



Life Group

HEALTH CARE

ANNUAL FINANCIAL STATEMENTS



Contents

Group annual financial statements

Administration	2
Statement of directors' responsibility and approval of financial statements	3
Statement from Company Secretary	3
Report of the audit committee	4
Directors' report	6
Independent auditors' report	9
Consolidated statement of financial position	10
Consolidated statement of comprehensive income	11
Consolidated statement of changes in equity	12
Consolidated statement of cash flows	13
Notes to the Group annual financial statements – accounting policies	14
Notes to the Group annual financial statements	35
Annexure A: Subsidiary undertakings	87
Annexure B: Associate undertakings	90
Annexure C: Shareholder distribution	91
Annexure D: Consolidated statement of financial position	93
Company statement of financial position	94
Company statement of comprehensive income	95
Company statement of changes in equity	96
Company statement of cash flows	97
Notes to the Company annual financial statements	98

Feedback

This report was compiled with information that the board and management believe is relevant and material to stakeholders and that will provide them with a comprehensive view of the Group's performance. The reporting process is an ongoing journey in which the Group continually strives to improve on the quality of its reporting. Therefore, feedback is welcomed from all stakeholders and the Group invites you to contact the Company Secretary, Fazila Patel, should you have any questions.

Her information is as follows: Telephone +27 11 219 9000 or fazila.patel@lifehealthcare.co.za



Administration at 30 September 2015

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) A Meyer (Chief Executive Officer) PP van der Westhuizen (Chief Financial Officer) PJ Golesworthy ME Jacobs LM Mojela JK Netshitenzhe MP Ngatane MEK Nkeli GC Solomon RT Vice
Company secretary:	F Patel
Transactional bankers:	First National Bank (division of FirstRand Bank Limited)
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 supervised by PP van der Westhuizen (Chief Financial Officer).

Statement of directors' responsibility for the year ended 30 September 2015

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, joint ventures and associates (Group) in accordance with International Financial Reporting Standards (IFRS) and the Companies Act, 71 of 2008, of South Africa.

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 International Financial Reporting Standards 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 2015, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended. The directors are also responsible to review the other information included in the annual report and to ensure 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 9.

APPROVAL OF FINANCIAL STATEMENTS

The financial statements set out on pages 10 to 99 were approved by the board of directors on 12 November 2015 and are signed on its behalf:



MA Brey
Chairman

Johannesburg



A Meyer
Chief Executive Officer

Statement from Company Secretary

In terms of the Companies Act, 71 of 2008, of South Africa, 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
Company Secretary

Report of the audit committee for the year ended 30 September 2015

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 2015. The terms of reference can be viewed on the Group's website at: www.lifehealthcare.co.za. The committee has an independent role with accountability to both the board and shareholders.

This report of the committee is presented to the shareholders in terms of section 94(7)(f) of the Companies Act, 71 of 2008 as amended (the Companies Act) and as recommended by King III.

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.

Mr PJ Golesworthy (chairman);

Adv FA du Plessis (retired on 28 January 2015);

Ms LM Mojela;

Mr GC Solomon (appointed 29 January 2015); and

Mr RT Vice.

All the members were recommended by the board and appointed by the shareholders at the annual general meeting held on 28 January 2015 to hold office until the next annual general meeting. Advocate FA du Plessis served on the committee until her retirement at the annual general meeting in January 2015. Mr GC Solomon was appointed after the annual general meeting in January 2015.

The same Chairman and members of the committee will be recommended at the next annual general meeting in January 2016.

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

The biographical details of the committee members appear on pages 96 and 97 of the integrated annual report. The fees paid to committee members are outlined in the table of directors' remuneration on page 84.

The Chairman of the board, chairman of the risk committee, Chief Executive Officer, Chief Financial Officer, Group Audit Manager, Group Risk Manager and senior management in the financial department attended meetings at the invitation of the committee, together with the external auditors. The internal and external auditors have unrestricted access to the committee.

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.

In respect of the year ended 30 September 2015, the committee met four times and executed its responsibilities in accordance with its terms of reference. 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 and satisfied itself on the appropriateness of accounting policies and material estimates and judgements;
- reviewed compliance with loan covenants;
- confirmed the going concern basis of preparation of the interim and annual financial statements; and
- reviewed and recommended for approval by the board the integrated annual report, including the disclosure of sustainability issues.

The Group has commenced with an upgrade to its financial reporting systems with the implementation of a SAP ERP system, the financial modules are due to be completed by October 2016. In 2016, the committee will monitor the implementation, which will impact the financial control environment.

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 Audit Manager reports functionally to the chairman of the committee and administratively to the Chief Financial Officer.

The committee:

- reviewed the internal audit charter in line with King III recommendations and recommended the approval thereof to the board;
- approved the internal audit plan for the 2015 calendar year;
- considered the effectiveness and performance of the internal audit function;
- reviewed the progress in the development of the combined assurance model and 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 control; 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.

An independent quality review of the internal audit function has been commissioned, which is due to be completed in early 2016.

In respect of external audit

Following approval by shareholders at the annual general meeting in January 2015, PricewaterhouseCoopers Inc. (PwC) served as the Group's registered external auditors for the 2015 financial year and Mr FJ Lombard was the designated partner.

The committee:

- approved the auditors' terms of engagement and fees. The fees paid to the external auditors are disclosed in note 26 to the annual financial statements;
- reviewed and approved the external audit plan and ensured no limitations were imposed on the scope of external audit;
- reviewed the external auditors' report and confirmed that no material unresolved issues existed between the Group and the external auditors;
- obtained assurances from the external auditors that adequate accounting records were being maintained;
- reviewed the quality and effectiveness of the external audit process and found it to be satisfactory;
- satisfied itself that the external auditors' appointment complies with the Companies Act, the Auditing Profession Act and the JSE Listings 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, which amounted to R1.1 million for the current year and comprised mainly audit certificates required in terms of certain contracts, quality audits in terms of ISO 9001, the remuneration survey conducted by Remchannel, immigration services to nurses seconded to South Africa and technical assistance; and
- confirmed that no reportable irregularities had been identified or reported by the external auditors under the Auditing Profession Act.

In terms of international auditing standards, the format of auditors' reports will change, including the requirement for auditors to disclose key audit matters for listed entities. In preparation for this change and in order to understand the impact on disclosures, the committee reviewed a draft report as if it was prepared in the new format.

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 2016 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;
- reviewed the adequacy and effectiveness of procedures to ensure compliance with legal and regulatory requirements; and
- considered the reports of management and the internal and external auditors regarding compliance with legal and regulatory requirements.

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 CHIEF FINANCIAL OFFICER AND THE FINANCE TEAM

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

The committee considered the expertise, resources and experience of the Group's finance function and concluded that these were appropriate to meet the requirements of the Group.

CONFIRMATION

An assessment of the and effectiveness of the committee was undertaken in 2015 by the members of the committee and reviewed by the board as part of the assessment of the board and its committees. No material matters that required improvement were highlighted.

The committee confirms for the 2015 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

9 November 2015

Directors' report for the year ended 30 September 2015

The directors have the pleasure in submitting their report on the annual financial statements of the Group and the Company for the year ended 30 September 2015. In the context of the financial statements, the term "Group" refers to the Company, its subsidiaries, associates and joint ventures. 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 94 to 99.

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. The Group is listed on the main board of the JSE Limited.

FINANCIAL RESULTS

The financial statements on pages 10 to 99 fully set out the financial results of the Group and Company and do not require further comment in this report.

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 of non-executive directors' remuneration

SHARE CAPITAL

Details of the authorised and issued share capital of the Group are disclosed in note 14 of the Group annual financial statements.

DISTRIBUTIONS TO SHAREHOLDERS

The Company's distribution policy is to consider an interim and final distribution in respect of each financial year.

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

Date paid	R'm	Dividend out of income reserve Cents per share	Total Cents per share	Type of distribution
9 December 2014	813 ¹	78.00	66.30	Final 2014
9 June 2015	708 ¹	68.00	57.80	Interim 2015

¹ The total dividend was subject to dividend withholding tax at a rate of 15%.

The board has declared a final distribution for the year ended 30 September 2015, 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, 11 December 2015.

Shareholders will be entitled, in respect of all or part of their shareholding, to elect to receive a gross cash dividend of 86 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, 11 December 2015 (the Cash Dividend). The Cash Dividend has been declared from income reserves. A dividend withholding tax of 15% will be applicable to all shareholders not exempt therefrom after deduction of which the net Cash Dividend is 73.1 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 Thursday, 26 November, by 11:00 on	Friday, 27 November 2015
Announcement published in the press of the ratio applicable to the Scrip Distribution, based on the 15-day volume weighted average price ending on Thursday, 26 November 2015 on	Monday, 30 November 2015
Last day to trade in order to be eligible for the Scrip Distribution and the Cash Dividend alternative	Friday, 4 December 2015
Ordinary shares trade ex the Scrip Distribution and the Cash Dividend alternative on	Monday, 7 December 2015
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	Monday, 7 December 2015
Last day to elect to receive the Cash Dividend alternative instead of the Scrip Distribution, Forms of Election to reach the Transfer Secretaries by 12:00 on	Friday, 11 December 2015

Record Date in respect of the Scrip Distribution and the Cash Dividend alternative	Friday, 11 December 2015
Scrip Distribution shares issued to shareholders on the South African register and Scrip Distribution, certificates posted and Cash Dividend payments made, CSDP/broker accounts credited/updated, as applicable, on	Monday, 14 December 2015
Announcement relating to the results of the Scrip Distribution and the Cash Dividend alternative released on SENS on	Monday, 14 December 2015
Announcement relating to the results of the Scrip Distribution and the Cash Dividend alternative published in the press on	Tuesday, 15 December 2015
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	Thursday, 17 December 2015

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, nor may transfers between registers take place, between Monday, 7 December 2015 and Friday, 11 December 2015, both days inclusive.

INTEREST IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Details of holdings in subsidiaries, associates and joint ventures are disclosed in Annexure A, Annexure B and note 7 in the annual financial statements.

PROPERTY, PLANT AND EQUIPMENT

The Group's property, plant and equipment are owned by its subsidiaries and the book value amounts to R7 101 million (2014: R5 901 million). There were no changes in the nature of property, plant and equipment or in the policy regarding their use during the year.

BOARD OF DIRECTORS

The names of the directors in office at the date of this report are set out on page 2. The remuneration of the directors is set out in note 35 to the annual financial statements.

Changes to board of directors

The following changes took place during the period under review:

FA du Plessis retired from the board with effect from 28 January 2015 at the annual general meeting.

MEK Nkeli was appointed to the board from 1 October 2015.

INTERESTS OF DIRECTORS

At 30 September, directors owned ordinary shares in the Company, directly or indirectly, as follows:

	2015		2014	
	Direct	Indirect	Direct	Indirect
Non-executive directors				
MA Brey	716 255	5 619 953	716 255	5 606 873
GC Solomon	107 000	–	107 000	–
PJ Golesworthy	22 000	–	22 000	–
LM Mojela	–	–	–	–
Adv FA du Plessis ¹	–	–	–	–
JK Netshitenzhe	–	–	–	–
RT Vice	–	–	–	–
Dr MP Ngatane	–	–	–	–
ME Jacobs	–	–	–	–
MEK Nkeli ²	–	–	–	–
Executive directors				
A Meyer ³	3 000	–	–	–
PP van der Westhuizen	60 000	69 118	83 877	67 522
	908 255	5 689 071	929 132	5 674 395

¹ Retired on 28 January 2015

² Appointed on 1 October 2015

³ Appointed on 1 April 2014

Directors' report (continued) for the year ended 30 September 2015

No change in the interests as set out on page 7 has occurred between 30 September 2015 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 companies, other than the long-term incentive scheme.

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.

GOING CONCERN

The board of directors is of the opinion that the Group and the Company will be a going concern in the foreseeable future. The directors have considered the budget and cash flow forecast for the 2016 year. The Group and Company are of a sound financial position and it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. Key management is in place. The directors therefore consider it appropriate to adopt the going concern basis in the preparation of the Group and Company annual financial statements.

AUDITORS

The audit committee recommends that PricewaterhouseCoopers Inc. is reappointed as auditors of the Company and the Group in terms of the resolution to be proposed at the annual general meeting in accordance with section 90(1) of the Companies Act.

SECRETARY

The address of the Company Secretary is the same as the Company's registered address and appears on page 2 of the report.

EVENTS AFTER THE REPORTING DATE

No other material events occurred between the accounting date and the date of this report that need further comment, in addition to those already disclosed in note 38 to the annual financial statements.

Independent auditors' report to the shareholders of Life Healthcare Group Holdings Limited

We have audited the consolidated and separate financial statements of Life Healthcare Group Holdings Limited set out on pages 10 to 99, which comprise the statements of financial position as at 30 September 2015, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's directors are responsible for the preparation and fair presentation of these 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 misstatements, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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 as at 30 September 2015, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

As part of our audit of the consolidated and separate financial statements for the year ended 30 September 2015, we have read the Directors' report, the audit committee's report and the Company Secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.



PricewaterhouseCoopers Inc.

Director: FJ Lombard

Registered Auditor

Johannesburg

12 November 2015

Consolidated statement of financial position at 30 September 2015

	Notes	30 September 2015 R'm	30 September 2014 R'm
ASSETS			
Non-current assets			
		13 164	9 700
Property, plant and equipment	5	7 101	5 901
Intangible assets	6	2 964	2 318
Investment in associates and joint ventures	7	2 311	828
Loans receivable	8	13	10
Retirement benefit asset	9	389	372
Post-employment medical aid benefit	9	17	18
Derivative financial instruments	21	22	–
Operating lease asset	18	6	–
Deferred tax assets	10	341	253
Current assets			
		2 771	2 113
Inventories	11	271	240
Trade and other receivables	12	1 640	1 330
Cash and cash equivalents	13	812	422
Current income tax asset		36	49
Loans to associates	7	11	11
Derivative financial instruments	21	1	56
Operating lease asset	18	–	5
TOTAL ASSETS		15 935	11 813
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	14	–	–
Treasury shares	14	(262)	(170)
Share premium	15	3 373	3 373
Other reserves	16	141	13
Distributable reserves		26	25
Retained earnings		1 890	1 551
		5 168	4 792
Non-controlling interest		1 280	1 108
TOTAL EQUITY		6 448	5 900
LIABILITIES			
Non-current liabilities			
		5 873	2 909
Interest-bearing borrowings	17	5 263	2 344
Deferred tax liabilities	10	520	438
Derivative financial instruments	21	–	9
Provisions	20	9	28
Operating lease liability	18	69	76
Post-employment medical aid liability	9	12	14
Current liabilities			
		3 614	3 004
Trade and other payables	19	1 922	1 678
Provisions	20	194	160
Interest-bearing borrowings	17	924	1 007
Shareholders for dividends		6	4
Current income tax liabilities		3	–
Operating lease liability	18	4	–
Derivative financial instruments	21	4	–
Bank overdraft	13	557	155
TOTAL LIABILITIES		9 487	5 913
TOTAL EQUITY AND LIABILITIES		15 935	11 813

Consolidated statement of comprehensive income for the year ended 30 September 2015

	Notes	30 September 2015 R'm	30 September 2014 R'm
Revenue	24	14 647	13 046
Other income	25	129	115
Drugs and surgicals consumed		(3 651)	(3 286)
Employee benefits expense	27	(4 975)	(4 394)
Depreciation on property, plant and equipment	26	(445)	(355)
Amortisation of intangible assets	26	(127)	(122)
Repairs and maintenance expenditure on property, plant and equipment	26	(172)	(174)
Retirement benefit asset	9	20	15
Post-employment medical aid	9	–	1
Occupational expenses		(435)	(425)
Hospital service expenses		(625)	(545)
Communication expenses		(154)	(135)
Other expenses		(716)	(591)
Contingent consideration released		21	–
Transaction costs		(15)	(16)
Profit on disposal of investment in associate	34	–	957
Profit on disposal of a business	34	–	2
Gain on bargain purchase	34	–	1
Impairment of property, plant and equipment	26	–	(1)
Operating profit		3 502	4 093
Fair value gain on derivative financial instruments	21	29	49
Finance income	28	12	22
Finance cost	28	(445)	(230)
Share of associates' and joint ventures' net profit after tax	7	14	39
Profit before tax	26	3 112	3 973
Tax expense	29	(884)	(875)
Profit after tax		2 228	3 098
Other comprehensive income, net of tax			
Items that may be reclassified subsequently to profit or loss			
Currency translation differences		158	(1)
Items that may not be reclassified to profit or loss			
Retirement benefit asset		(6)	19
Post-employment medical aid		1	2
Total comprehensive income for the year		2 381	3 118
Profit after tax attributable to:			
Ordinary equity holders of the parent		1 866	2 774
Non-controlling interest		362	324
		2 228	3 098
Total comprehensive income attributable to:			
Ordinary equity holders of the parent		2 010	2 796
Non-controlling interest		371	322
		2 381	3 118
Weighted average number of shares in issue (million)	30	1 037	1 037
Earnings per share (cents)	30	179.9	267.5
Headline earnings per share (cents)	30	179.9	177.8
Diluted earnings per share (cents)	30	179.2	266.7
Diluted headline earnings per share (cents)	30	179.2	177.3

Consolidated statement of changes in equity for the year ended 30 September 2015

R'm	Notes	Attributable to equity holders of the Company						Total	Non-controlling interest	Total equity
		Ordinary share capital	Treasury shares	Share premium	Other reserves	Distributable reserves	Retained earnings			
Balance at 1 October 2013 (Restated)		-	(149)	3 373	71	25	1 205	4 525	1 081	5 606
Total comprehensive income for the year		-	-	-	1	-	2 795	2 796	322	3 118
Profit for the year		-	-	-	-	-	2 774	2 774	324	3 098
Other comprehensive income		-	-	-	1	-	21	22	(2)	20
Gains on transactions with non-controlling interests	16	-	-	-	8	-	-	8	(8)	-
Increase in ownership interest in subsidiaries	16	-	-	-	(102)	-	-	(102)	-	(102)
Non-controlling interest arising on business combination	34	-	-	-	-	-	-	-	6	6
Distributions to shareholders		-	-	-	-	-	(2 449)	(2 449)	(293)	(2 742)
Purchase of treasury shares	14	-	(21)	-	-	-	-	(21)	-	(21)
Long Term Incentive Scheme charge	16	-	-	-	18	-	-	18	-	18
Life Healthcare Employee Share Trust charge	16	-	-	-	17	-	-	17	-	17
Balance at 30 September 2014		-	(170)	3 373	13	25	1 551	4 792	1 108	5 900
Balance at 1 October 2014		-	(170)	3 373	13	25	1 551	4 792	1 108	5 900
Total comprehensive income for the year		-	-	-	149	-	1 861	2 010	371	2 381
Profit for the year		-	-	-	-	-	1 866	1 866	362	2 228
Other comprehensive income		-	-	-	149	-	(5)	144	9	153
Gains on transactions with non-controlling interests	16	-	-	-	7	-	-	7	(7)	-
Increase in ownership interest in subsidiaries	16	-	-	-	(36)	-	-	(36)	-	(36)
Non-controlling interest arising on business combination	34	-	-	-	-	-	-	-	-	-
Distributions to shareholders		-	-	-	-	-	(1 522)	(1 522)	(192)	(1 714)
Purchase of treasury shares for staff benefit schemes	14	-	(120)	-	-	-	-	(120)	-	(120)
Disposal of treasury shares	14	-	9	-	(9)	-	-	-	-	-
Vesting of long-term incentive scheme shares	16	-	19	-	(19)	-	-	-	-	-
Profit on disposal of treasury shares		-	-	-	-	1	-	1	-	1
Long Term Incentive Scheme charge	16	-	-	-	8	-	-	8	-	8
Life Healthcare Employee Share Trust charge	16	-	-	-	28	-	-	28	-	28
Balance at 30 September 2015		-	(262)	3 373	141	26	1 890	5 168	1 280	6 448
Notes		14	14	15	16					

Consolidated statement of cash flows for the year ended 30 September 2015

	Notes	30 September 2015 R'm	30 September 2014 R'm
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	32	3 842	3 516
Tax paid		(903)	(980)
Net cash generated from operating activities		2 939	2 536
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment – expansion		(817)	(688)
Purchase of property, plant and equipment – property acquisitions		(83)	(29)
Purchase of property, plant and equipment – maintenance		(234)	(210)
Proceeds on disposal of property, plant and equipment	33	–	1
Business combinations	34	(627)	(518)
Increase in associate investment	34	(1 410)	–
Disposal of a business	34	–	3
Disposal of investments in associates	34	–	1 365
Dividends and profit distributions from associates and joint ventures	7	6	6
Associate and joint venture loans received/(granted)	7	–	(3)
Intangible assets acquired		(47)	(35)
Withdrawal from post-employment medical aid plan assets	9	–	16
Contributions to retirement benefit funds	9	(5)	(10)
Cash movement in other investing activities		(1)	4
Net cash utilised in investing activities		(3 218)	(98)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest-bearing borrowings raised	17	4 268	1 661
Interest-bearing borrowings repaid		(1 860)	(919)
Loan and dividend payments to non-controlling interest		(217)	(254)
Cash flow on increases in ownership interests	34	(11)	(155)
Proceeds on decreases in ownership interests	34	40	13
Finance cost		(359)	(167)
Finance income		12	22
Net treasury shares acquired for delivery to staff trust and long-term incentive scheme		(119)	(21)
Distributions to shareholders		(1 520)	(2 446)
Net cash generated from/(utilised in) financing activities		234	(2 266)
Net (decrease)/increase in cash and cash equivalents		(45)	172
Cash and cash equivalents – beginning of the year		267	64
Cash balances acquired through business combinations	34	20	23
Effect of foreign currency movement		13	8
Cash and cash equivalents – end of the year	13	255	267

Notes to the Group annual financial statements for the year ended 30 September 2015

1. ACCOUNTING POLICIES

The financial statements are presented in South African rand, unless otherwise stated, rounded to the nearest million, which is the Group's presentation and functional currency.

1.1 Presentation of annual financial statements

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the JSE Limited Listings Requirements and Companies Act, 71 of 2008, of South Africa. These financial statements have been prepared in accordance with those IFRS standards, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and International Financial Reporting Interpretations Committee (IFRIC) interpretations issued and effective or issued and early adopted as at 30 September 2015. The annual financial statements are prepared in accordance with the going concern principle under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets and liabilities (including derivative instruments) at fair value through profit or loss, and incorporate the principal accounting policies set out below.

These accounting policies have been consistently applied to all the years presented, unless otherwise stated.

1.2 Critical accounting estimates, judgements and assumptions

The preparation of the annual financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgements in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements, are disclosed in note 3.

1.3 Consolidation

The consolidated annual financial statements include the results of Life Healthcare Group Holdings Limited and its subsidiaries, associates and joint ventures.

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which 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.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that the control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the net assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. 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.

