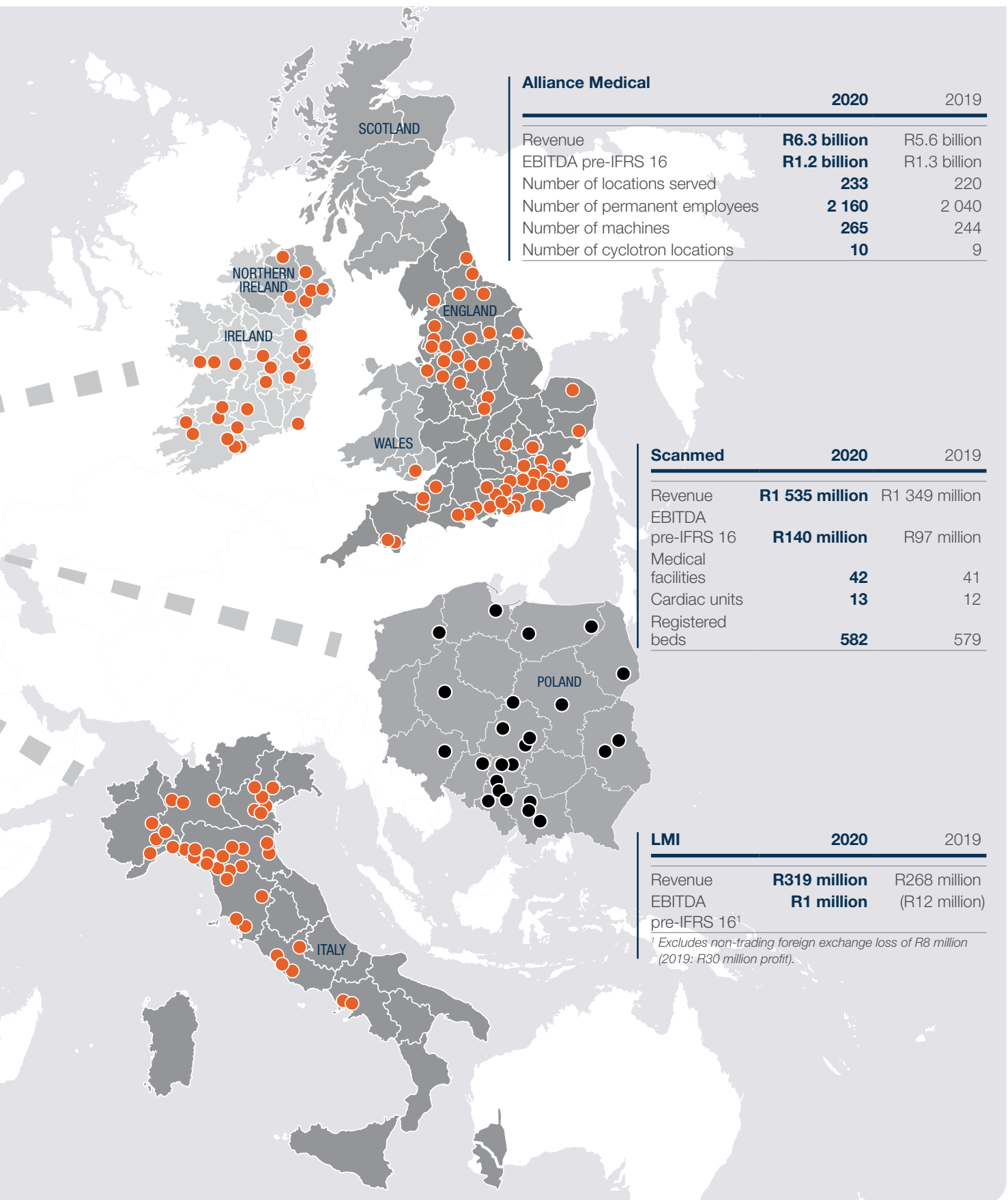


INTERNATIONAL PERFORMANCE REVIEW

INTERNATIONAL FOOTPRINT

- Alliance Medical is Europe's leading provider of diagnostic imaging services and integrated molecular imaging services with an expanding network of radiopharmacies.
- Life Molecular Imaging is a fully integrated research and development pharma company dedicated to developing and commercialising innovative molecular imaging agents for use in PET-CT diagnostics.
- Scanned operates in 42 locations across Poland and offers comprehensive medical services in acute facilities, cardiac centres, monoclincs and outpatient facilities.





Alliance Medical

	2020	2019
Revenue	R6.3 billion	R5.6 billion
EBITDA pre-IFRS 16	R1.2 billion	R1.3 billion
Number of locations served	233	220
Number of permanent employees	2 160	2 040
Number of machines	265	244
Number of cyclotron locations	10	9

Scanmed

	2020	2019
Revenue	R1 535 million	R1 349 million
EBITDA pre-IFRS 16	R140 million	R97 million
Medical facilities	42	41
Cardiac units	13	12
Registered beds	582	579

LMI

	2020	2019
Revenue	R319 million	R268 million
EBITDA pre-IFRS 16 ¹	R1 million	(R12 million)

¹ Excludes non-trading foreign exchange loss of R8 million (2019: R30 million profit).

INTERNATIONAL PERFORMANCE REVIEW continued

OVERVIEW OF OUR INTERNATIONAL PORTFOLIO

Our international portfolio comprises diagnostic and molecular imaging services, radiopharmaceutical manufacturing and product development offered by Alliance Medical and healthcare services provided by Scanmed.

ALLIANCE MEDICAL

Alliance Medical is Europe's leading independent provider of diagnostic imaging services and is at the forefront of molecular imaging technology. For more than 30 years, the business has integrated patient care, technical excellence and efficient service with a flexible business model to deliver value to stakeholders. Alliance Medical mainly operates in the UK, where it collaborates with the NHS, Italy – where it supplies Azienda Sanitaria Locale (ASL) – Ireland and northern Europe.

Our services

Magnetic resonance imaging (MRI) uses spatially varying magnetic fields and radio waves to produce cross-sectional, two and three-dimensional images of organs and internal body structures. An MRI does not use ionising radiation, making it the preferred technique for children and patients who require multiple imaging examinations. An MRI is also appropriate for investigating soft tissue, such as ligament and tendon injuries, brain tumours and spinal cord injuries.

Molecular imaging via positron emission tomography-computerised tomography (PET-CT) injects a radiopharmaceutical into a patient which localises in a specific organ or system within the body. Radiopharmaceuticals emit minuscule amounts of measurable positron radiation that are captured by a PET camera which, in turn, generates an image of the specific organ or system for the clinician to assess. Doctors use these images to identify small changes in body tissues at a cellular level by highlighting physiological processes rather than anatomical structures. PET-CT combines the high-quality resolution of the patient's anatomy using CT with the ability to measure the metabolic activity of cells. The metabolic activity helps clinicians better understand changes at the cellular level, which could be early indications of cancer. This has proven invaluable in helping oncologists make more accurate diagnosis and staging assessments, choosing the most appropriate therapies and determining which therapy is an effective treatment for cancer. PET-CT is also used to identify other degenerative conditions, such as cardiac and neurological diseases.

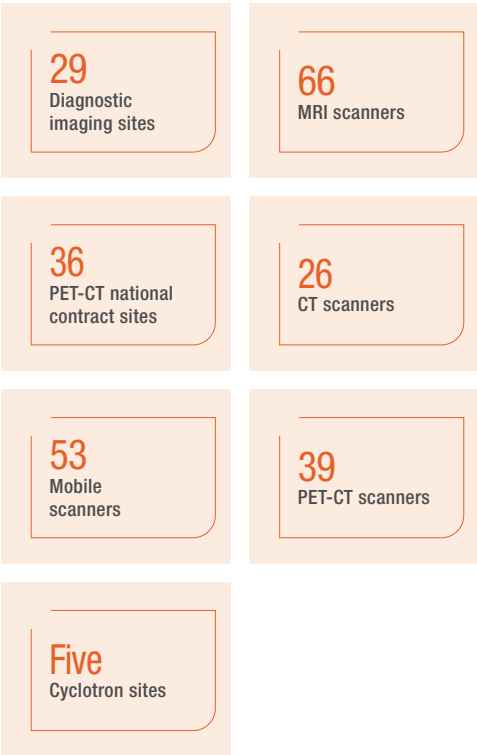
We manufacture the radiopharmaceuticals used in molecular imaging procedures in **radiopharmacy**. Radiopharmaceuticals are usually manufactured in a cyclotron, a type of particle accelerator.

Computerised tomography (CT) scans emit several simultaneous X-ray beams from varying angles to produce two or three-dimensional images of body structures. Tomography is the process of generating a two-dimensional representation of a slice or section through a three-dimensional object. Multiple two-dimensional parts can be combined using tomography to produce three-dimensional images of body structures. A key advantage of CT technology is that it has a smaller installed base and a shorter scanning time than MRI scanning equipment, which makes it ideal as an emergency assessment tool. CT is best matched for diagnosing bone injuries, identifying lung and chest difficulties, as well as diagnosing cancers and is often used in accident and emergency departments to assess injuries and acute medical conditions.

LMI, a research and development company, is dedicated to developing and globally commercialising innovative molecular imaging agents for use in PET-CT diagnostics. LMI developed a pipeline of novel imaging agents that address major unmet clinical needs in neurological, oncological and cardiovascular diseases.

We conduct MRI, CT and PET-CT scans in the UK through contracts with local NHS trusts.

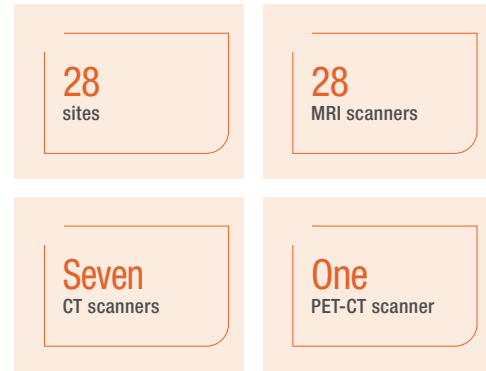
Our PET-CT collaborative network with the NHS and other partners was secured under a 10-year PET wave 1 contract, with price certainty until December 2025. In addition, four separate contracts under PET wave 2 was secured with a seven-year term and a three-year renewal option. Since securing this contract, we have invested approximately £80 million into creating a network throughout the UK to ensure that no patient will be more than an hour's drive away from a diagnostic centre. Our footprint has, therefore, expanded significantly across the UK under a national governance framework. Our partner, and the largest cancer centre in Europe, the Christie NHS Foundation Trust (the Christie) provides clinical leadership for this framework.



In Italy, Alliance Medical has the largest network of community-based diagnostic imaging clinics. These provide MRI, CT and PET-CT services, as well as other diagnostic and other services to local communities.



The market in Ireland is characterised by a self-pay model, with patients electing to consult general practitioners (GPs), who refer them to scanning services.



INTERNATIONAL PERFORMANCE REVIEW continued

OVERVIEW OF OUR INTERNATIONAL PORTFOLIO continued

Our northern Europe business is a mix between mobile fleets and PET-CT in the Nordics, a significant growth area for Alliance Medical.

24

mobiles

13

MRI scanners

11

CT scanners

Eight

PET-CT scanners

Four

Cyclotron sites

Diagnostic imaging services in Spain

11

sites

Life Molecular Imaging product development diagnosis of life-threatening diseases in neurology, oncology and cardiology

FDA approved Neuraceq™ (florbetaben F-18 injection). Three imaging products related to dementia and neurodegeneration, two cardiovascular and two oncology products in various stages of development and approval

SCANMED

Scanmed offers comprehensive medical services, including consultations, diagnostics, analytical tests, medical transports and home visits, as well as in-hospital treatments. Scanmed offers its patients access to wide-ranging treatments, technologically sophisticated and high-quality medical equipment, as well as experienced specialists to facilitate their recovery.

We operate in 42 locations across Poland, including:

13 cardiology centres, which offer our patients comprehensive diagnostics and cardiological treatment through conservative, interventional and electrophysiological cardiology treatments

Two multi-specialist hospitals – St Raphael's Hospital in Kraków and a hospital in Blachownia

A gastroenterology clinic in Lublin

A sports clinic in Zory, which offers comprehensive treatment of musculoskeletal disorders and injuries

A medical centre in Pabianice

An ophthalmology clinic in Chórzow

We also provide outpatient care services, diagnostic imaging and medical transport in major Polish cities, including Warsaw, Kraków, Poznan, Wroclaw and Gdansk

INTERNATIONAL EXTERNAL ENVIRONMENT

MACRO-ECONOMIC TRENDS IMPACTING OUR BUSINESS

HOW WE ARE RESPONDING

Downgrade of growth forecasts

- Recession brought on by the COVID-19 pandemic
- Downgrades to GDP growth forecasts in western Europe, UK and Poland
- Ongoing uncertainty regarding the implications of Brexit

- Maximising efficiencies
- Ensuring technical excellence
- Resuming growth initiatives once appropriate

Changes to exchange rates

- Exposure to exchange rates
- Volatile exchange rates affecting the procurement of medical equipment, as well as the conversion of earnings into our reporting currency

- Capturing opportunities to enhance efficiencies
- Strengthening relationships with suppliers
- Sourcing products and services in the local currency

Industry challenges

- Increased competition for patients and technology
- Scarcity of skilled healthcare professionals

- Differentiating service offerings
- Improving cost efficiencies
- Building long-term relationships with stakeholders
- Engaging with global partners and universities
- Developing training programmes to attract graduates
- Enhancing our EVP

Increasing demand

- Population growth
- Increased life expectancy
- Changing demographics
- Rapid urbanisation
- Increased prevalence of chronic health conditions

- Investing in long-term, cost-effective solutions
- Enhancing the quality of care
- Improving patient experiences

Price pressures

- Pressure from public and private funders to contain costs

- Focusing on driving efficiencies
- Effectively leveraging our resources
- Strengthening relationships with stakeholders

COVID-19 outbreak

- Lockdown restrictions imposed by governments across Europe
- Self-isolation and social distancing guidelines of the various regions where we operate
- Increases in patient cancellations and suspension of elective procedures
- Increased focus on leveraging technology to deliver care to patients

- Tailoring our COVID-19 response to country-specific requirements
- Supporting governments
- Responding to pent-up demand from COVID-19 backlog
- Ensuring adequate PPE for employees and doctors



Refer to page 29 for more information on our response to COVID-19.

INTERNATIONAL PERFORMANCE REVIEW continued

Q&A WITH MARK CHAPMAN, OUR CEO – INTERNATIONAL

We continue to **focus** on the **highest levels** of patient care, technical and operational excellence throughout the business.



Chief Executive Officer – International
Mark Chapman

Q HOW WOULD YOU DESCRIBE THE INTERNATIONAL OPERATING ENVIRONMENT IN 2020?

COVID-19 dominated our external environment this year, and our international businesses felt the pandemic's effects quite early on. We closed our facilities because almost every territory in which we operate was in lockdown. This significantly impacted our business.

We already felt Brexit's impact two years ago and remain concerned about how this could impact free movement between the Republic of Ireland and Northern Ireland. In terms of staffing, we are recruiting more human capital from outside the UK.

While the potential for a second COVID-19 wave is a reality, I have the fullest confidence in our international operations' resilience and robustness. I believe our operations are in a position to capture pent-up demand and continue offering services to our patients.

Q HOW DID ALLIANCE MEDICAL PERFORM DURING THE YEAR?

Alliance Medical has a strong underlying business and experienced good operational year-on-year growth before COVID-19. Diagnostic imaging scan volumes increased by 7.1% on a year-to-date basis at the end of February 2020, with strong growth in Ireland and northern Europe. As our cyclotron refurbishment programme neared completion, radiopharmacy supply challenges eased and PET-CT scans in the UK increased by 15.9% for the same period.

The impact of COVID-19 became apparent during March and April, especially in Italy and the UK. Scanning volumes decreased by an average of 60% as national healthcare systems prioritised urgent and emergency cases, as well as country-specific self-isolation and social distancing guidelines, which resulted in significant increases in patient cancellations and non-attendance at appointments. Since then, diagnostic imaging volumes increased to about 90% and molecular imaging volumes to 100% of pre-COVID-19 levels as restrictions eased in the various countries where we operate. I believe this is testament to the robust nature of diagnostics within the healthcare pathway.

LMI continues to be a high-growth area for Life Healthcare. We saw increased sales of our globally approved radioactive tracer used during the diagnosis of Alzheimer's disease, Neuraceq™ (flobertaben F18). As a result, we are exploring opportunities to introduce it to the South American market. We have partnerships in place in China, South Korea and Australia. Global interest in amyloid imaging is increasing, with numerous research programmes progressing well and potential approval of an Alzheimer's therapeutic disease-modifying drug. We are excited about the opportunities this will present LMI in the future.

Alliance Medical's revenue increased by 12.6% to R6.3 billion at year-end (2019: R5.6 billion). Normalised EBITDA amounted to R1.3 billion (2019: R1.3 billion), with margins decreasing to 18.8% (2019: 22.4%) due to the impact of the pandemic.

Q PLEASE UNPACK SCANMED'S PERFORMANCE DURING THE YEAR.

The pandemic had a lesser impact on Scanmed during the period under review. The outbreak of COVID-19 temporarily suspended elective procedures in our facilities. We also experienced shortages in medical staff and a significant decrease in the number of patients admitted. Since May 2020, the business has recovered swiftly and the number of procedures performed continued to increase.

Scanmed's revenue increased by 13.8% to R1 535 million (2019: R1 349 million), driven by price increases for public-funded volumes and significant growth in endoprosthesis and cardiology procedures. Margins improved from 7.2% to 9.1% because of operational efficiencies within our hospitals, reduced overhead spend through process optimisation and backdated NFZ pricing increases. Normalised EBITDA increased by 44.3% to R140 million (2019: R97 million).

Q HOW WOULD YOU SUMMARISE YOUR RESPONSE TO THE COVID-19 PANDEMIC?

Our responsibility was to ensure our operations adhered to region-specific guidelines and protocols due to our global footprint. The majority of our employees work on the frontlines, and it was our top priority to ensure they felt safe and protected. I am incredibly proud of our team and their efforts to protect and care for our patients during this challenging time.

All our operations took the necessary steps to protect revenue streams, reduce costs and preserve cash during the year. These steps included reduced and deferred capital expenditure, extended supplier payment terms, deferral of bonus payments and rent payment holidays. In many cases, we had to partner with national health providers to support their responses to the pandemic or accept government support to assist our employees. We concluded an agreement with the NHS in the UK to secure average revenue payments for the national PET-CT contract for April to June, thereby protecting our revenue and employees. We are also engaging with NHS trusts to reach similar agreements for individual diagnostic imaging contracts. Furthermore, we secured another contract with the NHS to provide

CT scanners to support its pandemic response. This involved completing a complex contracting process, identifying and allocating additional CT imaging equipment, training radiographers in specialist CT skills and introducing flexible 24/7 shift patterns. We mobilised this service at the new temporary NHS Nightingale Hospital in London.

We introduced additional CT imaging support in Italy, Germany and the Netherlands.

Scanmed reached an agreement with the NFZ in Poland to continue receiving average revenue levels for lump sum contracts during the crisis.

Our international teams used government support schemes where lay-offs were unavoidable. These schemes include deferred insurance contributions, deferred tax opportunities, preferential business loans and employment protection funds.

Q WHAT CAN WE EXPECT FROM THE BUSINESS GOING FORWARD?

We noticed that patients remain hesitant to visit clinical settings because of their fear of contracting COVID-19. Therefore, we significantly invested in reassuring our patients that we have the necessary procedures to ensure their safety when visiting our sites. Given the trend of the past few months, I believe our patient volumes will steadily increase as we move into the next financial year.

Our clinical employees are under pressure and the scarcity of clinical human resources remains a challenge. Since COVID-19 emerged, we implemented several measures to protect and secure our employees' jobs, and assured them about our safe working practices. As a result of these actions, our employee turnover has reduced.

We operate in an environment that is growing organically. I believe our effective management, cost control and efficiency drive our business, all of which improve year-on-year. The emergence of COVID-19 challenged us to apply the innovative thinking that embodies the spirit of Life Healthcare. We leveraged technology to engage with our patients and employees – the importance of which will continue increasing in the year ahead.

Q ANY FINAL THOUGHTS YOU WANT TO SHARE?

Going forward, we will continue protecting our employees and serving our patients as we navigate the current landscape, while ensuring our business remains resilient and agile to respond to challenges and opportunities as they arise.

I want to extend my appreciation to every workforce member for their dedication and loyalty during this past year. Your bravery and resilience in dealing with unique and complex challenges are genuinely remarkable. To our patients, thank you for your continued support in these times of uncertainty. To the governments in the regions where we operate, thank you for the support during the year. Finally, my sincere gratitude to the Group executive team for its guidance and resolve over these past few months.

INTERNATIONAL PERFORMANCE REVIEW continued



GROWTH

COVID-19 impacted our growth strategy in our international markets, but we are well-positioned to capture future opportunities and increase our market share. We remain committed to growing our revenue and earnings from non-acute sources.

KEY HIGHLIGHTS

- Continued expansion within Ireland, with two additional sites and expanding an existing site
- Increased sales of Neuraceq™ (flobertaben F18) and positive EBITDA in LMI
- PET-CT in the UK recovered quicker and has exceeded pre-COVID-19 levels
- Supported UK NHS in providing CT scanners to support its pandemic response
- Fifth cyclotron site, Dinnington, opened in September

OUR 2020 PRIORITIES

■ Continue focusing on organic operational growth initiatives and operational excellence	■
■ Continue delivering on Alliance Medical’s PET-CT contract with the NHS in the UK	■
■ Expand our presence and offering in Ireland through new sites or expanding existing sites	■
■ Increase revenue sales of LMI and focus on products in the pipeline	■
■ Continue exploring opportunities to replicate our successful partnerships globally	■
■ Develop PET-CT service offerings across our northern European territories	■
■ Explore opportunities to offer synergies across the Group by expanding our radiology market share in southern Africa	■
■ Explore opportunities to expand into new territories	■
■ Complete the 18-month refurbishment programme of radiopharmacy facilities	■
■ Complete the additional radiopharmacy facility and start operations	■

■ ACHIEVED	■ PARTIALLY ACHIEVED	■ ONGOING OR NOT ACHIEVED	■ DELAYED DUE TO COVID-19
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ALLIANCE MEDICAL

Alliance Medical proved to be robust in the face of significant headwinds during the year. With a strong performance up to February 2020, the business saw a steady increase in demand since restrictions eased in the countries we operate.

Geographical segment		Year-on-year trend (%)	2020	2019
UK				
Diagnostic imaging				
Statics (scans)	↓	(18.5%)	262 016	321 576
Mobile (days)	↓	(5.5%)	10 466	11 070
Mobile utilisation (%)	↓	(5.7%)	77%	82%
Molecular imaging				
PET-CT (scans)	↑	1.8%	85 604	84 057
Radiopharmacy (doses) ¹	↓	(2.0%)	104 783	106 690
ITALY				
Diagnostic imaging				
MRI and CT (scans) ⁴	↓	(6.9%)	250 289	268 820
Other diagnostic imaging (scans) ^{2,4}	↓	(17.7%)	567 941	689 700
IRELAND				
Diagnostic imaging				
MRI and CT (scans)	↑	0.7%	202 384	201 029
Other ³	↑	20.4%	59 884	49 734
Molecular imaging				
PET-CT (scans)	↓	(2.8%)	1 698	1 747
NORTHERN EUROPE				
Diagnostic imaging				
MRI and CT (scans)	↓	(35.3%)	15 020	23 202
Molecular imaging				
PET-CT (scans)	↓	(17.2%)	3 841	4 641
Radiopharmacy (doses)	↑	6.4%	73 162	68 776
SPAIN				
Diagnostic imaging				
MRI and CT (scans)	↑	5.0%	68 546	65 313
Molecular imaging				
PET-CT (scans)	↑	45.3%	1 123	783

¹ We requested that some third-party customers source their fluorodeoxyglucose (FDG) elsewhere as part of our PET wave 2 contract.

² Includes, among others, X-rays, mammograms, ultrasounds and mammo-tomosynthesis.

³ Includes X-ray, ultrasound and other diagnostic imaging scans.

⁴ Prior year adjusted for Italian acquisitions.

INTERNATIONAL PERFORMANCE REVIEW continued

GROWTH continued

UK

We continued with our refurbishment programme this year and completed vital upgrades to cyclotrons at two of our sites. Four cyclotrons are operational and serving the market's growing demand. We started refurbishing our third site in September 2020. Production reliability reached about 99%, which is higher than the industry norm. Substantial additional production capacity has been introduced as a result of a fifth site, Dinnington, opening in September, with commercial supply due to commence imminently to cater for the continued growth in PET-CT.

While our PET-CT centres were operational during the government-imposed lockdown, scan volumes reduced by up to 40%. However, we saw a significant recovery as restrictions eased, with pre-COVID-19 volumes reached in June 2020.

Our diagnostic imaging business achieved strong organic growth up to February 2020, supported by effective cost management and increased volumes. The business was significantly impacted by COVID-19, as the NHS stopped all effective work and clinics. Volumes increased steadily week-on-week from July, with diagnostic imaging now at about 90% of pre-COVID-19 levels reached at year-end, with PET-CT now exceeding pre-COVID-19 levels.

We continued to execute our strategy in the UK mobile MRI business, transitioning to longer-term customer relationships with lower pricing. This business was impacted much the same as our diagnostic imaging business. We concluded an agreement with the NHS, where we provided 16 CT scanners – available 24/7 for six months – to support the UK government's response to COVID-19. Furthermore, we provided training for eight weeks in CT imaging procedures for approximately 60 clinical employees to support the UK government's field hospital. We believe this partnership further reinforces our commitment to value creation.

ITALY

Italy was the first region to experience the full impact of COVID-19, with scan volumes during March and April the most affected. However, volumes steadily increased as lockdown restrictions eased. Our priorities in this region included:

- Developing COVID-19 testing facilities to support the Italian government
- Creating capacity to maximise patient scanning for the ASL
- Working during August which, historically, has been a holiday across most sectors in Italy
- Maintaining new ways of working, which has also seen increased costs of PPE and social distancing solutions in busy clinics

IRELAND

Following the strong performance of the previous financial year, Ireland was tracking double-digit growth during the first half. The business could not avoid the impacts of COVID-19. However, we saw a strong recovery over recent months. Our performance during quarter four brought the business in line with our original expectations – a significant achievement given the year's circumstances.

NORTHERN EUROPE

Our business in northern Europe proved to be resilient, with robust performance from our radiopharmacy business. While demand for MRIs slowed down due to COVID-19, our CT business continued to perform well.

SPAIN

Our business in Spain experienced a significant decrease in activity during lockdown. Our largest contract is with government hospitals, and recovery was in line with hospital activity. We introduced a second mobile PET-CT solution during the year, and PET-CT remains a growth area.

SCANMED

We aim to deliver high-quality medical services and will continue exploring ways to grow our business and improve how we care for our patients. We focused specifically on organic growth and operational excellence in 2020, with promising results during the first half of the year.

Revenue source (PLN million)	Year-on-year trend %	2020	2019	2018
NFZ	9.3	313.5	286.8	274.8
Private	0.1	75.5	75.4	69.3
Total revenue	7.4	389.0	362.2	344.1

Contracts with Poland's NFZ constitute approximately 81% of Scanmed's overall revenue, up from 79% in 2019, mainly due to increases in lump sum and limited contracts, growth in the number of unlimited procedures and new contracts.

Beds, units and facilities

Category	2020	2019	2018
Beds	582	579	624
Cardiac units	13	12	12
Medical facilities	42	41	40

Bed occupancy decreased slightly due to the pandemic's impact. We opened our 13th cathlab in Bielsk Pdlaski in December 2019, which started operating under contract with the NFZ in March 2020. We designed our cathlab in Racibórz as an infectious disease hospital for cardiac patients diagnosed with COVID-19. We also use our ambulances to transport infected patients.

Operational information

Number of procedures ('000)	Year-on-year trend %	2020	2019	2018
Blachownia Hospital	0.4	5 743	5 721	6 334
St Raphael Hospital	(20.7)	11 985	15 116	13 180
Weiss	0.4	25 052	24 942	26 453
Gastromed	(15.8)	13 194	15 671	14 496
Sport Klinika	19.4	11 478	9 612	10 411
Cardiology ¹	(17.6)	16 023	19 441	18 865

¹ Includes procedures performed in Scanmed Kardiologia, Polska Grupa Medyczna (PGM) and Carint.

The number of procedures in our facilities decreased compared to 2019 as a result of COVID-19. However, we have seen a steady increase in procedures since May 2020 and expect to reach our average achieved over the first half of the year by the end of the 2020 calendar year. We opened a neonatology ward at Blachownia Hospital and concluded a contract with the NFZ in this regard. This addition further supports the reputable team of doctors and the facility's modern infrastructure. We expanded the orthopaedic and spinal surgery services of St Raphael Hospital during the year to meet the strong demand for private services in the local market.

OUR 2021 PRIORITIES

ALLIANCE MEDICAL	SCANMED
■ Adopt new ways of working to support efficient service delivery	■ Maximise commercial revenues
■ Focus on capacity solutions for government	■ Catch up with NFZ contracts
■ Respond to pent-up demand from COVID-19 backlog	■ Maintain existing contracts with the NFZ and obtain new contracts
■ Position the business for any additional lockdowns	■ Continue with growth initiatives suspended during the year
■ Employee engagement and empowerment	

INTERNATIONAL PERFORMANCE REVIEW continued



We remained committed to providing our patients with high-quality care, and continued improving how we measure and report on quality metrics during the year.

KEY HIGHLIGHTS

- Successfully implemented video and tele-consultations within Scanned
- Alliance Medical completed the clinical system integration for direct access to prior images and reports from local NHS trusts
- Improvement in quality metrics across the regions
- Implementing unified, monthly quality reports and patient experience surveys across Scanned

OUR 2020 PRIORITIES

■ Focusing on the quality of patient records within the patient management system to reduce duplicated records	■
■ Consistent focus on customer service training programmes for patient-facing employees to further improve customer experience	■
■ Address and integrate new legislative requirements into all policies and processes	■
■ Review the clinical governance committee structure in line with the Group framework	■
■ Develop and implement standardised mechanisms to evaluate the quality of freelance staff, including doctors and technicians	■
■ Introduce a standard format for radiologist reports	■
■ Prepare for the re-accreditation of the Sport Klinika in Žory, the Blachownia Hospital and St Raphael Hospital	■
■ Implement a standardised patient experience survey and improving response rates	■

■ ACHIEVED	■ PARTIALLY ACHIEVED	■ ONGOING OR NOT ACHIEVED	■ DELAYED DUE TO COVID-19
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ALLIANCE MEDICAL

We continued to provide high-quality care that is demonstrably responsive to patient needs even though COVID-19 significantly impacted the development of new quality programmes, including the integration of standardised quality metrics.

Alliance Medical's quality assurance systems are based on the Group's clinical quality and governance framework and are further supported by our QMS processes and accreditations. Accordingly:

- Alliance Medical was re-accredited in terms of the Royal College of Radiologists and College of Radiographers' Quality Standard for Imaging (QSI) and remains the only multi-site provider in the UK with this accreditation. The Care Quality Commission rated 97% of our services as good (2019: 97%), and remained ISO 27001:2013 – IT, NHS Digital Data Security and Protection Toolkit certified
- We are ISO 9001:2015 and ISO 2001:2015 certified in Italy
- Our Irish operations are Caspe Health Knowledge Systems (CHKS) and ISO 2001:2015 certified

Our team adapted all relevant clinical protocols and standard operating procedures in response to COVID-19. We operated

in a new business-as-usual model within weeks. Our quality metrics and patient satisfaction results demonstrated that our services remained safe and of high quality during this transition. Furthermore, we completed COVID-19 secure risk assessments for all sites to ensure employees' and patients' safety. We continue publishing data and guidance on each country's website to help patients prepare to visit our facilities.

One challenge we faced during the year was to continue providing assurance that our services complied with relevant legislation and guidelines. We could not conduct our internal audit site visits for a short period due to government-imposed restrictions. Instead, we conducted remote desktop reviews of site documentation and procedures. While the results of these audits were satisfactory, we recommended site visits and reviews resume as soon as possible.

Patient satisfaction surveys continue to be an essential tool to gather feedback on our services. Our quality and risk teams monitor various metrics, which are reported against internal and contractual benchmarks. Metrics include patient experience, our patients' propensity to recommend our services to their friends or family, and patients' complaints.

Clinical quality indication	Year-on-year trend	Target	2020	2019
UK				
Patient experience (satisfied and very satisfied)	↑	>92.5%	97.3%	95.3%
Friends and family score	↑	>92.5%	95.7%	94.9%
Written patient complaints per 10 000 scans	↓	<5.0	1.9	3.2
Escalated events per 10 000 scans	↔	1.0	0.9	0.9
CQR/IRMER incidents per 10 000 scans	↔	0.0	0.1	0.1
RIDDOR reportable incidents per 10 000 scans	↑	0.0	0.1	0.0
Clinical audit: Level 1 and 2 discretionary scores	↓	<1.0%	0.14%	0.05%
IRELAND				
Patient experience (satisfied and very satisfied)	↓	>92.5%	96.0%	98.0%
Friends and family score	↓	>92.5%	94.0%	96.5%
Written patient complaints per 10 000 scans	↓	<6.0	3.0	4.2
ITALY				
Patient experience (satisfied and very satisfied)	↑	>80.0%	90.0%	88.0%
Friends and family score	↓	>90.0%	87.0%	96.5%

INTERNATIONAL PERFORMANCE REVIEW continued

QUALITY continued

We updated and relaunched our freedom to speak up (FTSU) framework. We appointed new FTSU champions to encourage our employees to report any concerns about our services or patient care. We focused on mandatory training to ensure our employees have the necessary skills to perform their duties.

The implementation of a radioisotope auto-dispenser system across our high-volume PET-CT units continues to significantly reduce our employees' exposure to radiation. We installed the fully automatic Trasis Unidose dispensing system at four of our existing sites during the year. Going forward, all new site designs include the structural support and physical space for these dispensers which weigh over two tonnes each.

All countries set up command structures that oversaw our response to COVID-19, with daily and weekly conference calls with senior management and operational employees. Our quality and risk, and infection prevention and control teams also provided ongoing support and advice, and managed all clinical queries from patients.

SCANMED

We remain committed to achieving excellent clinical outcomes while meeting our patients' needs. Scanmed made significant strides in clinical quality governance during the year. Among these, we implemented a new clinical governance committee structure based on our Group framework. We also appointed medical directors at each facility, who assumed responsibility for the safety and performance of their respective units.

Furthermore, we implemented the internal clinical governance audit methodology adopted by the Group. The methodology is built on a disciplined and systematic approach, and enables us to assess and improve the efficiency of operational management, risk management and internal controls.

Scanmed prepared for the re-accreditation of its outpatient clinics, Sport Klinika in Żory, and the Blachownia and St Raphael hospitals during the year. Pleasingly, the Blachownia Hospital was re-accredited by the Minister of Health. However, the inspections that form part of the remaining facilities' re-accreditation process were delayed due to COVID-19. While our re-accreditation is voluntary, we believe that, once achieved, this will distinguish Scanmed in the Polish healthcare market in terms of quality and security of services.

The business has a well-functioning QMS verified through cyclical internal and external audits and is ISO 9001:2015 – QMS, ISO/IEC 27001:2017-06 – IT and ISO 31000:2009 – risk management certified. The business retained its ISO 9001:2015 QMS certification and was re-accredited in terms of ISO 27001:2017.

This year's significant achievement was implementing unified, monthly quality reports and patient experience surveys across Scanmed despite this not being a standard practice within Poland. We believe these are essential tools for improving the quality of care we provide to our patients, and will endeavour to increase our response rate going forward.

- **80.5% of our patients will recommend our services to friends and family**
- **83.7% of our patients reported that they were either satisfied or very satisfied with our service in 2020**

Indicator	Cardiology units	St Raphael Hospital	Blachownia Hospital	Sport Klinika
2020				
Re-admissions (<30 days) (%)	0.81	1.37	1.90	0.39
Return to theatre (%)	0.78	0.57	0.64	0.66
Healthcare associated infections (%)	0.47	2.32	1.45	0.57
Pressure ulcers (%)	0.10	0.53	0.45	0.00
2019				
Re-admissions (<30 days) (%)	0.62	2.72	1.86	0.26
Return to theatre (%)	1.15	0.60	0.43	0.52
Healthcare associated infections (%)	0.61	0.84	0.87	0.26
Pressure ulcers (%)	0.08	0.50	0.34	0.00

Infections increased due to a rise in acute admissions to St Raphael Hospital as the local academic hospital was repurposed to serve only COVID-19 patients. Therefore, the patient mix at St Raphael Hospital was dramatically different from the previous year.

Indicator	Year-on-year trend	2020	2019	2018
Healthcare associated infections (%)	↑	1.32	0.67	0.84
Surgical site infections (%)	↑	0.20	0.09	0.16
Ventilator associated pneumonia (%)	↑	0.28	0.07	0.17
Central line associated bloodstream infections (%)	↑	0.21	0.03	0.02
Catheter associated urinary tract infections (%)	↑	0.28	0.12	0.08

In response to COVID-19, we rapidly developed and implemented procedures that complied with the guidelines of the Ministry of Health, Chief Sanitary Inspector and the NFZ. We continuously monitored these guidelines and updated our procedures accordingly. By leveraging our technological capabilities, we successfully implemented video and tele-consultations to protect employees and patients. We integrated these consultations with our system to enable electronic prescriptions and ordering of diagnostic tests. This ensured we could continue serving our patients during the COVID-19 pandemic at our outpatient units.

In the year ahead, we look forward to piloting a new, fully electronic system to maintain our medical records and ensure the reliable collection of key performance indicators.

OUR 2021 PRIORITIES

ALLIANCE MEDICAL	SCANMED
■ Extending DoseWatch to the rest of our General Electric systems	■ Introducing completely electronic medical records within our hospital units
■ Further roll out and integration to NHS trusts	■ Implementing an effective electronic clinical reporting system to support the automated analyses and reporting of specific KPIs
■ Upgrading to a new, cloud-based Datix incident management system, and rolling it out to Ireland and Italy	■ Obtaining accreditation from the Minister of Health for our specialised clinics and primary healthcare at our medical units
■ Developing a standardised patient satisfaction survey across regions	■ Re-accreditation of St Raphael Hospital
■ Employee engagement and empowerment	■ Improving our patient satisfaction survey response rates

INTERNATIONAL PERFORMANCE REVIEW continued



EFFICIENCY

We remain committed to improving efficiencies within Alliance Medical and Scanned, and implemented several initiatives to drive business performance and enhance patient care.

KEY HIGHLIGHTS

- Rolled out 1Alliance to all 27 sites in Ireland
- Developed an innovative new mobile imaging solution within Alliance Medical
- Good progress on the capex optimisation process
- Various partnerships to use AI to develop and drive service improvement in PET-CT
- Continue to rollout Group reporting and a core ERP system

OUR 2020 PRIORITIES

■ Further roll out of Group integration initiatives, including moving towards standardised Group reporting and a core ERP system	■
■ Standardise operational metrics within the BI tool	■
■ Finalise the capital expenditure optimisation programme, including the process to identify possible assets that can be upgraded or relocated to reduce capital expenditure	■
■ Explore opportunities to use AI to drive service improvement within our imaging businesses	■
■ Develop a tool to optimise employee rotation	■
■ UK operations to continue the drive to switch from short-term solutions to longer-term solutions with hospital trusts	■

■ ACHIEVED	■ PARTIALLY ACHIEVED	■ ONGOING OR NOT ACHIEVED	■ DELAYED DUE TO COVID-19
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ALLIANCE MEDICAL

We continue driving clinical efficiency to deliver a cost-effective solution to our patients, which remains an important measure of performance within Alliance Medical.

Clinical efficiency measures¹

Average turnaround times	Year-on-year trend %	2020	2019	2018
Receipt of referral to scan (days)	↑	5.1	4.8	6.6
Scan to publication of clinical reports (days)	↓	3.2	4.9	4.6
Did not attend rates (%)	↑	6.4	6.3	7.2

¹ These measures relate to the UK only, with the roll out of standardised measures across territories to be implemented as part of Group integration.

Within Alliance Medical's UK business, we continued to roll out static facilities to serve our PET-CT contract with the NHS, with the final site now operational. This enables us to serve more patients per day compared to mobile clinics. We also partnered with a supplier to develop an innovative new mobile imaging solution, which enhances workflow and enables a better patient experience. This solution was introduced to the market during the year.

COVID-19 presented Alliance Medical with both challenges and opportunities. One of the most significant challenges was access to suitably qualified incumbents. We employed temporary staff, who are generally both costlier and less effective than permanent employees, to ensure we continued offering the services our patients needed.

Once patient levels increased, we implemented social distancing and additional cleaning protocols to protect our employees and patients. These measures are non-negotiable, but had an unavoidable impact on our average turnaround times. This, along with the cost of additional PPE, placed increased pressure on margins.

We proved to be agile and changed our operating model despite these challenges. We introduced a training programme for approximately 50 radiographers to perform COVID-19 scanning on a CT scanner. We also introduced a flexible staffing model across our sites and mobile units.

Procurement

We continued to develop our capital expenditure optimisation programme during 2020. We are working towards a future of distinctive capital stewardship where we leverage our scale to create buying power. This process primarily focuses on the following levers:

- Delivering a multi-year procurement strategy to consolidate capital equipment volumes, and to ensure acquisitions are competitive and prices optimised across the Group – achieving a reduction in prices of between 15% and 20%
- Implementing a multi-year optimisation process to rationalise the demand of every asset and reduce the volume of new assets by optimising upgrades and relocations

The timely and cost-effective sourcing of appropriate PPE proved challenging during the year. We mitigated this by partnering with the southern African team, leveraging their scale to source global suppliers to support our business across western Europe.

Information management and technology

We continue evaluating methods of using technology to enhance our service offering to our patients. This year, we also focused on internal governance and audits. Our audit partner completed several audits on our information security, change control and project management processes. We are addressing the shortcomings identified during this process.

We continue investing in technology to inform our decision-making and increase efficiency. We developed a BI tool during the year that captures and compares operational metrics across different regions. Alliance Medical is also starting to explore the opportunities created by AI. As part of this, we worked with Oxford University and a strategic partner this year to develop a new tool that could increase the efficiency and accuracy of PET-CT radiologists. We will develop this further in the next financial year. We also pursued additional strategic partnerships in the AI space to enhance our competitiveness.

Within our Irish business, 1Alliance was rolled out across all 27 sites, providing senior management with a real-time operational view of several performance metrics and facilitating financial billing and data analytics. 1Alliance proved to be extremely useful in gauging patient confidence, improving data integrity and enhancing efficiencies.

We continue supporting Phase II clinical trials on our TAU and FBB products. We installed the first of three digital PET-CT scanners as part of our PET wave 2 contracts with the NHS, with the second digital scanner in advanced stages of planning. These efforts continue enhancing our national digital platform and are a testament to how we leverage our scale to improve our resilience, efficiency and quality.

We invested significant resources in developing full electronic interfaces for local NHS trusts over the past few years. The first of these interfaces was implemented during the year and proved to be a useful tool to improve data exchange speed and accuracy between Alliance Medical and the relevant hospital. Ultimately, these tools will reduce human error and improve patient care.

INTERNATIONAL PERFORMANCE REVIEW continued

EFFICIENCY CONTINUED

SCANMED

Scanmed continued to implement various initiatives aimed at improving clinical efficiency, with substantial progress. The business successfully completed the restructuring of the Rudolf Weigel Hospital in Blachownia, which increased diagnostic imaging efficiency, improved operating theatre utilisation, and deployed a more effective procedure mix in theatres.

Procurement

Scanmed's centralised procurement function continues to monitor savings, prices and opportunities to enhance efficiencies and strengthen relationships with suppliers. We support our purchases by regular tender processes which, in turn, are guided by best practice standards. Our procurement processes are also informed by our specialist doctors, as well as the heads of medical specialisations across the Group.

Information management and technology

Our IT department focused on several projects to improve our security, user experience, and medical and back-office system performance. We implemented and optimised tools such as diagnostics systems and applications for automated doctor settlements to reduce potential process errors and further support business efficiency. We also improved our internal platform for remote training.

We trained our employees on how to comply with cyber-security requirements, data protection and how to identify potential threats. We also improved security on our internet domains and modernised network devices and systems in our facilities to increase efficiency and streamline daily operations.

