



# LIFE HEALTHCARE

## ANNUAL FINANCIAL STATEMENTS 2017

### Life

Well-being and quality of life

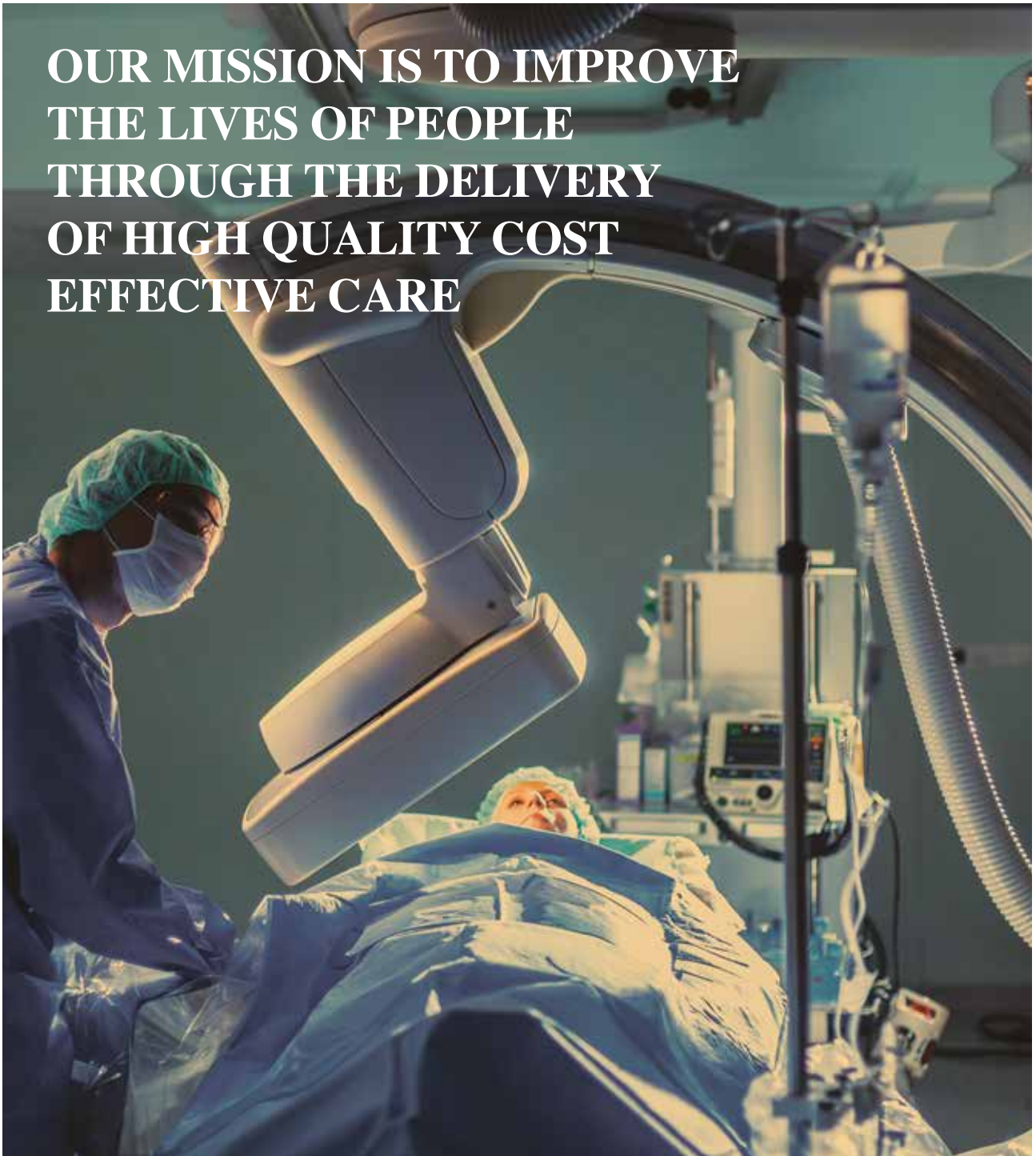
### Health

Clinical excellence in world-class facilities

### Care

Quality, service, respect and empathy for those entrusted to our care

**OUR MISSION IS TO IMPROVE  
THE LIVES OF PEOPLE  
THROUGH THE DELIVERY  
OF HIGH QUALITY COST  
EFFECTIVE CARE**



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# TABLE OF CONTENTS

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Administration	2
Statement of directors' responsibilities and approval of financial statements	3
Statement from Group Company Secretary	3
Report of the audit committee	4
Directors' report	8
Independent auditor's report	10
Consolidated statement of profit or loss and other comprehensive income	16
Consolidated statement of financial position	17
Consolidated statement of changes in equity	18
Consolidated statement of cash flows	19
Notes to the consolidated annual financial statements	20
Notes to the consolidated annual financial statements – risk management	56
Annexure A: Significant accounting policies	63
Annexure B: Simplified group structure	74
Annexure C: Associate undertakings	75
Annexure D: Shareholder distribution	76
Annexure E: Consolidated statement of financial position	78
Company statements of profit or loss and other comprehensive income	79
Company statement of financial position	80
Company statement of changes in equity	81
Company statement of cash flows	82
Notes to the company annual financial statements	83

## ADMINISTRATION

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

## PREPARATION OF THE ANNUAL FINANCIAL STATEMENTS

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

# STATEMENT OF DIRECTORS' RESPONSIBILITIES

FOR THE YEAR ENDED 30 SEPTEMBER 2017

The directors are responsible for the preparation, integrity and fair presentation of the consolidated and Company financial statements of Life Healthcare Group Holdings Limited and its subsidiaries, associates and joint ventures (Group) in accordance with International Financial Reporting Standards (IFRS) and the South African Companies Act, 71 of 2008 (as amended) (Companies Act).

The directors consider that the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used in the preparation of the financial statements and that all IFRS that they consider to be applicable have been followed. The directors are satisfied that the information contained in the financial statements fairly presents the consolidated and separate financial position of Life Healthcare Group Holdings Limited at 30 September 2017, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended. The directors are also responsible for reviewing the other information included in the integrated report and ensuring both its accuracy and its consistency with the financial statements.

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

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

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

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

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

## Approval of financial statements

The financial statements set out on pages 16 to 84 were approved by the board of directors on 20 November 2017 and are signed by:



**MA Brey**

*Chairman*

Johannesburg



**PP van der Westhuizen**

*Acting Group Chief Executive Officer*

# STATEMENT FROM GROUP COMPANY SECRETARY

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.



**F Patel**

*Group Company Secretary*

# REPORT OF THE AUDIT COMMITTEE

FOR THE YEAR ENDED 30 SEPTEMBER 2017

## Introduction

The Life Healthcare Group Holdings Limited audit committee (the committee) is a formal committee of the board. The responsibilities of the committee are outlined in its written terms of reference which are reviewed annually and the terms of reference are in line with the Companies Act, King III and the JSE Listings Requirements. No changes were made to the terms of reference in 2017. The terms of reference can be viewed on the Group's website at [www.lifehealthcare.co.za](http://www.lifehealthcare.co.za). The committee has an independent role with accountability to both the board and shareholders.

The King IV Report on Corporate Governance was issued in November 2016. While the effective date is in respect of financial years beginning on or after 1 April 2017, the committee has sought to address a number of the disclosure requirements in this report. The committee is satisfied that its approach and practices are substantially aligned with King IV.

This report of the committee is presented to the shareholders in terms of section 94(7)(f) of the Companies Act and as recommended by King IV.

## Composition of the audit committee

The committee comprised the following independent non-executive directors who have the requisite financial skills and experience to fulfil the duties of the committee.

- PJ Golesworthy (chairman)
- LM Mojela (up to 25 January 2017)
- AM Mothupi (from 3 July 2017)
- GC Solomon
- RT Vice

LM Mojela resigned from the board and consequently as a member of the audit committee on 25 January 2017, and AM Mothupi joined the board and the committee on 3 July 2017. PJ Golesworthy, GC Solomon and RT Vice were recommended by the board and appointed by the shareholders at the annual general meeting held on 25 January 2017 to hold office until the next annual general meeting.

The same chairman and existing members of the committee will be recommended at the next annual general meeting in January 2018.

The Chairman of the board is not a member of the audit committee.

In respect of the year ended 30 September 2017, the committee met five times and executed its responsibilities in accordance with its terms of reference. Details of members' attendance appear on page 108 of the integrated report.

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 pages 51 to 54.

The Chairman of the board, chairman of the risk committee, Group Chief Executive Officer, Group Chief Financial Officer, the acting Group Chief Internal Audit Executive, Group risk manager and senior management in the financial department attended meetings at the invitation of the committee, together with the external auditors. The chairman meets separately with management and the internal and external auditors before each meeting and the internal and external auditors are provided with the opportunity to meet separately with the committee should they require. The internal and external auditors have unrestricted access to the committee. The chairman of the audit committee and AM Mothupi are members of the risk committee, which ensures the flow of information between the two committees.

## Audit committee evaluation

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

## Role of the audit committee

The overall function of the committee is to assist the directors in discharging their responsibilities relating to the safeguarding of assets, the operation of adequate and effective systems and control processes and 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 matters discussed at audit committee meetings.

The committee performed, amongst others, the following functions:

### In respect of financial and integrated reporting:

- reviewed and recommended for approval by the board the interim results and annual financial statements and the related SENS and press announcements;
- considered the factors and risks that might impact the financial reporting;
- considered the JSE's proactive monitoring of financial statements report, as issued in 2017, and the applicability of the issues raised to the Company;
- considered and satisfied itself that the Group has appropriate financial reporting procedures and these procedures are operating as intended;

- considered and satisfied itself on the appropriateness of accounting policies and material estimates and judgements. The material areas of judgement are set out in note 1.2 of the annual financial statements;
- considered and satisfied itself on the design and implementation of the internal financial controls. No significant weaknesses in the design, implementation or execution of the internal financial controls were identified;
- confirmed the going-concern basis of preparation of the interim and annual financial statements;
- reviewed and recommended for approval by the board the integrated report, including the disclosure of sustainability issues;
- monitored the implementation of the SAP enterprise resource planning (ERP) system which impacts the financial control environment. Phase 1 of the project, which comprises the financial module, is completed. The roll-out of phase 2, which comprises materials management, accounts receivables and integration with the patient accounting system (Impilo), is anticipated to be completed by October 2018;
- reviewed the management actions to improve the quality and effectiveness of the Polish finance function and to more effectively integrate reporting with the Group processes; and
- reviewed the adequacy of Alliance Medical Group Limited (Alliance Medical) financial systems for financial reporting purposes and management's plans to integrate Alliance Medical into the Group's reporting processes.

Alliance Medical was acquired in November 2016 and a rights issue to part-fund the acquisition was concluded in April 2017. The committee reviewed the various documents that were published in relation to the acquisition and rights issue and satisfied itself that the processes undertaken by the Company and its advisers to ensure the accuracy, completeness and context of the reports and compliance with the JSE Listings Requirements were appropriate. The reports were recommended to the board for approval.

The significant areas of focus for the committee in relation to the 2017 financial statements are addressed as key audit matters in the external audit report, which details how PricewaterhouseCoopers Inc. (PwC) obtained comfort, and included:

- the impairment provision required for the investment in Poland as a result of a reduction in tariffs; and
- the accounting for the rights offer and the acquisition of Alliance Medical.

#### **In respect of internal audit and internal controls**

The committee ensured that the internal audit function is independent and has the necessary resources to enable it to fulfil its mandate. The Group Chief Internal Audit Executive reports functionally to the chairman of the committee and administratively to the Group Chief Financial Officer.

In November 2016 the then Chief Internal Audit Executive took on the role of Privacy Officer and a suitably qualified secondee from Ernst & Young (EY) was appointed to act in the position. In November 2017, to start 1 December 2017, a permanent Group Chief Internal Auditor was appointed with the approval of the committee, who will be responsible for developing and managing the group function.

The committee approved the change in the South African internal audit function to an outsourced model, and in August 2017 the South African internal audit function was outsourced to EY. A limited scope internal audit in Poland was outsourced to Deloitte, as in the prior year.

#### ***The committee:***

- reviewed the internal audit charter in line with King III recommendations and recommended the approval thereof to the board;
- approved the risk-based internal audit plan for the 2017 financial year and subsequent changes thereto during the year;
- considered the effectiveness and performance of the internal audit function in the context of the changes during the year;
- reviewed the combined assurance model and considered its effectiveness;
- received risk updates, particularly in relation to financial reporting;
- reviewed and evaluated reports relating to internal audit and risk management and the adequacy of management's responses and corrective actions;
- assessed the effectiveness of internal controls systems and formed the opinion that there were no material breakdowns in internal financial controls; and
- 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.

#### **In respect of external audit**

Following approval by shareholders at the annual general meeting in January 2017, PwC served as the Group's registered external auditors for the 2017 financial year and Mr M Naidoo was the designated partner.

PwC has served as the Group's auditors for 19 years, and Mr M Naidoo has been the designated audit partner for two years.

During PwC's tenure as external auditors of the Group, the following changes in key management of the organisation have occurred:

- change in Group Chief Financial Officer in June 2013 from RJ Hogarth to PP van der Westhuizen;
- change in Group Chief Executive Officer in April 2014 from CMD Flemming to A Meyer; and
- the resignation of A Meyer in June 2017, with PP van der Westhuizen becoming acting Group Chief Executive Officer.

## REPORT OF THE AUDIT COMMITTEE CONTINUED

### *The committee:*

- approved the auditors' terms of engagement and fees. The fees paid to the external auditors are disclosed in note 5 to the annual financial statements. In addition, PwC acted as reporting accountants in terms of the rights offer and were paid R10.8 million, the cost of which was capitalised;
- 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 with the key audit matters identified by PwC that are set out in its audit report;
- obtained assurances from the external auditors that adequate accounting records were being maintained;
- reviewed the quality and effectiveness of the external audit process, based on the committee's own assessment, the views of management and PwC's own assessment, and found it to be satisfactory. Confirmation was obtained from PwC that no material matters had been raised in regulatory or internal reviews of the audit partner;
- satisfied itself that the external auditors' appointment and the reappointment of M Naidoo as the audit partner complies with the JSE Listing Requirements;
- satisfied itself through enquiry that both PwC and the audit partner are independent as defined by the Companies Act and as per the standards stipulated in the audit profession. The external auditors confirmed that their independence was not impaired and provided assurance that their internal governance processes within their audit firm support and demonstrate their claim to independence;
- has established a policy in terms of which the nature and extent of all non-audit services provided by PwC are reviewed and approved in advance. The committee approved all non-audit services in terms of this policy, which amounted to R7.5 million (33% of the Group audit fee) for the current year. In South Africa these comprised mainly audit certificates required in terms of certain contracts, quality audit, immigration services to nurses seconded to South Africa and technical assistance. In Alliance Medical non-audit services related to tax advisory and compliance and acquisition due diligence services; and
- confirmed that no reportable irregularities had been identified or reported by the external auditors under the Auditing Profession Act.

The committee has nominated PwC as the Group's registered external auditors and M Naidoo the designated partner, respectively to the shareholders for appointment as auditors for the financial year ended 30 September 2018 at the next annual general meeting.

### **In respect of compliance with legal and regulatory requirements**

#### *The committee:*

- considered the relevant findings of the risk committee;
- considered the reports of management and the internal and external auditors regarding compliance with legal and regulatory requirements; and
- reviewed legal matters that could have a material impact on the Group.

### **In respect of other matters**

#### *The committee:*

- reviewed and recommended dividend/distribution declarations to the board, having considered the liquidity and solvency tests;
- performed the functions required in terms of section 94 (2) of the Companies Act on behalf of the Group's South African subsidiary companies;
- considered whether there were any concerns or complaints, whether from within or outside the Company, relating to the accounting practices and internal audit of the Company, the content or auditing of the Company's financial statements, the internal financial controls of the Company or any related matter. The committee confirms that there were no material matters raised; and
- made submissions to the board on matters concerning the Group's accounting policies, financial control, records and reporting.

### **Expertise and experience of the Group Chief Financial Officer and the finance team**

As required by the JSE Listings Requirements, the committee reviewed the qualifications, experience and expertise of PP van der Westhuizen and is satisfied that his expertise and experience is appropriate to meet the responsibilities of the position.

PP van der Westhuizen assumed the role of acting Group Chief Executive Officer with effect from 1 July 2017 in addition to his role as the Group Chief Financial Officer. Prior to requesting dispensation from the JSE, as required in terms of the Listings Requirements, the committee considered and obtained comfort with the arrangements made within the finance function to ensure that these were adequate and appropriate to ensure the integrity of the finance function as he performed both roles. Dispensation was received from the JSE for a period of six months until 31 December 2017.

The committee considered the expertise, resources and experience of the Group's finance function. Matters highlighted from the review included the need to build the appropriate bench strength across the enlarged Group and to ensure appropriate financial systems to facilitate accurate and timeous reporting at the Group level.

### **Key focus areas for 2018**

The committee will focus, inter alia, on the following areas in 2018:

- Continued focus on the Group's reporting processes and financial controls and integration of the international operations
- Improvements to the Group wide approach to combined assurance and internal audit and the bedding down of the outsourced internal audit model in South Africa

### **Confirmation**

The committee confirms for the 2017 financial year that it has discharged its responsibilities in accordance with its terms of reference and in compliance with the requirements of the Companies Act.

On behalf of the audit committee



### **PJ Golesworthy**

*Chairman: Audit committee*

Johannesburg

16 November 2017



# DIRECTORS' REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2017

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 2017. 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 79 to 84.

## 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, Poland and India and provides diagnostic-related services and sells radiopharmaceuticals in the United Kingdom, Italy, Ireland, Spain and northern Europe. The Group is listed on the main board of the JSE Limited.

## Summary of financial performance and overview

One of Life Healthcare's strategic objectives is to accelerate the transition from a South African focused acute care group to an international diversified healthcare provider. Life Healthcare's growth strategy has been focused on expanding its complementary services within the South African market while increasing its international exposure.

In line with this strategy, Life Healthcare completed the acquisition of Alliance Medical Group Limited (Alliance Medical) in November 2016. The Group acquired Alliance Medical for an enterprise value of around GBP780 million (R13.9 billion). The acquisition was initially funded through ZAR and GBP debt bridge facilities, which have subsequently been partially repaid through the successful completion of the rights offer and will be fully repaid by end of November 2017.

The Group's results for the year ended 30 September 2017 include the acquisition of Alliance Medical with revenue up 26.8% to R20 797 million (2016: R16 404 million), with R3 812 million new revenue from Alliance Medical, and normalised EBITDA up 15.9% to R5 001 million (2016: R4 314 million), with R908 million new EBITDA from Alliance Medical.

The Group's earnings were impacted by the one-off items related to the Alliance Medical acquisition, being the transaction costs of R267 million and acquisition funding costs of R513 million, as well as the further impairment of R167 million relating to the Polish investment due to regulatory changes impacting profitability.

During the current financial year, Life Healthcare invested R11 957 million (2016: R2 025 million), comprising mainly R9 568 million (net of cash acquired) for the acquisition of Alliance Medical, R428 million additional investment in Max Healthcare Institute Limited (Max), and R292 million (net of cash acquired) in new acquisitions by Alliance Medical. The Group invested in capital projects of R1 656 million (2016: R1 013 million).

The financial statements on pages 16 to 84 fully set out the financial results of the Group and Company.

## Special resolutions

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

### Life Healthcare Group Holdings Limited

- General authority to repurchase Company shares
- General authority to provide financial assistance to related and inter-related companies
- Approval to issue 30% or more of the Company's ordinary shares
- Approval of non-executive directors' remuneration
- Amendment to the Company's Memorandum of Incorporation (MOI)
- Approval to issue the Company's ordinary shares and/or to a person falling within the ambit of section 41(1) of the Companies Act for the purposes of implementing the rights offer

### Distributions to shareholders

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

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

Date dividend paid and shares issued	R'm	Cents per share	Scrip distribution with the right to elect cash
19 December 2016	973 <sup>1</sup>	92.00	Final 2016
3 July 2017	505 <sup>1</sup>	35.00	Interim 2017

<sup>1</sup> The cash portion of the final dividend was subject to dividend withholding tax at a rate of 20% (2016: 15%).

The board has declared a final distribution for the year ended 30 September 2017, by way of the issue of fully paid Life Healthcare Group Holdings Limited ordinary shares of 0.0001 cent each (the Scrip Distribution) payable to ordinary shareholders (Shareholders) recorded in the register of the Company at the close of business on the Record Date, being Friday, 5 January 2018.

Shareholders will be entitled, in respect of all or part of their shareholding, to elect to receive a gross cash dividend of 45 cents per ordinary share in lieu of the Scrip Distribution, which will be paid only to those Shareholders who elect to receive the cash dividend, in respect of all or part of their shareholding, on or before 12:00 on Friday, 5 January 2018 (the Cash Dividend). The Cash Dividend has been declared from income reserves. A dividend withholding tax of 20% will be applicable to all shareholders not exempt therefrom after deduction of which the net Cash Dividend is 36 cents per share.

The new ordinary shares will, pursuant to the Scrip Distribution, be settled by way of capitalisation of the Company's distributable retained profits.

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

Announcement released on SENS in respect of the ratio applicable to the Scrip Distribution, based on the 15-day volume weighted average price ending on Wednesday, 20 December 2017, by 11h00 on	Thursday, 21 December 2017
Announcement published in the press of the ratio applicable to the Scrip Distribution, based on the 15-day volume weighted average price ending on Wednesday, 20 December 2017 on	Friday, 22 December 2017
Last day to trade in order to be eligible for the Scrip Distribution and the Cash Dividend alternative	Tuesday, 2 January 2018
Ordinary shares trade "ex" the Scrip Distribution and the Cash Dividend alternative on	Wednesday, 3 January 2018
Listing and trading of maximum possible number of ordinary shares on the JSE in terms of the Scrip distribution from the commencement of business on	Wednesday, 3 January 2018
Announcement released on SENS in respect of the cash payment for fractional entitlements, based on the VWAP traded on the JSE on Wednesday, 3 January 2018, discounted by 10%	Thursday, 4 January 2018
Last day to elect to receive the Cash Dividend alternative instead of the Scrip Distribution, forms of election to reach the transfer secretaries by 12h00 on	Friday, 5 January 2018
Record date in respect of the Scrip Distribution and the Cash Dividend alternative	Friday, 5 January 2018
Scrip Distribution certificates posted and Cash Dividend payments made, CSDP/broker accounts credited/updated, as applicable, on	Monday, 8 January 2018
Announcement relating to the results of the Scrip Distribution and the Cash Dividend alternative released on SENS on	Monday, 8 January 2018
Announcement relating to the results of the Scrip Distribution and the Cash Dividend alternative published in the press on	Tuesday, 9 January 2018
JSE listing of ordinary shares in respect of the Scrip Distribution adjusted to reflect the actual number of ordinary shares issued in terms of the Scrip Distribution at the commencement of business on or about	Wednesday, 10 January 2018

All times provided are South African local times. The above dates and times are subject to change. Any material change will be announced on SENS.

