Life Healthcare Group

AUDITED GROUP ANNUAL FINANCIAL STATEMENTS 2020

CONTENTS

ADMINISTRATION

Company name:	Life Healthcare Group Holdings Limited
Registration number:	2003/002733/06
Date of incorporation:	7 February 2003
Country of incorporation:	Republic of South Africa
Registered business address:	Building 2 Oxford Parks 203 Oxford Road Cnr Eastwood and Oxford Roads Dunkeld 2196
Registered postal address:	Private Bag X13 Northlands 2116
Composition of board of directors:	MA Brey (Chairman) PG Wharton-Hood (Chief Executive Officer – appointed 1 September 2020) SB Viranna (Chief Executive Officer – resigned 17 January 2020) PP van der Westhuizen (Chief Financial Officer) PJ Golesworthy ME Jacobs VL Litlhakanyane (appointed 15 April 2020) AM Mothupi JK Netshitenzhe MP Ngatane M Sello GC Solomon RT Vice
Group Company Secretary:	A Parboosing
Auditor:	Deloitte & Touche (Deloitte) Johannesburg

PREPARATION OF THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 September 2020

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

STATEMENT OF DIRECTORS' RESPONSIBILITY

for the year ended 30 September 2020

The directors are responsible for the preparation, integrity and fair presentation of the consolidated and Company financial statements of Life Healthcare Group Holdings Limited (Company) and its subsidiaries, associates and joint ventures (Group) in accordance with International Financial Reporting Standards (IFRS), International Financial Reporting Interpretations Committee (IFRIC) interpretations effective for the Group's financial year, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee as well as the Financial Pronouncements as issued by Financial Reporting Standards Council and the South Africa Companies Act, No 71 of 2008 as amended (Companies Act).

The directors consider that the most appropriate accounting policies, consistently applied (apart from adoption of new accounting standards) and supported by reasonable and prudent judgements and estimates, have been used in the preparation of the Company and Group financial statements and that all IFRS that they consider to be applicable have been followed. The directors are satisfied that the information contained in the financial statements fairly presents the consolidated and separate financial position of Life Healthcare Group Holdings Limited at 30 September 2020, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended. The directors are also responsible for reviewing the other information included in the integrated report and ensuring both its accuracy and its consistency with the financial statements.

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

The Group operated in a well-established control environment, which is documented and regularly reviewed. This incorporates risk management and internal control procedures, which are designed to provide reasonable, but not absolute, assurance that assets are safeguarded and the risks facing the business are being controlled. The Group's southern African operations were a victim of a cyber-attack. The operations switched to manual operating processes while restoring its information technology (IT) systems and then processed all manual transactions once the IT systems were restored. The directors are satisfied that the manual processes functioned satisfactorily. Refer note 1.1.2. The Group is committed to the continuous improvement of the control environment.

The going concern basis has been adopted in preparing the financial statements. The directors have no reason to believe that the Group and Company will not be a going concern in the foreseeable future, based on forecasts, available cash resources and available undrawn banking facilities (refer note 1.1 for assessment of going concern). These financial statements support the viability of the Group and Company.

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

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

APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements set out on pages 8 to 10 and pages 16 to 113 were approved by the board of directors on 11 December 2020 and are signed by:

MA Brey
Chairman

PG Wharton-Hood
Chief Executive Officer

PP van der Westhuizen
Chief Financial Officer

Johannesburg

STATEMENT OF GROUP COMPANY SECRETARY

for the year ended 30 September 2020

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

A Parboosing
Group Company Secretary

REPORT OF THE AUDIT COMMITTEE

for the year ended 30 September 2020

INTRODUCTION, ROLES AND RESPONSIBILITIES

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

COMPOSITION OF THE AUDIT COMMITTEE

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

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

As part of the external, independent evaluation of the board for the 2020 financial year, the performance of the committee was assessed and found to be satisfactory. In addition, members were assessed by the nominations and governance committee, on behalf of the board, in terms of the independence requirements of King IV and the Companies Act. All members of the audit committee continue to meet the independence requirements.

The composition of the committee and the attendance at the meetings by its members are set out below for the year 1 October 2019 to 30 September 2020:

Name	Qualifications	Date appointed	Attendance[1]
PJ Golesworthy (Chairman)	BA (Hons), Accountancy Studies, CA	10 June 2010	6/6
AM Mothupi	BA (Honours), Political Science	3 July 2017	6/6
GC Solomon	CA(SA)	10 June 2010	6/6
RT Vice	CA(SA)	1 February 2014	6/6

** Four (4) scheduled meetings and two (2) special meetings were held during the year under review.*

The biographical details of the committee members can be viewed on the Group's website. The fees paid to committee members are outlined in the table of directors' remuneration on page 69.

The current members of the committee will be recommended to shareholders at the next annual general meeting (AGM) for appointment for the financial year ending 30 September 2021.

FULFILMENT OF THE COMMITTEE'S MANDATE

The committee has adopted comprehensive and formal terms of reference, which were comprehensively revised for the year under review and have been approved by the board, ensuring alignment with evolving best practice governance trends, as well as material changes to the JSE Listings Requirements. The terms of reference can be viewed on the Group's website at www.lifehealthcare.co.za.

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

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

- Monitored the proper operation of adequate and effective systems of internal controls, including receiving and reviewing reports from both internal and external auditors concerning the effectiveness of the internal control environment
- Considered whether there were significant weaknesses in the design, implementation or execution of the internal financial controls
- Considered and satisfied itself on the appropriateness of accounting policies and material estimates, assumptions and judgements

- Monitored the reporting processes and the preparation of fairly presented financial statements in compliance with the applicable legal and regulatory requirements and accounting standards, and recommended, for adoption by the board, the financial information that is publicly disclosed, which for the year included:
  - the interim results for the six months ended 31 March 2020
  - the annual results for the year ended 30 September 2020
  - the related SENS and press announcements for both interim and year-end
- Confirmed the going concern basis of preparation of the interim and annual financial statements
- Considered the JSE's proactive monitoring of financial statements report, as issued in 2020, and the applicability of the issues raised, with the view to improving disclosure where applicable
- Noted the final findings of the report from the JSE's thematic review for compliance with IFRS 9 and IFRS 15 published in 2019
- Reviewed and recommended for approval by the board the integrated report, including the disclosure of sustainability issues
- Reviewed the qualifications, experience and expertise of the Chief Financial Officer, PP van der Westhuizen and satisfied itself that his expertise and experience is appropriate to meet the responsibilities of the position
- Oversaw the process, on behalf of the board, to apply to the JSE for dispensation from the requirements of paragraph 3.84(f) of the Listings Requirements to allow PP van der Westhuizen to fulfil the dual role of Chief Financial Officer and Interim Chief Executive Officer from 18 January 2020 until 31 August 2020
- Considered and satisfied itself of the appropriateness of the expertise and adequacy of resources and experience of the Group's finance function
- Considered the reports of management and the internal and external auditors regarding compliance with legal and regulatory requirements, as well as relevant findings of the risk, compliance and IT governance committee
- Reviewed legal matters that could have a material impact on the Group
- Performed the functions required in terms of section 94(2) of the Companies Act on behalf of the Group's South African subsidiary companies

CYBER-ATTACK ON THE SOUTH AFRICAN OPERATIONS

The southern African operation was the victim of a criminal attack, targeting some of its IT systems. The patient care systems were not impacted and the Company acted immediately on becoming aware of the incident, taking systems offline, in order to actively contain the attack. In line with the Company's business continuity plans, hospitals and administrative offices switched over to backup manual processing systems and continued to function, albeit and regrettably, with some administrative delays. The security incident affected admissions systems, business processing systems and email servers, which were immediately taken offline as a precaution and to ensure that we proactively contained the attack, and where necessary, commence remediation. Systems were only fully restored in September 2020.

IMPACT OF COVID-19

The committee considered the COVID-19 global pandemic (the pandemic) and related impact on the Group's operations and the preparation of the 2020 annual financial statements. The committee is satisfied that the relevant events related to the pandemic have been disclosed accordingly in the annual financial statements. The impact of the pandemic necessitated an in depth review of the following key matters:

- Impairment assessments of non-current assets, and specifically intangible assets and goodwill
- The recoverable amount of financial assets
- The solvency, liquidity and going concern assessments

At the outset of the pandemic, management assessed the potential impacts on the Group's liquidity and capacity to withstand adverse scenarios associated with the ability to continue operating. Forecasting processes were introduced to model the outcomes of a range of different scenarios reflecting different assumptions around the development of the pandemic and ability to operate. A number of mitigating actions were taken to manage cash outflows as well as to secure additional banking facilities. A relaxation of covenants was also successfully negotiated with our lenders for the September 2020 and March 2021 reporting dates. A condition of this relaxation was a requirement that no dividends be declared without lenders' approval. Given the uncertainty associated with the pandemic, on recommendation from the committee the board resolved not to declare an interim or final dividend.

In recommending that the going concern assumption was an appropriate basis for preparing the annual financial statements, the committee, inter alia, considered the liquidity forecasts, including the assumptions, and available debt facilities.

Further, the impacts of the cyber-attack and the pandemic delayed the implementation of a number of important financial system projects that were in progress in South Africa to address legacy system risks and to improve financial reporting. They further impacted the timing of the roll out of SAP to the International businesses.

REPORT OF THE AUDIT COMMITTEE CONTINUED

for the year ended 30 September 2020

INTERNAL AUDIT AND INTERNAL CONTROLS

The committee ensured that the internal audit function is independent and has the necessary resources to enable it to fulfil its mandate. The Group Chief Internal Audit Executive reports functionally to the Chairman of the committee and administratively to the Chief Financial Officer. An outsourced internal audit function operates across the Group with the Group Chief Internal Audit Executive responsible for coordinating the planning, implementation and reporting thereon. The South African internal audit function for the year under review was outsourced to Ernst & Young (EY) in South Africa and BDO continues for the International business.

The EY outsource arrangement expired at the end of September 2020 while the BDO contract expires at the end of the 2021 financial year. During the course of the year under review a tender process for a global internal audit outsource partner was undertaken, with PricewaterhouseCoopers (PwC) being approved by the committee. PwC commenced as the outsource partner in South Africa on 1 October 2020 and will take over from BDO in the International business on 1 October 2021.

The committee:

- reviewed the internal audit charter in line with King IV recommendations and recommended the approval thereof to the board;
- approved the risk-based internal audit plan for the 2020 financial year and subsequent changes thereto during the year;
- considered the effectiveness and performance of the internal audit function and the Chief Internal Audit Executive which were found to be satisfactory for the year under review;
- reviewed the combined assurance model and considered its effectiveness;
- received risk updates, particularly in relation to matters affecting financial reporting;
- reviewed and evaluated reports relating to internal audit and risk management and the adequacy of management's responses and corrective actions;
- reviewed arrangements made by the Company to enable employees and outside whistle-blowers to report any concerns about possible improprieties and received reports on the issues raised; and
- reviewed internal audit's assessment of the internal control environment.

The work of the internal audit function was materially impacted by the pandemic, which limited the ability to travel and necessitated a re-prioritisation of the 2020 internal audit plan, resulting in a lower number of internal audit assignments. In addition, the cyber-attack necessitated a delay in a number of IT-related assignments, which have been deferred into the 2021 financial year. Internal Audit conducted a number of reviews to assess the adequacy and effectiveness of manual processes and controls implemented due to the unavailability of systems in order to provide assurance around the integrity of the financial information.

EXTERNAL AUDIT

Following approval by shareholders at the AGM in January 2020, Deloitte served, for the first time, as the Group's registered external auditors for the 2020 financial year and Mr B Nyembe was appointed as the designated partner.

For the year under review, the committee:

- approved the auditors' terms of engagement and fees. The fees paid to the external auditors are disclosed in note 6 to the annual financial statements;
- reviewed and approved the external audit plan and ensured no limitations were imposed on the scope of external audit;
- reviewed the external auditors' report and confirmed that no material unresolved issues existed between the Group and the external auditors;
- reviewed and agreed the key audit matters identified by Deloitte, and that are set out in its report;
- obtained assurances from the external auditors that adequate accounting records were being maintained;
- reviewed the quality and effectiveness of the external audit process, based on the committee's own assessment, the views of management and Deloitte's own assessment, and found it to be satisfactory. Confirmation was obtained from Deloitte that no material matters had been raised in regulatory or internal reviews of the audit partner;
- considered the external auditors' suitability assessment in terms of paragraph 3.84(g)(iii) and section 22.15(h) of the JSE Listings Requirements;
- confirmed that Deloitte's independence was not impaired and received assurance that its internal governance processes support and demonstrate its claim to independence;
- reviewed and confirmed the non-audit services provided by Deloitte in terms of the approved non-audit services policy which amounted to R2 million, being 4.3% of the Group audit fee in the current year; and
- confirmed that no reportable irregularities had been identified or reported by the external auditors under the Auditing Profession Act.

Deloitte's first year of audit was materially impacted by the pandemic and the impact of the cyber-attack on the financial systems. The planned timing of the audit was affected and the inability to rely on certain IT controls in South Africa resulted in a manually intensive and substantive audit process, with a consequent increase in the audit fee. The committee considered whether it would be appropriate to delay the release of the Group's results but, based on the assurances of management and Deloitte around completion of the audit, resolved to recommend to the board that the Company release its reviewed results on the planned date. It is testament to both management and Deloitte that this was achieved in the very difficult environment.

The committee resolved to recommend to shareholders that Deloitte be appointed as the Group's registered external auditors for the 2021 financial year and Mr B Nyembe as the designated partner.

JSE LISTINGS REQUIREMENTS ON ATTESTATION

The JSE Listings Requirement relating to Chief Executive Officer and Chief Financial Officer sign-off on the effectiveness of internal controls over financial reporting will apply to the Group for the 2021 financial year.

KEY AREAS OF FOCUS FOR 2020

In addition to the matters highlighted above, the other specific areas of focus for the committee in relation to the 2020 financial year included:

- reviewing the adoption of IFRS 16 *Leases*, which was effective for the year under review;
- continuous focus on the Group's reporting processes and financial controls and integration of the international operations;
- oversight of the transition in external auditors to Deloitte;
- further improvements to the Group-wide approach to combined assurance and internal audit; and
- in light of the cyber-attack on the Company, the committee played a role in providing support to management as the Company recovered from the impact of the attack. The committee continued to evaluate key risks, related controls and mitigations in respect of the IT infrastructure and project implementation, as it related to internal controls, and monitored continuous improvement initiatives within the finance function.

KEY AREAS OF FOCUS FOR 2021

For the new financial year, the committee will continue to oversee management's efforts to ensure the ongoing integrity of the Group's risk and control environment in these unprecedented times of the COVID-19 pandemic, and on the effects on financial reporting matters. Key focus areas will include:

- the continued oversight of the implementation of the South African system projects and the SAP project within the International operations;
- oversight of the settling in of the newly appointed internal auditors and the delivery of the internal audit plan;
- continued evaluation, with the support of the risk, compliance and IT governance committee, of the key risks, related controls and mitigations in respect of the IT infrastructure and project implementation, as it relates to internal controls;
- overseeing the accounting for the disposal of Scanmed and the subsequent disclosures to the market following the sale; and
- continuous focus on the Group's reporting processes and financial controls and integration of the international operations.

The committee confirms that for the 2020 financial year, it has discharged its responsibilities in accordance with its terms of reference and in compliance with the requirements of the Companies Act, the JSE Listings Requirements and all other relevant legislation.

I wish to place on record my appreciation to management, the external auditors and my fellow committee members for the support and dedication in what has been a particularly challenging year for the Company.

On behalf of the audit committee.

PJ Golesworthy
Chairman: audit committee

Johannesburg

9 December 2020

DIRECTORS' REPORT

for the year ended 30 September 2020

The directors have pleasure in submitting their report on the annual financial statements of the Group and the Company for the year ended 30 September 2020. The directors are of the opinion that stakeholders' interests are best served by presenting the Group's annual financial statements separately from those of the Company. The latter financial statements appear on pages 104 to 107.

NATURE OF THE BUSINESS

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

SUMMARY OF FINANCIAL PERFORMANCE AND OVERVIEW

Life Healthcare's 2020 financial year was a year of vastly different halves. The Group delivered an excellent performance during H1 FY2020 but trading was significantly impacted in H2 FY2020 by the COVID-19 pandemic (the pandemic).

Revenue for the year ended 30 September 2020 decreased by 1.1% against last year and Group normalised EBITDA* is 24.1% down against last year. The H2 FY2020 performance was significantly impacted by the pandemic. Normalised EBITDA* was impacted to a greater extent, due to additional costs associated with the pandemic and lower activity levels, resulting in negative operational leverage.

Earnings per share (EPS) decreased by more than 100% to -6.4 cps (2019: 176.4 cps). The impairment of R793 million relating to Scanmed reduced EPS by 54.5 cps. Headline earnings per share decreased by 45.1% to 48.7 cps (2019: 88.7 cps).

Normalised earnings per share (NEPS*), which excludes non-trading-related items, decreased by 47.6% to 61.0 cps (2019: 116.4 cps).

Earnings in the prior year included a non-recurring profit on the disposal of our equity investment in Max Healthcare (net profit on the disposal in FY2019 of 68.5 cps).

The Group had strong working capital management despite the challenging environment in which the Group operated.

The capex for the year was R2.0 billion (2019: R2.3 billion), comprising mainly of capital projects of R2.0 billion (2019: R2.1 billion) and a new acquisition (net of cash acquired) by Alliance Medical of R6 million. The maintenance capital expenditure (capex) for the year was R1.2 billion (2019: R1.2 billion).

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

** Normalised EBITDA and NEPS are non-IFRS measures.*

SPECIAL RESOLUTIONS

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

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

DISTRIBUTIONS TO SHAREHOLDERS

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

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

Date dividend paid	R'm	Cents per share	Type of distribution
17 December 2019	**778**[1]	**53.0**	Final 2019
n/a[2]	–	–	Interim 2020

[1] The dividends were subject to dividend withholding tax at a rate of 20%, except where exempted.
[2] The board of directors decided, considering the trading conditions during the year and in order to preserve cash, not to pay an interim dividend.

The board of directors has decided, considering the current trading conditions and in order to preserve cash, not to pay a final dividend for the year. This position will be reviewed for the period ending 31 March 2021.

BOARD OF DIRECTORS

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

Changes to board of directors

Shrey Viranna resigned from the Company and the board with effect from 17 January 2020 and relocated to Australia for personal reasons.

Peter Wharton-Hood was appointed as Chief Executive Officer effective 1 September 2020.

Victor Litlhakanyane was appointed to the board from 15 April 2020 and as Chairman-designate from 27 July 2020.

INTERESTS OF DIRECTORS

There have been no changes in the interests as set out in note 27 between 30 September 2020 and the date of this report other than:

- PP van der Westhuizen purchased 58 500 shares on 20 November 2020 (second tranche of his intended R2 million worth of shares – refer note 19)
- PP van der Westhuizen was granted 600 shares under the long-term incentive scheme – CFO on 2 December 2020

No arrangements to which the Company is a party existed at year-end that would enable the directors or their families to acquire benefits by means of the acquisition of shares in the Company, other than the long-term incentive scheme in respect of executive directors.

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

SECRETARY

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

Deloitte.

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF LIFE HEALTHCARE GROUP HOLDINGS LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the consolidated and separate financial statements of Life Healthcare Group Holdings Limited (the Group and Company) set out on pages 16 to 107, which comprise the consolidated and separate statements of financial position as at 30 September 2020, and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Life Healthcare Group Holdings Limited and its subsidiaries as at 30 September 2020, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the Group and Company in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period (no key audit matters were identified relating to the separate financial statements). These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Impairment assessment of goodwill for the southern African cash generating units (Group)	
As disclosed in note 11 to the consolidated financial statements, the carrying value of goodwill is R14 315 million and comprises 34% of the total assets of the Group. The directors conduct an annual impairment assessment to test the recoverability of the carrying value of goodwill in accordance with IAS 36: Impairment of assets ("IAS 36"). The directors' assessment of the impairment of goodwill is performed by determining the recoverable amount of goodwill with reference to the higher of value in use or fair value less cost to sell for each cash generating unit. The directors applied judgments in the estimation of the value in use including the determination of the values of the following key assumptions: ■ Growth rates; ■ Tariff increases; ■ Inflation rates; ■ Discount rates; and ■ Terminal growth rate. These key assumptions have a significant impact on the value in use calculation and their values are estimated on the basis of expected future market conditions, which are also subject to change.	In evaluating the impairment of goodwill, we reviewed the value in use calculations prepared by the directors and the judgments applied in these calculations, with a particular focus on the judgement applied in determining the tariff increases utilised in the valuation models of the southern African cash generating units. We performed various procedures, including the following: ■ Testing of inputs into the cash flow forecast against historical performance and in comparison to the directors' strategic plans in respect of each cash generating unit; ■ Involving our specialists to evaluate whether the directors' model complies with the requirements of IAS 36; ■ Recomputation of certain value in use amounts of the southern African cash generating units; ■ Comparing the tariff increases to historical data regarding economic growth rates for the southern African cash generating units; ■ Assessing industry data on tariff increases for any contradictory evidence to the tariff increases applied by the directors; and ■ Performing sensitivity analyses on the tariff increases to evaluate the extent of impact on the value in use and the appropriateness of the directors' disclosures.

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT

Impairment assessment of goodwill for the southern African cash generating units (Group) continued

For the southern African cash generating units, the assumption with the most significant effect on the impairment assessment which requires significant judgement by the directors is the tariff increases. Tariff increases are based on latest available economic forecasts and the directors' expectations of the outcome of annual tariff negotiations. As a result the impairment assessment of goodwill for the southern Africa cash generating units with a particular focus on the judgement applied in determining the tariff increases used in the calculation of value in use was considered a key audit matter.

The judgments applied in the calculation of the value in use relating to the impairment of goodwill, with a particular focus on the judgement applied in determining the tariff increases in the southern African cash generating units were considered appropriate. We considered the goodwill impairment disclosures to be appropriate.

Information Technology controls (Group)

The Group's operations are heavily dependent on the use of technology and various financial reporting systems. The IT environment is complex and pervasive to operations due to:

- The large volume of transactions processed in numerous locations daily; and
- A strong reliance on automated controls as well as IT dependent manual controls.

Consequently, appropriate IT controls are required to ensure that applications process data as expected and that changes are made in an appropriate manner. Such controls contribute to mitigating the risk of potential fraud or errors.

During our audit we identified vulnerabilities in the IT control environment in the southern Africa operations around user access, developer access and change management controls on key financial accounting and reporting systems. There is a risk that exploitation of these vulnerabilities could result in the financial accounting and reporting records being materially misstated.

The weakened IT environment relating to the southern African operations was therefore considered a key audit matter.

Significant audit effort was therefore spent to understand, document and test controls to mitigate the risk of misstatements as a result of the vulnerabilities identified, that weakened the IT environment in the southern African operations.

Our audit required extensive involvement from our senior audit personnel, IT specialists and individuals with specialised knowledge.

Due to the fact that we were unable to rely on the IT general controls in southern Africa, we were required to amend our initially planned control reliance audit approach to a fully substantive based approach, incorporating:

- Increased detailed testing, which increased our sample sizes and resulted in a largely manual testing approach;
- Increased procedures over assessing the completeness and accuracy of reports produced by the systems before reliance could be placed on them; and
- Extensive data analytics were performed on journal entries throughout the period in order to extract entries that might exhibit characteristics of fraudulent entries.

Based on the audit procedures performed and the level of expertise and effort associated with the current year audit, we are satisfied that our audit procedures were sufficient to mitigate the impact of the weakened IT controls identified over financial reporting.

Cyber incident (Group)

As disclosed in note 1.1.3 to the consolidated financial statements, Life Healthcare was a victim of a targeted criminal attack on the IT systems of the southern African operation. Management took the decision to take all their systems offline in order to actively contain the attack and investigate the incident further.

The attack impacted a number of hosts and servers across the network. Management engaged specialists to perform a forensic analysis on a sample of computers that were impacted by the incident. During the system down time, Life Healthcare reverted to accounting for all transactions manually.

Once the systems were switched back on, management captured each individual manual transaction through the system as if it occurred on a real time basis.

Our response required involvement of our senior personnel and specialists to understand management's response, the governance around this response, as well as procedures to restore normal operations.

Our procedures included the following:

- Engaged our IT and Cyber specialists to assess the extent of breach and data compromise;
- Reviewed management's experts' reports on the incident, including recommendations for data protection and understanding the extent of the cyber breach;
- Assessed management's experts' independence and competence;

INDEPENDENT AUDITOR'S REPORT CONTINUED

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Cyber incident (Group) continued	
Extensive audit procedures were required to address the additional risks of material misstatement, specifically as it relates to the: ■ The design and implementation of automated controls relating to the restored IT systems; ■ The design and implementation of manual controls relating to the manual capturing of transactions; ■ Completeness and accuracy of data in the financial reporting systems affected by the cyber incident, before and after the incident; and ■ Testing key controls that were implemented by management to enhance the control environment. Due to the pervasive nature of the cyber incident to the southern African operations, the length of system down time and the resulting manual record keeping and subsequent electronic re-capturing of transactions, this was considered a key audit matter.	■ On a sample basis, re-performed procedures performed by management's experts to ensure reliance could be placed on their procedures and conclusions reached; ■ As part of our continuous risk assessment procedures, re-tested the design and implementation of certain general IT controls post the cyber incident; ■ Tested the newly implemented and hardening controls that had been implemented by management (Multifactor authentication and revised firewall rulesets); ■ Performed additional procedures to ensure the completeness and accuracy of the electronic capturing of transactions accounted for manually during the system down time; ■ Reviewed correspondence with legal advisors confirming the reporting requirements to the relevant authorities; ■ Inspected correspondence with relevant authorities, notifying them of incident; ■ Engaged our legal specialists to ensure appropriate governance processes were followed; and ■ Performed manual audit procedures including reconciling certain monthly results on the restored systems to the manual versions of previously approved management accounts to ensure no changes to data had been made. Based on the testing performed, the data in the financial reporting systems appear to be materially complete and accurate and appropriate corporate governance processes were followed.