OUR 2021 PRIORITIES

ALLIANCE MEDICAL	SCANMED
<ul style="list-style-type: none"> ■ Mitigate, where possible, reduced efficiency due to COVID-19 requirements such as social distancing and increased cleaning protocols 	<ul style="list-style-type: none"> ■ Grow unlimited procedures allocated by the NFZ
<ul style="list-style-type: none"> ■ Further roll out of Group integration initiatives 	<ul style="list-style-type: none"> ■ Maximise commercial revenues
<ul style="list-style-type: none"> ■ Standardise and consistently capture operational metrics 	<ul style="list-style-type: none"> ■ Increase operational excellence
<ul style="list-style-type: none"> ■ Explore new opportunities to use AI to drive service improvement within imaging businesses 	<ul style="list-style-type: none"> ■ Further integration within our key segments, including primary care, ambulatory and inpatient
<ul style="list-style-type: none"> ■ Explore new technologies to improve our services' efficiency further 	



SUSTAINABILITY

Our approach to sustainability centres around economic growth, environmental stewardship and social progress. We consider our key stakeholders' needs to ensure we enhance the value our business creates over time.

KEY HIGHLIGHTS

- Achieved Investors in People Silver accreditation in the UK
- Partnered with 11 universities to provide elective and structured placements at our facilities across the UK
- Agreed on global approach to integrated sustainability strategy

OUR 2020 PRIORITIES

■ Developing a global talent management approach	■
■ Expanding performance management and reward principles to all non-senior management employees	■
■ International collaboration on recruiting to fill critical clinical roles	■
■ Implementing functional integration strategies	■

■ ACHIEVED	■ PARTIALLY ACHIEVED	■ ONGOING OR NOT ACHIEVED	■ DELAYED DUE TO COVID-19
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ALLIANCE MEDICAL

Human capital

We aim to recruit, deploy, retain and develop individuals passionate about delivering high-quality clinical care to our patients.

Employee headcount Region	Total		Clinical		Non-clinical		Self-employed	
	2020	2019	2020	2019	2020	2019	2020	2019
UK	1 004	973	421	414	583	559	10	14
Italy	602	579	83	88	519	491	818	942
Ireland	324	272	132	115	192	157	1	1
Northern Europe and radiopharmacy	178	174	44	43	134	131	10	10
Spain	52	42	42	32	10	10	2	2
Total	2 160	2 040	722	692	1 438	1 348	841	969

We continue recording diversity statistics. In the UK and Ireland, information on our employee diversity is externally reported annually. A total of 69% of Alliance Medical's workforce are women (2019: 65%).

We further developed our approach to human resources this year and conducted a global employee survey. This supports our goal of building one company culture across southern Africa and our international business, and enables us to deepen our cultural understanding across multiple regions.

INTERNATIONAL PERFORMANCE REVIEW continued

SUSTAINABILITY

Employee health and safety

We remain committed to protecting our employees' health and safety, and seek to create a working environment supporting this responsibility. We consistently improve our health and safety policies and practices, which became even more critical during this past year.

COVID-19 presented significant challenges to our employees' safety, health and wellbeing. Government measures differed from country to country, and we tailored our responses to comply with local requirements. We also adhered to country-specific government and health policy guidelines within an overarching Group best practice framework. We introduced daily, weekly and monthly reviews in all regions to ensure real-time responses as the situation changed.

Every country we operate in introduced employee-specific measures in line with government guidance, divided between patient-facing and non-patient-facing environments. As part of our patient-facing environments, we:

- Ensured the availability of appropriate PPE based on published national guidance
- Introduced telephonic pre-screening practices for our patients and, where appropriate, physical screening
- Restricted high-risk procedures or patients
- Revised PPE measures
- Restricted the number of patient and visitors allowed within our facilities

We introduced work-from-home practices across Alliance Medical to protect our non-patient-facing employees, and implemented several wellbeing initiatives. We also restricted internal and external face-to-face meetings.

Our health and safety committee monitors our compliance with relevant laws and regulations in the regions we operate, which includes the UK Health and Safety at Work Act of 1974 and Health and Social Care Act of 2008. We monitor possible radiation exposure for radiology employees as part of our compliance.

Training and development

- **Our UK business achieved the *Investors in People Silver* accreditation, recognising the support we provided our people over the past few years.**

Investing in our people is critical for the sustainability of our business. Therefore, our employees have access to several training programmes supporting their ongoing development within Life Healthcare. We tailor these programmes to comply with each country's relevant regulatory requirements, and cover several topics. We provide our employees with secondment opportunities within Alliance Medical Group.

We continued to focus on recruiting radiographers. The number of enrolments in our apprenticeship scheme fell slightly from 32 as at September 2019 to 27 at the end of the 2020 financial year, but remains a positive development intervention for our non-clinical teams. Notably, one senior manager successfully graduated from our first masters level graduate apprenticeship. We partnered with 11 universities to provide elective and structured placements at our facilities across the UK. Our clinical graduate programme continues to be successful.

We invested significantly in talent and critical role management, and succession planning for our senior executives this year. This enabled us to understand and benefit from the diversity of our international senior management teams which now include eight nationalities.

Stakeholder engagement

We continue leveraging the strength of our stakeholder relationships to build our business. Our in-country teams are responsible for maintaining these relationships, and manage all engagements at a local level.

Despite the challenges posed by COVID-19, we captured the opportunity to further enhance our relationships with key stakeholder groups. Where appropriate, Alliance Medical accepted government support to provide for employees during temporary layoffs, furloughs or where working hours were reduced. These provisions included deferred insurance contributions and tax opportunities, preferential business loans and employment protection funds. Our employees remained employed in regions where government support was unavailable, and are used to support the steady increase in patient volumes.



Refer to page 34 for more information on how we created value for our stakeholders.

Electricity, water and waste

We remain committed to reducing our impact on the environment and accurately capturing and recording our consumption data.

Alliance Medical submitted its four-yearly ESOS2 Energy Consumption Report in December 2019. The report provides greater visibility of our energy use across all our supply channels. Alliance Medical is also required to submit a report in terms of government's streamlined energy and carbon reporting (SECR) framework for the first time this year, providing commentary on the practical changes undertaken to improve energy consumption and, consequently, our environmental footprint. We are also busy transforming our car fleet scheme to introduce electric vehicles.

Alliance Medical is particularly exposed to radioactive waste due to the nature of its business. We manage this carefully, along with the control and disposal of general, infectious and hazardous medical waste. We comply with international waste disposal guidelines and local in-country requirements throughout this process.

SCANMED**Human capital**

Our business's sustainability depends on strong teams with access to development opportunities, quality care, operational excellence, diversified revenue sources and stakeholder engagement. We continue supporting our employees to ensure we remain an employer of choice.

Indicator	Year-on-year trend	2020	2019	2018
Permanent employees and contractors	↓	1 887	2 020	2 095
Temporary employees and contractors	↓	1 464	1 626	1 428
Total		3 351	3 646	3 523

Employee numbers decreased compared to 2019 mainly due to termination of redundant contracts.

Polish law has strict requirements on the type of employee data we can process as an employer. This limits our ability to collate data on our employees' race or ethnicity. However, Scanmed invests significantly in increasing diversity within our teams because promoting equality and diversity among our employees is vital. We implement initiatives aimed at increasing employees' awareness of company values and changes to policies. We also provide training on the importance of data protection, as well as anti-bullying and harassment legislation.

Scanmed continues to implement various initiatives to minimise the shortage of specialised skills among our employees. We periodically conduct employee assessments, enabling us to identify areas for improvement, as well as proposed mitigating actions to close any gaps.

We realise the importance of leveraging the skills of our people. Therefore, we started developing a succession plan for leadership positions within Scanmed. At the same time, we are preparing several management-driven development initiatives to increase employee engagement, motivation and communication.

Employee health and safety

Scanmed is committed to providing a safe and hygienic working environment for employees. Our internal audit processes proactively identify any potential threats or occupational risks at our facilities. We assess the potential impacts of these identified threats or risks, and implement measures to prevent accidents or near misses. We also leverage modern technical and organisational solutions to protect our employees. Our employees regularly attend occupational health and safety training.

We introduced the following additional measures in response to COVID-19 to enhance employee safety:

- Our employees have constant access to PPE and disinfectants
- We increased the frequency of cleaning and disinfecting of surfaces
- Video-conferences replaced traditional meetings

Training and development

As part of our people strategy, we ensure employees and new hires undergo comprehensive onboarding and training to familiarise themselves with the company's values – which extend to sustainable development principles. Furthermore, we regularly examine the training needs of individual teams and departments. Based on this, we then develop targeted development plans to mitigate any identified skills or knowledge gaps.

Our e-learning platform, developed in the previous financial year, proved to be particularly useful during the pandemic. Our employees had access to a range of training activities and programmes. We conducted several mandatory training sessions relating to, among others:

- Updates to medical workers' entitlements
- Changes to regulations
- Improving soft skills
- Occupational health and safety
- Life Healthcare's Global Code of Conduct
- Patient services

We launched training modules relating to the protection of personal data and epidemiology and we are developing a module on patients' rights.

To ease the burden of COVID-19 on our managers, we held several workshops to motivate and engage employees while working remotely.

INTERNATIONAL PERFORMANCE REVIEW continued

SUSTAINABILITY CONTINUED

Stakeholder engagement

Scanmed continued to nurture and build relationships with stakeholders in the public and private sectors, which included engagements with local authorities and organisations, non-governmental organisations (NGOs) and local communities.

Public funding is a significant source of revenue for Scanmed. Therefore, it is essential to constantly engage with NFZ branches to further strengthen our relationships. We also enhance these relationships by actively participating in the public health system, and implementing several initiatives and development projects. As part of these health promotion activities, we offer screening tests and participate in key primary healthcare pilot programmes, creating long-term value for many of our stakeholders.

We further supported the NFZ this year by offering our acute services and a COVID-19 cardiac cathlab for infected patients during the pandemic. This initiative will likely extend into the next financial year.



Refer to page 42 for more information on our stakeholders.

Electricity, water and waste

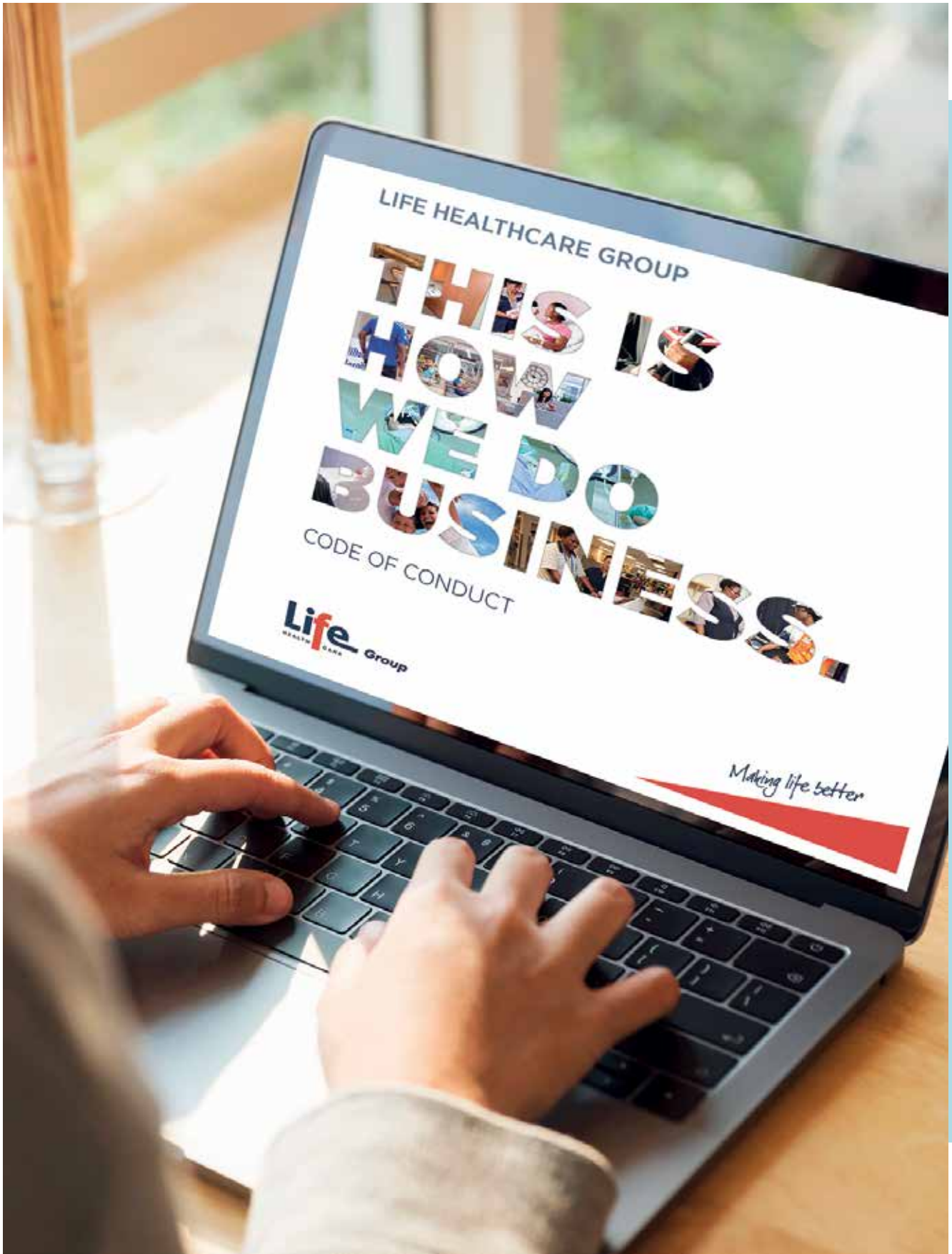
Electricity consumption decreased by 9.9% during the year. Conversely, total water use increased by 7.7%, mainly due to the necessary strict sanitary regimes implemented in our facilities. Scanmed has recorded waste disposal from the beginning of 2020 to comply with waste management regulations.

Indicator	Year-on-year trend	2020	2019	2018
Electricity usage (kWh)	↓	5 272 463	5 853 701	5 994 753
Water usage (kl)	↑	34 826	32 322	43 536

OUR 2021 PRIORITIES

ALLIANCE MEDICAL	SCANMED
■ Implement equality, diversity and inclusion initiatives	■ Team development, including recruitment, onboarding processes, retention and succession planning
■ Engage with industry talent through university partnerships	■ Diversify contractors and sources of funding
■ Community upliftment initiatives and workforce support measures	■ Continue delivering high-quality healthcare services
■ Prioritise Alzheimer’s research and diagnostic facilities within the LMI business	■ Focus on operational excellence
	■ Engage with key stakeholders and support local communities
	■ Implement electronic workflow and medical records to improve quality and reduce environmental impact
	■ Continue co-operating with top medical specialists to provide the highest quality healthcare to our patients





HOW WE ARE GOVERNED

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CORPORATE GOVERNANCE OVERVIEW

“Our vision is to be a global, people-centred, diversified healthcare organisation and to support this vision, we continue to ensure that we have solid and entrenched governance structures in place. We maintain that without a proper governance framework in place, reacting to and managing crises and uncertainty becomes a challenge in itself”.



Chairman:
Mustaq Brey

STATEMENT ON CORPORATE GOVERNANCE

Entrenching sound corporate governance principles and adhering to the highest levels of ethical standards throughout the business sets the tone for our organisation as a whole and reinforces our ability to generate and deliver long-term sustainable value to all our stakeholders. The Board remains Life Healthcare’s overall custodian of sound corporate governance. We continue to ensure that we grow and evolve in this role through ongoing review of and improvement to our processes and policies. The Board is satisfied that it has fulfilled its responsibilities in accordance with its charter and with all other applicable legislation for the year under review.

OUR GROUP GOVERNANCE FRAMEWORK

The Group’s governance framework was formulated to ensure effective and sustainable delivery of our overall strategy. This framework intends to provide a structure within which the business is properly managed and the interests of its stakeholders are protected. The framework has been especially useful during these challenging times to provide clear and concise guidance on the most effective and pragmatic manner of governing the organisation.

Governance during COVID-19 and the cyber-attack

Proactive and resilient corporate governance has become increasingly relevant and required, now more than ever. In times of crisis such as the current COVID-19 pandemic, governance matters and governance protects interests of our shareholders. A proper governance framework will continue to be crucial, both to the recovery of the business and to building a “new normal” once the crisis has passed.

The culture and inherent value system that is deeply entrenched into our business has played a material role in enabling the Board to guide the Group through the pandemic and the criminal cyber-attack. In addition, our governance framework contributed to the efficacy and resilience of our governance responses to these two crises, allowing the Board and senior management to focus on the significant challenges and agile decision-making required to respond appropriately, as and when required to do so.

Our governance framework and accompanying policies and processes also provided clarity during a very challenging time, and clearly delineated roles and areas of accountability, ensuring proper alignment across the Group and focused and informed decision-making at the appropriate levels across our various operational jurisdictions.



Provide direction and oversight of the Group:
 Strategy and investments | Policies | Operational performance
 Risk management of information technology | Audit-related matters | Financial performance | Clinical quality and compliance | Governance and ethics | Sustainability | Legal



Various management-level committees across all jurisdictions
 (IT management forum, combined assurance forum, compliance forum, clinical governance forum, sustainable development committee)

Implement policies and processes on
 Risk | Overall sustainability | Combined assurance
 Compliance | HR | Finance | Information technology
 Procurement | Clinical compliance/governance

The Board confirms the Group's compliance with the Companies Act, 71 of 2008 (Companies Act) and the Company's memorandum of incorporation for the reporting period.

OUR GOVERNANCE APPROACH

Role of the Board

Life Healthcare has a unitary Board of directors that is supported in delivering its mandate through various Board committees, as well as a formal charter that clearly defines its role and responsibilities.

The Board sets the overall strategic objectives of the Group, determines investment policy and performance criteria, and delegates the detailed planning and implementation of policies to management within the appropriate risk parameters. The Board monitors compliance with policies and performance against objectives by holding management accountable for its activities through quarterly performance reporting and budget updates.

The Board considers matters of strategic direction, significant acquisitions and disposals, and approves major capital expenditure, financial statements and other material matters.

Board members are encouraged to debate and challenge matters in an atmosphere of mutual respect and cooperation. While retaining overall accountability, the Board has delegated authority to the CEO to manage the day-to-day affairs of the Group who, in turn, is supported by the Group executive committee.

During the year under review, the CEO, with the support of the executive team, constituted a Group operating committee, comprising the top 21 senior leaders in the organisation. The committee is structured in a manner that strives to ensure an appropriate balance of diversity, knowledge, skills and experience.

The following policies were reviewed by the Board and its committees during the year under review:

- a revised Group governance framework;
- the combined assurance framework; and
- the Group compliance framework and policy.

CORPORATE GOVERNANCE OVERVIEW continued

BOARD COMMITTEES

As the highest decision-making body of the Group, the Board is accountable for the sustainable and ethical operations of Life Healthcare through sound governance practices that comply with the principles of King IV.



Please refer to pages 20 to 23 for information on our Board leadership and Group executive committee.

Audit committee

Role	Composition
<p>The committee is constituted as a statutory committee in terms of section 94 of the Companies Act. It has an independent role and is accountable to the Board and shareholders.</p> <p>The overall functions of the committee are to:</p> <ul style="list-style-type: none"> ■ Assist the directors in discharging their responsibilities relating to the safeguarding of assets, the operation of adequate and effective systems and control processes ■ Ensure that the preparation of both the integrated report and fairly presented financial statements are in compliance with all applicable legal and regulatory requirements and accounting standards ■ Discharge statutory duties for all South African subsidiaries of the Group which do not have their own audit committee ■ Monitor the activities of the other audit and/or governance committees within the Group 	<p>Chairman Peter Golesworthy</p> <p>Members Audrey Mothupi Garth Solomon Royden Vice</p>

Key focus areas for the year under review

- Reviewing the collective deliverables of the committee against a backdrop of the global pandemic and the cyber-attack on the Company's southern Africa operations
- Reviewing impairment testing of non-current assets, and specifically intangible assets and goodwill
- Reviewing the recoverable amount of financial assets
- Reviewing the solvency, liquidity and going concern assessments
- Reviewing the adoption of IFRS 16 Leases, which was effective for the year under review
- Continuous focus on the Group's reporting processes and controls, as well as further integration of the international operations
- Oversight of the transition in external auditors to Deloitte
- Further improvements to the Group-wide approach to combined assurance and internal audit
- Following a formal tender process, appointing PricewaterhouseCoopers Inc. (PwC) as the Group's internal audit service provider
- In light of the cyber-attack in June 2020, the committee played a key role in providing support to management as the Company recovered from the impact of the attack. The committee continued to evaluate key risks, related controls and mitigation in respect of the IT infrastructure and project implementation, as it related to internal controls, and monitored continuous improvement initiatives within the finance function

The committee is satisfied that it executed its duties in accordance with its terms of reference during the financial year.

Risk, compliance and IT governance committee

Role	Composition
<p>The role of the committee is to assist the Board to set the direction for the manner in which risk is managed and addressed, compliance is embedded into the organisation and IT governance is implemented. This is all executed while adopting a stakeholder-inclusive approach. The committee must also oversee and direct that the Company has implemented an effective policy and plan for risk management and compliance encompassing the opportunities and associated risks to be considered when developing strategy and the potential positive and negative effects of the same risks on the achievement of the Company's strategic objectives.</p>	<p>Chairman Joel Netshitenzhe</p> <p>Members Peter Golesworthy Marian Jacobs Audrey Mothupi Mahlape Sello Pieter van der Westhuizen Peter Wharton-Hood</p>

Key focus areas for the year under review

- Group-wide focus on risk management
- Reviewing the responsibility of the committee against a backdrop of the global pandemic and the cyber-attack on the Company's southern Africa operations
- Risk maturity assessment
- Risk appetite/risk tolerance policy statement on risk
- Group privacy compliance
- Compliance with POPIA
- IT risk assessment in light of the cyber-attack
- Review of the Group's compliance framework and policy

The committee is satisfied that it executed its duties in accordance with its terms of reference during the financial year.

Investment committee

Role	Composition
<p>The overall functions of the committee are to:</p> <ul style="list-style-type: none"> ■ Ensure material matters that could affect the Group's strategy, financial health and/or shareholder value are identified and discussed and, where appropriate or required, recommendations on these matters are made to the Board ■ Provide a level of comfort to the Board that the Group's overarching approach to the consideration of investment opportunities acquisitions, disposals and capital expenditure is aligned to the Group's strategy and monitor that the benefits are realised 	<p>Chairman Garth Solomon</p> <p>Members Peter Golesworthy Royden Vice Victor Litlhakanyane Pieter van der Westhuizen Peter Wharton-Hood</p>

Key focus areas for the year under review

- Consideration of the Group's 2021 budget, especially in light of the impact of the pandemic on the business
- Review of the funding strategy
- Review of the Group's investment strategy
- Review of material property investments and disposals
- Deliberation on the potential exit from Poland
- Review and approval of the radiology project
- Post-investment reviews

The committee is satisfied that it executed its duties in accordance with its terms of reference during the financial year.

CORPORATE GOVERNANCE OVERVIEW continued

Human resources and remuneration committee


Role	Composition
<p>The overall functions of the committee are to assist the Board in ensuring that:</p> <ul style="list-style-type: none"> ■ The Group has a clearly articulated remuneration philosophy policy and HR strategy that supports the strategic objectives of the Group ■ The Group's performance in HR development and retention against internal transformation targets on legislative imperatives are appropriate 	<p>Chairman Royden Vice</p> <p>Members Mahlape Sello Garth Solomon</p>

Key focus areas for the year under review

- Reviewing the collective responsibilities of the committee against a backdrop of the global pandemic and the cyber-attack on the Company's southern Africa operations
- Consideration of the Group's remuneration policy, overall reward framework and implementation report and ensuring adequate disclosure in this regard
- Review of the short and long-term incentive plans as a retention mechanism
- Succession planning for executive management throughout the Group
- Approval of executive remuneration
- Approval of the Group-wide salary mandate
- Retirement fund matters

The committee is satisfied that it executed its duties in accordance with its terms of reference during the financial year.

Social, ethics and transformation committee

Role	Composition
<p>The social, ethics and transformation committee is constituted as a statutory committee in terms of section 72(4)(a) of the Companies Act. Its main purpose is to ensure that:</p> <ul style="list-style-type: none"> ■ The Group is and remains a good and responsible corporate citizen ■ Life Healthcare's reputation is safeguarded by monitoring the Group's actions and impacts on the environment, consumers, employees, communities and other stakeholders <p> <i>The social, ethics and transformation committee's report is detailed on page 152.</i></p>	<p>Chairman Audrey Mothupi</p> <p>Members Marian Jacobs Joel Netshitenzhe Malefetsane Ngatane Peter Wharton-Hood</p>

Key focus areas for the year under review

- Social, ethics and transformation framework to provide for a global integrated view, including the creation of a dedicated Group function for ethics and sustainability
- Consideration of our transformation, diversity and inclusion principles
- Consideration of the Group's B-BBEE strategy and progress against the B-BBEE scorecard
- Environmental initiatives and progress against targets
- Health policy and related legislation
- Skills development and progress against plan
- CSI and environmental reporting throughout the Group

The committee is satisfied that it executed its duties in accordance with its terms of reference during the financial year.

Clinical committee

Role	Composition
<p>The overall functions of the committee are to assist the Board in:</p> <ul style="list-style-type: none"> ■ Ensuring that external oversight of the Group's clinical governance arrangements and country-specific regulatory compliance is in place ■ Providing assurance that there are appropriate measures in place to monitor clinical quality, patient safety and patient experience throughout the Group ■ Ensuring that the quality of services provided to patients is continuously improved, the highest standards of care are safeguarded, and an environment is created in which clinical efficiency and excellence is promoted, and innovation and research rewarded ■ Ensuring that an accurate reflection of existing clinical risks, key controls, assurances, and action plans exist, as well as the plans to address such risks. 	<p>Chairman Marian Jacobs</p> <p>Members Malefetsane Ngatane Victor Litlhakanyane Garth Solomon</p>

Key focus areas for the year under review

- Continued application of the Group clinical governance framework
- Standardising clinical governance processes by geography
- Review of quality accreditation systems

The committee is satisfied that it executed its duties in accordance with its terms of reference during the financial year.

Nominations and governance committee

Role	Composition
<p>The overall functions of the committee are to assist the Board in:</p> <ul style="list-style-type: none"> ■ Ensuring that the Board has the appropriate composition to execute its duties effectively and that governance remains a key imperative in driving the effectiveness of all Board processes and deliverables ■ Ensuring that directors are appointed through a formal process and in line with an approved diversity policy ■ Ensuring that a full induction of new directors takes place ■ Ensuring that ongoing training and development of directors takes place ■ Ensuring that a formal Board succession plan is in place, with specific emphasis on succession planning for the Chairman, executive directors and Group Company Secretary 	<p>Chairman Peter Golesworthy</p> <p>Members Mustaq Brey Malefetsane Ngatane</p>

Key focus areas for the year under review

- Approval of the Board succession strategy for the short to medium term
- Process to identify independent non-executive directors in line with the Board diversity policy
- Following an intensive recruitment process, recommending the appointment of the incoming Chief Executive Officer to the Board
- Recommending the appointment of the Chairman-designate to the Board
- Ensuring that material amendments to the JSE Listings Requirements were adequately reviewed and implemented for the year under review
- Overseeing a complete review of the terms of reference for all committees
- Overseeing a complete review of the Board charter
- Reviewing the diversity policy and effecting certain changes to ensure that the policy remains relevant
- Reviewing internal governance standards and policies, including the Group governance framework

The committee is satisfied that it executed its duties in accordance with its terms of reference during the financial year.

CORPORATE GOVERNANCE OVERVIEW continued

GOVERNANCE AS A DRIVER FOR VALUE CREATION

Board composition and tenure

As at 30 September 2020

Members	Date appointed	Tenure
MA Brey ^{1*}	10 June 2010	10 years
GC Solomon ^{2*}	10 June 2010	10 years
MP Ngatane ^{3*}	10 June 2010	10 years
P Golesworthy	10 June 2010	10 years
JK Netshitenzhe	30 November 2010	10 years
RT Vice	1 January 2014	6 years
ME Jacobs	1 January 2014	6 years
M Sello	3 July 2017	3 years
V Litlhakanyane	15 April 2020	< 1 year
A Mothupi	3 July 2017	3 years
PP van der Westhuizen	1 June 2013	7 years
P Wharton-Hood	1 September 2020	< 1 year

¹ Mr Brey joined the Board in November 2003, while the Company was under private ownership, seven years prior to listing.

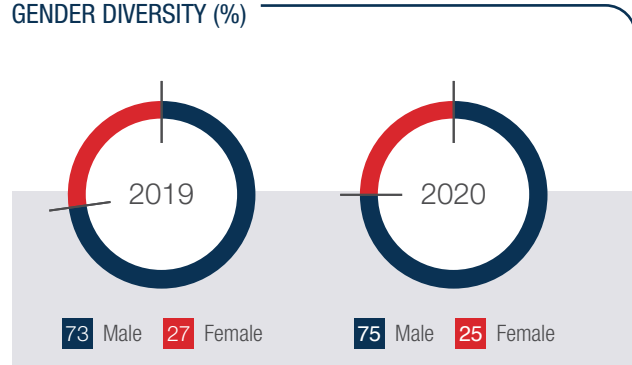
² Mr Solomon joined the Board in March 2005, while the Company was under private ownership, five years prior to listing.

³ Dr Ngatane joined the Board in July 2007, while the Company was under private ownership, three years prior to listing.

* Messrs Brey, Solomon and Ngatane’s tenure is calculated with effect from the date of listing, being 10 June 2010. The Board is nevertheless satisfied that these directors continue to display objective, unfettered judgement in the execution of their role, despite their long association with the Company prior to listing.

https://lifehealthcare.co.za/investor-relations/our-directors/

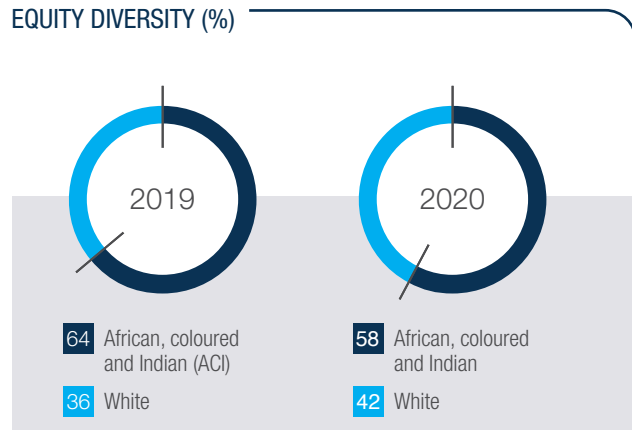
GENDER DIVERSITY (%)



SKILLS AND EXPERIENCE

- Leadership and strategy
- Financial and business acumen
- Human resources
- International business experience
- Risk management
- Corporate governance best practice
- IT expertise
- Healthcare and clinical expertise
- Legal expertise

EQUITY DIVERSITY (%)



Power, control, support, and appointments

Mustaq Brey, a non-executive director, is the Chairman of the Board. In accordance with King IV, Peter Golesworthy is the lead independent non-executive director. His roles include acting as a sounding board for the Chairman, chairing Board meetings in the absence of the Chairman, and leading the performance appraisal of the Chairman.

During the year under review, Mustaq Brey indicated to the Company, his intention to step down from his role as Chairman at an appropriate time. The Board began with a process to identify a suitable successor and announced the appointment of Victor Litlhakanyane, a current independent non-executive director, as Chairman-designate. Mustaq will remain with the Company until the conclusion of the Company’s annual general meeting (“AGM”) in 2021, whereafter Victor will assume the role.

During the year under review, Shrey Viranna resigned as the CEO. Pieter van der Westhuizen, the CFO acted as the interim CEO until the appointment of Peter Wharton-Hood on 1 September 2020.

The roles of Chairman and CEO are separate, and there is a clearly outlined division of responsibilities.

Effective control is exercised through the CEO, who is accountable to the Board through regular reports. Senior executives attend Board meetings as and when necessary to apprise the directors of important events, and to develop and implement strategy. This encourages communication and co-operation between the directors and executive management.

The Board ensures that no individual has unfettered powers of decision making and authority, and that shareholder interests are protected at all times. The Board considered whether there is an appropriate balance of knowledge, expertise and collective experience among the non-executive directors. In doing so, the Board is satisfied that the non-executive directors have the required skills and experience to have objective judgement on matters of strategy, operational performance, resources, transformation, diversity and employment equity, standards of conduct, evaluation of results and economic, and social and environmental policies.

At the Group's expense, directors are entitled to seek independent professional advice to further their duties. All directors have access to the Group Company Secretary, who is responsible for ensuring Group compliance with

applicable legislation and procedures. In compliance with JSE Listings Requirements, non-executive directors do not participate in any share incentive or option scheme of the Group.

Delegation of authority

Life Healthcare has an international, capital intensive business. The strategy, operating and investment budget and plans are approved by the Board. To control trading activities, it is the Board's philosophy that authority and responsibility be delegated to the lowest prudent level, and management is expected to always act in accordance with the Group values, both formally and informally.

The Group delegation of authority includes fundamental elements such as:

- Authority matrix for the Board, CEO and management in the different geographies
- Corporate, finance governance and HR matters reserved for the Board
- Processes for the approval or amendment of the Group's business plan and annual budget

Directors' attendance at Board and committee meetings

The Board meets quarterly and on an ad hoc basis to consider specific matters as needed. The Board and management meet annually to review the Group's strategy and agree on future focus areas. Where directors are unable to attend Board meetings for any reason, every effort is made to table their comments regarding the agenda and general items, at the meeting.

	Audit	Board	Investment	Nominations and governance	Human resources and remuneration	Risk, compliance and IT governance	Social, ethics and transformation	Clinical
Members								
MA Brey		5/5	2/3	4/4				
PJ Golesworthy	6/6	5/5	5/5	4/4		2/3*	1/1	
ME Jacobs		5/5				3/3	2/2	4/4
VL Litlhakanyane		3/3	2/2					3/3
AM Mothupi	6/6	5/5				3/3	3/3	
JK Netshitenzhe		5/5				3/3	2/2	
MP Ngatane		5/5		4/4			3/3	4/4
M Sello		4/5			2/3	2/3		
GC Solomon	6/6	5/5	5/5		3/3			1/1
PP van der Westhuizen		5/5	3/3			3/3	2/2	3/3
RT Vice	6/6	5/5	5/5		3/3			
SB Viranna		1/1	1/1			0/1		
PG Wharton-Hood			1/1				1/1	1/1

* Not in attendance due to request from the Chairman to attend to a confidential and urgent matter.

CORPORATE GOVERNANCE OVERVIEW continued

Code of conduct

In living our values, the Group has earned a reputation for fairness and ethical behaviour in all its business dealings and processes. The Board is responsible for ensuring that management embeds a culture of ethical conduct throughout Life Healthcare, and sets the values by which the Group abides. Guidance for appropriate behaviour throughout the Group is based on the Code of Conduct (the code).

The code sets out policies and procedures to be followed in all aspects of professional, clinical and business dealings, and establishes a set of standards. It guides employees in their behaviour towards supporting healthcare professionals, patients, customers, suppliers, shareholders, co-workers, and the communities in which the Group operates. The code also extends to safety, health, security, conflicts of interest, environmental matters and human rights. While common sense, good judgement and conscience apply in managing a difficult or uncertain situation, the code assists in detailing the standards and priorities within the Group. New employees are familiarised with the code as part of their induction.

A confidential guidance and support hotline, operated by an international auditing firm, provides an independent facility for employees and suppliers to report fraud or any form of malpractice. A policy of non-retaliation protects and encourages people wishing to share their concerns. The Group maintains a zero-tolerance approach to fraud. Executives and line management are responsible for implementing procedures against fraud and corruption. Professional employees across the Group are encouraged to become members of their respective professional associations.

Tip-offs anonymous

Employees, doctors and suppliers can report suspected irregularities anonymously to an independent service provider. Reported incidents are independently assessed and, where relevant, independently investigated. These incidents are also reported to the audit, and social, ethics and transformation committees. During the year under review, 36 tip-offs were received. Of the 36 tip-offs received in the year, 28 cases have been closed and eight currently remain under investigation.

Internal controls

We maintain accounting records, and developed systems designed to provide reasonable assurance as to the integrity and reliability of the financial statements. The Board delegates responsibility for the adequacy and operation of these systems to the CEO. These records and systems are designed to safeguard assets and minimise fraud. The systems of internal control are based on established organisational structures, such as written policies and procedures, which include budgeting and forecasting disciplines and the comparison of actual results against these budgets and forecasts. The Group has a key operational process checklist, and has assigned responsibilities for controls in the processes to relevant employees. Compliance is tested by internal and external audit reviews.

Induction and training of directors

It is important that directors are kept up to date with their duties, as well as changes in the Group. On appointment, new directors are briefed on their fiduciary duties and responsibilities by the Group Company Secretary. The nominations and governance committee has approved an induction policy which includes the requisite reading material and the required exposure to the business. The policy is reviewed annually by the nominations and governance committee. In addition, new directors receive information on JSE Listings Requirements, King IV, the Companies Act and obligations they have to comply with. The Group Company Secretary assists the Chairman with the induction of directors. Directors are informed of relevant new legislation and changing commercial risks that affect the Group. Directors have full and unrestricted access to management and information when required and are entitled to seek independent professional advice in support of their duties at the Group's expense.

Independence

The Group's nominations and governance committee is responsible for assessing the independence of the Group's directors on an annual basis. Independence is determined according to the Companies Act, JSE Listings Requirements and the recommendations in King IV, which takes into account, among others, the number of years a director has served on the Board.

The Board was satisfied that all its independent non-executive directors met its independence criteria for the 2020 financial year.

Non-executive director**Directors' external interests****Mustaq Brey**

Mr Brey owns shares in the Company, the value of which is material to his personal wealth, and he can therefore not be considered independent. However, the nominations and governance committee and Board remain satisfied that Mustaq displays objective, unfettered judgement in decision making and that his objectivity has not been compromised by virtue of his shareholding.

BOARD SUCCESSION

The Board, supported by the nominations and governance committee, ensures that the Board succession strategy is structured and implemented in a manner that ensures continuity and sustainability of corporate and Board performance and effectiveness. The strategy continues to focus on the critical elements of Board independence, refreshment, engagement, competence, integrity, transparency and inclusiveness. A skills matrix has been developed that maps out the profile of competencies and demographics that need to guide new appointments to the Board.

Conflict of interests

Directors are required to avoid a situation where they may have a direct or indirect interest that conflicts with the Group's interests. Directors disclose conflicts of interest at every meeting in terms of section 75 of the Companies Act. Directors present an updated list of their directorships and interests to the Group Company Secretary annually, and the comprehensive list is tabled at the Board meeting in July of each year.

Appointments, rotation and diversity

Any new appointment to the Board involves a formal and transparent process and is a matter of consideration for the full Board, assisted by the nominations and governance committee.

Appointments and diversity

The Board diversity policy applies to the appointment of new directors and has been taken into account for purposes of succession planning for the Board. The nominations and governance committee will make the Board appointment recommendations on merit and will consider candidates against objective criteria with due regard to the benefits of international diversity, including gender and race, and the contribution that the candidate will bring to the Board. There is an ongoing commitment from the Board to strengthen female representation, and preference will be given to female candidates who meet the criteria.

Rotation

The memorandum of incorporation (MOI) stipulates that one-third of the Board members will retire from office at the AGM and will be eligible for re-election. The directors to retire are those who have been in office longest since their last election or who were appointed during the year. Executive directors are included in determining the rotation of retiring directors.

As per Life Healthcare's MOI, directors who have reached or exceeded the age of 70 years are also required to stand for annual re-election, upon recommendation by the Board.

Board and committee evaluations

The Company conducts an external and independent review of Board and committee effectiveness every third year, and with the last external evaluation done in 2017, conducted an independent process now again in 2020.

The independent evaluator report confirmed that the Board was meeting all of the required expectations of a listed entity, in alignment with King IV.

The key focus areas emanating from the report related to the following:

- Enhanced engagement with relevant stakeholders within the healthcare industry
- A firm focus on ensuring the efficacy and sustainability of the IT systems and infrastructure
- A key focus on continued implementation of the Board succession strategy
- Transformation and diversity

The nominations and governance committee will lead the focus of these listed imperatives on behalf of the Board.

Group Company Secretary

Avanthi Parboosing is the Group Company Secretary. Her primary role is to ensure that the Board is cognisant of its fiduciary duties and responsibilities. The Group Company Secretary plays a key role in providing guidance to the Board members on the execution of their duties, keeping the Board aware of relevant changes in legislation and corporate governance best practice and emerging trends. Other key performance areas of the Group Company Secretary include overseeing the induction of new directors, and ongoing education of directors.

CORPORATE GOVERNANCE OVERVIEW continued

Avanathi Parboosing's role has also been expanded to include executive oversight over other areas, including Group Sustainability, Transformation, Diversity and Inclusion, Group Insurance, Business Integrity and Ethics, Group Privacy and Group Communications and Marketing.

An assessment of the Group Company Secretary was carried out for the year under the auspices of the nominations and governance committee. The Board confirms that the Group Company Secretary has the requisite experience and qualifications to carry out the role, and that she maintains an arms-length relationship with the Board.

Codes, regulations and compliance

The Board is responsible for the Group's compliance with applicable laws, rules, codes and standards. The enforcement of compliance principles is incorporated into the Group's global code of conduct and the Group considers compliance an integral part of the Group's culture in ensuring the achievement and sustainability of its strategic goals.

The Board has delegated the implementation of an effective compliance framework to management. Supervision of compliance risk management is delegated to the risk, compliance and IT governance committee, which reviews and approves the arrangements in place to monitor compliance. The Group complies with various codes and regulations such as the Companies Act, the JSE Listings Requirements and King IV.

There were no material or repeated regulatory penalties, sanctions or fines for contraventions of, or non-compliance with, statutory obligations or environmental laws.

King IV

Life Healthcare endorses and endeavours to adhere to the guidelines and principles of King IV.



A King IV Implementation Report and gap analysis is available on the Group's website, www.lifehealthcare.co.za.

OTHER REPORTING REQUIREMENTS

Insider trading

Life Healthcare observes a closed period from the end of the accounting period to the announcement of the interim or annual results, and when otherwise required in terms of the JSE Listings Requirements. During this time, no employee or director who might be in possession of unpublished price-sensitive information may deal, either directly or indirectly, in the shares of the Company. Comprehensive guidelines on how to comply with insider-trading restrictions and how to deal with analysts are provided in the insider-trading policy.

Going concern

The Board considers and assesses the Group's going concern basis in the preparation of the annual and interim financial statements. In addition, the solvency and liquidity requirements per the Companies Act are considered. The Board is satisfied that the Group will continue as a going concern into the foreseeable future.

Material litigation

During the financial year, the Group was not involved in any material litigation or arbitration proceedings, nor were the directors aware of any pending or threatened legal issues which may have a material impact on the Group's financial position. Institutions in the healthcare sector are subject to patient lawsuits and the directors are of the opinion that the Group has sufficient insurance to mitigate financial risk.

Political party contributions

In line with the code of conduct, employees may not make any direct or indirect political contribution on behalf of the Group unless authorised by the Board. This includes contributions to candidates, office holders and political parties.



SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE REPORT

I am pleased, on behalf of the social, ethics and transformation committee (“the committee”), to present this report to shareholders for the financial year ended 30 September 2020, in accordance with the requirements of the Companies Act. This report is being delivered during what is definitively, the most uncertain of times with the outbreak of COVID-19. Life Healthcare, and the portfolio of businesses within its stable, is therefore operating in an unpredictable and complicated environment. In addition, we experienced a cyber-attack on our IT systems.

However, this unique environment also presented a distinct opportunity to observe the Company’s culture, and in doing so – develop a deep appreciation for its resilience and resolve. For the year under review, the committee therefore focused keenly on its role in supporting the Board and the business in general, to best understand how to navigate these difficult times.

Our ability to effectively respond to the pandemic and provide quality care to our patients in this time of crisis is largely due to the dedication and unwavering support of all our frontline employees. The Company wishes to acknowledge their invaluable contribution and to sincerely thank them.



