ANNUAL FINANCIAL STATEMENTS

2014

Life HEALTHCARE Group

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:	Oxford Manor 21 Chaplin Road Illovo 2196
Registered postal address:	Private Bag X13 Northlands 2116
Composition of board of directors:	MA Brey (Chairman) A Meyer (Chief Executive Officer) PP van der Westhuizen (Chief Financial Officer) FA du Plessis PJ Golesworthy ME Jacobs LM Mojela JK Netshitenzhe MP Ngatane GC Solomon RT Vice
Company secretary:	F Patel
Transactional bankers:	First National Bank
Auditors:	PricewaterhouseCoopers Inc. Johannesburg

PREPARATION OF THE ANNUAL FINANCIAL STATEMENTS

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

STATEMENT OF DIRECTORS' RESPONSIBILITY
FOR THE YEAR ENDED 30 SEPTEMBER 2014

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

The directors consider that the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used in the preparation of the financial statements and that all International Financial Reporting Standards that they consider to be applicable have been followed. The directors are satisfied that the information contained in the financial statements fairly presents the consolidated and separate financial position of Life Healthcare Group Holdings Limited at 30 September 2014, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended. The directors are also responsible to review the other information included in the annual report and to ensure both its accuracy and its consistency with the financial statements.

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

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

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

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

The Group's external auditors, PricewaterhouseCoopers Inc., audited the financial statements, and their unqualified audit report is presented on page 9.

APPROVAL OF FINANCIAL STATEMENTS
The financial statements were approved by the board of directors on 13 November 2014 and are signed on its behalf:

MA Brey
Chairman

Johannesburg

A Meyer
Chief Executive Officer

Johannesburg

STATEMENT FROM COMPANY SECRETARY

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

F Patel
Company Secretary

REPORT OF THE AUDIT COMMITTEE
FOR THE YEAR ENDED 30 SEPTEMBER 2014

INTRODUCTION
The Life Healthcare Group Holdings Limited audit committee (the committee) is a formal committee of the board. The responsibilities of the committee are outlined in its written terms of reference which are reviewed annually and the terms of reference are in line with the Companies Act, King III and the JSE Listings Requirements. The committee has an independent role with accountability to both the board and shareholders.

This report of the committee is presented to the shareholders in terms of section 94(7)(f) of the Companies Act, No 71 of 2008 as amended (the Companies Act) and as recommended by King III.

COMPOSITION OF THE AUDIT COMMITTEE
The committee comprised the following independent non-executive directors who have the requisite financial skills and experience to fulfil the duties of the committee:

Mr PJ Golesworthy (chairman);

Mr RT Vice (appointed on 1 February 2014);

Ms LM Mojela; and

Adv FA du Plessis.

All the members were recommended by the board and appointed by the shareholders at the annual general meeting in January 2014 in respect of the 2014 financial year. Mr TS Munday served on the committee until his retirement at the annual general meeting held on 30 January 2014.

The same chairman and members of the committee will be recommended at the next annual general meeting in January 2015.

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

The biographical details of the committee members appear on pages 82 to 84 of the annual integrated report. The fees paid to committee members are outlined in the table of directors' remuneration on pages 91 and 92.

The chairman of the board, chairman of the risk committee, chief executive officer, chief financial officer, group audit manager, group risk manager and senior management in the financial department attended meetings, at the invitation of the committee, together with the external auditors. The internal and external auditors have unrestricted access to the committee.

ROLE OF THE AUDIT COMMITTEE
The overall function of the committee is to assist the directors in discharging their responsibilities relating to the safeguarding of assets, the operation of adequate and effective systems and control processes and the preparation of the integrated report and fairly presented financial statements in compliance with all applicable legal and regulatory requirements and accounting standards.

In respect of the year ended 30 September 2014, the committee met four times and executed its responsibilities in accordance with its terms of reference. The committee performed, amongst others, the following functions:

In respect of financial and integrated reporting
- Reviewed and recommended for approval by the board the interim results and annual financial statements and the related SENS and press announcements.
- Considered the factors and risks that might impact the financial reporting.
- Considered and satisfied itself on the appropriateness of accounting policies and material estimates and judgements.
- Reviewed compliance with loan covenants.
- Confirmed the going concern basis of preparation of the interim and annual financial statements.
- Reviewed and recommended for approval by the board the integrated report, including the disclosure of sustainability issues.

In respect of internal audit and internal controls
The committee ensured that the internal audit function is independent and has the necessary resources to enable it to fulfil its mandate. The group audit manager reports functionally to the chairman of the committee and administratively to the chief financial officer.

The committee:

- Reviewed the internal audit charter in line with King III recommendations and recommended the approval thereof to the board.
- Approved the internal audit plan for the 2014 financial year.
- Considered the effectiveness and performance of the internal audit function.
- Reviewed the progress in the development of the combined assurance model and received risk updates, particularly in relation to financial reporting.
- Reviewed and evaluated reports relating to internal audit and risk management and the adequacy of management's responses and corrective actions.
- Assessed the effectiveness of internal control systems and formed the opinion that there were no material breakdowns in internal control.
- Reviewed arrangements made by the Company to enable employees and outside whistle blowers to report any concerns about possible improprieties and received reports on the issues raised.

In respect of external audit

Following approval by shareholders at the annual general meeting in January 2014, PricewaterhouseCoopers Inc. (PwC) served as the Group's registered external auditors for the 2014 financial year and Mr FJ Lombard was the designated partner.

The committee:

- Approved the auditors' terms of engagement and fees. The fees paid to the external auditors are disclosed in note 27 to the annual financial statements.
- Reviewed and approved the external audit plan and ensured no limitations were imposed on the scope of external audit.
- Reviewed the external auditors' report and confirmed that no material unresolved issues existed between the Group and the external auditors.
- Obtained assurances from the external auditors that adequate accounting records were being maintained.
- Reviewed the quality and effectiveness of the external audit process and found it to be satisfactory.
- Satisfied itself that the external auditors' appointment complies with the Companies Act, the Auditing Profession Act and the JSE Listings Requirements.
- Satisfied itself through enquiry that both PwC and the audit partner are independent as defined by the Companies Act and as per the standards stipulated in the audit profession. The external auditors confirmed that their independence was not impaired and provided assurance that their internal governance processes within their audit firm support and demonstrate their claim to independence.
- Has established a policy in terms of which the nature and extent of all non-audit services provided by PwC are reviewed and approved in advance. The committee approved all non-audit services, which amounted to R1 923 000 for the current year and comprised mainly audit certificates required in terms of certain contracts, quality audits in terms of ISO 9001, evaluation of the board and board committees, the remuneration survey conducted by Remchannel, immigration services to nurses seconded to South Africa and technical assistance.
- Confirmed that no reportable irregularities had been identified or reported by the external auditors under the Auditing Profession Act.

The committee has nominated PwC as the Group's registered external auditors and Mr FJ Lombard the designated partner, respectively to the shareholders for appointment as auditors for the financial year ended 30 September 2015 at the next annual general meeting.

In respect of compliance with legal and regulatory requirements

The committee:

- Considered the relevant findings of the risk committee.
- Considered the reports of management and the internal and external auditors regarding compliance with legal and regulatory requirements.

REPORT OF THE AUDIT COMMITTEE *(CONTINUED)*

In respect of other matters
The committee:

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

EXPERTISE AND EXPERIENCE OF THE CHIEF FINANCIAL OFFICER AND THE FINANCE TEAM

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

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

CONFIRMATION

An assessment of the role and effectiveness of the committee was undertaken in 2014 by PwC as part of the assessment of the board and its committees. No material matters that require improvement were highlighted.

The committee confirms for the 2014 financial year that it has discharged its responsibilities in accordance with its terms of reference and in compliance with the requirements of the Companies Act.

On behalf of the audit committee

P.J Golesworthy

PJ Golesworthy
Chairman: Audit committee

Johannesburg
10 November 2014

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2014

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 2014. In the context of the financial statements, the term "Group" refers to the Company, its subsidiaries, associates and joint ventures. The directors are of the opinion that stakeholders' interests are best served by presenting the Group's annual financial statements separately from those of the Company. The latter financial statements appear on pages 103 to 106.

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 hospitals, sameday surgical centres and healthcare services companies in southern Africa. The Group acquired a 26% interest in Max Healthcare Institute Limited (Max), India, expanding its interests in a growing healthcare market. In July 2014, the Group agreed terms to increase its stake to 46.25% in Max. On 16 April 2014, the Group purchased 57.1% of Scanmed Multimedis S.A. (Scanmed), a leading private healthcare company in Poland. The Group's current holding in Scanmed is 98.56%. The Group is listed on the main board of the JSE Limited.

FINANCIAL RESULTS
The financial statements on pages 7 to 106 fully set out the financial results of the Group and Company and do not require further comment in this report.

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

Life Healthcare Group Holdings Limited
- General authority to repurchase Company shares
- General authority to provide financial assistance to related and inter-related companies
- Approval of non-executive directors' remuneration
- Replacement of the Memorandum of Incorporation

SHARE CAPITAL
Details of the authorised and issued share capital of the Group are disclosed in note 15 of the Group annual financial statements.

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

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

Date paid	R'm	Dividend out of income reserve Cents per share	Distribution out of share premium Cents per share	Total Cents per share	Type of distribution
9 December 2013	750	72.00[1]	–	72.00	Final 2013
17 March 2014	1 042	100.00	–	100.00	Special 2014
9 June 2014	657	63.00	–	63.00	Interim 2014

[1] *R7 million of the dividend was subject to secondary tax on companies (STC) (0.65276 cps). The balance of the dividend amounting to R743 million was subject to dividend withholding tax at a rate of 15%, which resulted in a net dividend of 61.29791 cents per share to those shareholders who are not exempt in terms of section 64F of the Income Tax Act.*

The directors approved a final gross cash dividend of 78 cents per ordinary share (2013: 72 cents per ordinary share) on 13 November 2014. The dividend has been declared from income reserves and no secondary tax on companies' credits have been utilised. The total final dividend amounting to R813 million will be subject to dividend withholding tax at a rate of 15%, which will result in a net dividend of 66.30000 cents per share to those shareholders who are not exempt in terms of section 64F of the Income Tax Act.

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

Last day to trade cum the dividend	Friday, 28 November 2014
Trading ex the dividend commences	Monday, 1 December 2014
Record date	Friday, 5 December 2014
Payment date	Monday, 8 December 2014

INTEREST IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES
The Group disposed of its 49.3% shareholding in Joint Medical Holdings Limited (JMH) in February 2014.

Details of holdings in subsidiaries and joint ventures are disclosed in Annexure A, Annexure B and note 8 in the annual financial statements.

PROPERTY, PLANT AND EQUIPMENT
The Group's property, plant and equipment is owned by its subsidiaries and the book value amounts to R5 901 million (2013: R4 517 million). There were no changes in the nature of property, plant and equipment or in the policy regarding their use during the year.

DIRECTORS' REPORT *(CONTINUED)*

BOARD OF DIRECTORS

The names of the directors in office at the date of this report are set out on page 2. The remuneration of the directors is set out in note 36 to the annual financial statements.

Changes to board of directors

The following changes took place during the period under review:

ME Jacobs and RT Vice were appointed to the board from 1 January 2014.

TS Munday retired from the board with effect from 30 January 2014 at the annual general meeting.

CMD Flemming retired from the board with effect from 31 March 2014 and A Meyer was appointed as the new Chief Executive Officer with effect from 1 April 2014.

INTERESTS OF DIRECTORS

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

	2014		2013	
	Direct	Indirect	Direct	Indirect
Non-executive directors				
MA Brey	**716 255**	**5 606 873**	716 255	5 595 793
GC Solomon	**107 000**	**–**	107 000	–
PJ Golesworthy	**22 000**	**–**	22 000	–
TS Munday*	**–**	**–**	–	37 700
LM Mojela	**–**	**–**	–	–
Adv F du Plessis	**–**	**–**	–	–
JK Netshitenzhe	**–**	**–**	–	–
RT Vice^	**–**	**–**	–	–
Dr MP Ngatane	**–**	**–**	–	–
ME Jacobs^	**–**	**–**	–	–
Executive directors				
A Meyer**	**–**	**–**	–	–
CMD Flemming***	**N/A**	**N/A**	8 610 172	1 522 615
PP van der Westhuizen	**83 877**	**67 522**	115 192	53 051
	929 132	**5 674 395**	9 570 619	7 209 159

* *Retired on 30 January 2014.*

^ *Appointed on 1 January 2014.*

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

*** *CMD Flemming resigned as Chief Executive Officer and executive director on 31 March 2014.*

No change in the interests as set out previously has occurred between 30 September 2014 and the date of this report. No arrangements to which the Company is a party existed at year-end that would enable the directors or their families to acquire benefits by means of the acquisition of shares in the companies.

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

GOING CONCERN

The board of directors is of the opinion that the Group and the Company will be a going concern in the foreseeable future. The directors have considered the budget and cash flow forecast for the 2015 year. The Group is of a sound financial position and it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. Key management is in place. The directors therefore consider it appropriate to adopt the going concern basis in the preparation of the Group and Company annual financial statements.

AUDITORS

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

SECRETARY

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

EVENTS AFTER THE REPORTING DATE

No other material events occurred between the accounting date and the date of this report that need further comment, in addition to those already disclosed in note 39 to the annual financial statements.

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

We have audited the consolidated and separate financial statements of Life Healthcare Group Holdings Limited set out on pages 10 to 106, which comprise the statements of financial position as at 30 September 2014, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes comprising a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Life Healthcare Group Holdings Limited as at 30 September 2014, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

As part of our audit of the consolidated and separate financial statements for the year ended 30 September 2014, we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports, we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: FJ Lombard
Registered Auditor

Johannesburg
13 November 2014

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2014

	Notes	30 September 2014 R'm	30 September 2013 Restated R'm	1 October 2012 Restated R'm
ASSETS				
Non-current assets		**9 700**	8 349	7 776
Property, plant and equipment	6	**5 901**	4 517	4 008
Intangible assets	7	**2 318**	2 084	2 181
Investment in associates and joint ventures	8	**828**	1 178	1 098
Loans receivable	9	**10**	10	9
Retirement benefit asset	10	**372**	321	247
Post-retirement medical aid benefit	10	**18**	29	73
Operating lease asset	19	**–**	–	1
Deferred tax assets	11	**253**	210	159
Current assets		**2 113**	1 620	1 480
Inventories	12	**240**	214	198
Trade and other receivables	13	**1 330**	1 098	1 034
Cash and cash equivalents	14	**422**	297	244
Current income tax asset		**49**	–	–
Loans to associates and joint ventures	8	**11**	8	3
Derivative financial instruments	22	**56**	–	–
Operating lease asset	19	**5**	3	1
TOTAL ASSETS		**11 813**	9 969	9 256
EQUITY AND LIABILITIES				
Capital and Reserves				
Share capital	15	**–**	–	–
Treasury shares	15	**(170)**	(149)	(82)
Share premium	16	**3 373**	3 373	3 373
Other reserves	17	**13**	71	18
Distributable reserves		**25**	25	–
Retained earnings		**1 551**	1 205	632
		4 792	4 525	3 941
Non-controlling interest		**1 108**	1 081	936
TOTAL EQUITY		**5 900**	5 606	4 877
LIABILITIES				
Non-current liabilities		**2 909**	2 150	2 445
Interest-bearing borrowings	18	**2 344**	1 657	1 929
Deferred tax liabilities	11	**438**	388	352
Derivative financial instruments	22	**9**	–	11
Provisions	21	**28**	26	21
Operating lease liability	19	**76**	66	64
Post-retirement medical aid liability	10	**14**	13	68
Current liabilities		**3 004**	2 213	1 934
Trade and other payables	20	**1 678**	1 299	1 240
Provisions	21	**160**	176	179
Interest-bearing borrowings	18	**1 007**	452	460
Shareholders for dividends		**4**	1	1
Current income tax liabilities		**–**	50	54
Derivative financial instruments	22	**–**	2	–
Bank overdraft	14	**155**	233	–
TOTAL LIABILITIES		**5 913**	4 363	4 379
TOTAL EQUITY AND LIABILITIES		**11 813**	9 969	9 256

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2014

	Notes	30 September 2014 R'm	30 September 2013 Restated R'm
Revenue	25	**13 046**	11 834
Other income	26	**115**	117
Drugs and surgicals consumed		**(3 286)**	(3 030)
Employee benefits expense	28	**(4 394)**	(3 912)
Depreciation on property, plant and equipment	27	**(355)**	(354)
Amortisation of intangible assets	27	**(122)**	(116)
Repairs and maintenance expenditure on property, plant and equipment	27	**(174)**	(130)
Retirement benefit asset	10	**15**	7
Post-retirement medical aid	10	**1**	–
Occupational expenses		**(425)**	(377)
Hospital service expenses		**(545)**	(512)
Communication expenses		**(135)**	(121)
Other expenses		**(591)**	(528)
Transaction cost		**(16)**	–
Profit on disposal of investment in associate	35	**957**	–
Profit on disposal of a business	35	**2**	–
Gain on bargain purchase	35	**1**	–
Impairment of property, plant and equipment	27	**(1)**	–
Loss on derecognition of finance lease asset	27	**–**	(4)
Operating profit		**4 093**	2 874
Fair value gain on derivative financial instruments	22	**49**	9
Gain on derecognition of finance lease liability		**–**	22
Finance income	29	**22**	15
Finance cost	29	**(230)**	(226)
Share of associates' and joint ventures' net profit after tax	8	**39**	70
Profit before tax	27	**3 973**	2 764
Tax expense	30	**(875)**	(760)
Profit after tax		**3 098**	2 004
Other comprehensive income, net of tax			
Items that may be reclassified subsequently to profit or loss			
Currency translation differences		**(1)**	11
Items that may not be reclassified to profit or loss			
Retirement benefit asset		**19**	42
Post-retirement medical aid		**2**	8
Total comprehensive income for the year		**3 118**	2 065
Profit after tax attributable to:			
Ordinary equity holders of the parent		**2 774**	1 711
Non-controlling interest		**324**	293
		3 098	2 004
Total comprehensive income attributable to:			
Ordinary equity holders of the parent		**2 796**	1 767
Non-controlling interest		**322**	298
		3 118	2 065
Weighted average number of shares in issue (million)	31	**1 037**	1 038
Earnings per share (cents)	31	**267.5**	164.8
Headline earnings per share (cents)	31	**177.8**	164.8
Diluted earnings per share (cents)	31	**266.7**	164.7
Diluted headline earnings per share (cents)	31	**177.3**	164.7

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2014

	Notes	Attributable to equity holders of the Company								
		Ordinary share capital R'm	Treasury shares R'm	Share premium R'm	Other reserves R'm	Distri-butable reserves R'm	Retained earnings R'm	Total R'm	Non–con-trolling interest R'm	Total equity R'm
Balance at 1 October 2012 (as previously reported)		–	(82)	3 373	18	–	632	3 941	937	4 878
Adjustments relating to changes in accounting policy	5	–	–	–	–	–	–	–	(1)	(1)
Balance at 1 October 2012 (Restated)		–	(82)	3 373	18	–	632	3 941	936	4 877
Total comprehensive income for the year		–	–	–	6	–	1 761	1 767	298	2 065
Profit for the year		–	–	–	–	–	1 711	1 711	293	2 004
Other comprehensive income		–	–	–	6	–	50	56	5	61
Gains on transactions with non-controlling interests	17	–	–	–	10	–	–	10	(10)	–
Distributions to shareholders		–	–	–	–	–	(1 188)	(1 188)	(143)	(1 331)
Treasury shares	15	–	(67)	–	–	–	–	(67)	–	(67)
Profit on disposal of treasury shares		–	–	–	–	31	–	31	–	31
Tax on profit on disposal of treasury shares		–	–	–	–	(6)	–	(6)	–	(6)
Long Term Incentive Scheme	17	–	–	–	28	–	–	28	–	28
Life Healthcare Employee Share Trust	17	–	–	–	9	–	–	9	–	9
Balance at 30 September 2013 (Restated)		–	(149)	3 373	71	25	1 205	4 525	1 081	5 606
Balance at 1 October 2013 (Restated)		–	(149)	3 373	71	25	1 205	4 525	1 081	5 606
Total comprehensive income for the year		**–**	**–**	**–**	**1**	**–**	**2 795**	**2 796**	**322**	**3 118**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**2 774**	**2 774**	**324**	**3 098**
Other comprehensive income		**–**	**–**	**–**	**1**	**–**	**21**	**22**	**(2)**	**20**
Gains on transactions with non-controlling interests	17	**–**	**–**	**–**	**8**	**–**	**–**	**8**	**(8)**	**–**
Increase in ownership interest in subsidiaries	17	**–**	**–**	**–**	**(102)**	**–**	**–**	**(102)**	**–**	**(102)**
Non-controlling interest arising on business combination	35	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**6**	**6**
Distributions to shareholders		**–**	**–**	**–**	**–**	**–**	**(2 449)**	**(2 449)**	**(293)**	**(2 742)**
Treasury shares	15	**–**	**(21)**	**–**	**–**	**–**	**–**	**(21)**	**–**	**(21)**
Long Term Incentive Scheme	17	**–**	**–**	**–**	**18**	**–**	**–**	**18**	**–**	**18**
Life Healthcare Employee Share Trust	17	**–**	**–**	**–**	**17**	**–**	**–**	**17**	**–**	**17**
Balance at 30 September 2014		**–**	**(170)**	**3 373**	**13**	**25**	**1 551**	**4 792**	**1 108**	**5 900**
Notes		**15**	**15**	**16**	**17**					

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2014

	Notes	2014 R'm	2013 Restated R'm
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	33	**3 516**	3 422
Tax paid		**(980)**	(804)
Net cash generated from operating activities		**2 536**	2 618
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment – expansion		**(688)**	(602)
Purchase of property, plant and equipment – property acquisitions		**(29)**	(28)
Purchase of property, plant and equipment – maintenance		**(210)**	(111)
Proceeds on disposal of property, plant and equipment	34	**1**	5
Business combination	35	**(518)**	–
Associate investment	35	**–**	(68)
Disposal of a business	35	**3**	–
Disposal of investments in associates	35	**1 365**	–
Dividends and profit distributions from associates and joint ventures	8	**6**	55
Associate and joint venture loans granted	8	**(3)**	(3)
Intangible assets acquired (software)	7	**(35)**	(19)
Withdrawal from post-retirement medical aid plan assets	10	**16**	–
Contributions to retirement benefit funds	10	**(10)**	(10)
Cash movement in other investing activities		**4**	–
Net cash utilised in investing activities		**(98)**	(781)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest-bearing borrowings raised	18	**1 661**	62
Interest-bearing borrowings repaid		**(919)**	(577)
Loan and dividend payments to non-controlling interest		**(254)**	(176)
Cash flow on increases in ownership interests	35	**(155)**	(18)
Proceeds on decreases in ownership interests	35	**13**	57
Finance cost		**(167)**	(155)
Finance income		**22**	14
Treasury shares acquired for delivery to Life Healthcare Employee Share Trust and Long Term Incentive Scheme		**(21)**	(36)
Distributions to shareholders		**(2 446)**	(1 188)
Net cash utilised in financing activities		**(2 266)**	(2 017)
Net increase/(decrease) in cash and cash equivalents		**172**	(180)
Cash and cash equivalents – beginning of the year		**64**	244
Cash balances acquired through business combinations	35	**23**	–
Effect of foreign currency movement		**8**	–
Cash and cash equivalents – end of the year	14	**267**	64

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2014

1. ACCOUNTING POLICIES

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

1.1 Presentation of annual financial statements

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the Companies Act of South Africa. These financial statements have been prepared in accordance with those IFRS standards and International Financial Reporting Interpretations Committee (IFRIC) interpretations issued and effective or issued and early adopted as at 30 September 2014. The annual financial statements are prepared in accordance with the going concern principle under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets and liabilities (including derivative instruments) at fair value through profit or loss, and incorporate the principal accounting policies set out below.

