
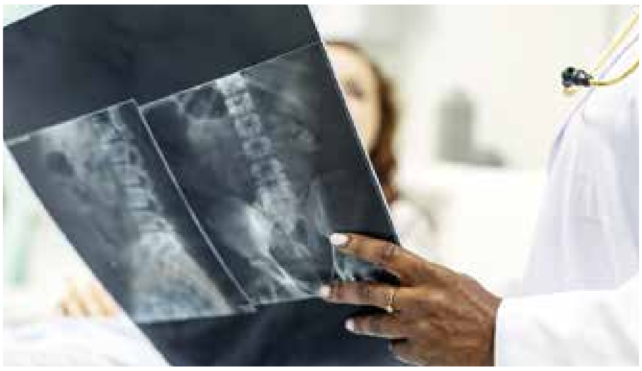


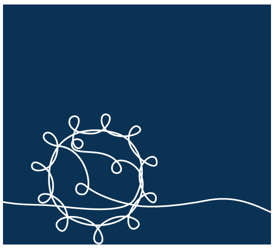


Audited Group annual financial statements **2021**

Life HEALTHCARE Group

Contents

Administration

Company name:	Life Healthcare Group Holdings Limited
Registration number:	2003/002733/06
Date of incorporation:	7 February 2003
Country of incorporation:	Republic of South Africa
Registered business address:	Building 2 Oxford Parks 203 Oxford Road Cnr Eastwood and Oxford Roads Dunkeld 2196
Registered postal address:	Private Bag X13 Northlands 2116
Composition of Board of Directors:	VL Litlhakanyane (Chairman) MA Brey (resigned 27 January 2021) PG Wharton-Hood (Group Chief Executive) PP van der Westhuizen (Group Chief Financial Officer) PJ Golesworthy CM Henry (appointed 1 September 2021) CJ Hess (appointed 1 September 2021) ME Jacobs AM Mothupi JK Netshitenzhe MP Ngatane M Sello GC Solomon RT Vice
Company Secretary:	J Ranchhod A Parboosing (resigned 28 February 2021)
Auditor:	Deloitte & Touche (Deloitte) Johannesburg

Preparation of the annual financial statements

for the year ended 30 September 2021

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

Statement of directors' responsibility

for the year ended 30 September 2021

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

The directors consider that the most appropriate accounting policies, consistently applied (apart from adoption of new accounting standards) and supported by reasonable and prudent judgements and estimates, have been used in the preparation of the Company and Group financial statements and that all IFRS that they consider to be applicable have been followed. The directors are satisfied that the information contained in the financial statements fairly presents the consolidated and separate financial position of Life Healthcare Group Holdings Limited at 30 September 2021, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended. The directors are also responsible for reviewing the other information included in the integrated report and ensuring both its accuracy and its consistency with the financial statements.

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

The Group operated in a well-established control environment, which is documented and regularly reviewed. This incorporates risk management and internal control procedures, which are designed to provide reasonable, but not absolute, assurance that assets are safeguarded and the risks facing the business are being controlled. The Group is committed to the continuous improvement of the control environment.

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

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

The Group's external auditor, Deloitte, audited the Company and Group financial statements, and their unqualified audit report is presented on page 12.

APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements set out on pages 10 to 11 and pages 16 to 113 were approved by the Board of Directors on 17 November 2021 and are signed by:

VL Litlhakanyane
Chairman

PG Wharton-Hood
Group Chief Executive

Johannesburg

Statement of Group Chief Executive and Group Chief Financial Officer

for the year ended 30 September 2021

In terms of paragraph 3.84(k) of the Johannesburg Stock Exchange (JSE) Listings Requirements, the executive directors, whose names are stated below, hereby confirm that:

- the consolidated and Company financial statements set out in pages 16 to 113, fairly present in all material respects the financial position, financial performance and the cash flows in terms of IFRS.
- no facts have been omitted or untrue statements made that would make the consolidated and Company financial statements false or misleading;
- internal financial controls have been put in place to ensure that material information relating to the Company and its consolidated subsidiaries have been provided to effectively prepare the consolidated and Company financial statements; and
- the internal financial controls are adequate and effective and can be relied upon in compiling the consolidated and Company financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King Code. Where we are not satisfied, we have disclosed to the audit committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors, and have taken the necessary remedial action.

PG Wharton-Hood
Group Chief Executive

PP van der Westhuizen
Group Chief Financial Officer

Statement of Company Secretary

for the year ended 30 September 2021

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.

J Ranchhod
Company Secretary

Report of the Audit Committee

for the year ended 30 September 2021

INTRODUCTION

In line with the requirements of King IV[TM*] and the Companies Act, the Life Healthcare Group Holdings Limited's audit committee (the Committee) is pleased to present its report for the year ended 30 September 2021.

ROLE OF THE AUDIT COMMITTEE

The primary role of the Committee is to assist the Board in discharging its Group governance oversight responsibilities. These responsibilities relate to the safeguarding of assets, monitoring the adequacy and effectiveness of the Group's systems and control environment, including that the Group has appropriate financial reporting procedures and that those procedures are operating as intended, and oversight over the integrated report preparation and fairly presented annual financial statements, in compliance with all applicable legal and regulatory requirements and accounting standards. The Chairman of the Committee reports to the Board on the Committee's deliberations and decisions.

COMPOSITION, QUALIFICATIONS AND MEETINGS

Members of the Committee are formally nominated by the Board for re-election by shareholders at the annual general meeting (AGM). The individual members satisfy the requirements to serve as members of an audit committee, as provided in section 94 of the Companies Act and they have the requisite level of knowledge and experience to fulfil their duties.

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

The Committee composition in the year, attendance as well as qualifications are set out below:

Name	Qualifications	Date appointed	Attendance
Peter Golesworthy (Chairman)	BA (Hons), Accounting Studies, CA	10 June 2010	5/5
Caroline Henry	CA(SA)	1 September 2021	0/0 (first meeting was on 1 Oct 2021)
Cindy Hess	CA(SA)	1 September 2021	0/0 (first meeting was on 1 Oct 2021)
Audrey Mothupi	BA (Honours) Political Science	3 July 2017	5/5
Garth Solomon*	CA(SA)	10 June 2010	5/5
Royden Vice	CA(SA)	1 February 2014	5/5

Four (4) scheduled meetings and one (1) special meeting were held during the year

** Garth Solomon resigned from the Committee on 31 August 2021.*

The Committee welcomed Ms Caroline Henry and Ms Cindy Hess as new members to the Committee and looks forward to their contribution. The Committee recognised, with thanks, the important role played by Mr Solomon during his tenure on the Committee.

Members were assessed by the nominations and governance committee, on behalf of the Board, in terms of the requirements of King IV and the Companies Act. The current members of the Committee continue to meet the independence requirements.

The current Committee members will be recommended to the shareholders at the next AGM for appointment for the financial year ending 30 September 2022.

Report of the Audit Committee continued

for the year ended 30 September 2021

THE COMMITTEES MANDATE

The Committee has adopted comprehensive and formal terms of reference that can be viewed on the Group's website at www.lifehealthcare.co.za.

The Committee has discharged its responsibilities as contained in the terms of reference, including ensuring that financial information issued to stakeholders is prepared in alignment with legislation and best practice. More specifically, the main functions performed by the Committee during the year under review were as follows:

- Monitored the proper operation of adequate and effective systems of internal controls, including receiving and reviewing reports, from both internal and external auditors, concerning the effectiveness of the internal control environment. This included all the entities in the consolidated group IFRS financial statements, to ensure that the Group had access to all financial information to effectively prepare and report on the financial statements of the Group.
- Considered whether there were significant weaknesses in the design, implementation or execution of the internal financial controls
- Considered and satisfied itself on the appropriateness of accounting policies and material estimates, assumptions and judgements
- Monitored the reporting processes and the preparation of fairly presented annual financial statements in compliance with the applicable legal and regulatory requirements and accounting standards, and recommended, for adoption by the Board, the financial information that is publicly disclosed, which for the year included the:
  - Interim results for the six months ended 31 March 2021
  - Annual results for the year ended 30 September 2021
  - Related SENS and press announcements for both interim and year-end
- Reviewed and confirmed the going concern basis of preparation of the interim and annual financial statements
- Made recommendations to the Board in relation to distributions to shareholders
- Considered the JSE's proactive monitoring of financial statements report, as issued in 2021, and the applicability of the issues raised, with the view to improving disclosure where applicable. The Committee reviewed a letter received by the Company from the JSE following its review of the 2020 financial statements, highlighting certain disclosure matters, and responded to the JSE: the matters raised have been addressed in the 2021 annual financial statements.
- Reviewed and recommended for approval by the Board the integrated report, including the disclosure of sustainability issues
- Considered the reports of management and the internal and external auditors regarding compliance with legal and regulatory requirements, as well as relevant findings of the risk, compliance and IT governance committee
- Reviewed legal matters that could have a material impact on the Group
- Conducted an internal evaluation on the performance of the Committee and no material issues arose
- Performed the functions required in terms of section 94(2) of the Companies Act on behalf of the Group's South African subsidiary companies

ASSESSMENT OF THE APPROPRIATENESS OF THE EXPERTISE AND ADEQUACY OF RESOURCES AND EXPERIENCE OF THE GROUP'S FINANCE FUNCTION AND THE GROUP CHIEF FINANCIAL OFFICER

The Committee received regular reports on the key finance initiatives. At the end of 2020, the finance team in South Africa was restructured, creating a centralised Group finance function under the leadership of the newly appointed General Manager: Finance, who reports directly into the Group Chief Financial Officer. Some of the finance functions that existed solely within South Africa were relocated to Group in order to standardise processes and Group expertise. The restructure also has the benefit of allowing for better employee development and succession planning.

Both SAP and OneStream have been successfully implemented across the Group. The new systems will allow for better reporting and improved future planning.

The management teams continued to learn, adapt, and change to accommodate the evolving COVID-19 environment. The finance team operates using the hybrid working model, namely working from home as well as coming into the office on a regular basis. This allowed for more effective communication within the team as well as better discussion and reporting in respect of financial matters. Regular feedback was provided on remote working and engagement with teams working virtually to ensure the integrity of financial reports and the Committee was kept appraised of the actions taken to ensure that the finance functions across the Group operated effectively.

The Committee considered the appropriateness and adequacy of resources and experience of the finance function and confirmed its satisfaction.

Mr PP van der Westhuizen is the Group Chief Financial Officer (Group CFO). He is a qualified chartered accountant and has practised as one for over 25 years. He has been employed in the role of Group CFO of the Group since 2013.

The Committee reviewed the qualifications and experience of Mr PP van der Westhuizen and was satisfied that his skill, expertise and experience were appropriate to meet the requirements of the position.

IMPACT OF COVID-19

The Committee considered the COVID-19 global pandemic (the pandemic) and associated impact on the Group's operations and the preparation of the 2021 annual financial statements. The Committee is satisfied that the events related to the pandemic have been disclosed accordingly in the annual financial statements. The impact of the pandemic necessitated ongoing review of the following key matters:

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

The Committee considered management's documentation relating to the going concern assumption used in the financial statements. In recommending to the Board that the going concern assumption was an appropriate basis for preparing the annual financial statements, the Committee, inter alia, considered the budget for the 2022 financial year, liquidity forecasts, including the assumptions and sensitivities and available committed and uncommitted debt facilities.

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 Committee Chairman and administratively to the Group Chief Financial Officer. An outsourced internal audit function operates across the Group, with the Group Chief Internal Audit Executive responsible for co-ordinating the planning, implementing and reporting thereon.

Towards the end of 2020, the outsourced internal audit function transitioned from Ernst & Young (EY) in South Africa to PriceWaterhouseCoopers (PwC). With effect from 1 October 2021, the outsourced function transitioned from BDO in the International operations to PwC, resulting in PwC providing the outsourced internal audit services across the Group. In addition to a smooth transition with the outsourced audit function, the Chief Internal Audit Executive expanded his team with the appointment of two persons. This has assisted in ensuring that tasks are carried out in accordance with the audit plan and the closing out of audit findings once remediated by management.

The internal audit function continues to provide a professional independent service, with due regard to the tenets of its charter, and has the full support of the Group Chief Executive Officer (Group CEO) and the Group CFO. Given the various services provided by PwC, care has been taken to ensure that the necessary policies are in place to ensure the independence of PwC as internal auditor.

The Committee:

- Reviewed the internal audit charter in line with King IV recommendations and recommended it to the Board for approval
- Approved the risk-based internal audit plans for the 2021 financial year and changes thereto during the year, to take account of changing circumstances
- Considered the effectiveness and the performance of the internal audit function and the Chief Internal Audit Executive for the year under review: both were found to be satisfactory
- Approved the combined assurance framework and reviewed combined assurance effectiveness
- Received risk updates, particularly in relation to matters concerning financial reporting
- Reviewed and evaluated reports in relation to internal audit and risk management and the appropriateness and adequacy of management's responses in relation thereto. Significant progress was made by management during the year in closing out matters raised in internal audit reports
- Reviewed arrangements made by the Company to enable employees and outside whistle-blowers to report any concerns and the reports received from the Tip-Off line, as well as the consequent corrective action implemented
- Reviewed internal audit's assessment of the internal control environment

The pandemic continued to impact internal audit's ability to perform its audits, which necessitated the re-prioritisation of a number of assignments during the year.

EXTERNAL AUDIT

Following approval by shareholders at the AGM in January 2021, Deloitte served as the Group's registered external auditor for the 2021 financial year. Mr Bongisipho Nyembe was appointed as the designated partner for 2021, but it is with sadness that we report that he passed away in August 2021 from a COVID-19-related illness. Bongisipho was an invaluable member of the Deloitte team and had demonstrated his integrity and commitment to Life Healthcare in the difficult first year of Deloitte's audit in 2020. Mr J Welch was approved as the designated partner to succeed Bongisipho and the JSE was accordingly notified of the change.

2021 was Deloitte's second year as the external auditor and this was an easier process for both it and management after the impact of COVID-19 and the cyber-attack in the previous year.

Report of the Audit Committee continued

for the year ended 30 September 2021

For the year under review the Committee:

- Approved the auditor's remuneration, for audit or non-audit services and approved the terms of engagement and the scope of the audit. The fees paid to the external auditors are disclosed in note 6 to the annual financial statements
- Reviewed and approved the external audit plan and ensured no limitations were imposed on the scope of the external audit. Notwithstanding the improvements made to the South African IT control environment in the current year, Deloitte was unable to fully rely on the IT General Control environment in planning its audit and accordingly adopted a fully substantive audit approach
- Reviewed the external auditor's report and confirmed that there were no material unresolved issues between the Group and the external auditor
- Reviewed and agreed the key audit matters identified by Deloitte, as set out in its report
- Obtained assurance from the external auditor that appropriate and adequate accounting records were being maintained
- Reviewed the quality and effectiveness of the external audit process, which management, the Committee and Deloitte found to be satisfactory
- Considered the external auditor's suitability in terms of paragraph 3.84(g)(iii) and section 22.15(h) of the JSE Listings Requirements after review of the relevant documentation and enquiry
- Confirmed that Deloitte's independence was not impaired and received assurance that its internal governance processes supported and demonstrated its claim to independence
- Reviewed and confirmed the non-audit services provided by Deloitte in terms of the approved non-audit services policy, which amounted to R0.8 million, being 1.8% of the Group audit fee in the current year
- Confirmed that no reportable irregularities had been identified or reported by the external auditor under the Auditing Profession Act

The Committee resolved to recommend to the shareholders that Deloitte be appointed as the Group's registered external auditor for the 2022 financial year and Mr J Welch as the designated partner.

CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER ATTESTATION

The JSE Listings requirement for the attestation by the Group CEO and Group CFO relating to controls and fairly presented financial statements became effective in 2021. The Committee received regular updates on the processes that were adopted to review the control environment and to provide the Group CEO and Group CFO with the necessary assurance to enable them to provide the attestation which is set out on page 4 of the financial statements.

The Group CEO and Group CFO reviewed the controls over financial reporting and presented the findings to the Committee. This evaluation included:

- The identification and classification of risks, formulation of a risk assessment control matrix and the determination of materiality
- Assessment of controls for material account balances and identification of material deficiencies in the design and implementation of internal controls
- Review of internal audit reports relating to FY2021 to further identify material weaknesses in internal controls
- Consideration of control feedback provided by the external auditor and other assurance providers through the FY2021 audit process
- Obtaining control declarations from managers on the operating effectiveness of key controls done
- The use of appropriate experts where appropriate to provide assurance on certain judgements, estimates and assumptions

Based on this evaluation, management identified certain deficiencies relating to the IT General Control environment, which included a number of high, medium and low risk areas, with a significant improvement noted over the prior year. The evaluation also identified gaps in certain financial controls, but these were largely mitigated by compensating controls and did not lead to any material concerns with the financial reporting process.

As part of the Group's ongoing journey towards strengthening the internal controls related to financial reporting, a remediation plan has been developed by management to address control deficiencies, which is planned to be completed in stages, especially as it relates to control improvements associated with control disciplines and the implementation of new computer systems.

This rigorous process has enabled the Group CEO and Group CFO to conclude and sign-off on the effectiveness of the internal controls over financial reporting, in accordance with the JSE Listings Requirements.

The audit committee in turn has discussed the documented basis for management's conclusion, including discussions with the internal and external auditors as well as with management. The Committee believes that the Group's internal controls can be relied upon as a reasonable basis for the preparation of the annual financial statements.

KEY FOCUS AREAS FOR 2021

The table below sets out the key focus areas for 2021 that were set out in last year's report and the Company's progress in relation to those areas.

Focus area	Met/Work in Progress/Not Met
Continued oversight of the South African system projects and the SAP project within the International operations	**Met.** The Committee received regular updates in relation to various projects
Oversight of the newly appointed internal auditors and the delivery of the internal audit plan	**Met.** There has been a smooth transition from EY in South Africa to PWC in the current year and PwC was involved in the 2022 planning following its appointment for the International business from 1 October 2021
Continued evaluation, with the support of the risk, compliance and IT governance committee, of the key risks, related controls and mitigations in respect of the IT infrastructure and project implementation, as it related to internal controls	**Work in Progress.** There has been a marked improvement in addressing the key risks in the IT infrastructure and key projects
Overseeing the accounting for the disposal of Scanmed and the subsequent disclosures to the market following the sale	**Met.** The Committee received detailed reports on the disposal of Scanmed and reviewed the disclosures
Continuous focus on the Group's reporting processes and financial controls and integration of the International operations.	**Met.** The Committee received regular reports on the financial controls and on the International operations' integration

FOCUS AREAS FOR 2022

For the new financial year the Committee will continue to review management's efforts to enhance the risk and control environment. Key areas of focus will include:

- Continued oversight of the key finance IT initiatives across the Group, including those impacting the efficiency and integrity of the reporting processes
- Monitoring the ongoing changes to the finance structure and the bedding down of the new Group finance structure
- Continued evaluation of the IT environment, in consultation with the risk, compliance and IT governance committee, especially in so far as such systems relate to internal controls and financial reporting
- Continued monitoring of the process to enhance the assessment of the internal controls to enable the Group CEO and Group CFO to comply with the JSE attestation process requirements
- Consideration of the evolving climate and other environmental, social and governance (ESG) related reporting requirements

The Committee confirms that for the 2021 financial year, it has discharged its responsibilities in accordance with its terms of reference and in compliance with the requirements of the Companies Act, the JSE Listings Requirements and all other relevant legislation.

I would like to record my appreciation to colleagues on the Committee, as well the management team and the internal and external auditors, for all the hard work and dedication through the year.

For and on behalf of the Committee.

PJ Golesworthy
Chairman: audit committee

Johannesburg

15 November 2021

Directors' report

for the year ended 30 September 2021

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 2021. The directors are of the opinion that stakeholders' interests are best served by presenting the Group's annual financial statements separately from those of the Company. The latter financial statements appear on pages 104 to 107.

NATURE OF THE BUSINESS

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

SUMMARY OF FINANCIAL PERFORMANCE AND OVERVIEW

Life Healthcare had a strong trading performance for the year ended 30 September 2021.

Group revenue from continuing operations increased by 12.7% against last year while Group normalised EBITDA* from continuing operations is 21.6% up against last year. Despite the effects of the COVID-19 pandemic having now persisted for a full 12-month period, the Group has seen a pleasing improvement in its financial results for each successive six month period since 31 March 2020.

The Group announced the sale of Scanmed S.A (Scanmed) in Poland in November 2020 and this process was finally concluded on 26 March 2021.

Earnings per share (EPS) increased to 120.6 cps (2020: -6.4 cps) largely driven by a strong performance in the current year and the impairment of R793 million recognised in the prior year relating to Scanmed (reduced EPS by 54.5 cps). Headline earnings per share (HEPS) increased by 128.1% to 111.1 cps (2020: 48.7 cps).

Normalised earnings per share (NEPS*) which excludes non-trading-related items, increased by 84.8% to 112.7 cps (2020: 61.0 cps).

The Group had strong working capital management.

The capex for the year was R2.1 billion (2020: R2.0 billion), comprising mainly of capital projects of R1.9 billion (2020: R2.0 billion) and new acquisitions (net of cash acquired) of R172 million. The maintenance capital expenditure (capex) for the year was R1.5 billion (2020: R1.2 billion).

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

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

SPECIAL RESOLUTIONS

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

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

DISTRIBUTIONS TO SHAREHOLDERS

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

Final 2020 and interim 2021 dividends

The Board of Directors decided, considering the trading conditions as a result of the COVID-19 pandemic and in order to preserve cash, not to pay a final 2020 dividend nor an interim 2021 dividend.

Final 2021 dividend

The Board approved a final gross cash dividend of 25.0 cents per ordinary share for the year ended 30 September 2021. The dividend has been declared from income reserves. The dividend is subject to South African dividend withholding tax of 20%, which will be applicable to all shareholders not exempt therefrom, after deduction of which the net cash dividend is 20.0 cents per share.

The Company's total number of issued ordinary shares is 1 467 349 162 as at Wednesday, 17 November 2021. The Company's income tax reference number is 9387/307/15/1.

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

Last date to trade cum dividend	Tuesday, 7 December 2021
Shares trade ex the dividend	Wednesday, 8 December 2021
Record date	Friday, 10 December 2021
Payment date	Monday, 13 December 2021

Share certificates may not be dematerialised or rematerialised between Wednesday, 8 December 2021 and Friday, 10 December 2021, both days inclusive.

COMPLIANCE

The Board confirms its compliance with the Companies Act and that the Company is operating in conformity with its Memorandum of Incorporation.

BOARD OF DIRECTORS

The names of the directors in office at the date of this report are set out on page 02. The remuneration and interests of the directors are set out in note 28 to the annual financial statements.

Changes to Board of Directors

Mr MA Brey retired from the Board as director and Chairman with effect from 27 January 2021. Dr VL Litlhakanyane was appointed as the non-executive Chairman of the Board from this date.

Ms CJ Hess and Ms CM Henry have been appointed as independent non-executive directors to the Board with effect from 1 September 2021. Ms Hess has also been appointed to the Company's human resources and remuneration committee as well as the audit committee with effect from 1 September 2021. Ms Henry has been appointed to the Company's social, ethics and transformation committee as well as the audit committee with effect from 1 September 2021.

INTERESTS OF DIRECTORS

There have been no changes in the interests as set out in note 28 between 30 September 2021 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 schemes 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 Company Secretary is the same as the Company's registered address.

Changes to Company Secretary

Ms A Parboosing stepped down as the Company Secretary as at 28 February 2021 to assume the role of Chief People Officer within the Company. Ms J Ranchhod was appointed in the role with effect from 1 March 2021.

Deloitte.