OTHER MATTER

The consolidated and separate financial statements of the Group and Company for the year ended 30 September 2019 were audited by another auditor who expressed an unmodified opinion on those statements on 21 November 2019.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the document titled "Life Healthcare Group Holdings Limited Audited Group Annual Financial Statements 2020", which includes the Directors' Report, the report of the Audit Committee and the statement of the Group Company Secretary as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the Integrated Report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Life Healthcare Group Holdings Limited for 1 year.

Deloitte & Touche
Registered Auditor
Per: Bongisipho Nyembe
Partner

11 December 2020

Deloitte.

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INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION INCLUDED IN THE AUDITED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

11 December 2020
To the Directors of Life Healthcare Group Holdings Ltd
203 Oxford Road
Cnr Eastwood and Oxford Roads
Dunkeld
2196

Dear Sirs/Madam

REPORT ON THE ASSURANCE ENGAGEMENT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION INCLUDED IN THE AUDITED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS.

We have completed our assurance engagement to report on the compilation of pro forma financial information of Life Healthcare Group Holdings Limited by the directors. The pro forma financial information, as set out in the audited consolidated annual financial statements to be dated on or about 11 December 2020, consists of the impact of the IFRS 16 adoption on the financial results, as well as to provide a more meaningful assessment of the Group's performance for the year, pro forma information and related notes. The pro forma financial information has been compiled on the basis of the applicable criteria specified in the JSE Limited (JSE) Listings Requirements.

The pro forma financial information has been compiled by the directors to illustrate the impact of the corporate action or event, in the consolidated financial statements as at 30 September 2020, and the company's financial performance for the period then ended. As part of this process, information about the company's financial position and financial performance has been extracted by the directors from the company's consolidated financial statements for the period ended 30 September 2020, on which an unmodified audit opinion was issued on 11 December 2020.

Directors' Responsibility for the Pro Forma Financial Information

The directors are responsible for compiling the pro forma financial information on the basis of the applicable criteria specified in the JSE Listings Requirements.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Professional Conduct for Registered Auditors issued by the Independent Regulatory Board for Auditors (IRBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards).

The applies the International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements and Other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibility

Our responsibility is to express an opinion about whether the pro forma financial information has been compiled, in all material respects, by the directors on the basis specified in the JSE Listings Requirements based on our procedures performed.

We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus, which is applicable to an engagement of this nature*. This standard requires that we comply with ethical requirements and plan and perform our procedures to obtain reasonable assurance about whether the pro forma financial information has been compiled, in all material respects, on the basis specified in the JSE Listings Requirements.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included is solely to illustrate the impact of a significant corporate action or event on unadjusted financial information of the entity as if the corporate action or event had occurred or had been undertaken at an earlier date selected for purposes of the illustration, and we do not provide any assurance on the actual outcome of the event.

A reasonable assurance engagement to report on whether the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used in the compilation of the pro forma financial information provides a reasonable basis for presenting the significant effects directly attributable to the corporate action or event, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

Our procedures selected depend on our judgment, having regard to our understanding of the nature of the company, the corporate action or event in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the pro forma financial information.

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

Opinion
In our opinion, the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria specified by the JSE Listings Requirements.

Report on Other Legal and Regulatory Requirements
In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Life Healthcare Group Holdings Limited for 1 year.

Deloitte & Touche
Registered Auditor
Per: Bongisipho Nyembe
Partner

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 September 2020

	Notes	2020 R'm	2019 R'm
Revenue	2	**25 386**	25 672
Other income	2	**208**	232
Drugs and consumables		**(5 497)**	(5 311)
Employee benefits expense	3	**(9 534)**	(8 860)
Retirement benefit asset and post-employment medical aid income		**32**	39
Depreciation on property, plant and equipment		**(1 594)**	(1 236)
Amortisation of intangible assets		**(604)**	(586)
Repairs and maintenance expenditure on property, plant and equipment		**(688)**	(540)
Occupational expenses		**(879)**	(971)
Hospital service expenses		**(828)**	(838)
Communication expenses		**(388)**	(365)
Radiology service costs		**(1 405)**	(1 376)
Professional, legal and secretarial fees		**(499)**	(582)
Provision for expected credit losses		**(186)**	(19)
Other expenses	6	**(1 344)**	(1 315)
Operating profit[1]		**2 180**	3 944
Fair value adjustments to contingent consideration		**(37)**	2
Fair value loss on derivative financial instruments	4	**(5)**	(438)
Gain on derecognition of lease asset and liability		**75**	–
Impairment of assets and investments	11	**(798)**	(164)
Profit on disposal of investment in joint venture		**–**	1 501
Profit on disposal of investment in subsidiary		**–**	11
Loss on disposal of property, plant and equipment		**(6)**	–
Transaction costs relating to acquisitions and disposals		**(17)**	(148)
Other		**–**	(22)
Finance income	5	**93**	60
Finance cost[1]	5	**(918)**	(1 058)
Share of associates' and joint ventures' net profit after tax	12	**14**	18
Profit before tax[1]	6	**581**	3 706
Tax expense	7	**(543)**	(835)
Profit after tax		**38**	2 871
Other comprehensive income/(loss), net of tax			
Items that may be reclassified to profit or loss			
Movement in foreign currency translation reserve (FCTR)		**1 833**	117
Items that may not be reclassified to profit or loss			
Retirement benefit asset and post-employment medical aid		**(13)**	(54)
Total comprehensive income for the year		**1 858**	2 934
Profit after tax attributable to:			
Ordinary equity holders of the parent		**(93)**	2 569
Non-controlling interest		**131**	302
		38	2 871
Total comprehensive income attributable to:			
Ordinary equity holders of the parent		**1 708**	2 622
Non-controlling interest		**150**	312
		1 858	2 934
(Loss)/earnings per share (cents)	8	**(6.4)**	176.4
Diluted loss/(earnings) per share (cents)	8	**(6.4)**	175.8

[1] *Impact of adopting IFRS 16 on statement of profit or loss – refer to Annexure A – 1.15.*

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 September 2020

	Notes	**2020 R'm**	2019 R'm
ASSETS			
Non-current assets		**35 328**	31 588
Property, plant and equipment	10	**15 361**	12 929
Intangible assets	11	**18 238**	16 969
Investment in associates and joint ventures	12	**65**	53
Employee benefit assets	13	**379**	448
Deferred tax assets	14	**1 162**	1 102
Other assets		**123**	87
Current assets		**7 377**	5 978
Cash and cash equivalents	15	**2 279**	1 544
Trade and other receivables	16	**4 046**	3 923
Inventories	17	**873**	379
Income tax receivable		**173**	124
Other assets		**6**	8
Total assets		**42 705**	37 566
EQUITY AND LIABILITIES			
Capital and reserves			
Stated capital	18	**13 531**	13 515
Reserves		**3 527**	2 673
Non-controlling interest		**1 220**	1 303
Total equity		**18 278**	17 491
LIABILITIES			
Non-current liabilities		**14 535**	11 632
Interest-bearing borrowings	20	**12 034**	9 399
Employee benefit liabilities	13	**161**	130
Deferred tax liabilities	14	**1 450**	1 371
Trade and other payables	21	**89**	51
Provisions	22	**117**	69
Contingent consideration liabilities	26	**631**	506
Other liabilities		**53**	106
Current liabilities		**9 892**	8 443
Bank overdraft	15	**2 181**	867
Trade and other payables	21	**5 146**	4 663
Provisions	22	**181**	136
Contingent consideration liabilities	26	**11**	37
Interest-bearing borrowings	20	**2 180**	2 596
Income tax payable		**161**	129
Other liabilities		**32**	15
Total liabilities		**24 427**	20 075
Total equity and liabilities		**42 705**	37 566

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 September 2020

	Attributable to equity holders of the Company						
	Stated capital R'm	**Other reserves R'm**	**FCTR R'm**	**Retained earnings R'm**	**Reserves R'm**	**Non-controlling interest R'm**	**Total equity R'm**
Balance at 1 October 2019[1]	**13 515**	**(698)**	**534**	**2 837**	**2 673**	**1 303**	**17 491**
Total comprehensive income/(loss) for the year	**–**	**(13)**	**1 814**	**(93)**	**1 708**	**150**	**1 858**
(Loss)/profit for the year	**–**	**–**	**–**	**(93)**	**(93)**	**131**	**38**
Other comprehensive income	**–**	**(13)**	**1 814**	**–**	**1 801**	**19**	**1 820**
Transactions with non-controlling interests	**–**	**(108)**	**–**	**–**	**(108)**	**(34)**	**(142)**
Distributions to shareholders	**–**	**–**	**–**	**(778)**	**(778)**	**(199)**	**(977)**
Purchase of treasury shares for staff benefit schemes	**(44)**	**–**	**–**	**–**	**–**	**–**	**(44)**
Vesting of treasury shares for staff benefit schemes	**60**	**(56)**	**–**	**–**	**(56)**	**–**	**4**
Long-term incentive scheme charge	**–**	**34**	**–**	**–**	**34**	**–**	**34**
Life Healthcare employee share trust charge	**–**	**54**	**–**	**–**	**54**	**–**	**54**
Balance at 30 September 2020	**13 531**	**(787)**	**2 348**	**1 966**	**3 527**	**1 220**	**18 278**
Notes		19					
Balance at 1 October 2018 (as previously reported)	13 510	(590)	427	1 569	1 406	1 286	16 202
Transition adjustment relating to IFRS 9	–	–	–	20	20	–	20
Balance at 1 October 2018 (restated)	13 510	(590)	427	1 589	1 426	1 286	16 222
Total comprehensive income for the year	–	(54)	107	2 569	2 622	312	2 934
Profit for the year	–	–	–	2 569	2 569	302	2 871
Other comprehensive income	–	(54)	107	–	53	10	63
Transactions with non-controlling interests	–	(60)	–	–	(60)	(44)	(104)
Disposal of subsidiary	–	(5)	–	–	(5)	(18)	(23)
Distributions to shareholders	–	–	–	(1 321)	(1 321)	(233)	(1 554)
Purchase of treasury shares for staff benefit schemes	(72)	–	–	–	–	–	(72)
Vesting of treasury shares for staff benefit schemes	75	(65)	–	–	(65)	–	10
Disposal of treasury shares (exercised and forfeited)	2	(2)	–	–	(2)	–	–
Loss on disposal of treasury shares	–	(3)	–	–	(3)	–	(3)
Long-term incentive scheme charge		23	–		23	–	23
Life Healthcare employee share trust charge	–	58	–	–	58	–	58
Balance at 30 September 2019	13 515	(698)	534	2 837	2 673	1 303	17 491
Notes		19					

[1] *There was no impact on retained earnings on 1 October 2019 as a result of adopting IFRS 16.*

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

Representation: Reclassification adjustment

In the prior financial year, the FCTR was disclosed as part of other reserves and distributable reserves was disclosed separately on the face of the statement of changes in equity. During the current financial year the FCTR was reclassified and disclosed separately on the face of the changes in equity for enhanced reporting in accordance of IAS 1. Distributable reserves are now presented within other reserves.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 September 2020

	Notes	2020 R'm	2019 R'm
Cash flows from operating activities			
Cash generated from operations	25	**4 562**	5 927
Transaction costs paid relating to acquisitions and disposals		**(17)**	(147)
Finance income received		**93**	60
Tax paid		**(597)**	(1 185)
Net cash generated from operating activities		**4 041**	4 655
Cash flows from investing activities			
Purchase of property, plant and equipment		**(1 828)**	(1 898)
Purchase of intangible assets		**(136)**	(162)
Proceeds from sales of property, plant and equipment		**18**	23
Business combinations, net of cash acquired	26	**(6)**	(190)
Proceeds from disposal of subsidiary		**–**	48
Contingent considerations paid	26	**(37)**	(79)
Proceeds from disposal of joint venture		**–**	4 347
Premiums paid/settlement of foreign exchange option contracts relating to disposal of joint venture	23	**–**	(322)
Other cash payments received		**25**	9
Other cash payments made		**(30)**	(5)
Net cash (utilised in)/generated from investing activities		**(1 994)**	1 771
Cash flows from financing activities			
Proceeds from bank loans	20	**12 505**	5 285
Repayment of bank loans	20	**(12 952)**	(7 048)
Proceeds from lease liabilities	20	**261**	211
Repayment of lease liabilities	20	**(573)**	(304)
Proceeds from preference shares	20	**–**	500
Repayment of preference shares	20	**–**	(2 700)
Distributions to non-controlling interests		**(196)**	(238)
Cash flow on increases in ownership interests	26	**(152)**	(125)
Proceeds on decreases in ownership interests	26	**10**	21
Contingent considerations paid	26	**(37)**	–
Finance costs paid		**(823)**	(984)
Treasury shares acquired for delivery to staff trust and long-term incentive scheme	18 and 19	**(44)**	(72)
Dividends paid to Company's shareholders		**(778)**	(1 321)
Other cash payments received		**27**	10
Other cash payments made		**(26)**	–
Net cash utilised in financing activities		**(2 778)**	(6 765)
Net decrease in cash and cash equivalents		**(731)**	(339)
Cash and cash equivalents – beginning of the year		**677**	1 006
Effect of foreign currency rate movements		**152**	10
Cash and cash equivalents at end of the year	15	**98**	677

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

NOTES TO CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

for the year ended 30 September 2020

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

1.1 Basis of preparation

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

Basis of preparation

Prepared in accordance with

International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations effective for the Group's financial year, as well as the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.	JSE Listings Requirements	South African Companies Act, 71 of 2008 (as amended)

Going concern principles

The Group performs regular assessments on the going concern status of the Group. These assessments take into consideration:

- current solvency of the Group;
- current liquidity position;
- available committed and uncommitted bank facilities;
- cash commitments for the next 12 months;
- bank covenants; and
- debt maturities.

As part of the assessments the board of directors has reviewed the Group budgets, forecasts, available cash resources and unutilised facilities as well as the debt maturity profile. The forecasts for the Group have been prepared, covering its future performance, capital and liquidity for a period of 12 months from the date of approval of these consolidated financial statements including performing sensitivity analyses. The expected future cash flows were adjusted to reflect the best estimate of the short and longer-term impact of the COVID-19 pandemic (the pandemic).

To ensure the Group has sufficient cash reserves, in addition to securing additional bank facilities, suspending Group dividend payments (interim and final) and deferring capex projects, management has implemented a number of mitigating actions which include cost and cash preservation levers across the Group's operations.

The Group successfully refinanced its term debt in the international operations during March 2020 and extended the debt maturities. The Group is in a strong financial position with net debt to normalised EBITDA as at 30 September 2020 at 2.96 times (2019: 1.96 times). Given the significant uncertainty caused by the pandemic, the Group pre-emptively negotiated amended bank covenants for the period up to 31 March 2021 (refer note 31). In addition, banking facilities have been increased and the Group's committed undrawn bank facilities as at 30 September 2020 are R6.3 billion (refer note 20).

The Group's assessments and sensitivity analysis show that the Group has sufficient accessible capital and liquidity to continue to meet its obligations as they fall due and as a result it is appropriate to prepare these consolidated financial statements on a going concern basis.

Presentation currency

South African rand

Rounding principles

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

Pro forma information

To provide a more meaningful assessment of the Group's performance for the year, pro forma information has been included. Pro forma information includes IFRS 16 *Leases* financial information that represents the impact on FY2020 as if IFRS 16 had not been applied at 1 October 2019. The pro forma financial information is the responsibility of the Group's directors. Pro forma financial information is presented for illustrative purposes only. Because of its nature, the pro forma financial information may not fairly present the Group's financial position, results of operations, changes in equity or cash flows for the year.

The pro forma information is not an IFRS requirement, nor a JSE Listings Requirement. The Group's external auditor, Deloitte, has reviewed the pro forma information. Their independent reporting accountant's assurance report on the compilation of the pro forma financial information is presented on page 14.

Refer note 9.

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

1.1 Basis of preparation continued

Foreign currency transactions and balances

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

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

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

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

1.1.1 Outbreak of the pandemic and the impact thereof

On 30 January 2020, the World Health Organization announced the outbreak of COVID-19 as a world health emergency of international concern, and on 11 March 2020 the outbreak was classified as a global pandemic. All countries in which the Group operates have experienced similar lockdown restrictions, country-specific self-isolation and social distancing guidelines.

Although the business operations of the Group continued during the pandemic, the pandemic had a significant impact on the financial results of the Group. The impact of the pandemic varied across the Group's geographic regions and business lines due to the timing of the spread of the disease and the responses of the various governments.

Southern Africa

The southern Africa business performed well up to mid-March 2020 but saw significant reduction in hospital admissions following the announcement of the national lockdown during March 2020. The southern African operation experienced its lowest monthly occupancy in April 2020. The Group has seen good recovery since May 2020 in medically necessary procedures in southern Africa.

International

The Alliance Medical Group Limited (Alliance Medical) diagnostic imaging business experienced significant reductions in volumes from mid-March 2020 to mid-May 2020 across all its major geographies. The reduction in volumes was due to national healthcare systems prioritising urgent and emergency cases as well as country-specific self-isolation and social distancing guidelines, resulting in a significant reduction in patient referrals, an increase in patient cancellations and non-attendance for appointments.

The increase, however, in scan volumes across all Alliance Medical businesses, since the gradual easing of lockdowns in Europe from May 2020, has been encouraging.

Impact on the annual financial statements

The Group assessed the impact of the pandemic on the annual financial statements. The significant areas impacted are:

Financial performance

The pandemic had a significant impact on the Group's financial performance and cash flows during the year, resulting in lower revenue due to the pandemic negatively impacting activities and/or scan volumes from February 2020. As a large percentage of costs are fixed, the decline in activities and/or scan volumes due to the pandemic had a direct impact on Group normalised EBITDA[1] and the Group normalised EBITDA margin[1]. The largest expense to the Group is employee costs: the Group decided not to retrench or cut salaries during the current year as management decided to protect the health, safety and job security of our employees in the short-term. Additional costs associated with the pandemic further negatively impacted our results.

Within our Alliance Medical business, we delivered a number of services to support governments in their response to the pandemic, such as COVID-19 testing in Italy and the delivery of a dedicated mobile computerised tomography service (CT) for up to 16 units in England, which continues into FY2021. This contributed positively at a revenue level to compensate for the reduction in scan volumes.

The Group introduced cash preservation levers to manage liquidity. This was done through continuous cash forecasting, adapting and implementing operational controls, limiting capital expenditure without compromising patient safety, suspending discretionary operational expenses, suspending dividends and deferring management bonuses.

[1] Non-IFRS measure.

NOTES TO CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2020

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

1.1.1 Outbreak of the pandemic and the impact thereof continued

Impact on the annual financial statements continued

Impairment of goodwill and intangible assets

The pandemic has a likely impact on future cash flows, activities, scan volumes and normalised EBITDA margins. The Group tested all cash-generating units (CGUs) for impairments by calculating the recoverable amounts and comparing these to the carrying amounts of the CGUs. The expected future budgeted and forecasted cash flows were adjusted to reflect the best estimate of the short and longer-term impact of the pandemic.

No impairments were recognised as a result of the pandemic.

Impairment of trade receivables

The Group uses a provision matrix to calculate expected credit losses (ECLs) for trade receivables. Forward-looking information included the market impact of the pandemic by adjusting the credit risk of receivables for macro-economic conditions that impact credit risk.

The economies in which the Group operate have been impacted by the pandemic which, together with the sovereign ratings downgrade by Moody's Investors Service in South Africa, has negatively impacted the ECL rates across the Group during the year ended 30 September 2020. The Group recognised an additional R186 million ECL provision during the current year.

1.1.2 Cyber-attack on southern Africa IT infrastructure

During the current year, the Group's southern African operations were a victim of a criminal cyber-attack on its information technology (IT) infrastructure. In response, the Group immediately took its systems offline, in order to actively contain the attack, and switched to manual processes and procedures. Although the care of patients was not impacted, the Group was unable to issue bills for a period of around 45 days. The billing backlog was resolved by end August 2020 and most of the outstanding accounts were collected by end September 2020. The incident also affected admissions systems, business processing systems and email servers. The Group's IT systems were fully restored by the end of September 2020.

1.2 Critical judgements, accounting estimates and assumptions

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

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

1.2.1 Critical judgements

Group accounting

Factors considered to determine whether the Group has control

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

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

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

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

1.2 Critical judgements, accounting estimates and assumptions continued

1.2.1 Critical judgements continued

Non-financial assets

Goodwill

The level at which management monitors goodwill for impairment testing as well as determining the allocation of goodwill to the different CGUs for impairment testing require the use of judgement.

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

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

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

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

The pandemic has a likely impact on future cash flows, activities, scan volumes and normalised EBITDA margins. The periods of recovery from the pandemic are uncertain and requires a level of judgement. The pandemic is considered to be a temporary adverse event. The Group's forecasts assumed that the impact of the pandemic will continue to be felt during H1 FY2021 but we expect improvement in activities and scan volumes in H2 FY2021.

Refer note 11.

Other operating assets

Useful lives, residual values and impairment

Useful lives	The Group depreciates or amortises its assets over their estimated useful lives. The useful lives of assets are based on historic performance as well as expectations about future use and therefore requires a degree of judgement to be applied. The actual lives of these assets can vary depending on a variety of factors, including technological innovation, product life cycles and maintenance programmes. The useful lives are reviewed at each reporting date to assess whether useful life estimates need to be adjusted. There were no changes to the estimated useful lives in the current year.
Residual values	Judgement is applied when determining the residual values for property, plant and equipment and intangible assets. When determining the residual value for property, plant and equipment, the following factors are taken into account: ■ External residual value information ■ Internal technical assessments for complex medical equipment The residual values are reviewed at each reporting date.
Impairment	The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. In the event of contractual obligations in terms of which a termination consideration is payable to the Group, a residual value will be applied to the intangible asset.

NOTES TO CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2020

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

1.2 Critical judgements, accounting estimates and assumptions continued

1.2.1 Critical judgements continued

Other operating assets continued

Useful lives, residual values and impairment continued

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<thead>
<tr><th rowspan="2">Statement of financial position</th><th rowspan="2">Statement of profit or loss and other comprehensive income</th><th colspan="2">Estimated useful lives</th><th rowspan="2">Impairment indicators</th></tr>
<tr><th>Item</th><th>Average useful life</th></tr>
</thead>
<tbody>
<tr><td rowspan="6">Intangible assets</td><td rowspan="6">Amortisation</td><td>Customer relations</td><td rowspan="2">10 – 15 years</td><td rowspan="15">External sources of information:
■ Significant adverse changes that have taken place or are expected in the near future in the technological, market, economic or legal environment in which the Group operates
■ Increases in interest rates or other market rates of return that may materially affect the discount rate used in calculating the asset's recoverable amount
■ The carrying amount of the Group's net assets exceeds the Group's market capitalisation
Internal sources of information:
■ Obsolescence or physical damage affecting the asset
■ Idle or unutilised assets
■ Plans to discontinue or restructure the operations to which the asset belongs or the asset's disposal
■ Significant decline in management's forecasts of future net cash inflows</td></tr>
<tr><td>Hospital licences</td></tr>
<tr><td>Brand name</td><td>12 years</td></tr>
<tr><td>Intellectual property</td><td>Over the life of the relevant patent period</td></tr>
<tr><td>Computer software</td><td>3 – 20 years</td></tr>
<tr><td>Other intangible assets</td><td>Duration of the respective agreements</td></tr>
<tr><td rowspan="9">Property, plant and equipment</td><td rowspan="9">Depreciation</td><td>Land</td><td rowspan="2">Not depreciable</td></tr>
<tr><td>Assets under construction</td></tr>
<tr><td>Buildings – owned</td><td>40 – 50 years</td></tr>
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<tr><td>Motor vehicles</td><td>3 – 8 years</td></tr>
<tr><td>Improvements to right-of-use assets</td><td rowspan="2">Shorter of useful life or lease term</td></tr>
<tr><td>Right-of-use assets
■ Land and buildings
■ Medical equipment
■ Motor vehicles and other equipment</td></tr>
</tbody>
</table>

Financial instruments

Impairment of financial assets

Trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables.

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

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

The Group makes use of a credit agency model and analytics to assist in determining the forward-looking impact on ECL.

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

1.2 Critical judgements, accounting estimates and assumptions continued

1.2.1 Critical judgements continued

Financial instruments continued

Impairment of financial assets continued

Trade receivables continued

The southern Africa ECL model's largest assumption is that the default definition for each category will be 90 days from the end of the month of the discharge date.

The forward-looking indicators in the southern Africa ECL calculations apply the baseline, scenario 1 and scenario 3 Global Correlation Model (GCorr) scenarios weighted 40%, 30%, 30% (these scenarios have been adjusted to reflect the change in risk due to the pandemic).

Under all three scenarios, southern Africa will experience a contraction of gross domestic product (GDP). The 4th quarter 2019 GDP level (the level prior to the impact of the pandemic) is achieved between the 4th quarter of 2021 and the 4th quarter of 2024 under the three scenarios.

The other macro-economic forecasts also negatively affecting these scenarios are those of forecasted deteriorating exchange rates and the increase in unemployment rates as a result of the pandemic.

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

The impact of the pandemic was considered. Refer 1.1.1.

