

ANNUAL FINANCIAL
STATEMENTS
2018



Table of contents

ANNUAL FINANCIAL STATEMENTS

2	Administration
2	Preparation of the annual financial statements
3	Statement of directors' responsibility
3	Statement of Group Company Secretary
4	Report of the audit committee
8	Directors' report
10	Independent auditor's report
14	Consolidated statement of profit or loss and other comprehensive income
15	Consolidated statement of financial position
16	Consolidated statement of changes in equity
17	Consolidated statement of cash flows
18	Notes to consolidated annual financial statements
67	Notes to consolidated annual financial statements – risk management
77	Annexure A: Significant accounting policies
88	Annexure B: Simplified group structure
89	Annexure C: Associate undertakings
90	Annexure D: Shareholder distribution
92	Annexure E: Consolidated statement of financial position
94	Company statement of profit or loss and other comprehensive income
95	Company statement of financial position
96	Company statement of changes in equity
97	Company statement of cash flows
98	Notes to Company annual financial statements

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) SB Viranna (Group Chief Executive Officer) PP van der Westhuizen (Group Chief Financial Officer) PJ Golesworthy ME Jacobs AM Mothupi JK Netshitenzhe MP Ngatane M Sello GC Solomon RT Vice
Group Company Secretary:	F Patel
Auditor:	PricewaterhouseCoopers Inc. (PwC) Johannesburg

Preparation of the annual financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2018

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

Statement of directors' responsibility

FOR THE YEAR ENDED 30 SEPTEMBER 2018

The directors are responsible for the preparation, integrity and fair presentation of the consolidated and Company financial statements of Life Healthcare Group Holdings Limited and its subsidiaries, associates and joint ventures (Group) in accordance with International Financial Reporting Standards (IFRS) and the South Africa Companies Act, No 71 of 2008 (as amended) (Companies Act).

The directors consider that the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used in the preparation of the financial statements and that all IFRS that they consider to be applicable have been followed. The directors are satisfied that the information contained in the financial statements fairly presents the consolidated and separate financial position of Life Healthcare Group Holdings Limited at 30 September 2018, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended. The directors are also responsible for reviewing the other information included in the integrated report and ensuring both its accuracy and its consistency with the financial statements.

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

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

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

The code of corporate practices and conduct has been adhered to.

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

APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements set out on pages 14 to 99 were approved by the board of directors on 22 November 2018 and are signed by:



MA Brey
Chairman



Dr SB Viranna
Group Chief Executive Officer

Johannesburg

Statement of Group Company Secretary

FOR THE YEAR ENDED 30 SEPTEMBER 2018

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



F Patel
Group Company Secretary

Report of the audit committee

FOR THE YEAR ENDED 30 SEPTEMBER 2018

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

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

COMPOSITION OF THE AUDIT COMMITTEE

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

Name	Qualifications	Date appointed as committee member	Attendance %
PJ Golesworthy (chairman)	BA (Hons) (first class), Accountancy Studies, CA	10 June 2010	100
AM Mothupi	Bachelor of Arts (BA, Honours), Political Science	3 July 2017	100
GC Solomon	CA(SA)	23 March 2005	100
RT Vice	CA(SA)	1 February 2014	100

The same chairman and existing members of the committee will be recommended at the next annual general meeting on 30 January 2019.

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

In respect of the year ended 30 September 2018, the committee met five times and executed its responsibilities in accordance with its terms of reference.

The biographical details of the committee members can be viewed on the Group's website. The fees paid to committee members are outlined in the table of directors' remuneration on page 63.

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

AUDIT COMMITTEE EVALUATION

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

Key areas of focus for 2018

The significant areas of focus for the committee in relation to the 2018 financial year included:

- ♦ consideration of the lessons to be learnt from recent corporate governance failures in SA;
- ♦ reviewing impairment testing of goodwill, including key assumptions to the impairment tests, which included the cash flows derived from the annual financial plans, long-term growth rates and the discount rates applicable to the respective geographies and businesses, as well as considered the sensitivities to changes in the assumptions and the related disclosure required by IAS 36 *Impairment of Assets*;
- ♦ evaluating the accounting of acquisitions during the 2018 financial year, being primarily IMED srl and Piramal Imaging SA group of companies;
- ♦ evaluating the impact of amendments to accounting standards, including IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leases*, for 2019 and 2020 financial years;
- ♦ evaluating the accounting for the disposal of Max Healthcare Institute Limited (Max) under IFRS 5 *Non-current Asset Held for Sale*;
- ♦ continuous focus on the Group's reporting processes and financial controls and integration of the international operations;

- monitoring the implementation of the SAP enterprise resource planning (ERP) system which impacts the financial control environment. Phase one of the project, which comprised the financial module, was completed;
- evaluating key risks, related controls and mitigations including in respect of public and private pressure from funders, regulatory risks and compliance, IT infrastructure and project implementation;
- evaluating and confirming the appointment of BDO as internal auditors for Alliance Medical Group Limited (Alliance Medical);
- review of the Group-wide approach to combined assurance and internal audit and further development of the outsourced internal audit model; and
- consideration of external audit firm rotation in light of mandatory audit firm rotation regulations in South Africa.

Fulfilling our statutory responsibilities and other areas of accountability

The overall function of the committee is to assist the directors in discharging their responsibilities relating to the safeguarding of assets, the operation of adequate and effective systems and control processes and the preparation of the integrated report and fairly presented financial statements in compliance with all applicable legal and regulatory requirements and accounting standards. The chairman of the committee reports to the board on matters discussed at audit committee meetings.

The committee performed, among others, the following functions:

In respect of financial and integrated reporting:

- reviewed and recommended for approval by the board the interim results and annual financial statements and the related SENS and press announcements;
- considered the factors and risks that might impact the financial reporting;
- considered the JSE's proactive monitoring of financial statements report, as issued in 2018, and the applicability of the issues raised to the Company, with the view to improve disclosure where applicable;
- considered and satisfied itself that the Group has appropriate financial reporting procedures and these procedures are operating as intended;
- considered and satisfied itself on the appropriateness of accounting policies and material estimates and judgements. The material areas of judgement are set out in note 1.2 of the annual financial statements;
- considered and satisfied itself that no significant weaknesses in the design, implementation or execution of the internal financial controls were identified;
- confirmed the going concern basis of preparation of the interim and annual financial statements;
- reviewed and recommended for approval by the board the integrated report, including the disclosure of sustainability issues; and
- evaluated reports on the rollout of phase 2 of the SAP ERP system which comprise materials management, accounts receivable and integration with the patient accounting system. As a result of delays, a technical review of the project is underway to confirm future sustainability and alignment with the Group's strategic intent.

In respect of internal audit and internal controls

The committee ensured that the internal audit function is independent and has the necessary resources to enable it to fulfil its mandate. The Group Chief Internal Audit Executive reports functionally to the chairman of the committee and administratively to the Group Chief Financial Officer. Siphon Makaringe was appointed as Group Chief Internal Audit Executive with effect from 1 December 2017 and the chairman of the audit committee was involved in the appointment process.

An outsourced internal audit function is being developed across the Group with the Group Chief Internal Audit Executive responsible for coordinating the planning, implementation and reporting thereon. The South African internal audit function has been outsourced to Ernst & Young (EY) since May 2017. A limited scope internal audit in Poland was outsourced to Deloitte, as in the prior year. BDO was appointed as internal auditors for Alliance Medical for the 2019 financial year.

The committee:

- reviewed the internal audit charter in line with King IV recommendations and recommended the approval thereof to the board;
- approved the risk-based internal audit plan for the 2018 financial year and subsequent changes thereto during the year;
- considered the effectiveness and performance of the internal audit function in the context of the changes during the year which were found to be effective for the year under review;
- reviewed the combined assurance model and considered its effectiveness;
- received risk updates, particularly in relation to matters affecting financial reporting;
- reviewed and evaluated reports relating to internal audit and risk management and the adequacy of management's responses and corrective actions;
- assessed the effectiveness of internal control systems and formed the opinion that there were no material breakdowns in internal control; and
- reviewed arrangements made by the Company to enable employees and outside whistle blowers to report any concerns about possible improprieties and received reports on the issues raised.

Report of the audit committee continued

FOR THE YEAR ENDED 30 SEPTEMBER 2018

In respect of external audit

Following approval by shareholders at the annual general meeting in January 2018, PwC served as the Group's registered external auditors for the 2018 financial year and M Naidoo was the designated partner.

PwC has served as the Group's auditors for 20 years, and M Naidoo has been the designated audit partner for three years.

During PwC's tenure as external auditor of the Group, the following changes in executive directors of the organisation have occurred:

- ◆ the change in Group Chief Financial Officer in June 2013 from Roger Hogarth to Pieter van der Westhuizen;
- ◆ the change in Group Chief Executive Officer in April 2014 from Michael Flemming to André Meyer;
- ◆ the resignation of André Meyer in June 2017, with Pieter van der Westhuizen becoming Interim Group Chief Executive Officer; and
- ◆ the appointment of Shrey Viranna as Group Chief Executive Officer in February 2018.

The committee resolved during the year to put the external audit out to tender with a view to appointing new auditors for the 2020 financial year. The process is underway with a request for proposal having been distributed.

The committee:

- ◆ approved the auditors' terms of engagement and fees. The fees paid to the external auditors are disclosed in note 5 to the annual financial statements;
- ◆ reviewed and approved the external audit plan and ensured no limitations were imposed on the scope of external audit;
- ◆ reviewed the external auditors' report and confirmed that no material unresolved issues existed between the Group and the external auditors;
- ◆ reviewed and agreed the key audit matter identified by PwC that is set out in its audit report;
- ◆ obtained assurances from the external auditors that adequate accounting records were being maintained;
- ◆ reviewed the quality and effectiveness of the external audit process, based on the committee's own assessment, the views of management and PwC's own assessment, and found it to be satisfactory. Confirmation was obtained from PwC that no material matters had been raised in regulatory or internal reviews of the audit partner;
- ◆ satisfied itself that the external auditors' appointment and the reappointment of M Naidoo as the audit partner complies with the JSE Listings Requirements;
- ◆ considered the external auditors' suitability assessment in terms of paragraph 3.84(g)(iii) and section 22.15(h) of 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 its independence was not impaired and provided assurance that its internal governance processes within its audit firm support and demonstrate its claim to independence;
- ◆ reviewed the policy in terms of which the nature and extent of permissible non-audit services provided by PwC are defined. The committee reviewed and confirmed the non-audit services provided by PwC in terms of the non-audit services policy which amounted to R17.6 million, being 58% of the Group audit fee in the current year. In South Africa, these comprised mainly audit certificates required in terms of certain contracts, quality audit, immigration services to nurses seconded to South Africa and technical assistance. In Alliance Medical non-audit services related to tax advisory and compliance and acquisition due diligence services. At Group level PwC has been appointed to assist with a Group integration project; and
- ◆ confirmed that no reportable irregularities had been identified or reported by the external auditors under the Auditing Profession Act.

The committee has nominated PwC as the Group's registered external auditor and M Naidoo the designated partner, respectively to the shareholders for appointment as auditors for the financial year ended 30 September 2019 at the next annual general meeting. The committee is also satisfied that the audit firm and designated partner is accredited to appear on the JSE list of accredited auditors and advisers.

In respect of compliance with legal and regulatory requirements

The committee:

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

In respect of other matters

The committee:

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

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

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

PP van der Westhuizen assumed the role of Interim Group Chief Executive Officer with effect from 1 July 2017 to 31 January 2018, in addition to his role as the Group Chief Financial Officer. Prior to requesting dispensation from the JSE, as required in terms of the Listings Requirements, the committee considered and obtained comfort with the arrangements made within the finance function to ensure that these were adequate and appropriate to ensure the integrity of the finance function as he performed both roles.

The committee considered and satisfied itself of the appropriateness of the expertise and adequacy of resources and experience of the Group's finance function. Matters highlighted from the review included the need to continue to build the appropriate bench strength across the enlarged Group, and in particular with Alliance Medical following a number of finance staff changes, and to ensure appropriate financial systems to facilitate more effective and timeous reporting at Group level.

Key focus areas for 2019

The committee will focus inter alia on the following areas in 2019:

- ◆ continued focus on the Group's reporting processes and controls, as well as further integration of the international operations;
- ◆ monitoring of digital transformation, information security and continuous improvement initiatives, particularly within the finance function;
- ◆ monitoring the increasing regulatory requirements impacts on Life Healthcare's operations, profitability and liquidity;
- ◆ further improvements to the Group-wide approach to combined assurance and internal audit and bedding down of the outsourced internal audit model in international operations; and
- ◆ approval and appointment of the new Group external auditors, in line with the new mandatory audit firm rotation regulations in South Africa, effective for the Group in the 2020 financial year.

Confirmation

The committee confirms for the 2018 financial year that it has discharged its responsibilities in accordance with its terms of reference and in compliance with the requirements of the Companies Act.

On behalf of the audit committee



PJ Golesworthy

Chairman: audit committee

Johannesburg

19 November 2018

Directors' report

FOR THE YEAR ENDED 30 SEPTEMBER 2018

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 2018. The directors are of the opinion that stakeholders' interests are best served by presenting the Group's annual financial statements separately from those of the Company. The latter financial statements appear on pages 94 to 99.

NATURE OF THE BUSINESS

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

SUMMARY OF FINANCIAL PERFORMANCE AND OVERVIEW

The Group results for the year ended 30 September 2018 reflect a strong overall performance and the Group continues to diversify its revenue streams with 35% (2017: 28%) of Group revenue coming from outside the acute hospital business. The southern African operations returned to positive paid patient day (PPD) growth of 1.1% and continued to benefit from the strategy of expanding the complementary lines of business. In the Group's international operations, Scanmed S.A. (Scanmed) continued with its business turnaround and Alliance Medical Group Limited (Alliance Medical) delivered a good performance for the 2018 year. Alliance Medical's results are included for 12 months in the current financial year compared to 10.3 months in the prior financial year, and were impacted by the subsequent acquisitions of the Italian clinics, Imed and Centro Alfa, as well as the business of Piramal Imaging SA and three subsidiaries during the year.

Group revenue for the year ended 30 September 2018 increased by 12.9% to R23.5 billion (2017: R20.8 billion) consisting of an 8.5% increase in southern African revenue to R17.2 billion (2017: R15.9 billion), R5.0 billion (2017: R3.8 billion) revenue contribution from Alliance Medical and R1 260 million (2017: R1 095 million) revenue contribution from Poland.

Headline earnings per share (HEPS) increased by 40.6% to 108.8 cps (2017: 77.4 cps). Earnings per share (EPS) on a normalised basis, which excludes non-trading-related items, increased by 17.4% to 110.2 cps (2017: 93.9 cps).

During the current financial year, Life Healthcare invested R3.4 billion (2017: R12.0 billion, including the acquisitions of Alliance Medical), mainly comprising capital projects of R2.1 billion (2017: R1.6 billion), new acquisitions (net of cash acquired) by Alliance Medical of R434 million (2017: R292 million) and settling the B-share liability for R640 million. The maintenance capex for the year was R878 million (2017: R837 million).

The financial statements on pages 14 and 99 fully set out the financial results of the Group and Company.

Special resolutions

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

Life Healthcare Group Holdings Limited

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

Distributions to shareholders

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

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

Date dividend paid and shares issued	R'm	Cents per share	Scrip distribution with the right to elect cash
8 January 2018	652*	45.00	Final 2017
25 June 2018	556*	38.00	Interim 2018

* The cash portion of the final dividend was subject to dividend withholding tax at a rate of 20%.

The board approved a final gross cash dividend of 50 cents per ordinary share for the year ended 30 September 2018. The dividend has been declared from income reserves. A dividend withholding tax of 20% will be applicable to all shareholders not exempt therefrom, after deduction of which the net cash dividend is 40 cents per share.

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

Last date to trade cum dividend	Tuesday, 11 December 2018
Shares trade ex the dividend	Wednesday, 12 December 2018
Record date	Friday, 14 December 2018
Payment date	Tuesday, 18 December 2018

Share certificates may not be dematerialised or rematerialised between Wednesday, 12 December 2018 and Friday, 14 December 2018, both days inclusive.

Board of directors

The names of the directors in office at the date of this report are set out on page 2. The remuneration and interests of the directors are set out in note 26 to the annual financial statements.

Changes to board of directors

- ◆ SB Viranna was appointed as Group Chief Executive Officer effective 1 February 2018.
- ◆ MEK Nkeli resigned as an independent non-executive director with effect from 31 May 2018.
- ◆ AM Mothupi was appointed chairman of the social, ethics and transformation committee with effect from 31 May 2018.

Resignation of Group Company Secretary

Fazila Patel has resigned as Life Healthcare's Group Company Secretary with effect from 31 January 2019.

Interests of directors

No change in the interests as set out in note 26 has occurred between 30 September 2018 and the date of this report. No arrangements to which the Company is a party existed at year-end that would enable the directors or their families to acquire benefits by means of the acquisition of shares in the Company, other than the long-term incentive scheme in respect of executive directors.

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

Secretary

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

Independent auditor's report

TO THE SHAREHOLDERS OF LIFE HEALTHCARE GROUP HOLDINGS LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

OUR OPINION

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Life Healthcare Group Holdings Limited (the Company) and its subsidiaries (together the Group) as at 30 September 2018, 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.

What we have audited

Life Healthcare Group Holdings Limited's consolidated and separate financial statements set out on pages 14 to 99 comprise:

- ▶ the consolidated and company statements of financial position as at 30 September 2018;
- ▶ the consolidated and company statements of profit or loss and other comprehensive income for the year then ended;
- ▶ the consolidated and company statements of changes in equity for the year then ended;
- ▶ the consolidated and company statements of cash flows for the year then ended; and
- ▶ the notes to the consolidated and company financial statements, which include a summary of significant accounting policies.

BASIS FOR OPINION

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

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

Independence

We are independent of the Group in accordance with the *Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B).

OUR AUDIT APPROACH

Overview



Overall Group materiality

- ▶ Overall Group materiality: R142 million, which represents 5% of consolidated profit before tax.

Group audit scope

- ▶ We conducted full scope audit procedures at 26 business units and limited scope audit procedures at a further 3 business units.

Key audit matters

- ▶ Impairment consideration of goodwill and non-financial assets.

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

Materiality

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

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

<p>Overall Group materiality</p> <p>How we determined it</p> <p>Rationale for the materiality benchmark applied</p>	<p>R142 million</p> <p>5% of consolidated profit before tax</p> <p>We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark.</p> <p>We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.</p>
--	---

How we tailored our Group audit scope

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

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

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

The audits undertaken for Group reporting purposes are in respect of the key reporting business units of the Group, equating to full scope audit procedures being performed at 26 business units. We performed limited scope audit procedures at a further 3 business units.

Key audit matters

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

The following key audit matter relates to the consolidated financial statements. We have determined that there are no key audit matters to communicate in our report with regard to the audit of the separate financial statements of the Company for the current period.

Key audit matter	How our audit addressed the key audit matter
<p>Impairment consideration of goodwill and non-financial assets</p> <p><i>This key audit matter relates to the consolidated financial statements</i></p> <p>Refer to note 10 (intangible assets) to the consolidated financial statements on page 33.</p> <p>At 30 September 2018 the Group's consolidated statement of financial position included goodwill amounting to R12 991 million relating to both its southern Africa (R1 265 million) and international operations (R11 726 million).</p> <p>Assets that are not amortised, such as goodwill and indefinite life intangible assets are required to be assessed for impairment annually even if there is no impairment indicator.</p>	<p>For each of the respective impairment assessments performed, we obtained management's impairment models, tested the mathematical accuracy of the calculations, which included recalculating the recoverable amount for each respective operating business unit level and CGU, and compared this to the respective net carrying values.</p> <p>With the assistance of our corporate finance and financial modelling experts, we assessed the Group's valuation models used in management's impairment assessments and found that they were materially consistent with best practice.</p>

Independent auditor's report continued

Key audit matter

Management performed annual impairment assessments on the operating units to which goodwill has been allocated based on value-in-use calculations to identify if the recoverable amount is less than the carrying amount.

The impairment assessments were performed at an operating segment level (Alliance Medical Group) as well as on individual cash-generating units (CGUs) (southern Africa operations and Scanmed S.A. – Poland), being the levels at which management assesses goodwill for impairment.