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

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the consolidated and separate financial statements of Life Healthcare Group Holdings Limited (the Group and Company) set out on pages 16 to 107, which comprise the consolidated and separate statements of financial position as at 30 September 2021, and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Life Healthcare Group Holdings Limited and its subsidiaries as at 30 September 2021, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

BASIS FOR OPINION

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

Key Audit Matters

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

Key Audit Matter	How the matter was addressed in the audit
Impairment assessment of goodwill (Group)	
As disclosed in note 11 to the consolidated financial statements, the carrying value of goodwill is R13 211 million and comprises 32% of the total assets of the Group. The directors conduct an annual impairment assessment to test the recoverability of the carrying value of goodwill in accordance with IAS 36: Impairment of assets ("IAS 36"). The directors' assessment of the impairment of goodwill is performed by determining the recoverable amount of goodwill with reference to the higher of value in use or fair value less cost to sell for each cash generating unit. The directors applied judgments in the estimation of the value in use including the determination of the values of the following key assumptions: ◆ Growth rates; ◆ Tariff increases; ◆ Inflation rates; ◆ Discount rates; and ◆ Terminal growth rate. These key assumptions impacts the value in use calculation and their values are estimated on the basis of expected future market conditions, which are also subject to change. As a result of the significance of this balance and level of judgement involved, the impairment assessment of goodwill was considered a key audit matter.	In evaluating the impairment of goodwill, we reviewed the value in use calculations prepared by the directors and the judgments applied in these calculations. We performed various procedures, including the following: ◆ Assessing the appropriateness of the cash generating units; ◆ Analysing the future projected cash flows used in the directors' value in use calculation to determine whether they are reasonable; ◆ Involving our specialists to evaluate whether the directors' model complies with the requirements of IAS 36; ◆ Involving our specialists to independently recalculate the weighted average cost of capital rates for each CGU; ◆ Re-computation of the value in use of key cash generating units; ◆ Performing an assessment of historical forecasts against actual performance; ◆ Performing sensitivity analyses on the key assumptions to evaluate the impact on the value in use calculation and the appropriateness of the directors' disclosures; and ◆ Assessing the presentation and disclosure of goodwill in the consolidated financial statements. We found the assumptions used in the calculations of the value in use to be acceptable. Based on the testing undertaken, the presentation and disclosures in respect of the impairment assessment of goodwill are consistent with the requirements of IFRS.
Information Technology controls (Group)	
The Group's operations are heavily dependent on the use of technology and various financial reporting systems. The IT environment is complex and pervasive to operations due to: ◆ The large volume of transactions processed in numerous locations daily; and ◆ A strong reliance on automated controls as well as IT dependent manual controls. Consequently, appropriate IT controls are required to ensure that applications process data as expected and that changes are made in an appropriate manner. Such controls contribute to mitigating the risk of potential fraud or errors. During our current and prior year audit we identified vulnerabilities in the IT control environment in the southern Africa operations around user access, developer access and change management controls on key financial accounting and reporting systems. There is a risk that exploitation of these vulnerabilities could result in the financial accounting and reporting records being materially misstated. The weakened IT environment relating to the southern African operations was therefore considered a key audit matter. Significant audit effort was therefore spent to understand, document and test controls to mitigate the risk of misstatements as a result of the vulnerabilities identified in the IT environment in the southern African operations.	Our audit required extensive involvement from our senior audit personnel, IT specialists and individuals with specialised knowledge. Due to the fact that we were unable to rely on the IT general controls in southern Africa, we were required to adopt a fully substantive based approach, incorporating: ◆ Increased detailed testing, which increased our sample sizes and resulted in a largely manual testing approach; ◆ Increased procedures over assessing the completeness and accuracy of reports produced by the systems before reliance could be placed on them; and ◆ Extensive data analytics were performed on journal entries throughout the period in order to extract entries that might exhibit characteristics of fraudulent entries. Based on the audit procedures performed and the level of expertise and effort associated with the current year audit, we are satisfied that our audit procedures were sufficient to mitigate the impact of the weakened IT controls identified over financial reporting.

Independent Auditor's Report continued

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the document titled "Life Healthcare Group Holdings Limited Audited Group Annual Financial Statements 2021", which includes the Directors' Report, the report of the Audit Committee and the statement of the Group Company Secretary as required by the Companies Act of South Africa, and the Statement of Group Chief Executive and Group Chief Financial Officer, which we obtained prior to the date of this report, and the Integrated Report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Life Healthcare Group Holdings Limited for 2 years.

Deloitte & Touche
Registered Auditor
Per: James Welch
Partner

17 November 2021

Consolidated statement of profit or loss

for the year ended 30 September 2021

	Notes	2021 R'm	2020[1] R'm
Continuing operations			
Revenue	2	**26 885**	23 851
Other income	2	**253**	185
Drugs and consumables		**(6 093)**	(5 194)
Employee benefits expense	3	**(9 424)**	(8 707)
Retirement benefit asset and post-employment medical aid income		**33**	32
Depreciation on property, plant and equipment		**(1 571)**	(1 476)
Amortisation of intangible assets		**(533)**	(590)
Repairs and maintenance expenditure on property, plant and equipment		**(776)**	(657)
Occupational expenses		**(883)**	(832)
Hospital service expenses		**(772)**	(712)
Communication expenses		**(419)**	(382)
Radiology service costs		**(1 673)**	(1 405)
Professional, legal and secretarial fees		**(498)**	(493)
Provision for expected credit losses		**(116)**	(171)
Other expenses	6	**(1 433)**	(1 328)
Operating profit before items below		**2 980**	2 121
Fair value gain/(loss) on financial instruments	4	**32**	(5)
Gain on derecognition of lease asset and liability		**–**	75
Impairment of assets and investments	11, 12	**(14)**	(5)
Profit on remeasuring previously held interest in associate to fair value	27	**28**	–
Loss on disposal of property, plant and equipment		**(17)**	(6)
Transaction costs relating to acquisitions and disposals		**(3)**	(8)
Finance income	5	**169**	85
Finance cost	5	**(791)**	(878)
Share of associates' and joint ventures' net profit after tax	12	**25**	14
Profit before tax	6	**2 409**	1 393
Tax expense	7	**(642)**	(556)
Profit after tax from continuing operations		**1 767**	837
Discontinued operation			
Profit/(loss) from discontinued operation	27	**87**	(799)
Profit after tax		**1 854**	38
Profit after tax attributable to:			
Ordinary equity holders of the parent		**1 754**	(93)
Non-controlling interest		**100**	131
		1 854	38
Earnings/(loss) per share (cents)			
From continuing operations			
Basic	8	**114.6**	48.5
Diluted	8	**114.3**	48.4
From continuing and discontinued operations			
Basic	8	**120.6**	(6.4)
Diluted	8	**120.3**	(6.4)

[1] *Prior period re-presented. Scanmed S.A. (Scanmed) was disposed of on 26 March 2021 and is included under discontinued operation. Refer note 27.*

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

Consolidated statement of comprehensive income

for the year ended 30 September 2021

	Notes	2021 R'm	2020 R'm
Profit after tax		**1 854**	38
Other comprehensive income			
Items that may be reclassified to profit or loss			
Movement in foreign currency translation reserve (FCTR) of continuing foreign operations		**(765)**	1 668
Movement in FCTR of discontinued operation, net of tax	27	**(143)**	165
Items that will not be reclassified to profit or loss			
Retirement benefit asset and post-employment medical aid income, net of tax[1]		**44**	(13)
Total comprehensive income for the year		**990**	1 858
Total comprehensive income attributable to:			
Ordinary equity holders of the parent		**918**	1 708
Non-controlling interest		**72**	150
		990	1 858
Total comprehensive income attributable to ordinary equity holders of the parent arises from:			
Continuing operations		**974**	2 342
Discontinued operation		**(56)**	(634)
		918	1 708

[1] *Includes tax of R17 million.*

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

Consolidated statement of financial position

at 30 September 2021

	Notes	2021 R'm	2020 R'm
ASSETS			
Non-current assets		**33 367**	35 328
Property, plant and equipment	10	**14 695**	15 361
Intangible assets	11	**16 383**	18 238
Investment in associates and joint ventures	12	**62**	65
Employee benefit assets	13	**418**	379
Deferred tax assets	14	**1 698**	1 162
Other assets		**111**	123
Current assets		**7 414**	7 377
Cash and cash equivalents	15	**2 672**	2 279
Trade and other receivables	16	**4 041**	4 046
Inventories	17	**653**	873
Income tax receivable		**47**	173
Other assets		**1**	6
Total assets		**40 781**	42 705
EQUITY AND LIABILITIES			
Capital and reserves			
Stated capital	18	**13 565**	13 531
Reserves		**4 501**	3 527
Non-controlling interest		**1 105**	1 220
Total equity		**19 171**	18 278
LIABILITIES			
Non-current liabilities		**13 723**	14 535
Interest-bearing borrowings	20	**10 914**	12 034
Employee benefit liabilities	13	**147**	161
Deferred tax liabilities	14	**1 730**	1 450
Trade and other payables	21	**83**	89
Provisions	22	**175**	117
Contingent consideration liabilities	23	**631**	631
Other liabilities		**43**	53
Current liabilities		**7 887**	9 892
Bank overdrafts	15	**325**	2 181
Trade and other payables	21	**5 443**	5 146
Provisions	22	**136**	181
Contingent consideration liabilities	23	**–**	11
Interest-bearing borrowings	20	**1 811**	2 180
Income tax payable		**152**	161
Other liabilities		**20**	32
Total liabilities		**21 610**	24 427
Total equity and liabilities		**40 781**	42 705

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

Consolidated statement of changes in equity

for the year ended 30 September 2021

	Stated capital R'm	Other reserves R'm	FCTR R'm	Retained earnings R'm	Reserves R'm	Non-controlling interest R'm	Total equity R'm
	Attributable to equity holders of the Company						
Balance at 1 October 2020	**13 531**	**(787)**	**2 348**	**1 966**	**3 527**	**1 220**	**18 278**
Total comprehensive income/(loss) for the year	**–**	**44**	**(880)**	**1 754**	**918**	**72**	**990**
Profit for the year	**–**	**–**	**–**	**1 754**	**1 754**	**100**	**1 854**
Other comprehensive income/(loss)	**–**	**44**	**(880)**	**–**	**(836)**	**(28)**	**(864)**
Transactions with non-controlling interests	**–**	**14**	**–**	**–**	**14**	**(16)**	**(2)**
Distributions to shareholders	**–**	**–**	**–**	**–**	**–**	**(171)**	**(171)**
Purchase of treasury shares for staff benefit schemes	**(31)**	**–**	**–**	**–**	**–**	**–**	**(31)**
Vesting of treasury shares for staff benefit schemes	**65**	**(54)**	**–**	**–**	**(54)**	**–**	**11**
Long-term incentive schemes charge	**–**	**43**	**–**	**–**	**43**	**–**	**43**
Life Healthcare employee share trust charge	**–**	**53**	**–**	**–**	**53**	**–**	**53**
Balance at 30 September 2021	**13 565**	**(687)**	**1 468**	**3 720**	**4 501**	**1 105**	**19 171**
Notes		19					
Balance at 1 October 2019[1]	13 515	(698)	534	2 837	2 673	1 303	17 491
Total comprehensive income/(loss) for the year	–	(13)	1 814	(93)	1 708	150	1 858
(Loss)/profit for the year	–	–	–	(93)	(93)	131	38
Other comprehensive (loss)/income	–	(13)	1 814	–	1 801	19	1 820
Transactions with non-controlling interests	–	(108)	–	–	(108)	(34)	(142)
Distributions to shareholders	–	–	–	(778)	(778)	(199)	(977)
Purchase of treasury shares for staff benefit schemes	(44)	–	–	–	–	–	(44)
Vesting of treasury shares for staff benefit schemes	60	(56)	–	–	(56)	–	4
Long-term incentive schemes charge	–	34	–	–	34	–	34
Life Healthcare employee share trust charge	–	54	–	–	54	–	54
Balance at 30 September 2020	13 531	(787)	2 348	1 966	3 527	1 220	18 278
Notes		19					

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

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

Consolidated statement of cash flows

for the year ended 30 September 2021

	Notes	2021 R'm	2020 R'm
Cash flows from operating activities			
Cash generated from operations	26	**5 687**	4 562
Transaction costs paid relating to acquisitions and disposals		**–**	(17)
Finance income received		**169**	93
Tax paid		**(714)**	(597)
Net cash generated from operating activities		**5 142**	4 041
Cash flows from investing activities			
Purchase of property, plant and equipment		**(1 707)**	(1 828)
Purchase of intangible assets		**(192)**	(136)
Proceeds from sales of property, plant and equipment		**45**	18
Acquisition of subsidiaries, net of cash acquired	27	**(167)**	(6)
Proceeds from disposal of discontinued operation (net of cash disposed)	27	**573**	–
Acquisition of investment in joint venture	27	**(5)**	–
Contingent considerations paid	23	**–**	(37)
Transaction costs paid relating to acquisitions and disposals		**(35)**	–
Other cash payments received[1]		**30**	25
Other cash payments made[2]		**(12)**	(30)
Net cash utilised in investing activities		**(1 470)**	(1 994)
Cash flows from financing activities			
Proceeds from bank loans	20	**4 970**	12 505
Repayment of bank loans	20	**(5 078)**	(12 952)
Proceeds from lease liabilities	20	**251**	261
Repayment of lease liabilities	20	**(490)**	(573)
Distributions to non-controlling interests		**(176)**	(196)
Cash flow on increases in ownership interests	27	**(61)**	(152)
Proceeds on decreases in ownership interests	27	**59**	10
Contingent considerations paid	23	**–**	(37)
Finance cost paid		**(710)**	(823)
Treasury shares acquired for delivery to staff trust and long-term incentive schemes	18 and 19	**(31)**	(44)
Dividends paid to Company's shareholders		**–**	(778)
Other cash payments received		**11**	27
Other cash payments made		**–**	(26)
Net cash utilised in financing activities		**(1 255)**	(2 778)
Net increase/(decrease) in cash and cash equivalents		**2 417**	(731)
Cash and cash equivalents – beginning of the year		**98**	677
Effect of foreign currency rate movements		**(168)**	152
Cash and cash equivalents at the end of the year	15	**2 347**	98

[1] *Includes dividends and capital distributions received from associates and joint ventures – refer note 12.*
[2] *Includes acquisition of equity investment.*

For cash flows of discontinued operation refer to note 27.

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

Notes to consolidated annual financial statements

for the year ended 30 September 2021

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

1.1 Basis of preparation

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

Basis of preparation

Prepared in accordance with

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

Going concern principles

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

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

As part of the assessments the Board of Directors has reviewed the Group budgets, forecasts, available cash resources and unutilised facilities as well as the debt maturity profile. The forecasts for the Group have been prepared, covering its future performance, capital and liquidity for a period of 12 months from the date of approval of these consolidated financial statements, including performing sensitivity analyses. The next 12 months' cash flows included the expected impact of COVID-19 (COVID-19 or the pandemic) including further waves and the impact of vaccinations.

The Group had a strong trading performance for the year ended 30 September 2021 and generated R5.7 billion cash from operations.

To ensure the Group has sufficient cash reserves, the Group continued its cash preservation drive across its operations, including suspending Group dividend payments (2020 final and 2021 interim) and deferring capex projects.

The Group successfully refinanced its term debt in the international operations during March 2020 and refinanced R2.5 billion of South African debt during June 2021, thereby extending the debt maturities. The Group is in a strong financial position with net debt to normalised EBITDA (calculated as defined in the debt agreements) at 1.82 times as at 30 September 2021 (2020: 2.96 times). Net debt to normalised EBITDA (calculated based on reported results) is 2.05 times as at 30 September 2021 (2020: 3.40 times). The Group is expected to remain within bank covenants for the next reporting period based upon current forecasts. Given the ongoing uncertainty around COVID-19 and the future impact this may have on the Group, Life Healthcare has kept in place some of the additional banking facilities that were put in place during 2020 and renewed in 2021. The Group's available undrawn bank facilities as at 30 September 2021 are R6.6 billion (2020: R6.3 billion) (refer note 20).

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

Presentation and functional 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.

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

1.1 Basis of preparation continued

Foreign currency transactions and balances

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

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

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

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

1.1.1 The pandemic and the impact thereof

On 30 January 2020, the World Health Organization announced the outbreak of COVID-19 as a world health emergency of international concern, and on 11 March 2020 the outbreak was classified as a global pandemic.

The pandemic had and continues to have a significant impact on the financial results of the Group. The impact of the pandemic varied across the Group's geographic regions and business lines due to the timing of the waves. During the current year, the Group experienced the full impact of two COVID-19 waves, whereas in the twelve months ended 30 September 2020 (prior year) the Group experienced only one COVID-19 wave although the associated lockdowns were more severe in the prior year. Our management teams continue to learn, adapt and change to accommodate the evolving COVID-19 environment. Thus, the business has demonstrated an improved performance in each six month period since 31 March 2020, despite the more severe second and third COVID-19 waves.

Southern Africa

Southern Africa experienced a severe second COVID-19 wave during December 2020 and January 2021, and then a larger and more prolonged third COVID-19 wave between July 2021 and August 2021. Both of these waves impacted our normal operating activities and resulted in increased operating costs. The southern African business has typically seen a reduction in elective surgical demand, along with routine medical admissions, during COVID-19 waves, followed by a return of non-COVID-19 activities as COVID-19-related admissions decline after each wave peaks. The vaccination of healthcare workers during May 2021 had a positive impact on the management of staff absences during COVID-19 wave three.

International

Alliance Medical Group Limited (AMG) performed exceptionally during the current year despite the ongoing COVID-19 pandemic. Overall, imaging activities were above pre-COVID-19 levels.

Impact on the annual financial statements

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

Financial performance

The pandemic had a significant impact on the Group's financial performance and cash flows during the year, resulting in lower than expected revenue due to the pandemic negatively impacting activities. As a large percentage of costs are fixed, the decline in activities and/or scan volumes due to the pandemic continued to have a direct impact on Group normalised EBITDA[1] and the Group normalised EBITDA margin[1]. Additional costs associated with the pandemic (including costs associated with vaccination sites) further negatively impacted our results.

[1] *Non-IFRS measure.*

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

1.1 Basis of preparation continued

1.1.1 The pandemic and the impact thereof continued

Impact on the annual financial statements continued

Financial performance continued

AMG's performance was driven by a number of factors, including the impact of additional COVID-19 solutions for the National Health Service (NHS), COVID-19 blood testing in Italy and a strong performance in Ireland. AMG has worked closely with governments across the UK and Europe to provide high-quality radiology services throughout the pandemic, often at short notice. While a number of AMG's COVID-19-related contracts with NHS England came to an end at 30 September 2021, AMG's proven ability to quickly mobilise scanning equipment and staff across multiple locations places AMG in a good position to continue securing public sector contracts.

The Group introduced cash preservation levers to manage liquidity in the prior year. This included continuous cash forecasting, adapting and implementing operational controls, limiting capital expenditure without compromising patient safety, suspending discretionary operational expenses, suspending dividends and deferring management bonuses. The Group continued its cash preservation drive across its operations during the current year.

Impairment considerations

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

Although impairments of R14 million were recognised, this was not as a result of the lower cashflow generated due to the pandemic. Refer notes 11 and 12.

Impairment of trade receivables

The Group uses a provision matrix to calculate expected credit losses (ECLs) for trade receivables. Trade receivables is unlikely to experience significant change in economic conditions over the credit risk exposure period. Therefore, historical loss rates were considered to be an appropriate basis for the estimate of expected future losses given that they are calculated over a historical period that best represents expected future losses.

The Group recognised an additional R116 million ECL provision during the current year. The increase in the ECL provision is mainly attributable to the increase in trade receivables outstanding balances above 120 days, which carry a higher ECL percentage.

1.2 Critical judgements, accounting estimates and assumptions

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

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

1.2.1 Critical judgements

Group accounting

Factors considered to determine whether the Group has control

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

- rights arising from contractual agreements such as management agreements where Life Healthcare can appoint key management; and
- the Group's voting rights, which arise from the Group's ability to appoint Board members and potential voting rights, which arise from call options in underlying shareholders agreements.

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.

* *Non-IFRS measure.*

Notes to consolidated annual financial statements continued

for the year ended 30 September 2021

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

1.2 Critical judgements, accounting estimates and assumptions continued

1.2.1 Critical judgements continued

Non-financial assets

Goodwill

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

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

At acquisition date, goodwill is allocated to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose. CGUs are defined as individual hospitals, individual complementary services facilities and healthcare services operating units in southern Africa. CGUs for AMG are defined as the initial AMG business, and as individual operating units acquired subsequently. Life Molecular Imaging (LMI) is defined as a separate CGU.

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

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

The pandemic impacted on future cash flows, activities, scan volumes and normalised EBITDA* margins. The Group, however, experienced a recovery in activities and scans during FY2021 compared to the second half of FY2020 and expects the severity of the pandemic to reduce throughout FY2022, but still to impact results. Due to the uncertainty in the recovery pace, a level of judgement is required in estimating future activities, scan volumes and the related cash flows. A positive recovery trend in activity levels is assumed for southern Africa during FY2022, however, assumed activity levels remain below pre-COVID-19 levels. AMG's scan volumes returned to pre-COVID-19 levels during FY2021 and are assumed to remain stable throughout FY2022.

Refer note 11.

Impairment – goodwill

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

The impact of the pandemic was considered. Refer 1.1.1.

Recoverable amounts based on value in use

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

* *Non-IFRS measure.*

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

1.2 Critical judgements, accounting estimates and assumptions continued

1.2.1 Critical judgements continued

Non-financial assets

Impairment – goodwill continued

Recoverable amounts based on value in use continued

The key assumptions used in the value-in-use calculations are:

Average discount rates	The discount rates used are pre-tax and reflect the specific risks relating to the industry and the countries in which they operate.
Growth rate in activities/ volumes	Based on historical experience, capacity availability, the expected developments in the market and the forecast impact of the pandemic.
Tariff and inflation increases/ tariff adjustment	Based on the latest available economic forecasts and management's expectations of the outcome of annual tariff negotiations.
Cost inflation/growth in overhead costs	Based on management knowledge, prior history or trends and latest available economic forecasts.
Terminal growth rates	These rates are country specific and determined based on the forecast market growth rates.

Southern Africa

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

	2021 %	2020 %
Growth rate in activities[1]	**0.00 – 6.5**	0.00
Average discount rate		
Pre-tax	**14.75**	17.10
Post-tax	**12.30**	13.30
Tariff and inflation increases	**0.0 – 4.2**	0.0 – 4.5
Terminal growth rate	**4.2**	1.50 – 4.35

[1] *The quoted growth rate in activities constitutes growth on FY2021 and forms part of the assumed recovery process in southern Africa with higher growth initially.*

AMG

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

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

	2021 %	2020 %
Growth in activities (across all markets)[2]	**0.0 – 17.0**	0.0 – 13.0
Tariff adjustment (across all markets)	**(2.0) – 0.0**	(3.0) – 1.5
Cost inflation (across all markets)	**1.0 – 3.0**	1.5 – 3.0
Average discount rate		
Pre-tax	**7.39**	7.46
Post-tax	**6.11**	6.48
Terminal growth rate	**2.00**	2.00

[2] *The compound annual growth rate is calculated at 5.37% (2020: 4.47%) with the higher end of the range specifically relating to PET-CT in the UK.*

Notes to consolidated annual financial statements continued

for the year ended 30 September 2021

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

1.2 Critical judgements, accounting estimates and assumptions continued

1.2.1 Critical judgements continued

Non-financial assets

Impairment – goodwill continued

Recoverable amounts based on value in use continued

LMI, our international growth initiative

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

Other key assumptions were:

	2021 %	2020 %
Growth in overhead costs (due to volume increase)	**8.0**	8.0
Average discount rate		
Pre-tax	**17.73**	16.23
Post-tax	**13.37**	13.25
Terminal growth rate	**n/a[2]**	n/a[2]

[2] *10-year time horizon used in line with registered intellectual property expiry and to recognise the significant growth in cashflows in outer years.*

Sensitivity analysis

Due to the uncertainty in duration of the pandemic and possible long-term effects on assumptions, appropriate sensitivity analyses were performed on all CGUs. Sensitivity analysis included fluctuations in activity/volume growth, discount rates and tariffs. For the different territories, the assumption with the most significant impact on the value-in-use (VIU) calculation is tabled below:

Territory	Significant assumption	Impact
Southern Africa	Growth rate in activities	◆ If the growth rate in activities decreases to -9.5%, the first CGU's carrying amount will exceed its recoverable amount
AMG	Average pre-tax discount rate	◆ If the average discount rate increases to 8.2%, the headroom will reduce to nil
LMI	Average pre-tax discount rate	◆ If the average discount rate increases to 28.7%, the headroom will reduce to nil

Other operating assets

Useful lives and impairment

Useful lives	The Group depreciates or amortises its assets over their estimated useful lives. The useful lives of assets are based on historic performance as well as expectations about future use and therefore requires a degree of judgement to be applied. The actual lives of these assets can vary depending on a variety of factors, including technological innovation, product life cycles and maintenance programmes. The useful lives are reviewed at each reporting date to assess whether useful life estimates need to be adjusted. There were no changes to the estimated useful lives in the current year, except to exclude the useful lives of Scanmed (disposed of on 26 March 2021 – refer note 27).
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.