Information regarding the ECLs is disclosed in note 16, note 31 and annexure A – significant accounting policies (section 1.11 financial instruments).

Lease accounting

Extension options

Extension options are included in a number of leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension options held are exercisable only by the Group and not by the respective lessor.

Consideration of whether extension options should be included in determining the lease term is a critical judgement. In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended. The Group has assessed that it is reasonably certain that all extension options on property leases for hospitals will be exercised and therefore has included all renewal periods as part of the lease term as hospital buildings are integral to the Group's operations and cost of relocation will be significant. Due to the medical equipment being highly technical in nature, and the possibility that new technology may be developed, extension options have not been taken into account for medical equipment.

As at 30 September 2020, potential future cash outflows of R65 million (undiscounted) have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

1.2.2 Critical accounting estimates and assumptions

Business combinations

Contingent consideration

The calculation of contingent consideration requires the use of estimates and assumptions. This includes estimates and assumptions on future cash flows as well as determining an appropriate discount rate.

The largest contingent consideration payable (R629 million) relates to a potential amount payable to the previous owners of Life Molecular Imaging (LMI), acquired during June 2018.

The contingent consideration will become payable when the acquired business is generating a positive cash contribution, measured on a cumulative basis from the date of acquisition. The contingent consideration is a 50% share of pre-tax cash generated for a period of 10 years post-acquisition or a maximum amount payable of USD200 million. The amount included is the calculated payment, based on long-term forecasts adjusted for probabilities associated with the success of the product developed, discounted to present value using a discount rate of 13.25%.

Key assumptions used in the forecast also include growth in volumes as well as price and cost per dose.

NOTES TO CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2020

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

1.2 Critical judgements, accounting estimates and assumptions continued

1.2.2 Critical accounting estimates and assumptions continued

Business combinations continued

Contingent consideration continued

Sensitivity analysis

The current contingent consideration value is based on the assumption that a disease modifying drug will come to market in the USA in 2022 and one year later in Europe.

If no disease modifying drug comes to market and sales only grow organically by 8% annually, the contingent consideration vale would reduce from R629 million to R184 million.

Refer note 26.

Financial instruments

Fair value determination

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

Lease accounting

Discount rates applied to leases

The lease payments are discounted using the incremental borrowing rate, which is the rate that the relevant business unit (lessee) would have to pay to borrow funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

The incremental borrowing rate was calculated using an adjusted Group weighted average cost of capital (WACC) approach by extracting the pre-tax cost of debt element from the WACC rate, which was adjusted for the following:

- Local borrowing rates
- The unsecured/secured nature
- Lessee-specific credit risk
- Lease start date and term

The weighted average incremental borrowing rate applied to the lease liabilities on 1 October 2019 was 9.33% for the Group's leases in southern Africa and 3.35% for the Group's international operations.

Should the discount rate applied at the date of transition change by 0.5%, the impact would be as follows:

- Increase by 0.5%: Right-of-use asset and lease liability decrease by R33 million
- Decrease by 0.5%: Right-of-use asset and lease liability increase by R34 million

Non-financial assets

Impairment – goodwill

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

The recoverable amounts of most CGUs were determined based on value-in-use. The recoverable amounts of Scanmed and some CGUs in southern Africa were determined based on fair value less cost to sell.

The impact of the pandemic was considered. Refer 1.1.1.

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

1.2 Critical judgements, accounting estimates and assumptions continued

1.2.2 Critical accounting estimates and assumptions continued

Non-financial assets continued

Impairment – Goodwill continued

Recoverable amounts based on value in use

The value-in-use calculations were determined by discounting the expected future cash flows over a period of five years, except for LMI. For LMI, a 10-year period was used on the basis that the registered intellectual property for some products start to expire after 2031, alongside the level of growth being significant over the 10-year period both in Neuraceq and pipeline products.

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

Terminal growth rates are country specific and determined based on the forecast market growth rates.

Southern Africa

The key assumptions used in the value-in-use calculations were as follows:

	2020 %	2019 %
Growth rate in activities	**0.0**	0.0 – 2.0
Average discount rate	**13.30**	12.25
Tariff and inflation increases	**0.0 – 4.5**	0.0 – 5.5
Terminal growth rate	**1.50 – 4.35**	1.50

Alliance Medical

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

The key assumptions used in the value-in-use calculations were as follows:

	2020 %	2019 %
Growth rate in volumes (across all markets)	**0.0 – 13.0**	0.0 – 13.0
Tariff adjustment (across all markets)	**(3.0) – 1.5**	(5.0) – 1.5
Cost inflation (across all markets)	**1.5 – 3.0**	1.6 – 5.0
Average discount rate	**6.48**	6.70
Terminal growth rate	**2.00**	1.50

LMI, our international growth initiative

Key assumptions used in the value-in-use calculation include growth in volumes as well as price and cost per dose, which are reflective of new pharmaceutical products.

Other key assumptions were:

	2020 %	2019 %
Operating cost inflation	**8.0**	7.8
Average discount rate	**13.25**	11.00
Terminal growth rate	**n/a[1]**	1.50

[1] *10-year time horizon used in 2020 in line with registered intellectual property expiry and to recognise the significant growth in cash flows in outer years.*

NOTES TO CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2020

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

1.2 Critical judgements, accounting estimates and assumptions continued

1.2.2 Critical accounting estimates and assumptions continued

Non-financial assets continued

Impairment – Goodwill continued

Recoverable amounts based on fair value less cost to sell

Southern Africa

The fair value less cost to sell for a CGU represents the realisation of the related property in the event the operations of the CGU are discontinued. The fair values less costs to sell are calculated by applying a market-related capitalisation rate to rental paid.

The capitalisation rate used varies between 8.0% and 9.0% for healthcare-related properties and is supported by underlying third party information.

Poland

The Group restarted the Scanmed disposal process during September 2020, and received an offer during November 2020 to dispose of its Polish operation. The related agreements were signed on 24 November 2020 and the transaction is subject to regulatory approvals. The sale proceeds per the agreements (PLN199 million) are lower than the carrying value of Scanmed at 30 September 2020. With the receipt of the offer, the Group considered it prudent and appropriate to impair the carrying value at 30 September 2020 to reflect the fair value less costs to sell. The impairment for the year amounted to R793 million. Refer note 11 and 30.

Sensitivity analysis

Due to the uncertainty in longevity and possible long-term effects on assumptions, appropriate sensitivity analyses were performed on all CGUs. Sensitivity analysis included fluctuations in activity/volume growth, discount rates and tariffs.

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

- If the average discount rate for southern Africa increases to 14.03% the first CGU's carrying amount will exceed its recoverable amount.
- If the average discount rate for Alliance Medical increases to 7.60% the headroom will reduce to nil.

Employee benefits

Defined benefit plans

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

Long-term incentive plans

Determining the fair value

Long-term incentive scheme effective from 2019: 1. Southern Africa – equity-settled shared-based payments 2. International – cash-settled share based payment	The fair value of awards granted during the period was determined using risk-neutral valuation principles. This methodology takes into consideration the number of active awards, the Life Healthcare Group Holdings Limited (Life Healthcare) share price, expected dividends over the vesting period, expected forfeiture rates and the expected vesting of the awards based on performance conditions. Vesting in terms of this scheme takes place in three years from allocation.

Refer note 19 and annexure A under 1.2 – Share-based payments.

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

1.2 Critical judgements, accounting estimates and assumptions continued

1.2.2 Critical accounting estimates and assumptions continued

Long-term incentive plans continued

Determining the fair value continued

The key assumptions used in the model were as follows:

	2020	2019
Average discount rate (WACC)	**11.7%**	12.4%
Average consumer price inflation (CPI)	**3.1%**	4.5%
Life core purposes	**100% achievement**	100% achievement

Refer notes 19 and 22.

Other

Deferred tax assets

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

Insurance provision

In the ordinary course of business the Group, from time to time, receives potential litigation and claims. Such claims are assessed by management and legal counsel and dealt with on a case-by-case basis taking into consideration applicable excess levels per claim and external legal advice on the merits and probability of the claim. Based on past experience, the southern African provision has a historical payment rate, on closed cases, which is on average 10.6% of the claimed amount. The southern Africa provision is discounted at a pre-tax average cost of debt rate of 4.3%, where applicable.

NOTES TO CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2020

2. REVENUE AND OTHER INCOME

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

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

	2020 R'm	2019 R'm
Disaggregation of revenue based on the type of customer		
Contract from customers		
Private (including private medical aids and cash paying patients)	**16 810**	18 031
Government and public healthcare facilities	**6 068**	5 299
Corporate institutions	**2 425**	2 263
Rental revenue		
Rental income related to auxiliary services	**83**	79
Total revenue	**25 386**	25 672
Disaggregation of revenue based on the type of services per geographical region		
Southern Africa		
Hospitals and complementary services	**15 899**	17 213
Healthcare services	**1 346**	1 259
International		
Diagnostic services	**6 286**	5 582
Healthcare services	**1 535**	1 349
Growth initiatives	**320**	269
Total revenue	**25 386**	25 672
Timing of revenue recognition		
Over time	**13 471**	14 306
At a point in time	**11 915**	11 366
Total revenue	**25 386**	25 672
Other income		
Other rental income	**87**	99
Other income[1]	**88**	133
Government assistance/support	**33**	–
Other income	**208**	232

[1] *Comprises mainly of learning centre tuition and registration fees, Services Sector Education and Training authority (SETA) reimbursements and insurance receipts.*

3. EMPLOYEE BENEFITS EXPENSE

	2020 R'm	2019 R'm
Salaries	**7 086**	6 488
Long-term incentive schemes	**89**	21
Share-based payment – Life Healthcare employee share trust	**54**	58
Severance payments	**2**	1
Agency fees	**1 303**	1 384
Medical aid contributions	**300**	282
Pension fund costs – defined benefit and contribution plans	**86**	74
Provident fund costs – defined contribution plans	**234**	219
Social security costs	**291**	257
Other	**89**	76
	9 534	8 860

Includes executive directors' and prescribed officers' remuneration (refer note 27).

4. FAIR VALUE LOSS ON DERIVATIVE FINANCIAL INSTRUMENTS

	2020 R'm	2019 R'm
Fair value loss on interest rate swap contracts	**5**	32
Fair value loss on the Max Healthcare foreign exchange option contracts	**–**	406
	5	438

5. FINANCE INCOME AND COST

	2020 R'm	2019 R'm
Finance income	**(93)**	(60)
Interest revenue calculated using the effective interest rate method	**(4)**	(1)
Foreign exchange gains	**(80)**	(54)
Other	**(9)**	(5)
Finance cost	**918**	1 058
Interest-bearing borrowings and bank overdrafts	**501**	674
Interest rate swap contracts	**40**	16
Interest on lease liabilities	**158**	65
Borrowing cost capitalised[1]	**(9)**	(8)
Preference shares	**29**	142
Foreign exchange losses	**56**	66
Unwinding of contingent consideration	**66**	44
Other	**77**	59
Net finance cost	**825**	998

[1] *The Group has used an average rate of 7.8% (2019: 8.7%) in determining the borrowing costs capitalised.*

NOTES TO CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2020

6. PROFIT BEFORE TAX

	2020 R'm	2019 R'm
The following items have been included as part of other expenses in arriving at profit before tax:		
Lease rentals	**131**	297
Operating lease rentals (under IAS 17)	**–**	297
Expense relating to short-term leases	**22**	–
Expense relating to leases of low-value assets, not shown above as short-term leases	**15**	–
Expense relating to variable lease payments not included in lease liabilities	**94**	–
Auditors' remuneration	**49**	41
Total audit fees	**47**	34
Fees relating to non-audit services	**2**	7
Advertising and marketing expenses	**86**	34
Bad debts written off	**141**	97
Non-executive directors' emoluments (refer note 27)	**7**	6
Irrecoverable VAT (partial exemption) in international business	**143**	113
Insurance premiums	**116**	94
Motor vehicle expenses	**26**	26
Security costs	**84**	78
Subscriptions and publications costs	**33**	35
Training and conferences expenses	**54**	46
Travelling and accommodation expenses	**44**	53
Other[1]	**430**	395
	1 344	1 315

[1] *Other comprise mainly of bank charges, refreshments, general expenses, quality costs and archive filing expenses.*

7. TAX EXPENSE

	2020 R'm	2019 R'm
Current income tax		
Current year	**538**	990
Prior year underprovision	**41**	25
Deferred income tax		
Origination and reversal of temporary differences	**(64)**	(270)
Prior year under/(over) provision	**27**	(5)
Withholding taxes	**1**	95
Total tax expense	**543**	835
Reconciliation of the tax rate	**%**	%
South African normal tax rate	**28.00**	28.00
Adjustments for non-cash items:		
Income not taxable – profit on sale of property, plant and equipment and investments	**(0.02)**	(9.83)
Income not taxable – partnerships	**(0.89)**	(0.36)
Expenses not deductible – impairment of intangible assets and investment	**27.48**	0.28
Expenses not deductible – interest on preference shares	**1.39**	1.15
Expenses not deductible – interest on borrowings and acquisition costs	**4.16**	0.48
Expenses not deductible – retirement benefit revaluation	**4.03**	0.23
Other[2]	**3.18**	(1.32)
Deferred tax through other comprehensive income	**0.80**	0.56
Prior year underprovision	**8.13**	0.81
Withholding taxes	**0.20**	2.57
Assessed losses previously not recognised	**(1.84)**	(1.67)
Effect of conversion of international tax rates to South Africa normal tax rate	**18.87**	1.62
Effective rate	**93.49**	22.52

[2] *Other include various permanent differences in foreign tax jurisdictions and South Africa for which there are no corresponding tax allowances as well as learnership allowances.*

The Group has raised deferred tax on estimated tax losses of R791 million (2019: R622 million) available to offset against future taxable income. Refer note 14. Tax losses of R228 million (2019: R64 million) were utilised during the year.

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

	Attributable earnings R'm		Weighted average number of shares ('000)		Cents per share	
	2020	2019	**2020**	2019	**2020**	2019
EPS – basic	**(93)**	2 569	**1 454 703**	1 456 430	**(6.4)**	176.4
EPS – diluted	**(93)**	2 569	**1 459 644**	1 461 449	**(6.4)**	175.8
HEPS – basic	**708**	1 291	**1 454 703**	1 456 430	**48.7**	88.7
HEPS – diluted	**708**	1 291	**1 459 644**	1 461 449	**48.5**	88.4
Normalised EPS (NEPS)[1]	**888**	1 695	**1 454 703**	1 456 430	**61.0**	116.4

	Total dividend (R'm)		Total number of issued shares ('000)		Cents per share	
DPS – ordinary shares						
– Final (previous financial year)[2]	**778**	734	**1 467 349**	1 467 349	**53**	50
– Interim[3]	**–**	587	**1 467 349**	1 467 349	**–**	40

[1] Non-IFRS measure.

[2] The cash portion of the total dividend was subject to dividend withholding tax at a rate of 20%, which resulted in a net final dividend, for the year ended 30 September 2019, of 42.4 cents per ordinary share to those shareholders who are not exempt in terms of section 64F of the Income Tax Act.

[3] The board of directors decided, considering the trading conditions during the year and in order to preserve cash, not to pay an interim dividend.

	2020		2019	
	Gross amount R'm	**Net amount R'm**	Gross amount R'm	Net amount R'm
Headline earnings reconciliation				
Loss/(profit) attributable to ordinary equity holders	**(93)**	**(93)**	2 569	2 569
Adjustments (net of tax):				
Impairment of assets and investments	**798**	**798**	164	140
Profit on disposal of investment in joint venture	**–**	**–**	(1 501)	(1 407)
Profit on disposal of investment in subsidiary	**–**	**–**	(11)	(11)
Loss on disposal of property, plant and equipment	**6**	**3**	–	–
Headline earnings	**711**	**708**	1 221	1 291

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

	2020 '000	2019 '000
Reconciliation between weighted average number of shares and diluted number of shares		
Issued ordinary shares – at the beginning of the year	**1 467 349**	1 467 349
Effect of treasury shares	**(12 646)**	(10 919)
Weighted average number of shares at the end of the year	**1 454 703**	1 456 430
Effect of dilutive potential ordinary shares – treasury shares	**4 941**	5 019
Diluted weighted average number of shares at the end of the year	**1 459 644**	1 461 449
Normalised earnings per share (NEPS)[1]	**R'm**	R'm
Profit attributable to ordinary equity holders	**(93)**	2 569
Adjustments (net of tax and non-controlling interest)		
Retirement benefit asset and post-employment medical aid income	**(23)**	(28)
Fair value adjustments to contingent consideration	**37**	(2)
Fair value loss on the Max foreign exchange option contracts	**–**	292
Gain on derecognition of lease asset and liability	**(50)**	–
Impairment of assets and investments	**798**	140
Profit on disposal of investment in joint venture	**–**	(1 407)
Profit on disposal of investment in subsidiary	**–**	(11)
Loss on disposal of property, plant and equipment	**3**	–
Transaction costs relating to acquisitions and disposals	**17**	148
Other	**–**	30
Unwinding of contingent consideration	**66**	44
Deferred tax raised on unrecognised exchange gain on inter-company loan	**133**	–
Deferred tax raised on historical losses	**–**	(80)
Normalised earnings	**888**	1 695
NEPS (cents)	**61.0**	116.4

[1] *Non-IFRS measure.*

9. SEGMENT INFORMATION

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

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

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

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

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

Corporate is a non-operating segment.

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

Inter-segment revenue of R5 million (2019: R5 million) is eliminated and relates to revenue between Life Employee Health Solutions and the southern Africa business.

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

	2020 Reported R'm	**Impact of IFRS 16 R'm**	**2020 Pre-IFRS 16 Pro forma R'm**	2019 R'm
Revenue[1]				
Southern Africa				
Hospitals and complementary services	**15 899**	**–**	**15 899**	17 213
Healthcare services	**1 346**	**–**	**1 346**	1 259
International				
Diagnostic services	**6 286**	**–**	**6 286**	5 582
Healthcare services	**1 535**	**–**	**1 535**	1 349
Growth initiatives	**320**	**–**	**320**	269
	25 386	**–**	**25 386**	25 672

[1] *Revenue of approximately 31% (2019: 33%) is derived from two (2019: two) external customers. The revenue is attributed to the southern Africa segment.*

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for the year ended 30 September 2020

9. SEGMENT INFORMATION continued

	2020 Reported[3] R'm	Impact of IFRS 16 R'm	2020 Pre-IFRS 16[3] Pro forma R'm	2019 R'm
Normalised EBITDA[1, 4]				
Southern Africa				
Hospitals and complementary services	**2 583**	**(219)**	**2 364**	3 933
Healthcare services	**135**	**(1)**	**134**	148
International				
Diagnostic services	**1 311**	**(127)**	**1 184**	1 253
Healthcare services	**191**	**(51)**	**140**	97
Growth initiatives	**(60)**	**(4)**	**(64)**	(25)
Corporate				
Recoveries	**1 205**	**154**	**1 359**	1 292
Corporate costs	**(1 019)**	**–**	**(1 019)**	(971)
	4 346	**(248)**	**4 098**	5 727
Depreciation				
Southern Africa				
Hospitals and complementary services	**(636)**	**33**	**(603)**	(576)
Healthcare services	**(24)**	**5**	**(19)**	(18)
International				
Diagnostic services	**(732)**	**111**	**(621)**	(521)
Healthcare services	**(118)**	**46**	**(72)**	(62)
Growth initiatives	**(17)**	**3**	**(14)**	(10)
Corporate	**(67)**	**10**	**(57)**	(49)
	(1 594)	**208**	**(1 386)**	(1 236)
EBITA[2, 4]				
Southern Africa				
Hospitals and complementary services	**1 947**	**(186)**	**1 761**	3 357
Healthcare services	**111**	**4**	**115**	130
International				
Diagnostic services	**579**	**(16)**	**563**	732
Healthcare services	**73**	**(5)**	**68**	35
Growth initiatives	**(77)**	**(1)**	**(78)**	(35)
Corporate	**119**	**164**	**283**	272
	2 752	**(40)**	**2 712**	4 491
Amortisation of intangible assets				
Southern Africa				
Hospitals and complementary services	**(64)**	**–**	**(64)**	(110)
International				
Diagnostic services	**(466)**	**–**	**(466)**	(411)
Healthcare services	**(14)**	**–**	**(14)**	(17)
Growth initiatives	**(20)**	**–**	**(20)**	(18)
Corporate	**(40)**	**–**	**(40)**	(30)
	(604)	**–**	**(604)**	(586)

[1] *Normalised EBITDA is defined as operating profit before depreciation on property, plant and equipment, amortisation of intangible assets and non-trading-related costs or income.*

[2] *EBITA is defined as normalised EBITDA less depreciation.*

[3] *Difference between reported and pre-IFRS 16 totals relate to impact of IFRS 16, which is a once-off adjustment in FY2020.*

[4] *Non-IFRS measure.*

9. SEGMENT INFORMATION continued

	2020 Reported[1] R'm	Impact of IFRS 16 R'm	2020 Pre-IFRS 16[1] Pro forma R'm	2019 R'm
Operating profit before items detailed below[2]				
Southern Africa				
Hospitals and complementary services	1 883	(186)	1 697	3 247
Healthcare services	111	4	115	130
International				
Diagnostic services	113	(16)	97	321
Healthcare services	59	(5)	54	18
Growth initiatives	(97)	(1)	(98)	(53)
Corporate	79	164	243	242
	2 148	(40)	2 108	3 905
Retirement benefit asset and post-employment medical aid income	32	–	32	39
Operating profit	2 180	(40)	2 140	3 944
Fair value adjustments to contingent consideration	(37)	–	(37)	2
Fair value loss on derivative financial instruments	(5)	–	(5)	(438)
Gain on derecognition of lease asset and liability	75	–	75	–
Impairment of assets and investments (refer note 11)	(798)	–	(798)	(164)
Profit on disposal of investment in joint venture	–	–	–	1 501
Profit on disposal of investment in subsidiary	–	–	–	11
Loss on disposal of property, plant and equipment	(6)	–	(6)	–
Transaction costs relating to acquisitions and disposals	(17)	–	(17)	(148)
Other	–	–	–	(22)
Finance income	93	–	93	60
Finance cost	(918)	65	(853)	(1 058)
Share of associates' and joint ventures' net profit after tax	14	–	14	18
Profit before tax	581	25	606	3 706

[1] *Difference between reported and pre-IFRS 16 totals relate to impact of IFRS 16, which is a once-off adjustment in FY2020.*
[2] *Operating profit before items detailed includes the segment's share of shared services and rental costs. These costs are all at market-related rates.*

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for the year ended 30 September 2020

9. SEGMENT INFORMATION continued

	2020 Reported[2] R'm	Impact of IFRS 16 R'm	2020 Pre-IFRS 16[2] Pro forma R'm	2019 R'm
Total assets before items detailed below				
Southern Africa	14 659	(488)	14 171	13 550
International	26 332	(976)	25 356	22 342
	40 991	(1 464)	39 527	35 892
Employee benefit assets	379	–	379	448
Deferred tax assets	1 162	–	1 162	1 102
Income tax receivable	173	–	173	124
Total assets per the balance sheet	42 705	(1 464)	41 241	37 566
Net debt[1 3]				
Southern Africa	5 366	(558)	4 808	4 481
International	8 750	(1 011)	7 739	6 837
	14 116	(1 569)	12 547	11 318
Cash and cash equivalents (net of bank overdrafts)				
Southern Africa	(1 463)	–	(1 463)	(141)
International	1 561	–	1 561	818
	98	–	98	677

[1] *Net debt is a key measure for the Group, which comprises all interest-bearing borrowings, overdraft balances and cash on hand.*
[2] *Difference between reported and pre-IFRS 16 totals relate to the impact of IFRS 16, which is a once-off adjustment.*
[3] *Non-IFRS measure.*

Pro forma information

The adoption of IFRS 16 from 1 October 2019 complicates performance comparison between the results for the year and the prior financial year. To provide a more meaningful assessment of the Group's performance, pro forma information has been presented for the year ended 30 September 2020. The pro forma financial information has been prepared for illustrative purposes and represents the impact on segmental information for FY2020 as if IFRS 16 had not been applied at 1 October 2019. This is a once-off adjustment in FY2020.

The tables on pages 35 to 38 show the impact of IFRS 16 on the numbers disclosed on the segmental statement of profit or loss, total assets and net debt as at 30 September 2020. IFRS 16 balances have been removed from the reported figures in order to determine the pro forma figures to enable a like-for-like comparison to FY2019 where IFRS 16 had not been applied.

10. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings – owned R'm	Fixed property leased R'm	Improvements to right-of-use assets R'm	Medical equipment R'm	Motor vehicles and other equipment R'm	Right-of-use assets R'm	Assets under construction R'm	Total R'm
Carrying value at 1 October 2019	**6 232**	**449**	**1 129**	**3 772**	**608**	**–**	**739**	**12 929**
Adjustment as a result of adopting IFRS 16[1]	**(108)**	**(448)**	**(25)**	**(882)**	**(74)**	**2 823**	**–**	**1 286**
Additions	**237**	**–**	**55**	**495**	**103**	**346**	**668**	**1 904**
Arising on acquisition of subsidiaries	**–**	**–**	**–**	**3**	**–**	**–**	**–**	**3**
Disposals, scrappings or derecognitions	**(1)**	**–**	**(4)**	**(4)**	**(13)**	**(98)**	**–**	**(120)**
Transfers	**455**	**–**	**(59)**	**493**	**110**	**–**	**(999)**	**–**
Borrowing costs capitalised	**8**	**–**	**–**	**–**	**–**	**–**	**–**	**8**
Depreciation	**(202)**	**–**	**(144)**	**(725)**	**(156)**	**(367)**	**–**	**(1 594)**
Effect of foreign currency movement	**90**	**(1)**	**159**	**227**	**24**	**373**	**73**	**945**
Carrying value at 30 September 2020	**6 711**	**–**	**1 111**	**3 379**	**602**	**3 077**	**481**	**15 361**
Comprising:								
Cost	**8 703**	**–**	**2 403**	**9 337**	**1 735**	**4 643**	**481**	**27 302**
Accumulated depreciation and impairment losses	**(1 992)**	**–**	**(1 292)**	**(5 958)**	**(1 133)**	**(1 566)**	**–**	**(11 941)**
	6 711	**–**	**1 111**	**3 379**	**602**	**3 077**	**481**	**15 361**
Carrying value at 1 October 2018	5 822	580	1 019	3 351	554	–	917	12 243
Additions	299	–	96	600	102	–	896	1 993
Arising on acquisition of subsidiaries	–	–	–	40	–	–	–	40
Disposal of subsidiary	(35)	–	–	(3)	(1)	–	–	(39)
Disposals, scrappings or derecognitions	–	–	–	(8)	(15)		–	(23)
Transfers	308	(1)	149	498	126	–	(1 080)	–
Borrowing costs capitalised	7	–	–	–	–	–	–	7
Depreciation	(168)	(27)	(145)	(729)	(167)	–	–	(1 236)
Impairment loss (refer note 11)	–	(103)	–	–	–	–	–	(103)
Effect of foreign currency movement	(1)	–	10	23	9	–	6	47
Carrying value at 30 September 2019	6 232	449	1 129	3 772	608	–	739	12 929
Comprising:								
Cost	8 012	870	2 215	9 403	1 618	–	739	22 857
Accumulated depreciation and impairment losses	(1 780)	(421)	(1 086)	(5 631)	(1 010)	–	–	(9 928)
	6 232	449	1 129	3 772	608	–	739	12 929

[1] *Refer annexure A – note 1.15*

Refer note 20 for carrying amounts of assets held as security for interest-bearing borrowings.

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10. PROPERTY, PLANT AND EQUIPMENT continued

Additional information on leases

	2020 R'm
Right-of-use assets	
Land and buildings	2 083
Medical equipment	921
Motor vehicles and other equipment	73
	3 077
Depreciation charge of right-of-use assets	
Land and buildings	(223)
Medical equipment	(123)
Motor vehicles and other equipment	(21)
	(367)

- The total cash outflow for leases in 2020 – refer note 20
- Interest on lease liabilities – refer to note 5
- Lease expenses recognised in profit or loss – refer to note 6
- Lease liabilities – refer to note 20

Fixed asset register

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

11. INTANGIBLE ASSETS

	Computer software R'm	Goodwill R'm	Customer relations R'm	Brand name R'm	Intel-lectual property R'm	Hospital licences R'm	Other intan-gible assets R'm	Total R'm
Carrying value at 1 October 2019	305	13 140	2 804	118	439	129	34	16 969
Additions	99	–	–	–	37	–	–	136
Arising on acquisition of subsidiaries	–	12	–	–	–	–	–	12
Disposals or scrappings	(1)	–	–	–	–	–	–	(1)
Transfer	2	–	–	–	(2)	–	–	–
Amortisation	(77)	–	(459)	(14)	(20)	(34)	–	(604)
Borrowing costs capitalised	1	–	–	–	–	–	–	1
Impairment loss[1]	(5)	(793)	–	–	–	–	–	(798)
Effect of foreign currency movement	12	1 956	440	19	91	–	5	2 523
Carrying value at 30 September 2020	336	14 315	2 785	123	545	95	39	18 238
Comprising:								
Cost	822	15 849	5 417	176	593	829	39	23 725
Accumulated amortisation and impairment losses	(486)	(1 534)	(2 632)	(53)	(48)	(734)	–	(5 487)
	336	14 315	2 785	123	545	95	39	18 238

[1] *Refer page 41, footnotes 1 and 2.*

11. INTANGIBLE ASSETS continued

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

Impairment in southern Africa

[1] *Software development costs of R5 million (2019: R39 million), that did not meet business requirements were fully impaired.*

Impairment in Poland

[2] *The Group restarted the Scanmed disposal process during September 2020, and received an offer during November 2020 to dispose of its Polish operation. With the receipt of the offer, the Group considered it prudent and appropriate to impair the carrying value at 30 September 2020. The impairment for the year amounted to R793 million, which was allocated to the assets disclosed below. Refer 1.2.2 – critical accounting estimates and assumptions. An impairment of R125 million was recognised in the prior year.*

	2020 R'm	*2019 R'm*
Goodwill	***793***	*–*
Fixed property leased (refer note 10)	***–***	*103*
Computer software	***–***	*22*

	2020 R'm	2019 R'm
Goodwill impairment testing		
Goodwill has been allocated to the CGUs[3] for impairment testing as follows:		
Southern Africa		
Hospitals and complementary services	**1 031**	1 031
Healthcare services	**234**	234
International		
Diagnostic services	**12 596**	10 758
Healthcare services	**266**	960
Growth initiatives	**188**	157
	14 315	13 140

[3] *Each operating unit is a CGU but due to the magnitude it has been disclosed in aggregate. CGUs are defined as individual hospitals and healthcare services operating units, Alliance Medical Group, and as individual operating units acquired subsequently.*

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12. INVESTMENT IN ASSOCIATES AND JOINT VENTURES

	2020 R'm	2019 R'm
Unlisted ordinary shares		
Balance at 1 October	**53**	35
Share of net profit after tax	**14**	18
Share of current year profit before tax	**14**	19
Share of current year tax	**–**	(1)
Dividends declared by associates and joint ventures	**(6)**	–
Capital distributions	**(6)**	(5)
Effect of foreign currency movement	**10**	5
Balance at 30 September	**65**	53

Refer annexure C – associate undertakings.

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

	Associates		Joint ventures	
	2020 R'm	2019 R'm	2020 R'm	2019 R'm
Carrying amount	**–**	–	**14**	12
Group's share of profit after tax	**4**	4	**10**	14

The aggregate post-acquisition reserves (adjusted for the Group's ownership) for associates and joint ventures are R48 million (2019: R10 million loss).

13. EMPLOYEE BENEFIT ASSETS AND LIABILITIES

	2020 R'm	2019 R'm
Retirement benefit asset	**315**	304
Employer surplus asset	**56**	136
Post-employment medical aid asset	**16**	16
Post-employment medical aid obligation	**(8)**	(8)
	379	448
Employee benefit liabilities		
Trattamento di Fine Rapporto (TFR) retirement benefit obligation	**161**	130

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

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

13. EMPLOYEE BENEFIT ASSETS AND LIABILITIES continued

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

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

On 2 May 2019 approval was obtained from the Financial Sector Conduct Authority to transfer R166 million to the Employer Surplus Account (ESA) of the Life Healthcare Provident Fund with the effective date of transfer set as 31 January 2019. Life Healthcare has taken a partial contribution holiday in the Provident Fund, resulting in a portion of the employer contributions being paid from the ESA in the Provident Fund, and the balance being paid by the employer over the next remaining 5 months from 30 September 2020.

Pension funds

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

	Life Healthcare DB Pension Fund (LHC Fund)		Lifecare Group Holdings Pension Fund	
	2020 %	2019 %	**2020 %**	2019 %
Discount rate	**11.3**	9.64	**3.9**	7.50
CPI	**6.23**	6.07	**2.40**	4.10
Expected long-term investment return	**11.3**	9.64	**3.9**	7.50
Compensation increase rate	**7.23**	7.07	**n/a**	n/a
Pension increase rate	**6.23**[1]	6.07[1]	**n/a**	n/a
Rates of mortality	**0.50**[2]	0.50[2]	**n/a**	n/a

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

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

[2] *The full mortality assumption is as follows: PA(90) rated down 1 year plus 0.5% improvement per annum from 2015.*

The last statutory actuarial valuations for the funds were:

Life Healthcare DB Pension Fund	30 June 2018. The next statutory valuation report will be prepared as at 30 June 2021.
Lifecare Group Holdings Pension Fund	31 March 2019. The next statutory valuation report is currently being prepared for the valuation date ended 31 March 2022.

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

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

Fund deficits tend to arise from any of the following events:
- Reduction in asset values and/or investment returns lower than the valuation assumptions
- Higher than expected salary and pension increases
- A strengthening of the valuation assumptions from time to time
- Increasing pensioner longevity
- Cost increases resulting from unexpected legislation and tax changes

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

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

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13. EMPLOYEE BENEFIT ASSETS AND LIABILITIES continued

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

	Life Healthcare DB Pension Fund		Lifecare Group Holdings Pension Fund		Life Healthcare Provident Fund	
	2020 R'm	2019 R'm	**2020 R'm**	2019 R'm	**2020 R'm**	2019 R'm
Defined benefit fund asset						
Balance at 1 October	**304**	504	**–**	–	**136**	–
Net income/(expense) recognised in profit or loss	**21**	37	**(1)**	(1)	**(71)**	(26)
Current service cost	**(8)**	(11)	**(1)**	(1)	**–**	–
Company contributions	**–**	–	**–**	–	**(84)**	(30)
Net interest income	**29**	48	**–**	–	**13**	4
Remeasurement recognised in other comprehensive income	**(10)**	(71)	**1**	1	**(9)**	(4)
Remeasurements on pension asset	**(76)**	(96)	**1**	–	**(9)**	(4)
Liability gain arising from changes in economic assumptions	**49**	29	**3**	–	**–**	–
Experience variance gain/(loss)	**7**	(4)	**–**	–	**–**	–
Other remeasurement gain	**10**	–	**–**	–	**–**	–
Impact of paragraph 64 limit adjustment on asset	**–**	–	**(3)**	1	**–**	–
Transfers (out)/in	**–**	(166)	**–**	–	**–**	166
Balance at 30 September	**315**	304	**–**	–	**56**	136
Actual value of defined benefit liability and funded status						
Present value of defined benefit obligation	**(439)**	(490)	**(89)**	(118)	**–**	–
Asset at fair market value	**754**	794	**112**	141	**56**	136
Funded status	**315**	304	**23**	23	**56**	136
Unrecognised due to ceiling	**–**	–	**(23)**	(23)	**–**	–
Asset recognised in the statement of financial position	**315**	304	**–**	–	**56**	136
Reconciliation of defined benefit obligation						
Balance at 1 October	**(490)**	(522)	**(118)**	(113)	**–**	–
Service costs	**(8)**	(11)	**(1)**	(1)	**–**	–
Contributions	**(2)**	(2)	**–**	–	**–**	–
Interest cost	**(47)**	(52)	**(5)**	(9)	**–**	–
Benefits paid	**39**	69	**3**	5	**–**	–
Settlements	**–**	–	**29**	–	**–**	–
Risk premiums	**1**	1	**–**	–	**–**	–
Expenses	**2**	2	**–**	(1)	**–**	–
Remeasurements	**66**	25	**3**	1	**–**	–
Balance at 30 September	**(439)**	(490)	**(89)**	(118)	**–**	–
Reconciliation of fair value of plan assets						
Balance at 1 October	**794**	1 026	**141**	136	**136**	–
Expected return on assets	**76**	100	**8**	11	**13**	4
Contributions	**2**	2	**–**	–	**(84)**	(30)
Risk premiums	**(1)**	(1)	**–**	–	**–**	–
Benefits paid	**(39)**	(69)	**(4)**	(5)	**–**	–
Remeasurements	**(76)**	(96)	**1**	–	**(9)**	(4)
Transfers (out)/in	**–**	(166)	**–**	–	**–**	166
Settlements	**–**	–	**(34)**	–	**–**	–
Expenses	**(2)**	(2)	**–**	(1)	**–**	–
Balance at 30 September	**754**	794	**112**	141	**56**	136
Composition of plan assets	**%**	%	**%**	%	**%**	%
Cash	**2.7**	1.0	**69.6**	50.7	**69.1**	5.0
Equity instruments	**34.2**	36.2	**–**	–	**–**	32.1
Bonds	**33.9**	12.1	**30.4**	28.5	**30.9**	12.3
Commodities	**2.1**	1.4	**–**	–	**–**	1.0
Property	**1.7**	3.7	**–**	–	**–**	4.1
Offshore and other	**25.4**	45.6	**–**	20.8	**–**	45.5
	100.0	100.0	**100.0**	100.0	**100.0**	100.0

13. EMPLOYEE BENEFIT ASSETS AND LIABILITIES continued

	Life Healthcare DB Pension Fund R'm	Lifecare Group Holdings Pension Fund R'm
Expected contributions for the next annual reporting period:		
Member contributions	**2**	**–**
Company contributions	**6**	**–**
Benefit payments	**(23)**	**(4)**
Expenses	**(2)**	**(1)**
Risk premiums	**(1)**	**–**
The weighted average duration (years)	**10.9**	**–**

An employer contribution rate of 22.73% was recommended in the interim actuarial valuation as at 30 June 2019. The employer contribution rate is fully funded from the employer-owned surplus within the Life Healthcare DB Pension Fund. The employer elected to take a full contribution holiday with effect from 1 December 2016.

Sensitivity analysis

	2020		2019	
1% movement in the key assumptions:	**Increase R'm**	**Decrease R'm**	Increase R'm	Decrease R'm
Life Healthcare DB Pension Fund				
Effect on the defined benefit obligation				
Discount rate	**(29)**	**+31**	(36)	+47
Inflation rate	**+27**	**(26)**	+42	(32)
Pension increase rate	**–**[1]	**(30)**	–[1]	(32)
Mortality rate	**(11)**	**+9**	(14)	+12

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

Lifecare Group Holdings Pension Fund

The active members had been transferred to another scheme in the 2018 financial year and had no liability as at the valuation date. The surplus liabilities and paid up liabilities are defined contribution type of benefits and are not affected by any assumptions made.

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

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13. EMPLOYEE BENEFIT ASSETS AND LIABILITIES continued

TFR retirement benefit obligation (Alliance Medical)

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

	TFR scheme	
	2020 %	2019 %
Actuarial assumptions applied in the valuation of the unfunded liability:		
Discount rate for liabilities	**0.7**	0.8
Inflation rate	**1.2**	1.5
Future salary increases	**1.0**	1.0
Future pension increases	**2.4**	2.6

	2020 R'm	2019 R'm
Reconciliation of the unfunded liability		
Balance at 1 October	**(130)**	(111)
Service costs	**(15)**	(10)
Interest cost	**(1)**	(2)
Remeasurements	**4**	(8)
Contributions	**–**	(2)
Benefits paid	**8**	4
Effect of foreign currency movement	**(27)**	(1)
Balance at 30 September	**(161)**	(130)

Sensitivity analysis

	2020		2019	
0.25% movement in the key assumptions:	**Increase R'm**	**Decrease R'm**	Increase R'm	Decrease R'm
Effect on TFR unfunded liability				
Discount rate	**(4)**	**+2**	(3)	+4
Inflation rate	**+1**	**(3)**	+3	(3)
Future salary increases	**–**	**(5)**	+1	(1)

Post-employment medical aid benefit (southern Africa)

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

Life Healthcare carries a fully funded liability for a post-retirement medical aid subsidy in respect of 7 (2019: 8) employees and 33 (2019: 34) pensioners who did not accept an alternative benefit offer made by the Company during the 2013 financial year.

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

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

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

The plan represents the market value of the assets.

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

13. EMPLOYEE BENEFIT ASSETS continued

	Post-employment medical aid benefit 2020 %	Post-employment medical aid benefit 2019 %
The following actuarial assumptions were applied:		
Discount rate	**10.80**	9.50
CPI	**6.00**	5.40
Expected return on assets	**10.80**	9.50
Healthcare cost inflation	**8.00**	7.40

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

	2020 R'm	2019 R'm
Defined benefit fund asset		
Balance at 1 October	**8**	8
Net periodic income		
Net interest income	**1**	1
Remeasurement recognised in other comprehensive income		
Loss on benefit payments from plan assets	**(1)**	(1)
Balance at 30 September	**8**	8
Actual value of defined benefit liability and funded status		
Present value of defined benefit obligation	**(8)**	(8)
Asset at fair market value	**16**	16
Funded status	**8**	8
Asset recognised in the statement of financial position	**8**	8

Sensitivity analysis

1% movement in the key assumptions:	2020 Increase R'm	2020 Decrease R'm	2019 Increase R'm	2019 Decrease R'm
Effect on the defined benefit obligation				
Healthcare cost inflation rate	**+9**	**(7)**	+9	(8)
Discount rate	**(7)**	**+9**	(8)	+9

NOTES TO CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2020

14. DEFERRED INCOME TAX

	2020 R'm	2019 R'm
Deferred tax comprises:		
Deferred tax assets	**1 162**	1 102
Deferred tax liabilities	**(1 450)**	(1 371)
	(288)	(269)
The movement in the deferred tax account is as follows:		
Balance at 1 October	**(270)**	(526)
Adjustment upon adoption of IFRS 9	**–**	(5)
Arising on acquisition of subsidiaries	**–**	(15)
Disposal of subsidiary	**–**	(15)
Effect of foreign currency movement	**(60)**	(3)
Current year charge through profit or loss	**37**	275
Current year charge through other comprehensive income	**5**	20
Carrying amount at 30 September	**(288)**	(269)
Deferred income tax assets and liabilities attributable to the following items:		
Employee benefit liabilities	**201**	154
Other liabilities	**(126)**	54
Provision for expected credit losses	**33**	15
Share-based payment liability	**23**	10
Accelerated wear and tear for tax purposes on property, plant and equipment	**(122)**	(52)
Tax loss carried forward	**229**	168
Leases	**118**	55
Credit balances in trade receivables	**26**	25
Prepaid expenses	**(39)**	(30)
Intangible assets on acquisition of subsidiaries	**(534)**	(546)
Retirement benefit asset	**(106)**	(126)
Derivative financial instruments	**9**	4
	(288)	(269)

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

	Deferred tax assets		Deferred tax liabilities	
	2020 R'm	2019 R'm	2020 R'm	2019 R'm
Within 12 months	**158**	258	**(39)**	(30)
After more than 12 months	**356**	227	**(763)**	(724)
	514	485	**(802)**	(754)

Budgets and forecasts were used to assess the recoverability of deferred tax assets.

The Group has tax losses of R687 million (2019: R757 million) to carry forward against future taxable income, which have not been recognised in these financial statements due to uncertainties regarding the utilisation of these losses in the foreseeable future. These losses originated predominantly in the Alliance Medical and Poland businesses. None of these losses are expected to expire.

15. CASH AND CASH EQUIVALENTS

	2020 R'm	2019 R'm
Bank accounts and petty cash	2 145	1 385
Short-term money market instruments	134	159
Cash and cash equivalents	2 279	1 544
Bank overdrafts	(2 181)	(867)
Cash and cash equivalents as per the statement of cash flows	98	677

The cash at bank and deposits are on call, immediately available and consist of money market call deposits and short-term money market instruments.

Overdraft facilities within the Group are secured by means of cross sureties by certain Group companies.

Cash and cash equivalents includes R26 million (2019: R22 million) restricted cash which is held by various third parties in Italy and Spain and is not available for general use by other entities within the Group.

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

16. TRADE AND OTHER RECEIVABLES

	2020 R'm	2019 R'm
Trade receivables	3 616	3 332
Less: Provision for expected credit losses	(403)	(220)
Net trade receivables	3 213	3 112
Other receivables[1, 3]	601	635
Prepaid expenses	232	176
Balance at 30 September	4 046	3 923
Reconciliation of provision for expected credit losses[2]		
Balance at 1 October	(220)	(239)
Adjustment upon adoption of IFRS 9	–	20
Restated balance at 1 October	(220)	(219)
Recovery of amounts previously provided for	4	–
Expected credit losses raised	(186)	(19)
Debt written off	33	18
Effect of foreign currency movement	(34)	–
Balance at 30 September	(403)	(220)

[1] *While other receivables are also subject to the impairment requirements of IFRS 9, the identified impairment loss was negligible. The provision was calculated using a simplification of the general provision method.*

[2] *Refer note 31 – risk management (credit risk).*

[3] *Other receivables consist of a number of insignificant balances. The largest balance relates to accrued income relating to the international operations.*

The carrying amounts of the trade receivables include some receivables balances in Alliance Medical which are factored on a full recourse basis, and hence which the Group continues to recognise in their entirety in the statement of financial position. The amount repayable under the factoring agreement is presented as a secured borrowing in note 20.

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for the year ended 30 September 2020

17. INVENTORIES

	2020 R'm	2019 R'm
Ethical drugs and consumable products (including surgicals consumed as well as consumables related to the production of doses relating to the diagnostic services business)	**873**[1]	379
"Drugs and consumables" represents the cost of inventories recorded as an expense in the statement of profit or loss.		
The cost of inventories written off as expired stock is recognised as an expense and is included in 'drugs and consumables' in profit or loss. Inventories written off amounted to:	**11**	10

[1] *Increased mainly due to purchases of personal protective equipment during the current year. The balance at 30 September 2020 amounted to R317 million.*

18. STATED CAPITAL

	2020 R'm	2019 R'm
Stated capital comprises:		
Share capital	**10 507**	10 507
Share premium	**3 373**	3 373
Treasury shares	**(349)**	(365)
	13 531	13 515

Reconciliation of number of shares

Ordinary shares	'000	'000
Authorised (Share capital of R0.000001 each)	**4 149 980**	4 149 980
Total value = R4 149 (2019: R4 149)		
Issued and fully paid:		
Balance at 30 September	**1 467 349**	1 467 349
Total value = R1 467 (2019: R1 467)		

18. STATED CAPITAL continued

	Number of shares		Value of shares	
	2020 '000	2019 '000	**2020 R'm**	2019 R'm
Treasury shares				
Balance at 1 October	**12 856**	11 782	**(365)**	(370)
Granted	**2 536**	3 284	**(44)**	(72)
Forfeited	**(112)**	(17)	**3**	1
Transferred	**112**	–	**(3)**	–
Exercised	**–**	(14)	**–**	1
Vested	**(1 779)**	(2 179)	**60**	75
Balance at 30 September	**13 613**	12 856	**(349)**	(365)

Treasury shares are shares in Life Healthcare Group Holdings Limited that are held for the purpose of the staff benefit schemes (Life Healthcare employee share trust and long-term incentive schemes). Refer note 19.

19. OTHER RESERVES

	2020 R'm	2019 R'm
Life Healthcare employee share trust	**137**	130
Long-term incentive schemes	**79**	54
Transactions with non-controlling interest reserve	**(959)**	(851)
Other[1]	**(44)**	(31)
	(787)	(698)

[1] *Comprise distributable reserves and retirement benefit asset and post-employment medical aid reserves.*

NOTES TO CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2020

19. OTHER RESERVES continued

Terms and conditions

	Life Healthcare employee share trust	Long-term incentive scheme – CEO
Type	An equity-settled scheme	An equity-settled scheme
Background	In terms of the scheme, the employer acquired Life Healthcare shares in the market at the ruling market price. The number of shares acquired for the scheme is limited to the value as approved by the Group's remuneration and human resources committee.	The board wanted the CEO to own unencumbered shares in the Company. In terms of this arrangement the Company matched a maximum investment of R5 million by the CEO (previous CEO: R3 million) in Life Healthcare with a share purchase to a maximum value of R15 million (previous CEO: R9 million) in the market at the ruling market price. The Company matched shares are purchased upfront. The qualifying employee has six months to complete their purchase.
Qualifying employees	All permanent employees employed by the employer in South Africa for a continuous period of at least one year as at the date of the allocation and who (i) is a member of an employer supported retirement scheme and who (ii) does not participate in the long-term incentive scheme are beneficiaries of the trust and participate in the scheme. Voting rights and dividends vest with the qualifying employees.	Available to CEO
Vesting requirements	Qualifying employees will need to be in service on the fifth (25%), sixth (25%) and seventh (50%) anniversaries when the shares are delivered.	The shares will vest in equal tranches on 31 December 2023, 31 December 2024 and 31 December 2025 respectively and are subject to the following conditions: ■ Growth on total shareholder return (TSR) over predetermined thresholds relative to the TSR of listed comparator groups — In the case of unusual market conditions, the vesting will be subject to board discretion ■ The employee will be required to retain a level of investment in Company shares of at least the initial investment over the vesting period Previous CEO ■ The vesting of the shares was subject to continued employment, vesting in equal tranches on 1 February 2019, 1 February 2020 and 1 February 2021 respectively.
Method of settlement	Shares	Shares
Leavers	Employees who leave, other than good leavers, forfeit their beneficial interest in the trust and their rights will be distributed equally among the remaining employees.	If the employee leaves, other than as a good leaver, he will be entitled to all his co-investment shares but will forfeit the entire Company matched shares that have not vested.
2019 granted shares	3 000 462 shares at R21.55	–
2020 granted shares	1 166 917 shares at R17.14	862 706 at R17.39 (existing CEO)
Forfeited (number of shares)	n/a	112 365 (previous CEO)
Exercised (number of shares)	n/a	n/a
Vested (number of shares)	1 666 859[1]	112 365 (previous CEO)
Contribution	An annual contribution is made by each employer company in the Group for its qualifying employees. The charge and contribution reflected is for the Company's proportionate share only.	