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 in the statement of comprehensive income.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39, either in profit or loss or as a charge to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Investments in partnership capital accounts and trust beneficiary accounts under the control of the Group are consolidated in the Group financial statements.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments.

1. ACCOUNTING POLICIES (continued)

1.3 Consolidation (continued)

(a) Subsidiaries (continued)

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 the statement of comprehensive income.

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 the statement of comprehensive income.

(b) Associates

Investments in associates are defined as those investments in which the Group has a long-term interest and over which it exercises significant influence, but not control. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's interest in associates in the statement of financial position is carried at an amount that reflects its share of the net assets of the associates net of any accumulated impairment losses. Goodwill arising on the acquisition of associates is accounted for in the same way as goodwill on the acquisition of subsidiaries, and is included in "Investment in associates and joint ventures" in the statement of financial position. The Group stops equity accounting associates when it does not exercise significant influence. If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to the statement of comprehensive income where appropriate.

The Group's share of its associates' post-acquisition profit or loss is recognised in the statement of comprehensive income, and its share of post-acquisition movement in other comprehensive income is recognised in other comprehensive income. 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 equals or exceeds its interest in the associate, unless the Group has incurred legal or constructive obligations, issued guarantees or made payments on behalf of the associate.

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

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

(c) Joint arrangements

The Group has applied IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method of accounting.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost.

The Group's share of its joint ventures' post-acquisition profit or loss is recognised in the statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. 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 a joint venture equals or exceeds its interest in the joint venture, unless the Group has incurred legal or constructive obligations, issued guarantees or made payments on behalf of the joint venture.

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

(d) Inter-company transactions and balances

To the extent that a loss on a transaction provides evidence of a reduction in the net realisable value of the current assets or an impairment loss of a non-current asset, that loss is charged to the statement of comprehensive income.

(e) Changes in ownership interest in subsidiaries without change in control

The Group treats transactions with non-controlling interests that do not result in loss of control as equity transactions with the owners of the Group. For purchases from non-controlling interests, 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. This reserve is a distributable reserve. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Notes to the Group annual financial statements (continued) for the year ended 30 September 2015

1. ACCOUNTING POLICIES (continued)

1.4 Goodwill

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. Goodwill on the acquisition of subsidiaries is capitalised and shown as part of "Intangible assets" in the statement of financial position and carried at cost less accumulated impairment losses except for associates and joint ventures that is carried as part of the investment and shown as part of "Investments in associates and joint ventures". Separately recognised goodwill is tested for impairment on an annual basis or when there is an indication of impairment. Impairment losses on goodwill are not reversed. Refer to the policy on impairment of non-financial assets for more details on impairment testing.

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.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Cash-generating units are defined as individual hospitals or healthcare service operating units. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

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 income tax assets under IFRS, subsequent to the acquisition date, are recognised in the statement of comprehensive income unless the adjustment qualifies as a measurement period adjustment in which case it is recognised as an adjustment to goodwill.

Contingent consideration in a business combination is included in the cost of a business combination at the fair value and is initially recognised as a liability. Subsequent adjustments to the estimated amount of the contingent consideration resulting in a gain or a loss, is recognised in the statement of comprehensive income.

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.

1.5 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses, except for land which is carried at cost less accumulated impairment losses.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment. The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised in the statement of comprehensive income during the financial period in which they are incurred.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Land is not depreciated. All other assets are depreciated based on the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Item	Average useful life
Land	Not depreciable
Buildings	
– Owned	40 years
– Leased	Shorter of lease term or useful life
Motor vehicles	4 to 7 years
Leasehold improvements	Shorter of lease term or useful life
Medical equipment	3 to 15 years
Other property, plant and equipment	
– Owned	3 to 15 years
– Leased	Shorter of lease term or useful life

The residual value and the useful life of each significant operating asset is reviewed, and adjusted if appropriate, at each financial year-end and the useful lives of all other assets are reviewed annually.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item and this is included in the statement of comprehensive income.

1. ACCOUNTING POLICIES (continued)

1.5 Property, plant and equipment (continued)

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. Refer to the policies on impairment of non-financial assets for more details on impairment testing.

Replacements of linen, cutlery and crockery and certain medical instruments are also charged as an expense in the statement of comprehensive income over a twelve-month period from the date of purchase.

Assets held under finance leases are depreciated over the shorter of the estimated useful lives of the assets or the remaining period of the lease on the same basis as owned assets, 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.

1.6 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost. Intangible assets are subsequently measured at cost less accumulated amortisation and accumulated impairment.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Intangible assets that are reflected in the statement of financial position consist of purchased assets and internally generated assets.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets. For all other intangible assets, amortisation is provided on a straight-line method over their estimated useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at financial year-end.

For impairment testing, refer to the policies on impairment of non-financial assets for more details.

(a) Customer relations and hospital licences

Customer relations and hospital licences are carried at cost less accumulated amortisation and any impairment losses. Cost is defined as the fair value as at the date of the business combination, valued on the royalty method or the multi-period earnings excess method (MEEM). The carrying amounts of these intangible assets are reviewed annually for indicators that these assets may be impaired. Amortisation is provided to write down the customer relations and hospital licences, on a straight-line method over the estimated useful life, as follows:

Item	Useful life
Customer relations	15 years
Hospital licences	15 years

(b) Computer software

Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring the specific software into use. These costs are amortised over their estimated useful lives on the straight-line method (3 to 15 years).

Costs associated with the developing or maintaining of computer software programs are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the asset so that it will be available for use or sale;
- there is an intention to complete or sell it;
- there is an ability to use or sell it;
- it will generate probable future economic benefits;
- there are available technical, financial and other resources to complete the development and to use or sell the asset; and
- the expenditure attributable to the asset during its development can be measured reliably.

Direct costs include the software development employee costs and an appropriate portion of the relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred.

Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Notes to the Group annual financial statements (continued) for the year ended 30 September 2015

1. ACCOUNTING POLICIES (continued)

1.6 Intangible assets (continued)

(c) Preferred supplier contracts

These intangible assets are shown at cost less accumulated amortisation and impairment losses. The carrying amounts of these intangible assets are reviewed annually for indications that these assets may be impaired. Cost represents the fair value as at the date of the business combination. Amortisation is calculated using the straight-line method to allocate costs over the estimated useful life of the preferred supplier contracts.

(d) Other intangible assets

Other intangible assets are carried at cost less accumulated amortisation and any impairment losses. The carrying amounts of these intangible assets are reviewed annually for indicators that these assets may be impaired. Amortisation is calculated using the straight-line method to allocate costs over the estimated useful life of the intangible assets, as follows:

Item	Useful life
Restraint of trade payments	Duration of the respective agreements
Other intangible assets	Duration of the respective agreements

1.7 Financial instruments

(a) Initial recognition and measurement

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 are derecognised when the rights to receive cash flows from the financial asset have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or has expired.

Purchases and sales of financial assets are recognised on trade date; the date on which the Group commits to purchase or sell the asset. Financial assets and financial liabilities are initially recognised at fair value plus transaction costs for all financial assets and financial liabilities not carried at fair value through profit or loss. Financial assets and financial liabilities carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the statement of comprehensive income. Available-for-sale financial assets and financial assets and financial liabilities at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

(b) 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.

(c) Classification and subsequent measurement

The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement. The classification of financial assets depends on the purpose for which they were acquired. The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

Financial assets at fair value through profit or loss are measured initially and subsequently at fair value, and gains and losses arising from changes in fair value are included in the statement of comprehensive income.

Transaction costs are recognised in the statement of comprehensive income. Dividend income is recognised in the statement of comprehensive income as part of "other income" when the Group's right to receive payment is established.

Derivatives

Derivative financial instruments consisting of foreign exchange contracts and interest rate swaps are initially measured at fair value on the contract date and subsequently remeasured to their fair values.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract; the host contract is not carried at fair value with unrealised gains or losses reported in the statement of comprehensive income; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.

1. ACCOUNTING POLICIES (continued)

1.7 Financial instruments (continued)

(c) Classification and subsequent measurement (continued)

i) Financial assets at fair value through profit or loss (continued)

Derivatives (continued)

The Group does not document at inception of each hedge transaction the relationship between the hedging instrument and the hedged item. The Group does, however, have a general policy to hedge items that significantly expose the Group to interest rate risk and foreign exchange risk. The Group economically hedges to manage risk but does not hedge account.

Changes in the fair value of derivative financial instruments are recognised in the statement of comprehensive income as they arise.

ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the financial year. These are classified as non-current assets. The Group's loans and receivables comprise "Loans to associates", "Trade and other receivables", "Loans receivable" and "Cash and cash equivalents".

Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

a) Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

b) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value and bank overdrafts.

iii) Available-for-sale financial assets

These financial assets are non-derivatives that are either designated in this category or not classified elsewhere. They are included in non-current assets unless the investment matures or the Group intends to dispose of the financial asset within twelve months of the statement of financial position date.

These investments are measured initially and subsequently at fair value. Gains and losses arising from changes in fair value are recognised in other comprehensive income until the security is disposed of or is determined to be impaired.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of comprehensive income.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the statement of comprehensive income as part of "finance income". Dividends on available-for-sale equity instruments are recognised in the statement of comprehensive income as part of "other income" when the Group's right to receive payments is established.

iv) Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and with fixed maturities. Financial assets that the Group has the positive intention and ability to hold to maturity are classified as held-to-maturity.

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts.

(d) Impairment of financial assets

The Group assesses at each statement of financial position date whether there is objective evidence that a financial asset or a class of financial assets is impaired. For loans receivable, the impairment is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. The asset's carrying amount is reduced and the amount of the loss is recognised in the statement of comprehensive income.

A financial asset or group of financial assets is impaired and impairment losses are recognised only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Notes to the Group annual financial statements (continued) for the year ended 30 September 2015

1. ACCOUNTING POLICIES (continued)

1.7 Financial instruments (continued)

(d) Impairment of financial assets (continued)

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from other comprehensive income and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income.

The criteria the Group uses to determine that there is objective evidence of an impairment loss on trade receivables include significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments.

Impairment losses are reversed in subsequent periods when an increase in the financial assets recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised. The reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

(e) Offsetting 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.

1.8 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired from suppliers in the ordinary course of business. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

1.9 Borrowings

Borrowings are initially measured at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost; any difference between the proceeds (net of transaction costs) and the settlement or redemption value is recognised in the statement of comprehensive income over the term of the borrowings using the effective interest method.

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.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the statement of comprehensive income as finance cost.

1.10 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the statement of comprehensive income in the period in which they are incurred.

1. ACCOUNTING POLICIES (continued)

1.11 Tax

The tax expense for the period comprises current and deferred income tax. Current tax and deferred income tax are recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case tax is recognised in other comprehensive income or directly in equity.

(a) Normal income tax assets and liabilities

Normal income tax is calculated on the computed taxable income for the year using tax laws enacted or substantively enacted at statement of financial position date in the countries where the Group's subsidiaries, associates and joint ventures operate and generate taxable income and any adjustments to tax payable for preceding years.

Current tax for current and prior periods is, to the extent unpaid, recognised as a current liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as a current asset.

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.

(b) Deferred income tax assets and liabilities

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

A deferred income tax liability is recognised for all taxable temporary differences, except to the extent that the deferred income tax liability arises from:

- the initial recognition of goodwill; or
- the initial recognition of an asset or liability in a transaction which:
 - is not a business combination; and
 - at the time of the transaction, affects neither accounting profit nor taxable profit/(taxable loss).

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and interests in joint ventures, except to the extent that both of the following conditions are satisfied:

- the parent, investor or venturer is able to control the timing of the reversal of the temporary difference; and
- it is probable that the temporary difference will not reverse in the foreseeable future.

Generally, the Group is unable to control the reversal of the temporary difference for associates, except where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilised.

Deferred income tax assets are recognised on deductible temporary differences arising from investment in subsidiaries, associates and joint ventures only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and laws that have been enacted or substantively enacted at the statement of financial position date.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1.12 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership to the lessee.

The Group is the lessee of various hospital and administration office properties under non-cancellable leases that are classified as operating leases and is the lessee of fixed property that meets the definition of finance leases.

Notes to the Group annual financial statements (continued) for the year ended 30 September 2015

1. ACCOUNTING POLICIES (continued)

1.12 Leases (continued)

(a) Finance leases – lessee

Finance leases are capitalised at the lease's commencement at amounts equal to the fair value of the leased property 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.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability.

The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of return on the remaining balance of the liability. The corresponding rental obligations, net of finance charges, are included in payables. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

(b) Operating leases – lessor

Operating lease income is recognised as income on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income. When assets are leased out under an operating lease, the asset is included in the statement of financial position under "operating lease asset".

Income from leases is disclosed under "Other income" in the statement of comprehensive income.

(c) Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments is recognised as an operating lease asset or operating lease liability. Neither the asset nor the liability is discounted.

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

1.13 Inventories

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

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

The cost of inventories comprises costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.14 Impairment of non-financial assets

The Group assesses at each statement of financial position 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.

Irrespective of whether there is any indication of impairment, the Group also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing the carrying amount of the asset with its recoverable amount. This impairment test is performed during the annual period and at the same time every period; and
- tests goodwill arising from business combination for impairment annually.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount and the impairment loss is recognised immediately in the statement of comprehensive income. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Goodwill is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

1. ACCOUNTING POLICIES *(continued)*

1.14 Impairment of non-financial assets *(continued)*

An impairment loss is recognised for cash-generating units 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 cash-generating unit; 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 Group assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increase in the carrying amount of an asset, other than goodwill, attributable to a reversal of an impairment loss is limited to the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in the statement of comprehensive income.

1.15 Share capital and equity

Ordinary shares are classified as equity.

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.

1.16 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 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 term of the Life Healthcare Employee Share Trust or long-term incentive scheme.

1.17 Employee benefits

(a) Short-term employee benefits

The cost of short-term employee benefits (those payable within 12 months after the service is rendered such as paid vacation leave, sick leave, bonuses and non-monetary benefits such as medical care) is recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit-sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance and the related liability, and a reliable estimate of the obligation can be made.

Provision is made for accumulated leave and for non-vested short-term benefits when there is no realistic alternative other than to settle the liability, and at least one of the following conditions is met:

- there is a formal plan and the amounts to be paid are determined before the time of issuing the financial statements; or
- past practice has created a valid expectation by employees that they will receive a bonus and the amount can be determined before the time of issuing the financial statements.

(b) Defined contribution plans

A defined contribution plan is 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. Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

(c) Defined benefit plans

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

For defined benefit plans the cost of providing the benefits is determined using the projected unit credit method.

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 statement of financial position date where the interim valuation is performed at an earlier date.

Notes to the Group annual financial statements (continued) for the year ended 30 September 2015

1. ACCOUNTING POLICIES (continued)

1.17 Employee benefits (continued)

(c) Defined benefit plans (continued)

The liability or asset recognised in the statement of financial position in respect of defined benefit pension plans is 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. The present value of the defined benefit obligations is discounted using appropriate interest rates. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of the plan assets. This cost is included in employee benefit expense in the income statement.

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.

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.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In other comprehensive income, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

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.

(d) Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it 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.

(e) Post-employment medical aid costs

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. 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.

(f) Long-term incentive scheme

1. Previous long-term incentive scheme (southern Africa)

The scheme is a bonus scheme available for senior employees. Vesting in terms of this scheme takes place in three years from allocation. Based on the employee's seniority, a larger proportion of the allocation is based on returns achieved. The holder of the rights loses the right if he/she resigns. The Group recognises a liability, a reserve and an expense for bonuses based on a formula that takes into consideration the net growth in earnings before interest, tax, depreciation and amortisation (EBITDA) after certain adjustments (performance units) and an adjusted return on capital (appreciation units). Each participant shall, prior to the vesting date or at the time of the award or allocation, have the right to make a co-investment election. The co-investment election results in the participant being entitled to invest either 50%, 75% or 100% of his/her after-tax bonus in the acquisition of co-investment shares, in which event the employer company will also fund the acquisition of matched shares for the beneficial ownership of the participant. The cost of the share element is accounted for as a share-based payment (IFRS 2) and the bonus element is accounted for in terms of IAS 19 – Employee Benefits.

Refer to 1.18 for the accounting policy on share-based payments.

The Group recognises a provision where it is contractually obliged or where past practice has created a constructive obligation.

1. ACCOUNTING POLICIES *(continued)*

1.17 Employee benefits *(continued)*

(f) Long-term incentive scheme *(continued)*

2. New long-term incentive scheme *(southern Africa)*

The Group set up a new performance share scheme during the current year. The scheme is available to all executives and senior managers. The value of awards is tier based and linked to individual performance. Each award will be converted into notional performance shares. In terms of the scheme, the participants, the value of the awards and the performance conditions for vesting are approved by the Group's remuneration and human resources committee. The value of the performance shares will be determined by the price of the Life Healthcare Group Holdings Limited shares on the JSE Limited using the 30-day volume weighted average price (VWAP).

The vesting of the awards is subject to the Group meeting two performance conditions:

- 50% weighting: Growth on earnings before interest and tax (EBIT) compared to CPI plus a percentage with a hurdle rate of minimum growth of SA CPI + 1.25% in EBIT for the award vested; and
- 50% weighting: Growth on total shareholder return (TSR) over pre-determined thresholds relative to the TSR of a comparator group of listed companies.

On vesting, the value of the performance shares is settled using shares purchased in the market. This will be accounted for as a share-based payment in accordance with IFRS 2.

Refer to 1.18 for the accounting policy on share-based payments.

The fair value of the employee services received in exchange for the award is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted.

If a participant ceases to be employed by the Group prior to the vesting of the grant date, the following will apply:

- Good leavers with a date of termination of employment:
 - that is more than one year before the vesting date of the grant, will result in all notional performance shares held by the participant being forfeited and cancelled for no consideration; or
 - that is one year or less before the vesting date of the grant, will retain all notional performance shares and he/she shall continue to be treated as a participant as if his/her employment had not been terminated.
- Bad leavers with a date of termination of employment prior to vesting date, will result in all notional performance shares held by the participant being forfeited and cancelled for no consideration.

3. Long-term incentive scheme *(Poland)*

The scheme is a bonus scheme available to senior employees. Notional shares in Scanmed Multimedis S.A. (Scanmed) will be issued to management which will vest in three years' time based on the share price of Scanmed calculated for the immediate preceding year. The amount of shares issued will target a pay-out of an agreed percentage of the guaranteed package for that particular employee. The target pay-out will be achieved on the assumption that the share price grows at 12% per annum. To determine the growth in the value of the share price of Scanmed, the last twelve-month (LTM) normalised EBITDA is used and a multiple of 10.9 is applied to this to calculate the enterprise value. Net debt is deducted from this enterprise value, to determine the equity value which will be divided by the weighted average number of shares in issue for the year to calculate the value per share. On vesting, each participant will have the right to be paid out either in cash (net of tax) or to utilise the proceeds to acquire actual shares in Scanmed. The scheme is accounted for in terms of IAS 19 – Employee Benefits, and is 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.

Notional shares awarded in terms of this scheme will be forfeited in the instance of a bad leaver. Notional shares in respect of a good leaver will vest on the date of termination of employment and will be the number retained based on the original allocation of shares over the period that lapsed from the allocation date.

Notes to the Group annual financial statements (continued) for the year ended 30 September 2015

1. ACCOUNTING POLICIES (continued)

1.17 Employee benefits (continued)

(g) Life Healthcare Employee Share Trust

The Group set up an employee share trust during the 2012 financial year which is accounted for as a share-based payment (IFRS 2) and the annual contribution is expensed over the seven-year retention period in the statement of comprehensive income. All permanent employees employed by Life Healthcare in South Africa for a continuous period of a 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 founder's long-term incentive scheme are beneficiaries of the Trust and share in the scheme (qualifying employees). Voting rights and dividends vest with the qualifying employees. Employees who leave, other than good leavers, forfeit their interest, and their rights will be distributed equally among the remaining employees. Qualifying employees will need to be in service on the fifth (25%), sixth (25%) and seventh (50%) anniversaries when the shares become unrestricted and deliverable. Each employer company will make annual contributions to the Trust. The yearly contributions will be utilised to purchase shares in the market. The cost of this scheme will be treated as a share-based payment.

Refer to 1.18 for the accounting policy on share-based payments.

1.18 Share-based payments

The Group operates two share-based payment schemes, namely the Life Healthcare Employee Share Trust and the Long Term Incentive Scheme.

(a) Previous long-term incentive scheme (southern Africa)

This is an equity-settled share-based payment scheme. 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 each reporting period, the Group revises its estimates of the number of awards that are expected to vest based on the number of employees remaining in the scheme. It recognises the impact of the revision to original estimates, if any, in the statement of comprehensive income, with a corresponding adjustment to equity.

(b) 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:

- 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.
- Bad leaver means that the employee will be entitled to all the co-investment shares but will forfeit all the Company-matched shares. These shares will be sold in the open market and will be cancelled as treasury shares.

New long-term incentive scheme (southern Africa)

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 each reporting period, the Group revises its estimates of the number of awards that are expected to vest, based on the number of employees remaining in the scheme. It recognises the impact of the revision to original estimates, if any, in the statement of comprehensive income, with a corresponding adjustment to equity.

If a participant ceases to be employed by the Group prior to the vesting of the grant date, the following will apply:

- Good leavers with a date of termination of employment:
 - that is more than one year before the vesting date of the grant, will result in all notional performance shares held by the participant being forfeited and cancelled for no consideration; or
 - that is one year or less before the vesting date of the grant, will retain all notional performance shares and he/she shall continue to be treated as a participant as if his/her employment had not been terminated.
- Bad leavers with a date of termination of employment prior to vesting date, will result in all notional performance shares held by the participant being forfeited and cancelled for no consideration.

(c) Life Healthcare Employee Share Trust

This is an equity-settled share-based payment scheme.

1.19 Directors' emoluments

The directors' emoluments disclosed in note 35 of the Group financial statements represent the emoluments paid to, or receivable by, directors in their capacity as director or any other capacity, from the date they become a director and cease when they resign as director. All amounts in respect of the financial year reported on are presented, including bonuses accrued for in the annual financial statements. This disclosure is provided in terms of JSE Limited Listings Requirements and the Companies Act, 71 of 2008 of South Africa.

1. ACCOUNTING POLICIES (continued)

1.20 Distributions

Distributions to the Group's shareholders are recognised as a liability in the Group's financial statements in the period in which the distributions are approved by the board.

1.21 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker (CODM). The CODM who is responsible for allocating resources and assessing performance of the operating segments has been identified as the Chief Executive Officer.

1.22 Recognition of income

a) Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts, volume rebates and value added tax. Revenue is shown after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into account the type of customer, the type of transaction and the specifics of each arrangement.

1) Sale of goods

The Group dispenses medication and medical supplies as part of the provision of its healthcare services. Sales of goods are recognised when a Group entity dispenses the products to its patients.