The assessments performed by management required judgement in the determination of key assumptions and future market conditions, particularly in relation to:

- ◆ discount rate;
- ◆ growth rate;
- ◆ tariff increases and adjustments; and
- ◆ future cash flow forecasts.

Future cash flows are estimated based on financial budgets covering a five-year period.

Based on the results of the impairment assessment, management did not recognise an impairment at 30 September 2018.

This area was considered to be a matter of most significance to the current year audit due to the following:

- ◆ The impairment assessments are based on complex economic models, key assumptions, estimates and management judgement; and
- ◆ The magnitude of the balances to the financial statements.

How our audit addressed the key audit matter

We assessed the key inputs in the calculations by performing the following procedures:

- ◆ Growth rates and tariff increases were assessed against actual performance, and correspondence with funders and regulators.
- ◆ We assessed the reasonableness of management's future cash flow forecasts by comparing them to historical forecasts, current operational results and existing contracts in place.

We agreed relevant data included in the cash flow models to the latest long-term budgets used by management to manage and monitor the performance of the business.

We utilised our corporate finance experts to assess the appropriateness of management's various discount rates used within the Group by calculating an independent discount rate range using relevant third-party sources.

By using the independently calculated discount rate range and the key inputs assessed above, we performed an independent impairment assessment. Based on the outcome of our procedures, we accepted the reasonability of management's assumptions.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the Life Healthcare Group Annual Financial Statements 2018, which includes the Directors' Report, the Report of the Audit Committee and the Statement of Group Company Secretary as required by the Companies Act of South Africa, and the Statement of directors' responsibility which we obtained prior to the date of this auditor's report, and the Life Healthcare Group Integrated Report 2018 which is expected to be made available to us after that date. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Life Healthcare Group Holdings Limited for 20 years.

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc.

Director: M Naidoo
Registered Auditor
Waterfall City
23 November 2018

Consolidated statement of profit or loss and other comprehensive income

FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Notes	2018 R'm	2017 R'm
Revenue and other income	2	23 716	20 967
Drugs and surgicals consumed		(5 062)	(4 645)
Employee benefits expense	3	(8 064)	(6 957)
Retirement benefit asset and post-employment medical aid income		34	29
Depreciation on property, plant and equipment		(1 133)	(971)
Amortisation of intangible assets		(537)	(439)
Repairs and maintenance expenditure on property, plant and equipment		(529)	(420)
Occupational expenses		(829)	(884)
Hospital service expenses		(786)	(765)
Communication expenses		(399)	(292)
Radiology service costs		(1 033)	(505)
Professional, legal and secretarial fees		(292)	(189)
Other expenses		(1 238)	(1 309)
Operating profit		3 848	3 620
Fair value adjustment to contingent consideration		(18)	43
Transaction costs relating to acquisitions		(38)	(267)
Impairment of assets and investments	9 and 10	(34)	(167)
Profit on remeasuring previously held interest in associate to fair value		–	6
Profit/(loss) on disposal of property, plant and equipment		35	(37)
Gain on derecognition of lease assets and liabilities		79	–
Fair value profit/(loss) on derivative financial instruments		127	(92)
Other		(95)	(20)
Finance income	4	40	162
Finance cost	4	(1 002)	(1 299)
Share of associates and joint ventures' net loss after tax	11	(105)	(15)
Profit before tax	5	2 837	1 934
Tax expense	6	(923)	(815)
Profit after tax		1 914	1 119
Other comprehensive income, net of tax			
Items that may be reclassified to profit or loss			
Movement in foreign currency translation reserve		183	127
Items that may not be reclassified to profit or loss			
Retirement benefit asset and post-employment medical aid		–	13
Total comprehensive income for the year		2 097	1 259
Profit after tax attributable to:			
Ordinary equity holders of the parent		1 575	814
Non-controlling interest		339	305
		1 914	1 119
Total comprehensive income attributable to:			
Ordinary equity holders of the parent		1 757	952
Non-controlling interest		340	307
		2 097	1 259
Earnings per share (cents)	7	108.6	62.2
Diluted earnings per share (cents)	7	108.1	62.0

Consolidated statement of financial position

AT 30 SEPTEMBER 2018

	Notes	2018 R'm	2017 R'm
ASSETS			
Non-current assets		30 558	31 459
Property, plant and equipment	9	12 243	11 131
Intangible assets	10	17 084	16 281
Investment in associates and joint ventures	11	35	2 976
Employee benefit assets	12	401	399
Deferred tax assets	13	700	608
Other assets		95	64
Current assets		8 584	5 180
Cash and cash equivalents	14	1 494	1 176
Trade and other receivables	15	3 761	3 602
Inventories	16	360	357
Income tax receivable		24	33
Other assets		104	12
Asset classified as held for sale	17	2 841	–
Total assets		39 142	36 639
EQUITY AND LIABILITIES			
Capital and reserves			
Stated capital	18	13 510	13 084
Reserves		1 406	1 296
Non-controlling interest		1 286	1 171
Total equity		16 202	15 551
Liabilities			
Non-current liabilities		14 764	9 991
Interest-bearing borrowings	20	12 870	7 786
Derivative financial instruments	22	6	749
Deferred tax liabilities	13	1 226	1 203
Trade and other payables	21	127	18
Contingent consideration liabilities	25	463	55
Other liabilities		72	180
Current liabilities		8 176	11 097
Bank overdraft	14	488	450
Trade and other payables	21	4 409	4 113
Contingent consideration liabilities	25	71	61
Interest-bearing borrowings	20	3 086	6 301
Income tax payable		110	161
Other liabilities		12	11
Total liabilities		22 940	21 088
Total equity and liabilities		39 142	36 639

Consolidated statement of changes in equity

FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Attributable to equity holders of the Company						Non-controlling interest R'm	Total equity R'm
	Notes	Stated capital R'm	Other reserves R'm	Distributable reserves R'm	Retained earnings R'm	Reserves R'm		
Balance at 1 October 2017		13 084	68	26	1 202	1 296	1 171	15 551
Total comprehensive income for the year		–	182	–	1 575	1 757	340	2 097
Profit for the year		–	–	–	1 575	1 575	339	1 914
Other comprehensive income		–	182	–	–	182	1	183
Issue of new shares as a result of scrip distributions		450	–	–	–	–	–	450
Transactions with non-controlling interests	25	–	(474)	–	–	(474)	19	(455)
Distributions to shareholders		–	–	–	(1 208)	(1 208)	(244)	(1 452)
Purchase of treasury shares for staff benefit schemes		(72)	–	–	–	–	–	(72)
Vesting of treasury shares for staff benefit schemes		46	(40)	–	–	(40)	–	6
Disposal of treasury shares		2	(2)	–	–	(2)	–	–
Long-term incentive scheme charge		–	29	–	–	29	–	29
Life Healthcare employee share trust charge		–	48	–	–	48	–	48
Balance at 30 September 2018		13 510	(189)	26	1 569	1 406	1 286	16 202
Note				19				
Balance at 1 October 2016		3 666	(58)	26	1 852	1 820	1 312	6 798
Total comprehensive income for the year		–	125	–	827	952	307	1 259
Profit for the year		–	–	–	814	814	305	1 119
Other comprehensive income		–	125	–	13	138	2	140
Issue of new shares as a result of scrip distributions		712	–	–	–	–	–	712
Issue of new shares as a result of rights offer, net of costs		8 770	–	–	–	–	–	8 770
Gains on transactions with non-controlling interests	25	–	6	–	–	6	(6)	–
Transactions with non-controlling interests	25	–	(6)	–	–	(6)	(205)	(211)
Non-controlling interest arising on business combination		–	–	–	–	–	17	17
Distributions to shareholders		–	–	–	(1 477)	(1 477)	(254)	(1 731)
Purchase of treasury shares for staff benefit schemes		(125)	–	–	–	–	–	(125)
Vesting of treasury shares for staff benefit schemes		55	(55)	–	–	(55)	–	–
Disposal of treasury shares		6	(6)	–	–	(6)	–	–
Long-term incentive scheme charge		–	17	–	–	17	–	17
Life Healthcare employee share trust charge		–	45	–	–	45	–	45
Balance at 30 September 2017		13 084	68	26	1 202	1 296	1 171	15 551
Note				19				

Consolidated statement of cash flows

FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Notes	2018 R'm	2017 R'm
Cash flows from operating activities			
Cash generated from operations	24	5 503	4 663
Transaction costs paid		(38)	(210)
Interest received		40	162
Tax paid		(1 065)	(891)
Net cash from operating activities		4 440	3 724
Cash flows from investing activities			
Purchase of property, plant and equipment		(2 123)	(1 561)
Purchase of intangible assets		(121)	(95)
Proceeds from sales of property, plant and equipment		61	73
Business combinations, net of cash acquired	25	(458)	(9 534)
Contingent considerations paid		(33)	(339)
Settlement of B-share liability	22	(640)	–
Increase in investment in joint venture/associate		–	(428)
Dividends and profit distributions received from associates and joint ventures		12	16
Repayment of loans to associates and joint ventures	27	(1)	(2)
Other cash payments received		10	–
Other cash payments made		(71)	(15)
Net cash utilised in investing activities		(3 364)	(11 885)
Cash flows from financing activities			
Proceeds from issue of shares as a results of rights offer		–	9 000
Costs directly attributable to the rights offer		–	(230)
Proceeds from interest-bearing borrowings	20	8 437	18 685
Repayment of interest-bearing borrowings	20	(5 534)	(15 462)
Repayment of preference shares	20	(1 250)	–
Dividends paid to non-controlling interests		(245)	(247)
Loans repaid to non-controlling interests		(7)	(14)
Cash flow on increases in ownership interests	25	(484)	(234)
Proceeds on decreases in ownership interests	25	29	10
Finance cost paid		(903)	(1 210)
Treasury shares acquired for delivery to staff trust and long-term incentive schemes	19	(72)	(125)
Dividends paid		(758)	(765)
Other cash payments made		(39)	(110)
Net cash (utilised in)/generated from financing activities		(826)	9 298
Net increase in cash and cash equivalents		250	1 137
Cash and cash equivalents – beginning of the year		726	(426)
Effect of foreign exchange rate movements		30	15
Cash and cash equivalents – end of the year	14	1 006	726

Notes to consolidated annual financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2018

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

1.1 Basis of preparation

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

Basis of preparation

Prepared in accordance with:

International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations effective for the Group's financial year, as well as the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.	JSE Listings Requirements	South African Companies Act, No 71 of 2008 (as amended)	Going-concern principles
---	---------------------------	---	--------------------------

Presentation currency

South African rand

Rounding principles

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

Foreign currency transactions and balances

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

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

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

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

1.2 Critical judgements, accounting estimates and assumptions

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

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

1.2 Critical judgements, accounting estimates and assumptions continued

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

1.2.1 Critical judgements

Group accounting

Factors considered to determine whether the Group has control

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

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

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

Factors considered to determine whether the Group has significant influence

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

Factors considered to determine whether the Group has joint control

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

Non-financial assets

Goodwill

The level at which management monitors goodwill for impairment testing requires the use of judgement as well as determining the allocation of goodwill to the different cash-generating units (CGUs) for impairment testing.

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

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

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

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

Refer note 10.

Notes to consolidated annual financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER 2018

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

1.2 Critical judgements, accounting estimates and assumptions continued

1.2.1 Critical judgements continued

Other operating assets

Useful lives, residual values and impairment

Useful lives	The Group depreciates or amortises its assets over their estimated useful lives. The useful lives of assets are based on historic performance as well as expectations about future use and therefore requires a degree of judgement to be applied by management. The actual lives of these assets can vary depending on a variety of factors, including technological innovation, product life cycles and maintenance programmes. The useful lives are reviewed at each reporting date.
Residual values	Judgement is applied by management when determining the residual values for property, plant and equipment and intangible assets. When determining the residual value for property and equipment, the following factors are taken into account: <ul style="list-style-type: none"> ▶ External residual value information ▶ Internal technical assessments for complex medical equipment <p>The residual values are reviewed at each reporting date.</p>
Impairment	The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. In the event of contractual obligations in terms of which a termination consideration is payable to the Group, management will apply a residual value to the intangible asset.

Statement of financial position	Statement of profit or loss and other comprehensive income	Estimated useful lives	Impairment indicators	
Intangible assets	Amortisation	Item	External sources of information: <ul style="list-style-type: none"> ▶ Significant adverse changes that have taken place or are expected in the near future in the technological, market, economic or legal environment in which the Group operates ▶ Increases in interest rates or other market rates of return that may materially affect the discount rate used in calculating the asset's recoverable amount 	
		Customer relations		10 – 15 years
		Hospital licences		
		Brand name		12 years
		Intellectual property		10 years
		Computer software		3 – 15 years
		Other intangible assets	Duration of the respective agreements	
Property, plant and equipment	Depreciation	Land	Not depreciable	
		Assets under construction		
		Buildings – owned	40 – 50 years	
		Medical equipment	3 – 25 years	
		Other property, plant and equipment – owned		
		Motor vehicles	3 – 8 years	
		Leased: <ul style="list-style-type: none"> ▶ Buildings ▶ Other property, plant and equipment ▶ Improvements to leased assets 	Shorter of useful life or lease term	
		Internal sources of information: <ul style="list-style-type: none"> ▶ Obsolescence or physical damage affecting the asset ▶ Idle assets ▶ Plans to discontinue or restructure the operations to which the asset belongs or the asset's disposal ▶ Significant decline in management's forecasts of future net cash inflows 		

Refer notes 9 and 10.

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

1.2 Critical judgements, accounting estimates and assumptions continued

1.2.1 Critical judgements continued

Financial instruments

Impairment of financial assets

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

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

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

The impairment losses on its trade receivables have been included in “other expenses” in the statement of profit or loss and other comprehensive income. Refer note 15.

1.2.2 Critical accounting estimates and assumptions

Group accounting

Fair value determination in business combinations

The Group makes use of various valuation methodologies in determining the fair values of assets acquired and liabilities assumed in a business combination, including the use of reputable independent valuers. Valuations are inherently subjective and therefore the determination of the fair values of the assets, liabilities and contingent liabilities requires the use of estimates and assumptions. When the accounting for a business combination can only be determined provisionally at the date of reporting, provisional values are used. These provisional values are adjusted once the initial accounting has been completed, which must be within 12 months from the date of acquisition, by retrospectively adjusting the fair values of the net identifiable assets acquired and goodwill. In certain circumstances the purchase consideration includes contingent consideration. The calculation of contingent consideration requires the use of estimates and assumptions. This includes estimates and assumptions on future cash flows as well as determining an appropriate discount rate. Refer note 25.

Financial instruments

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active and for unlisted securities, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs. Refer note 22.

Non-financial assets

Impairment – Goodwill

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

	Southern Africa		Poland	
	2018 %	2017 %	2018 %	2017 %
Growth rate in activities	0.0 – 4.0	0.0-6.0	6.3 – 6.9	3.0 – 10.0
Average discount rate	13.40	12.17	8.20	7.79
Tariff and inflation increases	0.0 – 6.0	2.0 – 10.0	1.8 – 2.9	2.1 – 2.61
Terminal growth rate	1.50	2.00	3.5 – 4.0	3.0 – 4.0

Notes to consolidated annual financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER 2018

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

1.2 Critical judgements, accounting estimates and assumptions continued

1.2.2 Critical accounting estimates and assumptions

Non-financial assets continued

Impairment – Goodwill continued

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

	Alliance Medical	
	2018 %	2017 %
Growth rate in activities (across all markets)	0.0 – 14.0	0.0 – 14.0
Tariff adjustment (across all markets)	(3.0) – 3.0	(3.0) – 3.0
Cost inflation (across all markets)	2.0 – 5.0	2.0 – 5.0
Average discount rate ¹	6.60	11.20
Terminal growth rate	1.50	1.00

¹ The discount rate was higher in the prior year, as this was a new acquisition in 2017, and a higher risk premium was used.

The value-in-use calculations were determined by discounting the expected future cash flows over a period of five years.

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

Refer note 10.

Sensitivity analysis

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

- ◆ If the average discount rate for southern Africa increases to 15.70% the first CGUs carrying amount will exceed its recoverable amount.
- ◆ A rise in the Alliance Medical average discount rate to 8.07% would reduce the headroom to nil.
- ◆ If the average discount rate for Poland increases to 8.43% the first CGUs carrying amount will exceed its recoverable amount.

Employee benefits

Defined benefit plans

Determining the present value of the defined benefit obligation	The present value of the defined benefit obligations is discounted using appropriate interest rates. The cost of providing the benefits is determined using the projected unit credit method. Refer note 12.
---	--

Long-term incentive plans

Determining the fair value: Equity-settled shared-based payments

Long-term incentive schemes (southern Africa and Poland)	The fair value of awards granted during the period was determined using the Monte Carlo simulation model. Volatility is measured at the standard deviation of continuously compounded share returns and is based on statistical analysis of daily share prices over the last three years.
--	---

The key assumptions used in the model were as follows:

	2018 Current	2017 Current
Continuous dividend yield (%)		5.37
Continuous risk-free rate (%)	n/a ¹	7.53
Expected option life		3 years

¹ No new allocation was granted in the current year, and therefore no valuation was performed.

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

1.2 Critical judgements, accounting estimates and assumptions continued

1.2.2 Critical accounting estimates and assumptions continued

Employee benefits continued

Long-term incentive plans continued

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

Long-term incentive scheme (Alliance Medical)	The fair value of the C shares liability was determined using the Monte Carlo simulation model. Volatility is measured using an equally weighted average volatility estimate, over a period of four years. As Alliance Medical is an unlisted entity, entities within an index tracker basket were named as suitable proxies in calculating a suitable volatility input.
---	--

The key assumptions used in the model were as follows:

	2018	2017
Initial investment (GBP'm)	573	573
Equity value (GBP'm) ¹	509	650
Risk-free rate	0.95%	0.80%
Volatility input	30.00%	24.95%
Expected option life	5 years	5 years
Sensitivity analysis		
The potential increase in liability when:	R'm	R'm
The volatility input increases by 5%	9	62
The equity value increases by 20%	43	125

¹ The equity value is calculated based on an index mean multiple derived from a basket of companies as well as the equity value impacted by normalised EBITDA and net debt movements (as agreed between the parties). Different methodologies are used for impairment considerations (in terms of IFRS).

Refer notes 19 and 21.

Other

Taxation

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

Current and deferred tax calculations have been determined on the basis of prior year assessed computation methodologies adjusted for changes in taxation legislation and interpretation in the year. No significant new transactions, other than acquisitions made by Alliance Medical, 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 reporting date could be impacted. Additionally future changes in tax laws could limit the ability of the Group to obtain tax deductions in future periods. Refer note 13.

Insurance provision

In the ordinary course of business the Group, from time to time, receives potential litigation and claims. Such claims are assessed by management and legal counsel and dealt with on a case-by-case basis taking into consideration applicable excess levels per claim and external legal advice on the merits and probability of the claim. The provision is discounted at a pre-tax average cost of debt rate where applicable.

Notes to consolidated annual financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER 2018

	2018 R'm	2017 R'm
2. REVENUE AND OTHER INCOME		
Revenue		
Private healthcare services	16 302	15 220
Government and public healthcare facility services	6 453	4 996
Other healthcare-related services	658	511
Rental income related to auxiliary services	75	70
	23 488	20 797
Other income		
Other rental income	91	78
Other income	137	92
	228	170
Total revenue and other income	23 716	20 967
3. EMPLOYEE BENEFITS EXPENSE		
Salaries	5 822	5 147
Long-term incentive schemes	11	73
Share-based payment – Life Healthcare employee share trust	50	45
Severance payments	51	–
Agency fees	1 318	988
Medical aid contributions	258	240
Pension fund costs – defined benefit and contribution plans	19	46
Provident fund costs – defined contribution plans	200	188
Social security costs	226	157
Other	109	73
	8 064	6 957
Includes executive directors and prescribed officers' remuneration		
4. FINANCE INCOME AND COST		
Finance income	(40)	(162)
Bank and deposits	(2)	(60)
Foreign exchange gains	(30)	(82)
Other	(8)	(20)
Finance cost	1 002	1 299
Interest-bearing borrowings and bank overdrafts	745	1 134
Borrowing cost capitalised ¹	(16)	(26)
Preference shares	224	191
Foreign exchange losses	30	–
Other	19	–
Net finance cost	962	1 137

¹ The Group has used an average rate of 8.6% (2017: 8.5%) in determining the borrowing costs capitalised.