[1] *Relates to shares vested and shares transferred to good leavers.*

Long-term incentive scheme – CFO	Long-term incentive scheme – southern Africa CEO and international CEO
An equity-settled scheme	An equity-settled scheme
The board wanted the CFO to own unencumbered shares in the Company. In terms of this arrangement the Company matched a maximum investment of R2 million by the CFO in Life Healthcare with a share purchase to a maximum value of R6 million in the market at the ruling market price. The Company matched shares are purchased upfront. The qualifying employee has six months to complete their purchase.	The board wanted the SA and international CEOs to own unencumbered shares in the Company. In terms of this arrangement the Company bought shares to the value of R1.5 million for the SA CEO and shares to the value of GBP165 000 for the international CEO. The number of shares acquired for the scheme is limited to the value as approved by the Group's remuneration and human resources committee.
Available to CFO	Available to southern Africa and international CEOs
The shares will vest in equal tranches on 31 December 2023, 31 December 2024 and 31 December 2025 respectively and are subject to the following conditions: ■ Growth on TSR over predetermined thresholds relative to the TSR of listed comparator groups — In the case of unusual market conditions, the vesting will be subject to board discretion ■ The employee will be required to retain a level of investment in Company shares of at least the initial investment over the vesting period	SA CEO ■ The vesting of these shares is subject to continued employment and will vest on 31 March 2021. International CFO ■ These shares will vest on 30 September 2021 and are conditional on achievement of performance conditions; such as to achieve key strategic objectives in growing the international business.
Shares	Shares
If the employee leaves, other than as a good leaver, he will be entitled to all his co-investment shares but will forfeit the entire Company matched shares that have not vested.	If the employees leave, other than as a good leaver, the shares will be forfeited.
–	–
350 000 at R17.11	268 377 at R21.97
n/a	n/a
n/a	n/a
n/a	n/a

An annual contribution is made by each employer company in the Group for its qualifying employees. The charge and contribution reflected is for the Company's proportionate share only.

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19. OTHER RESERVES continued

Terms and conditions continued

	Long term incentive scheme effective from 2015
Type	An equity-settled performance share scheme
Background	The value of awards will be tier-based and linked to individual performance. Each award will be converted into notional performance shares. In terms of the scheme the value of the awards and the performance conditions for vesting will be approved by the Group's remuneration and human resources committee. The value of the notional performance shares will be determined by the price of the Life Healthcare shares on the JSE Limited using the 30-day volume weighted average traded price (VWAP).
Qualifying employees	Available to all executives and senior managers in southern Africa.
Vesting requirements	Vesting in terms of this scheme takes place in three years from allocation. The vesting of the awards is subject to the Group meeting two performance conditions: ■ **50% weighting**: **CEO and CFO:** HEPS compared to CPI plus a percentage with a hurdle rate of minimum growth of CPI + 1% in HEPS for the award vested; **Other executives and senior managers:** Growth on earnings before interest and tax (EBIT) compared to CPI plus a percentage with a hurdle rate of minimum growth of CPI + 1% in EBIT for the award vested; and ■ **50% weighting:** Growth on TSR over predetermined thresholds relative to the TSR of a comparator group of listed companies.
Method of settlement	Shares
Leavers	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
2019 granted shares	n/a
2020 granted shares	n/a
Forfeited (number of shares)	n/a
Exercised (number of shares)	n/a
Vested (number of shares)	Life Healthcare shares are purchased and distributed on vesting date
Contribution	An annual contribution is made by each employer company in the Group for its qualifying employees. The charge and contribution reflected is for the Company's proportionate share only.

Long term incentive scheme effective from 2019
An equity-settled performance share scheme
The value of awards will be tier-based and linked to individual performance. Each award will be converted into notional performance shares. In terms of the scheme the value of the awards and the performance conditions for vesting will be approved by the Group's remuneration and human resources committee. The value of the notional performance shares will be determined by the price of the Life Healthcare shares on the JSE Limited using the 30-day VWAP. Life Healthcare shares will be purchased on vesting date. A modifier of between 1 and 2 can be applied to the allocation for key talent retention, this is applicable to all participants at the discretion of the CEO. The employees are not entitled to any dividends declared on the shares underlying the awards over the period from the grant date to the vesting date.
Available to all executives and senior managers in southern Africa.
Vesting in terms of this scheme takes place in three years from allocation. The vesting of the awards is subject to the following performance conditions: **Group executives:** ■ Capital efficiency (40% weighting) ■ Normalised Group HEPS (40% weighting) ■ Life core purposes outcome (20% weighting) **Country executives and Group senior managers:** ■ Capital efficiency (2020: 35% weighting, 2019: 30% weighting) ■ Normalised country EBIT (2020: 35% weighting, 2019: 30% weighting) ■ Life core purposes outcome (2020: 30% weighting, 2019: 40% weighting) **Other senior managers:** ■ Capital efficiency (2020: 20% weighting, 2019: 15% weighting) ■ Normalised country EBIT (2020: 40% weighting, 2019: 35% weighting) ■ Life core purposes outcome (2020: 40% weighting, 2019: 50% weighting) Capital efficiency is measured as return on capital employed compared to WACC. Normalised Group HEPS is based on growth of HEPS in excess of CPI. Normalised country EBIT is based on growth of EBIT in excess of CPI. Life core purpose outcomes is based on country-specific non-financial measures that drive long-term sustainability of the Group.
Shares
If a participant ceases to be employed by the Group prior to the vesting of the grant, the following will apply: ■ Good leavers with a date of termination of employment: — that is more than one year before the vesting date of the grant: • 2019 scheme: will result in all notional performance shares held by the participant being forfeited and cancelled for no consideration; • 2020 scheme: the participant shall retain a pro rata number of notional performance shares based on number of months completed service relative to the vesting period of 36 months, the balance of notional performance shares shall be forfeited and cancelled for no consideration; or — that is one year or less before the vesting date of the grant, will retain all notional performance shares and he/she shall continue to be treated as a participant as if his/her employment had not been terminated (2019 and 2020 schemes). ■ Bad leavers with a date of termination of employment prior to vesting date, will result in all notional performance shares held by the participant being forfeited and cancelled for no consideration. (2019 and 2020 schemes)
Life Healthcare shares will be purchased on vesting date
Life Healthcare shares will be purchased on vesting date
n/a
n/a
n/a
An annual contribution is made by each employer company in the Group for its qualifying employees. The charge and contribution reflected is for the Company's proportionate share only.

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20. INTEREST-BEARING BORROWINGS

	2020		2019	
	Non-current portion R'm	**Current portion R'm**	Non-current portion R'm	Current portion R'm
Unsecured borrowings				
Bilateral term loans	**1 325**	**957**	2 237	531
Syndicated term loans	**7 056**	**–**	5 485	–
Bank loan	**15**	**4**	12	4
Life Healthcare Multi-Issuer programme notes	**–**	**598**	–	850
Preference shares	**500**	**–**	500	–
Secured borrowings				
Equipment instalment sale	**–**	**–**	–	5
Mortgage bonds	**34**	**15**	49	14
Bank loans	**–**	**65**	–	152
Term loans	**1**	**2**	11	13
Revolving credit facility	**738**	**–**	–	705
Lease liabilities (2019: finance leases)	**2 365**	**539**	1 105	322
Total borrowings – 30 September	**12 034**	**2 180**	9 399	2 596

Terms and repayment schedule

	Interest rate at 30 September	Repayment terms[4]	Date of maturity/final settlement	Carrying value 2020 R'm	Carrying value 2019 R'm
Bilateral term loans					
Southern Africa					
Term loan one	3-month JIBAR plus 1.65%[1]	Eight equal quarterly instalments of R50 million, payable from 30 September 2018	15 May 2020	**–**	150
Term loan two	3-month JIBAR plus 1.70%	Eight equal quarterly instalments of R43.8 million, payable from 30 September 2018	15 May 2020	**–**	131
Term loan three	3-month JIBAR plus 2.14%[2]	Six equal semi-annual instalments of R125 million, payable from 30 June 2019	17 Mar 2022	**375**	625
Term loan four	3-month JIBAR plus 1.55%[3]	Five equal semi-annual instalments of R200 million, payable from 30 September 2021	27 Sep 2023	**1 000**	1 000
Term loan five	3-month JIBAR plus 1.59%	Five equal semi-annual instalments of R100 million, payable from 30 September 2021	27 Sep 2023	**500**	500

20. INTEREST-BEARING BORROWINGS continued

	Interest rate at 30 September	Repayment terms[4]	Date of maturity/final settlement	Carrying value 2020 R'm	Carrying value 2019 R'm
Polish					
Term loan one	3-month WIBOR plus 2.04%	Single instalment	18 Dec 2020	**407**	362
Syndicated term loans					
United Kingdom					
Term loan A1	3-month LIBOR plus 1.80%[1] (2019: 2.20%)	Single instalment	31 Mar 2023 (2019: 22 Nov 2020)	**1 953**	1 160
Term loan A2	3-month LIBOR plus 2.00 %[1] (2019: 2.50%)	Single instalment	31 Mar 2025 (2019: 22 Nov 2022)	**1 953**	1 160
Term loan B1	3-month EURIBOR plus 1.70%[1] (2019: 2.00%)	Single instalment	31 Mar 2023 (2019: 22 Nov 2020)	**1 358**	1 133
Term loan B2	3-month EURIBOR plus 1.90%[1] (2019: 2.30%)	Single instalment	31 Mar 2025 (2019: 22 Nov 2022)	**1 358**	1 133
Term loan C	3-month LIBOR plus 1.70%[1] (2019: 2.35%)	Single instalment	31 Mar 2025 (2019: 22 Nov 2022)	**434**	899
Bank loan	1.00% – 3.17%	Monthly/quarterly instalments	31 April 2031	**19**	16
Life Healthcare Multi-Issuer programme notes					
Note one	3-month JIBAR plus 0.725%	Single instalment	16 Oct 2019	**–**	250
Note two	3-month JIBAR plus 0.735%	Single instalment	28 Nov 2019	**–**	200
Note three	3-month JIBAR plus 0.715%	Single instalment	2 Mar 2020	**–**	400
Note four	3-month JIBAR plus 0.750%	Single instalment	15 Oct 2020	**243**	–
Note five	3-month JIBAR plus 1.200%	Single instalment	17 Nov 2020	**80**	–
Note six	3-month JIBAR plus 1.700%	Single instalment	8 Jun 2021	**275**	–
Preference shares					
Class E	72% of 3-month JIBAR plus 1.60%	Single instalment	30 Mar 2022	**500**	500
Unsecured borrowings				**10 455**	9 619

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20. INTEREST-BEARING BORROWINGS continued

Terms and repayment schedule continued

	Interest rate at 30 September	Repayment terms[4]	Date of maturity/final settlement	Carrying value 2020 R'm	Carrying value 2019 R'm
Equipment instalment sale	Botswana prime less 0.25%	60 equal monthly instalments of R0.4 million	31 Jul 2020	**–**	5
Mortgage bonds	1-month JIBAR plus 2.65%	120 equal monthly instalments of R1.5 million	30 Sep 2023	**49**	63
Bank loans (trade receivable subject to factoring arrangement refer note 16)	1-month EURIBOR + 1.30% (2019: 1.40%) or 1-month LIBOR + 1.75%	Payable as cash is received from debtors	Overarching agreement ends August 2021	**65**	152
Term loans in Polish operations	1-month WIBOR plus 1.0%	Monthly instalments of R0.1 million	24 Sep 2022	**3**	24
Revolving credit facilities					
Credit facility (EUR facility)	3-month EURIBOR plus 1.35%	Single instalment	10 Dec 2021	**738**	616
Alliance Medical (GBP facility)	LIBOR + 3.75%	n/a	Rolling credit agreement of maximum 3 months. Overarching agreement ends August 2021	**–**	31
Alliance Medical (EUR facility)	EURIBOR + 3.75%	n/a		**–**	58
Lease liabilities (2019: finance leases)					
Southern Africa (property, equipment and other)	7.0%-18.0%	Repayable in monthly instalments over 1 to 20 years ending Oct 2039.		**881**	515
Alliance Medical (property, equipment and other)	0.0%-6.67%	Repayable in either quarterly or monthly instalments over 1 to 22 years ending Sep 2042.		**1 495**	660
Polish (property, equipment and other)	3-month WIBOR plus 3.76% or 3.77%	Repayable in monthly instalments over 1 to 18 years ending June 2038.		**528**	252
Secured borrowings				**3 759**	2 376
Total borrowings				**14 214**	11 995

20. INTEREST-BEARING BORROWINGS continued

Terms and repayment schedule continued

	Carrying value 2020 R'm	Carrying value 2019 R'm
The interest-bearing borrowings carrying amount is denominated in the following currencies:		
South African rand	**3 723**	4 194
Botswana pula	**180**	145
Pound sterling	**5 268**	3 972
European euro	**4 105**	3 046
Polish zloty	**938**	638
	14 214	11 995

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

[1] – If the net debt to normalised EBITDA ratio is higher than 3.00:1, then the interest rate margin shall increase by 0.25%.

[2] – If the net debt to normalised EBITDA ratio is at or less than 1.75:1, then the interest rate margin shall be 1.84% for term loan three.

– If the net debt to normalised EBITDA ratio is higher than 1.75:1 and less than or equal to 2.25:1, then the interest rate margin shall be 1.99% for term loan three.

– If the net debt to normalised EBITDA ratio is higher than 2.25:1 and less than or equal to 2.75:1, then the interest rate margin shall be 2.14% for term loan three.

– If the net debt to normalised EBITDA ratio is higher than 2.75:1, then the interest rate margin shall be 2.29% for term loan three.

[3] – If the net debt to normalised EBITDA ratio is at or less than 2.50:1, then the interest rate margin shall be 1.55% for term loan four.

– If the net debt to normalised EBITDA ratio is higher than 2.50:1 and less than or equal to 3.00:1, then the interest rate margin shall be 2.05% for term loan four.

– If the net debt to normalised EBITDA ratio is higher than 3.00:1 and less than or equal to 3.50:1, then the interest rate margin shall be 2.30% for term loan four.

– If the net debt to normalised EBITDA ratio is higher than 3.50:1, then the interest rate margin shall be 2.55% for term loan four.

[4] The final capital repayment date is stipulated in the funding agreement and may differ slightly from the instalment dates.

	Bank loans 2020 R'm	Preference shares 2020 R'm	Lease liabilities 2020 R'm	Bank loans 2019 R'm	Preference shares 2019 R'm	Finance leases 2019 R'm
Reconciliation of opening balance to closing balance						
Balance at 1 October	**10 068**	**500**	**1 427**	11 752	2 700	1 504
Cash flow movements						
Proceeds from interest-bearing borrowings	**12 505**	**–**	**261**	5 285	500	211
Repayment of interest-bearing borrowings	**(12 952)**	**–**	**(573)**	(7 048)	(2 700)	(304)
Interest paid	**(427)**	**(29)**	**(159)**	(576)	(143)	(115)
Debt raising fees capitalised	**(43)**	**–**	**–**	–	–	–
Non-cash items						
Interest accrued	**427**	**29**	**159**	576	143	115
Recognised on 1 October 2019 as a result of adopting IFRS 16	**–**	**–**	**1 292**	–	–	–
Additional lease liabilities recognised	**–**	**–**	**355**	–	–	3
Derecognition of lease liability	**–**	**–**	**(173)**	–	–	–
Arising on acquisition of subsidiaries	**–**	**–**	**–**	–	–	4
Amortisation of debt raising fees capitalised	**45**	**–**	**–**	20	–	–
Effect of foreign currency movement	**1 187**	**–**	**315**	59	–	9
Balance at 30 September	**10 810**	**500**	**2 904**	10 068	500	1 427

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for the year ended 30 September 2020

20. INTEREST-BEARING BORROWINGS continued

	Receivables		Property, plant and equipment	
	2020 R'm	2019 R'm	**2020 R'm**	2019 R'm
Carrying value of assets held as security for borrowings				
Equipment instalment sale	**–**	–	**–**	12
Mortgage bonds	**–**	–	**106**	115
Bank loans	**311**	359	**–**	–
Term loans in Polish operations	**–**	–	**25**	102
Revolving credit facility (Alliance Medical – secured against gross assets)	**–**	–	**2 125**	1 727
Lease liabilities (2019: Finance leases)	**–**	–	**3 077**	1 598
Total	**311**	359	**5 333**	3 554

	Future minimum lease payments		Interest		Present value of future finance lease payments	
	2020 R'm	2019 R'm	**2020 R'm**	2019 R'm	**2020 R'm**	2019 R'm
Finance lease liabilities						
Within one year		423		101		322
Between one and five years	**n/a[1]**	1 079	**n/a[1]**	247	**n/a[1]**	832
Later than five years		419		146		273
Total	**–**	1 921	**–**	494	**–**	1 427

[1] *Disclosed as part of risk management – refer note 31.*

Borrowing facilities

	Total 2020 R'm	**Available 2020 R'm**	Total 2019 R'm	Available 2019 R'm
The Group has the following borrowing facilities:				
Southern Africa				
Uncommitted revolving credit facility	**–**	**–**	2 000	2 000
Committed general banking facilities*	**4 000**	**2 319**	1 500	633
Committed trade loan facility	**650**	**650**	–	–
Uncommitted general banking facilities	**1 250**	**750**	500	500
International				
Committed GBP revolving credit facility	**2 290**	**1 853**	1 961	968
Committed EUR revolving credit facility	**993**	**255**	829	213
Committed working capital facility (zloty)	**44**	**44**	21	21
Committed leasing facility (GBP)	**654**	**143**	560	46
Factoring facility (GBP and EUR)	**333**	**268**	284	132
	10 214	**6 282**	7 655	4 513

* *Fluctuates seasonally.*

21. TRADE AND OTHER PAYABLES

	2020 R'm	2019 R'm
Under current liabilities:		
Trade payables	**1 858**	1 631
Accruals	**1 468**	1 590
Employee-related payables	**1 152**	943
Value added tax	**218**	102
Deferred income	**15**	44
Other payables[1]	**435**	353
Balance at 30 September	**5 146**	4 663
Under non-current liabilities:		
Accruals	**45**	–
Employee-related payables	**11**	7
Deferred income	**3**	17
Other payables	**30**	27
	89	51

[1] *The largest balance included in other payables relates to debtors balances in credit.*

The employee-related payables represent:
- the employee benefits payable to revenue tax authorities as well as medical aid and provident fund payment obligations at year-end;
- the pro rata portion of a 13th cheque that is payable to employees annually in terms of their employment contracts, accrued annual leave and a performance bonus scheme payable in November.

22. PROVISIONS

	Property and operational related R'm	Employee related R'm	Total R'm
Balance at 1 October 2019	**199**	**6**	**205**
Raised during the year	**101**	**25**	**126**
Utilised during the year	**(55)**	**–**	**(55)**
Effect of foreign currency movement	**19**	**3**	**22**
Balance at 30 September 2020	**264**	**34**	**298**
Included under non-current liabilities	**83**	**34**	**117**
Included under current liabilities	**181**	**–**	**181**
	264	**34**	**298**
Balance at 1 October 2018	177	–	177
Raised during the year	89	6	95
Utilised during the year	(61)	–	(61)
Effect of foreign currency movement	(6)	–	(6)
Balance at 30 September 2019	199	6	205
Included under non-current liabilities	63	6	69
Included under current liabilities	136	–	136
	199	6	205

Representation: Reclassification adjustment

In the prior financial year, provisions were disclosed as part of note 21 "Trade and other payables". During the current financial year, provisions were reclassified and disclosed separately on the face of the statement of financial position for enhanced reporting in accordance with IAS 1.

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23. FINANCIAL INSTRUMENTS BY CATEGORY

	2020 R'm	2019 R'm
The following table summarises the Group's classification of financial instruments:		
Assets		
Amortised cost		
Trade and other receivables	**3 814**	3 747
Cash and cash equivalents	**2 279**	1 544
Other assets	**125**	87
Total assets	**6 218**	5 378
Liabilities		
Fair value through profit or loss		
Contingent consideration liabilities	**642**	543
Derivative financial instruments (included in other liabilities)	**53**	30
Amortised cost		
Trade and other payables	**3 836**	3 800
Interest-bearing borrowings	**14 214**	11 995
Bank overdraft	**2 181**	867
Total liabilities	**20 926**	17 235

Derivative financial instruments

	Carrying value		Fair value	
	2020 R'm	2019 R'm	2020 R'm	2019 R'm
Non-current liabilities				
Interest rate swap contracts (included in other)	**(26)**	(27)	**(26)**	(27)
Current liabilities				
Interest rate swap contracts (included in other)	**(27)**	(3)	**(27)**	(3)
Total liabilities	**(53)**	(30)	**(53)**	(30)

Interest rate swap contracts

The Group enters into interest rate swap contracts to manage exposure to fluctuations in interest rates on the interest-bearing borrowings. Gains and losses on the interest rate swap contracts are recognised in profit or loss. Refer note 4.

	Swap 1	Swap 2	Swap 3	Swap 4
Contract commencement date	6 Feb 2019	6 Feb 2019	27 Sep 2018	8 Feb 2019
Maturity date	8 Feb 2021	7 Feb 2022	27 Sep 2021	8 Feb 2021
Currency	R'm	R'm	£'m	£'m
Notional amount	500	500	50	25
Fixed interest rate (%)	7.15	7.23	1.23	1.014
Floating interest rate (%)	3-month JIBAR (varied between 3.58% and 6.85%		3-month GBP-LIBOR (varied between 0.13% and 0.79%)	
Interest settlement terms	Settled quarterly.			

During the current year, interest rate swap contracts with a total notional amount of R2 900 million matured.

Held for trading

Foreign exchange contracts (FECs)

The Group entered into United States dollar exchange contracts during the year to manage exposure to fluctuations in the rand dollar exchange rate on foreign liabilities. At 30 September 2020, there were no open FECs.

24. OFFSETTING OF FINANCIAL LIABILITIES

	2020 R'm	2019 R'm
The financial liabilities relating to the derivative financial instruments are subject to offsetting and similar agreements.		
Liabilities		
Offsetting applied		
Gross amount	**(90)**	(298)
Amount set-off	**37**	268
Net amount	**(53)**	(30)
Financial instruments not subject to set-off	**–**	–
Total other non-current liabilities per statement of financial position	**(26)**	(27)
Total other current liabilities per statement of financial position	**(27)**	(3)

25. CASH GENERATED FROM OPERATIONS

	2020 R'm	2019 R'm
Reconciliation of profit before tax to cash generated from operations		
Profit before tax	**581**	3 706
Adjusted for:		
Share of associates' and joint ventures' net profit after tax	**(14)**	(18)
Depreciation on property, plant and equipment	**1 594**	1 236
Amortisation of intangible assets	**604**	586
Net finance costs (refer note 5)	**825**	998
Fair value adjustments to contingent consideration	**37**	(2)
Fair value loss on derivative financial instruments	**5**	438
Gain on derecognition of lease asset and liability	**(75)**	–
Impairment of assets and investments	**798**	164
Profit on disposal of investment in joint venture	**–**	(1 501)
Profit on disposal of investment in subsidiary	**–**	(11)
Loss on disposal of property, plant and equipment	**6**	–
Transaction costs relating to acquisitions and disposals	**17**	148
Other	**4**	–
Share-based payment reserve charge	**88**	81
Operating lease expense – straight-line	**–**	61
Retirement benefit asset and post-employment medical aid income	**(32)**	(39)
Employer surplus asset payments	**83**	30
Cost of inventories written off as expired stock	**11**	9
Operating cash flow before working capital changes	**4 532**	5 886
Working capital changes:		
Inventories	**(489)**	(27)
Trade and other receivables	**155**	(127)
Trade and other payables (including provisions)	**364**	195
Cash generated from operations	**4 562**	5 927

NOTES TO CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2020

26. ACQUISITIONS AND DISPOSALS OF INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURES

Acquisitions that resulted in business combinations

Priamar SRL

Acquirer	Alliance Medical
Country of incorporation	Italy
Acquisition date	30 December 2019
Percentage voting equity interest acquired	100%
Primary reasons for business combination	In line with Life Healthcare's strategy to establish a sizeable international business, and complements the Group's existing diagnostic services segment
Qualitative factors that make up goodwill recognised	Attributable to expected synergies from combining the acquired operations with the existing Alliance Medical Group.
Contingent liabilities at acquisition	None

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

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

	Priamar 2020 R'm
Total purchase consideration	**(10)**
Cash portion	**(10)**
Fair value of net assets acquired	**(2)**
Property, plant and equipment	**3**
Trade and other receivables	**1**
Cash and cash equivalents	**4**
Trade and other payables	**(10)**
Goodwill	**(12)**
Cash outflow to acquire business, net of cash acquired	
Initial cash consideration	**10**
Less: Cash at acquisition	**(4)**
	6
Impact on consolidated information from date of acquisition	
Revenue	**18**
Net loss	**(3)**
Impact on consolidated information if business combination took place on 1 October 2019	
Revenue	**25**
Net loss	**(2)**

26. ACQUISITIONS AND DISPOSALS OF INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURES continued

	2020 R'm	2019 R'm
Contingent consideration liabilities		
Balance at 1 October	**543**	534
Arising on acquisition of subsidiaries	**–**	16
Paid during the year	**(74)**	(79)
Fair value adjustment recognised in profit or loss	**37**	(2)
Unwinding of contingent consideration (included as part of finance cost)	**66**	44
Effect of foreign currency movement	**70**	30
Balance at 30 September	**642**	543
Included under non-current liabilities	**631**	506
Included under current liabilities	**11**	37
	642	543

Transactions with non-controlling interests

Increases and decreases in ownership interest in southern Africa

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

	2020 R'm	2019 R'm
Total purchase consideration	**(152)**	(125)
Cash portion	**(152)**	(125)
Carrying amount of non-controlling interest recognised	**44**	57
Carrying amount of non-controlling interest acquired	**44**	57
Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity	**108**	68
During the current and previous financial year, the Group disposed of marginal percentages of its holdings in subsidiary companies to non-controlling interest. The Group still maintained control over the subsidiary entities after the decrease in ownership interest.		
Total value of decrease in carrying amount of non-controlling interest	**(10)**	(13)
Transactions with non-controlling interest reserve	**–**	(8)
Proceeds on disposal of investments	**10**	21

NOTES TO CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2020

27. DIRECTORS' EMOLUMENTS AND INTERESTS IN THE COMPANY

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

Executive directors – shareholding	2020 Direct	2020 Indirect[3]	2020 Associate interest	2019 Direct	2019 Indirect[2]	2019 Associate interest
Executive directors						
PG Wharton-Hood[1]	**300 000**	**862 706**	**–**	–	–	–
PP van der Westhuizen[2]	**241 636**	**350 000**	**4 832**	164 746	–	4 832
Past executive director						
SB Viranna[4]		**n/a**		170 515	224 731	–
	541 636	**1 212 706**	**4 832**	335 261	224 731	4 832

Executive directors – total remuneration earned	Salaries R'000	Bonus and performance-related payments R'000	Performance-related accrual relating to current year R'000
2020			
Executive directors			
PG Wharton-Hood[1]	**641**	**–**	**–**
PP van der Westhuizen	**5 333**	**1 853**	**3 394**
PP van der Westhuizen[5]	**–**	**–**	**–**
Past executive director			
SB Viranna[4]	**3 083**	**–**	**–**
	9 057	**1 853**	**3 394**
2019			
Executive directors			
SB Viranna[4]	5 887	2 624	4 462
PP van der Westhuizen	4 084	2 352	2 311
	9 971	4 976	6 773

[1] PG Wharton-Hood was appointed as Chief Executive Officer on 1 September 2020.
[2] PP van der Westhuizen purchased 58 500 shares on 20 November 2020, increasing his direct shareholding to 300 136. PP van der Westhuizen was granted 600 shares on 2 December 2020, increasing his indirect shareholding to 350 600. Refer note 19.
[3] The indirect beneficial shareholding is subject to vesting conditions. Refer note 19.
[4] SB Viranna resigned as Chief Executive Officer with effect from 17 January 2020. Leave payout amounted to R14 000.
[5] PP van der Westhuizen in his capacity as acting Chief Executive Officer from 18 January 2020 to 31 August 2020.
[6] Relates to notional shares. Shares were only purchased on vesting.