2) Sales of services

The Group provides acute healthcare services, wellness programme services and operates same-day surgical centres. The revenue recognised relates to invoiced fees for private healthcare and fees for healthcare services. 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.

b) Interest income

Interest income is recognised, in the statement of comprehensive income, using the effective interest rate method, unless it is doubtful. 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.

c) Rental income

The rental income arising from the operating leases is accounted for on a straight-line basis over the lease term in the statement of comprehensive income.

d) Dividend income

Dividends are recognised, in the statement of comprehensive income, when the Group's right to receive payment has been established.

1.23 Translation of foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in South African rand, which is the Group's presentation currency.

(b) Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At each statement of financial position date:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in the statement of comprehensive income in the period in which they arise.

Notes to the Group annual financial statements (continued) for the year ended 30 September 2015

1. ACCOUNTING POLICIES (continued)

1.23 Translation of foreign currencies (continued)

(b) Foreign currency transactions (continued)

Cash flows arising from transactions in a foreign currency are recorded in the functional currency by applying to the foreign currency amount the exchange rate between the functional currency and the foreign currency at the date of the cash flow.

(c) Investments in subsidiaries, joint ventures and associates

The results and financial position of all the Group entities (none of which have 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 for each statement of financial position item presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income item are translated at an average exchange rate which is a reasonable approximation of the prevailing exchange rate at the date of each transaction; and
- all resulting exchange differences are recognised in other comprehensive income.

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 the statement of comprehensive income on disposal of the net investment as part of the gain or loss on the sale.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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.

1.24 Provisions and contingencies

Provisions are recognised when:

- the Group has a present legal or constructive obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation. In determining the present value a pre-tax rate that reflects the current market assessment of the time value of money and risks specific to the obligation is used. The increase in the provision due to the passage of time is recognised as an interest expense.

Restructuring provisions comprise lease termination penalties and employee termination payments, and are recognised in the period in which the Group becomes legally or constructively committed to payment. Provisions are not recognised for future operating losses.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement will not exceed the amount of the provision.

If the Group has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision.

After their initial recognition, contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised unless the contingent liability is acquired as part of a business combination. Contingencies are disclosed in note 37.

1. ACCOUNTING POLICIES (continued)

1.25 Earnings and headline earnings per share

The Group presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the net profit or loss attributable to equity holders of the parent by the weighted average number of ordinary shares in issue during the period. Diluted EPS is determined by adjusting the net profit or loss attributable to equity holders of the parent and the weighted average number of ordinary shares in issue for the dilutive effects of all shares held under the Life Healthcare Employee Share Trust and the long-term incentive scheme. The weighted average number of shares is adjusted for the weighted average number of treasury shares.

The calculation of headline earnings per share is based on the net profit or loss attributable to equity holders of the parent, after excluding all items of a non-trading nature, divided by the weighted average number of ordinary shares in issue during the year. The presentation of headline earnings is not an IFRS requirement, but is required by JSE Limited and Circular 2 of 2013. An itemised reconciliation of the adjustments to net profit attributable to equity holders of the parent is provided in note 30.

1.26 New accounting standards and IFRIC interpretations

Standards, amendments and interpretations effective in 2015 but not considered to have a significant impact on the Group.

Standard	Standard's name	Effective date	Summary of change and consideration of the impact on the Group
IAS 32	Financial Instruments: Presentation	1 January 2014	The IASB has issued amendments to the application guidance in IAS 32 – Financial Instruments: Presentation, that clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. This has a disclosure effect on the Group.
IAS 36	Impairment of Assets	1 January 2014	These amendments address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less cost of disposal. No impact on the Group for the current year.
IAS 39	Financial Instruments: Recognition and Measurement, on novation of derivatives and hedge accounting	1 January 2014	The IASB has amended IAS 39 to provide relief from discontinuing hedge accounting when novation of a hedging instrument to a CCP meets specified criteria. Similar relief will be included in IFRS 9 – Financial Instruments. No impact on the Group for the current year.
IFRS 10	Consolidated Financial statements	1 January 2014	The amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an "investment entity" definition and which display particular characteristics. Changes have also been made in IFRS 12 to introduce disclosures that an investment entity needs to make. A subsequent amendment of the consolidation exception for investment entities and their subsidiaries only effective 1 January 2016. No impact on the Group for the current year.
IFRS 12	Disclosure of Interests in Other Entities		
IFRS 27	Investment Entities		
IAS 19	Employee benefits	1 July 2014	The IASB has issued an amendment to clarify the application of IAS 19 – Employee Benefits (2011) – referred to as IAS 19R, to plans that require employees or third parties to contribute towards the cost of benefits. The current amendment further distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. As the Group has always reduced the annual service cost by the amount of the members' contributions made, there will be no impact on Group disclosure.

Notes to the Group annual financial statements (continued) for the year ended 30 September 2015

1. ACCOUNTING POLICIES (continued)

1.26 New accounting standards and IFRIC interpretations (continued)

Standards, amendments and interpretations that are not yet effective and have not been early adopted unless specified

The Group is currently assessing the impact of these standards.

Standard	Standard's name	Effective date	Summary of change and consideration of the impact on the Group
IFRS 10 and IAS 28	Consolidated Financial Statements; and Investments in Associates and Joint Ventures on sale or contribution of assets	1 January 2016	<p>The IASB has issued this amendment to eliminate the inconsistency between IFRS 10 and IAS 28. If the non-monetary assets sold or contributed to an associate or joint venture constitute a “business”, then the full gain or loss will be recognised by the investor. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.</p> <p>This will impact the Group for the first time in the 2017 financial statements.</p>
IFRS 10 and IAS 28	Consolidated Financial Statements; and Investments in Associates and Joint Ventures on applying the consolidation exemption	1 January 2016	<p>The amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.</p> <p>This will impact the Group for the first time in the 2017 financial statements.</p>
IFRS 11	Joint Arrangements on acquisition of an interest in a joint operation	1 January 2016	<p>This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.</p> <p>This will impact the Group for the first time in the 2017 financial statements.</p>
IAS 1	Presentation of Financial Statements	1 January 2016	<p>In December 2014, the IASB issued amendments to clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.</p> <p>This will impact the Group for the first time in the 2017 financial statements.</p>
IAS 16 and IAS 38	Property, Plant and Equipment Intangible assets	1 January 2016	<p>In this amendment the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.</p> <p>This will not have an impact on the Group financial statements.</p>
IAS 27	Separate Financial Statements on equity accounting	1 January 2016	<p>In this amendment the IASB has restored the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.</p> <p>This will impact the Group for the first time in the 2017 financial statements.</p>

1. **ACCOUNTING POLICIES** *(continued)*

1.26 **New accounting standards and IFRIC interpretations** *(continued)*

Standards, amendments and interpretations that are not yet effective and have not been early adopted unless specified *(continued)*

Standard	Standard's name	Effective date	Summary of change and consideration of the impact on the Group
IFRS 15	Revenue from Contracts with Customers	1 January 2018	<p>The FASB and IASB issued their long-awaited converged standard on revenue recognition on 29 May 2014. It is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of good or service transfers to a customer.</p> <p>This will impact the Group for the first time in the 2019 financial statements.</p>
IFRS 9	Financial Instruments (2009 and 2010)	1 January 2018	<p>This IFRS is part of the IASB's project to replace IAS 39. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. The IASB has updated IFRS 9 – Financial instruments to include guidance on financial liabilities and derecognition of financial instruments. The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39 – Financial Instruments: Recognition and Measurement, without change, except for financial liabilities that are designated at fair value through profit or loss.</p> <p>This will impact the Group for the first time in the 2019 financial statements.</p>
IFRS 9	Financial Instruments, on general hedge accounting	1 January 2018	<p>The IASB has amended IFRS 9 to align hedge accounting more closely with an entity's risk management. The revised standard also establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in IAS 39.</p> <p>This will not have an impact on the Group financial statements.</p>

Notes to the Group annual financial statements (continued) for the year ended 30 September 2015

1. ACCOUNTING POLICIES (continued)

1.26 New accounting standards and IFRIC interpretations (continued)

Annual Improvement Projects that are effective for the first time in the 2015 financial statements

Standard	Standard's name	Effective date	Summary of change and consideration of the impact on the Group
IFRS 2	Share-based Payment	1 July 2014	The amendment clarifies the definition of a “vesting condition” and separately defines “performance condition” and “service condition”.
IFRS 3	Business Combinations	1 July 2014	<p>The standard is amended to clarify that an obligation to pay contingent consideration, which meets the definition of a financial instrument, is classified as a financial liability or as equity, on the basis of the definitions in IAS 32 – Financial instruments: Presentation. The standard is further amended to clarify that all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss.</p> <p>Consequential changes are also made to IFRS 9, IAS 37 and IAS 39.</p>
IFRS 8	Operating Segments	1 July 2014	<p>The standard is amended to require disclosure of the judgements made by management in aggregating operating segments. This includes a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics. The standard is further amended to require a reconciliation of segment assets to the entity's assets when segment assets are reported.</p>
IFRS 13	Fair value Measurement	1 July 2014	<p>When IFRS 13 was published, paragraphs B5.4.12 of IFRS 9 and AG79 of IAS 39 were deleted as consequential amendments. This led to a concern that entities no longer had the ability to measure short-term receivables and payables at invoice amounts where the impact of not discounting is immaterial. The IASB has amended the basis for conclusions of IFRS 13 to clarify that it did not intend to remove the ability to measure short-term receivables and payables at invoice amounts in such cases.</p>
IAS 16 and IAS 38	Property, Plant and Equipment Intangible Assets	1 July 2014	<p>Both standards are amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model. The carrying amount of the asset is restated to the revalued amount. The split between gross carrying amount and accumulated depreciation is treated in one of the following ways:</p> <ul style="list-style-type: none"> • either the gross carrying amount is restated in a manner consistent with the revaluation of the carrying amount, and the accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses; or • the accumulated depreciation is eliminated against the gross carrying amount of the asset.

1. ACCOUNTING POLICIES *(continued)*

1.26 New accounting standards and IFRIC interpretations *(continued)*

Annual Improvement Projects that are effective for the first time in the 2015 financial statements *(continued)*

Standard	Standard's name	Effective date	Summary of change and consideration of the impact on the Group
IAS 24	Related Party Disclosures	1 July 2014	The standard is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity (the management entity).
IFRS 1	First-time adoption of International Financial Reporting Standards	1 July 2014	The basis for conclusions on IFRS 1 is amended to clarify that, where a new version of a standard is not yet mandatory but is available for early adoption, a first-time adopter can use either the old or the new version, provided the same standard is applied in all periods presented.
IFRS 13	Fair Value Measurement	1 July 2014	The amendment clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of IAS 39 or IFRS 9.
IAS 40	Investment Property	1 July 2014	The standard is amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. The guidance in IAS 40 assists preparers to distinguish between investment property and owner-occupied property. Preparers also need to refer to the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination.
IFRS 3	Business Combinations	1 July 2014	The standard is amended to clarify that IFRS 3 does not apply to the accounting for the formation of any joint arrangement under IFRS 11. The amendment also clarifies that the scope exemption only applies in the financial statements of the joint arrangement itself.
IFRIC 21	Levies	1 January 2014	<p>IFRIC 21 – Levies sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation could result in recognition of a liability later than today, particularly in connection with levies that are triggered by circumstances on a specific date.</p> <p>The IASB has issued IFRIC 21 – Levies an interpretation on the accounting for levies imposed by governments. IFRIC 21 is an interpretation of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.</p>

Notes to the Group annual financial statements (continued) for the year ended 30 September 2015

1. ACCOUNTING POLICIES (continued)

1.26 New accounting standards and IFRIC interpretations (continued)

Annual Improvement Projects that are effective for the first time in the 2017 financial statements

Standard	Standard's name	Effective date	Summary of change and consideration of the impact on the Group
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2016	<p>This is an amendment to the changes in methods of disposal – Assets (or disposal groups) are generally disposed of either through sale or through distribution to owners. The amendment to IFRS 5 clarifies that changing from one of these disposal methods to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in IFRS 5.</p> <p>The amendment also clarifies that changing the disposal method does not change the date of classification.</p>
IAS 19	Employee Benefits	1 January 2016	<p>The amendment clarifies that, when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, and not the country where they arise. The assessment of whether there is a deep market in high-quality corporate bonds is based on corporate bonds in that currency, not corporate bonds in a particular country. Similarly, where there is no deep market in high-quality corporate bonds in that currency, government bonds in the relevant currency should be used.</p>
IFRS 7	Financial Instruments	1 January 2016	<p>Servicing contracts – The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in paragraphs IFRS 7. B30 and IFRS 7.42C in order to assess whether the disclosures are required.</p>
IFRS 7	Financial Instruments	1 January 2016	<p>Applicability of the offsetting disclosures to condensed interim financial statements.</p> <p>The amendment clarifies that the additional disclosure required by the amendments to IFRS 7 – Disclosure – Offsetting Financial Assets and Financial Liabilities is not specifically required for all interim periods, unless required by IAS 34.</p>
IAS 34	Interim Financial Reporting	1 January 2016	<p>Disclosure of information “elsewhere in the interim financial report”:</p> <p>The amendment states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g. in the management commentary or risk report).</p> <p>The board specified that the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.</p>

2. RISK MANAGEMENT

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 (company treasury) under policies approved by the audit committee. Company treasury identifies, evaluates and hedges financial risks in close cooperation 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.

(a) Capital risk management

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to provide for sufficient capital expansion.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in notes 17 and 18, cash and cash equivalents disclosed in note 13 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 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 reduce debt or raise debt.

	2015	2014
Net debt to normalised EBITDA ratio	1.49	0.84
The Group has externally imposed debt covenants in terms of the debt structures. The covenants are:		
In terms of the syndicated term loans and preference shares		
A minimum of total interest cover ratio (times)	5.00	5.00
A maximum of net debt to normalised EBITDA ratio	2.75	2.75
In terms of the bilateral term loans		
A minimum of total interest cover ratio (times)	5.00	5.00
A maximum of net debt to normalised EBITDA ratio	2.75	2.75

The Group has met covenant requirements during the current and previous financial year.

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.

(b) 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.

(i) Liquidity risk

Liquidity risk is the risk that an entity in the Group will not be able to meet its obligations as they become due.

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. Due to the dynamic nature of the underlying businesses, Company treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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.

The Group has sufficient available bank facilities. Refer to note 17.

Cash flow forecasts are prepared and utilised borrowing facilities are monitored on a daily basis. Longer-term cash flow forecasts are updated monthly.

Notes to the Group annual financial statements (continued) for the year ended 30 September 2015

2. RISK MANAGEMENT (continued)

(b) Financial risk (continued)

(i) Liquidity risk (continued)

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 37 for operating lease commitments.

	Less than 1 year R'm	Between 1 and 2 years R'm	Between 2 and 5 years R'm	Over 5 years R'm	Total R'm
2015					
Southern Africa					
Interest-bearing borrowings	1 300	684	4 644	974	7 602
Trade and other payables	1 291	–	–	–	1 291
	2 591	684	4 644	974	8 893
2015					
Poland					
Interest-bearing borrowings	53	74	100	309	536
Trade and other payables	226	–	–	–	226
	279	74	100	309	762
2014					
Southern Africa					
Interest-bearing borrowings	1 026	1 176	834	799	3 835
Trade and other payables	1 274	–	–	–	1 274
	2 300	1 176	834	799	5 109
2014					
Poland					
Interest-bearing borrowings	227	33	112	290	662
Trade and other payables	68	–	–	–	68
	295	33	112	290	730

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.

	Less than 1 year R'm	Between 1 and 2 years R'm	Between 2 and 5 years R'm	Over 5 years R'm	Total R'm
2015					
Foreign exchange contracts and interest rate swap contracts – cash flow hedges					
– Outflow	(4)	–	–	–	(4)
– Inflow	1	22	–	–	23
2014					
Foreign exchange contracts and interest rate swap contracts – cash flow hedges					
– Outflow	–	(9)	–	–	(9)
– Inflow	56	–	–	–	56

The Group does not engage in hedge accounting; only economic hedging is applied.

The Group entered into three new interest rate swap contracts during the current year to the value of R1.8 billion.

The notional principal amount of all the interest rate swap contracts was R3 billion (2014: R1.2 billion). The interest rate contracts are linked to the three-month JIBAR (nacq). Gains and losses on the interest rate swap contracts are recognised in the statement of comprehensive income. The interest rate swap contracts will be settled on the following basis:

- R1.2 billion at the end of February 2016; and
- R1.8 billion at the end of November 2017.

2. RISK MANAGEMENT (continued)

(b) Financial risk (continued)

(ii) Interest rate risk

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.

The Group's interest rate risk arises primarily from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Group policy is to hedge approximately 60% of its borrowings to fixed interest rates and at 30 September 2015, 76% of the Southern African debt was hedged (2014: 71%).

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.

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. Based on the simulations performed, the impact on post-tax profit of a 1.0% shift in the interest rates would be a maximum increase of R21 million (2014: R8 million) or decrease of R35 million (2014: R8 million), respectively. The simulation is done on a six-monthly basis to verify that the maximum loss potential is within the limit given by the Group. The simulation takes into account a portion of the interest on the term loans. The term loans are partially hedged by interest rate swap contracts. The interest rate swap contract hedges R3 billion in 2015 (2014: R1.2 billion) of the variable outstanding balance of southern African debt of R4 148 million (2014: R1 916 million).

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. Refer to note 21 for the current interest rate hedges in place. All interest rate hedges are economic hedges.

(iii) Cash flow interest rate risk

	Current interest rate %	Less than 1 year R'm	Between 1 and 2 years R'm	Between 2 and 5 years R'm	Over 5 years R'm	Total R'm
2015						
Financial instrument						
Trade and other receivables – normal credit terms	n/a	–	–	–	–	–
Loans receivable	9.50	–	13	–	–	13
Cash in current banking institutions	5.93	812	–	–	–	812
Bank overdraft	7.26	(557)	–	–	–	(557)
Southern African interest- bearing borrowings – floating rates	6.87	–	–	(3 919)	(49)	(3 968)
Polish interest-bearing borrowings – floating rates	5.69	(29)	(28)	(32)	(257)	(346)
Loans to associates	9.50	(11)	–	–	–	(11)
		215	(15)	(3 951)	(306)	(4 057)

Notes to the Group annual financial statements (continued) for the year ended 30 September 2015

2. RISK MANAGEMENT (continued)

(b) Financial risk (continued)

(iii) Cash flow interest rate risk (continued)

	Current interest rate %	Less than 1 year R'm	Between 1 and 2 years R'm	Between 2 and 5 years R'm	Over 5 years R'm	Total R'm
2014						
Financial instrument						
Trade and other receivables						
– normal credit terms	n/a	–	–	–	–	–
Loans receivable	9.25	–	10	–	–	10
Cash in current banking institutions	5.29	422	–	–	–	422
Bank overdraft	6.45	(155)	–	–	–	(155)
Southern African interest-bearing borrowings – floating rates	6.77	–	–	(495)	(16)	(511)
Polish interest-bearing borrowings – floating rates	6.89	(198)	(11)	(31)	(224)	(464)
Loans to associates	9.25	(11)	–	–	–	11
		58	(1)	(526)	(240)	(709)

(iv) Fair value interest rate risk

	Current interest rate %	Less than 1 year R'm	Between 1 and 2 years R'm	Between 2 and 5 years R'm	Over 5 years R'm	Total R'm
2015						
Financial instrument						
Southern African interest-bearing borrowings – fixed rates	12.81	(16)	(22)	(130)	(538)	(706)
2014						
Financial instrument						
Southern African interest-bearing borrowings – fixed rates	8.17	(808)	(1 019)	(611)	(450)	(2 888)

(v) Credit risk

Credit risk is the risk of financial loss due to counterparties to financial instruments not meeting their contractual obligation.

Credit risk is managed on a Group basis by a central credit control department.

Credit risk arises mainly from cash deposits, cash equivalents, derivative financial instruments, loans and receivables and trade debtors. 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 Fitch Rating "A" (zaf) for South African banks are accepted.

Trade receivables comprise a widespread customer base. The Group evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, 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.

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.

2. RISK MANAGEMENT (continued)

(b) Financial risk (continued)

(v) Credit risk (continued)

Financial assets exposed to credit risk at year-end were as follows:

	2015 R'm	2014 R'm
Derivative financial instruments	23	56
Trade and other receivables	1 589	1 260
Cash and cash equivalents	812	422
Loans receivable	13	10
Loans to associates	11	11

The Group is exposed to a number of guarantees for the overdraft facilities of Group companies. Refer to note 37 for additional details.

(vi) Fair values

The fair values and carrying amounts of the financial assets and liabilities as presented in the statement of financial position are as follows:

	2015		2014	
	Carrying value R'm	Fair value R'm	Carrying value R'm	Fair value R'm
Assets and liabilities at fair value				
Derivative assets at fair value for hedging	23	23	56	56
Derivative liability at fair value for hedging	(4)	(4)	(9)	(9)

The following is an analysis of the Group's financial instruments that are measured subsequent to the initial recognition at fair value at 30 September 2015. They are grouped into levels 1 to 3, based on the extent to which the fair values are observable.

The levels are classified as follows:

Level 1 Fair value is based on quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2 Fair value is determined using inputs other than Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 Fair value is determined on inputs not based on an observable market (that is, unobservable inputs).

	Level 1 R'm	Level 2 R'm	Level 3 R'm	Total R'm
30 September 2015				
Financial instrument				
Derivatives used for hedging				
Interest rate contracts	-	18	-	18
Foreign exchange hedge contract	-	1	-	1
	-	19	-	19
30 September 2014				
Financial instrument				
Derivatives used for hedging				
Interest rate contracts	-	(9)	-	(9)
Foreign exchange hedge contract	-	56	-	56
	-	47	-	47

There were no transactions between level 1 and 2 during the year.

The impact on post-tax profit of a 1.0% shift in the interest rates would be a maximum increase of R3 million (2014: R4 million) or decrease of R3 million (2014: R4 million), respectively.

The mark-to-market valuation represents the mid-market value of the instrument as determined by the financial institution at 30 September 2015.

Notes to the Group annual financial statements (continued) for the year ended 30 September 2015

2. RISK MANAGEMENT (continued)

(b) Financial risk (continued)

(vii) Foreign exchange risk

The Group transacts with international suppliers and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the European euro, US dollar, Indian rupee, Polish zloty and Botswana pula. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The majority of goods are purchased from agents of international suppliers and the Group is effectively indirectly exposed to currency movements.

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 (2014: 5 million) functional currency denomination. The Group does not engage in hedge accounting, only economic hedging is applied.

The Group has set up a policy to require Group companies to manage their foreign exchange risk against their functional currency. The Group companies are required to economically hedge their foreign exchange risk exposure in consultation with the Company 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. 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.