	2018 R'm	2017 R'm
5. PROFIT BEFORE TAX		
The following items have been included in arriving at profit before tax:		
Operating lease rentals	242	224
Auditors' remuneration	48	32
Total audit fees	30	35
Audit fees directly attributable to the rights offer capitalised against stated capital	–	(11)
Fees relating to non-audit services	18	8
Directors and prescribed officers' emoluments	48	44
6. TAX EXPENSE		
Current income tax		
Current year	1 007	900
Prior year underprovision	16	9
Deferred income tax		
Origination and reversal of temporary differences	(99)	(129)
Prior year (over)/underprovision	(1)	34
Withholding tax	–	1
Total tax expense	923	815
Reconciliation of the tax rate	%	%
South African normal tax rate	28.00	28.00
Adjustments for non-cash items:		
Income not taxable – (profit)/loss on sale of property, plant and equipment and investments	(0.15)	0.08
Income not taxable – partnerships	(0.48)	(0.82)
Income not taxable – gain on derecognition of lease assets and liabilities	(0.78)	–
Expenses not deductible – associate loss	1.10	0.39
Expenses not deductible – impairment of intangible assets and investment	0.28	1.64
Expenses not deductible – interest on preference shares	2.21	2.76
Expenses not deductible – interest on borrowings and acquisition costs	0.79	9.37
Other	(0.54)	(0.76)
Prior year underprovision	0.54	2.22
Withholding tax	0.02	0.06
Assessed losses	0.27	0.54
Impact of different international tax rates	1.27	(1.37)
Effective rate	32.53	42.11

The Group has raised deferred tax on estimated tax losses of R256 million (2017: R195 million) available to offset against future taxable income. Tax losses of R26 million (2017: R38 million) were utilised during the period.

Notes to consolidated annual financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER 2018

7. EARNINGS (EPS), HEADLINE EARNINGS (HEPS) AND DISTRIBUTION PER SHARE (DPS)

	Attributable earnings R'm		Weighted average number of shares ('000)		Cents per share	
	2018	2017	2018	2017	2018	2017
EPS – basic	1 575	814	1 450 710	1 309 722	108.6	62.2
EPS – diluted	1 575	814	1 456 525	1 313 784	108.1	62.0
HEPS – basic	1 579	1 014	1 450 710	1 309 722	108.8	77.4
HEPS – diluted	1 579	1 014	1 456 525	1 313 784	108.3	77.2
Normalised EPS	1 598	1 230	1 450 710	1 309 722	110.2	93.9

	Total dividend R'm		Total number of shares issued ('000)		Cents per share	
	2018	2017	2018	2017	2018	2017
DPS – ordinary shares						
♦ final (previous financial year)	652	973	1 449 391	1 057 800	45	92
♦ interim	556	504	1 463 980	1 440 940	38	35

The cash portion of the total distribution was subject to dividend withholding tax at a rate of 20% (2017: 20%), which resulted in a net final dividend, for the year ended 30 September 2017, of 36.0 cents per ordinary share and net interim dividend of 30.4 cents per ordinary share to those shareholders who are not exempt in terms of section 64F of the Income Tax Act.

	2018		2017	
	Gross amount R'm	Net amount R'm	Gross amount R'm	Net amount R'm
Headline earnings reconciliation				
Profit attributable to ordinary equity holders	1 575	1 575	814	814
Adjustments (net of tax):				
Impairment of assets and investments	34	34	167	167
Profit on remeasuring previously held interest in associate to fair value	-	-	(6)	(4)
(Profit)/loss on disposal of property, plant and equipment	(35)	(30)	37	37
Headline earnings	1 574	1 579	1 012	1 014

Difference between gross and net amount relates to tax.

	2018 '000	2017 '000
Reconciliation between weighted average number of shares and diluted number of shares		
Issued ordinary shares – at the beginning of the year	1 449 391	1 057 800
Share issued as a result of scrip distributions	11 488	14 565
Share issued as a result of rights offer	-	166 061
Bonus element as a result of rights offer	-	78 972
Effect of treasury shares	(10 169)	(7 676)
Weighted average number of shares at the end of the year	1 450 710	1 309 722
Effect of dilutive potential ordinary shares – treasury shares	5 815	4 062
Diluted weighted average number of shares at the end of the year	1 456 525	1 313 784

7. EARNINGS (EPS), HEADLINE EARNINGS (HEPS) AND DISTRIBUTION PER SHARE (DPS)

continued

	R'm 2018	R'm 2017
Normalised earnings per share		
Normalised earnings per share is a measurement used by the chief operating decision maker (CODM). The calculation of normalised earnings per share excludes non-trading-related items as listed below and is based on the normalised profit attributable to equity holders of the parent, divided by the weighted average number of ordinary shares in issue during the year. The presentation of normalised earnings is not an IFRS requirement.		
Profit attributable to ordinary equity holders	1 575	814
Adjustments (net of tax):		
Retirement benefit asset and post-employment medical aid income	(24)	(21)
Fair value adjustment to contingent consideration	18	(43)
Transaction costs relating to acquisitions	38	267
Impairment of assets and investments	34	167
Profit on remeasuring previously held interest in associate to fair value	–	(4)
(Profit)/loss on disposal of property, plant and equipment	(30)	37
Gain on derecognition of lease assets and liabilities	(71)	–
Fair value gain on foreign exchange option contracts	(17)	(7)
Other	75	20
Normalised earnings	1 598	1 230
Normalised EPS (cents)	110.2	93.9

8. SEGMENT INFORMATION

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

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

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

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

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

Inter-segment revenue of R4 million (2017: R5 million) is eliminated and relates to revenue between Life Employee Health Solutions and the southern Africa business.

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

Notes to consolidated annual financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER 2018

8. SEGMENT INFORMATION continued

	2018 R'm	2017 R'm
Revenue¹		
Southern Africa		
Hospitals and complementary services	16 118	15 019
Healthcare services	1 122	871
Alliance Medical		
Diagnostic services	4 988	3 812
Poland		
Healthcare services	1 260	1 095
	23 488	20 797
Normalised EBITDA²		
Southern Africa		
Hospitals and complementary services	3 703	3 420
Healthcare services	131	121
Alliance Medical		
Diagnostic services	1 161	908
Poland		
Healthcare services	85	44
Corporate	455	508
	5 535	5 001

¹ Revenue of approximately 23% (2017: 23%) is derived from one external customer. This revenue is attributable to the southern Africa segment.

² Normalised EBITDA – operating profit before depreciation on property, plant and equipment, amortisation of intangible assets and non-trading-related costs or income.

8. SEGMENT INFORMATION continued

	2018 R'm	2017 R'm
Depreciation		
Southern Africa		
Hospitals and complementary services	(531)	(475)
Healthcare services	(17)	(14)
Alliance Medical		
Diagnostic services	(480)	(390)
Poland		
Healthcare services	(59)	(58)
Corporate	(46)	(34)
	(1 133)	(971)
EBITA¹		
Southern Africa		
Hospitals and complementary services	3 172	2 945
Healthcare services	114	107
Alliance Medical		
Diagnostic services	681	518
Poland		
Healthcare services	26	(14)
Corporate	409	474
	4 402	4 030
Amortisation		
Southern Africa		
Hospitals and complementary services	(131)	(135)
Alliance Medical		
Diagnostic services	(387)	(284)
Poland		
Healthcare services	(19)	(20)
	(537)	(439)

¹ EBITA = normalised EBITDA less depreciation.

Notes to consolidated annual financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER 2018

8. SEGMENT INFORMATION continued

	2018 R'm	2017 R'm
Operating profit before items detailed below		
Southern Africa		
Hospitals and complementary services	3 041	2 810
Healthcare services	114	107
Alliance Medical		
Diagnostic services	294	234
Poland		
Healthcare services	7	(34)
Corporate	409	474
	3 865	3 591
Retirement benefit asset and post-employment medical aid income	34	29
Severance payments	(51)	–
Operating profit	3 848	3 620
Fair value adjustment to contingent consideration	(18)	43
Transaction costs relating to acquisitions	(38)	(267)
Impairment of assets and investments	(34)	(167)
Profit on remeasuring previously held interest in associate to fair value	–	6
Profit/(loss) on disposal of property, plant and equipment	35	(37)
Gain on derecognition of lease assets and liabilities	79	–
Fair value profit/(loss) on derivative financial instruments	127	(92)
Other	(95)	(20)
Finance income	40	162
Finance cost	(1 002)	(1 299)
Share of associates and joint ventures' net loss after tax	(105)	(15)
Profit before tax	2 837	1 934
Operating profit before items detailed includes the segment's share of shared services and rental costs. These costs are all at market-related rates.		
Total assets before items detailed below:		
Southern Africa	12 998	12 542
Alliance Medical	19 559	17 815
Poland	2 519	2 280
India (classified as held for sale in the current year)	2 841	2 960
	37 917	35 597
Employee benefit assets	401	399
Deferred tax assets	700	608
Derivative financial assets (included in other assets)	100	2
Income tax receivable	24	33
Total assets per the balance sheet	39 142	36 639

8. SEGMENT INFORMATION continued

	2018 R'm	2017 R'm
Net debt		
Southern Africa	8 018	7 976
Alliance Medical	5 854	4 276
Poland	1 078	1 109
	14 950	13 361
Cash and cash equivalents (net)		
Southern Africa	(82)	49
Alliance Medical	944	590
Poland	144	87
	1 006	726

Net debt is a key measure for the Group, which comprises all interest-bearing borrowings, overdraft balances and cash on hand.

Notes to consolidated annual financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Land and buildings – owned R'm	Fixed property – leased R'm	Improvements to leased premises R'm	Medical equipment R'm	Motor vehicles and other equipment R'm	Assets under construction R'm	Total R'm
9. PROPERTY, PLANT AND EQUIPMENT							
Carrying value at 1 October 2017	5 241	627	825	2 952	483	1 003	11 131
Additions	354	1	49	567	118	1 035	2 124
Arising on acquisition of subsidiaries	6	–	6	52	18	5	87
Disposals, scrappings and derecognitions	–	(30)	(11)	(29)	(10)	–	(80)
Transfers	354	–	249	428	100	(1 131)	–
Borrowing costs capitalised	12	–	–	–	–	–	12
Depreciation for the year	(161)	(31)	(122)	(657)	(162)	–	(1 133)
Impairment loss	–	–	–	(5)	(1)	–	(6)
Effect of foreign currency movement	16	13	23	43	8	5	108
Carrying value at 30 September 2018	5 822	580	1 019	3 351	554	917	12 243
Comprising:							
Cost	7 429	873	1 991	8 532	1 500	917	21 242
Accumulated depreciation and impairment losses	(1 607)	(293)	(972)	(5 181)	(946)	–	(8 999)
	5 822	580	1 019	3 351	554	917	12 243
Carrying value at 1 October 2016	4 418	632	328	1 412	231	731	7 752
Additions	189	1	45	419	75	1 157	1 886
Arising on acquisition of subsidiaries	359	–	432	1 297	134	224	2 446
Disposals or scrappings	(6)	–	(36)	(63)	(6)	–	(111)
Transfers	375	2	170	412	160	(1 119)	–
Borrowing costs capitalised	25	–	–	–	–	–	25
Depreciation for the year	(151)	(18)	(113)	(575)	(114)	–	(971)
Impairment	–	–	(19)	–	–	–	(19)
Effect of foreign currency movement	32	10	18	50	3	10	123
Carrying value at 30 September 2017	5 241	627	825	2 952	483	1 003	11 131
Comprising:							
Cost	6 678	887	1 671	7 407	1 257	1 003	18 903
Accumulated depreciation and impairment losses	(1 437)	(260)	(846)	(4 455)	(774)	–	(7 772)
	5 241	627	825	2 952	483	1 003	11 131

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

	Computer software R'm	Goodwill R'm	Customer relations R'm	Brand name R'm	Intellectual property R'm	Hospital licences R'm	Other intangible assets R'm	Total R'm
10. INTANGIBLE ASSETS								
Carrying value at 1 October 2017	337	12 170	3 385	122	–	235	32	16 281
Additions	83	–	–	–	38	–	–	121
Arising on acquisition of subsidiaries	2	590	131	–	221	–	–	944
Amortisation for the year	(49)	–	(419)	(11)	(5)	(53)	–	(537)
Borrowing costs capitalised	4	–	–	–	–	–	–	4
Impairment loss ¹	(28)	–	–	–	–	–	–	(28)
Effect of foreign currency movement	4	231	51	2	9	–	2	299
Carrying value at 30 September 2018	353	12 991	3 148	113	263	182	34	17 084
Comprising:								
Cost	615	13 637	4 653	133	266	828	36	20 168
Accumulated amortisation and impairment losses	(262)	(646)	(1 505)	(20)	(3)	(646)	(2)	(3 084)
	353	12 991	3 148	113	263	182	34	17 084
Carrying value at 1 October 2016	211	2 288	378	–	–	288	31	3 196
Additions	93	–	–	–	–	–	–	93
Arising on acquisition of subsidiaries	80	9 825	3 292	129	–	–	–	13 326
Disposals or scrappings	(3)	–	–	–	–	–	–	(3)
Amortisation for the year	(47)	–	(331)	(8)	–	(53)	–	(439)
Borrowing costs capitalised	1	–	–	–	–	–	–	1
Impairment loss ²	–	(148)	–	–	–	–	–	(148)
Effect of foreign currency movement	2	205	46	1	–	–	1	255
Carrying value at 30 September 2017	337	12 170	3 385	122	–	235	32	16 281
Comprising:								
Cost	525	12 724	4 449	131	–	828	36	18 693
Accumulated amortisation and impairment losses	(188)	(554)	(1 064)	(9)	–	(593)	(4)	(2 412)
	337	12 170	3 385	122	–	235	32	16 281

¹ Software development costs of R28 million, relating to the southern Africa operations, that did not meet business requirements were fully impaired.

² The National Health Fund (NFZ) in Poland announced reduced tariffs in respect of cardiology procedures that came into effect on 1 July 2016 and further cardiology tariff reductions from 1 January 2017. This resulted in a R167 million impairment in the carrying value of the investment in Poland in the Group's results during 2017, which was allocated to goodwill R148 million and property, plant and equipment R19 million.

Goodwill impairment testing

Goodwill has been allocated to the CGUs for impairment testing as follows:

	2018 R'm	2017 R'm
Hospitals and complementary services (southern Africa)	1 031	1 031
Healthcare Services (southern Africa)	234	209
Alliance Medical	10 755	9 978
Poland	971	952
	12 991	12 170

Notes to consolidated annual financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER 2018

	2018 R'm	2017 R'm
11. INVESTMENT IN ASSOCIATES AND JOINT VENTURES		
Unlisted ordinary shares		
Balance at 1 October	2 976	2 548
Share of net loss after tax	(105)	(15)
Share of current year loss before tax	(102)	(13)
Share of current year tax	(3)	(2)
Dividends declared by associates	(4)	–
Capital distributions	(8)	(16)
Reversal of impairment	15	–
Acquired through acquisition of subsidiary	–	18
Acquisition of shares in investment in joint venture	–	428
Forward exchange contract	–	11
Effect of foreign currency movement	2	2
Investment in Max Healthcare Institute Limited (Max) classified as held for sale (refer note 17)	(2 841)	–
Balance at 30 September	35	2 976

Refer annexure C – associate undertakings.

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

	Associates		Joint ventures	
	2018 R'm	2017 R'm	2018 R'm	2017 R'm
Carrying amount	2	2	11	11
Group's share of profit after tax	2	6	11	4

The aggregate post-acquisition reserves (adjusted for the Group's ownership) for associates and joint ventures are R43 million (2017: R11 million).

	2018 R'm	2017 R'm
12. EMPLOYEE BENEFIT ASSETS		
Retirement benefit asset	504	471
Trattamento di Fine Rapporto (TFR) retirement benefit obligation	(111)	(79)
Post-employment medical aid asset	17	18
Post-employment medical aid obligation	(9)	(11)
	401	399

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

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

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

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

The remaining active members of the Lifecare Group Holdings Pension Fund (LGH Fund) joined the Life Healthcare DB Pension Fund (LHC Fund) with effect from 1 March 2017, following the registration of a rule amendment to allow the LHC Fund (a closed fund) to accept these members. A section 14 application to transfer the assets from the LGH Fund to back up the additional liability accepted by the LHC Fund was approved by the Financial Sector Conduct Authority (FSCA), formerly the Financial Services Board (FSB), on 19 April 2018. The transfer of members' assets, and an appropriate solvency reserve from the LHC Fund to the LGH Fund was completed on 8 May 2018.

An annuity has been purchased in the LGH Fund's name (phase one of the outsource process) from Momentum to cover the LGH Fund's liability to pay pensions.

Notes to consolidated annual financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER 2018

12. EMPLOYEE BENEFIT ASSETS continued

Pension funds

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

	Life Healthcare DB Pension Fund		Lifecare Group Holdings Pension Fund	
	2018 %	2017 %	2018 %	2017 %
Discount rate	9.74	9.93	8.00	8.50
Consumer price inflation (CPI)	6.60	7.26	4.80	5.50
Expected long-term rate of return	9.74	9.93	8.00	8.50
Compensation increase rate	7.60	8.26	5.80	6.50
Pension increase rate	6.60 ¹	7.26 ¹	3.60	4.13
Rates of mortality	0.50 ²	0.50 ²	1.00 ³	1.00 ³

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

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

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

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

The last statutory actuarial valuations for the funds were:

Life Healthcare DB Pension Fund	30 June 2015 The next statutory valuation report will be prepared as at 30 June 2018, once the Fund's audited financial results, at the same date, are finalised.
Lifecare Group Holdings Pension Fund	31 March 2016 The next statutory valuation report will be prepared as at 31 March 2019.

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

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

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

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

The Company contribution rate could increase in future.

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

12. EMPLOYEE BENEFIT ASSETS continued

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

	Life Healthcare DB Pension Fund		Lifecare Group Holdings Pension Fund	
	2018 R'm	2017 R'm	2018 R'm	2017 R'm
Defined benefit fund asset				
Balance at 1 October	471	427	–	–
Net income/(expense) recognised in profit or loss	35	30	(2)	(1)
Current service cost	(10)	(10)	(2)	(1)
Past service cost	(17)	–	–	–
Transfers	17	–	–	–
Net interest income	45	40	–	–
Remeasurement recognised in other comprehensive income	(2)	13	2	1
Remeasurements on pension asset	(34)	(26)	30	(2)
Liability gain arising from changes in economic assumptions	13	28	–	1
Experience variance	19	11	(32)	1
Impact of paragraph 64 limit adjustment on asset	–	–	4	1
Company contributions	–	1	–	–
Balance at 30 September	504	471	–	–
Actual value of defined benefit liability and funded status				
Present value of defined benefit obligation	(522)	(520)	(113)	(138)
Asset at fair market value	1 026	991	136	159
Funded status	504	471	23	21
Unrecognised due to ceiling	–	–	(23)	(21)
Asset recognised in the statement of financial position	504	471	–	–
Reconciliation of defined benefit obligation				
Balance at 1 October	(520)	(530)	(138)	(136)
Service costs	(10)	(10)	(2)	(1)
Contributions	(3)	(3)	–	–
Interest cost	(53)	(50)	(10)	(12)
Benefits paid	47	31	15	8
Settlements	–	–	48	–
Past services cost	(17)	–	–	–
Settlement gain	–	–	4	–
Expenses	2	2	2	1
Remeasurements	32	40	(32)	2
Balance at 30 September	(522)	(520)	(113)	(138)

Notes to consolidated annual financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER 2018

12. EMPLOYEE BENEFIT ASSETS continued

	Life Healthcare DB Pension Fund		Lifecare Group Holdings Pension Fund	
	2018 R'm	2017 R'm	2018 R'm	2017 R'm
Reconciliation of fair value of plan assets				
Balance at 1 October	991	957	159	158
Expected return on assets	98	89	12	14
Contributions	3	5	–	–
Benefits paid	(47)	(31)	(15)	(10)
Remeasurements	(34)	(27)	30	(2)
Transfers in/(out)	17	–	(17)	–
Settlements	–	–	(31)	–
Expenses	(2)	(2)	(2)	(1)
Balance at 30 September	1 026	991	136	159
Composition of plan assets	%	%	%	%
Cash	6.6	6.8	56.8	85.3
Equity instruments	51.8	51.7	22.3	–
Bonds	12.4	11.1	20.9	14.7
Commodities	1.4	1.9	–	–
Property	4.5	5.3	–	–
Offshore and other	23.3	23.2	–	–
	100.0	100.0	100.0	100.0
			Life Healthcare DB Pension Fund R'm	Lifecare Group Holdings Pension Fund R'm
Expected contributions for the next annual reporting period:				
Member contributions			3	–
Company contributions			11	–
Benefit payments			(20)	(3)
Expenses			(3)	(2)
The weighted average duration (years)			10.8	–

The employer is required to contribute at a rate of 21.48%, effective 1 November 2017, based on the interim valuation results of the financial year-end of the LHC Fund as at 30 June 2017. The employer contribution rate is fully funded from the employer-owned surplus within the LHC Fund. The employer elected to take a full contribution holiday with effect from 1 December 2016.