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

1.2 Critical judgements, accounting estimates and assumptions continued

1.2.1 Critical judgements continued

Other operating assets continued

Useful lives and impairment continued

Statement of financial position	Statement of profit or loss and other comprehensive income	Estimated useful lives: Item	Estimated useful lives: Average useful life	Impairment indicators
Intangible assets	Amortisation	Customer relations	10 – 15 years	**External sources of information:** ◆ Significant adverse changes that have taken place or are expected in the near future in the technological, competitive market, economic or legal environment in which the Group operates ◆ Increases in interest rates or other market rates of return that may materially affect the discount rate used in calculating the asset's recoverable amount ◆ The carrying amount of the Group's net assets exceeds the Group's market capitalisation
		Hospital licences		
		Brand name	12 years	
		Intellectual property	Over the life of the relevant patent period	
		Computer software	3 – 10 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	5 – 25 years	**Internal sources of information:** ◆ Obsolescence or physical damage affecting the asset ◆ Idle or unutilised assets ◆ Plans to discontinue or restructure the operations to which the asset belongs or the asset's disposal ◆ Significant decline in management's forecasts of future net cash inflows
		Other equipment – owned		
		Motor vehicles	3 – 5 years	
		Improvements to right-of-use assets	Shorter of useful life or lease term	
		Right-of-use assets ◆ Land and buildings ◆ Medical equipment ◆ Motor vehicles and other equipment		

Financial instruments

Impairment of financial assets

Trade receivables

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

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

The loss allowances for trade receivables are based on loss rates calculated using historic data which represents actual loss outcomes. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history and existing market conditions, including the impact of the pandemic.

The most fundamental assumption in the ECL model is that the default definition can be applied when one or more of the following are true:

- Days past due (DPD) are greater than 90 days
- Default is considered likely, namely those accounts handed over to attorneys, deceased estates or where the debtor has negotiated a payment plan
- An account has been flagged as non-performing

Notes to consolidated annual financial statements continued

for the year ended 30 September 2021

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

1.2 Critical judgements, accounting estimates and assumptions continued

1.2.1 Critical judgements continued

Financial instruments continued

Impairment of financial assets continued

Trade receivables continued

For trade receivables, the Group is unlikely to experience significant change in economic conditions over the credit risk exposure period. Therefore, historical loss rates are considered to be an appropriate basis for the estimate of expected future losses given that they are calculated over a historical period that best represents expected outcomes at report date.

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

The impact of the pandemic was considered. Refer 1.1.1.

Information regarding the ECLs is disclosed in note 16, note 32 and annexure A – significant accounting policies (section 1.11 financial instruments).

Lease accounting

Extension options

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

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

As at 30 September 2021, potential future cash outflows of R1.1 billion (undiscounted) have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

Discount rates applied to leases

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

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

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

The weighted average incremental borrowing rate applied to the lease liabilities at 30 September 2021 was 8.3% for the Group's leases in southern Africa and 3.0% for the Group's international operations.

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

- Increase by 0.5%: Right-of-use asset and lease liability decrease by R53 million (2020: R33 million)
- Decrease by 0.5%: Right-of-use asset and lease liability increase by R65 million (2020: R34 million)

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 24.

1.2 Critical judgements, accounting estimates and assumptions continued

1.2.1 Critical judgements continued

Employee benefits

Defined benefit plans

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

Long-term incentive schemes

Determining the fair value

2021

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

2020

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

The key assumptions used in the model were as follows:

	2021	2020
Average consumer price inflation (CPI)	**4.35%**	3.10%
Expected forfeiture rates	**4.00%**	4.00%
Average discount rate	**6.40%**	11.70%
Life core purposes	**100% achievement**	100% achievement

Refer notes 19 and 22 and annexure A under 1.2 – Share-based payments.

Other

Deferred tax assets

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

Notes to consolidated annual financial statements continued

for the year ended 30 September 2021

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 continued

Uncertain tax position

All uncertain tax positions that were challenged by tax authorities and that materially affected the disclosures in the consolidated financial statements are disclosed in full by the Group, except where management assessed the likelihood of an outflow of resources as remote. The raising of a corresponding provision for the tax position will be dependent on management's best judgement of the probable outcome of the uncertain tax position.

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 success of the claim. Based on past experience, the southern African provision has a historical payment rate, on closed cases, which is on average 10.5% of the claimed amount. The southern Africa provision is discounted at a pre-tax average cost of debt rate of 6.4% (2020: 4.3%), where applicable.

1.2.2 Critical accounting estimates and assumptions

Business combinations

Contingent consideration

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

The largest contingent consideration payable (R626 million) relates to a potential amount payable to the previous owners of LMI, acquired during June 2018.

The contingent consideration will become payable when the acquired business is generating a positive cash contribution, measured on a cumulative basis from the date of acquisition. The contingent consideration is a 50% share of pre-tax cash generated for a period of 10 years post-acquisition or a maximum amount payable of USD200 million. The amount included is the calculated payment, based on long-term forecasts adjusted for probabilities associated with the success of the product developed, cost incurred and timing of reimbursement, discounted to present value using a discount rate of 13.37% (2020: 13.25%).

Key assumptions used in the forecast also include a percentage of PET-CT adoption rate, increase in sales volumes as utilisation increases (30% to 40%) after reimbursement, and a corresponding annual reduction in price and cost per dose (-1.0% to -2.0%).

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

During the year, the US Food and Drug Administration's (FDA) approved the Alzheimer DMD (aducanumab / Aduhelm®) from Biogen in the US with reimbursement now being in the final stage (assumed 75% success). Following the approval of Biogen's Alzheimer's DMD, we have begun to invest in building up a commercial team within the US to drive Neuraceq® sales. For the EU, the DMD has not yet been approved, but the expectation is that it will be. Regulatory approval was assumed at 87.5% with a chance of reimbursement of 75% (which is 65% probability of success).

Sensitivity analysis based on most significant assumption used

The current contingent consideration value is based on the assumption that the PET-CT adoption rate as a proportion of patients eligible for investigation grows annually (initially at 15.0% and growing up to 70%) as the benefits of PET-CT as a diagnostic tool are more widely utilised.

A 5% change in the PET-CT adoption rate would either increase or reduce the value by R157 million.

Refer note 23.

2. REVENUE AND OTHER INCOME

Revenue

The table below illustrates the disaggregation disclosure by primary geographical areas, type of customer and timing of revenue recognition, including a reconciliation of how the disaggregated revenue ties into the segmental report (disclosed in note 9).

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

Segments	Hospitals and complementary services R'm	Healthcare services R'm	Diagnostic services R'm	Growth initiatives R'm	Total R'm
2021					
Primary geographical areas					
Southern Africa	**17 567**	**1 456**	**–**	**1**	**19 024**
International	**–**	**–**	**7 474**	**387**	**7 861**
UK	**–**	**–**	**3 918**	**30**	**3 948**
Italy	**–**	**–**	**2 120**	**5**	**2 125**
Ireland	**–**	**–**	**765**	**–**	**765**
Other	**–**	**–**	**671**	**352**	**1 023**
	17 567	**1 456**	**7 474**	**388**	**26 885**
Type of customer					
Contract from customers					
Private (including private medical aids and cash paying patients)	**17 143**	**–**	**959**	**1**	**18 103**
Government and public healthcare facilities	**321**	**619**	**5 158**	**–**	**6 098**
Corporate institutions	**–**	**837**	**1 357**	**387**	**2 581**
Rental revenue					
Rental income related to auxiliary services	**103**	**–**	**–**	**–**	**103**
	17 567	**1 456**	**7 474**	**388**	**26 885**
Timing of revenue recognition					
Over time	**13 134**	**1 456**	**–**	**–**	**14 590**
At a point in time	**4 433**	**–**	**7 474**	**388**	**12 295**
	17 567	**1 456**	**7 474**	**388**	**26 885**
2020					
Primary geographical areas					
Southern Africa	15 899	1 346	–	1	17 246
International	–	–	6 286	319	6 605
UK	–	–	3 278	43	3 321
Italy	–	–	1 823	5	1 828
Ireland	–	–	562	–	562
Other	–	–	623	271	894
	15 899	1 346	6 286	320	23 851
Type of customer					
Contract from customers					
Private (including private medical aids and cash paying patients)	15 465	–	719	1	16 185
Government and public healthcare facilities	351	568	4 242	–	5 161
Corporate institutions	–	778	1 325	319	2 422
Rental revenue					
Rental income related to auxiliary services	83	–	–	–	83
	15 899	1 346	6 286	320	23 851
Timing of revenue recognition					
Over time	11 928	1 346	–	–	13 274
At a point in time	3 971	–	6 286	320	10 577
	15 899	1 346	6 286	320	23 851

Notes to consolidated annual financial statements continued

for the year ended 30 September 2021

2. REVENUE AND OTHER INCOME continued

Other income

	2021 R'm	2020 R'm
Other rental income	**86**	87
Other income[1]	**88**	65
Insurance receipts	**79**	–
Government assistance/support	**–**	33
	253	185

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

3. EMPLOYEE BENEFITS EXPENSE

	2021 R'm	2020 R'm
Salaries	**7 201**	6 747
Long-term incentive scheme (bonus)	**–**	28
Share-based payment – long-term incentive schemes[2]	**78**	59
Share-based payment – Life Healthcare employee share trust[3]	**53**	54
Severance payments	**1**	2
Agency fees	**1 106**	873
Medical aid contributions	**307**	299
Pension fund costs – defined benefit and contribution plans	**84**	86
Provident fund costs – defined contribution plans	**247**	234
Social security costs	**254**	241
Other	**93**	84
	9 424	8 707

[2] *Refer statement of changes in equity and note 22.*
[3] *Refer statement of changes in equity.*

Includes executive directors' and prescribed officers' remuneration (refer note 28).

4. FAIR VALUE (GAIN)/LOSS ON FINANCIAL INSTRUMENTS

	2021 R'm	2020 R'm
Fair value (gain)/loss on derivative financial instruments	**(44)**	5
Fair value loss on equity investment	**12**	–
	(32)	5

5. FINANCE INCOME AND COST

	2021 R'm	2020 R'm
Finance income	**(169)**	(85)
Interest revenue calculated using the effective interest rate method	**(25)**	(3)
Foreign exchange gains	**(131)**	(77)
Other	**(13)**	(5)
Finance cost	**791**	878
Interest-bearing borrowings and bank overdrafts	**381**	487
Interest rate swap contracts	**44**	40
Interest on lease liabilities	**161**	136
Borrowing cost capitalised[4]	**(14)**	(9)
Preference shares	**21**	29
Foreign exchange losses	**112**	56
Unwinding of contingent consideration	**62**	66
Other	**24**	73
Net finance cost	**622**	793

[4] *The Group has used an average rate of 8.6% (2020: 7.8%) in determining the borrowing costs capitalised.*

6. PROFIT BEFORE TAX

	2021 R'm	2020 R'm
The following items have been included as part of other expenses in arriving at profit before tax:		
Lease rentals	**129**	128
Expense relating to short-term leases	**19**	19
Expense relating to leases of low-value assets, not shown above as short-term leases	**11**	15
Expense relating to variable lease payments not included in lease liabilities	**99**	94
Auditors' remuneration	**51**	47
Total audit fees	**50**	45
Fees relating to non-audit services	**1**	2
Advertising and marketing expenses	**96**	80
Bad debts written off	**191**	140
Non-executive directors' emoluments (refer note 28)	**8**	7
Irrecoverable VAT	**145**	143
Insurance premiums	**97**	116
Motor vehicle expenses	**25**	26
Security costs	**94**	84
Subscriptions and publications costs	**35**	33
Training and conferences expenses	**47**	54
Travelling and accommodation expenses	**51**	44
Other[1]	**464**	426
	1 433	1 328

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

7. TAX EXPENSE

	2021 R'm	2020 R'm
Current income tax		
Current year	**695**	536
Prior year underprovision	**106**	27
Deferred income tax		
Origination and reversal of temporary differences	**9**	(35)
Prior year under provision	**6**	27
Change in foreign tax rate	**42**	–
Benefit from previously unrecognised capital allowances and trading losses	**(218)**	–
Withholding taxes	**2**	1
Total tax expense	**642**	556
Reconciliation of the tax rate	**%**	%
South African normal tax rate	**28.00**	28.00
Adjustments for non-cash items:		
Income not taxable – profit on sale of property, plant and equipment and investments	**–**	(0.01)
Expenses not deductible/(income not taxable) – partnerships	**0.17**	(0.37)
Expenses not deductible – impairment of intangible assets and investment	**1.01**	0.95
Expenses not deductible – interest on preference shares	**0.24**	0.58
Expenses not deductible – interest on borrowings and acquisition costs	**0.38**	1.08
Expenses not deductible – retirement benefit revaluation	**0.66**	1.69
Other[2]	**0.08**	1.60
Deferred tax through other comprehensive income	**(0.72)**	0.34
Change in foreign tax rate	**1.76**	–
Benefit from previously unrecognised capital allowances and trading losses	**(9.06)**	–
Prior year underprovision	**4.24**	2.43
Withholding taxes	**0.08**	0.09
Assessed losses previously not recognised	**(0.24)**	1.51
Effect of conversion of international tax rates to South Africa normal tax rate	**0.04**	2.35
Effective rate	**26.64**	40.24

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

The Group has raised deferred tax on estimated tax losses and capital allowances of R2.2 billion (2020: R616 million) available to offset against future taxable income. These losses and capital allowances relate mostly to the UK business. Refer note 14. Tax losses relating to continuing operations of R241 million (2020: R196 million) were utilised during the year.

Notes to consolidated annual financial statements continued

for the year ended 30 September 2021

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

	Attributable earnings R'm		Weighted average number of shares ('000)		Cents per share	
	2021	2020	**2021**	2020	**2021**	2020
From continuing operations						
EPS – basic	**1 667**	706	**1 453 847**	1 454 703	**114.6**	48.5
EPS – diluted	**1 667**	706	**1 458 375**	1 459 644	**114.3**	48.4
Normalised EPS (NEPS)[1]	**1 598**	848	**1 453 847**	1 454 703	**109.8**	58.3
From continuing and discontinued operations						
EPS – basic	**1 754**	(93)	**1 453 847**	1 454 703	**120.6**	(6.4)
EPS – diluted	**1 754**	(93)	**1 458 375**	1 459 644	**120.3**	(6.4)
HEPS – basic	**1 615**	708	**1 453 847**	1 454 703	**111.1**	48.7
HEPS – diluted	**1 615**	708	**1 458 375**	1 459 644	**110.7**	48.5
Normalised EPS (NEPS)[1]	**1 640**	888	**1 453 847**	1 454 703	**112.7**	61.0

	Total dividend (R'm)		Total number of issued shares ('000)		Cents per share	
	2021	2020	**2021**	2020	**2021**	2020
DPS – ordinary shares						
– Final (previous financial year)[2]	**–**	778	**1 467 349**	1 467 349	**–**	53
– Interim[2]	**–**	–	**1 467 349**	1 467 349	**–**	–

[1] *Non-IFRS measure.*

[2] *The Board of Directors decided, considering the impact of the pandemic and in order to preserve cash, not to pay a final dividend for the year ended 30 September 2020 or an interim dividend for the period ending 31 March 2021.*

	2021		2020	
	Gross amount R'm	**Net amount R'm**	Gross amount R'm	Net amount R'm
Headline earnings reconciliation				
Profit/(loss) attributable to ordinary equity holders		**1 754**		(93)
Adjustments (net of tax):				
Exchange gain reclassified to profit or loss on disposal of discontinued operation	**(188)**	**(147)**	–	–
Impairment of assets and investments from continuing operations	**14**	**14**	5	5
Impairment of investment from discontinued operation	**–**	**–**	793	793
Profit on remeasuring previously held interest in associate to fair value	**(28)**	**(28)**	–	–
Loss on disposal of property, plant and equipment	**17**	**10**	6	3
Loss on disposal of discontinued operation (after withholding tax)	**(8)**	**12**	–	–
Headline earnings from continuing and discontinued operations		**1 615**		708

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

	2021 '000	2020 '000
Reconciliation between weighted average number of shares and diluted number of shares		
Issued ordinary shares – at the beginning of the year	**1 467 349**	1 467 349
Effect of treasury shares	**(13 502)**	(12 646)
Weighted average number of shares at the end of the year	**1 453 847**	1 454 703
Effect of dilutive potential ordinary shares – treasury shares	**4 528**	4 941
Diluted weighted average number of shares at the end of the year	**1 458 375**	1 459 644
Normalised earnings per share (NEPS)[1]	**R'm**	R'm
Profit/(loss) attributable to ordinary equity holders	**1 754**	(93)
(Profit)/loss from discontinued operation attributable to ordinary equity holders	**(87)**	799
Profit from continuing operations attributable to ordinary equity holders	**1 667**	706
Adjustments (net of tax and non-controlling interest)		
Retirement benefit asset and post-employment medical aid income	**(24)**	(23)
Gain on derecognition of lease asset and liability	**–**	(50)
Impairment of assets and investments	**14**	5
Profit on remeasuring previously held interest in associate to fair value	**(28)**	–
Loss on disposal of property, plant and equipment	**10**	3
Transaction costs relating to acquisitions and disposals	**3**	8
Unwinding of contingent consideration	**62**	66
Fair value loss on equity investment	**12**	–
Deferred tax raised on unrecognised exchange gain on inter-company loan	**–**	133
Deferred tax raised previously not recognised and effective tax rate change	**(118)**	–
Normalised earnings from continuing operations	**1 598**	848
Normalised earnings from discontinued operation[2]	**42**	40
Normalised earnings from continuing and discontinued operations	**1 640**	888
NEPS[1] from continuing and discontinued operations (cents)	**112.7**	61.0
NEPS[1] from continuing operations (cents)	**109.8**	58.3

[1] *Non-IFRS measure.*

[2] *Calculated as follows (refer note 27):*

Profit/(loss) after tax from discontinued operation	***33***	*(799)*
Fair value adjustments to contingent consideration	***9***	*37*
Transaction costs	***–***	*9*
Impairment of investment	***–***	*793*
	42	*40*

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9. SEGMENT INFORMATION

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

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

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

International comprises diagnostic services (AMG) across Europe and the UK. The international healthcare services (Scanmed) segment was sold effective from 26 March 2021. The segment information that follows does not include any amounts for Scanmed, which is treated as a discontinued operation. Information about this discontinued segment is provided in note 27.

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

The corporate segment is a non-operating segment.

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

Inter-segment revenue of R27 million (2020: R5 million) is eliminated of which R6 million relates to revenue between Life Employee Health Solutions and the southern Africa business and R21 million between LMI and AMG.

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

	2021 R'm	2020 R'm
Revenue[1]		
Southern Africa		
Hospitals and complementary services	**17 567**	15 899
Healthcare services	**1 456**	1 346
International		
Diagnostic services	**7 474**	6 286
Growth initiatives	**388**	320
	26 885	23 851

[1] *Revenue of approximately 33% (2020: 31%) is derived from two (2020: two) external customers. The revenue is attributed to the southern Africa segment.*

9. SEGMENT INFORMATION continued

	2021 R'm	2020 R'm
Normalised EBITDA[1, 3]		
Southern Africa		
Hospitals and complementary services	**2 743**	2 583
Healthcare services	**195**	135
International		
Diagnostic services	**1 812**	1 311
Growth initiatives	**(19)**	(60)
Corporate		
Recoveries	**1 330**	1 205
Corporate costs	**(1 010)**	(1 019)
	5 051	4 155
Depreciation		
Southern Africa		
Hospitals and complementary services	**(663)**	(636)
Healthcare services	**(23)**	(24)
International		
Diagnostic services	**(784)**	(732)
Growth initiatives	**(15)**	(17)
Corporate	**(86)**	(67)
	(1 571)	(1 476)
EBITA[2, 3]		
Southern Africa		
Hospitals and complementary services	**2 080**	1 947
Healthcare services	**172**	111
International		
Diagnostic services	**1 028**	579
Growth initiatives	**(34)**	(77)
Corporate	**234**	119
	3 480	2 679
Amortisation of intangible assets		
Southern Africa		
Hospitals and complementary services	**(20)**	(64)
International		
Diagnostic services	**(449)**	(466)
Growth initiatives	**(20)**	(20)
Corporate	**(44)**	(40)
	(533)	(590)

[1] *Normalised EBITDA is defined as operating profit before depreciation on property, plant and equipment, amortisation of intangible assets and non-trading-related costs or income. Normalised EBITDA of the discontinued operation was excluded. Refer to note 27.*

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

[3] *Non-IFRS measures.*

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9. SEGMENT INFORMATION continued

	2021 R'm	2020 R'm
Operating profit before retirement benefit asset and post-employment medical aid income[1]		
Southern Africa		
Hospitals and complementary services	**2 060**	1 883
Healthcare services	**172**	111
International		
Diagnostic services	**579**	113
Growth initiatives	**(54)**	(97)
Corporate	**190**	79
	2 947	2 089
Retirement benefit asset and post-employment medical aid income	**33**	32
Operating profit before items below	**2 980**	2 121
Fair value gain/(loss) on financial instruments	**32**	(5)
Gain on derecognition of lease asset and liability	**–**	75
Impairment of assets and investments (refer note 11 and 12)	**(14)**	(5)
Profit on remeasuring previously held interest in associate to fair value	**28**	–
Loss on disposal of property, plant and equipment	**(17)**	(6)
Transaction costs relating to acquisitions and disposals	**(3)**	(8)
Finance income	**169**	85
Finance cost	**(791)**	(878)
Share of associates' and joint ventures' net profit after tax	**25**	14
Profit before tax	**2 409**	1 393

[1] *Operating profit before retirement benefit asset and post-employment medical aid includes the segment's share of shared services and rental costs. These costs are all at market-related rates.*

9. SEGMENT INFORMATION continued

	2021 R'm	2020 R'm
Total assets before items detailed below		
Southern Africa (including growth initiatives)	16 308	14 659
International (including growth initiatives)	22 306	24 265
Discontinued operation	–	2 067
	38 614	40 991
Employee benefit assets	418	379
Deferred tax assets	1 698	1 162
Derivative financial assets (included in other assets)	4	–
Income tax receivable	47	173
Total assets per the balance sheet	40 781	42 705
Net debt[1, 2]		
Southern Africa (including growth initiatives)	3 299	5 366
International (including growth initiatives)	7 079	7 975
Discontinued operation	–	775
	10 378	14 116
Cash and cash equivalents (net of bank overdrafts)		
Southern Africa (including growth initiatives)	1 344	(1 463)
International (including growth initiatives)	1 003	1 398
Discontinued operation	–	163
	2 347	98

[1] *Net debt is a key measure for the Group, which comprises all interest-bearing borrowings, overdraft balances and cash and cash equivalents.*
[2] *Non-IFRS measure.*

Geographical information

The Group's revenue from external customers and information about its segment assets (non-current assets excluding employee benefit assets and deferred tax assets) by geographical locations are:

	Revenue from external customers		Non-current assets	
	2021 R'm	2020 R'm	2021 R'm	2020 R'm
Southern Africa	19 023	17 245	11 568	10 595
International	7 474	6 286	18 981	20 763
UK	3 918	3 278	15 939	17 572
Italy	2 120	1 823	2 076	2 240
Ireland	765	562	407	419
Other	671	623	559	532
Growth initiatives	388	320	702	784
Southern Africa	1	1	5	9
UK	30	43	669	743
Italy	5	5	–	–
Other	352	271	28	32
Total – continuing operations	26 885	23 851	31 251	32 142
Employee benefit assets			418	379
Deferred tax assets			1 698	1 162
Discontinued operation			–	1 645
Total as per income statement and balance sheet	26 885	23 851	33 367	35 328