Share certificates may not be dematerialised or rematerialised between Wednesday, 3 January 2018 and Friday, 5 January 2018, both days inclusive.

### Board of directors

The names of the directors in office at the date of this report are set out on page 2. The remuneration and interests of the directors are set out in note 25 to the annual financial statements.

### Changes to board of directors

The board, together with A Meyer, decided that he would step down as Group Chief Executive Officer and as a member of the board with effect from 30 June 2017, and PP van der Westhuizen was appointed as acting Group Chief Executive Officer, while continuing in his role as Group Chief Financial Officer.

The board approved the appointment of Dr S Viranna to the position of Group Chief Executive Officer, effective 1 February 2018.

LM Mojela resigned during the year as non-executive director on 25 January 2017. M Sello and AM Mothupi were appointed as non-executive directors on 3 July 2017.

### Interests of directors

No change in the interests as set out in note 25 has occurred between 30 September 2017 and the date of this report. No arrangements to which the Company is a party existed at year-end that would enable the directors or their families to acquire benefits by means of the acquisition of shares in the Company, other than the long-term incentive scheme in respect of executive directors.

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

### Secretary

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

# INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2017

## To the Shareholders of Life Healthcare Group Holdings Limited Report on the audit of the consolidated and separate financial statements

### Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Life Healthcare Group Holdings Limited (the Company) and its subsidiaries (together the Group) as at 30 September 2017, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa.

### What we have audited

Life Healthcare Group Holdings Limited's consolidated and separate financial statements set out on pages 16 to 84 comprise:

- the consolidated and company statements of financial position as at 30 September 2017;
- the consolidated and company statements of profit or loss and other comprehensive income for the year then ended;
- the consolidated and company statements of changes in equity for the year then ended;
- the consolidated and company statements of cash flows for the year then ended; and
- the notes to the consolidated and company annual financial statements, which include a summary of significant accounting policies.

### Basis for opinion

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

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

### Independence

We are independent of the Group in accordance with 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 International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (Parts A and B).



## Our audit approach

### Overview

#### Overall group materiality

- Overall group materiality: R140 million, which represents 5% of adjusted consolidated profit before tax.

#### Group audit scope

- We conducted full scope audit procedures at 27 business units and review procedures at 2 business units.

#### Key audit matters

- Acquisition of Alliance Medical Group
- Impairment consideration of non-current assets and significant investments

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

### Materiality

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

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

<b>Overall Group materiality</b>	R140 million
<b>How we determined it</b>	5% of adjusted consolidated profit before tax (adjusted for once off items including impairment charges on the Scanmed S.A. operation (Poland) [R167 million], transaction costs relating to the acquisition of Alliance Medical Group [R267 million], and finance costs which arose on the bridge facility used to finance the acquisition [R433 million]).
<b>Rationale for the materiality benchmark applied</b>	<p>We chose adjusted consolidated profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. The consolidated profit before tax was adjusted to exclude items that are not reflective of the ongoing operations of the business.</p> <p>We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.</p>

### How we tailored our Group audit scope

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

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

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

The audits undertaken for Group reporting purposes are in respect of the key reporting business units of the Group, equating to full scope audit procedures being performed at 27 business units. We performed review procedures at a further 2 business units.

### Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
<p><b>Acquisition of Alliance Medical Group</b></p> <p>This key audit matter relates to the consolidated financial statements. Refer to note 24 (Acquisitions and disposals of investments in subsidiaries) to the consolidated financial statements on pages 48 to 50.</p> <p>The Group announced its acquisition of Alliance Medical Group Limited based in the United Kingdom on 16 November 2016. The acquisition was completed on 21 November 2016 for a total consideration of R10.8 billion, resulting in the recognition of goodwill amounting to R9.5 billion in the current year.</p> <p>The Group funded the acquisition through a bridge facility which was refinanced in part through a fully underwritten rights offer to qualifying Life Healthcare shareholders.</p> <p>The adjustments required to the initial fair value of net assets arising from the acquisition resulted in a rigorous assessment by management on each of the respective fair value adjustments.</p> <p>This area was considered to be a matter of most significance to the current year audit for the following reasons:</p> <ul style="list-style-type: none"> <li>• The complexity surrounding the accounting for the transaction in accordance with IFRS, particularly in relation to the purchase consideration and B share liability assumed which is included as part of the total purchase consideration; and</li> <li>• The finalisation of the purchase price allocation and adjustments required to the initial fair value of net assets arising from the acquisition requires the exercise of significant management judgement and estimation.</li> </ul>	<p>We obtained the signed agreements and contracts relating to the acquisition, and identified the pertinent terms relevant to the accounting for the transaction. We utilised our technical accounting specialists to assess whether the business combination accounting is appropriate.</p> <p>We obtained the report issued by the external valuation experts engaged by management, which was used to perform the provisional purchase price allocation and to assist with the identification of identifiable assets in the business combination.</p> <p>Making use of our valuations expertise, we assessed the process, underlying assumptions, and valuation methodology adopted by management's experts in preparing the purchase price allocation. Based on our work performed, we accepted these as reasonable.</p> <p>We tested the mathematical accuracy of management's calculations for the total purchase consideration of R10.8 billion paid and compared the underlying information inputs to the relevant contractual agreement terms.</p> <p>In relation to the B share liability, we made use of our valuations expertise to assess the process and methodology adopted by management's experts and the underlying assumptions, the most significant of which were the expected volatility of the underlying equity, future dividends, hurdle growth rates, and risk free interest rates.</p>

## INDEPENDENT AUDITOR'S REPORT CONTINUED

Key audit matter	How our audit addressed the key audit matter
<p>Acquisition of Alliance Medical Group continued</p>	<p>We tested the journal entries and supporting workings relating to the accounting for the transaction by agreeing these to the respective terms of the acquisition agreements and contracts.</p> <p>Our procedures to obtain audit evidence over the acquisition elements included the following:</p> <ul style="list-style-type: none"> <li>• We performed procedures over the opening statement of financial position of Alliance Medical Group at acquisition date, through the application of various analytical procedures and inquiries with management, focusing on recoverability of assets and completeness of liabilities;</li> <li>• We substantively tested the fair value adjustments required to the initial fair value of net assets arising from the acquisition for purposes of finalisation of the purchase price allocation by focusing on the supporting evidence, available third party market data, and the commercial rationale used to justify the adjustments; and</li> <li>• We assessed the accounting policies applied by Alliance Medical Group by comparing these to those applied by the Group and against the requirements of IFRS.</li> </ul>
<p><b>Impairment consideration of non-current assets and significant investments</b></p> <p>This key audit matter relates to the consolidated and company financial statements</p> <p>Refer to note 10 (Intangible assets) to the consolidated financial statements on page 31.</p> <p>At 30 September 2017 the Group's consolidated statement of financial position included property, plant and equipment amounting to R11 131 million, and goodwill amounting to R12 170 million relating to both its South African and International operations.</p> <p>An impairment assessment of non-current assets is required to be performed by management when there is an indication that these assets may be impaired. Assets that are not amortised, such as goodwill and indefinite life intangible assets are required to be assessed for impairment annually even if there is no impairment indicator.</p> <p><i>Alliance Medical Group</i></p> <p>Management performed an impairment assessment for the Alliance Medical Group cash-generating unit, using the value in use model to identify if the recoverable amount is less than the carrying amount.</p> <p>The assessments performed by management required judgement in the determination of key assumptions and future market conditions, particularly in relation to:</p> <ul style="list-style-type: none"> <li>• Discount rate;</li> <li>• Growth rate; and</li> <li>• Future cash flow forecasts.</li> </ul> <p>Based on the results of the impairment assessments, management did not recognise an impairment in respect of the Alliance Medical Group at 30 September 2017.</p>	<p>For the Alliance Medical, Poland, and southern Africa operations, we obtained management's impairment models, tested the mathematical accuracy of the calculations, which included recalculating the recoverable amount for each respective cash-generating unit (CGU), and compared this to the respective net carrying values.</p> <p>We assessed management's key assumptions used in the value-in-use models (discount rate, growth rate, tariff and inflation increase, and future cash flow forecasts) as follows:</p> <ul style="list-style-type: none"> <li>• We made use of our corporate finance expertise to assess the Group's standard valuation model used in management's impairment assessments;</li> <li>• We utilised our corporate finance experts to assess the reliability of management's various discount rates used within the Group by calculating an independent discount rate using relevant third party sources;</li> <li>• Growth rates, tariff and inflation increases were assessed against actual performance, various sources of independent external market outlooks/research and correspondence with funders and regulators; and</li> <li>• We assessed the reasonableness of management's future cash flow forecasts by comparing them to historical forecasts, current operational results and existing contracts in place.</li> </ul>

Key audit matter	How our audit addressed the key audit matter
Impairment consideration of non-current assets and significant investments continued	
<p><i>Poland</i></p> <p>The National Health Fund (NFZ) in Poland announced reduced tariffs in respect of cardiology procedures that came into effect on 1 July 2016 and further cardiology tariff reductions from 1 January 2017. Management identified this as an impairment indicator in relation to its Scanmed S.A. operations in Poland.</p> <p>Management performed impairment assessments for the Scanmed S.A. cash-generating units, using the value-in-use model to identify if the recoverable amount is less than the carrying amount, indicating that the goodwill and related assets may be impaired.</p> <p>The assessments performed by management required judgement in the determination of key assumptions and future market conditions, particularly in relation to:</p> <ul style="list-style-type: none"> <li>• Discount rate;</li> <li>• Growth rate;</li> <li>• Tariff and inflation increases; and</li> <li>• Future cash flow forecasts.</li> </ul> <p>Based on the results of the impairment assessment performed, management recognised an impairment charge of R167 million (R148 million goodwill and R19 million property, plant and equipment) at 30 September 2017.</p> <p><i>Southern Africa operations</i></p> <p>Cash-generating units within the southern African operations are defined as individual hospitals and healthcare service operating units, and goodwill is allocated to these operations based on expected benefit arising from synergies due to the business combinations. At 30 September 2017, goodwill in relation to the southern African operations amounted to R1.2 billion.</p> <p>Management performed annual impairment assessments on the cash-generating units to which goodwill has been allocated based on value-in-use calculations.</p> <p>The assessments performed by management required judgement in the determination of key assumptions and future market conditions, particularly in relation to:</p> <ul style="list-style-type: none"> <li>• Discount rate;</li> <li>• Growth rate;</li> <li>• Tariff and inflation increases; and</li> <li>• Future cash flow forecasts.</li> </ul> <p>Future cash flows are estimated based on financial budgets covering a five year period.</p> <p>Based on the results of the impairment assessments, management did not recognise an impairment in respect of the southern African operations at 30 September 2017.</p> <p>This area was considered to be a matter of most significance to the current year audit due to the following:</p> <ul style="list-style-type: none"> <li>• The impairment assessments are based on complex economic models, key assumptions, estimates and management judgement; and</li> <li>• The magnitude of the balances to the financial statements.</li> </ul>	

## INDEPENDENT AUDITOR'S REPORT CONTINUED

### Other information

The directors are responsible for the other information. The other information comprises the directors' report, report of the audit committee and the statement from Group Company Secretary as required by the Companies Act of South Africa, and the Statement of directors' responsibilities which we obtained prior to the date of this auditor's report, and the Integrated Report, which is expected to be made available to us after that date. 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 identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

### Responsibilities of the directors for the consolidated and separate financial statements

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

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

### Auditor's responsibilities for the audit of the consolidated and separate financial statements

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

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

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

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

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

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

### **Report on other legal and regulatory requirements**

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Life Healthcare Group Holdings Limited for 19 years.



#### **PricewaterhouseCoopers Inc.**

**Director: M Naidoo**

*Registered Auditor*

Johannesburg

21 November 2017



# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2017

	Notes	2017 R'm	2016 R'm
Revenue and other income	2	20 967	16 567
Drugs and surgicals consumed		(4 645)	(4 048)
Employee benefits expense	3	(6 957)	(5 598)
Retirement benefit asset and post-employment medical aid income		29	23
Depreciation on property, plant and equipment		(971)	(530)
Amortisation of intangible assets		(439)	(147)
Repairs and maintenance expenditure on property, plant and equipment		(420)	(197)
Occupational expenses		(884)	(553)
Hospital service expenses		(765)	(710)
Communication expenses		(292)	(181)
Radiology service costs		(505)	-
Other expenses		(1 498)	(966)
<b>Operating profit</b>		<b>3 620</b>	3 660
Contingent consideration released		43	109
Transaction costs		(267)	(12)
Impairment of investment	9 and 10	(167)	(370)
Profit/(loss) on remeasuring previously held interest in associate to fair value	11	6	(23)
(Loss)/profit on disposal of property, plant and equipment		(37)	1
Fair value adjustment on derivative financial instruments		(92)	(2)
Other		(20)	(7)
Finance income	4	162	12
Finance cost	4	(1 299)	(512)
Share of associates' and joint ventures' net (loss)/profit after tax	11	(15)	8
<b>Profit before tax</b>	5	<b>1 934</b>	2 864
Tax expense	6	(815)	(894)
<b>Profit after tax</b>		<b>1 119</b>	1 970
<b>Other comprehensive income, net of tax</b>			
<b>Items that may be reclassified to profit or loss</b>			
Movement in foreign currency translation reserve		127	(30)
<b>Items that may not be reclassified to profit or loss</b>			
Retirement benefit asset and post-employment medical aid		13	8
<b>Total comprehensive income for the year</b>		<b>1 259</b>	1 948
<b>Profit after tax attributable to:</b>			
Ordinary equity holders of the parent		814	1 616
Non-controlling interest		305	354
		<b>1 119</b>	1 970
<b>Total comprehensive income attributable to:</b>			
Ordinary equity holders of the parent		952	1 596
Non-controlling interest		307	352
		<b>1 259</b>	1 948
Earnings per share (cents)	7	62.2	144.1
Diluted earnings per share (cents)	7	62.0	143.7

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2017

	Notes	2017 R'm	2016 R'm
<b>Assets</b>			
<b>Non-current assets</b>			
		<b>31 459</b>	14 395
Property, plant and equipment	9	<b>11 131</b>	7 752
Intangible assets	10	<b>16 281</b>	3 196
Investment in associates and joint ventures	11	<b>2 976</b>	2 548
Employee benefit assets	12	<b>399</b>	433
Deferred tax assets	13	<b>608</b>	426
Other assets		<b>64</b>	40
<b>Current assets</b>			
		<b>5 180</b>	3 102
Cash and cash equivalents	14	<b>1 176</b>	604
Trade and other receivables	15	<b>3 602</b>	2 133
Inventories	16	<b>357</b>	318
Income tax receivable		<b>33</b>	39
Other assets		<b>12</b>	8
<b>Total assets</b>			
		<b>36 639</b>	17 497
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Stated capital	17	<b>13 084</b>	3 666
Reserves		<b>1 296</b>	1 820
Non-controlling interest		<b>1 171</b>	1 312
<b>Total equity</b>			
		<b>15 551</b>	6 798
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
		<b>9 991</b>	6 111
Interest-bearing borrowings	19	<b>7 786</b>	5 469
Derivative financial instruments	21	<b>749</b>	–
Deferred tax liabilities	13	<b>1 203</b>	547
Trade and other payables	20	<b>73</b>	–
Other liabilities		<b>180</b>	95
<b>Current liabilities</b>			
		<b>11 097</b>	4 588
Bank overdraft	14	<b>450</b>	1 030
Trade and other payables	20	<b>4 174</b>	2 217
Interest-bearing borrowings	19	<b>6 301</b>	1 312
Income tax payable		<b>161</b>	13
Other liabilities		<b>11</b>	16
<b>Total liabilities</b>			
		<b>21 088</b>	10 699
<b>Total equity and liabilities</b>			
		<b>36 639</b>	17 497

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2017

Attributable to equity holders of the Company							
Notes	Stated capital R'm	Other reserves R'm	Dis- tributable reserves R'm	Retained earnings R'm	Reserves R'm	Non- controlling interest R'm	Total equity R'm
<b>Balance at 1 October 2016</b>	<b>3 666</b>	<b>(58)</b>	<b>26</b>	<b>1 852</b>	<b>1 820</b>	<b>1 312</b>	<b>6 798</b>
Total comprehensive income for the year	-	<b>125</b>	-	<b>827</b>	<b>952</b>	<b>307</b>	<b>1 259</b>
Profit for the year	-	-	-	<b>814</b>	<b>814</b>	<b>305</b>	<b>1 119</b>
Other comprehensive income	-	<b>125</b>	-	<b>13</b>	<b>138</b>	<b>2</b>	<b>140</b>
Issue of new shares as a result of scrip distributions	<b>712</b>	-	-	-	-	-	<b>712</b>
Issue of new shares as a result of the rights offer, net of transaction costs	<b>8 770</b>	-	-	-	-	-	<b>8 770</b>
Gains on transactions with non-controlling interests	24	<b>6</b>	-	-	<b>6</b>	<b>(6)</b>	-
Transactions with non-controlling interests	24	<b>(6)</b>	-	-	<b>(6)</b>	<b>(205)</b>	<b>(211)</b>
Non-controlling interest arising on business combination	-	-	-	-	-	<b>17</b>	<b>17</b>
Distributions to shareholders	-	-	-	<b>(1 477)</b>	<b>(1 477)</b>	<b>(254)</b>	<b>(1 731)</b>
Purchase of treasury shares for staff benefit schemes	<b>(125)</b>	-	-	-	-	-	<b>(125)</b>
Vesting of treasury shares for staff benefit schemes	<b>55</b>	<b>(55)</b>	-	-	<b>(55)</b>	-	-
Disposal of treasury shares	<b>6</b>	<b>(6)</b>	-	-	<b>(6)</b>	-	-
Long-term incentive scheme charge	-	<b>17</b>	-	-	<b>17</b>	-	<b>17</b>
Life Healthcare employee share trust charge	-	<b>45</b>	-	-	<b>45</b>	-	<b>45</b>
<b>Balance at 30 September 2017</b>	<b>13 084</b>	<b>68</b>	<b>26</b>	<b>1 202</b>	<b>1 296</b>	<b>1 171</b>	<b>15 551</b>
Notes			18				
<b>Balance at 1 October 2015</b>	3 111	141	26	1 890	2 057	1 280	6 448
Total comprehensive income for the year	-	(28)	-	1 624	1 596	352	1 948
Profit for the year	-	-	-	1 616	1 616	354	1 970
Other comprehensive income	-	(28)	-	8	(20)	(2)	(22)
Issue of new shares as a result of scrip distributions	575	-	-	-	-	-	575
Gains on transactions with non-controlling interests	24	1	-	-	1	(1)	-
Transactions with non-controlling interests	24	(197)	-	-	(197)	(39)	(236)
Non-controlling interest arising on business combination	-	-	-	-	-	9	9
Distributions to shareholders	-	-	-	(1 662)	(1 662)	(289)	(1 951)
Purchase of treasury shares for staff benefit schemes	(61)	-	-	-	-	-	(61)
Vesting of treasury shares for staff benefit schemes	41	(41)	-	-	(41)	-	-
Long-term incentive scheme charge	-	31	-	-	31	-	31
Life Healthcare employee share trust charge	-	35	-	-	35	-	35
<b>Balance at 30 September 2016</b>	<b>3 666</b>	<b>(58)</b>	<b>26</b>	<b>1 852</b>	<b>1 820</b>	<b>1 312</b>	<b>6 798</b>
Notes			18				

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

	Notes	2017 R'm	2016 R'm
<b>Cash flows from operating activities</b>			
Cash generated from operations	23	4 663	4 024
Transaction costs paid		(210)	–
Interest received		162	12
Tax paid		(891)	(981)
<b>Net cash from operating activities</b>		<b>3 724</b>	3 055
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(1 561)	(932)
Proceeds from sales of property, plant and equipment		73	9
Business combinations, net of cash acquired	24	(9 873)	(692)
Increase in investment in joint venture/associate	11	(428)	(320)
Disposal of investment in associates	11	–	6
Dividends and profit distributions from associates and joint ventures		16	8
Movement in loans to associates and joint ventures	26	(2)	4
Purchase of intangible assets		(95)	(81)
Cash movement in other investing activities		(15)	2
<b>Net cash utilised in investing activities</b>		<b>(11 885)</b>	(1 996)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares as a result of the rights offer		9 000	–
Costs directly attributable to the rights offer		(230)	–
Interest-bearing borrowings raised		18 685	1 961
Interest-bearing borrowings repaid		(15 462)	(1 117)
Preference shares repaid		–	(320)
Loan and dividend payments to non-controlling interests		(261)	(289)
Cash flow on increases in ownership interests	24	(234)	(257)
Proceeds on decreases in ownership interests	24	10	21
Finance cost paid		(1 210)	(453)
Treasury shares acquired for delivery to employee share trust and long-term incentive scheme		(125)	(61)
Dividends paid		(765)	(1 087)
Cash movement in other financing activities		(110)	(75)
<b>Net cash generated/(utilised in) from financing activities</b>		<b>9 298</b>	(1 677)
Net increase/(decrease) in cash and cash equivalents		1 137	(618)
Cash and cash equivalents – beginning of the year		(426)	255
Effect of foreign exchange rate movements		15	(63)
<b>Cash and cash equivalents – end of the year</b>	14	<b>726</b>	(426)

# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

## 1. Basis of preparation and critical accounting estimates, judgements 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
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##### Presentation currency

South African rand

##### Rounding principles

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

##### Foreign currency transactions

Items included in the financial statements of each of the Group's entities are measured using the entity's functional currency, applying the following principles:

- Monetary items for each statement of financial position presented are translated at the closing rate at reporting date.
- Non-monetary items that are measured at fair value in a foreign currency are translated at the exchange rate when the fair value was determined.
- Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.
- Foreign currency differences are generally recognised in other comprehensive income.
- A foreign currency transaction is recorded on initial recognition at exchange rates at the date of the transaction or, where exchange rates did not fluctuate significantly, at the average exchange rate for the period.