The Group has three investments in foreign operations, one in Botswana, one in Poland and one in India. The net assets of the Botswana and Polish investments are exposed to foreign currency translation risk as the companies are subsidiaries of the Group. For the Indian associate investment, the foreign currency movement in the share of associates' net movement for the current year was R1 million (2014: less than R1 million). 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 2015, foreign denominated borrowings to the equivalent of R492 million existed (2014: R464 million).

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.

	2015 R'm	2014 R'm
Botswana pula (BWP)	9.0	6.0
Polish zloty (PLN)	0.1	(3.0)
Indian rupee (INR)	1.0	0.1
Foreign currency exposure at statement of financial position date		
Non-current assets		
BWP134 million (2014: BWP27 million)	176	32
PLN523 million (2014: PLN262 million)	1 931	894
Current assets		
BWP141 million (2014: BWP98 million)	186	120
PLN67 million (2014: PLN54 million)	246	183
Liabilities		
BWP35 million (2014: BWP28 million)	(46)	(34)
PLN89 million (2014: PLN170 million)	(328)	(582)
Non-current liabilities		
BWP101 million (2014: BWP6 million)	(146)	(8)
PLN103 million (2014: PLN92 million)	(382)	(313)
Exchange rates used for conversion of foreign denominated assets/liabilities outstanding at year-end were:		
BWP	1.32	1.22
PLN	3.69	3.41
Exchange rates used for conversion of foreign denominated income/expense items were:		
BWP	1.24	1.21
PLN	3.30	3.43
INR	0.19	0.17

All transactions denominated in a foreign currency are converted at the spot rate applicable at the date of the transaction.

Forward exchange contracts, which relate to future commitments

Refer to note 21 of the Group financial statements.

The Group reviews its foreign currency exposure, including commitments, on an ongoing basis. The Group expects its foreign exchange contracts to hedge material foreign exchange exposure.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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. The estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

3.1 Critical accounting estimates

(a) Estimated impairment of goodwill

Goodwill is tested annually for impairment, in accordance with the accounting policy stated in note 1.

The recoverable amounts of cash-generating units have been determined based on value-in-use calculations.

These calculations require the use of estimates.

The key assumptions are:	2015 %	2014 %
Southern Africa growth rate in activities	0.0 to 6.0	0.0 to 6.0
Polish growth rate in activities	0.0 to 6.0	0.0 to 6.0
Southern Africa average discount rate	13.42	14.86
Polish average discount rate	9.52	13.88
Southern Africa tariff and inflation increases	5.0 to 10.0	5.0 to 10.0
Polish tariff and inflation increases	0.8 – 2.5	1.9 – 2.5

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 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.

If any of the above southern Africa key assumptions were to change by 5% it would result in an impairment charge of approximately R20 million to R50 million.

If any of the above Polish key assumptions were to change by 5% it would result in an impairment charge of approximately R100 million to R120 million.

(b) Depreciation, amortisation rates and residual values

The Group depreciates or amortises its assets over their estimated useful lives, as more fully described in the accounting policies for property, plant and equipment and intangible assets. 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.

Significant judgement is applied by management when determining the residual values for property, plant and equipment and intangible assets. 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. When determining the residual value for property, plant and equipment, the following factors are taken into account:

- external residual value information (if applicable); and
- internal technical assessments for complex plant and machinery.

Refer to notes 5 and 6 of the Group financial statements.

(c) Impairment provision for trade and other receivables

The Group collects deposits for private market customers, where possible, and provision is made 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:

- Default of payments;
- History of the specific customer with the Group;
- Indications of financial difficulties of the specific customer;
- Credit terms specific to the customer; and
- General economic conditions.

Refer to note 12 of the Group financial statements.

Notes to the Group annual financial statements (continued) for the year ended 30 September 2015

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

3.1 Critical accounting estimates (continued)

(d) Tax

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.

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 in 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 statement of financial position date could be impacted. Additionally, future changes in tax laws could limit the ability of the Group to obtain tax deductions in future periods. Assets are only raised where the Group expects to utilise these temporary differences.

Refer to notes 10 and 29 of the Group financial statements.

3.2 Judgements

(a) Valuation assumptions for the Life Healthcare Employee Share Trust

The Group entered into a new employee share scheme during 2012. All permanent employees employed by Life Healthcare 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 Group's long-term incentive scheme are beneficiaries of the Trust and share in the scheme. Voting rights and dividends vest with the qualifying employees. The scheme is accounted for as an equity-settled scheme, in accordance with IFRS 2.

Refer to note 16 of the Group financial statements.

(b) Valuation assumptions for long-term incentive scheme

The Group provides a long-term incentive scheme to senior and key employees. The valuation of these benefits is based on certain estimates.

Refer to notes 16 and 20 of the Group financial statements.

(c) Pension and other post-employment benefits

The cost of defined benefit pension plans and post-employment medical benefits is determined using actuarial valuations. The actuarial valuations involve making assumptions about discount rates, expected return on assets, future salary increases, attrition and mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Further details are provided in the accounting policy in note 1 and in note 9.

(d) Fair value determination in business combinations

IFRS 3 requires all assets, liabilities and contingent liabilities to be measured at fair value when accounting for business combinations. The Group makes use of various valuation methodologies in determining these fair values, including the use of reputable independent valuers. Valuations are inherently subjective and require the use of judgements. Judgement is applied in determining the allocation of goodwill to different cash-generating units (CGUs). The allocation is done based on the expected benefit arising from synergies due to the business combinations.

Refer to note 34 of the Group financial statements.

(e) Consolidation

The Group has less than 50% interest in a number of South African companies. The directors made an assessment in terms of IFRS 10 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.

(f) Insurance provision

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

4. SEGMENT INFORMATION

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

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

The Hospital segment comprises all the private hospitals in southern Africa, the healthcare services segment comprises Life Esidimeni, Life Occupational Health and Careways Wellness. International comprises Poland, while the Other segment comprises Corporate.

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.

There are no inter-segment revenue streams.

Refer to note 24 for a split of the major revenue streams.

Operating segments	2015 R'm	2014 R'm
Revenue	14 647	13 046
Southern Africa		
Hospitals	13 133	12 007
Healthcare services	866	864
International		
Hospitals	648	175
Total	14 647	13 046
Profit before items detailed below	3 603	3 256
Southern Africa		
Hospitals	3 201	2 905
Healthcare services	157	135
Other	191	213
International		
Hospitals	54	3
Operating profit before items detailed below	3 603	3 256
Amortisation of intangible assets	(127)	(122)
Impairment of property, plant and equipment	–	(1)
Profit on disposal of investment in associate	–	957
Profit on disposal of business	–	2
Gain on bargain purchase	–	1
Retirement benefit asset	20	15
Post-employment medical aid	–	1
Transaction costs	(15)	(16)
Contingent consideration released	21	–
Operating profit	3 502	4 093
Fair value gain on derivative financial instruments	29	49
Finance income	12	22
Finance cost	(445)	(230)
Share of associates' and joint ventures' net profit after tax	14	39
Profit before tax	3 112	3 973

Notes to the Group annual financial statements (continued)

for the year ended 30 September 2015

	2015 R'm	2014 R'm
4. SEGMENT INFORMATION (continued)		
Operating profit before items detailed includes the segment's share of shared services and rental costs. These costs are all at market-related rates.		
Total assets before items detailed below		
Southern Africa	10 710	9 160
International	4 419	1 905
Total assets before items detailed below	15 129	11 065
Deferred tax assets	341	253
Current income tax asset	36	49
Retirement benefit asset	389	372
Post-employment medical aid	17	18
Derivative financial instruments	23	56
Total assets per the balance sheet	15 935	11 813
Net debt		
Southern Africa	5 625	2 620
International	307	464
	5 932	3 084
Liabilities are reviewed on a net-debt basis, which comprises all interest-bearing borrowings and overdraft balances (net of cash on hand).		
Normalised earnings per share		
Normalised earnings per share is a measuring basis the CODM uses. 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	1 866	2 774
Decrease in profits due to the impact of businesses disposed/closed (net of tax):	-	(54)
Adjusted profit attributable to ordinary equity holders from continued operations	1 866	2 720
Adjustments (net of tax):		
Profit on disposal of investment in associate	-	(929)
Profit on disposal of a business	-	(1)
Gain on bargain purchase	-	(1)
Impairment of property, plant and equipment	-	1
Contingent consideration released	(21)	-
Retirement funds	(15)	(11)
Retirement funds (included in employee benefits expense)	(4)	(7)
Transaction costs	15	16
Fair value gain on foreign exchange hedge contract	(1)	(40)
Normalised earnings from continued operations	1 840	1 748
Normalised EPS (cents) from continued operations	177.4	168.6
Southern Africa operations (cents)	194.1	176.8
International operations (cents)	1.8	(2.2)
Funding costs (international acquisitions) (cents)	(18.5)	(6.0)
Normalised EPS (cents) from continued operations, excluding funding costs	195.9	174.7

	2015 R'm	2014 R'm
5. PROPERTY, PLANT AND EQUIPMENT		
Land – owned		
Cost:		
Opening balance at 1 October	390	350
Additions	50	15
Arising on acquisition of subsidiary	13	25
Reclassification	56	–
Disposals or scrappings	(1)	–
Effect of foreign currency movement	3	–
Closing balance at 30 September	511	390
Fixed property – owned		
Cost:		
Opening balance at 1 October	4 301	3 519
Additions	565	668
Arising on acquisition of subsidiary	184	49
Reclassification	(54)	73
Disposals or scrappings	(12)	(7)
Effect of foreign currency movement	24	(1)
Closing balance at 30 September	5 008	4 301
Accumulated depreciation:		
Opening balance at 1 October	932	787
Charge for the year	144	82
Reclassification	2	60
Arising on acquisition of subsidiary	30	8
Impairment	–	1
Disposals or scrappings	(6)	(6)
Effect of foreign currency movement	6	–
Closing balance at 30 September	1 108	932
Carrying value at 30 September	3 900	3 369
Fixed property – leased		
Cost:		
Opening balance at 1 October	698	404
Additions	112	25
Arising on acquisition of subsidiary	–	346
Reclassification	(2)	(70)
Disposals or scrappings	(15)	–
Effect of foreign currency movement	36	(7)
Closing balance at 30 September	829	698
Accumulated depreciation:		
Opening balance at 1 October	114	134
Charge for the year	40	31
Reclassification	(2)	(60)
Arising on acquisition of subsidiary	–	9
Disposals or scrappings	(14)	–
Effect of foreign currency movement	3	–
Closing balance at 30 September	141	114
Carrying value at 30 September	688	584

Notes to the Group annual financial statements (continued)

for the year ended 30 September 2015

	2015 R'm	2014 R'm
5. PROPERTY, PLANT AND EQUIPMENT (continued)		
Improvements to leased premises		
Cost:		
Opening balance at 1 October	244	167
Additions	23	16
Arising on acquisition of subsidiary	5	79
Reclassification	–	(3)
Disposals or scrappings	–	(14)
Effect of foreign currency movement	9	(1)
Closing balance at 30 September	281	244
Accumulated depreciation:		
Opening balance at 1 October	84	74
Charge for the year	15	15
Arising on acquisition of subsidiary	1	9
Disposals or scrappings	–	(14)
Effect of foreign currency movement	2	–
Closing balance at 30 September	102	84
Carrying value at 30 September	179	160
Medical equipment		
Cost:		
Opening balance at 1 October	2 153	1 817
Additions	559	298
Arising on acquisition of subsidiary	104	119
Disposals or scrappings	(73)	(78)
Effect of foreign currency movement	30	(3)
Closing balance at 30 September	2 773	2 153
Accumulated depreciation:		
Opening balance at 1 October	1 102	942
Charge for the year	202	176
Arising on acquisition of subsidiary	54	59
Disposals or scrappings	(74)	(76)
Effect of foreign currency movement	15	1
Closing balance at 30 September	1 299	1 102
Carrying value at 30 September	1 474	1 051
Other equipment		
Cost:		
Opening balance at 1 October	571	374
Additions	33	175
Arising on acquisition of subsidiary	22	40
Disposals or scrappings	(16)	–
Effect of foreign currency movement	5	(18)
Closing balance at 30 September	615	571
Accumulated depreciation:		
Opening balance at 1 October	236	186
Charge for the year	39	47
Arising on acquisition of subsidiary	16	20
Disposals or scrappings	(14)	(17)
Effect of foreign currency movement	5	–
Closing balance at 30 September	282	236
Carrying value at 30 September	333	335

	2015 R'm	2014 R'm
5. PROPERTY, PLANT AND EQUIPMENT <i>(continued)</i>		
Motor vehicles		
Cost:		
Opening balance at 1 October	31	22
Additions	8	4
Arising on acquisition of subsidiary	4	9
Disposals or scrappings	(4)	(4)
Effect of foreign currency movement	1	–
Closing balance at 30 September	40	31
Accumulated depreciation:		
Opening balance at 1 October	19	13
Charge for the year	5	4
Arising on acquisition of subsidiary	1	5
Disposals or scrappings	(1)	(3)
Closing balance at 30 September	24	19
Carrying value at 30 September	16	12
Total cost		
Opening balance at 1 October	8 388	6 653
Additions	1 350	1 201
Arising on acquisition of subsidiary	332	667
Disposals or scrappings	(121)	(121)
Effect of foreign currency movement	108	(12)
Closing balance at 30 September	10 057	8 388
Total accumulated depreciation		
Opening balance at 1 October	2 487	2 136
Charge for the year	445	355
Arising on acquisition of subsidiary	102	110
Impairment	–	1
Disposals or scrappings	(109)	(116)
Effect of foreign currency movement	31	1
Closing balance at 30 September	2 956	2 487
Total carrying value at 30 September	7 101	5 901

Property, plant and equipment with a book value of Rnil (2014: R23 million) secure fixed rate bank borrowings, and property, plant and equipment with a book value of R363 million (2014: R105 million) secure floating rate bank borrowings. Refer to note 17.

The southern Africa leased assets secure lease liabilities to the value of R444 million (2014: R441 million). Refer to note 17.

The Polish leased assets secure lease liabilities to the value of R381 million (2014: R358 million). Refer to note 17.

Notes to the Group annual financial statements (continued)

for the year ended 30 September 2015

	2015 R'm	2014 R'm
6. INTANGIBLE ASSETS		
Intangible assets consist of:		
Goodwill	2 089	1 469
Computer software	144	115
Hospital licences	341	395
Customer relations	357	337
Preferred supplier contracts	–	1
Other intangible assets	33	1
	2 964	2 318
The movement in the balance for intangible assets is as follows:		
Balance at 1 October	2 318	2 084
Additions	60	34
Arising on acquisition of subsidiary	618	354
Effect of foreign currency movement	95	(5)
Amortisation charge	(127)	(122)
Disposals	–	(27)
Carrying value at 30 September	2 964	2 318
Goodwill		
Cost		
Opening balance at 1 October	1 532	1 238
Arising on acquisition of subsidiary	540	326
Effect of foreign currency movement	80	(5)
Disposals	–	(27)
Closing balance at 30 September	2 152	1 532
Accumulated impairment		
Opening balance at 1 October	63	63
Closing balance at 30 September	63	63
Carrying value at 30 September	2 089	1 469
Computer software		
Cost		
Opening balance at 1 October	211	136
Additions	36	34
Arising on acquisition of subsidiary	–	42
Effect of foreign currency movement	4	–
Disposals or scrappings	–	(1)
Closing balance at 30 September	251	211
Accumulated amortisation and impairment		
Opening balance at 1 October	96	74
Amortisation charge	10	9
Arising on acquisition of subsidiary	–	14
Effect of foreign currency movement	1	–
Disposals or scrappings	–	(1)
Closing balance at 30 September	107	96
Carrying value at 30 September	144	115
Hospital licences		
Cost		
Opening balance at 1 October	828	828
Closing balance at 30 September	828	828
Accumulated amortisation and impairment		
Opening balance at 1 October	433	380
Amortisation charge	54	53
Closing balance at 30 September	487	433
Carrying value at 30 September	341	395

	2015 R'm	2014 R'm
6. INTANGIBLE ASSETS (continued)		
Customer relations		
Cost		
Opening balance at 1 October	909	909
Additions	11	–
Arising on acquisition of subsidiaries	63	–
Effect of foreign currency movement	8	–
Closing balance at 30 September	991	909
Accumulated amortisation and impairment		
Opening balance at 1 October	572	515
Amortisation charge	62	57
Closing balance at 30 September	634	572
Carrying value at 30 September	357	337
Preferred supplier contracts		
Cost		
Opening and closing balance	107	107
Accumulated amortisation and impairment		
Opening balance at 1 October	106	103
Amortisation charge	1	3
Closing balance at 30 September	107	106
Carrying value at 30 September	–	1
Other intangible assets		
Cost		
Opening balance at 1 October	2	2
Additions	13	–
Arising on acquisition of subsidiary	15	–
Effect of foreign currency movement	4	–
Closing balance at 30 September	34	2
Accumulated amortisation and impairment		
Opening balance at 1 October	1	1
Closing balance at 30 September	1	1
Carrying value at 30 September	33	1
Total carrying value at 30 September	2 964	2 318
Total cost		
Opening balance at 1 October	3 591	3 222
Additions	60	34
Arising on acquisition of subsidiary	618	368
Effect of foreign currency movement	96	(5)
Disposals or scrappings	–	(28)
Closing balance at 30 September	4 365	3 591
Total accumulated amortisation and impairment		
Opening balance at 1 October	1 273	1 138
Amortisation charge	127	122
Arising on acquisition of subsidiary	–	14
Effect of foreign currency movement	1	–
Disposals or scrappings	–	(1)
Closing balance at 30 September	1 401	1 273
Total carrying value at 30 September	2 964	2 318
Goodwill impairment testing		
Goodwill has been allocated to the following operating segments for impairment:		
Hospitals	1 060	999
Healthcare services	149	149
Poland	880	321
	2 089	1 469

The original goodwill and intangible assets were allocated to the various cash-generating units based on trading profit as a percentage of the Group's trading profit. Subsequent additions are allocated to the specific cash-generating units.

There is no impairment charge during the current year.

Refer to note 3 for the methods and assumptions applied.

Notes to the Group annual financial statements (continued) for the year ended 30 September 2015

	2015 R'm	2014 R'm
7. INVESTMENT IN ASSOCIATES AND JOINT VENTURES		
Unlisted ordinary shares		
Balance at 1 October	828	1 178
Share of net profits after tax	14	39
Share of current year profit before tax	15	53
Share of current year tax	(1)	(14)
Capital distributions	(6)	(6)
Capital distributions transferred to loan account	–	(3)
Acquisition of investment in associate (Refer to note 34)	1 410	–
Forward exchange contract	60	–
Disposal of investment in associate (Refer to note 34)	–	(380)
Effect of foreign currency movement	5	–
Balance at 30 September	2 311	828
Loans to associates and joint ventures		
Balance at 1 October	11	8
Capital distributions transferred from equity	–	3
Balance at 30 September	11	11
Amounts owing are interest-bearing at rates negotiated on an annual basis (2015: 9.5% and 2014: 9.25%) 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 Group increased its shareholding in Max Healthcare Institute Limited (Max) on 11 November 2014 to 46.25%. The transaction resulted in Life Healthcare equalising its shareholding with Max India (Max equalisation). The remaining 7.5% is owned by the International Finance Corporation (IFC). The additional amount invested was R1.3 billion.		
The Group through its subsidiary, Scanmed Multimedis S.A. (Scanmed) acquired 49.93% of Carint, incorporated in Poland. The amount invested was R66 million.		
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.		
The aggregate assets, liabilities, and results of operations of associate companies are summarised as follows (not adjusted for percentage ownership by the Group):		
Statement of comprehensive income		
Revenue	3 872	3 029
Expenses	(3 800)	(2 966)
Profit before tax	72	63
Statement of financial position		
Non-current assets	3 388	1 981
Current assets	768	614
Total assets	4 156	2 595
Equity and liabilities		
Capital and reserves	1 718	609
Non-current liabilities	1 261	1 000
Current liabilities	1 177	986
Total equity and liabilities	4 156	2 595

The aggregate post-acquisition reserves (adjusted for the Group's ownership) for the associates and joint ventures are R14 million (2014: R60 million loss).

There are no unrecognised losses for associates.

Loans to associates past due but not impaired

All loans to associates that are past due are impaired accordingly. At 30 September 2015, there are no loans to associates that are past due and impaired (2014: Rnil).

	2015 R'm	2014 R'm
8. LOANS RECEIVABLE		
Loans receivable		
Balance at 1 October	10	10
Loans repaid	(6)	(5)
Loans granted	10	5
Non-current portion at 30 September	14	10
Impairment of loans receivable	(1)	–
Opening balance	–	(1)
Impairment raised	–	1
Amounts impaired and written off	(1)	–
Net loans receivable	13	10

These loans are unsecured, bear interest at rates linked to the prime bank overdraft rate, and are repayable between one to five years.

Loans receivable past due but not impaired

All loans receivable that are past due are impaired accordingly.

Loans receivable impaired

At 30 September, loans receivable of R1 million (2014: R1 million) were impaired and provided for.

Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates. No default existed at year-end.

9. RETIREMENT BENEFIT OBLIGATIONS AND POST-EMPLOYMENT MEDICAL AID SURPLUS

Pension and provident fund benefits

The Group currently participates in four funds: two defined benefit funds, a defined contribution provident fund and a defined contribution pension fund. The two defined benefit funds are closed to new members.

There are currently two dormant funds. Both are provident funds and in different stages of fund closure.

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.

Notes to the Group annual financial statements (continued) for the year ended 30 September 2015

9. RETIREMENT BENEFIT OBLIGATIONS AND POST-EMPLOYMENT MEDICAL AID SURPLUS (continued)

The following actuarial assumptions were applied in the valuation of the defined benefit funds as required by IAS 19:

	2015	2014
Discount rate (%)	8.83	8.98
Consumer price inflation (%)	7.01	7.19
<p>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. The expected long-term rate of return on bonds is set at the same level as the discount rate and the return on equities is set at a level of 1% above the bond rate, and the long-term rate of return on cash is set at a level of 1% above the bond rate.</p>		
Compensation increase rate (%)		
Life Healthcare DB Pension Fund	8.01	8.19
Lifecare Group Holdings Pension Fund	7.50	7.30
Pension increase rate (%)		
Life Healthcare DB Pension Fund ¹	7.01	5.39
Lifecare Group Holdings Pension Fund	4.88	4.73
<p>¹ 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 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.</p>		
Rates of mortality	0.50	0.50

The last statutory actuarial valuations for the funds were:

Life Healthcare DB Pension Fund	30 June 2012
Lifecare Group Holdings Pension Fund	The statutory valuation reports for 1 April 2001 were accepted by the Registrar on 3 September 2013. The 1 April 2004 valuation report, which coincides with the Fund's surplus apportionment date, awaits approval by the Registrar. Once the 2004 report has been accepted, the 2007, 2010 and 2013 reports will follow.