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10. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings owned R'm	Fixed property leased R'm	Improve-ments to right-of-use assets R'm	Medical equipment R'm	Motor vehicles and other equipment R'm	Right-of-use assets R'm	Assets under construc-tion R'm	Total R'm
Carrying value at 1 October 2020	**6 711**	**–**	**1 111**	**3 379**	**602**	**3 077**	**481**	**15 361**
Additions	**88**	**–**	**49**	**627**	**97**	**701**	**965**	**2 527**
Arising on acquisition of subsidiaries	**167**	**–**	**2**	**3**	**12**	**–**	**–**	**184**
Disposal of subsidiary	**(184)**	**–**	**(134)**	**(189)**	**(13)**	**(480)**	**(21)**	**(1 021)**
Disposals, scrappings or derecognitions	**–**	**–**	**(3)**	**(22)**	**(14)**	**(65)**	**–**	**(104)**
Transfers	**195**	**–**	**84**	**317**	**147**	**185**	**(949)**	**(21)**
Borrowing costs capitalised	**8**	**–**	**–**	**–**	**6**	**–**	**–**	**14**
Depreciation from continuing operations	**(183)**	**–**	**(133)**	**(726)**	**(167)**	**(362)**	**–**	**(1 571)**
Depreciation from discontinued operation	**(1)**	**–**	**(2)**	**(4)**	**(1)**	**(13)**	**–**	**(21)**
Effect of foreign currency movement	**(113)**	**–**	**(94)**	**(176)**	**(14)**	**(216)**	**(40)**	**(653)**
Carrying value at 30 September 2021	**6 688**	**–**	**880**	**3 209**	**655**	**2 827**	**436**	**14 695**
Comprising:								
Cost	**8 761**	**–**	**1 969**	**9 100**	**1 826**	**4 268**	**436**	**26 360**
Accumulated depreciation and impairment losses	**(2 073)**	**–**	**(1 089)**	**(5 891)**	**(1 171)**	**(1 441)**	**–**	**(11 665)**
	6 688	**–**	**880**	**3 209**	**655**	**2 827**	**436**	**14 695**
Carrying value at 1 October 2019	6 232	449	1 129	3 772	608	–	739	12 929
Adjustment as a result of adopting IFRS 16	(108)	(448)	(25)	(882)	(74)	2 823	–	1 286
Additions	237	–	55	495	103	346	668	1 904
Arising on acquisition of subsidiaries	–	–	–	3	–	–	–	3
Disposals, scrappings or derecognitions	(1)	–	(4)	(4)	(13)	(98)	–	(120)
Transfers	455	–	(59)	493	110	–	(999)	–
Borrowing costs capitalised	8	–	–	–	–	–	–	8
Depreciation from continuing operations	(198)	–	(122)	(689)	(151)	(316)	–	(1 476)
Depreciation from discontinued operation	(4)	–	(22)	(36)	(5)	(51)	–	(118)
Effect of foreign currency movement	90	(1)	159	227	24	373	73	945
Carrying value at 30 September 2020	6 711	–	1 111	3 379	602	3 077	481	15 361
Comprising:								
Cost	8 703	–	2 403	9 337	1 735	4 643	481	27 302
Accumulated depreciation and impairment losses	(1 992)	–	(1 292)	(5 958)	(1 133)	(1 566)	–	(11 941)
	6 711	–	1 111	3 379	602	3 077	481	15 361

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

10. PROPERTY, PLANT AND EQUIPMENT continued

Additional information on leases

	2021 R'm	2020 R'm
Right-of-use assets		
Land and buildings	**1 778**	2 083
Medical equipment	**935**	921
Motor vehicles and other equipment	**114**	73
	2 827	3 077
Depreciation charge of right-of-use assets from continuing operations		
Land and buildings	**(220)**	(173)
Medical equipment	**(119)**	(123)
Motor vehicles and other equipment	**(23)**	(20)
	(362)	(316)

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

Fixed asset register

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

11. INTANGIBLE ASSETS

	Computer software R'm	Goodwill R'm	Customer relations R'm	Brand name R'm	Intellectual property R'm	Hospital licences R'm	Other intangible assets R'm	Total R'm
Carrying value at 1 October 2020	**336**	**14 315**	**2 785**	**123**	**545**	**95**	**39**	**18 238**
Additions	**171**	**–**	**–**	**–**	**21**	**–**	**–**	**192**
Arising on acquisition of subsidiaries	**–**	**79**	**8**	**–**	**–**	**–**	**–**	**87**
Disposals or scrappings	**(11)**	**–**	**–**	**–**	**–**	**–**	**–**	**(11)**
Disposal of subsidiary	**(7)**	**(225)**	**(112)**	**–**	**–**	**–**	**(33)**	**(377)**
Transfer	**21**	**–**	**–**	**–**	**–**	**–**	**–**	**21**
Amortisation from continuing operations	**(85)**	**–**	**(400)**	**(14)**	**(19)**	**(15)**	**–**	**(533)**
Amortisation from discontinued operation	**(1)**	**–**	**(1)**	**–**	**–**	**–**	**–**	**(2)**
Borrowing costs capitalised	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Impairment loss[1]	**–**	**(9)**	**–**	**–**	**–**	**–**	**–**	**(9)**
Effect of foreign currency movement	**(3)**	**(939)**	**(202)**	**(9)**	**(64)**	**–**	**(6)**	**(1 223)**
Carrying value at 30 September 2021	**421**	**13 221**	**2 078**	**100**	**483**	**80**	**–**	**16 383**
Comprising:								
Cost	**875**	**13 299**	**4 908**	**164**	**545**	**829**	**–**	**20 620**
Accumulated amortisation and impairment losses	**(454)**	**(78)**	**(2 830)**	**(64)**	**(62)**	**(749)**	**–**	**(4 237)**
	421	**13 221**	**2 078**	**100**	**483**	**80**	**–**	**16 383**

[1] ***Impairment in southern Africa***
On 31 March 2021, an impairment to the value of R9 million was raised against goodwill allocated to the hospitals and complementary CGU. The CGU reported lower than expected returns together with a declining trajectory in volumes.

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11. INTANGIBLE ASSETS continued

	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
Carrying value at 1 October 2019	305	13 140	2 804	118	439	129	34	16 969
Additions	99	–	–	–	37	–	–	136
Arising on acquisition of subsidiaries	–	12	–	–	–	–	–	12
Disposals or scrappings	(1)	–	–	–	–	–	–	(1)
Transfer	2	–	–	–	(2)	–	–	–
Amortisation from continuing operations	(77)	–	(445)	(14)	(20)	(34)	–	(590)
Amortisation from discontinued operation	–	–	(14)	–	–	–	–	(14)
Borrowing costs capitalised	1	–	–	–	–	–	–	1
Impairment loss from continuing operations[1]	(5)	–	–	–	–	–	–	(5)
Impairment loss from discontinued operation[1]	–	(793)	–	–	–	–	–	(793)
Effect of foreign currency movement	12	1 956	440	19	91	–	5	2 523
Carrying value at 30 September 2020	336	14 315	2 785	123	545	95	39	18 238
Comprising:								
Cost	822	15 849	5 417	176	593	829	39	23 725
Accumulated amortisation and impairment losses	(486)	(1 534)	(2 632)	(53)	(48)	(734)	–	(5 487)
	336	14 315	2 785	123	545	95	39	18 238

[1] ***Prior year impairments***
Impairment in southern Africa
Software development costs of R5 million, that did not meet business requirements were fully impaired in 2020.
Impairment in Poland
On 16 November 2020 the Group received an offer to dispose of its Polish operation, Scanmed. With the receipt of the offer, the Group considered it prudent and appropriate to impair the carrying value at 30 September 2020 to reflect the fair value less costs to sell. The impairment for the prior year amounted to R793 million, which was allocated to goodwill. Refer note 27.

	2021 R'm	2020 R'm
Goodwill impairment testing		
Goodwill has been allocated to the CGUs[3] for impairment testing as follows:		
Southern Africa		
Hospitals and complementary services	**1 033**	1 031
Healthcare services	**234**	234
International		
Diagnostic services	**11 788**	12 596
Healthcare services (disposed of during the current year)	**–**	266
Growth initiatives	**166**	188
	13 221	14 315

[3] *Each operating unit is a CGU but due to the magnitude it has been disclosed in aggregate. CGUs are defined as individual hospitals; complementary services facilities and healthcare services operating units, the initial AMG business, LMI, and as individual operating units acquired subsequently.*

12. INVESTMENT IN ASSOCIATES AND JOINT VENTURES

	2021 R'm	2020 R'm
Unlisted ordinary shares		
Balance at 1 October	**65**	53
Share of net profit after tax	**25**	14
Share of current year profit before tax	**25**	14
Share of current year tax	**–**	–
Arising on acquisition of joint venture	**5**	–
Impairment loss[1]	**(5)**	–
Dividends declared by associates and joint ventures	**(8)**	(6)
Capital distributions	**(5)**	(6)
Effect of foreign currency movement	**(15)**	10
Balance at 30 September	**62**	65

[1] *20:20 Imaging Limited ceased trading and was liquidated on 27 September 2021, and therefore the investment was fully impaired. 20:20 Imaging Limited was indirectly held through AMG.*

Refer annexure C – associate undertakings.

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

	Associates		Joint ventures	
	2021 R'm	2020 R'm	2021 R'm	2020 R'm
Carrying amount	**–**	–	**15**	14
Group's share of profit after tax	**14**	4	**11**	10

The aggregate post-acquisition reserves (adjusted for the Group's ownership) for associates and joint ventures are R59 million (2020: R48 million).

13. EMPLOYEE BENEFIT ASSETS AND LIABILITIES

	2021 R'm	2020 R'm
Retirement benefit asset	**408**	315
Employer surplus asset	**–**	56
Post-employment medical aid asset	**18**	16
Post-employment medical aid obligation	**(8)**	(8)
	418	379
Employee benefit liabilities		
Trattamento di Fine Rapporto (TFR) retirement benefit obligation	**(147)**	(161)

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.

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13. EMPLOYEE BENEFIT ASSETS AND LIABILITIES continued

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

On 2 May 2019 approval was obtained from the Financial Sector Conduct Authority to transfer R166 million to the Employer Surplus Account (ESA) of the Life Healthcare Provident Fund with the effective date of transfer set as 31 January 2019. Life Healthcare has taken a partial contribution holiday (which came to an end during the year) in the Provident Fund, resulting in a portion of the employer contributions being paid from the ESA in the Provident Fund, and the balance being paid by the employer.

Pension funds

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

	Life Healthcare DB Pension Fund (LHC Fund)		Lifecare Group Holdings Pension Fund	
	2021 %	2020 %	**2021 %**	2020 %
Discount rate	**Yield curve[1]**	11.3	**5.0**	3.9
CPI	**Yield curve[2]**	6.23	**3.3**	2.40
Expected long-term investment return	**Yield curve[1]**	11.3	**5.0**	3.9
Compensation increase rate	**Inflation curve + 1%[3]**	7.23	**n/a**	n/a
Pension increase rate	**Inflation curve[4]**	6.23[4]	**n/a**	n/a
Rates of mortality	**0.50[5]**	0.50[5]	**n/a**	n/a

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

[1] *The discount rate used for active members and pensioners has been set as the spot rate yield curve for nominal government bonds as published by the Johannesburg Stock Exchange (JSE) as at 30 September 2021.*

[2] *A long-term future CPI yield curve has been produced by taking the difference between the nominal spot rate yield curve and the real spot rate yield curve as published by the JSE as at 30 September 2021.*

[3] *Salaries have been assumed to increase at an average of 1.00% per annum in excess of the assumed long-term inflation rate.*

[4] *A future pension increase assumption of 100% of the long-term inflation assumption was used. This is in excess of the LHC Fund's formal pension increase target of 75% of CPI but is in line with the LHC Fund's secondary target of providing increases of up to 100% of CPI, subject to affordability. 15% of members have previously been expected to retire in the Fund and were assumed to receive a 100% CPI pension increase going forward. 85% of members were expected to retire outside the Fund, with their actuarial reserve values calculated allowing for 75% CPI pension increases going forward. This assumption has been changed to allow for 35% of members to retire in the Fund and 65% of members to exit the Fund. This is in line with Fund experience over the past three years.*

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

The last statutory actuarial valuations for the funds were:

Life Healthcare DB Pension Fund	This was due as at 30 June 2021 and will be completed in November 2021. The next statutory valuation report will be prepared as at 30 June 2024.
Lifecare Group Holdings Pension Fund	31 March 2019. The next statutory valuation report will be prepared as at 31 March 2022.

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

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

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

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

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

13. EMPLOYEE BENEFIT ASSETS AND LIABILITIES continued

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

	Life Healthcare DB Pension Fund		Lifecare Group Holdings Pension Fund		Life Healthcare Provident Fund	
	2021 R'm	2020 R'm	**2021 R'm**	2020 R'm	**2021 R'm**	2020 R'm
Defined benefit fund asset						
Balance at 1 October	**315**	304	**–**	–	**56**	136
Net income/(expense) recognised in profit or loss	**26**	21	**(1)**	(1)	**(51)**	(71)
Current service cost	**(6)**	(8)	**(1)**	(1)	**–**	–
Company contributions	**–**	–	**–**	–	**(57)**	(84)
Net interest income	**32**	29	**–**	–	**6**	13
Remeasurement recognised in other comprehensive income	**67**	(10)	**1**	1	**(5)**	(9)
Remeasurements on pension asset	**78**	(76)	**(4)**	1	**(5)**	(9)
Liability gain arising from changes in economic assumptions	**16**	49	**19**	3	**–**	–
Experience variance gain	**39**	7	**–**	–	**–**	–
Other remeasurement (loss)/gain	**(66)**	10	**–**	–	**–**	–
Impact of paragraph 64 limit adjustment on asset	**–**	–	**(14)**	(3)	**–**	–
Balance at 30 September	**408**	315	**–**	–	**–**	56
Actual value of defined benefit liability and funded status						
Present value of defined benefit obligation	**(467)**	(439)	**(68)**	(89)	**–**	–
Asset at fair market value	**875**	754	**111**	112	**–**	56
Funded status	**408**	315	**43**	23	**–**	56
Unrecognised due to ceiling	**–**	–	**(43)**	(23)	**–**	–
Asset recognised in the statement of financial position	**408**	315	**–**	–	**–**	56
Reconciliation of defined benefit obligation						
Balance at 1 October	**(439)**	(490)	**(89)**	(118)	**–**	–
Service costs	**(7)**	(8)	**(1)**	(1)	**–**	–
Contributions	**(2)**	(2)	**–**	–	**–**	–
Interest cost	**(50)**	(47)	**(3)**	(5)	**–**	–
Benefits paid	**40**	39	**6**	3	**–**	–
Settlements	**–**	–	**–**	29	**–**	–
Risk premiums	**1**	1	**–**	–	**–**	–
Expenses	**2**	2	**–**	–	**–**	–
Remeasurements	**(12)**	66	**19**	3	**–**	–
Balance at 30 September	**(467)**	(439)	**(68)**	(89)	**–**	–
Reconciliation of fair value of plan assets						
Balance at 1 October	**754**	794	**112**	141	**56**	136
Expected return on assets	**84**	76	**5**	8	**6**	13
Contributions	**2**	2	**–**	–	**(57)**	(84)
Risk premiums	**(1)**	(1)	**–**	–	**–**	–
Benefits paid	**(40)**	(39)	**(6)**	(4)	**–**	–
Remeasurements	**78**	(76)	**(4)**	1	**(5)**	(9)
Settlements	**–**	–	**5**	(34)	**–**	–
Expenses	**(2)**	(2)	**(1)**	–	**–**	–
Balance at 30 September	**875**	754	**111**	112	**–**	56
Composition of plan assets	**%**	%	**%**	%	**%**	%
Cash	**2.9**	2.7	**67.0**	69.6	**69.1**	69.1
Equity instruments	**37.1**	34.2	**–**	–	**–**	–
Bonds	**14.2**	33.9	**33.0**	30.4	**30.9**	30.9
Commodities	**0.7**	2.1	**–**	–	**–**	–
Property	**2.1**	1.7	**–**	–	**–**	–
Offshore and other	**43.0**	25.4	**–**	–	**–**	–
	100.0	100.0	**100.0**	100.0	**100.0**	100.0

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13. EMPLOYEE BENEFIT ASSETS AND LIABILITIES continued

	Life Healthcare DB Pension Fund R'm	Lifecare Group Holdings Pension Fund R'm
Expected contributions for the next annual reporting period:		
Member contributions	**2**	**–**
Company contributions	**6**	**–**
Benefit payments	**(56)**	**(6)**
Expenses	**(2)**	**(1)**
Risk premiums	**(1)**	**–**
The weighted average duration (years)	**10.4**	**–**

An employer contribution rate of 22.73% was recommended in the interim actuarial valuation as at 30 June 2020. The employer contribution rate is fully funded from the employer-owned surplus within the Life Healthcare DB Pension Fund. The employer elected to take a full contribution holiday with effect from 1 December 2016, which came to an end during the year.

Sensitivity analysis
Life Healthcare DB Pension Fund

	2021		2020	
1% movement in the key assumptions:	**Increase R'm**	**Decrease R'm**	Increase R'm	Decrease R'm
Effect on the defined benefit obligation				
Discount rate	**(30)**	**+36**	(29)	+31
Inflation rate	**+32**	**(29)**	+27	(26)
Pension increase rate	**–[1]**	**(31)**	–[1]	(30)
Mortality rate	**(11)**	**+11**	(11)	+9

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

Lifecare Group Holdings Pension Fund

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

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

13. EMPLOYEE BENEFIT ASSETS AND LIABILITIES continued

TFR retirement benefit obligation (AMG)

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

	TFR scheme 2021 %	TFR scheme 2020 %
Actuarial assumptions applied in the valuation of the unfunded liability		
Discount rate for liabilities	**0.8**	0.7
Inflation rate	**0.8**	1.2
Future salary increases	**1.0**	1.0
Future pension increases	**2.1**	2.4

	2021 R'm	2020 R'm
Reconciliation of the unfunded liability		
Balance at 1 October	**(161)**	(130)
Service costs	**(13)**	(15)
Interest cost	**(1)**	(1)
Remeasurements	**4**	4
Benefits paid	**5**	8
Effect of foreign currency movement	**19**	(27)
Balance at 30 September	**(147)**	(161)

Sensitivity analysis

0.25% movement in the key assumptions:	2021 Increase R'm	2021 Decrease R'm	2020 Increase R'm	2020 Decrease R'm
Effect on TFR unfunded liability				
Discount rate	**(4)**	**+4**	(4)	+2
Inflation rate	**+3**	**(3)**	+1	(3)
Future salary increases	**+1**	**(1)**	–	(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 5 (2020: 7) employees and 31 (2020: 33) 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.

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for the year ended 30 September 2021

13. EMPLOYEE BENEFIT ASSETS AND LIABILITIES continued

Post-employment medical aid benefit (southern Africa) continued

	Post-employment medical aid benefit	
	2021 %	2020 %
The following actuarial assumptions were applied:		
Discount rate	**10.3**	10.8
CPI	**5.9**	6.0
Expected return on assets	**10.3**	10.8
Healthcare cost inflation	**7.9**	8.0

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

	2021 R'm	2020 R'm
Defined benefit fund asset		
Balance at 1 October	**8**	8
Net periodic income		
Net interest income	**1**	1
Remeasurement recognised in other comprehensive income		
Profit/(loss) on benefit payments from plan assets	**1**	(1)
Balance at 30 September	**10**	8
Actual value of defined benefit liability and funded status		
Present value of defined benefit obligation	**(8)**	(8)
Asset at fair market value	**18**	16
Funded status	**10**	8
Asset recognised in the statement of financial position	**10**	8

Sensitivity analysis

	2021		2020	
1% movement in the key assumptions:	**Increase R'm**	**Decrease R'm**	Increase R'm	Decrease R'm
Effect on the defined benefit obligation				
Healthcare cost inflation rate	**–**	**(1)**	+1	(1)
Discount rate	**(1)**	**–**	(1)	+1

14. DEFERRED INCOME TAX

	2021 R'm	2020 R'm
Deferred tax comprises:		
Deferred tax assets	**1 698**	1 162
Deferred tax liabilities	**(1 730)**	(1 450)
	(32)	(288)
The movement in the deferred tax account is as follows:		
Balance at 1 October	**(288)**	(270)
Arising on acquisition of subsidiaries	**2**	–
Disposal of subsidiary	**3**	–
Effect of foreign currency movement from continuing operations	**28**	(57)
Effect of foreign currency movement from discontinued operation	**(1)**	(3)
Effect of change in foreign tax rate from continuing operations	**(42)**	–
Current year charge from continuing operations through profit or loss	**204**	8
Current year charge from discontinued operation through profit or loss	**(54)**	29
Current year charge from continuing operations through other comprehensive income	**(17)**	5
Current year charge from discontinued operation through other comprehensive income	**133**	–
Carrying amount at 30 September	**(32)**	(288)
Deferred income tax assets and liabilities attributable to the following items:		
Employee benefit liabilities	**186**	201
Other liabilities/(assets)	**49**	(126)
Provision for ECL	**112**	33
Share-based payment liability	**36**	23
Accelerated wear and tear for tax purposes on property, plant and equipment	**(120)**	(122)
Tax loss carried forward	**244**	229
Leases	**98**	118
Credit balances in trade receivables	**28**	26
Prepaid expenses	**(20)**	(39)
Intangible assets on acquisition of subsidiaries	**(528)**	(534)
Retirement benefit asset	**(117)**	(106)
Derivative financial instruments	**–**	9
	(32)	(288)

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

	Deferred tax assets		Deferred tax liabilities	
	2021 R'm	2020 R'm	2021 R'm	2020 R'm
Within 12 months	**411**	158	**(20)**	(39)
After more than 12 months	**342**	356	**(765)**	(763)
	753	514	**(785)**	(802)

Management considers a number of factors in assessing whether to raise deferred tax assets on unutilised tax losses and capital allowances. These include a yearly analysis of trends in current and past performance of the entity which forms the base of a five-year forecast to determine if an entity will be in a position to utilise such tax losses or capital allowances in the foreseeable future, as well as any other key considerations that may affect current or future performance of the entity. Deferred tax assets on unutilised tax losses and capital allowances are only raised where forecasts indicate a reasonable expectation that such tax losses or capital allowance may be utilised to reduce a potential future tax liability.

The Group has not recognised deferred tax assets to the value of R714 million (2020: R541 million) relating to tax losses available to carry forward against future taxable income in these financial statements due to uncertainties regarding the utilisation of these losses in the foreseeable future. These losses originated predominantly in the UK businesses (2020: UK and Scanmed). None of these losses are expected to expire.

Notes to consolidated annual financial statements continued

for the year ended 30 September 2021

15. CASH AND CASH EQUIVALENTS

	2021 R'm	2020 R'm
Bank accounts and petty cash	**1 726**	2 145
Short-term money market instruments	**946**	134
Cash and cash equivalents	**2 672**	2 279
Bank overdrafts	**(325)**	(2 181)
Cash and cash equivalents as per the statement of cash flows	**2 347**	98

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

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

Cash and cash equivalents includes R16 million (2020: R26 million) restricted cash which is held by various third parties in Italy and Spain and is not available for general use by other entities within the Group.

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

16. TRADE AND OTHER RECEIVABLES

	2021 R'm	2020 R'm
Trade receivables	**3 529**	3 616
Less: Provision for ECL	**(432)**	(403)
Net trade receivables	**3 097**	3 213
Accrued income	**415**	222
Other receivables[1, 3]	**294**	379
Prepaid expenses	**235**	232
Balance at 30 September	**4 041**	4 046
Reconciliation of provision for ECL[2]		
Balance at 1 October	**(403)**	(220)
Recovery of amounts previously provided for	**–**	4
Disposal of a subsidiary	**14**	–
ECL raised from continuing operations	**(116)**	(171)
ECL raised from discontinued operation	**–**	(15)
Debt written off	**51**	33
Effect of foreign currency movement	**22**	(34)
Balance at 30 September	**(432)**	(403)

[1] *While other receivables are also subject to the impairment requirements of IFRS 9, the identified impairment loss was negligible. The provision was calculated using a simplification of the general provision method.*
[2] *Refer note 32 – risk management (credit risk).*
[3] *Other receivables consist of a number of insignificant balances.*

The carrying amounts of the trade receivables include some receivables balances in AMG, 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.