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

1.2 Critical accounting estimates, judgements and assumptions

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

1.3 Consolidation

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

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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

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

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date in the statement of comprehensive income.

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

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

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

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

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

1.3 **Consolidation** *(continued)*

(a) Subsidiaries *(continued)*

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

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

(b) Associates

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

The Group's share of its associates' post-acquisition profit or loss is recognised in the statement of comprehensive income, and its share of post-acquisition movement in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. The Group does not recognise further losses when the Group's share of losses in an associate equals or exceeds its interest in the associate, unless the Group has incurred legal or constructive obligations, issued guarantees or made payments on behalf of the associate.

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

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

(c) Joint arrangements

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

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's interest in joint ventures in the statement of financial position is carried at an amount that reflects its share of the net assets of the joint ventures, net of any accumulated impairment losses. The Group does not recognise further losses when the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, unless the Group has incurred legal or constructive obligations, issued guarantees or made payments on behalf of the joint venture.

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

The change in accounting policy has had no impact on the earnings per share.

(d) Inter-company transactions and balances

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *(CONTINUED)*
FOR THE YEAR ENDED 30 SEPTEMBER 2014

1. ACCOUNTING POLICIES *(continued)*

1.3 Consolidation *(continued)*

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

The Group treats transactions with non-controlling interests that do not result in loss of control as equity transactions with the owners of the Group. For purchases from non-controlling interests, the difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. This reserve is a distributable reserve. Gains or losses on disposals to non-controlling interests are also recorded in equity.

1.4 Goodwill

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of the non-controlling interest over the net identifiable assets acquired, liabilities and contingent liabilities assumed. Goodwill on the acquisition of subsidiaries is capitalised and shown as part of "Intangible assets" in the statement of financial position and carried at cost less accumulated impairment losses, except for associates and joint ventures that are carried as part of the investment. Separately recognised goodwill is tested for impairment on an annual basis or when there is an indication of impairment. Impairment losses on goodwill are not reversed. Refer to the policy on impairment of non-financial assets for more details on impairment testing.

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

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

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

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

When the accounting for a business combination can only be determined provisionally at the date of reporting, provisional values are used. These provisional values are adjusted once the initial accounting has been completed, which must be within twelve months from the date of acquisition, by retrospectively adjusting the fair values of the net identifiable assets acquired and goodwill.

1.5 Property, plant and equipment

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

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

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

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

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

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

1.5 Property, plant and equipment *(continued)*

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Refer to the policies on impairment of non-financial assets for more details on impairment testing.

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

Assets held under finance leases are depreciated over the shorter of the estimated useful lives of the assets or the remaining period of the lease on the same basis as owned assets, unless there is a reasonable certainty the lessee will obtain ownership of the asset by the end of the lease term in which case it is depreciated over its useful life.

1.6 Intangible assets

An intangible asset is recognised when:

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

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

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

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

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

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

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

(a) Customer relations and hospital licences

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

Item	Useful life
Customer relations	15 years
Hospital licences	15 years

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *(CONTINUED)*
FOR THE YEAR ENDED 30 SEPTEMBER 2014

1. ACCOUNTING POLICIES *(continued)*

1.6 Intangible assets *(continued)*

(b) Computer software

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

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

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

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

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

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

(c) Preferred supplier contracts

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

(d) Other intangible assets

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

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

1.7 Financial instruments

(a) Initial recognition and measurement

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes party to the contractual provisions of the instrument. Financial assets are derecognised when the rights to receive cash flows from the financial asset have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or has expired.

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

(b) Fair value determination

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

1. ACCOUNTING POLICIES *(continued)*

1.7 Financial instruments *(continued)*

(c) Classification and subsequent measurement

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

i) Financial assets at fair value through profit or loss

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

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

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

Derivatives

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

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

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

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

ii) Loans and receivables

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

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

a) Trade and other receivables

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

b) Cash and cash equivalents

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *(CONTINUED)*
FOR THE YEAR ENDED 30 SEPTEMBER 2014

1. ACCOUNTING POLICIES *(continued)*

1.7 Financial instruments *(continued)*

(c) Classification and subsequent measurement *(continued)*

iii) Available-for-sale financial assets

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

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

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

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

iv) Held-to-maturity

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

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

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

(d) Impairment of financial assets

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

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

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

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

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

(e) Offsetting financial instruments

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

1. ACCOUNTING POLICIES *(continued)*

1.8 Trade and other payables

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

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

1.9 Borrowings

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

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

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

1.10 Borrowing costs

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

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

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

1.11 Tax

The tax expense for the period comprises current and deferred income tax. Current tax, deferred income tax and secondary tax on companies (until April 2012) are recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case tax is recognised in other comprehensive income or directly in equity.

(a) Normal income tax assets and liabilities

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

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

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax assets and liabilities

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

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

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *(CONTINUED)*
FOR THE YEAR ENDED 30 SEPTEMBER 2014

1. ACCOUNTING POLICIES *(continued)*

1.11 Tax *(continued)*

(b) Deferred income tax assets and liabilities *(continued)*

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

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

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

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

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

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

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

(c) Secondary tax on companies

The Group had STC charges on the declaration or deemed declaration of dividends (as defined under the tax law) to its shareholders. STC was not a withholding tax on shareholders, but a tax on companies.

The South African Government replaced STC on companies with a dividend withholding tax on shareholders with effect from 1 April 2012. Dividends declared by the Company before 1 April 2012 were subject to STC. The STC expense was disclosed under the "tax expense" in the statement of comprehensive income in the period that the related dividend was declared. Cash dividends declared by the Company from 1 April 2012 are subject to dividend withholding tax which is a tax on the shareholder. STC credits will not directly benefit the Company because the new withholding tax is levied on the shareholder and not the Company, with the exception of non-cash dividends. The Company will only carry STC deferred income tax assets to the extent that they will be utilised against future non-cash dividends.

The Group utilised all the STC credits during the prior financial years.

1.12 Leases

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

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

(a) Finance leases – lessor

When assets are leased under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return. Lease income is recognised over the term of the lease on a straight-line basis.

Finance income is recognised based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the finance lease.

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

1.12 Leases *(continued)*

(b) Finance leases – lessee

Finance leases are capitalised at the lease's commencement at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments.

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

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

(c) Operating leases – lessor

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

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

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

(d) Operating leases – lessee

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

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

1.13 Inventories

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

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

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

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

1.14 Impairment of non-financial assets

The Group assesses at each statement of financial position date whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset.

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

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

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

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *(CONTINUED)*
FOR THE YEAR ENDED 30 SEPTEMBER 2014

1. ACCOUNTING POLICIES *(continued)*

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

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit; and
- then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

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

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

1.15 Share capital and equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options, other than in connection with a business combination, are shown in equity as a deduction, net of tax, from the proceeds.

1.16 Treasury shares

Treasury shares held by subsidiary companies and special purpose entities are treated as a deduction from the issued and weighted average number of shares. The consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from the Group's total equity until the shares are cancelled, disposed of or vest in term of the Life Healthcare Employee Share Trust or Long Term Incentive Scheme.

1.17 Employee benefits

(a) Short-term employee benefits

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

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

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

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

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

(b) Defined contribution plans

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

(c) Defined benefit plans

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

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

Actuarial accounting valuations are conducted on an annual basis by independent actuaries separately for each plan. Consideration is given to any event that could impact the funds up to statement of financial position date where the interim valuation is performed at an earlier date.

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

1.17 Employee benefits *(continued)*

(c) Defined benefit plans *(continued)*

The liability or asset recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of the plan assets, together with adjustments for unrecognised past service costs. The present value of the defined benefit obligations is discounted using appropriate interest rates. Actuarial gains or losses, the effect of the asset ceiling and the actual return on plan assets ('remeasurements') are recognised immediately in other comprehensive income.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight-line basis over the average period until the amended benefits become vested.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognised when the Group is demonstrably committed to curtailment or settlement.

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

Any asset is limited to unrecognised actuarial losses and unrecognised past service cost plus the present value of available refunds and reduction in future contributions to the plan.

(d) Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it can demonstrate that it is committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than twelve months after the end of the reporting period are discounted to their present value.

(e) Post-retirement medical aid costs

It is Group policy not to provide for post-retirement medical aid benefits. Due to a previous business combination transaction, the Group however did become party to a contractual obligation to provide post-retirement medical aid benefits to certain employees.

The entitlement for an employee to receive these benefits is dependent on the employee remaining in service until retirement age. For past service, the Group recognises and provides for the actuarially determined present value of post-retirement medical aid employer contributions on an accrual basis using the projected unit credit method. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged to other comprehensive income in the period in which they arise. Independent qualified actuaries carry out annual valuations of these obligations.

(f) Long Term Incentive Scheme

The Group set-up the Life Healthcare 2009 Long Term Incentive Plan Trust during the prior year.

The Group recognises a liability, a reserve and an expense for bonuses based on a formula that takes into consideration the net growth in earnings before interest, tax, depreciation and amortisation (EBITDA) after certain adjustments (performance units) and an adjusted return on capital (appreciation units). There was a modification to the bonus scheme in the 2012 financial year in which each participant shall in respect of future awards and allocations, prior to the vesting date or at the time of the award or allocation, have the right to make a co-investment election. The co-investment election results in the participant being entitled to invest either 50%, 75% or 100% of his/her after tax bonus, in the acquisition of co-investment shares, in which event the employer company will also fund the acquisition of matched shares for the beneficial ownership of the participant. The cost of the share element is accounted for as a share-based payment (IFRS 2) and the bonus element is accounted for in terms of IAS 19 – Employee Benefits.

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

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *(CONTINUED)*
FOR THE YEAR ENDED 30 SEPTEMBER 2014

1. ACCOUNTING POLICIES *(continued)*

1.17 Employee benefits *(continued)*

(g) Life Healthcare Employee Share Trust

The Group set-up an employee share trust during the 2012 financial year which is accounted for as a share-based payment (IFRS 2) and the annual contribution is expensed over the seven-year retention period in the statement of comprehensive income. All permanent employees employed by Life Healthcare in South Africa for a continuous period of a least one year as at the date of the allocation and who i) is a member of an employer supported retirement scheme and who ii) does not participate in the founder's Long Term Incentive Scheme are beneficiaries of the Trust and share in the scheme (qualifying employees). Voting rights and dividends vest with the qualifying employees. Employees who leave, other than good leavers, forfeit their interest, and their rights will be distributed equally amongst the remaining employees. Qualifying employees will need to be in service on the fifth (25%), sixth (25%) and seventh (50%) anniversaries when the shares become unrestricted and deliverable. Each employer company will make annual contributions to the trust. The yearly contributions will be utilised to purchase shares in the market. The cost of this scheme will be treated as a share-based payment.

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

1.18 Share-based payments

For IFRS 2 accounting, the fair value of the employee services received in exchange for grants are recognised as an expense over the vesting period of the award. The total amount to be expensed is determined by reference to the fair value of the awards granted.

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

Long Term Incentive Scheme

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

On the maturity date, the shares will become unrestricted and the participant will forthwith hold the shares directly, free of any restrictions or encumbrance. If employees exit the scheme before the maturity date, the following will apply:

- Good leaver means that the employee will be entitled to all the co-investment shares and a portion of the company-matched shares. The portion will be based on a time apportionment scale. The employee will forfeit the balance of the matched shares allocated to him/her. These shares will be sold in the open market and will be cancelled as treasury shares.
- Bad leaver means that the employee will be entitled to all the co-investment shares, but will forfeit the entire company-matched shares. These shares will be sold in the open market and will be cancelled as treasury shares.

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

Life Healthcare Employee Share Trust

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

1.19 Directors' emoluments

The directors' emoluments disclosed in note 36 of the Group financial statements represent the emoluments paid to, or receivable by directors in their capacity as director or any other capacity, from the date they become a director and cease when they resign as director. All amounts in respect of the financial year reported on are presented, including bonuses accrued for in the annual financial statements. This disclosure is provided in terms of JSE Limited Listings Requirements.

1.20 Provisions and contingencies

Provisions are recognised when:

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

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

1. ACCOUNTING POLICIES *(continued)*

1.20 Provisions and contingencies *(continued)*

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised unless the contingent liability is acquired as part of a business combination. Contingencies are disclosed in note 38.

1.21 Recognition of income

(a) Revenue

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

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

1) *Sale of goods*

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

2) *Sales of services*

The Group provides acute healthcare services and operates same day surgical centres. The revenue recognised relates to invoiced fees for private healthcare and fees for healthcare services. The services are provided on a fixed price basis. The revenue is recognised over the period during which the service is rendered.

(b) Interest income

Interest income is recognised in the statement of comprehensive income, using the effective interest rate method, unless it is doubtful. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

(c) Rental income

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

(d) Dividend income

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *(CONTINUED)*
FOR THE YEAR ENDED 30 SEPTEMBER 2014

1. ACCOUNTING POLICIES *(continued)*

1.22 Translation of foreign currencies

(a) Functional and presentation currency

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

(b) Foreign currency transactions

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

At each statement of financial position date:

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

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

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

(c) Investments in subsidiaries, joint ventures and associates

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

- assets and liabilities for each statement of financial position item presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income item are translated at an average exchange rate which is a reasonable approximation of the prevailing exchange rate at the date of each transaction; and
- all resulting exchange differences are recognised in other comprehensive income.

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

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

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

1.23 Distributions

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

1.24 Segment reporting

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

1.25 Earnings and headline earnings per share

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

The calculation of headline earnings per share is based on the net profit or loss attributable to equity holders of the parent, after excluding all items of a non-trading nature, divided by the weighted average number of ordinary shares in issue during the year. The presentation of headline earnings is not an IFRS requirement, but is required by JSE Limited and Circular 3 of 2009. An itemised reconciliation of the adjustments to net profit attributable to equity holders of the parent is provided in note 31.

1. ACCOUNTING POLICIES *(continued)*

1.26 New accounting standards and IFRIC interpretations

Standards, amendments and interpretations effective in 2014 but not considered to have a significant impact on the Group

Standard	Standard's name	Effective date	Summary of change and consideration of the impact on the Group
IFRS 7	Financial instruments: Disclosure	1 January 2013	The IASB has published an amendment to IFRS 7, "Financial instruments: Disclosures", reflecting the joint requirements with the FASB to enhance current offsetting disclosures. These new disclosures are intended to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP. This has a disclosure effect on the Group.
IFRS 10	Consolidated financial statements	1 January 2013	This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess. This new standard may impact the entities that a group consolidates as its subsidiaries. No impact on the Group for the current year.
IFRS 11	Joint arrangements	1 January 2013	This standard provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. This resulted in change in accounting policy for the Group.
IFRS 12	Disclosures of interests in other entities	1 January 2013	This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. This has a disclosure effect on the Group.
IFRS 13	Fair value measurement	1 January 2013	This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. This has a disclosure effect on the Group.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *(CONTINUED)*
FOR THE YEAR ENDED 30 SEPTEMBER 2014

1. ACCOUNTING POLICIES *(continued)*

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

Standards, amendments and interpretations effective in 2014 but not considered to have a significant impact on the Group *(continued)*

Standard	Standard's name	Effective date	Summary of change and consideration of the impact on the Group
IFRS 10, 11, 12	Consolidated financial statements, Joint arrangements, Disclosure of interests in other entities	1 January 2013	The amendment clarifies that the date of initial application is the first day of the annual period in which IFRS 10 is adopted – for example, 1 January 2013 for a calendar-year entity that adopts IFRS 10 in 2013. Entities adopting IFRS 10 should assess control at the date of initial application; the treatment of comparative figures depends on this assessment. The amendment also requires certain comparative disclosures under IFRS 12 upon transition. No impact on the Group for the current year.
IAS 19	Employee benefits	1 January 2013	The IASB has issued an amendment to IAS 19, "Employee benefits", which makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. This resulted in change in accounting policy for the Group.
IAS 27 (revised 2011)	Separate financial statements	1 January 2013	This standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10. No impact on the Group for the current year.
IAS 28 (revised 2011)	Associates and joint ventures	1 January 2013	This standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11. This resulted in change in accounting policy for the Group.

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

The Group is currently assessing the impact of these standards.

IAS 32	Financial instruments: Presentation	1 January 2014	The IASB has issued amendments to the application guidance in IAS 32, "Financial instruments: Presentation", that clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. However, the clarified offsetting requirements for amounts presented in the statement of financial position continue to be different from US GAAP. This will impact the Group for the first time in the 2015 financial statements.
IAS 36	Impairment of assets	1 January 2014	These amendments address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less cost of disposal. This will impact the Group for the first time in the 2015 financial statements.
IAS 39	Novation of derivatives	1 January 2014	The IASB has amended IAS 39 to provide relief from discontinuing hedge accounting when novation of a hedging instrument to a CCP meets specified criteria. Similar relief will be included in IFRS 9, "Financial Instruments". This will impact the Group for the first time in the 2015 financial statements.

1. ACCOUNTING POLICIES *(continued)*

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

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

Standard	Standard's name	Effective date	Summary of change and consideration of the impact on the Group
IFRS 10, 12 & IAS 27	Consolidated financial statements, Disclosure of interests in other entities, Investment entities	1 January 2014	The amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics. Changes have also been made in IFRS 12 to introduce disclosures that an investment entity needs to make. This will impact the Group for the first time in the 2015 financial statements
IAS 19	Defined Benefit Plan	1 July 2014	These narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. This will impact the Group for the first time in the 2015 financial statements.
IAS 27	Equity method in separate financial statements	1 January 2016	The IASB has amended IAS 27, "Separate financial statements", to restore the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. An entity can now account for investments in subsidiaries, joint ventures and associates in its separate financial statements: a) at cost; or b) in accordance with IFRS 9; or c) using the equity method as described in IAS 28. This has a disclosure effect on the Group.
IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	1 January 2016	The accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a "business". Full gain or loss will be recognised by the investor where the non-monetary assets constitute a "business". If the assets do not meet the definition of a business, the gain or loss is recognised by the investor to the extent of the other investors' interests. The amendments will only apply when an investor sells or contributes assets to its associate or joint venture. They are not intended to address accounting for the sale or contribution of assets by an investor in a joint operation. This will impact the Group for the first time in the 2017 financial statements.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *(CONTINUED)*
FOR THE YEAR ENDED 30 SEPTEMBER 2014

1. ACCOUNTING POLICIES *(continued)*

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

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

Standard	Standard's name	Effective date	Summary of change and consideration of the impact on the Group
IFRS 15	Revenue from contracts with customers	1 January 2017	Establishes principles for reporting useful information to users of the financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. This will have no impact on the Group.
IFRS 9	Financial instruments (2009)	1 January 2018	This IFRS is part of the IASB's project to replace IAS 39. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. This will impact the Group for the first time in the 2019 financial statements.
IFRS 9	Financial instruments (2010)	1 January 2018	The IASB has updated IFRS 9, "Financial instruments" to include guidance on financial liabilities and derecognition of financial instruments. The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39, "Financial instruments: Recognition and measurement", without change, except for financial liabilities that are designated at fair value through profit or loss. This will impact the Group for the first time in the 2019 financial statements.
IFRS 9	Financial Instruments (2011)	1 January 2018	The IASB has published an amendment to IFRS 9, "Financial instruments", that delays the effective date to annual periods beginning on or after 1 January 2015. The original effective date was for annual periods beginning on or after 1 January 2013. This amendment is a result of the board extending its timeline for completing the remaining phases of its project to replace IAS 39 (for example, impairment and hedge accounting) beyond June 2011, as well as the delay in the insurance project. The amendment confirms the importance of allowing entities to apply the requirements of all the phases of the project to replace IAS 39 at the same time. The requirement to restate comparatives and the disclosures required on transition have also been modified. This will impact the Group for the first time in the 2019 financial statements.

1. ACCOUNTING POLICIES *(continued)*

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

Annual Improvement Projects that are effective for the first time in the 2014 financial statements

Standard	Standard's name	Effective date	Subject of amendment
IAS 1	Presentation of Financial Statements	1 January 2013	The amendment clarifies the disclosure requirements for comparative information when an entity provides a third balance sheet either: as required by IAS 8, "Accounting policies, changes in accounting estimates and errors"; or voluntarily.
IAS 16	Property, Plant and Equipment	1 January 2013	The amendment clarifies that spare parts and servicing equipment are classified as property, plant and equipment rather than inventory when they meet the definition of property, plant and equipment.
IAS 32	Financial Instruments: Presentation	1 January 2013	The amendment clarifies the treatment of income tax relating to distributions and transaction costs. The amendment clarifies that the treatment is in accordance with IAS 12. So, income tax related to distributions is recognised in the income statement, and income tax related to the costs of equity transactions is recognised in equity.
IAS 34	Interim Financial Reporting	1 January 2013	The amendment brings IAS 34 into line with the requirements of IFRS 8, "Operating segments". A measure of total assets and liabilities is required for an operating segment in interim financial statements if such information is regularly provided to the CODM and there has been a material change in those measures since the last annual financial statements.