12. EMPLOYEE BENEFIT ASSETS continued**Sensitivity analysis**

1% movement in the key assumptions:	2018		2017	
	Increase R'm	Decrease R'm	Increase R'm	Decrease R'm
Life Healthcare DB Pension Fund				
Effect on the defined benefit obligation				
Discount rate	(47)	56	(50)	+59
Inflation rate	+49	(42)	+36	(31)
Pension increase rate	- ¹	(38)	-	-
Lifecare Group Holdings Pension Fund²				
Effect on the defined benefit obligation				
Discount rate	-	-	(3)	+3
Inflation rate	-	-	+2	(3)

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

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

² The active members have been transferred to another scheme and had no liability as at the valuation date. The surplus liabilities and paid-up liabilities are defined contribution type of benefits and are not affected by any assumptions made.

TFR retirement benefit obligation (Alliance Medical)

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

	TFR scheme	
	2018 %	2017 %
Actuarial assumptions applied in the valuation of the unfunded liability		
Discount rate for liabilities	1.5	1.7
Inflation rate	1.5	1.5
Future salary increases	1.0	1.5
Future pension increases	2.6	2.6
	2018 R'm	2017 R'm
Reconciliation of the unfunded liability		
Balance at 1 October	(79)	(95)
Service costs	(7)	(7)
Interest cost	(1)	(1)
Remeasurements	(3)	4
Arising on acquisition of subsidiary	(25)	-
Expenses	(1)	(4)
Benefits paid	5	(3)
Settlements	-	27
Balance at 30 September	(111)	(79)

Notes to consolidated annual financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER 2018

12. EMPLOYEE BENEFIT ASSETS continued

Sensitivity analysis

0.25% movement in the key assumptions	2018		2017	
	Increase R'm	Decrease R'm	Increase R'm	Decrease R'm
Effect on TFR unfunded liability				
Discount rate	(2)	+2	(3)	+7
Inflation rate	+2	(2)	+3	(6)
Future salary increases	+1	(1)	+3	(5)

Post-employment medical aid benefit (southern Africa)

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

Life Healthcare carries a fully funded liability for a post-retirement medical aid subsidy in respect of 8 (2017:11) employees and 40 (2017: 45) pensioners who did not accept an alternative benefit offer made by the Company during the 2013 financial year.

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

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

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

The plan represents the market value of the assets.

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

	2018 %	2017 %
The following actuarial assumptions were applied:		
Discount rate	9.80	9.60
Consumer price inflation	6.30	6.50
Expected return on assets	9.80	9.60
Healthcare cost inflation	8.30	8.50

12. EMPLOYEE BENEFIT ASSETS continued

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

	2018 R'm	2017 R'm
Defined benefit fund asset		
Balance at 1 October	7	6
Net periodic income		
Net interest income	1	2
Company contributions	-	(1)
Balance at 30 September	8	7
Actual value of defined benefit liability and funded status		
Present value of defined benefit obligation	(9)	(11)
Asset at fair market value	17	18
Funded status	8	7
Asset recognised in the statement of financial position	8	7

Sensitivity analysis

1% movement in the key assumptions:	2018		2017	
	Increase R'm	Decrease R'm	Increase R'm	Decrease R'm
Effect on the defined benefit obligation				
Healthcare cost inflation rate	+10	(9)	+13	(10)
Discount rate	(9)	+10	(10)	+13

Notes to consolidated annual financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER 2018

	2018 R'm	2017 R'm
13. DEFERRED INCOME TAX		
Deferred tax comprises:		
Deferred tax assets	700	608
Deferred tax liabilities	(1 226)	(1 203)
	(526)	(595)
The movement in the deferred tax account is as follows:		
Balance at 1 October	(595)	(121)
Acquired through acquisition of subsidiaries	(24)	(554)
Effect of foreign currency movement	(7)	(11)
Current year charge through profit or loss	100	95
Current year charge through other comprehensive income	–	(4)
Balance at 30 September	(526)	(595)
Deferred income tax assets and liabilities attributable to the following items:		
Employee benefit liabilities	137	117
Other liabilities	45	28
Provision for doubtful debts	15	22
Share-based payment liability	5	(12)
Accelerated wear and tear for tax purposes on property, plant and equipment	(57)	(58)
Tax loss carried forward	98	75
Property leases	7	38
Credit balances in trade receivables	23	24
Prepaid expenses	(19)	(16)
Intangible assets on acquisition of subsidiaries	(628)	(682)
Retirement benefit asset	(143)	(137)
Derivative financial instruments	(9)	6
	(526)	(595)

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

	Deferred tax assets		Deferred tax liabilities	
	2018 R'm	2017 R'm	2018 R'm	2017 R'm
Within 12 months	226	197	(19)	(16)
After more than 12 months	105	113	(838)	(889)
	331	310	(857)	(905)

The Group has tax losses of R719 million (2017: R538 million) to carry forward against future taxable income, which have not been recognised in these financial statements due to uncertainties regarding the utilisation of these losses in the foreseeable future. These losses originated predominantly in the Alliance Medical and Poland businesses. None of these losses are expected to expire.

	2018 R'm	2017 R'm
14. CASH AND CASH EQUIVALENTS		
Bank accounts and petty cash	1 321	1 049
Short-term money market instruments	173	127
Cash and cash equivalents	1 494	1 176
Bank overdraft	(488)	(450)
Cash and cash equivalents as per the statement of cash flows	1 006	726
<p>The cash at bank and deposits are on call, immediately available and consist of money market call deposits and short-term money market instruments.</p> <p>Overdraft facilities within the Group are secured by means of cross sureties by certain Group companies.</p> <p>Cash and cash equivalents includes R19 million (2017: R70 million) restricted cash which is held by various third parties in Italy and Spain and is therefore not available for general use by other entities within the Group.</p>		
15. TRADE AND OTHER RECEIVABLES		
Trade receivables	3 277	3 163
Less: Provision for impairment of receivables	(239)	(247)
Net trade receivables	3 038	2 916
Other receivables	598	584
Prepaid expenses	125	102
Balance at 30 September	3 761	3 602
Reconciliation of provision for impairment of trade and other receivables		
Balance at 1 October	(247)	(42)
Acquired through acquisition of subsidiaries	-	(198)
Provision raised	(33)	(48)
Amounts utilised	41	41
Balance at 30 September	(239)	(247)
<p>The carrying amounts of the trade receivables include some receivables balances in Alliance Medical which are factored on a full recourse basis, and hence which the Group continues to recognise in their entirety in the statement of financial position. The amount repayable under the factoring agreement is presented as a secured borrowing in note 20.</p>		

Notes to consolidated annual financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER 2018

	2018 R'm	2017 R'm
16. INVENTORIES		
Ethical drugs and surgical consumable products	360	357
"Drugs and surgicals consumed" represents the cost of inventories recorded as an expense in the statement of profit or loss.		
The cost of inventories written off as expired stock is recognised as an expense and is included in 'drugs and surgicals consumed' in profit or loss. Inventories written off amounted to:	9	10
17. ASSET CLASSIFIED AS HELD FOR SALE		
Non-current asset held for sale		
Investment in Max	2 841	–
During the current year the directors of the Group decided to dispose of its 49.7% equity shareholding in Max. The IFRS 5 criteria were met on 1 July 2018 and the evaluation process of the board to come to this conclusion is:		
<ul style="list-style-type: none"> ◆ The investment in Max is available for immediate sale in its present condition; ◆ The decision to dispose of the investment in Max was made, and board approval was obtained; ◆ An active programme to locate a buyer was initiated and the Group announced that it had accepted an offer from the global investment firm Kohlberg Kravis Roberts & Co. LP. (KKR); ◆ The price is considered to be fair based on market conditions, and was mutually agreed in the non-binding offer; ◆ The transaction is expected to be concluded within the next 12 months; and ◆ The key outstanding matter is the conclusion of the final sale agreement and this is in progress. Management does not believe that there are any other matters, that are within its control, that can prevent the conclusion of the transaction. 		
The investment in Max is recognised at its carrying amount as it is lower than the fair value less costs to sell.		
Loss recognised in profit or loss and other comprehensive income	118	
The assets, liabilities and results of Max as at the date of classified as held for sale (1 July 2018) are summarised as follows (not adjusted for the percentage ownership by the Group):		
	Joint venture	
Nature of relationship	India	
Place of business	49.70	
Ownership (%)	49.70	
Voting rights (%)	5 780	
Non-current assets	739	
Current assets	(3 467)	
Non-current liabilities	(1 270)	
Current liabilities	1 782	
Net asset value	3 690	
The aggregate post-acquisition reserves (adjusted for the Group's ownership) is R141 million loss.	(185)	
Revenue	(183)	
Depreciation and amortisation	(6)	
Net finance costs	(165)	
Tax expense	(165)	
Total loss	(165)	

	2018 R'm	2017 R'm
18. STATED CAPITAL		
Stated capital comprises:		
Share capital	10 507	10 057
Share premium	3 373	3 373
Treasury shares	(370)	(346)
	13 510	13 084
Reconciliation of number of shares		
Ordinary shares ('000)		
Authorised (share capital of R0.000001 each)	4 149 980	4 149 980
Total value = R4 149 (2017: R4 149)		
Issued and fully paid:		
Balance at 1 October	1 449 391	1 057 800
Share issued as a result of scrip distributions	17 958	24 244
Share issued as a result of rights offer ¹	–	367 347
Balance at 30 September	1 467 349	1 449 391
Total value = R1 467 (2017: R1 449)		

¹ The purpose of the rights offer was to repay a portion of the bridge facility utilised for the Alliance Medical acquisition. On 16 March 2017 the Group invited its shareholders to subscribe to a rights offer of 367 346 939 new Life Healthcare Group Holdings Limited ordinary shares at an issue price of R24.50 per share on the basis of 34.21659 shares for every 100 ordinary shares held. The issue was fully subscribed. Costs of R230 million directly attributable to the rights offer were capitalised against stated capital.

	Number of shares		Value of shares	
	2018 '000	2017 '000	2018 R'm	2017 R'm
Treasury shares				
Balance at 1 October	10 387	7 365	(346)	(282)
Granted	2 731	2 728	(72)	(73)
Granted as a result of rights issue	–	2 252	–	(55)
Exercised	(67)	(174)	2	6
Vested	(1 269)	(1 784)	46	58
Balance at 30 September	11 782	10 387	(370)	(346)

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

	Value of shares	
	2018 R'm	2017 R'm
19. OTHER RESERVES		
Life Healthcare employee share trust	118	99
Long-term incentive schemes	52	36
Foreign currency translation reserve	427	245
Transactions with non-controlling interest reserve	(786)	(312)
	(189)	68

Notes to consolidated annual financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER 2018

19. OTHER RESERVES continued

Terms and conditions

	Life Healthcare employee share trust	Long-term incentive scheme – Group CEO	
Type	An equity-settled scheme	An equity-settled scheme	
Background	In terms of the scheme, the employer acquired Life Healthcare Group Holdings Limited shares in the market at the ruling market price. The number of shares acquired for the scheme is limited to the value as approved by the Group's remuneration and human resources committee.	The board wanted the new Group CEO to own unencumbered shares in the Company. In terms of this arrangement the Company matched an investment of R3 million by the Group CEO in Life Healthcare Group Holdings Limited with a share purchase to the value of R9 million 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.	
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 schemes, are beneficiaries of the trust and participate in the scheme. Voting rights and dividends vest with the qualifying employees.	Available to Group CEO.	
Vesting requirements	Qualifying employees will need to be in service on the fifth (25%), sixth (25%) and seventh (50%) anniversaries when the shares are delivered.	The vesting of these shares are subject to continued employment and will vest on the following basis: one-third on 1 February 2019, one-third on 1 February 2020 and one-third on 1 February 2021.	
Method of settlement	Shares	Shares	
Leavers	Employees who leave, other than good leavers, forfeit their beneficial interest in the trust and their rights will be distributed equally among the remaining employees.	If the employee leaves, other than as a good leaver, he/she will be entitled to all his/her co-investment shares but will forfeit the entire Company matched shares that have not vested.	
2017 granted shares	2 360 491 shares at R25.42	n/a	
2017 rights offer shares	2 054 437 shares at R24.50	n/a	
2018 granted shares	2 394 301 shares at R26.21	337 096 shares at R26.46	
Exercised	n/a	n/a	
Vested	927 970 ¹	n/a	
Contribution	An annual contribution is made by each employer company in the Group for its qualifying employees. The charge and contribution reflected is for the Company's proportionate share only.		

¹ Relates to shares vested and shares transferred to good leavers.

	Long-term incentive scheme with last allocation in 2014	Long-term incentive scheme effective from 2015
	An equity-settled scheme. It is a hybrid scheme that combines a pure unit appreciations component, and a performance share component.	An equity-settled performance share scheme.
	There was a modification to the bonus scheme in the 2012 financial year in which each participant shall in respect of future awards and allocations, prior to the vesting date or at the time of the award or allocation, have the right to make a co-investment election. This cost will be accounted for as a share-based payment (IFRS 2).	The value of awards will be tier based and linked to individual performance. Each award will be converted into notional performance shares. In terms of the scheme the value of the awards and the performance conditions for vesting will be approved by the Group's remuneration and human resources committee. The value of the notional performance shares will be determined by the price of the Life Healthcare Group Holdings Limited shares on the JSE Limited using the 30-day volume weighted average price (VWAP).
	Available to all executives and senior managers.	Available to all executives and senior managers.
	Vesting in terms of this scheme takes place in two years from allocation. Based on the employee's seniority a larger proportion of the allocation is based on returns achieved.	The vesting of the awards is subject to the Group meeting two performance conditions: <ul style="list-style-type: none"> ◆ 50% weighting: <ul style="list-style-type: none"> Group CEO and Group CFO: HEPS compared to CPI plus a percentage with a hurdle rate of minimum growth of CPI + 1% in HEPS for the award vested; Other executives and senior managers: Growth on earnings before interest and tax (EBIT) compared to CPI plus a percentage with a hurdle rate of minimum growth of CPI +1% in EBIT for the award vested; and ◆ 50% weighting: Growth on total shareholder return (TSR) over predetermined thresholds relative to the TSR of a comparator group of listed companies.
	Shares	Shares
	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: <ul style="list-style-type: none"> ◆ 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. 	If a participant ceases to be employed by the Group prior to the vesting of the grant date, the following will apply: <ul style="list-style-type: none"> ◆ Good leavers with a date of termination of employment: <ul style="list-style-type: none"> - that is more than one year before the vesting date of the grant, will result in all notional performance shares held by the participant being forfeited and cancelled for no consideration; or - that is one year or less before the vesting date of the grant, will retain all notional performance shares and he/she shall continue to be treated as a participant as if his/her employment had not been terminated. ◆ Bad leavers with a date of termination of employment: <ul style="list-style-type: none"> - prior to vesting date, will result in all notional performance shares held by the participant being forfeited and cancelled for no consideration.
	367 547 shares at R35.05	n/a
	197 777 shares at R24.50	n/a
	n/a	No shares granted during 2018, as a result of the Group being in an extended closed period since November 2017.
	66 979	n/a
	341 034	n/a
	An annual contribution is made by each employer company in the Group for its qualifying employees. The charge and contribution reflected is for the Company's proportionate share only.	

Notes to consolidated annual financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER 2018

	2018 Non-current portion R'm	2018 Current portion R'm	2017 Non-current portion R'm	2017 Current portion R'm
20. INTEREST-BEARING BORROWINGS				
Unsecured borrowings				
Bilateral term loans	4 582	500	3 545	349
Syndicated term loans	5 228	609	–	–
Bridge facility loan	–	–	–	3 813
Bank loan	15	5	11	3
Life Healthcare Multi-Issuer programme notes	–	447	–	300
Preference shares	1 725	975	2 700	1 250
Secured borrowings				
Equipment instalment sale	4	5	9	4
Mortgage bonds	63	12	75	11
Bank loans	–	156	–	238
Term loans	23	15	35	20
Revolving credit facility	–	88	–	84
Finance leases	1 214	290	1 411	229
Total borrowings – 30 September	12 870	3 086	7 786	6 301

Terms and repayment schedule

	Interest rate	Repayment terms ⁷	Instalment amount R'm	Date of maturity	Carrying value 2018 R'm	Carrying value 2017 R'm
Bilateral term loans Southern Africa						
Term loan one	3-month JIBAR plus 1.65% ¹	Eight equal quarterly instalments, payable from 30 September 2018	50.0	15 May 2020	350	400
Term loan two	3-month JIBAR plus 1.70%	Eight equal quarterly instalments, payable from 30 September 2018	43.8	15 May 2020	306	350
Term loan three	3-month JIBAR plus 1.30% ¹	Single instalment	250.0	21 May 2018	–	250
Term loan four	3-month JIBAR plus 2.29% ²	Six equal semi-annual instalments, payable from 30 June 2019	125.0	17 Mar 2022	750	750
Term loan five	3-month JIBAR plus 2.49% ²	Single instalment	750.0	17 Mar 2022	750	750
Term loan six	3-month JIBAR plus 2.05% ³	Five equal semi-annual instalments, payable from 30 September 2020	100.0	29 Aug 2022	500	500
Term loan seven	3-month JIBAR plus 1.55%	Five equal semi-annual instalments, payable from 30 September 2021	200.0	27 Sept 2023	1 000	–
Term loan eight	3-month JIBAR plus 1.59%	Five equal semi-annual instalments, payable from 30 September 2021	100.0	27 Sept 2023	500	–

20. INTEREST-BEARING BORROWINGS continued**Terms and repayment schedule** continued

	Interest rate	Repayment terms ⁷	Instalment amount R'm	Date of maturity	Carrying value 2018 R'm	Carrying value 2017 R'm
Polish						
Term loan one	3-month WIBOR plus 2.04%	Single instalment	801.0	31 Dec 2020	830	801
Term loan two	3-month WIBOR plus 2.05%	Single instalment	93.0	29 Sept 2020	96	93
Syndicated term loans						
United Kingdom						
Term loan A1	3-month LIBOR plus 2.20% ¹	Single instalment	1 143.0	22 Nov 2020	1 143	–
Term loan A2	3-month LIBOR plus 2.50% ¹	Single instalment	1 143.0	22 Nov 2022	1 143	–
Term loan B1	3-month EURIBOR plus 2.00% ¹	Single instalment	1 120.0	22 Nov 2020	1 120	–
Term loan B2	3-month EURIBOR plus 2.30% ¹	Single instalment	1 120.0	22 Nov 2022	1 120	–
Term loan C	3-month LIBOR plus 2.35% ¹	Single instalment	702.0	22 Nov 2022	702	–
Credit facility	3-month EURIBOR plus 1.75% ⁴	Single instalment	609.0	30 Nov 2018	609	–
Bridge facility loan						
Bridge loan B drawn down in GBP (R4 022 million)	1-month LIBOR plus 2.0% ⁵	Single instalment with permitted prepayments	3 813.0	16 May 2018	–	3 813
Bank loan						
	1.03% – 3.17%	Monthly/quarterly instalments	0.9	31 April 2031	20	14
Life Healthcare Multi-Issuer programme notes						
Note one	7.74%	Single instalment	50.0	12 Oct 2017	–	50
Note two	8.21%	Single instalment	250.0	12 Jan 2018	–	250
Note three	7.95%	Single instalment	433.0	12 Aug 2018	–	–
Note four	7.41%	Single instalment	300.0	27 Nov 2018	300	–
Note five	7.71%	Single instalment	147.0	21 Feb 2019	147	–

Notes to consolidated annual financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER 2018