17. INVENTORIES

	2021 R'm	2020 R'm
Ethical drugs and consumable products (including surgicals consumed as well as consumables related to the production of doses relating to the diagnostic services business)	**653**[1]	873
"Drugs and consumables" represents the cost of inventories recorded as an expense in the statement of profit or loss.		
The cost of inventories written off as expired stock is recognised as an expense and is included in 'drugs and consumables' in profit or loss. Inventories written off amounted to:	**15**	11

[1] *Decreased mainly due to utilisation of personal protective equipment (PPE) during the current year. The PPE balance at 30 September 2021 amounted to R235 million (2020: R317 million).*

18. STATED CAPITAL

	2021 R'm	2020 R'm
Stated capital comprises:		
Share capital	**10 507**	10 507
Share premium	**3 373**	3 373
Treasury shares	**(315)**	(349)
	13 565	13 531

Reconciliation of number of shares

Ordinary shares	'000	'000
Authorised (Share capital of R0.000001 each)	**4 149 980**	4 149 980
Total value = R4 149 (2020: R4 149)		
Issued and fully paid: Balance at 30 September	**1 467 349**	1 467 349
Total value = R1 467 (2020: R1 467)		

	Number of shares		Value of shares	
	2021 '000	2020 '000	2021 R'm	2020 R'm
Treasury shares				
Balance at 1 October	**13 613**	12 856	**(349)**	(365)
Granted	**1 399**	2 536	**(31)**	(44)
Forfeited	**–**	(112)	**–**	3
Transferred	**–**	112	**–**	(3)
Vested	**(1 907)**	(1 779)	**65**	60
Balance at 30 September	**13 105**	13 613	**(315)**	(349)

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

19. OTHER RESERVES

	2021 R'm	2020 R'm
Life Healthcare employee share trust	**137**	137
Long-term incentive schemes	**121**	79
Transactions with non-controlling interest reserve	**(945)**	(959)
Other[2]	**–**	(44)
	(687)	(787)

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

Notes to consolidated annual financial statements continued

for the year ended 30 September 2021

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 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 Group CEO to own unencumbered shares in the Company. In terms of this arrangement the Company matched a maximum investment of R5 million by the Group CEO in Life Healthcare with a share purchase to a maximum value of R15 million in the market at the ruling market price.
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 Company matched shares will vest in equal tranches on 31 December 2023, 31 December 2024 and 31 December 2025 respectively and are subject to the following conditions: ◆ Growth on total shareholder return (TSR) over predetermined thresholds relative to the TSR of listed comparator groups – In the case of unusual market conditions, the vesting will be subject to Board discretion ◆ The employee will be required to retain a level of investment in Company shares of at least the initial investment over the vesting period
Method of settlement	Shares	Shares
Leavers	Employees who leave, other than good leavers, forfeit their beneficial interest in the trust and their rights will be distributed equally among the remaining employees.	If the employee leaves, other than as a good leaver, he will be entitled to all his co-investment shares but will forfeit the entire Company matched shares that have not vested.
2020 granted shares	1 166 917 shares at R17.14	862 706 @ R17.39 (existing CEO)
2021 granted shares	827 042 shares at R24.18	None
Forfeited (number of shares)	None	None (2020: 112 365 (previous CEO))
Exercised (number of shares)	None	None
Vested (number of shares)	1 863 324 (2020: 1 666 859)[1]	None (2020: 112 365 (previous CEO))
Contribution	An annual contribution is made by each employer company in the Group for its qualifying employees. The charge and contribution reflected is for the Company's proportionate share only.	

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

Long-term incentive scheme – Group CFO	Long-term incentive scheme – southern Africa CEO and international CEO
An equity-settled scheme	An equity-settled scheme
The Board wanted the Group CFO to own unencumbered shares in the Company. In terms of this arrangement the Company matched a maximum investment of R2 million by the Group CFO in Life Healthcare with a share purchase to a maximum value of R6 million in the market at the ruling market price.	The Board wanted the SA and international CEO to own unencumbered shares in the Company. In terms of this arrangement the Company matched a maximum investment of R1.25 million by the SA CFO and GBP100 000 by the international CEO in Life Healthcare with a share purchase to a maximum value of R3.75 million (SA CEO) and GBP300 000 (international CEO) in the market at the ruling market price. In the prior year the Company bought shares to the value of R1.5 million for the SA CEO and shares to the value of GBP165 000 for the international CEO.
Available to Group CFO	Available to southern Africa and international CEOs
The Company matched shares will vest in equal tranches on 31 December 2023, 31 December 2024 and 31 December 2025 respectively and are subject to the following conditions: ◆ Growth on TSR over predetermined thresholds relative to the TSR of listed comparator groups – In the case of unusual market conditions, the vesting will be subject to Board discretion ◆ The employee will be required to retain a level of investment in Company shares of at least the initial investment over the vesting period	**2021 scheme:** The Company matched shares will vest in equal tranches on 31 December 2023, 31 December 2024 and 31 December 2025 respectively and are subject to the following conditions: ◆ Growth on TSR over predetermined thresholds relative to the TSR of listed comparator groups – In the case of unusual market conditions, the vesting will be subject to Board discretion ◆ The employee will be required to retain a level of investment in Company shares of at least the initial investment over the vesting period **2020 scheme[1]:** SA CEO ◆ The vesting of the shares is subject to continued employment and will vest on 30 September 2021. International CFO ◆ The shares will vest on 31 March 2022 and are conditional on achievement of performance conditions; such as to achieve key strategic objectives in growing the international business.
Shares	Shares
If the employee leaves, other than as a good leaver, he will be entitled to all his co-investment shares but will forfeit the entire Company matched shares that have not vested.	If the employees leave, other than as a good leaver, they will be entitled to all their co-investment shares but will forfeit the entire Company matched shares that have not vested.
350 000 @ R17.11	268 377 @ R21.97
600 @ R16.45	532 148 @ R18.59
None	None
None	None
None	None (due to closed period)
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] Due to the impact of COVID-19 the vesting dates were extended by 6 months.

Notes to consolidated annual financial statements continued

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19. OTHER RESERVES continued

Terms and conditions continued

	Long-term incentive schemes effective from 2019
Type	Equity-settled performance share schemes
Background	The value of awards will be tier-based and linked to individual performance. Each award will be converted into notional performance shares. In terms of the scheme the value of the awards and the performance conditions for vesting will be approved by the Group's remuneration and human resources committee. The value of the notional performance shares will be determined by the price of the Life Healthcare shares on the JSE Limited using the 30 day VWAP. Life Healthcare shares will be purchased on vesting date. A modifier of between 0.5 and 2 for the 2021 scheme and between 1 and 2 for the 2019 and 2020 schemes can be applied to the allocation for key talent retention, this is applicable to all participants at the discretion of the Group CEO. The employees are not entitled to any dividends declared on the shares underlying the awards over the period from the grant date to the vesting date.
Qualifying employees	Available to all executives and senior managers in southern Africa.
Vesting requirements	Vesting in terms of this scheme takes place in three years from allocation. The vesting of the awards is subject to the following performance conditions:

	weighting %		
	2021	2020	2019
Group executives:			
◆ Capital efficiency	**n/a**	40	40
◆ Normalised Group HEPS	**60**	40	40
◆ Life core purpose outcome	**20**	20	20
◆ Retention shares	**20**	n/a	n/a
Country executives:			
◆ Capital efficiency	**n/a**	35	30
◆ Normalised country EBIT	**n/a**	35	30
◆ Life core purpose outcome	**40**	30	40
◆ Normalised Group HEPS	**60**	n/a	n/a
Group senior managers:			
◆ Capital efficiency	**n/a**	35	30
◆ Normalised country EBIT	**n/a**	35	30
◆ Life core purpose outcome	**30**	30	40
◆ Normalised Group HEPS	**70**	n/a	n/a
Other senior managers:			
◆ Capital efficiency	**n/a**	20	15
◆ Normalised country EBIT	**n/a**	40	35
◆ Life core purposes outcome	**40**	40	50
◆ Normalised Group HEPS	**60**	n/a	n/a

Capital efficiency is measured as return on capital employed compared to WACC.

Normalised Group HEPS is based on growth of HEPS in excess of CPI.

Normalised country EBIT is based on growth of EBIT in excess of CPI.

Life core purpose outcomes is based on country-specific non-financial measures that drive long-term sustainability of the Group.

Retention shares are not subject to performance conditions and will vest on the vesting date, subject to continued employment.

19. **OTHER RESERVES** continued

Terms and conditions continued

	Long-term incentive schemes effective from 2019 continued
Method of settlement	Shares
Leavers	If a participant ceases to be employed by the Group prior to the vesting of the grant, the following will apply: ◆ Good leavers with a date of termination of employment: – that is more than one year before the vesting date of the grant: • 2019 scheme: will result in all notional performance shares held by the participant being forfeited and cancelled for no consideration; • 2020 and 2021 schemes: the participant shall retain a pro rata number of notional performance shares based on number of months completed service relative to the vesting period of 36 months, the balance of notional performance shares shall be forfeited and cancelled for no consideration; or – that is one year or less before the vesting date of the grant, will retain all notional performance shares and he/she shall continue to be treated as a participant as if his/her employment had not been terminated (2019 to 2021 schemes). ◆ Bad leavers with a date of termination of employment prior to vesting date, will result in all notional performance shares held by the participant being forfeited and cancelled for no consideration. (2019 to 2021 schemes)
2020 granted shares	Life Healthcare shares will be purchased on vesting date
2021 granted shares	Life Healthcare shares will be purchased on vesting date
Forfeited (number of shares)	None
Exercised (number of shares)	None
Vested (number of shares)	None
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.

Notes to consolidated annual financial statements continued

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20. INTEREST-BEARING BORROWINGS

	2021 Non-current portion R'm	2021 Current portion R'm	2020 Non-current portion R'm	2020 Current portion R'm
Unsecured borrowings				
Bilateral term loans	**2 700**	**212**	1 325	957
Syndicated term loans	**6 054**	**–**	7 056	–
Bank loan	**7**	**3**	15	4
Life Healthcare Multi-Issuer programme notes	**–**	**–**	–	598
Preference shares	**–**	**500**	500	–
Secured borrowings				
Mortgage bonds	**18**	**16**	34	15
Bank loans	**–**	**–**	–	65
Term loans	**–**	**–**	1	2
Revolving credit facilities	**–**	**653**	738	–
Lease liabilities	**2 135**	**427**	2 365	539
Total borrowings – 30 September	**10 914**	**1 811**	12 034	2 180

Terms and repayment schedule

	Interest rate at 30 September	Repayment terms[5]	Date of maturity/ final settlement	Carrying value 2021 R'm	Carrying value 2020 R'm
Bilateral term loans					
Southern Africa					
Term loan one	3-month JIBAR plus 2.14%[1]	Six equal semi-annual instalments of R125 million, payable from 30 June 2019	30 Jun 2021	**–**	375
Term loan two	3-month JIBAR plus 1.55%[2]	Five equal semi-annual instalments of R200 million, payable from 30 September 2021	30 Jun 2021	**–**	1 000
Term loan three	3-month JIBAR plus 1.59%	Five equal semi-annual instalments of R100 million, payable from 30 September 2021	27 Sep 2023	**400**	500
Term loan four	3-month JIBAR plus 1.65%[3]	Single instalment	31 May 2024	**377**	–
Term loan five	3-month JIBAR plus 1.65%[3]	Single instalment	31 May 2024	**377**	–
Term loan six	3-month JIBAR plus 1.65%[3]	Single instalment	31 May 2024	**502**	–
Term loan seven	3-month JIBAR plus 1.75%[3]	Eight equal semi-annual instalments of R46.9 million, payable from 30 November 2022	31 May 2026	**377**	–
Term loan eight	3-month JIBAR plus 1.75%[3]	Eight equal semi-annual instalments of R46.9 million, payable from 30 November 2022	31 May 2026	**377**	–
Term loan nine	3-month JIBAR plus 1.75%[3]	Eight equal semi-annual instalments of R62.5 million, payable from 30 November 2022	31 May 2026	**502**	–

* *Refer to page 57 for footnotes.*

20. INTEREST-BEARING BORROWINGS continued

Terms and repayment schedule continued

	Interest rate at 30 September	Repayment terms[5]	Date of maturity/final settlement	Carrying value 2021 R'm	Carrying value 2020 R'm
Polish					
Term loan one	3-month WIBOR plus 2.04%	Single instalment	26 Mar 2021	–	407
Syndicated term loans					
UK					
Term loan A1	3-month LIBOR plus 1.80%[4]	Single instalment	31 Mar 2023	**1 824**	1 953
Term loan A2	3-month LIBOR plus 2.00%[4]	Single instalment	31 Mar 2025	**1 824**	1 953
Term loan B1	3-month EURIBOR plus 1.70%[4]	Single instalment	31 Mar 2023	**1 203**	1 358
Term loan B2	3-month EURIBOR plus 1.90%[4]	Single instalment	31 Mar 2025	**1 203**	1 358
Term loan C	3-month LIBOR plus 1.70%[4]	Single instalment	31 Mar 2025	–	434
Bank loan	1.03% – 3.17%	Monthly/quarterly instalments	31 April 2031	**10**	19
Life Healthcare Multi-Issuer programme notes					
Note one	3-month JIBAR plus 0.75%	Single instalment	15 Oct 2020	–	243
Note two	3-month JIBAR plus 1.20%	Single instalment	17 Nov 2020	–	80
Note three	3-month JIBAR plus 1.70%	Single instalment	08 Jun 2021	–	275
Preference shares					
Class E	72% of 3-month JIBAR plus 1.60%	Single instalment	30 Mar 2022	**500**	500
Unsecured borrowings				**9 476**	10 455

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 at or less than 1.75:1, then the interest rate margin shall be 1.84% for term loan one.
– 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 one.
– 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 one.
– 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 one.

[2] – If the net debt to normalised EBITDA ratio is at or less than 2.50:1, then the interest rate margin shall be 1.55% for term loan two.
– If the net debt to normalised EBITDA ratio is higher than 2.50:1 and less than or equal to 3.00:1, then the interest rate margin shall be 2.05% for term loan two.
– If the net debt to normalised EBITDA ratio is higher than 3.00:1 and less than or equal to 3.50:1, then the interest rate margin shall be 2.30% for term loan two.
– If the net debt to normalised EBITDA ratio is higher than 3.50:1, then the interest rate margin shall be 2.55% for term loan two.

[3] – If the net debt to normalised EBITDA ratio is higher than 3.00:1, then the interest rate margin shall increase by 0.15%.

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

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

Notes to consolidated annual financial statements continued

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20. INTEREST-BEARING BORROWINGS continued

Terms and repayment schedule continued

	Interest rate at 30 September	Repayment terms[5]	Date of maturity/final settlement	Carrying value 2021 R'm	Carrying value 2020 R'm
Mortgage bonds	1-month JIBAR plus 2.65%	120 equal monthly instalments of R1.5 million	30 Sep 2023	**34**	49
Bank loans (trade receivable subject to factoring arrangement refer note 16)	1-month EURIBOR + 1.30% or 1-month LIBOR + 1.75%	Payable as cash is received from debtors	Overarching agreement ends August 2021	**–**	65
Term loans in Polish operations	1-month WIBOR plus 1.0%	Monthly instalments of R0.1 million	Disposed of on 26 Mar 2021	**–**	3
Revolving credit facilities					
Credit facility (EUR facility)	3-month EURIBOR plus 1.35%	Single instalment	10 Dec 2021	**653**	738
Lease liabilities					
Southern Africa (property, equipment and other)	8.0% – 18.0%	Repayable in monthly instalments over 1 to 19 years ending Oct 2039.		**1 197**	881
AMG (property, equipment and other)	0.0% – 6.67%	Repayable in either quarterly or monthly instalments over 1 to 22 years ending Mar 2043.		**1 365**	1 495
Polish (property, equipment and other) (disposed of during the current year)	3-month WIBOR plus 3.76% – 3.77%	Disposed of on 26 Mar 2021 (2020: Repayable in monthly instalments over 1 to 18 years ending June 2038).		**–**	528
Secured borrowings				**3 249**	3 759
Total borrowings				**12 725**	14 214

Refer to page 57 for footnotes.

	Carrying value 2021 R'm	Carrying value 2020 R'm
The interest-bearing borrowings carrying amount is denominated in the following currencies:		
South African rand	**4 481**	3 723
Botswana pula	**162**	180
Pound sterling	**4 477**	5 268
European euro	**3 605**	4 105
Polish zloty	**–**	938
	12 725	14 214

20. INTEREST-BEARING BORROWINGS continued

	Bank loans 2021 R'm	**Preference shares 2021 R'm**	**Lease liabilities 2021 R'm**	Bank loans 2020 R'm	Preference shares 2020 R'm	Finance leases 2020 R'm
Reconciliation of opening balance to closing balance						
Balance at 1 October	**10 810**	**500**	**2 904**	10 068	500	1 427
Cash flow movements						
Proceeds from interest-bearing borrowings	**4 970**	**–**	**251**	12 505	–	261
Repayment of interest-bearing borrowings	**(5 078)**	**–**	**(490)**	(12 952)	–	(573)
Interest paid	**(271)**	**(21)**	**(161)**	(427)	(29)	(159)
Debt raising fees capitalised	**–**	**–**	**–**	(43)	–	–
Non-cash items						
Interest accrued	**283**	**21**	**161**	427	29	159
Recognised on 1 October 2019 as a result of adopting IFRS 16	**–**	**–**	**–**	–	–	1 292
Additional lease liabilities recognised	**–**	**–**	**625**	–	–	355
Derecognition of lease liability	**–**		**(56)**			(173)
Arising on acquisition of subsidiaries	**52**	**–**	**5**	–	–	–
Disposal of subsidiary	**(346)**	**–**	**(451)**	–	–	–
Amortisation of debt raising fees capitalised	**10**	**–**	**–**	45	–	–
Effect of foreign currency movement	**(767)**	**–**	**(226)**	1 187	–	315
Balance at 30 September	**9 663**	**500**	**2 562**	10 810	500	2 904

	Receivables		**Property, plant and equipment**	
	2021 R'm	2020 R'm	**2021 R'm**	2020 R'm
Carrying value of assets held as security for borrowings				
Mortgage bonds	**–**	–	**97**	106
Bank loans	**53**	311	**–**	–
Term loans in Polish operations	**–**	–	**–**	25
Revolving credit facility (AMG – secured against gross assets)	**–**	–	**1 884**	2 125
Lease liabilities	**–**	–	**2 827**	3 077
Total	**53**	311	**4 808**	5 333

Notes to consolidated annual financial statements continued

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20. INTEREST-BEARING BORROWINGS continued

Borrowing facilities

	Total 2021 R'm	**Available 2021 R'm**	Total 2020 R'm	Available 2020 R'm
The Group has the following borrowing facilities:				
Southern Africa				
Committed general banking facilities*	**2 500**	**2 175**	4 000	2 319
Committed trade loan facility	**650**	**650**	650	650
Uncommitted general banking facilities	**1 500**	**1 500**	1 250	750
International				
Committed GBP revolving credit facility	**2 035**	**2 035**	2 290	1 853
Committed EUR revolving credit facility	**879**	**226**	993	255
Committed working capital facility (zloty)	**–**	**–**	44	44
Committed leasing facility (GBP)	**–**	**–**	654	143
Factoring facility (EUR) (2020: EUR and GBP)	**53**	**53**	333	268
	7 617	**6 639**	10 214	6 282

* *Total facilities reduced by R1 billion during November 2021.*

21. TRADE AND OTHER PAYABLES

	2021 R'm	2020 R'm
Under current liabilities:		
Trade payables	**2 228**	1 858
Accruals	**1 451**	1 468
Employee-related payables	**1 130**	1 152
Value added tax	**154**	218
Deferred income	**–**	15
Other payables[1]	**480**	435
Balance at 30 September	**5 443**	5 146
Under non-current liabilities:		
Accruals	**52**	45
Employee-related payables	**11**	11
Deferred income	**–**	3
Other payables	**20**	30
	83	89

[1] *The largest balance included in other payables relates to debtors balances in credit of R168 million (2020: R168 million).*

The employee-related payables represent:

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

22. PROVISIONS

	Property related R'm	Insurance provision R'm	Cash-settled share-based payments R'm	Total R'm
Balance at 1 October 2020	**127**	**137**	**34**	**298**
Raised during the year	**–**	**58**	**35**	**93**
Arising on acquisition of subsidiaries	**9**	**–**	**–**	**9**
Utilised during the year	**(3)**	**(70)**	**–**	**(73)**
Effect of foreign currency movement	**(7)**	**(3)**	**(6)**	**(16)**
Balance at 30 September 2021	**126**	**122**	**63**	**311**
Included under non-current liabilities	**106**	**6**	**63**	**175**
Included under current liabilities	**20**	**116**	**–**	**136**
	126	**122**	**63**	**311**
Balance at 1 October 2019	90	109	6	205
Raised during the year	32	69	25	126
Utilised during the year	(12)	(43)	–	(55)
Effect of foreign currency movement	17	2	3	22
Balance at 30 September 2020	127	137	34	298
Included under non-current liabilities	83	–	34	117
Included under current liabilities	44	137	–	181
	127	137	34	298

23. CONTINGENT CONSIDERATION LIABILITIES

	2021 R'm	2020 R'm
Contingent consideration liabilities		
Balance at 1 October	**642**	543
Arising on acquisition of subsidiary	**3**	–
Disposal of subsidiaries	**(9)**	–
Paid during the year	**–**	(74)
Fair value adjustment recognised in profit or loss	**–**	37
Unwinding of contingent consideration (included as part of finance cost)	**62**	66
Effect of foreign currency movement	**(67)**	70
Balance at 30 September	**631**	642
Included under non-current liabilities	**631**	631
Included under current liabilities	**–**	11
	631	642

The largest contingent consideration payable (R626 million) relates to a potential amount payable to the previous owners of LMI (2020: R629 million). Refer 1.2.2.

Notes to consolidated annual financial statements continued

for the year ended 30 September 2021

24. FINANCIAL INSTRUMENTS BY CATEGORY

	2021 R'm	2020 R'm
The following table summarises the Group's classification of financial instruments:		
Assets		
Fair value through profit or loss		
Derivative financial instruments (included in other assets)	**4**	–
Amortised cost		
Trade and other receivables	**3 806**	3 814
Cash and cash equivalents	**2 672**	2 279
Other assets	**108**	125
Total assets	**6 590**	6 218
Liabilities		
Fair value through profit or loss		
Contingent consideration liabilities	**631**	642
Derivative financial instruments (included in other liabilities)	**9**	53
Amortised cost		
Trade and other payables	**4 231**	3 836
Interest-bearing borrowings	**12 725**	14 214
Bank overdraft	**325**	2 181
Total liabilities	**17 921**	20 926

Derivative financial instruments

	Carrying value		Fair value	
	2021 R'm	2020 R'm	2021 R'm	2020 R'm
Market-to-market valuation				
Non-current assets				
Interest rate swap contracts (included in other)	**4**	–	**4**	–
Total assets	**4**	–	**4**	–
Non-current liabilities				
Interest rate swap contracts (included in other)	**–**	(26)	**–**	(26)
Current liabilities				
Interest rate swap contracts (included in other)	**(9)**	(27)	**(9)**	(27)
Total liabilities	**(9)**	(53)	**(9)**	(53)

24. FINANCIAL INSTRUMENTS BY CATEGORY continued

Interest rate swap contracts

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

	Swap 1	Swap 2	Swap 3	Swap 4	Swap 5
Contract commencement date	6 Feb 2019	10 Feb 2021	29 Mar 2021	30 Mar 2021	05 Mar 2021
Maturity date	7 Feb 2022	10 Feb 2023	29 Mar 2023	30 Mar 2023	05 Mar 2024
Currency	R'm	R'm	R'm	R'm	R'm
Notional amount	500	300	300	200	500
Fixed interest rate (%)	7.23	4.01	4.51	4.49	4.65
Floating interest rate (%)	3-month JIBAR (varied between 3.33% and 3.68%)				
Interest settlement terms	Settled quarterly.				

During the current year, interest rate swap contracts with a total notional amount of R500 million and GBP75 million matured (2020: R2.9 billion).

Held for trading

Foreign exchange contracts (FECs)

The Group entered into United States dollar exchange contracts during the year to manage exposure to fluctuations in the rand dollar exchange rate on foreign liabilities. At 30 September 2021, there were open FECs.