CEO acting allowance and bonus[5] R'000	Other allowances R'000	Gains on long-term incentive scheme[6] R'000	Medical aid contributions R'000	Pension fund contribution R'000	Total remuneration R'000
–	**10**	**–**	**–**	**27**	**678**
–	**146**	**776**	**6**	**226**	**11 734**
2 425	**–**	**–**	**–**	**–**	**2 425**
–	**31**	**2 805**	**5**	**129**	**6 053**
2 425	**187**	**3 581**	**11**	**382**	**21 234**
–	33	3 038	32	247	16 323
–	95	460	37	174	9 513
–	128	3 498	69	421	25 836

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for the year ended 30 September 2020

27. DIRECTORS' EMOLUMENTS AND INTERESTS IN THE COMPANY continued

	Awards received during 2020		
Long-term incentive scheme	**Number of shares**	**Date of issue**	**Issue price R/share**
PG Wharton-Hood			
2020 allocation[1]	862 706	Sep 20	17.39

	Dividends	Closing balance at 30 September 2020	
Long-term incentive scheme	**Value of dividends in respect of all plans (R)**	**Number of shares**	**Final vesting date**
PG Wharton-Hood			
2020 allocation[1]	–	862 706	Dec 25

	Opening balance at 1 October 2019	Awards received during 2020		
Long-term incentive scheme	Number of shares	**Number of shares**	**Date of issue**	**Issue price R/share**
PP van der Westhuizen				
2020 allocation[1]	–	350 000	Sep 20	17.11

	Dividends	Closing balance at 30 September 2020	
Long-term incentive scheme	**Value of dividends in respect of all plans (R)**	**Number of shares**	**Final vesting date**
PP van der Westhuizen			
2020 allocation[1]	–	350 000	Dec 25

[1] *Refer note 19.*

27. DIRECTORS' EMOLUMENTS AND INTERESTS IN THE COMPANY continued

	Total shareholding shares		Directors' fees R'000	
	2020	2019	**2020**	2019
Non-Executive directors				
MA Brey[1]	**4 300 349**	4 900 349	**1 136**	1 175
PJ Golesworthy[2]	**31 224**	31 224	**1 061**	1 080
ME Jacobs	**–**	–	**591**	507
VL Litlhakanyane[3]	**–**	–	**221**	–
AM Mothupi	**–**	–	**667**	664
JK Netshitenzhe	**–**	–	**501**	421
MP Ngatane	**–**	–	**572**	493
M Sello	**–**	–	**397**	421
GC Solomon[2]	**143 612**	143 612	**729**	810
RT Vice	**–**	–	**712**	826
	4 475 185	5 075 185	**6 587**	6 397

[1] MA Brey's direct beneficial shareholding is 716 370 (2019: 716 370), his indirect beneficial shareholding is 3 484 787 (2019: 4 084 787) and his associate interest is 99 192 (2019: 99 192).
[2] PJ Golesworthy and GC Solomon's total shareholding only includes direct beneficial shares.
[3] VL Litlhakanyane was appointed as non-executive director on 15 April 2020.

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

Prescribed officers

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

	Total share-holding	Salaries R'000	Bonus and per-formance-related payments R'000	Perfor-mance-related accrual relating to current year R'000	Other allow-ances R'000	Gains on long-term incentive scheme R'000	Medical aid contri-butions R'000	Pension fund contri-butions R'000	Total remun-eration R'000
2020									
PG Wharton-Hood	**Refer emoluments disclosed under executive directors**								
PP van der Westhuizen									
AM Pyle	**82 590**	**3 331**	**1 273**	**2 012**	**18**	**405**	**6**	**151**	**7 196**
MD Chapman	**185 787**	**5 535**	**–**	**2 854**	**259**	**–**	**–**	**569**	**9 217**
2019									
SB Viranna	Refer emoluments disclosed under executive directors								
PP van der Westhuizen									
AM Pyle	–	3 374	1 469	2 357	151	–	37	142	7 530
MD Chapman[4]	–	1 681	–	1 232	61	–	–	168	3 142

[4] MD Chapman was appointed as a prescribed officer from 1 June 2019.

Total shareholding for AM Pyle and MD Chapman is subject to vesting conditions. Refer note 19.

NOTES TO CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

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27. DIRECTORS' EMOLUMENTS AND INTERESTS IN THE COMPANY continued

Long-term incentive scheme	Awards received during 2020 Number of shares	Awards received during 2020 Issue price R/share
AM Pyle		
2020 allocation[1]	**82 590**	**21.97**

Long-term incentive scheme	Dividends: Value of dividends in respect of all plans (R)	Closing balance at 30 September 2020: Number of shares	Closing balance at 30 September 2020: Final vesting date
AM Pyle			
2020 allocation[1]	**n/a**	**82 590**	**31 Mar 2021**

Long-term incentive scheme	Opening balance at 1 October 2019: Number of shares	Opening balance at 1 October 2019: Issue price R/share	Awards received during 2020: Number of shares	Awards received during 2020: Issue price R/share
MD Chapman				
2020 allocation[1]	–	–	**185 787**	**21.97**
C convertible shares	10 000	n/a	**–**	**–**

Long-term incentive scheme	Dividends: Value of dividends in respect of all plans (R)	Closing balance at 30 September 2020: Number of shares	Closing balance at 30 September 2020: Final vesting date
MD Chapman			
2020 allocation[1]	**n/a**	**185 787**	**30 Sep 2021**
C convertible shares	**n/a**	**10 000**	**30 Sep 2021**

[1] *Refer note 19.*

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

28. RELATED PARTIES

Subsidiary companies – refer to Annexure B

During the year, certain companies in the Group entered into transactions with other companies in the Group. These intra-group transactions have been eliminated on consolidation. The net loan receivable balance with subsidiary companies is R391 million (2019: R391 million). The complete list of outstanding balances is available at the Company's registered office.

Related-party transactions

Management fees	A management fee is charged to subsidiaries and is charged to cover costs associated with services carried out on their behalf, for example: tariff negotiations, treasury, tax compliance, human resource, payroll, marketing, nursing management, engineering, credit control, insurance claim management, etc. The fees are based on a percentage of revenue for most southern Africa subsidiaries. The percentage varies between 1% and 4% depending on the types of service Life Healthcare Group Proprietary Limited (LHC) carries out on behalf of the southern Africa subsidiary. The fees to international businesses are based on a cost plus margin basis.
Information management fees (IM fees)	In southern Africa, an IM fee is charged to subsidiaries to recover the cost incurred to run the IM infrastructure and services. The fee is based on a net cost recovery basis.
Guarantee fees	The Group charges a fee to the relevant subsidiaries where the Group is used as guarantor for debt.
Pharmacy fees	LHC charges all units that utilise the central purchasing and pharmacy management services a 1% fee on the monthly purchases.
Other cost recharges	The Group recharges all other costs it incurs on a cost recovery basis without any margin.
Interest	Interest is charged or paid on all inter-group balances at market-related rates.
Rentals	LHC and Scanmed S.A. (Scanmed) are lessors for a number of properties that are occupied by subsidiary companies. Rent is charged at market-related rates. Alliance Medical leases mobile scanners between certain Group companies at market-related rates.
Royalties	Alliance Medical charges a 3% fee of the relevant revenue where countries use the Alliance Medical brand. Scanmed charges a 1.5% fee of revenue where Group companies use the Scanmed trademark.

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28. RELATED PARTIES continued

Associate companies and joint ventures – refer to Annexure C

The Group has investments in a number of associate companies and joint ventures. Details are disclosed in note 12 and Annexure C to the financial statements. No provision has been required in 2020 and 2019 for the loans made to associates and joint ventures.

	2020 R'm	2019 R'm
Loans to associates and joint ventures		
Balance at 1 October	**10**	10
Net movements in amounts owned	**(5)**	(4)
Balance at 30 September	**5**	10

Directors and director-related entities

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

Key management

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

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

	2020 R'm	2019 R'm
Remuneration		
Salaries	**546**	444
Medical aid contributions	**5**	6
Pension fund costs – defined benefit and contribution plans	**6**	3
Provident fund costs – defined contribution plans	**15**	15
	572	468

29. COMMITMENTS AND CONTINGENCIES

Capital commitments

	2020 R'm	2019 R'm
Capital expenditure approved for property, plant and equipment	**2 608**	2 532

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

Operating lease commitments

In the prior year, the Group was a lessee to various hospital and administration office properties as well as medical and office equipment under non-cancellable lease agreements. The leases had varying terms, escalation clauses and renewal rights.

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

	2020 R'm	2019 R'm
Not later than 1 year	**–**	218
Later than 1 year and not later than 5 years	**–**	651
Later than 5 years	**–**	424
	–	1 293

From 1 October 2019, the Group has recognised right-of-use assets for these leases, except for short-term and low-value leases, see note 6 and Annexure A note 1.15 for further information.

The Group entered into a new lease agreement for its head office building which commences during November 2020 and is for an initial term of 10 years. The monthly rental is R1.5 million. The Group will recognise a right-of-use asset and related lease liability of approximately R232 million.

29. COMMITMENTS AND CONTINGENCIES continued

Contingencies

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

The Group has issued various guarantees as security for leases and construction projects to the value of R25 million (2019: R123 million).

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

Disposal of Max Healthcare

As part of the conditions in the share purchase agreement (SPA) signed during the 2019 financial year, Life Healthcare indemnified the purchaser (Radiant Life Care Private Limited) from and against, any and all losses incurred or suffered by the purchaser in relation to claims set out in the SPA. The value of the contingent liability is limited to a maximum exposure of R206 million to Life Healthcare (excluding tax payable in respect of any indemnification payments). In the event, where tax is payable on the indemnification payment, the tax liability will be payable equally by Life Healthcare and the purchaser. The liability for Life Healthcare with respect to the payment of the specific indemnity tax shall be in addition to the liability of R206 million. The contingent liability is valid for a period of three years from the closing date (ie until 21 June 2022). No changes arose during the year ended 30 September 2020.

30. EVENTS AFTER THE REPORTING PERIOD

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

Cash dividend declaration

The board of directors has decided, considering the current trading conditions and in order to preserve cash, not to declare or pay a final dividend for the year.

Disposal of 100% of shares in Scanmed S.A

The Group in November 2020 received an offer to dispose of its Polish operation, Scanmed to Abris Capital Partners, a central European private equity fund manager. The related agreements were signed on 24 November 2020 and the transaction is subject to regulatory approvals. The disposal consideration will be settled in cash and Life Healthcare will receive approximately PLN199 million (R806 million). The Group considered it prudent and appropriate to impair the carrying value at 30 September 2020 to reflect the fair value less costs to sell. The impairment for the year ended 30 September 2020, relating to Scanmed, is R793 million.

31. RISK MANAGEMENT

Overall risk management programme

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

Capital risk management

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to provide for sufficient capital expansion. The capital structure of the Group consists of debt, which includes the interest-bearing borrowings disclosed in note 20, cash and cash equivalents disclosed in note 15 and equity as disclosed in the statement of financial position. Preference shares are included in interest-bearing borrowings.

The Group's investment committee reviews the capital structure on a quarterly basis. the Group uses the net debt to normalised EBITDA ratio, as defined in the debt agreements, to measure the funding requirements in the form of debt or equity. The Group has a target net debt to normalised EBITDA ratio of 3.00 times. Due to the impact of the pandemic the target ratio might possibly be exceeded in the short term.

NOTES TO CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2020

31. RISK MANAGEMENT continued

Capital risk management continued

The ratio is calculated as net debt divided by normalised EBITDA. Net debt is calculated as total interest-bearing borrowings (including current interest-bearing and non-current interest-bearing borrowings) plus guarantees (if applicable) plus bank overdrafts less cash and cash equivalents. International's net debt is calculated using average exchange rates for the year (as agreed with the lenders). Normalised EBITDA is defined as earnings before interest, tax, depreciation and amortisation, adjusted for non-recurring items and including the EBITDA of new acquisitions for that part of the year when it was not owned by the Group. The ratio excludes net debt and normalised EBITDA of any special purpose vehicles (SPV) as described in the debt agreements. Only one entity within the Group meets the definition of a SPV. Lenders have confirmed that the impact of IFRS 16 *Leases* can be excluded from covenant calculations.

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

There have been no changes to what the Group manages as capital and the strategy for capital maintenance.

Given the significant uncertainty caused by the pandemic the Group pre-emptively negotiated amended bank covenants for the periods ended 30 September 2020 and 31 March 2021.

	2020	2019
Total interest cover ratio (times)	**5.81**	5.63
Net debt to normalised EBITDA ratio	**2.96**	1.96
The Group has externally imposed debt covenants in place as part of the terms of the current debt structures.		
The covenants imposed arising from preference shares, syndicated and bilateral term loans are as follows:		
A minimum of total interest cover ratio (times)[1]	**3.75**	4.00
A maximum of net debt to normalised EBITDA ratio[1]	**4.00**	3.50

[1] *Bank covenants for 31 March 2021:*
- *A minimum of total interest cover ratio of 3.25 times*
- *A maximum of net debt to normalised EBITDA ratio of 4.50 times*

Financial risk

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

Market risk

Foreign exchange risk

Risk exposure	The Group interacts with international suppliers and is exposed to foreign exchange risk arising from various currency exposures. The foreign currency transactions are mainly denominated in: ■ Pound sterling; ■ European euro; and ■ US dollar. The Group's presentation currency is the South African rand, but as it operates internationally with investments in foreign operations, it is exposed to a number of currencies, of which the exposure to the Botswana pula (BWP), pound sterling (GBP), US dollar (USD), European euro (EUR) and Polish zloty (PLN) are the most significant.
How the risk arises	Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency and from net investments in foreign operations. These transactions include certain inter-company loans which expose the Group to foreign exchange risk.

31. RISK MANAGEMENT continued

Market risk continued

Foreign exchange risk continued

Objectives, policies and processes for managing the risk and methods used to measure risk	The Group has set up a policy to require Group companies to manage their foreign exchange risk against their functional currency. The Group's treasury risk management principle is to hedge material cash flows where the local cash flow impact is in excess of 5 million (2019: 5 million) functional currency denomination. The Group companies are required to economically hedge their foreign exchange risk exposure in consultation with treasury. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group use forward contracts and options, transacted with commercial banks on an all-inclusive price in the companies' functional currency. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies, as and when it is required. At 30 September 2020, foreign denominated borrowings to the equivalent of R10 491 million existed (2019: R7 800 million). The Group reviews its foreign currency exposure, including commitments, on an ongoing basis.
Concentration of risk	The Group has investments in foreign operations in Botswana, the United Kingdom, Italy, Spain, Switzerland, northern Europe, Ireland and Poland. The net assets of the Botswana, United Kingdom, Italy, Spain, Switzerland, northern Europe, Ireland and Polish investments are exposed to foreign currency translation risk as the companies are subsidiaries of the Group.

Foreign currency exposure at statement of financial position date:

	Rand millions									
	2020					2019				
	BWP	**GBP**	**EUR**	**USD**	**PLN**	BWP	GBP	EUR	CHF[1]	PLN
Non-current assets	**203**	**18 324**	**2 508**	**846**	**1 733**	196	16 027	1 405	750	2 002
Current assets	**468**	**1 454**	**1 280**	**96**	**426**	410	1 006	1 081	17	411
Current liabilities	**(61)**	**(1 428)**	**(1 505)**	**(69)**	**(732)**	(59)	(1 783)	(1 338)	(89)	(268)
Non-current liabilities	**(191)**	**(6 143)**	**(4 251)**	**(51)**	**(527)**	(154)	(4 233)	(3 017)	–	(672)
Exposure on external balances	**419**	**12 207**	**(1 968)**	**822**	**900**	393	11 017	(1 869)	678	1 473
Net exposure on balances between Group companies	**–**	**3 581**	**(3 097)**	**(330)**	**(154)**	(3)	1 829	(2 579)	869	(119)
Total net exposure	**419**	**15 788**	**(5 065)**	**492**	**746**	390	12 846	(4 448)	1 547	1 354

	Foreign currency in millions									
	2020					2019				
	BWP	**GBP**	**EUR**	**USD**	**PLN**	BWP	GBP	EUR	CHF[1]	PLN
Non-current assets	**138**	**840**	**126**	**50**	**394**	142	858	85	49	528
Current assets	**317**	**67**	**64**	**6**	**97**	297	54	65	1	108
Current liabilities	**(41)**	**(65)**	**(76)**	**(4)**	**(166)**	(43)	(95)	(81)	(6)	(71)
Non-current liabilities	**(129)**	**(282)**	**(214)**	**(3)**	**(120)**	(112)	(227)	(182)	–	(177)
Exposure on external balances	**285**	**560**	**(100)**	**49**	**205**	284	590	(113)	44	388
Net exposure on balances between Group companies	**–**	**164**	**(156)**	**(19)**	**(35)**	(2)	98	(155)	57	(31)
Total net exposure	**285**	**724**	**(256)**	**30**	**170**	282	688	(268)	101	357

[1] *Functional currency of entity changed to US dollar.*

NOTES TO CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2020

31. RISK MANAGEMENT continued

Market risk continued

Foreign exchange risk continued

Sensitivities analysis

The table below analyses the impact on the Group's FCTR. The analysis is based on the assumption that the South African rand had strengthened/weakened by 10% against the GBP, EUR and PLN with all other variables held constant.

	2020 R'm	2019 R'm
Impact on movement in FCTR in other comprehensive income		
Rand strengthened	**(3 195)**	(1 090)
Rand weakened	**3 195**	1 090

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

	Rand strengthened		**Rand weakened**	
	2020 R'm	2019 R'm	**2020 R'm**	2019 R'm
Impact on revenue				
BWP	**(58)**	(60)	**58**	60
GBP	**(317)**	(271)	**317**	271
EUR	**(306)**	(286)	**306**	286
USD	**(36)**	(27)	**36**	27
PLN	**(155)**	(136)	**155**	136
Impact on operating profit/(loss)				
BWP	**(7)**	(16)	**7**	16
GBP (loss position)	**13**	5	**(13)**	(5)
EUR	**(32)**	(46)	**32**	46
USD (loss position)	**10**	12	**(10)**	(12)
PLN	**(5)**	(1)	**5**	1
Impact on profit/(loss) after tax				
BWP	**(4)**	(11)	**4**	11
GBP (loss position)	**38**	12	**(38)**	(12)
EUR	**(18)**	(26)	**18**	26
USD (loss position)	**11**	10	**(11)**	(10)
PLN (loss position)	**85**	21	**(85)**	(21)
Exchange rates used for conversion of foreign denominated items				
Assets and liabilities				
BWP			**1.48**	1.38
GBP			**21.81**	18.68
EUR			**19.86**	16.59
USD			**16.94**	15.18
CHF			**n/a**	15.27
PLN			**4.40**	3.79
Income/expense items				
BWP			**1.43**	1.35
GBP			**20.69**	18.34
EUR			**18.19**	16.22
USD			**16.13**	14.42
PLN			**4.12**	3.77

31. RISK MANAGEMENT continued

Financial risk continued

Market risk continued

Interest rate risk

Risk exposure	Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates economically expose the Group to fair value interest rate risk. Refer note 20.
How the risk arises	The Group's interest rate risk primarily arises from a mix of short- and long-term borrowings. The Group's income and operating cash flows are substantially independent of changes in market interest rates.
Objectives, policies and processes for managing the risk and methods used to measure risk	The Group manages its interest rate exposure in total and mainly borrows or invests at Group level, unless it is more appropriate to do so at subsidiary level. Based on the various scenarios, the Group manages its cash flow interest rate risk by using interest rate collars, caps or swaps. Such interest rate hedges have the economic effect of capping the exposure to floating rates to a maximum rate. Generally, the Group raises long-term borrowings at floating rates and then hedges floating rates to a known maximum exposure. Under the interest rate collars, caps or swaps, the Group agrees with other parties to exchange, at specified intervals (primarily quarterly), the difference between the hedge and the floating rate interest amounts calculated by reference to the agreed notional amounts. Swaps are entered into to fix interest rates from floating rates.
Concentration of risk	Group policy is to hedge a maximum of 80% of its borrowings (excluding lease liabilities) and to hedge a quantum of borrowings (excluded lease liabilities) to ensure the profit or loss impact of a 1% movement in interest rates on unhedged borrowings (excluding lease liabilities) is less than 2.0% of the previous 12-month Group normalised EBITDA. At 30 September 2020, 24% of the Group debt (excluding lease liabilities) was hedged (2019: 42%). Refer to note 23 for the current interest rate hedges in place.

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

	2020 R'm	2019 R'm
Impact on post-tax profit		
1% increase	**(86)**	(81)
1% decrease	**100**	123

The simulation is done on a quarterly basis to verify that the maximum loss potential is within the Group's limits. The Group's debt is partially hedged by interest rate swap contracts. The interest rate swap contracts hedge R2.6 billion (2019: R5.3 billion) of the Group's net debt (excluding lease liabilities) of R11 064 million (2019: R11 289 million).