### 1.2 Critical accounting estimates, judgements and assumptions

The preparation of the annual financial statements requires the use of critical accounting estimates and requires management to exercise judgements in the process of applying the Group's accounting policies. Estimates 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 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. Basis of preparation and critical accounting estimates, judgements and assumptions continued

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

#### 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. The directors made an assessment as to whether or not the Group has control. The directors concluded that it has control over these South 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.

##### Factors considered to determine whether the Group has significant influence

The Group has significant interest in investments in which the Group has a long-term interest and over which it exercises significant influence, but not control. This is evaluated in accordance with IFRS.

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

The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Factors considered included the structuring of the arrangement and whether the arrangement, contractually or in its legal form, confers direct rights to assets and obligations for liabilities to the parties.

##### Fair value determination in business combinations

The Group makes use of various valuation methodologies in determining the fair values of assets acquired and liabilities assumed in a business combination, including the use of reputable independent valuers. Valuations are inherently subjective and require the use of judgements. When the accounting for a business combination can only be determined provisionally at the date of reporting, provisional values are used. These provisional values are adjusted once the initial accounting has been completed, which must be within 12 months from the date of acquisition, by retrospectively adjusting the fair values of the net identifiable assets acquired and goodwill.

#### Operating assets

##### Goodwill

At acquisition date, goodwill is allocated to those cash-generating units (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 service operating units in southern Africa and Poland and as individual countries in Alliance Medical Group Limited (Alliance Medical). Judgement is applied in determining the allocation of goodwill to different CGUs. The allocation 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, 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. Subsequent additions are allocated to the specific CGUs.

##### Impairment – Goodwill

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

	Southern Africa		Poland	
	2017 %	2016 %	2017 %	2016 %
Growth rate in activities	<b>0.0 – 6.0</b>	0.0 – 6.0	<b>3.0 – 10.0</b>	3.0 – 14.5
Average discount rate	<b>12.17</b>	12.56	<b>7.79</b>	7.21
Tariff and inflation increases	<b>2.0 – 10.0</b>	5.0 – 10.0	<b>2.1 – 2.63</b>	1.98 – 2.5
				<b>Alliance Medical</b>
				<b>2017 %</b>
Growth in revenue				<b>0.0 – 7.0</b>
Average discount rate				<b>11.20</b>

## NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

### 1. Basis of preparation and critical accounting estimates, judgements and assumptions continued

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

##### Operating assets continued

##### Impairment – Goodwill continued

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

##### Sensitivity analysis

The potential impairments if the key assumptions changed by 5%:

Assumption with most significant impact	Southern Africa	Alliance Medical	Poland <sup>1</sup>
	Average discount rate	Average discount rate	Tariff and inflation
	2017 R'm	2017 R'm	2017 R'm
+5%	(332)	–	(42)
-5%	–	–	(764)

<sup>1</sup> During the current year an impairment of R167 million was recognised in respect of the Poland investment.

##### Other operating assets

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

<b>Useful lives</b>	The Group depreciates or amortises its assets over their estimated useful lives. The estimation of the useful lives of assets is based on historic performance as well as expectations about future use and therefore requires a significant degree of judgement to be applied by management. 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.
<b>Residual values</b>	Significant judgement is applied by management when determining the residual values for property, plant and equipment and intangible assets. When determining the residual value for property and equipment, the following factors are taken into account: <ul style="list-style-type: none"> <li>• External residual value information</li> <li>• Internal technical assessments for complex equipment</li> </ul>
<b>Impairment</b>	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, management will apply a residual value to the intangible asset.

## 1. Basis of preparation and critical accounting estimates, judgements and assumptions continued

### 1.2 Critical accounting estimates, judgements and assumptions 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	<b>External sources of information:</b> <ul style="list-style-type: none"> <li>Significant adverse changes that have taken place or are expected in the near future in the technological, market, economic or legal environment in which the Group operates</li> <li>Increases in interest rates or other market rates of return that may materially affect the discount rate used in calculating the asset's recoverable amount</li> <li>The carrying amount of the Group's net assets exceeds the Group's market capitalisation</li> </ul> <b>Internal sources of information:</b> <ul style="list-style-type: none"> <li>Obsolescence or physical damage affecting the asset</li> <li>Idle assets</li> <li>Plans to discontinue or restructure the operations to which the asset belongs or asset's disposal</li> <li>Significant decline in management's forecasts of future net cash inflows</li> </ul>
		Hospital licences		
		Brand name	12 years	
		Computer software	3 – 15 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 property, plant and equipment – owned		
		Motor vehicles	3 – 7 years	
		Leased: <ul style="list-style-type: none"> <li>Buildings</li> <li>Other property, plant and equipment</li> <li>Improvements to leased assets</li> </ul>	Shorter of useful life or lease term	

#### Financial instruments

#### Impairment of financial assets

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

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

The impairment losses on its trade receivables have been included in 'other expenses' in the statement of profit or loss and other comprehensive income.



## NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

### 1. Basis of preparation and critical accounting estimates, judgements and assumptions continued

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

##### Financial instruments continued

##### 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.

##### 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.

##### Long-term incentive plans

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

Long-term incentive scheme (southern Africa and Poland)

The fair value of awards granted during the period was determined using the Monte Carlo Simulation model. The significant inputs into the model were the continuous dividend yield of 5.37% (2016: 5.06%), and expected option life of three years and a continuous risk-free rate of 7.53% (2016: 8.44%). Volatility is measured at the standard deviation of continuously compounded share returns and is based on statistical analysis of daily share prices over the last three years.

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

Long-term incentive scheme (Alliance Medical)

The fair value of the C shares liability was determined using the Monte Carlo Simulation model. The significant inputs into the model were the initial investment, which was equal to the initial cash and deferred consideration investment amount of GBP572.9 million, an expected option life of five years, the equity value and volatility at valuation date as well as the risk-free rates of 0.6671% on the first option date (30 September 2019), 0.7644% on the second option date (30 September 2020) and 0.8371% on maturity date (30 September 2021). Volatility is measured using an equally weighted average volatility estimate, over a period of four years. As Alliance Medical is an unlisted entity, entities within an index tracker basket were named as suitable proxies in calculating a suitable volatility input.

##### Other

##### Taxation

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

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

The Group recognises the net 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 of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations 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 net deferred tax assets recorded at the reporting date could be impacted. Additionally future changes in tax laws could limit the ability of the Group to obtain tax deductions in future periods.

##### 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.

	2017 R'm	2016 R'm
<b>2. Revenue and other income</b>		
<b>Revenue</b>		
Private healthcare services	15 220	14 680
Government and public healthcare facility services	4 996	1 240
Other healthcare-related services	511	419
Rental income related to auxiliary services	70	65
	<b>20 797</b>	16 404
<b>Other income</b>		
Other rental income	78	69
Other income	92	94
	<b>170</b>	163
<b>Total revenue and other income</b>	<b>20 967</b>	16 567
<b>3. Employee benefits expense</b>		
Salaries	5 147	4 073
Long-term incentive scheme	73	18
Share-based payment – Life Healthcare employee share trust	45	35
Termination benefits	3	10
Agency fees	988	945
Medical aid contributions	240	240
Pension fund costs – defined benefit and contribution plans	46	12
Provident fund costs – defined contribution plans	188	167
Social security costs	157	38
Other	70	60
	<b>6 957</b>	5 598
Includes executive directors' and prescribed officers' emoluments.		
<b>4. Finance income and cost</b>		
Finance income	(162)	(12)
Bank and deposits	(60)	(4)
Net foreign exchange gains	(82)	–
Other	(20)	(8)
Finance cost	1 299	512
Interest-bearing borrowings and bank overdrafts	1 134	344
Borrowing costs capitalised <sup>1</sup>	(26)	(32)
Preference shares	191	195
Other	–	5
Net finance cost	<b>1 137</b>	500
<sup>1</sup> The Group has used an average rate of 8.5% (2016: 7.9%) in determining the borrowing costs capitalised.		
<b>5. Profit before tax</b>		
The following items have been included in arriving at profit before tax:		
Operating lease rentals	224	123
Auditors' remuneration	32	18
Total audit fees (including fees attributable to the rights offer)	35	16
Audit fees directly attributable to the rights offer capitalised against stated capital	(11)	–
Management consulting and other audit-related services	8	2
Directors' and prescribed officers' emoluments	44	20
Professional, legal and secretarial fees	189	157

## NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

	2017 R'm	2016 R'm
<b>6. Tax expense</b>		
Current income tax		
Current year	900	987
Prior year under/(over) provision	9	(1)
Deferred income tax		
Origination and reversal of temporary differences	(129)	(75)
Prior year under/(over) provision	34	(18)
Tax – withholding	1	1
Total tax expense	815	894
<b>Reconciliation of the tax rate</b>	%	%
South African normal tax rate	28.00	28.00
Adjustments for non-cash items:		
Income not taxable – other	(1.29)	(2.89)
Expenses not deductible – impairment of investment	1.64	3.62
Expenses not deductible – interest on preference shares	2.76	1.91
Expenses not deductible – interest on borrowings and acquisition costs	9.37	–
Expenses not deductible – other	0.18	0.97
Prior year under/(over) provision	2.22	(0.65)
Withholding taxes	0.06	0.02
Assessed losses	0.54	(0.01)
Impact of (lower)/higher international tax rate	(1.37)	0.25
Effective rate	42.11	31.22

The Group has raised deferred tax on estimated tax losses of R195 million (2016: R125 million) available to offset against future taxable income. Tax losses of R38 million (2016: R9 million) were utilised during the year.

### 7. Earnings (EPS), headline earnings (HEPS) and distribution per share (DPS)

	Attributable earnings (R'm)		Weighted average number of shares ('000)		Cents per share <sup>1</sup>	
	2017	2016	2017	2016	2017	2016
EPS – Basic	814	1 616	1 309 722	1 121 213	62.2	144.1
EPS – Diluted	814	1 616	1 313 784	1 124 722	62.0	143.7
HEPS – Basic	1 014	2 008	1 309 722	1 121 213	77.4	179.1
HEPS – Diluted	1 014	2 008	1 313 784	1 124 722	77.2	178.5
Normalised EPS	1 230	1 899	1 309 722	1 121 213	93.9	169.4
	Total dividend (R'm)		Total number of issued shares ('000)		Cents per share	
DPS – ordinary shares						
– Final (previous financial year)	973	896	1 057 800	1 042 210	92	86
– Interim	504	765	1 440 940	1 048 461	35	73

The cash portion of the total dividend was subject to dividend withholding tax at a rate of 20% (2016: 15%), which resulted in a net final dividend of 78.2 cents per ordinary share and net interim dividend of 28.0 cents per ordinary share to those shareholders who are not exempt in terms of section 64F of the Income Tax Act.

<sup>1</sup> Prior year has been amended as a result of a change to the weighted average number of shares, which have been increased due to the rights offer and the related bonus element within the rights offer, in accordance with IFRS.

	2017		2016	
	Gross amount R'm	Net amount R'm	Gross amount R'm	Net amount R'm
<b>Headline earnings reconciliation</b>				
Profit attributable to ordinary equity holders	814	814	1 616	1 616
Adjustments:				
Impairment of investment	167	167	370	370
(Profit)/loss on remeasuring previously held interest in associate to fair value	(6)	(4)	23	23
Loss/(profit) on disposal of property, plant and equipment	37	37	(1)	(1)
Headline earnings	1 012	1 014	2 008	2 008

Difference between gross and net amount relates to tax.

	2017 '000	2016 '000
<b>7. Earnings (EPS), headline earnings (HEPS) and distribution per share (DPS) continued</b>		
<b>Reconciliation between weighted average number of shares and diluted number of shares</b>		
Issued ordinary shares – at the beginning of the year	1 057 800	1 042 210
Shares issued as a result of scrip distributions	14 565	7 573
Shares issued as a result of the rights offer	166 061	–
Bonus element as a result of the rights offer	78 972	78 033
Effect of treasury shares	(7 676)	(6 603)
Weighted average number of shares at the end of the year	1 309 722	1 121 213
Effect of dilutive potential ordinary shares – treasury shares	4 062	3 509
Diluted weighted average number of shares at the end of the year	1 313 784	1 124 722
<b>Normalised earnings per share</b>	<b>R'm</b>	<b>R'm</b>
Normalised earnings per share is a measurement used by the chief operating decision maker (CODM). The calculation of normalised earnings per share excludes non-trading related items as listed below and is based on the normalised profit attributable to equity holders of the parent, divided by the weighted average number of ordinary shares in issue during the year. The presentation of normalised earnings is not an IFRS requirement.		
Profit attributable to ordinary equity holders	814	1 616
Adjustments (net of tax):		
Retirement funds	(21)	(16)
Retirement funds (included in employee-related expenses)	–	(3)
Contingent consideration released	(43)	(109)
Transaction costs	267	12
Impairment of investment	167	370
(Profit)/loss on remeasuring previously held interest in associate to fair value	(4)	23
Loss/(profit) on disposal of property, plant and equipment	37	(1)
Fair value gain on foreign exchange hedge contract	(7)	–
Other	20	7
Normalised earnings	1 230	1 899
Normalised EPS (cents)	93.9	169.4
Southern Africa operations (cents)	149.4	193.4
International operations (cents)	3.6	(0.9)
Funding costs (international acquisitions) (cents)	(59.1)	(23.1)
Normalised EPS (cents) (excluding funding costs)	153.0	192.5

## 8. Segment information

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

The CODM regularly reviews the operating results of the Group as a non-IFRS measure based on hospitals and complementary services, healthcare services and diagnostic services businesses and other. The reportable segments derive their revenue primarily from private healthcare.

The hospital and complementary services segment comprises all the acute hospitals and complementary services in southern Africa. The healthcare services segment comprises Life Esidimeni and Life Employee Health Solutions (Life Occupational Health and Careways) in southern Africa.

Poland comprises healthcare services in Poland and Alliance Medical comprises diagnostic services in the United Kingdom and Europe.

The operating segments 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.

## NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

	2017 R'm	2016 R'm
<b>8. Segment information continued</b>		
Inter-segment revenue that is eliminated relates to revenue with Careways Wellness Proprietary Limited of R5 million (2016: R3 million).		
Refer to note 2 for a split of the major revenue streams.		
<b>Revenue</b>		
<b>Southern Africa</b>		
Hospitals and complementary services	15 019	14 381
Healthcare services	871	849
<b>Poland</b>		
Healthcare services	1 095	1 174
<b>Alliance Medical</b>		
Diagnostic services	3 812	–
<b>Total</b>	<b>20 797</b>	<b>16 404</b>
<b>EBITDA<sup>1</sup></b>		
<b>Southern Africa</b>		
Hospitals and complementary services	3 420	3 603
Healthcare services	121	120
<b>Poland</b>		
Healthcare services	44	120
<b>Alliance Medical</b>		
Diagnostic services	908	–
<b>Corporate</b>	508	471
<b>Total</b>	<b>5 001</b>	<b>4 314</b>
<b>Depreciation</b>	<b>(971)</b>	<b>(530)</b>
<b>Southern Africa</b>		
Hospitals and complementary services	(475)	(420)
Healthcare services	(14)	(13)
<b>Poland</b>		
Healthcare services	(58)	(62)
<b>Alliance Medical</b>		
Diagnostic services	(390)	–
<b>Corporate</b>	(34)	(35)
<b>EBITA<sup>2</sup></b>		
<b>Southern Africa</b>		
Hospitals and complementary services	2 945	3 183
Healthcare services	107	107
<b>Poland</b>		
Healthcare services	(14)	58
<b>Alliance Medical</b>		
Diagnostic services	518	–
<b>Corporate</b>	474	436
<b>Total</b>	<b>4 030</b>	<b>3 784</b>
<sup>1</sup> EBITDA – earnings before interest, tax, depreciation and amortisation.		
<sup>2</sup> EBITA – earnings before interest, tax and amortisation.		

	2017 R'm	2016 R'm
<b>8. Segment information</b> continued		
<b>Amortisation</b>	<b>(439)</b>	(147)
<b>Southern Africa</b>		
Hospitals and complementary services	<b>(135)</b>	(124)
Healthcare services	–	–
<b>Poland</b>		
Healthcare services	<b>(20)</b>	(23)
<b>Alliance Medical</b>		
Diagnostic services	<b>(284)</b>	–
<b>Corporate</b>	–	–
<b>Operating profit before items detailed below</b>	<b>3 591</b>	3 637
<b>Southern Africa</b>		
Hospitals and complementary services	<b>2 810</b>	3 059
Healthcare services	<b>107</b>	107
<b>Poland</b>		
Healthcare services	<b>(34)</b>	35
<b>Alliance Medical</b>		
Diagnostic services	<b>234</b>	–
<b>Corporate</b>	<b>474</b>	436
Retirement benefit asset and post-employment medical aid income	<b>29</b>	23
<b>Operating profit</b>	<b>3 620</b>	3 660
Contingent consideration released	<b>43</b>	109
Transaction costs	<b>(267)</b>	(12)
Impairment of investment	<b>(167)</b>	(370)
Profit/(loss) on remeasuring previously held interest in associate to fair value	<b>6</b>	(23)
(Loss)/profit on disposal of property, plant and equipment	<b>(37)</b>	1
Fair value adjustment on derivative financial instruments	<b>(92)</b>	(2)
Other	<b>(20)</b>	(7)
Finance income	<b>162</b>	12
Finance cost	<b>(1 299)</b>	(512)
Share of associates' and joint ventures' net (loss)/profit after tax	<b>(15)</b>	8
<b>Profit before tax</b>	<b>1 934</b>	2 864
Operating profit before items detailed includes the segment's share of shared services and rental costs. These costs are all at market-related rates.		
<b>Total assets before items detailed below</b>		
Southern Africa	<b>12 542</b>	11 433
Poland	<b>2 280</b>	2 602
Alliance Medical	<b>17 815</b>	–
India	<b>2 960</b>	2 547
	<b>35 597</b>	16 582
Employee benefit assets	<b>399</b>	433
Deferred tax assets	<b>608</b>	426
Derivative financial assets (included in other assets)	<b>2</b>	17
Income tax receivable	<b>33</b>	39
<b>Total assets per the balance sheet</b>	<b>36 639</b>	17 497
<b>Net debt</b>		
Southern Africa	<b>6 492</b>	6 121
Poland	<b>1 109</b>	1 086
Alliance Medical	<b>3 293</b>	–
Acquisition funding (Alliance Medical)	<b>2 467</b>	–
	<b>13 361</b>	7 207
<b>Cash and cash equivalents</b>		
Southern Africa	<b>49</b>	(553)
Poland	<b>87</b>	127
Alliance Medical	<b>590</b>	–
	<b>726</b>	(426)

Liabilities are reviewed on a net-debt basis, which comprises all interest-bearing borrowings and overdraft balances (net of cash on hand).

## NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

	Land and buildings – owned R'm	Fixed property – leased R'm	Improve- ments to leased premises R'm	Medical equipment R'm	Motor vehicles and other equipment R'm	Assets under construc- tion R'm	Total R'm
<b>9. Property, plant and equipment</b>							
<b>Carrying value at 1 October 2016<sup>1</sup></b>	<b>4 418</b>	<b>632</b>	<b>328</b>	<b>1 412</b>	<b>231</b>	<b>731</b>	<b>7 752</b>
Additions	189	1	45	419	75	1 157	1 886
Arising on acquisition of subsidiary	359	–	432	1 297	134	224	2 446
Disposals or scrappings	(6)	–	(36)	(63)	(6)	–	(111)
Transfers	375	2	170	412	160	(1 119)	–
Borrowing costs capitalised	25	–	–	–	–	–	25
Depreciation for the year	(151)	(18)	(113)	(575)	(114)	–	(971)
Impairment	–	–	(19)	–	–	–	(19)
Effect of foreign currency movement	32	10	18	50	3	10	123
<b>Carrying value at 30 September 2017</b>	<b>5 241</b>	<b>627</b>	<b>825</b>	<b>2 952</b>	<b>483</b>	<b>1 003</b>	<b>11 131</b>
Comprising:							
Cost	6 678	887	1 671	7 407	1 257	1 003	18 903
Accumulated depreciation and impairment losses	(1 437)	(260)	(846)	(4 455)	(774)	–	(7 772)
	<b>5 241</b>	<b>627</b>	<b>825</b>	<b>2 952</b>	<b>483</b>	<b>1 003</b>	<b>11 131</b>
<b>Carrying value at 1 October 2015<sup>1</sup></b>	4 045	688	176	1 233	248	711	7 101
Additions	235	2	73	319	–	437	1 066
Arising on acquisition of subsidiary	49	–	44	37	15	–	145
Disposals or scrappings	(3)	–	(3)	(3)	(5)	–	(14)
Transfers	174	(16)	88	117	52	(415)	–
Borrowing costs capitalised	28	–	–	–	1	–	29
Depreciation for the year	(108)	(33)	(37)	(273)	(79)	–	(530)
Impairment	–	–	(13)	(9)	–	–	(22)
Effect of foreign currency movement	(2)	(9)	–	(9)	(1)	(2)	(23)
<b>Carrying value at 30 September 2016<sup>1</sup></b>	<b>4 418</b>	<b>632</b>	<b>328</b>	<b>1 412</b>	<b>231</b>	<b>731</b>	<b>7 752</b>
Comprising:							
Cost	5 501	873	515	2 902	637	731	11 159
Accumulated depreciation and impairment losses	(1 083)	(241)	(187)	(1 490)	(406)	–	(3 407)
	<b>4 418</b>	<b>632</b>	<b>328</b>	<b>1 412</b>	<b>231</b>	<b>731</b>	<b>7 752</b>

<sup>1</sup> Prior year adjusted to include 'Assets under construction' category (previously included as part of relevant categories).