25. OFFSETTING OF FINANCIAL LIABILITIES

	2021 R'm	2020 R'm
The financial assets and liabilities relating to the derivative financial instruments are subject to offsetting and similar agreements.		
Assets		
Offsetting applied		
Gross amount	**61**	–
Amount set-off	**(57)**	–
Net amount	**4**	–
Financial instruments not subject to set-off	**–**	–
Total other non-current assets per statement of financial position	**4**	–
Total other current assets per statement of financial position	**–**	–
Liabilities		
Offsetting applied		
Gross amount	**27**	(90)
Amount set-off	**(36)**	37
Net amount	**(9)**	(53)
Financial instruments not subject to set-off	**–**	–
Total other non-current liabilities per statement of financial position	**–**	(26)
Total other current liabilities per statement of financial position	**(9)**	(27)

Notes to consolidated annual financial statements continued

for the year ended 30 September 2021

26. CASH GENERATED FROM OPERATIONS

	2021 R'm	2020 R'm
Reconciliation of profit before tax to cash generated from operations		
Profit before tax from continuing operations	**2 409**	1 393
Profit/(loss) before tax from discontinued operation	**206**	(812)
Adjusted for:		
Share of associates' and joint ventures' net profit after tax	**(25)**	(14)
Depreciation on property, plant and equipment from continuing operations	**1 571**	1 476
Depreciation on property, plant and equipment from discontinued operation	**21**	118
Amortisation of intangible assets from continuing operations	**533**	590
Amortisation of intangible assets from discontinued operation	**2**	14
Net finance costs from continuing operations (refer note 5)	**622**	793
Net finance costs from discontinued operation	**11**	32
Exchange gain reclassified to profit or loss on disposal of subsidiary	**(188)**	–
Fair value adjustments to contingent consideration from discontinued operation	**9**	37
Fair value (gain)/loss on financial instruments	**(32)**	5
Gain on derecognition of lease asset and liability	**–**	(75)
Impairment of assets and investments from continuing operations	**14**	5
Impairment of investment from discontinued operation	**–**	793
Loss on disposal of property, plant and equipment	**17**	6
Profit on disposal of subsidiary before tax	**(8)**	–
Profit on remeasuring previously held interest in associate to fair value	**(28)**	–
Transaction costs relating to acquisitions and disposals from continuing operations	**3**	8
Transaction costs relating to disposals of discontinued operation	**32**	9
Other	**3**	4
Share-based payment reserve charge	**96**	88
Retirement benefit asset and post-employment medical aid income	**(33)**	(32)
Employer surplus asset payments	**56**	83
Cost of inventories written off as expired stock	**15**	11
Operating cash flow before working capital changes	**5 306**	4 532
Working capital changes:		
Inventories	**167**	(489)
Trade and other receivables	**(383)**	155
Trade and other payables (including provisions)	**597**	364
Cash generated from operations	**5 687**	4 562

27. ACQUISITIONS AND DISPOSALS

◆ **Acquisitions that resulted in business combinations**

	North West Dialysis Centre	**ZAG Zyklotron AG (ZAG)**	**Monza Medicina SRL***
Acquirer	East Rand Dialysis Incorporated	AMG	AMG
Country of incorporation	South Africa	Germany	Italy
Acquisition date	1 Nov 2020	1 Jan 2021	30 Jun 2021
Total purchase consideration	R14 million	R90 million	R14 million
Goodwill recognised	R11 million	R59 million	R9 million
Percentage voting equity interest acquired	100%	100%	100%
Primary reasons for business combination	This is in line with Life Healthcare's strategy to grow its non-acute businesses.		
Qualitative factors that make up goodwill recognised	Attributable to the acquired workforce and expected synergies from combining the acquired operations within the existing southern Africa and international operations.		
Contingent liabilities at acquisition	None		

* *Provisionally accounted for in terms of IFRS 3 "business combinations".*

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

The acquisitions qualify as a business as defined in IFRS 3.

The aggregated fair values of the assets and liabilities arising from all the acquisitions listed above are as follows:

	2021 R'm
Total purchase consideration	**(121)**
Cash portion	**(118)**
Contingent consideration	**(3)**
Fair value of net assets acquired	**42**
Property, plant and equipment	**34**
Customer relations	**8**
Trade and other receivables	**15**
Cash and cash equivalents	**15**
Inventories	**13**
Interest-bearing borrowings	**(5)**
Trade and other payables	**(29)**
Provisions	**(9)**
Goodwill	**79**
Aggregated cash outflow to acquire businesses, net of cash acquired	
Initial cash considerations	**(118)**
Less: Cash at acquisitions	**15**
	(103)
Aggregated impact on consolidated information from date of acquisitions	
Revenue	**50**
Net profit	**2**
Aggregated impact on consolidated information if the business combinations took place on 1 October 2020	
Revenue	**96**
Net profit	**2**

Notes to consolidated annual financial statements continued

for the year ended 30 September 2021

27. ACQUISITIONS AND DISPOSALS continued

- **Consolidated Aone Trade and Invest 12 Proprietary Limited (Consolidated Aone)**

1. Disposal of investment in associate

The Group acquired the remaining 70% of the assets and liabilities of Consolidated Aone, resulting in Consolidated Aone becoming a wholly-owned subsidiary of the Group. The Group previously had an interest of 30% in Consolidated Aone, which was accounted for as an associate. The investment in associate was derecognised.

	2021 R'm
Derecognition of investment in associate	
Effective date	**1 Jul 2021**
Previously interest held	**30.0%**
Total consideration received	**28**
Fair value of equity interest held before the acquisition	**28**
Carrying value of the associate	**–**
Profit on remeasuring previously held interest in associate to fair value	**28**

2. Acquisition of assets and liabilities

The Group acquired the remaining 70% of the assets and liabilities of Consolidated Aone on 1 July 2021 for a total consideration of R92 million. Consolidated Aone is a property company and the acquisition was accounted for as an asset acquisition due to the absence of inputs and processes to contribute to the creation of outputs. The assets acquired are not a business as defined in IFRS 3.

	2021 R'm
Total purchase consideration	**(92)**
Cash portion	**(64)**
Fair value of equity interest held before the acquisition	**(28)**
Fair value of net assets acquired	**92**
Property, plant and equipment	**150**
Other liabilities	**(3)**
Interest-bearing borrowings	**(52)**
Trade and other payables	**(3)**

- **Investment in joint venture (Altakassusi Alliance Medical LLC)**

The Group acquired 45% of Altakassusi Alliance Medical LLC in Saudi Arabia on 10 November 2020. The amount invested was R5 million and was accounted for as an investment in joint venture.

27. ACQUISITIONS AND DISPOSALS continued

◆ Discontinued operation and sale of Scanmed

Description

On 16 November 2020 the Group received an offer to dispose of its Polish operation, Scanmed. The related agreements were signed on 24 November 2020 and the transaction was subject to regulatory approvals. The sale proceeds per the agreements were lower than the carrying value of Scanmed at 30 September 2020. With the receipt of the offer, the Group considered it prudent and appropriate to impair the carrying value at 30 September 2020 to reflect the fair value less costs to sell. The impairment recognised in FY2020 amounted to R793 million.

The sale of Scanmed was concluded on 26 March 2021 and was reported as a discontinued operation. Scanmed met the criteria of a discontinued operation as Scanmed operated in a separate geographical area and was previously disclosed as a separate segment. Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

Financial performance and cash flow information

The results of the discontinued operation, which have been included in the profit for the period, were as follows:

	2021 R'm	2020 R'm
Revenue	**847**	1 535
Normalised EBITDA*	**85**	191
Depreciation, amortisation, interest and other expense	**(34)**	(164)
Fair value adjustments to contingent consideration	**(9)**	(37)
Transaction costs	**–**	(9)
Impairment of investment	**–**	(793)
Profit/(loss) before tax	**42**	(812)
Tax expense	**(9)**	13
Profit/(loss) after tax from discontinued operation	**33**	(799)
Profit on disposal of Scanmed after income tax (refer page 68)	**54**	–
Profit/(loss) from discontinued operation	**87**	(799)
Basic earnings per share from discontinued operation	**6.0**	(54.9)
Diluted earnings per share from discontinued operation	**6.0**	(54.7)
Other comprehensive income		
Foreign currency differences on translation before disposal	**(129)**	165
Exchange gain reclassified to profit or loss on disposal	**(188)**	–
Tax on exchange gain reclassified to profit or loss on disposal	**41**	–
Reversal of previously recognised deferred tax	**133**	–
	(143)	165
The impact on the statement of cash flows relating to operational performance		
Net cash generated from operating activities	**87**	116
Net cash utilised in investing activities	**(23)**	(73)
Net cash utilised in financing activities	**(35)**	(69)
Net increase/(decrease) in cash and cash equivalents	**29**	(26)
The impact on the statement of cash flows after impact of disposal		
Net cash generated from operating activities	**35**	116
Net cash generated/(utilised) in investing activities	**550**	(73)
Net cash utilised in financing activities	**(35)**	(69)
Net increase/(decrease) in cash and cash equivalents	**550**	(26)

* *Non-IFRS measure.*

Notes to consolidated annual financial statements continued

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27. ACQUISITIONS AND DISPOSALS continued

◆ **Discontinued operation and sale of Scanmed** continued

Details of the sale

	2021 R'm
Total consideration received	**733**
Cash	**733**
Carrying value of net assets sold	**(725)**
Property, plant and equipment	**(1 021)**
Intangible assets	**(377)**
Cash and cash equivalents	**(160)**
Trade and other receivables	**(199)**
Inventories	**(37)**
Deferred tax liabilities	**3**
Interest-bearing borrowings	**797**
Trade and other payables	**260**
Contingent consideration liabilities	**9**
Profit on disposal before taxes, transaction costs and reclassification of FCTR	**8**
Withholding tax	**(20)**
Transaction costs	**(32)**
Exchange gain reclassified to profit or loss on disposal	**188**
Tax on exchange gain reclassified to profit or loss on disposal	**(41)**
Tax recognised as a result of assessed losses	**(49)**
Profit on disposal after taxes, transaction costs and reclassification of FCTR	**54**
Net cash inflow on disposal	
Cash consideration received	**733**
Less: cash and cash equivalents disposed of	**(160)**
	573

◆ **Transactions with non-controlling interests**

Increases and decreases in ownership interest in southern Africa

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

	2021 R'm	2020 R'm
Total purchase consideration	**(61)**	(152)
Cash portion	**(61)**	(152)
Carrying amount of non-controlling interest recognised	**55**	44
Carrying amount of non-controlling interest acquired	**55**	44
Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity	**6**	108
During the current and previous financial year, the Group disposed of marginal percentages of its holdings in subsidiary companies to non-controlling interest.		
The Group still maintained control over the subsidiary entities after the decrease in ownership interest.		
Proceeds on disposal of investments	**59**	10
Transactions with non-controlling interest reserve	**(39)**	(10)
Profit on disposal recognised within equity	**20**	–

28. DIRECTORS' EMOLUMENTS AND INTERESTS IN THE COMPANY

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

Executive directors – shareholding	2021 Direct	2021 Indirect[2]	2021 Associate interest	2020 Direct	2020 Indirect	2020 Associate interest
Executive directors						
PG Wharton-Hood[1]	**300 000**	**862 706**	**–**	300 000	862 706	–
PP van der Westhuizen	**300 136**	**350 600**	**4 832**	241 636	350 000	4 832
	600 136	**1 213 306**	**4 832**	541 636	1 212 706	4 832

Executive directors – total remuneration earned	Salaries R'000	Bonus and performance-related payments R'000	Performance-related bonus accrual to be paid in cash R'000	Performance-related bonus deferral[5] R'000	CEO acting allowance and bonus[3] R'000	Other allowances R'000	Long-term incentive schemes R'000	Medical aid contributions R'000	Pension fund contribution R'000	Total remuneration R'000
2021										
Executive directors										
PG Wharton-Hood[1]	**7 800**	**–**	**4 460**	**4 660**	**–**	**410**	**–**	**–**	**325**	**17 655**
PP van der Westhuizen	**5 500**	**–**	**2 579**	**2 695**	**–**	**69**	**3 236**	**–**	**232**	**14 311**
	13 300	**–**	**7 039**	**7 355**	**–**	**479**	**3 236**	**–**	**557**	**31 966**
2020										
Executive directors										
PG Wharton-Hood[1]	641	–	–	–	–	10	–	–	27	678
PP van der Westhuizen	5 333	1 853	3 394	–	–	146	776	6	226	11 734
PP van der Westhuizen[3]	–	–	–	–	2 425	–	–	–	–	2 425
Past executive director										
SB Viranna[4]	3 083	–	–	–	–	31	2 805	5	129	6 053
	9 057	1 853	3 394	–	2 425	187	3 581	11	382	20 890

[1] *PG Wharton-Hood was appointed as Group Chief Executive on 1 September 2020.*
[2] *The indirect beneficial shareholding is held in the name of Life Healthcare Group Proprietary Limited and subject to vesting conditions. Refer note 19.*
[3] *PP van der Westhuizen in his capacity as acting Chief Executive Officer from 18 January 2020 to 31 August 2020.*
[4] *SB Viranna resigned as Chief Executive Officer with effect from 17 January 2020.*
[5] *Executive directors elected to defer 70% of their on-target performance bonuses, relating to the 2021 financial year, into shares (bonus shares) in Life Healthcare. The award date for the bonus shares will be in FY2022. For each bonus share awarded, the Company will award three matching shares. Additionally the Company will award performance shares to the value of 75% of their annual guaranteed package. The matching and performance shares will only be awarded in FY2022. Vesting in terms of this scheme takes place in four years from the award date.*

Notes to consolidated annual financial statements continued

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28. DIRECTORS' EMOLUMENTS AND INTERESTS IN THE COMPANY continued

Long-term incentive scheme	Opening balance at 1 October 2020 – Number of shares	Opening balance at 1 October 2020 – Issue price R/share	Awards received during 2021 – Number of shares	Awards received during 2021 – Date of issue	Awards received during 2021 – Issue price R/share	Dividends – Value of dividends in respect of all plans (R)	Closing balance at 30 September 2021 – Number of shares	Closing balance at 30 September 2021 – Final vesting date
PG Wharton-Hood								
2021 allocation[1]	862 706	17.39	**–**	**n/a**	**–**	**–**	**862 706**	**Dec 25**

Long-term incentive scheme	Opening balance at 1 October 2020 – Number of shares	Opening balance at 1 October 2020 – Issue price R/share	Awards received during 2021 – Number of shares	Awards received during 2021 – Date of issue	Awards received during 2021 – Issue price R/share	Dividends – Value of dividends in respect of all plans (R)	Closing balance at 30 September 2021 – Number of shares	Closing balance at 30 September 2021 – Final vesting date
PP van der Westhuizen								
2021 allocation[1]	350 000	17.11	**600**	**Dec 2020**	**16.45**	**–**	**350 600**	**Dec 25**

	Total shareholding shares		Directors' fees R'000	
	2021	2020	**2021**	2020
Non-Executive directors				
VL Litlhakanyane[2]	**–**	–	**1 154**	221
MA Brey[3]	**n/a – retired**	4 300 349	**460**	1 136
PJ Golesworthy[4]	**31 224**	31 224	**1 134**	1 061
CM Henry[5]	**–**	–	**28**	–
CJ Hess[5]	**–**	–	**29**	–
ME Jacobs	**–**	–	**695**	591
AM Mothupi	**–**	–	**737**	667
JK Netshitenzhe	**–**	–	**601**	501
MP Ngatane	**–**	–	**603**	572
M Sello	**–**	–	**511**	397
GC Solomon[4]	**143 612**	143 612	**913**	729
RT Vice	**–**	–	**796**	712
	174 836	4 475 185	**7 661**	6 587

[1] *Refer note 19.*
[2] *VL Litlhakanyane was appointed as non-executive director on 15 April 2020 and as the non-executive Chairman of the Board from 27 January 2021.*
[3] *MA Brey retired from the Board as director and Chairman with effect from 27 January 2021. His direct beneficial shareholding for 2020 was 716 370, his indirect beneficial shareholding was 3 484 787 and his associate interest was 99 192.*
[4] *PJ Golesworthy and GC Solomon's total shareholding only includes direct beneficial shares.*
[5] *CM Henry and CJ Hess were appointed as non-executive directors on 1 September 2021.*

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

28. **DIRECTORS' EMOLUMENTS AND INTERESTS IN THE COMPANY** continued

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, the Group Chief Financial Officer, Chief Executive Officer – southern Africa and Chief Executive Officer – International.

	Total share-holding	Salaries R'000	Bonus and perfor-mance-related payments R'000	Perfor-mance-related bonus accrual to be paid in cash R'000	Perfor-mance-related bonus deferral[3]	Other allow-ances R'000	Long-term incentive schemes R'000	Medical aid contribu-tions R'000	Pension fund contribu-tions R'000	Total remune-ration R'000
2021										
PG Wharton-Hood										
PP van der Westhuizen	**Refer emoluments disclosed under executive directors**									
AM Pyle	**413 227**	**4 079**	**–**	**1 811**	**1 891**	**18**	**2 201**	**–**	**170**	**10 170**
MD Chapman	**640 383**	**5 842**	**–**	**2 173**	**2 454**	**254**	**–**	**–**	**584**	**11 307**
2020										
PG Wharton-Hood										
PP van der Westhuizen	Refer emoluments disclosed under executive directors									
AM Pyle[1]	82 590	3 331	1 273	2 012	–	18	405	6	151	7 196
MD Chapman[2]	185 787	5 535	–	2 854	–	259	–	–	569	9 217

[1] *AM Pyle's direct shareholding is 135 416 and his indirect shareholding is 277 811. Indirect shareholding is subject to vesting conditions. Refer note 19.*

[2] *MD Chapman's direct shareholding is 117 669 and his indirect shareholding is 522 714. Indirect shareholding is subject to vesting conditions. Refer note 19.*

[3] *Prescribed officers elected to defer 70% of their on-target performance bonuses, relating to the 2021 financial year, which they are entitled to in November 2021, into shares (bonus shares) in Life Healthcare. The award date for the bonus shares will be in FY2022. For each bonus share awarded, the Company will award three matching shares. Additionally the Company will award performance shares to the value of 75% of their annual guaranteed package. The matching and performance shares will only be awarded in FY2022. Vesting in terms of this scheme takes place in four years from the award date.*

	Opening balance at 1 October 2020		**Awards received during 2021**		**Dividends**	**Closing balance at 30 September 2021**	
Long-term incentive scheme	Number of shares	Issue price R/share	**Number of shares**	**Issue price R/share**	**Value of dividends in respect of all plans (R)**	**Number of shares**	**Final vesting date**
AM Pyle							
2021 allocation[4]	82 590	21. 97	**195 221**	**19.16**	**–**	**277 811**	**31 Dec 2025**

	Opening balance at 1 October 2020		**Awards received during 2021**		**Awards forfeited**	**Dividends**	**Closing balance at 30 September 2021**	
Long-term incentive scheme	Number of shares	Issue price R/share	**Number of shares**	**Issue price R/share**	**Number of shares**	**Value of dividends in respect of all plans (R)**	**Number of shares**	**Final vesting date**
MD Chapman								
2021 allocation[4]	185 787	21.97	**336 927**	**18.27**	**–**	**–**	**522 714**	**31 Dec 2025**
C convertible shares	10 000	n/a	**–**	**–**	**(10 000)**	**–**	**–**	**30 Sep 2021**

[4] *Refer note 19.*

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

Notes to consolidated annual financial statements continued

for the year ended 30 September 2021

29. RELATED PARTIES

Subsidiary companies – refer to annexure B

During the year, certain companies in the Group entered into transactions with other companies in the Group. These intra-group transactions have been eliminated on consolidation. The net loan receivable balance with subsidiary companies is R391 million (2020: R391 million). The complete list of outstanding balances is available at the Company's registered office.

Related-party transactions

Management fees	A management fee is charged to subsidiaries and is charged to cover costs associated with services carried out on their behalf, for example: tariff negotiations, treasury, tax compliance, human resource, payroll, marketing, nursing management, engineering, credit control, insurance claim management, etc. The fees are based on a percentage of revenue for most southern Africa subsidiaries. The percentage varies between 1% and 4% depending on the types of service Life Healthcare Group Proprietary Limited (LHC) carries out on behalf of the southern Africa subsidiary. The fees to international businesses are based on a cost plus margin basis.
Information management fees (IM fees)	An IM fee is charged to subsidiaries to recover the cost incurred to run the IM infrastructure and services. The fee is based on a net cost recovery basis.
Guarantee fees	The Group charges a fee to the relevant subsidiaries where the Group is used as guarantor for debt.
Pharmacy fees	LHC charges all units that utilise the central purchasing and pharmacy management services a 1% fee on the monthly purchases.
Other cost recharges	The Group recharges certain 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 is a lessor for a number of properties that are occupied by subsidiary companies. Rent is charged at market-related rates. AMG leases mobile scanners between certain Group companies at market-related rates.
Royalties	AMG charges a 3% fee of the relevant revenue where countries use the AMG brand.

Associate companies and joint ventures – refer to annexure C

The Group has investments in a number of associate companies and joint ventures. Details are disclosed in note 12 and annexure C to the financial statements. No provision has been required in 2021 and 2020 for the loans made to associates and joint ventures.

	2021 R'm	2020 R'm
Loans to associates and joint ventures		
Balance at 1 October	**5**	10
Net movements in amounts owned	**(5)**	(5)
Balance at 30 September	**–**	5

29. RELATED PARTIES continued

Directors and director-related entities

Details of directors are disclosed in the administration to the financial statements on page 02. No direct loans were made to or received from any director and no other transactions were entered into with any director. Refer to note 28 for details on directors' emoluments.

Key management

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

Key management disclosure excludes non-executive directors' fees – refer note 28.

	2021 R'm	2020 R'm
Remuneration		
Salaries	**513**	524
Share-based payment – long-term incentive schemes	**66**	22
Medical aid contributions	**6**	5
Pension fund costs – defined benefit and contribution plans	**6**	6
Provident fund costs – defined contribution plans	**17**	15
	608	572

30. COMMITMENTS AND CONTINGENCIES

Capital commitments

Capital expenditure approved for property, plant and equipment	**2 889**	2 608

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

Contingent liabilities

The Group stands as guarantor in respect of certain 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 R19 million (2020: R25 million).

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

Disposal of Max Healthcare

As part of the conditions in the share purchase agreement (SPA) signed during the 2019 financial year, Life Healthcare indemnified the purchaser (Radiant Life Care Private Limited) from and against, any and all losses incurred or suffered by the purchaser in relation to claims set out in the SPA. The value of the contingent liability is limited to a maximum exposure of R206 million to Life Healthcare (excluding tax payable in respect of any indemnification payments). In the event, where tax is payable on the indemnification payment, the tax liability will be payable equally by Life Healthcare and the purchaser. The liability for Life Healthcare with respect to the payment of the specific indemnity tax shall be in addition to the liability of R206 million. The contingent liability is valid for a period of three years from the closing date (i.e. until 21 Jun 2022). No claims arose during the year ended 30 September 2021.

31. EVENTS AFTER THE REPORTING PERIOD

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

Cash dividend declaration

The Board of Directors approved a final gross cash dividend of 25.0 cents per ordinary share for the year ended 30 September 2021. 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 20.0 cents per share.

Notes to consolidated annual financial statements continued

for the year ended 30 September 2021

32. RISK MANAGEMENT

Overall risk management programme

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

Capital risk management

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

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

The ratio is calculated as net debt divided by normalised EBITDA. Net debt is calculated as total interest-bearing borrowings (including current interest-bearing and non-current interest-bearing borrowings) plus guarantees (if applicable) plus bank overdrafts less cash and cash equivalents. International's net debt is calculated using average exchange rates for the year (as agreed with the lenders). Normalised EBITDA is defined as earnings before interest, tax, depreciation and amortisation, adjusted for non-recurring items, and includes the normalised EBITDA of new acquisitions for that part of the year when it was not owned by the Group and excluding EBITDA attributable to any member of the Group disposed of during the year. The ratio excludes net debt and normalised EBITDA of any special purpose vehicles (SPV) as described in the debt agreements. Only one entity within the Group meets the definition of a SPV. Lenders have confirmed that the impact of IFRS16 *Leases* can be excluded from covenant calculations.

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

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

During the prior year, the Group engaged with its lenders and received temporary relaxation on the measurement of covenants. These came to an end on 31 March 2021 and the Group reverted to its prior covenants.

	2021	2020
As calculated as defined in debt agreements		
Total interest cover ratio (times)	**11.04**	5.81
Net debt to normalised EBITDA ratio	**1.82**	2.96
As calculated based on reported results		
Total interest cover ratio (times)	**8.12**	5.24
Net debt to normalised EBITDA ratio	**2.05**	3.40
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**	3.75
A maximum of net debt to normalised EBITDA ratio	**3.50**	4.00

32. 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, liquidity risk and fair value risk.

Market risk

Foreign exchange risk

Risk exposure	The Group interacts with international suppliers and is exposed to foreign exchange risk arising from various currency exposures. The foreign currency transactions are mainly denominated in : ◆ Pound sterling; ◆ European euro; and ◆ US dollar. The Group's presentation currency is the South African rand (ZAR), 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), British pound sterling (GBP), US dollar (USD) and European euro (EUR) are the most significant.
How the risk arises	Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Group'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 changed its policy in FY2021 from requiring Group companies to manage their foreign exchange risk against their functional currency, to requiring Group companies to manage their foreign exchange risk against an agreed ZAR value. The Group's treasury risk management principle is to hedge material cash flows where the local cash flow impact is in excess of 50 million (2020: 5 million functional currency) equivalent. 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 commercial transactions and recognised assets and liabilities, entities in the Group use forward exchange contracts and options, transacted with commercial banks on an all-inclusive price in the entity's 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 2021, foreign denominated borrowings to the equivalent of R8 244 million existed (2020: R10 491 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, UK, Italy, Spain, Switzerland, northern Europe, Ireland and other smaller investments across Europe and the US. The net assets of the Botswana, UK, Italy, Spain, Switzerland, northern Europe, Ireland and other smaller investments are exposed to foreign currency translation risk as the companies are subsidiaries of the Group.