20. INTEREST-BEARING BORROWINGS continued

Terms and repayment schedule continued

	Interest rate	Repayment terms ⁷	Instalment amount R'm	Date of maturity	Carrying value 2018 R'm	Carrying value 2017 R'm
Preference shares						
Class A1	77% of 3-month JIBAR plus 1.61% ⁶	Four equal six-monthly instalments, payable from 31 March 2018	200.0	30 Sept 2019	400	800
Class A2	68% of prime ¹	Single instalment	300.0	8 Nov 2017	–	300
Class A3	68% of prime	Single instalment	300.0	8 Nov 2017	–	300
Class B	77% of 3-month JIBAR plus 1.61% ⁶	Four equal six-monthly instalments, payable from 31 March 2018	125.0	30 Sept 2019	250	500
Class C	67% of prime ¹	Four equal six-monthly instalments, payable from 15 November 2018	162.5	15 May 2020	650	650
Class D1	72% of 3-month JIBAR plus 1.80%	Four equal six-monthly instalments, payable from 30 March 2021	175.0	30 Sept 2022	700	700
Class D2	72% of 3-month JIBAR plus 1.80%	Four equal six-monthly instalments, payable from 30 March 2021	175.0	30 Sept 2022	700	700
Unsecured borrowings					14 086	11 971
Equipment instalment sale	Botswana prime less 0.25%	60 equal monthly instalments	0.4	31 Jul 2020	9	13
Mortgage bonds	1-month JIBAR plus 2.65%	120 equal monthly instalments	1.6	30 Sept 2023	75	86
Bank loans (trade receivable subject to factoring arrangement refer note 15)	1-month EURIBOR + 1.40% or 1-month LIBOR + 1.75%	Payable as cash is received from debtors	n/a	Overarching agreement ends August 2020	156	238
Term loans in Polish operations	1-month/3-month WIBOR plus 1.0% – 4.0%	Monthly instalments	0.5	14 Nov 2024	38	55
Revolving credit facility						
Alliance Medical (GBP facility)	LIBOR + 3.75%	n/a	n/a	Rolling credit agreement of maximum 3 months	29	27
Alliance Medical (EUR facility)	EURIBOR + 3.75%	n/a	n/a	Overarching agreement ends August 2020	59	57
Finance leases						
Southern Africa (property)	8.5% – 18.0%	Repayable in monthly instalments over 1 to 16 years ending February 2034			548	670
Alliance Medical (property, equipment and other)	1.7% – 7.7%	Repayable in either quarterly or monthly instalments over 1 to 6 years ending May 2024			697	717
Polish (property, equipment and other)	1-month/3-month WIBOR plus 1.8%-4.0%	Repayable in monthly instalments over 1 to 6 years ending February 2024			259	253
Secured borrowings					1 870	2 116
Total borrowings					15 956	14 087

20. INTEREST-BEARING BORROWINGS continued**Terms and repayment schedule** continued

	Carrying value 2018 R'm	Carrying value 2017 R'm
The interest-bearing borrowings carrying amount is denominated in the following currencies:		
South African rand	7 793	7 876
Botswana pula	142	143
Pound sterling	3 729	4 649
European euro	3 069	133
Polish zloty	1 223	1 286
	15 956	14 087

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

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

² – If the net debt to normalised EBITDA ratio is at or less than 1.75:1, then the interest rate margin shall be 1.84% for term loan four and 2.04% for term loan five.

– If the net debt to normalised EBITDA ratio is higher than 1.75:1 and less than or equal to 2.25:1, then the interest rate margin shall be 1.99% for term loan four and 2.19% for term loan five.

– If the net debt to normalised EBITDA ratio is higher than 2.25:1 and less than or equal to 2.75:1, then the interest rate margin shall be 2.14% for term loan four and 2.34% for term loan five.

– If the net debt to normalised EBITDA ratio is higher than 2.75:1, then the interest rate margin shall be 2.29% for term loan four and 2.49% for term loan five.

³ If the net debt to normalised EBITDA ratio is higher than 3.00:1, then the interest rate margin shall be 2.20%.

⁴ The margin for each facility increases after six, nine and 12 months.

⁵ – The margin for each facility increases after six, nine and 12 months.

– The margin for each facility increases by 0.25% at any time when at least two rating agencies drops its credit rating of South Africa.

⁶ – If the net debt to normalised EBITDA ratio is higher than 1.75:1 and less than 2.25:1, then the applicable interest rate margin shall increase by 0.25% for the next two interest periods; or

– If the net debt to normalised EBITDA ratio is at or higher than 2.25:1, then the applicable interest rate margin shall increase by 0.5% for the next two interest periods.

⁷ The final capital repayment date is stipulated in the funding agreement and may differ slightly from the instalment dates.

	Bank loans 2018 R'm	Preference shares 2018 R'm	Finance leases 2018 R'm	2017 R'm
Reconciliation of opening balance to closing balance				
Balance at 1 October	8 497	3 950	1 640	6 781
Cash flow movements				
Bridge facilities for Alliance Medical acquisition	–	–	–	14 601
Proceeds from interest-bearing borrowings	8 306	–	131	4 084
Repayment of interest-bearing borrowings	(5 191)	(1 250)	(343)	(15 462)
Interest paid	(514)	(224)	–	(977)
Debt raising fees capitalised	(76)	–	–	(85)
Non-cash items				
Interest accrued	514	224	136	1 066
Derecognition of finance lease liabilities	–	–	(94)	–
Arising on acquisition of subsidiaries	–	–	3	3 883
Amortisation of debt raising fees capitalised	30	–	–	81
Effect of foreign currency movement	186	–	31	115
Balance at 30 September	11 752	2 700	1 504	14 087

Notes to consolidated annual financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER 2018

20. INTEREST-BEARING BORROWINGS continued

Terms and repayment schedule continued

	Carrying amount		Fair value	
	2018 R'm	2017 R'm	2018 R'm	2017 R'm
Secured borrowings				
Finance leases	1 504	1 640	1 529	1 789

	Receivables		Property, plant and equipment	
	2018 R'm	2017 R'm	2018 R'm	2017 R'm
Carrying value of assets held as security for borrowings				
Equipment instalment sale	–	–	13	15
Mortgage bonds	–	–	124	143
Bank loans	340	518	–	–
Term loans in Polish operations	–	–	100	107
Revolving credit facility (Alliance Medical – secured against gross assets)	–	–	1 584	1 279
Finance leases	–	–	1 583	1 415
Total	340	518	3 404	2 959

	Future minimum lease payments		Interest		Present value of future finance lease payments	
	2018 R'm	2017 R'm	2018 R'm	2017 R'm	2018 R'm	2017 R'm
Finance lease liabilities						
Within one year	400	360	110	131	290	229
Between one and five years	1 227	1 147	304	391	923	756
Later than five years	465	968	174	313	291	655
Total	2 092	2 475	588	835	1 504	1 640

Borrowing facilities

The Group has the following borrowing facilities available:

Available and uncommitted revolving credit facility (southern Africa)	1 500	1 500
Available and committed GBP revolving credit facility (UK)	1 846	–
Available and committed EUR credit facility (UK)	2 714	–
Available and committed revolving credit facility (Alliance Medical)	92	91
Committed working capital and guarantee facility (southern Africa) ¹	1 250	1 250
Uncommitted primary lending facility (southern Africa)	500	500
Committed working capital facility (Poland) ¹	14	23
Committed leasing facility	554	545
Factoring facility	281	276
	8 751	4 185

¹ Fluctuates seasonally.

	2018 R'm	2017 R'm
21. TRADE AND OTHER PAYABLES		
Under current liabilities:		
Trade payables	1 609	1 415
Accruals	1 293	1 282
Employee-related payables	859	712
Value added tax	70	91
Deferred income	86	24
Other payables	492	589
Balance at 30 September	4 409	4 113
Under non-current liabilities:		
Employee-related payables	38	18
Other payables	89	–
	127	18
The employee-related payables represent the pro rata portion of a 13th cheque that is payable to employees annually in terms of their employment contracts, accrued annual leave, a performance bonus scheme as well as the long-term incentive scheme for the senior employees of Alliance Medical. Provisions are raised as payment is subject to the employee being in employment at vesting date.		
The total long-term incentive liability (short-term and long-term portion) relating to the senior employees of Alliance Medical amounts to R38 million (2017: R55 million).		
22. FINANCIAL INSTRUMENTS BY CATEGORY		
Assets		
Fair value through profit or loss		
Derivative financial instruments (included in other assets)	100	2
Loans and receivables		
Trade and other receivables	3 636	3 500
Cash and cash equivalents	1 494	1 176
Other assets	77	54
Total assets	5 307	4 732
Liabilities		
Fair value through profit or loss		
Contingent consideration liabilities	534	116
Derivative financial instruments	6	749
At amortised cost		
Trade and other payables	3 483	3 098
Interest-bearing borrowings	15 956	14 087
Bank overdraft	488	450
Total liabilities	20 467	18 500

Notes to consolidated annual financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER 2018

22. FINANCIAL INSTRUMENTS BY CATEGORY continued

Derivative financial instruments

	Carrying value		Fair value	
	2018 R'm	2017 R'm	2018 R'm	2017 R'm
Market-to-market valuation at 30 September				
ASSETS				
Non-current assets				
Interest rate swap contracts (included in other)	13	–	13	–
Current assets				
Interest rate swap contracts (included in other)	–	–	–	–
Foreign exchange option contracts (included in other)	87	2	87	–
Total assets	100	2	100	–
LIABILITIES				
Non-current liabilities				
B-share liability (included in derivative financial instruments)	–	(727)	–	(727)
Interest rate swap contracts (included in derivative financial instruments)	(6)	–	(6)	–
Current liabilities				
Interest rate swap contracts (included in other)	–	(22)	–	(22)
Total liabilities	(6)	(749)	(6)	(749)

Interest rate swap contracts

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

Previous interest rate swap contracts, with a total notional principal amount of R1 800 million, matured on the 1 December 2017.

	Swap 1 R'm	Swap 2 R'm	Swap 3 R'm	Swap 4 R'm	Swap 5 R'm	Swap 6 £'m
Contract commencement date	1 Nov 2016	1 Nov 2016	8 Aug 2017	15 Dec 2017	19 April 2018	27 Sept 2018
Maturity date	1 Nov 2018	1 Nov 2019	11 Aug 2020	15 Dec 2019	20 April 2020	27 Sept 2021
Currency	R'm	R'm	R'm	R'm	R'm	£'m
Notional amount	900	900	500	600	900	50
Fixed interest rate (%)	7.60	7.70	6.91	7.63	6.81	1.23
Floating interest rate (%)	7.02	7.02	7.02	7.02	7.02	0.80
Interest settlement terms		3-month JIBAR (safex), settled quarterly				3-month GBP-LIBOR, settled quarterly

22. FINANCIAL INSTRUMENTS BY CATEGORY *continued***Foreign exchange option contracts (relating to the sale of Max)**

The Group entered into foreign exchange option contracts to manage exposure to fluctuations in the exchange rates on the proceeds relating to the sale of its investment in Max.

The notional principal amount of the outstanding foreign exchange contracts at 30 September 2018 was INR13 980 million and USD100 million. These contracts will mature within 12 months.

	Contract 1	Contract 2	Contract 3	Contract 4
Contract commencement date	19 Sept 2018	19 Sept 2018	20 Sept 2018	25 Sept 2018
Type of contract	Non-deliverable forward	Call and put options	Non-deliverable capped forward	Capped forex forward
Maturity date	18 Jan 2019	18 Jan 2019	18 Jan 2019	18 Jan 2019
Currency	USD'm	INR'm	INR'm	INR'm
Notional amount	100	7 420	7 500	6 440
Currency hedged	INR	ZAR	ZAR	ZAR
Fixed rate (%)	74.2	n/a	5.125	5.125
Strike rate (%)	n/a	Put 14.45 Call 15.50	4.90	4.90
Premium paid	–	–	R29m	R32m

Held for trading**Foreign exchange contracts**

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

B-share liability

At acquisition, the UK Healthcare Limited B-shares were issued to key management within Alliance Medical in exchange for a portion of their shares held in Alliance Medical. In terms of the original shareholder agreement, the B-shares were to be redeemed after year three (45%), year four (30%) and year five (25%) after the acquisition date. Life Healthcare in conjunction with the Alliance Medical management has agreed to bring forward the settlement of the B-shares. On 14 June 2018 the Group acquired the equity holding of 6.22% from the Alliance Medical management for GBP35.7 million (R640 million).

	2018 R'm	2017 R'm
Balance at 1 October	727	–
Raised on acquisition (21 November 2016)	–	590
Post-acquisition expense in transaction costs	–	57
Fair value adjustment	(74)	65
Settlement	(640)	–
Effect of foreign currency movement	(13)	15
Balance at 30 September	–	727

Notes to consolidated annual financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER 2018

23. OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

The financial assets and liabilities relating to the derivative financial instruments are subject to offsetting and similar agreements.

	2018 R'm	2017 R'm
Assets		
Offsetting applied		
Gross amount	316	155
Amount set-off	(218)	(153)
Net amount	98	2
Financial instruments not subject to set-off	2	10
Total other current assets per statement of financial position	87	12
Total other non-current assets per statement of financial position	13	–
Liabilities		
Offsetting applied		
Gross amount	(181)	(136)
Amount set-off	175	114
Net amount	(6)	(22)
Financial instruments not subject to set-off	–	(727)
Total derivative financial liabilities per statement of financial position	(6)	(749)
Total other current liabilities per statement of financial position	–	–
24. CASH GENERATED FROM OPERATIONS		
Reconciliation of profit before tax to cash generated from operations		
Net profit before tax	2 837	1 934
<i>Adjusted for:</i>		
Share of associates and joint ventures' net loss after tax	105	15
Depreciation on property, plant and equipment	1 133	971
Amortisation of intangible assets	537	439
Net finance costs (refer note 4)	962	1 137
Fair value adjustment to contingent consideration	18	(33)
Transaction costs relating to acquisitions	38	267
Impairment of assets and investments	34	167
Profit on remeasuring previously held interest in associate to fair value	–	(6)
(Profit)/loss on disposal of property, plant and equipment	(35)	37
Gain on derecognition of lease assets and liabilities	(79)	–
Fair value (gain)/loss on derivative financial instruments	(127)	92
Other	4	–
Share-based payment reserve charge	77	62
Operating lease expense – straight line	81	91
Retirement benefit asset and post-employment medical aid income	(34)	(29)
Trade receivable impairment charge	147	148
Cost of inventories written off as expired stock	9	10
Operating cash flow before working capital changes	5 707	5 302
Working capital changes:		
Inventories	(7)	(35)
Trade and other receivables	(170)	(541)
Trade and other payables	(27)	(63)
Cash generated from operations	5 503	4 663

25. ACQUISITIONS AND DISPOSALS OF INVESTMENTS IN SUBSIDIARIES

Acquisitions that resulted in business combinations

	EOH Abantu Proprietary Limited (EOH) and Centro Alfa srl	Imed srl	Business of Piramal Imaging SA and three subsidiaries (Piramal)
Acquirer	Life Employee Health Solutions and Alliance Medical respectively	Alliance Medical	Alliance Medical
Country of incorporation	South Africa and Italy respectively	Italy	Switzerland with businesses in Germany, United Kingdom and United States
Acquisition date	1 October 2017 and 5 September 2018 respectively	17 March 2018	25 June 2018
% voting equity interest acquired	100%	100%	100%
Primary reasons for business combination	Expanding the Group's footprint in the Life Employee Health Solutions business as well as continuing its strategy to acquire clinics in Italy	In line with Life Healthcare's strategy to establish a sizeable international business, the acquisition of Imed ensured a footprint in another region in Italy and complements the Group's existing diagnostic services segment	The acquisition of Piramal expands the Group's molecular imaging business with the development and ownership of a proprietary broader range of non-invasive molecular imaging PET solutions
Qualitative factors that make up goodwill recognised	Attributable to future earnings potential and synergies	Attributable to future earnings potential and synergies	Attributable to the workforce and future earnings potential from commercialisation of the proprietary molecular imaging PET solutions
Contingent liabilities at acquisition	None	None	None

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

Notes to consolidated annual financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER 2018

25. ACQUISITIONS AND DISPOSALS OF INVESTMENTS IN SUBSIDIARIES continued

Acquisitions that resulted in business combinations

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

	EOH and Centro Alfa srl 2018 R'm	Imed srl 2018 R'm	Piramal 2018 R'm
Total purchase consideration	(44)	(542)	(422)
Cash portion	(37)	(542)	(16)
Contingent consideration ¹	(7)	–	(406)
Fair value of net assets acquired²	15	223	180
Inventories	–	–	3
Trade and other receivables	1	39	62
Trade and other payables	(8)	(68)	(141)
Retirement benefit liability	–	(25)	–
Cash and cash equivalents	2	124	11
Income tax (payable)/receivable	–	(1)	5
Interest-bearing borrowings	(3)	–	–
Property, plant and equipment	17	51	19
Intellectual property	–	–	221
Customer relationships	7	124	–
Software	–	2	–
Deferred tax liabilities	(1)	(23)	–
Goodwill	(29)	(319)	(242)

¹ Contingent consideration (Piramal).

The contingent consideration will become payable when the acquired business is generating a positive cash contribution, measured on a cumulative basis from the date of acquisition. The contingent consideration is a 50% share of pre-tax cash generated for a period of 10 years post-acquisition or a maximum amount payable of USD200 million. The amount included is the calculated payment, based on long-term forecasts adjusted for probabilities associated with the success of the product developed, discounted to present value using a discount rate of 11.3%.

² The fair values identified on acquisition, relating to Piramal and Imed, are provisional and subject to further review, and will be finalised during the 2019 financial year.

Cash outflow to acquire businesses, net of cash acquired

	EOH and Centro Alfa srl 2018 R'm	Imed srl 2018 R'm	Piramal 2018 R'm
Initial cash consideration	37	542	16
Less: Cash at acquisition	(2)	(124)	(11)
	35	418	5
Impact on consolidated information from date of acquisition			
Revenue	136	125	66
Net profit/(loss)	6	16	(82)
Impact on consolidated information if each business combination took place on 1 October 2017			
Revenue	145	236	228
Net profit/(loss)	6	32	(125)

25. ACQUISITIONS AND DISPOSALS OF INVESTMENTS IN SUBSIDIARIES continued

Impact on consolidated information if each business combination took place on 1 October 2017.

	2018 R'm	2017 R'm
Contingent consideration liabilities¹		
Balance at 1 October	116	67
Arising on acquisition of subsidiaries	413	398
Paid during the year	(33)	(339)
Fair value adjustment	18	(33)
Effect of foreign currency movement	20	23
Balance at 30 September	534	116
Included under non-current liabilities	463	55
Included under current liabilities	71	61
	534	116
¹ Reclassified from trade and other payables.		
Transactions with non-controlling interests		
Increase/decrease in ownership interest in southern Africa subsidiaries		
During the current and previous financial year, the Group had increases in its percentage shareholdings in some of its subsidiary companies.		
The largest impacts on the Group cash flows were the acquisition of additional shares in Metropol Hospitals Proprietary Limited and Border Hospitals Proprietary Limited.		
Total purchase consideration	(484)	(234)
Cash portion	(484)	(234)
Carrying amount of non-controlling interest recognised	10	228
Carrying amount of non-controlling interest acquired	10	228
Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity	(474)	(6)
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.		
Value of decrease in ownership interest in subsidiary	(29)	(17)
Total value of decrease in ownership interest in subsidiary	(29)	(17)
Transactions with non-controlling interest reserve	-	(6)
Proceeds on disposal of investments	29	23
Cash proceeds on decrease of ownership interest in subsidiaries	29	10
Non-cash proceeds	-	13

Notes to consolidated annual financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER 2018

26. DIRECTORS' EMOLUMENTS AND INTERESTS IN THE COMPANY

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

Executive directors – Total shareholding

	2018		
	Direct	Indirect ²	Associate interest
Total shareholding			
SB Viranna	11 318	337 096	–
PP van der Westhuizen	136 046	26 696	4 832
A Meyer	–	–	–
	147 364	363 792	4 832

Executive directors – Total remuneration

	Salaries R'000	Bonus and performance-related payments relating to prior financial year R'000	Performance-related accrual relating to current year R'000
Total remuneration			
2018			
Executive directors			
Executive directors			
SB Viranna ¹	3 485	–	3 878
PP van der Westhuizen	3 486	880	2 748
PP van der Westhuizen ³	–	–	–
	6 971	880	6 626
2017			
Executive directors			
A Meyer	3 377	1 333	–
PP van der Westhuizen	2 840	901	653
Past executive director			
A Meyer	767	705	–
	6 984	2 939	653

¹ SB Viranna was appointed as Group Chief Executive Officer on 1 February 2018.