	Computer software R'm	Goodwill R'm	Customer relations R'm	Brand name R'm	Hospital licences R'm	Other intangible assets R'm	Total R'm
<b>10. Intangible assets</b>							
<b>Carrying value at 1 October 2016</b>	<b>211</b>	<b>2 288</b>	<b>378</b>	<b>–</b>	<b>288</b>	<b>31</b>	<b>3 196</b>
Additions	93	–	–	–	–	–	93
Arising on acquisition of subsidiary	80	9 825	3 292	129	–	–	13 326
Disposals or scrappings	(3)	–	–	–	–	–	(3)
Amortisation for the year	(47)	–	(331)	(8)	(53)	–	(439)
Borrowing costs capitalised	1	–	–	–	–	–	1
Impairment loss	–	(148)	–	–	–	–	(148)
Effect of foreign currency movement	2	205	46	1	–	1	255
<b>Carrying value at 30 September 2017</b>	<b>337</b>	<b>12 170</b>	<b>3 385</b>	<b>122</b>	<b>235</b>	<b>32</b>	<b>16 281</b>
Comprising:							
Cost	525	12 724	4 449	131	828	36	18 693
Accumulated amortisation and impairment losses	(188)	(554)	(1 064)	(9)	(593)	(4)	(2 412)
	337	12 170	3 385	122	235	32	16 281
<b>Carrying value at 1 October 2015</b>	144	2 089	357	–	341	33	2 964
Additions	79	–	–	–	–	2	81
Arising on acquisition of subsidiary	7	550	100	–	–	1	658
Amortisation for the year	(22)	–	(68)	–	(53)	(4)	(147)
Borrowing costs capitalised	3	–	–	–	–	–	3
Impairment loss	–	(338)	(10)	–	–	–	(348)
Effect of foreign currency movement	–	(13)	(1)	–	–	(1)	(15)
<b>Carrying value at 30 September 2016</b>	<b>211</b>	<b>2 288</b>	<b>378</b>	<b>–</b>	<b>288</b>	<b>31</b>	<b>3 196</b>
Comprising:							
Cost	337	2 672	1 090	–	828	35	4 962
Accumulated amortisation and impairment losses	(126)	(384)	(712)	–	(540)	(4)	(1 766)
	211	2 288	378	–	288	31	3 196

#### Goodwill impairment testing

Goodwill has been allocated to the following CGUs for impairment testing:

	2017 R'm	2016 R'm
Hospitals and complementary services (southern Africa)	1 031	1 060
Healthcare services (southern Africa)	209	149
Alliance Medical	9 978	–
Poland	952	1 079
	<b>12 170</b>	<b>2 288</b>
The National Health Fund (NFZ) in Poland announced reduced tariffs in respect of cardiology procedures that came into effect on 1 July 2016 and further cardiology tariff reductions from 1 January 2017. This resulted in a R167 million (2016: R370 million) impairment in the carrying value of the investment in Poland in the Group's results, which was allocated to the following assets:		
Goodwill	148	338
Customer relations	–	10
Property, plant and equipment	19	22



## NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

	2017 R'm	2016 R'm
<b>11. Investment in associates and joint ventures</b>		
<b>Unlisted ordinary shares</b>		
<b>Balance at 1 October</b>	<b>2 548</b>	2 311
Share of net (loss)/profit after tax	(15)	8
Share of current year (loss)/profit before tax	(13)	8
Share of current year tax	(2)	–
Capital distributions	(16)	(8)
Derecognition of investment in associate	–	(78)
Disposal of investment in joint venture	–	(5)
Acquired through acquisition of subsidiary	18	–
Acquisition of shares in investment in joint venture	428	320
Forward exchange contract	11	–
Effect of foreign currency movement	2	–
Balance at 30 September	<b>2 976</b>	2 548

The assets, liabilities and results of operations of significant associates as at year-end are summarised as follows (not adjusted for the percentage ownership by the Group):

	<b>Max Healthcare Institute Limited (Max)</b>	
	2017 R'm	2016 R'm
Nature of relationship	<b>Joint venture</b>	Joint venture
Place of business	<b>India</b>	India
% ownership	<b>49.70</b>	45.95
% voting rights	<b>49.70</b>	45.95
<b>Amounts recognised in profit or loss and other comprehensive income</b>		
Revenue	<b>5 141</b>	5 165
Depreciation and amortisation	<b>(268)</b>	(263)
Net finance costs	<b>(322)</b>	(288)
Tax expense	<b>(5)</b>	–
Loss from continued operations	<b>(50)</b>	(6)
<b>Amounts recognised in the statement of financial position</b>		
Non-current assets	<b>6 518</b>	5 339
Current assets	<b>1 024</b>	913
Non-current liabilities	<b>(4 200)</b>	(2 115)
Current liabilities	<b>(1 276)</b>	(1 839)
Net asset value	<b>2 066</b>	2 298

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

	<b>Associates</b>		<b>Joint ventures</b>	
	2017 R'm	2016 R'm	2017 R'm	2016 R'm
Carrying amount	<b>2</b>	2	<b>11</b>	–
Group's share of profit after tax	<b>6</b>	9	<b>4</b>	5

The aggregate post-acquisition reserves (adjusted for the Group's ownership) for associates and joint ventures are R11 million (2016: R10 million loss).

### Acquisitions and disposals of associates and joint ventures

#### Max

The Group acquired additional shares in Max on 16 August 2017 and now owns 49.70%.

	2017 R'm	2016 R'm
Cost of investment in joint venture	<b>(428)</b>	(320)

## 11. Investment in associates and joint ventures continued

### Free State Oncology Trust

The Group acquired an additional 27.84% interest in Free State Oncology Trust (Free State Oncology), resulting in Free State Oncology becoming a subsidiary of the Group. The Group previously had an interest of 23.16% in Free State Oncology, which was accounted for as an associate. The investment in associate was derecognised, and an investment in subsidiary was recognised. Refer to note 24.

	2017 R'm
<b>Derecognition of investment in associate</b>	
Effective date	<b>1 January 2017</b>
Previously interest held	<b>23.16%</b>
Total consideration received (R'm)	<b>6</b>
Fair value of equity interest held before the business combination	<b>6</b>
Carrying value of the associate on step acquisition date	-
<b>Profit on remeasuring previously held interest in associate to fair value</b>	<b>6</b>

## 12. Employee benefit assets

	2017 R'm	2016 R'm
Retirement benefit asset	<b>471</b>	427
Trattamento di Fine Rapporto (TFR) retirement benefit obligation	<b>(79)</b>	-
Post-employment medical aid asset	<b>18</b>	18
Post-employment medical aid obligation	<b>(11)</b>	(12)
	<b>399</b>	433

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

Name of fund	Life Healthcare DB Pension Fund	Lifecare Group Holdings Pension Fund	Life Healthcare Provident Fund	Life Healthcare DC Pension Fund	Lifecare National Provident Fund	Old Healthcare Provident Fund
<b>Fund description</b>	Closed fund – no new members admitted	Closed fund – no new members admitted	Active	Active	Dormant	Dormant
<b>Classification</b>	Defined benefit	Defined benefit	Defined contribution provident fund	Defined contribution pension fund	Defined benefit	Defined benefit

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

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

The remaining active members of the Lifecare Group Holdings Pension Fund joined the Life Healthcare DB Pension Fund with effect from 1 March 2017, following the registration of a rule amendment to allow the Life Healthcare DB Pension Fund (a closed fund) to accept these members. A section 14 application to transfer the assets from the Lifecare Group Holdings Pension Fund to back up the additional liability accepted by the Life Healthcare DB Pension Fund has been submitted to the Financial Services Board (FSB) and awaits approval. The liability to pay pensions will be outsourced to an insurer in due course, as the Lifecare Group Holdings Pension Fund moves towards closure stage.

## NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

### 12. Employee benefit assets continued

#### Pension funds:

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

	Life Healthcare DB Pension Fund		Lifecare Group Holdings Pension Fund	
	2017 %	2016 %	2017 %	2016 %
Discount rate	<b>9.93</b>	9.35	<b>8.50</b>	9.30
Consumer price inflation (CPI)	<b>7.26</b>	7.40	<b>5.50</b>	6.90
Expected long-term rate of return on:	<b>9.93</b>	9.35	<b>8.50</b>	9.30
Compensation increase rate	<b>8.26</b>	8.40	<b>6.50</b>	7.90
Pension increase rate	<b>7.26<sup>1</sup></b>	7.40 <sup>1</sup>	<b>4.13</b>	5.18
Rates of mortality	<b>0.50<sup>2</sup></b>	0.50 <sup>2</sup>	<b>1.00<sup>3</sup></b>	1.00

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

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

<sup>2</sup> The full mortality assumption is as follows: Ultimate table rated down two years plus 0.5% improvement per annum from 2015.

<sup>3</sup> The full mortality assumption is as follows: Ultimate table rated down two years plus 1.0% improvements per annum from 2004.

The last statutory actuarial valuations for the funds were:

Life Healthcare DB Pension Fund

30 June 2015

Lifecare Group Holdings Pension Fund

31 March 2013

The 31 March 2016 statutory valuation report is in progress of submission to the Registrar.

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:

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

The Company contribution rate could increase in 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.

## 12. Employee benefit assets continued

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

	Life Healthcare DB Pension Fund		Lifecare Group Holdings Pension Fund	
	2017 R'm	2016 R'm	2017 R'm	2016 R'm
Defined benefit fund asset/(liability)				
Balance at 1 October	427	389	–	–
Net income/(expense) recognised in profit or loss	30	24	(1)	(2)
– Current service cost	(10)	(10)	(1)	(3)
– Net interest income	40	34	–	1
Remeasurement recognised in other comprehensive income	13	10	1	1
– Actuarial (loss)/gain on pension asset	(26)	14	(2)	(4)
– Liability (loss)/gain arising from changes in demographic assumptions	(8)	(3)	1	1
– Liability gain/(loss) arising from changes in financial assumptions	42	(2)	2	2
– Liability gain/(loss) arising from changes in other assumptions	5	1	(1)	(2)
– Loss arising from surplus apportionment	–	–	–	(78)
– Impact of Paragraph 64 limit adjustment on asset	–	–	1	82
Company contributions	1	4	–	1
<b>Balance at 30 September</b>	<b>471</b>	<b>427</b>	<b>–</b>	<b>–</b>
<b>Actual value of defined benefit liability and funded status</b>				
Present value of defined benefit obligation	(520)	(530)	(138)	(136)
Asset at fair market value	991	957	159	158
<b>Funded status</b>	<b>471</b>	<b>427</b>	<b>21</b>	<b>22</b>
Unrecognised due to ceiling	–	–	(21)	(22)
<b>Asset recognised in the statement of financial position</b>	<b>471</b>	<b>427</b>	<b>–</b>	<b>–</b>
<b>Reconciliation of defined benefit obligation</b>				
Balance at 1 October	(530)	(521)	(136)	(61)
Service costs	(10)	(10)	(1)	(3)
Contributions	(3)	(3)	–	–
Interest cost	(50)	(44)	(12)	(5)
Benefits paid	31	50	8	8
Expenses	2	2	1	2
Actuarial gain/(loss)	40	(4)	2	(77)
<b>Balance at 30 September</b>	<b>(520)</b>	<b>(530)</b>	<b>(138)</b>	<b>(136)</b>
<b>Reconciliation of fair value of plan assets</b>				
Balance at 1 October	957	910	158	158
Expected return on assets	89	78	14	13
Contributions	5	7	–	1
Benefits paid	(31)	(50)	(10)	(8)
Actuarial (loss)/gain	(27)	14	(2)	(4)
Expenses	(2)	(2)	(1)	(2)
<b>Balance at 30 September</b>	<b>991</b>	<b>957</b>	<b>159</b>	<b>158</b>
<b>Composition of plan assets</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
– Cash	6.8	5.8	85.3	20.8
– Equity instruments	51.7	46.8	–	32.8
– Bonds	11.1	14.1	14.7	24.0
– Commodities	1.9	2.0	–	–
– Property	5.3	6.8	–	9.8
– Offshore and other	23.2	24.5	–	12.6
	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

## NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

	Life Healthcare DB Pension Fund R'm	Lifecare Group Holdings Pension Fund R'm
<b>12. Employee benefit assets continued</b>		
Expected contributions for the next annual reporting period:		
Member contributions	3	–
Company contributions	10	–
Benefit payments	(25)	(4)
Expenses	(2)	(1)
The weighted average duration (years)	10.7	8.1

The employer is required to contribute a rate of 21.61% to the Life Healthcare DB Pension Fund. The employer currently contributes at a rate of 7.5%, thus taking a full contribution holiday for the remainder of the valuation period. The difference between the required and actual contribution holiday is funded from the employer surplus account in the Life Healthcare DB Pension Fund.

### Sensitivity analysis

1% movement in the key assumptions:	2017		2016	
	Increase R'm	Decrease R'm	Increase R'm	Decrease R'm
<b>Life Healthcare DB Pension Fund</b>				
Effect on the defined benefit obligation				
Discount rate	(50)	+ 59	(54)	+ 66
Inflation rate	+ 36	(31)	–	–
<b>Lifecare Group Holdings Pension Fund</b>				
Effect on the defined benefit obligation				
Discount rate	(3)	+ 3	(4)	+7
Inflation rate	+ 2	(3)	–	–

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

### TFR retirement benefit obligation (Alliance Medical)

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

	TFR scheme	
	2017 %	2016 %
Actuarial assumptions applied in the valuation of the defined benefit fund:		
Discount rate for liabilities	1.7	–
Inflation rate	1.5	–
Future salary increases	1.5	–
Future pension increases	2.6	–
	2017 R'm	2016 R'm
<b>Reconciliation of defined benefit obligation</b>		
Balance at 30 November	(95)	–
Service costs	(7)	–
Interest cost	(1)	–
Actuarial gain	4	–
Company contributions	–	–
Expenses	(4)	–
Benefits paid	(3)	–
Settlements	27	–
<b>Balance at 30 September</b>	<b>(79)</b>	–

## 12. Employee benefit assets continued

### Sensitivity analysis

	2017		2016	
	Increase R'm	Decrease R'm	Increase R'm	Decrease R'm
0.25% movement in the key assumptions:				
Effect on TRF retirement benefit obligation				
Discount rate	(82)	+ 86	–	–
Inflation rate	+ 82	(85)	–	–
Future salary increases	+ 83	(84)	–	–

#### 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 11 (2016: 11) employees and 45 (2016: 44) pensioners who did not accept an alternative benefit offer made by the Company during the 2013 financial year.

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

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

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

The plan represents the market value of the assets.

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

	Post-employment medical aid	
	2017 %	2016 %
The following actuarial assumptions were applied.		
Discount rate	9.60	9.80
Consumer price inflation	6.50	7.40
Expected return on assets	9.60	9.80
Healthcare cost inflation	8.50	9.40

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

	2017 R'm	2016 R'm
<b>Defined benefit fund asset</b>		
Balance at 1 October	6	5
Net periodic income		
– Net interest income	2	1
Remeasurement recognised in other comprehensive income		
– Gain from benefit payments from plan assets	–	1
Company contributions	(1)	(1)
<b>Balance at 30 September</b>	<b>7</b>	<b>6</b>
<b>Actual value of defined benefit liability and funded status</b>		
Present value of defined benefit obligation	(11)	(12)
Asset at fair market value	18	18
Funded status	7	6
<b>Asset recognised in the statement of financial position</b>	<b>7</b>	<b>6</b>

#### Sensitivity analysis

	2017		2016	
	Increase R'm	Decrease R'm	Increase R'm	Decrease R'm
1% movement in the key assumptions:				
Effect on the defined benefit obligation				
Healthcare cost inflation rate	+ 13	(10)	+ 13	(10)
Discount rate	(10)	+ 13	(10)	+ 13

## NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

	2017 R'm	2016 R'm
<b>13. Deferred income tax</b>		
Deferred tax comprises:		
Deferred tax assets	608	426
Deferred tax liabilities	(1 203)	(547)
	<b>(595)</b>	(121)
<b>The movement in the deferred tax account is as follows:</b>		
Balance at 1 October	(121)	(179)
Acquired through acquisition of subsidiary	(554)	(32)
Effect of foreign currency movement	(11)	1
Current year charge through profit or loss	95	90
Current year charge through other comprehensive income	(4)	(1)
Carrying amount at 30 September	<b>(595)</b>	(121)
<b>Deferred income tax assets and liabilities attributable to the following items:</b>		
Employee benefit liabilities	117	106
Other liabilities	28	18
Provision for doubtful debts	22	9
Share-based payment liability	(12)	(2)
Accelerated wear and tear for tax purposes on property, plant and equipment	(58)	(55)
Tax loss carried forward	75	45
Property leases	38	43
Credit balances in trade receivables	24	25
Prepaid expenses	(16)	(13)
Intangible assets on acquisition of subsidiary	(682)	(171)
Retirement benefit asset	(137)	(121)
Derivative financial instruments	6	(5)
	<b>(595)</b>	(121)

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

	Deferred tax assets		Deferred tax liabilities	
	2017 R'm	2016 R'm	2017 R'm	2016 R'm
Within 12 months	197	158	(16)	(13)
After more than 12 months	113	88	(889)	(354)
	<b>310</b>	246	<b>(905)</b>	(367)

The Group has tax losses of R538 million (2016: R168 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.

	2017 R'm	2016 R'm
<b>14. Cash and cash equivalents</b>		
Bank accounts and petty cash	1 049	494
Short-term money market instruments	127	110
<b>Cash and cash equivalents</b>	<b>1 176</b>	604
Bank overdraft	(450)	(1 030)
<b>Cash and cash equivalents as per the statement of cash flows</b>	<b>726</b>	(426)

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 R70 million restricted cash which is held by various third parties in Italy and Spain and is therefore not available for general use by other entities within the Group.

	2017 R'm	2016 R'm
<b>15. Trade and other receivables</b>		
Trade receivables	3 163	1 948
Less: Provision for impairment of receivables	(247)	(42)
Net trade receivables	2 916	1 906
Other receivables	584	163
Prepaid expenses	102	64
Balance at 30 September	3 602	2 133
Impairment charge for doubtful debts and bad debts written off	148	91
<b>Reconciliation of provision for impairment of trade and other receivables</b>		
Balance at 1 October	(42)	(36)
Acquired through acquisition of subsidiary	(198)	–
Provision raised	(48)	(14)
Amounts utilised	41	8
Balance at 30 September	(247)	(42)
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 19.		
<b>16. Inventories</b>		
Ethical drugs and surgical consumable products	357	318
The cost of inventories written off as expired stock is recognised as an expense and is included in 'drugs and surgicals consumed' in profit or loss. Inventories written off amounted to:	10	8
<b>17. Stated capital</b>		
<b>Stated capital comprises:</b>		
Share capital	10 057	575
Share premium	3 373	3 373
Treasury shares	(346)	(282)
	13 084	3 666
<b>Reconciliation of number of shares</b>		
<b>Ordinary shares ('000)</b>		
Authorised (share capital of R0.000001 each)	4 149 980	4 149 980
Total value = R4 149 (2016: R4 149)		
Issued and fully paid:		
Balance at 1 October	1 057 800	1 042 210
Shares issued as a result of scrip distributions	24 243	15 590
Shares issued as a result of the rights offer <sup>1</sup>	367 347	–
Balance at 30 September	1 449 390	1 057 800
Total value = R1 449 (2016: R1 058)		

<sup>1</sup> The purpose of the rights offer was to repay a portion of the bridge facility utilised for the Alliance Medical acquisition.

On 16 March 2017 the Group invited its shareholders to subscribe to a rights offer of 367 346 939 new Life Healthcare Group Holdings Limited ordinary shares at an issue price of R24.50 per share on the basis of 34.21659 shares for every 100 ordinary shares held. The issue was fully subscribed.

Costs of R230 million directly attributable to the rights offer were capitalised against share capital in stated capital.

	Number of shares		Value of shares	
	2017 '000	2016 '000	2017 R'm	2016 R'm
<b>Treasury shares</b>				
Balance at 1 October	7 365	6 708	(282)	(262)
Granted	2 728	1 763	(73)	(61)
Granted as a result of the rights issue	2 252	–	(55)	–
Exercised	(174)	(40)	6	–
Vested	(1 784)	(1 066)	58	41
Balance at 30 September	10 387	7 365	(346)	(282)



## NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

	2017 R'm	2016 R'm
<b>18. Other reserves</b>		
Life Healthcare employee share trust	99	72
Long-term incentive scheme	36	62
Foreign currency translation reserve	245	120
Transactions with non-controlling interest reserve	(312)	(312)
	<b>68</b>	(58)

### Terms and conditions

#### Life Healthcare employee share trust

Type	An equity-settled scheme.
Background	In terms of the scheme, the employer acquired Life Healthcare Group Holdings Limited 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 holding company's remuneration and human resources committee.
Qualifying employees	All permanent employees employed by the employer in South Africa for a continuous period of at least one year as at the date of the allocation and who i) is a member of an employer-supported retirement scheme and who ii) does not participate in the long-term incentive scheme are beneficiaries of the trust and participate in the scheme. Voting rights and dividends vest with the qualifying employees.
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.
Method of settlement	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.

2016 granted shares	1 296 460 shares at R38.57
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2017 granted shares	2 360 491 shares at R25.42
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Rights offer shares	2 054 437 shares at R24.50
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Exercised	n/a
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Vested	611 278 <sup>1</sup>
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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.
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<sup>1</sup> Relates to shares vested and shares transferred to good leavers.