Notes to consolidated annual financial statements continued

for the year ended 30 September 2021

32. RISK MANAGEMENT continued

Financial risk continued

Market risk continued

Foreign exchange risk continued

Material foreign currency exposure at statement of financial position date:

Rand millions

	2021					2020				
	BWP	**GBP**	**EUR**	**USD**	**PLN**	BWP	GBP	EUR	USD	PLN
Non-current assets	**201**	**16 429**	**1 815**	**1 833**	**69**	203	18 324	2 508	846	1 733
Current assets	**429**	**1 103**	**1 374**	**157**	**7**	468	1 454	1 280	96	426
Current liabilities	**(88)**	**(1 174)**	**(2 026)**	**(120)**	**(1)**	(61)	(1 428)	(1 505)	(69)	(732)
Non-current liabilities	**(167)**	**(5 406)**	**(3 159)**	**(63)**	**(10)**	(191)	(6 143)	(4 251)	(51)	(527)
Exposure on external balances	**375**	**10 952**	**(1 996)**	**1 807**	**65**	419	12 207	(1 968)	822	900
Net exposure on balances between Group companies	**–**	**3 407**	**(2 887)**	**(381)**	**(139)**	–	3 581	(3 097)	(330)	(154)
Total net exposure	**375**	**14 359**	**(4 883)**	**1 426**	**(74)**	419	15 788	(5 065)	492	746

Foreign currency in millions

	2021					2020				
	BWP	**GBP**	**EUR**	**USD**	**PLN**	BWP	GBP	EUR	USD	PLN
Non-current assets	**150**	**807**	**103**	**121**	**18**	138	840	126	50	394
Current assets	**321**	**54**	**78**	**10**	**2**	317	67	64	6	97
Current liabilities	**(66)**	**(58)**	**(115)**	**(8)**	**–**	(41)	(65)	(76)	(4)	(166)
Non-current liabilities	**(125)**	**(266)**	**(180)**	**(4)**	**(3)**	(129)	(282)	(214)	(3)	(120)
Exposure on external balances	**280**	**537**	**(114)**	**119**	**17**	285	560	(100)	49	205
Net exposure on balances between Group companies	**–**	**167**	**(164)**	**(25)**	**(37)**	–	164	(156)	(19)	(35)
Total net exposure	**280**	**704**	**(278)**	**94**	**(20)**	285	724	(256)	30	170

32. **RISK MANAGEMENT** continued
Financial risk continued
Market risk continued
Foreign exchange risk continued
Sensitivities analysis

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

	2021 R'm	2020 R'm
Impact on movement in FCTR in other comprehensive income		
Rand strengthened	**(1 042)**	(3 195)
Rand weakened	**1 042**	3 195

The tables below analyse the impact on the Group's revenue and post-tax profit. The analysis is based on the assumption that the ZAR had strengthened/weakened by 10% (2020:10%) against the foreign currency with all other variables held constant.

	Rand strengthened		Rand weakened	
	2021 R'm	2020 R'm	2021 R'm	2020 R'm
Impact on revenue				
BWP	**(54)**	(58)	**54**	58
GBP	**(385)**	(317)	**385**	317
EUR	**(357)**	(306)	**357**	306
USD	**(41)**	(36)	**41**	36
PLN (Disposed of during the year)	**–**	(155)	**–**	155
Impact on profit/(loss) after tax				
BWP	**(5)**	(4)	**5**	4
GBP (2020: loss position)	**(15)**	38	**15**	(38)
EUR	**(32)**	(18)	**32**	18
USD (loss position)	**16**	11	**(16)**	(11)
PLN (Disposed of during the year)	**–**	85	**–**	(85)
Exchange rates used for conversion of foreign denominated items				
Assets and liabilities				
BWP			**1.34**	1.48
GBP			**20.35**	21.81
EUR			**17.57**	19.86
USD			**15.14**	16.94
PLN at disposal date			**3.72**	4.40
Income/expense items				
BWP			**1.35**	1.43
GBP			**20.32**	20.69
EUR			**17.76**	18.19
USD			**14.84**	16.13
PLN average until disposal date			**4.06**	4.12

Notes to consolidated annual financial statements continued

for the year ended 30 September 2021

32. RISK MANAGEMENT continued

Financial risk continued

Market risk continued

Interest rate risk

Risk exposure	Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates economically expose the Group to fair value interest rate risk. Refer note 20.
How the risk arises	The Group's interest rate risk primarily arises from a mix of short- and long-term borrowings. The Group's income and operating cash flows are substantially independent of changes in market interest rates.
Objectives, policies and processes for managing the risk and methods used to measure risk	The Group manages its interest rate exposure in total and mainly borrows or invests at Group level, unless it is more appropriate to do so at subsidiary level. Based on the various scenarios, the Group manages its cash flow interest rate risk by using interest rate collars, caps 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 or swaps contracts, the Group agrees with other parties to exchange, at specified intervals (primarily quarterly), the difference between the fixed and the floating rate interest amounts calculated on agreed notional principle amounts. Interest rate collars, caps or swaps are entered into to fix interest rates from floating rates.
Concentration of risk	Group policy is to hedge a maximum of 80% of its borrowings (excluding lease liabilities) and to hedge a quantum of borrowings (excluding lease liabilities) to ensure the profit or loss impact of a 1% movement in interest rates on unhedged borrowings (excluding lease liabilities) is less than 2.0% of the previous 12-month Group normalised EBITDA*. At 30 September 2021, 24% of the Group debt (excluding lease liabilities) was hedged (2020: 24%). Refer to note 24 for the current interest rate hedges in place.

* *Non-IFRS measure.*

The Group analyses its interest rate exposure on a dynamic basis. The simulation is done on a quarterly basis to verify that the maximum loss potential is within the Group's limits. The Group's debt is partially hedged by interest rate swap contracts. At 30 September 2021, the interest rate swap contracts hedge R1.8 billion (2020: R2.6 billion) of the Group's net debt (excluding lease liabilities) of R7 561 million (2020: R11 064 million).

Sensitivity analysis

The scenario is run only for liabilities that represent the major interest-bearing borrowing positions.

	2021 R'm	2020 R'm
Impact on post-tax profit		
1% increase	**(49)**	(86)
1% decrease	**49**	100

32. RISK MANAGEMENT continued

Financial risk continued

Liquidity risk

Risk exposure	Those financial liabilities of the Group with contractual cash flows and maturity dates are exposed to liquidity risk.
How the risk arises	Liquidity risk arises should the Group not be able to meet its obligations as they become due.
Objectives, policies and processes for managing the risk and methods used to measure risk	Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed banking facilities and the ability to close out market positions. The Group's liquidity risk is mitigated by the availability of funds to cover future commitments. The Group manages liquidity risk through an ongoing review of future commitments and banking facilities. Due to the dynamic nature of the underlying businesses, treasury maintains flexibility in funding by maintaining availability under committed credit lines. The Group has sufficient available bank facilities that can be utilised to service short-term commitments. Refer to note 20. Given the ongoing uncertainty around the pandemic and the future impact that this may have on the Group, Life Healthcare has kept in place additional banking facilities that were put in place during the prior year. Management continued its cash preservation drive across the Group's operations. Cash flow forecasts are prepared and utilised facilities are monitored on a daily basis. Longer-term cash flow forecasts are updated quarterly. **Refinancing debt** The Group successfully arranged new three- and five-year term debt in South Africa during June 2021 and thereby extended the debt maturity profile. The Group maintains a varied maturity profile for non-current interest-bearing borrowings in line with forecast profitability and cash flow. Acceptable profitability and gearing levels at the time of refinancing will meet lenders credit criteria and mitigate refinancing risk. The Group ensures that a reasonable balance is maintained between the period over which assets generate funds and the period over which the assets are funded. The Group maintains relationships with a broad range of financial institutions to avoid concentration risk and safeguard the availability of liquidity at all times. To further avoid market concentration risk, the Group diversifies its funding sources between traditional bank markets and debt capital markets, enabling it to target different lenders at different points in their credit cycles. The Group also diversifies its funding geographically to reach lenders familiar in those regions. Amortising debt is budgeted to be repaid from cash resources or refinanced with available short-term facilities. The Group reviews maturities at least 12 months in advance and ensures that adequate cash resources and/or committed banking facilities will be in place and available at least six months before a significant refinancing date. **LIBOR transition** The Group has GBP term loans referenced to LIBOR and has engaged with lenders to switch the underlying reference rate from LIBOR to the Sterling Overnight Indexed Average (SONIA).The Group intends to effect the changes by directly amending the benchmark rate in the agreements on an economically equivalent basis. The effective date will be 31 December 2021, being the cessation date of GBP LIBOR. No additional risks have been identified and no change is expected to the carrying amount of the liability. The Group has EUR loans referenced to EURIBOR which are unaffected, as EURIBOR falls outside the scope of reference rate reform. Financial liabilities to be transitioned:

Interest bearing borrowings	Currency	Interest rate benchmark	New reference rate
Term Loan A1	Pound sterling	3-month GBP LIBOR	Sterling Overnight Indexed Average "SONIA"
Term Loan A2	Pound sterling	3-month GBP LIBOR	
Term Loan C	Pound sterling	3-month GBP LIBOR	

Refer note 20.

Notes to consolidated annual financial statements continued

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32. RISK MANAGEMENT continued

Financial risk continued

Liquidity risk continued

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.

	Southern Africa		AMG		Poland[1]	
	2021 R'm	2020 R'm	**2021 R'm**	2020 R'm	**2021 R'm**	2020 R'm
Interest-bearing borrowings	**4 004**	3 300	**7 043**	9 191	**–**	412
Less than 1 year	**901**	1 285	**789**	245	**–**	411
1 to 2 years	**691**	1 327	**98**	1 070	**–**	1
3 to 5 years	**2 412**	688	**6 154**	7 869	**–**	–
Over 5 years	**–**	–	**2**	7	**–**	–
Lease liabilities[1]	**1 672**	1 223	**1 508**	1 655	**–**	657
Less than 1 year	**183**	171	**351**	409	**–**	79
1 to 2 years	**521**	116	**263**	315	**–**	70
3 to 5 years	**425**	515	**492**	457	**–**	406
Over 5 years	**543**	421	**402**	474	**–**	102
Trade and other payables	**2 214**	1 592	**2 017**	2 058	**–**	191
Less than 1 year	**2 214**	1 592	**1 945**	2 003	**–**	171
1 to 2 years	**–**	–	**72**	55	**–**	20
3 to 5 years	**–**	–	**–**	–	**–**	–
Contingent consideration liabilities	**–**	–	**1 311**	1 358	**–**	11
Less than 1 year	**–**	–	**–**	–	**–**	11
1 to 2 years	**–**	–	**–**	1	**–**	–
Over 5 years	**–**	–	**1 311**	1 357	**–**	–
Derivative financial instruments[2]	**4**	38	**–**	15	**–**	–
Less than 1 year	**–**	12	**–**	15	**–**	–
1 to 2 years	**2**	26	**–**	–	**–**	–
3 to 5 years	**2**	–	**–**	–	**–**	–
Total	**7 894**	6 153	**11 879**	14 277	**–**	1 271

[1] *Disposed of during the year.*

[2] *Included foreign exchange contracts and interest rate swap contracts. The table above 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.*

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

Risk exposure	Credit risk arises mainly from cash and cash equivalents, trade and other receivables and other assets. Trade receivables comprise a widespread customer base.
How the risk arises	Credit risk is the risk of financial loss due to counterparties to financial instruments not meeting their contractual obligations.
Objectives, policies and processes for managing the risk and methods used to measure risk	Credit risk is managed using Group policies within the territories it arises in. The Group deposits surplus cash with banks and financial institutions and maintains an appropriate spread of cash deposits to limit exposure to any one counterparty. Only independently rated parties with a minimum Moody's rating of "BI" or equivalent for South African banks are accepted. For AMG, counterparty risk is managed through the active monitoring and management of counterparties with which AMG transact. The Group evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. If there is no independent rating, the Group's central credit risk function assesses the credit quality of the non-government customer, taking into account its financial position, past experience and other factors. Individual risk limits are set for patients without medical aid insurance. Services to customers without medical aid insurance are settled in cash or using major credit cards on discharge date as far as possible. Credit guarantee insurance is not purchased. In certain AMG territories, use is made of invoice factoring facilities which are on a non-recourse basis, further reducing the credit risk from individual customers.
Concentration of risk	The maximum exposures to credit risk at the reporting date are cash and cash equivalents, the carrying value of each class of trade and other receivables as well as other assets. The Group does not hold any collateral as security. The Group is exposed to a number of guarantees for the overdraft facilities of Group companies. Refer to note 30 for additional details.
Maximum exposure to credit risk by class of financial instrument	Financial assets exposed to credit risk at year-end were as follows:

	2021 R'm	2020 R'm
Trade and other receivables	**3 806**	3 814
Cash and cash equivalents	**2 672**	2 279
Other assets	**108**	125

Notes to consolidated annual financial statements continued

for the year ended 30 September 2021

32. RISK MANAGEMENT continued

Financial risk continued

Credit risk continued

Cash and cash equivalents

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

	2021 R'm	2020 R'm
South African rand	**1 447**	466
Botswana pula	**220**	252
Pound sterling	**388**	926
European euro	**598**	450
Polish zloty	**6**	163
United States dollar	**10**	20
Norwegian Krone	**3**	–
Swiss franc	**–**	2
Balance at 30 September	**2 672**	2 279
Overdraft facilities within the Group are secured by means of cross sureties by Group companies.		
Based on where current business is conducted, the credit quality of cash at bank and short-term money market instruments is as follows:		
Southern Africa[1]	**1 448**	465
Botswana[2]	**220**	252
AMG[3]	**1 003**	1 398
Scanmed[4]	**–**	163
Cash on hand	**1**	1
	2 672	2 279

[1] *The counterparties have a South African Moody's Ratings of Ba2 (2020: Ba1).*
[2] *The counterparties have a Botswana Standard & Poor rating of BBB+ (2020: BBB+).*
[3] *The counterparties have a minimum Fitch credit rating of BB+ (2020: BB+).*
[4] *Disposed of during the year.*

Trade and other receivables

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

The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events and current conditions. Trade receivables are written off when the Group has exhausted all options regarding the debt. Refer 1.2.1 Critical judgements and annexure A – significant accounting policies (section 1.11 financial instruments).

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

32. RISK MANAGEMENT continued

Financial risk continued

Credit risk continued

Trade and other receivables continued

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

R'm	Current	31 – 60 days	61 – 90 days	91 – 120 days	>120 days	Total
2021						
Private patients	**235**	**109**	**47**	**80**	**430**	**901**
Medical aids	**1 288**	**99**	**40**	**28**	**256**	**1 711**
Government and public healthcare facilities	**251**	**206**	**50**	**63**	**347**	**917**
Trade receivables	**1 774**	**414**	**137**	**171**	**1 033**	**3 529**
ECL (R'm)	**9**	**6**	**6**	**6**	**405**	**432**
Weighted average ECL rate	**0.5%**	**1.4%**	**4.4%**	**3.5%**	**39.2%**	
2020						
Private patients	376	132	66	115	214	903
Medical aids	1 128	117	104	93	15	1 457
Government and public healthcare facilities	443	181	151	55	426	1 256
Trade receivables	1 947	430	321	263	655	3 616
ECL (R'm)	63	29	13	6	292	403
Weighted average ECL rate	3.2%	6.7%	4.0%	2.3%	44.6%	

Fair value risk

The derivative assets and liabilities used for economic hedging, as presented in note 24, are the financial assets and liabilities that are measured at fair value.

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 significance of the inputs used in the valuation. All of the resulting fair value estimates for the derivatives used for economic hedging are included in level 2. The contingent consideration 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 2021.

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 2021.

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

Annexure A

1. SIGNIFICANT ACCOUNTING POLICIES

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

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

1.1 Revenue and other income

1.1.1 Revenue from contracts with customers

Recognition of revenue

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

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

Southern Africa

Hospital and complementary services

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

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

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.1 Revenue and other income continued

1.1.1 Revenue from contracts with customers continued

Hospital and complementary services continued

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

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

The services are provided on a fee-for-service basis and then repriced according to the various tariff agreements with funders and/or medical aids.

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

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

Healthcare services

Healthcare services comprises Life Esidimeni and Life Employee Health Solutions.

- *Life Esidimeni*

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

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

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

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

Revenue is recognised over time as the services are provided.

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

- *Life Employee Health Solutions*

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

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.1 Revenue and other income continued

1.1.1 Revenue from contracts with customers continued

International

Diagnostic services

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

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

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

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

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

Revenue is provided on a fixed fee basis (per dose or per delivery) for manufacturing activities and on reaching contractual obligations.

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

Growth initiatives

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

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

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

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

Contract balances

Trade receivables

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

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.1 Revenue and other income continued

1.1.2 Other income

	Includes	Recognition	Measurement
Interest income	Interest income on funds invested, unwinding of the discount on debtors, changes in the fair value of financial assets at fair value through profit or loss, foreign exchange gains and gains on hedging instruments that are recognised in profit or loss.	Recognised, in profit or loss, using the effective interest rate (EIR) method, unless it is doubtful.	**Effective interest method** When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original EIR of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original EIR.
Rental income	Rental income arising from leases excluded from IFRS 16.	Accounted for on a straight-line basis over the lease term in profit or loss.	Fair value.
Government assistance/ support	Reimbursement of employment costs.	Government grants relating to costs, are deferred and recognised in the statement of profit or loss over the period necessary to match it with the costs that they are intended to compensate.	Fair value.
Insurance income	Insurance receipts relating to insurance claims.	Recognised in profit or loss when the Group's claim is approved.	Fair value.
Dividend income	External dividends.	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	The cost of all short-term employee benefits is recognised as an expense during the period in which the employee renders the related service. Accruals for employee entitlement to wages, salaries, bonuses and annual leave represent the amount which the Group has a present obligation to pay as a result of employees' services provided up to the reporting date. The accruals have been calculated at undiscounted amounts based on the current wage and salary rates and are included in trade and other payables in the statement of financial position. The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance and the related liability, and a reliable estimate of the obligation can be made.

Termination benefits

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

Post-employment benefits

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

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.2 Employee benefits continued

Post-employment benefits continued

Defined benefit plan (continued)		
Includes	A pension plan that is not a defined contribution plan.	
Fund name	◆ Life Healthcare DB Pension Fund ◆ Lifecare Group Holdings Pension Fund ◆ Life Healthcare Provident Fund (ESA) ◆ Post-employment medical aid benefit (phased out)	
Accounting treatment	For defined benefit plans the cost of providing the benefits is determined using the projected unit credit method. Actuarial accounting valuations are conducted on an annual basis by independent actuaries separately for each plan. Consideration is given to any event that could impact the funds up to reporting date where the interim valuation is performed at an earlier date. Past-service costs are charged to the statement of profit or loss when the plan amendment or curtailment occurs. Gains or losses on the curtailment or settlement of a defined benefit plan are recognised when curtailment or settlement occurs.	
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*	◆ Net interest income ◆ Current service cost These costs are included in the statement of profit or loss under retirement benefit asset and post-employment medical aid income.
	Other comprehensive income	◆ 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 and losses arising from experience adjustments and changes in actuarial assumptions are charged to other comprehensive income in the period in which they arise. Independent qualified actuaries carry out annual valuations of these obligations.

Annexure A continued

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.2 Employee benefits continued

Shared-based payments (IFRS 2)

Cash-settled

Includes

Long-term incentive scheme effective from 2019 (International)

Life Healthcare granted awards to its international Group and country executives as well as senior management (qualifying employees) on 1 January each year (from 2019). The value of awards will be tier-based and linked to individual performance. A modifier of between 0.5 and 2 for the 2021 scheme and between 1 and 2 for the 2019 and 2020 schemes can be applied to the allocation for key talent retention, this is applicable to all participants at the discretion of the Group CEO. Each award will be converted into notional performance shares. Vesting in terms of the scheme takes place in three years from allocation, with vesting subject to a range of non-market performance conditions.

The benefits payable to these qualifying employees will be determined in ZAR and converted to their local currency at the prevailing exchange rates at the time, on vesting date.

The number of awards that vest are dependent on a service condition as well as various performance conditions, set out below:

	weighting %		
	2021	2020	2019
Group executives:			
◆ Capital efficiency	**n/a**	40	40
◆ Normalised Group HEPS	**60**	40	40
◆ Life core purpose outcome	**20**	20	20
◆ Retention shares	**20**	n/a	n/a
Country executives:			
◆ Capital efficiency	**n/a**	35	30
◆ Normalised country EBIT	**n/a**	35	30
◆ Life core purpose outcome	**40**	30	40
◆ Normalised Group HEPS	**60**	n/a	n/a
Country managers:			
◆ Capital efficiency	**n/a**	20	15
◆ Normalised country EBIT	**n/a**	40	35
◆ Life core purposes outcome	**40**	40	50
◆ Normalised Group HEPS	**60**	n/a	n/a

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.2 Employee benefits continued

Shared-based payments (IFRS 2)

Cash-settled (continued)	
Includes	*Long-term incentive scheme effective from 2019 (International) (continued)* Capital efficiency is measured as return on capital employed compared to WACC. Normalised Group HEPS is based on growth of HEPS in excess of CPI. Normalised country EBIT is based on growth of EBIT in excess of CPI. Life core purpose outcomes is based on country-specific non-financial measures that drive long-term sustainability of the Group. The retention notional performance shares are not subject to performance conditions and will vest on the vesting date, subject to continued employment. The value of the notional performance shares, paid out in cash to the qualifying employees, is based on the 30-day VWAP of ordinary shares in Life Healthcare as at the vesting date.
	If a participant ceases to be employed by the Group prior to the vesting of the grant, the following will apply: ◆ Good leavers with a date of termination of employment: – that is more than one year before the vesting date of the grant: • 2019 scheme: will result in all notional performance shares held by the participant being forfeited and cancelled for no consideration • 2020 and 2021 schemes: the participant shall retain a pro rata number of notional performance shares based on number of months completed service relative to the vesting period of 36 months, the balance of notional performance shares shall be forfeited and cancelled for no consideration; or – that is one year or less before the vesting date of the grant, will retain all notional performance shares and he/she shall continue to be treated as a participant as if his/her employment had not been terminated (2019 to 2021 schemes) ◆ Bad leavers with a date of termination of employment prior to vesting date, will result in all notional performance shares held by the participant being forfeited and cancelled for no consideration (2019 to 2021 schemes)
Accounting treatment	The benefits are measured at the fair value of the liability at each reporting date and at the date of settlement, with any changes in fair value recognised in profit or loss for the period. The value of the services received (expense), and the related liability are recognised over the vesting period and disclosed in note 22.

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

Annexure A continued

1. SIGNIFICANT ACCOUNTING POLICIES continued

Group accounting

1.3 Consolidation

Subsidiaries and trust beneficiary accounts

Initial recognition and measurement

Entities (including structured entities) over which the Group has control are consolidated in the Group annual financial statements. The Group applies the acquisition method to account for business combinations. The financial results of the Group and its subsidiaries are consolidated into the Group's results from acquisition date until control ceases. The financial statements of the subsidiaries are prepared for the same period as the parent Company. 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 Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date and the adjustment is recognised in profit or loss.

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

Company financial statements

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

Non-controlling interest

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

Contingent consideration

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

Inter-company transactions

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

Changes in ownership without change in control

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

Loss of control

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

The profit or loss realised on disposal or termination of a subsidiary 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 and loss where appropriate. If the ownership interest is increased, without gaining control, the cost of the additional interest is added to the carrying value of the associate or joint venture.

Subsequent measurement

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

Impairment

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

Unrealised gains and losses

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

1.5 Translation of foreign operations

Procedures followed to translate to presentation currency

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

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

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

Exchange differences on monetary items

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

Cash flows

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

1. **SIGNIFICANT ACCOUNTING POLICIES** continued

Operating assets

1.6 Property, plant and equipment

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

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

1.7 Intangible assets

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

1. SIGNIFICANT ACCOUNTING POLICIES continued

Operating assets continued

1.7 Intangible assets continued

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

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

1.8 Leases

Group as lessee

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

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES continued

Operating assets continued

1.9 Inventories

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

The cost of inventories written off as expired stock, is recorded as an expense and included in drugs and consumables in profit or loss.

1.10 Assets held for sale and discontinued operation

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

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

A discontinued operation is a component of the Group that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of the discontinued operation are presented separately in the statement of profit or loss.

1.11 Financial instruments

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

Financial assets

The Group has the following financial assets:

- Cash and cash equivalents
- Trade and other receivables
- Other assets, which include:
  - Loans receivable
  - Loans to associates

Initial recognition and measurement

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

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

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

On initial recognition:

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

1.11 Financial instruments continued

Financial assets continued

Subsequent measurement

Financial assets are subsequently measured at amortised cost.

