

2023



# Netcare Limited

Summarised Audited  
Group Results

for the year ended 30 September 2023

Providing YOU with the best and safest care.



**NETCARE**

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# Our purpose and promise

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## Our purpose

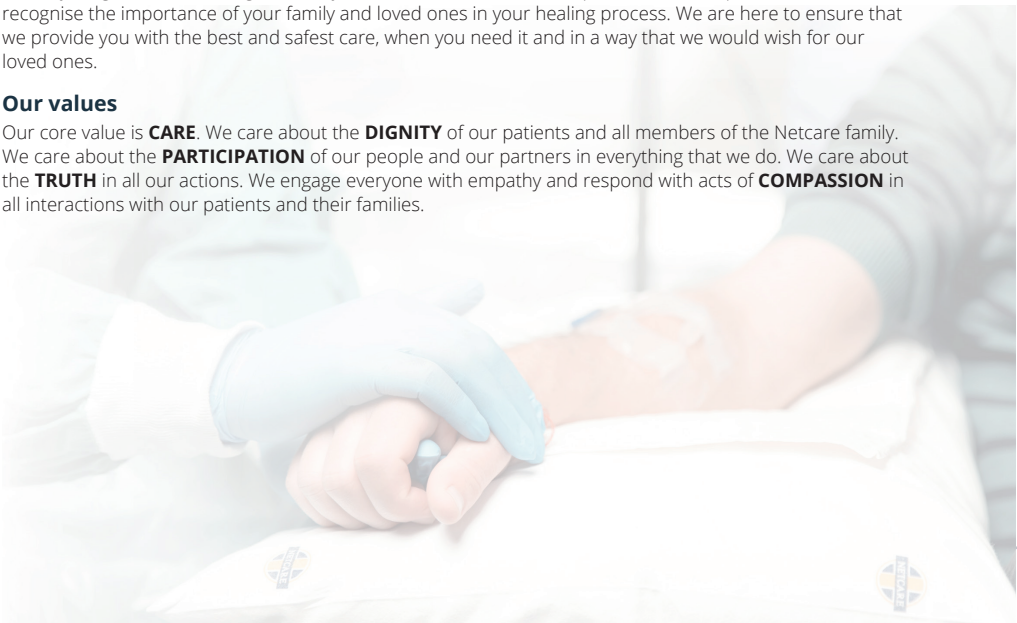
Providing **YOU** with the best and safest care

## Our promise

We promise to care for you, and about you, in a manner that places you and your family at the centre of everything we do. We recognise that you are an individual with unique needs and expectations. We recognise the importance of your family and loved ones in your healing process. We are here to ensure that we provide you with the best and safest care, when you need it and in a way that we would wish for our loved ones.

## Our values

Our core value is **CARE**. We care about the **DIGNITY** of our patients and all members of the Netcare family. We care about the **PARTICIPATION** of our people and our partners in everything that we do. We care about the **TRUTH** in all our actions. We engage everyone with empathy and respond with acts of **COMPASSION** in all interactions with our patients and their families.



# Commentary

NETCARE LIMITED  
(Registration number 1996/008242/06)  
JSE ordinary share code: NTC  
ISIN: ZAE000011953  
JSE preference share code: NTCP  
ISIN: ZAE000081121  
A2X share code: NTC  
("Netcare" or the "Group")

## Results for the year ended 30 September 2023 and Executive leadership and Board sub-committee changes

To aid comparability, the commentary that follows excludes the impact of exceptional items unless otherwise indicated.

### Salient features

- 9.5% increase in Group revenue to R23 699 million
- 17.7% growth in normalised Group EBITDA, demonstrating strong operating leverage
- 120 basis point improvement in normalised Group EBITDA margin to 17.4%
- 27.0% increase in adjusted HEPS to 105.7 cents
- 100.5% cash conversion ratio
- 1.2 times net debt to EBITDA ratio
- R1.1 billion returned to shareholders in dividends and share buybacks
- 30.0% increase in total dividends to 65.0 cents

### Key financial results

Rm	30 September 2023	30 September 2022	% change
Revenue	23 699	21 636	9.5
Normalised EBITDA <sup>1</sup>	4 115	3 496	17.7
Normalised operating profit <sup>1</sup>	2 841	2 293	23.9
Normalised profit before taxation <sup>1</sup>	1 932	1 545	25.0
Normalised taxation <sup>1</sup>	(504)	(460)	(9.6)
<b>Normalised profit after taxation<sup>1</sup></b>	<b>1 428</b>	1 085	31.6
Exceptional items:			
Impairment of properties	(125)	(11)	
Change in corporate tax rate		(24)	
Taxation on exceptional items	33		
<b>Profit for the year</b>	<b>1 336</b>	1 050	27.2
Normalised EBITDA margin <sup>1</sup> (%)	17.4	16.2	
Adjusted HEPS (cents)	105.7	83.2	27.0
ROIC (%)	10.8	8.8	

<sup>1</sup> Normalised to exclude exceptional items comprising property impairments in FY 2023 and FY 2022, and corporate tax rate change in FY 2022

#### Note:

The normalised information for the year ended 30 September 2023 has been presented on a consistent basis with the normalised financial information published for the year ended 30 September 2022.