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

Standard	Standard's name	Effective date	Subject of amendment
IFRS 2	Share-based payment	1 July 2014	The amendment clarifies the definition of a "vesting condition" and separately defines 'performance condition' and "service condition".
IFRS 3	Business combinations	1 July 2014	The standard is amended to clarify that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32, "Financial instruments: Presentation". The standard is further amended to clarify that all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit or loss. Consequential changes are also made to IFRS 9, IAS 37 and IAS 39.
IFRS 8	Operating segments	1 July 2014	The standard is amended to require disclosure of the judgements made by management in aggregating operating segments. This includes a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics. The standard is further amended to require a reconciliation of segment assets to the entity's assets when segment assets are reported.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *(CONTINUED)*
FOR THE YEAR ENDED 30 SEPTEMBER 2014

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

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

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

Standard	Standard's name	Effective date	Subject of amendment
IFRS 13	Fair value measurement	1 July 2014	When IFRS 13 was published, paragraphs B5.4.12 of IFRS 9 and AG79 of IAS 39 were deleted as consequential amendments. This led to a concern that entities no longer had the ability to measure short-term receivables and payables at invoice amounts where the impact of not discounting is immaterial. The IASB has amended the basis for conclusions of IFRS 13 to clarify that it did not intend to remove the ability to measure short-term receivables and payables at invoice amounts in such cases.
IAS 16 and IAS 38	Property, Plant and Equipment and Intangible assets	1 July 2014	Both standards are amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model. The carrying amount of the asset is restated to the revalued amount. The split between gross carrying amount and accumulated depreciation is treated in one of the following ways: • either the gross carrying amount is restated in a manner consistent with the revaluation of the carrying amount, and the accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses; or • the accumulated depreciation is eliminated against the gross carrying amount of the asset.
IAS 24	Related party disclosures	1 July 2014	The standard is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ("the management entity").

2. RISK MANAGEMENT

The Group's overall risk management programme focuses inter alia on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge interest and foreign currency risk exposures. Financial risk management is carried out by a central treasury department (company treasury) under policies approved by the audit committee. Company treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The audit committee approves written principles for overall financial risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) Capital risk management

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

The capital structure of the Group consists of debt, which includes the borrowings disclosed in notes 18 and 19, cash and cash equivalents disclosed in note 14 and equity as disclosed in the statement of financial position. Preference shares are included in borrowings.

The Group uses the Net Debt to EBITDA ratio to measure the funding versus raising of additional share capital requirement.

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

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

	2014	2013 Restated
Net Debt to EBITDA ratio	**0.84**	0.63
The Group has externally imposed debt covenants in terms of the debt structures.		
The covenants are:		
In terms of the syndicated term loans and preference shares		
A minimum of Total Interest Cover Ratio (times)	**5.00**	3.00
A maximum of Net Debt to EBITDA ratio	**2.75**	3.00
In terms of the bilateral term loans		
A minimum of Total Interest Cover Ratio (times)	**5.00**	–
A maximum of Net Debt to EBITDA ratio	**2.75**	–

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

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

(b) Financial risk

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

(i) Liquidity risk

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

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, company treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The Group's liquidity risk is mitigated by the availability of funds to cover future commitments. The Group manages liquidity risk through an ongoing review of future commitments and credit facilities.

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *(CONTINUED)*
FOR THE YEAR ENDED 30 SEPTEMBER 2014

2. RISK MANAGEMENT *(continued)*

(b) Financial risk *(continued)*

(i) Liquidity risk *(continued)*

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Refer to note 38 for operating lease commitments.

	Less than 1 year R'm	Between 1 and 2 years R'm	Between 2 and 5 years R'm	Over 5 years R'm	Total R'm
2014					
Southern Africa					
Interest-bearing borrowings	**1 026**	**1 176**	**834**	**799**	**3 835**
Trade and other payables	**1 274**	**–**	**–**	**–**	**1 274**
	2 300	**1 176**	**834**	**799**	**5 109**
2014					
Poland					
Interest-bearing borrowings	**227**	**33**	**112**	**290**	**662**
Trade and other payables	**68**	**–**	**–**	**–**	**68**
	295	**33**	**112**	**290**	**730**
2013 – Restated					
Southern Africa					
Interest-bearing borrowings	616	578	981	808	2 983
Trade and other payables	988	–	–	–	988
	1 604	578	981	808	3 971

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

	Less than 1 year R'm	Between 1 and 2 years R'm	Between 2 and 5 years R'm	Over 5 years R'm	Total R'm
2014					
Foreign exchange contracts and interest rate swap contracts – cash flow hedges					
– Outflow	**–**	**(9)**	**–**	**–**	**(9)**
– Inflow	**56**	**–**	**–**	**–**	**56**
2013 – Restated					
Foreign exchange contracts and interest rate swap contracts – cash flow hedges					
– Outflow	(2)	–	–	–	(2)
– Inflow	–	–	–	–	–

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

The notional principal amount of the two interest rate swap contracts were R1.2 billion (2013: R750 million). The interest rate contracts are linked to the three month JIBAR (nacq). Gains and losses on the interest rate swap contracts are recognised in the statement of comprehensive income. The interest rate swap contracts will be settled within two years after the statement of financial position date.

(ii) Interest rate risk

The Group has interest-bearing assets that mainly consist of investments in money-market accounts. The Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises primarily from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Group policy is to hedge approximately 60% of its borrowings to fixed interest rates and at 30 September 2014, 71% of the Southern African debt was hedged (2013: 72%).

The Group manages its interest rate exposure in total and mainly borrows or invests as far as possible at Group level, unless it is more appropriate to do so at subsidiary level.

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

2. **RISK MANAGEMENT** *(continued)*

(b) **Financial risk** *(continued)*

(ii) ***Interest rate risk*** *(continued)*

The scenarios are run only for liabilities that represent the major interest-bearing positions. Based on the simulations performed, the impact on post-tax profit of a 1.0% shift in the interest rates would be a maximum increase of R8 million (2013: R8 million) or decrease of R8 million (2013: R8 million), respectively. The simulation is done on a six-monthly basis to verify that the maximum loss potential is within the limit given by the management. The simulation takes into account a portion of the interest on the term loans. The term loans are partially hedged by interest rate swap contracts. The interest rate swap contract hedges R1.2 billion in 2014 (2013: R750 million) of the variable outstanding balance of Southern African debt of R1 916 million (2013: R1 260 million).

Based on the various scenarios, the Group manages its cash flow interest rate risk by using interest rate collars, caps and swaps. Such interest rate hedges have the economic effect of capping the exposure to floating rates to a maximum rate. Generally, the Group raises long-term borrowings at floating rates and then hedges floating rates to a known maximum exposure. Under the interest rate collars, caps and swaps, the Group agrees with other parties to exchange, at specified intervals (primarily quarterly), the difference between the hedge and the floating rate interest amounts calculated by reference to the agreed notional amounts. Swaps are entered into to fix interest rates from floating rates. Refer to note 22 for the current interest rate hedges in place. All interest rate hedges are economic hedges.

(iii) Cash flow interest rate risk

	Current interest rate %	Less than 1 year R'm	Between 1 and 2 years R'm	Between 2 and 5 years R'm	Over 5 years R'm	Total R'm
2014						
Financial instrument						
Trade and other receivables – normal credit terms	**n/a**	**–**	**–**	**–**	**–**	**–**
Loans receivable	**9.25**	**–**	**10**	**–**	**–**	**10**
Cash in current banking institutions	**5.29**	**422**	**–**	**–**	**–**	**422**
Bank overdraft	**6.45**	**(155)**	**–**	**–**	**–**	**(155)**
Southern African Interest-bearing borrowings – floating rates	**6.77**	**–**	**–**	**495**	**16**	**511**
Polish Interest-bearing borrowings – floating rates	**6.89**	**198**	**11**	**31**	**224**	**464**
Loans to associates	**9.25**	**11**	**–**	**–**	**–**	**11**
		476	**21**	**526**	**240**	**1 263**
2013 – Restated						
Trade and other receivables – normal credit terms	n/a	–	–	–	–	–
Loans receivable	8.50	–	10	–	–	10
Cash in current banking institutions	4.40	297	–	–	–	297
Bank overdraft	6.10	(233)	–	–	–	(233)
Interest-bearing borrowings – floating rates	6.69	–	–	637	3	640
Loans to associates	5.60	8	–	–	–	8
		72	10	637	3	722

(iv) Fair value interest rate risk

	Current interest rate %	Less than 1 year R'm	Between 1 and 2 years R'm	Between 2 and 5 years R'm	Over 5 years R'm	Total R'm
2014						
Financial instrument						
Southern Africa Interest-bearing borrowings – fixed rates	**8.17**	**(808)**	**(1 019)**	**(611)**	**(450)**	**(2 888)**
2013 – Restated						
Financial instrument						
Interest-bearing borrowings – fixed rates	8.53	(451)	(449)	(740)	(464)	(2 104)

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *(CONTINUED)*
FOR THE YEAR ENDED 30 SEPTEMBER 2014

2. RISK MANAGEMENT *(continued)*

(b) Financial risk *(continued)*

(v) Credit risk

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

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

Credit risk arises mainly from cash deposits, cash equivalents, derivative financial instruments, loans and receivables and trade debtors. The Group deposits the surplus cash with major banks with high quality credit standing and maintains an appropriate spread of cash deposits between various financial institutions to limit the exposure to any one counterparty. For banks and financial institutions, only independently rated parties with a minimum Fitch Rating "A" (zaf) for South African banks are accepted.

Trade receivables comprise a widespread customer base. Management evaluate credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set for patients without medical aid insurance. Services to customers without medical aid insurance are settled in cash or using major credit cards on discharge date as far as possible. Credit guarantee insurance is not purchased.

Management does not expect any significant loss from non-performance by counterparties on credit granted during the financial year under review that has not been provided for.

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

	2014 R'm	2013 Restated R'm
Derivative financial instruments	**56**	–
Trade and other receivables	**1 260**	1 057
Cash and cash equivalents	**422**	297
Loans receivable	**10**	10
Loans to associates	**11**	8

The Group is exposed to a number of guarantees for the overdraft facilities of Group companies. Refer to note 38 for additional details.

(vi) Fair values

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

R'm	2014 Carrying value R'm	2014 Fair value R'm	2013 Restated Carrying value R'm	2013 Restated Fair value R'm
Assets and liabilities at fair value				
Derivative assets at fair value for hedging	**56**	**56**	–	–
Derivative liability at fair value for hedging	**(9)**	**(9)**	(2)	(2)

The following is an analysis of the Group's financial instruments that are measured subsequent to the initial recognition at fair value at 30 September 2014. They are grouped into levels 1 to 3 based on the extent to which the fair values are observable.

2. RISK MANAGEMENT *(continued)*

(b) Financial risk *(continued)*

(vi) Fair values *(continued)*

The levels are classified as follows:

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

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

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

	Level 1 R'm	Level 2 R'm	Level 3 R'm	Total R'm
30 September 2014				
Financial instrument				
Derivatives used for hedging				
Interest rate contracts	**–**	**(9)**	**–**	**(9)**
Foreign exchange hedge contract	**–**	**56**	**–**	**56**
	–	**47**	**–**	**47**
30 September 2013 – Restated				
Financial instrument				
Derivatives used for hedging				
Interest rate contracts	–	(2)	–	(2)
Foreign exchange contracts	–	–	–	–
	–	(2)	–	(2)

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

The impact on post-tax profit of a 1.0% shift in the interest rates would be a maximum increase of R4 million (2013: R4 million) or decrease of R4 million (2013: R4 million), respectively.

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

(vii) Foreign exchange risk

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

The Group's treasury risk management principle is to hedge material cash flows where the local cash flow impact is in excess of 5 million (2013: 500 000) functional currency denomination. The Group does not engage in hedge accounting, only economic hedging is applied.

Management has set up a policy to require Group companies to manage their foreign exchange risk against their functional currency. The Group companies are required to economically hedge their foreign exchange risk exposure in consultation with the Company treasury. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group use forward contracts, transacted with commercial banks on an all inclusive price in the companies' functional currency. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *(CONTINUED)*
FOR THE YEAR ENDED 30 SEPTEMBER 2014

2. RISK MANAGEMENT *(continued)*

(b) Financial risk *(continued)*

(vii) Foreign exchange risk (continued)

The Group has three investments in foreign operations, one in Botswana, one in Poland and one in India. The net assets of the Botswana and Polish investments are exposed to foreign currency translation risk as the companies are subsidiaries of the Group. For the Indian associate investment, the foreign currency movement in the share of associates' net movement for the current year was less than R1 million (2013: less than R1 million). Currency exposure arising from the net assets of the Group's foreign operations are managed primarily through borrowings denominated in the relevant foreign currencies, as and when it is required. At 30 September 2014, foreign denominated borrowings to the equivalent of R464 million existed (2013: Nil).

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

	2014 R'm	2013 Restated R'm
Botswana Pula (BWP)	**6**	5
Polish Zloty (PLN)	**(3)**	–

At 30 September 2014, if the currency had weakened/strengthened by 10% against the Indian Rupee with all other variables held constant, post-tax profit for the year would have changed by R0.1 million (2013: R3 million), mainly as a result of foreign exchange gains/losses on translation of the Indian Rupee attributable profit.

Foreign currency exposure at statement of financial position date	2014 R'm	2013 Restated R'm
Non-current assets		
BWP 27 million (2013: BWP 28 million)	**32**	33
PLN 262 million (2013: PLN Nil)	**894**	–
Current assets		
BWP 98 million (2013: BWP 75 million)	**120**	88
PLN 54 million (2013: PLN Nil)	**183**	–
Liabilities		
BWP 28 million (2013: BWP 37 million)	**(34)**	(44)
PLN 170 million (2013: PLN Nil)	**(582)**	–
Non-current liabilities		
BWP 6 million (2013: BWP 2 million)	**(8)**	(2)
PLN 92 million (2013: PLN Nil)	**(313)**	–
Exchange rates used for conversion of foreign denominated assets/ liabilities outstanding at year end were:		
BWP	**1.22**	1.19
PLN	**3.41**	–
Exchange rates used for conversion of foreign denominated income/ expense items were:		
BWP	**1.21**	1.13
PLN	**3.43**	–
INDR	**0.17**	0.16

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

Forward exchange contracts, which relate to future commitments

Refer to note 22 of the Group financial statements.

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

3.1 Critical accounting estimates

(a) Estimated impairment of goodwill

Goodwill is tested annually for impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

The key assumptions are:	2014 %	2013 Restated %
Growth rate in activities	**0.0 to 6.0**	0.0 to 5.0
Southern Africa average discount rate	**14.86**	15.25
Polish average discount rate	**13.88**	–
Southern Africa tariff and inflation increases	**5.0 to 10.0**	5.0 to 10.0
Polish tariff and inflation increases	**1.9 to 2.5**	–

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

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

(b) Depreciation, amortisation rates and residual values

The Group depreciates or amortises its assets over their estimated useful lives as more fully described in the accounting policies for property, plant and equipment and intangible assets. The estimation of the useful lives of assets is based on historic performance as well as expectations about future use and therefore requires a significant degree of judgements to be applied by management. The actual lives of these assets can vary depending on a variety of factors, including technological innovation, product life cycles and maintenance programmes.

Significant judgement is applied by management when determining the residual values for property, plant and equipment and intangible assets. In the event of contractual obligations in terms of which a termination consideration is payable to the Group, management will apply a residual value to the intangible asset. When determining the residual value for property, plant and equipment, the following factors are taken into account:

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

Refer to notes 6 and 7 of the Group financial statements.

(c) Impairment provision for trade and other receivables

The Group collects deposits for private market customers where possible and provision is made for the balance of long outstanding trade receivables where it considers the recoverability to be doubtful.

A significant degree of judgements is applied by management when considering whether a trade receivable is recoverable or not.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *(CONTINUED)*
FOR THE YEAR ENDED 30 SEPTEMBER 2014

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

3.1 Critical accounting estimates *(continued)*

(c) Impairment provision for trade and other receivables (continued)

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

- default of payments;
- history of the specific customer with the Group;
- indications of financial difficulties of the specific customer;
- credit terms specific to the customer; and
- general economic conditions.

Refer to note 13 of the Group financial statements.

(d) Tax

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

The Group recognises the net future benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of the deferred income tax assets requires the Group to make estimates related to expectations in future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the statement of financial position date could be impacted. Additionally future changes in tax laws could limit the ability of the Group to obtain tax deductions in future periods. Assets are only raised where the Group expects to utilise these temporary differences.

Refer to notes 11 and 30 of the Group financial statements.

3.2 Judgements

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

The Group entered into a new employee share scheme during 2012. All permanent employees employed by Life Healthcare in South Africa for a continuous period of at least one year, as at the date of the allocation, and who i) is a member of an employer supported retirement scheme and ii) does not participate in the founder's Long Term Incentive Scheme are beneficiaries of the Trust and share in the scheme. Voting rights and dividends vest with the qualifying employees. The scheme is accounted for as an equity-settled scheme, in accordance with IFRS 2.

Refer to note 17 of the Group financial statements.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

3.2 Judgements *(continued)*

(b) Valuation assumptions for Long Term Incentive Scheme

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

Long Term Incentive Scheme	2014 %	2013 Restated %
Summary of Assumptions		
Discount Rate – R157	**7.00**	6.08
Discount Rate – R186	**8.50**	8.00
Growth Rates		
2010	**13.0**	13.0
2011	**11.9**	11.9
2012	**11.5**	11.5
2013	**14.3**	14.3
2014	**11.8**	13.0
2015	**15.5**	–
Adjusted return on assets		
2010	**42**	42
2011	**42**	42
2012	**41**	41
2013	**40**	40
2014	**38**	40
2015	**36**	40

The scheme is a bonus scheme available for senior employees. Vesting in terms of this scheme takes place in three years from allocation. Based on the employee's seniority, a larger proportion of the allocation is based on returns achieved. The holder of the rights loses the right if he/she resigns. The Group recognises a liability, a reserve and an expense for bonuses based on a formula that takes into consideration the net growth in earnings before interest, tax, depreciation and amortisation (EBITDA) after certain adjustments (performance units) and an adjusted return on capital (appreciation units).

There was a modification to the bonus scheme in the 2012 financial year in which each participant shall in respect of future awards and allocations, prior to the vesting date or at the time of the award or allocation, have the right to make a co-investment election. The co-investment election will be accounted for as a share-based payment (IFRS 2).

Refer to notes 17 and 21 of the Group financial statements.

(c) Pension and other post-employment benefits

The cost of defined benefit pension plans and post-employment medical benefits is determined using actuarial valuations. The actuarial valuations involve making assumptions about discount rates, expected return on assets, future salary increases, attrition and mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Further details are provided in the accounting policy in note 1 and in note 10.

(d) Fair value determination in business combinations

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

Refer to note 35 of the Group financial statements.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *(CONTINUED)*
FOR THE YEAR ENDED 30 SEPTEMBER 2014

4. SEGMENT INFORMATION

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

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

The Hospitals segment comprises all the private hospitals in Southern Africa, the Healthcare Services segment comprises Life Esidimeni and Life Occupational Healthcare and International comprises Poland while the Other segment comprises Corporate.

Assets and liabilities are not reviewed on an individual segment basis, but rather on a Group basis and are therefore not presented.

There are no inter-segment revenue streams.

Refer to note 25 for a split of the major revenue streams.

Operating segments	2014 R'm	2013 Restated R'm
Revenue	**13 046**	11 834
Southern Africa		
Hospitals	**12 007**	11 001
Healthcare Services	**864**	831
Other	**–**	2
International		
Poland	**175**	–
Total	**13 046**	11 834
Profit before items detailed below	**3 256**	2 987
Southern Africa		
Hospitals	**2 905**	2 607
Healthcare Services	**135**	167
Other	**213**	213
International		
Poland	**3**	–
Operating profit before items detailed below	**3 256**	2 987
Amortisation of intangible assets	**(122)**	(116)
Impairment of intangible assets	**(1)**	–
Profit on disposal of investment in associate	**957**	–
Profit on disposal of business	**2**	–
Gain on bargain purchase	**1**	–
Retirement benefit asset	**15**	7
Post-retirement medical aid	**1**	–
Transaction cost	**(16)**	–
Loss on derecognition of finance lease asset	**–**	(4)
Operating profit	**4 093**	2 874
Fair value gain on derivative financial instruments	**49**	9
Gain on derecognition of finance lease liability	**–**	22
Finance income	**22**	15
Finance cost	**(230)**	(226)
Share of associates' and joint ventures' net profit after tax	**39**	70
Profit before tax	**3 973**	2 764

4. **SEGMENT INFORMATION** *(continued)*

Operating profit before items detailed includes the segment's share of shared services and rental costs. These costs are all at market-related rates.

Normalised earnings per share

Normalised earnings per share is a measuring basis the CODM uses. The calculation of normalised earnings per share excludes non-trading related items as listed below and is based on the normalised profit attributable to equity holders of the parent, divided by the weighted average number of ordinary shares in issue during the year. The presentation of normalised earnings is not an IFRS requirement.

	2014 R'm	2013 Restated R'm
Profit attributable to ordinary equity holders	**2 774**	1 711
Decrease in profits due to the impact of businesses disposed/closed (net of tax):	**(54)**	(120)
Adjusted profit attributable to ordinary equity holders from continued operations	**2 720**	1 591
Adjustments (net of tax):		
Profit on disposal of investment in associate	**(929)**	–
Profit on disposal of a business	**(1)**	–
Loss on derecognition of finance lease asset	**–**	3
Profit on disposal of property, plant and equipment	**–**	(3)
Gain on bargain purchase	**(1)**	–
Impairment of property, plant and equipment	**1**	–
Gain on derecognition of finance lease liability	**–**	(16)
Retirement funds	**(11)**	(5)
Retirement funds (included in employee benefits expense)	**(7)**	(7)
Transaction cost	**16**	–
Fair value gain on foreign exchange hedge contract	**(40)**	–
Normalised earnings from continued operations	**1 748**	1 563
Amortisation of intangible assets	**84**	84
Normalised earnings from continued operations excluding amortisation of intangible assets	**1 832**	1 647
Normalised EPS (cents) from continued operations	**168.6**	150.6
Normalised EPS from continued operations – excluding amortisation (cents)	**176.7**	158.7

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *(CONTINUED)*
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5. CHANGES IN ACCOUNTING POLICY

The accounting policies have been consistently applied to all the years presented, except for the adoption of the new and revised standards.

The adoption of IFRS 11 Joint Arrangements and the revised IAS 19 Employee Benefits required a restatement of the comparative figures.