The main risks to the Company of sponsoring a defined benefit plan are:

- 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:

1. Investment returns lower than the valuation assumptions;
2. Higher than expected salary and pension increases;
3. A strengthening of the valuation assumptions from time to time; and
4. Lower than expected pensioner mortality.

- 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.

9. RETIREMENT BENEFIT OBLIGATIONS AND POST-EMPLOYMENT MEDICAL AID SURPLUS (continued)

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

R'm	Life Healthcare DB Pension Fund	Lifecare Group Holdings Pension Fund
Components of net periodic cost – 2015		
Current service cost	11	2
Net interest income	(33)	–
Pension income recognised in profit and loss	(22)	2
Remeasurement of the pension asset		
Liability (gain)/loss	(3)	2
Asset loss/(gain)	12	(8)
Impact of Paragraph 64 limit adjustment on asset	–	5
Remeasurement recognised in other comprehensive income	9	(1)
Defined benefit (income)/cost	(13)	1
Components of net periodic cost – 2014		
Current service cost	10	3
Net interest income	(28)	–
Pension (income)/expense recognised in profit and loss	(18)	3
Remeasurement of the pension asset		
Liability loss	25	–
Asset gain	(49)	(4)
Impact of Paragraph 64 limit adjustment on asset	–	2
Remeasurement recognised in other comprehensive income	(24)	(2)
Defined benefit (income)/cost	(42)	1
Reconciliation of defined benefit obligation – 2015		
Defined benefit obligation at 30 September 2014	540	58
Service cost	11	2
Member contributions	3	–
Interest cost	46	5
Actuarial (gain)/loss	(3)	2
Benefits paid	(75)	(5)
Expenses	(1)	(1)
Defined benefit obligation at 30 September 2015	521	61
Reconciliation of defined benefit obligation – 2014		
Defined benefit obligation at 1 October 2013 – restated	523	53
Service cost	10	3
Member contributions	4	–
Interest cost	44	5
Actuarial loss	25	4
Benefits paid	(33)	(5)
Net transfers in	(31)	–
Expenses	(2)	(2)
Defined benefit obligation at 30 September 2014	540	58
Remeasurement of the pension asset – 2015		
Actuarial losses/(gain)	13	(8)
Loss arising from changes in demographic assumptions	–	1
Loss arising from changes in financial assumptions	–	1
Loss arising from changes in other assumptions	(4)	–
Impact of Paragraph 64 limit adjustment on asset	–	5
Remeasurement recognised in other comprehensive income	9	(1)

Notes to the Group annual financial statements (continued)

for the year ended 30 September 2015

R'm	Life Healthcare DB Pension Fund	Lifecare Group Holdings Pension Fund
9. RETIREMENT BENEFIT OBLIGATIONS AND POST-EMPLOYMENT		
MEDICAL AID SURPLUS (continued)		
Remeasurement of the pension asset – 2014		
Return on plan asset	(49)	(8)
Gain arising from changes in demographic assumptions	2	5
Gain arising from changes in financial assumptions	17	–
Loss arising from changes in other assumptions	6	(1)
Impact of Paragraph 64 limit adjustment on asset	–	2
Remeasurement recognised in other comprehensive income	(24)	(2)
Reconciliation of fair value of plan assets – 2015		
Assets at fair market value as at 30 September 2014	912	143
Expected return on assets	81	12
Contributions	7	1
Benefits paid	(75)	(5)
Actuarial (loss)/gain	(13)	8
Expenses	(2)	(1)
Assets at fair market value as at 30 September 2015	910	158
Reconciliation of fair value of plan assets – 2014		
Assets at fair market value as at 1 October 2013 – restated	844	130
Expected return on assets	72	11
Contributions	12	1
Benefits paid	(33)	(5)
Actuarial gain	49	8
Net transfers in	(31)	–
Expenses	(1)	(2)
Assets at fair market value as at 30 September 2014	912	143
Defined benefit fund asset/liability – 2015		
Asset as at 1 October 2014	372	–
Net income/(expense) recognised in profit and loss	22	(2)
Remeasurements recognised in other comprehensive income	(9)	1
Company contributions	4	1
Asset as at 30 September 2015	389	–
Asset recognised in the statement of financial position	389	–
Defined benefit fund asset/liability – 2014		
Asset as at 1 October 2013 – restated	321	–
Net income/(expense) recognised in profit and loss	18	(3)
Remeasurements recognised in other comprehensive income	24	2
Company contributions	9	1
Asset as at 30 September 2014	372	–
Asset recognised in the statement of financial position	372	–
Actuarial value of defined benefit obligation and funded status – 2015		
Defined benefit obligation	(521)	(61)
Assets at fair market value	910	158
Funded status	389	97
Asset as at 30 September 2015	389	97
Unrecognised due to Paragraph 64 limit	–	(97)
Asset recognised in the statement of financial position	389	–
Actuarial value of defined benefit obligation and funded status – 2014		
Defined benefit obligation	(540)	(58)
Assets at fair market value	912	143
Funded status	372	85
Asset as at 30 September 2014	372	85
Unrecognised due to Paragraph 64 limit	–	(85)
Asset recognised in the statement of financial position	372	–

R'm	Life Healthcare DB Pension Fund	Lifecare Group Holdings Pension Fund
9. RETIREMENT BENEFIT OBLIGATIONS AND POST-EMPLOYMENT MEDICAL AID SURPLUS (continued)		
Composition of plan assets – 2015		
Cash (%)	7.4	8.8
Equity instruments (%)	43.4	38.5
Bonds (%)	17.4	25.3
Commodities (%)	1.9	–
Property (%)	5.2	10.2
Offshore and other (%)	24.7	17.2
	100.0	100.0
Composition of plan assets – 2014		
Cash (%)	13.9	9.0
Equity instruments (%)	40.6	41.8
Bonds (%)	16.2	23.1
Property (%)	4.0	8.9
Offshore and other (%)	25.3	17.2
	100.0	100.0

R'm

Expected contributions to the benefit plans for the year ending 30 September 2016:		
Member contributions	4	–
Company contributions	4	1
Benefit payments	(81)	(3)
Expenses	(2)	(1)

The employer pays the balance of the cost to fund the defined benefits accruing each year. Due to the large surplus available in the Fund the employer is currently partaking in a partial contribution holiday by contributing at a flat rate of 15.0% of pensionable salaries.

The weighted average duration of the Life Healthcare DB Pension Fund's liabilities is 13.7 years.

The weighted average duration of the Lifecare Group Holdings Pension Fund's liabilities is 12 years.

Both these funds are closed to new members.

Life Healthcare DB Pension Fund	Increase R'm	Decrease R'm
The effect of a 1% movement in the assumed net discount rate:		
Effect on the defined benefit obligation		
1% decrease in discount rate	56	–
1% increase in discount rate	–	(57)

Notes to the Group annual financial statements (continued) for the year ended 30 September 2015

9. RETIREMENT BENEFIT OBLIGATIONS AND POST-EMPLOYMENT MEDICAL AID SURPLUS (continued)

Post-employment medical aid benefit

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 still carries a liability for post-employment medical benefits in respect of 16 employees and 49 pensioners, who have not accepted the alternative benefit offer made by the Company during the 2013 financial year. The alternative benefit offer was made on a voluntary basis and a small number of employees and pensioners chose not to accept the offer.

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

The following actuarial assumptions were applied.

	2015	2014
Discount rate (%)	8.90	8.40
Consumer price inflation (%)	6.70	6.20
Expected return on assets (%)	8.90	8.40
Healthcare cost inflation (%)	8.70	8.20
Compensation increase rate (%)	7.09	7.04
Average retirement age	60	60

The expected return on planned assets of 8.9% (2014: 8.4%) per annum is based on a nominal allocation of the plan assets, expected return on the underlying asset classes and expected expenses.

The risks faced by Life Healthcare as a result of the post-employment healthcare obligation can be summarised as follows:

- Inflation: The risk that future CPI inflation and healthcare cost inflation are higher than expected and uncontrolled;
- Longevity: The risk that pensioners live longer than expected and thus their healthcare benefit is payable for longer than expected;
- Open-ended, long-term liability: The risk that the liability may be volatile in the future and uncertain;
- Future changes in legislation: The risk that changes to legislation with respect to the post-employment healthcare liability may increase the liability for Life Healthcare;
- Future changes in the tax environment: The risk that changes in the tax legislation governing employee benefits may increase the liability for Life Healthcare;
- Perceived inequality by non-eligible employees: The risk of dissatisfaction of employees who are not eligible for a post-employment healthcare subsidy;
- Administration: Administration of this liability poses a burden to Life Healthcare;
- Enforcement of eligibility criteria and rules: The risk that eligibility criteria and rules are not strictly or consistently enforced;
- Investment risk: The risk that the return earned by the plan assets is lower than expected and thus the plan assets are insufficient;
- Market risk: The risk that the market value of the plan assets will decrease due to unexpected movements in market factors; and
- Default risk: The risk of default of the instruments underpinning the plan asset vehicle.

The Group's obligation in respect of post-employment medical aid benefit as measured in terms of IAS 19 is tabled below

	2015 R'm	2014 R'm
Components of profit and loss		
Net interest cost	1	(1)
Expected employer benefit payments	(1)	(1)
Expected benefit payments from plan assets	1	1
Net periodic cost	1	(1)

9. RETIREMENT BENEFIT OBLIGATIONS AND POST-EMPLOYMENT MEDICAL AID SURPLUS (continued)

	2015 R'm	2014 R'm	2013 R'm	2012 R'm	2011 R'm
Defined benefit fund asset surplus					
Asset as at 30 September	4	16	5	10	10
Remeasurement recognised in other comprehensive income	1	3	11	7	7
Net periodic income/(cost)	–	1	–	(12)	(7)
Withdrawals from plan assets	–	(16)	–	–	–
Net asset as at 30 September	5	4	16	5	10
Actuarial value of defined benefit obligation and funded status					
Defined benefit obligation	(12)	(14)	(13)	(68)	(67)
Assets at fair market value	17	18	29	73	77
Funded status	5	4	16	5	10
Net asset as at 30 September	5	4	16	5	10
Post-employment medical aid benefits					
Plan assets comprise:					
Equity instruments (%)	98.7	97.8	99.7	58.7	49.2
Cash (%)	1.3	2.2	0.3	41.3	50.8
	100.0	100.0	100.0	100.0	100.0

There are no expected contributions to the post-employment benefit plan for the year ending 30 September 2016 as the fund is fully funded.

	Increase R'm	Decrease R'm
The effect of a 1% movement in the assumed medical cost trend rate is as follows:		
Effect on the defined benefit obligation		
1% decrease in discount rate	13	–
1% increase in discount rate	–	(11)

Notes to the Group annual financial statements (continued)

for the year ended 30 September 2015

	2015 R'm	2014 R'm
10. DEFERRED INCOME TAX		
Deferred tax per the statement of financial position represents the summation of the individual deferred tax balances per subsidiary. This is split between deferred tax assets and liabilities as follows:		
Deferred tax assets	341	253
Deferred tax liabilities	(520)	(438)
	(179)	(185)
The movement in the deferred tax account is as follows:		
Balance at 1 October	(185)	(178)
Acquired through acquisition of subsidiary	(37)	(4)
Effect of foreign currency movement	(3)	–
Current year charge through profit or loss	44	5
Current year charge through other comprehensive income	2	(8)
Carrying amount at 30 September	(179)	(185)

	Balance at 1 October 2014 R'm	Acquisitions R'm	Net charge/ (credited) through other com- prehensive income R'm	Net charge/ (credited) during the current year R'm	Balance at 30 September 2015
2015					
Employee benefit provisions	98	1	–	6	105
Other provisions	18	(8)	–	–	10
Provision for doubtful debts	6	–	–	1	7
Share-based payment movement	13	–	–	(17)	(4)
Accelerated wear and tear for tax purposes on property, plant and equipment	(76)	(5)	–	(6)	(87)
Tax loss carried forward	16	1	–	10	27
Property leases	85	–	–	(24)	61
Credit balances in trade receivables	17	–	–	4	21
Pre-paid expenses	(11)	–	–	(1)	(12)
Intangible assets on acquisition of subsidiary	(204)	(22)	–	39	(187)
Retirement benefit asset	(109)	–	2	(3)	(110)
Derivatives	(13)	–	–	8	(5)
Revaluation of property	(23)	(9)	–	26	(6)
Other movements	(2)	2	–	1	1
	(185)	(40)	2	44	(179)

	Balance at 1 October 2013 Restated R'm	Foreign currency exchange adjustment R'm	Net charge/ (credited) through other com- prehensive income	Net charge/ (credited) during the current year	Balance at 30 September 2014
2014					
Employee benefit provisions	98	–	–	–	98
Other provisions	18	–	–	–	18
Provision for doubtful debts	5	–	–	1	6
Share-based payment movement	9	–	–	4	13
Accelerated wear and tear for tax purposes on property, plant and equipment	(156)	–	–	80	(76)
Tax loss carried forward	7	(4)	–	13	16
Property leases	184	–	–	(99)	85
Credit balances in trade receivables	15	–	–	2	17
Pre-paid expenses	(8)	–	–	(3)	(11)
Intangible assets on acquisition of subsidiary	(238)	–	–	34	(204)
Retirement benefit asset	(95)	–	(8)	(6)	(109)
Derivatives	1	–	–	(14)	(13)
Revaluation of property	(18)	–	–	(5)	(23)
Other movements	–	–	–	(2)	(2)
	(178)	(4)	(8)	5	(185)

	2015 R'm	2014 R'm
10. DEFERRED INCOME TAX (continued)		
Analysis of deferred tax assets and deferred tax liabilities is as follows:		
Deferred tax assets		
Deferred tax assets to be recovered within 12 months	144	139
Deferred tax assets to be recovered after more than 12 months	88	114
	232	253
Deferred tax liabilities		
Deferred tax liabilities to be recovered within 12 months	(12)	(13)
Deferred tax liabilities to be recovered after more than 12 months	(399)	(425)
	(411)	(438)
Deferred tax assets arising from tax losses are recognised to the extent that realisation of the related tax benefits are probable. The determination of the probability of recovery is based on management forecast for the units.		
The Group has tax losses of R108 million (2014: R18 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. None of the tax losses are expected to expire.		
	2015 R'm	2014 R'm
11. INVENTORIES		
Ethical drugs and surgical consumable products	271	240
All medical consumables are carried at cost, which is lower than the net realisable value.		
The cost of inventories recorded as an expense is included in "Drugs and surgicals consumed" in the statement of comprehensive income.		
The cost of inventories written off as expired stock, is recognised as an expense and is included in "Drugs and surgicals consumed" in the statement of comprehensive income. Inventories written off amounted to:	9	6
12. TRADE AND OTHER RECEIVABLES		
Trade receivables	1 504	1 188
Less: Provision for impairment of receivables	(36)	(33)
Net trade receivables	1 468	1 155
Other receivables	121	105
Prepaid expenses	51	70
Balance at 30 September	1 640	1 330
Provision for impairment of receivables is based on historical collection trends, current market conditions and expected future cash flows.		
The Group has recognised losses for the impairment of its trade receivables for the year ended 30 September:	78	76
These losses have been included in "Other expenses" in the statement of comprehensive income.		
Trade and other receivables past due but not impaired		
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:		
	309	188
Southern Africa	273	184
Poland	36	4

	2015 R'm	2014 R'm
13. CASH AND CASH EQUIVALENTS		
Cash at bank and on hand	764	335
Short-term money market instruments	48	87
Bank overdraft	(557)	(155)
Balance at 30 September	255	267
The cash at bank and deposits are on call, immediately available and consist of money market call deposits and short-term money market instruments. The average effective interest rate on short-term money market instruments for the period was:	5.93%	5.29%
The average effective interest rate on the overdraft facility for the period was:	7.26%	6.45%
The cash and cash equivalents carrying amount is denominated in the following currencies:		
South African rand	67	126
Botswana pula	101	59
Polish zloty	87	82
Balance at 30 September	255	267
Cash and cash equivalents include the following for the purpose of the cash flow statement:		
Cash at bank and on hand	764	335
Short-term money market instruments	48	87
Bank overdraft	(557)	(155)
Cash and cash equivalents	255	267
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 based on South African Fitch Ratings (zaf) are:		
AAA	2	-
AA	694	279
A+	29	60
The credit quality of cash at bank and short-term money market instruments based on Botswana Fitch Ratings are:		
BBB	101	59
The credit quality of cash at bank and short-term money market instruments based on Polish Fitch Ratings are:		
AA-	40	32
A+	3	-
A	3	51
A-	4	-
BBB-	32	-
BB	3	-
CCC	1	-
Cash on hand	1	-
	913	481

Notes to the Group annual financial statements (continued)

for the year ended 30 September 2015

	2015 R'm	2014 R'm
14. SHARE CAPITAL		
Authorised		
Ordinary shares		
4 149 980 000 (2014: 4 149 980 000) ordinary shares of R0.000001 each (Total value = R4 149 (2014: R4 149))	1	1
Issued and fully paid		
Ordinary shares		
Balance at 30 September	1	1
Fully paid share capital		
1 042 209 750 (2014: 1 042 209 750) ordinary shares of R0.000001 each (Total value = R1 042 (2014: R1 042))	1	1
Treasury shares		
6 707 800 (2014: 5 056 473)	(262)	(170)
Reconciliation of the value of treasury shares		
Balance at 1 October	(170)	(149)
Shares sold in respect of the long-term incentive scheme	9	2
Purchase of shares in respect of the Life Healthcare Employee Share Trust	(100)	–
Purchase of shares in respect of the long-term incentive scheme	(20)	(23)
Vesting of shares in respect of the long-term incentive scheme (Refer to note 16)	19	–
Closing balance	(262)	(170)
Reconciliation of number of shares ('000)		
Opening balance	1 037 153	1 037 549
Life Healthcare Employee Share Trust		
Granted ²	(2 427)	–
Exercised ²	121	114
Long-term incentive scheme		
Granted ²	(511)	(592)
Exercised ²	256	82
Vested ²	909	–
Closing balance	1 035 501	1 037 153
¹ Amounts rounded to less than R million.		
² All shares traded at market values.		
15. SHARE PREMIUM		
Balance at 1 October	3 373	3 373
	3 373	3 373
16. OTHER RESERVES		
Life Healthcare Employee Share Trust	57	29
Long-term incentive scheme	52	72
Foreign currency translation reserve	148	(1)
Transactions with non-controlling interest reserve	(116)	(87)
	141	13

	2015 R'm	2014 R'm
16. OTHER RESERVES (continued)		
The movements in each category of reserves were as follows:		
Life Healthcare Employee Share Trust		
Balance at 1 October	29	12
Employee expense for the year	28	17
Balance at 30 September	57	29

The share-based payment reserve consists of an equity-settled scheme, namely the Life Healthcare Employee Share Trust. The scheme falls within the definition of control that determines which entities are consolidated in terms of IFRS 10. 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. During the current year, 1 333 250 shares were bought relating to the 2015 financial year grant and 1 093 524 shares relating to the 2014 financial year grant, for all qualifying employees, at an average market price of R37.50 and R45.72 respectively. No shares were bought during the prior year as the Company was investigating further options to improve the scheme. The Company concluded that the existing scheme in its original format proved to be the most beneficial to staff, meeting the Group's objective of staff retention and therefore the scheme was unchanged. 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. The charge and contribution reflected is for the Company's proportionate share only.

Employees who leave, other than good leavers, forfeit their beneficial interest in the trust. Qualifying employees will need to be in service on the fifth (25%), sixth (25%) and seventh (50%) anniversaries when the shares are delivered.

An annual contribution is made by each employer company in the Group for its qualifying employees.

Long-term incentive scheme

Balance at 1 October	72	54
Employee expense for the year	8	18
Vested during the year	(19)	-
Leavers	(9)	-
Balance at 30 September	52	72

The Group has set up an equity-settled scheme, namely the "Life Healthcare 2009 Long Term Incentive Plan Trust". The scheme falls within the definition of control that determines which entities are consolidated in terms of IFRS 10.

The existing bonus scheme is available to senior employees. It is a hybrid scheme that combines a pure unit appreciation component, and a performance share component. In terms of the scheme, Life Healthcare Group Holdings Limited shares were acquired 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. The number of shares acquired in 2015 is 510 870 (2014: 592 470) at an average market price of R42.66 (2014: R38.72) per share on grant date. 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 Group set up a new equity-settled performance share scheme during the current year. The scheme is available to all executives and senior managers. The value of awards will be tier-based and linked to individual performance. Each award will be converted into performance shares. In terms of the scheme the participants, 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 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. The vesting of the awards is subject to Life Healthcare Group Holdings Limited meeting two performance conditions, namely growth on earnings before interest and tax (EBIT) and growth on total shareholder return (TSR) over pre-determined thresholds. The target TSR is set relative to the TSR of a comparator group of listed companies and the target EBIT is compared to CPI plus a percentage. This will be accounted for as a share-based payment (IFRS 2).

Assumptions: New long-term incentive scheme (southern Africa)

The fair value of awards granted during the period were determined using the Monte Carlo Simulation model. The significant inputs into the model were the continuous dividend yield of 5.46%, and expected option life of three years and a continuous risk-free rate of 7.39%. 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.

Notes to the Group annual financial statements (continued)

for the year ended 30 September 2015

	2015 R'm	2014 R'm
16. OTHER RESERVES (continued)		
Assumptions: Previous long-term incentive scheme (southern Africa)		
Discount rate – R157	n/a	7.00%
Discount rate – R186	8.43%	8.50%
Discount rate – R204	7.67%	n/a
Growth rates		
2011	11.9%	11.9%
2012	11.5%	11.5%
2013	14.3%	14.3%
2014	7.9%	11.8%
2015	11.8%	15.5%
2016	10.0%	–
Adjusted return on assets		
2011	42%	42%
2012	41%	41%
2013	50%	40%
2014	46%	38%
2015	44%	36%
2016	44%	–
Refer to note 20 for the IAS 19 portion of the long-term incentive scheme.		
Foreign currency translation reserve		
Balance at 1 October	(1)	(2)
Currency translations arising in the year	149	1
Balance at 30 September	148	(1)
Transactions with non-controlling interest reserve		
Balance at 1 October	(87)	7
Decreases in ownership interest in subsidiaries	7	8
Increase in ownership interest in subsidiaries	(36)	(102)
Balance at 30 September	(116)	(87)

The transactions with non-controlling interest arise from changes of ownership interests in subsidiaries with non-controlling interests, that do not result in a change in control. Refer to note 34.