Previous long-term incentive scheme	New long-term incentive scheme
An equity-settled scheme. It is a hybrid scheme that combines a pure unit appreciation component, and a performance share component.	A new equity-settled performance share scheme set up during the 2015 year.
There was a modification to the bonus scheme in the 2012 financial year in which each participant shall in respect of future awards and allocations, prior to the vesting date or at the time of the award or allocation, have the right to make a co-investment election. This cost will be accounted for as a share-based payment (IFRS 2).	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 holding company's remuneration and human resources committee. The value of the notional performance shares will be determined by the price of the Life Healthcare Group Holdings Limited shares on the JSE Limited using the 30-day VWAP.
Available to all executives and senior managers.	Available to all executives and senior managers.
Vesting in terms of this scheme takes place in two years from allocation. Based on the employee's seniority, a larger proportion of the allocation is based on returns achieved.	<p>The vesting of the awards is subject to the Group meeting two performance conditions:</p> <ul style="list-style-type: none"> <li>• <b>50% weighting: Group CEO and Group CFO:</b> HEPS compared to CPI plus a percentage with a hurdle rate of minimum growth of CPI + 1% in HEPS for the award vested;</li> <li>• <b>Other executives and senior managers:</b> Growth on earnings before interest and tax (EBIT) compared to CPI plus a percentage with a hurdle rate of minimum growth of CPI + 1% in EBIT for the award vested; and</li> <li>• <b>50% weighting:</b> Growth on total shareholder return (TSR) over predetermined thresholds relative to the TSR of a comparator group of listed companies.</li> </ul>
Shares	Shares
<p>On the maturity date, the shares will become unrestricted and the participant will forthwith hold the shares directly, free of any restrictions or encumbrance. If employees exit the scheme before the maturity date, the following will apply:</p> <ul style="list-style-type: none"> <li>• Good leaver means that the employee will be entitled to all the co-investment shares and a portion of the Company matched shares. The portion will be based on a time apportionment scale. The employee will forfeit the balance of the matched shares allocated to him/her. These shares will be sold in the open market and will be cancelled as treasury shares.</li> <li>• Bad leaver means that the employee will be entitled to all the co-investment shares but will forfeit the entire Company matched shares. These shares will be sold in the open market and will be cancelled as treasury shares.</li> </ul>	<p>If a participant ceases to be employed by the Group prior to the vesting of the grant date, the following will apply:</p> <ul style="list-style-type: none"> <li>• Good leavers with a date of termination of employment: <ul style="list-style-type: none"> <li>– that is more than one year before the vesting date of the grant, will result in all notional performance shares held by the participant being forfeited and cancelled for no consideration; or</li> <li>– that is one year or less before the vesting date of the grant, will retain all notional performance shares and he/she shall continue to be treated as a participant as if his/her employment had not been terminated.</li> </ul> </li> <li>• Bad leavers with a date of termination of employment: <ul style="list-style-type: none"> <li>– prior to vesting date, will result in all notional performance shares held by the participant being forfeited and cancelled for no consideration.</li> </ul> </li> </ul>
466 287 shares at R31.66	
367 547 shares at R35.05	
197 777 shares at R24.50	
174 156	
1 172 916	
An annual contribution is made by each employer company in the Group for its qualifying employees. The charge and contribution reflected is for the Company's proportionate share only.	

## NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

	2017 Non-current portion R'm	2017 Current portion R'm	2016 Non-current portion R'm	2016 Current portion R'm
<b>19. Interest-bearing borrowings</b>				
<b>Unsecured borrowings</b>				
Term loans	3 545	349	1 863	277
Bridge facility loan	–	3 813	–	–
Bank loans	11	3	–	–
Notes	–	300	–	–
Preference shares	2 700	1 250	2 550	–
Revolving credit facility	–	–	–	931
<b>Secured borrowings</b>				
Equipment instalment sale	9	4	13	8
Mortgage bonds	75	11	87	10
Bank loans	–	238	–	–
Term loans	35	20	49	42
Revolving credit facility	–	84	–	–
Finance leases	1 411	229	907	44
<b>Total borrowings – 30 September</b>	<b>7 786</b>	<b>6 301</b>	5 469	1 312

### Terms and repayment schedule

	Interest rate	Repayment terms <sup>7</sup>	Instalment amount R'm	Date of maturity	Carrying value 2017 R'm	Carrying value 2016 R'm
<b>Bilateral term loans</b>						
<b>Southern Africa</b>						
Term loan one	3M-JIBAR plus 1.0% <sup>1</sup>	Six equal semi-annual instalments	–	31 Mar 2017	–	115
Term loan two	3M-JIBAR plus 1.1% <sup>1</sup>	Five equal semi-annual instalments	–	31 Mar 2017	–	162
Term loan three	3M-JIBAR plus 1.65% <sup>2</sup>	Eight equal quarterly instalments, payable from 30 September 2018	50.0	15 May 2020	400	400
Term loan four	3M-JIBAR plus 1.7%	Eight equal quarterly instalments, payable from 30 September 2018	43.8	15 May 2020	350	350
Term loan five	3M-JIBAR plus 1.3% <sup>2</sup>	Single instalment	250.0	21 May 2018	250	250
Term loan six	3M-JIBAR plus 2.29% <sup>3</sup>	Six equal semi-annual instalments, repayable from 30 June 2019	125.0	17 Mar 2022	750	–
Term loan seven	3M-JIBAR plus 2.49% <sup>3</sup>	Single instalment	750.0	17 Mar 2022	750	–
Term loan eight	3M-JIBAR plus 2.05% <sup>4</sup>	Five equal semi-annual instalments, payable from 30 September 2020	100.0	29 Aug 2022	500	–
<b>Polish</b>						
Term loan one	3M-WIBOR plus 2.04%	Single instalment	801.0	31 Dec 2020	801	773
Term loan two	3M-WIBOR plus 2.05%	Single instalment	93.0	29 Sep 2020	93	90
<b>Bridge facility loans</b>						
Bridge loan A drawn down in ZAR (R10 579 million)	3M-JIBAR plus 2.0% <sup>5</sup>	Drawn down and repaid in current year	–	16 Nov 2017	–	–
Bridge loan B drawn down in GBP (R4 022 million)	1M-LIBOR plus 2.0% <sup>5</sup>	Single instalment with permitted prepayments	3 813.0	16 May 2018	3 813	–

## 19. Interest-bearing borrowings continued

	Interest rate	Repayment terms <sup>7</sup>	Instalment amount R'm	Date of maturity	Carrying value 2017 R'm	Carrying value 2016 R'm
<b>Bank loans</b>	3.17%	Quarterly instalments	0.8	31 Dec 2020	<b>14</b>	–
<b>Notes</b>						
Note one	7.74%	Single instalment	50.0	12 Oct 2017	<b>50</b>	–
Note two	8.21%	Single instalment	250.0	12 Jan 2018	<b>250</b>	–
<b>Preference shares</b>						
Class A1	77% of 3M-JIBAR plus 1.61% <sup>6</sup>	Four equal six-monthly instalments, payable from 31 March 2018	200.0	30 Sep 2019	<b>800</b>	800
Class A2	68% of Prime <sup>2</sup>	Single instalment	300.0	8 Nov 2017	<b>300</b>	300
Class A3	68% of Prime	Single instalment	300.0	8 Nov 2017	<b>300</b>	300
Class B	77% of 3M-JIBAR plus 1.61% <sup>6</sup>	Four equal six-monthly instalments, payable from 31 March 2018	125.0	30 Sep 2019	<b>500</b>	500
Class C	67% of Prime <sup>2</sup>	Four equal six-monthly instalments, payable from 15 November 2018	162.5	15 May 2020	<b>650</b>	650
Class D1	77% of 3M-JIBAR plus 1.8%	Four equal six-monthly instalments, payable from 30 March 2021	175.0	30 Sep 2022	<b>700</b>	–
Class D2	77% of 3M-JIBAR plus 1.8%	Four equal six-monthly instalments, payable from 30 March 2021	175.0	30 Sep 2022	<b>700</b>	–
<b>Revolving credit facility</b>						
Southern Africa	3M-JIBAR plus 0.65%	n/a	n/a	30 Sep 2018	–	931
<b>Unsecured borrowings</b>					<b>11 971</b>	5 621
Equipment instalment sale	SA prime less 2.2%	36 equal monthly instalments	1.4	31 Dec 2016	–	4
Equipment instalment sale	Botswana prime less 0.25%	60 equal monthly instalments	0.4	31 Jul 2020	<b>13</b>	17
Mortgage bonds	1M JIBAR plus 2.65%	120 equal monthly instalments	1.6	30 Sep 2023	<b>86</b>	97
Bank loans (trade receivable subject to factoring agreement refer to note 15)	1M LIBOR plus 1.75%	Payable as cash is received from debtors	n/a	Overarching agreement ends August 2020	<b>238</b>	–
Term loans in Polish operations	1M/3M WIBOR plus 1.0% – 4.0%	Monthly instalments	0.6	14 Nov 2024	<b>55</b>	91
<b>Revolving credit facility</b>						
Alliance Medical (GBP facility)	LIBOR + 3.75%	n/a	n/a	31 Aug 2020	<b>27</b>	–
Alliance Medical (EUR facility)	EURIBOR + 3.75%	n/a	n/a	31 Aug 2020	<b>57</b>	–
<b>Finance leases</b>						
Southern Africa (Property)	7.0% – 21.0%	Repayable in monthly instalments over 1 to 17 years ending February 2034			<b>670</b>	692
Alliance Medical (Property, equipment and other)	2.5% – 17.0%	Repayable in either quarterly or monthly instalments over 1 to 7 years ending May 2024			<b>717</b>	–
Polish (property, equipment and other)	1M/3M WIBOR plus 1.8% – 4.0%	Repayable in monthly instalments over 1 to 7 years ending February 2024			<b>253</b>	259
<b>Secured borrowings</b>					<b>2 116</b>	1 160
<b>Total borrowings</b>					<b>14 087</b>	6 781

## NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

	Carrying value 2017	Carrying value 2016
<b>19. Interest-bearing borrowings continued</b>		
The interest-bearing borrowings carrying amount is denominated in the following currencies:		
South African rand	7 876	5 424
Botswana pula	143	144
Pound sterling	4 649	–
European euro	133	–
Polish zloty	1 286	1 213
	<b>14 087</b>	6 781

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

- <sup>1</sup> – If the net debt to EBITDA ratio is at or less than 1.75:1, then the interest rate margin shall be 1% for the first term loan and 1.1% for the second term loan.
- If the net debt to EBITDA ratio is higher than 1.75:1 and less than 2.25:1, then the interest rate margin shall be 1.25% for the first term loan and 1.35% for the second term loan.
- If the net debt to EBITDA ratio is at or higher than 2.25:1, then the interest rate margin shall be 1.5% for the first term loan and 1.6% for the second term loan.
- <sup>2</sup> – If the net debt to EBITDA ratio is higher than 3.00:1, then the interest rate margin shall increase by 0.25%.
- <sup>3</sup> – If the net debt to EBITDA ratio is at or less than 1.75:1, then the interest rate margin shall be 1.84% for term loan six and 2.04% for term loan seven.
- If the net debt to 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 six and 2.19% for term loan seven.
- If the net debt to 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 six and 2.34% for term loan seven.
- If the net debt to EBITDA ratio is higher than 2.75:1, then the interest rate margin shall be 2.29% for term loan six and 2.49% for term loan seven.
- <sup>4</sup> – If the net debt to EBITDA ratio is higher than 3.00:1, then the interest rate margin shall be 2.20%.
- <sup>5</sup> – The margin for each facility increases after six, nine and 12 months.
- The margin for each facility increases by 0.25% at any time when at least two rating agencies drop their credit rating of South Africa.
- <sup>6</sup> – If the net debt to EBITDA ratio is higher than 1.75:1 and less than 2.25:1, then the applicable interest rate margin shall increase by 0.25% for the next two interest periods; or
- If the net debt to EBITDA ratio is at or higher than 2.25:1, then the applicable interest rate margin shall increase by 0.5% for the next two interest periods.
- <sup>7</sup> – The final capital repayment date is stipulated in the funding agreement and may differ slightly from the instalment dates.

	Carrying amount		Fair value	
	2017 R'm	2016 R'm	2017 R'm	2016 R'm
<b>Secured borrowings</b>				
Finance leases	1 640	937	1 789	1 003

	Receivables		Property, plant and equipment	
	2017 R'm	2016 R'm	2017 R'm	2016 R'm
<b>Carrying value of assets held as security for borrowings</b>				
Equipment instalment sale	–	–	15	75
Mortgage bonds	–	–	143	154
Bank loans	518	–	–	–
Term loans in Polish operations	–	–	107	131
Revolving credit facility (Alliance Medical – secured against gross assets)	–	–	1 279	–
Finance leases	–	–	1 415	1 089
<b>Total</b>	<b>518</b>	–	<b>2 959</b>	1 449

	Future minimum lease payments		Interest		Present value of future finance lease payments	
	2017 R'm	2016 R'm	2017 R'm	2016 R'm	2017 R'm	2016 R'm
<b>19. Interest-bearing borrowings</b>						
continued						
Finance lease liabilities						
Within one year	360	145	131	101	229	44
Between one and five years	1 147	599	391	374	756	225
Later than five years	968	1 078	313	396	655	682
Total	2 475	1 822	835	871	1 640	951
					2017 R'm	2016 R'm
<b>Borrowing facilities</b>						
The Group has the following borrowing facilities available:						
Available and uncommitted revolving credit facility (southern Africa)					1 500	1 500
Available and committed revolving credit facility (Alliance Medical)					91	–
Committed working capital and guarantee facility (southern Africa) <sup>1</sup>					1 250	750
Uncommitted primary lending facility (southern Africa)					500	500
Committed working capital facility (Poland) <sup>1</sup>					23	15
Committed leasing facility					545	–
Factoring facility					276	–
					4 185	2 765
<b>20. Trade and other payables</b>						
<b>Under current liabilities:</b>						
Trade payables					1 415	1 011
Accruals					1 282	177
Employee-related payables					712	555
Value added tax					91	27
Deferred income					24	24
Other payables					589	356
Contingent consideration at fair value					61	67
Balance at 30 September					4 174	2 217
<b>Under non-current liabilities:</b>						
Employee-related payables					18	–
Contingent consideration at fair value					55	–
					73	–
<b>Long-term incentive scheme (southern Africa)</b>						
Balance at 1 October					6	32
Service cost					8	–
Released					–	(14)
Actual benefit payments					(14)	(12)
Balance at 30 September					–	6

<sup>1</sup> Fluctuates seasonally.

The employee-related payables represent the pro rata portion of a 13th cheque that is payable to employees annually in terms of their employment contracts, accrued annual leave, a performance bonus scheme as well as the long-term incentive scheme for the senior employees of Alliance Medical. Provisions are raised as payment is subject to the employee being in employment at vesting date.

The total long-term incentive liability (short-term and long-term portion) relating to the senior employees of Alliance Medical amounts to R55 million.

The most significant inputs into the valuation model relating to the long-term incentive scheme for the senior employees of Alliance Medical is the volatility percentage, which is a measure of the expected price fluctuations of the underlying security over the period of maturity, and the equity value as at the valuation date. A sensitivity analysis was performed in order to assess how the cash-settled liability would be affected by changes in the actuarial assumptions underpinning the valuation. A 5% increase in the volatility input results in a R62 million increase in the cash-settled liability. A 20% increase in the equity value results in a R125 million increase in the cash-settled liability.

## NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

	2017 R'm	2016 R'm
<b>21. Financial Instruments by category</b>		
<b>Assets</b>		
Fair value through profit or loss		
Derivative financial instruments (included in other assets)	2	17
Loans and receivables		
Trade and other receivables	3 500	2 069
Cash and cash equivalents	1 176	604
Other assets	54	22
<b>Total assets</b>	<b>4 732</b>	2 712
<b>Liabilities</b>		
Fair value through profit or loss		
Trade and other payables	116	67
Derivative financial instruments	749	–
At amortised cost		
Trade and other payables	3 098	1 470
Interest-bearing borrowings	14 087	6 781
Bank overdraft	450	1 030
<b>Total liabilities</b>	<b>18 500</b>	9 348

### Derivative financial instruments

#### Interest rate swap contracts

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

Previous interest rate swap contracts, with a total notional principal amount of R1 200 million, matured on 31 January 2017.

	Swap 1	Swap 2	Swap 3	Swap 4	Swap 5	Swap 6
Contract						
commencement date	1 Dec 2014	1 Dec 2014	1 Dec 2014	1 Nov 2016	1 Nov 2016	8 Aug 2017
Maturity date	1 Dec 2017	1 Dec 2017	1 Dec 2017	1 Nov 2018	1 Nov 2019	11 Aug 2020
Notional amount (R'm)	500	500	800	900	900	500
Fixed interest rate (%)	6.57	6.58	6.56	7.60	7.70	6.91
Floating interest rate (%)	7.1	7.1	7.1	7.1	7.1	7.1
Interest settlement terms	Three-month JIBAR (safex), settled quarterly.					

#### Foreign exchange hedge contract

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

The notional principal amount of the outstanding foreign exchange contract at 30 September 2017 was USD0.5 million (2016: USD0.3 million). These contracts will mature within 12 months.

#### B share liability

Alliance Medical senior management granted to Life UK Holdco Limited an option for Life UK Holdco Limited to purchase a certain portion of their B shares in Life UK Healthcare Limited at each of the following dates: 30 September 2019, 30 September 2020, 30 September 2021 and 30 September 2022 at the relevant B share price. Refer to note 24.

	Carrying value		Fair value	
	2017 R'm	2016 R'm	2017 R'm	2016 R'm
<b>Assets</b>				
<b>Market-to-market valuation at 30 September</b>				
Interest rate swap contracts (included in other non-current assets)	–	17	–	17
Foreign exchange hedge contract (included in other current assets)	2	–	2	–
<b>Total assets</b>	<b>2</b>	17	<b>2</b>	17
<b>Liabilities</b>				
Interest rate swap contracts (Included in derivative financial instruments)	(22)	–	(22)	–
B share liability (Included in derivative financial instruments)	(727)	–	(727)	–
<b>Total liabilities</b>	<b>(749)</b>	–	<b>(749)</b>	–

	2017 R'm	2016 R'm
<b>22. Offsetting of financial assets and liabilities</b>		
The financial assets and liabilities relating to the interest rate swap contracts are subject to offsetting and similar agreements.		
<b>Assets</b>		
<i>Offsetting applied</i>		
Gross amount	155	136
Amount set-off	(153)	(119)
Net amount	2	17
Financial instruments not subject to set-off	10	23
Total other current assets per statement of financial position	12	–
Total other non-current assets per statement of financial position	–	40
<b>Liabilities</b>		
<i>Offsetting applied</i>		
Gross amount	(136)	(90)
Amount set-off	114	90
Net amount	(22)	–
Financial instruments not subject to set-off	(727)	(16)
Total derivative financial liabilities per statement of financial position	(749)	–
Total other current liabilities per statement of financial position	–	(16)
<b>23. Cash generated from operations</b>		
Reconciliation of profit before tax to cash generated from operations		
Net profit before tax	1 934	2 864
<i>Adjusted for:</i>		
Share of associates' and joint ventures' net loss/(profit) after tax	15	(8)
Depreciation on property, plant and equipment	971	530
Amortisation of intangible assets	439	147
Net finance costs (refer to note 4)	1 137	500
Fair value adjustment on derivative financial instruments	92	2
Transaction costs	267	–
Impairment of investment	167	370
(Profit)/loss on remeasuring previously held interest in associate to fair value	(6)	23
Loss/(profit) on disposal of property, plant and equipment	37	(1)
Contingent consideration released	(43)	(109)
Fair value adjustment of contingent consideration (included in other)	10	–
Share-based payment reserve charge	62	66
Operating lease expense – straight-line	91	88
Retirement benefit asset and post-employment medical aid expenses (including portion included in employee benefits expenses)	(29)	(27)
Trade receivable impairment charge	148	91
Cost of inventories written off as expired stock	10	8
Operating cash flow before working capital changes	5 302	4 544
Working capital changes:		
Inventories	(35)	(43)
Trade and other receivables	(541)	(390)
Trade and other payables	(63)	(87)
Cash generated from operations	4 663	4 024



## NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

	<b>Bohes and Free State Oncology<sup>1</sup></b>	<b>Alliance Medical</b>	<b>Albaro Group and Direct Medical Imaging</b>	<b>Life Radiopharma Group</b>
<b>24. Acquisitions and disposals of investments in subsidiaries</b>				
<b>Acquisitions that resulted in business combinations</b>				
Acquirer	Group	Group	Alliance Medical	Alliance Medical
Country of incorporation	South Africa	United Kingdom	Italy and United Kingdom respectively	Germany, Poland and Austria
Acquisition date	1 October 2016 and 1 January 2017 respectively	21 November 2016	30 December 2016 and 1 August 2017 respectively	1 May 2017
% voting equity interest acquired	100% and 51% respectively	93.78% <sup>2</sup>	100%	100%
Primary reasons for business combination	Growth	Diversification	Growth	Growth
Qualitative factors that make up goodwill recognised	Attributable to future earnings potential	Attributable to future earnings potential	Attributable to future earnings potential	Attributable to future earnings potential
Contingent liabilities at acquisition	None	Included as part of fair value of net assets acquired	None	None

<sup>1</sup> Refer to note 11 in respect of Free State Oncology.

<sup>2</sup> This is accounted for as a 100% subsidiary in terms of IFRS.

	<b>Bohes and Free State Oncology<sup>1</sup> 2017 R'm</b>	<b>Alliance Medical 2017 R'm</b>	<b>Albaro Group and Direct Medical Imaging 2017 R'm</b>	<b>Life Radiopharma Group 2017 R'm</b>
<b>24. Acquisitions and disposals of investments in subsidiaries</b>				
continued				
<b>Details of the fair value of net assets acquired and goodwill are as follows:</b>				
<b>Total purchase consideration</b>	<b>(22)</b>	<b>(10 832)</b>	<b>(161)</b>	<b>(189)</b>
Cash portion	<b>(14)</b>	<b>(9 884)</b>	<b>(123)</b>	<b>(189)</b>
Contingent consideration <sup>2</sup>	<b>(2)</b>	<b>(358)</b>	<b>(38)</b>	<b>-</b>
B share liability assumed <sup>3</sup>	<b>-</b>	<b>(590)</b>	<b>-</b>	<b>-</b>
Fair value of equity interest held before the business combination	<b>(6)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fair value of net assets acquired</b>	<b>1</b>	<b>1 282</b>	<b>12</b>	<b>95</b>
Inventories	<b>1</b>	<b>7</b>	<b>1</b>	<b>3</b>
Trade and other receivables	<b>2</b>	<b>1 038</b>	<b>13</b>	<b>28</b>
Trade and other payables	<b>(2)</b>	<b>(1 549)</b>	<b>(68)</b>	<b>(77)</b>
Cash and cash equivalents	<b>1</b>	<b>655</b>	<b>20</b>	<b>-</b>
Current tax liability	<b>-</b>	<b>(132)</b>	<b>(3)</b>	<b>-</b>
Interest-bearing borrowings	<b>-</b>	<b>(3 815)</b>	<b>(9)</b>	<b>(59)</b>
Property, plant and equipment	<b>2</b>	<b>2 242</b>	<b>47</b>	<b>155</b>
Investments in joint venture and other	<b>-</b>	<b>18</b>	<b>3</b>	<b>-</b>
Retirement benefit liability	<b>-</b>	<b>(73)</b>	<b>-</b>	<b>-</b>
Brand	<b>-</b>	<b>129</b>	<b>-</b>	<b>-</b>
Customer relationship	<b>-</b>	<b>3 247</b>	<b>9</b>	<b>36</b>
Software	<b>-</b>	<b>79</b>	<b>-</b>	<b>1</b>
Deferred tax	<b>-</b>	<b>(561)</b>	<b>(1)</b>	<b>8</b>
Non-controlling interest	<b>(3)</b>	<b>(3)</b>	<b>-</b>	<b>-</b>
<b>Fair value of non-controlling interest recognised</b>	<b>(11)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Goodwill</b>	<b>(32)</b>	<b>(9 550)</b>	<b>(149)</b>	<b>(94)</b>

<sup>1</sup> Refer to note 11 in respect of Free State Oncology.