Impact on profit/loss for the year of the application of new and revised standards	For the year ended 30 September 2013 as previously reported R'm	IFRS 11 adjustment R'm	IAS 19R adjustment R'm	For the year ended 30 September 2013 (restated) R'm
Revenue	11 843	(9)	–	11 834
Other income	121	(4)	–	117
Employee benefits expense	(3 924)	2	10	(3 912)
Repairs and maintenance expenditure on property, plant and equipment	(131)	1	–	(130)
Retirement benefit asset	75	–	(68)	7
Post-retirement medical aid	11	–	(11)	–
Communication expenses	(122)	1	–	(121)
Other expenses	(532)	4	–	(528)
Share of associates' and joint ventures' net profit after tax	65	5	–	70
Tax expense	(779)	–	19	(760)
Profit after tax	2 054	–	(50)	2 004
Decrease in profit after tax attributable to:				
Ordinary equity holders of the parent	1 761	–	(50)	1 711
Impact on other comprehensive income, net of tax				
Items that may not be reclassified to profit or loss				
Retirement benefit asset	–	–	42	42
Post-retirement medical aid	–	–	8	8
Effect on total comprehensive income attributable to:				
Ordinary equity holders of the parent	1 767	–	–	1 767

Impact on profit/loss for the year of the application of new and revised standards	For the year ended 30 September 2012 as previously reported R'm	IFRS 11 adjustment R'm	IAS 19R adjustment R'm	For the year ended 30 September 2012 (restated) R'm
Revenue	10 937	(7)	–	10 930
Other income	114	(4)	–	110
Employee benefits expense	(3 639)	1	10	(3 628)
Repairs and maintenance expenditure on property, plant and equipment	(165)	1	–	(164)
Retirement benefit asset	42	–	(23)	19
Post-retirement medical aid	(5)	–	(7)	(12)
Other expenses	(501)	4	–	(497)
Share of associates' and joint ventures' net profit after tax	85	5	–	90
Tax expense	(669)	–	6	(663)
Profit after tax	1 743	–	(14)	1 729
Decrease in profit after tax attributable to:				
Ordinary equity holders of the parent	1 496	–	(14)	1 482
Impact on other comprehensive income, net of tax				
Items that may not be reclassified to profit or loss				
Retirement benefit asset	–	–	9	9
Post-retirement medical aid	–	–	5	5
Effect on total comprehensive income attributable to:				
Ordinary equity holders of the parent	1 496	–	–	1 496

5. CHANGES IN ACCOUNTING POLICY *(continued)*

Impact on assets, liabilities and equity as at 30 September 2013 of the application of new and revised standards	For the year ended 30 September 2013 as previously reported R'm	IAS 11 adjustment R'm	IAS 19R adjustment R'm	For the year ended 30 September 2013 (restated) R'm
Property, plant and equipment	4 518	(1)	–	4 517
Interest in joint ventures	–	7	–	7
Trade and other receivables	1 102	(4)	–	1 098
Cash and cash equivalents	300	(3)	–	297
Total effect on assets		(1)	–	
Non-controlling interest	1 082	(1)	–	1 081
Total effect on equity and liabilities		(1)	–	

Impact on assets, liabilities and equity as at 30 September 2012 of the application of new and revised standards	For the year ended 30 September 2012 as previously reported R'm	IFRS 11 adjustment R'm	IAS 19R adjustment R'm	For the year ended 30 September 2012 (restated) R'm
Property, plant and equipment	4 010	(2)	–	4 008
Interest in joint ventures	–	7	–	7
Trade and other receivables	1 037	(3)	–	1 034
Cash and cash equivalents	246	(2)	–	244
Total effect on assets		–	–	
Non-controlling interest	937	(1)	–	936
Trade and other payables	1 239	1	–	1 240
Total effect on equity and liabilities		–	–	

Impact on cash flows for the year ended 30 September 2013 of the application of new and revised standards	For the year ended 30 September 2013 as previously reported R'm	IFRS 11 adjustment R'm	IAS 19R adjustment R'm	For the year ended 30 September 2013 (restated) R'm
Net cash flow from operating activities	2 610	(2)	10	2 618
Net cash flow from investing activities	(772)	1	(10)	(781)
Net cash flow from finance activities	(2 017)	–	–	(2 017)

Impact on earnings per share for the year of the application of new and revised standards	For the year ended 30 September 2013 as previously reported R'm	IFRS 11 adjustment R'm	IAS 19R adjustment R'm	For the year ended 30 September 2013 (restated) R'm
Earnings per share (cents)	169.7	–	(4.9)	164.8
Headline earnings per share (cents)	169.7	–	(4.9)	164.8
Diluted earnings per share (cents)	169.5	–	(4.8)	164.7
Diluted headline earnings per share (cents)	169.5	–	(4.8)	164.7

	2014 R'm
Impact on profit/loss for the current year of the application of IAS 19R	
Retirement benefit asset	**(26)**
Post-retirement medical aid	**(3)**
Decrease in income tax expense	**8**
Profit after tax	**(21)**
Decrease in profit after tax attributable to:	
Ordinary equity holders of the parent	**(21)**

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	2014 R'm	2013 Restated R'm
6. PROPERTY, PLANT AND EQUIPMENT		
Land – owned		
Cost		
Opening balance at 1 October	**350**	319
Additions	**15**	31
Arising on acquisition of subsidiary	**25**	–
Closing balance at 30 September	**390**	350
Fixed property – owned		
Cost		
Opening balance at 1 October	**3 519**	3 322
Additions	**668**	205
Arising on acquisition of subsidiary	**49**	–
Reclassification	**73**	–
Disposals or scrappings	**(7)**	(8)
Effect of foreign currency movement	**(1)**	–
Closing balance at 30 September	**4 301**	3 519
Accumulated depreciation		
Opening balance at 1 October	**787**	711
Charge for the year	**82**	84
Reclassification	**60**	–
Arising on acquisition of subsidiary	**8**	–
Disposals or scrappings	**(6)**	(8)
Impairment	**1**	–
Closing balance at 30 September	**932**	787
Carrying value at 30 September	**3 369**	2 732
Fixed property – leased		
Cost		
Opening balance at 1 October	**404**	323
Additions	**25**	162
Arising on acquisition of subsidiary	**346**	–
Reclassification	**(70)**	–
Disposals or scrappings	**–**	(81)
Effect of foreign currency movement	**(7)**	–
Closing balance at 30 September	**698**	404
Accumulated depreciation		
Opening balance at 1 October	**134**	152
Charge for the year	**31**	39
Reclassification	**(60)**	–
Arising on acquisition of subsidiary	**9**	–
Disposals or scrappings	**–**	(57)
Closing balance at 30 September	**114**	134
Carrying value at 30 September	**584**	270
Improvements to leased premises		
Cost		
Opening balance at 1 October	**167**	144
Additions	**16**	24
Arising on acquisition of subsidiary	**79**	–
Reclassification	**(3)**	–
Disposals or scrappings	**(14)**	(1)
Effect of foreign currency movement	**(1)**	–
Closing balance at 30 September	**244**	167

	2014 R'm	2013 Restated R'm
6. PROPERTY, PLANT AND EQUIPMENT *(continued)*		
Improvements to leased premises *(continued)*		
Accumulated depreciation		
Opening balance at 1 October	**74**	62
Charge for the year	**15**	12
Arising on acquisition of subsidiary	**9**	–
Reclassification	**–**	–
Disposals or scrappings	**(14)**	–
Closing balance at 30 September	**84**	74
Carrying value at 30 September	**160**	93
Medical equipment		
Cost		
Opening balance at 1 October	**1 817**	1 546
Additions	**298**	323
Arising on acquisition of subsidiary	**119**	–
Disposals or scrappings	**(78)**	(55)
Effect of foreign currency movement	**(3)**	3
Closing balance at 30 September	**2 153**	1 817
Accumulated depreciation		
Opening balance at 1 October	**942**	824
Charge for the year	**176**	172
Arising on acquisition of subsidiary	**59**	–
Disposals or scrappings	**(76)**	(55)
Effect of foreign currency movement	**1**	1
Closing balance at 30 September	**1 102**	942
Carrying value at 30 September	**1 051**	875
Other equipment		
Cost		
Opening balance at 1 October	**374**	279
Additions	**175**	137
Arising on acquisition of subsidiary	**40**	–
Disposals or scrappings	**(18)**	(42)
Closing balance at 30 September	**571**	374
Accumulated depreciation		
Opening balance at 1 October	**186**	184
Charge for the year	**47**	44
Arising on acquisition of subsidiary	**20**	–
Disposals or scrappings	**(17)**	(42)
Closing balance at 30 September	**236**	186
Carrying value at 30 September	**335**	188
Motor vehicles		
Cost		
Opening balance at 1 October	**22**	21
Additions	**4**	3
Arising on acquisition of subsidiary	**9**	–
Disposals or scrappings	**(4)**	(2)
Closing balance at 30 September	**31**	22

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *(CONTINUED)*
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		2014 R'm	2013 Restated R'm
6.	**PROPERTY, PLANT AND EQUIPMENT** *(continued)*		
	Accumulated depreciation		
	Opening balance at 1 October	**13**	12
	Charge for the year	**4**	3
	Arising on acquisition of subsidiary	**5**	–
	Disposals or scrappings	**(3)**	(2)
	Closing balance at 30 September	**19**	13
	Carrying value at 30 September	**12**	9
	Total cost		
	Opening balance at 1 October	**6 653**	5 954
	Additions	**1 201**	885
	Arising on acquisition of subsidiary	**667**	–
	Reclassification	**–**	–
	Disposals or scrappings	**(121)**	(189)
	Effect of foreign currency movement	**(12)**	3
	Closing balance at 30 September	**8 388**	6 653
	Total accumulated depreciation:		
	Opening balance at 1 October	**2 136**	1 945
	Charge for the year	**355**	354
	Arising on acquisition of subsidiary	**110**	–
	Reclassification	**–**	–
	Disposals or scrappings	**(116)**	(164)
	Impairment	**(1)**	–
	Effect of foreign currency movement	**1**	1
	Closing balance at 30 September	**2 487**	2 136
	Total carrying value at 30 September	**5 901**	4 517

Property, plant and equipment with a book value of R23 million (2013: R25 million) secure fixed rate bank borrowings and property, plant and equipment with a book value of R105 million (2013: R124 million) secure floating rate bank borrowings. Refer to note 18.

The leased assets secure lease liabilities to the value of R441 million (2013: R430 million). Refer to note 18.

		2014 R'm	2013 Restated R'm
7.	**INTANGIBLE ASSETS**		
	Intangible assets consist of:		
	Goodwill	**1 469**	1 175
	Computer software	**115**	62
	Hospital licences	**395**	448
	Customer relations	**337**	394
	Preferred supplier contracts	**1**	4
	Other intangible assets	**1**	1
		2 318	2 084

	2014 R'm	2013 Restated R'm
7. INTANGIBLE ASSETS *(continued)*		
The movement in the balance for intangible assets is as follows:		
Balance at 1 October	**2 084**	2 181
Additions	**34**	19
Arising on acquisition of subsidiary	**354**	–
Effect of foreign currency movement	**(5)**	–
Amortisation charge	**(122)**	(116)
Disposals	**(27)**	–
Carrying value at 30 September	**2 318**	2 084
Goodwill		
Cost		
Opening balance at 1 October	**1 238**	1 238
Arising on acquisition of subsidiary	**326**	–
Effect of foreign currency movement	**(5)**	–
Disposals	**(27)**	–
Closing balance at 30 September	**1 532**	1 238
Accumulated impairment		
Opening balance at 1 October	**63**	63
Closing balance at 30 September	**63**	63
Carrying value at 30 September	**1 469**	1 175
Computer software		
Cost		
Opening balance at 1 October	**136**	117
Additions	**34**	19
Arising on acquisition of subsidiary	**42**	–
Disposals or scrappings	**(1)**	–
Closing balance at 30 September	**211**	136
Accumulated amortisation and impairment		
Opening balance at 1 October	**74**	71
Amortisation charge	**9**	3
Arising on acquisition of subsidiary	**14**	–
Disposals or scrappings	**(1)**	–
Closing balance at 30 September	**96**	74
Carrying value at 30 September	**115**	62
Restraint of trade payments		
Cost		
Opening balance at 1 October	**2**	2
Closing balance at 30 September	**2**	2
Accumulated amortisation and impairment		
Opening balance at 1 October	**2**	2
Closing balance at 30 September	**2**	2
Carrying value at 30 September	**–**	–
Hospital licences		
Cost		
Opening balance at 1 October	**828**	828
Closing balance at 30 September	**828**	828

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *(CONTINUED)*
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	2014 R'm	2013 Restated R'm
7. INTANGIBLE ASSETS *(continued)*		
Hospital licences *(continued)*		
Accumulated amortisation and impairment		
Opening balance at 1 October	**380**	326
Amortisation charge	**53**	54
Closing balance at 30 September	**433**	380
Carrying value at 30 September	**395**	448
Customer relations		
Cost		
Opening balance at 1 October	**909**	909
Closing balance at 30 September	**909**	909
Accumulated amortisation and impairment		
Opening balance at 1 October	**515**	459
Amortisation charge	**57**	56
Closing balance at 30 September	**572**	515
Carrying value at 30 September	**337**	394
Preferred supplier contracts		
Cost		
Opening and closing balance	**107**	107
Accumulated amortisation and impairment		
Opening balance at 1 October	**103**	100
Amortisation charge	**3**	3
Closing balance at 30 September	**106**	103
Carrying value at 30 September	**1**	4
Other intangible assets		
Other intangible assets comprise capitalised lease premiums.		
Cost		
Opening balance at 1 October	**2**	2
Closing balance at 30 September	**2**	2
Accumulated amortisation and impairment		
Opening balance at 1 October	**1**	1
Closing balance at 30 September	**1**	1
Carrying value at 30 September	**1**	1
Total carrying value at 30 September	**2 318**	2 084

		2014 R'm	2013 Restated R'm
7.	**INTANGIBLE ASSETS** *(continued)*		
	Total cost:		
	Opening balance at 1 October	**3 222**	3 203
	Additions	**34**	19
	Arising on acquisition of subsidiary	**368**	–
	Effect of foreign currency movement	**(5)**	–
	Disposals or scrappings	**(28)**	–
	Closing balance at 30 September	**3 591**	3 222
	Total accumulated amortisation and impairment		
	Opening balance at 1 October	**1 138**	1 022
	Amortisation charge	**122**	116
	Arising on acquisition of subsidiary	**14**	–
	Disposals or scrappings	**(1)**	–
	Closing balance at 30 September	**1 273**	1 138
	Total carrying value at 30 September	**2 318**	**2 084**
	Goodwill impairment testing		
	Goodwill has been allocated to the following operating segments for impairment:		
	Hospitals	**999**	1 026
	Healthcare Services	**149**	149
	Poland	**321**	–
		1 469	1 175

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

There is no impairment charge during the current year.

Refer to note 3 for the methods and assumptions applied.

		2014 R'm	2013 Restated R'm
8.	**INVESTMENT IN ASSOCIATES AND JOINT VENTURES**		
	Unlisted ordinary shares		
	Balance at 1 October	**1 178**	1 098
	Share of net profits after tax	**39**	70
	Share of current year profit before tax	**53**	120
	Share of current year tax	**(14)**	(50)
	Dividends declared by associates	**–**	(50)
	Capital distributions	**(6)**	(5)
	Capital distributions transferred to loan account	**(3)**	(3)
	Acquisition of investment in associate (Refer to note 35)	**–**	68
	Disposal of investment in associate (Refer to note 35)	**(380)**	–
	Balance at 30 September	**828**	1 178
	Loans to associates and joint ventures		
	Balance at 1 October	**8**	3
	Loans granted	**–**	2
	Capital distributions transferred from equity	**3**	3
	Balance at 30 September	**11**	8

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *(CONTINUED)*
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8. INVESTMENT IN ASSOCIATES AND JOINT VENTURES *(continued)*

Amounts owing are interest bearing at rates negotiated on an annual basis (2014: 9.25% and 2013: 5.6%) and are repayable on terms determined by the associate company's directors. The credit quality of these loans is determined based on past default rates. No such defaults existed in the past.

On 24 February 2014, the Group disinvested its 49.3% shareholding in Joint Medical Holdings Limited (JMH) via a share buy-back to the value of R1 209 million followed by a direct purchase of R156 million. This resulted in a profit on sale of associate of R957 million. The year to date equity-accounted earnings, net of tax, up until the date of sale amounted to R41 million. The Group declared a special dividend of 100 cents per share from the proceeds of this sale on 17 March 2014.

During the prior year, the Group acquired additional shares in Max Healthcare Institute Limited (Max), India to maintain its 26% shareholding in the company. Max has a March year end, and the results for the current and prior years were brought into account based on management accounts for the period.

The accounting policies of the associated companies do not differ materially from the Group's accounting policies.

The aggregate assets, liabilities, and results of operations of associate companies are summarised as follows (not adjusted for percentage ownership by the Group):

	2014 R'm	2013 Restated R'm
Statement of comprehensive income		
Revenue	**3 029**	3 171
Expenses	**(2 966)**	(2 738)
Profit before tax	**63**	433
Statement of financial position		
Non-current assets	**1 981**	2 235
Current assets	**614**	738
Total assets	**2 595**	2 973
Equity and liabilities		
Capital and reserves	**609**	1 067
Non-current liabilities	**1 000**	987
Current liabilities	**986**	919
Total equity and liabilities	**2 595**	2 973

The aggregate post acquisition reserves (adjusted for the Groups' ownership) for the associates and joint ventures are – R60 million (2013: R267 million).

There are no unrecognised losses for associates.

Loans to associates past due but not impaired
All loans to associates that are past due are impaired accordingly. At 30 September 2014 there are no loans to associates that are past due and impaired (2013: Rnil).

	2014 R'm	2013 Restated R'm
9. LOANS RECEIVABLE		
Loans receivable		
Balance at 1 October	**10**	9
Loans repaid	**(5)**	(5)
Loans granted	**5**	7
Non-current portion at 30 September	**10**	11
Impairment of loans receivable	**–**	(1)
Opening balance	**(1)**	–
Impairment raised	**–**	(1)
Amounts impaired and written off	**1**	–
Net loans receivable	**10**	10

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

Loans receivable past due but not impaired

All loans receivable that are past due are impaired accordingly.

Loans receivable impaired

At 30 September, loans receivable of R1 million (2013: R1 million) were impaired and provided for.

Credit quality of financial assets

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *(CONTINUED)*
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10. RETIREMENT BENEFIT OBLIGATIONS AND POST-RETIREMENT MEDICAL AID SURPLUS

Pension and provident fund benefits

The Group currently participates in four funds: two defined benefit funds, a defined contribution provident fund and a defined contribution pension fund. The two defined benefit funds are closed to new members. During the financial year, new employees had the option of dual fund membership or provident fund membership only. The option of dual fund membership is no longer offered and new employees must join the Life Healthcare Provident Fund. Dual fund membership will fall away entirely next year when legislative changes affecting retirement funds becomes effective as from 1 March 2015. From that date the distinction between a provident and pension fund falls away. The provident fund will be retained (renamed as the Life Healthcare Retirement Fund) in order to protect the vested rights of current provident fund members.

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

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

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

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

	2014 %	2013 Restated %
Discount rate	**8.98**	8.65
Consumer price inflation	**7.19**	6.37

The long-term investment return assumption is based on the expected long-term returns on equities, cash and bonds. In setting these assumptions the actual asset split of the various funds is used. The expected long-term rate of return on bonds is set at the same level as the discount rate and the return on equities is set at a level of 1% above the bond rate and the long-term rate of return on cash is set at a level of 1% above the bond rate.

	2014 %	2013 Restated %
Compensation increase rate		
Life Healthcare DB Pension Fund	**8.19**	7.37
Lifecare Group Holdings Pension Fund	**7.30**	7.00
Pension increase rate		
Life Healthcare DB Pension Fund	**5.39**	4.77
Lifecare Group Holdings Pension Fund	**4.73**	4.83
Rates of mortality	**0.50**	0.50

The last statutory actuarial valuations for the funds were:

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

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

- A net loss/deficit may arise

  In terms of legislation any deficit of more than 5% of liabilities arising from a triennial statutory valuation will need to be funded by the participating employer over the next three years.