² The indirect beneficial shareholding is subject to vesting conditions. Refer note 19.

³ PP van der Westhuizen in his capacity as acting Group Chief Executive Officer from 1 July 2017 to 31 January 2018.

⁴ Includes a R3 270 853 mutual separation payment upon the resignation by A Meyer.

2017		
Direct	Indirect ²	Associate interest
–	–	–
126 609	52 126	4 832
–	–	–
126 609	52 126	4 832

CEO acting allowance ³ R'000	Other allowances R'000	Gains on long-term incentive scheme R'000	Termination payment R'000	Medical aid contributions R'000	Pension fund contribution R'000	Total remuneration R'000
–	112	–	–	21	146	7 642
–	64	418	–	35	149	7 780
2 500	–	–	–	–	–	2 500
2 500	176	418	–	56	295	17 922
–	371	1 295	–	25	166	6 567
–	62	1 277	–	33	125	5 891
–	356	391	3 271 ⁴	5	37	5 532
–	789	2 963	3 271	63	328	17 990

Notes to consolidated annual financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER 2018

26. DIRECTORS' EMOLUMENTS AND INTERESTS IN THE COMPANY continued

Long-term incentive scheme	Awards made during 2018			Dividends in respect of all plans	Closing balance at 30 September 2018	
	Number of shares	Date of issue	Issue price R/share		Number of shares	Final vesting date
SB Viranna						
2018 allocation	337 096	Sept 18	26.46	–	337 096	Feb 21

Long-term incentive scheme	Opening balance at 1 October 2017		Awards vested during 2018		
	Number of shares	Issue price R/share	Number of shares vested	Market price at vesting R/share	Value gained on vesting R
PP van der Westhuizen					
2013 allocation	25 430	31.66	(25 430)	25.90	412 940
2014 allocation	26 696	35.05	–	–	–
Total	52 126		(25 430)		

Long-term incentive scheme	Closing balance at 30 September 2018		
	Value of dividends in respect of all plans	Number of shares	Final vesting date
PP van der Westhuizen			
2013 allocation	21 107	–	Jan 2018
2014 allocation	22 158	26 696	Jan 2019
Total	43 265	26 696	

26. DIRECTORS' EMOLUMENTS AND INTERESTS IN THE COMPANY continued

	Total shareholding Shares		Directors' fees	
	2018	2017	2018 R'000	2017 R'000
Non-executive directors				
MA Brey ¹	6 000 402	6 076 946	1 116	1 206
PJ Golesworthy ²	31 224	31 224	1 004	972
ME Jacobs	–	–	406	370
LM Mojela	–	–	–	193
AM Mothupi	–	–	517	116
JK Netshitenzhe	–	–	347	373
MP Ngatane	–	–	433	372
MEK Nkeli ³	–	–	310	461
M Sello	–	–	350	107
GC Solomon ²	143 612	143 612	780	892
RT Vice	–	–	719	799
	6 175 238	6 251 782	5 982	5 861

¹ MA Brey's direct beneficial shareholding is 716 423 (2017: 716 375), his indirect beneficial shareholding is 5 184 787 (2017: 4 917 888) and his associate interest is 99 192 (2017: 442 683).

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

³ MEK Nkeli resigned as non-executive director on 31 May 2018.

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

Prescribed officers

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

	Total share- holding	Sever- ance pay- ment R'000	Salaries R'000	Bonus and perform- ance- related pay- ments R'000	Perform- ance- related accrual relating to current year R'000	Other allow- ances R'000	Gains on long- term incentive scheme R'000	Medical aid contri- butions R'000	Pension fund contri- butions R'000	Total remun- eration R'000
2018										
SB Viranna	Refer emoluments disclosed under executive directors									
PP van der Westhuizen	Refer emoluments disclosed under executive directors									
AM Pyle ⁶	–	–	932	–	482	5	–	9	32	1 460
CLW Bekker ⁶	–	–	2 076	1 954	–	750	500	26	644 ⁵	5 950
GE Blomfield ⁴	–	7 920	7 260	–	–	202	–	–	957	16 339
2017										
A Meyer	Refer emoluments disclosed under executive directors									
PP van der Westhuizen	Refer emoluments disclosed under executive directors									
CLW Bekker	58 079	–	1 834	1 189	–	663	1 416	27	610	5 739
GE Blomfield	–	–	6 617	6 617	–	221	–	–	868 ⁵	14 323

⁴ GE Blomfield ceased being a prescribed officer from 4 September 2018.

⁵ Includes contributions paid from the employer surplus account in the Life Healthcare DB Pension Fund.

⁶ CLW Bekker retired on 31 October 2018, and AM Pyle was appointed as acting CEO – SA on an interim handover period from 1 July 2018 (permanently from 22 November 2018).

Notes to consolidated annual financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER 2018

26. DIRECTORS' EMOLUMENTS AND INTERESTS IN THE COMPANY continued

Prescribed officers continued

Long-term incentive scheme	Opening balance at 1 October 2017		Awards vested during 2018		
	Number of shares	Issue price R/share	Number of shares vested	Market price at vesting R/share	Value gained on vesting R
CLW Bekker					
2013 allocation	30 821	31.66	(30 821)	25.90	500
2014 allocation	25 109	35.05	–	–	–
Total	55 930		(30 821)		

Long-term incentive scheme	Closing balance at 30 September 2018		
	Value of dividends in respect of all plans	Number of shares	Final vesting date
CLW Bekker			
2013 allocation	25 581	–	Jan 2018
2014 allocation	20 840	25 109	Oct 2018 ¹
Total	46 422	25 109	

Long-term incentive scheme (C-shares)	Opening balance at 1 October 2017		Closing balance at 30 September 2018		
	Number of shares	Issue price GBP/share	Value of dividends in respect of all plans	Number of shares	Final vesting date
GE Blomfield^{2, 3}					
C convertible shares	204 546	n/a	n/a	204 546	30 Sept 2021

¹ CLW Bekker is a good leaver in terms of the long-term incentive scheme's rules. He has exited the scheme on 31 October 2018.

² No shares were awarded or vested during the year ended 30 September 2018.

³ Sold 15 000 026 B-shares in Life UK Healthcare Limited to the Group. Refer note 22.

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

27. RELATED PARTIES

Subsidiary companies – refer to Annexure C

During the year, certain companies in the Group entered into transactions with other companies in the Group. These intra-group transactions have been eliminated on consolidation. The net loan receivable balance with subsidiary companies is R390 million (2017: R390 million). The complete list of outstanding balances is available at the Company's registered office.

Related-party transactions

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

Associate companies and joint ventures – refer to Annexure C

The Group has investments in a number of associate companies and joint ventures. Details are disclosed in note 11 and Annexure C to the financial statements. No provision has been required in 2018 and 2017 for the loans made to associates and joint ventures.

	2018 R'm	2017 R'm
Loans to associates and joint ventures		
Balance at 1 October	9	7
Net movements in amounts owned	1	2
Balance at 30 September	10	9

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 26 for details on directors' emoluments.

Notes to consolidated annual financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER 2018

27. RELATED PARTIES continued

Key management

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

	2018 R'm	2017 R'm
Remuneration		
Salaries	374	362
Medical aid contributions	6	5
Pension fund costs – defined benefit and contribution plans	4	3
Provident fund costs – defined contribution plans	13	12
	397	382

28. COMMITMENTS AND CONTINGENCIES

Capital commitments

Capital expenditure approved for property, plant and equipment

	2 570	3 026
--	-------	-------

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

Operating lease commitments

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

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

Not later than one year	204	193
Later than one year and not later than five years	664	654
Later than five years	457	609
	1 325	1 456

Contingencies

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

The Group has issued various guarantees as security for leases and construction projects to the value of R64 million (2017: R170 million).

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

29. EVENTS AFTER THE REPORTING PERIOD

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

Cash dividend declaration

The board approved a final gross cash dividend of 50 cents per ordinary share for the year ended 30 September 2018. The dividend has been declared from income reserves. A dividend withholding tax of 20% will be applicable to all shareholders not exempt therefrom, after deduction of which the net cash dividend is 40 cents per share.

30. RISK MANAGEMENT

Overall risk management programme

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

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 note 20, cash and cash equivalents disclosed in note 14 and equity as disclosed in the statement of financial position. Preference shares are included in borrowings. The Group uses the net debt to normalised EBITDA ratio to measure the funding requirements in the form of debt or equity.

The ratio is calculated as net debt divided by normalised EBITDA. Net debt is calculated as total interest-bearing borrowings (including current interest-bearing and non-current interest-bearing borrowings as shown in the statement of financial position) plus guarantees (if applicable) less net cash and cash equivalents. Normalised EBITDA is defined, in the debt agreements, as earnings before interest, tax, depreciation and amortisation, adjusted for non-recurring items, and including the EBITDA of new acquisitions for that part of the year when it was not owned by the Group.

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

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

	2018	2017
Total interest cover ratio (times)	5.71	4.22 ¹
Net debt to normalised EBITDA ratio	2.73	2.55
The Group has externally imposed debt covenants in place as part of the terms of the current debt structures.		
The covenants imposed arising from preference shares, syndicated and bilateral term loans are as follows:		
A minimum of total interest cover ratio (times)	4.00	5.00
A maximum of net debt to normalised EBITDA ratio	3.50	3.50

¹ Waiver consent letters were received in the prior year from the relevant banks accepting the breach of covenants, in 2017, for a period of 13 months from the Alliance Medical acquisition date.

Notes to consolidated annual financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER 2018

30. RISK MANAGEMENT continued

Financial risk

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

Market risk

Foreign exchange risk

Risk exposure

The Group interacts with international suppliers and is exposed to foreign exchange risk arising from various currency exposures. The foreign currency transactions are mainly denominated in:

- ◆ Pound sterling;
- ◆ European euro; and
- ◆ US dollar.

The Group's presentation currency is the South African rand, but as it operates internationally with investments in foreign operations, it is exposed to a number of currencies, of which the exposure to the Botswana pula (BWP), Pound sterling (GBP), European euro (EUR), Swiss franc (CHF) and Polish zloty (PLN) are the most significant. The Group's associate (Max) is presented in Indian rupee (INR).

How the risk arises

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency and from net investments in foreign operations. These transactions include certain inter-company loans which expose the Group to foreign exchange risk.

Objectives, policies and processes for managing the risk and methods used to measure risk

The Group has set up a policy to require Group companies to manage their foreign exchange risk against their functional currency. The Group's treasury risk management principle is to hedge material cash flows where the local cash flow impact is in excess of 5 million (2017: 5 million) functional currency denomination. The Group companies are required to economically hedge their foreign exchange risk exposure in consultation with treasury. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group use forward contracts and options, transacted with commercial banks on an all-inclusive price in the companies' functional currency.

Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies, as and when it is required. At 30 September 2018, foreign denominated borrowings to the equivalent of R8 161 million existed (2017: R6 211 million).

The Group reviews its foreign currency exposure, including commitments, on an ongoing basis.

Concentration of risk

The Group has investments in foreign operations, in Botswana, United Kingdom, Italy, Spain, Switzerland, northern Europe, Ireland and Poland. The net assets of the Botswana, United Kingdom, Italy, Spain, Switzerland, northern Europe, Ireland and Polish investments are exposed to foreign currency translation risk as the companies are subsidiaries of the Group.

30. RISK MANAGEMENT continued**Financial risk** continued**Market risk** continued**Foreign exchange risk** continued

Foreign currency exposure at statement of financial position date:

	Rand millions									
	2018					2017				
	BWP	GBP	EUR	CHF	PLN	BWP	GBP	EUR	PLN	
Non-current assets	205	14 999	1 574	683	2 151	201	14 768	1 076	2 144	
Current assets	318	1 062	844	226	314	291	990	860	362	
Current liabilities	(148)	(1 624)	(1 208)	(35)	(355)	(54)	(5 060)	(1 010)	(293)	
Non-current liabilities	(42)	(3 372)	(3 455)	–	(1 252)	(149)	(1 840)	(137)	(1 243)	
Exposure on external balances	333	11 065	(2 245)	874	858	289	8 858	789	970	
Net exposure on balances between Group companies	(3)	1 922	(2 637)	826	(111)	(3)	2 111	(2 007)	(219)	
Total net exposure	330	12 987	(4 882)	1 700	747	286	10 969	(1 218)	751	

	Foreign currency in millions									
	2018					2017				
	BWP	GBP	EUR	CHF	PLN	BWP	GBP	EUR	PLN	
Non-current assets	155	813	96	47	562	152	813	67	579	
Current assets	241	58	51	16	82	221	54	54	98	
Current liabilities	(112)	(88)	(73)	(2)	(93)	(41)	(278)	(63)	(79)	
Non-current liabilities	(32)	(183)	(210)	–	(327)	(113)	(101)	(9)	(336)	
Exposure on external balances	252	600	(136)	61	224	219	488	49	262	
Net exposure on balances between Group companies	(2)	104	(160)	57	(29)	(2)	116	(125)	(59)	
Total net exposure	250	704	(296)	118	195	217	604	(76)	203	

Notes to consolidated annual financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER 2018

30. RISK MANAGEMENT continued

Financial risk continued

Market risk continued

Foreign exchange risk continued

Sensitivities analysis

The tables below analyses the impact on the Group's revenue, operating profit and post-tax profit. The analysis is based on the assumption that the South African rand had strengthened/weakened by 10% against the foreign currency with all other variables held constant. The CHF has an insignificant impact on the Group's revenue, operating profit and post-tax profit and therefore its impact is included in EUR.

	Rand strengthened		Rand weakened	
	2018 R'm	2017 R'm	2018 R'm	2017 R'm
Impact on revenue				
BWP	(49)	(47)	49	47
GBP	(242)	(198)	242	198
EUR	(251)	(172)	251	172
PLN	(128)	(109)	128	109
Impact on operating profit/loss				
BWP	(15)	(17)	15	17
GBP (loss position)	5	3	(5)	(3)
EUR	(36)	(26)	36	26
PLN	-	3	-	(3)
Impact on post-tax profit/loss				
BWP	(12)	(13)	12	13
GBP (loss position)	19	14	(19)	(14)
EUR	(13)	(11)	13	11
PLN (loss position)	5	24	(5)	(24)
INR	(11)	-	11	-
Exchange rates used for conversion of foreign denominated items				
Assets and liabilities				
BWP			1.32	1.32
GBP			18.46	18.18
EUR			16.45	16.04
CHF			14.44	n/a
PLN			3.83	3.70
Income/expense items				
BWP			1.30	1.29
GBP			17.60	16.93
EUR			15.37	14.70
PLN			3.66	3.44
INR			0.19	0.21

For the Indian associate investment, the foreign currency movement in the share of associates' net movement for the current year was R5 million (2017: negative R2 million).

30. RISK MANAGEMENT continued**Financial risk** continued**Market risk** continued*Interest rate risk*

Risk exposure	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. Refer to note 14.
How the risk arises	The Group's interest rate risk arises from a mix of short and long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates economically expose the Group to fair value interest rate risk. Refer to note 20.
Objectives, policies and processes for managing the risk and methods used to measure risk	The Group manages its interest rate exposure in total and mainly borrows or invests as far as possible at Group level, unless it is more appropriate to do so at subsidiary level. Based on the various scenarios, the Group manages its cash flow interest rate risk by using interest rate collars, caps and swaps. Such interest rate hedges have the economic effect of capping the exposure to floating rates to a maximum rate. Generally, the Group raises long-term borrowings at floating rates and then hedges floating rates to a known maximum exposure. Under the interest rate collars, caps and swaps, the Group agrees with other parties to exchange, at specified intervals (primarily quarterly), the difference between the hedge and the floating rate interest amounts calculated by reference to the agreed notional amounts. Swaps are entered into to fix interest rates from floating rates.
Concentration of risk	Group policy is to hedge a maximum of 80% of its borrowings and to hedge a quantum of borrowings to ensure the profit or loss impact of a 1% movement in interest rates on unhedged borrowings is less than 2.0% of the previous 12-month Group EBITDA. At 30 September 2018, 33% of the Group debt was hedged (2017: 32%). Refer to note 22 for the current interest rate hedges in place.

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

	2018 R'm	2017 R'm
Impact on post-tax profit		
1% increase	(64)	(114)
1% decrease	95	137

The simulation is done on a six-monthly basis to verify that the maximum loss potential is within the Group's limits. The Group's debt is partially hedged by interest rate swap contracts. The interest rate swap contracts hedge R4.7 billion (2017: R4.1 billion) of the variable outstanding balance of Group debt of R12 690 million (2017: R11 004 million).

Liquidity risk

Risk exposure	Those financial liabilities of the Group with contractual cash flows and maturity dates are exposed to liquidity risk.
How the risk arises	Liquidity risk is the risk that the Group will not be able to meet its obligations as they become due.

Notes to consolidated annual financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER 2018

30. RISK MANAGEMENT continued

Financial risk continued

Liquidity risk continued

Objectives, policies and processes for managing the risk and methods used to measure risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group's liquidity risk is mitigated by the availability of funds to cover future commitments. The Group manages liquidity risk through an ongoing review of future commitments and credit facilities. Due to the dynamic nature of the underlying businesses, treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The Group has sufficient available bank facilities. Refer note 20.

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

Concentration of risk

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 28 for operating lease commitments.

	Southern Africa		Alliance Medical		Poland	
	2018 R'm	2017 R'm	2018 R'm	2017 R'm	2018 R'm	2017 R'm
Interest-bearing borrowings	9 811	10 285	7 364	4 942	1 425	1 454
– Less than one year	2 563	2 541	1 267	4 359	78	85
– Between one and five years	6 786	7 031	6 090	575	1 347	1 103
– Over five years	462	713	7	8	–	266
Trade and other payables	1 753	1 570	1 608	1 474	122	109
– Less than one year	1 753	1 570	1 519	1 474	122	109
– Between one and five years	–	–	89	–	–	–
Contingent consideration liabilities	4	–	1 179	38	67	78
– Less than one year	4	–	–	–	67	61
– Between one and five years	–	–	44	38	–	17
– Over five years	–	–	1 135	–	–	–
Derivative financial instruments						
– Between one and five years	6	22	–	727	–	–
Total	11 574	11 877	10 151	7 181	1 614	1 641

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

	Outflow		Inflow	
	2018 R'm	2017 R'm	2018 R'm	2017 R'm
Trading derivatives (foreign exchange contracts and interest rate swap contracts)				
– Less than one year	–	–	87	2
– Between one and two years	(6)	(22)	13	–
Total	(6)	(22)	100	2

30. RISK MANAGEMENT continued**Financial risk** continued**Credit risk**

Risk exposure	<p>Credit risk arises mainly from cash deposits, cash equivalents, derivative financial instruments, loans and receivables and trade debtors.</p> <p>Trade receivables comprise a widespread customer base.</p>															
How the risk arises	<p>Credit risk is the risk of financial loss due to counterparties to financial instruments not meeting their contractual obligations.</p> <p>Credit risk is managed using Group policies within the territories it arises.</p> <p>The Group deposits the surplus cash with major banks with high-quality credit standing and maintains an appropriate spread of cash deposits between various financial institutions to limit the exposure to any one counterparty. For banks and financial institutions, only independently rated parties with a minimum Moody rating Baa+ for South African banks are accepted. For both Alliance Medical and Poland, counterparty risk is managed through the active monitoring and management of counterparties with which Alliance Medical and Poland transact.</p> <p>The Group evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. If there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set for patients without medical aid insurance. Services to customers without medical aid insurance are settled in cash or using major credit cards on discharge date as far as possible. Credit guarantee insurance is not purchased. There is no external credit ratings available for trade and other receivables.</p> <p>In certain Alliance Medical territories, use is made of invoice factoring facilities which are on a non-recourse basis, further reducing the credit risk from individual customers.</p>															
Objectives, policies and processes for managing the risk and methods used to measure risk	<p>The maximum exposures to credit risk at the reporting date are cash and cash equivalents as well as the carrying value of each class of trade and other receivables. The Group does not hold any collateral as security. The Group is exposed to a number of guarantees for the overdraft facilities of Group companies. Refer to note 28 for additional details.</p>															
Concentration of risk	<p>Financial assets exposed to credit risk at year-end were as follows:</p> <table border="1"> <thead> <tr> <th></th> <th style="text-align: right;">2018 R'm</th> <th style="text-align: right;">2017 R'm</th> </tr> </thead> <tbody> <tr> <td>Derivative financial instruments (included in other assets)</td> <td style="text-align: right;">100</td> <td style="text-align: right;">2</td> </tr> <tr> <td>Trade and other receivables</td> <td style="text-align: right;">3 636</td> <td style="text-align: right;">3 500</td> </tr> <tr> <td>Cash and cash equivalents</td> <td style="text-align: right;">1 494</td> <td style="text-align: right;">1 176</td> </tr> <tr> <td>Other assets</td> <td style="text-align: right;">77</td> <td style="text-align: right;">54</td> </tr> </tbody> </table>		2018 R'm	2017 R'm	Derivative financial instruments (included in other assets)	100	2	Trade and other receivables	3 636	3 500	Cash and cash equivalents	1 494	1 176	Other assets	77	54
	2018 R'm	2017 R'm														
Derivative financial instruments (included in other assets)	100	2														
Trade and other receivables	3 636	3 500														
Cash and cash equivalents	1 494	1 176														
Other assets	77	54														
Maximum exposure to credit risk by class of financial instrument																
Credit quality analysis of financial assets that are neither past due nor impaired	<p>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.</p> <p>The Group does not expect any significant loss from non-performance by counterparties on credit granted during the financial year under review that has not been provided for.</p> <p>Amounts owing by associates and joint ventures are interest-bearing at rates negotiated on an annual basis (2018: 10.00% and 2017: 10.25%) and are repayable on terms agreed 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.</p>															

Notes to consolidated annual financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER 2018

30. RISK MANAGEMENT continued

Financial risk continued

Credit risk continued

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

	2018 R'm	2017 R'm
South African rand	273	321
Botswana pula	133	178
Pound sterling	395	212
European euro	537	377
Polish zloty	145	88
United States dollar	8	–
Swiss franc	3	–
Balance at 30 September	1 494	1 176
Overdraft facilities within the Group are secured by means of cross sureties by Group companies.		
The credit quality of cash at bank and short-term money market instruments is:		
Southern Africa ¹	272	318
Botswana ²	133	178
Alliance Medical ³	944	589
Poland ⁴	142	88
Cash on hand	3	3
	1 494	1 176
	1 373	1 338
Southern Africa	823	738
Alliance Medical	491	556
Poland	59	44

¹ The counterparties have a minimum South African Moody's Ratings of Baa3 (2017: Baa).