Chairman: Social, Ethics and Transformation Committee
Audrey Mothupi

COMPOSITION OF THE COMMITTEE

The current constitution of the committee is as follows:

- Audrey Mothupi (Chairman and independent non-executive director)
- Prof Marian Jacobs (independent non-executive director)
- Joel Netshitenzhe (independent non-executive director)
- Dr Malefetsane Ngatane (independent non-executive director)
- Peter Wharton-Hood (Chief Executive Officer and executive director)

The following directors resigned as members of the committee, during the year under review:

- Peter Goleworthy (independent non-executive director)
- Dr Shrey Viranna (previous Chief Executive Officer and executive director)

Senior executives and functional heads attend meetings of the committee, as appropriate. All members of management who present on various matters are experts on each of the disciplines or areas falling within the mandate of the committee specified in regulation 43(5) of the Companies Act. The Chairman of the Board is a standing invitee. The committee met three times during the year under review, and the proceedings of each meeting were reported to the Board.

The mandate of the committee is contained in formal terms of reference, which guides the committee in performing its oversight role to ensure that the Group, as a responsible corporate citizen, conducts business in an ethical, transparent and sustainable manner.

RESPONSIBILITIES

The Group continues to strive to deliver value to all our stakeholders as a responsible and caring corporate citizen in line with our core values of providing quality and effective healthcare to our patients. The committee has a statutory responsibility to monitor the Group’s activities in terms of the Companies Act with regard to matters relating to:

- ethics and business integrity
- social and economic development
- good corporate citizenship
- environment, health, patient and public safety
- consumer relationships
- labour and employment practices.

The committee continues to execute on its responsibility to draw matters within its mandate to the attention of the Board and to shareholders, when necessary.

FUNCTIONING

The committee oversees the Group's social and organisational activities relating to the environment and its stakeholders. It monitors the Group's sustainability performance to ensure that the organisation's business integrity framework supports its culture, it is seen as a responsible corporate citizen, and that there is a balance between the Group and the accompanying needs, interests and expectations of all its stakeholders.

The committee, together with the clinical committee of the Board, also pays credence to the ethical standards adopted by the Company in ensuring and promoting moral and social values such as patients' welfare and safety, patients' privacy, clinical quality and compliance with relevant legislation.

During the financial year ended 30 September 2020, the committee addressed the following key issues:

- Oversight of the final stage of the group-wide implementation plan of the Group's global code of conduct, which requires all employees and others to be treated with fairness, equality and respect to foster an open, transparent, progressive and trusting environment that is free from prejudice, discrimination and harassment
- The environment, health and public safety and compliance to relevant legislation
- Focus on the recently enacted POPIA legislation, and the impact on the Group
- Performance with regard to the B-BBEE scorecard, procurement and enterprise development, and effective and ethical leadership
- Skills and other development programmes aimed at employees' education
- Labour and employment practices and policies
- Corporate social initiatives, including the Company's role during the pandemic
- Consumer relationships and reputation management, including the Group's advertising, public relations and compliance with consumer protection laws.

Corporate Social Responsibility and Employee Assistance during COVID-19

During the COVID-19 period, we provided 770 employees, who could not isolate or quarantine at home with Company funded accommodation. Additionally, the Employee Assistance Fund paid out R5.8 million in support of 1 435 employees during these unprecedented times. The Company also paid out a gratuity bonus totaling R45 million to 14 947 employees. We donated R1.5 million towards a food relief project that provided approximately 4 000 food parcels to communities across Gauteng, the Western Cape, Eastern Cape, North-West, Mpumalanga, Limpopo, KwaZulu-Natal and the Free State. Each food parcel feeds a family of four for one month. We additionally donated approximately 2 000 cloth masks for students and employees at the SANCB Optima College, and 750 cloth masks to the volunteer employees at SA Depression and Anxiety Group – an NGO with a focus on mental health. We also provided funding to families for the funerals of employees who tragically lost their lives as a result of COVID-19.

Stakeholder engagement

The outbreak of COVID-19 highlighted the importance of engagements between the public and private sectors in South Africa. Guided by our belief that healthcare providers have an obligation to partner with government, especially during times of unprecedented crisis, we were ready to assist the South African government in various ways to treat public sector patients in our facilities. During the pandemic, the Group also engaged with the various governments and regulators in the other countries in which we operate, to ensure that Life Healthcare contributed, where it could, to a collective effort in fighting the pandemic. We believe that a sustainable social compact was created during these unprecedented times, which provides hope for a future of sustained economic recovery, post-COVID-19.

Diversity and inclusion

Diversity and inclusion remain key drivers of our transformation journey and are, we believe, integral to building a workforce that reflects our commitment to equal employment opportunities regardless of race, gender, age, disability, political belief or activity, religion, or sexual preference, and reflects the demographics of the countries in which we operate. As a Group, we continue to support strategies, with racial and gender parity remaining a key focus across the Group.

Broad-Based Black Economic Empowerment (B-BBEE)

The Group has retained a level 4 B-BBEE contributor in 2020, based on the measurement criteria contained in the B-BBEE Codes of Practice. The independent verification process was completed during September 2020.

CONCLUSION

The committee was pleased to note that the Group retained its position as a constituent of the FTSE/JSE Responsible Index based on the FTSE environmental, social and governance (ESG) rating. This achievement reinforces the committee's view that ESG responsibilities are imperative to the Group. Based on its monitoring activities for the year, no substantive non-compliance with legislation and regulations relevant to the committee's mandate was raised.

The committee remains cognisant of the fact that our material matters are those issues that could affect the economic, environment and social value we create for our stakeholders. With this in mind, the committee continued to play a key role in assisting with the strategic management of our material matters, to ensure sustainable value in the short, medium and long term.

The committee is satisfied that it has discharged its responsibilities in accordance with its mandate for the year ended 30 September 2020.

Audrey Mothupi

Chairman: Social, Ethics and Transformation Committee

REMUNERATION REPORT

At Life Healthcare we feel a deep sense of responsibility to ensure we appropriately reward, retain and develop our people. The remuneration committee is committed to reviewing and evolving the Group's reward and talent philosophies on an ongoing basis to ensure appropriate incentives for "doing what is right", fair application in the organisation, enforceability, and alignment to market best practice.



Chairman: Human Resources and Remuneration Committee
Royden Vice

This report comprises three sections:

- Section 1 Human Resources and Remuneration Committee Chairman's Report (Remco)
- Section 2 Life Healthcare's remuneration philosophy, policy and framework
- Section 3 Implementation Report

1. REMUNERATION COMMITTEE CHAIRMAN'S REPORT

Dear Shareholder

I am pleased to present the 2020 Remuneration Report on behalf of the Board. The COVID-19 pandemic has had a severe impact on our employees, our clinical partners, our suppliers, our patients and our financial outcomes. From a people perspective, our primary objectives have been to ensure the safety and wellbeing of our employees, whilst remaining cognisant of the financial sustainability of the Company. The Company has demonstrated resilience, teamwork, innovation and adaptability under these difficult circumstances.

Key developments and highlights for the year include:

- Shrey Viranna stepped down as Chief Executive Officer and as executive director of the Board of the Company and related subsidiaries with effect from 17 January 2020. Shrey emigrated to Australia for personal reasons. Pieter van der Westhuizen, the current Chief Financial Officer, was appointed acting Chief Executive Officer with effect from 18 January 2020. Pieter retained his role as CFO, supported by a highly capable finance function. Shrey remained with the Company as a special adviser until 29 February 2020, to provide continuity and to ensure a smooth and managed transition.
- I wish to acknowledge Pieter for his unwavering commitment and dedication to lead the Company in the absence of the Chief Executive Officer. He also led the way for our executive team, making significant personal financial contributions to the Life Healthcare Employee Assistance Fund; details of which are included in the Implementation Report.
- The appointment of a new Chief Executive Officer, Peter Wharton-Hood with effect from 1 September 2020.

- A targeted cyber-attack on our southern African operation during the peak of the pandemic affected all connectivity with IT systems and financial reporting. Manual processes were required, however, quality care and clinical excellence were not compromised during this period. I wish to recognise the contribution of our employees during the recovery period.
- Robust policies and procedures were established timeously to address the unforeseen changes to work protocols;
- Cash preservation measures were established, which included:
 - Our South African and international Group executive colleagues voluntarily contributing a portion of their guaranteed remuneration for three months to the Life Healthcare Employee Assistance Fund and deferring their short-term incentive payment.
 - Our Board forfeiting a portion of their non-executive director fees for a period of three months to contribute to the Life Healthcare Employee Assistance Fund.
 - The support of our management teams, both in South African and our international business, in deferring part or all of their H1 performance incentive to November to alleviate cash constraints on the Company due to COVID-19.
 - A hold on recruitment of all non-clinical positions and a review and hold placed on non-essential contractors' working arrangements.
 - Utilising government support schemes in South Africa, the UK, Ireland, Italy, Germany and Poland, where appropriate and in line with published guidelines and regulations.
- An Employee Assistance fund in South Africa was established through the generous donations of the executive team, the Board and donors to ease the financial burden of employees severely affected by the pandemic.
- A proactive and practical support network was established to provide temporary accommodation for front-line staff who would need to treat or be exposed to COVID-19 compromised patients and would temporarily be unable to return to their community during this period.

Impact of COVID-19 on shareholders

Life Healthcare's share price has not been immune to the volatility in equity markets during the 2020 financial year due to COVID-19. We recognise that shareholders have been impacted by the decline in the value of their shares during this period. The share price decline also impacted executives and employees via their individual shareholding or in respect of employees via the impact on the Employee Share Plan. The decline in share price also impacts the underlying value of performance shares in the Long-Term Incentive Plan. The alignment between shareholders and Life Healthcare executive is clearly demonstrated through this reality.

Remuneration outcomes

The Board remains focused on ensuring there is a robust and rigorous process in place whereby significant oversight and prudence are applied to ensure remuneration outcomes are aligned both with individual and company-wide performance, with outcomes delivered to our shareholders. In addition, it aims to retain key critical skills and be market competitive ensuring productivity, performance excellence and Company sustainability.

Certain adaptations to remuneration elements have been required to effect this:

■ **Short-term incentivisation**

- Group executives delayed their short-term incentive payment due in April 2020 to the end of year.
- As a once-off dispensation, short-term objectives for H2 were aligned with the challenges that were posed by the COVID-19 pandemic. Details are provided in the remuneration report.
- With effect from FY2021, the current twice-yearly payment will change to an annual payment to align with the Company's annual budget cycle and market best practice.

■ **Employee Share Plan (South Africa)**

To demonstrate the Company's value in its employees, the Board has approved the purchase of shares, albeit less than previous years, for the benefit of qualifying employees. Details of this retention measure are specified in the Remuneration Report.

■ **Once-off gratuity payment (South Africa)**

To further support our employees during these unprecedented times, the Company decided to allocate R45 million as a once-off gratuity bonus in October 2020 to improve its value proposition to employees and to also support qualifying employees. Directors, prescribed officers and senior management (participants on the Long-term Incentive Scheme) did not receive these gratuity payments.

Life Healthcare continues to strive towards delivering strong Company performance over the short and long term. To achieve this objective, we must attract, motivate and retain competent people whilst upholding and aligning their interests with shareholders.

REMUNERATION REPORT continued

Shareholder engagement

At our January 2020 AGM, we received a vote of 69.9% in favour of our implementation report and 66.5% in favour of our remuneration policy, and hence engaged with various shareholders via a virtual platform on the issues that led to the Company not receiving the requisite percentage of 75% or more.

Supporting me during the engagement was Mustaq Brey, chairman of the Board, Dr Victor Litlhakanyane, the Chairman-designate, Pieter van der Westhuizen, the then-Acting Chief executive officer, Avanthi Parboosing, the Group Company Secretary and Chris Gouws, the HR Executive for southern Africa.

Taking their valuable suggestions into account, the following commitments with regards to our remuneration practices have been made:

- Guaranteed remuneration – the Company continues to be cognisant of and align increases in remuneration with Company growth and overall returns.
- The Company aims to improve disclosure of executive performance against results.
- A number of arrangements with key executives have been established to increase shareholding in the Company.
- Malus and clawback provisions have been included in both the short- and long-term incentives.
- The Company commits to disclose more detail with regards to budgeting, performance conditions and outcomes of incentive schemes in advance.

In the event that this remuneration and implementation report receive less than the required support at the annual general meeting, Life Healthcare will continue to invite dissenting shareholders to provide reasons for such votes in writing, where, after further engagements may be scheduled.

Achievement of Remuneration objectives

One of our primary objectives has been to ensure that the Company's employee value proposition allows the attraction and retention of the human capital required to deliver on the Company's strategic objectives. It is pleasing to note that turnover of employees in South Africa has remained at the low levels experienced during FY2019 (10.8% vs 10.5%). I am therefore satisfied that we have achieved the outcomes we have set notwithstanding the many challenges we have faced during the past year.

Future Focus Areas

Looking forward, the Human Resources and Remuneration Committee's (Remco) main focus areas will be to ensure the following:

- A full, holistic review of the Company's reward philosophy is a key consideration for FY2021
- We will consider the views of our shareholders when planning our reward strategy to ensure a holistic approach to total reward
- To encourage the Group executive team to hold Company shares to better align the interests of executives with shareholders
- Ensure continued performance driven reward
- Global integration will include focus on organisational culture, global mobility, talent management, HR metrics, and reporting on retirement fund matters at a global level
- There is tremendous uncertainty in the healthcare sector due to the poor economic conditions, the length it may take to control COVID-19 and the SA government's National Health Initiative. Setting long-term incentive awards under these conditions will take careful consideration
- Diversity will continue to be a strategic objective to ensure equal opportunity and fair representation of the communities we serve

Yours sincerely

Royden Vice

Chairman: Human Resources and Remuneration Committee

2. REMUNERATION PHILOSOPHY, POLICY AND FRAMEWORK

2.1 Scope and aims of the Policy

The remuneration policy is approved by the Board and forms part of our operating philosophy, policies and protocols. Our remuneration framework and policies, which are a key component of our broader employee value proposition, aim to:

- attract, motivate, reward and retain our people
- promote the achievement of strategic objectives within the Group's values and risk appetite
- promote diversity in our workforce to align with the communities we serve
- promote an ethical culture and responsible corporate citizenship
- provide a balanced remuneration mix within the Group's financial constraints.

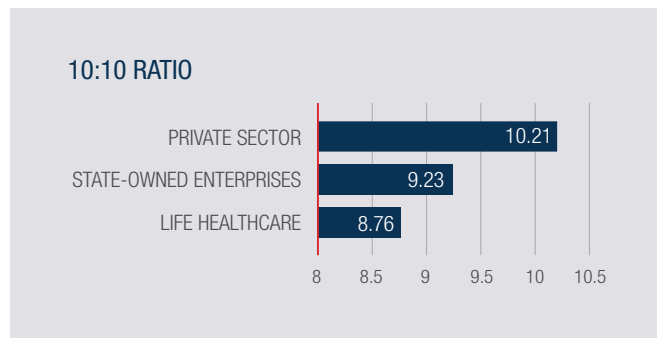
Life Healthcare's remuneration philosophy is to make certain that employees are rewarded **fairly and appropriately** for their contribution to value creation for the Group. Our remuneration philosophy informs our reward framework and guides policy. In a continually evolving context, we continually review our remuneration policies to ensure our approach remains relevant, fair and responsible.

The Group periodically consults market survey providers for an indication of the guaranteed remuneration and annual cash incentive payments made generally and sectorally. We utilise these inputs, along with guidance from external remuneration experts, to assess our positioning compared to the market in terms of key talent. We then overlay various contextual factors, including industry trends, the Group's financial position and legislative requirements, evaluating our performance in delivering fair and equitable remuneration as part of our employee value proposition.

Ultimately our goal is to design reward for business sustainability, balancing what is required to attract and retain the best talent, with affordability considerations.

2.2 Wage Gap (South Africa)

In this context, the Group applies the 10:10 methodology to gauge the fairness of our wage gap. The 10:10 ratio expresses the sum of the salaries of the highest paid 10% of employees as a ratio of the sum of the salaries earned by the lowest earning 10% of employees. The larger this ratio, the more inequality exists, the ratios based on 2019 South Africa salaries are as follows:



21st Century's salary database (www.21century.co.za) – (Morton & Blair, 2019)

Life Healthcare demonstrates a smaller income gap between the top and lower earners compared to both state-owned enterprises and the private sector in general.

In addition, the Company annually reviews and grants higher increases to the lowest earners as it aims to transition from applying a minimum wage to a minimum living wage. This process is supported by a focus on skills development.

2.3 Remuneration Governance

Our remuneration and human resources committee follows a systematic agenda to review remuneration strategy and overall policy. It oversees, without interfering in areas where management ordinarily have discretion, the implementation of policy over an annual cycle. This verifies that policy enables fair and equitable remuneration, and ensures sound governance. In SA we comply with King IV and draft guidelines and practice notes of the Institute of Directors SA (IoDSA). Formal feedback is provided to the Board annually on how the policy objectives are being achieved, and this feedback forms part of the process of obtaining approval of the remuneration report. Life Healthcare's remuneration philosophy and supporting policies are widely shared with employees.

REMUNERATION REPORT continued

2.4 Performance Management

The aim of our performance management process is to promote alignment of individual and team performance objectives with strategic focus areas, as follows:

- Performance management is consistently applied
- Objectives feature both financial and non-financial indicators aligned to strategic imperatives
- Outcomes are appropriately differentiated to reflect the different levels of contributions made by employees and constructive interventions are made to improve poor performance
- Performance outcomes influence remuneration to ensure appropriate differentiation based on contribution and performance

2.5 Malus and Clawback

The Company has achieved its objective, as advised in the FY2019 Remuneration Report, of including malus and clawback provisions in both the short and long-term incentive schemes. The scheme rules and award letters to eligible employees now include policy provisions for both malus and clawback. Funds will be recovered after following due process and will not preclude legal action in instances where actions constitute a criminal act.

In the event that a participant is found guilty following a disciplinary hearing, the payment will be withheld if not yet paid, or will be recovered from the individual with a three-year period after delivery of payment. Where bona fide errors have been made, the monies will be corrected or recovered against the ensuing incentive payment.

2.6 Company-matched shares

The Company offered a once-off opportunity of Company matched shares to the CEO on engagement and extended this opportunity to the CFO. The intention of this offer is to retain the executive as well as to encourage shareholding in the Company thereby aligning to shareholder interests. The condition being that these executives needed to personally acquire Life Healthcare shares and the Company would match the shares with a premium. The matched shares are restricted and held in an escrow account and will vest over five years, provided certain performance conditions (set out below) are met. Forfeiture of the matched Company shares will apply should the performance and employment conditions not be met.

Vesting will occur in three equal tranches, i.e. in December 2023, December 2024 and December 2025.

Executive	Executive's contribution	Company-matched shares purchased	Performance conditions
CEO	R5 million	R15 million	<ul style="list-style-type: none"> ■ To remain in service for at least five years and to groom a successor ■ To retain a level of investment in Company shares of at least this initial investment over the vesting period ■ Total Shareholder Return (TSR) of the Company from date of engagement to respective vesting dates must exceed the average of the TSR of our direct competitors ■ Progress on transformation, diversity and stakeholder relationships will be considered by the Board ■ Termination of employment and change in capital structure will align to the Company long-term incentive scheme, except in the case of change of control and the appointment of a successor, in which case the shares will vest with no time pro-rating for the period of the vesting period, although the applicable performance conditions will not be waived
CFO	R2 million	R6 million	<ul style="list-style-type: none"> ■ Total Shareholder Return (TSR) of the Company from date of engagement to respective vesting dates must exceed the average of the TSR of our direct competitors ■ Progress on transformation, diversity and stakeholder relationships will be considered by the Board ■ Termination of employment and change in capital structure will align to the Company long-term incentive scheme, except in the case of change of control and the appointment of a successor, in which case the shares will vest with no time pro-rating for the period of the vesting period, although the applicable performance conditions will not be waived

The total shareholding of the above purchase (personal and matched shares) represented as a percentage of guaranteed package, together with additional Life Healthcare shares held in a personal capacity as at 30 September 2020 amounts to:

- CEO 252% of annual guaranteed package
- CFO 194% of annual guaranteed package

2.7 Executive Retention

Retention shares

It was agreed that shares would be purchased for the International CEO and SA CEO to ensure retention and hence operational stability and continuity following the exit of Dr Shrey Viranna as CEO effective 29 February 2020. The number of shares and vesting dates are reflected in the table below:

	Shares to be allocated	Value	Vesting date
Adam Pyle	82 590	R1 500 000.00	30 September 2021
Mark Chapman	185 787	R3 374 250.00 (£165 000)	1 March 2022
Total	268 377	R4 874 250.00	

The shares are restricted and held in an Escrow account with Investec from 1 April 2020 and will vest subject to specified performance conditions being met by both executives.

The performance conditions are as follows:

Performance conditions

Adam Pyle	<ul style="list-style-type: none"> ■ Continued service with the Company in the roles of CEO SA ■ Identify and gain in principle agreement by 30 September 2021 on a process to fill two SA executive roles with Black African candidates
Mark Chapman	<ul style="list-style-type: none"> ■ Vesting remains condition on achievement of performance hurdles as outlined below, where each hurdle corresponds to one third of the total number of restricted shares allocated, however, a flexible vesting date will apply from 30 September 2021 to 31 March 2022, providing an additional six-month period in which to deliver against the incentive objectives: <ul style="list-style-type: none"> — Five cyclotrons operational with 90% up-time for a 12-month period between 1 October 2020 to 31 March 2022 — 1% improvement in Alliance EBITDA margin in each six-month period in an 18-month period under review, as compared to the comparative period in prior year — Six radiology practices acquired and operational per business case by 31 March 2022

2.8 Employment Contracts

Executive employment contracts for management have historically been subject to a three-month notice period and a subsequent six-month restraint of trade. These conditions apply to the CFO, however, given the fact that the Company operates globally, the Company's policy position has been changed to:

- A six months' notice period
- A three months' global restraint of trade
- A twelve months' undertaking to refrain from the recruitment of Life Healthcare employees.

These provisions have been applied to the employment contract of the new CEO and will be extended to the rest of the Group executive committee.

2.9 Non-Executive Directors Remuneration

Fees in respect of non-executive directors are reviewed on an annual basis, and a comprehensive benchmarking exercise was conducted by an independent remuneration consultant against other industry sector companies (our peer group, consisting of direct and indirect competitors) and other similar-sized JSE listed companies.

Fees are paid as a combination of a retainer and a fee per meeting to ensure alignment with emerging market practice.

To align with shareholder recommendations, the Human Resources and Remuneration Committee approved an average 5% increase across-the Board to the non-executive fees effective 1 January 2020, however, a few anomalies to market required higher increases to the following committee members' fees, which resulted in an overall increase of 7.5% for FY2020:

- Board members of the main Board, Investment and Risk, Compliance and IT Governance committees
- The Lead Independent Director (based on emerging market practice for this relatively new role)
- The Chairmen of the Audit, Nominations and Governance, Risk, Compliance and IT Governance and Social, Ethics and Transformation committees

REMUNERATION REPORT continued

2.10 Group Reward Integration

Over the past two years we have continued to integrate remuneration practices across countries to ensure Group alignment and application of best practice.

Alignment of international territories with Life Healthcare in terms of job grading, benchmarking principles and short and long-term incentives is in place.

Our integration efforts in the coming months will focus on organisational culture, global mobility and talent management, HR metrics, and reporting on retirement fund matters at a global level.

2.11 Remuneration Framework

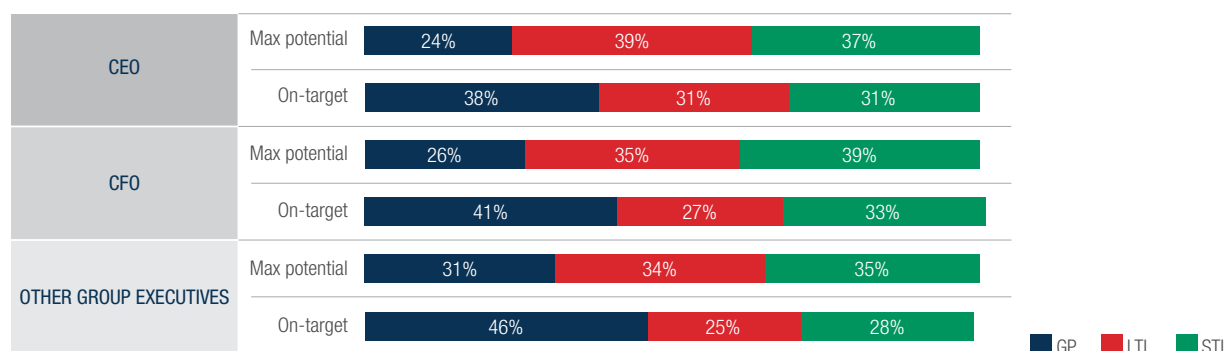
We take a total reward approach to remuneration. Our remuneration framework has been designed to achieve a fair and sustainable balance between annual, short and long-term variable remuneration, where participation in short and long-term incentive schemes depend on an employee's role and level within the Group.

The King IV principles relating to fair and responsible remuneration guide application of our policy. The Remco will continue to monitor our remuneration practices to ensure that any potential for unfair bias is eliminated and fairness prevails in the attraction and retention of top talent.

The remuneration components offered in Life Healthcare include guaranteed package, short- and long-term incentives and share based incentives.

Remuneration mix

The on-target and maximum pay mix apportionment for the Group executive in Life Healthcare is graphically displayed below:



As indicated above, the relationship between the respective reward elements is illustrated on the basis of on-target and maximum potential payment in terms of incentive schemes. The maximum outperformance potential on the VCP scheme (STI) is illustrated in paragraph 2.13 below.

Details of each remuneration element are outlined below:

2.12 Guaranteed remuneration

Guaranteed remuneration	Base salary	Fixed benefits		
Annual individual performance review for all employees	<ul style="list-style-type: none"> Market-related progressive pay policy, tailored to role Influenced by market conditions, Company performance, internal equity, individual performance, individual potential 	13th cheque (below senior management)	Retirement funding and risk benefits	Medical aid subsidy
		Car/travel allowance	Cell phone	Specialist and market allowances
		Leave entitlement	Long service	Flexible work conditions

Life Healthcare has a formal guaranteed pay progression model that rewards employees for their contribution to value creation. As an organisation it is critical that we ensure correct base pay, as guaranteed pay serves as the foundation of our reward design and is hence a crucial determinant of variable pay. Specifically, we will pay up to 75th percentile for exceptional/top performing employees, ensuring that average guaranteed pay for the Group remains anchored at market median via a symmetrical overall pay distribution. We assess three pay progression factors: comparative ratio to market rate for job, individual performance and potential. Poor performers and those whose premium positioning in range is not supported by their performance, potential or criticality of skills, will receive commensurately lower increases.

The Company makes extensive use of survey houses to support its reward benchmarking process. The services of Deloitte, PwC Remchannel and PE Corporate (Willis Towers Watson) are utilised. We typically benchmark against market median, but in respect of top talent and critical skills, our reward philosophy allows payment at the 75th percentile. In respect of the Group executives, a bespoke reward survey is provided by PE Corporate (Willis Towers Watson) which takes cognisance of geographic spread, employee levels, complexity of market and the financial accountability. The survey targets companies with similar characteristics.

This pay model is supported by a disciplined and rigorous annual talent review process that focuses on both performance and potential, using best practice tools to interrogate and plot each of these dimensions. This talent process will be refined over time to ensure a robust talent identification and management practice which is shared across the Group, demonstrating factually that we out-reward top talent in a disciplined and rigorous way.

■ Retirement funds

South Africa

The Company operates two defined contribution retirement funds:

- The Life Healthcare Provident Fund
- The Life Healthcare DC Pension Fund

In addition, the Company operates two defined benefit funds that have been closed to new membership since 1996. The Life Healthcare DB Pension Fund provides retirement benefits for 80 active members and 226 pensioners. The Lifecare Group Holdings (LGH) Pension Fund no longer has active members. The fund has purchased an annuity policy which covers the liability to pay pensions.

The Company-supported retirement funds offer Group life cover and disability benefits to members. Permanent disability and death are covered by lump sum payments that are underwritten by an insurer. The standard cover for new employees is three times annual salary for death and disability cover. Some historical anomalies to this standard cover exist.

International

Our international businesses operate a range of retirement funds in line with legal requirements and local market practice. Defined contribution pension schemes are in operation in the UK, Ireland, Germany and Holland, all of which are provided by third party pension providers, with other regions contributing to government social security plans as required by regional legislation.

■ Medical aid

South Africa

It is a condition of SA employment for permanent employees earning above R10,000 per month (with effect from 1 January 2020) to belong to a Company-supported medical aid, unless membership of a spouse's medical aid can be proven. Membership of a principal member, spouse and up to two children is subsidised by the Company.

The Company participates in the open medical scheme market and offers Medshield and Discovery Health as options to employees. In addition, medical aid membership is voluntary for employees who earn below the threshold level. However, the Company has procured a primary health benefit for employees earning below this threshold who opt not to join a medical aid. This benefit covers, via a bespoke network, doctors' consultations, medication and a certain number of prescribed minimum benefits.

International

Our international businesses operate a range of healthcare benefits in line with local market practice. All such schemes are provided by third party healthcare insurance providers and cover a range of benefits including private medical insurance, life assurance and permanent illness or injury insurance.

■ Benefits

Benefits are industry benchmarked, priced and reviewed as part of the annual salary review process. They are integrated towards wellness to drive employee effectiveness and engagement and comply with relevant legislation. In South Africa, additional specialist and market retention allowances are paid to recognise skills and to incentivise and retain employees. Other variable allowances are paid for additional services rendered.

REMUNERATION REPORT continued

2.13 Variable compensation plan (VCP)

Variable pay	Short-term incentive scheme	Variable compensation plan
	Executives and senior managers who have line of sight and contribute to the profitability of the business	<ul style="list-style-type: none"> ■ Determined by Company, business unit and individual performance with line of sight measures (balanced scorecard approach) ■ Pay for performance: rewards performance against stretch targets to encourage superior performance ■ Formula directed, with committee discretion ■ Delivered in cash bi-annually based on performance outcomes (see changes in VCP scheme for FY2021 below)

■ Policy

The short-term incentive bonus is discretionary. Our executives and senior management receive short-term rewards aligned to our standard remuneration policy.

Measures, threshold and maximum rewards as a percentage of 'on-target' performance for all employees are as follows:

Area	Measures	** Gatekeeper	Threshold	On-target	Maximum
			Achievement against stretch budget		
Group Company performance	70% Operating Profit 30% Working Capital management	75%	75%	95%	225%
Business unit performance	EBITA is measured to ensure effects of depreciation are adequately accounted for, considering the capital-intensive nature of our business		88.3%	95%	225%
Non-financial measures	Captures key strategic objectives via personal measures	Personal performance rating of 3	70%	100%	160%

**** Gatekeeper:** The Group emphasises pay for performance, and should the Group's financial performance be less than 75% of agreed financial targets, no VCP payments will be made, irrespective of business unit or individual performance. In addition, should job-required outputs in respect of personal performance not be met, no short-term incentive payment will be made, irrespective if other measures are met.

We continue to set challenging stretch targets during our budget process, where budgeted target is only achieved if executives deliver fully to plan. Thus, 95% achievement of financial targets attracts 100% of on-target reward and 100% achievement attracts 125% of on-target reward, where we benchmark our STI reward levels at 'on-target' level and thus demand excellent performance before benchmarked reward is earned.

Maximum reward is earned as follows in respect of the different measurement categories:

Area	Performance against target	Maximum reward
Group Company performance	140%	225%
Business unit performance	140%	225%
Non-financial measures	On a rating scale of 1 to 7, where 7 is exceptional performance	160%

Maximum reward is influenced the weighting of each reward key performance area (KPA) and in respect of the Group executive, this translates to the following:

KPA	Weighting	Maximum reward %	Weighted maximum reward
Group Company performance	70%	225%	157.5%
Non-financial measures	30%	160%	48.0%
Total maximum reward			205.5%

In setting targets, we are mindful that external factors, some of which are unpredictable, can influence performance. That said, we strongly believe overall sustainable performance should be evaluated and targeted, using a mix of financial and non-financial measures that are directly controllable, but equally affordable and aligned with shareholder outcomes.

The Board may apply its discretion on all payments, to mitigate the impact of unintended consequences, but this discretion is reluctantly applied and used only in exceptional circumstances. Such discretion for executives is fully disclosed in the implementation report. We apply a balanced scorecard approach which rewards achievement of short-term strategic, financial and non-financial objectives aligned to our one-year business plan.

Balanced scorecard measures are weighted differently at each level of the organisation in line with the accountability of employees and the behaviour that needs to be encouraged; and both modifiers and gatekeepers are applicable where appropriate. The introduction of the concept of the gatekeeper ensures that the scheme does not reward participants if overall performance does not justify payment. In respect of individual performance, the gatekeeper ensures that poor performers do not qualify for any payment.

■ Group executive's scorecard – FY2020

The Board agrees a set of objectives with the CEO and CFO at the beginning of each financial period, which includes a balance of financial and non-financial measures. In respect of H2 FY2020 the Board took cognisance of the impact of the COVID-19 pandemic and set measures appropriate to market and operational conditions.

The detailed measures in respect of FY2020 are outlined below:

– CEO and CFO

Performance metric	FY2020		Measures	Subweightings	
	H1	H2		H1	H2
Financial Sustainability	70%	40%	Group EBITA	70%	25%
			Group working capital management	30%	25%
			Group Preservation measure (new measure) – Realisation of cash savings vs. H2 target		50%
Clinical Metrics	10%	12%	Improve average SA Acute composite quality score	70%	70%
			Improve SA Acute Never Events (stage gate)		
			Improve International clinical metrics Improve International Escalated events (stage gate)	30%	30%
Strategic Innovation	10%	12%	Progress SA hospital asset optimisation	20%	
			Progress SA government partnership	20%	
			Build a minimum SA Radiology network	20%	
			Progress outpatient care	20%	
			Sell Poland	20%	
			Deliver SA funder strategy Deliver PET renewal strategy		60% 40%
People	10%	12%	Build leadership capacity and deliver on our diversity commitments	100%	
			Succession planning – Group Exco		50%
			Optimise operating model		50%
COVID-19 measure	–	24%	Sufficient and appropriate availability and management of employees		
			Sufficient PPE available and appropriate use		20%
			Effective reputation management		20%
			Success of capital preservation measures		20%
			Pricing agreement with provincial departments		20%

The outcomes for FY2020 against measures are specified in the Implementation Report.

REMUNERATION REPORT continued

■ Chief Executive Officer’s scorecard – FY2021

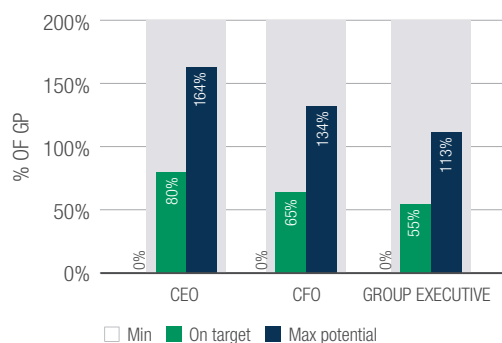
The CEO scorecard as approved at the Board Human Resources and Remuneration Committee for 2021 includes:

Measure	Weighting	Performance
Financial stability	60%	Group EBITDA (80%) Gross cash % (10%) Capex % of EBITDA(10%)
Clinical metrics	15%	Improve SA acute composite quality score and international clinical metrics and deploy an integrated global clinical governance structure
Other	25%	
<ul style="list-style-type: none"> ■ People ■ Stakeholder management ■ IT delivery ■ Operational delivery ■ Strategic delivery ■ Leadership, values, culture and teamwork 		<ul style="list-style-type: none"> ■ Progress diversity quotient of senior management and establish clear succession plans for Group Exco ■ Clear and constructive engagement with stakeholders ■ Stabilise SA technology platform and monitor budget and established timelines of IT systems ■ Ensure best practice protocols, drive nursing excellence programme and improve AMG key performance metrics ■ Effective and precise programme oversight of key strategic imperatives ■ Clear evidence of teamwork and removal of cultural obstacles throughout the Group

Short-term incentive on target and maximum potential reward percentage of guaranteed package (%)

The on-target and maximum** opportunity is graphically displayed below:

STI – % OF GP



** To calculate the maximum percentage reward as a percentage of guaranteed remuneration, the targeted reward in terms of the STI is multiplied by the blended maximum reward, i.e. in respect of the CEO, 80% multiplied by 205.5% amounts to 164%.

■ FY2020 H2 COVID-19 adjusted measures:

The disruption to the delivery of healthcare services and the current economic climate as a result of the COVID-19 pandemic has had a significant impact on Life Healthcare. The Company obtained approval from the Human Resources and Remuneration Committee to introduce a once-off VCP dispensation for FY2020 H2 due to this disruption.

The following changes have been applied to FY2020 H2:

- The stated Company financial budget targets in respect of Operating Profit and Working Capital Management would remain unchanged, however the achievement of 75% of budget to qualify for payment would be waived for H2. This would acknowledge the substantial personal contributions made by management and employees over this unprecedented period
- Due to the COVID-19 surge impacting business units at different times, it was deemed potentially unfair to penalise managers for conditions out of their control. All scheme participants would therefore be measured on exactly the same measures and the same weightings in respect of FY2020 H2, with the exception of the personal rating
- The Group executive also agreed to defer their FY2020 H1 bonus to the end of the year

■ Changes in the VCP scheme for FY2021:

The past months and the impact on COVID-19 on our business has revealed that the current reward policy is not sufficiently flexible to respond to shifting market conditions. The Company will change its current practice of two half-yearly payments to a one-year/single assessment period and this will be effective from the beginning of the new financial year, i.e. 1 October 2020. This will reduce the extent and impact of unforeseen market influences (e.g. COVID-19 pandemic) on the financial budgeting processes. Importantly, this also aligns with best market practice.

All other financial measures will remain unchanged.

With effect from the new financial year, the Group team performance targets will cease, and personal performance measures per executive will apply, focusing on strategic focus areas that are non-financial in nature. This will reinforce personal accountability for outputs.

2.14 Long-term incentive plan (LTIP)

Variable pay	Long-term performance incentives	Long-term incentive plan
	Executives and senior managers who have a more strategic focus and are able to influence the long-term performance and sustainability of the Group	<ul style="list-style-type: none"> ■ Designed to ensure long-term sustainability of the Group. ■ Promotes employee retention, recruitment and motivation by enabling personal wealth creation when the Group grows. ■ Aligns managers' interests with those of shareholders. ■ Performance-based (award is conditional on achievement of Group performance against long-term targets). <ul style="list-style-type: none"> — Formula directed. — Delivered annually (January)

■ Current LTIP scheme

The long-term incentive scheme is a notional performance share scheme with a three-year vesting period. The notional value of the performance shares is determined by the price of Life Healthcare shares on the JSE using a 30-day VWAP preceding the date of allocation.

- The first allocation on this scheme was made on 1 January 2019 and a further allocation was made on 1 January 2020.
- The allocation value is influenced by expected salary increases, Life Healthcare share price growth, tier and individual performance. The scheme continues to allow for enhanced allocation of performance units at allocation based on personal performance and additionally for key talent retention, via a strategic modifier. The methodology to enhance allocations are applied as follows:
 - Individual performance level prior to allocation – the Company assesses individual performance on an annual basis and applies a methodology to the allocation where on target performance results in 100% of targeted reward allocation, poor performance disqualifies from allocation and exceptional performance results in 160% of targeted allocation – this is however rarely applied. In exceptional instances, scheme rules allow for up to two times normal allocation. This is done typically when retention of key individuals is essential to the sustainability of the Company.

REMUNERATION REPORT continued

Weightings and performance conditions for our CEO and CFO for the 2020 allocation are as follows:

Performance measure	Description	Weight												
Capital efficiency	<p>In a constrained healthcare environment, management must simultaneously balance sweating its assets with investing for growth and sustainability of the Group.</p> <p>To resolve this dilemma, we measure capital efficiency in two parts:</p> <p>1. Satisfactory returns on businesses-usual capital (BAU) versus WACC for our core business (excluding acquisitions) (79% weighting)</p> <table border="1"> <thead> <tr> <th>Threshold ROCE</th> <th>On-target ROCE</th> <th>Outperformance ROCE</th> </tr> </thead> <tbody> <tr> <td>WACC</td> <td>WACC +2%</td> <td>WACC +4%</td> </tr> </tbody> </table> <p>2. Prudent capital allocation for delivery of business performance in line with business case for our key growth initiatives: SA radiology; new outpatient models and Life Molecular Imaging (21% weighting)</p> <p>The rationale for the second measure is to ensure investment in long-term projects which might deliver returns below WACC in the short term, but will still achieve desired returns in the long term. Business cases are constructed prudently, including key milestones and timelines.</p> <ul style="list-style-type: none"> On-target performance per initiative is earned by delivering forecast EBITDA for budget capital spend; Threshold performance is earned by delivering 80% of forecast EBITDA Stretch performance is earned through delivery of 120% of forecast EBITDA <p>Weightings for measures have been assigned based on 2025 forecast contributions to Group EBITDA, as this ensures management alignment to a long-term view of our strategy for sustainability of the Group.</p> <p>Vesting will occur on a straight line between threshold and on-target, and on-target and outperformance limit, as follows:</p> <table border="1"> <thead> <tr> <th>Threshold</th> <th>On-target</th> <th>Outperformance</th> </tr> </thead> <tbody> <tr> <td>0%</td> <td>100%</td> <td>200%</td> </tr> </tbody> </table>	Threshold ROCE	On-target ROCE	Outperformance ROCE	WACC	WACC +2%	WACC +4%	Threshold	On-target	Outperformance	0%	100%	200%	40%
Threshold ROCE	On-target ROCE	Outperformance ROCE												
WACC	WACC +2%	WACC +4%												
Threshold	On-target	Outperformance												
0%	100%	200%												
Normalised Group HEPS	<p>The choice of measure reflects the ability of these executives to influence the capital structure of the Group.</p> <p>Vesting will occur in a straight line from threshold to outperformance and performance conditions are as follows:</p> <table border="1"> <thead> <tr> <th>Threshold HEPS</th> <th>On-target HEPS (100%)</th> <th>Outperformance HEPS (200%)</th> </tr> </thead> <tbody> <tr> <td>CPI+1%</td> <td>CPI+3%</td> <td>CPI+7%</td> </tr> </tbody> </table>	Threshold HEPS	On-target HEPS (100%)	Outperformance HEPS (200%)	CPI+1%	CPI+3%	CPI+7%	40%						
Threshold HEPS	On-target HEPS (100%)	Outperformance HEPS (200%)												
CPI+1%	CPI+3%	CPI+7%												

Performance measure	Description	Weight						
Life core purpose outcomes	<p>As a healthcare business, patient outcomes and experience underpin everything we do. The Life Core Purpose (LCP) measure reflects the extent to which the Group achieves the clinical measures that drive long-term sustainability. We have identified country-specific measures and targets, which are aggregated to form a Group score against which the CEO and CFO are measured.</p> <p>LCP performance measures by country are as follows:</p> <ul style="list-style-type: none"> ■ South Africa <ul style="list-style-type: none"> – Patient incident rate as a percentage of admissions – Patient experience ■ UK <ul style="list-style-type: none"> – Patient satisfaction – Mandatory training compliance ■ Italy, Ireland <ul style="list-style-type: none"> – Radiology clinical audit (grade 1 and 2 discrepancies) – Patient satisfaction ■ Poland <ul style="list-style-type: none"> – Radiopharmacy: dose reliability – Health associated infection rate – Return to theatre (re-surgery) rate – Re-admission rates ■ Radiopharma/Northern Europe <ul style="list-style-type: none"> – Dose reliability performance <p>To warrant payment, an achievement of 80% or higher against target is required, applying a three-year rolling average between offer and vesting.</p> <p>For the Group executive, a vesting multiplier between 0% and 150% is applied on a sliding scale, based on achievement of 80% or higher against target applying a 3-year rolling average between offer and vesting:</p> <table border="1"> <thead> <tr> <th>Threshold</th> <th>On-target vesting (100%)</th> <th>Outperformance (150%)</th> </tr> </thead> <tbody> <tr> <td>80% of target</td> <td>100% of target</td> <td>120% of target</td> </tr> </tbody> </table>	Threshold	On-target vesting (100%)	Outperformance (150%)	80% of target	100% of target	120% of target	20%
Threshold	On-target vesting (100%)	Outperformance (150%)						
80% of target	100% of target	120% of target						

■ Vesting

All performance shares vest at the end of the third year (subject to performance related vesting criteria being met) and proceeds after tax will be delivered as follows:

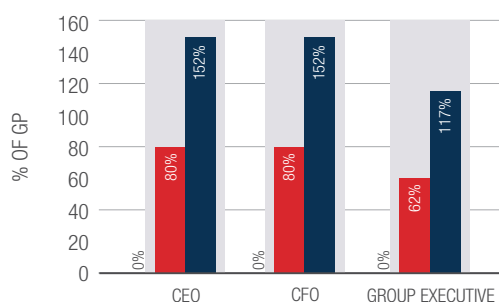
- South Africa: Life Healthcare shares to be purchased on the open market and transferred to participants
- International: The cash value will be paid to participants

REMUNERATION REPORT continued

■ Executive: On-target and maximum potential

In the case of the CEO and CFO, the opportunity and maximum limit on the LTIP scheme based on an on-target allocation are as follows (see explanation below**):

LTI – % OF GP



Once an allocation is made, the performance of the Company has a significant impact on the extent to which vesting occurs. The weighted impact of maximum outperformance in all KPAs is illustrated below.