<sup>2</sup> **Contingent consideration**

The sellers of Alliance Medical were entitled to an earn-out consideration of GBP4 for each GBP1 of the adjusted EBITDA results of Alliance Medical, calculated with reference to the 12 months ending 31 March 2017, in excess of GBP66 million, subject to a maximum of GBP40 million. At acquisition, the fair value of the contingent consideration was estimated at GBP20 million (R358 million).

The final contingent consideration paid was calculated as GBP17.45 million (R339 million).

<sup>3</sup> **B share liability**

The Life UK Healthcare Limited B shares were issued to key management within Alliance Medical in exchange for a portion of their B shares held in Alliance Medical. The B share liability at the acquisition date amounted to GBP36.2 million (R647 million), of which GBP33 million (R590 million) is considered part of the business combination and GBP3.2 million (R57 million) is recognised as a post-acquisition expense in transaction costs in profit or loss.

The B share liability was remeasured as GBP40.0 million (R727 million) as at 30 September 2017. The fair value adjustment from acquisition date to 30 September 2017 was GBP3.8 million (R65 million). This is recognised in profit and loss.

## NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

	Bohes and Free State Oncology <sup>1</sup> 2017 R'm	Alliance Medical 2017 R'm	Albaro Group and Direct Medical Imaging 2017 R'm	Life Radiopharma Group 2017 R'm
<b>24. Acquisitions and disposals of investments in subsidiaries</b> continued				
<b>Cash outflow to acquire businesses</b>				
Initial cash consideration	14	9 884	123	189
Less: cash at acquisition	(1)	(655)	(20)	-
Contingent consideration paid	-	339	-	-
	13	9 568	103	189
<b>Impact on consolidated information if each business combination took place on 1 October 2016</b>				
	Bohes and Free Oncology <sup>1</sup> 2017 R'm	Alliance Medical 2017 R'm	Albaro Group and Direct Medical Imaging 2017 R'm	Life Radiopharma Group 2017 R'm
Revenue	29	4 412	79	118
Net profit/(loss)	8	11	(18)	(2)
			2017 R'm	2016 R'm
<b>Increase and decrease in ownership interest in subsidiaries as a result of non-controlling interest transactions – various subsidiary companies</b>				
During the current and previous financial year, the Group had marginal increases in its shareholdings in subsidiary companies.				
<b>Total purchase consideration</b>			(234)	(61)
Cash portion			(234)	(61)
<b>Fair value of non-controlling interest recognised</b>			228	45
Carrying amount of non-controlling interests acquired			228	45
<b>Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity</b>			(6)	(16)
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.				
Value of decrease in ownership interest in subsidiary			17	20
Total value of decrease in ownership interest in subsidiary			17	20
Transactions with non-controlling interest reserve			6	1
Proceeds on disposal of investments			23	21
Cash proceeds on decrease of ownership interest in subsidiaries			10	21
Non-cash proceeds			13	-

<sup>1</sup> Refer to note 11 in respect of Free State Oncology.

## 25. 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

	Total shareholding	Salaries R'000	Bonus and performance related payments R'000	Other allowances R'000	Gains on long-term incentive scheme R'000	Termination payment R'000	Medical aid contributions R'000	Pension fund contribution R'000	Total remuneration R'000
<b>2017</b>									
<b>Executive directors</b>									
A Meyer <sup>1</sup>	–	3 377	1 333	371	1 295	–	25	166	6 567
PP van der Westhuizen <sup>2, 3</sup>	183 567	2 840	1 554	62	1 277	–	33	125	5 891
	183 567	6 217	2 887	433	2 572	–	58	291	12 458
<b>Past executive director</b>									
A Meyer <sup>1</sup>	–	767	705	356 <sup>4</sup>	391	3 271 <sup>5</sup>	5	37	5 532
	183 567	6 984	3 592	789	2 963	3 271	63	328	17 990
<b>2016</b>									
<b>Executive directors</b>									
A Meyer <sup>6</sup>	3 130	3 680	4 230	923	–	–	31	307	9 171
PP van der Westhuizen <sup>3</sup>	127 348	1 962	1 777	459	1 043	–	31	159	5 431
	130 478	5 642	6 007	1 382	1 043	–	62	466	14 602

<sup>1</sup> The board, together with A Meyer, decided that he would step down as Group Chief Executive Officer with effect from 30 June 2017.

<sup>2</sup> PP van der Westhuizen was appointed as acting Group Chief Executive Officer on 1 July 2017, while continuing in his role as Group Chief Financial Officer.

<sup>3</sup> PP van der Westhuizen's direct beneficial shareholding is 126 609 (2016: 62 615), his indirect beneficial shareholding is 52 126 (2016: 61 133) and his associate interest is 4 832 (2016: 3 600). The indirect beneficial shareholding is subject to vesting conditions.

<sup>4</sup> Includes R356 133 related to leave cashed in 2017.

<sup>5</sup> Includes a R3 270 853 mutual separation payment to A Meyer.

<sup>6</sup> A Meyer's total shareholding only includes direct beneficial shares.

Long-term incentive scheme	Opening balance at 1 October 2016		Awards made during 2017		
	Number of shares	Issue price R/share	Number of shares	Date of issue	Issue price R/share
<b>PP van der Westhuizen</b>					
2011 allocation	23 156	38.72	–	–	–
2012 allocation	16 261	42.66	–	–	–
2013 allocation	18 947	31.66	–	–	–
2014 allocation	–	–	19 890	Jan 2017	35.05
Total	58 364		19 890		

Long-term incentive scheme	Rights offer		Awards vested during 2017		
	Number of shares	Offer price R/share	Number of shares vested	Market price at vesting R/share	Value gained on vesting R
<b>PP van der Westhuizen</b>					
2011 allocation	–	–	(23 156)	33.95	838 359
2012 allocation	–	–	(16 261)	33.95	–
2013 allocation	6 483	24.50	–	–	–
2014 allocation	6 806	24.50	–	–	–
Total	13 289		(39 417)	–	838 359

## NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

### 25. Directors' emoluments and interests in the Company continued

Long-term incentive scheme	Dividends	Closing balance at 30 September 2017	
	Value of dividends in respect of all plans R	Number of shares	Final vesting date
<b>PP van der Westhuizen</b>			
2011 allocation	21 304	–	Jan 2017
2012 allocation	14 960	–	Jan 2017
2013 allocation	24 063	25 430	Jan 2018
2014 allocation	6 962	26 696	Jan 2019
<b>Total</b>	<b>67 289</b>	<b>52 126</b>	

	Total shareholding Shares		Directors' fees R'000	
	2017	2016	2017	2016
<b>Non-executive directors</b>				
MA Brey <sup>1</sup>	6 076 946	6 379 006	1 206	996
PJ Golesworthy <sup>2</sup>	31 224	22 959	972	730
ME Jacobs	–	–	370	341
LM Mojela <sup>3</sup>	–	–	193	601
AM Mothupi <sup>4</sup>	–	–	116	–
JK Netshitenzhe	–	–	373	323
MP Ngatane	–	–	372	279
MEK Nkeli	–	–	461	343
M Sello <sup>4</sup>	–	–	107	–
GC Solomon <sup>2</sup>	143 612	107 000	892	694
RT Vice	–	–	799	639
	<b>6 251 782</b>	<b>6 508 965</b>	<b>5 861</b>	<b>4 946</b>

<sup>1</sup> MA Brey's direct beneficial shareholding is 716 375 (2016: 716 314), his indirect beneficial shareholding is 4 917 888 (2016: 5 295 642) and his associate interest is 442 683 (2016: 367 050).

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

<sup>3</sup> LM Mojela resigned as non-executive director on 25 January 2017.

<sup>4</sup> AM Mothupi and M Sello were appointed as non-executive directors on 3 July 2017.

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

#### Prescribed officers

In line with the requirements of the Companies Act, the Group discloses the remuneration paid to prescribed officers who are defined as the Group's Chief Executive Officer (A Meyer), the Group's Chief Financial Officer (PP van der Westhuizen), Chief Executive Officer Southern Africa (CLW Bekker) and Chief Executive Officer – Alliance Medical (GE Blomfield).

	Total shareholding	Salaries R'000	Bonus and performance related payments	Other allowances R'000	Gains on long-term incentive scheme	Medical aid contributions R'000	Pension fund contribution R'000	Total remuneration R'000
			R'000		R'000			
<b>2017</b>								
<b>Prescribed officers</b>								
A Meyer								
PP van der Westhuizen								
CLW Bekker <sup>5</sup>	58 079	1 834	1 189	663	1 416	27	610 <sup>6</sup>	5 739
GE Blomfield <sup>7, 8</sup>	–	6 617	6 617	221	–	–	868	14 323

<sup>5</sup> CLW Bekker's direct beneficial shareholding is 2 149 and his indirect beneficial shareholding is 55 930. The indirect beneficial shareholding is subject to vesting conditions.

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

<sup>7</sup> Includes emoluments from acquisition date, 21 November 2016.

<sup>8</sup> Holds 15 000 026 B shares in Life UK Healthcare Limited. Refer to notes 21, 24 and 26.

25. Directors' emoluments and interests in the Company continued

Long-term incentive scheme	Opening balance at 1 October 2016		Awards made during 2017		
	Number of shares	Issue price R/share	Number of shares	Date of issue	Issue price R/share
<b>CLW Bekker</b>					
2011 allocation	27 875	38.72	-	-	-
2012 allocation	19 491	42.66	-	-	-
2013 allocation	22 963	31.66	-	-	-
2014 allocation	-	-	18 706	Jan 2017	35.05
Total	70 329		18 706		

Long-term incentive scheme	Rights offer		Awards vested during 2017		
	Number of shares	Offer price R/share	Number of shares vested	Market price at vesting R/share	Value gained on vesting R
<b>CLW Bekker</b>					
2011 allocation	-	-	(27 875)	33.95	412 333
2012 allocation	-	-	(19 491)	33.95	-
2013 allocation	7 858	24.50	-	-	-
2014 allocation	6 403	24.50	-	-	-
Total	14 261		(47 366)		412 333

Long-term incentive scheme	Dividends		Closing balance at 30 September 2017	
	Value of dividends in respect of all plans R	Number of shares	Number of shares	Final vesting date
<b>CLW Bekker</b>				
2011 allocation	25 645	-	-	Jan 2017
2012 allocation	17 932	-	-	Jan 2017
2013 allocation	29 163	30 821	-	Jan 2018
2014 allocation	6 547	25 109	-	Jan 2019
Total	79 287	55 930		

## NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

### 25. Directors' emoluments and interests in the Company continued

Long-term incentive scheme (C shares)	Opening balance at 1 October 2016		Awards made during 2017		
	Number of shares	Issue price GBP/share	Number of shares	Date of issue	Issue price GBP/share
GE Blomfield <sup>1</sup>					
C convertible shares	–	n/a	204 546	22 Nov 2016	0.003

Long-term incentive scheme (C shares)	Value of dividends in respect of all plans GBP	Closing balance at 30 September 2017	
		Number of shares	Final vesting date
GE Blomfield <sup>1</sup>			
C convertible shares	n/a	204 546	30 Sept 2021

<sup>1</sup> No shares vested during the year ended 30 September 2017.

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

### 26. 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 R390 million (2016: R393 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 all 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.
Information management fees (IM fees)	An IM fee is charged to the subsidiaries to recover the cost incurred to run the IM infrastructure and services. The fee is based on a net cost recovery basis.
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. Alliance Medical leases mobile scanners between certain Group companies at market-related rates.
Royalties	Alliance Medical charges a 1% fee of the relevant revenue where countries use the Alliance Medical brand. Scanmed charges a 1.5% fee of revenue where Group companies use the Scanmed trademark.

## 26. 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 11 and Annexure C to the financial statements. No provision has been required in 2017 and 2016 for the loans made to associates and joint ventures.

	2017 R'm	2016 R'm
<b>Loans to associates and joint ventures</b>		
Balance at 1 October	7	11
Net movements in amounts owned	2	(4)
Balance at 30 September	9	7

### 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, except for share awards to executives. Refer to note 25 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.

	2017 R'm	2016 R'm
<b>Remuneration</b>		
Salaries	362	308
Medical aid contributions	5	5
Pension fund costs – defined benefit and contribution plans	3	2
Provident fund costs – defined contribution plans	12	12
	382	327

### B share liability

The Life UK Healthcare Limited B shares (33 000 0000) were issued to key management within Alliance Medical in exchange for a portion of their B shares held in Alliance Medical. Refer to note 21.

	2017 R'm	2016 R'm
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## 27. Commitments and contingencies

### Capital commitments

Capital expenditure approved for property, plant and equipment

3 026 1 692

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

### Operating lease commitments

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

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

Not later than 1 year	193	102
Later than 1 year and not later than 5 years	654	405
Later than 5 years	609	501
	1 456	1 008

### 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 to various government institutions for leases and construction projects to the value of R170 million (2016: R54 million).

Certain subsidiary companies have issued letters of support for certain other fellow subsidiary companies.



## NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

### 28. 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:

#### Scrip dividend declaration

The board has declared a final distribution for the year ended 30 September 2017, by way of the issue of fully paid Life Healthcare Group Holdings Limited ordinary shares of 0.0001 cent each (the Scrip Distribution) payable to ordinary shareholders (Shareholders) recorded in the register of the Company at the close of business on the Record Date, being Friday, 5 January 2018.

Shareholders will be entitled, in respect of all or part of their shareholding, to elect to receive a gross cash dividend of 45 cents per ordinary share in lieu of the Scrip Distribution, which will be paid only to those Shareholders who elect to receive the cash dividend, in respect of all or part of their shareholding, on or before 12:00 on Friday, 5 January 2018 (the Cash Dividend). The Cash Dividend has been declared from income reserves. A dividend withholding tax of 20% will be applicable to all shareholders not exempt therefrom after deduction of which the net Cash Dividend is 36 cents per share.

#### New Group CEO

The board approved the appointment of Dr S Viranna to the position of Group Chief Executive Officer, effective 1 February 2018.

#### Refinancing of bridge loan B

Bridge loan B will be refinanced by the end of November 2017 by way of new term debt facilities.

#### Max

The Group has appointed advisers to explore the potential of unlocking value as part of the overall Group growth strategy.

### 29. 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 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 audit committee. Treasury identifies, evaluates and economically hedges financial risks in close co-operation with the Group's operating units. The audit committee approves 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 objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to provide for sufficient capital expansion. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 19, cash and cash equivalents disclosed in note 14 and equity as disclosed in the statement of financial position. Preference shares are included in borrowings. The Group uses the net debt to normalised EBITDA ratio to measure the funding requirements in the form of debt or equity.

The ratio is calculated as net debt divided by normalised EBITDA. Net debt is calculated as total interest-bearing borrowings (including 'current interest-bearing and non-current interest-bearing borrowings' as shown in the statement of financial position) plus guarantees (if applicable) less net cash and cash equivalents. Normalised EBITDA is defined as earnings before interest, tax, depreciation and amortisation, adjusted for non-recurring items.

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

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

	2017	2016
Total interest cover ratio (times) <sup>1</sup>	4.22	8.24
Net debt to normalised EBITDA ratio	2.55	1.67
The Group has externally imposed debt covenants in place as part of the terms of the current debt structures.		
<b>The covenants imposed arising from preference shares and bilateral term loans are as follows:</b>		
A minimum of total interest cover ratio (times)	5.00	5.00
A maximum of net debt to normalised EBITDA ratio	3.50	2.75

<sup>1</sup> Waiver consent letters were received from the relevant banks accepting the breach of covenants for a period of 13 months from the Alliance Medical acquisition date.

## 29. Risk management continued

### 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 and liquidity risk.

### Market risk

#### Foreign exchange risk

<b>Risk exposure</b>	<p>The Group interacts with international suppliers and is exposed to foreign exchange risk arising from various currency exposures. The currency in which transactions are entered into is mainly denominated in:</p> <ul style="list-style-type: none"> <li>• European euro; and</li> <li>• US dollar.</li> </ul> <p>The Group's presentation currency is the South African rand, but as it operates internationally with investments in foreign operations, it is exposed to a number of currencies, of which the exposure to the Botswana pula (BWP), Pound sterling (GBP), European euro (EUR), Polish zloty (PLN) and Indian rupee (INR) are the most significant.</p>
<b>How the risk arises</b>	<p>Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency and from net investments in foreign operations. These transactions include certain inter-company loans which expose the Group to foreign exchange risk.</p>
<b>Objectives, policies and processes for managing the risk and methods used to measure risk</b>	<p>The Group has set up a policy to require Group companies to manage their foreign exchange risk against their functional currency. The Group's treasury risk management principle is to hedge material cash flows where the local cash flow impact is in excess of 5 million (2016: 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, 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 are managed primarily through borrowings denominated in the relevant foreign currencies, as and when it is required. At 30 September 2017, foreign denominated borrowings to the equivalent of R6 211 million existed (2016: R1 357 million).</p> <p>The Group reviews its foreign currency exposure, including commitments, on an ongoing basis.</p>
<b>Concentration of risk</b>	<p>The Group has investments in foreign operations, in Botswana, United Kingdom, Italy, Spain, northern Europe, Ireland, Poland and India. The net assets of the Botswana, United Kingdom, Italy, Spain, 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				BWP 2016	PLN 2016
	BWP 2017	GBP 2017	EUR 2017	PLN 2017		
Non-current assets	201	14 768	1 076	2 144	206	2 222
Current assets	291	990	860	362	217	459
Current liabilities	(54)	(5 060)	(1 010)	(293)	(54)	(326)
Non-current liabilities	(149)	(1 840)	(137)	(1 243)	(147)	(1 239)
<b>Exposure on external balances</b>	<b>289</b>	<b>8 858</b>	<b>789</b>	<b>970</b>	222	1 116
Net exposure on balances between group companies	(3)	2 111	(2 007)	(219)	–	(77)
<b>Total net exposure</b>	<b>286</b>	<b>10 969</b>	<b>(1 218)</b>	<b>751</b>	222	1 039

## NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

### 29. Risk management continued

Financial risk continued
Market risk continued
Foreign exchange risk continued

	Foreign currency in millions					
	BWP 2017	GBP 2017	EUR 2017	PLN 2017	BWP 2016	PLN 2016
Non-current assets	152	813	67	579	157	618
Current assets	221	54	54	98	165	128
Current liabilities	(41)	(278)	(63)	(79)	(41)	(91)
Non-current liabilities	(113)	(101)	(9)	(336)	(112)	(344)
<b>Exposure on external balances</b>	<b>219</b>	<b>488</b>	<b>49</b>	<b>262</b>	169	311
Net exposure on balances between Group companies	(2)	116	(125)	(59)	–	(21)
<b>Total net exposure</b>	<b>217</b>	<b>604</b>	<b>(76)</b>	<b>203</b>	169	290

#### Sensitivities analysis

The table below analyses the impact on the Group's post-tax profit, mainly as a result of foreign exchange gains/losses on translation of financial assets at fair value through profit or loss. The analysis is based on the assumption that the South African rand had weakened/strengthened by 10% against the foreign currency with all other variables held constant.

	2017 R'm	2016 R'm
<b>Impact on post-tax profit</b>		
BWP	13	10
GBP	(3)	n/a
PLN	(24)	(32)
INR	(0.2)	0.1
<b>Exchange rates used for conversion of foreign denominated items</b>		
<b>Assets and liabilities</b>		
BWP	1.32	1.32
GBP	18.18	n/a
EUR	16.04	n/a
PLN	3.70	3.60
<b>Income/expense items</b>		
BWP	1.29	1.37
GBP	16.93	n/a
EUR	14.70	n/a
PLN	3.44	3.78
INR	0.21	0.22

For the Indian associate investment, the foreign currency movement in the share of associates' net movement for the current year was a negative R2 million (2016: less than R1 million).

Interest rate risk	
<b>Risk exposure</b>	The Group has interest-bearing assets, that mainly consist of investments in money market accounts. The Group's income and operating cash flows are substantially independent of changes in market interest rates.
<b>How the risk arises</b>	The Group's interest rate risk arises from a mix of short- and long-term borrowings. 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.
<b>Objectives, policies and processes for managing the risk and methods used to measure risk</b>	The Group manages its interest rate exposure in total and mainly borrows or invests as far as possible at Group level, unless it is more appropriate to do so at subsidiary level. Based on the various scenarios, the Group manages its cash flow interest rate risk by using interest rate collars, caps and swaps. Such interest rate hedges have the economic effect of capping the exposure to floating rates to a maximum rate. Generally, the Group raises long-term borrowings at floating rates and then hedges floating rates to a known maximum exposure. Under the interest rate collars, caps and swaps, the Group agrees with other parties to exchange, at specified intervals (primarily quarterly), the difference between the hedge and the floating rate interest amounts calculated by reference to the agreed notional amounts. Swaps are entered into to fix interest rates from floating rates.
<b>Concentration of risk</b>	Group policy is to hedge a maximum of 80% of its borrowings and to hedge a quantum of borrowings to ensure the profit or loss impact of a 1% movement in interest rates on unhedged borrowings is less than 2.0% of the previous 12-month Group EBITDA. (2016: approximately 60% of its borrowings to fixed interest rates or if there is 1% interest rate movement exposure greater than R50 million). At 30 September 2017, 32% of the Group debt was hedged (2016: 68% of southern Africa debt). Refer to note 21 for the current interest rate hedges in place.