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

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

- The Company contribution rate could increase in future

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

10. RETIREMENT BENEFIT OBLIGATIONS AND POST-RETIREMENT MEDICAL AID SURPLUS *(continued)*

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

	Life Healthcare DB Pension Fund R'm	Lifecare Group Holdings Pension Fund R'm
Components of net periodic cost – 2014		
Current service cost	**10**	**3**
Net interest income	**(28)**	**–**
Pension (income)/expense recognised in profit and loss	**(18)**	**3**
Remeasurement of the Pension Asset		
Liability (gain)/loss	**25**	**–**
Asset (gain)/loss	**(49)**	**(4)**
Impact of paragraph 64 limit adjustment on asset	**–**	**2**
Remeasurement recognised in other comprehensive income	**(24)**	**(2)**
Defined benefit income/(cost)	**(42)**	**1**
Components of net periodic cost – 2013 – Restated		
Current service cost	11	1
Net interest income	(19)	–
Pension (Income)/Expense recognised in profit and loss	(8)	1
Remeasurement of the Pension Asset		
Liability (gain)/loss	40	–
Asset (gain)/loss	(97)	(2)
Impact of paragraph 64 limit adjustment on asset	–	1
Remeasurement recognised in other comprehensive income	(57)	(1)
Defined benefit income/(cost)	(65)	–
Reconciliation of defined benefit obligation – 2014		
Defined Benefit Obligation at 30 September 2013 – Restated	**523**	**53**
Service cost	**10**	**3**
Member contributions	**4**	**–**
Interest cost	**44**	**5**
Actuarial loss	**25**	**4**
Benefits paid	**(33)**	**(5)**
Net transfers out	**(31)**	**–**
Expenses	**(2)**	**(2)**
Defined Benefit Obligation at 30 September 2014	**540**	**58**
Reconciliation of defined benefit obligation – 2013 – Restated		
Defined Benefit Obligation at 1 October 2012 – Restated	447	46
Service cost	11	1
Member contributions	4	–
Interest cost	39	3
Actuarial loss	40	7
Benefits paid	(47)	(4)
Net transfers in	29	–
Defined benefit obligation at 30 September 2013 – Restated	523	53

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10. RETIREMENT BENEFIT OBLIGATIONS AND POST-RETIREMENT MEDICAL AID SURPLUS *(continued)*

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

R'm	Life Healthcare DB Pension Fund	Lifecare Group Holdings Pension Fund
Remeasurement of the pension asset – 2014		
Return on plan asset	**(49)**	**(8)**
Loss arising from changes in demographic assumptions	**2**	**5**
Loss arising from changes in financial assumptions	**17**	**–**
Loss arising from changes in other assumptions	**6**	**(1)**
Impact of Paragraph 64 limit adjustment on asset	**–**	**2**
Remeasurement recognised in other comprehensive income	**(24)**	**(2)**
Remeasurement of the pension asset – 2013 – Restated		
Return on plan asset	(97)	(10)
Gain arising from changes in demographic assumptions	(5)	–
Gain arising from changes in financial assumptions	(9)	–
Loss arising from changes in economic assumptions	–	1
Loss arising from changes in other assumptions	54	7
Impact of Paragraph 64 limit adjustment on asset	–	1
Remeasurement recognised in other comprehensive income	(57)	(1)

10. RETIREMENT BENEFIT OBLIGATIONS AND POST-RETIREMENT MEDICAL AID SURPLUS *(continued)*

	Life Healthcare DB Pension Fund R'm	Lifecare Group Holdings Pension Fund R'm
Reconciliation of fair value of plan assets – 2014		
Assets at fair market value as at 30 September 2013 – Restated	**844**	**130**
Expected return on assets	**72**	**11**
Contributions	**12**	**1**
Benefits paid	**(33)**	**(5)**
Actuarial gain	**49**	**8**
Net transfers out	**(31)**	**–**
Expenses	**(1)**	**(2)**
Assets at fair market value as at 30 September 2014	**912**	**143**
Reconciliation of fair value of plan assets – 2013		
Assets at fair market value as at 30 September 2012 – Restated	694	117
Expected return on assets	65	10
Contributions	13	1
Benefits paid	(47)	(4)
Actuarial gain	90	6
Net transfers in	29	–
Assets at fair market value as at 30 September 2013 – Restated	844	130
Defined benefit fund asset/liability – 2014		
Asset as at 1 October 2013	**321**	**–**
Net income/(expense) recognised in profit and loss	**18**	**(3)**
Remeasurements recognised in other comprehensive income	**24**	**2**
Company contributions	**9**	**1**
Asset as at 30 September 2014	**372**	**–**
Asset recognised on the statement of financial position	**372**	**–**
Defined benefit fund asset/liability – 2013		
Asset as at 1 October 2012	247	–
Net income/(expense) recognised in profit and loss	8	(1)
Remeasurements recognised in other comprehensive income	57	1
Company contributions	9	–
Asset as at 30 September 2013	321	–
Asset recognised on the statement of financial position	321	–
Actuarial value of defined benefit obligation and funded status – 2014		
Defined benefit obligation	**(540)**	**(58)**
Assets at fair market value	**912**	**143**
Funded status	**372**	**85**
Asset as at 30 September 2014	**372**	**85**
Unrecognised due to Paragraph 64 limit	**–**	**(85)**
Asset recognised on the statement of financial position	**372**	**–**
Actuarial value of defined benefit obligation and funded status – 2013		
Defined benefit obligation	(523)	(53)
Assets at fair market value	844	130
Funded status	321	77
Asset as at 30 September 2013	321	77
Unrecognised due to Paragraph 64 limit	–	(77)
Asset recognised on the statement of financial position	321	–

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10. RETIREMENT BENEFIT OBLIGATIONS AND POST-RETIREMENT MEDICAL AID SURPLUS *(continued)*

R'm	Life Healthcare DB Pension Fund	Lifecare Group Holdings Pension Fund
Actuarial value of defined benefit obligation and funded status – 2012		
Defined benefit obligation	(447)	(45)
Assets at fair market value	694	117
Funded status	247	72
Asset as at 30 September 2012	247	72
Unrecognised due to Paragraph 64 limit	–	(72)
Asset recognised on the statement of financial position	247	–
Actuarial value of defined benefit obligation and funded status – 2011		
Defined benefit obligation	(401)	(48)
Assets at fair market value	606	116
Funded status	205	68
Asset as at 30 September 2011	205	68
Unrecognised due to Paragraph 64 limit	–	(68)
Asset recognised on the statement of financial position	205	–
Actuarial value of defined benefit obligation and funded status – 2010		
Defined benefit obligation	(388)	(53)
Assets at fair market value	591	114
Funded status	203	61
Unrecognised net gain/(loss)	–	(61)
Asset as at 30 September 2010	203	–
Unrecognised due to Paragraph 64 limit	–	–
Asset recognised on the statement of financial position	203	–
Composition of plan assets – 2014		
Cash (%)	**13.9**	**9.0**
Equity instruments (%)	**40.6**	**41.8**
Bonds (%)	**16.2**	**23.1**
Property (%)	**4.0**	**8.9**
Offshore and other (%)	**25.3**	**17.2**
	100.0	**100.0**
Composition of plan assets – 2013 – Restated		
Cash (%)	11.5	13.1
Equity instruments (%)	43.3	42.3
Bonds (%)	13.3	21.1
Property (%)	2.0	9.3
Offshore and other (%)	29.9	14.2
	100.0	100.0

R'm		
Expected contributions to the benefit plans for the year ending 30 September 2015:		
Member contributions	4	–
Company contributions	9	1
Risk premiums	(1)	–
Benefit payments	(35)	(3)
Expenses	(2)	(1)

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

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

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

Both these funds are closed to new members.

10. RETIREMENT BENEFIT OBLIGATIONS AND POST-RETIREMENT MEDICAL AID SURPLUS *(continued)*

	Life Healthcare DB Pension Fund	Lifecare Group Holdings Pension Fund
The effect of a 1% movement in the assumed net discount rate:	Increase R'm	Decrease R'm
Effect on the defined benefit obligation	66	(58)

Post-retirement medical aid benefit

Life Healthcare Group has a liability arising as a result of a post-retirement 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-retirement subsidy of their medical contributions.

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

The post-retirement medical aid liability is funded via investments held in the PFV benefit fund. The trustees of the PFV benefit fund agreed to refund the Company an amount of R15 million which represented assets held in excess of the Company's liability. The total liability in respect of these employees and pensioners is R14 million. The total assets, after the aforementioned transfer of funds, held in the PFV Benefit Fund as at the end of September 2014 to cover its remaining liability amount to R18 million.

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

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

The plan represents the market value of the assets.

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

The following actuarial assumptions were applied.

	2014	2013 Restated
Discount rate (%)	**8.40**	8.60
Consumer price inflation (%)	**6.20**	6.20
Expected return on assets (%)	**8.40**	8.60
Healthcare cost inflation (%)	**8.20**	8.20
Compensation increase rate (%)	**7.04**	6.69
Average retirement age	**60**	60
Rates of mortality	**0.5**	0.5

The expected return on planned assets of 8.4% (2013: 8.6%) per annum is based on a nominal allocation of the plan assets, expected return on the underlying asset classes and expected expenses.

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

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

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10. RETIREMENT BENEFIT OBLIGATIONS AND POST-RETIREMENT MEDICAL AID SURPLUS *(continued)*

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

	2014 R'm	2013 Restated R'm
Components of profit and loss		
Current service cost	**–**	–
Interest cost	**(1)**	(1)
Expected employer benefit payments	**(1)**	(1)
Expected benefit payments from plan assets	**1**	1
Actuarial gain	**–**	–
Net periodic cost	**(1)**	(1)

	2014 R'm	2013 Restated R'm	2012 R'm	2011 R'm	2010 R'm
Defined benefit fund asset surplus					
Asset as at 30 September	**16**	5	10	10	7
Remeasurement recognised in other comprehensive income	**3**	11	7	7	8
Net periodic income/(cost)	**1**	–	(12)	(7)	(5)
Withdrawals from plan assets	**(16)**	–	–	–	–
Net asset as at 30 September	**4**	16	5	10	10
Actuarial value of defined benefit obligation and funded status					
Defined benefit obligation	**(14)**	(13)	(68)	(67)	(65)
Assets at fair market value	**18**	29	73	77	75
Funded status	**4**	16	5	10	10
Net asset as at 30 September	**4**	16	5	10	10
Post-retirement medical aid benefits					
Plan assets comprise:					
Equity instruments	**97.8%**	99.7%	58.7%	49.2%	99.3%
Cash	**2.2%**	0.3%	41.3%	50.8%	0.7%
	100.0%	100.0%	100.0%	100.0%	100.0%

There are no expected contributions to the post-retirement benefit plan for the year ending 30 September 2014 as the fund is fully funded.

The effect of a 1% movement in the assumed medical cost trend rate is as follows:	Increase R'm	Decrease R'm
Effect on the defined benefit obligation	2	(1)

	2014 R'm	2013 Restated R'm
11. DEFERRED INCOME TAX		
Deferred tax per the statement of financial position represents the summation of the individual deferred tax balances per subsidiary. This is split between deferred tax assets and liabilities as follows:		
Deferred tax assets	**253**	210
Deferred tax liabilities	**(438)**	(388)
	(185)	(178)
The movement in the deferred tax account is as follows:		
Balance at 1 October	**(178)**	(193)
Foreign currency exchange adjustment	**–**	2
Acquired through acquisition of subsidiary	**(4)**	–
Current year charge through profit or loss	**5**	32
Current year charge through other comprehensive income	**(8)**	(19)
Carrying amount at 30 September	**(185)**	(178)

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *(CONTINUED)*

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11. DEFERRED INCOME TAX *(continued)*

	Balance at 1 October 2012 Restated R'm	Foreign currency exchange adjustment R'm	Net charge/ (credited) through other comprehensive income R'm	Net charge/ (credited) during the current year R'm	Balance at 30 September 2013 Restated R'm
2013					
Employee benefit provisions	96	–	–	2	98
Other provisions	22	–	–	(4)	18
Provision for doubtful debts	5	–	–	–	5
Share based payment movement	–	–	–	9	9
Accelerated wear and tear for tax purposes on property, plant and equipment	(104)	2	–	(45)	(156)
Tax loss carried forward	5	–	–	2	7
Property leases	134	–	–	50	184
Credit balances in trade receivables	12	–	–	3	15
Pre-paid expenses	(9)	–	–	1	(8)
Intangible assets on acquisition of subsidiary	(269)	–	–	31	(238)
Non-current receivables adjusted to fair value on acquisition of subsidiary	(1)	–	–	1	–
Retirement benefit asset	(70)	–	(19)	(6)	(95)
Derivatives	3	–	–	(2)	1
Revaluation of property	(16)	–	–	(2)	(18)
Other movements	(1)	–	–	1	–
	(193)	2	(19)	32	(178)

	2014 R'm	2013 Restated R'm
Analysis of deferred tax assets and deferred tax liabilities is as follows:		
Deferred tax assets		
Deferred tax assets to be recovered within 12 months	**139**	138
Deferred tax assets to be recovered after more than 12 months	**114**	200
	253	338
Deferred tax liabilities		
Deferred tax liabilities to be recovered within 12 months	**(13)**	(9)
Deferred tax liabilities to be recovered after more than 12 months	**(425)**	(507)
	(438)	(516)

Deferred tax assets arising from tax losses are recognised to the extent that realisation of the related tax benefits are probable. The determination of the probability of recovery is based on management forecast for the units.

The Group has tax losses of R18 million (2013: R3 million) to carry forward against future taxable income, which have not been recognised in these financial statements due to uncertainties regarding the utilisation of these losses in the foreseeable future. None of the tax losses are expected to expire.

		2014 R'm	2013 Restated R'm
12.	**INVENTORIES**		
	Ethical drugs and surgical consumable products	**240**	214
	All medical consumables are carried at cost which is lower than the net realisable value.		
	The cost of inventories recorded as an expense is included in "Drugs and surgicals consumed" in the statement of comprehensive income.		
	The cost of inventories written off as expired stock is recognised as an expense and is included in "Drugs and surgicals consumed" in the statement of comprehensive income. Inventories written off amounted to:	**6**	6
13.	**TRADE AND OTHER RECEIVABLES**		
	Trade receivables	**1 188**	1 035
	Less: Provision for impairment of receivables	**(33)**	(29)
	Net trade receivables	**1 155**	1 006
	Other receivables	**105**	51
	Prepaid expenses	**70**	41
	Balance at 30 September	**1 330**	1 098
	Provision for impairment of receivables is based on historical collection trends, current market conditions and expected future cash flows.		
	The Group has recognised losses for the impairment of its trade receivables for the year ended 30 September:	**76**	75
	These losses have been included in "other expenses" in the statement of comprehensive income.		
	Trade and other receivables past due but not impaired		
	Trade and other receivables which are less than three months past due or another period, depending on the class of the trade receivable, are not considered to be impaired as there has not been a significant change in credit quality and amounts are still recoverable. At 30 September trade and other receivables past due but not impaired were as follows:	**188**	114
	Southern Africa	**184**	114
	Poland	**4**	–

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

(R'm)	31 – 60 days	61 – 90 days	91 – 180 days	181 – 360 days	More than a year	Total
Trade and other receivables at 30 September 2014						
Southern Africa						
Private clients	**–**	**–**	**13**	**4**	**2**	**19**
Medical aids	**–**	**35**	**36**	**9**	**2**	**82**
Government (RAF, COID, non-pure COID and provincial departments)	**24**	**3**	**9**	**–**	**43**	**79**
Foreign patients	**3**	**1**	**–**	**–**	**–**	**4**
	27	**39**	**58**	**13**	**47**	**184**
Poland						
Private clients	**–**	**–**	**1**	**2**	**1**	**4**
	–	**–**	**1**	**2**	**1**	**4**

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13. TRADE AND OTHER RECEIVABLES *(continued)*

(R'm)	31 – 60 days	61 – 90 days	91 – 180 days	181 – 360 days	More than a year	Total
Trade and other receivables at 30 September 2013 – Restated						
Private clients	–	–	12	4	–	16
Medical aids	–	29	33	7	1	70
Government (RAF, COID, non-pure COID and provincial departments)	24	1	–	–	–	25
Foreign patients	2	–	1	–	–	3
	26	30	46	11	1	114

	2014 R'm	2013 Restated R'm
Trade and other receivables impaired		
The amount of the provision at 30 September was:	**(33)**	(29)
Reconciliation of provision for impairment of trade and other receivables		
Opening balance	**(29)**	(28)
Provision raised	**(13)**	(11)
Amounts utilised	**9**	10
	(33)	(29)

The creation and release of the provision for impaired receivables has been included in "other expenses" in the statement of comprehensive income. Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the fair value of each class of trade and other receivable mentioned above. The Group does not hold any collateral as security.

Credit quality of trade and other receivables
The credit quality of trade and other receivables that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates. No material historical default rates exist that require additional impairments.

		2014 R'm	2013 Restated R'm
14.	**CASH AND CASH EQUIVALENTS**		
	Cash at bank and on hand	**335**	172
	Short-term money market instruments	**87**	125
	Bank overdraft	**(155)**	(233)
	Balance at 30 September	**267**	64
	The cash at bank and deposits are on call, immediately available and consist of money market call deposits and short-term money market instruments. The average effective interest rate on short-term money market instruments for the period was:	**5.29%**	4.40%
	The cash and cash equivalents carrying amount is denominated in the following currencies:		
	South African Rand	**126**	31
	Botswana Pula	**59**	33
	Polish Zloty	**82**	–
	Balance at 30 September	**267**	64
	Cash and cash equivalents include the following for the purpose of the cash flow statement:		
	Cash at bank and in hand	**335**	172
	Short-term money market instruments	**87**	125
	Bank overdraft	**(155)**	(233)
	Cash and cash equivalents	**267**	64
	Overdraft facilities within the Group are secured by means of cross sureties by Group companies.		
	The credit quality of cash at bank and short-term money market instruments based on South African Fitch Ratings (zaf) are:		
	AAA	**–**	10
	AA	**279**	227
	A +	**60**	60
	The credit quality of cash at bank and short-term money market instruments based on Polish Fitch Ratings are:		
	A	**51**	–
	F1	**32**	–
		422	297

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	2014 R'm	2013 Restated R'm
15. SHARE CAPITAL		
Authorised		
Ordinary shares		
4 149 980 000 (2013: 4 149 980 000) ordinary shares of R0.000001 each (total value = R4 149 (2013: R4 149))	*	*
Issued and fully paid		
Ordinary shares		
Balance at 30 September	*	*
Fully paid share capital		
1 042 209 750 (2013: 1 042 209 750) ordinary shares of R0.000001 each (total value = R1 042 (2013: R1 042))	*	*
Treasury shares	**(170)**	(149)
5 056 473 (2013: 4 660 042)	**(170)**	(149)
Reconciliation of the value of Treasury Shares		
Balance at 1 October	**(149)**	(82)
Shares sold in terms of shareholders' approval	**–**	7
Shares sold in terms of the Long Term Incentive Scheme	**2**	2
Purchase of shares in terms of the Life Healthcare Employee Share Trust (refer note 17)	**–**	(50)
Purchase of shares in terms of the Long Term Incentive Scheme (refer note 17)	**(23)**	(26)
Closing balance	**(170)**	(149)
Reconciliation of number of shares ('000)		
Opening balance	**1 037 549**	1 038 516
Existing treasury shares held by Life Healthcare Group Proprietary Limited		
Sold^	**–**	1 019
Life Healthcare Employee Share Trust		
Granted^	**–**	(1 363)
Exercised^	**114**	46
Long Term Incentive Scheme		
Granted^	**(592)**	(775)
Exercised^	**82**	106
Closing balance	**1 037 153**	1 037 549

* *Amounts rounded to less than R million*

^ *All shares traded at market values*

	2014 R'm	2013 Restated R'm
16. SHARE PREMIUM		
Balance at 1 October	**3 373**	3 373
	3 373	3 373
17. OTHER RESERVES		
Life Healthcare Employee Share Trust	**29**	12
Long Term Incentive Scheme	**72**	54
Foreign currency translation reserve	**(1)**	(2)
Transactions with non-controlling interest reserve	**(87)**	7
	13	71

	2014 R'm	2013 Restated R'm
17. OTHER RESERVES *(continued)*		
The movements in each category of reserves were as follows:		
Life Healthcare Employee Share Trust		
Balance at 1 October	**12**	3
Employee expense for the year	**17**	9
Balance at 30 September	**29**	12

The share-based payment reserve consists of an equity-settled scheme, namely the "Life Healthcare Employee Share Trust". The scheme falls within the definition of control that determines which entities are consolidated in terms of IFRS 10. In terms of the scheme the employer acquired Life Healthcare Group Holdings Limited shares in the market at the ruling market price. The number of shares acquired for the scheme is limited to the value as approved by the holding company's remuneration and human resources committee. No shares were acquired during the current year (2013: 1 362 555, at an average market price of R36.70 per share) as the Company is investigating further options to improve the scheme. A proposal has been presented to the Company's senior management team and it is expected that a revised proposal will be finalised in November 2014. The Company remains committed to make a monetary commitment in line with previous years, for the benefit of 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 share in the scheme. Voting rights and dividends vest with the qualifying employees. The charge and contribution reflected is for the Company's proportionate share only.

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

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

	2014 R'm	2013 Restated R'm
Long Term Incentive Scheme		
Balance at 1 October	**54**	26
Employee expense for the year	**18**	28
Balance at 30 September	**72**	54

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

The existing bonus scheme is available to senior employees. It is a hybrid scheme that combines a pure unit appreciations component and a performance share component. In terms of the scheme Life Healthcare Group Holdings Limited shares were acquired in the market at the ruling market price. The number of shares acquired for the scheme is limited to the value as approved by the Group's remuneration and human resources committee. The number of shares acquired in 2014 is 592 470 (2013: 774 740) at a market price of R38.72 (2013: R32.71) per share on grant date. There was a modification to the bonus scheme in the 2012 financial year in which each participant shall in respect of future awards and allocations, prior to the vesting date or at the time of the award or allocation have the right to make a co-investment election. This cost will be accounted for as a share-based payment (IFRS2).

Refer to note 21 for the IAS 19 portion of the Long-Term Incentive Scheme.

	2014 R'm	2013 Restated R'm
Foreign currency translation reserve		
Balance at 1 October	**(2)**	(8)
Currency translations arising in the year	**1**	6
Balance at 30 September	**(1)**	(2)
Transactions with non-controlling interest reserve		
Balance at 1 October	**7**	(3)
Decreases in ownership interest in subsidiaries	**8**	10
Increase in ownership interest in subsidiaries	**(102)**	–
Balance at 30 September	**(87)**	7

The transactions with non-controlling interest arise from changes of ownership interests in subsidiaries with non-controlling interests, that do not result in a change in control. Refer to note 35.

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

	2013 Restated Non-current portion R'm	2013 Restated Current portion R'm	2013 Restated Total R'm
Unsecured borrowings			
Term loans	208	415	623
Preference shares	820	–	820
Secured borrowings			
Equipment instalment sale	21	10	31
Mortgage bonds at variable interest rates	34	3	37
Mortgage bonds at fixed interest rates	–	4	4
Finance leases – properties	574	20	594
Total borrowings – 30 September 2013	1 657	452	2 109

The maturity of the borrowings is as follows:	2014 R'm	2013 Restated R'm
Within one year	**1 007**	452
Between one and two years	**1 030**	450
Between two and five years	**642**	743
Over five years	**672**	464
	3 351	2 109

	Carrying amount		Fair value	
	2014 R'm	2013 Restated R'm	2014 R'm	2013 Restated R'm
18. INTEREST-BEARING BORROWINGS *(continued)*				
The carrying amounts and fair value of the non-current borrowings are as follows:				
Secured borrowings				
Finance leases – properties	**833**	594	**974**	744

The fair values of current borrowings at fixed rates are based on cash flows discounted using a rate based on the prime rate of 9.25% (2013: 8.5%) and are within level 2 of the fair value hierarchy.

	2014 R'm	2013 Restated R'm
Unsecured borrowings		
Syndicated term loans	**–**	208
Opening balance at 1 October	**623**	1 038
Less: Capital repaid during the year	**(623)**	(415)
Closing balance at 30 September	**–**	623
Less: Current portion transferred to current liabilities	**–**	(415)

Repayment terms

The term loans are unsecured and are split into two distinctive loans with different interest rates. The first term loan of R1 075 million carried interest at the three-month JIBAR rate plus a margin of 2.5%. The second term loan of R1 000 million carried interest at the three-month JIBAR rate plus a margin of 2.3%.The interest was serviced quarterly. The loans were repayable over five years with equal six monthly instalments of R107.5 million and R100 million respectively. The last repayment date was 31 March 2015. The loans were repaid during February 2014 and new term loans were raised.