KPA	Performance against target	Maximum reward	Blended maximum
Capital efficiency	40%	200%	80%
Normalised Group HEPS	40%	200%	80%
Life Core Purpose Outcomes	20%	150%	30%
Maximum earnings potential**			190%

** To calculate the maximum percentage reward as a percentage of guaranteed remuneration, the targeted reward in terms of the LTIP is multiplied by the blended maximum reward, i.e. in respect of the CEO, 80% multiplied by 190% amounts to 152%.

■ Focus areas for future allocation

- SA – a single composite quality score is being considered for the Life Core Purpose outcomes
- International – change from settlement in cash to delivery in Life Healthcare shares for future allocations

■ Historical LTI scheme (introduced from 2015 to 2017)

The historical LTI scheme was a notional performance share scheme for all senior managers and executives. Allocations were made annually and the last allocation was made in January 2017.

The final vesting of this scheme occurred at the end of December 2019. The notional performance shares were linked to the Company's share price and the performance shares were equally split between two performance measures, namely:

Category	Description	Weighting
Actual TSR compared to a comparator group of companies	50%	Below 50th percentile = No payment
		60th percentile = "On-target" performance
		80th percentile = 200% award
Actual EBIT growth compared to a composite inflation rate plus a hurdle rate	50%	Below CPI+1% = No payment
		CPI+4% = "On-target" performance
		CPI+8% = 200% award

The outcome of performance against vesting criteria shows that the LTIP 2017 allocation yielded only a partial vesting (80%) of the TSR component.

In South Africa, the after-tax value generated from the scheme was utilised to purchase Life Healthcare shares in the open market which is then delivered to recipients' personal trading accounts.

The details in respect of the Group executive are disclosed in the FY2020 Implementation report.

Historical LTI 2018 allocation

Once-off alternative LTI scheme 2018

As detailed in our 2018 remuneration report, the 2018 offer in terms of the 2015 LTIP scheme was not made as a result of the Company being in an extended closed period since November 2017. In order to provide a consistent pattern of long-term incentive awards, an alternative once-off long-term bonus scheme was approved by the Board to cover this period. One of the major limitations in scheme selection was the fact that we could not use any scheme that utilises the Life Healthcare share as a building block to determine the number of units awarded to participants (as a consequence of operating under a cautionary).

The once-off alternative offering is based on an additional third of the FY2018, FY2019 and FY2020 short-term bonus outcomes which will be banked and payment will be made in January 2021 to coincide with the date when the normal LTIP 2018 allocation would have vested.

The details will be provided in the 2021 remuneration report. This will be the final payment in respect of this allocation.

2.15 Other incentive schemes

Variable pay	Other incentive schemes	Outperformance Incentive Scheme
	<p>The scheme was only offered to senior management who were in service from at least 1 January 2016</p>	<ul style="list-style-type: none"> ■ A short-term Outperformance (or kicker) scheme was introduced and will run annually for two years only (2019 and 2020), to secure the Company's key talent in the extraordinary circumstances of the extended period of corporate activity in the healthcare sector ■ Its intention is to incentivise superior business and personal performance and further retain the loyalty and commitment of key management, and to ensure that true outperformance is rewarded

■ Outperformance Incentive Scheme

The details of this scheme were fully reported in both the 2018 and 2019 remuneration reports. The final payment in terms of this scheme occurred in February 2020 and details of payment in respect of the CFO are outlined in the Implementation Report.

2.16 Share-based awards

Variable pay	Share-based Rewards	Employee Share Plan
	<p>Permanent employees who belong to specified Company retirement funds and have one year's service at the date of grant are eligible for an allocation. Not applicable to managers participant on the long-term incentive plan.</p>	<ul style="list-style-type: none"> ■ Commencing in 2012, the Company has funded, via a trust, the purchase of shares on an annual basis for the benefit of employees ■ Permanent employees who belong to specified Company retirement funds and have one year's service at the date of grant are eligible for an allocation ■ The objectives of the plan are to incentivise and retain employees ■ The trust holds the shares and confers 'rights' or units of shares to employees ■ Employees need to remain in the employ of the Company for seven years to obtain the full quota of the rights of each allocation made ■ Delivered annually in July from year five

REMUNERATION REPORT continued

Employee share plan (southern Africa)

Policy

The Remco agreed to a further purchase of Life Healthcare shares to the value of R20 million for the benefit of qualifying employees this year. Despite the reduced purchase, the decrease in the share price will result in the acquisition of more shares per employee and creates a greater upside potential for participants. These shares will be held in a Trust until years 5, 6 and 7, where vesting will occur as follows, provided participants are still in the employ of the Company:

- Year 5: 25% of rights to shares
- Year 6: 25% of rights to shares
- Year 7: 50% of rights to shares

The shares, or the after tax equivalent in cash, are transferred from the Trust to the employee at vesting.

Employees who resign or are dismissed during the duration of the scheme will lose their rights to all allocations made, and their rights will be distributed equally among the remaining employees. Thus, the number of rights will increase by the time of transfer of shares to remaining employees. Good leavers, for example those who are retrenched or retire, will have the proportionate number of shares they hold at the time of termination paid out to them, less tax and costs. They will no longer participate in the employee share plan.

The scheme is fully ramped up to provide 100% vesting to each employee who have been employed since inception of the scheme.

Vesting

The vesting of 50% of the 2013 grant and 25% of the 2014 and 2015 employee share plan (ESP) grants occurred at the end of June 2020. The majority of participants (95%) opted to sell their shares.

2.17 Once-off gratuity payment (southern Africa)

The COVID-19 pandemic caused a number of operational challenges. The State launched a major recruitment campaign for critical nursing skills and the Company lost a number of key resources, especially in the Eastern Cape region. Concurrently, whilst the Company paid all employees in full at all times, many employee households came under severe financial pressure as a result of job losses of partners or close family members. To stem the outflow of key clinical skills and assist our employees during this difficult time, the Company decided to pay a once-off gratuity bonus to all permanent employees, who do not participate in the long-term incentive scheme. This payment also served as recognition for the incredible efforts, bravery and commitment of employees during the COVID-19 surge. The value of the total payment made amounted to R45 million and was distributed equally to approximately 15 000 SA employees.

IMPLEMENTATION REPORT

3. REMUNERATION IMPLEMENTATION REPORT

3.1 Introduction

This implementation report discloses the remuneration outcomes for executive directors for the 2020 financial year.

Fair and responsible pay

- The Board Human Resources and Remuneration Committee ensures, on an ongoing basis, that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.
- To this end, the Group executive holds management accountable for ensuring that total remuneration is distributed fairly and ensures appropriate oversight; and where differentials exist, that they can be reasonably explained.
- The Board Human Resources and Remuneration Committee is committed to ensuring the remuneration of executive management is fair and responsible in the context of overall employee remuneration.

3.2 Remuneration outcomes

3.2.1 Non-binding shareholder vote

The 2019 Remuneration Report received 70.14% and 66.74% votes in favour of the Remuneration and Implementation Report's respectively. As per King IV requirements, if more than 25% of its members' present votes again both Remuneration Policy and Implementation report, the governing body has to engage with those shareholders. We have subsequently engaged with key shareholders to address their concerns and have taken their valuable suggestions into consideration with the revised 2020 Remuneration Report. The key considerations are highlighted in the Chairman's report of the Human Resources and Remuneration Committee.

3.2.2 Guaranteed remuneration

The increases in annual guaranteed packages in January 2020 are set out in the table below:

	Guaranteed package % increase	
Group executives	5.0	}
Group executives with additional responsibilities**	8.6	
Senior executives and top management	4.9	
Clinical staff	5.9	
Other staff	6.0	
Total	5.8	

** An average increase of 5% was granted to the Group executives, however, additional adjustments were made to the remuneration of two Group executives who assumed additional responsibility which resulted in their market benchmarks being revised upwards. This led to the overall 5.9% increase, at executive level.

IMPLEMENTATION REPORT continued

3.2.2.1 Total single figure of remuneration

The tables below reflect the actual amounts paid as well as earned year-on-year for FY2019 and FY2020:

	S Viranna CEO**		P Wharton-Hood CEO*		PP van der Westhuizen CFO	
	FY2020 R'000	FY2019 R'000	FY2020 R'000	FY2019 R'000	FY2020 R'000	FY2019 R'000
Salaries	3 083	5 887	641		5 333	4 084
Other allowances	31	33	10		146	95
Medical aid	5	32	–		6	37
Retirement fund	129	247	27		226	174
Guaranteed package	3 249	6 199	678		5 711	4 391
% increase	(46.3%)		–		30.1%	
Outperformance						
Incentive scheme	–	–	–	–	1 853	–
Long service award					–	5
Leave paid out	14	–	–	–	–	–
VCP earned in FY	–	7 087	–	–	3 394	3 564
Vested Company matched shares	2 805	3 038	–	–	–	–
Gains on Long-term Incentive Scheme*	–	–	–	–	776	872
Performance and other	2 819	10 125	–	–	6 023	4 441
% increase	(60.2%)				35.6%	

	S Viranna CEO**		P Wharton-Hood CEO*		PP van der Westhuizen CFO***	
	FY2020 R'000	FY2019 R'000	FY2020 R'000	FY2019 R'000	FY2020 R'000	FY2019 R'000
Acting allowance	–	–	–	–	300	–
Acting performance bonus	–	–	–	–	2 125	–
Total acting remuneration					2 425	
Total remuneration earned in FY	6 068	16 323	678	–	14 161	8 832
% increase	(53.8%)		–		60.3%	

	S Viranna CEO**		P Wharton-Hood CEO*		PP van der Westhuizen CFO	
	FY2020 R'000	FY2019 R'000	FY2020 R'000	FY2019 R'000	FY2020 R'000	FY2019 R'000
STI performance bonus (H2 of prior year)	4 463	6 501	–	–	2 311	5 100
Total remuneration	4 463	6 501	–	–	2 311	5 100
% increase	46.9%		–		(54.7%)	
Total remuneration paid in FY	10 531	15 738	678	–	13 078	10 368
% increase	15.9%		–		26.1%	

* Peter Wharton-Hood commenced services as CEO on 1 September 2020. His remuneration thus only reflects one month of service and no bonus as tenure too short to measure performance.

** The CEO terminated his employment on 17 January 2020 and ceased to be a director effective 21 January 2020. No STI payment was made. He was however in service at the second vesting of the Company matched shares, which vested on 1 February 2020 (Gross amount – R2 804 870). The first vesting of Company matched shares (as reflected under FY2019 above) occurred on 1 February 2019 – gross value R3 038 050.

*** Please refer to acting remuneration and outperformance bonus under paragraphs 3.2.6 and 3.2.5 respectively.

x Please refer to paragraph 3.2.3.1 with regards to the gains realised due to the vesting of the LTIP 2017 scheme allocation.

	A Pyle CEO: SA**		M Chapman**** CEO: International	
	FY2020 R'000	FY2019 R'000	FY2020 £'000	FY2019 £'000
Salaries	3 331	3 374	£268	£92
Other allowances	18	194	£13	£3
Medical aid	6	37	–	–
Retirement fund	151	142	£28	£9
Guaranteed package	3 507	3 747	£308	£104
% increase	(6.4%)		195.2%	

	A Pyle CEO: SA		M Chapman**** CEO: International	
	FY2020 R'000	FY2019 R'000	FY2020 £'000	FY2019 £'000
Outperformance Incentive Scheme	1 273	–	–	–
VCP earned in FY	2 012	2 357	£170	£67
Gains on Long-term Incentive Scheme*	405	–	–	–
Performance and other	3 690	2 357	£170	£67
% increase	56.6%		153.5%	
Total remuneration earned in FY	7 196	6 104	£478	£171
% increase	17.9%		178.9%	

	A Pyle CEO: SA		M Chapman**** CEO: International	
	FY2020 R'000	FY2019 R'000	FY2020 £'000	FY2019 £'000
STI performance bonus (FY2019 H2)	1 370	1 752	£67	–
Total remuneration	1 370	1 752	£67	–
% increase	(21.8%)		–	
Total remuneration paid in FY	6 555	5 499	£375	£104
% increase	19.2%		259.7%	

**** Mark Chapman was appointed CEO International from 1 June 2019, thus only four months of FY2019 reflected. Salaries are reflected in British Pounds.

3.2.3 Short-term incentivisation

Given the uncertainty and negative impact of the COVID-19 pandemic, the full Group executive agreed to delay their short-term incentive payment due in April 2020 to the end of year.

Because Life Healthcare played a pivotal role in fighting the disease on the frontline, the Board and management agreed to set specific objectives for H2 FY 2020 to manage the operational, health and safety challenges brought about by the COVID-19 pandemic. The financial measures constituted 40% of the total weighting whilst the various aspects of managing under COVID-19 conditions made up the balance. This weighting aligns with the predominant focus of management during this challenging time.

IMPLEMENTATION REPORT continued

The Board will closely monitor performance against agreed targets during FY2021 and may apply discretion to outcomes should there be a significant divergence from the macro assumptions underlying our plan.

Stretch budgets are set at the beginning of the financial year. These are agreed with the Life Healthcare Board.

The financial measures are rewarded as per the table set out below:

Actual % against stretch budget	Rating	% payment
87.5%	1.00	0%
88.3%	2.00	25%
90.0%	3.00	50%
91.7%	4.00	75%
95.0%	5.00	100%
100.0%	6.00	125%

The outcome of the performance scorecard for the Group Executive in respect of FY2020 was as follows.

Period	Measurement category	Weighting	Rating	% Award	Weighted Award
H1	Company Financial	70%	4	75%	52.5%
	Non-financial	30%	4	100%	30.0%
	Total				82.5%
H2	Company Financial	40%	3	50%	20%
	Non-financial	60%	6	140%	84%
	Total				104%

However, as per agreement with the Board, H2 award will be capped at **100%** in respect of the Group executive.

Group Financial Rating

H1	Financial scorecard performance metrics	H1	H1 Target	H1 Actual	% Achievement	Rating	% Award
70%	Group EBITA (R'm)	70%	2 142	2 126	99.2%	4.00	75%
	Group working capital management (R'm)	30%	(223)	(529)	(42.2%)		
H2	Financial scorecard performance metrics	H2	H2 Target	H2 Actual	% Achievement	Rating	% Award
40%	Group EBITA (R'm)	70%	4 656	2 694	57.9%	3.00	50%
	Group working capital management (R'm)	30%	(131)	(49)	267.3%		

Personal team rating (H2 – 60% weighting)

Measure	Achievement
Clinical Metrics	The Group exceeded its clinical metrics and despite the challenges of COVID-19 produced the best quality metrics in the Company's history. This is a reflection of the processes in place, careful management and focus on the key quality initiatives by both the SA and International businesses
Strategic Innovation	Objectives pertained to the development of a funders' strategy for SA and a PET-CT strategy for the international business. Both objectives were met
People	An agreed succession plan was developed, presented and approved by the Board. Key resourcing strategies for critical positions have been actioned
COVID-19 specific deliverables	<p>The following key outputs were delivered during the COVID-19 surge:</p> <ul style="list-style-type: none"> ■ COVID-19 specific plans covering facilities, operational, staffing and clinical interventions were implemented ■ The Group adopted guidelines issued by the DoH, NICD, WHO and various medical societies ■ Ensured sufficient availability of PPE and the appropriate usage of this to ensure staff, doctors and patient safety as well as the management of costs associate with this (had sufficient stock levels) ■ Universal masking implemented in order to reduce transmission risk, including cloth masking our employees when not at work ■ Implementation of a dynamic forecasting model used for logistical, capacity and employee planning ■ Employee efficiency and safety measures which included deployment strategies, hygiene and social distancing, travel policies, leave, communication campaigns, wellness initiatives, infection prevention which included PPE utilisation and a freeze on non-essential recruitment <p>■ Facilities management:</p> <ul style="list-style-type: none"> – Entrances reduced and screening protocols implemented at all facilities – Visiting patients suspended, with limited exceptions – Operational model created for all hospitals – Detailed 'surge' plans prepared by all facilities within the Group guidelines, covering: <ul style="list-style-type: none"> • reconfiguration of existing wards within different surge scenarios • patient flow (split between COVID-19 and non-COVID-19) • employee planning • doctor capacity • A&E triage and patient flow/isolation – The Group implemented plans across its facilities to ensure that the COVID-19 risk is appropriately managed, including testing, screening and facility quality, people and safety plans, incorporating guidelines from various medical societies as well as international best practice. <ul style="list-style-type: none"> ■ Effective reputation management ■ An internal communications campaign focused on maintaining staff morale, building Company loyalty and expressing the values of appreciation, care and hope ■ Ensured successful implementation of capital preservation ■ Agreed pricing agreements with provincial governments <p>In addition to the specific COVID-19 management initiatives the management team also had to deal with the cyber-incident during this time. The IT incident stretched management's ability to manage COVID-19 as well as the day-to-day operations. The cyber-incident reflected the strength of management at a facility level. Overall we were able to continue admitting patients without impacting the quality of care and once systems were back-up submit bills to the medical aid and collect the funds.</p>
OVERALL RATING	6 out of 7 which results in payment of 140% of targeted reward

IMPLEMENTATION REPORT continued

The targeted % of Total Cost to Company for the Group executive and the payment made in respect of each period is set out below. Please note that no STI payment was made to the newly appointed CEO as one month's service was insufficient to measure his performance contribution:

	PP van der Westhuizen CFO	A Pyle CEO – SA	M Chapman CEO – International
Targeted % of TCTC	65%	57.5%	57.5%
H1	R1 534 345	R909 445	£91 317
H2	R1 859 813	R1 102 357	£79 063
Total	R3 394 158	R2 011 802	£170 380

3.2.4 Long-term incentivisation

The LTI details regarding the vesting of the 2017 allocation, the two unvested 2018 and 2019 allocations and the recent 2020 allocations are set out below.

3.2.4.1 Vesting of the LTIP 2017 Allocation

As advised in the remuneration report, the outcome of performance against vesting criteria shows that the LTIP 2017 allocation yielded a partial vesting (80%) of the TSR component.

The details were as follows:

Performance measure	Weight	Outcome	Result
Actual TSR compared to a comparator group of companies	50%	Life Healthcare ranked at the 56th percentile against the comparator group	80% vesting
Actual EBIT growth compared to a composite inflation rate plus a hurdle rate	50%	Average composite inflation = 4.4% Compound annual growth EBIT = (0.2%) Over/under composite CPI = (4.6%)	No payment

In South Africa, the after-tax value generated from the scheme was utilised to purchase Life Healthcare shares in the open market which is then delivered to recipients' personal trading accounts.

The vesting details per executive are as follows:

Job Title	Date of Allocation	Offer Price	Number of Notional Performance Shares	Vesting Date	No of Shares vested	Price at Exercise Date	Gross Payment
AM Pyle	01-Jan-17	31.59	34 126	31-Dec-19	41 418	R24.46	R405 272
Rights issue adjustment to performance shares		24.50	7 292				
PP van der Westhuizen	01-Jan-17	31.59	65 380	31-Dec-19	79 350	R24.46	R776 434
Rights issue adjustment to performance shares		24.50	13 970				

3.2.4.2 Historical LTIP Allocations (unvested)

■ LTIP 2018 Once-Off Alternative

The once-off alternative cash offering is based on an additional third of the FY2018, FY2019 and FY2020 short-term bonus outcomes which will be banked and payment will be made in January 2021 to coincide with the date when the normal LTIP 2018 allocation would have vested. Please refer to 2.1.4 of the Remuneration Report. The final payment will be made in January 2021 and details will be reflected in the 2021 Remuneration Report.

■ Unvested LTIP 2019 scheme allocations

The details of allocations made in 2019 are set out below:

First Name	Job Title	Date of Allocation	Offer Price	Per- formance Shares	Vesting Date	Allocation Value R'000	Value based on 30 Sept 2020 share price R'000
Pyle AM	Chief Executive Officer – SA	01-Jan-19	25.86	114 969	31-Dec-21	2 973 359	1 961 371
Van Der Westhuizen PP	Chief Financial Officer	01-Jan-19	25.86	220 803	31-Dec-21	5 710 477	3 766 899
Viranna SB **	Chief Executive Officer	01-Jan-19	25.86	235 992	31-Dec-21	6 103 308	4 026 024
Chapman M	Chief Executive Officer – International	01-Jan-19	25.86	127 191	31-Dec-21	3 289 444	2 169 878

** The performance shares for Dr SB Viranna were forfeited due to his resignation, as per the rules of the LTI Scheme.

3.2.4.3 2020 LTIP Allocation

The resignation of Shrey Viranna as CEO on 17 January 2020 left the Group vulnerable to potential executive exits. In particular, the Board held the view that additional measures needed to be implemented to retain the services of the two country Chief Executive Officers: Adam Pyle (SA CEO) and Mark Chapman (International CEO) as well as the CFO (Pieter van der Westhuizen). These executives are critical to ensure continuity in the operations of the Group, which is vital for the short- to medium-term performance and sustainability of the Group.

After considering various retention mechanisms, the Board approved the allocation of restricted Life Healthcare shares (refer to the remuneration report par 2.7 to these executive as well as the application of the existing strategic modifier embedded in the rules of the LTI scheme to 2020 LTIP allocations. To this effect all three executives received enhanced allocations of notional performance shares.

First Name	Job Title	Share Allocation	Offer Price	Per- formance Shares	Vesting Date	Allocation Value R'000	Value based on 30 Sept 2020 share price R'000
Van Der Westhuizen PP	Chief Financial Officer	01-Jan-20	24.46	434 145	31-Dec-22	4 425 077	7 406 514
Pyle AM	Chief Executive Officer – SA	01-Jan-20	24.46	254 531	31-Dec-22	2 594 344	4 342 299
Chapman M	Chief Executive Officer – International	01-Jan-20	24.46	290 448	31-Dec-22	2 960 429	4 955 043

IMPLEMENTATION REPORT continued

3.2.5 Outperformance incentive kicker

The final payment in terms of this scheme was made in February 2020. This scheme was introduced to ensure that top performers were significantly rewarded for their efforts. The duration of the scheme was only for 2 years ending in February 2020.

The Human Resources and Remuneration Committee agree to the ratings ascribed to each Executive as assessed by the Chief Executive Officer. Each component is equally weighted at 20% each and a % award is linked to each rating as follows:

Rating	% Award
1.00	0%
2.00	50%
3.00	70%
4.00	100%
4.50	120%
5.00	130%
5.50	140%
6.00	150%
7.00	150%

The breakdown of the critical sustainability measures and scores (of equal weighting) were as follows:

■ CFO

Historical Performance over prior 4 years for long time view of performance – average out of 7 (4 being on-target)	5
Innovation – innovative ideas to sustain continued success of the organisation	4
Talent Retention (expertise and value-talent, difficulty in replacing with a similar skill- and experience set.	5
Being a cultural ambassador , representative of values and culture of the Company	5
Complexity of role , including competitor pressures, doctor relationships etc.	6
Total score	5

This amounted to a bonus payment of R1 853 473.

■ CEO – southern Africa

Historical Performance over prior 4 years for long time view of performance – average out of 7 (4 being on-target)	5.5
Innovation – degree to which manager brings original, innovative ideas and solutions that result in sustained continued success of the organisation	4
Talent Retention (expertise and value-talent)	6
Being a cultural ambassador , representative of values and culture of the Company	6
Complexity of role , including competitor pressures, doctor relationships etc.	5
Total score	5.3

This amounted to a bonus payment of R1 272 750.

3.2.6 Actuals achieved 2019 and 2020 in relation to 2020 pay mix targets

Total remuneration outcomes for the current and prior financial years for the executive directors are tabulated below. Explanatory footnotes are provided where necessary. All figures are displayed in South African Rand and R'000, except for the CEO International where figures are reflected in British Pounds.

Total Cost to Company (TCTC) based on annual increments granted. STI payments are based on bonuses earned during the financial year, however, not necessarily paid within the financial year under review.

■ Former CEO: SB Viranna

Due to the resignation as CEO on 17 January 2020, only 5 months of the financial year are reflected under Actual Total Cost to Company (TCTC) for FY2020, thus no comparison to prior year can be made. According to policy, no STI payment was made as a result of the resignation and the long-term incentive allocation in respect of the 2019 allocation was forfeited.

R'000	Annual TCTC	STI Performance Bonus	Total Annual Compensation	Actual TCTC	Actual STI Performance Bonus	Total annual Compensation	LTIP Expected Value	1/3rd Co Matched Shares Vested	Total Actual Remuneration
FY2019	7 600	7 087	14 687	6 199	7 087	13 285	–	3 038	16 323
FY2020	7 980	–	7 980	3 249	–	3 249	–	2 805	6 054
% increase	5%	(100.0%)	(45.7%)	–	(100%)	(76%)	–	(8%)	(8%)

The CEO purchased Life Healthcare shares to the value of R3 million in 2018 as agreed on appointment. The Company matched with a purchase of restricted Life Healthcare shares to the value of R9 million (337 096 shares @ issue price of R26.46). Vesting would occur in 3 equal tranches over a period of 3 years. The second vesting occurred on 1 February 2020 – gross value R2 805 000. The last tranche was forfeited due to his resignation.

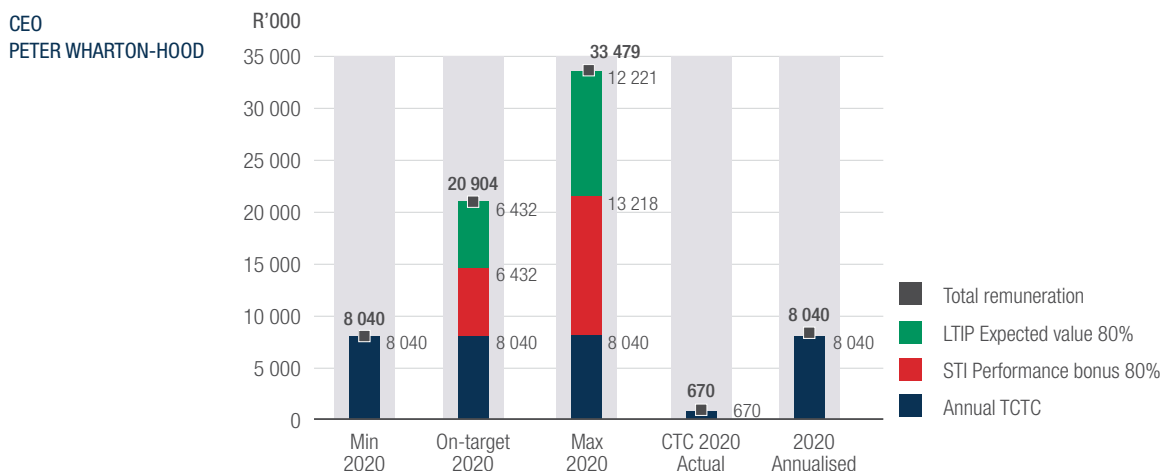
■ CEO: P Wharton-Hood

As the appointment of the new CEO appointment was made on 1 September 2020, only one month's actual remuneration has been paid and no comparison to the prior year can be made. Figures have been annualised to reflect remuneration against minimum, on-target and maximum incentive potential payments.

As detailed in paragraph 2.3 of the Remuneration Report, Peter Wharton-Hood invested in Life Healthcare shares, which was matched by the Company with a purchase of restricted shares to the value of R15 million. These are held in an escrow account and will vest over five years, provided certain performance conditions are met. Please refer to paragraph 2.6 of the Remuneration Report.

R'000	Annual TCTC	STI Performance Bonus	Total Annual Compensation	LTIP Expected Value	Total Actual Remuneration
		80%		80%	
Min 2020	8 040	–	8 040	–	8 040
On-target 2020	8 040	6 432	14 472	6 432	20 904
Max 2020	8 040	13 218	21 258	12 221	33 479
Annual 2019	–	–	–	–	–
CTC 2020 actual	670	–	670	–	670
2020 annualised	8 040	–	8 040	–	8 040

IMPLEMENTATION REPORT continued



■ CFO: PP van der Westhuizen

The CFO acted in the role of CEO for the period 17 January 2020 to 31 August 2020 following the resignation of the previous CEO. Remuneration linked to this acting appointment, which included an enhanced performance bonus was introduced (as set out below). He also received the last payment in respect of the Outperformance Scheme in February 2020 (please refer to par 4.2.4 above).

Acting Remuneration

The Board approved additional guaranteed remuneration to the CFO for his role as Acting CEO while the Company recruited a suitable CEO replacement.

In addition, it was agreed that the CFO would receive a performance dependent bonus. The quantum was based on the delta between the VCP due to the former CEO for performance in the period under review minus the CEO’s on-target short-term incentive. The on-target performance amounts to R2 125 000 for the period.

Key strategic and operational deliverables that he was held accountable for during his acting capacity, were as follows:

- Delivering on the Group short-term incentive scorecard
- Leading and directing the Group executive
- Accountable for effective management of the business during the COVID-19 pandemic
- Restoration of IT systems, business operations, financial reporting, cash collections and communication barriers as a result of the recent cyber-attack on all systems
- Supporting the integration and transition of the new CEO on appointment.

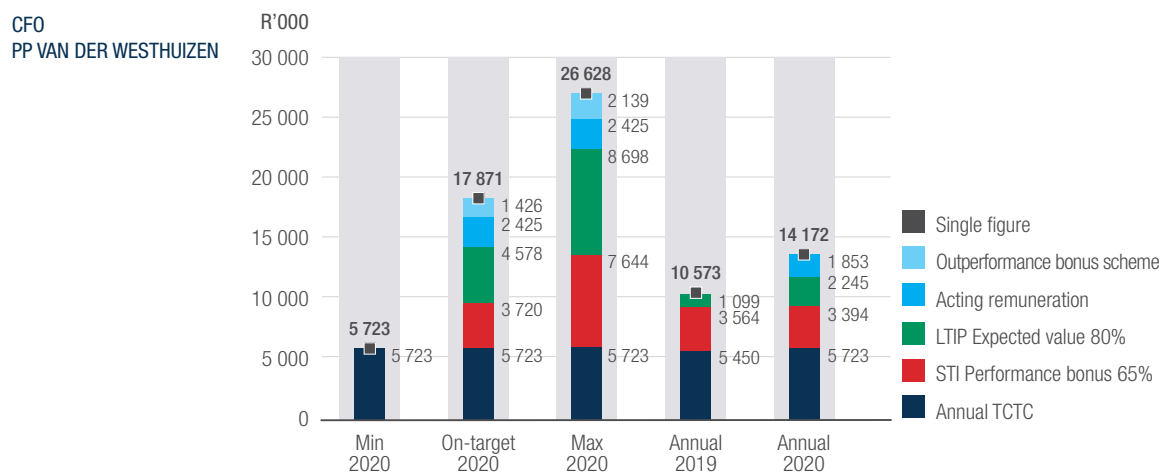
Performance Outcomes

The CFO voluntarily forfeited the first 6-months of the fixed portion of the acting remuneration, to the amount of R1.2 million towards the Employee Assistance Fund to support employees in dire financial constraints as a result of the pandemic. The balance of R300 000 for the period between 18 July 2020 and 31 August 2020 was paid to him.

In terms of the performance-linked acting bonus, Pieter effectively fulfilled both CFO and CEO roles and was instrumental in leading the Group executive, both locally and internationally, during the unprecedented COVID-19 pandemic. The full on-target acting bonus of R2 125 000 has been paid to him.

Total remuneration against FY2019 and pay mix targets for FY2020 are set out below:

R'000	Annual TCTC	STI Performance Bonus	Total Annual Compensation	LTIP Expected Value	Acting Remuneration	Outperformance Bonus Scheme	Total Actual Remuneration
Targeted reward		65%		80%			
Min 2020	5 723		5 723				5 723
On-target 2020	5 723	3 720	9 442	4 578	2 425	1 426	17 871
Max 2020	5 723	7 644	13 366	8 698	2 425	2 139	26 628
Annual 2019	5 450	3 564	9 014	459		1 099	10 573
Annual 2020	5 723	3 394	9 117	776	2 425	1 853	14 172
Year-on-year	5.0%	(5%)	1%	69%			34%
						Excluding Acting Remuneration	11%



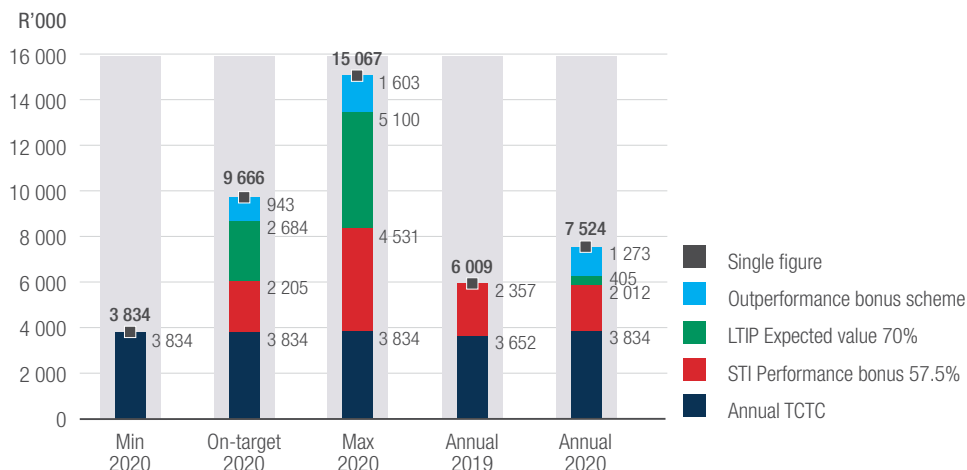
IMPLEMENTATION REPORT continued

■ CEO SA: AM Pyle

Adam Pyle has successfully managed the SA operations during his two-year tenure as CEO SA from 1 January 2019. He was participant in Outperformance Bonus for the second payment, details of which can be found in paragraph 4.2.4. Due to tenure, no LTIP payment was due in FY2019 (three-year vesting).

R'000	Annual TCTC	STI Performance Bonus	Total Annual Compensation	LTIP Expected Value	Outperformance Bonus Scheme	Outperformance Bonus Scheme
Targeted reward		57.5%		70%		
Min 2020	3 834	–	3 834			3 834
On-target 2020	3 834	2 205	6 039	2 684	943	9 666
Max 2020	3 834	4 531	8 365	5 100	1 603	15 067
Annual 2019	3 652	2 357	6 009	–	–	6 009
Annual 2020	3 834	2 012	5 846	405	1 273	7 524
Year-on-year	5.0%	(14.6%)	(3%)	100%	100%	25%

CEO: SOUTH AFRICA
A PYLE

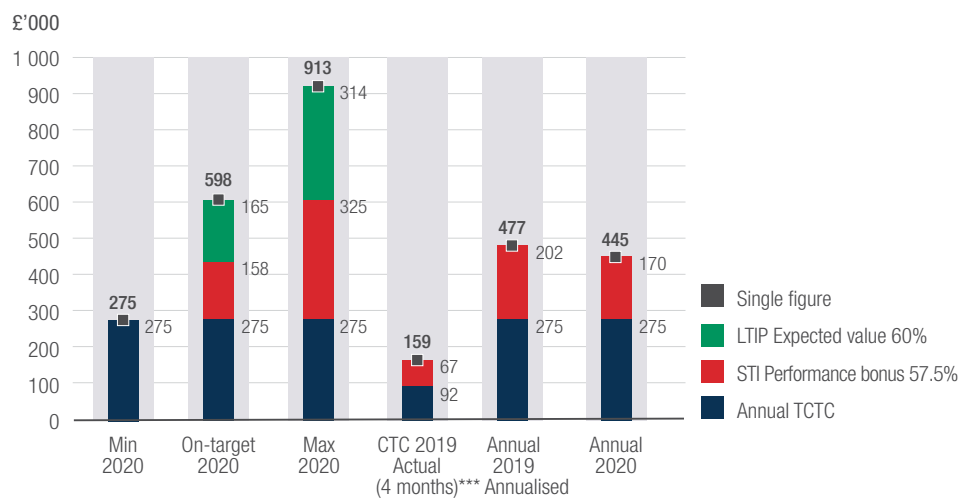


■ **CEO International: M Chapman**

Mark Chapman was appointed CEO International from 1 June 2019. *** Remuneration for FY2019 has been annualised for comparative purposes. Salary is reflected in British Pound (£). As part of a legacy long-term incentive scheme, he was granted 10 000 C-shares.

£'000	Annual TCTC	STI Performance Bonus	Total Annual Compensation	LTI ¹ Expected Value	Total Remuneration
Targeted reward (%)		57.5		60.0	
Min 2020	275	–	275	–	275
On-target 2020	275	158	433	165	598
Max 2020	275	325	600	314	913
CTC 2019 actual (4 months)	92	67	159	–	159
2019*** annualised	275	202	477	–	477
Annual 2020	275	170	445	–	445
Year-on-year	0.0%	(15%)	(7%)		(7%)

CEO: INTERNATIONAL
M CHAPMAN



IMPLEMENTATION REPORT continued

3.3 Exit arrangements – former CEO

The CEO resigned as a director and resigned from all offices and trusteeships held by him in the Employer and any related Company with effect from 17 January 2020.

As he was in service at vesting date, he continued to receive the Company matched shares due to him on 1 February 2020, however, he forfeited the third tranche of 112 366 Life Healthcare shares due in February 2021

	Date	Initial No of Shares Awarded	Shares Vested	No of Shares Retained	No of Ordinary Shares Sold	VWAP	Value of transaction
Granted	20-Sep-18	337 096					
1/3rd vested	01-Feb-19		112 365	59 197	53 168	R25.8817	R3 038 050
1/3rd vested	01-Feb-20		112 365	60 885	51 480	R25.1802	R2 804 870
Total Vested				120 082	104 648		R5 842 920
Shares Forfeited:		112 366					

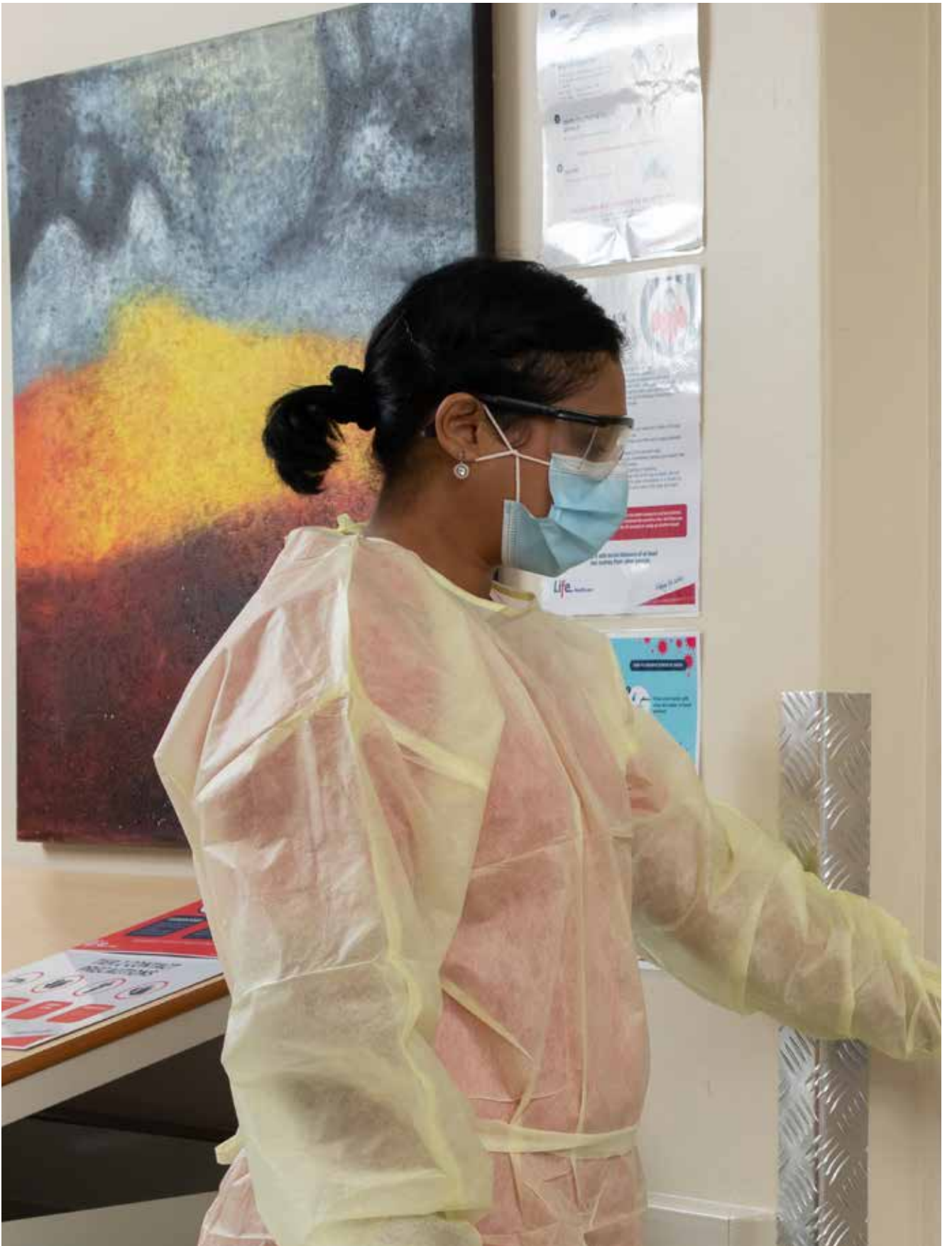
3.4 Non-executive directors' fees

The following number of meetings were held between October 2019 to September 2020

Committee	No of Meetings 2020
Main Board	5
Audit	6
HR and remuneration	3
Risk, compliance and IT governance	3
Investment	5
Clinical	4
Nominations and governance	4
Social, ethics and transformation	3

The following fees were paid for the period October 2019 to September 2020:

Non-Executive Director	Oct 2019 to Sept 2020
MA Brey	R1 135 695
PJ Golesworthy	R1 061 204
Prof ME Jacobs	R590 503
Dr VL Lithakanyane	R220 722
AM Mothupi	R667 220
JK Netshitenzhe	R500 563
Dr MP Ngatane	R572 070
Adv M Sello	R397 149
GC Solomon	R728 808
RT Vice	R712 485
	R6 586 418





APPENDICES

- 188** Seven-year performance history
- 193** Independent auditor's limited assurance report on the selected sustainability information in Life Healthcare Holdings Limited integrated annual report
- 195** Glossary of terms

SEVEN-YEAR PERFORMANCE HISTORY

GROUP STATEMENT OF COMPREHENSIVE INCOME

	CAGR since 2014 %	2020 R'm	2019 R'm	2018 R'm	2017 R'm	2016 R'm	2015 R'm	2014 R'm
Revenue	11.7	25 386	25 672	23 488	20 797	16 404	14 647	13 046
Normalised EBITDA ¹	3.1	4 346	5 727	5 535	5 001	4 314	4 048	3 611
Operating profit	(6.0)	2 180	3 944	3 848	3 620	3 660	3 496	3 150
Net finance cost	25.1	(825)	(998)	(962)	(1 229)	(502)	(404)	(215)
Share of associate' net profit after tax	(15.7)	14	18	(105)	(15)	8	14	39
Profit before tax	(27.4)	581	3 706	2 837	1 934	2 864	3 112	3 973
Profit for the year	(52.0)	38	2 871	1 914	1 119	1 970	2 228	3 098
Ordinary equity holders of the parent		(93)	2 569	1 575	814	1 616	1 866	2 774
Non-controlling interest		131	302	339	305	354	362	324
Normalised EBITDA¹	3.1	4 346	5 727	5 535	5 001	4 314	4 048	3 611
Operating profit		2 180	3 944	3 848	3 620	3 660	3 496	3 150
Depreciation on property, plant and equipment		1 594	1 236	1 133	971	530	445	355
Amortisation on intangible assets		604	586	537	439	147	127	122
Severance payments		–	–	51	–	–	–	–
Retirement benefit asset and post-employment medical aid income		(32)	(39)	(34)	(29)	(23)	(20)	(16)

¹ Normalised EBITDA – operating profit before depreciation on property, plant and equipment, amortisation of intangible assets and non-trading related costs or income.