## 29. Risk management continued

Financial risk continued
Market risk continued
Interest rate risk continued

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

	2017 R'm	2016 R'm
<b>Impact on post-tax profit</b>		
1% increase	(114)	(26)
1% decrease	137	50

The simulation is done on a six-monthly 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 R4.1 billion (2016: R3 billion) of the variable outstanding balance of Group debt of R11 004 million (2016: southern Africa debt of R4 750 million).

Liquidity risk	
<b>Risk exposure</b>	Those financial liabilities of the Group with contractual cash flows and maturity dates are exposed to liquidity risk.
<b>How the risk arises</b>	Liquidity risk is the risk that the Group will not be able to meet its obligations as they become due.
<b>Objectives, policies and processes for managing the risk and methods used to measure risk</b>	<p>Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities, and the ability to close out market positions. The Group's liquidity risk is mitigated by the availability of funds to cover future commitments. The Group manages liquidity risk through an ongoing review of future commitments and credit facilities. Due to the dynamic nature of the underlying businesses, treasury maintains flexibility in funding by maintaining availability under committed credit lines.</p> <p>The Group has sufficient available bank facilities. Refer to note 19.</p> <p>Cash flow forecasts are prepared and utilised borrowing facilities are monitored on a daily basis. Longer-term cash flow forecasts are updated monthly.</p>
<b>Concentration of risk</b>	The table below analyses the Group's financial liabilities into relevant maturity groupings, based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Refer to note 27 for operating lease commitments.

	Southern Africa		Alliance Medical		Poland	
	2017 R'm	2016 R'm	2017 R'm	2017 R'm	2016 R'm	
<b>Interest-bearing borrowings</b>	<b>10 285</b>	6 953	<b>4 942</b>	<b>1 454</b>	1 519	
– Less than 1 year	<b>2 541</b>	1 631	<b>4 359</b>	<b>85</b>	80	
– Between 1 and 5 years	<b>7 031</b>	4 488	<b>575</b>	<b>1 103</b>	1 139	
– Over 5 years	<b>713</b>	834	<b>8</b>	<b>266</b>	300	
<b>Trade and other payables</b>						
– Less than 1 year	<b>1 570</b>	1 320	<b>1 474</b>	<b>170</b>	217	
<b>Total</b>	<b>11 855</b>	8 273	<b>6 416</b>	<b>1 624</b>	1 736	

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

	Outflow		Inflow	
	2017 R'm	2016 R'm	2017 R'm	2016 R'm
<b>Foreign exchange contracts and interest rate swap contracts – cash flow hedges</b>				
– Less than 1 year	–	–	<b>2</b>	–
– Between 1 and 2 years	<b>(22)</b>	–	–	17
<b>Total</b>	<b>(22)</b>	–	<b>2</b>	17

## NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

### 29. Risk management continued

Financial risk continued																
Credit risk																
<b>Risk exposure</b>	Credit risk arises mainly from cash deposits, cash equivalents, derivative financial instruments, loans and receivables and trade debtors. Trade receivables comprise a widespread customer base.															
<b>How the risk arises</b>	Credit risk is the risk of financial loss due to counterparties to financial instruments not meeting their contractual obligations.															
<b>Objectives, policies and processes for managing the risk and methods used to measure risk</b>	Credit risk is managed using Group policies within the territories it arises. The Group deposits the surplus cash with major banks with high-quality credit standing and maintains an appropriate spread of cash deposits between various financial institutions to limit the exposure to any one counterparty. For banks and financial institutions, only independently rated parties with a minimum Moody's Rating "Baa" for South African banks are accepted. For both Alliance Medical and Poland, counterparty risk is managed through the active monitoring and management of the counterparties with which Alliance Medical and Poland transact. 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. In certain territories, use is made of invoice factoring facilities which are on a non-recourse basis, further reducing the credit risk from individual customers.															
<b>Concentration of risk</b>	The maximum exposure to credit risk at the reporting date is the carrying value of each class of trade and other receivable. 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 27 for additional details.															
<b>Maximum exposure to credit risk by class of financial instrument</b>	Financial assets exposed to credit risk at year-end were as follows:															
	<table border="1"> <thead> <tr> <th></th> <th>2017 R'm</th> <th>2016 R'm</th> </tr> </thead> <tbody> <tr> <td>Derivative financial instruments (included in other assets)</td> <td>2</td> <td>17</td> </tr> <tr> <td>Trade and other receivables</td> <td>3 500</td> <td>2 069</td> </tr> <tr> <td>Cash and cash equivalents</td> <td>1 176</td> <td>604</td> </tr> <tr> <td>Other assets</td> <td>54</td> <td>22</td> </tr> </tbody> </table>		2017 R'm	2016 R'm	Derivative financial instruments (included in other assets)	2	17	Trade and other receivables	3 500	2 069	Cash and cash equivalents	1 176	604	Other assets	54	22
	2017 R'm	2016 R'm														
Derivative financial instruments (included in other assets)	2	17														
Trade and other receivables	3 500	2 069														
Cash and cash equivalents	1 176	604														
Other assets	54	22														
<b>Credit quality analysis of financial assets that are neither past due nor impaired</b>	The credit quality of trade and other receivables that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates. No material historical default rates exist that require additional impairments. The Group does not expect any significant loss from non-performance by counterparties on credit granted during the financial year under review that has not been provided for. Amounts owing by associates and joint ventures are interest bearing at rates negotiated on an annual basis (2017: 10.25% and 2016: 10.5%) and are repayable on terms determined by the associate company's directors. The credit quality of these loans is determined based on past default rates. No such defaults existed in the past.															

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

	2017 R'm	2016 R'm
South African rand	321	394
Botswana pula	178	81
Pound sterling	212	n/a
European euro	377	n/a
Polish zloty	88	129
Balance at 30 September	1 176	604
Overdraft facilities within the Group are secured by means of cross sureties by Group companies. The credit quality of cash at bank and short-term money market instruments is:		
Southern Africa <sup>1</sup>	318	393
Botswana <sup>2</sup>	178	81
Alliance Medical <sup>3</sup>	589	n/a
Poland <sup>4</sup>	88	125
Cash on hand	3	5
	1 176	604

<sup>1</sup> The counterparties have a minimum South African Moody's Rating of Baa (2016: Fitch rating of BBB-).

<sup>2</sup> The counterparties have a minimum Botswana Standard & Poor rating of A- (2016: A-).

<sup>3</sup> The counterparties have a minimum Fitch credit rating of BB- (2016: n/a).

<sup>4</sup> The counterparties have a minimum Polish Fitch rating of B (2016: CCC).

## 29. Risk management continued

### Financial risk continued

#### Credit risk continued

Trade and other receivables which are less than three months past due or another period depending on the class of the trade receivable, are not considered to be impaired, as there has not been a significant change in credit quality and amounts are still recoverable.

At 30 September trade and other receivables past due but not impaired were as follows:

	2017 R'm	2016 R'm
	<b>1 338</b>	522
Southern Africa	<b>738</b>	481
Alliance Medical	<b>556</b>	n/a
Poland	<b>44</b>	41

The ageing of amounts past due but not impaired is as follows:

	31 – 60 days R'm	61 – 90 days R'm	91 – 180 days R'm	181 – 360 days R'm	More than a year R'm	Total R'm
<b>Trade and other receivables at 30 September 2017</b>						
<b>Southern Africa</b>						
Private clients	–	–	36	35	14	85
Medical aids	–	73	101	90	58	322
Government	31	27	54	–	214	326
Foreign patients	1	–	1	2	1	5
	<b>32</b>	<b>100</b>	<b>192</b>	<b>127</b>	<b>287</b>	<b>738</b>
<b>Alliance Medical</b>						
Debtors <sup>1</sup>	<b>287</b>	<b>58</b>	<b>106</b>	<b>47</b>	<b>58</b>	<b>556</b>
	<b>287</b>	<b>58</b>	<b>106</b>	<b>47</b>	<b>58</b>	<b>556</b>
<b>Poland</b>						
Private clients	2	1	–	1	1	5
Government (National Health Fund in Poland)	–	–	–	15	20	35
Other	–	–	–	2	2	4
	<b>2</b>	<b>1</b>	<b>–</b>	<b>18</b>	<b>23</b>	<b>44</b>
<b>Trade and other receivables at 30 September 2016</b>						
<b>Southern Africa</b>						
Private clients	–	–	34	37	6	77
Medical aids	–	62	87	57	14	220
Government	22	11	7	–	135	175
Foreign patients	4	2	3	–	–	9
	26	75	131	94	155	481
<b>Poland</b>						
Private clients	1	–	1	2	1	5
Government (National Health Fund in Poland)	4	–	–	–	31	35
Other	–	–	–	–	1	1
	5	–	1	2	33	41

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

**NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED**

**29. Risk management** continued

Financial risk continued
Fair value

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

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

The Group's financial instruments held at fair value, are measured subsequent to their initial recognition and are grouped into levels 1 to 3 based on the extent to which the fair values are observable. All of the resulting fair value estimates for the derivatives used for hedging are included in level 2. The contingent considerations are included in level 3. The fair value of interest rate swaps is calculated as the mark-to-market valuation, which represents the mid-market value of the instrument as determined by the financial institution at 30 September 2017.

The fair value of forward exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to the present value, as determined by the financial institution at 30 September 2017.

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			
1.2 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 Financial instruments			
Initial recognition and measurement	Subsequent measurement	Offsetting	
1.11 Capital and reserves			
Share capital and equity	Treasury shares		
1.12 New accounting standards and IFRIC interpretations			

### 1.1 Revenue and other income

		Includes	Recognition	Measurement
Revenue	Sales of services	Acute healthcare services, wellness programme services, same-day surgical centres, diagnostic-related services and sale (manufacturing and distribution) of radiopharmaceuticals.	The revenue recognised relates to invoiced fees for private healthcare, radiopharmaceuticals and fees for healthcare and diagnostic-related services and is recognised when the related service is provided.	The services are provided on a fixed-price basis. The revenue is recognised over the period during which the service is rendered, by reference to the stage of completion of the specific transaction and assessed on the basis of the actual service provided as a proportion of the total services to be provided.
Other income	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 method, unless it is doubtful.	<b>Effective interest rate method</b> When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.
	Rental income	Rental income arising from operating leases.	Accounted for on a straight-line basis over the lease term in profit or loss.	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.



## ANNEXURE A CONTINUED

### 1. Significant accounting policies continued

#### 1.2 Employee benefits

Short-term employee benefits		
<b>Includes:</b>	Paid leave, sick leave, bonuses and non-monetary benefits such as medical care.	
<b>Accounting treatment:</b>	<p>The cost of all short-term employee benefits is recognised as an expense during the period in which the employee renders the related service.</p> <p>Accruals for employee entitlement to wages, salaries, bonuses and annual leave represent the amount which the Group has a present obligation to pay as a result of employees' services provided up to the reporting date. The accruals have been calculated at undiscounted amounts based on the current wage and salary rates and are included in trade and other payables in the statement of financial position.</p> <p>The expected cost of 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 a reliable estimate of the obligation can be made.</p>	
Termination benefits		
<b>Includes:</b>	Benefits when an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits.	
<b>Accounting treatment:</b>	Termination benefits are recognised when the Group can demonstrate that it is committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.	
Post-employment benefits		
Defined contribution plan		
	Fund name	Includes
<b>Southern Africa schemes</b>	• Life Healthcare DC Pension Fund	A pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.
	• Life Healthcare Provident Fund	
<b>Alliance Medical Scheme</b>	• TFR scheme	
<b>Accounting treatment:</b>	<ul style="list-style-type: none"> <li>• The payments to defined contribution retirement benefit plans are charged as an expense as they fall due.</li> <li>• Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.</li> </ul>	

## 1. Significant accounting policies continued

1.2 Employee benefits continued		
Post-employment benefits continued		
Defined benefit plan		
<b>Includes:</b>	A pension plan that is not a defined contribution plan.	
<b>Fund name:</b>	<ul style="list-style-type: none"> <li>Life Healthcare DB Pension Fund</li> <li>Lifecare Group Holdings Pension Fund</li> <li>Post-employment medical aid benefit (phased out)</li> </ul>	
<b>Accounting treatment:</b>	<p>For defined benefit plans the cost of providing the benefits is determined using the projected unit credit method.</p> <p>Actuarial accounting valuations are conducted on an annual basis by independent actuaries separately for each plan. Consideration is given to any event that could impact the funds up to reporting date where the interim valuation is performed at an earlier date.</p> <p>Past-service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight-line basis over the average period until the amended benefits become vested.</p> <p>Gains or losses on the curtailment or settlement of a defined benefit plan are recognised when the Group is demonstrably committed to curtailment or settlement.</p>	
<b>Statement of financial position</b>	<b>Assets or liabilities</b>	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.
	<b>Assets</b>	<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>
<b>Statement of other comprehensive income</b>	<b>Profit or loss</b>	<ul style="list-style-type: none"> <li>Net interest income</li> <li>Current service cost</li> </ul> <p>These costs are included in retirement benefit asset and post-employment medical aid income.</p>
	<b>Other comprehensive income</b>	<ul style="list-style-type: none"> <li>Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions</li> <li>Changes in asset ceiling</li> </ul>
Medical aid costs		
<b>Includes:</b>	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.	
<b>Accounting treatment:</b>	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.	

## ANNEXURE A CONTINUED

### 1. Significant accounting policies continued

#### 1.2 Employee benefits continued

Share-based payments (IFRS 2)			
Cash-settled			
	<b>Long-term incentive scheme (Alliance Medical)</b>		
<b>Includes:</b>	<p>The scheme is a bonus scheme available to senior employees. C shares in Life UK Healthcare Limited were issued to management. 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 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 a calculation date 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.</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>		
<b>Accounting treatment:</b>	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 liability is recognised over the vesting period.		
Equity-settled			
<b>Includes:</b>	<table border="1" style="width: 100%;"> <tr> <td style="width: 50%;"><b>Long-term incentive scheme (southern Africa and Poland)</b></td> <td style="width: 50%;"><b>Life Healthcare employee share trust</b></td> </tr> </table>	<b>Long-term incentive scheme (southern Africa and Poland)</b>	<b>Life Healthcare employee share trust</b>
<b>Long-term incentive scheme (southern Africa and Poland)</b>	<b>Life Healthcare employee share trust</b>		
<b>Accounting treatment:</b>	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.		

#### Group accounting

#### 1.3 Consolidation

##### Subsidiaries, investment in partnership capital accounts 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 Scanmed) are prepared for the same period as the parent company using consistent accounting policies. The financial statements of Scanmed 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.

## 1. Significant accounting policies continued

### Group accounting continued

#### 1.3 Consolidation continued

##### Subsidiaries, investment in partnership capital accounts and trust beneficiary accounts continued

###### Contingent consideration

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

###### Gain on bargain purchase

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

- the total consideration transferred; plus
- the existing non-control interest recognised; plus
- any previous held interest,

the difference is recognised in profit or loss.

###### Inter-company transactions

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

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

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

###### Loss of control

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

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

## ANNEXURE A CONTINUED

### 1. Significant accounting policies continued

#### Group accounting continued

#### 1.4 Equity accounting

Equity-accounted investments consist of associates and joint ventures.

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

#### Initial recognition and measurement

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

#### Changes in ownership interest

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

#### Subsequent measurement

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

#### Impairment

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

#### Unrealised gains and losses

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

#### 1.5 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 hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency using the following procedures:

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

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

#### Exchange differences on monetary items

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

#### Cash flows

The cash flows of a foreign subsidiary are translated at the exchange rates between the Group's functional currency and the foreign currency of the subsidiary at the dates of the cash flows.

## 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 property, plant and equipment-owned			
Motor vehicles			
Buildings – leased			
Other property, plant and equipment – leased			
Leasehold improvements		Depreciated over the shorter of <ul style="list-style-type: none"> <li>the estimated useful lives of the assets on the same basis as owned assets; or</li> <li>the remaining period of the lease, unless there is a reasonable certainty the lessee will obtain ownership of the asset by the end of the lease term in which case it is depreciated over its useful life.</li> </ul>	

Replacements of linen, cutlery and crockery and certain medical instruments are also 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	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			
Preferred supplier contracts	Cost represents the fair value as at the date of the business combination		
Computer software	Cost		
Other intangible assets			

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 products controlled by the Group, and 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.

## ANNEXURE A CONTINUED

### 1. Significant accounting policies continued

#### Operating assets continued

#### 1.8 Leases

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

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

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

#### Finance leases – lessee

##### Initial measurement and recognition

Finance leases are recognised as assets and liabilities at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

##### Subsequent measurement:

- Asset at cost less depreciation
- Liability at amortised cost

##### Depreciation method:

Finance lease assets are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the terms of the leases.

#### Operating leases – lessee and lessor

##### Initial measurement and recognition

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

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

Neither the asset nor the liability is discounted.

#### 1.9 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 surgicals consumed' in profit or loss.

#### 1.10 Financial instruments

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

#### Financial assets

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

#### Derecognition

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

## 1. Significant accounting policies continued

### 1.10 Financial instruments continued

Financial liabilities			
Classification	Instruments included in the classification	Initial measurement	Subsequent measurement
<b>Financial liabilities at fair value through profit or loss</b>	If classified as held-for-trading or is designated as such; e.g. foreign exchange contracts, interest rate swaps and contingent consideration	Fair value with transaction costs expensed	Fair value with fair value gains and losses recognised in profit or loss as they arise
<b>Other financial liabilities</b>	<ul style="list-style-type: none"> <li>• Preference shares which are mandatorily redeemable on a specific date</li> <li>• Trade and other payables</li> <li>• Borrowings</li> <li>• Bank overdraft</li> </ul>	Fair value plus direct transaction costs	<p>The dividends on these preference shares are recognised in profit or loss as finance cost</p> <p>Amortised cost using the effective interest method</p>

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

#### Trade and other payables include:

- **Other related payables**

The employee-related payables represent the pro rata portion of a 13th cheque, accrued annual leave, a performance bonus scheme, as well as the long-term incentive scheme for the senior employees of Alliance Medical. Liabilities are raised, as payment is subject to the employee being in employment at vesting date.

- **Insurance**

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

#### Derecognition

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

#### 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.

### 1.11 Capital and reserves

Stated capital comprises 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 scheme.



## ANNEXURE A CONTINUED

### 1. Significant accounting policies continued

#### 1.12 New accounting standards and IFRIC interpretations

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

Revised IFRS	Effective date	Description of change	
IFRS 15 Revenue from Contracts with Customers	Annual periods beginning on or after 1 January 2018	New standard that requires entities to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is achieved through a five-step methodology that is required to be applied to all contracts with customers.	This will impact the Group for the first time in the 2019 financial year and management is in the process of evaluating the effect.
IFRS 9 – Financial Instruments (2009 and 2010)	Annual periods beginning on or after 1 January 2018	Determines the measurement and presentation of financial instruments, depending on their contractual cash flows and the related business model. Impairment requirements are based on an expected credit loss model.	This will impact the Group for the first time in the 2019 financial year and management is in the process of evaluating the effect. The Group currently carries the following financial assets – trade and other receivables, cash and cash equivalents, other assets and derivative financial instruments. The classification is not expected to change significantly. Trade and other receivables will be subject to the expected credit losses (ECL) model, and the impact on provisions for these receivables will be assessed.
IFRS 16 Leases	Annual periods beginning on or after 1 January 2019	A new standard where lessees will be required to recognise “right of use assets” and lease liabilities for all lease contracts (with limited exceptions) on the balance sheet. Lessor accounting will not substantially change in the new standard. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.	This will impact the Group for the first time in the 2020 financial year. The standard will affect primarily the accounting for the Group’s operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of R1 456 million, see note 27. However, management is in the process of determining to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group’s profit and classification of cash flows.

## 1. Significant accounting policies continued

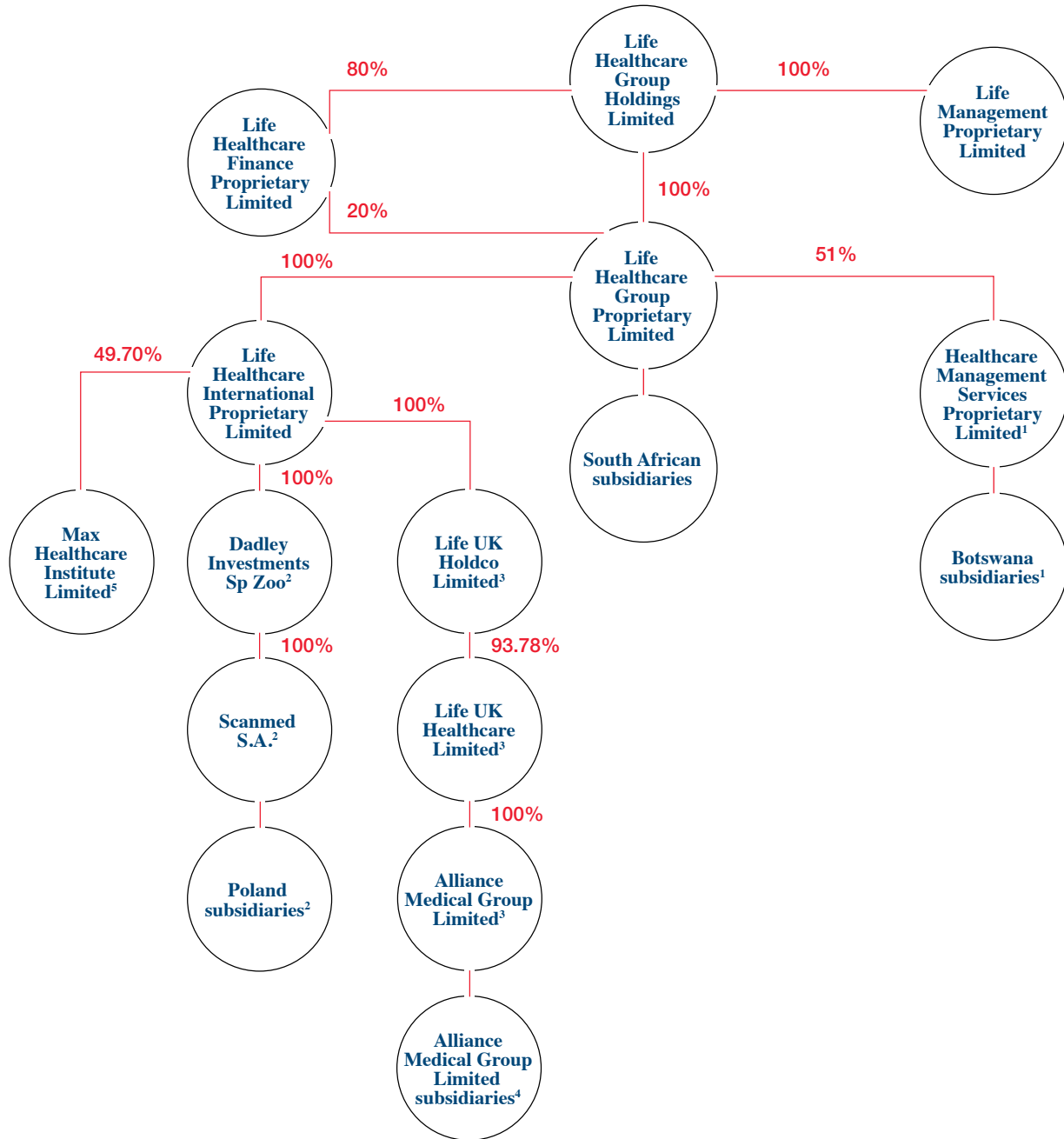
### 1.12 New accounting standards and IFRIC interpretations continued

The amendments are effective for annual periods beginning on or after 1 January 2017.