	2015		Total R'm
	Non-current portion R'm	Current portion R'm	
17. INTEREST-BEARING BORROWINGS			
Unsecured borrowings			
Term loans	1 277	831	2 108
Preference shares	2 870	–	2 870
Secured borrowings			
Equipment instalment sale	21	30	51
Mortgage bonds at variable interest rates	96	10	106
Term loans	56	16	72
Finance leases – properties	932	27	959
Finance leases – equipment	8	8	16
Finance leases – other	3	2	5
Total borrowings – 30 September 2015	5 263	924	6 187

	2014		Total R'm
	Non-current portion R'm	Current portion R'm	
Unsecured borrowings			
Term loans	831	554	1 385
Preference shares	615	205	820
Other loans	–	116	116
Secured borrowings			
Equipment instalment sale	31	25	56
Polish bonds at variable interest rate	–	64	64
Mortgage bonds at variable interest rates	27	2	29
Term loans	13	7	20
Finance leases – properties	808	25	833
Finance leases – equipment	15	7	22
Finance leases – other	4	2	6
Total borrowings – 30 September 2014	2 344	1 007	3 351

	2015 R'm	2014 R'm
The maturity of the borrowings is as follows:		
Within one year	924	1 007
Between one and two years	348	1 030
Between two and five years	4 082	642
Over five years	833	672
	6 187	3 351

The carrying amounts and fair value of the non-current borrowings are as follows:

	Carrying amount		Fair value	
	2015 R'm	2014 R'm	2015 R'm	2014 R'm
Secured borrowings				
Finance leases – properties	959	833	1 059	974

The fair values of current borrowings at fixed rates are based on cash flows discounted using a rate based on the prime rate of 9.5% (2014: 9.25%) and are within level 2 of the fair value hierarchy.

Notes to the Group annual financial statements (continued) for the year ended 30 September 2015

	2015 R'm	2014 R'm
17. INTEREST-BEARING BORROWINGS (continued)		
Unsecured borrowings		
Syndicated term loans	-	-
Opening balance at 1 October	-	623
Less: Capital repaid during the year	-	(623)
Closing balance at 30 September	-	-
Less: Current portion transferred to current liabilities	-	-
Repayment terms		
The term loans were unsecured and were split into two distinct loans with different interest rates. The first term loan of R1 075 million carried interest at the three-month JIBAR rate plus a margin of 2.5%. The second term loan of R1 000 million carried interest at the three-month JIBAR rate plus a margin of 2.3%. The interest was serviced quarterly. The loans were repayable over five years with equal six-monthly instalments of R107.5 million and R100 million respectively. The last repayment date was 31 March 2015. The loans were repaid during February 2014 and new term loans were raised.		
Bilateral term loans	1 277	831
Opening balance at 1 October	1 385	-
Additional loans raised	1 000	1 500
Less: Capital repaid during the year	(277)	(115)
Closing balance at 30 September	2 108	1 385
Less: Current portion transferred to current liabilities	(831)	(554)

The term loans are unsecured and are split into five (2014: two) distinct loans with different interest rates.

Term loans one and two

The first term loan of R690 million carries interest at the three-month JIBAR rate plus a margin of 1%. The second term loan of R810 million carries interest at the three-month JIBAR rate plus a margin of 1.1%. The interest is serviced quarterly. The loans are repayable over three years. The first term loan is repayable in six equal semi-annual instalments of R115 million. The second term loan is repayable in five equal semi-annual instalments of R162 million. The last repayment date is 31 March 2017. At 30 September 2015, the outstanding amount for the first term loan is R460 million (2014: R575 million) and for the second term loan R648 million (2014: R810 million).

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

- 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.

Term loans three, four and five

The third term loan of R400 million carries interest at the three-month JIBAR rate plus a margin of 1.65%. The fourth term loan of R350 million carries interest at the three-month JIBAR rate plus a margin of 1.7%. The fifth term loan of R250 million carries interest at the three-month JIBAR rate plus a margin of 1.3%. The interest is serviced quarterly. The third and fourth term loans are repayable from 30 September 2018 in eight equal quarterly instalments of R50 million and R43.75 million respectively. The last repayment date is 15 May 2020. At 30 September 2015, the outstanding amount for the third term loan is R400 million and for the fourth term loan is R350 million. The fifth term loan is repayable in full in a single instalment of R250 million on 21 May 2018. At 30 September 2015, the outstanding amount for the fifth term loan is R250 million.

	2015 R'm	2014 R'm
17. INTEREST-BEARING BORROWINGS (continued)		
Preference shares	2 870	615
Opening balance at 1 October	820	820
Preference shares raised	2 050	–
Closing balance at 30 September	2 870	820
Less: Current portion transferred to current liabilities	–	(205)

Repayment terms

The preference shares are defined as borrowings and are split into five distinct classes with different terms and interest rates.

Class A1 and class B

The terms of the class B borrowings were modified during the current financial year, to be in line with the terms of the class A1 borrowings.

The class A1 borrowings of R800 million and class B borrowings of R820 million are both unsecured and carry interest at 77% of the three-month JIBAR rate plus a margin of 1.61% (2014: Class B – 77% of the three-month JIBAR rate plus a margin of 2.035%). The dividend on the preference shares is classified as interest and is serviced quarterly. The borrowings are repayable from 31 March 2018 (2014: Class B – 30 September 2015) in four equal six-monthly instalments of R200 million and R205 million respectively. The last repayment date is 30 September 2019 (2014: Class B – 31 March 2017). At 30 September 2015, the outstanding amount for the A1 preference shares is R800 million and for the Class B preference shares R820 million.

The lenders have the right to change the interest rate margin on the preference shares in the following conditions:

- 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.

Class A2 and class A3

The class A2 and class A3 borrowings of R300 million each are both unsecured and carry interest at 68% of prime. The dividend on the preference shares is classified as interest and is serviced quarterly. The borrowings are repayable in full in a single instalment of R300 million each on 8 November 2017. At 30 September 2015, the outstanding amount for both the A2 preference shares and the A3 preference shares is R300 million each.

Class C

The class C borrowing of R650 million is unsecured and carries interest at 67% of prime. The dividend on the preference shares is classified as interest and is serviced quarterly. The borrowing is repayable from 15 November 2018 in four equal six-monthly instalments of R162.5 million each. The last repayment date is 15 May 2020. At 30 September 2015 the outstanding amount for the C preference shares is R650 million.

	2015 R'm	2014 R'm
Other loans		
Opening balance at 1 October	116	–
Additional loans raised	1 110	117
Less: Capital repaid during the year	(1 220)	–
Effect of foreign currency movement	(6)	(1)
Closing balance at 30 September	–	116
Less: Current portion transferred to current liabilities	–	(116)

Repayment terms

During the current year, R1.11 billion of the South African revolving credit facility (RCF) was utilised. The RCF bore interest at the three-month JIBAR rate plus a margin of 0.6% and was repaid on 30 June 2015.

The Polish loan was unsecured, bore interest at 4% and was repaid during November 2014.

Notes to the Group annual financial statements (continued)

for the year ended 30 September 2015

	2015 R'm	2014 R'm
17. INTEREST-BEARING BORROWINGS (continued)		
Secured borrowings		
Equipment instalment sale	21	31
Opening balance at 1 October	56	31
Additional loans raised	20	45
Less: Capital repaid during the year	(25)	(20)
Closing balance at 30 September	51	56
Less: Current portion transferred to current liabilities	(30)	(25)
Repayment terms		
The South African loan bears interest at the South African prime rate minus 2.2%, is repayable in 36 equal monthly instalments of R2.3 million (2014: R2.3 million) and is secured by equipment with a carrying value of R100 million (2014: R118 million). The last instalment is due on 31 December 2016.		
The Botswana loan bears interest at the Botswana prime rate minus 0.25%, is repayable in 60 equal monthly instalments of R0.42 million (2014: Rnil) and is secured by equipment with a carrying value of R18 million. The last instalment is due on 30 June 2020.		
Mortgage bonds at fixed interest rate	-	-
Opening balance at 1 October	-	4
Loans repaid during the year	-	(4)
Closing balance at 30 September	-	-
Less: Current portion transferred to current liabilities	-	-
Repayment terms		
The Polish mortgage bonds bore interest at a fixed rate of 18.2%. The last instalment was paid on 31 March 2014.		
Bonds at variable interest rate	-	-
Opening balance at 1 October	64	-
Arising on acquisition of subsidiary	-	65
Loans repaid during the year	(64)	-
Effect of foreign currency movement	-	(1)
Closing balance at 30 September	-	64
Less: Current portion transferred to current liabilities	-	(64)
Repayment terms		
The Polish bond bore interest at a variable rate linked to the three-month Warsaw Interbank Offered Rate (WIBOR) plus a margin of 5.75%. The bond was repaid during November 2014 and was secured by the debtors book.		
Mortgage bonds at variable interest rate	96	27
Opening balance at 1 October	29	37
Additional loans raised	79	-
Loans repaid during the year	(2)	(8)
Closing balance at 30 September	106	29
Less: Current portion transferred to current liabilities	(10)	(2)
Repayment terms		
The southern African mortgage bonds bear interest at various rates linked to the prime bank overdraft rate and are repayable in average monthly instalments of R1.5 million (2014: R0.39 million) over periods ranging between one to eight (2014: one to nine) years. The mortgage bonds are secured by property, plant and equipment with a carrying value of R165 million (2014: R105 million). The last instalment is due on 30 September 2023.		

	2015 R'm	2014 R'm
17. INTEREST-BEARING BORROWINGS <i>(continued)</i>		
Term loans in Polish operations	56	13
Opening balance at 1 October	20	–
Arising on acquisition of subsidiary	133	23
Additional loans raised	9	4
Loans repaid during the year	(98)	(7)
Effect of foreign currency movement	8	–
Closing balance at 30 September	72	20
Less: Current portion transferred to current liabilities	(16)	(7)
Repayment terms		
These loans bear interest at variable rates linked to the one-month or three-month WIBOR plus margins ranging from 2.8% to 4% (2104: one-month or three-month WIBOR plus margins ranging from 2.8% to 4%), are repayable in monthly instalments of R0.66 million (2014: R1.4 million) and are secured by non-current assets and the debtors book, with a total carrying value of R98 million (2014: R53 million). The last instalment is due on 14 November 2024.		
Finance leases – Equipment	8	15
Opening balance at 1 October	22	–
Arising on acquisition of subsidiary	–	25
Raised during the year	–	1
Repaid during the year	(7)	(3)
Effect of foreign currency movement	1	(1)
Closing balance at 30 September	16	22
Less: Current portion transferred to current liabilities	(8)	(7)
Repayment terms		
These Polish finance leases bear interest at variable rates linked to one-month or three-month WIBOR plus margins ranging from 2.7% to 6.97%, and are repayable in average monthly instalments of R0.69 million (2014: R0.56 million) over periods ranging between one to three years. The finance lease agreements are secured by property, plant and equipment with a carrying value of R21 million (2014: R22 million). Minimum future finance lease payments:		
Not later than one year	9	8
Later than one year, not later than five years	8	17
Later than five years	–	–
	17	25
Future finance charges on lease payments	(1)	(3)
Present value of finance lease liabilities	16	22
The present value of future lease liabilities is as follows:		
Not later than one year	8	7
Later than one year, not later than five years	8	15
Later than five years	–	–
	16	22

Notes to the Group annual financial statements (continued)

for the year ended 30 September 2015

	2015 R'm	2014 R'm
17. INTEREST-BEARING BORROWINGS (continued)		
Finance leases – other	3	4
Opening balance at 1 October	6	–
Arising on acquisition of subsidiary	–	8
Raised during the year	1	–
Repaid during the year	(3)	(2)
Effect of foreign currency movement	1	–
Closing balance at 30 September	5	6
Less: Current portion transferred to current liabilities	(2)	(2)
Repayment terms		
These Polish finance leases bear interest at variable rates linked to one-month or three-month WIBOR plus margins ranging from 2.7% to 6.97%, and are repayable in average monthly instalments of R0.1 million (2014: R0.09 million) over periods ranging between one to four years. The finance lease agreements are secured by property, plant and equipment with a carrying value of R9 million (2014: R8 million).		
Minimum future finance lease payments:		
Not later than one year	2	3
Later than one year, not later than five years	3	4
Later than five years	–	–
	5	7
Future finance charges on lease payments	–	(1)
Present value of finance lease liabilities	5	6
The present value of future lease liabilities is as follows:		
Not later than one year	2	2
Later than one year, not later than five years	3	4
Later than five years	–	–
	5	6
Finance leases – property lease agreements capitalised	932	808
Opening balance at 1 October	833	594
Arising on acquisition of subsidiary	–	242
Raised during the year	113	17
Repaid during the year	(16)	(15)
Effect of foreign currency movement	29	(5)
Closing balance at 30 September	959	833
Less: Current portion transferred to current liabilities	(27)	(25)
Repayment terms		
The southern African finance leases bear interest at various rates ranging from 4.5% to 21% (2014: 4.5% to 18%) and are repayable in average monthly instalments of R6.5 million (2014: R6 million) over periods ranging between one and 19 (2014: one and 18) years. The finance lease agreements are secured by property, plant and equipment with a carrying value of R444 million (2014: R441 million).		
The Polish finance leases bear interest at a variable rate linked to the three-month WIBOR plus a margin of 3.76%, and are repayable in average monthly instalments of R0.16 million (2014: R0.18 million) over periods ranging between one and 11 (2014: one and 12) years. The finance lease agreements are secured by property, plant and equipment with a carrying value of R381 million (2014: R358 million).		
Minimum future finance lease payments:		
Not later than one year	131	117
Later than one year, not later than five years	599	526
Later than five years	1 214	1 072
	1 944	1 715
Future finance charges on lease payments	(985)	(882)
Present value of finance lease liabilities	959	833
The present value of future lease liabilities is as follows:		
Not later than one year	27	25
Later than one year, not later than five years	189	152
Later than five years	743	656
	959	833

	2015 R'm	2014 R'm
17. INTEREST-BEARING BORROWINGS (continued)		
Borrowing facilities		
The Group has the following borrowing facilities available:		
Available and uncommitted revolving credit facility	2 000	2 000
Preference share facility	–	1 400
Committed working capital facility (southern Africa) ¹	700	700
Committed working capital facility (Poland)	6	–
Guarantee facility	50	50
	2 756	4 150
The borrowing powers of the Company and its subsidiaries are not limited by the memorandum of incorporation of the Company.		
¹ <i>Fluctuates seasonally.</i>		
18. OPERATING LEASE LIABILITY		
The Group is a lessee of various hospital and administration office properties under non-cancellable lease agreements.		
Opening balance at 1 October	71	63
Operating lease expense on a straight-line basis	42	58
Lease payments to lessors	(41)	(45)
New operating lease entered into during the year	–	(6)
Derecognition during the year	(6)	–
Effect of foreign currency movement	1	1
Total liability at 30 September	67	71
<i>Deduct:</i> Operating lease liability current portion	(4)	–
<i>Add:</i> Operating lease asset current portion	–	5
<i>Add:</i> Operating lease asset non-current portion	6	–
Non-current operating lease liability	69	76
The lease terms range between one and 19 (2014: one to 20) years.		
Refer to note 37 for the operating lease commitments		
19. TRADE AND OTHER PAYABLES		
Trade payables	951	825
Accruals	185	261
Salary-related contributions	137	112
Value added tax	40	53
Deferred income	28	11
Accrued leave pay	187	171
Other payables	288	245
Contingent consideration (Refer to note 34)	105	–
Balance at 30 September	1 922	1 678

Notes to the Group annual financial statements (continued) for the year ended 30 September 2015

	2015 R'm	2014 R'm
20. PROVISIONS		
Employee benefit provisions	171	138
Long-term incentive scheme	32	50
Total provisions	203	188
Less: Portion included in non-current liabilities	(9)	(28)
Current portion of provisions	194	160
Employee benefit provisions		
Balance at 1 October	138	136
Additional provisions raised	176	190
Amounts utilised	(143)	(188)
Balance at 30 September	171	138
The employee benefit provisions represent the pro rata portion of a 13th cheque that is payable to employees in December annually in terms of their employment contracts, as well as a performance bonus scheme that is calculated quarterly. Provisions are raised, as payment is subject to the employee being in employment at vesting date.		
Long-term incentive scheme		
Balance at 1 October	50	66
Interest cost	1	2
Service cost	11	23
Actual benefit payments	(29)	(39)
Actuarial gain	(1)	(2)
Balance at 30 September	32	50

If the EBITDA growth rate was 10% higher, then the liability would be 30% higher.

If the EBITDA growth rate was 10% lower, then the liability would be 47% lower.

21. 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. Two interest rate swap contracts were entered into on 3 March 2014, that are expected to mature within the next financial year. The notional principal amount of these interest rate swap contracts were R600 million each. The fixed interest rate for the first interest rate contract was 7.32% and for the second interest rate contract was 7.33%. At 30 September 2015, the floating interest rate varies from 6.13% to 6.3%. In addition to these, the Group entered into three new interest rate swap contracts on 1 December 2014. The notional principal amount of the interest rate swap contracts totalled R1 800 million. The fixed interest rate for the contracts varied from 6.56% to 6.58%. At 30 September 2015, the floating interest rate for these contracts is 6.3%. All the interest rate contracts are linked to the three-month JIBAR (safex) and are settled quarterly on the last days of February, May, August and November. Gains and losses on the interest rate swap contracts are recognised in the statement of comprehensive income.

	2015		2014	
	Assets R'm	Liabilities R'm	Assets R'm	Liabilities R'm
Carrying value at 30 September	22	(4)	–	(9)
Mark-to-market valuation at 30 September	22	(4)	–	(9)
Foreign exchange hedge contract				
The Company entered into a foreign exchange transaction to hedge the foreign exchange exposure in respect of the purchase of Indian rupees in 2014. The notional principal amount of the outstanding foreign exchange contract at 30 September 2014 was Indian rupees 7 600 000. This contract matured on 10 November 2014.				
	–	–	56	–
Mark-to-market valuation at 30 September	–	–	56	–
Foreign exchange hedge contract				
The Company entered into a United States dollar exchange contract to manage exposure to fluctuations in the rand dollar exchange rate on a foreign liability. The notional principal amount of the outstanding foreign exchange contract at 30 September 2015 was USD0.7 million (2014: USD0.7 million). These contracts will mature within twelve months.				
	1	–	–	–
Mark-to-market valuation at 30 September	1	–	–	–
Total carrying value of derivative financial instruments at 30 September	23	(4)	56	(9)
Less: Non-current portion at 30 September	(22)	–	–	(9)
Interest rate swap contracts	(22)	–	–	(9)
Foreign exchange hedge contract	–	–	–	–
Foreign exchange contracts	–	–	–	–
Net current portion at 30 September	1	(4)	56	–
			2015 R'm	2014 R'm
The fair value gains/(losses) are charged to the statement of comprehensive income as follows:				
Interest rate swap contracts			31	(7)
Foreign exchange hedge contracts			(2)	56
			29	49

Notes to the Group annual financial statements (continued)

for the year ended 30 September 2015

	Assets at fair value through profit or loss R'm	Loans and receivables R'm	Total R'm
22. FINANCIAL INSTRUMENTS BY CATEGORY			
30 September 2015			
Assets per statement of financial position			
Trade and other receivables	–	1 589	1 589
Loans receivable	–	13	13
Loans to associates	–	11	11
Cash and cash equivalents	–	812	812
Derivative financial instruments	23	–	23
	23	2 425	2 448
	Liabilities at fair value through profit or loss R'm	Liabilities at amortised cost R'm	Total R'm
Liabilities per statement of financial position			
Trade and other payables	105	1 412	1 517
Interest-bearing borrowings	–	6 187	6 187
Derivative financial instruments	4	–	4
Bank overdraft	557	–	557
	666	7 599	8 265
	Assets at fair value through profit or loss R'm	Loans and receivables R'm	Total R'm
30 September 2014			
Assets per statement of financial position			
Trade and other receivables	–	1 260	1 260
Loans receivable	–	10	10
Loans to associates	–	11	11
Cash and cash equivalents	–	422	422
Derivative financial instruments	56	–	56
	56	1 703	1 759
	Liabilities at fair value through profit or loss R'm	Liabilities at amortised cost R'm	Total R'm
Liabilities per statement of financial position			
Trade and other payables	–	1 342	1 342
Interest-bearing borrowings	–	3 351	3 351
Derivative financial instruments	9	–	9
Bank overdraft	155	–	155
	164	4 693	4 857

23. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(a) Financial assets

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar agreements.

	Amounts offset			Amounts not offset		Net amounts R'm
	Gross assets R'm	Gross liabilities R'm	Net amounts R'm	Financial instruments R'm	Cash collateral received R'm	
As at 30 September 2015						
Cash and cash equivalents	-	-	-	812	-	812
Foreign exchange hedge contract	-	-	-	1	-	1
Interest rate swap contracts	140	(118)	22	-	-	-
	140	(118)	22	813	-	813

	Amounts offset			Amounts not offset		Net amounts R'm
	Gross assets R'm	Gross liabilities R'm	Net amounts R'm	Financial instruments R'm	Cash collateral received R'm	
As at 30 September 2014						
Cash and cash equivalents	-	-	-	422	-	422
Foreign exchange hedge contract	1 385	(1 329)	56	-	-	-
	1 385	(1 329)	56	422	-	422

(b) Financial liabilities

The following financial liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements.