GROUP STATEMENT OF FINANCIAL POSITION

	2020 R'm	2019 R'm	2018 R'm	2017 R'm	2016 R'm	2015 R'm	2014 R'm
ASSETS							
Non-current assets							
Property, plant and equipment	15 361	12 929	12 243	11 131	7 752	7 101	5 901
Intangible assets	18 238	16 969	17 084	16 281	3 196	2 964	2 318
Investment in associates and joint ventures	65	53	35	2 976	2 548	2 311	828
Employee benefit assets	379	448	401	399	433	394	376
Other non-current assets	1 285	1 189	795	672	466	382	263
Total non-current assets	35 328	31 588	30 558	31 459	14 395	13 152	9 686
Current assets							
Cash and cash equivalents	2 279	1 544	1 494	1 176	604	812	422
Trade and other receivables	4 046	3 923	3 761	3 602	2 133	1 640	1 330
Inventories	873	379	360	357	318	271	240
Other current assets	179	132	128	45	47	48	121
Asset classified as held for sale	–	–	2 841	–	–	–	–
Total current assets	7 377	5 978	8 584	5 180	3 102	2 771	2 113
Total assets	42 705	37 566	39 142	36 639	17 497	15 923	11 799
EQUITY AND LIABILITIES							
Capital and reserves	17 058	16 188	14 916	14 380	5 486	5 168	4 792
Non-controlling interest	1 220	1 303	1 286	1 171	1 312	1 280	1 108
Total shareholders' equity	18 278	17 491	16 202	15 551	6 798	6 448	5 900
Non-current liabilities							
Interest-bearing borrowings	12 034	9 399	12 870	7 786	5 469	5 263	2 344
Derivative financial instruments	–	–	6	749	–	–	9
Deferred tax liabilities	1 450	1 371	1 226	1 203	547	520	438
Other non-current liabilities	1 051	862	662	253	95	69	76
Total non-current liabilities	14 535	11 632	14 764	9 991	6 111	5 852	2 867
Current liabilities							
Bank overdraft	2 181	867	488	450	1 030	557	155
Trade and other payables	5 327	4 799	4 409	4 174	2 217	2 125	1 866
Interest-bearing borrowings	2 180	2 596	3 086	6 301	1 312	924	1 007
Other current liabilities	204	181	193	172	29	17	4
Total current liabilities	9 892	8 443	8 176	11 097	4 588	3 623	3 032
Total equity and liabilities	42 705	37 566	39 142	36 639	17 497	15 923	11 799

SEVEN-YEAR PERFORMANCE HISTORY continued

GROUP STATEMENT OF CASH FLOWS

	2020 R'm	2019 R'm	2018 R'm	2017 R'm	2016 R'm	2015 R'm	2014 R'm
Cash operating profit	4 532	5 886	5 707	5 302	4 556	4 213	3 785
Changes in working capital	30	41	(204)	(639)	(520)	(356)	(253)
Cash generated from operations	4 562	5 927	5 503	4 663	4 036	3 857	3 532
Transaction costs paid	(17)	(147)	(38)	(210)	(12)	(15)	(16)
Interest received	93	60	40	162	12	12	22
Tax paid	(597)	(1 185)	(1 065)	(891)	(981)	(903)	(980)
Net cash from operating activities	4 041	4 655	4 440	3 724	3 055	2 951	2 558
Net cash utilised in investing activities – investments to expand	(2 007)	(2 329)	(3 375)	(11 957)	(2 025)	(3 198)	(1 457)
Net cash generated from investing activities – disposals	–	4 395	61	73	15	–	1 369
Net cash (utilised)/generated from investing activities – other	13	(295)	(50)	(1)	14	–	13
Net cash (utilised in)/generated from financing activities	(2 778)	(6 765)	(826)	9 298	(1 677)	222	(2 288)
Net increase/(decrease) in cash and cash equivalents	(731)	(339)	250	1 137	(618)	(25)	195
Cash and cash equivalents – beginning of the year	677	1 006	726	(426)	255	267	64
Effect of foreign exchange rate movements	152	10	30	15	(63)	13	8
Cash and cash equivalents – end of the year	98	677	1 006	726	(426)	255	267

BUSINESS PERFORMANCE AND METRICS

	2020	2019	2018	2017	2016	2015	2014
Number of registered beds ²	9 151	9 136	9 055	8 983	8 768	8 647	8 418
Paid patient days ³	1 914 159	2 269 756	2 251 600	2 226 337	2 265 653	2 177 833	2 115 254
Occupancy (%) ^{3,4}	58.4	69.7	69.7	70.0	72.5	71.9	71.9
Length of stay ³	4.08	3.76	3.72	3.71	3.68	3.63	3.57
Number of scans	1 518 346	1 710 542	1 593 417	1 455 499	n/a	n/a	n/a
Number of machines:							
MRI	150	155	150	137	n/a	n/a	n/a
CT	63	51	49	41	n/a	n/a	n/a
PET-CT	52	48	51	46	n/a	n/a	n/a
Cyclotrons	11	9	9	9	n/a	n/a	n/a
Financial ratios							
Normalised EBITDA margin (%)	16.2	22.3	23.6	24.0	26.3	27.6	27.7
Tax rate excluding secondary tax on companies (%)	93.5	22.5	32.5	42.1	31.2	28.3	22.0
Effective tax rate (%)	93.5	22.5	32.5	42.1	31.2	28.3	22.0
Debtors' days ³	49	39	45	49	37	31	31
Stock cover (days) ³	50.7	26.1	24.8	24.5	25.6	24.6	24.1
Quick ratio (:1)	0.96	0.84	1.13	1.08	0.95	1.03	1.04
Current ratio (:1)	0.84	0.90	1.06	1.01	0.85	0.93	0.92
Gearing net of cash (%)		38.4	46.5	45.1	53.1	46.9	33.3
Total debt (R'm)	14 214	11 995	15 956	14 087	6 781	6 187	3 351
Net debt (R'm)	14 116	11 318	14 950	13 361	7 207	5 932	3 084
Interest bearing debt (R'm) ⁵	11 310	10 568	14 452	12 447	5 830	5 207	2 490
Debt related to finance leases raised in terms of IAS 17 ⁶	2 904	1 427	1 504	1 640	951	980	861
Net debt: normalised EBITDA	2.96	1.96	2.73	2.55	1.67	1.49	0.84
Interest cover	5.8	5.6	5.7	4.2	8.2	9.7	21.0
Return on Net Assets (RONA) (%)	0.3	23.6	16.4	10.4	25.9	32.3	55.0

² Life St Vincent's and Life Carstenview opened during October 2016 and January 2017 respectively. Life Hilton Private Hospital opened in September 2015 and Genesis Maternity Clinic was acquired in March 2015. In March 2014 Life Sandton Surgical Centre closed.

³ Metrics for southern African operations.

⁴ Occupancy is measured based on the weighted number of available beds during the period and takes acquisitions and expansions during the year on a proportionate basis into account.

⁵ The initial investment in Max healthcare in 2012 was funded through the issue of preference shares. In 2015 preference shares to the value of R2 050 million were issued to fund the additional investment in Max Healthcare, to equalise our shareholding, and for further acquisitions within the Scanmed Group. The acquisition of Alliance Medical in 2017 was funded by way of a bridge facility of R14 601 million, during the 2017 financial year R8 770 million was repaid via the funds raised through the rights offer.

⁶ IAS 17 requires lessees at the commencement of the lease term, to recognise finance leases as assets and liabilities in the statement of financial position, at amounts equal to the fair value of the leased property.

SEVEN-YEAR PERFORMANCE HISTORY continued

	2020	2019	2018	2017	2016	2015	2014
Earnings per share (cents)	(6.4)	176.4	108.6	62.2	144.1	167.3	248.7
Diluted earnings per share (cents)	(6.4)	175.8	108.1	62.0	143.7	166.7	248.1
Headline earnings per share (cents)	48.7	88.7	108.8	77.4	179.1	167.3	165.3
Diluted headline earnings per share (cents)	48.5	88.4	108.3	77.2	178.5	166.7	164.9
Normalised earnings per share from continued operations (cents)	61.0	116.4	110.2	93.9	169.4	165.0	156.7
Normalised earnings per share from continued operations excluding amortisation (cents)	94.0	148.1	139.3	120.6	179.0	173.2	164.6
Weighted average number of shares in issue ('m)	1 455	1 456	1 451	1 310	1 121	1 115	1 115
Weighted average number of shares for diluted earnings per share ('m)	1 460	1 464	1 457	1 314	1 125	1 119	1 118
Total number of shares in issue ('m)	1 467	1 467	1 467	1 449	1 058	1 042	1 042
Distributions per share (cents)	–	93.0	88.0	80.0	165.0	154.0	141.0
Net asset value per share (cents)	1 162.5	1 103.2	1 016.8	992.4	518.5	495.9	459.8
Normalised earnings	888	1 695	1 598	1 230	1 899	1 840	1 747
Profit attributable to ordinary equity holders	(93)	2 569	1 575	814	1 616	1 866	2 774
Adjustments (net of tax):							
Businesses disposed/closed	–	–	–	–	–	–	(54)
Loss/(gain) on remeasuring of fair value of equity interest before business combination	–	–	–	(4)	23	–	–
Gain on bargain purchase	–	–	–	–	–	–	(1)
Profit on disposal of businesses	–	(11)	–	–	–	–	(1)
Profit on disposal of investment in associate	–	(1 407)	–	–	–	–	(929)
Loss/profit on disposal of property, plant and equipment	3	–	(30)	37	(1)	–	–
Impairments	798	140	34	167	370	–	–
Gain on derecognition of lease assets and liabilities	(50)	–	(71)	–	–	–	–
Retirement funds	(23)	(28)	(24)	(21)	(16)	(15)	(11)
Retirement fund (included in employee benefit expenses)	–	–	–	–	(3)	(4)	(7)
Transaction costs	17	148	38	267	12	15	16
Fair value loss/(gain) on foreign exchange hedge	–	292	(17)	(7)	–	(1)	(40)
Contingent consideration released	103	42	18	(43)	(109)	(21)	–
Other	133	(50)	75	20	7	–	–

MARKET INDICATORS

	2020	2019	2018	2017	2016	2015	2014
Market price – high (R) per share	26.00	28.89	30.52	39.02	40.48	46.67	47.81
Market price – low (R) per share	15.44	21.12	23.00	23.05	29.53	34.32	34.66
Market price – year-end (R) per share	17.06	22.68	24.56	23.70	37.87	35.00	44.54
Market capitalisation – year-end (R'm)	24 817	33 279	36 030	34 341	40 066	36 477	46 420
Number of shares traded ('m)	1 220	1 055	1 241	1 326	1 047	870	724
Value of shares traded (R'm)	24 460	26 288	32 510	39 142	38 433	34 755	29 422
Price-earnings ratio	14.76	27.66	22.62	38.10	26.27	20.92	17.91

INDEPENDENT LIMITED ASSURANCE REPORT TO THE DIRECTORS OF LIFE HEALTHCARE GROUP HOLDINGS LIMITED



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The Board of Directors
Life Healthcare Group Holdings Limited
Building 2, Oxford Parks
203 Oxford Road, Cnr Eastwood and Oxford Roads,
Dunkeld
2196

We have performed our limited assurance engagement in respect of the key performance indicators for the year ended 30 September 2020.

The subject matter comprises the selected key performance indicators conducted in accordance with the company's reporting criteria, as prepared by the responsible party, during the year ended 30 September 2020.

The terms of management's basis of preparation comprise the criteria by which the company's compliance is to be evaluated for purposes of our limited assurance engagement. The key performance indicators are as follows:

No	Key performance indicator	Unit of measurement	Boundary
1	Healthcare risk waste generated	kg/PPD	Southern Africa business
2	Patient safety adverse events	Total patient incidents/PPD x 1 000	Southern Africa business
3	Paid patient days (PPD)	Number	Southern Africa business
4	Healthcare associated infections (HAI)	HAI/PPD x 1 000	Southern Africa business

DIRECTORS' RESPONSIBILITY

The directors being the responsible party, and where appropriate, those charged with governance are responsible for the key performance indicator information, in accordance with management's basis of preparation.

The responsible party is responsible for:

- ensuring that the key performance indicator information is properly prepared and presented in accordance with management's basis of preparation;
- confirming the measurement or evaluation of the underlying key performance indicators against the applicable criteria, including that all relevant matters are reflected in the key performance indicator information and;
- designing, establishing and maintaining internal controls to ensure that the key performance indicator information is properly prepared and presented in accordance with management's basis of preparation.

ASSURANCE PRACTITIONER'S RESPONSIBILITY

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historic Financial Information*. This standard requires us to comply with ethical requirements and to plan and perform our limited assurance engagement with the aim of obtaining limited assurance regarding the key performance indicators of the engagement.

We shall not be responsible for reporting on any key performance indicator events and transactions beyond the period covered by our limited assurance engagement.

National Executive: *LL Bam Chief Executive Officer, *TMM Jordan Deputy Chief Executive Officer: Clients & Industries, *MJ Jarvis Chief Operating Officer, *AF Mackie Audit & Assurance, *N Sing Risk Advisory, DP Ndlovu Tax & Legal, MR Verster Consulting, *JK Mazzocco People & Purpose, MG Dicks Risk Independence & Legal, *KL Hodson Financial Advisory, *B Nyembe Responsible Business & Public Policy *R Redfearn Chair of the Board
A full list of partners and directors is available on request *Partner and registered auditor

B-BBEE rating: Level 1 contributor in terms of DTI Generic Scorecard as per the amended Codes of Good Practice

Associate of Deloitte Africa, a Member of Deloitte Touche Tohmatsu Limited

INDEPENDENT LIMITED ASSURANCE REPORT TO THE DIRECTORS OF LIFE HEALTHCARE GROUP HOLDINGS LIMITED

continued

OUR INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence and other ethical requirements of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants* (including International Independence Standards).

Deloitte applies the International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

SUMMARY OF WORK PERFORMED

We have performed our procedures on the key performance indicator transactions of the Company, as prepared by management in accordance with management's basis of preparation for the year ended 30 September 2020.

Our evaluation included performing such procedures as we considered necessary which included:

- interviewed management and senior executives to obtain an understanding of the internal control environment, risk assessment process and information systems relevant to the sustainability reporting process for the selected subject matter;
- tested the systems and processes to generate, collate, aggregate, validate and monitor the source data used to prepare the selected subject matter for disclosure in the Integrated Report,
- inspected supporting documentation and performed analytical review procedures; and
- evaluated whether the selected key performance indicator disclosures are consistent with our overall knowledge and experience of sustainability processes at Life Healthcare Group Holdings Limited.

Our assurance engagement does not constitute an audit or review of any of the underlying information conducted in accordance with International Standards on Auditing or International Standards on Review Engagements and accordingly, we do not express an audit opinion or review conclusion.

We believe that our evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

In a limited assurance engagement, the procedures performed vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether the key performance indicator information has been properly prepared and presented, in all material respects, in accordance with management's basis of preparation.

LIMITED ASSURANCE CONCLUSION

Based on our work described in this report, nothing has come to our attention that causes us to believe that the key performance indicators are not prepared, in all material respects, in accordance with management's basis of preparation.

OTHER MATTERS

The maintenance and integrity of the company's website is the responsibility of Life Healthcare Group Holdings Limited management. Our procedures did not involve consideration of these matters and, accordingly, we accept no responsibility for any changes to either the information in the Report or our independent limited assurance report that may have occurred since the initial date of its presentation on Life Healthcare Group Holdings Limited's website.

Deloitte & Touche

Registered Auditors

Per Mark Victor
Partner

9 December 2020

5 Magwa Crescent
Waterfall City, Waterfall

Private Bag X6, Gallo Manor, 2052
South Africa

GLOSSARY OF TERMS

ACI	African, coloured and Indian
AD	Alzheimer's disease
AGM	Annual general meeting
AI	Artificial intelligence
Alliance Medical	Alliance Medical Group Limited
AMS	Antimicrobial stewardship
ASL	Azienda Sanitaria Locale
BAU	Business as usual
B-BBEE	Broad-based black economic empowerment
BSI	British Standards Institution
CAUTI	Catheter-associated urinary tract infection
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CLABSI	Central line-associated bloodstream infection
Companies Act	South African Companies Act, 71 of 2008 (as amended)
CP	Clinical pharmacist
CPE	Continuing professional education
CPI	Consumer price index
CPP	Clinical practice pharmacist
cps	Cents per share
CSI	Corporate social investment
CT	Computerised tomography
Deloitte	Deloitte Touche Tohmatsu Limited
DMA	Disaster Management Act, 57 of 2002

DOH	Department of Health
DSP	Designated service provider
EBITDA	Earnings before interest, tax, depreciation and amortisation
ECT	Electroconvulsive therapy
EEA	European Economic Area
EHS	Life Employee Health Solutions
EME	Exempted micro-enterprises
EMS	Environmental management system
EPS	Earnings per share
ERP	Enterprise resource planning
ESC	European Scanning Centre
ESD	Enterprise and supplier development
ESP	Employee share plan
EU	European Union
EVP	Employee value proposition
EWP	Employee wellness programme
FBB	Florbetaben
FDA	Food and Drug Administration
FDG	Fluorodeoxyglucose
FTSE	Financial Times Stock Exchange
FTSU	Freedom to speak up framework
GDP	Gross domestic product
GDPR	General Data Protection Regulation
GEMS	Government Employees Medical Scheme
GIBS	Gordon Institute of Business Science

GLOSSARY OF TERMS continued

GP	General practitioner
HAI	Healthcare associated infections
HCRW	Healthcare risk waste
HMI	Healthcare Market Inquiry
HPCSA	Health Professions Council of South Africa
HR	Human resources
IAS	International Accounting Standards
ICU	Intensive care unit
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
International <IR> Framework	IIRC International <IR> Framework
ISMS	Information security management system
ISO	International Organization for Standardization
IT	Information technology
JSE	Johannesburg Stock Exchange Limited
King IV	King IV Report on Corporate Governance for South Africa, 2016
kg	Kilogram
kl	Kilolitre
KPA	Key performance area
KPI	Key performance indicator
kWh	Kilowatt hour
LHC	Life Healthcare Group

LMI	Life Molecular Imaging
LOS	Length of stay
LTI	Long-term incentive
LTIP	Long-term incentive plan
MOI	Memorandum of Incorporation
MRI	Magnetic resonance imaging
MSR	Minimum shareholding requirements
NED	Non-executive director
NFZ	Narodowy Fundusz Zdrowia
NGO	Non-governmental organisation
NHI	National Health Insurance
NHS	UK National Health Service
NICD	National Institute of Communicable Diseases
NPAT	Net profit after tax
NQF	National qualifications framework
PET	Positron emission tomography
PET-CT	Positron emission tomography-computerised tomography
PGM	Polska Grupa Medyczne
PLN	Polish zloty
POPIA	Protection of Personal Information Act, 4 of 2013
PPD	Paid patient day
PPE	Personal protective equipment
PPP	Public-private partnership
PV	Photovoltaic (solar)

PwC	PricewaterhouseCoopers Inc.
PXM	Patient experience measure
QMS	Quality management system
QSE	Qualifying small enterprises
QSI	Quality Standard for Imaging
QSSS	Quality systems support specialist
RCP	Regional clinical pharmacist
ROCE	Return on capital employed
Scanmed	Scanmed S.A.
SDLC	Systems development lifecycle
SED	Socio-economic development
SECR	Streamlined energy and carbon reporting
SENS	Stock Exchange News Service
SOC	Security operations centre
SSI	Surgical site infections
TCD	Temporary capacity diverts
TCO	Total cost of ownership
TDMD	Therapeutic disease modifying drug
TSR	Total shareholder return
UCT	University of Cape Town
UK	United Kingdom
VAP	Ventilator-associated pneumonia
VCP	Variable compensation plan
WACC	Weighted average cost of capital
WHO	World Health Organization



AUDITED GROUP ANNUAL
FINANCIAL STATEMENTS 2020

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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:	Building 2 Oxford Parks 203 Oxford Road Cnr Eastwood and Oxford Roads Dunkeld 2196
Registered postal address:	Private Bag X13 Northlands 2116
Composition of board of directors:	MA Brey (Chairman) PG Wharton-Hood (Chief Executive Officer – appointed 1 September 2020) SB Viranna (Chief Executive Officer – resigned 17 January 2020) PP van der Westhuizen (Chief Financial Officer) PJ Golesworthy ME Jacobs VL Litlhakanyane (appointed 15 April 2020) AM Mothupi JK Netshitenzhe MP Ngatane M Sello GC Solomon RT Vice
Group Company Secretary:	A Parboosing
Auditor:	Deloitte & Touche (Deloitte) Johannesburg

PREPARATION OF THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 September 2020

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



STATEMENT OF DIRECTORS' RESPONSIBILITY

for the year ended 30 September 2020

The directors are responsible for the preparation, integrity and fair presentation of the consolidated and Company financial statements of Life Healthcare Group Holdings Limited (Company) and its subsidiaries, associates and joint ventures (Group) in accordance with International Financial Reporting Standards (IFRS), International Financial Reporting Interpretations Committee (IFRIC) interpretations effective for the Group's financial year, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee as well as the Financial Pronouncements as issued by Financial Reporting Standards Council 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 Company and Group 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 2020, 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.



MA Brey
Chairman

Johannesburg



PG Wharton-Hood
Chief Executive Officer



PP van der Westhuizen
Chief Financial Officer

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. The Group's southern African operations were a victim of a cyber-attack. The operations switched to manual operating processes while restoring its information technology (IT) systems and then processed all manual transactions once the IT systems were restored. The directors are satisfied that the manual processes functioned satisfactorily. Refer note 1.1.2. The Group is committed to the continuous improvement of the control environment.

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 undrawn banking facilities (refer note 1.1 for assessment of going concern). 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, Deloitte, audited the Company and Group financial statements, and their unqualified audit report is presented on page 10.

APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements set out on pages 8 to 10 and pages 16 to 113 were approved by the board of directors on 11 December 2020 and are signed by:

STATEMENT OF GROUP COMPANY SECRETARY

for the year ended 30 September 2020

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 2020

INTRODUCTION, ROLES AND RESPONSIBILITIES

The Life Healthcare Group Holdings 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, Chief Executive Officer, Chief Financial Officer, the Group Chief Internal Audit Executive, Group Risk Manager and senior management in the financial function attended meetings at the invitation of the committee, together with the external auditors. 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, compliance and IT governance committee, which ensures the flow of information between the two committees.

As part of the external, independent evaluation of the board for the 2020 financial year, the performance of the committee was assessed and found to be satisfactory. In addition, members were assessed by the nominations and governance committee, on behalf of the board, 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 2019 to 30 September 2020:

Name	Qualifications	Date appointed	Attendance¹
PJ Golesworthy (Chairman)	BA (Hons), Accountancy Studies, CA	10 June 2010	6/6
AM Mothupi	BA (Honours), Political Science	3 July 2017	6/6
GC Solomon	CA(SA)	10 June 2010	6/6
RT Vice	CA(SA)	1 February 2014	6/6

* Four (4) scheduled meetings and two (2) special meetings 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 69.

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 2021.

FULFILMENT OF THE COMMITTEE'S MANDATE

The committee has adopted comprehensive and formal terms of reference, which were comprehensively revised for the year under review and have been approved by the board, ensuring alignment with evolving best practice governance trends, as well as material changes to the JSE Listings Requirements. The terms of reference can be viewed on the Group's website at 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 whether there were significant weaknesses in the design, implementation or execution of the internal financial controls
- Considered and satisfied itself on the appropriateness of accounting policies and material estimates, assumptions and judgements

- 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 2020
 - the annual results for the year ended 30 September 2020
 - 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 2020, and the applicability of the issues raised, with the view to improving disclosure where applicable
- Noted the final findings of the report from the JSE's thematic review for compliance with IFRS 9 and IFRS 15 published in 2019
- 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 Chief Financial Officer, PP van der Westhuizen and satisfied itself that his expertise and experience is appropriate to meet the responsibilities of the position
- Oversaw the process, on behalf of the board, to apply to the JSE for dispensation from the requirements of paragraph 3.84(f) of the Listings Requirements to allow PP van der Westhuizen to fulfil the dual role of Chief Financial Officer and Interim Chief Executive Officer from 18 January 2020 until 31 August 2020
- 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, compliance and IT governance committee
- Reviewed legal matters that could have a material impact on the Group
- Performed the functions required in terms of section 94(2) of the Companies Act on behalf of the Group's South African subsidiary companies

CYBER-ATTACK ON THE SOUTH AFRICAN OPERATIONS

The southern African operation was the victim of a criminal attack, targeting some of its IT systems. The patient care systems were not impacted and the Company acted immediately on becoming aware of the incident, taking systems offline, in order to actively contain the attack. In line with the Company's business continuity plans, hospitals and administrative offices switched over to backup manual processing systems and continued to function, albeit and regrettably, with some administrative delays. The security incident affected admissions systems, business processing systems and email servers, which were immediately taken offline as a precaution and to ensure that we proactively contained the attack, and where necessary, commence remediation. Systems were only fully restored in September 2020.

IMPACT OF COVID-19

The committee considered the COVID-19 global pandemic (the pandemic) and related impact on the Group's operations and the preparation of the 2020 annual financial statements. The committee is satisfied that the relevant events related to the pandemic have been disclosed accordingly in the annual financial statements. The impact of the pandemic necessitated an in depth review of the following key matters:

- Impairment assessments of non-current assets, and specifically intangible assets and goodwill
- The recoverable amount of financial assets
- The solvency, liquidity and going concern assessments

At the outset of the pandemic, management assessed the potential impacts on the Group's liquidity and capacity to withstand adverse scenarios associated with the ability to continue operating. Forecasting processes were introduced to model the outcomes of a range of different scenarios reflecting different assumptions around the development of the pandemic and ability to operate. A number of mitigating actions were taken to manage cash outflows as well as to secure additional banking facilities. A relaxation of covenants was also successfully negotiated with our lenders for the September 2020 and March 2021 reporting dates. A condition of this relaxation was a requirement that no dividends be declared without lenders' approval. Given the uncertainty associated with the pandemic, on recommendation from the committee the board resolved not to declare an interim or final dividend.

In recommending that the going concern assumption was an appropriate basis for preparing the annual financial statements, the committee, inter alia, considered the liquidity forecasts, including the assumptions, and available debt facilities.

Further, the impacts of the cyber-attack and the pandemic delayed the implementation of a number of important financial system projects that were in progress in South Africa to address legacy system risks and to improve financial reporting. They further impacted the timing of the roll out of SAP to the International businesses.

REPORT OF THE AUDIT COMMITTEE CONTINUED

for the year ended 30 September 2020

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 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 for the year under review was outsourced to Ernst & Young (EY) in South Africa and BDO continues for the International business.

The EY outsource arrangement expired at the end of September 2020 while the BDO contract expires at the end of the 2021 financial year. During the course of the year under review a tender process for a global internal audit outsource partner was undertaken, with PricewaterhouseCoopers (PwC) being approved by the committee. PwC commenced as the outsource partner in South Africa on 1 October 2020 and will take over from BDO in the International business on 1 October 2021.

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 2020 financial year and subsequent changes thereto during the year;
- considered the effectiveness and performance of the internal audit function and the Chief Internal Audit Executive which 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.

The work of the internal audit function was materially impacted by the pandemic, which limited the ability to travel and necessitated a re-prioritisation of the 2020 internal audit plan, resulting in a lower number of internal audit assignments. In addition, the cyber-attack necessitated a delay in a number of IT-related assignments, which have been deferred into the 2021 financial year. Internal Audit conducted a number of reviews to assess the adequacy and effectiveness of manual processes and controls implemented due to the unavailability of systems in order to provide assurance around the integrity of the financial information.

EXTERNAL AUDIT

Following approval by shareholders at the AGM in January 2020, Deloitte served, for the first time, as the Group's registered external auditors for the 2020 financial year and Mr B Nyembe was appointed as the designated partner.

For the year under review, 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 auditors' report and confirmed that no material unresolved issues existed between the Group and the external auditors;
- reviewed and agreed the key audit matters identified by Deloitte, and 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 Deloitte's own assessment, and found it to be satisfactory. Confirmation was obtained from Deloitte that no material matters had been raised in regulatory or internal reviews of the audit partner;
- considered the external auditors' suitability assessment in terms of paragraph 3.84(g)(iii) and section 22.15(h) of the JSE Listings Requirements;
- confirmed that Deloitte'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 Deloitte in terms of the approved non-audit services policy which amounted to R2 million, being 4.3% of the Group audit fee in the current year; and
- confirmed that no reportable irregularities had been identified or reported by the external auditors under the Auditing Profession Act.

Deloitte's first year of audit was materially impacted by the pandemic and the impact of the cyber-attack on the financial systems. The planned timing of the audit was affected and the inability to rely on certain IT controls in South Africa resulted in a manually intensive and substantive audit process, with a consequent increase in the audit fee. The committee considered whether it would be appropriate to delay the release of the Group's results but, based on the assurances of management and Deloitte around completion of the audit, resolved to recommend to the board that the Company release its reviewed results on the planned date. It is testament to both management and Deloitte that this was achieved in the very difficult environment.

The committee resolved to recommend to shareholders that Deloitte be appointed as the Group's registered external auditors for the 2021 financial year and Mr B Nyembe as the designated partner.

JSE LISTINGS REQUIREMENTS ON ATTESTATION

The JSE Listings Requirement relating to Chief Executive Officer and Chief Financial Officer sign-off on the effectiveness of internal controls over financial reporting will apply to the Group for the 2021 financial year.

KEY AREAS OF FOCUS FOR 2020

In addition to the matters highlighted above, the other specific areas of focus for the committee in relation to the 2020 financial year included:

- reviewing the adoption of IFRS 16 *Leases*, which was effective for the year under review;
- continuous focus on the Group's reporting processes and financial controls and integration of the international operations;
- oversight of the transition in external auditors to Deloitte;
- further improvements to the Group-wide approach to combined assurance and internal audit; and
- in light of the cyber-attack on the Company, the committee played a role in providing support to management as the Company recovered from the impact of the attack. The committee continued to evaluate key risks, related controls and mitigations in respect of the IT infrastructure and project implementation, as it related to internal controls, and monitored continuous improvement initiatives within the finance function.

KEY AREAS OF FOCUS FOR 2021

For the new financial year, the committee will continue to oversee management's efforts to ensure the ongoing integrity of the Group's risk and control environment in these unprecedented times of the COVID-19 pandemic, and on the effects on financial reporting matters. Key focus areas will include:

- the continued oversight of the implementation of the South African system projects and the SAP project within the International operations;
- oversight of the settling in of the newly appointed internal auditors and the delivery of the internal audit plan;
- continued evaluation, with the support of the risk, compliance and IT governance committee, of the key risks, related controls and mitigations in respect of the IT infrastructure and project implementation, as it relates to internal controls;
- overseeing the accounting for the disposal of Scanmed and the subsequent disclosures to the market following the sale; and
- continuous focus on the Group's reporting processes and financial controls and integration of the international operations.

The committee confirms that for the 2020 financial year, 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.

I wish to place on record my appreciation to management, the external auditors and my fellow committee members for the support and dedication in what has been a particularly challenging year for the Company.

On behalf of the audit committee.



PJ Golesworthy

Chairman: audit committee

Johannesburg

9 December 2020

DIRECTORS' REPORT

for the year ended 30 September 2020

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 2020. 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 104 to 107.

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 countries. The Group is listed on the main board of the JSE Limited.

SUMMARY OF FINANCIAL PERFORMANCE AND OVERVIEW

Life Healthcare's 2020 financial year was a year of vastly different halves. The Group delivered an excellent performance during H1 FY2020 but trading was significantly impacted in H2 FY2020 by the COVID-19 pandemic (the pandemic).

Revenue for the year ended 30 September 2020 decreased by 1.1% against last year and Group normalised EBITDA* is 24.1% down against last year. The H2 FY2020 performance was significantly impacted by the pandemic. Normalised EBITDA* was impacted to a greater extent, due to additional costs associated with the pandemic and lower activity levels, resulting in negative operational leverage.

Earnings per share (EPS) decreased by more than 100% to -6.4 cps (2019: 176.4 cps). The impairment of R793 million relating to Scanmed reduced EPS by 54.5 cps. Headline earnings per share decreased by 45.1% to 48.7 cps (2019: 88.7 cps).

Normalised earnings per share (NEPS*), which excludes non-trading-related items, decreased by 47.6% to 61.0 cps (2019: 116.4 cps).

Earnings in the prior year included a non-recurring profit on the disposal of our equity investment in Max Healthcare (net profit on the disposal in FY2019 of 68.5 cps).

The Group had strong working capital management despite the challenging environment in which the Group operated.

The capex for the year was R2.0 billion (2019: R2.3 billion), comprising mainly of capital projects of R2.0 billion (2019: R2.1 billion) and a new acquisition (net of cash acquired) by Alliance Medical of R6 million. The maintenance capital expenditure (capex) for the year was R1.2 billion (2019: R1.2 billion).

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

* Normalised EBITDA and NEPS are non-IFRS measures.

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
17 December 2019	778 ¹	53.0	Final 2019
n/a ²	-	-	Interim 2020

¹ The dividends were subject to dividend withholding tax at a rate of 20%, except where exempted.

² The board of directors decided, considering the trading conditions during the year and in order to preserve cash, not to pay an interim dividend.

The board of directors has decided, considering the current trading conditions and in order to preserve cash, not to pay a final dividend for the year. This position will be reviewed for the period ending 31 March 2021.

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

Shrey Viranna resigned from the Company and the board with effect from 17 January 2020 and relocated to Australia for personal reasons.

Peter Wharton-Hood was appointed as Chief Executive Officer effective 1 September 2020.

Victor Litlhakanyane was appointed to the board from 15 April 2020 and as Chairman-designate from 27 July 2020.

INTERESTS OF DIRECTORS

There have been no changes in the interests as set out in note 27 between 30 September 2020 and the date of this report other than:

- PP van der Westhuizen purchased 58 500 shares on 20 November 2020 (second tranche of his intended R2 million worth of shares – refer note 19)
- PP van der Westhuizen was granted 600 shares under the long-term incentive scheme – CFO on 2 December 2020

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.



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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF LIFE HEALTHCARE GROUP HOLDINGS LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the consolidated and separate financial statements of Life Healthcare Group Holdings Limited (the Group and Company) set out on pages 16 to 107, which comprise the consolidated and separate statements of financial position as at 30 September 2020, and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

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 and its subsidiaries as at 30 September 2020, and its consolidated and separate financial performance and 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.

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 are independent of the Group and Company in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period (no key audit matters were identified relating to the separate financial statements). These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
<p>Impairment assessment of goodwill for the southern African cash generating units (Group)</p> <p>As disclosed in note 11 to the consolidated financial statements, the carrying value of goodwill is R14 315 million and comprises 34% of the total assets of the Group. The directors conduct an annual impairment assessment to test the recoverability of the carrying value of goodwill in accordance with IAS 36: Impairment of assets ("IAS 36"). The directors' assessment of the impairment of goodwill is performed by determining the recoverable amount of goodwill with reference to the higher of value in use or fair value less cost to sell for each cash generating unit.</p> <p>The directors applied judgments in the estimation of the value in use including the determination of the values of the following key assumptions:</p> <ul style="list-style-type: none"> ■ Growth rates; ■ Tariff increases; ■ Inflation rates; ■ Discount rates; and ■ Terminal growth rate. <p>These key assumptions have a significant impact on the value in use calculation and their values are estimated on the basis of expected future market conditions, which are also subject to change.</p>	<p>In evaluating the impairment of goodwill, we reviewed the value in use calculations prepared by the directors and the judgments applied in these calculations, with a particular focus on the judgement applied in determining the tariff increases utilised in the valuation models of the southern African cash generating units. We performed various procedures, including the following:</p> <ul style="list-style-type: none"> ■ Testing of inputs into the cash flow forecast against historical performance and in comparison to the directors' strategic plans in respect of each cash generating unit; ■ Involving our specialists to evaluate whether the directors' model complies with the requirements of IAS 36; ■ Recomputation of certain value in use amounts of the southern African cash generating units; ■ Comparing the tariff increases to historical data regarding economic growth rates for the southern African cash generating units; ■ Assessing industry data on tariff increases for any contradictory evidence to the tariff increases applied by the directors; and ■ Performing sensitivity analyses on the tariff increases to evaluate the extent of impact on the value in use and the appropriateness of the directors' disclosures.

KEY AUDIT MATTER**HOW THE MATTER WAS ADDRESSED IN THE AUDIT****Impairment assessment of goodwill for the southern African cash generating units (Group) continued**

For the southern African cash generating units, the assumption with the most significant effect on the impairment assessment which requires significant judgement by the directors is the tariff increases. Tariff increases are based on latest available economic forecasts and the directors' expectations of the outcome of annual tariff negotiations. As a result the impairment assessment of goodwill for the southern Africa cash generating units with a particular focus on the judgement applied in determining the tariff increases used in the calculation of value in use was considered a key audit matter.

The judgments applied in the calculation of the value in use relating to the impairment of goodwill, with a particular focus on the judgement applied in determining the tariff increases in the southern African cash generating units were considered appropriate. We considered the goodwill impairment disclosures to be appropriate.

Information Technology controls (Group)

The Group's operations are heavily dependent on the use of technology and various financial reporting systems. The IT environment is complex and pervasive to operations due to:

- The large volume of transactions processed in numerous locations daily; and
- A strong reliance on automated controls as well as IT dependent manual controls.

Consequently, appropriate IT controls are required to ensure that applications process data as expected and that changes are made in an appropriate manner. Such controls contribute to mitigating the risk of potential fraud or errors.

During our audit we identified vulnerabilities in the IT control environment in the southern Africa operations around user access, developer access and change management controls on key financial accounting and reporting systems. There is a risk that exploitation of these vulnerabilities could result in the financial accounting and reporting records being materially misstated.

The weakened IT environment relating to the southern African operations was therefore considered a key audit matter.

Significant audit effort was therefore spent to understand, document and test controls to mitigate the risk of misstatements as a result of the vulnerabilities identified, that weakened the IT environment in the southern African operations.

Cyber incident (Group)

As disclosed in note 1.1.3 to the consolidated financial statements, Life Healthcare was a victim of a targeted criminal attack on the IT systems of the southern African operation. Management took the decision to take all their systems offline in order to actively contain the attack and investigate the incident further.

The attack impacted a number of hosts and servers across the network. Management engaged specialists to perform a forensic analysis on a sample of computers that were impacted by the incident. During the system down time, Life Healthcare reverted to accounting for all transactions manually.

Once the systems were switched back on, management captured each individual manual transaction through the system as if it occurred on a real time basis.

Our audit required extensive involvement from our senior audit personnel, IT specialists and individuals with specialised knowledge.

Due to the fact that we were unable to rely on the IT general controls in southern Africa, we were required to amend our initially planned control reliance audit approach to a fully substantive based approach, incorporating:

- Increased detailed testing, which increased our sample sizes and resulted in a largely manual testing approach;
- Increased procedures over assessing the completeness and accuracy of reports produced by the systems before reliance could be placed on them; and
- Extensive data analytics were performed on journal entries throughout the period in order to extract entries that might exhibit characteristics of fraudulent entries.

Based on the audit procedures performed and the level of expertise and effort associated with the current year audit, we are satisfied that our audit procedures were sufficient to mitigate the impact of the weakened IT controls identified over financial reporting.

Our response required involvement of our senior personnel and specialists to understand management's response, the governance around this response, as well as procedures to restore normal operations.

Our procedures included the following:

- Engaged our IT and Cyber specialists to assess the extent of breach and data compromise;
- Reviewed management's experts' reports on the incident, including recommendations for data protection and understanding the extent of the cyber breach;
- Assessed management's experts' independence and competence;

INDEPENDENT AUDITOR'S REPORT CONTINUED

KEY AUDIT MATTER

HOW THE MATTER WAS ADDRESSED IN THE AUDIT

Cyber incident (Group) continued

Extensive audit procedures were required to address the additional risks of material misstatement, specifically as it relates to the:

- The design and implementation of automated controls relating to the restored IT systems;
- The design and implementation of manual controls relating to the manual capturing of transactions;
- Completeness and accuracy of data in the financial reporting systems affected by the cyber incident, before and after the incident; and
- Testing key controls that were implemented by management to enhance the control environment.

Due to the pervasive nature of the cyber incident to the southern African operations, the length of system down time and the resulting manual record keeping and subsequent electronic re-capturing of transactions, this was considered a key audit matter.

- On a sample basis, re-performed procedures performed by management's experts to ensure reliance could be placed on their procedures and conclusions reached;
- As part of our continuous risk assessment procedures, re-tested the design and implementation of certain general IT controls post the cyber incident;
- Tested the newly implemented and hardening controls that had been implemented by management (Multifactor authentication and revised firewall rulesets);
- Performed additional procedures to ensure the completeness and accuracy of the electronic capturing of transactions accounted for manually during the system down time;
- Reviewed correspondence with legal advisors confirming the reporting requirements to the relevant authorities;
- Inspected correspondence with relevant authorities, notifying them of incident;
- Engaged our legal specialists to ensure appropriate governance processes were followed; and
- Performed manual audit procedures including reconciling certain monthly results on the restored systems to the manual versions of previously approved management accounts to ensure no changes to data had been made.

Based on the testing performed, the data in the financial reporting systems appear to be materially complete and accurate and appropriate corporate governance processes were followed.

OTHER MATTER

The consolidated and separate financial statements of the Group and Company for the year ended 30 September 2019 were audited by another auditor who expressed an unmodified opinion on those statements on 21 November 2019.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the document titled "Life Healthcare Group Holdings Limited Audited Group Annual Financial Statements 2020", which includes the Directors' Report, the report of the Audit Committee and the statement of the Group Company Secretary as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the Integrated Report, which is expected to be made available to us after that date. The other information does not include the consolidated and 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 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 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's 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 the 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 Audit Committee 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 Audit Committee 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, 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 Deloitte & Touche has been the auditor of Life Healthcare Group Holdings Limited for 1 year.



Deloitte & Touche

Registered Auditor

Per: Bongisipho Nyembe

Partner

11 December 2020



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INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION INCLUDED IN THE AUDITED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

11 December 2020
To the Directors of Life Healthcare Group Holdings Ltd
203 Oxford Road
Cnr Eastwood and Oxford Roads
Dunkeld
2196

Dear Sirs/Madam

REPORT ON THE ASSURANCE ENGAGEMENT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION INCLUDED IN THE AUDITED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS.

We have completed our assurance engagement to report on the compilation of pro forma financial information of Life Healthcare Group Holdings Limited by the directors. The pro forma financial information, as set out in the audited consolidated annual financial statements to be dated on or about 11 December 2020, consists of the impact of the IFRS 16 adoption on the financial results, as well as to provide a more meaningful assessment of the Group's performance for the year, pro forma information and related notes. The pro forma financial information has been compiled on the basis of the applicable criteria specified in the JSE Limited (JSE) Listings Requirements.

The pro forma financial information has been compiled by the directors to illustrate the impact of the corporate action or event, in the consolidated financial statements as at 30 September 2020, and the company's financial performance for the period then ended. As part of this process, information about the company's financial position and financial performance has been extracted by the directors from the company's consolidated financial statements for the period ended 30 September 2020, on which an unmodified audit opinion was issued on 11 December 2020.

Directors' Responsibility for the Pro Forma Financial Information

The directors are responsible for compiling the pro forma financial information on the basis of the applicable criteria specified in the JSE Listings Requirements.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Professional Conduct for Registered Auditors issued by the Independent Regulatory Board for Auditors (IRBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards).