## Commentary continued

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### Overview

The Group reported a robust financial performance, delivering on all operational and strategic targets for FY 2023.

Notwithstanding the constrained macro environment, we are encouraged by the ongoing normalisation and resilient demand for private healthcare services, allowing the Group to continue on the solid trajectory reported in H1 2023. Total paid patient days (“PPD”), inclusive of acute and mental health, increased by 6.7% with improved occupancies of 64.4% for FY 2023 (FY 2022: 60.1%).

The sustained improvement in activity, off a largely organic base, supported revenue growth of 9.5%. Coupled with tight cost control notwithstanding the high inflationary environment, this resulted in excellent operating leverage, reflected in the 23.9% growth in operating profit.

Excellent progress has been made in implementing key strategic projects in FY 2023. The CareOn digitisation project is nearing completion and has been successfully rolled out at 38 acute

hospitals to date, covering 90% of beds. The project is delivering tangible benefits for patients across the Netcare ecosystem. The gross financial benefits of R104 million in FY 2023 have exceeded expectations.

Similarly, our environmental sustainability strategy continued to deliver tangible financial savings and plays a pivotal role in reducing exposure to the impacts of the instability of the national electricity grid. In line with our 2030 sustainability strategy, the Group concluded an agreement for a Renewable Energy (“RE”) supply arrangement with NOA Group Trading, a renewable energy trader. This agreement will increase the proportion of Netcare’s total energy consumption derived from RE sources to c.26% and represents an important step towards Netcare’s goal of achieving 100% reliance on RE sources by 2030. We are currently exploring further grid-wheeling opportunities that will potentially increase our RE-derived energy to c.40%.

In order to address the growing demand for mental healthcare in South Africa, we successfully commissioned Netcare Akeso Gqeberha (72 beds)



in May 2023. Sales of NetcarePlus products to the retail and corporate segments continue to gain traction, contributing to the Netcare ecosystem through increased access to private health beyond traditional medical schemes and the increased use of our facilities. Netcare Diagnostics progressed with the rollout of validated and quality-assured Point of Care devices across Netcare's ICU, high care, theatres, emergency departments and Medicross medical and dental centres.

We remain committed to our Consistency of Care strategy, broadening the measurement of clinical outcomes and patient experience to ensure we deliver on our core purpose of providing the best and safest care to our patients.

The Group's statement of financial position remains solid, with a net debt to EBITDA ratio of 1.2 times (FY 2022: 1.4 times), while cash generation remains strong with a cash conversion ratio of 100.5%.

In line with our capital allocation strategy of returning excess cash to shareholders, the Group executed a share buyback programme whereby a total of 24.4 million shares were acquired in the market at an average price of R13.11 up to 30 September 2023, and a further 9.3 million shares were purchased at an average price of R13.19 per share post year-end. Collectively, the share buyback entailed the repurchase of 33.7 million shares at a cost of R444 million.

Similarly, in line with our dividend policy, where we aim to provide shareholders with a sustainable dividend of 50% – 70% of earnings, the board of directors of Netcare ("Board") has declared a final dividend of 35.0 cents per share. This, together with our interim dividend of 30.0 cents per share represents 61.5% of adjusted headline earnings per share ("HEPS") and an increase of 30.0% over FY 2022.

### Group financial overview

Netcare is encouraged by the ongoing improvement in the Group's financial performance as demand continues to normalise from the impact of the COVID-19 pandemic.

Group revenue for FY 2023 increased by 9.5% to R23 699 million (FY 2022: R21 636 million) and normalised Group EBITDA for FY 2023 improved by 17.7% to R4 115 million (FY 2022: R3 496 million).

The higher activity levels, coupled with ongoing efficiencies, resulted in strong operating leverage and an improvement in Group EBITDA margins of 120 basis points to 17.4% from 16.2% in FY 2022.

In FY 2023, the Group incurred operational costs relating to strategic projects of R258 million (FY 2022: R249 million). Pleasingly, normalised EBITDA margins, excluding these strategic costs, improved by 120 basis points from 17.3% to 18.5%. We experienced an average of Stage 3.6 load shedding across our facilities during the year, resulting in a sharp increase in generator diesel costs to R124 million from R37 million in FY 2022. EBITDA margins excluding strategic and generator diesel costs increased by 150 basis points from 17.5% to 19.0%.