Amendment to IAS 12 Income Taxes  Recognition of deferred tax assets for unrealised losses.	Annual periods beginning on or after 1 January 2017	The amendment was issued to clarify the requirements for recognising deferred tax assets on unrealised losses. The amendment clarifies the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. It also clarifies certain other aspects of accounting for deferred tax assets.  The amendment clarifies the existing guidance under IAS 12. It does not change the underlying principles for the recognition of deferred tax assets.
Amendment to IAS 7 Cash Flow Statements  Statement of cash flows on disclosure initiative	Annual periods beginning on or after 1 January 2017	The International Accounting Standards Board (IASB) issued an amendment to IAS 7 introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.
IAS 40, Investment Property Transfers of investment property	Annual periods beginning on or after 1 January 2018	These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.
Amendments to IFRS 2 Share-based Payments  Clarifying how to account for certain types of share-based payment transactions	Annual periods beginning on or after 1 January 2018	This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.
Amendment to IFRS 15 Revenue from Contracts	Annual periods beginning on or after 1 January 2018	The IASB has amended IFRS 15 to clarify the guidance, but there were no major changes to the standard itself. The amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of these areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.

# ANNEXURE B

## Simplified Group structure for the year ended 30 September 2017



All South African investments are unlisted and incorporated in the Republic of South Africa.

All Botswana, Poland and Alliance Medical investments are unlisted.

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

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

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

<sup>4</sup> Incorporated in England and across Europe (Germany, Netherlands, Ireland, Italy, Spain). The functional currencies for the England and European companies are sterling and euro respectively.

<sup>5</sup> Incorporated in India. The functional currency is Indian rupees.

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 2017

### Associates

Name of associate	Functional currency	Issued share capital		Interest in share capital		Book value of the shares		Amounts owing by/(to) associates	
		2017 total	2016 total	2017 %	2016 %	2017 R'm	2016 R'm	2017 R'm	2016 R'm
<b>Unlisted investments</b>									
Mafikeng Hospital Proprietary Limited <sup>2</sup>	R	8 799	8 799	42	42	-	-	-	-
Free State Oncology Trust <sup>1, 2</sup>	R	1 000	1 000	-	23	-	-	(2)	(2)
Wilgers Onkologie Spreekkamer Trust <sup>2</sup>	R	10 000	10 000	25	25	-	-	2	3
Wilgers Onkologie Radiologiese Trust <sup>2</sup>	R	10 000	10 000	40	40	-	-	1	1
Wilgers Stralingsonkologie Trust <sup>2</sup>	R	10 000	10 000	25	25	-	-	(2)	(6)
Consolidated Aone Trade and Invest 12 Proprietary Limited <sup>2</sup>	R	100	100	30	30	2	2	10	11
Carint Scanmed Sp Zoo <sup>3, 4</sup>	PLN	-	1 500	-	100	-	72	-	-
						2	74	9	7

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

<sup>1</sup> During the year, an additional 27.84% was acquired, resulting in Free State Oncology becoming a subsidiary, indirectly held through Life Healthcare Group Proprietary Limited.

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

<sup>3</sup> The company is incorporated in Poland and has a December financial year-end and the issued shares are reflected in Polish zloty.

<sup>4</sup> In 2016, an additional 50.07% interest in Carint was acquired, resulting in Carint becoming a wholly owned subsidiary, indirectly held through Dadley Investments SP zoo.

### Joint ventures

Name of joint venture	Functional currency	Issued share capital		Interest in share capital		Book value of the shares		Amounts owing by/(to) joint ventures	
		2017 total	2016 total	2017 %	2016 %	2017 R'm	2016 R'm	2017 R'm	2016 R'm
<b>Unlisted investments</b>									
Max Healthcare Institute Limited <sup>1, 2</sup>	Rs'00 000	53 724	53 341	50	46	3 052	2 614	-	-
Brenthurst MRI	R	-	-	70	70	-	-	-	-
Brenthurst Equipment Trust 1	R	-	-	50	50	-	-	-	-
Brenthurst Equipment Trust 2	R	-	-	70	70	-	-	-	-
Brenthurst Radiology Cat Scan	R	-	-	50	50	-	-	-	-
Boldprops 102 Proprietary Limited <sup>3</sup>	R	-	120	-	-	-	-	-	-
Barringtons MRI Limited <sup>4</sup>	EUR	100	-	50	-	9	-	-	-
20:20 Imaging Limited <sup>4</sup>	EUR	300	-	33	-	2	-	-	-
						3 063	2 614	-	-

<sup>1</sup> The company is incorporated in India and has a March financial year-end and the issued shares are reflected in Indian rupees.

<sup>2</sup> The Group acquired their proportionate share from the IFC to a value of R428 million, held through Life Healthcare International Proprietary Limited, including a capitalised exchange gain on the transaction of R11 million.

<sup>3</sup> On 31 August 2016, the Group disposed of its 50% shareholding in Boldprops 102 Proprietary Limited.

<sup>4</sup> The company is incorporated in the Republic of Ireland and has a March year-end and the issued shares are reflected in euros.

# ANNEXURE D

## Shareholder distribution

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

#### Registered shareholder spread

In accordance with the JSE Listing Requirements, the following table confirms the spread of registered shareholders at 29 September 2017 was:

#### Registered shareholder spread

Shareholder spread	Number of holders	% of total shareholders	Number of shares	% of issued capital
1 – 1 000 shares	4 514	47.38	1 391 813	0.10
1 001 – 10 000 shares	3 094	32.48	10 210 482	0.70
10 001 – 100 000 shares	1 277	13.40	40 657 189	2.81
100 001 – 1 000 000 shares	476	5.00	150 938 671	10.41
1 000 001 shares and above	166	1.74	1 246 191 975	85.98
<b>Total</b>	<b>9 527</b>	<b>100.00</b>	<b>1 449 390 130</b>	<b>100.00</b>

#### Public and non-public shareholdings

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

Shareholder spread	Number of holders	% of total shareholders	Number of shares	% of issued capital
<b>Non-public shareholders</b>	<b>9</b>	<b>0.09</b>	<b>72 332 337</b>	<b>4.99</b>
Directors	4	0.04	1 017 820	0.07
Brimstone Investment Corporation Limited	3	0.03	60 925 266	4.20
Life Healthcare Employees Share Trust	1	0.01	9 951 921	0.69
Life Healthcare Long-term Incentive Scheme	1	0.01	437 330	0.03
<b>Public shareholders</b>	<b>9 518</b>	<b>99.91</b>	<b>1 377 057 793</b>	<b>95.01</b>
<b>Total</b>	<b>9 527</b>	<b>100.00</b>	<b>1 449 390 130</b>	<b>100.00</b>

### 2. Substantial investment management and beneficial interests

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

Through regular analysis of STRATE registered holdings, and pursuant to the provisions of section 56 of the Companies Act, the following shareholders held directly and indirectly equal to or in excess of 3% of the issued share capital as at 29 September 2017:

#### Investment management shareholdings

Investment manager	Total shareholding	%
Allan Gray Investment Council	285 607 114	19.71
Government Employees Pension Fund (PIC)	207 005 677	14.28
Lazard Asset Management LLC Group	132 182 368	9.13
Industrial Development Corporation (IDC)	69 867 972	4.82
Brimstone Investment Corporation Limited	61 739 632	4.26
BlackRock Inc.	55 414 592	3.82
The Vanguard Group Inc.	51 014 520	3.52
<b>Total</b>	<b>862 831 875</b>	<b>59.54</b>

#### Beneficial shareholdings

Beneficial shareholdings	Total shareholding	%
PIC	203 382 932	14.03
Allan Gray Balanced Fund	90 035 517	6.21
IDC	69 867 972	4.82
Brimstone Investment Corporation Limited	61 739 632	4.26
Lazard Emerging Market Fund	51 514 155	3.55
<b>Total</b>	<b>476 540 208</b>	<b>32.87</b>

#### Previously disclosed holdings

#### Investment managers now holding below 3%

Investment manager	Total shareholding	%	Previous %
<b>Total</b>	–	–	–

#### Beneficial owners now holding below 3%

Beneficial owners	Total shareholding	%	Previous %
<b>Total</b>	–	–	–

### 3. Geographic split of shareholders

#### Geographic split of investment managers and Company-related holdings

Region	Total shareholding	% of issued capital
South Africa	903 516 199	62.34
United States of America and Canada	340 802 567	23.51
United Kingdom	98 627 825	6.79
Rest of Europe	53 388 837	3.68
Rest of world <sup>1</sup>	53 054 702	3.66
<b>Total</b>	<b>1 449 390 130</b>	<b>100.00</b>

#### Geographic split of beneficial shareholders

Region	Total shareholding	% of issued capital
South Africa	879 638 419	60.69
United States of America and Canada	321 229 036	22.16
United Kingdom	38 022 225	2.62
Rest of Europe	123 757 578	8.54
Rest of world <sup>1</sup>	86 742 874	5.99
<b>Total</b>	<b>1 449 390 132</b>	<b>100.00</b>

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

### 4. Shareholder categories

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

Category	Total shareholding	% of issued capital
Unit trusts/mutual funds	542 019 326	37.40
Pension funds	407 197 696	28.09
Other managed funds	51 700 268	3.57
Government of SA	69 912 339	4.82
Sovereign wealth	69 448 003	4.79
Private investors	67 700 524	4.67
Black economic empowerment	62 706 169	4.33
Insurance companies	45 904 781	3.17
Trading position	43 853 243	3.03
Exchange-traded fund	34 258 736	2.36
Custodians	13 747 633	0.95
Employees	12 373 811	0.85
American depository receipts	8 740 443	0.60
Investment trust	5 188 227	0.36
University	4 355 278	0.30
Charity	3 315 936	0.23
Medical aid scheme	2 647 248	0.18
Local authority	1 958 400	0.14
Corporate holding	1 170 533	0.08
Foreign government	464 336	0.03
Hedge fund	398 244	0.03
Delivery by value	328 956	0.02
<b>Total</b>	<b>1 449 390 130</b>	<b>100.00</b>

# ANNEXURE E

## Consolidated statement of financial position

at 30 September 2017

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

Notes	2017				2016			
	Group R'm	Botswana R'm	Alliance Medical R'm	Poland R'm	Group R'm	Botswana R'm	Poland R'm	
<b>Assets</b>								
<b>Non-current assets</b>	<b>31 459</b>	<b>201</b>	<b>15 943</b>	<b>2 045</b>	14 395	206	2 222	
Property, plant and equipment	9	11 131	200	2 691	881	7 752	206	919
Intangible assets	10	16 281	–	13 250	1 161	3 196	–	1 303
Investment in associates and joint ventures	11	2 976	–	20	–	2 548	–	–
Employee benefit assets	12	399	–	(78)	–	433	–	–
Deferred tax assets	13	608	–	49	3	426	–	–
Other assets		64	1	11	–	40	–	–
<b>Current assets</b>	<b>5 180</b>	<b>288</b>	<b>1 852</b>	<b>243</b>	3 102	217	382	
Cash and cash equivalents	14	1 176	178	590	87	604	81	129
Trade and other receivables (includes inter-company loans)	15	3 602	100	1 229	125	2 133	122	219
Inventories	16	357	10	24	26	318	9	32
Income tax receivable		33	–	9	5	39	5	2
Other assets		12	–	–	–	8	–	–
<b>Total assets</b>	<b>36 639</b>	<b>489</b>	<b>17 795</b>	<b>2 288</b>	17 497	423	2 604	
<b>Total equity</b>	<b>15 551</b>	<b>286</b>	<b>9 735</b>	<b>765</b>	6 798	222	1 039	
<b>Liabilities</b>								
<b>Non-current liabilities</b>	<b>9 991</b>	<b>149</b>	<b>1 977</b>	<b>1 243</b>	6 111	147	1 239	
Interest-bearing borrowings	19	7 786	139	542	1 172	5 469	140	1 157
Derivative financial instruments	21	749	–	727	–	–	–	–
Deferred tax liabilities	13	1 203	5	561	54	547	3	67
Trade and other payables	20	73	–	56	17	–	–	–
Other liabilities		180	5	91	–	95	4	15
<b>Current liabilities</b>	<b>11 097</b>	<b>54</b>	<b>6 083</b>	<b>280</b>	4 588	54	326	
Bank overdraft	14	450	–	–	–	1 030	–	2
Trade and other payables	20	4 174	39	1 638	238	2 217	50	255
Interest-bearing borrowings	19	6 301	4	4 324	30	1 312	4	56
Income tax payable		161	11	121	9	13	–	7
Other liabilities		11	–	–	3	16	–	6
<b>Total liabilities</b>	<b>21 088</b>	<b>203</b>	<b>8 060</b>	<b>1 523</b>	10 699	201	1 565	
<b>Total equity and liabilities</b>	<b>36 639</b>	<b>489</b>	<b>17 795</b>	<b>2 288</b>	17 497	423	2 604	

# COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2017

	Notes	2017 R'm	2016 R'm
Revenue	3	765	1 087
<b>Operating profit</b>		<b>765</b>	1 087
Finance income		11	-
<b>Profit before tax</b>		<b>776</b>	1 087
Tax expense	4	(3)	-
<b>Profit after tax</b>		<b>773</b>	1 087
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>773</b>	1 087



# COMPANY STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2017

	Notes	2017 R'm	2016 R'm
<b>Assets</b>			
<b>Non-current assets</b>			
Interest in subsidiary	1	9 287	500
<b>Current assets</b>			
Cash and cash equivalents		1	1
<b>Total assets</b>		<b>9 288</b>	501
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Stated capital	2	13 438	3 948
Accumulated loss		(4 157)	(3 453)
<b>Current liabilities</b>			
Trade and other payables		7	6
Shareholders for dividend		2	1
		5	5
<b>Total equity and liabilities</b>		<b>9 288</b>	501

# COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2017

	Stated capital R'm	Retained earnings R'm	Total R'm
<b>Balance at 30 September 2016</b>	<b>3 948</b>	<b>(3 453)</b>	<b>495</b>
Total comprehensive income for the year	–	773	773
Issue of new shares as a result of scrip distributions	712	–	712
Issue of new shares as a result of the rights offer, net of transaction costs	8 778	–	8 778
Distribution to shareholders	–	(1 477)	(1 477)
<b>Balance at 30 September 2017</b>	<b>13 438</b>	<b>(4 157)</b>	<b>9 281</b>
<b>Balance at 30 September 2015</b>	3 373	(2 878)	495
Total comprehensive income for the year	–	1 087	1 087
Issue of new shares as a result of scrip distributions	575	–	575
Distribution to shareholders	–	(1 662)	(1 662)
<b>Balance at 30 September 2016</b>	<b>3 948</b>	<b>(3 453)</b>	<b>495</b>

# COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

	Notes	2017 R'm	2016 R'm
<b>Cash flows from operating activities</b>			
Cash generated from operations	5	766	1 087
Interest received		11	–
Tax paid		(3)	–
<b>Net cash generated from operating activities</b>		<b>774</b>	1 087
<b>Cash flows from investing activities</b>			
Investment in Life Healthcare Group Proprietary Limited		(8 790)	–
Loan from Life Healthcare Group Proprietary Limited		3	–
<b>Net cash utilised from investing activities</b>		<b>(8 787)</b>	–
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares as a results of the rights offer		9 000	–
Costs directly attributable to the rights offer		(222)	–
Dividends paid		(765)	(1 087)
<b>Net cash generated/(utilised) from financing activities</b>		<b>8 013</b>	(1 087)
Net increase in cash and cash equivalents		–	–
Cash and cash equivalents – beginning of the year		1	1
<b>Cash and cash equivalents – end of the year</b>		<b>1</b>	1

# NOTES TO THE COMPANY

## ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

	2017 R'm	2016 R'm
<b>1. Interest in subsidiary</b>		
Unlisted investment in Life Healthcare Group Proprietary Limited		
Shares at cost		
Balance at 1 October	107	107
Additional investment <sup>1</sup>	8 790	–
Balance at 30 September	8 897	107
Amounts owing by subsidiary		
Balance at 1 October	393	393
Movement	(3)	–
Balance at 30 September	390	393
Total investment	9 287	500
The Company's investments in Life Healthcare Finance Proprietary Limited and Life Management Proprietary Limited are less than R1 million.		
<sup>1</sup> Net of costs of R222 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 or prior financial year.		
<b>2. Stated capital</b>		
<b>Stated capital comprises:</b>		
Share capital	10 065	575
Share premium	3 373	3 373
	13 438	3 948
<b>Ordinary shares ('000)</b>		
Authorised (share capital of R0.000001 each)	4 149 980	4 149 980
Total value = R4 149 (2016: R4 149)		
Issued and fully paid:		
Balance at 1 October	1 057 800	1 042 210
Share issued as a result of scrip distributions	24 243	15 590
Share issued as a result of the rights offer <sup>2</sup>	367 347	–
Balance at 30 September	1 449 390	1 057 800
Total value = R1 449 (2016: R1 058)		
<sup>2</sup> The purpose of the rights offer was to repay a portion of the bridge facility utilised for the Alliance Medical acquisition.		
On 16 March 2017, the Group invited its shareholders to subscribe to a rights offer of 367 346 939 new Life Healthcare Group Holdings Limited ordinary shares at an issue price of R24.50 per share on the basis of 34.21659 shares for every 100 ordinary shares held. The issue was fully subscribed.		
Costs of R222 million directly attributable to the rights offer were capitalised against share capital in stated capital.		
<b>3. Revenue</b>		
Revenue comprises dividends received from Life Healthcare Group Proprietary Limited.	765	1 087
<b>4. Income tax expense</b>		
Reconciliation of the tax rate	%	%
South African normal tax rate	28.00	28.00
Adjusted for:		
Non-taxable income – dividends received	(27.58)	(28.00)
	0.42	–

## NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS CONTINUED

	2017 R'm	2016 R'm
<b>5. Cash generated from operations</b>		
Reconciliation of profit before tax to cash generated from operations		
Profit before tax	776	1 087
Adjusted for:		
Finance income	(11)	–
Operating profit before working capital changes	765	1 087
Trade and other payables	1	–
Cash generated from operations	766	1 087
<b>6. Accounting policies</b>		
The accounting policies are the same for the Group and Company.		
<b>The following accounting policies are applicable to the Company – refer to Annexure A:</b>		
– Presentation of annual financial statements		
– Dividend income refer to note 1.1		
– Interest income refer to note 1.1		
– Group accounting refer to note 1.3 (only section regarding Company financial statements)		
– Financial instruments (excluding section regarding derivatives) refer to note 1.10		
– Capital and reserves refer to note 1.11		
– New accounting standards and IFRIC interpretations refer to note 1.12		
<b>7. Events after the reporting period</b>		
No event which is material to the understanding of this report has occurred between year-end and the date of the annual financial statements, other than:		
<b>Scrip dividend declaration</b>		
The board has declared a final distribution for the year ended 30 September 2017, by way of the issue of fully-paid Life Healthcare Group Holdings Limited ordinary shares of 0.0001 cent each (the Scrip Distribution) payable to ordinary shareholders (shareholders) recorded in the register of the Company at the close of business on the record date, being Friday, 5 January 2018.		
Shareholders will be entitled, in respect of all or part of their shareholding, to elect to receive a gross cash dividend of 45 cents per ordinary share in lieu of the Scrip Distribution, which will be paid only to those shareholders who elect to receive the cash dividend, in respect of all or part of their shareholding, on or before 12:00 on Friday, 5 January 2018 (the Cash Dividend). The Cash Dividend has been declared from income reserves. A dividend withholding tax of 20% will be applicable to all shareholders not exempt therefrom after deduction of which the net Cash Dividend is 36 cents per share.		
<b>New Group CEO</b>		
The board approved the appointment of Dr S Viranna to the position of Group Chief Executive Officer, effective 1 February 2018.		
<b>8. Commitments and contingencies</b>		
No commitments		
Some of the Company's subsidiaries stand as guarantors in respect of the unsecured borrowings as per note 19 of the Group annual financial statements.		
	2017 R'm	2016 R'm
<b>9. Related parties</b>		
<b>Relationships</b>		
Subsidiary company	Life Healthcare Group Proprietary Limited	
<b>Related party balances</b>		
Refer to note 1 of the Company financial statements		
<b>Related party transactions</b>		
Dividend received		
Life Healthcare Group Proprietary Limited	765	1 087