	2014 R'm	2013 Restated R'm
Bilateral term loans	**831**	–
Opening balance at 1 October	**–**	–
Additional loans raised	**1 500**	–
Less: Capital repaid during the year	**(115)**	–
Closing balance at 30 September	**1 385**	–
Less: Current portion transferred to current liabilities	**(554)**	–

Repayment terms

The term loans are unsecured and are split into two distinctive loans with different interest rates. The first term loan of R690 million (2013: nil) carries interest at the three-month JIBAR rate plus a margin of 1%. The second term loan of R810 million (2013: nil) carries interest at the three-month JIBAR rate plus a margin of 1.1%. The interest is serviced quarterly. The loans are repayable over three years. The first term loan is repayable in six equal semi-annual instalments of R115 million. The second term loan is repayable in five equal semi-annual instalments of R162 million. The last repayment date is 31 March 2017. At 30 September 2014 the outstanding amount for the first term loan is R575 million and for the second term loan is R810 million.

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

- If the net debt to EBITDA ratio is at or less than 1.75:1, then the interest rate margin shall be 1% for the first term loan and 1.1% for the second term loan.
- If the net debt to EBITDA ratio is higher than 1.75:1 and less than 2.25:1, then the interest rate margin shall be 1.25% for the first term loan and 1.35% for the second term loan.
- If the net debt to EBITDA ratio is at or higher than 2.25:1, then the interest rate margin shall be 1.5% for the first term loan and 1.6% for the second term loan.

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	2014 R'm	2013 Restated R'm
18. INTEREST-BEARING BORROWINGS *(continued)*		
Unsecured borrowings		
Preference shares	**615**	820
Opening balance at 1 October	**820**	820
Add: Capital raised during the year	**–**	–
Closing balance at 30 September	**820**	820
Less: Current portion transferred to current liabilities	**(205)**	–

Repayment terms

The preference shares are defined as borrowings. The borrowings of R820 million are unsecured and carry interest at 77% of the three-month JIBAR rate plus a margin of 2.035%. The dividend on the preference shares is classified as interest and is serviced quarterly. The loan is repayable from September 2015 in four equal six monthly instalments of R205 million each. The last repayment date is March 2017. At 30 September 2014 the outstanding amount for the preference shares is R820 million.

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

- If the average liquidity premiums for the lenders change by more than 0.1% then the interest changes by the same difference in the margin.
- If the net debt to EBITDA ratio is higher than 2:1 and less than 2.5:1, then the interest rate margin shall be increased by 0.25%.
- If the net debt to EBITDA ratio is higher than 2.5:1 and less than 3:1, then the interest rate margin shall be increased by 0.5%.

	2014 R'm	2013 Restated R'm
Other loans	**–**	–
Opening balance at 1 October	**–**	–
Additional loans raised	**117**	–
Effect of foreign currency movement	**(1)**	–
Closing balance at 30 September	**116**	–
Less: Current portion transferred to current liabilities	**(116)**	–

Repayment terms

The loan is unsecured and bears interest at 4% and is repayable as agreed by the parties.

	2014 R'm	2013 Restated R'm
18. INTEREST-BEARING BORROWINGS *(continued)*		
Secured borrowings		
Equipment instalment sale	**31**	21
Opening balance at 1 October	**31**	–
Additional loans raised	**45**	31
Less: Capital repaid during the year	**(20)**	–
Closing balance at 30 September	**56**	31
Less: Current portion transferred to current liabilities	**(25)**	(10)

Repayment terms
The loan bears interest at the prime rate minus 2.2%, is repayable in thirty-six equal monthly instalments of R2.3 million (2013: R0.93 million) and is secured by equipment with a carrying value of R118 million (2013: R44 million). The last instalment is due on 31 December 2016 (2013: 30 September 2016).

	2014 R'm	2013 Restated R'm
Mortgage bonds at fixed interest rate	**–**	–
Opening balance at 1 October	**4**	11
Loans repaid during the year	**(4)**	(7)
Closing balance at 30 September	**–**	4
Less: Current portion transferred to current liabilities	**–**	(4)

Repayment terms
The mortgage bonds bore interest at a fixed rate of 18.2% (2013:18.2%). The last instalment was paid on 31 March 2014. The average monthly instalment for 2013 was R0.73 million. The bonds were secured by properties with a carrying value of R23 million (2013: R25 million).

	2014 R'm	2013 Restated R'm
Bonds at variable interest rate	**–**	–
Opening balance at 1 October	**–**	–
Arising on acquisition of subsidiary	**65**	–
Effect of foreign currency movement	**(1)**	–
Closing balance at 30 September	**64**	–
Less: Current portion transferred to current liabilities	**(64)**	–

Repayment terms
The Polish bond bears interest at a variable rate linked to the three-month Warsaw Interbank Offered Rate (WIBOR) plus a margin of 5.75%. The bonds will be repaid by December 2014 and are secured by the debtors book, with a carrying value of R28 million.

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	2014 R'm	2013 Restated R'm
18. INTEREST-BEARING BORROWINGS *(continued)*		
Secured borrowings *(continued)*		
Equipment instalment sale *(continued)*		
Mortgage bonds at variable interest rate	**27**	34
Opening balance at 1 October	**37**	7
Additional loans raised	**–**	31
Loans repaid during the year	**(8)**	(1)
Closing balance at 30 September	**29**	37
Less: Current portion transferred to current liabilities	**(2)**	(3)

Repayment terms

The Southern African mortgage bonds bear interest at various rates linked to the prime bank overdraft rate and are repayable in average monthly instalments of R0.39 million (2013: R0.43 million) over periods ranging between one to nine years (2013: one to 10 years). The mortgage bonds are secured by property, plant and equipment with a carrying value of R105 million (2013: R124 million). The last instalment is due on 30 September 2023.

	2014 R'm	2013 Restated R'm
Bank loans in Polish operations	**13**	–
Opening balance at 1 October	**–**	–
Arising on acquisition of subsidiary	**23**	–
Additional loans raised	**4**	–
Net loans repaid during the year	**(7)**	–
Closing balance at 30 September	**20**	–
Less: Current portion transferred to current liabilities	**(7)**	–

Repayment terms

These loans bear interest at variable rates linked to the one-month or three-month WIBOR plus margins ranging from 2.8% to 4%, is repayable in monthly instalments of R1.4 million and is secured by non-current assets and the debtors book, with a total carrying value of R53 million. The last instalment is due on 19 April 2019.

	2014 R'm	2013 Restated R'm
Finance leases – Equipment	**15**	–
Opening balance at 1 October	**–**	–
Arising on acquisition of subsidiary	**25**	–
Additional loans raised	**1**	–
Loans repaid during the year	**(3)**	–
Effect of foreign currency movement	**(1)**	–
Closing balance at 30 September	**22**	–
Less: Current portion transferred to current liabilities	**(7)**	–

Repayment terms

These Polish finance leases bear interest at variable rates linked to one-month or three-month WIBOR plus margins ranging from 2.7% to 6.97%, and are repayable in average monthly instalments of R0.56 million over periods ranging between one to five years. The finance lease agreements are secured by property, plant and equipment with a carrying value of R22 million.

	2014 R'm	2013 Restated R'm
Minimum future finance lease payments		
Not later than one year	**8**	–
Later than one year, not later than five years	**17**	–
Later than five years	**–**	–
	25	–
Future finance charges on lease payments	**(3)**	–
Present value of finance lease liabilities	**22**	–
The present value of future lease liabilities is as follows:		
Not later than one year	**7**	–
Later than one year, not later than five years	**15**	–
Later than five years	**–**	–
	22	–

	2014 R'm	2013 Restated R'm
18. INTEREST-BEARING BORROWINGS *(continued)*		
Finance leases – other	**4**	–
Opening balance at 1 October	**–**	–
Arising on acquisition of subsidiary	**8**	–
Loans repaid during the year	**(2)**	–
Closing balance at 30 September	**6**	–
Less: Current portion transferred to current liabilities	**(2)**	–

Repayment terms

These Polish finance leases bear interest at variable rates linked to once-month or three-month WIBOR plus margins ranging from 2.7% to 6.97%, and are repayable in average monthly instalments of R0.09 million over periods ranging between one to five years. The finance lease agreements are secured by property, plant and equipment with a carrying value of R8 million.

	2014 R'm	2013 Restated R'm
Minimum future finance lease payments		
Not later than one year	**3**	–
Later than one year, not later than five years	**4**	–
Later than five years	**–**	–
	7	–
Future finance charges on lease payments	**(1)**	–
Present value of finance lease liabilities	**6**	–
The present value of future lease liabilities is as follows:		
Not later than one year	**2**	–
Later than one year, not later than five years	**4**	–
Later than five years	**–**	–
	6	–
Finance leases – property lease agreements capitalised	**808**	574
Opening balance at 1 October	**594**	513
Arising on acquisition of subsidiary	**242**	–
Raised	**17**	126
Loans repaid during the year	**(15)**	(45)
Effect of foreign currency movement	**(5)**	–
Closing balance at 30 September	**833**	594
Less: Current portion transferred to current liabilities	**(25)**	(20)

Repayment terms

The Southern African finance leases bear interest at various rates ranging from 4.5% to 18% (2013: 4.5% to 18%) and are repayable in average monthly instalments of R6 million (2013: R6 million) over periods ranging between one and eighteen (2013: one and nineteen) years. The finance lease agreements are secured by property, plant and equipment with a carrying value of R441 million (2013: R430 million).

The Polish finance leases bear interest at a variable rate linked to the three-month WIBOR plus a margin of 3.76%, and are repayable in average monthly instalments of R0.18 million over periods ranging between one and twelve years. The finance lease agreements are secured by property, plant and equipment with a carrying value of R358 million.

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		2014 R'm	2013 Restated R'm
18.	**INTEREST-BEARING BORROWINGS** *(continued)*		
	Minimum future finance lease payments		
	Not later than one year	**117**	92
	Later than one year, not later than five years	**526**	395
	Later than five years	**1 072**	784
		1 715	1 271
	Future finance charges on lease payments	**(882)**	(677)
	Present value of finance lease liabilities	**833**	594
	The present value of future lease liabilities is as follows:		
	Not later than one year	**25**	20
	Later than one year, not later than five years	**152**	130
	Later than five years	**656**	444
		833	594
	Borrowing facilities		
	The Group has the following borrowing facilities available:		
	Available and uncommitted revolving credit facility	**2 000**	1 000
	Preference share facility	**1 400**	–
	Committed working capital facility*	**700**	250
	Guarantee facility	**50**	50
		4 150	1 300
	The borrowing powers of the Company and its subsidiaries are not limited by the memorandum of incorporation of the Company.		
	* *Fluctuates seasonally*		
19.	**OPERATING LEASE LIABILITY**		
	The Group is a lessee of various hospital and administration office properties under non-cancellable lease agreements.		
	Opening balance at 1 October	**63**	62
	Operating lease expense on a straight-line basis	**58**	54
	Lease payments to lessors	**(45)**	(53)
	New operating lease entered into during the current year	**(6)**	–
	Effect of foreign currency movement	**1**	–
	Total liability at 30 September	**71**	63
	Add: Operating lease asset current portion	**5**	3
	Non-current operating lease liability	**76**	66
	The lease terms range between one to twenty (2013: one to twenty-one) years.		
	Refer to note 38 for the operating lease commitments.		
20.	**TRADE AND OTHER PAYABLES**		
	Trade payables	**825**	786
	Accruals	**261**	83
	Salary related contributions	**112**	98
	Value added tax	**53**	57
	Deferred income	**11**	–
	Accrued leave pay	**171**	156
	Other payables	**245**	119
	Balance at 30 September	**1 678**	1 299

	2014 R'm	2013 Restated R'm
21. PROVISIONS		
Employee benefit provisions	**138**	136
Long Term Incentive Scheme	**50**	66
Total provisions	**188**	202
Less: Portion included in non-current liabilities	**(28)**	(26)
Current portion of provisions	**160**	176
Employee benefit provisions		
Balance at 1 October	**136**	135
Additional provisions raised	**190**	177
Amounts utilised	**(188)**	(176)
Balance at 30 September	**138**	136

The employee benefit provisions represent the pro-rata portion of a thirteenth cheque that is payable to employees in December annually in terms of their employment contracts, as well as a performance bonus scheme that is calculated quarterly. Provisions are raised as payment is subject to the employee being in employment at vesting date.

	2014 R'm	2013 Restated R'm
Long Term Incentive Scheme		
Balance at 1 October	**66**	65
Interest cost	**2**	2
Service cost	**23**	37
Actual benefit payments	**(39)**	(36)
Actuarial loss/(gain)	**(2)**	(2)
Balance at 30 September	**50**	66

If the EBITDA growth rate was 10% higher then the liability would be 7% higher.

If the EBITDA growth rate was 10% lower then the liability would be 7% lower.

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22. DERIVATIVE FINANCIAL INSTRUMENTS

Interest rate swap contracts

The Group entered into two new interest rate swap contracts to manage exposure to fluctuations in interest rates on the interest-bearing borrowings on 3 March 2014. The instruments are settled quarterly on the last days of March, June, September and December. The notional principal amount of the interest rate swap contracts were R600 million each. The fixed interest rate for the first interest rate contract is 7.32% and for the second interest rate contract is 7.33% The interest rate contracts are linked to the three months JIBAR (nacq). At 30 September 2014 the floating interest rate varied from 6.13% to 5.68%. Gains and losses on the interest rate swap contracts are recognised in the statement of comprehensive income.

The previous interest rate swap contract, with a notional principal amount of R750 million, matured during the current financial year on 28 February 2014.

	2014 Assets R'm	2014 Liabilities R'm	2013 Assets Restated R'm	2013 Liabilities Restated R'm
Carrying value at 30 September	–	(9)	–	(2)
Cost price of the instruments	–	–	–	–
Mark-to-market valuation at 30 September	–	(9)	–	(2)
Foreign exchange hedge contract				
The Group entered into a foreign exchange transaction to hedge the foreign exchange exposure in respect of the purchase of Indian Rupees. The notional principal amount of the outstanding foreign exchange contract at 30 September 2014 was Indian Rupees 7 600 000 000 (2013: Nil). This contract will mature within twelve months.	56	–	–	–
Cost price of the instruments	–	–	–	–
Mark-to-market valuation at 30 September	56	–	–	–
Foreign exchange contracts				
The Group entered into United States Dollar exchange contracts to manage exposure to fluctuations in the Rand Dollar exchange rate on a foreign liability. The notional principal amounts of the outstanding foreign exchange contracts at 30 September 2014 was USD 0.7 million (2013: USD 0.1 million). These contracts will mature within twelve months.	–	–	–	–
Cost price of the instruments	–	–	–	–
Mark-to-market valuation at 30 September	–	–	–	–
Total carrying value of derivative financial instruments at 30 September	56	(9)	–	(2)
Less: Non-current portion at 30 September	–	(9)	–	–
Interest rate swap contracts	–	(9)	–	–
Foreign exchange hedge contract	–	–	–	–
Foreign exchange contracts	–	–	–	–
Net current portion at 30 September	56	–	–	(2)

	2014 R'm	2013 Restated R'm
The fair value gains/(losses) are charged to the statement of comprehensive income are as follows:		
Interest rate swap contracts	(7)	9
Foreign exchange hedge contracts	56	–
	49	9

23. FINANCIAL INSTRUMENTS BY CATEGORY

	Assets at fair value through profit or loss R'm	Loans and receivables R'm	Total R'm
30 September 2014			
Assets per statement of financial position			
Trade and other receivables	–	1 260	1 260
Loans receivable	–	10	10
Loans to associates	–	11	11
Cash and cash equivalents	–	422	422
Derivative financial Instruments	56	–	56
	56	1 703	1 759

	Liabilities at fair value through profit or loss R'm	Liabilities at amortised cost R'm	Total R'm
30 September 2014			
Liabilities per statement of financial position			
Trade and other payables	–	1 342	1 342
Interest-bearing borrowings	–	3 351	3 351
Derivative financial Instruments	9	–	9
Bank overdraft	155	–	155
	164	4 693	4 857

	Loans and receivables R'm	Total R'm
30 September 2013 – Restated		
Assets per statement of financial position		
Trade and other receivables	1 057	1 057
Loans receivable	10	10
Loans to associates	8	8
Cash and cash equivalents	297	297
	1 372	1 372

	Liabilities at fair value through profit or loss R'm	Liabilities at amortised cost R'm	Total R'm
30 September 2013 – Restated			
Liabilities per statement of financial position			
Trade and other payables	–	988	988
Interest-bearing borrowings	–	2 109	2 109
Derivative financial Instruments	2	–	2
Bank overdraft	233	–	233
	235	3 097	3 332

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24. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(a) Financial assets

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

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

	Amounts offset			Amounts not offset		
	Gross assets R'm	Gross liabilities R'm	Net amounts presented R'm	Financial instruments R'm	Cash collateral received R'm	Net R'm
As at 30 September 2013 Restated						
Cash and cash equivalents	–	–	–	297	–	297
Foreign exchange hedge contract	–	–	–	–	–	–
	–	–	–	297	–	297

(b) Financial liabilities

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

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

	Amounts offset			Amounts not offset		
	Gross liabilities R'm	Gross assets R'm	Net amounts presented R'm	Financial instruments R'm	Cash collateral received R'm	Net R'm
As at 30 September 2013 Restated						
Cash and cash equivalents	–	–	–	233	–	233
Interest rate swap contracts	(45)	43	(2)	–	–	–
	(45)	43	(2)	233	–	233

25. REVENUE

Revenue comprises invoiced fees for private healthcare and fees for healthcare services, net of value added tax (VAT) and discounts allowed. Main categories of revenue are as follows:

	2014 R'm	2013 Restated R'm
Private healthcare services	**12 053**	10 989
Government and public healthcare facility services	**573**	494
Other healthcare related services	**369**	310
Rental income related to auxiliary services	**51**	41
	13 046	11 834

		2014 R'm	2013 Restated R'm
26.	**OTHER INCOME**		
	Other income comprises:		
	Other rental income	**54**	40
	Other income	**61**	77
		115	117
27.	**PROFIT BEFORE TAX**		
	The following items have been included in arriving at profit before tax:		
	Depreciation on property, plant and equipment	**355**	354
	Fixed property – owned	**82**	84
	Fixed property – leased	**31**	39
	Leasehold improvements	**15**	12
	Medical equipment	**176**	172
	Other equipment	**47**	44
	Motor vehicles	**4**	3
	Amortisation of intangible assets	**122**	116
	Customer relations	**57**	56
	Hospital licences	**53**	54
	Computer software	**9**	3
	Preferred supplier contracts	**3**	3
	Profit on disposal of property, plant and equipment	**–**	(4)
	Profit on disposal of business	**(2)**	–
	Profit on disposal of investments in associates	**(957)**	–
	Gain on bargain purchase	**(1)**	–
	Impairment of property, plant and equipment	**1**	–
	Repairs and maintenance expenditure on property, plant and equipment	**174**	130
	Operating lease rentals	**101**	96
	Equipment	**43**	42
	Property	**58**	54
	Trade receivables – impairment charge for doubtful debts and bad debts written off	**76**	75
	Auditors' remuneration	**14**	11
	Audit fees	**12**	10
	Management consulting and other audit related services	**2**	1
	Directors' remuneration (refer to note 36)	**35**	26
	For services as executive director	**23**	22
	For services as past executive director	**8**	–
	For services as non-executive director	**4**	4
	Currency translation differences	**1**	(11)
	Professional, legal and secretarial fees	**104**	84

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *(CONTINUED)*
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		2014 R'm	2013 Restated R'm
28.	**EMPLOYEE BENEFITS EXPENSE**		
	Salaries*	**3 243**	2 869
	Agency fees	**682**	598
	Long Term Incentive Scheme	**43**	64
	Share-based payment – Life Healthcare Employee Share Trust	**16**	10
	Medical aid contributions	**205**	187
	Skills development	**28**	26
	UIF	**18**	17
	State social contributions in Poland	**8**	–
	Pension fund costs – defined benefit and contribution plans	**11**	11
	Provident fund costs – defined contribution plans	**140**	130
		4 394	3 912
	Number of permanent employees	**15 773**	13 736
	Southern Africa	**14 141**	13 736
	Poland	**1 632**	–

* *Salaries include executive directors' remuneration*

		2014 R'm	2013 Restated R'm
29.	**FINANCE INCOME AND COST**		
	Finance cost	**230**	226
	Interest-bearing borrowings and bank overdrafts	**182**	159
	Borrowing cost capitalised	**(16)**	–
	Preference shares	**51**	49
	Net foreign exchange losses	**–**	1
	Other	**13**	17
	Finance income	**(22)**	(15)
	Bank and deposits	**(22)**	(12)
	Other	**–**	(3)
	Net finance cost	**208**	211
30.	**TAX EXPENSE**		
	Normal tax		
	Current year	**878**	792
	Prior year	**1**	–
	Deferred tax		
	Current year	**(1)**	(35)
	Prior year	**(4)**	3
	Tax-withholding	**1**	–
		875	760

Reconciliation of the tax rate	**%**	**%**
South African normal tax rate	**28.00**	28.00
Adjusted for:		
Impact of lower international tax rate	**0.14**	(0.15)
Prior year	**(0.08)**	0.11
Withholding tax	**0.01**	–
Assessed losses not utilised	**0.36**	(0.07)
Income not taxable	**(9.27)**	(1.52)
Expenses not deductible	**2.86**	1.13
Effective rate	**22.02**	27.50

The Group has estimated tax losses of R54 million (2013: R30 million) available to offset against future taxable income. Tax losses of R5 million (2013: R7 million) were utilised during the period.

31. EARNINGS AND HEADLINE EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the year.

Weighted average number of shares in issue is calculated as the number of shares in issue at the beginning of the year, increased/(decreased) by shares issued/(redeemed) during the year, weighted on a time basis for the period during which they participated in the net profit of the Group.