² The counterparties have a minimum Botswana Standard & Poor rating of A- (2017: A-).

³ The counterparties have a minimum Fitch credit rating of BB- (2017: BB-).

⁴ The counterparties have a minimum Polish Fitch rating of B (2017: B).

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:

30. RISK MANAGEMENT continued**Financial risk** continued**Credit risk** continued

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

	31 – 60 days R'm	61 – 90 days R'm	91 – 180 days R'm	181 – 360 days R'm	More than a year R'm	Total R'm
Trade and other receivables at 30 September 2018						
Southern Africa						
Private clients	–	–	40	26	2	68
Medical aids	–	63	130	146	71	410
Government	51	28	52	50	158	339
Foreign patients	1	–	2	1	2	6
	52	91	224	223	233	823
Alliance Medical						
Debtors ¹	310	33	65	39	44	491
	310	33	65	39	44	491
Poland						
Private clients	2	1	1	1	4	9
Government (National Health Fund in Poland)	4	1	–	–	24	29
Other	7	–	–	7	7	21
	13	2	1	8	35	59
Trade and other receivables at 30 September 2017						
Southern Africa						
Private clients	–	–	36	35	14	85
Medical aids	–	73	101	90	58	322
Government	31	27	54	–	214	326
Foreign patients	1	–	1	2	1	5
	32	100	192	127	287	738
Alliance Medical						
Debtors ¹	287	58	106	47	58	556
	287	58	106	47	58	556
Poland						
Private clients	2	1	–	1	1	5
Government (National Health Fund in Poland)	–	–	–	15	20	35
Other	–	–	–	2	2	4
	2	1	–	18	23	44

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

Notes to consolidated annual financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER 2018

30. RISK MANAGEMENT continued

Financial risk continued

Fair value

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

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

The Group's financial instruments held at fair value, are measured subsequent to their initial recognition and are grouped into levels 1 to 3 based on the extent to which the fair values are observable. All of the resulting fair value estimates for the derivatives used for hedging are included in level 2. The contingent considerations are included in level 3. The fair value of interest rate swaps is calculated as the mark-to-market valuation, which represents the mid-market value of the instrument as determined by the financial institution at 30 September 2018.

The fair value of forward exchange contracts is determined using forward exchange rates at the statement of financial position date, with the resulting value discounted back to the present value, as determined by the financial institution at 30 September 2018.

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

Annexure A

1. SIGNIFICANT ACCOUNTING POLICIES

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

Summary of significant accounting policies				
1.1 Revenue and other income				
1.2 Employee benefits				
Short-term benefits	Termination benefits	Post-employment benefits	Share-based payments	
Group accounting				
1.3 Consolidation		1.4 Equity accounting		1.5 Translation of foreign operations
Operating assets				
1.6 Property, plant and equipment	1.7 Intangible assets	1.8 Leases	1.9 Inventories	1.10 Assets held for sale
1.11 Financial instruments				
Initial recognition and measurement		Subsequent measurement		Offsetting
1.12 Capital and reserves				
Share capital and equity			Treasury shares	
1.13 Amended accounting standards adopted by the Group				
1.14 New accounting standards and IFRIC interpretations				

1.1 Revenue and other income

		Includes	Recognition	Measurement
Revenue	Sales of services	Acute healthcare services, wellness programme services, same-day surgical centres, diagnostic-related services and sale (manufacturing and distribution) of radiopharmaceuticals.	The revenue recognised relates to invoiced fees for private healthcare, radiopharmaceuticals and fees for healthcare and diagnostic-related services and is recognised when the related service is provided.	The services are provided on a fixed-price basis. The revenue is recognised over the period during which the service is rendered, by reference to the stage of completion of the specific transaction and assessed on the basis of the actual service provided as a proportion of the total services to be provided.
Other income	Interest income	Interest income on funds invested, unwinding of the discount on debtors, changes in the fair value of financial assets at fair value through profit or loss, foreign exchange gains or loss on hedging instruments that are recognised in profit or loss.	Interest income is recognised, in profit or loss, using the effective interest rate method, unless it is doubtful.	Effective interest method When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.
	Rental income	Rental income arising from operating leases.	Accounted for on a straight-line basis over the lease term in profit or loss.	Fair value.
	Dividend income	External dividends.	Dividend income is recognised in profit or loss when the Group's right to receive payment is established.	Fair value.

Company financial statements

Revenue comprises dividends received from Life Healthcare Group Proprietary Limited.

Annexure A continued

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.2 Employee benefits

Short-term employee benefits

Includes	Paid leave, sick leave, bonuses and non-monetary benefits such as medical care.
Accounting treatment	<p>The cost of all short-term employee benefits is recognised as an expense during the period in which the employee renders the related service.</p> <p>Accruals for employee entitlement to wages, salaries, bonuses and annual leave represent the amount which the Group has a present obligation to pay as a result of employees' services provided up to the reporting date. The accruals have been calculated at undiscounted amounts based on the current wage and salary rates and are included in trade and other payables in the statement of financial position.</p> <p>The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance and the related liability, and a reliable estimate of the obligation can be made.</p>

Termination benefits

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

Post-employment benefits

Defined contribution plan		
	Fund name	Includes
Southern Africa schemes	<ul style="list-style-type: none"> ▶ Life Healthcare DC Pension Fund 	A pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.
	<ul style="list-style-type: none"> ▶ Life Healthcare Provident Fund 	
Alliance Medical Scheme	<ul style="list-style-type: none"> ▶ TFR scheme 	
Accounting treatment	<ul style="list-style-type: none"> ▶ The payments to defined contribution retirement benefit plans are charged as an expense as they fall due. ▶ Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. 	

Defined benefit plan	
Includes	A pension plan that is not a defined contribution plan.
Fund name	<ul style="list-style-type: none"> ▶ Life Healthcare DB Pension Fund ▶ Lifecare Group Holdings Pension Fund ▶ Post-employment medical aid benefit (phased out)
Accounting treatment	<p>For defined benefit plans the cost of providing the benefits is determined using the projected unit credit method.</p> <p>Actuarial accounting valuations are conducted on an annual basis by independent actuaries separately for each plan. Consideration is given to any event that could impact the funds up to reporting date where the interim valuation is performed at an earlier date.</p> <p>Past service costs are charged to the income statement when the plan amendment or curtailment occurs.</p> <p>Gains or losses on the curtailment or settlement of a defined benefit plan are recognised when curtailment or settlement occurs.</p>

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.2 Employee benefits continued

Post-employment benefits continued

Defined benefit plan <small>continued</small>		
Statement of financial position	Assets or liabilities	The present value of the defined benefit obligation at the end of the reporting period less the fair value of the plan assets, together with adjustments for unrecognised past service costs.
	Assets	Any asset is limited to unrecognised actuarial losses, and unrecognised past service cost plus the present value of available refunds and reduction in future contributions to the plan. Right to reimbursement measured at fair value.
Statement of profit or loss and other comprehensive income	Profit or loss	<ul style="list-style-type: none"> ▶ Net interest cost. ▶ Current service cost. These costs are included in retirement benefit asset and post-employment medical aid income.
	Other comprehensive income	<ul style="list-style-type: none"> ▶ Remeasurements arising from experience adjustments and changes in actuarial assumptions. ▶ Changes in asset ceiling.
Medical aid costs		
Includes	It is Group policy not to provide for post-employment medical aid benefits. However, due to a previous business combination transaction the Group did become party to a contractual obligation to provide post-employment medical aid benefits to certain employees. The entitlement for an employee to receive these benefits is dependent on the employee remaining in service until retirement age.	
Accounting treatment	For past service, the Group recognises and provides for the actuarially determined present value of post-employment medical aid employer contributions on an accrual basis using the projected unit credit method. Actuarial gains or 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.	

Shared-based payments (IFRS 2)

Cash settled	
Includes	<p>Long-term incentive scheme (Alliance Medical)</p> <p>The scheme is a bonus scheme available to senior employees. C-shares in Life UK Healthcare Limited were issued to management. Each C-share subscriber grants to Life UK Holdco Limited, on and from the business day immediately following the day on which the agreed market value as at 30 September 2021 has been determined, an option for Life UK Holdco Limited to purchase all of each C-share subscriber's C-shares in cash at the relevant C-share price. The C-share value as at a calculation date shall be:</p> <p>(a) if the compound return rate as at that date is equal to or greater than 11%, an amount equal to:</p> <ul style="list-style-type: none"> (i) (A) MVA; minus (B) the number resulting from compounding annually over the investment period the initial investment at a hurdle return rate of 11% per annum to the calculation date; the result of (A) minus (B) being multiplied by (ii) the applicable percentage (between 12% and 15%); and <p>(b) if the compound return rate as at that date is less than 11%, the aggregate nominal value of all of the C-shares in issue.</p> <p>MVA is calculated based on the agreed market value at calculation date and the dividends declared from effective date to the calculation date. A bad leaver's shares are converted to deferred shares which have a minimal value.</p>
Accounting treatment	The benefits are measured at the fair value of the liability at each reporting date and at the date of settlement, with any changes in fair value recognised in profit or loss for the period. The value of the services received (expense), and the related liability is recognised over the vesting period.

Annexure A continued

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.2 Employee benefits continued

Shared-based payments (IFRS 2) continued

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

Group accounting

1.3 Consolidation

Subsidiaries, investment in partnership capital accounts and trust beneficiary accounts

Initial recognition and measurement

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

Acquisition-related costs are expensed as incurred.

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

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

Company financial statements

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

Non-controlling interest

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

Contingent consideration

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

Gain on bargain purchase

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

- ◆ the total consideration transferred; plus
- ◆ the existing non-control interest recognised; plus
- ◆ any previously held interest;

the difference is recognised in profit or loss.

Inter-company transactions

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

1. SIGNIFICANT ACCOUNTING POLICIES continued

Group accounting continued

1.3 Consolidation continued

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

Changes in ownership without change in control

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

Loss of control

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

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

1.4 Equity accounting

Equity-accounted investments consists of associates and joint ventures.

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

Initial recognition and measurement

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

Changes in ownership interest

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

Subsequent measurement

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

Impairment

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

Unrealised gains or losses

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

Annexure A continued

1. SIGNIFICANT ACCOUNTING POLICIES continued

Group accounting continued

1.5 Translation of foreign operations

Procedures followed to translate to presentation currency

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

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

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

Exchange differences on monetary items

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

Cash flows

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

Operating assets

1.6 Property, plant and equipment

Categories	Initial measurement and recognition	Subsequent measurement	Depreciation method
Land	Cost	Cost less accumulated impairment losses	Not depreciated
Assets under construction			
Buildings – owned		Cost less accumulated depreciation and impairment losses	Depreciated on the straight-line method to their residual values over the useful life
Medical equipment			
Other property, plant and equipment – owned			
Motor vehicles			
Buildings – leased			
Other property, plant and equipment – leased			
Leasehold improvements			Depreciated over the shorter of: <ul style="list-style-type: none"> ◆ the estimated useful lives of the assets on the same basis as owned assets; or ◆ the remaining period of the lease, unless there is a reasonable certainty the lessee will obtain ownership of the asset by the end of the lease term in which case it is depreciated over its useful life.

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

1. SIGNIFICANT ACCOUNTING POLICIES continued

Operating assets continued

1.7 Intangible assets

Categories	Initial measurement and recognition	Subsequent measurement	Amortisation method
Goodwill	Excess of consideration transferred over the fair value of the net identifiable assets acquired at acquisition date.	Cost less accumulated impairment losses	Not amortised
Customer relations and hospital licences	Cost represent the fair value as at the date of the business combination, valued on the royalty method or the multi-period earnings excess method (MEEM).	Cost less accumulated amortisation and impairment losses	Amortised on the straight-line method over the estimated useful life
Brand name			
Intellectual property			
Preferred supplier contracts			
Computer software			
Other intangible assets	Cost		

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

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

1.8 Leases

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

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

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

Finance leases – lessee

Initial measurement and recognition	Subsequent measurement	Depreciation method
<p>Finance leases are recognised as assets and liabilities at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments.</p> <p>The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.</p>	<ul style="list-style-type: none"> ◆ Asset at cost less depreciation ◆ Liability at amortised cost 	<p>Finance leases assets are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the terms of the leases.</p>

Operating leases – lessee and lessor

Initial measurement and recognition

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

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

Neither the asset nor the liability is discounted.

Annexure A continued

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.9 Inventories

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

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

1.10 Assets held for sale

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

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

1.11 Financial instruments

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

Financial assets

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

Derecognition

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

Financial liabilities

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown 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 prepayment for liquidity services and amortised over the period of the facility to which it relates.

Trade and other payables includes:

Other related liabilities

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

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.11 Financial instruments continued

Financial liabilities continued

Insurance

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

Derecognition

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

Offsetting of financial instruments

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

1.12 Capital and reserves

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

Share capital and equity

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

Treasury shares

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

1.13 Amended accounting standards adopted by the Group

The Group has applied the following amendments for the first time for their annual reporting period commencing 1 October 2017:

- ◆ Amendment to IAS 12 *Income Taxes* – recognition of deferred tax assets for unrealised losses.
- ◆ Amendment to IAS 7 *Cash Flow Statements* – statement of cash flows on disclosure initiative.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

1.14 New accounting standards and IFRIC interpretations

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

IFRS 15 *Revenue from Contracts with Customers*

Effective date	Annual periods beginning on or after 1 January 2018. This will impact the Group for the first time in the 2019 financial year.
Description of change	The new standard requires entities to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is achieved through a five-step methodology that is required to be applied to all contracts with customers. The application of IFRS 15 will depend on the facts and circumstances present in a contract and will require the exercise of judgement.
Description of impact	An assessment was done for each territory (southern Africa, Alliance Medical and Poland) within the Group covering all lines of business and services offered. Based on the assessment of the potential impact of the new IFRS 15 <i>Revenue</i> standard, there will be no material impact on the Group revenue. The presentation and disclosure requirements in IFRS 15 are more detailed than under the current IFRS standard and where required, the Group's disclosure will be updated. This assessment has been made on current available information.
Transition option	Either on a fully retrospective basis, requiring the restatement of the comparative periods presented, or with the cumulative retrospective impact of IFRS 15 applied as an adjustment to equity. The Group will not restate the comparative periods, and an adjustment to opening retained earnings will be made.

Annexure A continued

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.14 New accounting standards and IFRIC interpretations continued

IFRS 9 – Financial Instruments

Effective date	Annual periods beginning on or after 1 January 2018. This will impact the Group for the first time in the 2019 financial year.
Description of change	Determines the measurement and presentation of financial instruments, depending on their contractual cash flows and the related business model. Impairment requirements are based on an expected credit loss (ECL) model.
Description of impact	<p>The Group currently carries the following financial assets – trade and other receivables, cash and cash equivalents, other assets and derivative financial instruments.</p> <p>Trade and other receivables as well as other assets are measured at amortised cost as the objective of the business model is to hold these financial assets for the collection of the contractual cash flows, and the contractual cash flows under the instrument represent payments of principal and interest. Reclassification is therefore not required. Trade and other receivables will be subject to the ECL model and the Group will apply the simplified approach and record lifetime expected credit losses on trade receivables. Based on current available information the Group does not expect a material impact on the provisions.</p> <p>Derivative financial assets are measured at fair value through profit or loss, and no reclassification is required. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the impairment loss will be immaterial.</p>
Transition option	The Group will apply the new rules retrospectively from 1 October 2018, without restating comparatives. An adjustment to opening retained earnings will be made.

IFRS 16 Leases

Effective date	Annual periods beginning on or after 1 January 2019. This will impact the Group for the first time in the 2020 financial year.												
Description of change	A new standard where lessees will be required to recognise right of use assets and lease liabilities for all lease contracts (with limited exceptions) on the statement of financial position. Lessor accounting will not substantially change under the new standard. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.												
Description of impact	<p>The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of R1 325 million, see note 28.</p> <p>Management has assessed the financial impact of all external and high value leases for each territory, (southern Africa, Alliance Medical and Poland) within the Group. Property lease contracts have the most significant impact.</p> <p>Based on the assessment, the changes to the lessee accounting will have the following material impact in the 2020 financial year:</p> <table border="1"> <thead> <tr> <th></th> <th>R'm (approximately)</th> </tr> </thead> <tbody> <tr> <td>Increase in property, plant and equipment as a result of the recognition of right of use assets</td> <td>between R780m – R880m</td> </tr> <tr> <td>Increase in interest-bearing borrowings as a result of the finance lease liabilities</td> <td>between R800m – R900m</td> </tr> <tr> <td>Increase in EBITDA – taking out operating lease rentals on straight-line basis</td> <td>between R180m – R210m</td> </tr> <tr> <td>Increase in depreciation</td> <td>between R100m – R125m</td> </tr> <tr> <td>Increase in finance cost</td> <td>between R60m – R80m</td> </tr> </tbody> </table> <p>As a result of the above:</p> <ul style="list-style-type: none"> ◆ EBITDA margins will increase ◆ Net debt: EBITDA and interest cover ratios will deteriorate. <p>The assessment has been made on current available information and exchange rates.</p>		R'm (approximately)	Increase in property, plant and equipment as a result of the recognition of right of use assets	between R780m – R880m	Increase in interest-bearing borrowings as a result of the finance lease liabilities	between R800m – R900m	Increase in EBITDA – taking out operating lease rentals on straight-line basis	between R180m – R210m	Increase in depreciation	between R100m – R125m	Increase in finance cost	between R60m – R80m
	R'm (approximately)												
Increase in property, plant and equipment as a result of the recognition of right of use assets	between R780m – R880m												
Increase in interest-bearing borrowings as a result of the finance lease liabilities	between R800m – R900m												
Increase in EBITDA – taking out operating lease rentals on straight-line basis	between R180m – R210m												
Increase in depreciation	between R100m – R125m												
Increase in finance cost	between R60m – R80m												
Transition option	Either on a fully retrospective basis, requiring the restatement of the comparative periods presented, or with the cumulative retrospective impact of IFRS 16 applied as an adjustment to equity (modified retrospective approach). The Group has elected the modified retrospective approach, and no restatement to comparative information is required.												