	Amounts offset			Amounts not offset		Net amounts R'm
	Gross liabilities R'm	Gross assets R'm	Net amounts R'm	Financial instruments R'm	Cash collateral received R'm	
As at 30 September 2015						
Cash and cash equivalents	-	-	-	557	-	557
Interest rate swap contracts	(87)	83	(4)	-	-	-
	(87)	83	(4)	557	-	557

	Amounts offset			Amounts not offset		Net amounts R'm
	Gross liabilities R'm	Gross assets R'm	Net amounts R'm	Financial instruments R'm	Cash collateral received R'm	
As at 30 September 2014						
Cash and cash equivalents	-	-	-	155	-	155
Interest rate swap contracts	(87)	78	(9)	-	-	-
	(87)	78	(9)	155	-	155

Notes to the Group annual financial statements (continued)

for the year ended 30 September 2015

	2015 R'm	2014 R'm
24. REVENUE		
Revenue comprises invoiced fees for private healthcare and fees for healthcare services, net of value added tax (VAT) and discounts allowed. Main categories of revenue are as follows:		
Private healthcare services	13 263	12 053
Government and public healthcare facility services	862	573
Other healthcare-related services	461	369
Rental income related to auxiliary services	61	51
	14 647	13 046
25. OTHER INCOME		
Other income comprises:		
Other rental income	61	54
Other income	68	61
	129	115
26. PROFIT BEFORE TAX		
The following items have been included in arriving at profit before tax:		
Depreciation on property, plant and equipment	445	355
Fixed property – owned	144	82
Fixed property – leased	40	31
Leasehold improvements	15	15
Medical equipment	202	176
Other equipment	39	47
Motor vehicles	5	4
Amortisation of intangible assets	127	122
Computer software	10	9
Hospital licences	54	53
Customer relations	62	57
Preferred supplier contracts	1	3
Profit on disposal of business	–	(2)
Profit on disposal of investments in associates	–	(957)
Gain on bargain purchase	–	(1)
Impairment of property, plant and equipment	–	1
Repairs and maintenance expenditure on property, plant and equipment	172	174
Operating lease rentals	96	101
Equipment	54	43
Property	42	58
Trade receivables – impairment charge for doubtful debts and bad debts written off	78	76
Auditors' remuneration	15	14
Audit fees	14	12
Management consulting and other audit related services	1	2
Directors' remuneration (Refer to note 35)	18	35
For services as executive director	13	23
For services as a past executive director	–	8
For services as non-executive director	5	4
Currency translation differences	(158)	1
Professional, legal and secretarial fees	117	104

	2015 R'm	2014 R'm
27. EMPLOYEE BENEFITS EXPENSE		
Salaries ¹	3 741	3 243
Agency fees	728	682
Long-term incentive scheme	21	43
Share-based payment – Life Healthcare Employee Share Trust	26	16
Termination benefits	1	–
Medical aid contributions	222	205
Skills development	32	28
UIF	19	18
State social contributions in Poland	22	8
Pension fund costs – defined benefit and contribution plans	10	11
Provident fund costs – defined contribution plans	153	140
	4 975	4 394
Number of permanent employees	16 472	15 773
Southern Africa	14 182	14 141
Poland	2 290	1 632
¹ Salaries include executive directors' remuneration		
28. FINANCE INCOME AND COST		
Finance cost	445	230
Interest-bearing borrowings and bank overdrafts	306	182
Borrowing cost capitalised	(24)	(16)
Preference shares	147	51
Other	16	13
Finance income	(12)	(22)
Bank and deposits	(7)	(22)
Other	(5)	–
Net finance cost	433	208
29. TAX EXPENSE		
Normal tax		
Current year	934	878
Prior year	(8)	1
Deferred tax		
Current year	(44)	(1)
Prior year	1	(4)
Tax – withholding	1	1
	884	875
Reconciliation of the tax rate	%	%
South African normal tax rate	28.00	28.00
Adjusted for:		
Income not taxable – gain on sale of investment	–	(8.65)
Income not taxable – other	(0.91)	(0.62)
Expenses not deductible – depreciation on fixed property	0.53	0.24
Expenses not deductible – interest on preference shares	1.32	0.72
Expenses not deductible – of a capital nature	1.32	1.90
Prior year over/underprovision	(0.23)	(0.08)
Withholding taxes	0.04	0.01
Assessed losses	(2.05)	0.36
Impact of lower international tax rate	0.31	0.14
Effective rate	28.33	22.02

The Group has estimated tax losses of R166 million (2014: R54 million) available to offset against future taxable income. Tax losses of R9 million (2014: R5 million) were utilised during the period.

Notes to the Group annual financial statements (continued) for the year ended 30 September 2015

	2015 R'm	2014 R'm
30. EARNINGS AND HEADLINE EARNINGS PER SHARE		
Basic earnings per share		
Basic earnings per share is calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the year.		
Weighted average number of shares in issue is calculated as the number of shares in issue at the beginning of the year, increased/(decreased) by shares issued/(redeemed) during the year, weighted on a time basis for the period during which they participated in the net profit of the Group.		
Profit from operations attributable to equity holders	1 866	2 774
Weighted average number of shares in issue ('m)	1 037	1 037
Earnings per share (cents)	179.9	267.5
Diluted earnings per share		
The diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potential dilutive ordinary shares.		
Profit attributable to ordinary equity holders	1 866	2 774
Diluted number of shares for diluted earnings per share ('m)	1 041	1 040
Weighted average number of shares in issue ('m)	1 041	1 040
Diluted earnings per share (cents)	179.2	266.7
	Gross amount R'm	Tax R'm
		Net amount R'm
Headline earnings per share at 30 September 2015		
Profit attributable to ordinary equity holders	1 866	1 866
Adjustments:	-	-
Headline earnings for September 2014	1 866	1 866
Weighted average number of shares in issue ('m)		1 037
Headline earnings per share (cents)		179.9
	Gross amount R'm Restated	Tax R'm Restated
		Net amount R'm Restated
Headline earnings per share at 30 September 2014		
Profit attributable to ordinary equity holders		2 774
Adjustments:		
Impairment of property, plant and equipment	1	1
Profit on disposal of investment in associate	(957)	(929)
Profit on disposal of a business	(2)	(1)
Gain on bargain purchase	(1)	(1)
Headline earnings for September 2014		1 844
Weighted average number of shares in issue ('m)		1 037
Headline earnings per share (cents)		177.8

	2015 R'm	2014 R'm
30. EARNINGS AND HEADLINE EARNINGS PER SHARE (continued)		
Diluted headline earnings per share		
Diluted headline earnings per share is calculated on the same basis used for calculating diluted earnings per share, other than headline earnings being the numerator:		
Headline earnings	1 866	1 844
Diluted number of shares for diluted headline earnings per share ('000)	1 041	1 040
Weighted average number of shares in issue ('m)	1 041	1 040
Diluted headline earnings per share (cents)	179.2	177.3
Reconciliation between the weighted average number of shares and the diluted number of shares ('000):		
Issued ordinary shares at the beginning of the year	1 042 210	1 042 210
Effect of treasury shares	(4 844)	(4 963)
Weighted average number of ordinary shares at the end of the year for the purpose of basic earnings per share and headline earnings per share	1 037 366	1 037 247
Effect of dilutive potential ordinary shares – treasury shares	3 847	2 713
Weighted average number of ordinary shares at the end of the year for the purpose of diluted earnings per share and diluted headline earnings per share	1 041 213	1 039 960

Notes to the Group annual financial statements (continued) for the year ended 30 September 2015

	2015 R'm	2014 R'm
31. DISTRIBUTION PER SHARE		
Distribution per share (cents)	146	235
Final (previous financial year)	78	72
Special	–	100
Interim	68	63
<p>On 13 November 2014, an ordinary dividend of R813 million was declared by way of a dividend out of income reserves of 78 cents per ordinary share. The total dividend was subject to dividend withholding tax at a rate of 15%, which resulted in a net dividend of 66.3 cents per ordinary share to those shareholders who are not exempt in terms of section 64F of the Income Tax Act. On 12 May 2015, an interim dividend of R709 million was declared by way of a dividend out of income reserves of 68 cents per share. The total interim dividend was subject to dividend withholding tax at a rate of 15%, which resulted in a net dividend of 57.8 cents per ordinary share to those shareholders who are not exempt in terms of section 64F of the Income Tax Act.</p> <p>On 14 November 2013, an ordinary dividend of R750 million was declared by way of a dividend out of income reserves of 72 cents per ordinary share.</p> <p>On 20 February 2014, a special gross cash dividend of R1 042 million was declared by way of a dividend out of profits received on the disinvestment in Joint Medical Holdings Limited (JMH) of 100 cents per ordinary share. The total special dividend was subject to dividend withholding tax at a rate of 15%, which resulted in a net dividend of 85 cents per ordinary share to those shareholders who are not exempt in terms of section 64F of the Income Tax Act. On 12 May 2014, an interim dividend of R657 million was declared by way of a dividend out of income reserves of 63 cents per share. The total interim dividend was subject to dividend withholding tax at a rate of 15%, which resulted in a net dividend of 53.55 cents per ordinary share to those shareholders who are not exempt in terms of section 64F of the Income Tax Act.</p>		
32. CASH GENERATED FROM OPERATIONS		
Reconciliation of profit before tax to cash generated from operations		
Net profit before tax	3 112	3 973
Adjusted for:		
Income from associates	(14)	(39)
Depreciation on property, plant and equipment	445	355
Amortisation of intangible assets	127	122
Net finance costs excluding foreign exchange profit (Refer to note 28)	433	208
Fair value gains	(29)	(49)
Gain on bargain purchase	–	(1)
Profit on disposal of investment in associate	–	(957)
Profit on disposal of a business	–	(2)
Contingent consideration released	(21)	–
Share-based payment reserve charge	36	35
Effect of straight-line operating expense	42	58
Post-employment benefit obligation charge	(20)	(16)
Trade receivable impairment charge	78	76
Cost of inventories written off as expired stock	9	6
Operating cash flow before working capital changes	4 198	3 769
Working capital changes:		
Inventories	(36)	(26)
Trade and other receivables	(285)	(238)
Trade and other payables	(35)	11
Cash generated from operations	3 842	3 516
33. PROCEEDS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT		
In the statement of cash flows, proceeds from sale of property, plant and equipment comprise:		
Net carrying value	–	5
Cash proceeds from sale of property, plant and equipment	–	1
Proceeds included in trade and other receivables due to the sale of property, plant and equipment	–	4

	2015 R'm	2014 R'm
34. ACQUISITION AND DISPOSAL OF INVESTMENTS		
Acquisition of associates		
Max Healthcare Institute Limited		
The Group acquired additional shares in Max on 11 November 2014 and now owns 46.25%. The transaction resulted in Life Healthcare equalising its shareholding with Max India (Max equalisation).		
Cost of associate investment	(1 344)	–
Carint Scanned		
On 2 June 2015, Scanned acquired 49.93% of Carint, incorporated in Poland.		
Cost of associate investment	(66)	–
Refer to note 7 for the investment in associate and joint ventures.		
Increase in ownership interest in subsidiaries as a result of non-controlling interest transactions – various subsidiary companies		
During the current and previous financial year, the Group had marginal increases in its shareholdings in subsidiary companies.		
Increase in ownership interest:		
Value of increase in ownership interest in subsidiary	(11)	(59)
Cash outflow on increase of ownership interest in subsidiaries	(11)	(59)
Business combination – Genesis Clinic Saxonwold Proprietary Limited and Careways Proprietary Limited		
The Group acquired 100% of Genesis Clinic Saxonwold Proprietary Limited (Genesis) and the business of Careways Proprietary Limited (Careways) on 1 March 2015 and 1 May 2015 respectively.		
Goodwill recognised on these business combinations are in respect of expected synergies from combining the operations of Genesis and Careways within the Group.		
These companies had no significant contingent liabilities at the acquisition date.		
The following presents the net impact on the consolidated information of the Group as if the business combination took place on 1 October 2014:		
Revenue	81	
Net profit	4	
Details of the net assets acquired and goodwill are as follows:		
Purchase consideration		
Total purchase consideration	(78)	
Cash portion	(78)	
Fair value of net assets acquired		
Fair value of net assets acquired	16	
Goodwill arising on acquisition	(62)	
The fair value of the assets and liabilities arising from the acquisition were as follows:		
	Acquiree fair value 2015 R'm	
Trade and other receivable	11	
Trade and other payable	(17)	
Provisions	(1)	
Cash and cash equivalents	1	
Interest-bearing borrowings	(7)	
Property, plant and equipment	29	
	16	

Notes to the Group annual financial statements (continued) for the year ended 30 September 2015

	2015 R'm
34. ACQUISITION AND DISPOSAL OF INVESTMENTS (continued)	
Business combination – Sport Klinika	
On 1 October 2014, Scanmed acquired 100% of Sport Klinika, incorporated in Poland.	
Goodwill recognised on the business combination is in respect of expected synergies from combining the operations of Sport Klinika with the Group.	
The company had no significant contingent liabilities at the acquisition date.	
The following presents the net impact on the consolidated information of the Group for the year:	
Revenue	77
Net profit	10
Details of the net assets acquired and goodwill are as follows:	
Purchase consideration	
Total purchase consideration	(211)
Cash portion	(211)
Fair value of net assets acquired	
Fair value of net assets acquired	75
Goodwill arising on acquisition	(136)
The fair value of the assets and liabilities arising from the acquisition were as follows:	
	Acquiree fair value 2015 R'm
Inventories	1
Trade and other receivable	6
Trade and other payable	(7)
Cash and cash equivalents	18
Current tax liability	(1)
Interest-bearing borrowings	(46)
Property, plant and equipment	86
Intangible assets	25
Deferred tax	(7)
	75
	2015 R'm
Business combination – Kliniki Kardiologii Allenort	
On 1 November 2014, Scanmed acquired 100% of Kliniki Kardiologii Allenort, incorporated in Poland.	
Goodwill recognised on the business combination is in respect of expected synergies from combining the operations of Kliniki Kardiologii Allenort within the Group.	
The company had no significant contingent liabilities at the acquisition date.	
The following presents the net impact on the consolidated information of the Group as if the business combination took place on 1 October 2014:	
Revenue	163
Net profit	16
Details of the net assets acquired and goodwill are as follows:	
Purchase consideration	
Total purchase consideration	(443)
Cash portion	(338)
Contingent consideration	(105)
Fair value of net assets acquired	
Fair value of net assets acquired	101
Goodwill arising on acquisition	(342)
The contingent consideration is dependent on the business gaining additional contracts in the next nine months.	
The contingent consideration is calculated by applying the same EBITDA multiple used on the acquisition date.	

34. ACQUISITION AND DISPOSAL OF INVESTMENTS (continued)

The fair value of the assets and liabilities arising from the acquisition were as follows:

	Acquiree fair value 2015 R'm	
Inventories	2	
Trade and other receivable	66	
Trade and other payable	(30)	
Cash and cash equivalents	1	
Interest-bearing borrowings	(87)	
Property, plant and equipment	115	
Intangible assets	53	
Deferred tax	(19)	
	101	
	2015 R'm	2014 R'm
Decrease in ownership interest in subsidiaries as a result of non-controlling interest transactions – various subsidiary companies		
During the current and previous financial year, the Group disposed of marginal percentages of its holding in subsidiary companies to non-controlling interest.		
The Group still maintained control over the subsidiary entities after the decrease in ownership interest.		
Decrease in ownership interest:		
Value of decrease in ownership interest in subsidiary	33	17
Total value of decrease in ownership interest in subsidiary	33	17
Transactions with non-controlling interest reserve	7	8
Proceeds on disposal of investments	40	25
Cash proceeds on decrease of ownership interest in subsidiaries	40	13
Non-cash proceeds	–	12

Notes to the Group annual financial statements (continued) for the year ended 30 September 2015

35. DIRECTORS' EMOLUMENTS

Emoluments paid to the directors of the Company by the Company and its subsidiaries for the year to 30 September, are set out below:

	Total share-holding	Directors' fees R'000	Salaries R'000	Bonus and performance-related payments R'000	Other allowances R'000	Gains on Long Term Incentive Scheme R'000	Medical aid contributions R'000	Pension fund contribution R'000	Total R'000
2015									
Executive directors									
A Meyer ¹	3 000	–	3 352	3 029	1 056	–	30	327	7 794
PP van der Westhuizen	129 118	–	1 586	1 285	532	1 914	30	155	5 502
	132 118	–	4 938	4 314	1 588	1 914	60	482	13 296
Non-executive directors									
MA Brey	6 336 208	886	–	–	–	–	–	–	886
Dr MP Ngatane	–	334	–	–	–	–	–	–	334
GC Solomon	107 000	670	–	–	–	–	–	–	670
LM Mojela	–	629	–	–	–	–	–	–	629
PJ Goleworthy	22 000	879	–	–	–	–	–	–	879
FA du Plessis	–	162	–	–	–	–	–	–	162
JK Netshitenzhe	–	376	–	–	–	–	–	–	376
RT Vice	–	663	–	–	–	–	–	–	663
ME Jacobs	–	335	–	–	–	–	–	–	335
	6 465 208	4 934	–	–	–	–	–	–	4 934
2014									
Executive directors									
A Meyer ¹	–	–	2 138	6 316 ³	693	–	19	208	9 374
CMD Flemming ²	n/a	–	1 484	1 693	1 366 ⁴	4 657 ⁵	14	400	9 614
PP van der Westhuizen	151 399	–	1 331	1 121	488	565	28	130	3 663
	151 399	–	4 953	9 130	2 547	5 222	61	738	22 651
Past executive director									
CMD Flemming ²	–	–	1 538	2 451	488	3 366	13	407	8 263
Non-executive directors									
MA Brey	6 323 128	1 049	–	–	–	–	–	–	1 049
Dr MP Ngatane	–	302	–	–	–	–	–	–	302
GC Solomon	107 000	558	–	–	–	–	–	–	558
LM Mojela	–	563	–	–	–	–	–	–	563
PJ Goleworthy	22 000	623	–	–	–	–	–	–	623
TS Munday	–	178	–	–	–	–	–	–	178
FA du Plessis	–	340	–	–	–	–	–	–	340
JK Netshitenzhe	–	274	–	–	–	–	–	–	274
RT Vice	–	328	–	–	–	–	–	–	328
ME Jacobs	–	214	–	–	–	–	–	–	214
	6 452 128	4 429	–	–	–	–	–	–	4 429

¹ A Meyer was appointed as Chief Executive Officer and executive director on 1 April 2014.

² CMD Flemming retired as Chief Executive Officer and executive director on 31 March 2014.

³ Includes a R6 000 000 sign-on bonus subject to a 36-month work back period.

⁴ Includes R894 808 related to leave cashed in 2014.

⁵ Includes R3 366 118 gain on the long-term incentive scheme entitlement for the period CMD Flemming was a director. This was paid out in January 2015.

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) and the Group's Chief Financial Officer (PP van der Westhuizen). Refer above for the directors' remuneration for the prescribed officers.

36. RELATED PARTIES

Subsidiary companies – refer to Annexure A

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.

Associate companies and joint ventures – refer to Annexure B

The Group has investments in a number of associate companies and joint ventures. Details are disclosed in note 7 and Annexure B to the financial statements. No provision has been required in 2015 and 2014 for the loans made to associates and joint ventures.

Directors and director-related entities

Details of directors are disclosed in the administration to the financial statements on page 2. No direct loans were made to or received from any director and no other transactions were entered into with any director. Refer to note 35 for details on directors' emoluments. No director 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.

Key management

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

	2015 R'm	2014 R'm
Key management remuneration		
Salaries	290	245
Medical aid contributions	4	4
Pension fund costs – defined benefit and contribution plans	2	3
Provident fund costs – defined contribution plans	11	10
	307	262

Other related parties

Post-employment medical aid plan for the benefit of certain past and current employees. Refer to note 9.

37. COMMITMENTS AND CONTINGENCIES

Capital commitments

Capital expenditure approved but not contracted for at the statement of financial position date and not recognised in the financial statements is as follows:

– Property, plant and equipment	775	1 279
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Capital expenditure contracted for and not provided in the financial statements is as follows:

– Property, plant and equipment	610	659
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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 items under non-cancellable lease agreements. The leases have varying terms, escalation clauses and renewal rights.

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

Not later than one year	43	58
Later than one year and not later than five years	143	171
Later than five years	265	489
	451	718

Notes to the Group annual financial statements (continued) for the year ended 30 September 2015

37. COMMITMENTS AND CONTINGENCIES (continued)

Contingencies

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

The Group has issued various guarantees as security to various government institutions for leases and construction projects to the value of R51 million (2014: R33 million).

Some of the Group's subsidiaries stand as guarantors in respect of the unsecured borrowings as per note 17.

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

The Group provided a pro rata Company guarantee of the debts that Max currently guarantees: circa Indian rupees 131 812 500 (2014: Indian rupees 440 960 000)

Competition Commission

In 2012, the Competition Commission advised the Company's subsidiary Life Healthcare Group Proprietary Limited (LHG) that the Commission has decided to refer a complaint against LHG and its then associate company, JMH to the Competition Tribunal. The Group acted based on professional legal advice and is addressing the matter with its advisors and the competition authorities.

38. 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 2015, 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, 11 December 2015.

Shareholders will be entitled, in respect of all or part of their shareholding, to elect to receive a gross cash dividend of 86 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, 11 December 2015 (the Cash Dividend). The Cash Dividend has been declared from income reserves. A dividend withholding tax of 15% will be applicable to all shareholders not exempt therefrom after deduction of which the net Cash Dividend is 73.1 cents per share.

Max Healthcare Institute Limited

Max is to acquire 51% of Saket City Hospitals Private Limited, incorporated in India. This transaction is conditional on regulatory approval and the completion of a due diligence process. This will be funded in part by an equity injection by its shareholders, and through the raising of debt. Approval has been obtained from the Group's board of directors for the transfer of funds abroad to increase the Group's shareholding in Max. The anticipated date to conclude the above transaction will be the end of November 2015. Anticipated cash outflow regarding the equity is INR2 billion (R400 million), together with either a corporate debt guarantee or short-term bridge funding to the value of INR1.25 billion (R250 million) relating to the debt financing of the transaction.

Scanned Multimedis S.A.

Approval was obtained for Scanned to acquire a 100% shareholding in an independent healthcare business, incorporated in Poland. This transaction is conditional on regulatory approval and the completion of a due diligence process. The anticipated date to conclude the transaction will be before the end of December 2015. Anticipated cash outflow regarding this investment is R812 million.

Esidimeni loss of Gauteng contracts

The Company received a communication from the Gauteng Department of Health during October 2015, in which the Department informed the Company of its decision to terminate the contract between the parties on 31 March 2016. The agreement makes provision for six months' notice from either side. The contract, which previously covered 2 260 patients, was reduced by the Department to 2 060 patients at 30 September 2015. The termination affects the remaining patients at the Witpoort, Waverley, Randwest and Randfontein facilities.