	2014 R'm	2013 Restated R'm
Profit from operations attributable to equity holders	**2 774**	1 711
Weighted average number of shares in issue ('m)	**1 037**	1 038
Earnings per share (cents)	**267.5**	164.8

Diluted earnings per share

The diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

	2014 R'm	2013 Restated R'm
Profit attributable to ordinary equity holders	**2 774**	1 711
Diluted number of shares for diluted earnings per share ('m)	**1 040**	1 039
Weighted average number of shares in issue ('m)	**1 040**	1 039
Diluted earnings per share (cents)	**266.7**	164.7

	Gross amount R'm	Tax R'm	Net amount R'm
Headline earnings per share at 30 September 2014			
Profit attributable to ordinary equity holders			**2 774**
Adjustments:			
Impairment of property, plant and equipment	**1**	**–**	**1**
Profit on disposal of investment in associate	**(957)**	**28**	**(929)**
Profit on disposal of a business	**(2)**	**1**	**(1)**
Gain on bargain purchase	**(1)**	**–**	**(1)**
Headline earnings for September 2014			**1 844**
Weighted average number of shares in issue ('m)			**1 037**
Headline earnings per share (cents)			**177.8**

	Gross amount R'm Restated	Tax R'm Restated	Net amount R'm Restated
Headline earnings per share at 30 September 2013			
Profit attributable to ordinary equity holders			1 711
Adjustments:			
Loss on derecognition of finance lease asset	4	–	4
Profit on disposal of property, plant and equipment	(4)	–	(4)
Headline earnings for September 2014			1 711
Weighted average number of shares in issue ('m)			1 038
Headline earnings per share (cents)			164.8

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *(CONTINUED)*
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	2014 R'm	2013 Restated R'm
31. EARNINGS AND HEADLINE EARNINGS PER SHARE *(continued)*		
Diluted headline earnings per share		
Diluted headline earnings per share is calculated on the same basis used for calculating diluted earnings per share, other than headline earnings being the numerator:		
Headline earnings	**1 844**	1 711
Diluted number of shares for diluted headline earnings per share ('000)	**1 040**	1 039
Weighted average number of shares in issue ('m)	**1 040**	1 039
Diluted headline earnings per share (cents)	**177.3**	164.7
Reconciliation between the weighted average number of shares and the diluted number of shares ('000)		
Issued ordinary shares at the beginning of the year	**1 042 210**	1 042 210
Effect of treasury shares	**(4 963)**	(4 238)
Weighted average number of ordinary shares at the end of the year for the purpose of basic earnings per share and headline earnings per share	**1 037 247**	1 037 972
Effect of dilutive potential ordinary shares – treasury shares	**2 713**	1 353
Weighted average number of ordinary shares at the end of the year for the purpose of diluted earnings per share and diluted headline earnings per share	**1 039 960**	1 039 325

32. DISTRIBUTION PER SHARE

	2014 R'm	2013 Restated R'm
Distribution per share (cents)	**235**	114
Final (previous financial year)	**72**	60
Special	**100**	–
Interim	**63**	54

On 14 November 2013 an ordinary dividend of R750 million was declared by way of a dividend out of income reserves of 72 cents per ordinary share. On 20 February 2014 a special gross cash dividend of R1 042 million was declared by way of a dividend out of profits received on the disinvestment in JMH Holdings Limited of 100 cents per ordinary share. The total special dividend was subject to dividend withholding tax at a rate of 15%, which resulted in a net dividend of 85 cents per ordinary share to those shareholders who are not exempt in terms of section 64F of the Income Tax Act. On 12 May 2014 an interim dividend of R657 million was declared by way of a dividend out of income reserves of 63 cents per share. The total interim dividend was subject to dividend withholding tax at a rate of 15%, which resulted in a net dividend of 53.55 cents per ordinary share to those shareholders who are not exempt in terms of section 64F of the Income Tax Act.

On 15 November 2012 an ordinary dividend of R625 million was declared by way of a dividend out of income reserves of 60 cents per share. On 8 May 2013 an ordinary dividend of R563 million was declared by way of a dividend out of income reserves of 54 cents per share. R24 million of the dividend was subject to secondary tax on companies (STC) (2,27304 cps). The balance of the dividend amounting to R539 million was subject to dividend withholding tax at a rate of 15%, which resulted in a net dividend of 46,24096 cents per share to those shareholders who are not exempt in terms of section 64F of the Income Tax Act.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *(CONTINUED)*
FOR THE YEAR ENDED 30 SEPTEMBER 2014

		2014 R'm	2013 Restated R'm
33.	**CASH GENERATED FROM OPERATIONS**		
	Reconciliation of profit before tax to cash generated from operations		
	Net profit before tax	**3 973**	2 764
	Adjusted for:		
	Foreign exchange loss	**–**	1
	Income from associates	**(39)**	(65)
	Depreciation on property, plant and equipment	**355**	354
	Amortisation of intangible assets	**122**	116
	Finance costs excluding foreign exchange profit (refer note 29)	**208**	210
	Fair value gains	**(49)**	(9)
	Profit on disposal of property, plant and equipment	**–**	(4)
	Gain on bargain purchase	**(1)**	–
	Profit on disposal of investment in associate	**(957)**	–
	Profit on disposal of a business	**(2)**	–
	Loss on derecognition of finance lease asset	**–**	4
	Gain on derecognition of finance lease liability	**–**	(22)
	Share based payment reserve charge	**35**	37
	Effect of straight-line operating expense	**58**	54
	Post-retirement benefit obligation charge	**(16)**	(7)
	Trade receivable impairment charge	**76**	75
	Cost of inventories written off as expired stock	**6**	6
	Operating cash flow before working capital changes	**3 769**	3 514
	Working capital changes:		
	Inventories	**(26)**	(23)
	Trade and other receivables	**(238)**	(140)
	Trade and other payables	**11**	71
	Cash generated from operations	**3 516**	3 422
34.	**PROCEEDS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT**		
	In the statement of cash flows, proceeds from sale of property, plant and equipment comprise:		
	Net carrying value	**5**	1
	Profit on sale of property, plant and equipment	**–**	4
	Cash proceeds from sale of property, plant and equipment	**1**	5
	Proceeds included in trade and other receivables due to the sale of property, plant and equipment	**4**	–

	2014 R'm	2013 Restated R'm
35. ACQUISITION AND DISPOSAL OF INVESTMENTS		
Acquisition of associate – Max Healthcare Institute Limited		
During the prior year, on 30 September 2013, the Group made an additional investment into Max Healthcare Institute Limited (Max), India to maintain its 26% shareholding in the company.		
Cost of associate investment	**–**	(68)
Based on certain performance targets being achieved, the Group has the option to increase its shareholding in Max to equality with Max India Limited in March 2014 or March 2015. The equity shares will be sold at the fair market value. The Group did not increase its shareholding in Max during the current financial year.		
Refer to note 8 for the investment in associate and joint ventures.		
Disposal of investment in associates – Joint Medical Holdings Limited		
On 24 February 2014, the Group disinvested its 49.3% shareholding in Joint Medical Holdings Limited (JMH) via a share buy-back to the value of R1 209 million followed by a direct purchase of R156 million. This resulted in a profit on sale of associate of R957 million.		
Proceed on disposal of investment in associates	**1 365**	–
Increase in ownership interest in subsidiaries as a result of non-controlling interest transactions – various subsidiary companies		
During the current and previous financial year, the Group had marginal increases in its shareholdings in subsidiary companies.		
Increase in ownership interest:		
Value of increase in ownership interest in subsidiary	**(59)**	(18)
Cash outflow on increase of ownership interest in subsidiaries	**(59)**	(18)
Increase in ownership interest resulting in a company becoming a wholly owed subsidiary – Wilgeheuwel Hospital Proprietary Limited		
On 1 April 2014, the Group acquired additional 13.7% shares in Wilgeheuwel Hospital Proprietary Limited, resulting in Wilgeheuwel Hospital Proprietary Limited becoming a wholly owned subsidiary of the Group.		
Increase in ownership interest:		
Transactions with non-controlling interest reserve	**(7)**	–
Increase in ownership interest in subsidiaries	**(89)**	–
Cash outflow on increase of ownership interest in subsidiaries	**(96)**	–

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *(CONTINUED)*
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35. ACQUISITION AND DISPOSAL OF INVESTMENTS *(continued)*

Business combinations – Sport Science Day Surgery Clinic Proprietary Limited

On 5 October 2013, the Group acquired 100% of the shares in Sport Science Day Surgery Clinic Proprietary Limited (SSDSC).

From the date of acquisition, SSDSC contributed revenue of R0.02 million and net loss after tax of R0.1 million which was recognised in the statement of comprehensive income.

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

	2014 R'm
Purchase consideration	
Total purchase consideration	**(8)**
Cash portion	**(8)**
Fair value of net assets acquired	
Fair value of net assets acquired	**9**
Gain on bargain purchase	**1**

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

	Acquiree fair value 2014 R'm
Property, plant and equipment	**9**
	9

Business combination – Scanmed Multimedis S.A

On 16 April 2014, the Group acquired a 57.1 % interest in Scanmed Multimedis S.A (Scanmed), incorporated in Poland. On 24 April 2014, the Group acquired an additional 23.3% interest in Scanmed.

Goodwill recognised on the business combination is in respect of expected synergies from combining the operations of Scanmed with the Group.

The company had no significant contingent liabilities at the acquisition date.

From the date of acquisition, Scanmed contributed revenue of R175 million and net loss after tax of R13 million which was recognised in the statement of comprehensive income.

The following presents the net impact on the consolidated information of the Group as if the business combination took place on 1 October 2013:

Revenue	**382**
Net loss	**(28)**

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

Purchase consideration	
Total purchase consideration	**(427)**
Cash portion	**(391)**
Non-cash portion	**(36)**
Fair value of net assets acquired	
Fair value of net assets acquired	**211**
Fair value of non-controlling interest recognised	**(63)**
Goodwill arising on acquisition	**(279)**

35. ACQUISITION AND DISPOSAL OF INVESTMENTS *(continued)*

Business combination – Scanmed Multimedis S.A *(continued)*

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

	Acquiree fair value 2014 R'm
Inventories	6
Accounts and other receivable	53
Accounts and other payable	(75)
Cash balances	22
Current tax liability	(1)
Borrowings	(363)
Property, plant and equipment	545
Deferred tax	(4)
Intangible assets	28
	211

Since the initial acquisition, the Group increased its shareholding in Scanmed to 98.56%.

Increase in ownership interest:

Total purchase consideration	(70)
Cash portion	(70)
Fair value of non-controlling interest recognised	57
Increase in ownership interest in subsidiaries	(13)

Business combination – Gastromed Limited

On 30 June 2014, Scanmed acquired 100% of Gastromed Limited (Gastromed), incorporated in Poland.

Goodwill recognised on the business combination is in respect of expected synergies from combining the operations of Gastromed with the Group.

The company had no significant contingent liabilities at the acquisition date.

The following presents the net impact on the consolidated information of the Group as if the business combination took place on 1 October 2013:

Revenue	24
Net profits	1

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

Purchase consideration

Total purchase consideration	(49)
Cash portion	(49)
Fair value of net assets acquired	
Fair value of net assets acquired	2
Goodwill arising on acquisition	(47)

	Acquiree fair value 2014 R'm
The fair value of the assets and liabilities arising from the acquisition were as follows:	
Accounts and other receivable	3
Accounts and other payable	(5)
Cash balances	1
Property, plant and equipment	3
	2

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *(CONTINUED)*
FOR THE YEAR ENDED 30 SEPTEMBER 2014

	2014 R'm	2013 Restated R'm
35. ACQUISITION AND DISPOSAL OF INVESTMENTS *(continued)*		
Acquisition of a subsidiary – Life Hilton Hospital Proprietary Limited		
During the prior year, on 7 June 2013, the Group acquired 95% of the shares in Life Hilton Hospital Proprietary Limited, which holds 100% of the shares in Amaraka Investments No 37 Proprietary Limited.		
The company had no significant contingent liabilities at the acquisition date.		
Details of the net assets acquired and goodwill are as follows:		
Total purchase consideration	–	28
Fair value of net assets acquired	–	28
Decrease in ownership interest in subsidiaries as a result of non-controlling interest transactions – various subsidiary companies		
During the current and previous financial year, the Group disposed of marginal percentages of its holding in subsidiary companies to non-controlling interest.		
The Group still maintained control over the subsidiary entities after the decrease in ownership interest.		
Decrease in ownership interest:		
Value of decrease in ownership interest in subsidiary	17	47
Total value of decrease in ownership interest in subsidiary	17	47
Transactions with non-controlling interest reserve	8	10
Proceeds on disposal of investments	25	57
Cash proceeds on decrease of ownership interest in subsidiaries	13	57
Non-cash proceeds	12	–
Disposal of a business – Life Sandton Surgical Centre		
On 3 March 2014, the Group disposed of its total interest in Life Sandton Surgical Centre.		
On this date, the carrying amount of assets and liabilities disposed of were as follows:		
Property, plant and equipment	1	
Carrying amount of investment disposed	1	
Profit on disposal of business	2	
Cash proceeds on disposal of investment in subsidiary	3	

36. DIRECTORS' EMOLUMENTS

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

	Total share-holding R'000	Directors' fees R'000	Salaries R'000	Bonus and performance related payments R'000	Other allowances R'000	Gains on long term incentive scheme R'000	Medical aid contribution R'000	Pension fund contribution R'000	Total R'000
2014									
Executive directors									
A Meyer[2]	–	–	2 138	6 316^	693	–	19	208	9 374
CMD Flemming[1]	N/A	–	1 484	1 693	1 366*	4 657	14	400	9 614
PP van der Westhuizen[3]	151 399	–	1 331	1 121	488	565	28	130	3 663
	151 399	–	4 953	9 130	2 547	5 222	61	738	22 651
Past executive director									
CMD Flemming[1]	–	–	1 538	2 451	488	3 366°	13	407	8 263
Non-executive directors									
MA Brey	6 323 128	1 049	–	–	–	–	–	–	1 049
Dr MP Ngatane	–	302	–	–	–	–	–	–	302
GC Solomon	107 000	558	–	–	–	–	–	–	558
LM Mojela	–	563	–	–	–	–	–	–	563
PJ Golesworthy	22 000	623	–	–	–	–	–	–	623
TS Munday	–	178	–	–	–	–	–	–	178
FA du Plessis	–	340	–	–	–	–	–	–	340
JK Netshitenzhe	–	274	–	–	–	–	–	–	274
RT Vice	–	328	–	–	–	–	–	–	328
ME Jacobs	–	214							214
	6 452 128	4 429	–	–	–	–	–	–	4 429

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *(CONTINUED)*
FOR THE YEAR ENDED 30 SEPTEMBER 2014

36. DIRECTORS' EMOLUMENTS *(continued)*

	Total share-holding R'000	Directors fees R'000	Salaries R'000	Bonus and performance related payments R'000	Other allowances R'000	Gains on long term incentive scheme R'000	Medical aid contribution R'000	Pension fund contribution R'000	Total R'000
2013 – Restated									
Executive directors									
CMD Flemming	10 132 787	–	2 815	4 510	893	4 275	26	833	13 352
RJ Hogarth[4]	–	–	1 030	1 874	837*	3 841	291	305	8 178
PP van der Westhuizen[3]	168 243	–	420	–	143	–	9	41	613
	10 301 030	–	4 265	6 384	1 873	8 116	326	1 179	22 143
Non-executive directors									
MA Brey	6 312 048	659	–	–	–	–	–	–	659
Prof GJ Gerwel	–	196	–	–	–	–	–	–	196
Dr MP Ngatane	–	255	–	–	–	–	–	–	255
GC Solomon	107 000	413	–	–	–	–	–	–	413
LM Mojela	–	493	–	–	–	–	–	–	493
PJ Golesworthy	22 000	516	–	–	–	–	–	–	516
TS Munday	37 700	572	–	–	–	–	–	–	572
FA du Plessis	–	266	–	–	–	–	–	–	266
JK Netshitenzhe	–	229	–	–	–	–	–	–	229
KM Gordhan	–	129	–	–	–	–	–	–	129
	6 478 748	3 728	–	–	–	–	–	–	3 728

[1] *CMD Flemming resigned as Chief Executive Officer and executive director on 31 March 2014.*
[2] *A Meyer was appointed as Chief Executive Officer and executive director on 1 April 2014.*
[3] *Included for 12 months (2013: included for 4 months).*
[4] *Included for 8 months during 2013.*
* *Includes R894 808 (2013: R500 321) related to leave cashed.*
° *Includes R3 366 118 gain on long-term incentive scheme entitlement for the period CMD Flemming was a director. This will be paid out in January 2015.*
^ *Includes a R6 000 000 sign-on bonus subject to a 36-month work back period.*

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

Prescribed officer

In line with the requirements of the Companies Act, the Group discloses the remuneration paid to prescribed officers who are defined as the Group's Chief Executive Officer (A Meyer) and the Group's Chief Financial Officer (PP van der Westhuizen). Refer above for the directors' remuneration for the prescribed officers.

37. RELATED PARTIES

Subsidiary companies – refer to Annexure A

During the year, certain companies in the Group entered into transactions with other companies in the Group. These intra-Group transactions have been eliminated on consolidation.

Associate companies and joint ventures – refer to Annexure B

The Group has investments in a number of associate companies and joint ventures. Details are disclosed in note 8 and Annexure B to the financial statements. No provision has been required in 2014 and 2013 for the loans made to associates and joint ventures.

Directors and director-related entities

Details of directors are disclosed in the administration to the financial statements on page 2. No direct loans were made to or received from any director and no other transactions were entered into with any director. Refer to note 36 for details on directors' emoluments. No director has a notice period of more than six months. No director's service contract includes pre-determined compensation as a result of termination that would exceed one year's salary and benefits.

Key management

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

	2014 R'm	2013 Restated R'm
Key management remuneration		
Salaries	**245**	264
Performance equity scheme*		
Medical aid contributions	**4**	4
Pension fund costs – defined benefit and contribution plans	**3**	4
Provident fund costs – defined contribution plans	**10**	10
	262	282

Other related parties

Post-retirement medical aid plan for the benefit of certain past and current employees.
Refer to note 10.

38. COMMITMENTS AND CONTINGENCIES

Capital commitments

	2014 R'm	2013 Restated R'm
Capital expenditure approved but not contracted at the statement of financial position date and not recognised in the financial statements is as follows:		
– Property, plant and equipment	**1 279**	688
Capital expenditure contracted for and not provided in the financial statements is as follows:		
– Property, plant and equipment	**659**	424

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *(CONTINUED)*
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38. COMMITMENTS AND CONTINGENCIES *(continued)*

Operating lease commitments

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

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

	2014 R'm	2013 Restated R'm
Not later than one year	**58**	73
Later than one year and not later than five years	**171**	165
Later than five years	**489**	272
	718	510

Contingencies

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

The Group has issued various guarantees as security to various government institutions for leases and construction projects to the value of R33 million (2013: R18 million).

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

The Group provided a pro rata Company guarantee of the debts that Max Healthcare Institute Limited currently guarantees: circa Indian Rupees 440 960 000 (2013: Indian Rupees 1 070 000 000).

Competition Commission

In 2012, the Competition Commission advised the Company's subsidiary Life Healthcare Group Proprietary Limited (LHG) that the Commission has decided to refer a complaint against LHG and its associate company, Joint Medical Holdings Limited (JMH) to the Competition Tribunal.

The Group acted based on professional legal advice and is addressing the matter with its advisors and the competition authorities.

39. 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:

Shareholders' dividend

The directors approved a final gross cash dividend of 78 cents per ordinary share (2013: 72 cents per ordinary share) on 13 November 2014. The dividend has been declared from income reserves and no secondary tax on companies credits have been utilised. The total final dividend amounting to R813 million will be subject to dividend withholding tax at a rate of 15%, which will result in a net dividend of 66.30000 cents per share to those shareholders who are not exempt in terms of section 64F of the Income Tax Act.

Max Healthcare Institute Limited

Approval was obtained to transfer funds abroad to increase the Group's shareholding in Max Healthcare Institute Limited to 46.25%. The anticipated date to conclude the above transaction will be before the end of December 2014. Anticipated cash outflow regarding this investment is R1.4 billion.

Acquisition of a new hospital business

The Group entered into an agreement to purchase a majority share in an independent hospital in Mbombela. The Group has submitted this application to the competition authorities towards the end of September 2014. The Group anticipates receiving an outcome regarding this during December 2014.