NOTES TO CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2020

31. RISK MANAGEMENT continued

Financial risk continued

Liquidity risk

Risk exposure	Those financial liabilities of the Group with contractual cash flows and maturity dates are exposed to liquidity risk.
How the risk arises	Liquidity risk arises should the Group not be able to meet its obligations as they become due.
Objectives, policies and processes for managing the risk and methods used to measure risk	Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed banking facilities and the ability to close out market positions. The Group's liquidity risk is mitigated by the availability of funds to cover future commitments. The Group manages liquidity risk through an ongoing review of future commitments and banking facilities. Due to the dynamic nature of the underlying businesses, treasury maintains flexibility in funding by maintaining availability under committed credit lines. The Group has sufficient available bank facilities that can be utilised to service short-term commitments. Refer note 20. To ensure the Group has sufficient cash reserves during the pandemic, in addition to securing additional bank facilities, management has implemented a number of mitigating actions and cash preservation levers across the Group's operations. Cash flow forecasts are prepared and utilised facilities are monitored on a daily basis. Longer-term cash flow forecasts are updated quarterly. **Refinancing of debt** The Group successfully refinanced its term debt in the international operations during March 2020 and thereby extended the debt maturities that were due from November 2020 out to 2023 and 2025. The Group maintains a varied maturity profile for non-current interest-bearing borrowings in line with forecast profitability and cash flow. Acceptable profitability and gearing levels at the time of refinancing will meet lenders credit criteria and mitigate refinancing risk. The Group ensures that a reasonable balance is maintained between the period over which assets generate funds and the period over which the assets are funded. The Group maintains relationships with a broad range of financial institutions to avoid concentration risk and safeguard the availability of liquidity at all times. To further avoid market concentration risk, the Group diversifies its funding sources between traditional bank markets and debt capital markets, enabling it to target different lenders at different points in their credit cycles. The Group also diversifies its funding geographically to reach lenders familiar in those regions. Amortising debt is budgeted to be repaid from cash resources or refinanced with available short-term facilities. The Group reviews maturities at least 12 months in advance and ensures that adequate cash resources and/or committed banking facilities will be in place and available at least 6 months before a significant refinancing date.
Concentration of risk	The table on page 79 analyses the Group's financial liabilities into relevant maturity groupings, based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

31. RISK MANAGEMENT continued

Financial risk continued

Liquidity risk continued

	Southern Africa		Alliance Medical		Poland	
	2020 R'm	2019 R'm	**2020 R'm**	2019 R'm	**2020 R'm**	2019 R'm
Interest-bearing borrowings[1]	**3 300**	5 398	**9 191**	7 998	**412**	1 339
Less than 1 year	**1 285**	1 752	**245**	1 469	**411**	73
Between 1 and 5 years	**2 015**	3 227	**8 939**	6 505	**1**	1 266
Over 5 years	**–**	419	**7**	24	**–**	–
Lease liabilities[1]	**1 223**	–	**1 655**	–	**657**	–
Less than 1 year	**171**	–	**409**	–	**79**	–
Between 1 and 5 years	**631**	–	**772**	–	**476**	–
Over 5 years	**421**	–	**474**	–	**102**	–
Trade and other payables	**1 592**	1 800	**2 058**	1 882	**191**	118
Less than 1 year	**1 592**	1 800	**2 003**	1 794	**171**	116
Between 1 and 5 years	**–**	–	**55**	88	**20**	2
Contingent consideration liabilities	**–**	–	**1 358**	1 225	**11**	33
Less than 1 year	**–**	–	**–**	4	**11**	33
Between 1 and 5 years	**–**	–	**1**	4	**–**	–
Over 5 years	**–**	–	**1 357**	1 217	**–**	–
Derivative financial instruments	**38**	13	**15**	17	**–**	–
Less than 1 year	**12**	3	**15**	–	**–**	–
Between 1 and 5 years	**26**	10	**–**	17	**–**	–
Total	**6 153**	7 211	**14 277**	11 122	**1 271**	1 490

[1] *Finance lease liabilities have been presented within Interest-bearing borrowings in the prior year.*

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

	Outflow	
	2020 R'm	2019 R'm
Trading derivatives (foreign exchange contracts and interest rate swap contracts)		
Less than 1 year	**(27)**	(3)
Between 1 and 5 years	**(26)**	(27)
Total	**(53)**	(30)

NOTES TO CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2020

31. RISK MANAGEMENT continued

Financial risk continued

Credit risk

Risk exposure	Credit risk arises mainly from cash and cash equivalents, trade and other receivables and other assets. Trade receivables comprise a widespread customer base.
How the risk arises	Credit risk is the risk of financial loss due to counterparties to financial instruments not meeting their contractual obligations.
Objectives, policies and processes for managing the risk and methods used to measure risk	Credit risk is managed using Group policies within the territories it arises. The Group deposits surplus cash with major banks with high-quality credit standing and maintains an appropriate spread of cash deposits between various financial institutions to limit the exposure to any one counterparty. For banks and financial institutions, only independently rated parties with a minimum Moody rating "Ba1" for South African banks are accepted. For both Alliance Medical and Poland, counterparty risk is managed through the active monitoring and management of counterparties with which Alliance Medical and Poland transact. The Group evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. If there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set for patients without medical aid insurance. Services to customers without medical aid insurance are settled in cash or using major credit cards on discharge date as far as possible. Credit guarantee insurance is not purchased. In certain Alliance Medical territories, use is made of invoice factoring facilities which are on a non-recourse basis, further reducing the credit risk from individual customers.
Concentration of risk	The maximum exposures to credit risk at the reporting date are cash and cash equivalents as well as the carrying value of each class of trade and other receivables and other assets. The Group does not hold any collateral as security. The Group is exposed to a number of guarantees for the overdraft facilities of Group companies. Refer to note 29 for additional details.
Maximum exposure to credit risk by class of financial instrument	Financial assets exposed to credit risk at year-end were as follows:

	2020 R'm	2019 R'm
Trade and other receivables	**3 814**	3 747
Cash and cash equivalents	**2 279**	1 544
Other assets	**125**	87

31. RISK MANAGEMENT continued

Financial risk continued

Credit risk continued

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

	2020 R'm	2019 R'm
South African rand	**466**	546
Botswana pula	**252**	180
Pound sterling	**926**	288
European euro	**450**	430
Polish zloty	**163**	90
United States dollar	**20**	8
Swiss franc	**2**	2
Balance at 30 September	**2 279**	1 544
Overdraft facilities within the Group are secured by means of cross sureties by Group companies.		
The credit quality of cash at bank and short-term money market instruments is:		
Southern Africa[1]	**465**	544
Botswana[2]	**252**	180
Alliance Medical[3]	**1 398**	730
Poland[4]	**163**	86
Cash on hand	**1**	4
	2 279	1 544

[1] *The counterparties have a South African Moody's Ratings of Ba1 (2019: Baa3).*
[2] *The counterparties have a Botswana Standard & Poor rating of BBB+ (2019: A-).*
[3] *The counterparties have a minimum Fitch credit rating of BB+ (2019: BBB-).*
[4] *The counterparties have a minimum Polish Fitch rating of B- (2019: B).*

Trade and other receivables

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

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

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

NOTES TO CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2020

31. RISK MANAGEMENT continued

Financial risk continued

Credit risk continued

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

R'm	Current	31 – 60 days	61 – 90 days	91 – 180 days	>180 days	Total
2020						
Private patients	**376**	**132**	**66**	**115**	**214**	**903**
Medical aids	**1 128**	**117**	**104**	**93**	**15**	**1 457**
Government and public healthcare facilities	**443**	**181**	**151**	**55**	**426**	**1 256**
Trade receivables	**1 947**	**430**	**321**	**263**	**655**	**3 616**
Expected credit loss (R'm)	**63**	**29**	**13**	**6**	**292**	**403**
Weighted average ECL rate	**3.2%**	**6.7%**	**4.0%**	**2.3%**	**44.6%**	
2019						
Private patients	310	118	49	108	196	781
Medical aids	1 101	141	97	66	127	1 532
Government and public healthcare facilities	482	92	59	66	320	1 019
Trade receivables	1 893	351	205	240	643	3 332
Expected credit loss (R'm)	1	1	1	2	215	220
Weighted average ECL rate	0.1%	0.3%	0.5%	0.8%	33.4%	

Financial risk

Fair value

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

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

The Group's financial instruments held at fair value, are measured subsequent to their initial recognition and are grouped into levels 1 to 3 based on the extent to which the fair values are observable. All of the resulting fair value estimates for the derivatives used for hedging are included in level 2. The contingent considerations and fair value measurements of CGUs (where recoverable amounts were determined based on fair value less cost to sell) are included in level 3. The fair value of interest rate swaps is calculated as the mark-to-market valuation, which represents the mid-market value of the instrument as determined by the financial institution at 30 September 2020.

The fair value of forward exchange contracts is determined using forward exchange rates at the statement of financial position date, with the resulting value discounted back to the present value, as determined by the financial institution at 30 September 2020.

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

ANNEXURE A

1. SIGNIFICANT ACCOUNTING POLICIES

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

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

1.1 Revenue and other income

1.1.1 Revenue from contracts with customers

Recognition of revenue

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

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

Southern Africa

Hospital and complementary services

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

Performance obligations include	Recognition
■ The provision of accommodation, meals and healthcare professional services	Revenue is recognised over time in relation to the services provided, as the customer simultaneously receives and consumes the benefits provided by the Group during the patient's stay
■ The use of operating theatres and/ or equipment	Revenue is recognised over time as the services are performed on a per usage basis
■ Dispensing of medicine and medicine supplies	Revenue is recognised at the point in time when the medicine is dispensed to the customer, which is either as the patient consumes the product (for example, consumables used in theatre); or upon delivery to the customer (for example medicine dispensed and medical supplies)

ANNEXURE A CONTINUED

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.1 Revenue and other income continued

1.1.1 Revenue from contracts with customers continued

Hospital and complementary services continued

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

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

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

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

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

Healthcare services

Healthcare services comprises Life Esidimeni and Life Employee Health Solutions.

- *Life Esidimeni*

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

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

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

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

Revenue is recognised over time as the services are provided.

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

- *Life Employee Health Solutions*

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

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.1 Revenue and other income continued

1.1.1 Revenue from contracts with customers continued

International

Diagnostic services

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

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

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

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

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

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

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

Healthcare services

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

Contracts with government (NHF) make up approximately 81% of revenue.

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

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

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

Growth initiatives

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

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

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

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

ANNEXURE A CONTINUED

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.1 Revenue and other income continued

1.1.1 Revenue from contracts with customers continued

Contract balances

Trade receivables

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

1.1.2 Other income

	Includes	Recognition	Measurement
Interest income	Interest income on funds invested, unwinding of the discount on debtors, changes in the fair value of financial assets at fair value through profit or loss, foreign exchange gains and gains on hedging instruments that are recognised in profit or loss.	Interest income is recognised, in profit or loss, using the effective interest rate (EIR) method, unless it is doubtful.	**Effective interest method** When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original EIR of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original EIR.
Rental income	Rental income arising from leases excluded from IFRS 16.	Accounted for on a straight-line basis over the lease term in profit or loss.	Fair value.
Government assistance/support	Reimbursement of employment costs	Government grants relating to costs, are deferred and recognised in the statement of profit or loss over the period necessary to match it with the costs that they are intended to compensate.	Fair value.
Dividend income	External dividends.	Dividend income is recognised in profit or loss when the Group's right to receive payment is established.	Fair value.

Company financial statements

Revenue comprises dividends received from Life Healthcare Group Proprietary Limited.

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.2 Employee benefits

Short-term employee benefits

Includes	Paid leave, sick leave, bonuses and non-monetary benefits such as medical care.
Accounting treatment	The cost of all short-term employee benefits is recognised as an expense during the period in which the employee renders the related service. Accruals for employee entitlement to wages, salaries, bonuses and annual leave represent the amount which the Group has a present obligation to pay as a result of employees' services provided up to the reporting date. The accruals have been calculated at undiscounted amounts based on the current wage and salary rates and are included in trade and other payables in the statement of financial position. 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.

Termination benefits

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

Post-employment benefits

Defined contribution plan		
Southern Africa schemes	**Fund Name**	**Includes:**
	■ Life Healthcare DC Pension Fund ■ Life Healthcare Provident Fund	A pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.
Alliance Medical Scheme	■ TFR scheme	
Accounting treatment	■ The payments to defined contribution retirement benefit plans are charged as an expense as they fall due. ■ Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.	

ANNEXURE A CONTINUED

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.2 Employee benefits continued

Post-employment benefits continued

<table>
<tr><th colspan="3">Defined benefit plan</th></tr>
<tr><td>Includes</td><td colspan="2">A pension plan that is not a defined contribution plan.</td></tr>
<tr><td>Fund name</td><td colspan="2">■ Life Healthcare DB Pension Fund
■ Lifecare Group Holdings Pension Fund
■ Life Healthcare Provident Fund (ESA)
■ Post-employment medical aid benefit (phased out)</td></tr>
<tr><td>Accounting treatment</td><td colspan="2">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 reporting date where the interim valuation is performed at an earlier date.

Past service costs are charged to the income statement when the plan amendment or curtailment occurs.

Gains and losses on the curtailment or settlement of a defined benefit plan are recognised when curtailment or settlement occurs.</td></tr>
<tr><td rowspan="2">Statement of financial position</td><td>Assets or liabilities</td><td>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.</td></tr>
<tr><td>Assets</td><td>Any asset is limited to unrecognised actuarial losses, and unrecognised past service cost plus the present value of available refunds and reduction in future contributions to the plan.

Right to reimbursement measured at fair value.</td></tr>
<tr><td rowspan="2">Statement of profit or loss and other comprehensive income</td><td>Profit or loss</td><td>■ Net interest income
■ Current service cost

These costs are included in the statement of profit or loss and other comprehensive income under retirement benefit asset and post-employment medical aid income.</td></tr>
<tr><td>Other comprehensive income</td><td>■ Remeasurements arising from experience adjustments and changes in actuarial assumptions
■ Changes in asset ceiling</td></tr>
</table>

<table>
<tr><th colspan="2">Medical aid costs</th></tr>
<tr><td>Includes</td><td>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.</td></tr>
<tr><td>Accounting treatment</td><td>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.</td></tr>
</table>

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.2 Employee benefits continued

Shared-based payments (IFRS 2)

	Cash-settled
Includes	**Long-term incentive scheme (Alliance Medical – effective from 2016)** The scheme is a bonus scheme available to senior employees. C-shares in Life UK Healthcare Limited were issued to management on 21 November 2016. Each C-share subscriber grants to Life UK Holdco Limited, on and from the business day immediately following the day on which the agreed market value (MVA) as at 30 September 2021 has been determined, an option for Life UK Holdco Limited to purchase all of each C-share subscriber's C-shares in cash at the relevant C-share price. The C-share value as at 30 September 2021 shall be: (a) if the compound return rate as at that date is equal to or greater than 11%, an amount equal to: (i) (A) MVA; minus (B) the number resulting from compounding annually over the investment period the initial investment at a hurdle return rate of 11% per annum to the calculation date; the result of (A) minus (B) being multiplied by (ii) the applicable percentage (between 12% and 15%); and (b) if the compound return rate as at that date is less than 11%, the aggregate nominal value of all of the C-shares in issue, which is GBP0.003 per share. MVA is calculated based on the agreed market value at calculation date and the dividends declared from effective date to the calculation date. A bad leaver's shares are converted to deferred shares which have a minimal value.
	Long-term incentive scheme effective from 2019 (International) Life Healthcare granted awards to its international group and country executives as well as senior management (qualifying employees) on 1 January 2019 and 1 January 2020. The value of awards will be tier-based and linked to individual performance. Each award will be converted into notional performance shares. The shares vest on 31 December 2021 and 31 December 2022 respectively (vesting date), with vesting subject to a range of non-market performance conditions. The benefits payable to these qualifying employees will be determined in ZAR and converted to their local currency at the prevailing exchange rates at the time, on vesting date. The number of awards that vest as ordinary shares in Life Healthcare are dependent on a service condition as well as various performance conditions, set out below: Group executives: ■ Capital efficiency (40% weighting) ■ Normalised Group HEPS (40% weighting) ■ Life core purposes outcome (20% weighting) Country executives: ■ Capital efficiency (2020: 35% weighting, 2019: 30% weighting) ■ Normalised country EBIT (2020: 35% weighting, 2019: 30% weighting) ■ Life core purposes outcome (2020: 30% weighting, 2019: 40% weighting) Country managers: ■ Capital efficiency (2020: 20% weighting, 2019: 15% weighting) ■ Normalised country EBIT (2020: 40% weighting, 2019: 35% weighting) ■ Life core purposes outcome (2020: 40% weighting, 2019: 50% weighting) Capital efficiency is measured as return on capital employed compared to WACC. Normalised Group HEPS is based on growth of HEPS in excess of CPI. Normalised country EBIT is based on growth of EBIT in excess of CPI. Life core purpose outcomes is based on country-specific non-financial measures that drive long-term sustainability of the Group.

ANNEXURE A CONTINUED

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.2 Employee benefits continued

Shared-based payments (IFRS 2)

Cash-settled (continued)	
Includes	**Long-term incentive scheme effective from 2019 (International)** (continues) The number of vested shares paid out in cash to the qualifying employees is based on the 30-day VWAP of ordinary shares in Life Healthcare as at the vesting date. Life Healthcare shares will be purchased on vesting date. A modifier of between 1 and 2 can be applied to the allocation for key talent retention, this is applicable to all participants at the discretion of the CEO. The employees are not entitled to any dividends declared on the shares underlying the awards over the period from the grant date to the vesting date.
	If a participant ceases to be employed by the Group prior to the vesting of the grant, the following will apply: ■ Good leavers with a date of termination of employment: — that is more than one year before the vesting date of the grant: • 2019 scheme: will result in all notional performance shares held by the participant being forfeited and cancelled for no consideration • 2020 scheme: the participant shall retain a pro rata number of notional performance shares based on number of months completed service relative to the vesting period of 36 months, the balance of notional performance shares shall be forfeited and cancelled for no consideration; or — that is one year or less before the vesting date of the grant, will retain all notional performance shares and he/she shall continue to be treated as a participant as if his/her employment had not been terminated (2019 and 2020 schemes) ■ Bad leavers with a date of termination of employment prior to vesting date, will result in all notional performance shares held by the participant being forfeited and cancelled for no consideration (2019 and 2020 schemes)
Accounting treatment	The benefits are measured at the fair value of the liability at each reporting date and at the date of settlement, with any changes in fair value recognised in profit or loss for the period. The value of the services received (expense), and the related liability are recognised over the vesting period.

Equity settled		
Includes:	**Long-term incentive scheme (southern Africa)**	**Life Healthcare employee share trust**
Accounting treatment:	The Group operates these incentive schemes as equity-settled share-based payments schemes. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market based vesting conditions) at the grant date. At the end of the reporting period, the Group revises its estimate of the number of awards that are expected to vest, based on the number of employees remaining in the scheme and it recognises the corresponding impact of the revision of original estimates, if applicable, in profit or loss with a corresponding adjustment to equity. Refer note 19.	

1. SIGNIFICANT ACCOUNTING POLICIES continued

Group accounting

1.3 Consolidation

Subsidiaries and trust beneficiary accounts

Initial recognition and measurement

Entities (including structured entities) over which the Group has control are consolidated in the Group annual financial statements. The Group applies the acquisition method to account for business combinations. The financial results of the Group and its subsidiaries are consolidated into the Group's results from acquisition date until control ceases. The financial statements of the subsidiaries (excluding the financial statements of Dadley Investments SP.Z.0.0 (Polish holding company of Scanmed SA)) are prepared for the same period as the parent Company. The financial statements of Dadley are prepared for the period ended 31 December using consistent accounting policies. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

Acquisition-related costs are expensed as incurred.

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

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

Company financial statements

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

Non-controlling interest

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

Contingent consideration

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

Inter-company transactions

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

Changes in ownership without change in control

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

Loss of control

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

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

ANNEXURE A CONTINUED

1. SIGNIFICANT ACCOUNTING POLICIES continued

Group accounting continued

1.4 Equity accounting

Equity-accounted investments consists of associates and joint ventures.

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

Initial recognition and measurement

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

Changes in ownership interest

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

Subsequent measurement

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

Impairment

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

Unrealised gains and losses

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

1.5 Translation of foreign operations

Procedures followed to translate to presentation currency

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

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

The resulting differences in translation between these rates are recognised in the FCTR in other comprehensive income.

Exchange differences on monetary items

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

Cash flows

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

1. SIGNIFICANT ACCOUNTING POLICIES continued

Operating assets

1.6 Property, plant and equipment

<table>
<tr><th>Categories</th><th>Initial measurement and recognition</th><th>Subsequent measurement</th><th>Depreciation method</th></tr>
<tr><td>Land</td><td rowspan="7">Cost</td><td>Cost less accumulated impairment losses</td><td>Not depreciated</td></tr>
<tr><td>Assets under construction</td><td rowspan="7">Cost less accumulated depreciation and impairment losses.</td><td rowspan="5">Depreciated on the straight- line method to their residual values over the useful life</td></tr>
<tr><td>Buildings – owned</td></tr>
<tr><td>Medical equipment</td></tr>
<tr><td>Other equipment – owned</td></tr>
<tr><td>Motor vehicles</td></tr>
<tr><td>Improvements to right-of-use assets</td><td rowspan="2">Depreciated over the shorter of:
■ the estimated useful lives of the assets on the same basis as owned assets; or
■ the remaining period of the lease, unless there is a reasonable certainty the lessee will obtain ownership of the asset by the end of the lease term in which case it is depreciated over its useful life.</td></tr>
<tr><td>Right-of-use assets
■ Land and buildings
■ Medical equipment
■ Motor vehicles and other equipment</td><td>Present value (refer 1.8)</td></tr>
</table>

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

1.7 Intangible assets

<table>
<tr><th>Categories</th><th>Initial measurement and recognition</th><th>Subsequent measurement</th><th>Amortisation method</th></tr>
<tr><td>Goodwill</td><td>Excess of consideration transferred over the fair value of the net identifiable assets acquired at acquisition date.</td><td>Cost less accumulated impairment losses</td><td>Not amortised</td></tr>
<tr><td>Customer relations and hospital licences</td><td rowspan="3">Cost represents the fair value as at the date of the business combination, valued on the royalty method or the multi-period earnings excess method (MEEM).</td><td rowspan="5">Cost less accumulated amortisation and impairment losses</td><td rowspan="5">Amortised on the straight-line method over the estimated useful life</td></tr>
<tr><td>Brand name</td></tr>
<tr><td>Intellectual property</td></tr>
<tr><td>Computer software</td><td rowspan="2">Cost</td></tr>
<tr><td>Other intangible assets</td></tr>
</table>

ANNEXURE A CONTINUED

1. SIGNIFICANT ACCOUNTING POLICIES continued

Operating assets continued

1.7 Intangible assets continued

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

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

1.8 Leases

Group as lessee

The Group leases various properties, medical equipment (including scanning equipment, blood gas machines and renal dialysis units), motor vehicles, IT equipment and gym equipment. Rental contracts are typically entered into for fixed periods of between 1 to 25 years but may have extension options as described under 1.2.1 Critical judgements. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for bank borrowing purposes.

Leases (accounting policy applied from 1 October 2019)

From 1 October 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

For leases previously classified as finance leases the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date.

Initial measurement and recognition	Subsequent measurement	Depreciation method
Assets and liabilities arising from a lease are initially measured at present value. Lease liabilities include the net present value of the following lease payments: ■ Fixed payments (including in-substance fixed payments), less any lease incentives receivable ■ Variable lease payments that are based on CPI, the Polish inflation rate or WIBOR ■ Amounts expected to be payable by the lessee under residual value guarantees (only in our Polish operations) ■ The exercise price of a purchase option if the lessee is reasonably certain to exercise that option ■ Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option The discount rate used in calculating the present value of the lease liability and right-of-use asset is the incremental borrowing rate.	■ Right-of-use asset at cost less accumulated depreciation and impairment ■ Liability at amortised cost	Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets (defined as assets with a value of less than R60 000 for our southern Africa business and GBP5 000 for our international business) comprise IT equipment and contracts for general business services.

See note 1.2 for the critical judgements, accounting estimates and assumptions.

1. SIGNIFICANT ACCOUNTING POLICIES continued

Operating assets continued

1.8 Leases continued

Leases (accounting policy applied before 1 October 2019)

Until 30 September 2019, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

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

Group as lessor (policy applicable to all periods presented)

Initial measurement and recognition

Lease income is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The difference between the amounts recognised as income and the contractual payments are recognised as a lease asset or liability in the statement of financial position. Neither the asset nor the liability is discounted.

1.9 Inventories

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

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

1.10 Assets held for sale

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

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

1.11 Financial instruments

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

Financial assets

The Group has the following financial assets:
- Cash and cash equivalents
- Trade and other receivables
- Other assets, which include:
  - Loans receivable
  - Loans to associates

Initial recognition and measurement

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

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

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

On initial recognition:
- financial assets held at fair value through profit or loss are measured initially at fair value, excluding transaction costs;
- trade receivables, which do not have a significant financing component, are initially measured at the transaction price determined under IFRS 15, including transaction costs; and
- all other financial assets are initially measured at fair value, including transaction costs.

ANNEXURE A CONTINUED

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.11 Financial instruments continued

Financial assets continued

Subsequent measurement

Financial assets are subsequently measured at amortised cost.

Financial assets at amortised cost

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

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

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

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

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

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

Derecognition

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

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

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

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

Impairment of financial assets

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

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.11 Financial instruments continued

Financial assets continued

Impairment of financial assets continued

Trade receivables

Further disclosures relating to impairment of financial assets are also provided in the following notes:
- Disclosures for critical judgements, accounting estimates and assumptions – refer note 1.2
- Risk management – credit risk relating to trade receivables note 31

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

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

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

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

The Group considers the following factors:
- The history of the specific customer
- Indications of financial difficulties of the specific customer
- Credit terms specific to the customer
- General economic conditions

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. This is when the Group has exhausted all options regarding the debt, and it also includes the following factors:
- The account is handed back from the debt collectors as uncollectable, ie the Group has followed full legal process
- The debtor is deceased and the estate is insolvent
- The debtor cannot be traced

Financial liabilities

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

Initial recognition and measurement

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

On initial recognition:
- financial liabilities held at fair value through profit or loss are measured initially at fair value, excluding transaction costs; and
- all other financial liabilities are initially measured at fair value, including transaction costs.

ANNEXURE A CONTINUED

1. SIGNIFICANT ACCOUNTING POLICIES continued

Operating assets continued

1.11 Financial instruments continued

Financial liabilities continued

Subsequent measurement

Financial liabilities are subsequently measured as either:
- financial liabilities at amortised cost; or
- financial liabilities at fair value through profit or loss.

Financial liabilities at amortised cost

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

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

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

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

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

Financial liabilities at fair value through profit or loss

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

The Group has derivative financial instruments that are not designated as hedging instruments in hedge relationships. These liabilities are mandatorily measured at fair value through profit or loss in terms of IFRS 9.

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

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

Trade and other payables includes:

Employee-related payables

The employee-related payables represent the pro rata portion of a 13th cheque, accrued annual leave and a performance bonus scheme.

Derecognition

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

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

Offsetting of financial instruments

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

1. **SIGNIFICANT ACCOUNTING POLICIES** continued

1.12 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Property and operational related

Represents the decommissioning costs of cyclotrons used in the production of radiopharmacy products, potential insurance claims and property restoration costs.

- Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as a provision. The cash flows are discounted at a current pre-tax rate.
- Judgement is required in estimating the insurance provision. This is calculated based on the probability of future claims arising, taking into consideration the Group insurance excess applicable to the claim and the liability is the present value of the exposure at a market-related discount rate.
- Property restoration provisions include the estimated costs to restore leased properties to their original condition when the lease term expires.

Employee related

Represents the long-term incentive schemes for the executives and senior employees for international employees. Provisions are raised as payment is subject to the employee being in employment at vesting date. Refer 1.2 in annexure A.