We apply the International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements and Other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibility

Our responsibility is to express an opinion about whether the pro forma financial information has been compiled, in all material respects, by the directors on the basis specified in the JSE Listings Requirements based on our procedures performed.

We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, which is applicable to an engagement of this nature. This standard requires that we comply with ethical requirements and plan and perform our procedures to obtain reasonable assurance about whether the pro forma financial information has been compiled, in all material respects, on the basis specified in the JSE Listings Requirements.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included is solely to illustrate the impact of a significant corporate action or event on unadjusted financial information of the entity as if the corporate action or event had occurred or had been undertaken at an earlier date selected for purposes of the illustration, and we do not provide any assurance on the actual outcome of the event.

A reasonable assurance engagement to report on whether the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used in the compilation of the pro forma financial information provides a reasonable basis for presenting the significant effects directly attributable to the corporate action or event, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

Our procedures selected depend on our judgment, having regard to our understanding of the nature of the company, the corporate action or event in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the pro forma financial information.

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

Opinion

In our opinion, the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria specified by the JSE Listings Requirements.

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 Deloitte & Touche has been the auditor of Life Healthcare Group Holdings Limited for 1 year.

Deloitte & Touche

Registered Auditor

Per: Bongisipho Nyembe

Partner

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 September 2020

	Notes	2020 R'm	2019 R'm
Revenue	2	25 386	25 672
Other income	2	208	232
Drugs and consumables		(5 497)	(5 311)
Employee benefits expense	3	(9 534)	(8 860)
Retirement benefit asset and post-employment medical aid income		32	39
Depreciation on property, plant and equipment		(1 594)	(1 236)
Amortisation of intangible assets		(604)	(586)
Repairs and maintenance expenditure on property, plant and equipment		(688)	(540)
Occupational expenses		(879)	(971)
Hospital service expenses		(828)	(838)
Communication expenses		(388)	(365)
Radiology service costs		(1 405)	(1 376)
Professional, legal and secretarial fees		(499)	(582)
Provision for expected credit losses		(186)	(19)
Other expenses	6	(1 344)	(1 315)
Operating profit¹		2 180	3 944
Fair value adjustments to contingent consideration		(37)	2
Fair value loss on derivative financial instruments	4	(5)	(438)
Gain on derecognition of lease asset and liability		75	–
Impairment of assets and investments	11	(798)	(164)
Profit on disposal of investment in joint venture		–	1 501
Profit on disposal of investment in subsidiary		–	11
Loss on disposal of property, plant and equipment		(6)	–
Transaction costs relating to acquisitions and disposals		(17)	(148)
Other		–	(22)
Finance income	5	93	60
Finance cost ¹	5	(918)	(1 058)
Share of associates' and joint ventures' net profit after tax	12	14	18
Profit before tax¹	6	581	3 706
Tax expense	7	(543)	(835)
Profit after tax		38	2 871
Other comprehensive income/(loss), net of tax			
Items that may be reclassified to profit or loss			
Movement in foreign currency translation reserve (FCTR)		1 833	117
Items that may not be reclassified to profit or loss			
Retirement benefit asset and post-employment medical aid		(13)	(54)
Total comprehensive income for the year		1 858	2 934
Profit after tax attributable to:			
Ordinary equity holders of the parent		(93)	2 569
Non-controlling interest		131	302
		38	2 871
Total comprehensive income attributable to:			
Ordinary equity holders of the parent		1 708	2 622
Non-controlling interest		150	312
		1 858	2 934
(Loss)/earnings per share (cents)	8	(6.4)	176.4
Diluted loss/(earnings) per share (cents)	8	(6.4)	175.8

¹ Impact of adopting IFRS 16 on statement of profit or loss – refer to Annexure A – 1.15.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 September 2020

	Notes	2020 R'm	2019 R'm
ASSETS			
Non-current assets			
Property, plant and equipment	10	15 361	12 929
Intangible assets	11	18 238	16 969
Investment in associates and joint ventures	12	65	53
Employee benefit assets	13	379	448
Deferred tax assets	14	1 162	1 102
Other assets		123	87
Current assets			
Cash and cash equivalents	15	2 279	1 544
Trade and other receivables	16	4 046	3 923
Inventories	17	873	379
Income tax receivable		173	124
Other assets		6	8
Total assets		42 705	37 566
EQUITY AND LIABILITIES			
Capital and reserves			
Stated capital	18	13 531	13 515
Reserves		3 527	2 673
Non-controlling interest		1 220	1 303
Total equity		18 278	17 491
LIABILITIES			
Non-current liabilities			
Interest-bearing borrowings	20	12 034	9 399
Employee benefit liabilities	13	161	130
Deferred tax liabilities	14	1 450	1 371
Trade and other payables	21	89	51
Provisions	22	117	69
Contingent consideration liabilities	26	631	506
Other liabilities		53	106
Current liabilities			
Bank overdraft	15	2 181	867
Trade and other payables	21	5 146	4 663
Provisions	22	181	136
Contingent consideration liabilities	26	11	37
Interest-bearing borrowings	20	2 180	2 596
Income tax payable		161	129
Other liabilities		32	15
Total liabilities		24 427	20 075
Total equity and liabilities		42 705	37 566

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 September 2020

	Attributable to equity holders of the Company					Non-controlling interest R'm	Total equity R'm
	Stated capital R'm	Other reserves R'm	FCTR R'm	Retained earnings R'm	Reserves R'm		
Balance at 1 October 2019¹	13 515	(698)	534	2 837	2 673	1 303	17 491
Total comprehensive income/(loss) for the year	-	(13)	1 814	(93)	1 708	150	1 858
(Loss)/profit for the year	-	-	-	(93)	(93)	131	38
Other comprehensive income	-	(13)	1 814	-	1 801	19	1 820
Transactions with non-controlling interests	-	(108)	-	-	(108)	(34)	(142)
Distributions to shareholders	-	-	-	(778)	(778)	(199)	(977)
Purchase of treasury shares for staff benefit schemes	(44)	-	-	-	-	-	(44)
Vesting of treasury shares for staff benefit schemes	60	(56)	-	-	(56)	-	4
Long-term incentive scheme charge	-	34	-	-	34	-	34
Life Healthcare employee share trust charge	-	54	-	-	54	-	54
Balance at 30 September 2020	13 531	(787)	2 348	1 966	3 527	1 220	18 278
Notes		19					
Balance at 1 October 2018 (as previously reported)	13 510	(590)	427	1 569	1 406	1 286	16 202
Transition adjustment relating to IFRS 9	-	-	-	20	20	-	20
Balance at 1 October 2018 (restated)	13 510	(590)	427	1 589	1 426	1 286	16 222
Total comprehensive income for the year	-	(54)	107	2 569	2 622	312	2 934
Profit for the year	-	-	-	2 569	2 569	302	2 871
Other comprehensive income	-	(54)	107	-	53	10	63
Transactions with non-controlling interests	-	(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
Balance at 30 September 2019	13 515	(698)	534	2 837	2 673	1 303	17 491
Notes		19					

¹ There was no impact on retained earnings on 1 October 2019 as a result of adopting IFRS 16.

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

Representation: Reclassification adjustment

In the prior financial year, the FCTR was disclosed as part of other reserves and distributable reserves was disclosed separately on the face of the statement of changes in equity. During the current financial year the FCTR was reclassified and disclosed separately on the face of the changes in equity for enhanced reporting in accordance of IAS 1. Distributable reserves are now presented within other reserves.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 September 2020

	Notes	2020 R'm	2019 R'm
Cash flows from operating activities			
Cash generated from operations	25	4 562	5 927
Transaction costs paid relating to acquisitions and disposals		(17)	(147)
Finance income received		93	60
Tax paid		(597)	(1 185)
Net cash generated from operating activities		4 041	4 655
Cash flows from investing activities			
Purchase of property, plant and equipment		(1 828)	(1 898)
Purchase of intangible assets		(136)	(162)
Proceeds from sales of property, plant and equipment		18	23
Business combinations, net of cash acquired	26	(6)	(190)
Proceeds from disposal of subsidiary		–	48
Contingent considerations paid	26	(37)	(79)
Proceeds from disposal of joint venture		–	4 347
Premiums paid/settlement of foreign exchange option contracts relating to disposal of joint venture	23	–	(322)
Other cash payments received		25	9
Other cash payments made		(30)	(5)
Net cash (utilised in)/generated from investing activities		(1 994)	1 771
Cash flows from financing activities			
Proceeds from bank loans	20	12 505	5 285
Repayment of bank loans	20	(12 952)	(7 048)
Proceeds from lease liabilities	20	261	211
Repayment of lease liabilities	20	(573)	(304)
Proceeds from preference shares	20	–	500
Repayment of preference shares	20	–	(2 700)
Distributions to non-controlling interests		(196)	(238)
Cash flow on increases in ownership interests	26	(152)	(125)
Proceeds on decreases in ownership interests	26	10	21
Contingent considerations paid	26	(37)	–
Finance costs paid		(823)	(984)
Treasury shares acquired for delivery to staff trust and long-term incentive scheme	18 and 19	(44)	(72)
Dividends paid to Company's shareholders		(778)	(1 321)
Other cash payments received		27	10
Other cash payments made		(26)	–
Net cash utilised in financing activities		(2 778)	(6 765)
Net decrease in cash and cash equivalents		(731)	(339)
Cash and cash equivalents – beginning of the year		677	1 006
Effect of foreign currency rate movements		152	10
Cash and cash equivalents at end of the year	15	98	677

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

NOTES TO CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

for the year ended 30 September 2020

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

The Group performs regular assessments on the going concern status of the Group. These assessments take into consideration:

- current solvency of the Group;
- current liquidity position;
- available committed and uncommitted bank facilities;
- cash commitments for the next 12 months;
- bank covenants; and
- debt maturities.

As part of the assessments the board of directors has reviewed the Group budgets, forecasts, available cash resources and unutilised facilities as well as the debt maturity profile. The forecasts for the Group have been prepared, covering its future performance, capital and liquidity for a period of 12 months from the date of approval of these consolidated financial statements including performing sensitivity analyses. The expected future cash flows were adjusted to reflect the best estimate of the short and longer-term impact of the COVID-19 pandemic (the pandemic).

To ensure the Group has sufficient cash reserves, in addition to securing additional bank facilities, suspending Group dividend payments (interim and final) and deferring capex projects, management has implemented a number of mitigating actions which include cost and cash preservation levers across the Group's operations.

The Group successfully refinanced its term debt in the international operations during March 2020 and extended the debt maturities. The Group is in a strong financial position with net debt to normalised EBITDA as at 30 September 2020 at 2.96 times (2019: 1.96 times). Given the significant uncertainty caused by the pandemic, the Group pre-emptively negotiated amended bank covenants for the period up to 31 March 2021 (refer note 31). In addition, banking facilities have been increased and the Group's committed undrawn bank facilities as at 30 September 2020 are R6.3 billion (refer note 20).

The Group's assessments and sensitivity analysis show that the Group has sufficient accessible capital and liquidity to continue to meet its obligations as they fall due and as a result it is appropriate to prepare these consolidated financial statements on a going concern basis.

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.

Pro forma information

To provide a more meaningful assessment of the Group's performance for the year, pro forma information has been included. Pro forma information includes IFRS 16 *Leases* financial information that represents the impact on FY2020 as if IFRS 16 had not been applied at 1 October 2019. The pro forma financial information is the responsibility of the Group's directors. Pro forma financial information is presented for illustrative purposes only. Because of its nature, the pro forma financial information may not fairly present the Group's financial position, results of operations, changes in equity or cash flows for the year.

The pro forma information is not an IFRS requirement, nor a JSE Listings Requirement. The Group's external auditor, Deloitte, has reviewed the pro forma information. Their independent reporting accountant's assurance report on the compilation of the pro forma financial information is presented on page 14.

Refer note 9.

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

continued

1.1 Basis of preparation continued

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 and loss.

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

1.1.1 Outbreak of the pandemic and the impact thereof

On 30 January 2020, the World Health Organization announced the outbreak of COVID-19 as a world health emergency of international concern, and on 11 March 2020 the outbreak was classified as a global pandemic. All countries in which the Group operates have experienced similar lockdown restrictions, country-specific self-isolation and social distancing guidelines.

Although the business operations of the Group continued during the pandemic, the pandemic had a significant impact on the financial results of the Group. The impact of the pandemic varied across the Group's geographic regions and business lines due to the timing of the spread of the disease and the responses of the various governments.

Southern Africa

The southern Africa business performed well up to mid-March 2020 but saw significant reduction in hospital admissions following the announcement of the national lockdown during March 2020. The southern African operation experienced its lowest monthly occupancy in April 2020. The Group has seen good recovery since May 2020 in medically necessary procedures in southern Africa.

International

The Alliance Medical Group Limited (Alliance Medical) diagnostic imaging business experienced significant reductions in volumes from mid-March 2020 to mid-May 2020 across all its major geographies. The reduction in volumes was due to national healthcare systems prioritising urgent and emergency cases as well as country-specific self-isolation and social distancing guidelines, resulting in a significant reduction in patient referrals, an increase in patient cancellations and non-attendance for appointments.

The increase, however, in scan volumes across all Alliance Medical businesses, since the gradual easing of lockdowns in Europe from May 2020, has been encouraging.

Impact on the annual financial statements

The Group assessed the impact of the pandemic on the annual financial statements. The significant areas impacted are:

Financial performance

The pandemic had a significant impact on the Group's financial performance and cash flows during the year, resulting in lower revenue due to the pandemic negatively impacting activities and/or scan volumes from February 2020. As a large percentage of costs are fixed, the decline in activities and/or scan volumes due to the pandemic had a direct impact on Group normalised EBITDA¹ and the Group normalised EBITDA margin¹. The largest expense to the Group is employee costs: the Group decided not to retrench or cut salaries during the current year as management decided to protect the health, safety and job security of our employees in the short-term. Additional costs associated with the pandemic further negatively impacted our results.

Within our Alliance Medical business, we delivered a number of services to support governments in their response to the pandemic, such as COVID-19 testing in Italy and the delivery of a dedicated mobile computerised tomography service (CT) for up to 16 units in England, which continues into FY2021. This contributed positively at a revenue level to compensate for the reduction in scan volumes.

The Group introduced cash preservation levers to manage liquidity. This was done through continuous cash forecasting, adapting and implementing operational controls, limiting capital expenditure without compromising patient safety, suspending discretionary operational expenses, suspending dividends and deferring management bonuses.

¹ Non-IFRS measure.

NOTES TO CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

CONTINUED

for the year ended 30 September 2020

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

continued

1.1.1 Outbreak of the pandemic and the impact thereof

continued

Impact on the annual financial statements

continued

Impairment of goodwill and intangible assets

The pandemic has a likely impact on future cash flows, activities, scan volumes and normalised EBITDA margins. The Group tested all cash-generating units (CGUs) for impairments by calculating the recoverable amounts and comparing these to the carrying amounts of the CGUs. The expected future budgeted and forecasted cash flows were adjusted to reflect the best estimate of the short and longer-term impact of the pandemic.

No impairments were recognised as a result of the pandemic.

Impairment of trade receivables

The Group uses a provision matrix to calculate expected credit losses (ECLs) for trade receivables. Forward-looking information included the market impact of the pandemic by adjusting the credit risk of receivables for macro-economic conditions that impact credit risk.

The economies in which the Group operate have been impacted by the pandemic which, together with the sovereign ratings downgrade by Moody's Investors Service in South Africa, has negatively impacted the ECL rates across the Group during the year ended 30 September 2020. The Group recognised an additional R186 million ECL provision during the current year.

1.1.2 Cyber-attack on southern Africa IT infrastructure

During the current year, the Group's southern African operations were a victim of a criminal cyber-attack on its information technology (IT) infrastructure. In response, the Group immediately took its systems offline, in order to actively contain the attack, and switched to manual processes and procedures. Although the care of patients was not impacted, the Group was unable to issue bills for a period of around 45 days. The billing backlog was resolved by end August 2020 and most of the outstanding accounts were collected by end September 2020. The incident also affected admissions systems, business processing systems and email servers. The Group's IT systems were fully restored by the end of September 2020.

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.

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.

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

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 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 are defined as the initial 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.

The pandemic has a likely impact on future cash flows, activities, scan volumes and normalised EBITDA margins. The periods of recovery from the pandemic are uncertain and requires a level of judgement. The pandemic is considered to be a temporary adverse event. The Group's forecasts assumed that the impact of the pandemic will continue to be felt during H1 FY2021 but we expect improvement in activities and scan volumes in H2 FY2021.

Refer note 11.

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 life cycles and maintenance programmes. The useful lives are reviewed at each reporting date to assess whether useful life estimates need to be adjusted. There were no changes to the estimated useful lives in the current year.
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"> ■ External residual value information ■ Internal technical assessments for complex medical equipment 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.

NOTES TO CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

CONTINUED

for the year ended 30 September 2020

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 continued

Useful lives, residual values and impairment continued

Statement of financial position	Statement of profit or loss and other comprehensive income	Estimated useful lives		Impairment indicators
		Item	Average useful life	
Intangible assets	Amortisation	Customer relations	10 – 15 years	External sources of information: <ul style="list-style-type: none"> ■ 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 ■ 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 ■ The carrying amount of the Group's net assets exceeds the Group's market capitalisation Internal sources of information: <ul style="list-style-type: none"> ■ Obsolescence or physical damage affecting the asset ■ Idle or unutilised assets ■ Plans to discontinue or restructure the operations to which the asset belongs or the asset's disposal ■ Significant decline in management's forecasts of future net cash inflows
		Hospital licences		
		Brand name	12 years	
		Intellectual property	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	
		Assets under construction		
		Buildings – owned	40 – 50 years	
		Medical equipment	3 – 25 years	
		Other equipment – owned		
		Motor vehicles	3 – 8 years	
		Improvements to right-of-use assets	Shorter of useful life or lease term	
		Right-of-use assets <ul style="list-style-type: none"> ■ Land and buildings ■ Medical equipment ■ Motor vehicles and other equipment 		

Financial instruments

Impairment of financial assets

Trade receivables

The Group uses a provision matrix to calculate 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 trade receivables 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 Group makes use of a credit agency model and analytics to assist in determining the forward-looking impact on ECL.

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 continued

Impairment of financial assets continued

Trade receivables continued

The southern Africa ECL model's largest assumption is that the default definition for each category will be 90 days from the end of the month of the discharge date.

The forward-looking indicators in the southern Africa ECL calculations apply the baseline, scenario 1 and scenario 3 Global Correlation Model (GCorr) scenarios weighted 40%, 30%, 30% (these scenarios have been adjusted to reflect the change in risk due to the pandemic).

Under all three scenarios, southern Africa will experience a contraction of gross domestic product (GDP). The 4th quarter 2019 GDP level (the level prior to the impact of the pandemic) is achieved between the 4th quarter of 2021 and the 4th quarter of 2024 under the three scenarios.

The other macro-economic forecasts also negatively affecting these scenarios are those of forecasted deteriorating exchange rates and the increase in unemployment rates as a result of the pandemic.

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.

The impact of the pandemic was considered. Refer 1.1.1.

Information regarding the ECLs is disclosed in note 16, note 31 and annexure A – significant accounting policies (section 1.11 financial instruments).

Lease accounting

Extension options

Extension options are included in a number of leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension options held are exercisable only by the Group and not by the respective lessor.

Consideration of whether extension options should be included in determining the lease term is a critical judgement. In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended. The Group has assessed that it is reasonably certain that all extension options on property leases for hospitals will be exercised and therefore has included all renewal periods as part of the lease term as hospital buildings are integral to the Group's operations and cost of relocation will be significant. Due to the medical equipment being highly technical in nature, and the possibility that new technology may be developed, extension options have not been taken into account for medical equipment.

As at 30 September 2020, potential future cash outflows of R65 million (undiscounted) have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

1.2.2 Critical accounting estimates and assumptions

Business combinations

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.

The largest contingent consideration payable (R629 million) relates to a potential amount payable to the previous owners of Life Molecular Imaging (LMI), acquired during June 2018.

The contingent consideration will become payable when the acquired business is generating a positive cash contribution, measured on a cumulative basis from the date of acquisition. The contingent consideration is a 50% share of pre-tax cash generated for a period of 10 years post-acquisition or a maximum amount payable of USD200 million. The amount included is the calculated payment, based on long-term forecasts adjusted for probabilities associated with the success of the product developed, discounted to present value using a discount rate of 13.25%.

Key assumptions used in the forecast also include growth in volumes as well as price and cost per dose.

NOTES TO CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

CONTINUED

for the year ended 30 September 2020

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

Business combinations continued

Contingent consideration continued

Sensitivity analysis

The current contingent consideration value is based on the assumption that a disease modifying drug will come to market in the USA in 2022 and one year later in Europe.

If no disease modifying drug comes to market and sales only grow organically by 8% annually, the contingent consideration value would reduce from R629 million to R184 million.

Refer note 26.

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.

Lease accounting

Discount rates applied to leases

The lease payments are discounted using the incremental borrowing rate, which is the rate that the relevant business unit (lessee) would have to pay to borrow funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

The incremental borrowing rate was calculated using an adjusted Group weighted average cost of capital (WACC) approach by extracting the pre-tax cost of debt element from the WACC rate, which was adjusted for the following:

- Local borrowing rates
- The unsecured/secured nature
- Lessee-specific credit risk
- Lease start date and term

The weighted average incremental borrowing rate applied to the lease liabilities on 1 October 2019 was 9.33% for the Group's leases in southern Africa and 3.35% for the Group's international operations.

Should the discount rate applied at the date of transition change by 0.5%, the impact would be as follows:

- Increase by 0.5%: Right-of-use asset and lease liability decrease by R33 million
- Decrease by 0.5%: Right-of-use asset and lease liability increase by R34 million

Non-financial assets

Impairment – goodwill

The recoverable amounts of CGUs have generally 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 recoverable amounts of most CGUs were determined based on value-in-use. The recoverable amounts of Scanmed and some CGUs in southern Africa were determined based on fair value less cost to sell.

The impact of the pandemic was considered. Refer 1.1.1.

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

Recoverable amounts based on value in use

The value-in-use calculations were determined by discounting the expected future cash flows over a period of five years, except for LMI. For LMI, a 10-year period was used on the basis that the registered intellectual property for some products start to expire after 2031, alongside the level of growth being significant over the 10-year period both in Neuraceq and pipeline products.

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/volumes and revenue is based on historical experience, capacity availability, the expected developments in the market and the forecast impact of the pandemic. Tariff and inflation increases are based on latest available economic forecasts and management's expectations of the outcome of annual tariff negotiations.

Terminal growth rates are country specific and determined based on the forecast market growth rates.

Southern Africa

The key assumptions used in the value-in-use calculations were as follows:

	2020 %	2019 %
Growth rate in activities	0.0	0.0 – 2.0
Average discount rate	13.30	12.25
Tariff and inflation increases	0.0 – 4.5	0.0 – 5.5
Terminal growth rate	1.50 – 4.35	1.50

Alliance Medical

Alliance Medical operates in the United Kingdom and various European countries, and the countries' 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).

The key assumptions used in the value-in-use calculations were as follows:

	2020 %	2019 %
Growth rate in volumes (across all markets)	0.0 – 13.0	0.0 – 13.0
Tariff adjustment (across all markets)	(3.0) – 1.5	(5.0) – 1.5
Cost inflation (across all markets)	1.5 – 3.0	1.6 – 5.0
Average discount rate	6.48	6.70
Terminal growth rate	2.00	1.50

LMI, our international growth initiative

Key assumptions used in the value-in-use calculation include growth in volumes as well as price and cost per dose, which are reflective of new pharmaceutical products.

Other key assumptions were:

	2020 %	2019 %
Operating cost inflation	8.0	7.8
Average discount rate	13.25	11.00
Terminal growth rate	n/a¹	1.50

¹ 10-year time horizon used in 2020 in line with registered intellectual property expiry and to recognise the significant growth in cash flows in outer years.

NOTES TO CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

CONTINUED

for the year ended 30 September 2020

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

Recoverable amounts based on fair value less cost to sell

Southern Africa

The fair value less cost to sell for a CGU represents the realisation of the related property in the event the operations of the CGU are discontinued. The fair values less costs to sell are calculated by applying a market-related capitalisation rate to rental paid.

The capitalisation rate used varies between 8.0% and 9.0% for healthcare-related properties and is supported by underlying third party information.

Poland

The Group restarted the Scanmed disposal process during September 2020, and received an offer during November 2020 to dispose of its Polish operation. The related agreements were signed on 24 November 2020 and the transaction is subject to regulatory approvals. The sale proceeds per the agreements (PLN199 million) are lower than the carrying value of Scanmed at 30 September 2020. With the receipt of the offer, the Group considered it prudent and appropriate to impair the carrying value at 30 September 2020 to reflect the fair value less costs to sell. The impairment for the year amounted to R793 million. Refer note 11 and 30.

Sensitivity analysis

Due to the uncertainty in longevity and possible long-term effects on assumptions, appropriate sensitivity analyses were performed on all CGUs. Sensitivity analysis included fluctuations in activity/volume growth, discount rates and tariffs.

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 14.03% the first CGU's carrying amount will exceed its recoverable amount.
- If the average discount rate for Alliance Medical increases to 7.60% the headroom will reduce to nil.

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.

Long-term incentive plans

Determining the fair value

Long-term incentive scheme effective from 2019:

1. Southern Africa – equity-settled shared-based payments
2. International – cash-settled share based payment

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.

Refer note 19 and annexure A under 1.2 – Share-based payments.

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

Long-term incentive plans continued

Determining the fair value continued

The key assumptions used in the model were as follows:

	2020	2019
Average discount rate (WACC)	11.7%	12.4%
Average consumer price inflation (CPI)	3.1%	4.5%
Life core purposes	100% achievement	100% achievement

Refer notes 19 and 22.

Other

Deferred tax assets

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 (taking into the consideration the impact of the pandemic), 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. Based on past experience, the southern African provision has a historical payment rate, on closed cases, which is on average 10.6% of the claimed amount. The southern Africa provision is discounted at a pre-tax average cost of debt rate of 4.3%, where applicable.

NOTES TO CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

CONTINUED

for the year ended 30 September 2020

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.

	2020 R'm	2019 R'm
Disaggregation of revenue based on the type of customer		
Contract from customers		
Private (including private medical aids and cash paying patients)	16 810	18 031
Government and public healthcare facilities	6 068	5 299
Corporate institutions	2 425	2 263
Rental revenue		
Rental income related to auxiliary services	83	79
Total revenue	25 386	25 672
Disaggregation of revenue based on the type of services per geographical region		
Southern Africa		
Hospitals and complementary services	15 899	17 213
Healthcare services	1 346	1 259
International		
Diagnostic services	6 286	5 582
Healthcare services	1 535	1 349
Growth initiatives	320	269
Total revenue	25 386	25 672
Timing of revenue recognition		
Over time	13 471	14 306
At a point in time	11 915	11 366
Total revenue	25 386	25 672
Other income		
Other rental income	87	99
Other income ¹	88	133
Government assistance/support	33	–
Other income	208	232

¹ Comprises mainly of learning centre tuition and registration fees, Services Sector Education and Training authority (SETA) reimbursements and insurance receipts.

3. EMPLOYEE BENEFITS EXPENSE

	2020	2019
	R'm	R'm
Salaries	7 086	6 488
Long-term incentive schemes	89	21
Share-based payment – Life Healthcare employee share trust	54	58
Severance payments	2	1
Agency fees	1 303	1 384
Medical aid contributions	300	282
Pension fund costs – defined benefit and contribution plans	86	74
Provident fund costs – defined contribution plans	234	219
Social security costs	291	257
Other	89	76
	9 534	8 860

Includes executive directors' and prescribed officers' remuneration (refer note 27).

4. FAIR VALUE LOSS ON DERIVATIVE FINANCIAL INSTRUMENTS

Fair value loss on interest rate swap contracts	5	32
Fair value loss on the Max Healthcare foreign exchange option contracts	–	406
	5	438

5. FINANCE INCOME AND COST

Finance income	(93)	(60)
Interest revenue calculated using the effective interest rate method	(4)	(1)
Foreign exchange gains	(80)	(54)
Other	(9)	(5)
Finance cost	918	1 058
Interest-bearing borrowings and bank overdrafts	501	674
Interest rate swap contracts	40	16
Interest on lease liabilities	158	65
Borrowing cost capitalised ¹	(9)	(8)
Preference shares	29	142
Foreign exchange losses	56	66
Unwinding of contingent consideration	66	44
Other	77	59
Net finance cost	825	998

¹ The Group has used an average rate of 7.8% (2019: 8.7%) in determining the borrowing costs capitalised.

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6. PROFIT BEFORE TAX

	2020 R'm	2019 R'm
The following items have been included as part of other expenses in arriving at profit before tax:		
Lease rentals	131	297
Operating lease rentals (under IAS 17)	–	297
Expense relating to short-term leases	22	–
Expense relating to leases of low-value assets, not shown above as short-term leases	15	–
Expense relating to variable lease payments not included in lease liabilities	94	–
Auditors' remuneration	49	41
Total audit fees	47	34
Fees relating to non-audit services	2	7
Advertising and marketing expenses	86	34
Bad debts written off	141	97
Non-executive directors' emoluments (refer note 27)	7	6
Irrecoverable VAT (partial exemption) in international business	143	113
Insurance premiums	116	94
Motor vehicle expenses	26	26
Security costs	84	78
Subscriptions and publications costs	33	35
Training and conferences expenses	54	46
Travelling and accommodation expenses	44	53
Other ¹	430	395
	1 344	1 315

¹ Other comprise mainly of bank charges, refreshments, general expenses, quality costs and archive filing expenses.

7. TAX EXPENSE

Current income tax		
Current year	538	990
Prior year underprovision	41	25
Deferred income tax		
Origination and reversal of temporary differences	(64)	(270)
Prior year under/(over) provision	27	(5)
Withholding taxes	1	95
Total tax expense	543	835

Reconciliation of the tax rate

	%	%
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	(0.02)	(9.83)
Income not taxable – partnerships	(0.89)	(0.36)
Expenses not deductible – impairment of intangible assets and investment	27.48	0.28
Expenses not deductible – interest on preference shares	1.39	1.15
Expenses not deductible – interest on borrowings and acquisition costs	4.16	0.48
Expenses not deductible – retirement benefit revaluation	4.03	0.23
Other ²	3.18	(1.32)
Deferred tax through other comprehensive income	0.80	0.56
Prior year underprovision	8.13	0.81
Withholding taxes	0.20	2.57
Assessed losses previously not recognised	(1.84)	(1.67)
Effect of conversion of international tax rates to South Africa normal tax rate	18.87	1.62
Effective rate	93.49	22.52

² Other include various permanent differences in foreign tax jurisdictions and South Africa for which there are no corresponding tax allowances as well as learnership allowances.

The Group has raised deferred tax on estimated tax losses of R791 million (2019: R622 million) available to offset against future taxable income. Refer note 14. Tax losses of R228 million (2019: R64 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	
	2020	2019	2020	2019	2020	2019
EPS – basic	(93)	2 569	1 454 703	1 456 430	(6.4)	176.4
EPS – diluted	(93)	2 569	1 459 644	1 461 449	(6.4)	175.8
HEPS – basic	708	1 291	1 454 703	1 456 430	48.7	88.7
HEPS – diluted	708	1 291	1 459 644	1 461 449	48.5	88.4
Normalised EPS (NEPS) ¹	888	1 695	1 454 703	1 456 430	61.0	116.4

	Total dividend (R'm)		Total number of issued shares ('000)		Cents per share	
	2020	2019	2020	2019	2020	2019
DPS – ordinary shares						
– Final (previous financial year) ²	778	734	1 467 349	1 467 349	53	50
– Interim ³	–	587	1 467 349	1 467 349	–	40

¹ Non-IFRS measure.

² 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 2019, of 42.4 cents per ordinary share to those shareholders who are not exempt in terms of section 64F of the Income Tax Act.

³ The board of directors decided, considering the trading conditions during the year and in order to preserve cash, not to pay an interim dividend.

	2020		2019	
	Gross amount R'm	Net amount R'm	Gross amount R'm	Net amount R'm
Headline earnings reconciliation				
Loss/(profit) attributable to ordinary equity holders	(93)	(93)	2 569	2 569
Adjustments (net of tax):				
Impairment of assets and investments	798	798	164	140
Profit on disposal of investment in joint venture	–	–	(1 501)	(1 407)
Profit on disposal of investment in subsidiary	–	–	(11)	(11)
Loss on disposal of property, plant and equipment	6	3	–	–
Headline earnings	711	708	1 221	1 291

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

	2020 '000	2019 '000
Reconciliation between weighted average number of shares and diluted number of shares		
Issued ordinary shares – at the beginning of the year	1 467 349	1 467 349
Effect of treasury shares	(12 646)	(10 919)
Weighted average number of shares at the end of the year	1 454 703	1 456 430
Effect of dilutive potential ordinary shares – treasury shares	4 941	5 019
Diluted weighted average number of shares at the end of the year	1 459 644	1 461 449
Normalised earnings per share (NEPS)¹		
	R'm	R'm
Profit attributable to ordinary equity holders	(93)	2 569
Adjustments (net of tax and non-controlling interest)		
Retirement benefit asset and post-employment medical aid income	(23)	(28)
Fair value adjustments to contingent consideration	37	(2)
Fair value loss on the Max foreign exchange option contracts	–	292
Gain on derecognition of lease asset and liability	(50)	–
Impairment of assets and investments	798	140
Profit on disposal of investment in joint venture	–	(1 407)
Profit on disposal of investment in subsidiary	–	(11)
Loss on disposal of property, plant and equipment	3	–
Transaction costs relating to acquisitions and disposals	17	148
Other	–	30
Unwinding of contingent consideration	66	44
Deferred tax raised on unrecognised exchange gain on inter-company loan	133	–
Deferred tax raised on historical losses	–	(80)
Normalised earnings	888	1 695
NEPS (cents)	61.0	116.4

¹ Non-IFRS measure.

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 chief operating decision maker (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 (Alliance Medical) and healthcare services (Scanmed) across Europe and the United Kingdom.

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

Corporate is a non-operating segment.

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 (2019: R5 million) is eliminated and relates to revenue between Life Employee Health Solutions and the southern Africa business.

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

	2020 Reported R'm	Impact of IFRS 16 R'm	2020 Pre-IFRS 16 Pro forma R'm	2019 R'm
Revenue¹				
Southern Africa				
Hospitals and complementary services	15 899	–	15 899	17 213
Healthcare services	1 346	–	1 346	1 259
International				
Diagnostic services	6 286	–	6 286	5 582
Healthcare services	1 535	–	1 535	1 349
Growth initiatives	320	–	320	269
	25 386	–	25 386	25 672

¹ Revenue of approximately 31% (2019: 33%) is derived from two (2019: two) external customers. The revenue is attributed to the southern Africa segment.

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9. SEGMENT INFORMATION continued

	2020 Reported ³ R'm	Impact of IFRS 16 R'm	2020 Pre-IFRS 16 ³ Pro forma R'm	2019 R'm
Normalised EBITDA^{1,4}				
Southern Africa				
Hospitals and complementary services	2 583	(219)	2 364	3 933
Healthcare services	135	(1)	134	148
International				
Diagnostic services	1 311	(127)	1 184	1 253
Healthcare services	191	(51)	140	97
Growth initiatives	(60)	(4)	(64)	(25)
Corporate				
Recoveries	1 205	154	1 359	1 292
Corporate costs	(1 019)	–	(1 019)	(971)
	4 346	(248)	4 098	5 727
Depreciation				
Southern Africa				
Hospitals and complementary services	(636)	33	(603)	(576)
Healthcare services	(24)	5	(19)	(18)
International				
Diagnostic services	(732)	111	(621)	(521)
Healthcare services	(118)	46	(72)	(62)
Growth initiatives	(17)	3	(14)	(10)
Corporate	(67)	10	(57)	(49)
	(1 594)	208	(1 386)	(1 236)
EBITA^{2,4}				
Southern Africa				
Hospitals and complementary services	1 947	(186)	1 761	3 357
Healthcare services	111	4	115	130
International				
Diagnostic services	579	(16)	563	732
Healthcare services	73	(5)	68	35
Growth initiatives	(77)	(1)	(78)	(35)
Corporate	119	164	283	272
	2 752	(40)	2 712	4 491
Amortisation of intangible assets				
Southern Africa				
Hospitals and complementary services	(64)	–	(64)	(110)
International				
Diagnostic services	(466)	–	(466)	(411)
Healthcare services	(14)	–	(14)	(17)
Growth initiatives	(20)	–	(20)	(18)
Corporate	(40)	–	(40)	(30)
	(604)	–	(604)	(586)

¹ Normalised EBITDA is defined as operating profit before depreciation on property, plant and equipment, amortisation of intangible assets and non-trading-related costs or income.

² EBITA is defined as normalised EBITDA less depreciation.

³ Difference between reported and pre-IFRS 16 totals relate to impact of IFRS 16, which is a once-off adjustment in FY2020.

⁴ Non-IFRS measure.

9. SEGMENT INFORMATION continued

	2020 Reported ¹ R'm	Impact of IFRS 16 R'm	2020 Pre-IFRS 16 ¹ Pro forma R'm	2019 R'm
Operating profit before items detailed below²				
Southern Africa				
Hospitals and complementary services	1 883	(186)	1 697	3 247
Healthcare services	111	4	115	130
International				
Diagnostic services	113	(16)	97	321
Healthcare services	59	(5)	54	18
Growth initiatives	(97)	(1)	(98)	(53)
Corporate	79	164	243	242
	2 148	(40)	2 108	3 905
Retirement benefit asset and post-employment medical aid income	32	-	32	39
Operating profit	2 180	(40)	2 140	3 944
Fair value adjustments to contingent consideration	(37)	-	(37)	2
Fair value loss on derivative financial instruments	(5)	-	(5)	(438)
Gain on derecognition of lease asset and liability	75	-	75	-
Impairment of assets and investments (refer note 11)	(798)	-	(798)	(164)
Profit on disposal of investment in joint venture	-	-	-	1 501
Profit on disposal of investment in subsidiary	-	-	-	11
Loss on disposal of property, plant and equipment	(6)	-	(6)	-
Transaction costs relating to acquisitions and disposals	(17)	-	(17)	(148)
Other	-	-	-	(22)
Finance income	93	-	93	60
Finance cost	(918)	65	(853)	(1 058)
Share of associates' and joint ventures' net profit after tax	14	-	14	18
Profit before tax	581	25	606	3 706

¹ Difference between reported and pre-IFRS 16 totals relate to impact of IFRS 16, which is a once-off adjustment in FY2020.

² Operating profit before items detailed includes the segment's share of shared services and rental costs. These costs are all at market-related rates.

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9. SEGMENT INFORMATION continued

	2020 Reported ² R'm	Impact of IFRS 16 R'm	2020 Pre-IFRS 16 ² Pro forma R'm	2019 R'm
Total assets before items detailed below				
Southern Africa	14 659	(488)	14 171	13 550
International	26 332	(976)	25 356	22 342
	40 991	(1 464)	39 527	35 892
Employee benefit assets	379	–	379	448
Deferred tax assets	1 162	–	1 162	1 102
Income tax receivable	173	–	173	124
Total assets per the balance sheet	42 705	(1 464)	41 241	37 566
Net debt^{1 3}				
Southern Africa	5 366	(558)	4 808	4 481
International	8 750	(1 011)	7 739	6 837
	14 116	(1 569)	12 547	11 318
Cash and cash equivalents (net of bank overdrafts)				
Southern Africa	(1 463)	–	(1 463)	(141)
International	1 561	–	1 561	818
	98	–	98	677

¹ Net debt is a key measure for the Group, which comprises all interest-bearing borrowings, overdraft balances and cash on hand.

² Difference between reported and pre-IFRS 16 totals relate to the impact of IFRS 16, which is a once-off adjustment.

³ Non-IFRS measure.

Pro forma information

The adoption of IFRS 16 from 1 October 2019 complicates performance comparison between the results for the year and the prior financial year. To provide a more meaningful assessment of the Group's performance, pro forma information has been presented for the year ended 30 September 2020. The pro forma financial information has been prepared for illustrative purposes and represents the impact on segmental information for FY2020 as if IFRS 16 had not been applied at 1 October 2019. This is a once-off adjustment in FY2020.

The tables on pages 35 to 38 show the impact of IFRS 16 on the numbers disclosed on the segmental statement of profit or loss, total assets and net debt as at 30 September 2020. IFRS 16 balances have been removed from the reported figures in order to determine the pro forma figures to enable a like-for-like comparison to FY2019 where IFRS 16 had not been applied.

10. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings – owned R'm	Fixed property leased R'm	Improvements to right-of-use assets R'm	Medical equipment R'm	Motor vehicles and other equip- ment R'm	Right-of-use assets R'm	Assets under construction R'm	Total R'm
Carrying value at 1 October 2019	6 232	449	1 129	3 772	608	–	739	12 929
Adjustment as a result of adopting IFRS 16 ¹	(108)	(448)	(25)	(882)	(74)	2 823	–	1 286
Additions	237	–	55	495	103	346	668	1 904
Arising on acquisition of subsidiaries	–	–	–	3	–	–	–	3
Disposals, scrapplings or derecognitions	(1)	–	(4)	(4)	(13)	(98)	–	(120)
Transfers	455	–	(59)	493	110	–	(999)	–
Borrowing costs capitalised	8	–	–	–	–	–	–	8
Depreciation	(202)	–	(144)	(725)	(156)	(367)	–	(1 594)
Effect of foreign currency movement	90	(1)	159	227	24	373	73	945
Carrying value at 30 September 2020	6 711	–	1 111	3 379	602	3 077	481	15 361
Comprising:								
Cost	8 703	–	2 403	9 337	1 735	4 643	481	27 302
Accumulated depreciation and impairment losses	(1 992)	–	(1 292)	(5 958)	(1 133)	(1 566)	–	(11 941)
	6 711	–	1 111	3 379	602	3 077	481	15 361
Carrying value at 1 October 2018	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, scrapplings or derecognitions	–	–	–	(8)	(15)	–	–	(23)
Transfers	308	(1)	149	498	126	–	(1 080)	–
Borrowing costs capitalised	7	–	–	–	–	–	–	7
Depreciation	(168)	(27)	(145)	(729)	(167)	–	–	(1 236)
Impairment loss (refer note 11)	–	(103)	–	–	–	–	–	(103)
Effect of foreign currency movement	(1)	–	10	23	9	–	6	47
Carrying value at 30 September 2019	6 232	449	1 129	3 772	608	–	739	12 929
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)
	6 232	449	1 129	3 772	608	–	739	12 929

¹ Refer annexure A – note 1.15

Refer note 20 for carrying amounts of assets held as security for interest-bearing borrowings.

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10. PROPERTY, PLANT AND EQUIPMENT continued

Additional information on leases

	2020 R'm
Right-of-use assets	
Land and buildings	2 083
Medical equipment	921
Motor vehicles and other equipment	73
	3 077
Depreciation charge of right-of-use assets	
Land and buildings	(223)
Medical equipment	(123)
Motor vehicles and other equipment	(21)
	(367)

- The total cash outflow for leases in 2020 – refer note 20
- Interest on lease liabilities – refer to note 5
- Lease expenses recognised in profit or loss – refer to note 6
- Lease liabilities – refer to note 20

Fixed asset register

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.

11. INTANGIBLE ASSETS

	Computer software R'm	Goodwill R'm	Customer relations R'm	Brand name R'm	Intel- lectual property R'm	Hospital licences R'm	Other intan- gible assets R'm	Total R'm
Carrying value at 1 October 2019	305	13 140	2 804	118	439	129	34	16 969
Additions	99	–	–	–	37	–	–	136
Arising on acquisition of subsidiaries	–	12	–	–	–	–	–	12
Disposals or scrapings	(1)	–	–	–	–	–	–	(1)
Transfer	2	–	–	–	(2)	–	–	–
Amortisation	(77)	–	(459)	(14)	(20)	(34)	–	(604)
Borrowing costs capitalised	1	–	–	–	–	–	–	1
Impairment loss ¹	(5)	(793)	–	–	–	–	–	(798)
Effect of foreign currency movement	12	1 956	440	19	91	–	5	2 523
Carrying value at 30 September 2020	336	14 315	2 785	123	545	95	39	18 238
Comprising:								
Cost	822	15 849	5 417	176	593	829	39	23 725
Accumulated amortisation and impairment losses	(486)	(1 534)	(2 632)	(53)	(48)	(734)	–	(5 487)
	336	14 315	2 785	123	545	95	39	18 238

¹ Refer page 41, footnotes 1 and 2.