ANNEXURE A
SUBSIDIARY UNDERTAKINGS FOR THE YEAR ENDED 30 SEPTEMBER 2014

SUBSIDIARIES	2014 Effective interest %	2013 Effective interest %
Life Healthcare Group Proprietary Limited	**100**	100
Life Healthcare Finance Proprietary Limited	**80**	80
Indirectly held through Life Healthcare Group Proprietary Limited		
Amahosp Medical Rescue Proprietary Limited*~	**100**	100
Ammed Properties Proprietary Limited*	**100**	100
Bendoc Proprietary Limited*~	**100**	100
Border Hospitals Proprietary Limited	**63**	63
Brooklyn Hospital Proprietary Limited	**66**	66
Brooklyn Sameday Surgical Centre Partnership	**66**	66
Casmed Proprietary Limited*~	**100**	100
Century Ways Trading Proprietary Limited*	**100**	100
Claremont Hospital Proprietary Limited*~	**100**	100
Cosmos Hospital Properties Proprietary Limited*	**100**	100
Cream Magenta 357 Proprietary Limited*	**100**	100
E M H Operating Company Proprietary Limited	**77**	77
Faerie Glen Eiendoms Trust 2*	**100**	100
Faerie Glen Eiendoms Trust*	**100**	100
Faerie Glen Hospitals Proprietary Limited	**61**	61
Faranani Life Health Solutions Proprietary Limited#	**49**	49
Flohoc Investments Proprietary Limited	**70**	70
Foxsay Trading Proprietary Limited*	**100**	100
Garbanzo Property Investments Proprietary Limited	**100**	100
Glynnview Wellness Centre Proprietary Limited previously called Stonebridge Trading 29 Proprietary Limited	**76**	76
Glynnwood Hospital Operating Company Proprietary Limited	**90**	90
Life Fourways Hospital Proprietary Limited - previously Gold Starfish Trade Proprietary Limited	**87**	87
H-Doc Investments Proprietary Limited*~	**100**	100
Healthcare Management Services Proprietary Limited (Incorporated in Botswana)^	**51**	51
Hentique 1889 Proprietary Limited*	**100**	100
Host Create Main Trade Proprietary Limited*	**100**	100
Jorum Property Investments Proprietary Limited	**100**	100
Kingsbury Hospital Limited*~	**100**	100
Kingsbury Hospital Property Proprietary Limited*	**100**	100
LCM Trust	**61**	64
Life Bayview Hospitals Proprietary Limited previously called Amabubesi Hospitals Proprietary Limited	**100**	100
Life Claremont Opthalmology Proprietary Limited	**50**	50
Life Cosmos Hospital Proprietary Limited	**78**	78
Life East London Private Hospital Proprietary Limited previously called Walk Tall Distributions 3 Proprietary Limited	**100**	100
Life Esidimeni Group Holdings Proprietary Limited	**100**	100
Life Healthcare Finance Proprietary Limited	**20**	20
Life Healthcare International Proprietary Limited	**100**	100
Life Impilo Proprietary Limited*	**100**	100
Life Hilton Private Hospital Proprietary Limited	**95**	95
Life Mosselbay Properties Proprietary Limited previously called Amabubesi Healthcare Properties Proprietary Limited	**100**	100
Life Occupational Health Proprietary Limited*~	**100**	100
Life Pharmacy Management Services Proprietary Limited*	**100**	100
Life Piet Retief Hospital Proprietary Limited	**56**	56
Life Poortview Proprietary Limited	**90**	90
Life Pretoria North Day Clinic Proprietary Limited	**70**	–
Life Vincent Pallotti Orthopaedic Centre Proprietary Limited	**100**	100
Life Wilgers Hospital Proprietary Limited	**95**	95
Ligitprops 109 Proprietary Limited	**100**	100
Medicine Management Services Proprietary Limited	**100**	100

SUBSIDIARIES *(continued)*	2014 Effective interest %	2013 Effective interest %
Metropol Hospitals Proprietary Limited	**64**	61
Middelburg Hospitaal Beperk”	**57**	57
Middelburg Privaat Hospitaal Eiendoms Beperk”	**57**	57
New Kensington Clinic Proprietary Limited*	**91**	91
Oudewerf Eiendoms Beperk*~	**100**	100
P E Medical Group Investments (No. 3) Proprietary Limited	**100**	100
Peglerae Investments Proprietary Limited	**60**	60
Presmed Hospitals Proprietary Limited*	**100**	100
Pretoria North Day Clinic Partnership	**82**	70
Prop Robin Proprietary Limited*~	**100**	100
Radio Star Steel Trading Proprietary Limited*	**100**	100
Raise Up White Trade Proprietary Limited*	**100**	100
Robinson Hospital Holdings Proprietary Limited	**82**	82
Roseacres Clinic Proprietary Limited*	**100**	100
Routine Ways Fast Trading Proprietary Limited*	**100**	100
Rustenburg Hospital Properties Proprietary Limited	**51**	51
Safer Way Now Trade Proprietary Limited*	**100**	100
Spring Dust Trade Proprietary Limited*	**100**	100
Sport Science Day Surgery Clinic Proprietary Limited	**100**	–
St Mary’s Private Hospital Proprietary Limited	**55**	55
To The Max Trade Proprietary Limited*	**100**	100
UK Health Management Services Proprietary Limited*~	**100**	100
Life Vincent Pallotti Oncology Proprietary Limited previously Upstream Maze Trade Proprietary Limited	**89**	100
Vredenburg Hospital Proprietary Limited	**100**	100
Wilgeheuwel Hospital Proprietary Limited	**100**	86
Wilgers Hospital Limited	**100**	100
Zandfontein Clinic Proprietary Limited*	**100**	100
Indirectly held through Life Occupational Health Proprietary Limited		
Quantum Occupational Healthcare Services Proprietary Limited*	**100**	100
Indirectly held through Metropol Hospitals Proprietary Limited		
Eastcape Clinic Proprietary Limited*	**61**	61
How Avenue Clinic Proprietary Limited	**61**	61
Isivivana Health Proprietary Limited	**61**	61
Simco 5 Proprietary Limited$	**46**	46
Spittal Drau Investments Proprietary Limited	**61**	61
Indirectly held through Healthcare Management Services Proprietary Limited (Incorporated in Botswana)		
Gaborone Private Hospital Pathology Proprietary Limited (Incorporated in Botswana)^$	**38**	38
Medical Imaging Botswana Proprietary Limited (Incorporated in Botswana)^$	**51**	51
Indirectly held through Life Esidimeni Group Holdings Proprietary Limited		
Life Esidimeni Proprietary Limited	**100**	100
Lifecare Properties Proprietary Limited	**100**	100
Lorraine Nel Inc	**100**	100
Nqubela Chest Hospital Proprietary Limited *~	**100**	100
Indirectly held through Life Esidimeni Proprietary Limited		
Eastern Cape Frail Care Proprietary Limited	**68**	68
Lukhanji Health Services Proprietary Limited	**60**	60
Siyathuthuka Care Centre Proprietary Limited	**59**	59
Indirectly held through Lifecare Community Hospitals Proprietary Limited		
Hewu Hospital Proprietary Limited*~	**100**	100
Matikwana Hospital Proprietary Limited**	**100**	100
Indirectly held through Wilgers Hospital Limited		
Abrakor Proprietary Limited	**100**	100

ANNEXURE A *(CONTINUED)*
SUBSIDIARY UNDERTAKINGS FOR THE YEAR ENDED 30 SEPTEMBER 2014

SUBSIDIARIES *(continued)*	**2014 Effective interest %**	**2013 Effective interest %**
Indirectly held through Life Wilgers Hospital Proprietary Limited		
Wilgers Cathlab Trust	**54**	54
Indirectly held through Peglerae Investments Proprietary Limited		
Peglerae Hospital Proprietary Limited$	**36**	36
Indirectly held through Border Hospitals Proprietary Limited		
Border Hospitals Cardiac Equipment Proprietary Limited*	**100**	100
Life Eye Hospital Proprietary Limited$	**63**	42
Indirectly held through Glynnwood Hospital Operating Company Proprietary Limited		
Ekurhuleni Sub-Acute Hospital Proprietary Limited*~	**100**	100
Indirectly held through LCM Trust		
LCM Oncology Proprietary Limited*	**60**	60
Indirectly held through Garbanzo Property Investments Proprietary Limited		
BOEWEST Share Block Company No.1 Proprietary Limited	**100**	100
BOEWEST Share Block Company No.2 Proprietary Limited	**100**	100
Indirectly held through Ligitprops 109 Proprietary Limited		
Micawber 249 Pty Limited	**100**	100
Indirectly held through Micawber 249 Proprietary Limited		
Micawber 248 Proprietary Limited	**100**	100
Indirectly held through Life Hilton Hospital Proprietary Limited		
Amaraka Investments No 37 Proprietary Limited	**95**	95
Indirectly held through Life Healthcare International Proprietary Limited		
Dadley Investments SP. Z O.O^^	**100**	–
Indirectly held through Dadley Investments SP. Z O.O		
Scanmed Multimedis S.A^^	**98**	–
Indirectly held through Scanmed Multimedis S.A.		
Akamedik Services Sp. z o.o. ^^	**50**	–
Scan Diagnostic Sp. z o.o.^^	**98**	–
Scanrent Sp. z o.o.^^	**98**	–
Scanmed S.A.^^	**98**	–
Scan Development Sp. z o.o. ^^	**98**	–
CM Pro-med. Sp.z o.o.^^	**50**	–
Webolit Sp.z o.o.^^	**98**	–
Gastromed Poland Sp.z o.o. ^^	**98**	–
Fundacja Scanmed^^	**98**	–

* *Dormant*
** *Discontinued operation*
~ *In voluntary liquidation*
^ *The functional currency is Pula*
\# *Consolidated as the Group controls the entity through a managing contract*
" *Previously equity accounted for as associate*
$ *Due to indirect shareholding*
^^ *The functional currency is Zloty*

Investments in subsidiaries are divided into the following:
- All South African investments are unlisted and incorporated in the Republic of South Africa.
- All Botswana investments are unlisted and incorporated in Botswana.
- One of the Poland investments is listed. All other Poland investments are unlisted and incorporated in Poland.

The voting power and percentage shareholding are the same for all subsidiaries, except where management contracts exist.

The profit after tax earned by subsidiaries before non-controlling interest attributable to shareholders of the Group amounted to R4 557 million (2013: R2 723 million), while losses amounted to R49 million (2013: R31 million).

ANNEXURE B
ASSOCIATE UNDERTAKINGS FOR THE YEAR ENDED 30 SEPTEMBER 2014

Name of associate	Currency	Issued share capital 2014	Issued share capital 2013 Restated	Interest in share capital 2014 %	Interest in share capital 2013 Restated %	Book value of the shares 2014 R'm	Book value of the shares 2013 Restated R'm	Amounts owing by associates 2014 R'm	Amounts owing by associates 2013 Restated R'm
Unlisted investments									
Joint Medical Holdings Limited*#	R	**–**	5 471	**–**	49	**–**	19	**–**	–
Mafikeng Hospital Proprietary Limited#	R	**8 799**	8 799	**42**	42	**–**	–	**–**	–
Sandton Eye Laser Centre Partnership#	R	**–**	–	**25**	25	**–**	–	**–**	–
Vrystaat Onkologie Trust#	R	**–**	–	**23**	23	**–**	–	**–**	–
Wilgers Oncology Trusts#	R	**–**	–	**25**	25	**–**	–	**–**	–
Consolidated Aone Trade and Invest 12 Proprietary Limited#	R	**100**	100	**30**	30	**2**	2	**9**	6
Max Healthcare Institute Limited **##	Rs'00000	**49 275**	52 038	**26**	26	**891**	891	**2**	2
						893	912	**11**	8

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

* *Associate was sold during the current financial year*

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

\# *Indirectly held through Life Healthcare Group Proprietary Limited*

\## *Indirectly held through Life Healthcare International Proprietary Limited*

JOINT VENTURES

Name of associate	Interest in share capital 2014 %	Interest in share capital 2013 Restated %
Unlisted investments		
Brenthurst MRI	**70**	70
Brenthurst Equipment Trust 1	**50**	50
Brenthurst Equipment Trust 2	**70**	70
Brenthurst Radiology Cat Scan	**50**	50
Boldprops 102 Proprietary Limited	**50**	50

ANNEXURE C
SHAREHOLDER DISTRIBUTION
FOR THE YEAR ENDED 30 SEPTEMBER 2014

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 26 September 2014 was:

Shareholder spread	Number of holders	% of total shareholders	Number of shares	% of issued capital
1 – 1 000 shares	4 972	42.99	2 082 385	0.20
1 001 – 10 000 shares	4 647	40.18	16 069 315	1.54
10 001 – 100 000 shares	1 457	12.60	47 035 944	4.51
100 001 – 1 000 000 shares	377	3.26	116 336 765	11.16
1 000 001 shares and above	112	0.97	860 685 341	82.59
Total	**11 565**	**100.00**	**1 042 209 750**	**100.00**

Public and non-public shareholdings

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

Shareholder spread	Number of holders	% of total shareholders	Number of shares	% of issued capital
Non-public shareholders	9	0.08	59 945 343	5.75
Directors	5	0.04	4 779 132	0.46
Brimstone Investment Corporation Limited	3	0.03	52 370 738	5.02
Life Healthcare Employees Share Trust	1	0.01	2 795 473	0.27
Public shareholders	11 556	99.92	982 264 407	94.25
Total	**11 565**	**100.00**	**1 042 209 750**	**100.00**

2. SUBSTANTIAL INVESTMENT MANAGEMENT AND BENEFICIAL INTERESTS

Substantial investment management and beneficial interests above 3%

Through regular analysis of STRATE registered holdings, and pursuant to the provisions of Section 56 of the Companies Act, the following shareholders held directly and indirectly equal to or in excess of 3% of the issued share capital as at 26 September 2014:

Investment management shareholdings

Investment manager	Total shareholding	%
Government Employees Pension Fund (PIC)	134 309 382	12.89
BlackRock Inc	58 351 261	5.60
Industrial Development Corporation (IDC)	52 056 137	4.99
Manning & Napier Advisors Inc	48 496 555	4.65
Brimstone Investment Corporation Limited	46 153 980	4.43
International Finance Corporation	31 800 000	3.05
Total	**371 167 315**	**35.61**

Beneficial shareholdings

	Total shareholding	%
Government Employees Pension Fund (PIC)	139 965 722	13.43
Industrial Development Corporation (IDC)	52 056 137	4.99
Brimstone Investment Corporation Limited	46 000 000	4.41
International Finance Corporation	31 800 000	3.05
GIC Asset Management Proprietary Limited	30 463 029	2.92
Total	**300 284 888**	**28.80**

Previously disclosed holdings

Investment managers now holding below 3%

Investment manager	Total shareholding	%	Previous %
–	–	–	–
Total	**–**	**–**	**–**

Beneficial owners now holding below 3%

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

3. GEOGRAPHIC SPLIT OF SHAREHOLDERS

Geographic split of investment managers and company related holdings

Region	Total shareholding	% of issued capital
South Africa	446 883 219	42.88
United States of America and Canada	298 407 731	28.63
United Kingdom	151 768 700	14.56
Rest of Europe	48 120 333	4.62
Rest of World[1]	97 029 767	9.31
Total	**1 042 209 750**	**100.00**

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

Geographic split of beneficial shareholders

Region	Total shareholding	% of issued capital
South Africa	468 736 285	44.97
United States of America and Canada	290 076 428	27.83
United Kingdom	79 279 814	7.61
Rest of Europe	99 608 207	9.56
Rest of World[1]	104 509 016	10.03
Total	**1 042 209 750**	**100.00**

4. SHAREHOLDER CATEGORIES

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

Category	Total shareholding	% of issued capital
Unit trusts/mutual funds	299 106 011	28.70
Pension funds	243 359 059	23.35
Other	131 079 073	12.58
Private investor	83 044 253	7.97
Sovereign wealth	65 258 391	6.26
Government of SA	52 056 137	4.99
Black economic empowerment	47 566 504	4.56
Insurance companies	27 732 765	2.66
Custodians	22 407 015	2.15
Investment trust	15 602 457	1.50
Exchange-traded fund	4 879 840	0.47
Employees	4 461 889	0.43
Corporate holding	3 828 908	0.37
Charity	3 498 244	0.34
Local authority	2 030 086	0.19
Hedge fund	1 837 718	0.18
Foreign government	970 500	0.09
University	135 530	0.01
American depository	109 620	0.01
Remainder	33 245 750	3.19
Total	**1 042 209 750**	**100.00**

ANNEXURE D
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 SEPTEMBER 2014

	Notes	2014 Group R'm	2014 Botswana R'm	2014 Poland R'm	2013 Group Restated R'm	2013 Botswana Restated R'm
ASSETS						
Non-current assets		**9 700**	**32**	**907**	8 349	33
Property, plant and equipment	6	**5 901**	**32**	**543**	4 517	33
Intangible assets	7	**2 318**	**–**	**354**	2 084	–
Investment in associates	8	**828**	**–**	**–**	1 178	–
Loans receivable	9	**10**	**–**	**–**	10	–
Retirement benefit asset	10	**372**	**–**	**–**	321	–
Post-retirement medical aid benefit	10	**18**	**–**	**–**	29	–
Operating lease asset	19	**–**	**–**	**–**	–	–
Deferred tax assets	11	**253**	**–**	**10**	210	–
Current assets		**2 113**	**120**	**183**	1 620	88
Inventories	12	**240**	**6**	**7**	214	6
Trade and other receivables	13	**1 330**	**55**	**93**	1 098	49
Cash and cash equivalents	14	**422**	**59**	**83**	297	33
Current income tax asset		**49**	**–**	**–**	–	–
Loans to associates	8	**11**	**–**	**–**	8	–
Derivative financial instruments	22	**56**	**–**	**–**	–	–
Operating lease asset	19	**5**	**–**	**–**	3	–
TOTAL ASSETS		**11 813**	**152**	**1 090**	9 969	121
TOTAL EQUITY		**5 900**	**110**	**495**	5 606	75
LIABILITIES						
Non-current liabilities		**2 909**	**8**	**327**	2 150	2
Interest-bearing borrowings	18	**2 344**	**–**	**313**	1 657	–
Deferred tax liabilities	11	**438**	**1**	**14**	388	2
Derivative financial instruments	22	**9**	**–**	**–**	–	–
Provisions	21	**28**	**–**	**–**	26	–
Operating lease liability	19	**76**	**7**	**–**	66	–
Post-retirement medical aid liability	10	**14**	**–**	**–**	13	–
Current liabilities		**3 004**	**34**	**268**	2 213	44
Trade and other payables	20	**1 678**	**23**	**116**	1 299	32
Provisions	21	**160**	**6**	**–**	176	4
Interest-bearing borrowings	18	**1 007**	**–**	**151**	452	–
Shareholders for dividends		**4**	**–**	**–**	1	–
Current income tax liabilities		**–**	**5**	**–**	50	8
Derivative financial instruments	22	**–**	**–**	**–**	2	–
Bank overdraft	14	**155**	**–**	**1**	233	–
TOTAL LIABILITIES		**5 913**	**42**	**595**	4 363	46
TOTAL EQUITY AND LIABILITIES		**11 813**	**152**	**1 090**	9 969	121

COMPANY STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2014

	Note	2014 R'm	2013 R'm
ASSETS			
Non-current assets		**107**	107
Interest in subsidiary	1	**107**	107
Current assets		**393**	391
Cash and cash equivalents	2	**1**	1
Loan to subsidiary	1	**392**	390
Total assets		**500**	**498**
EQUITY AND LIABILITIES			
Capital and reserves		**495**	495
Share capital	3	**–**	–
Share premium	4	**3 373**	3 373
Accumulated loss		**(2 878)**	(2 878)
Current liabilities		**5**	3
Trade and other payables	5	**1**	2
Shareholders for dividend		**4**	1
Total equity and liabilities		**500**	**498**

COMPANY STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2014

	Note	2014 R'm	2013 R'm
Revenue	6	**2 449**	1 188
Operating profit		**2 449**	1 188
Finance income		**–**	–
Profit before tax	8	**2 449**	1 188
Tax expense	7	**–**	–
Profit after tax		**2 449**	1 188
Other comprehensive income		**–**	–
Total comprehensive income for the year		**2 449**	1 188

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2014

	Ordinary share capital R'm	Share premium R'm	Retained earnings R'm	Total R'm
Balance at 1 October 2012	–	3 373	(2 878)	495
Total comprehensive income for the year	–	–	1 188	1 188
Distribution to shareholders	–	–	(1 188)	(1 188)
Balance at 30 September 2013	–	3 373	(2 878)	495
Balance at 1 October 2013	–	3 373	(2 878)	495
Total comprehensive income for the year	**–**	**–**	**2 449**	**2 449**
Distribution to shareholders	**–**	**–**	**(2 449)**	**(2 449)**
Balance at 30 September 2014	**–**	**3 373**	**(2 878)**	**495**
Note	3	4		

COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2014

	Note	2014 R'm	2013 R'm
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	9	**2 448**	1 189
Tax paid		**–**	–
Net cash generated from operating activities		**2 448**	1 189
CASH FLOWS FROM INVESTING ACTIVITIES			
Loans granted to subsidiary		**(2)**	(1)
Net cash utilised from investing activities		**(2)**	(1)
CASH FLOWS FROM FINANCING ACTIVITIES			
Distribution to shareholders		**(2 446)**	(1 188)
Net cash utilised from financing activities		**(2 446)**	(1 188)
Net increase in cash and cash equivalents		**–**	–
Cash and cash equivalents – beginning of the year		**1**	1
Cash and cash equivalents – end of the year	2	**1**	1

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2014

		2014 R'm	2013 R'm
1.	**INTEREST IN SUBSIDIARY**		
	Unlisted investment in Life Healthcare Group Proprietary Limited		
	Shares at cost		
	Balance at 30 September	**107**	107
	Amounts owing by subsidiary		
	Balance at 1 October	**390**	389
	Net amount advanced	**2**	1
	Balance at 30 September	**392**	390
	The Company acquired an 80% shareholding in Life Healthcare Finance Proprietary Limited during the prior year.		
	The loan is unsecured, has no fixed repayment terms and bears interest as determined by the directors. No interest was received during the current year or prior financial year.		
2.	**CASH AND CASH EQUIVALENTS**		
	Cash at bank and on hand	**1**	1
	Balance at 30 September	**1**	1
	The cash and cash equivalents carrying amount is denominated in the following currencies:		
	South African Rand	**1**	1
	Balance at 30 September	**1**	1
	Cash and cash equivalents include the following for the purpose of the cash flow statement:		
	Short-term money market instruments	**1**	1
	Cash and cash equivalents	**1**	1
	The credit quality of cash at bank and short-term money market instruments based on Fitch Ratings (zaf) are:		
	AA	**1**	1
		1	1
3.	**SHARE CAPITAL**		
	Authorised		
	Ordinary shares		
	4 149 980 000 (2013: 4 149 980 000) ordinary shares of R0.000001 each (total value = R4 149 (2013: R4 149))	*****	*
	Issued and fully paid		
	Ordinary shares		
	Balance at 30 September	*****	*
	1 042 209 750 (2011: 1 042 209 750) ordinary shares of R0.000001 each (total value = R1 042 (2011: R1 042))	*****	*
	Reconciliation of number of shares issued:		
	Balance at 1 October	**1 042**	1 042
		1 042	1 042

* *Amounts rounded to less than R million*

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS *(CONTINUED)*
FOR THE YEAR ENDED 30 SEPTEMBER 2014

		2014 R'm	2013 R'm
4.	**SHARE PREMIUM**		
	Balance at 1 October	**3 373**	3 373
		3 373	3 373
5.	**TRADE AND OTHER PAYABLES**		
	Other payables	**1**	2
	Balance at 30 September	**1**	2
6.	**REVENUE**		
	Revenue comprises dividends received from a subsidiary company.		
7.	**INCOME TAX EXPENSE**		
	Reconciliation of the tax rate	**%**	%
	South African normal tax rate	**28.00**	28.00
	Adjusted for:		
	No taxable income	**(28.00)**	(28.00)
		–	–
8.	**PROFIT BEFORE TAX**		
	Income from subsidiary:		
	Dividends received	**2 449**	1 188
9.	**CASH GENERATED FROM OPERATIONS**		
	Reconciliation of profit before tax to cash generated from operations		
	Profit before tax	**2 449**	1 188
	Adjusted for:		
	Finance income	**–**	–
	Operating profit before working capital changes	**2 449**	1 188
	Trade and other payables	**(1)**	1
	Cash generated from operations	**2 448**	1 189

10. ACCOUNTING POLICIES, EVENTS AFTER THE REPORTING PERIOD, CONTINGENCIES AND RELATED PARTY TRANSACTIONS

The items above are the same for the Group and Company. Refer to the relevant notes in the Group annual financial statements.

11. RELATED PARTIES

Refer to note 1 of the Company financial statements.

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