1.13 Capital and reserves

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

Share capital and equity

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

Treasury shares

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

1.14 Non-IFRS measures

To provide a more meaningful assessment of the Group's performance, non-IFRS measures are included.

The non-IFRS measures include:
- Normalised EBITDA (refer note 9)
  Normalised EBITDA is defined as operating profit before depreciation on property, plant and equipment, amortisation of intangible assets and non-trading-related costs or income.
- EBITA (refer note 9)
  EBITA is defined as normalised EBITDA less depreciation.
- Net debt (refer note 9)
  Net debt comprises all interest-bearing borrowings, overdraft balances and cash on hand.
- Normalised earnings and NEPS (refer note 8)
  The calculation of NEPS excludes non-trading-related items as listed under note 8 and is based on the normalised profit attributable to equity holders of the parent, divided by the weighted average number of ordinary shares in issue during the year.

ANNEXURE A CONTINUED

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.14 Non-IFRS measures continued

Non-IFRS measures are the responsibility of the Group's directors. Because of its nature, the non-IFRS measures may not fairly present the Group's financial position, results of operations, changes in equity or cash flows for the year. These measures as disclosed on page 99 may not be comparable to other similarly titled measures of performance of other companies.

Non-IFRS measures are not an IFRS requirement, nor a JSE Listings Requirement and is a measurement used by the CODM.

1.15 New and amended accounting standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 October 2019. The nature and effect of the changes as a result of adoption of the new accounting standard are described below.

IFRS 16 *Leases*

The Group adopted IFRS 16 from 1 October 2019, and changed its accounting policies accordingly. The Group has elected the modified retrospective approach, with no restatement to comparative years.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 October 2019.

For leases previously classified as finance leases the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date.

	2020 R'm
Operating lease commitments disclosed as at 30 September 2019	**1 293**
Discounted using the lessee's incremental borrowing rate at the date of initial application	**(367)**
Finance lease liabilities recognised as at 30 September 2019	**1 427**
Short-term leases recognised on a straight-line basis as expense	**(5)**
Low-value leases recognised on a straight-line basis as expense	**(4)**
Adjustments as a result of a different treatment of extension and termination options	**375**
Lease liability recognised as at 1 October 2019 as included in interest-bearing borrowings	**2 719**
Current lease liabilities	**647**
Non-current lease liabilities	**2 072**
	2 719

The associated right-of-use assets for all lease classes were recognised at an amount equal to the lease liabilities on 1 October 2019, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised on the statement of financial position as at 30 September 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application

The recognised right-of-use assets relate to the following types of assets:

	30 Sept 2020 R'm	1 Oct 2019 R'm
Land and buildings	**2 083**	1 840
Medical equipment	**921**	904
Motor vehicles and other equipment	**73**	79
Total right-of-use assets	**3 077**	2 823

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.15 New and amended accounting standards adopted by the Group continued

IFRS 16 *Leases* continued

The change in accounting policy affected the following items in the statement of financial position on 1 October 2019:

- Right-of-use assets included under property, plant and equipment – increased by R1.2 billion
- Prepayments included under other liabilities – decreased by R86 million
- Lease liabilities included as part of interest-bearing borrowings – increased by R1.3 billion

There was no impact on retained earnings on 1 October 2019.

Impact on statement of profit or loss

	2020 Reported R'm	IFRS 16 impact R'm	2020 Pre-IFRS 16 Pro forma R'm	2019 R'm
Operating proft	**2 180**	(40)	**2 140**	3 944
Finance cost	**(918)**	65	**(853)**	(1 058)
Profit before tax	**581**	25	**606**	3 706

No impact on FY2019.

Impact on earnings per share

Earnings per share decreased by 1.2 cps for the year ended 30 September 2020 as a result of the adoption of IFRS 16.

Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- Reliance on previous assessments on whether leases are onerous
- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 October 2019 as short-term leases
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease

The Group also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease*.

Other standards adopted

- Amendments to IFRS 9 – *Financial Instruments* on prepayment features with negative compensation and modification of financial liabilities
- Amendments to IAS 19, *Employee Benefits* on plan amendment, curtailment or settlement
- Amendments to IAS 28, *Investments in Associates and Joint Ventures* – long-term interests in associates and joint ventures
- Annual improvements cycle 2015 – 2017
- IFRIC 23, *Uncertainty Over Income Tax Treatments*

Impact

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

1.16 New accounting standards and IFRIC interpretations not yet effective

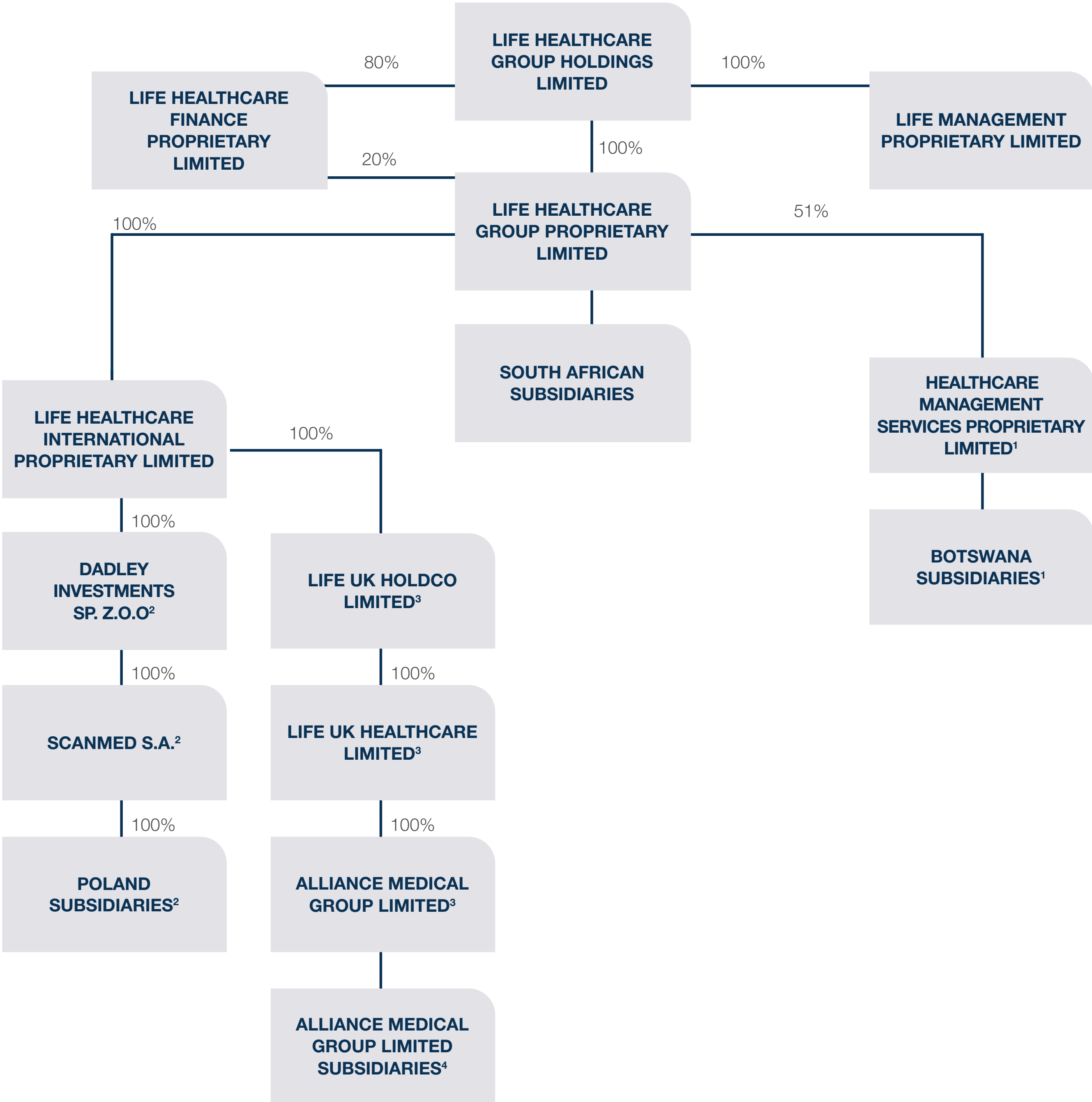
The following amendments and IFRICs are effective for annual periods beginning on or after 1 January 2020:

- Amendment to IAS 1 *Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors* – introduced a consistent definition of materiality throughout IFRS and the Conceptual Framework for Financial Reporting, clarifying when information is material and incorporates some of the guidance in IAS 1 about immaterial information
- Amendments to IFRS 3 *Business Combinations* – the amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments will likely result in more acquisitions being accounted for as asset acquisitions

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

ANNEXURE B

SIMPLIFIED GROUP STRUCTURE FOR THE YEAR ENDED 30 SEPTEMBER 2020



All South African investments are unlisted and incorporated in the Republic of South Africa.
All Botswana, Poland and Alliance Medical investments are unlisted.
The shareholding percentages are the same for 2020 and 2019, except for changes disclosed in note 26.

[1] *Incorporated in Botswana. The functional currency is pula.*
[2] *Incorporated in Poland. The functional currency is zloty.*
[3] *Incorporated in England. The functional currency is sterling.*
[4] *Incorporated in England, across Europe (Germany, Netherlands, Ireland, Italy, Spain, Switzerland) and United States. The functional currencies used include sterling, euro and United States dollar.*

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

ANNEXURE C

ASSOCIATE UNDERTAKINGS FOR THE YEAR ENDED 30 SEPTEMBER 2020

Associates

Name of associate	Functional currency	Issued share capital 2020 Total	Issued share capital 2019 Total	Interest in share capital 2020 %	Interest in share capital 2019 %	Book value of the shares 2020 R'm	Book value of the shares 2019 R'm	Amounts owing by/(to) associates 2020 R'm	Amounts owing by/(to) associates 2019 R'm
Unlisted investments									
Wilgers Onkologie Spreekkamer Trust[1]	R	**10 000**	10 000	**25**	25	**–**	–	**–**	(1)
Wilgers Onkologie Radiologiese Trust[1]	R	**10 000**	10 000	**40**	40	**–**	–	**–**	(2)
Wilgers Stralingsonkologie Trust[1]	R	**10 000**	10 000	**25**	25	**–**	–	**2**	12
Consolidated Aone Trade and Invest 12 Proprietary Limited[1]	R	**100**	100	**30**	30	**–**	–	**3**	4
						–	–	**5**	13

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

Joint ventures

Name of joint venture	Functional currency	Issued share capital 2020 Total	Issued share capital 2019 Total	Interest in share capital 2020 %	Interest in share capital 2019 %	Book value of the shares 2020 R'm	Book value of the shares 2019 R'm	Amounts owing by/(to) associates 2020 R'm	Amounts owing by/(to) associates 2019 R'm
Unlisted investments									
Brenthurst MRI[1]	R	**–**	–	**70**	70	**–**	–	**(11)**	(7)
Brenthurst Equipment Trust 1[1]	R	**–**	–	**50**	50	**–**	–	**–**	–
Brenthurst Equipment Trust 2[1]	R	**–**	–	**70**	70	**–**	–	**–**	–
Brenthurst Radiology Cat Scan[1]	R	**–**	–	**50**	50	**–**	–	**–**	–
Barringtons MRI Limited[2]	EUR	**100**	100	**50**	50	**11**	9	**–**	–
20:20 Imaging Limited[2]	EUR	**300**	300	**30**	30	**3**	3	**–**	–
						14	12	**(11)**	(7)

[1] *Indirectly held through Life Healthcare Group Proprietary Limited.*
[2] *The company is incorporated in the Republic of Ireland and the issued shares are reflected in euros. Indirectly held through Alliance Medical Group Limited.*

COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 September 2020

	Notes	2020 R'm	2019 R'm
Revenue	3	**778**	1 321
Provision for expected credit loss		**–**	(2)
Profit before tax		**778**	1 319
Tax expense	4	**–**	–
Profit after tax		**778**	1 319
Other comprehensive income		**–**	–
Total comprehensive income for the year		**778**	1 319

COMPANY STATEMENT OF FINANCIAL POSITION

at 30 September 2020

	Notes	2020 R'm	2019 R'm
ASSETS			
Non-current assets			
Interest in subsidiaries	1	**9 288**	9 288
Total assets		**9 288**	9 288
Equity and liabilities			
Capital and reserves		**9 279**	9 279
Stated capital	2	**13 888**	13 888
Accumulated loss		**(4 609)**	(4 609)
Current liabilities		**9**	9
Trade and other payables		**4**	4
Shareholders for dividend		**5**	5
Total equity and liabilities		**9 288**	9 288

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 30 September 2020

	Stated capital R'm	Retained earnings R'm	Total R'm
Balance at 30 September 2019	**13 888**	**(4 609)**	**9 279**
Total comprehensive income for the year	**–**	**778**	**778**
Distribution to shareholders	**–**	**(778)**	**(778)**
Balance at 30 September 2020	**13 888**	**(4 609)**	**9 279**
Balance at 30 September 2018	13 888	(4 607)	9 281
Total comprehensive income for the year	–	1 319	1 319
Distribution to shareholders	–	(1 321)	(1 321)
Balance at 30 September 2019	13 888	(4 609)	9 279

COMPANY STATEMENT OF CASH FLOWS

for the year ended 30 September 2020

	Note	2020 R'm	2019 R'm
Cash flows from operating activities			
Cash generated from operations	5	**778**	1 325
Tax paid		**–**	–
Net cash generated from operating activities		**778**	1 325
Cash flows from investing activities			
Loan to Life Healthcare Group Proprietary Limited		**–**	(3)
Net cash utilised from investing activities		**–**	(3)
Cash flows from financing activities			
Dividends paid		**(778)**	(1 322)
Net cash utilised from financing activities		**(778)**	(1 322)
Net decrease in cash and cash equivalents		**–**	–
Cash and cash equivalents – beginning of the year		**–**	–
Cash and cash equivalents at end of the year		**–**	–

NOTES TO COMPANY ANNUAL FINANCIAL STATEMENTS

for the year ended 30 September 2020

1. INTEREST IN SUBSIDIARIES

	2020 R'm	2019 R'm
Unlisted investment in Life Healthcare Group Proprietary Limited		
Shares at cost		
Balance at 1 October	**8 897**	8 897
Additional investment	**–**	–
Balance at 30 September	**8 897**	8 897
Amounts owing by subsidiary		
Balance at 1 October	**391**	390
Movement	**–**	3
Provision for expected credit loss	**–**	(2)
Balance at 30 September	**391**	391
Total investment	**9 288**	9 288

The Company's investments in Life Healthcare Finance Proprietary Limited and Life Management Proprietary Limited are less than R1 million.

The loan is unsecured, has no fixed repayment terms and bears interest as determined by the directors. No interest was received during the current year or prior financial year.

2. STATED CAPITAL

	2020 R'm	2019 R'm
Stated capital comprises:		
Share capital	**10 515**	10 515
Share premium	**3 373**	3 373
	13 888	13 888
Ordinary shares ('000)		
Authorised (share capital of R0.000001 each)	**4 149 980**	4 149 980
Total value = R4 149 (2019: R4 149)		
Issued and fully paid:		
Balance at 30 September	**1 467 349**	1 467 349
Total value = R1 467 (2019: R1 467)		

3. REVENUE

	2020 R'm	2019 R'm
Revenue comprises dividends received from Life Healthcare Group Proprietary Limited	**778**	1 321

4. INCOME TAX EXPENSE

	2020	2019
Reconciliation of the tax rate	**%**	%
South African normal tax rate	**28.00**	28.00
Adjusted for:		
No taxable income – dividends received	**(28.00)**	(28.00)
	–	–

		2020 R'm	2019 R'm
5.	**CASH GENERATED FROM OPERATIONS**		
	Reconciliation of profit before tax to cash generated from operations		
	Profit before tax	**778**	1 319
	Adjusted for:		
	Expected credit loss charge	**–**	2
	Operating profit before working capital changes	**778**	1 321
	Trade and other payables	**–**	4
	Cash generated from operations	**778**	1 325

6. ACCOUNTING POLICIES

The accounting policies are the same for the Group and Company.

– Presentation of annual financial statements – refer page 20

The following accounting policies are applicable to the Company – refer Annexure A:

– Dividend income refer note 1.1.2
– Interest income refer note 1.1.2
– Group accounting refer note 1.3 (only section regarding Company financial statements)
– Financial instruments (excluding section regarding derivatives) refer note 1.11
– Capital and reserves refer note 1.13
– New accounting standards and IFRIC interpretations refer note 1.16

7. EVENTS AFTER THE REPORTING PERIOD

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

Cash dividend declaration

The board of directors has decided, considering the current trading conditions and in order to preserve cash, not to declare or pay a final dividend for the year.

8. COMMITMENTS AND CONTINGENCIES

No commitments

Some of the Company's subsidiaries stand as guarantors in respect of the unsecured borrowings as per note 20 of the Group financial statements.

		2020 R'm	2019 R'm
9.	**RELATED PARTIES**		
	Relationships		
	Subsidiary company: Life Healthcare Group Proprietary Limited		
	Related-party balances		
	Refer to note 1 of the Company financial statements		
	Related-party transactions		
	Dividend received		
	Life Healthcare Group Proprietary Limited	**778**	1 321

ANNEXURE D

SHAREHOLDER DISTRIBUTION

1. Analysis of registered shareholders and Company schemes

Registered shareholder spread

In accordance with the JSE Listings Requirements, the following table confirms the spread of registered shareholders as detailed in the annual report and accounts dated 25 September 2020 was:

Registered shareholder spread

Shareholder spread	Number of holders	% of total shareholders	Number of shares	% of issued capital
1 – 1 000 shares	6 194	61.3	1 240 097	0.1
1 001 – 10 000 shares	2 127	21.1	7 256 270	0.5
10 001 – 100 000 shares	1 070	10.6	39 274 188	2.7
100 001 – 1 000 000 shares	548	5.4	180 278 872	12.3
1 000 001 shares and above	162	1.6	1 239 299 735	84.4
Total	**10 101**	**100.0**	**1 467 349 162**	**100.0**

Public and non-public shareholdings

Shareholder type	Number of holders	% of total shareholders	Number of shares	% of issued capital
Non-public shareholders*	**11**	**0.11**	**18 846 720**	**1.28**
Directors and associates	6	0.06	4 475 185	0.30
Brimstone Investment Corporation Limited	1	0.01	1 040 807	0.07
Life Healthcare employees share trust	1	0.01	11 928 195	0.81
Life Healthcare Provident Fund	1	0.01	5 096	0.00
Life Healthcare Deposit A/C	1	0.01	18 692	0.00
Life Healthcare Group Holdings Limited	1	0.01	1 378 745	0.09
Public shareholders	**10 090**	**99.89**	**1 448 502 442**	**98.72**
Total	**10 101**	**100.00**	**1 467 349 162**	**100.00**

* *Includes directors, pension/retirement funds and treasury shares.*

SHAREHOLDER DISTRIBUTION continued

2. Substantial investment management and beneficial interests

Substantial investment management and beneficial interests above 3%

Through regular analysis of STRATE registered holdings, and pursuant to the provisions of section 56 of the Companies Act, the following shareholders held directly and indirectly equal to or in excess of 3% of the issued share capital as at 25 September 2020:

Investment management shareholdings

Investment manager	Total shareholding	%
Allan Gray Proprietary Limited	291 000 195	19.8
Government Employees Pension Fund (PIC)	226 855 077	15.5
Lazard Asset Management LLC Group	87 548 807	6.0
Old Mutual Limited	81 478 880	5.5
Industrial Development Corporation (IDC)	69 867 972	4.8
BlackRock Inc	60 759 615	4.1
The Vanguard Group Inc	52 956 230	3.6
Total	**870 466 776**	**59.3**

Beneficial shareholdings	Total shareholding	%
PIC	251 033 116	17.1
Allan Gray Balanced Fund	105 820 737	7.2
IDC	69 867 972	4.8
Old Mutual Life Insurance Company Limited	46 652 296	3.2
Total	**473 374 121**	**32.3**

Previously disclosed holdings

Investment managers now holding below 3%

Investment manager	Total shareholding	%	Previous %
Sanlam Investment Management	23 104 042	1.6	3.7
Coronation Asset Management	17 336 865	1.2	5.3
Total	–	–	

Beneficial owners now holding below 3%

Beneficial owners	Total shareholding	%	Previous %
Total	–	–	–

ANNEXURE D CONTINUED

SHAREHOLDER DISTRIBUTION continued

3. Geographic split of shareholders

Geographic split of investment managers and Company-related holdings

Region	Total shareholding	% of issued capital
South Africa	959 824 361	65.4
United States of America and Canada	278 225 270	19.0
United Kingdom	19 631 281	1.3
Rest of Europe	96 825 086	6.6
Rest of World[1]	112 843 164	7.7
Total	**1 467 349 162**	**100.0**

Geographic split of beneficial shareholders

Region	Total shareholding	% of issued capital
South Africa	996 016 883	67.9
United States of America and Canada	312 647 136	21.3
United Kingdom	46 335 614	3.2
Rest of Europe	38 774 759	2.6
Rest of World[1]	73 574 770	5.0
Total	**1 467 349 162**	**100.00**

[1] *Represents all shareholdings except those in the above regions.*

SHAREHOLDER DISTRIBUTION continued

4. Shareholder categories

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

Category	Total shareholding	% of issued capital
Pension funds	472 577 506	32.21
Unit trusts	431 664 849	29.42
Government of South Africa	69 867 972	4.76
Insurance companies	76 277 701	5.20
Mutual fund	91 971 065	6.27
Sovereign wealth	62 532 516	4.26
Medical aid scheme	3 981 448	0.27
Trading position	45 272 119	3.08
Charity	2 250 711	0.15
Exchange-traded fund	30 939 382	2.11
American depository receipts	14 812 898	1.01
Other managed funds	39 142 766	2.67
Employees	11 928 195	0.81
Custodians	14 313 481	0.98
Private investor	53 569 013	3.65
Corporate holding	1 983 281	0.14
American depository receipts	14 812 898	1.01
Hedge fund	1 064 202	0.07
University	6 678 655	0.45
Local authority	2 114 473	0.14
Black economic empowerment	1 627 146	0.11
ESG	403 916	0.03
Foreign government	399 541	0.03
Investment trust	909 404	0.06
Remainder	16 254 024	1.11
Total	**1 467 349 162**	**100.00**

ANNEXURE E

CONSOLIDATED STATEMENT OF FINANCIAL POSITION PER REGION AT 30 SEPTEMBER 2020

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

	Notes	2020				
		Group R'm	South Africa R'm	Botswana R'm	Alliance Medical R'm	Poland R'm
ASSETS						
Non-current assets		35 328	11 714	203	21 763	1 648
Property, plant and equipment	10	15 361	8 684	203	5 296	1 178
Intangible assets	11	18 238	1 635	–	16 156	447
Investment in associates and joint ventures	12	65	–	–	65	–
Employee benefit assets	13	379	379	–	–	–
Deferred tax assets	14	1 162	934	–	225	3
Other assets		123	82	–	21	20
Current assets		7 377	3 653	468	2 834	422
Cash and cash equivalents	15	2 279	466	252	1 398	163
Trade and other receivables	16	4 046	2 375	183	1 267	221
Inventories	17	873	756	17	62	38
Income tax receivable		173	50	16	107	–
Other assets		6	6	–	–	–
Total assets		42 705	15 367	671	24 597	2 070
Total equity		18 278	5 898	419	11 136	825
LIABILITIES						
Non-current liabilities		14 535	3 372	191	10 457	515
Interest-bearing borrowings	21	12 034	2 450	179	8 921	484
Employee benefit liabilities	13	161	–	–	161	–
Deferred tax liabilities	14	1 450	869	12	569	–
Trade and other payables	22	89	–	–	62	27
Provisions	22	117	–	–	113	4
Contingent consideration liabilities	26	631	–	–	631	–
Other liabilities		53	53	–	–	–
Current liabilities		9 892	6 097	61	3 004	730
Bank overdraft	15	2 181	2 181	–	–	–
Trade and other payables	22	5 146	2 464	60	2 357	265
Provisions	23	181	127	–	54	–
Contingent consideration liabilities	26	11	–	–	–	11
Interest-bearing borrowings	21	2 180	1 273	1	452	454
Income tax payable		161	35	–	126	–
Other liabilities		32	17	–	15	–
Total liabilities		24 427	9 469	252	13 461	1 245
Total equity and liabilities		42 705	15 367	671	24 597	2 070

2019				
Group R'm	South Africa R'm	Botswana R'm	Alliance Medical R'm	Poland R'm
31 588	11 208	196	18 262	1 922
12 929	8 173	195	3 762	799
16 969	1 678	–	14 168	1 123
53	–	–	53	–
448	448	–	–	–
1 102	834	–	268	–
87	75	1	11	–
5 978	3 050	410	2 107	411
1 544	546	180	730	88
3 923	2 160	215	1 254	294
379	306	13	34	26
124	30	2	89	3
8	8	–	–	–
37 566	14 258	606	20 369	2 333
17 491	5 796	393	9 897	1 405
11 632	3 556	154	7 258	664
9 399	2 744	140	5 894	621
130	–	–	130	–
1 371	730	7	610	24
51	–	–	32	19
69	–	–	69	–
506	–	–	506	–
106	82	7	17	–
8 443	4 906	59	3 214	264
867	867	–	–	–
4 663	2 461	47	1 941	214
136	101	–	35	–
37	–	–	4	33
2 596	1 451	5	1 124	16
129	11	7	110	1
15	15	–	–	–
20 075	8 462	213	10 472	928
37 566	14 258	606	20 369	2 333

Bastion