11. INTANGIBLE ASSETS continued

	Computer software R'm	Goodwill R'm	Customer relations R'm	Brand name R'm	Intel-lectual property R'm	Hospital licences R'm	Other intan- gible assets R'm	Total R'm
Carrying value at 1 October 2018	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	–	(92)	–	–	93	–	–	1
Amortisation	(62)	–	(441)	(12)	(18)	(53)	–	(586)
Borrowing costs capitalised	2	–	–	–	–	–	–	2
Impairment loss ^{1,2}	(61)	–	–	–	–	–	–	(61)
Effect of foreign currency movement	1	107	26	2	11	–	–	147
Carrying value at 30 September 2019	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

Impairment in southern Africa

¹ Software development costs of R5 million (2019: R39 million), that did not meet business requirements were fully impaired.

Impairment in Poland

² The Group restarted the Scanned disposal process during September 2020, and received an offer during November 2020 to dispose of its Polish operation. With the receipt of the offer, the Group considered it prudent and appropriate to impair the carrying value at 30 September 2020. The impairment for the year amounted to R793 million, which was allocated to the assets disclosed below. Refer 1.2.2 – critical accounting estimates and assumptions. An impairment of R125 million was recognised in the prior year.

	2020 R'm	2019 R'm
Goodwill	793	–
Fixed property leased (refer note 10)	–	103
Computer software	–	22
	2020 R'm	2019 R'm
Goodwill impairment testing		
Goodwill has been allocated to the CGUs ³ for impairment testing as follows:		
Southern Africa		
Hospitals and complementary services	1 031	1 031
Healthcare services	234	234
International		
Diagnostic services	12 596	10 758
Healthcare services	266	960
Growth initiatives	188	157
	14 315	13 140

³ 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.

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12. INVESTMENT IN ASSOCIATES AND JOINT VENTURES

	2020 R'm	2019 R'm
Unlisted ordinary shares		
Balance at 1 October	53	35
Share of net profit after tax	14	18
Share of current year profit before tax	14	19
Share of current year tax	–	(1)
Dividends declared by associates and joint ventures	(6)	–
Capital distributions	(6)	(5)
Effect of foreign currency movement	10	5
Balance at 30 September	65	53

Refer annexure C – associate undertakings.

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

	Associates		Joint ventures	
	2020 R'm	2019 R'm	2020 R'm	2019 R'm
Carrying amount	–	–	14	12
Group's share of profit after tax	4	4	10	14

The aggregate post-acquisition reserves (adjusted for the Group's ownership) for associates and joint ventures are R48 million (2019: R10 million loss).

13. EMPLOYEE BENEFIT ASSETS AND LIABILITIES

	2020 R'm	2019 R'm
Retirement benefit asset	315	304
Employer surplus asset	56	136
Post-employment medical aid asset	16	16
Post-employment medical aid obligation	(8)	(8)
	379	448
Employee benefit liabilities		
Trattamento di Fine Rapporto (TFR) retirement benefit obligation	161	130

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
Fund description	Closed fund	Dormant	Active	Active	Dormant	Dormant
Classification	Defined benefit	Defined benefit	Defined contribution provident fund	Defined contribution pension fund	Defined benefit	Defined benefit

13. EMPLOYEE BENEFIT ASSETS AND LIABILITIES continued

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.

On 2 May 2019 approval was obtained from the Financial Sector Conduct Authority to transfer R166 million to the Employer Surplus Account (ESA) of the Life Healthcare Provident Fund with the effective date of transfer set as 31 January 2019. Life Healthcare has taken 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 the next remaining 5 months from 30 September 2020.

Pension funds

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

	Life Healthcare DB Pension Fund (LHC Fund)		Lifecare Group Holdings Pension Fund	
	2020 %	2019 %	2020 %	2019 %
Discount rate	11.3	9.64	3.9	7.50
CPI	6.23	6.07	2.40	4.10
Expected long-term investment return	11.3	9.64	3.9	7.50
Compensation increase rate	7.23	7.07	n/a	n/a
Pension increase rate	6.23¹	6.07 ¹	n/a	n/a
Rates of mortality	0.50²	0.50 ²	n/a	n/a

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.

¹ 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.

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

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 2019. The next statutory valuation report is currently being prepared for the valuation date ended 31 March 2022.

The main risk 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:

- Reduction in asset values and/or 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
- Cost increases resulting from unexpected legislation and tax changes

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.

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	6	-
Benefit payments	(23)	(4)
Expenses	(2)	(1)
Risk premiums	(1)	-
The weighted average duration (years)	10.9	-

An employer contribution rate of 22.73% was recommended in the interim actuarial valuation as at 30 June 2019. The employer contribution rate is fully funded from the employer-owned surplus within the Life Healthcare DB Pension Fund. The employer elected to take a full contribution holiday with effect from 1 December 2016.

Sensitivity analysis

	2020		2019	
	Increase R'm	Decrease R'm	Increase R'm	Decrease R'm
1% movement in the key assumptions:				
Life Healthcare DB Pension Fund				
Effect on the defined benefit obligation				
Discount rate	(29)	+31	(36)	+47
Inflation rate	+27	(26)	+42	(32)
Pension increase rate	- ¹	(30)	- ¹	(32)
Mortality rate	(11)	+9	(14)	+12

¹ 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 2018 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.

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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 accordingly limited disclosure is provided below.

	TFR scheme	
	2020 %	2019 %
Actuarial assumptions applied in the valuation of the unfunded liability:		
Discount rate for liabilities	0.7	0.8
Inflation rate	1.2	1.5
Future salary increases	1.0	1.0
Future pension increases	2.4	2.6
	2020 R'm	2019 R'm
Reconciliation of the unfunded liability		
Balance at 1 October	(130)	(111)
Service costs	(15)	(10)
Interest cost	(1)	(2)
Remeasurements	4	(8)
Contributions	-	(2)
Benefits paid	8	4
Effect of foreign currency movement	(27)	(1)
Balance at 30 September	(161)	(130)

Sensitivity analysis

	2020		2019	
	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	(4)	+2	(3)	+4
Inflation rate	+1	(3)	+3	(3)
Future salary increases	-	(5)	+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 7 (2019: 8) employees and 33 (2019: 34) 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.

13. EMPLOYEE BENEFIT ASSETS continued

	Post-employment medical aid benefit			
	2020 %	2019 %		
The following actuarial assumptions were applied:				
Discount rate	10.80	9.50		
CPI	6.00	5.40		
Expected return on assets	10.80	9.50		
Healthcare cost inflation	8.00	7.40		
The Group's obligation in respect of post-employment medical aid benefit is tabled below:				
	2020 R'm	2019 R'm		
Defined benefit fund asset				
Balance at 1 October	8	8		
Net periodic income				
Net interest income	1	1		
Remeasurement recognised in other comprehensive income				
Loss on benefit payments from plan assets	(1)	(1)		
Balance at 30 September	8	8		
Actual value of defined benefit liability and funded status				
Present value of defined benefit obligation	(8)	(8)		
Asset at fair market value	16	16		
Funded status	8	8		
Asset recognised in the statement of financial position	8	8		
Sensitivity analysis				
	2020		2019	
1% movement in the key assumptions:	Increase R'm	Decrease R'm	Increase R'm	Decrease R'm
Effect on the defined benefit obligation				
Healthcare cost inflation rate	+9	(7)	+9	(8)
Discount rate	(7)	+9	(8)	+9

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14. DEFERRED INCOME TAX

	2020 R'm	2019 R'm
Deferred tax comprises:		
Deferred tax assets	1 162	1 102
Deferred tax liabilities	(1 450)	(1 371)
	(288)	(269)
The movement in the deferred tax account is as follows:		
Balance at 1 October	(270)	(526)
Adjustment upon adoption of IFRS 9	-	(5)
Arising on acquisition of subsidiaries	-	(15)
Disposal of subsidiary	-	(15)
Effect of foreign currency movement	(60)	(3)
Current year charge through profit or loss	37	275
Current year charge through other comprehensive income	5	20
Carrying amount at 30 September	(288)	(269)
Deferred income tax assets and liabilities attributable to the following items:		
Employee benefit liabilities	201	154
Other liabilities	(126)	54
Provision for expected credit losses	33	15
Share-based payment liability	23	10
Accelerated wear and tear for tax purposes on property, plant and equipment	(122)	(52)
Tax loss carried forward	229	168
Leases	118	55
Credit balances in trade receivables	26	25
Prepaid expenses	(39)	(30)
Intangible assets on acquisition of subsidiaries	(534)	(546)
Retirement benefit asset	(106)	(126)
Derivative financial instruments	9	4
	(288)	(269)

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

	Deferred tax assets		Deferred tax liabilities	
	2020 R'm	2019 R'm	2020 R'm	2019 R'm
Within 12 months	158	258	(39)	(30)
After more than 12 months	356	227	(763)	(724)
	514	485	(802)	(754)

Budgets and forecasts were used to assess the recoverability of deferred tax assets.

The Group has tax losses of R687 million (2019: R757 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

	2020 R'm	2019 R'm
Bank accounts and petty cash	2 145	1 385
Short-term money market instruments	134	159
Cash and cash equivalents	2 279	1 544
Bank overdrafts	(2 181)	(867)
Cash and cash equivalents as per the statement of cash flows	98	677

The cash at bank and deposits are on call, immediately available and consist of money market call deposits and short-term money market instruments.

Overdraft facilities within the Group are secured by means of cross sureties by certain Group companies.

Cash and cash equivalents includes R26 million (2019: R22 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.

While cash and cash equivalents 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.

16. TRADE AND OTHER RECEIVABLES

	2020 R'm	2019 R'm
Trade receivables	3 616	3 332
Less: Provision for expected credit losses	(403)	(220)
Net trade receivables	3 213	3 112
Other receivables ^{1, 3}	601	635
Prepaid expenses	232	176
Balance at 30 September	4 046	3 923
Reconciliation of provision for expected credit losses²		
Balance at 1 October	(220)	(239)
Adjustment upon adoption of IFRS 9	-	20
Restated balance at 1 October	(220)	(219)
Recovery of amounts previously provided for	4	-
Expected credit losses raised	(186)	(19)
Debt written off	33	18
Effect of foreign currency movement	(34)	-
Balance at 30 September	(403)	(220)

¹ While other receivables 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.

² Refer note 31 – risk management (credit risk).

³ Other receivables consist of a number of insignificant balances. The largest balance relates to accrued income relating to the international operations.

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 20.

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for the year ended 30 September 2020

17. INVENTORIES

	2020 R'm	2019 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)	873¹	379
"Drugs and consumables" represents the cost of inventories recorded as an expense in the statement of profit or 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:	11	10
<i>¹ Increased mainly due to purchases of personal protective equipment during the current year. The balance at 30 September 2020 amounted to R317 million.</i>		
18. STATED CAPITAL		
Stated capital comprises:		
Share capital	10 507	10 507
Share premium	3 373	3 373
Treasury shares	(349)	(365)
	13 531	13 515
Reconciliation of number of shares		
Ordinary shares	'000	'000
Authorised (Share capital of R0.000001 each)	4 149 980	4 149 980
Total value = R4 149 (2019: R4 149)		
Issued and fully paid:		
Balance at 30 September	1 467 349	1 467 349
Total value = R1 467 (2019: R1 467)		

18. STATED CAPITAL continued

	Number of shares		Value of shares	
	2020 '000	2019 '000	2020 R'm	2019 R'm
Treasury shares				
Balance at 1 October	12 856	11 782	(365)	(370)
Granted	2 536	3 284	(44)	(72)
Forfeited	(112)	(17)	3	1
Transferred	112	–	(3)	–
Exercised	–	(14)	–	1
Vested	(1 779)	(2 179)	60	75
Balance at 30 September	13 613	12 856	(349)	(365)

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 19.

19. OTHER RESERVES

	2020 R'm	2019 R'm
Life Healthcare employee share trust	137	130
Long-term incentive schemes	79	54
Transactions with non-controlling interest reserve	(959)	(851)
Other ¹	(44)	(31)
	(787)	(698)

¹ Comprise distributable reserves and retirement benefit asset and post-employment medical aid reserves.

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19. OTHER RESERVES continued Terms and conditions

	Life Healthcare employee share trust	Long-term incentive scheme – 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 CEO to own unencumbered shares in the Company. In terms of this arrangement the Company matched a maximum investment of R5 million by the CEO (previous CEO: R3 million) in Life Healthcare with a share purchase to a maximum value of R15 million (previous CEO: R9 million) in the market at the ruling market price. The Company matched shares are purchased upfront. The qualifying employee has six months to complete their purchase.
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 scheme are beneficiaries of the trust and participate in the scheme. Voting rights and dividends vest with the qualifying employees.	Available to 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.	<p>The shares will vest in equal tranches on 31 December 2023, 31 December 2024 and 31 December 2025 respectively and are subject to the following conditions:</p> <ul style="list-style-type: none"> ■ Growth on total shareholder return (TSR) over predetermined thresholds relative to the TSR of listed comparator groups <ul style="list-style-type: none"> — In the case of unusual market conditions, the vesting will be subject to board discretion ■ The employee will be required to retain a level of investment in Company shares of at least the initial investment over the vesting period <p>Previous CEO</p> <ul style="list-style-type: none"> ■ The vesting of the shares was subject to continued employment, vesting in equal tranches on 1 February 2019, 1 February 2020 and 1 February 2021 respectively.
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.
2019 granted shares	3 000 462 shares at R21.55	–
2020 granted shares	1 166 917 shares at R17.14	862 706 at R17.39 (existing CEO)
Forfeited (number of shares)	n/a	112 365 (previous CEO)
Exercised (number of shares)	n/a	n/a
Vested (number of shares)	1 666 859 ¹	112 365 (previous CEO)
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.	

¹ Relates to shares vested and shares transferred to good leavers.

Long-term incentive scheme – CFO**Long-term incentive scheme – southern Africa CEO and international CEO**

An equity-settled scheme

An equity-settled scheme

The board wanted the CFO to own unencumbered shares in the Company. In terms of this arrangement the Company matched a maximum investment of R2 million by the CFO in Life Healthcare with a share purchase to a maximum value of R6 million in the market at the ruling market price. The Company matched shares are purchased upfront. The qualifying employee has six months to complete their purchase.

The board wanted the SA and international CEOs to own unencumbered shares in the Company. In terms of this arrangement the Company bought shares to the value of R1.5 million for the SA CEO and shares to the value of GBP165 000 for the international CEO. The number of shares acquired for the scheme is limited to the value as approved by the Group's remuneration and human resources committee.

Available to CFO

Available to southern Africa and international CEOs

The shares will vest in equal tranches on 31 December 2023, 31 December 2024 and 31 December 2025 respectively and are subject to the following conditions:

- Growth on TSR over predetermined thresholds relative to the TSR of listed comparator groups
 - In the case of unusual market conditions, the vesting will be subject to board discretion
- The employee will be required to retain a level of investment in Company shares of at least the initial investment over the vesting period

SA CEO

- The vesting of these shares is subject to continued employment and will vest on 31 March 2021.

International CFO

- These shares will vest on 30 September 2021 and are conditional on achievement of performance conditions; such as to achieve key strategic objectives in growing the international business.

Shares

Shares

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.

If the employees leave, other than as a good leaver, the shares will be forfeited.

–

–

350 000 at R17.11

268 377 at R21.97

n/a

n/a

n/a

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.

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19. OTHER RESERVES continued

Terms and conditions continued

Long term incentive scheme effective from 2015

Type	An equity-settled performance share scheme
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 traded price (VWAP).
Qualifying employees	Available to all executives and senior managers in southern Africa.
Vesting requirements	<p>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:</p> <ul style="list-style-type: none"> ■ 50% weighting: CEO and CFO: HEPS compared to CPI plus a percentage with a hurdle rate of minimum growth of CPI + 1% in HEPS for the award vested; Other executives and senior managers: 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 ■ 50% weighting: Growth on TSR over predetermined thresholds relative to the TSR of a comparator group of listed companies.
Method of settlement	Shares
Leavers	<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"> ■ Good leavers with a date of termination of employment: <ul style="list-style-type: none"> — 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
2019 granted shares	n/a
2020 granted shares	n/a
Forfeited (number of shares)	n/a
Exercised (number of shares)	n/a
Vested (number of shares)	Life Healthcare shares are purchased and distributed on vesting date
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.

Long term incentive scheme effective from 2019

An equity-settled performance share scheme

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.

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 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.

Available to all executives and senior managers in southern Africa.

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:

Group executives:

- Capital efficiency (40% weighting)
- Normalised Group HEPS (40% weighting)
- Life core purposes outcome (20% weighting)

Country executives and Group senior managers:

- Capital efficiency (2020: 35% weighting, 2019: 30% weighting)
- Normalised country EBIT (2020: 35% weighting, 2019: 30% weighting)
- Life core purposes outcome (2020: 30% weighting, 2019: 40% weighting)

Other senior managers:

- Capital efficiency (2020: 20% weighting, 2019: 15% weighting)
- Normalised country EBIT (2020: 40% weighting, 2019: 35% weighting)
- Life core purposes outcome (2020: 40% weighting, 2019: 50% weighting)

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 is based on country-specific non-financial measures that drive long-term sustainability of the Group.

Shares

If a participant ceases to be employed by the Group prior to the vesting of the grant, 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:
 - 2019 scheme: will result in all notional performance shares held by the participant being forfeited and cancelled for no consideration;
 - 2020 scheme: the participant shall retain a pro rata number of notional performance shares based on number of months completed service relative to the vesting period of 36 months, the balance of notional performance shares shall be 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 (2019 and 2020 schemes).
- 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. (2019 and 2020 schemes)

Life Healthcare shares will be purchased on vesting date

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.

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20. INTEREST-BEARING BORROWINGS

	2020		2019	
	Non-current portion R'm	Current portion R'm	Non-current portion R'm	Current portion R'm
Unsecured borrowings				
Bilateral term loans	1 325	957	2 237	531
Syndicated term loans	7 056	–	5 485	–
Bank loan	15	4	12	4
Life Healthcare Multi-Issuer programme notes	–	598	–	850
Preference shares	500	–	500	–
Secured borrowings				
Equipment instalment sale	–	–	–	5
Mortgage bonds	34	15	49	14
Bank loans	–	65	–	152
Term loans	1	2	11	13
Revolving credit facility	738	–	–	705
Lease liabilities (2019: finance leases)	2 365	539	1 105	322
Total borrowings – 30 September	12 034	2 180	9 399	2 596

Terms and repayment schedule

	Interest rate at 30 September	Repayment terms ⁴	Date of maturity/final settlement	Carrying value 2020 R'm	Carrying value 2019 R'm
Bilateral term loans					
Southern Africa					
Term loan one	3-month JIBAR plus 1.65% ¹	Eight equal quarterly instalments of R50 million, payable from 30 September 2018	15 May 2020	–	150
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
Term loan three	3-month JIBAR plus 2.14% ²	Six equal semi-annual instalments of R125 million, payable from 30 June 2019	17 Mar 2022	375	625
Term loan four	3-month JIBAR plus 1.55% ³	Five equal semi-annual instalments of R200 million, payable from 30 September 2021	27 Sep 2023	1 000	1 000
Term loan five	3-month JIBAR plus 1.59%	Five equal semi-annual instalments of R100 million, payable from 30 September 2021	27 Sep 2023	500	500

20. INTEREST-BEARING BORROWINGS continued

	Interest rate at 30 September	Repayment terms ⁴	Date of maturity/final settlement	Carrying value 2020 R'm	Carrying value 2019 R'm
Polish					
Term loan one	3-month WIBOR plus 2.04%	Single instalment	18 Dec 2020	407	362
Syndicated term loans					
United Kingdom					
Term loan A1	3-month LIBOR plus 1.80% ¹ (2019: 2.20%)	Single instalment	31 Mar 2023 (2019: 22 Nov 2020)	1 953	1 160
Term loan A2	3-month LIBOR plus 2.00 % ¹ (2019: 2.50%)	Single instalment	31 Mar 2025 (2019: 22 Nov 2022)	1 953	1 160
Term loan B1	3-month EURIBOR plus 1.70% ¹ (2019: 2.00%)	Single instalment	31 Mar 2023 (2019: 22 Nov 2020)	1 358	1 133
Term loan B2	3-month EURIBOR plus 1.90% ¹ (2019: 2.30%)	Single instalment	31 Mar 2025 (2019: 22 Nov 2022)	1 358	1 133
Term loan C	3-month LIBOR plus 1.70% ¹ (2019: 2.35%)	Single instalment	31 Mar 2025 (2019: 22 Nov 2022)	434	899
Bank loan	1.00% – 3.17%	Monthly/quarterly instalments	31 April 2031	19	16
Life Healthcare					
Multi-Issuer programme notes					
Note one	3-month JIBAR plus 0.725%	Single instalment	16 Oct 2019	–	250
Note two	3-month JIBAR plus 0.735%	Single instalment	28 Nov 2019	–	200
Note three	3-month JIBAR plus 0.715%	Single instalment	2 Mar 2020	–	400
Note four	3-month JIBAR plus 0.750%	Single instalment	15 Oct 2020	243	–
Note five	3-month JIBAR plus 1.200%	Single instalment	17 Nov 2020	80	–
Note six	3-month JIBAR plus 1.700%	Single instalment	8 Jun 2021	275	–
Preference shares					
Class E	72% of 3-month JIBAR plus 1.60%	Single instalment	30 Mar 2022	500	500
Unsecured borrowings				10 455	9 619

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20. INTEREST-BEARING BORROWINGS continued

Terms and repayment schedule continued

	Interest rate at 30 September	Repayment terms ⁴	Date of maturity/final settlement	Carrying value 2020 R'm	Carrying value 2019 R'm
Equipment instalment sale	Botswana prime less 0.25%	60 equal monthly instalments of R0.4 million	31 Jul 2020	-	5
Mortgage bonds	1-month JIBAR plus 2.65%	120 equal monthly instalments of R1.5 million	30 Sep 2023	49	63
Bank loans (trade receivable subject to factoring arrangement refer note 16)	1-month EURIBOR + 1.30% (2019: 1.40%) or 1-month LIBOR + 1.75%	Payable as cash is received from debtors	Overarching agreement ends August 2021	65	152
Term loans in Polish operations	1-month WIBOR plus 1.0%	Monthly instalments of R0.1 million	24 Sep 2022	3	24
Revolving credit facilities					
Credit facility (EUR facility)	3-month EURIBOR plus 1.35%	Single instalment	10 Dec 2021	738	616
Alliance Medical (GBP facility)	LIBOR + 3.75%	n/a	Rolling credit agreement of maximum 3 months.	-	31
Alliance Medical (EUR facility)	EURIBOR + 3.75%	n/a	Overarching agreement ends August 2021	-	58
Lease liabilities (2019: finance leases)					
Southern Africa (property, equipment and other)	7.0%-18.0%	Repayable in monthly instalments over 1 to 20 years ending Oct 2039.		881	515
Alliance Medical (property, equipment and other)	0.0%-6.67%	Repayable in either quarterly or monthly instalments over 1 to 22 years ending Sep 2042.		1 495	660
Polish (property, equipment and other)	3-month WIBOR plus 3.76% or 3.77%	Repayable in monthly instalments over 1 to 18 years ending June 2038.		528	252
Secured borrowings				3 759	2 376
Total borrowings				14 214	11 995

20. INTEREST-BEARING BORROWINGS continued
Terms and repayment schedule continued

	Carrying value 2020 R'm	Carrying value 2019 R'm
The interest-bearing borrowings carrying amount is denominated in the following currencies:		
South African rand	3 723	4 194
Botswana pula	180	145
Pound sterling	5 268	3 972
European euro	4 105	3 046
Polish zloty	938	638
	14 214	11 995

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

¹ – If the net debt to normalised EBITDA ratio is higher than 3.00:1, then the interest rate margin shall increase by 0.25%.

² – 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.

– 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.

– 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.

– 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.

³ – If the net debt to normalised EBITDA ratio is at or less than 2.50:1, then the interest rate margin shall be 1.55% for term loan four.

– If the net debt to normalised EBITDA ratio is higher than 2.50:1 and less than or equal to 3.00:1, then the interest rate margin shall be 2.05% for term loan four.

– If the net debt to normalised EBITDA ratio is higher than 3.00:1 and less than or equal to 3.50:1, then the interest rate margin shall be 2.30% for term loan four.

– If the net debt to normalised EBITDA ratio is higher than 3.50:1, then the interest rate margin shall be 2.55% for term loan four.

⁴ The final capital repayment date is stipulated in the funding agreement and may differ slightly from the instalment dates.

	Bank loans 2020 R'm	Preference shares 2020 R'm	Lease liabilities 2020 R'm	Bank loans 2019 R'm	Preference shares 2019 R'm	Finance leases 2019 R'm
Reconciliation of opening balance to closing balance						
Balance at 1 October	10 068	500	1 427	11 752	2 700	1 504
Cash flow movements						
Proceeds from interest-bearing borrowings	12 505	–	261	5 285	500	211
Repayment of interest-bearing borrowings	(12 952)	–	(573)	(7 048)	(2 700)	(304)
Interest paid	(427)	(29)	(159)	(576)	(143)	(115)
Debt raising fees capitalised	(43)	–	–	–	–	–
Non-cash items						
Interest accrued	427	29	159	576	143	115
Recognised on 1 October 2019 as a result of adopting IFRS 16	–	–	1 292	–	–	–
Additional lease liabilities recognised	–	–	355	–	–	3
Derecognition of lease liability	–	–	(173)	–	–	–
Arising on acquisition of subsidiaries	–	–	–	–	–	4
Amortisation of debt raising fees capitalised	45	–	–	20	–	–
Effect of foreign currency movement	1 187	–	315	59	–	9
Balance at 30 September	10 810	500	2 904	10 068	500	1 427

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20. INTEREST-BEARING BORROWINGS continued

	Receivables		Property, plant and equipment	
	2020 R'm	2019 R'm	2020 R'm	2019 R'm
Carrying value of assets held as security for borrowings				
Equipment instalment sale	–	–	–	12
Mortgage bonds	–	–	106	115
Bank loans	311	359	–	–
Term loans in Polish operations	–	–	25	102
Revolving credit facility (Alliance Medical – secured against gross assets)	–	–	2 125	1 727
Lease liabilities (2019: Finance leases)	–	–	3 077	1 598
Total	311	359	5 333	3 554

	Future minimum lease payments		Interest		Present value of future finance lease payments	
	2020 R'm	2019 R'm	2020 R'm	2019 R'm	2020 R'm	2019 R'm
Finance lease liabilities						
Within one year		423		101		322
Between one and five years	n/a ¹	1 079	n/a ¹	247	n/a ¹	832
Later than five years		419		146		273
Total	–	1 921	–	494	–	1 427

¹ Disclosed as part of risk management – refer note 31.**Borrowing facilities**

	Total 2020 R'm	Available 2020 R'm	Total 2019 R'm	Available 2019 R'm
The Group has the following borrowing facilities:				
Southern Africa				
Uncommitted revolving credit facility	–	–	2 000	2 000
Committed general banking facilities*	4 000	2 319	1 500	633
Committed trade loan facility	650	650	–	–
Uncommitted general banking facilities	1 250	750	500	500
International				
Committed GBP revolving credit facility	2 290	1 853	1 961	968
Committed EUR revolving credit facility	993	255	829	213
Committed working capital facility (zloty)	44	44	21	21
Committed leasing facility (GBP)	654	143	560	46
Factoring facility (GBP and EUR)	333	268	284	132
	10 214	6 282	7 655	4 513

* Fluctuates seasonally.

21. TRADE AND OTHER PAYABLES

	2020 R'm	2019 R'm
Under current liabilities:		
Trade payables	1 858	1 631
Accruals	1 468	1 590
Employee-related payables	1 152	943
Value added tax	218	102
Deferred income	15	44
Other payables ¹	435	353
Balance at 30 September	5 146	4 663
Under non-current liabilities:		
Accruals	45	–
Employee-related payables	11	7
Deferred income	3	17
Other payables	30	27
	89	51

¹ The largest balance included in other payables relates to debtors balances in credit.

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 payable in November.

22. PROVISIONS

	Property and operational related R'm	Employee related R'm	Total R'm
Balance at 1 October 2019	199	6	205
Raised during the year	101	25	126
Utilised during the year	(55)	–	(55)
Effect of foreign currency movement	19	3	22
Balance at 30 September 2020	264	34	298
Included under non-current liabilities	83	34	117
Included under current liabilities	181	–	181
	264	34	298
Balance at 1 October 2018	177	–	177
Raised during the year	89	6	95
Utilised during the year	(61)	–	(61)
Effect of foreign currency movement	(6)	–	(6)
Balance at 30 September 2019	199	6	205
Included under non-current liabilities	63	6	69
Included under current liabilities	136	–	136
	199	6	205

Representation: Reclassification adjustment

In the prior financial year, provisions were disclosed as part of note 21 "Trade and other payables". During the current financial year, provisions were reclassified and disclosed separately on the face of the statement of financial position for enhanced reporting in accordance with IAS 1.

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23. FINANCIAL INSTRUMENTS BY CATEGORY

	2020 R'm	2019 R'm
The following table summarises the Group's classification of financial instruments:		
Assets		
Amortised cost		
Trade and other receivables	3 814	3 747
Cash and cash equivalents	2 279	1 544
Other assets	125	87
Total assets	6 218	5 378
Liabilities		
Fair value through profit or loss		
Contingent consideration liabilities	642	543
Derivative financial instruments (included in other liabilities)	53	30
Amortised cost		
Trade and other payables	3 836	3 800
Interest-bearing borrowings	14 214	11 995
Bank overdraft	2 181	867
Total liabilities	20 926	17 235

Derivative financial instruments

	Carrying value		Fair value	
	2020 R'm	2019 R'm	2020 R'm	2019 R'm
Non-current liabilities				
Interest rate swap contracts (included in other)	(26)	(27)	(26)	(27)
Current liabilities				
Interest rate swap contracts (included in other)	(27)	(3)	(27)	(3)
Total liabilities	(53)	(30)	(53)	(30)

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. Refer note 4.

	Swap 1	Swap 2	Swap 3	Swap 4
Contract commencement date	6 Feb 2019	6 Feb 2019	27 Sep 2018	8 Feb 2019
Maturity date	8 Feb 2021	7 Feb 2022	27 Sep 2021	8 Feb 2021
Currency	R'm	R'm	£'m	£'m
Notional amount	500	500	50	25
Fixed interest rate (%)	7.15	7.23	1.23	1.014
Floating interest rate (%)	3-month JIBAR (varied between 3.58% and 6.85%)		3-month GBP-LIBOR (varied between 0.13% and 0.79%)	
Interest settlement terms	Settled quarterly.			

During the current year, interest rate swap contracts with a total notional amount of R2 900 million matured.

Held for trading

Foreign exchange contracts (FECs)

The Group entered into United States dollar exchange contracts during the year to manage exposure to fluctuations in the rand dollar exchange rate on foreign liabilities. At 30 September 2020, there were no open FECs.

24. OFFSETTING OF FINANCIAL LIABILITIES

	2020 R'm	2019 R'm
The financial liabilities relating to the derivative financial instruments are subject to offsetting and similar agreements.		
Liabilities		
Offsetting applied		
Gross amount	(90)	(298)
Amount set-off	37	268
Net amount	(53)	(30)
Financial instruments not subject to set-off	-	-
Total other non-current liabilities per statement of financial position	(26)	(27)
Total other current liabilities per statement of financial position	(27)	(3)

25. CASH GENERATED FROM OPERATIONS

	2020 R'm	2019 R'm
Reconciliation of profit before tax to cash generated from operations		
Profit before tax	581	3 706
<i>Adjusted for:</i>		
Share of associates' and joint ventures' net profit after tax	(14)	(18)
Depreciation on property, plant and equipment	1 594	1 236
Amortisation of intangible assets	604	586
Net finance costs (refer note 5)	825	998
Fair value adjustments to contingent consideration	37	(2)
Fair value loss on derivative financial instruments	5	438
Gain on derecognition of lease asset and liability	(75)	-
Impairment of assets and investments	798	164
Profit on disposal of investment in joint venture	-	(1 501)
Profit on disposal of investment in subsidiary	-	(11)
Loss on disposal of property, plant and equipment	6	-
Transaction costs relating to acquisitions and disposals	17	148
Other	4	-
Share-based payment reserve charge	88	81
Operating lease expense – straight-line	-	61
Retirement benefit asset and post-employment medical aid income	(32)	(39)
Employer surplus asset payments	83	30
Cost of inventories written off as expired stock	11	9
Operating cash flow before working capital changes	4 532	5 886
Working capital changes:		
Inventories	(489)	(27)
Trade and other receivables	155	(127)
Trade and other payables (including provisions)	364	195
Cash generated from operations	4 562	5 927

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26. ACQUISITIONS AND DISPOSALS OF INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURES

Acquisitions that resulted in business combinations

Priamar SRL

Acquirer	Alliance Medical
Country of incorporation	Italy
Acquisition date	30 December 2019
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 expected synergies from combining the acquired operations with the existing Alliance Medical Group.
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:

	Priamar 2020 R'm
Total purchase consideration	(10)
Cash portion	(10)
Fair value of net assets acquired	(2)
Property, plant and equipment	3
Trade and other receivables	1
Cash and cash equivalents	4
Trade and other payables	(10)
Goodwill	(12)
Cash outflow to acquire business, net of cash acquired	
Initial cash consideration	10
Less: Cash at acquisition	(4)
	6
Impact on consolidated information from date of acquisition	
Revenue	18
Net loss	(3)
Impact on consolidated information if business combination took place on 1 October 2019	
Revenue	25
Net loss	(2)

26. ACQUISITIONS AND DISPOSALS OF INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURES continued

	2020 R'm	2019 R'm
Contingent consideration liabilities		
Balance at 1 October	543	534
Arising on acquisition of subsidiaries	–	16
Paid during the year	(74)	(79)
Fair value adjustment recognised in profit or loss	37	(2)
Unwinding of contingent consideration (included as part of finance cost)	66	44
Effect of foreign currency movement	70	30
Balance at 30 September	642	543
Included under non-current liabilities	631	506
Included under current liabilities	11	37
	642	543

Transactions with non-controlling interests**Increases and decreases in ownership interest in southern Africa**

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

	2020 R'm	2019 R'm
Total purchase consideration	(152)	(125)
Cash portion	(152)	(125)
Carrying amount of non-controlling interest recognised	44	57
Carrying amount of non-controlling interest acquired	44	57
Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity	108	68
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	(10)	(13)
Transactions with non-controlling interest reserve	–	(8)
Proceeds on disposal of investments	10	21

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27. DIRECTORS' EMOLUMENTS AND INTERESTS IN THE COMPANY

Emoluments paid to the directors and prescribed officers of the Company by the Company and its subsidiaries for the year to 30 September, are set out below:

Executive directors – shareholding	2020			2019		
	Direct	Indirect ³	Associate interest	Direct	Indirect ²	Associate interest
Executive directors						
PG Wharton-Hood ¹	300 000	862 706	–	–	–	–
PP van der Westhuizen ²	241 636	350 000	4 832	164 746	–	4 832
Past executive director						
SB Viranna ⁴		n/a		170 515	224 731	–
	541 636	1 212 706	4 832	335 261	224 731	4 832

Executive directors – total remuneration earned	Salaries R'000	Bonus and performance-related payments R'000	Performance-related accrual relating to current year R'000
2020			
Executive directors			
PG Wharton-Hood ¹	641	–	–
PP van der Westhuizen	5 333	1 853	3 394
PP van der Westhuizen ⁵	–	–	–
Past executive director			
SB Viranna ⁴	3 083	–	–
	9 057	1 853	3 394
2019			
Executive directors			
SB Viranna ⁴	5 887	2 624	4 462
PP van der Westhuizen	4 084	2 352	2 311
	9 971	4 976	6 773

¹ PG Wharton-Hood was appointed as Chief Executive Officer on 1 September 2020.

² PP van der Westhuizen purchased 58 500 shares on 20 November 2020, increasing his direct shareholding to 300 136. PP van der Westhuizen was granted 600 shares on 2 December 2020, increasing his indirect shareholding to 350 600. Refer note 19.

³ The indirect beneficial shareholding is subject to vesting conditions. Refer note 19.

⁴ SB Viranna resigned as Chief Executive Officer with effect from 17 January 2020. Leave payout amounted to R14 000.

⁵ PP van der Westhuizen in his capacity as acting Chief Executive Officer from 18 January 2020 to 31 August 2020.

⁶ Relates to notional shares. Shares were only purchased on vesting.

CEO acting allowance and bonus ⁵ R'000	Other allowances R'000	Gains on long-term incentive scheme ⁶ R'000	Medical aid contributions R'000	Pension fund contribution R'000	Total remuneration R'000
–	10	–	–	27	678
–	146	776	6	226	11 734
2 425	–	–	–	–	2 425
–	31	2 805	5	129	6 053
2 425	187	3 581	11	382	21 234
–	33	3 038	32	247	16 323
–	95	460	37	174	9 513
–	128	3 498	69	421	25 836

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27. DIRECTORS' EMOLUMENTS AND INTERESTS IN THE COMPANY continued

Long-term incentive scheme		Awards received during 2020			
		Number of shares	Date of issue	Issue price R/share	
PG Wharton-Hood 2020 allocation ¹		862 706	Sep 20	17.39	
Long-term incentive scheme		Dividends	Closing balance at 30 September 2020		
		Value of dividends in respect of all plans (R)	Number of shares	Final vesting date	
PG Wharton-Hood 2020 allocation ¹		–	862 706	Dec 25	
Long-term incentive scheme		Opening balance at 1 October 2019	Awards received during 2020		
		Number of shares	Number of shares	Date of issue	Issue price R/share
PP van der Westhuizen 2020 allocation ¹		–	350 000	Sep 20	17.11
Long-term incentive scheme		Dividends	Closing balance at 30 September 2020		
		Value of dividends in respect of all plans (R)	Number of shares	Final vesting date	
PP van der Westhuizen 2020 allocation ¹		–	350 000	Dec 25	

¹ Refer note 19.

27. DIRECTORS' EMOLUMENTS AND INTERESTS IN THE COMPANY continued

	Total shareholding shares		Directors' fees R'000	
	2020	2019	2020	2019
Non-Executive directors				
MA Brey ¹	4 300 349	4 900 349	1 136	1 175
PJ Golesworthy ²	31 224	31 224	1 061	1 080
ME Jacobs	–	–	591	507
VL Litlhakanyane ³	–	–	221	–
AM Mothupi	–	–	667	664
JK Netshitenzhe	–	–	501	421
MP Ngatane	–	–	572	493
M Sello	–	–	397	421
GC Solomon ²	143 612	143 612	729	810
RT Vice	–	–	712	826
	4 475 185	5 075 185	6 587	6 397

¹ MA Brey's direct beneficial shareholding is 716 370 (2019: 716 370), his indirect beneficial shareholding is 3 484 787 (2019: 4 084 787) and his associate interest is 99 192 (2019: 99 192).

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

³ VL Litlhakanyane was appointed as non-executive director on 15 April 2020.

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 Chief Executive Officer, the Chief Financial Officer, Chief Executive Officer – southern Africa and Chief Executive Officer – International.

	Total shareholding	Salaries R'000	Bonus and performance-related payments R'000	Performance-related accrual relating to current year R'000	Other allowances R'000	Gains on long-term incentive scheme R'000	Medical aid contributions R'000	Pension fund contributions R'000	Total remuneration R'000
2020									
PG Wharton-Hood									
PP van der Westhuizen									
	Refer emoluments disclosed under executive directors								
AM Pyle	82 590	3 331	1 273	2 012	18	405	6	151	7 196
MD Chapman	185 787	5 535	–	2 854	259	–	–	569	9 217
2019									
SB Viranna									
PP van der Westhuizen									
	Refer emoluments disclosed under executive directors								
AM Pyle	–	3 374	1 469	2 357	151	–	37	142	7 530
MD Chapman ⁴	–	1 681	–	1 232	61	–	–	168	3 142

⁴ MD Chapman was appointed as a prescribed officer from 1 June 2019.

Total shareholding for AM Pyle and MD Chapman is subject to vesting conditions. Refer note 19.

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27. DIRECTORS' EMOLUMENTS AND INTERESTS IN THE COMPANY continued

Long-term incentive scheme	Awards received during 2020	
	Number of shares	Issue price R/share
AM Pyle 2020 allocation ¹	82 590	21.97
	Dividends	Closing balance at 30 September 2020
	Value of dividends in respect of all plans (R)	Number of shares
	Final vesting date	
Long-term incentive scheme		
AM Pyle 2020 allocation ¹	n/a	82 590 31 Mar 2021
	Opening balance at 1 October 2019	Awards received during 2020
	Number of shares	Issue price R/share
	Number of shares	Issue price R/share
Long-term incentive scheme		
MD Chapman 2020 allocation ¹	–	–
C convertible shares	10 000	n/a
	Dividends	Closing balance at 30 September 2020
	Value of dividends in respect of all plans (R)	Number of shares
	Final vesting date	
Long-term incentive scheme		
MD Chapman 2020 allocation ¹	n/a	185 787 30 Sep 2021
C convertible shares	n/a	10 000 30 Sep 2021

¹ Refer note 19.

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 to 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 (2019: R391 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 3% 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.

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28. RELATED PARTIES continued**Associate companies and joint ventures – refer to 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 2020 and 2019 for the loans made to associates and joint ventures.

	2020 R'm	2019 R'm
Loans to associates and joint ventures		
Balance at 1 October	10	10
Net movements in amounts owned	(5)	(4)
Balance at 30 September	5	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 to 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

	2020 R'm	2019 R'm
Remuneration		
Salaries	546	444
Medical aid contributions	5	6
Pension fund costs – defined benefit and contribution plans	6	3
Provident fund costs – defined contribution plans	15	15
	572	468

29. COMMITMENTS AND CONTINGENCIES**Capital commitments**

Capital expenditure approved for property, plant and equipment

2 608	2 532
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Funds to meet capital expenditure will be provided from Group resources.

Operating lease commitments

In the prior year, the Group was a lessee to various hospital and administration office properties as well as medical and office equipment under non-cancellable lease agreements. The leases had varying terms, escalation clauses and renewal rights.

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

Not later than 1 year	–	218
Later than 1 year and not later than 5 years	–	651
Later than 5 years	–	424
	–	1 293

From 1 October 2019, the Group has recognised right-of-use assets for these leases, except for short-term and low-value leases, see note 6 and Annexure A note 1.15 for further information.

The Group entered into a new lease agreement for its head office building which commences during November 2020 and is for an initial term of 10 years. The monthly rental is R1.5 million. The Group will recognise a right-of-use asset and related lease liability of approximately R232 million.

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 R25 million (2019: R123 million).

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

Disposal of Max Healthcare

As part of the conditions in the share purchase agreement (SPA) signed during the 2019 financial year, 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). No changes arose during the year ended 30 September 2020.

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 of directors has decided, considering the current trading conditions and in order to preserve cash, not to declare or pay a final dividend for the year.

Disposal of 100% of shares in Scanned S.A

The Group in November 2020 received an offer to dispose of its Polish operation, Scanned to Abris Capital Partners, a central European private equity fund manager. The related agreements were signed on 24 November 2020 and the transaction is subject to regulatory approvals. The disposal consideration will be settled in cash and Life Healthcare will receive approximately PLN199 million (R806 million). The Group considered it prudent and appropriate to impair the carrying value at 30 September 2020 to reflect the fair value less costs to sell. The impairment for the year ended 30 September 2020, relating to Scanned, is R793 million.

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 interest-bearing borrowings disclosed in note 20, cash and cash equivalents disclosed in note 15 and equity as disclosed in the statement of financial position. Preference shares are included in interest-bearing borrowings.

The Group's investment committee reviews the capital structure on a quarterly basis. The Group uses the net debt to normalised EBITDA ratio, as defined in the debt agreements, to measure the funding requirements in the form of debt or equity. The Group has a target net debt to normalised EBITDA ratio of 3.00 times. Due to the impact of the pandemic the target ratio might possibly be exceeded in the short term.