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.14 New accounting standards and IFRIC interpretations continued

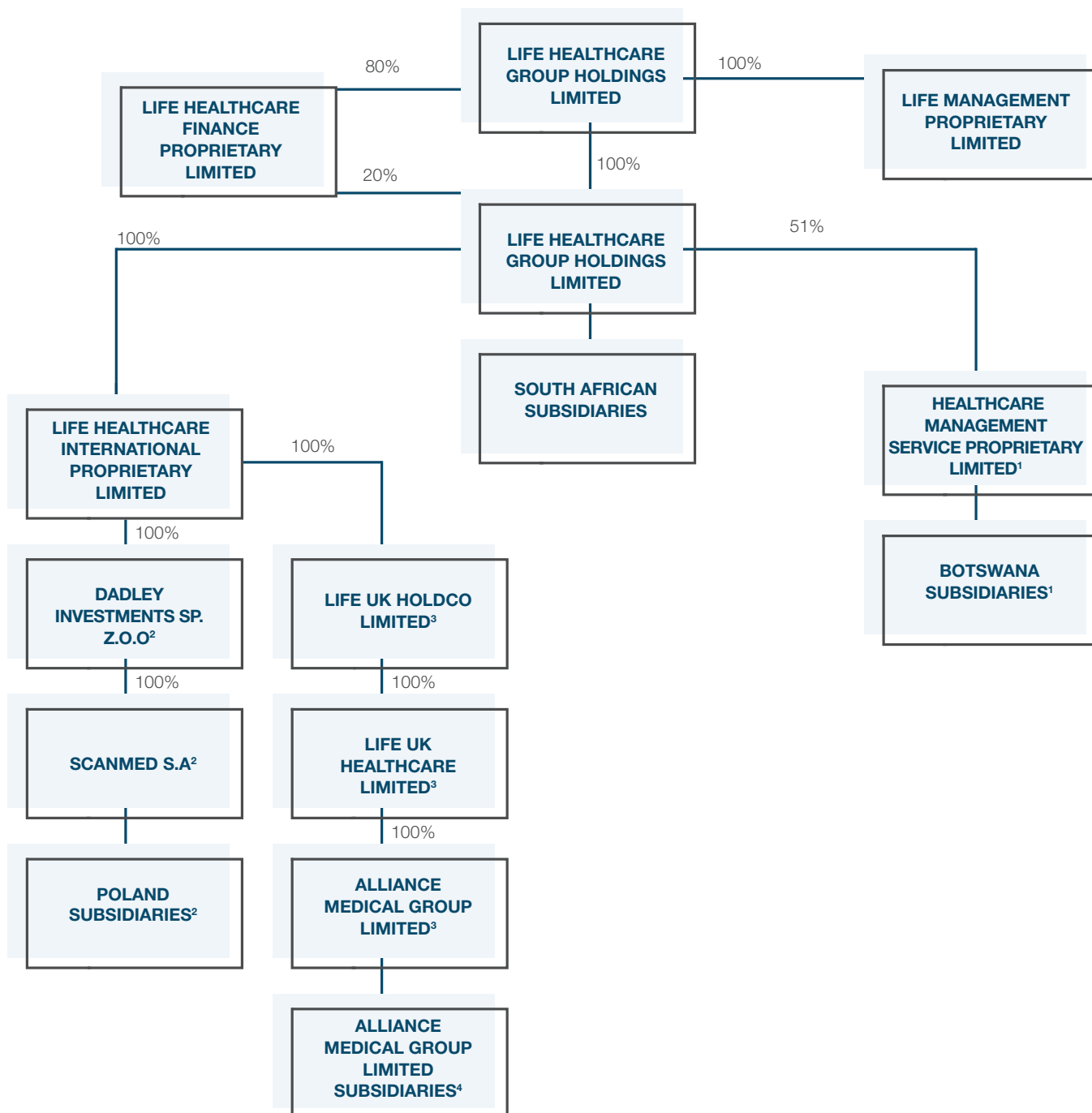
The following amendments and IFRICs are effective for annual periods beginning on or after 1 January 2018.

- ◆ Amendment to IAS 40 *Investment Property* – transfers of investment property.
- ◆ Amendments to IFRS 2 *Share-based Payments* – clarifying how to account for certain types of share-based payment transactions.
- ◆ IFRIC 22 *Foreign Currency Transactions and Advance Consideration*.
- ◆ Amendments to IAS 28, *Investments in Associates and Joint Ventures* – long-term interests in associates and joint ventures.
- ◆ IFRIC 23 *Uncertainty over income tax treatments*.
- ◆ Annual improvements cycle 2015 – 2017.

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

Annexure B

SIMPLIFIED GROUP STRUCTURE FOR THE YEAR ENDED 30 SEPTEMBER 2018



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

All Botswana, Poland and Alliance Medical investments are unlisted.

The shareholding percentages are the same for 2018 and 2017 except for the increase in shareholding in Life UK Healthcare Limited (from 93.78% in 2017 to 100% in 2018)

¹ Incorporated in Botswana. The functional currency is pula

² Incorporated in Poland. The functional currency is zloty

³ Incorporated in England. The functional currency is sterling

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

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

Annexure C

ASSOCIATE UNDERTAKINGS FOR THE YEAR ENDED 30 SEPTEMBER 2018

Associates

Name of associate	Functional currency	Issued share capital		Interest in share capital		Book value of the shares		Amounts owing by/(to) associates	
		2018 Total	2017 Total	2018 %	2017 %	2018 R'm	2017 R'm	2018 R'm	2017 R'm
Unlisted investments									
Mafikeng Hospital Proprietary Limited ²	R	8 799	8 799	42	42	–	–	–	–
Free State Oncology Trust ^{1, 2}	R	–	1 000	–	–	–	–	–	(2)
Wilgers Onkologie Spreekkamer Trust ²	R	10 000	10 000	25	25	–	–	(1)	2
Wilgers Onkologie Radiologiese Trust ²	R	10 000	10 000	40	40	–	–	(1)	1
Wilgers Stralingsonkologie Trust ²	R	10 000	10 000	25	25	–	–	4	(2)
Consolidated Aone Trade and Invest 12 Proprietary Limited ²	R	100	100	30	30	2	2	8	10
						2	2	10	9

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

¹ In 2017, an additional 27.84% was acquired, resulting in Free State Oncology becoming a subsidiary, indirectly held through Life Healthcare Group Proprietary Limited.

² Indirectly held through Life Healthcare Group Proprietary Limited.

Joint ventures

Name of joint venture	Functional currency	Issued share capital		Interest in share capital		Book value of the shares		Amounts owing by/(to) associates	
		2018 Total	2017 Total	2018 %	2017 %	2018 R'm	2017 R'm	2018 R'm	2017 R'm
Unlisted investments									
Max Healthcare Institute Limited ¹	Rs'00000	53 724	53 724	49.7	49.7	3 052	3 052	–	–
Brenthurst MRI	R	–	–	70	70	–	–	–	–
Brenthurst Equipment Trust 1	R	–	–	50	50	–	–	–	–
Brenthurst Equipment Trust 2	R	–	–	70	70	–	–	–	–
Brenthurst Radiology Cat Scan	R	–	–	50	50	–	–	–	–
Barringtons MRI Limited ²	EUR	100	100	50	50	9	9	–	–
20:20 Imaging Limited ²	EUR	300	300	33	33	2	2	–	–
						3 063	3 063	–	–

¹ The Company is incorporated in India and has a March financial year-end and the issued shares are reflected in Indian rupees. The investment in Max has been classified as an "asset held for safe". Refer note 17.

² The Company is incorporated in the Republic of Ireland and the issued shares are reflected in euros.

Annexure D

SHAREHOLDER DISTRIBUTION

1. Analysis of registered shareholders and Company schemes

Registered shareholder spread

In accordance with the JSE Listings Requirements, the following table confirms the spread of registered shareholders at 28 September 2018 was:

Registered shareholder spread

Shareholder spread	Number of holders	% of total shareholders	Number of shares	% of issued capital
1 – 1 000 shares	10 643	68.83	8 809 769	0.60
1 001 – 10 000 shares	2 853	18.45	9 706 873	0.66
10 001 – 100 000 shares	1 206	7.80	42 715 336	2.91
100 001 – 1 000 000 shares	583	3.77	193 780 879	13.21
1 000 001 shares and above	177	1.14	1 212 336 268	82.62
Total	15 462	100.00	1 467 349 125	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	0.06	59 005 942	4.02
Directors	5	0.03	1 148 530	0.08
Brimstone Investment Corporation Limited	2	0.01	47 143 485	3.21
Life Healthcare Employees Share Trust	1	0.01	10 522 860	0.72
Life Healthcare long-term incentive schemes	1	0.01	191 067	0.01
Public shareholders	15 453	99.94	1 408 343 183	95.98
Total	15 462	100.00	1 467 349 125	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 28 September 2018:

Investment management shareholdings

Investment manager	Total shareholding	%
Allan Gray Investment Council	293 133 188	19.98
Government Employees Pension Fund (PIC)	179 025 726	12.20
Lazard Asset Management LLC Group	113 426 052	7.73
Coronation Asset Management	80 151 039	5.46
Industrial Development Corporation (IDC)	69 867 972	4.76
BlackRock Inc	58 148 808	3.96
The Vanguard Group Inc	51 777 562	3.53
Sanlam Investment Management	46 764 279	3.19
Total	892 294 626	60.81

Beneficial shareholdings

Beneficial shareholdings	Total shareholding	%
PIC	209 598 324	14.28
Allan Gray Balanced Fund	99 575 167	6.79
IDC	69 867 972	4.76
Lazard Emerging Market Fund	44 793 695	3.05
Total	423 835 158	28.88

SHAREHOLDER DISTRIBUTION continued**Previously disclosed holdings**

Investment managers now holding below 3%

Investment manager	Total shareholding	%	Previous %
Total	-	-	-

Beneficial owners now holding below 3%	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	989 686 326	67.45
United States of America and Canada	304 687 065	20.76
United Kingdom	63 122 540	4.29
Rest of Europe	59 645 834	4.06
Rest of World ¹	50 207 360	3.42
Total	1 467 349 125	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	940 598 425	64.10
United States of America and Canada	282 241 408	19.23
United Kingdom	36 525 788	2.49
Rest of Europe	106 391 399	7.25
Rest of World ¹	101 592 105	6.93
Total	1 467 349 125	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	547 336 859	37.30
Pension funds	432 686 743	29.49
Government of SA	69 867 972	4.76
Sovereign wealth	64 354 100	4.39
Private investors	63 608 952	4.33
Trading position	48 223 130	3.29
Insurance companies	46 257 488	3.15
Exchange-traded fund	34 113 548	2.32
Custodians	17 064 367	1.16
Employees	10 713 927	0.73
American Depository Receipts	10 471 140	0.71
University	5 890 849	0.40
Charity	3 644 268	0.25
Medical aid scheme	2 707 280	0.18
Local authority	2 611 131	0.18
Hedge fund	2 511 507	0.17
Corporate holding	662 286	0.05
Black economic empowerment	661 045	0.05
Foreign government	438 681	0.03
Remainder	103 523 852	7.06
Total	1 467 349 125	100.00

Annexure E

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2018

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

	Notes	2018				
		Group R'm	South Africa R'm	Botswana R'm	Alliance Medical R'm	Poland R'm
ASSETS						
Non-current assets						
		30 558	10 946	205	17 349	2 058
Property, plant and equipment	9	12 243	7 891	204	3 265	883
Intangible assets	10	17 084	1 807	–	14 108	1 169
Investment in associates and joint ventures	11	35	(7)	–	42	–
Employee benefit assets	12	401	512	–	(111)	–
Deferred tax assets	13	700	659	–	35	6
Other assets		95	84	1	10	–
Current assets						
		5 743	2 982	315	2 135	311
Cash and cash equivalents	14	1 494	273	133	944	144
Trade and other receivables (includes inter-company loans)	15	3 761	2 306	163	1 160	132
Inventories	16	360	290	11	29	30
Income tax receivable		24	9	8	2	5
Other assets		104	104	–	–	–
Asset classified as held for sale	17	2 841	2 841	–	–	–
Total assets		39 142	16 769	520	19 484	2 369
Total equity		16 202	5 320	330	9 778	774
LIABILITIES						
Non-current liabilities						
		14 764	6 537	148	6 827	1 252
Interest-bearing borrowings	20	12 870	5 816	137	5 715	1 202
Derivative financial instruments	22	6	6	–	–	–
Deferred tax liabilities	13	1 226	649	5	522	50
Trade and other payables	21	127	–	–	127	–
Contingent consideration liabilities	25	463	–	–	463	–
Other liabilities		72	66	6	–	–
Current liabilities						
		8 176	4 912	42	2 879	343
Bank overdraft	14	488	488	–	–	–
Trade and other payables	21	4 409	2 406	38	1 713	252
Contingent consideration liabilities	25	71	4	–	–	67
Interest-bearing borrowings	20	3 086	1 979	4	1 083	20
Income tax payable		110	26	–	83	1
Other liabilities		12	9	–	–	3
Total liabilities		22 940	11 449	190	9 706	1 595
Total equity and liabilities		39 142	16 769	520	19 484	2 369

2017				
Group R'm	South Africa R'm	Botswana R'm	Alliance Medical R'm	Poland R'm
31 459	13 270	201	15 943	2 045
11 131	7 359	200	2 691	881
16 281	1 870	–	13 250	1 161
2 976	2 956	–	20	–
399	477	–	(78)	–
608	556	–	49	3
64	52	1	11	–
5 180	2 797	288	1 852	243
1 176	321	178	590	87
3 602	2 148	100	1 229	125
357	297	10	24	26
33	19	–	9	5
12	12	–	–	–
–	–	–	–	–
36 639	16 067	489	17 795	2 288
15 551	4 765	286	9 735	765
9 991	6 622	149	1 977	1 243
7 786	5 933	139	542	1 172
749	22	–	727	–
1 203	583	5	561	54
18	–	–	18	–
55	–	–	38	17
180	84	5	91	–
11 097	4 680	54	6 083	280
450	450	–	–	–
4 113	2 259	39	1 638	177
61	–	–	–	61
6 301	1 943	4	4 324	30
161	20	11	121	9
11	8	–	–	3
21 088	11 302	203	8 060	1 523
36 639	16 067	489	17 795	2 288

Company statement of profit or loss and other comprehensive income

FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Note	2018 R'm	2017 R'm
Revenue	3	758	765
Operating profit		758	765
Finance income		-	11
Profit before tax		758	776
Tax expense	4	-	(3)
Profit after tax		758	773
Other comprehensive income		-	-
Total comprehensive income for the year		758	773

Company statement of financial position

AT 30 SEPTEMBER 2018

	Note	2018 R'm	2017 R'm
ASSETS			
Non-current assets			
Interest in subsidiaries	1	9 287	9 287
Current assets			
Cash and cash equivalents		-	1
Total assets		9 287	9 288
EQUITY AND LIABILITIES			
Capital and reserves			
Stated capital	2	13 888	13 438
Accumulated loss		(4 607)	(4 157)
Current liabilities			
Trade and other payables		6	7
Shareholders for dividend		-	2
		6	5
Total equity and liabilities		9 287	9 288

Company statement of changes in equity

FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Stated capital R'm	Retained earnings R'm	Total R'm
Balance at 30 September 2017	13 438	(4 157)	9 281
Total comprehensive income for the year	–	758	758
Issue of new shares as a result of scrip distributions	450	–	450
Distribution to shareholders	–	(1 208)	(1 208)
Balance at 30 September 2018	13 888	(4 607)	9 281
Balance at 30 September 2016	3 948	(3 453)	495
Total comprehensive income for the year	–	773	773
Issue of new shares as a result of scrip distributions	712	–	712
Issue of new shares as a result of rights offer, net of costs	8 778	–	8 778
Distribution to shareholders	–	(1 477)	(1 477)
Balance at 30 September 2017	13 438	(4 157)	9 281

Company statement of cash flows

FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Note	2018 R'm	2017 R'm
Cash flows from operating activities			
Cash generated from operations	5	757	766
Interest received		-	11
Tax paid		-	(3)
Net cash generated from operating activities		757	774
Cash flows from investing activities			
Investment in Life Healthcare Group Proprietary Limited		-	(8 790)
Loan from Life Healthcare Group Proprietary Limited		-	3
Net cash utilised from investing activities		-	(8 787)
Cash flows from financing activities			
Proceeds from issue of shares as a results of rights offer		-	9 000
Costs directly attributable to the rights offer		-	(222)
Dividends paid		(758)	(765)
Net cash utilised from financing activities		(758)	8 013
Net decrease in cash and cash equivalents		(1)	-
Cash and cash equivalents – beginning of the year		1	1
Cash and cash equivalents – end of the year		-	1

Notes to Company annual financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2018

	2018 R'm	2017 R'm
1. INTEREST IN SUBSIDIARIES		
Unlisted investment in Life Healthcare Group Proprietary Limited		
Shares at cost		
Balance at 1 October	8 897	107
Additional investment	–	8 790
Balance at 30 September	8 897	8 897
Amounts owing by subsidiary		
Balance at 1 October	390	393
Movement	–	(3)
Balance at 30 September	390	390
Total investment	9 287	9 287
The Company's investments in Life Healthcare Finance Proprietary Limited and Life Management Proprietary Limited are less than R1 million.		
The loan is unsecured, has no fixed repayment terms and bears interest as determined by the directors. No interest was received during the current year or prior financial year.		
2. STATED CAPITAL		
Stated capital comprises		
Share capital	10 515	10 065
Share premium	3 373	3 373
	13 888	13 438
Ordinary shares ('000)		
Authorised (share capital of R0.000001 each)	4 149 980	4 149 980
Total value = R4 149 (2017: R4 149)		
Issued and fully paid:		
Balance at 1 October	1 449 391	1 057 800
Share issued as a result of scrip distributions	17 958	24 244
Share issued as a result of rights offer	–	367 347
Balance at 30 September	1 467 349	1 449 391
Total value = R1 467 (2017: R1 449)		
3. REVENUE		
Revenue comprises dividends received from Life Healthcare Group Proprietary Limited	758	765
4. INCOME TAX EXPENSE		
Reconciliation of the tax rate	%	%
South African normal tax rate	28.00	28.00
Adjusted for:		
No taxable income – dividends received	(28.00)	(27.58)
	–	0.42

Notes to Company annual financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER 2018

	2018 R'm	2017 R'm
5. CASH GENERATED FROM OPERATIONS		
Reconciliation of profit before tax to cash generated from operations		
Profit before tax	758	776
Adjusted for:		
Finance income	-	(11)
Operating profit before working capital changes	758	765
Trade and other payables	(1)	1
Cash generated from operations	757	766
6. ACCOUNTING POLICIES		
The accounting policies are the same for the Group and Company.		
◆ Presentation of annual financial statements – refer page 18		
The following accounting policies are applicable to the Company – refer Annexure A:		
◆ Dividend income refer note 1.1		
◆ Interest income refer note 1.1		
◆ Group accounting refer note 1.3 (only section regarding Company financial statements)		
◆ Financial instruments (excluding section regarding derivatives) refer note 1.11		
◆ Capital and reserves refer note 1.12		
◆ New accounting standards and IFRIC interpretations refer note 1.13		
7. EVENTS AFTER THE REPORTING PERIOD		
No event which is material to the understanding of this report has occurred between year-end and the date of the annual financial statements, other than:		
Cash dividend declaration		
The board approved a final gross cash dividend of 50 cents per ordinary share for the year ended 30 September 2018. The dividend has been declared from income reserves. A dividend withholding tax of 20% will be applicable to all shareholders not exempt therefrom, after deduction of which the net cash dividend is 40 cents per share.		
8. COMMITMENTS AND CONTINGENCIES		
No commitments		
Some of the Company's subsidiaries stand as guarantors in respect of the unsecured borrowings as per note 20 of the Group financial statements.		
9. RELATED PARTIES		
Relationships		
Subsidiary company: Life Healthcare Group Proprietary Limited		
Related-party balances		
Refer to note 1 of the Company financial statements		
Related-party transactions		
Dividend received		
Life Healthcare Group Proprietary Limited	758	765