Financial assets at amortised cost

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

The Group measures financial assets at amortised cost if both of the following conditions are met:
- The financial asset is held with the objective to collect contractual cash flows and
- The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

Derecognition

The Group derecognises a financial asset (ie removed from the Group's consolidated statement of financial position) when:
- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation and either:
  - the Group has transferred substantially all the risks and rewards of the asset, or
  - the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

Impairment of financial assets

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

Trade receivables

Further disclosures relating to impairment of financial assets are also provided in the following notes:
- Disclosures for critical judgements, accounting estimates and assumptions – refer note 1.2
- Risk management – credit risk relating to trade receivables note 32

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

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

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.11 Financial instruments continued

Financial assets continued

Impairment of financial assets continued

Trade receivables continued

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

The Group considers a financial asset in default when contractual payments are past due (described under 1.2.1 Critical judgements relating to trade receivables). However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full.

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

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

Financial liabilities

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

Initial recognition and measurement

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

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

1.11 Financial instruments continued

Financial liabilities continued

Subsequent measurement

Financial liabilities are subsequently measured as either:

- financial liabilities at amortised cost; or
- financial liabilities at fair value through profit or loss.

Financial liabilities at amortised cost

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

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

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

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

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

Financial liabilities at fair value through profit or loss

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

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

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

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

Trade and other payable

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year, which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period.

Trade and other payables also include employee-related payables, which represent the pro rata portion of a 13th cheque, accrued annual leave and a performance bonus scheme. Refer 1.2 “Short-term employee benefits”.

Derecognition

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

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

Offsetting of financial instruments

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

1.12 Provisions

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

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

1. **SIGNIFICANT ACCOUNTING POLICIES** continued

1.12 Provisions continued

Property related

Represents the decommissioning costs of cyclotrons used in the production of radiopharmacy products and property restoration costs.

- Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as a provision. The cash flows are discounted at a current pre-tax rate.
- Property restoration provisions include the estimated costs to restore leased properties to their original condition when the lease term expires.

Insurance provision

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

Cash-settled share-based payments

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

1.13 Capital and reserves

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

Share capital and equity

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

Treasury shares

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

1.14 Non-IFRS measures

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

The non-IFRS measures include:

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.15 New and amended accounting standards adopted by the Group

The Group has applied the following standards, amendments and interpretations for the first time for their annual reporting period commencing 1 October 2020:

- Amendments to references to the Conceptual Framework in IFRS Standards
- Amendment to IAS 1 and IAS 8 – introduced a consistent definition of materiality throughout IFRS and the Conceptual Framework for Financial Reporting, clarifying when information is material and incorporates some of the guidance in IAS 1 about immaterial information
- Amendments to IFRS 3 – amendment to the definition of a business
- Amendments to IFRS 9, IAS 39 and IFRS 7 relating to interest rate benchmark reform – phase 1

Impact

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

1.16 New accounting standards, amendments and IFRIC interpretations not yet effective and not early adopted

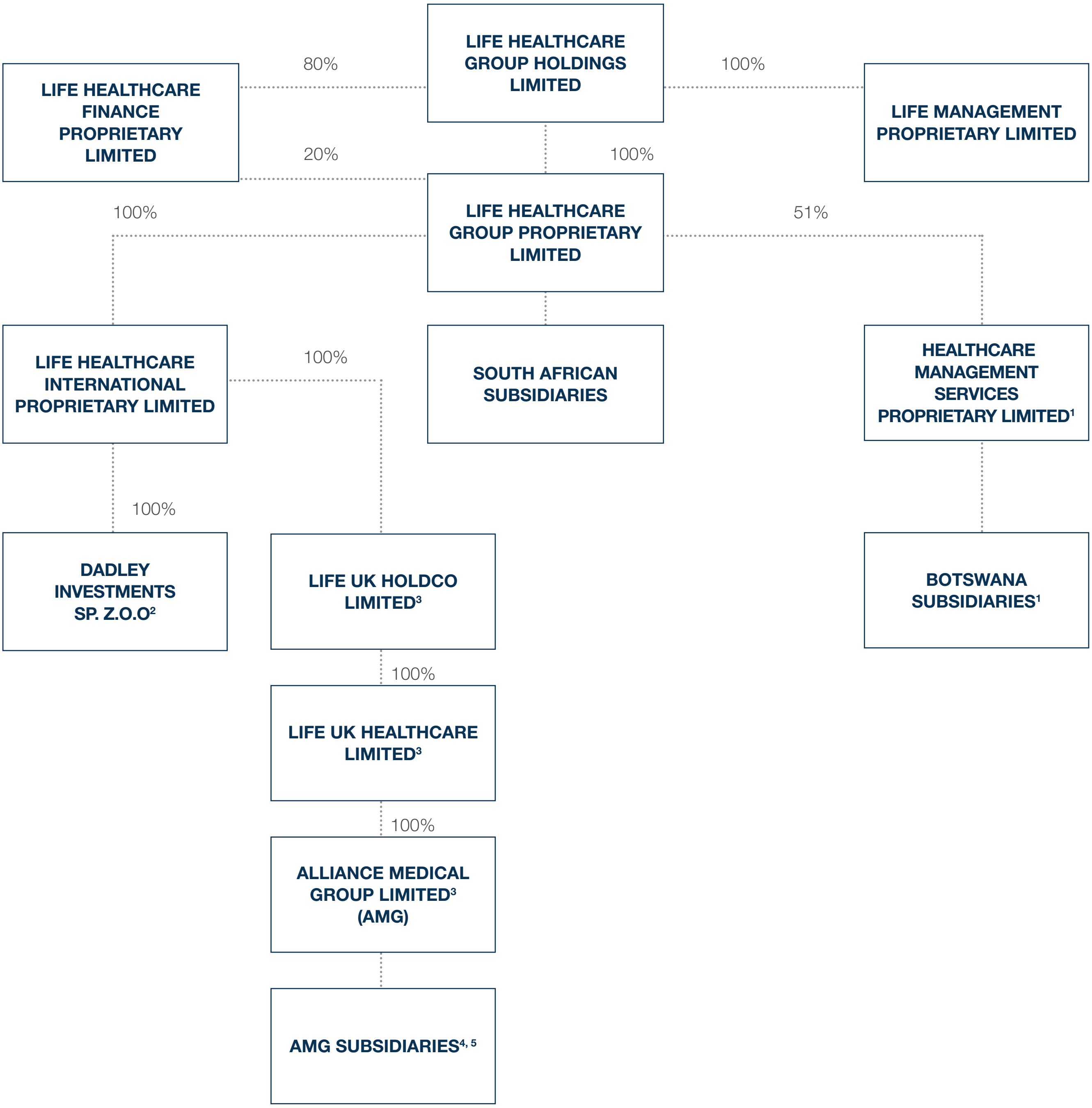
The following amendments and IFRICs are effective for annual periods beginning on or after 1 January 2021:

- Amendments to IFRS 3 to update an outdated reference to the conceptual framework in IFRS 3 without significantly changing the requirements in the standard (1 January 2022)
- Amendments to IFRS 7, IFRS 9 and IAS 39 – interest rate benchmark reform phase 2 (1 January 2021)
- Amendment to IAS 16 – the amendment prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management (1 January 2022)
- Amendment to IAS 37 Onerous contracts – the amendment specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract (1 January 2022)
- Amendment to IAS 1 – the amendment aim to promote consistency in applying the requirements by helping companies determine whether debt and other liabilities with an uncertain settlement date should be classified as current or non-current (1 January 2023)
- Amendment of IAS 1 and IFRS Practice Statement 2 – the amendment require that an entity discloses its material accounting policies, instead of its significant accounting policies (1 January 2023)
- Amendment of IAS 8 – the amendment replace the definition of a change in accounting estimates with a definition of accounting estimates (1 January 2023)
- Amendment of IAS 12 – The amendment clarifies that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition (1 January 2023)
- Annual improvements 2018-2020 cycle – amendments and clarifications to existing IFRS standards (1 January 2022)

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 2021



All South African investments are unlisted and incorporated in the Republic of South Africa.
All Botswana and AMG investments are unlisted.
The shareholding percentages are the same for 2021 and 2020, except for Group changes disclosed in note 27.

[1] *Incorporated in Botswana. The functional currency is pula.*
[2] *Incorporated in Poland. The functional currency is zloty. Dadley Investment SP. Z O.O is a dormant company and was the previous holding company of Scanmed (disposed of its investment in Scanmed on 26 March 2021 (refer note 27)).*
[3] *Incorporated in England. The functional currency is pound sterling*
[4] *Incorporated in England, across Europe (Germany, Netherlands, Ireland, Italy, Spain, Switzerland, Poland) and United States. The functional currencies used include sterling, euro and United States dollar.*
[5] *LMI is an indirect subsidiary of Alliance Medical Group Limited (AMG).*

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

Annexure C

ASSOCIATE UNDERTAKINGS FOR THE YEAR ENDED 30 SEPTEMBER 2021

Associates

Name of associate	Functional Currency	Issued share capital 2021 Total	Issued share capital 2020 Total	Interest in share capital 2021 %	Interest in share capital 2020 %	Book value of the shares 2021 R'm	Book value of the shares 2020 R'm	Amounts owing by/(to) associates 2021 R'm	Amounts owing by/(to) associates 2020 R'm
Unlisted investments									
Wilgers Onkologie Spreekkamer Trust [1]	R	**10 000**	10 000	**25**	25	**–**	–	**–**	–
Wilgers Onkologie Radiologiese Trust [1]	R	**10 000**	10 000	**40**	40	**–**	–	**–**	–
Wilgers Stralingsonkologie Trust[1]	R	**10 000**	10 000	**25**	25	**–**	–	**1**	2
Consolidated Aone [2]	R	**–**	100	**–**	30	**–**	–	**–**	3
						–	–	**1**	5

All the associates provide medical and surgical services through private hospitals and/or same-day surgical centres.

Joint ventures

Name of joint venture	Functional Currency	Issued share capital 2021 Total	Issued share capital 2020 Total	Interest in share capital 2021 %	Interest in share capital 2020 %	Book value of the shares 2021 R'm	Book value of the shares 2020 R'm	Amounts owing by/(to) joint ventures 2021 R'm	Amounts owing by/(to) joint ventures 2020 R'm
Unlisted investments									
Brenthurst MRI[1]	R	**–**	–	**70**	70	**–**	–	**5**	(11)
Brenthurst Equipment Trust 1[1]	R	**–**	–	**50**	50	**–**	–	**–**	–
Brenthurst Equipment Trust 2[1]	R	**–**	–	**70**	70	**–**	–	**–**	–
Brenthurst Radiology Cat Scan[1]	R	**–**	–	**50**	50	**–**	–	**–**	–
Barringtons MRI Limited [3]	EUR	**100**	100	**50**	50	**10**	11	**–**	–
20:20 Imaging Limited[4]	EUR	**–**	300	**–**	30	**–**	3	**–**	–
Altakassusi Alliance Medical LLC[5]	SAR	**100**	–	**45**	0	**5**	–	**–**	–
						15	14	**5**	(11)

[1] *Indirectly held through Life Healthcare Group Proprietary Limited.*

[2] *An additional 70% was acquired, resulting in Consolidated Aone becoming a subsidiary, indirectly held through Life Healthcare Group Proprietary Limited (refer note 27).*

[3] *The Company is incorporated in the Republic of Ireland and the issued shares are reflected in euros. Indirectly held through AMG.*

[4] *Liquidated during the year – refer note 12.*

[5] *Acquired during the year (refer note 27). The Company is incorporated in Saudi Arabia and the issued shares are reflected in Saudi riyal. Indirectly held through AMG.*

Company statement of profit or loss and other comprehensive income

for the year ended 30 September 2021

	Notes	2021 R'm	2020 R'm
Revenue	1	**–**	778
Provision for ECL		**2**	–
Profit before tax		**2**	778
Tax expense	2	**–**	–
Profit after tax		**2**	778
Other comprehensive income		**–**	–
Total comprehensive income for the year		**2**	778

Company statement of financial position

at 30 September 2021

	Notes	2021 R'm	2020 R'm
ASSETS			
Non-current assets			
Interest in subsidiaries	3	**9 290**	9 288
Total assets		**9 290**	9 288
Equity and liabilities			
Capital and reserves		**9 281**	9 279
Stated capital	4	**13 888**	13 888
Accumulated loss		**(4 607)**	(4 609)
Current liabilities		**9**	9
Trade and other payables		**4**	4
Shareholders for dividend		**5**	5
Total equity and liabilities		**9 290**	9 288

Company statement of changes in equity

for the year ended 30 September 2021

	Stated capital R'm	Retained earnings R'm	Total R'm
Balance at 30 September 2020	**13 888**	**(4 609)**	**9 279**
Total comprehensive income for the year	**–**	**2**	**2**
Distribution to shareholders	**–**	**–**	**–**
Balance at 30 September 2021	**13 888**	**(4 607)**	**9 281**
Balance at 30 September 2019	13 888	(4 609)	9 279
Total comprehensive income for the year	–	778	778
Distribution to shareholders	–	(778)	(778)
Balance at 30 September 2020	13 888	(4 609)	9 279

Company statement of cash flows

for the year ended 30 September 2021

	Note	2021 R'm	2020 R'm
Cash flows from operating activities			
Cash generated from operations	5	**–**	778
Tax paid		**–**	–
Net cash generated from operating activities		**–**	778
Cash flows from investing activities			
Loan to Life Healthcare Group Proprietary Limited		**–**	–
Net cash utilised from investing activities		**–**	–
Cash flows from financing activities			
Dividends paid		**–**	(778)
Net cash utilised from financing activities		**–**	(778)
Net decrease in cash and cash equivalents		**–**	–
Cash and cash equivalents – beginning of the year		**–**	–
Cash and cash equivalents at end of the year		**–**	–

Notes to Company annual financial statements

for the year ended 30 September 2021

		2021 R'm	2020 R'm
1.	**REVENUE**		
	Revenue comprises dividends received from Life Healthcare Group Proprietary Limited	**–**	778
2.	**INCOME TAX EXPENSE**		
	Reconciliation of the tax rate	**%**	%
	South African normal tax rate	**–**	28.00
	Adjusted for:		
	No taxable income – dividends received	**–**	(28.00)
		–	–
3.	**INTEREST IN SUBSIDIARIES**		
	Unlisted investment in Life Healthcare Group Proprietary Limited		
	Shares at cost		
	Balance at 1 October	**8 897**	8 897
	Additional investment	**–**	–
	Balance at 30 September	**8 897**	8 897
	Amounts owing by subsidiary		
	Balance at 1 October	**391**	391
	Reversal of ECL provision[1]	**2**	–
	Balance at 30 September	**393**	391
	Total investment	**9 290**	9 288

[1] *The loan is subject to the impairment requirements of IFRS 9. The ECL rate was determined to be 0% due to the Group's intention to provide sufficient support to ensure that inter-company loans can be repaid in the normal course of business and there have been no significant change in economic conditions and forward looking indicators within the Group.*

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.

		2021 R'm	2020 R'm
4.	**STATED CAPITAL**		
	Stated capital comprises:		
	Share capital	**10 515**	10 515
	Share premium	**3 373**	3 373
		13 888	13 888

	'000	'000
Ordinary shares		
Authorised (Share capital of R0.000001 each)	**4 149 980**	4 149 980
Total value = R4 149 (2020: R4 149)		
Issued and fully paid:		
Balance at 30 September	**1 467 349**	1 467 349
Total value = R1 467 (2020: R1 467)		

		2021 R'm	2020 R'm
5.	**CASH GENERATED FROM OPERATIONS**		
	Reconciliation of profit before tax to cash generated from operations		
	Profit before tax	**2**	778
	Adjusted for:		
	Reversal of ECL provision	**(2)**	–
	Operating profit before working capital changes	**–**	778
	Trade and other payables	**–**	–
	Cash generated from operations	**–**	778

6. ACCOUNTING POLICIES

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

– Presentation of annual financial statements – refer page 21

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

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

7. EVENTS AFTER THE REPORTING PERIOD

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

Cash dividend declaration

The Board of Directors approved a final gross cash dividend of 25.0 cents per ordinary share for the year ended 30 September 2021. 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 20.0 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.

		2021 R'm	2020 R'm
9.	**RELATED PARTIES**		
	Relationships		
	Subsidiary company: Life Healthcare Group Proprietary Limited		
	Related-party balances		
	Refer to note 1 of the Company financial statements		
	Related-party transactions		
	Dividend received		
	Life Healthcare Group Proprietary Limited	**–**	778

Annexure D

SHAREHOLDER DISTRIBUTION

1. Analysis of registered shareholders and Company schemes

Registered shareholder spread

In accordance with the JSE Listings Requirements, the following table confirms the spread of registered shareholders as detailed in the annual report and accounts dated 24 September 2021 was:

Registered shareholder spread

Shareholder spread	Number of holders	% of total shareholders	Number of shares	% of issued capital
1 – 1 000 shares	9 230	68.30	1 408 255	0.10
1 001 – 10 000 shares	2 423	17.90	8 221 244	0.50
10 001 – 100 000 shares	1 072	7.90	39 466 711	2.70
100 001 – 1 000 000 shares	619	4.60	206 311 562	14.10
1 000 001 shares and above	174	1.30	1 211 941 390	82.60
Total	**13 518**	**100.0**	**1 467 349 162**	**100.0**

Public and non-public shareholdings

Shareholder type	Number of holders	% of total shareholders	Number of shares	% of issued capital
Non-Public shareholders*	**12**	**0.09**	**14 237 685**	**0.97**
Directors and associates	8	0.05	1 032 986	0.07
Life Healthcare employees share trust	1	0.01	10 920 609	0.74
Life Healthcare Provident Fund	1	0.01	7 449	0.00
Life Healthcare Deposit A/C	1	0.01	18 692	0.00
Life Healthcare Group Proprietary Limited	1	0.01	2 257 949	0.16
Public Shareholders	**13 506**	**99.91**	**1 453 111 477**	**99.03**
Total	**13 518**	**100.00**	**1 467 349 162**	**100.00**

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

SHAREHOLDER DISTRIBUTION continued

2. Substantial investment management and beneficial interests

Substantial investment management and beneficial interests above 3%

Through regular analysis of STRATE registered holdings, and pursuant to the provisions of section 56 of the Companies Act, the following shareholders held directly and indirectly equal to or in excess of 3% of the issued share capital as at 24 September 2021:

Investment management shareholdings Investment manager	Total shareholding	%
Allan Gray Proprietary Limited	232 755 824	15.9
Government Employees Pension Fund (PIC)	217 941 951	14.9
Lazard Asset Management LLC Group	75 124 187	5.1
Ninety One SA Proprietary Limited	73 158 916	5.0
Industrial Development Corporation (IDC)	69 867 972	4.8
Old Mutual Limited	65 479 745	4.5
The Vanguard Group Inc	48 041 245	3.3
Total	**782 369 840**	**53.5**

Beneficial shareholdings	Total shareholding	%
PIC	266 781 726	18.2
Allan Gray Balanced Fund	92 755 088	6.3
IDC	69 867 972	4.8
Alexander Forbes Investments	49 527 819	3.4
Total	**478 932 605**	**32.7**

Previously disclosed holdings

Investment managers now holding below 3%

Investment manager	Total shareholding	%	Previous %
BlackRock Inc	40 150 130	**2.7**	4.1

Beneficial owners now holding below 3%

	Total shareholding	%	Previous %
Old Mutual Life Insurance Company Limited	38 748 561	**2.6**	3.2

Annexure D continued

SHAREHOLDER DISTRIBUTION continued

3. Geographic split of investment managers and Company-related holdings

Region	Total shareholding	% of issued capital
South Africa	1 087 881 267	74.1
United States of America and Canada	248 630 423	17.0
UK	44 602 635	3.0
Rest of Europe	33 567 131	2.3
Rest of World[1]	52 667 706	3.6
Total	**1 467 349 162**	**100.0**

Geographic split of beneficial shareholders

Region	Total shareholding	% of issued capital
South Africa	1 009 760 376	68.8
United States of America and Canada	234 750 100	16.0
UK	22 222 564	1.5
Rest of Europe	96 639 168	6.6
Rest of World[1]	103 976 954	7.1
Total	**1 467 349 162**	**100.00**

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

SHAREHOLDER DISTRIBUTION continued

4. **Shareholder categories**

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

Category	Number of shareholdings	Total shareholding	% of issued capital
Pension funds	235	508 772 981	34.7
Unit trusts	316	430 285 898	29.3
Mutual fund	118	117 503 424	8.0
Insurance companies	22	65 833 967	4.5
Private investor	229	54 773 071	3.7
Sovereign wealth	13	40 392 502	2.8
Trading position	29	35 863 119	2.4
Exchange-traded fund	35	17 075 030	1.2
Hedge fund	10	13 853 359	0.9
Custodians	27	7 177 586	0.5
University	10	6 207 198	0.4
Medical aid scheme	8	5 804 034	0.4
American depository receipts	1	5 016 868	0.3
Corporate holding	2	3 067 544	0.2
Charity	11	2 578 700	0.2
Local authority	3	2 381 446	0.2
Foreign government	4	1 439 349	0.1
Investment trust	2	816 124	0.1
Black economic empowerment	2	421 515	0.0
Other managed funds	2	384 931	0.0
Remainder	12439	147 700 516	10.1
Total	**13 518**	**1 467 349 162**	**100.0**

Annexure E

CONSOLIDATED STATEMENT OF FINANCIAL POSITION PER REGION AT 30 SEPTEMBER 2021

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

	Notes	2021			
		Group R'm	South Africa R'm	Botswana R'm	AMG (including LMI) R'm
ASSETS					
Non-current assets		33 367	13 020	201	20 146
Property, plant and equipment	10	14 695	9 559	195	4 941
Intangible assets	11	16 383	1 728	–	14 655
Investment in associates and joint ventures	12	62	–	–	62
Employee benefit assets	13	418	418	–	–
Deferred tax assets	14	1 698	1 224	6	468
Other assets		111	91	–	20
Current assets		7 414	4 344	429	2 641
Cash and cash equivalents	15	2 672	1 449	220	1 003
Trade and other receivables	16	4 041	2 310	171	1 560
Inventories	17	653	573	15	65
Income tax receivable		47	11	23	13
Other assets		1	1	–	–
Total assets		40 781	17 364	630	22 787
Total equity		19 171	7 968	375	10 828
LIABILITIES					
Non-current liabilities		13 723	4 918	167	8 638
Interest-bearing borrowings	20	10 914	3 655	161	7 098
Employee benefit liabilities	13	147	–	–	147
Deferred tax liabilities	14	1 730	1 221	5	504
Trade and other payables	21	83	–	–	83
Provisions	22	175	–	–	175
Contingent consideration liabilities	23	631	–	–	631
Other liabilities		43	42	1	–
Current liabilities		7 887	4 478	88	3 321
Bank overdraft	15	325	325	–	–
Trade and other payables	21	5 443	3 104	87	2 252
Provisions	22	136	116	–	20
Contingent consideration liabilities	23	–	–	–	–
Interest-bearing borrowings	20	1 811	826	1	984
Income tax payable		152	87	–	65
Other liabilities		20	20	–	–
Total liabilities		21 610	9 396	255	11 959
Total equity and liabilities		40 781	17 364	630	22 787

	2020				
	Group R'm	South Africa R'm	Botswana R'm	AMG (including LMI) R'm	Poland R'm
	35 328	11 714	203	21 763	1 648
	15 361	8 684	203	5 296	1 178
	18 238	1 635	–	16 156	447
	65	–	–	65	–
	379	379	–	–	–
	1 162	934	–	225	3
	123	82	–	21	20
	7 377	3 653	468	2 834	422
	2 279	466	252	1 398	163
	4 046	2 375	183	1 267	221
	873	756	17	62	38
	173	50	16	107	–
	6	6	–	–	–
	42 705	15 367	671	24 597	2 070
	18 278	5 898	419	11 136	825
	14 535	3 372	191	10 457	515
	12 034	2 450	179	8 921	484
	161	–	–	161	–
	1 450	869	12	569	–
	89	–	–	62	27
	117	–	–	113	4
	631	–	–	631	–
	53	53	–	–	–
	9 892	6 097	61	3 004	730
	2 181	2 181	–	–	–
	5 146	2 464	60	2 357	265
	181	127	–	54	–
	11	–	–	–	11
	2 180	1 273	1	452	454
	161	35	–	126	–
	32	17	–	15	–
	24 427	9 469	252	13 461	1 245
	42 705	15 367	671	24 597	2 070