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31. RISK MANAGEMENT continued

Capital risk management continued

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) plus guarantees (if applicable) plus bank overdrafts less cash and cash equivalents. International's net debt is calculated using average exchange rates for the year (as agreed with the lenders). Normalised EBITDA is defined 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. The ratio excludes net debt and normalised EBITDA of any special purpose vehicles (SPV) as described in the debt agreements. Only one entity within the Group meets the definition of a SPV. Lenders have confirmed that the impact of IFRS 16 Leases can be excluded from covenant calculations.

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, issue new debt, refinancing existing debt or sell assets to manage the debt level.

There have been no changes to what the Group manages as capital and the strategy for capital maintenance.

Given the significant uncertainty caused by the pandemic the Group pre-emptively negotiated amended bank covenants for the periods ended 30 September 2020 and 31 March 2021.

	2020	2019
Total interest cover ratio (times)	5.81	5.63
Net debt to normalised EBITDA ratio	2.96	1.96
The Group has externally imposed debt covenants in place as part of the terms of the current debt structures.		
The covenants imposed arising from preference shares, syndicated and bilateral term loans are as follows:		
A minimum of total interest cover ratio (times) ¹	3.75	4.00
A maximum of net debt to normalised EBITDA ratio ¹	4.00	3.50

¹ Bank covenants for 31 March 2021:

– A minimum of total interest cover ratio of 3.25 times

– A maximum of net debt to normalised EBITDA ratio of 4.50 times

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

Risk exposure	<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"> ■ Pound sterling; ■ European euro; and ■ US dollar. <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) and Polish zloty (PLN) are the most significant.</p>
How the risk arises	<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>

31. RISK MANAGEMENT continued

Market risk continued

Foreign exchange risk continued

Objectives, policies and processes for managing the risk and methods used to measure risk	<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 (2019: 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 2020, foreign denominated borrowings to the equivalent of R10 491 million existed (2019: R7 800 million).</p> <p>The Group reviews its foreign currency exposure, including commitments, on an ongoing basis.</p>
Concentration of risk	<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>

Foreign currency exposure at statement of financial position date:

	Rand millions									
	2020					2019				
	BWP	GBP	EUR	USD	PLN	BWP	GBP	EUR	CHF ¹	PLN
Non-current assets	203	18 324	2 508	846	1 733	196	16 027	1 405	750	2 002
Current assets	468	1 454	1 280	96	426	410	1 006	1 081	17	411
Current liabilities	(61)	(1 428)	(1 505)	(69)	(732)	(59)	(1 783)	(1 338)	(89)	(268)
Non-current liabilities	(191)	(6 143)	(4 251)	(51)	(527)	(154)	(4 233)	(3 017)	–	(672)
Exposure on external balances	419	12 207	(1 968)	822	900	393	11 017	(1 869)	678	1 473
Net exposure on balances between Group companies	–	3 581	(3 097)	(330)	(154)	(3)	1 829	(2 579)	869	(119)
Total net exposure	419	15 788	(5 065)	492	746	390	12 846	(4 448)	1 547	1 354

	Foreign currency in millions									
	2020					2019				
	BWP	GBP	EUR	USD	PLN	BWP	GBP	EUR	CHF ¹	PLN
Non-current assets	138	840	126	50	394	142	858	85	49	528
Current assets	317	67	64	6	97	297	54	65	1	108
Current liabilities	(41)	(65)	(76)	(4)	(166)	(43)	(95)	(81)	(6)	(71)
Non-current liabilities	(129)	(282)	(214)	(3)	(120)	(112)	(227)	(182)	–	(177)
Exposure on external balances	285	560	(100)	49	205	284	590	(113)	44	388
Net exposure on balances between Group companies	–	164	(156)	(19)	(35)	(2)	98	(155)	57	(31)
Total net exposure	285	724	(256)	30	170	282	688	(268)	101	357

¹ Functional currency of entity changed to US dollar.

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31. RISK MANAGEMENT continued

Market risk continued

Foreign exchange risk continued

Sensitivities analysis

The table below analyses the impact on the Group's FCTR. The analysis is based on the assumption that the South African rand had strengthened/weakened by 10% against the GBP, EUR and PLN with all other variables held constant.

	2020 R'm	2019 R'm
Impact on movement in FCTR in other comprehensive income		
Rand strengthened	(3 195)	(1 090)
Rand weakened	3 195	1 090

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.

	Rand strengthened		Rand weakened	
	2020 R'm	2019 R'm	2020 R'm	2019 R'm
Impact on revenue				
BWP	(58)	(60)	58	60
GBP	(317)	(271)	317	271
EUR	(306)	(286)	306	286
USD	(36)	(27)	36	27
PLN	(155)	(136)	155	136
Impact on operating profit/(loss)				
BWP	(7)	(16)	7	16
GBP (loss position)	13	5	(13)	(5)
EUR	(32)	(46)	32	46
USD (loss position)	10	12	(10)	(12)
PLN	(5)	(1)	5	1
Impact on profit/(loss) after tax				
BWP	(4)	(11)	4	11
GBP (loss position)	38	12	(38)	(12)
EUR	(18)	(26)	18	26
USD (loss position)	11	10	(11)	(10)
PLN (loss position)	85	21	(85)	(21)
Exchange rates used for conversion of foreign denominated items				
Assets and liabilities				
BWP			1.48	1.38
GBP			21.81	18.68
EUR			19.86	16.59
USD			16.94	15.18
CHF			n/a	15.27
PLN			4.40	3.79
Income/expense items				
BWP			1.43	1.35
GBP			20.69	18.34
EUR			18.19	16.22
USD			16.13	14.42
PLN			4.12	3.77

31. **RISK MANAGEMENT** continued**Financial risk** continued**Market risk** continued**Interest rate risk**

Risk exposure	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 20.
How the risk arises	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.
Objectives, policies and processes for managing the risk and methods used to measure risk	The Group manages its interest rate exposure in total and mainly borrows or invests 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 or 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 or 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.
Concentration of risk	Group policy is to hedge a maximum of 80% of its borrowings (excluding lease liabilities) and to hedge a quantum of borrowings (excluding lease liabilities) to ensure the profit or loss impact of a 1% movement in interest rates on unhedged borrowings (excluding lease liabilities) is less than 2.0% of the previous 12-month Group normalised EBITDA. At 30 September 2020, 24% of the Group debt (excluding lease liabilities) was hedged (2019: 42%). 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 borrowings positions.

	2020 R'm	2019 R'm
Impact on post-tax profit		
1% increase	(86)	(81)
1% decrease	100	123

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 R2.6 billion (2019: R5.3 billion) of the Group's net debt (excluding lease liabilities) of R11 064 million (2019: R11 289 million).

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31. RISK MANAGEMENT continued

Financial risk continued

Liquidity risk

Risk exposure	Those financial liabilities of the Group with contractual cash flows and maturity dates are exposed to liquidity risk.
How the risk arises	Liquidity risk arises should the Group not be able to meet its obligations as they become due.
Objectives, policies and processes for managing the risk and methods used to measure risk	<p>Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed banking 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 banking 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 20. To ensure the Group has sufficient cash reserves during the pandemic, in addition to securing additional bank facilities, management has implemented a number of mitigating actions and cash preservation levers across the Group's operations.</p> <p>Cash flow forecasts are prepared and utilised facilities are monitored on a daily basis. Longer-term cash flow forecasts are updated quarterly.</p> <p>Refinancing of debt</p> <p>The Group successfully refinanced its term debt in the international operations during March 2020 and thereby extended the debt maturities that were due from November 2020 out to 2023 and 2025.</p> <p>The Group maintains a varied maturity profile for non-current interest-bearing borrowings in line with forecast profitability and cash flow. Acceptable profitability and gearing levels at the time of refinancing will meet lenders credit criteria and mitigate refinancing risk.</p> <p>The Group ensures that a reasonable balance is maintained between the period over which assets generate funds and the period over which the assets are funded.</p> <p>The Group maintains relationships with a broad range of financial institutions to avoid concentration risk and safeguard the availability of liquidity at all times. To further avoid market concentration risk, the Group diversifies its funding sources between traditional bank markets and debt capital markets, enabling it to target different lenders at different points in their credit cycles. The Group also diversifies its funding geographically to reach lenders familiar in those regions.</p> <p>Amortising debt is budgeted to be repaid from cash resources or refinanced with available short-term facilities.</p> <p>The Group reviews maturities at least 12 months in advance and ensures that adequate cash resources and/or committed banking facilities will be in place and available at least 6 months before a significant refinancing date.</p>
Concentration of risk	The table on page 79 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.

31. RISK MANAGEMENT continued

Financial risk continued

Liquidity risk continued

	Southern Africa		Alliance Medical		Poland	
	2020 R'm	2019 R'm	2020 R'm	2019 R'm	2020 R'm	2019 R'm
Interest-bearing borrowings¹	3 300	5 398	9 191	7 998	412	1 339
Less than 1 year	1 285	1 752	245	1 469	411	73
Between 1 and 5 years	2 015	3 227	8 939	6 505	1	1 266
Over 5 years	–	419	7	24	–	–
Lease liabilities¹	1 223	–	1 655	–	657	–
Less than 1 year	171	–	409	–	79	–
Between 1 and 5 years	631	–	772	–	476	–
Over 5 years	421	–	474	–	102	–
Trade and other payables	1 592	1 800	2 058	1 882	191	118
Less than 1 year	1 592	1 800	2 003	1 794	171	116
Between 1 and 5 years	–	–	55	88	20	2
Contingent consideration liabilities	–	–	1 358	1 225	11	33
Less than 1 year	–	–	–	4	11	33
Between 1 and 5 years	–	–	1	4	–	–
Over 5 years	–	–	1 357	1 217	–	–
Derivative financial instruments	38	13	15	17	–	–
Less than 1 year	12	3	15	–	–	–
Between 1 and 5 years	26	10	–	17	–	–
Total	6 153	7 211	14 277	11 122	1 271	1 490

¹ Finance lease liabilities have been presented within Interest-bearing borrowings in the prior year.

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	
	2020 R'm	2019 R'm
Trading derivatives (foreign exchange contracts and interest rate swap contracts)		
Less than 1 year	(27)	(3)
Between 1 and 5 years	(26)	(27)
Total	(53)	(30)

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for the year ended 30 September 2020

31. RISK MANAGEMENT continued

Financial risk continued

Credit risk

Risk exposure	Credit risk arises mainly from cash and cash equivalents, trade and other receivables and other assets. Trade receivables comprise a widespread customer base.	
How the risk arises	Credit risk is the risk of financial loss due to counterparties to financial instruments not meeting their contractual obligations.	
Objectives, policies and processes for managing the risk and methods used to measure risk	<p>Credit risk is managed using Group policies within the territories it arises.</p> <p>The Group deposits 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 rating "Ba1" 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>	
Concentration of risk	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.	
Maximum exposure to credit risk by class of financial instrument	Financial assets exposed to credit risk at year-end were as follows:	
	2020	2019
	R'm	R'm
Trade and other receivables	3 814	3 747
Cash and cash equivalents	2 279	1 544
Other assets	125	87

31. RISK MANAGEMENT continued**Financial risk** continued**Credit risk** continued

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

	2020 R'm	2019 R'm
South African rand	466	546
Botswana pula	252	180
Pound sterling	926	288
European euro	450	430
Polish zloty	163	90
United States dollar	20	8
Swiss franc	2	2
Balance at 30 September	2 279	1 544
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 ¹	465	544
Botswana ²	252	180
Alliance Medical ³	1 398	730
Poland ⁴	163	86
Cash on hand	1	4
	2 279	1 544

¹ The counterparties have a South African Moody's Ratings of Ba1 (2019: Baa3).

² The counterparties have a Botswana Standard & Poor rating of BBB+ (2019: A-).

³ The counterparties have a minimum Fitch credit rating of BB+ (2019: BBB-).

⁴ The counterparties have a minimum Polish Fitch rating of B- (2019: B).

Trade and other receivables

An impairment analysis is performed at each reporting date using a provision matrix to measure 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.

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for the year ended 30 September 2020

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:

R'm	Current	31 – 60 days	61 – 90 days	91 – 180 days	>180 days	Total
2020						
Private patients	376	132	66	115	214	903
Medical aids	1 128	117	104	93	15	1 457
Government and public healthcare facilities	443	181	151	55	426	1 256
Trade receivables	1 947	430	321	263	655	3 616
Expected credit loss (R'm)	63	29	13	6	292	403
Weighted average ECL rate	3.2%	6.7%	4.0%	2.3%	44.6%	
2019						
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 ECL rate	0.1%	0.3%	0.5%	0.8%	33.4%	

Financial risk**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 and fair value measurements of CGUs (where recoverable amounts were determined based on fair value less cost to sell) 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 2020.

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 2020.

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

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

1.1 Revenue and other income

1.1.1 Revenue from contracts with customers

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 include	Recognition
<ul style="list-style-type: none"> ■ The provision of accommodation, meals and healthcare professional services 	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"> ■ The use of operating theatres and/or equipment 	Revenue is recognised over time as the services are performed on a per usage basis
<ul style="list-style-type: none"> ■ Dispensing of medicine and medicine supplies 	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)

ANNEXURE A CONTINUED

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.1 Revenue and other income continued

1.1.1 Revenue from contracts with customers 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 comprises 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.

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), 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 81% 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 consists of royalty fees charged on the worldwide sales of the medical product Neuraceq as well as proceeds from the sale of speciality 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.

ANNEXURE A CONTINUED

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)

1.1.2 Other income

	Includes	Recognition	Measurement
Interest income	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 that are recognised in profit or loss.	Interest income is recognised, in profit or loss, using the effective interest rate (EIR) method, unless it is doubtful.	Effective interest method 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 EIR of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original EIR.
Rental income	Rental income arising from leases excluded from IFRS 16.	Accounted for on a straight-line basis over the lease term in profit or loss.	Fair value.
Government assistance/support	Reimbursement of employment costs	Government grants relating to costs, are deferred and recognised in the statement of profit or loss over the period necessary to match it with the costs that they are intended to compensate.	Fair value.
Dividend income	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.

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.2 Employee benefits

Short-term employee benefits

Includes	Paid leave, sick leave, bonuses and non-monetary benefits such as medical care.
Accounting treatment	<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 when there is a legal or constructive obligation to make such payments as a result of past performance and the related liability, and a reliable estimate of the obligation can be made.</p>

Termination benefits

Includes	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.
Accounting treatment	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 terminations 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		
Southern Africa schemes	Fund Name	Includes: 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 DC Pension Fund	
■ Life Healthcare Provident Fund		
Alliance Medical Scheme	■ TFR scheme	
Accounting treatment	<ul style="list-style-type: none"> ■ The payments to defined contribution retirement benefit plans are charged as an expense as they fall due. ■ Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. 	

ANNEXURE A CONTINUED

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.2 Employee benefits continued

Post-employment benefits continued

Defined benefit plan		
Includes	A pension plan that is not a defined contribution plan.	
Fund name	<ul style="list-style-type: none"> ■ Life Healthcare DB Pension Fund ■ Lifecare Group Holdings Pension Fund ■ Life Healthcare Provident Fund (ESA) ■ Post-employment medical aid benefit (phased out) 	
Accounting treatment	<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 and losses on the curtailment or settlement of a defined benefit plan are recognised when curtailment or settlement occurs.</p>	
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	<p>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.</p> <p>Right to reimbursement measured at fair value.</p>
Statement of profit or loss and other comprehensive income	Profit or loss	<ul style="list-style-type: none"> ■ Net interest income ■ Current service cost <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"> ■ Remeasurements arising from experience adjustments and changes in actuarial assumptions ■ Changes in asset ceiling
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.	

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.2 Employee benefits continued

Shared-based payments (IFRS 2)

Cash-settled	
Includes	<p>Long-term incentive scheme (Alliance Medical – effective from 2016) 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> <hr/> <p>Long-term incentive scheme effective from 2019 (International) Life Healthcare granted awards to its international group and country executives as well as senior management (qualifying employees) on 1 January 2019 and 1 January 2020. 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 and 31 December 2022 respectively (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.</p> <p>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"> ■ Capital efficiency (40% weighting) ■ Normalised Group HEPS (40% weighting) ■ Life core purposes outcome (20% weighting) <p>Country executives:</p> <ul style="list-style-type: none"> ■ Capital efficiency (2020: 35% weighting, 2019: 30% weighting) ■ Normalised country EBIT (2020: 35% weighting, 2019: 30% weighting) ■ Life core purposes outcome (2020: 30% weighting, 2019: 40% weighting) <p>Country managers:</p> <ul style="list-style-type: none"> ■ Capital efficiency (2020: 20% weighting, 2019: 15% weighting) ■ Normalised country EBIT (2020: 40% weighting, 2019: 35% weighting) ■ Life core purposes outcome (2020: 40% weighting, 2019: 50% weighting) <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 is based on country-specific non-financial measures that drive long-term sustainability of the Group.</p>

ANNEXURE A CONTINUED

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.2 Employee benefits continued

Shared-based payments (IFRS 2)

Cash-settled (continued)			
Includes	<p>Long-term incentive scheme effective from 2019 (International) (continues)</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 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> <hr/> <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"> ■ Good leavers with a date of termination of employment: <ul style="list-style-type: none"> — that is more than one year before the vesting date of the grant: <ul style="list-style-type: none"> • 2019 scheme: will result in all notional performance shares held by the participant being forfeited and cancelled for no consideration • 2020 scheme: the participant shall retain a pro rata number of notional performance shares based on number of months completed service relative to the vesting period of 36 months, the balance of notional performance shares shall be 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 (2019 and 2020 schemes) ■ 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 (2019 and 2020 schemes) 		
Accounting treatment	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.		
Equity settled			
Includes:	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Long-term incentive scheme (southern Africa)</td> <td style="width: 50%;">Life Healthcare employee share trust</td> </tr> </table>	Long-term incentive scheme (southern Africa)	Life Healthcare employee share trust
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 19.		

1. SIGNIFICANT ACCOUNTING POLICIES continued

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 SP.Z.0.0 (Polish holding company of Scanmed SA)) 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.

Inter-company transactions

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

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 and 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.

ANNEXURE A CONTINUED

1. SIGNIFICANT ACCOUNTING POLICIES continued

Group accounting continued

1.4 Equity accounting

Equity-accounted investments consists 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 or 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 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.

1.5 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 FCTR 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 profit 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).

1. SIGNIFICANT ACCOUNTING POLICIES continued

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 equipment – owned			
Motor vehicles			
Improvements to right-of-use assets	Present value (refer 1.8)	Cost less accumulated depreciation and impairment losses.	Depreciated over the shorter of: <ul style="list-style-type: none"> ■ the estimated useful lives of the assets on the same basis as owned assets; or ■ 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.
Right-of-use assets <ul style="list-style-type: none"> ■ Land and buildings ■ Medical equipment ■ Motor vehicles and other equipment 			

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.

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			
Intellectual property			
Computer software			
Other intangible assets	Cost		

ANNEXURE A CONTINUED

1. SIGNIFICANT ACCOUNTING POLICIES continued

Operating assets continued

1.7 Intangible assets continued

Costs associated with the developing or maintaining of computer software programmes 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

Group as lessee

The Group leases various properties, medical equipment (including scanning equipment, blood gas machines and renal dialysis units), motor vehicles, IT equipment and gym equipment. Rental contracts are typically entered into for fixed periods of between 1 to 25 years but may have extension options as described under 1.2.1 Critical judgements. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for bank borrowing purposes.

Leases (accounting policy applied from 1 October 2019)

From 1 October 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

For leases previously classified as finance leases the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date.

Initial measurement and recognition	Subsequent measurement	Depreciation method
<p>Assets and liabilities arising from a lease are initially measured at present value. Lease liabilities include the net present value of the following lease payments:</p> <ul style="list-style-type: none"> ■ Fixed payments (including in-substance fixed payments), less any lease incentives receivable ■ Variable lease payments that are based on CPI, the Polish inflation rate or WIBOR ■ Amounts expected to be payable by the lessee under residual value guarantees (only in our Polish operations) ■ The exercise price of a purchase option if the lessee is reasonably certain to exercise that option ■ Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option <p>The discount rate used in calculating the present value of the lease liability and right-of-use asset is the incremental borrowing rate.</p>	<ul style="list-style-type: none"> ■ Right-of-use asset at cost less accumulated depreciation and impairment ■ Liability at amortised cost 	<p>Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.</p>

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets (defined as assets with a value of less than R60 000 for our southern Africa business and GBP5 000 for our international business) comprise IT equipment and contracts for general business services.

See note 1.2 for the critical judgements, accounting estimates and assumptions.

1. SIGNIFICANT ACCOUNTING POLICIES continued

Operating assets continued

1.8 Leases continued

Leases (accounting policy applied before 1 October 2019)

Until 30 September 2019, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

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

Group as lessor (policy applicable to all periods presented)

Initial measurement and recognition

Lease income is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The difference between the amounts recognised as income and the contractual payments are recognised as a lease asset or liability in the statement of financial position. Neither the asset nor the liability is discounted.

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

The Group has the following financial assets:

- Cash and cash equivalents
- Trade and other receivables
- Other assets, which include:
 - Loans receivable
 - Loans to associates

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 or 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; and
- all other financial assets are initially measured at fair value, including transaction costs.

ANNEXURE A CONTINUED

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.11 Financial instruments continued

Financial assets continued

Subsequent measurement

Financial assets are subsequently measured at amortised cost.

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

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

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

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

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 debt instruments 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 EIR.

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.11 Financial instruments continued

Financial assets continued

Impairment of financial assets continued

Trade receivables

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

- Disclosures for critical judgements, accounting estimates and assumptions – refer note 1.2
- 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, impact of the pandemic) 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.

The Group considers a financial asset in default when contractual payments are past due which differ for each region and trade receivable category. 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 liabilities

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 overdraft
- Other liabilities, which include:
 - Derivative liabilities – includes interest rate swaps and foreign option exchange contracts

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 or loss are measured initially at fair value, excluding transaction costs; and
- all other financial liabilities are initially measured at fair value, including transaction costs.

ANNEXURE A CONTINUED

1. SIGNIFICANT ACCOUNTING POLICIES continued

Operating assets continued

1.11 Financial instruments continued

Financial liabilities continued

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 and 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 includes:

Employee-related payables

The employee-related payables represent the pro rata portion of a 13th cheque, accrued annual leave and a performance bonus scheme.

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 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Property and operational related

Represents the decommissioning costs of cyclotrons used in the production of radiopharmacy products, potential insurance claims and property restoration costs.

- Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as a provision. The cash flows are discounted at a current pre-tax rate.
- 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.
- Property restoration provisions include the estimated costs to restore leased properties to their original condition when the lease term expires.

Employee related

Represents 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. Refer 1.2 in annexure A.

1.13 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.

1.14 Non-IFRS measures

To provide a more meaningful assessment of the Group's performance, non-IFRS measures are included.

The non-IFRS measures include:

- Normalised EBITDA (refer note 9)
Normalised EBITDA is defined as operating profit before depreciation on property, plant and equipment, amortisation of intangible assets and non-trading-related costs or income.
- EBITA (refer note 9)
EBITA is defined as normalised EBITDA less depreciation.
- Net debt (refer note 9)
Net debt comprises all interest-bearing borrowings, overdraft balances and cash on hand.
- Normalised earnings and NEPS (refer note 8)
The calculation of NEPS excludes non-trading-related items as listed under note 8 and is based on the normalised profit attributable to equity holders of the parent, divided by the weighted average number of ordinary shares in issue during the year.

ANNEXURE A CONTINUED

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.14 Non-IFRS measures continued

Non-IFRS measures are the responsibility of the Group's directors. Because of its nature, the non-IFRS measures may not fairly present the Group's financial position, results of operations, changes in equity or cash flows for the year. These measures as disclosed on page 99 may not be comparable to other similarly titled measures of performance of other companies.

Non-IFRS measures are not an IFRS requirement, nor a JSE Listings Requirement and is a measurement used by the CODM.

1.15 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 2019. The nature and effect of the changes as a result of adoption of the new accounting standard are described below.

IFRS 16 Leases

The Group adopted IFRS 16 from 1 October 2019, and changed its accounting policies accordingly. The Group has elected the modified retrospective approach, with no restatement to comparative years.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 October 2019.

For leases previously classified as finance leases the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date.

	2020 R'm
Operating lease commitments disclosed as at 30 September 2019	1 293
Discounted using the lessee's incremental borrowing rate at the date of initial application	(367)
Finance lease liabilities recognised as at 30 September 2019	1 427
Short-term leases recognised on a straight-line basis as expense	(5)
Low-value leases recognised on a straight-line basis as expense	(4)
Adjustments as a result of a different treatment of extension and termination options	375
Lease liability recognised as at 1 October 2019 as included in interest-bearing borrowings	2 719
Current lease liabilities	647
Non-current lease liabilities	2 072
	2 719

The associated right-of-use assets for all lease classes were recognised at an amount equal to the lease liabilities on 1 October 2019, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised on the statement of financial position as at 30 September 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application

The recognised right-of-use assets relate to the following types of assets:

	30 Sept 2020 R'm	1 Oct 2019 R'm
Land and buildings	2 083	1 840
Medical equipment	921	904
Motor vehicles and other equipment	73	79
Total right-of-use assets	3 077	2 823

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.15 New and amended accounting standards adopted by the Group continued

IFRS 16 Leases continued

The change in accounting policy affected the following items in the statement of financial position on 1 October 2019:

- Right-of-use assets included under property, plant and equipment – increased by R1.2 billion
- Prepayments included under other liabilities – decreased by R86 million
- Lease liabilities included as part of interest-bearing borrowings – increased by R1.3 billion

There was no impact on retained earnings on 1 October 2019.

Impact on statement of profit or loss

	2020 Reported R'm	IFRS 16 impact R'm	2020 Pre-IFRS 16 Pro forma R'm	2019 R'm
Operating profit	2 180	(40)	2 140	3 944
Finance cost	(918)	65	(853)	(1 058)
Profit before tax	581	25	606	3 706

No impact on FY2019.

Impact on earnings per share

Earnings per share decreased by 1.2 cps for the year ended 30 September 2020 as a result of the adoption of IFRS 16.

Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- Reliance on previous assessments on whether leases are onerous
- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 October 2019 as short-term leases
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease

The Group also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease*.

Other standards adopted

- Amendments to IFRS 9 – *Financial Instruments* on prepayment features with negative compensation and modification of financial liabilities
- Amendments to IAS 19, *Employee Benefits* on plan amendment, curtailment or settlement
- Amendments to IAS 28, *Investments in Associates and Joint Ventures* – long-term interests in associates and joint ventures
- Annual improvements cycle 2015 – 2017
- IFRIC 23, *Uncertainty Over Income Tax Treatments*

Impact

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

1.16 New accounting standards and IFRIC interpretations not yet effective

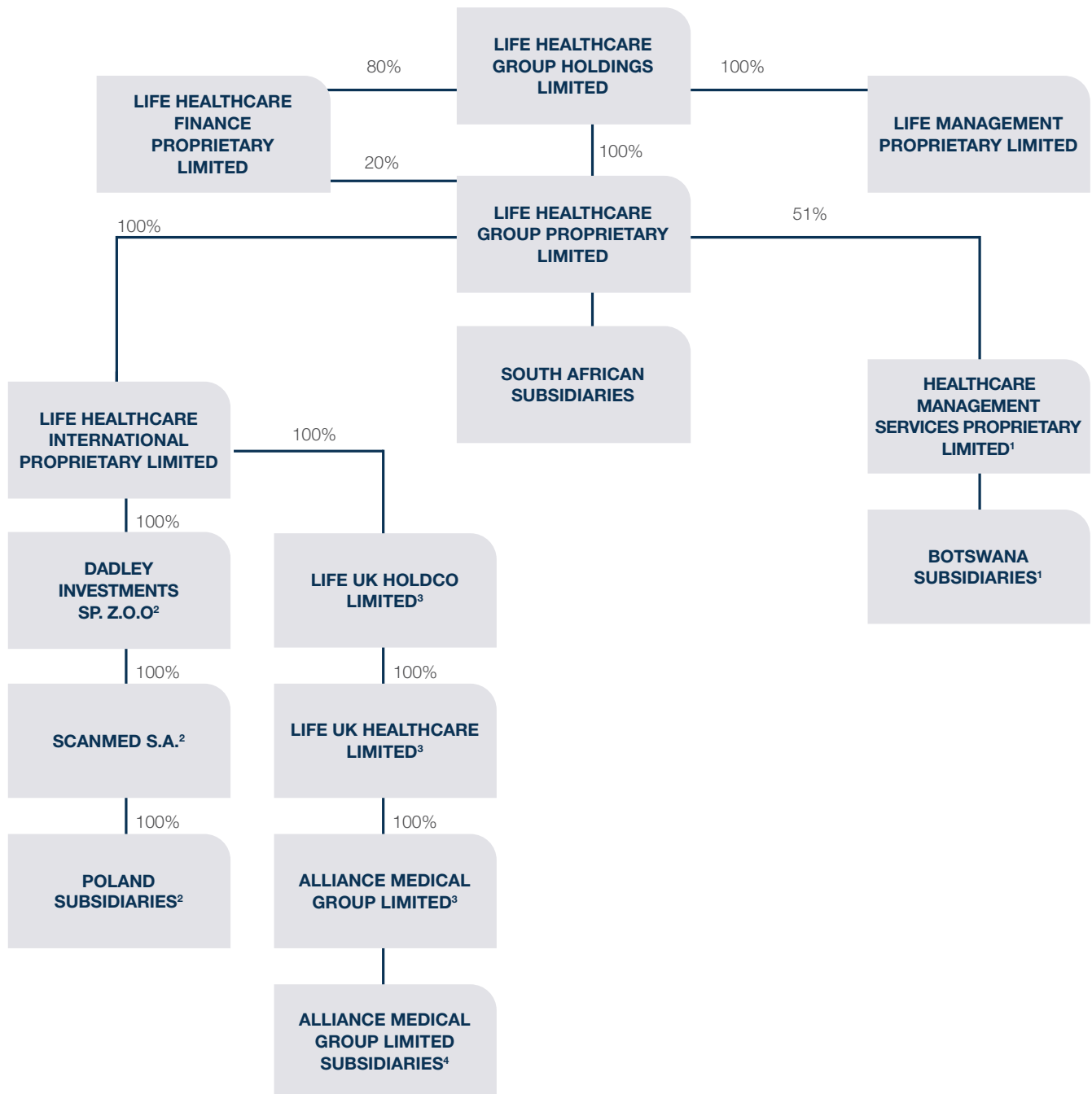
The following amendments and IFRICs are effective for annual periods beginning on or after 1 January 2020:

- 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 incorporates 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

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 2020



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 2020 and 2019, except for changes disclosed in note 26.

¹ Incorporated in Botswana. The functional currency is pula.

² Incorporated in Poland. The functional currency is zloty.

³ Incorporated in England. The functional currency is sterling.

⁴ Incorporated in England, across Europe (Germany, Netherlands, Ireland, Italy, Spain, Switzerland) and United States. The functional currencies used include sterling, euro 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 2020

Associates

Name of associate	Functional currency	Issued share capital		Interest in share capital		Book value of the shares		Amounts owing by/(to) associates	
		2020 Total	2019 Total	2020 %	2019 %	2020 R'm	2019 R'm	2020 R'm	2019 R'm
Unlisted investments									
Wilgers Onkologie Spreekkamer Trust ¹	R	10 000	10 000	25	25	-	-	-	(1)
Wilgers Onkologie Radiologiese Trust ¹	R	10 000	10 000	40	40	-	-	-	(2)
Wilgers Stralingsonkologie Trust ¹	R	10 000	10 000	25	25	-	-	2	12
Consolidated Aone Trade and Invest 12 Proprietary Limited ¹	R	100	100	30	30	-	-	3	4
						-	-	5	13

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

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	
		2020 Total	2019 Total	2020 %	2019 %	2020 R'm	2019 R'm	2020 R'm	2019 R'm
Unlisted investments									
Brenthurst MRI ¹	R	-	-	70	70	-	-	(11)	(7)
Brenthurst Equipment Trust 1 ¹	R	-	-	50	50	-	-	-	-
Brenthurst Equipment Trust 2 ¹	R	-	-	70	70	-	-	-	-
Brenthurst Radiology Cat Scan ¹	R	-	-	50	50	-	-	-	-
Barringtons MRI Limited ²	EUR	100	100	50	50	11	9	-	-
20:20 Imaging Limited ²	EUR	300	300	30	30	3	3	-	-
						14	12	(11)	(7)

¹ Indirectly held through Life Healthcare Group Proprietary Limited.

² The company is incorporated in the Republic of Ireland and the issued shares are reflected in euros. Indirectly held through Alliance Medical Group Limited.

COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 September 2020

	Notes	2020 R'm	2019 R'm
Revenue	3	778	1 321
Provision for expected credit loss		-	(2)
Profit before tax		778	1 319
Tax expense	4	-	-
Profit after tax		778	1 319
Other comprehensive income		-	-
Total comprehensive income for the year		778	1 319

COMPANY STATEMENT OF FINANCIAL POSITION

at 30 September 2020

	Notes	2020 R'm	2019 R'm
ASSETS			
Non-current assets			
Interest in subsidiaries	1	9 288	9 288
Total assets		9 288	9 288
Equity and liabilities			
Capital and reserves		9 279	9 279
Stated capital	2	13 888	13 888
Accumulated loss		(4 609)	(4 609)
Current liabilities		9	9
Trade and other payables		4	4
Shareholders for dividend		5	5
Total equity and liabilities		9 288	9 288

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 30 September 2020

	Stated capital R'm	Retained earnings R'm	Total R'm
Balance at 30 September 2019	13 888	(4 609)	9 279
Total comprehensive income for the year	–	778	778
Distribution to shareholders	–	(778)	(778)
Balance at 30 September 2020	13 888	(4 609)	9 279
Balance at 30 September 2018	13 888	(4 607)	9 281
Total comprehensive income for the year	–	1 319	1 319
Distribution to shareholders	–	(1 321)	(1 321)
Balance at 30 September 2019	13 888	(4 609)	9 279

COMPANY STATEMENT OF CASH FLOWS

for the year ended 30 September 2020

	Note	2020 R'm	2019 R'm
Cash flows from operating activities			
Cash generated from operations	5	778	1 325
Tax paid		–	–
Net cash generated from operating activities		778	1 325
Cash flows from investing activities			
Loan to Life Healthcare Group Proprietary Limited		–	(3)
Net cash utilised from investing activities		–	(3)
Cash flows from financing activities			
Dividends paid		(778)	(1 322)
Net cash utilised from financing activities		(778)	(1 322)
Net decrease in cash and cash equivalents		–	–
Cash and cash equivalents – beginning of the year		–	–
Cash and cash equivalents at end of the year		–	–

NOTES TO COMPANY ANNUAL FINANCIAL STATEMENTS

for the year ended 30 September 2020

1. INTEREST IN SUBSIDIARIES

	2020 R'm	2019 R'm
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	391	390
Movement	–	3
Provision for expected credit loss	–	(2)
Balance at 30 September	391	391
Total investment	9 288	9 288
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.		
2. STATED CAPITAL		
Stated capital comprises:		
Share capital	10 515	10 515
Share premium	3 373	3 373
	13 888	13 888
Ordinary shares ('000)		
Authorised (share capital of R0.000001 each)	4 149 980	4 149 980
Total value = R4 149 (2019: R4 149)		
Issued and fully paid:		
Balance at 30 September	1 467 349	1 467 349
Total value = R1 467 (2019: R1 467)		
3. REVENUE		
Revenue comprises dividends received from Life Healthcare Group Proprietary Limited	778	1 321
4. INCOME TAX EXPENSE		
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)
	–	–

	2020 R'm	2019 R'm
5. CASH GENERATED FROM OPERATIONS		
Reconciliation of profit before tax to cash generated from operations		
Profit before tax	778	1 319
Adjusted for:		
Expected credit loss charge	-	2
Operating profit before working capital changes	778	1 321
Trade and other payables	-	4
Cash generated from operations	778	1 325
6. ACCOUNTING POLICIES		
The accounting policies are the same for the Group and Company.		
– Presentation of annual financial statements – refer page 20		
The following accounting policies are applicable to the Company – refer Annexure A:		
– Dividend income refer note 1.1.2		
– Interest income refer note 1.1.2		
– Group accounting refer note 1.3 (only section regarding Company financial statements)		
– Financial instruments (excluding section regarding derivatives) refer note 1.11		
– Capital and reserves refer note 1.13		
– New accounting standards and IFRIC interpretations refer note 1.16		
7. 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 of directors has decided, considering the current trading conditions and in order to preserve cash, not to declare or pay a final dividend for the year.		
8. COMMITMENTS AND CONTINGENCIES		
No commitments		
Some of the Company's subsidiaries stand as guarantors in respect of the unsecured borrowings as per note 20 of the Group financial statements.		
9. RELATED PARTIES		
Relationships		
Subsidiary company: Life Healthcare Group Proprietary Limited		
Related-party balances		
Refer to note 1 of the Company financial statements		
Related-party transactions		
Dividend received		
Life Healthcare Group Proprietary Limited	778	1 321

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 25 September 2020 was:

Registered shareholder spread

Shareholder spread	Number of holders	% of total shareholders	Number of shares	% of issued capital
1 – 1 000 shares	6 194	61.3	1 240 097	0.1
1 001 – 10 000 shares	2 127	21.1	7 256 270	0.5
10 001 – 100 000 shares	1 070	10.6	39 274 188	2.7
100 001 – 1 000 000 shares	548	5.4	180 278 872	12.3
1 000 001 shares and above	162	1.6	1 239 299 735	84.4
Total	10 101	100.0	1 467 349 162	100.0

Public and non-public shareholdings

Shareholder type	Number of holders	% of total shareholders	Number of shares	% of issued capital
Non-public shareholders*	11	0.11	18 846 720	1.28
Directors and associates	6	0.06	4 475 185	0.30
Brimstone Investment Corporation Limited	1	0.01	1 040 807	0.07
Life Healthcare employees share trust	1	0.01	11 928 195	0.81
Life Healthcare Provident Fund	1	0.01	5 096	0.00
Life Healthcare Deposit A/C	1	0.01	18 692	0.00
Life Healthcare Group Holdings Limited	1	0.01	1 378 745	0.09
Public shareholders	10 090	99.89	1 448 502 442	98.72
Total	10 101	100.00	1 467 349 162	100.00

* Includes directors, pension/retirement funds and treasury shares.

SHAREHOLDER DISTRIBUTION continued**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 25 September 2020:

Investment management shareholdings

Investment manager	Total shareholding	%
Allan Gray Proprietary Limited	291 000 195	19.8
Government Employees Pension Fund (PIC)	226 855 077	15.5
Lazard Asset Management LLC Group	87 548 807	6.0
Old Mutual Limited	81 478 880	5.5
Industrial Development Corporation (IDC)	69 867 972	4.8
BlackRock Inc	60 759 615	4.1
The Vanguard Group Inc	52 956 230	3.6
Total	870 466 776	59.3

Beneficial shareholdings

	Total shareholding	%
PIC	251 033 116	17.1
Allan Gray Balanced Fund	105 820 737	7.2
IDC	69 867 972	4.8
Old Mutual Life Insurance Company Limited	46 652 296	3.2
Total	473 374 121	32.3

Previously disclosed holdings**Investment managers now holding below 3%**

Investment manager	Total shareholding	%	Previous %
Sanlam Investment Management	23 104 042	1.6	3.7
Coronation Asset Management	17 336 865	1.2	5.3
Total	–	–	

Beneficial owners now holding below 3%

Beneficial owners	Total shareholding	%	Previous %
Total	–	–	–

ANNEXURE D CONTINUED

SHAREHOLDER DISTRIBUTION continued

3. Geographic split of shareholders

Geographic split of investment managers and Company-related holdings

Region	Total shareholding	% of issued capital
South Africa	959 824 361	65.4
United States of America and Canada	278 225 270	19.0
United Kingdom	19 631 281	1.3
Rest of Europe	96 825 086	6.6
Rest of World ¹	112 843 164	7.7
Total	1 467 349 162	100.0

Geographic split of beneficial shareholders

Region	Total shareholding	% of issued capital
South Africa	996 016 883	67.9
United States of America and Canada	312 647 136	21.3
United Kingdom	46 335 614	3.2
Rest of Europe	38 774 759	2.6
Rest of World ¹	73 574 770	5.0
Total	1 467 349 162	100.00

¹ 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
Pension funds	472 577 506	32.21
Unit trusts	431 664 849	29.42
Government of South Africa	69 867 972	4.76
Insurance companies	76 277 701	5.20
Mutual fund	91 971 065	6.27
Sovereign wealth	62 532 516	4.26
Medical aid scheme	3 981 448	0.27
Trading position	45 272 119	3.08
Charity	2 250 711	0.15
Exchange-traded fund	30 939 382	2.11
American depository receipts	14 812 898	1.01
Other managed funds	39 142 766	2.67
Employees	11 928 195	0.81
Custodians	14 313 481	0.98
Private investor	53 569 013	3.65
Corporate holding	1 983 281	0.14
American depository receipts	14 812 898	1.01
Hedge fund	1 064 202	0.07
University	6 678 655	0.45
Local authority	2 114 473	0.14
Black economic empowerment	1 627 146	0.11
ESG	403 916	0.03
Foreign government	399 541	0.03
Investment trust	909 404	0.06
Remainder	16 254 024	1.11
Total	1 467 349 162	100.00

ANNEXURE E

CONSOLIDATED STATEMENT OF FINANCIAL POSITION PER REGION AT 30 SEPTEMBER 2020

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

		2020				
Notes		Group R'm	South Africa R'm	Botswana R'm	Alliance Medical R'm	Poland R'm
ASSETS						
Non-current assets		35 328	11 714	203	21 763	1 648
Property, plant and equipment	10	15 361	8 684	203	5 296	1 178
Intangible assets	11	18 238	1 635	–	16 156	447
Investment in associates and joint ventures	12	65	–	–	65	–
Employee benefit assets	13	379	379	–	–	–
Deferred tax assets	14	1 162	934	–	225	3
Other assets		123	82	–	21	20
Current assets		7 377	3 653	468	2 834	422
Cash and cash equivalents	15	2 279	466	252	1 398	163
Trade and other receivables	16	4 046	2 375	183	1 267	221
Inventories	17	873	756	17	62	38
Income tax receivable		173	50	16	107	–
Other assets		6	6	–	–	–
Total assets		42 705	15 367	671	24 597	2 070
Total equity		18 278	5 898	419	11 136	825
LIABILITIES						
Non-current liabilities		14 535	3 372	191	10 457	515
Interest-bearing borrowings	21	12 034	2 450	179	8 921	484
Employee benefit liabilities	13	161	–	–	161	–
Deferred tax liabilities	14	1 450	869	12	569	–
Trade and other payables	22	89	–	–	62	27
Provisions	22	117	–	–	113	4
Contingent consideration liabilities	26	631	–	–	631	–
Other liabilities		53	53	–	–	–
Current liabilities		9 892	6 097	61	3 004	730
Bank overdraft	15	2 181	2 181	–	–	–
Trade and other payables	22	5 146	2 464	60	2 357	265
Provisions	23	181	127	–	54	–
Contingent consideration liabilities	26	11	–	–	–	11
Interest-bearing borrowings	21	2 180	1 273	1	452	454
Income tax payable		161	35	–	126	–
Other liabilities		32	17	–	15	–
Total liabilities		24 427	9 469	252	13 461	1 245
Total equity and liabilities		42 705	15 367	671	24 597	2 070

2019

Group R'm	South Africa R'm	Botswana R'm	Alliance Medical R'm	Poland R'm
31 588	11 208	196	18 262	1 922
12 929	8 173	195	3 762	799
16 969	1 678	–	14 168	1 123
53	–	–	53	–
448	448	–	–	–
1 102	834	–	268	–
87	75	1	11	–
5 978	3 050	410	2 107	411
1 544	546	180	730	88
3 923	2 160	215	1 254	294
379	306	13	34	26
124	30	2	89	3
8	8	–	–	–
37 566	14 258	606	20 369	2 333
17 491	5 796	393	9 897	1 405
11 632	3 556	154	7 258	664
9 399	2 744	140	5 894	621
130	–	–	130	–
1 371	730	7	610	24
51	–	–	32	19
69	–	–	69	–
506	–	–	506	–
106	82	7	17	–
8 443	4 906	59	3 214	264
867	867	–	–	–
4 663	2 461	47	1 941	214
136	101	–	35	–
37	–	–	4	33
2 596	1 451	5	1 124	16
129	11	7	110	1
15	15	–	–	–
20 075	8 462	213	10 472	928
37 566	14 258	606	20 369	2 333



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