Annexure A

Subsidiary undertakings for the year ended 30 September 2015

	2015 Effective interest %	2014 Effective interest %
SUBSIDIARIES		
Amahosp Medical Rescue Proprietary Limited ^{1,2}	100	100
Ammed Properties Proprietary Limited ¹	100	100
Bendoc Proprietary Limited ^{1,2}	100	100
Border Hospitals Proprietary Limited	63	63
Brooklyn Hospital Proprietary Limited	67	66
Brooklyn Sameday Surgical Centre Partnership ¹	66	66
Casmed Proprietary Limited ^{1,2}	100	100
Century Ways Trading Proprietary Limited ¹	100	100
Claremont Hospital Proprietary Limited ^{1,2}	100	100
Cosmos Hospital Properties Proprietary Limited ¹	100	100
Dusty Gold Properties 8 Proprietary Limited	100	–
E M H Operating Company Proprietary Limited	77	77
Faerie Glen Eiendoms Trust 2 ¹	100	100
Faerie Glen Eiendoms Trust ¹	100	100
Faerie Glen Hospitals Proprietary Limited	62	61
Faranani Life Health Solutions Proprietary Limited ³	49	49
Flohoc Investments Proprietary Limited	70	70
Life Vincent Pallotti Hospital Proprietary Limited previously Foxsay Trading Proprietary Limited	83	100
Garbanzo Property Investments Proprietary Limited	100	100
Genesis Clinic Saxonwold Proprietary Limited	100	–
Glynnview Wellness Centre Proprietary Limited	76	76
Glynnwood Hospital Operating Company Proprietary Limited	90	90
H-Doc Investments Proprietary Limited ^{1,2}	100	100
Healthcare Management Services Proprietary Limited (Incorporated in Botswana) ⁶	51	51
Hentiq 1889 Proprietary Limited ¹	100	100
Jorum Property Investments Proprietary Limited	100	100
Kingsbury Hospital Limited ^{1,2}	100	100
Kingsbury Hospital Property Proprietary Limited ¹	100	100
LCM Trust	60	61
Life Bayview Hospitals Proprietary Limited	100	100
Life Carstenhof Hospital Proprietary Limited	89	–
Life Claremont Ophthalmology Proprietary Limited	50	50
Life Cosmos Hospital Proprietary Limited	78	78
Life East London Private Hospital Proprietary Limited previously called Walk Tall Distributions 3 Proprietary Limited	100	100
Life Esidimeni Group Holdings Proprietary Limited	100	100
Life Healthcare Finance Proprietary Limited	100	100
Life Fourways Hospital Proprietary Limited previously Gold Starfish Trade Proprietary Limited	87	87
Life Healthcare International Proprietary Limited	100	100
Life Impilo Proprietary Limited ¹	100	100
Life Hilton Private Hospital Proprietary Limited	95	95
Life Mosselbay Properties Proprietary Limited	100	100
Life Occupational Health Proprietary Limited previously Host Create Main Trade Proprietary Limited	100	100
Life Occupational Health Finch Diamond Mine Proprietary Limited	100	–
Life Pharmacy Management Services Proprietary Limited ¹	100	100
Life Piet Retief Hospital Proprietary Limited	56	56
Life Poortview Proprietary Limited	86	90
Life Pretoria North Day Clinic Proprietary Limited	74	70
Life Vincent Pallotti Oncology Proprietary Limited previously Upstream Maze Trade Proprietary Limited	89	89
Life Vincent Pallotti Orthopaedic Centre Proprietary Limited	100	100
Life Wilgers Hospital Proprietary Limited	94	95
Ligitprops 109 Proprietary Limited	100	100
Medicine Management Services Proprietary Limited	100	100
Metropol Hospitals Proprietary Limited	62	64
Micawber 248 Proprietary Limited	100	100
Micawber 249 Proprietary Limited	100	100
Middelburg Hospitaal Beperk ⁴	58	57
Middelburg Privaat Hospitaal Eiendoms Beperk ⁴	57	57
New Kensington Clinic Proprietary Limited ¹	91	91

Annexure A (continued)

Subsidiary undertakings for the year ended 30 September 2015

	2015 Effective interest %	2014 Effective interest %
Oudewerf Eiendoms Beperk ^{1,2}	100	100
P E Medical Group Investments (No. 3) Proprietary Limited	100	100
Peglerae Investments Proprietary Limited	60	60
Presmed Hospitals Proprietary Limited ¹	100	100
Pretoria North Sameday Surgical Centre Partnership	82	82
Prop Robin Proprietary Limited ^{1,2}	100	100
Robinson Hospital Holdings Proprietary Limited	82	82
Roseacres Clinic Proprietary Limited ¹	100	100
Rustenburg Hospital Properties Proprietary Limited	51	51
Sport Science Day Surgery Clinic Proprietary Limited	100	100
St Mary's Private Hospital Proprietary Limited	55	55
UK Health Management Services Proprietary Limited ^{1,2}	100	100
Vredenburg Hospital Proprietary Limited	100	100
Wilgeheuwel Hospital Proprietary Limited	100	100
Wilgers Hospital Limited	100	100
Zandfontein Clinic Proprietary Limited ¹	100	100
Indirectly held through Life Occupational Health Proprietary Limited		
Quantum Occupational Healthcare Services Proprietary Limited ¹	100	100
Careways Wellness Proprietary Limited	100	–
Indirectly held through Metropol Hospitals Proprietary Limited		
Eastcape Clinic Proprietary Limited ¹	63	61
How Avenue Clinic Proprietary Limited	61	61
Isivivana Health Proprietary Limited	61	61
Simco 5 Proprietary Limited ⁵	34	46
Spittal Drau Investments Proprietary Limited	61	61
Indirectly held through Healthcare Management Services Proprietary Limited (Incorporated in Botswana)		
Gaborone Private Hospital Pathology Proprietary Limited (Incorporated in Botswana) ^{5,6}	38	38
Medical Imaging Botswana Proprietary Limited (Incorporated in Botswana) ^{5,6}	51	51
Indirectly held through Life Esidimeni Group Holdings Proprietary Limited		
Life Esidimeni Proprietary Limited	100	100
Lifecare Properties Proprietary Limited	100	100
Lorraine Nel Inc	100	100
Nqubela Chest Hospital Proprietary Limited ^{1,2}	100	100
Indirectly held through Life Esidimeni Proprietary Limited		
Eastern Cape Frail Care Proprietary Limited	68	68
Hewu Hospital Proprietary Limited ^{1,2}	100	100
Lukhanji Health Services Proprietary Limited	60	60
Matikwana Hospital Proprietary Limited	100	100
Siyathuthuka Care Centre Proprietary Limited	59	59
Indirectly held through Wilgers Hospitaal Limited		
Abracor Proprietary Limited	100	100
Indirectly held through Life Wilgers Hospital Proprietary Limited		
Wilgers Cathlab Trust	51	54
Indirectly held through Peglerae Investment Company Proprietary Limited		
Peglerae Hospital Proprietary Limited ⁵	36	36
Indirectly held through Border Hospitals Proprietary Limited		
Border Hospitals Cardiac Equipment Proprietary Limited ¹	100	100
Cream Magenta 357 Proprietary Limited ¹	63	100
Life Eye Hospital Proprietary Limited ⁵	63	63
Indirectly held through Glynnwood Hospital Operating Company Proprietary Limited		
Ekurhuleni Sub-Acute Hospital Proprietary Limited ^{1,2}	100	100
Indirectly held through LCM Trust		
LCM Oncology Proprietary Limited ⁴	37	37

	2015 Effective interest %	2014 Effective interest %
Indirectly held through Garbanzo Property Investments Proprietary Limited		
BOEWEST Share Block Company No. 1 Proprietary Limited	100	100
BOEWEST Share Block Company No. 2 Proprietary Limited	100	100
Indirectly held through Life Hilton Hospital Proprietary Limited		
Amaraka Investments No. 37 Proprietary Limited	95	95
Indirectly held through Life Healthcare International Proprietary Limited		
Dadley Investments Sp. z o.o. ⁷	100	100
Indirectly held through Dadley Investments Sp. z o.o.		
Scanned Multimedix S.A. ⁷	100	98
Indirectly held through Scanned Multimedix S.A.		
Akamedik Services Sp. z o.o.	100	50
Szpital Sw. Rafała Sp. z o.o.	100	–
Scanrent Sp. z o.o.	100	98
Scanned S.A.	100	98
Scan Development Sp. z o.o.	100	98
Centrum Medyczne Promed Sp. z o.o.	51	50
Webolit Sp.z o.o.	100	98
Gastromed Poland Sp. z o.o.	100	98
Gastromed Sp. z o.o.	100	100
Fundacja Scanned	100	98
Kliniki Kardiologii Allenort Sp. z o.o.	100	–
Kliniki Chirurgii Endoskopowej Sp. z o.o.	100	–

¹ *Dormant*

² *Involuntary liquidation*

³ *Consolidated as the Group controls the entity through managing contract*

⁴ *Previously equity accounted for as associate*

⁵ *Due to indirect shareholding*

⁶ *The functional currency is pula*

⁷ *The functional currency is zloty*

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

All Botswana investments are unlisted and incorporated in Botswana.

All Poland investments are unlisted and incorporated in Poland.

Annexure B

Associate undertakings for the year ended 30 September 2015

Name of associate	Functional currency	Issued share capital		Interest in share capital		Book value of the shares		Amounts owing by/(to) associates	
		2015	2014	2015 %	2014 %	2015 R'm	2014 R'm	2015 R'm	2014 R'm
ASSOCIATES									
Unlisted investments									
Mafikeng Hospital Proprietary Limited ¹	R	8 799	8 799	42	42	–	–	–	–
Free State Oncology Trust ¹	R	1 000	1 000	23	23	–	–	(1)	–
Wilgers Onkologie Spreekkamer Trust ¹	R	10 000	10 000	25	25	–	–	1	–
Wilgers Onkologie Radiologiese Trust ¹	R	10 000	10 000	40	25	–	–	1	–
Wilgers Stralingsonkologie Trust ¹	R	10 000	10 000	25	25	–	–	–	–
Consolidated Aone Trade and Invest 12 Proprietary Limited ¹	R	100	100	30	30	2	2	10	9
Max Healthcare Institute Limited ^{2,3}	Rs'00000	–	49 275	–	26	–	891	–	2
Carint Scanned Sp. z o.o. ^{4,5}	PLN	1 500	–	50	–	72	–	–	–
						74	893	11	11

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

¹ Indirectly held through Life Healthcare Group Proprietary Limited.

² The company is incorporated in India and has a March financial year-end and the issued shares are reflected in Indian rupees.

³ Increase in investment during the year to 46.25% leading to a joint venture holding, held through Life Healthcare International Proprietary Limited.

⁴ The company is incorporated in Poland and has a December financial year-end and the issued shares are reflected in Polish zloty.

⁵ Indirectly held through Dudley Investments Sp. z o.o.

Name of joint venture	Functional currency	Issued share capital		Interest in share capital		Book value of the shares		Amounts owing by/(to) associates	
		2015	2014	2015 %	2014 %	2015 R'm	2014 R'm	2015 R'm	2014 R'm
JOINT VENTURES									
Unlisted investments									
Max Healthcare Institute Limited ^{1,2}	Rs'00000	48 881	–	46	–	2 235	–	–	–
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	R	120	120	50	50	–	–	–	–

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

² Increase in investment during the year to 46.25% leading to a joint venture holding, held through Life Healthcare International Proprietary Limited.

Annexure C

Shareholder distribution

1. ANALYSIS OF REGISTERED SHAREHOLDERS AND COMPANY SCHEMES

Registered shareholder spread

In accordance with the JSE Listings Requirements, the following table confirms the spread of registered shareholders as detailed in the Annual Report and Accounts dated 25 September 2015 was:

Registered shareholder spread

Shareholder spread	Number of holders	% of total shareholders	Number of shares	% of issued capital
1 – 1 000 shares	5 965	51	2 329 839	0.22
1 001 – 10 000 shares	3 965	33.84	13 015 541	1.25
10 001 – 100 000 shares	1 297	11.07	43 714 679	4.19
100 001 – 1 000 000 shares	377	3.22	118 270 344	11.35
1 000 001 shares and above	112	0.96	864 879 347	82.99
Total	11 716	100.00	1 042 209 750	100.00

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
Non-public shareholders	9	0.08	58 301 335	5.60
Directors	5	0.04	908 255	0.09
Brimstone Investment Corporation Limited	3	0.03	52 305 786	5.02
Life Healthcare Employees Share Trust	1	0.01	5 096 294	0.49
Public shareholders	11 707	99.92	983 899 415	94.40
Total	11 716	100.00	1 042 209 750	100.00

2. SUBSTANTIAL INVESTMENT MANAGEMENT AND BENEFICIAL INTERESTS

Substantial investment management and beneficial interests above 3%

Through regular analysis of STRATE registered holdings, and pursuant to the provisions of section 56 of the Companies Act, the following shareholders held directly and indirectly equal to or in excess of 3% of the issued share capital as at 25 September 2015:

Investment management shareholdings

Investment manager	Total shareholding	%
Government Employees Pension Fund (PIC)	139 684 345	13.40
J.P. Morgan Asset Management	67 960 234	6.52
Industrial Development Corporation (IDC)	52 056 137	4.99
Brimstone Investment Corporation Limited	46 000 000	4.41
BlackRock Inc	44 899 900	4.31
GIC Asset Management Proprietary Limited	31 839 969	3.06
International Finance Corporation	31 800 000	3.05
The Vanguard Group Inc	31 565 492	3.03
Total	445 806 077	42.77

Beneficial shareholdings

Beneficial shareholdings	Total shareholding	%
Government Employees Pension Fund (PIC)	144 239 049	13.84
Industrial Development Corporation (IDC)	52 056 137	4.99
Brimstone Investment Corporation Limited	46 000 000	4.41
GIC Asset Management Proprietary Limited	32 235 769	3.09
International Finance Corporation	31 800 000	3.05
Total	306 330 955	29.38

Annexure C (continued)

Shareholder distribution

Previously disclosed holdings

Investment managers now holding below 3%

Investment manager	Total shareholding	%	Previous %
Manning & Napier Advisors Inc	48 496 555	–	4.65
Total	48 496 555	–	4.65

Beneficial owners now holding below 3%

Beneficial owners	Total shareholding	%	Previous %
–	–	–	–
Total	–	–	–

3. GEOGRAPHIC SPLIT OF SHAREHOLDERS

Geographic split of investment managers and Company-related holdings

Region	Total shareholding	% of issued capital
South Africa	460 395 656	44.17
United States of America and Canada	248 446 026	23.84
United Kingdom	187 797 869	18.02
Rest of Europe	44 157 847	4.24
Rest of World ¹	101 412 354	9.73
Total	1 042 209 752	100.00

¹ Represents all shareholdings except those in the above regions.

Geographic split of beneficial shareholders

Region	Total shareholding	% of issued capital
South Africa	475 085 666	45.58
United States of America and Canada	238 760 753	22.91
United Kingdom	72 564 610	6.96
Rest of Europe	152 640 193	14.65
Rest of World ¹	103 158 528	9.90
Total	1 042 209 750	100.00

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	331 700 737	31.83
Pension funds	235 557 588	22.60
Other managed funds	121 760 417	11.68
Sovereign wealth	80 561 169	7.73
Private investor	75 776 911	7.27
Government of SA	52 056 137	4.99
Black economic empowerment	47 328 337	4.54
Custodians	34 865 316	3.35
Investment trust	16 458 383	1.58
Insurance companies	15 899 587	1.53
Employees	6 697 758	0.64
Exchange-traded fund	5 012 663	0.48
Corporate holding	2 787 720	0.27
Charity	1 374 846	0.13
Hedge fund	1 365 420	0.13
Local authority	451 953	0.04
Foreign government	296 000	0.03
University	275 424	0.03
Remainder	11 983 384	1.15
Total	1 042 209 750	100.00

Annexure D

Consolidated statement of financial position at 30 September 2015

	Notes	2015			2014		
		Group R'm	Botswana R'm	Poland R'm	Group Restated R'm	Botswana Restated R'm	Poland Restated R'm
ASSETS							
Non-current assets							
		13 164	176	1 931	9 700	32	907
Property, plant and equipment	5	7 101	175	805	5 901	32	543
Intangible assets	6	2 964	–	1 025	2 318	–	354
Investment in associates	7	2 311	–	75	828	–	–
Loans receivable	8	13	–	–	10	–	–
Retirement benefit asset	9	389	–	–	372	–	–
Post-employment medical aid benefit	9	17	–	–	18	–	–
Derivative financial instruments	22	22	–	–	–	–	–
Operating lease asset	18	6	–	–	–	–	–
Deferred tax assets	10	341	1	26	253	–	10
Current assets							
		2 771	186	246	2 113	120	183
Inventories	11	271	8	13	240	6	7
Trade and other receivables	12	1 640	77	143	1 330	55	93
Cash and cash equivalents	13	812	101	87	422	59	83
Current income tax asset		36	–	3	49	–	–
Loans to associates	7	11	–	–	11	–	–
Derivative financial instruments	22	1	–	–	56	–	–
Operating lease asset	18	–	–	–	5	–	–
TOTAL ASSETS							
		15 935	362	2 177	11 813	152	1 090
TOTAL EQUITY							
		6 448	170	1 467	5 900	110	495
LIABILITIES							
Non-current liabilities							
		5 873	146	382	2 909	8	327
Interest-bearing borrowings	17	5 263	142	317	2 344	–	313
Deferred tax liabilities	10	520	2	65	438	1	14
Derivative financial instruments	22	–	–	–	9	–	–
Provisions	20	9	–	–	28	–	–
Operating lease liability	18	69	2	–	76	7	–
Post-employment medical aid liability	9	12	–	–	14	–	–
Current liabilities							
		3 614	46	328	3 004	34	268
Trade and other payables	20	1 922	34	295	1 678	23	116
Provisions	21	194	3	–	160	6	–
Interest-bearing borrowings	17	924	4	29	1 007	–	151
Shareholders for dividends		6	–	–	4	–	–
Current income tax liabilities		3	5	4	–	5	–
Operating lease liability	18	4	–	–	–	–	–
Derivative financial instruments	22	4	–	–	–	–	–
Bank overdraft	13	557	–	–	155	–	1
TOTAL LIABILITIES							
		9 487	192	710	5 913	42	595
TOTAL EQUITY AND LIABILITIES							
		15 935	362	2 177	11 813	152	1 090

Company statement of financial position at 30 September 2015

	Note	2015 R'm	2014 R'm
ASSETS			
Non-current assets			
Interest in subsidiary	1	107	107
Current assets			
Cash and cash equivalents	2	1	1
Loan to subsidiary	1	393	392
Total assets		501	500
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	3	–	–
Share premium	4	3 373	3 373
Accumulated loss		(2 878)	(2 878)
Current liabilities			
Trade and other payables	5	1	1
Shareholders for dividend		5	4
Total equity and liabilities		501	500

Company statement of comprehensive income for the year ended 30 September 2015

	Note	2015 R'm	2014 R'm
Revenue	6	1 522	2 449
Operating profit		1 522	2 449
Finance income		-	-
Profit before tax	8	1 522	2 449
Tax expense	7	-	-
Profit after tax		1 522	2 449
Other comprehensive income		-	-
Total comprehensive income for the year		1 522	2 449

Company statement of changes in equity for the year ended 30 September 2015

	Ordinary share capital R'm	Share premium R'm	Retained earnings R'm	Total R'm
Balance at 1 October 2013	–	3 373	(2 878)	495
Total comprehensive income for the year	–	–	2 449	2 449
Distribution to shareholders	–	–	(2 449)	(2 449)
Balance at 30 September 2014	–	3 373	(2 878)	495
Balance at 30 September 2014	–	3 373	(2 878)	495
Total comprehensive income for the year	–	–	1 522	1 522
Distribution to shareholders	–	–	(1 522)	(1 522)
Balance at 30 September 2015	–	3 373	(2 878)	495
Note	3	4		

Company statement of cash flows for the year ended 30 September 2015

	Note	2015 R'm	2014 R'm
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	9	1 522	2 448
Tax paid		-	-
Net cash generated from operating activities		1 522	2 448
CASH FLOWS FROM INVESTING ACTIVITIES			
Loans granted to subsidiary		(1)	(2)
Net cash utilised from investing activities		(1)	(2)
CASH FLOWS FROM FINANCING ACTIVITIES			
Distribution to shareholders		(1 521)	(2 446)
Net cash utilised from financing activities		(1 521)	(2 446)
Net increase in cash and cash equivalents		-	-
Cash and cash equivalents – beginning of the year		1	1
Cash and cash equivalents – end of the year	2	1	1

Notes to the Company annual financial statements for the year ended 30 September 2015

	2015 R'm	2014 R'm
1. INTEREST IN SUBSIDIARY		
Unlisted investment in Life Healthcare Group Proprietary Limited		
Shares at cost		
Balance at 30 September	107	107
Amounts owing by subsidiary		
Balance at 1 October	392	390
Net amount advanced	1	2
Balance at 30 September	393	392
The loan is unsecured, has no fixed repayment terms and bears interest as determined by the directors. No interest was received during the current year or prior financial year.		
2. CASH AND CASH EQUIVALENTS		
Cash at bank and on hand	1	1
Balance at 30 September	1	1
The cash and cash equivalents carrying amount is denominated in the following currencies:		
South African rand	1	1
Balance at 30 September	1	1
Cash and cash equivalents include the following for the purpose of the cash flow statement:		
Short-term money market instruments	1	1
Cash and cash equivalents	1	1
The credit quality of cash at bank and short-term money market instruments based on Fitch Ratings (zaf) are:		
AA	1	1
	1	1
3. SHARE CAPITAL		
Authorised		
Ordinary shares		
4 149 980 000 (2014: 4 149 980 000) ordinary shares of R0.000001 each (Total value = R4 149 (2014: R4 149))	1	1
Issued and fully paid		
Ordinary shares		
Balance at 30 September	1	1
1 042 209 750 (2014: 1 042 209 750) ordinary shares of R0.000001 each (Total value = R1 042 (2014: R1 042))	1	1
Reconciliation of number of shares issued		
Balance at 1 October	1 042	1 042
	1 042	1 042
¹ Amounts rounded to less than R million.		
4. SHARE PREMIUM		
Balance at 1 October	3 373	3 373
	3 373	3 373
5. TRADE AND OTHER PAYABLES		
Other payables	1	1
Balance at 30 September	1	1
6. REVENUE		
Revenue comprises dividends received from Life Healthcare Group Proprietary Limited.		

	2015 %	2014 %
7. INCOME TAX EXPENSE		
Reconciliation of the tax rate		
South African normal tax rate	28.00	28.00
Adjusted for:		
No taxable income	(28.00)	(28.00)
	-	-
	2015 R'm	2014 R'm
8. PROFIT BEFORE TAX		
Income from Life Healthcare Group Proprietary Limited:		
Dividends received	1 522	2 449
9. CASH GENERATED FROM OPERATIONS		
Reconciliation of profit before tax to cash generated from operations		
Profit before tax	1 522	2 449
Adjusted for:		
Finance income	-	-
Operating profit before working capital changes	1 522	2 449
Trade and other payables	-	(1)
Cash generated from operations	1 522	2 448
10. ACCOUNTING POLICIES		
The accounting policies are the same for the Group and Company.		
The following accounting policies are applicable to the Company:		
1.1 Presentation of annual financial statements – refer to page 14		
1.7 Financial instruments (excluding section regarding derivatives) – refer to page 18		
1.8 Trade and other payables – refer to page 20		
1.11 and 1.11(a) Tax and normal income tax assets and liabilities – refer to page 21		
1.15 Share capital and equity – refer to page 23		
1.22(d) Dividend income – refer to page 27		
1.26 New accounting standards and IFRIC interpretations – refer to page 29.		
11. 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 2015, 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, 11 December 2015.		
Shareholders will be entitled, in respect of all or part of their shareholding, to elect to receive a gross cash dividend of 86 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, 11 December 2015 (the Cash Dividend). The Cash Dividend has been declared from income reserves.		
A dividend withholding tax of 15% will be applicable to all shareholders not exempt therefrom after deduction of which the net Cash Dividend is 73.1 cents per share.		
12. COMMITMENTS AND CONTINGENCIES		
No commitments.		
Some of the Company's subsidiaries stand as guarantors in respect of the unsecured borrowings as per note 17 of the Group financial statements.		
13. RELATED PARTIES		
Relationships		
Subsidiary company	Life Healthcare Group Proprietary Limited.	
Refer to note 1 of the Company financial statements.		
	2015 R'm	2014 R'm
Related party transactions		
Dividend received		
Life Healthcare Group Proprietary Limited	1 522	2 449