Normalised operating profit increased by 23.9% to R2 841 million (FY 2022: R2 293 million).

Net interest paid, excluding interest on lease liabilities, increased to R466 million (FY 2022: R359 million) reflecting the higher average cost of debt of 8.9% (FY 2022: 7.7%).

The contribution to earnings from associates and joint ventures increased from R21 million in FY 2022 to R40 million, primarily due to a stronger performance from a number of the associate entities.

Normalised profit before taxation increased by 25.0% to R1 932 million (FY 2022: R1 545 million). The normalised taxation charge amounted to R504 million (FY 2022: R460 million), reflecting an effective tax rate of 26.1% (FY 2022: 29.8%). The lower tax rate is attributable to the change in the statutory tax rate from 28% in 2022 to 27% with effect from FY 2023, as well as the partial utilisation of tax losses within the Group.

Exceptional items amounted to R125 million (R92 million net of tax), comprising provisions for impairment of property assets.

Profit after tax and exceptional items increased by 27.2% to R1 336 million (FY 2022: R1 050 million) and adjusted HEPS increased by 27.0% to 105.7 cents (FY 2022: 83.2 cents).

## Financial position

Rm	30 September 2023	30 September 2022
<b>Assets</b>		
Property, plant, equipment, goodwill and intangible assets	15 760	15 312
Right of use assets	4 073	3 770
Deferred tax assets	854	1 040
Other non-current assets	688	710
Current assets	4 149	3 939
Cash and cash equivalents	2 279	1 499
<b>Total assets</b>	<b>27 803</b>	<b>26 270</b>
<b>Equity and liabilities</b>		
Total shareholders' equity	11 041	10 944
Borrowings	7 307	6 374
Lease liabilities – long and short term	4 992	4 488
Deferred tax liabilities	254	319
Other liabilities	4 209	4 145
<b>Total equity and liabilities</b>	<b>27 803</b>	<b>26 270</b>

At 30 September 2023, total assets increased to R27 803 million from R26 270 million in the previous year.

Total shareholders' equity increased to R11 041 million from R10 944 million, notwithstanding the payment of ordinary and preference dividends totalling R858 million and share buybacks up to 30 September 2023 of R321 million. The Group's return on invested capital improved to 10.8% (FY 2022: 8.8%).

Total capex, including strategic projects, amounted to R1.5 billion for the year, of which R136 million related to expansionary projects including the completion of construction of the Netcare Akeso Gqeberha facility and R82 million invested in the CareOn hospital digitisation project.

At 30 September 2023, the Group's cash resources and available undrawn committed facilities amounted to R3.7 billion. Group net debt (exclusive of IFRS 16 lease liabilities) increased marginally to R5.0 billion from R4.9 billion at 30 September 2022.

The increase in net debt during FY 2023 is due to ongoing capital expenditure, the payment of ordinary and preference dividends and share buybacks, partially offset by higher operating profit. The net debt to EBITDA ratio at 30 September 2023 was 1.2 times, improving from 1.4 times at 30 September 2022. EBITDA/net interest cover remains strong at 4.5 times (FY 2022: 4.5 times).

Cash generated from operations increased to R4 135 million (FY 2022: R3 950 million). The cash conversion ratio amounted to 100.5% (FY 2022: 113.0%).

## Divisional review

### Hospital and emergency services

Hospital and emergency services comprise acute and mental health hospitals, as well as emergency and ancillary services.

Rm	30 September 2023	30 September 2022	% change
Revenue	<b>23 050</b>	21 024	9.6
Normalised EBITDA <sup>1</sup>	<b>3 947</b>	3 333	18.4
Normalised operating profit <sup>1</sup>	<b>2 759</b>	2 221	24.2
Normalised EBITDA margin (%)	<b>17.1</b>	15.9	
Normalised operating profit margin (%)	<b>12.0</b>	10.6	
Total occupancy (%)	<b>64.4</b>	60.1	
Occupancy (full week) – acute hospital (%)	<b>63.5</b>	59.3	
Occupancy (weekday) – acute hospital (%)	<b>68.3</b>	63.9	
Occupancy (full week) – mental health (%)	<b>72.7</b>	68.1	
Percentage change in:			
Patient days – total	<b>6.7</b>		
Patient days – acute hospital	<b>6.1</b>		
Patient days – mental health	<b>12.7</b>		

*1. Normalised to exclude the impact of exceptional items*

*Note: Non-financial information excludes Netcare Bougainville and Netcare Ceres hospitals*

The segment delivered a steady performance for FY 2023, driven by continued recovery in demand and further normalisation of the post COVID-19 operating environment.

Revenue for the segment increased by 9.6% to R23 050 million (FY 2022: R21 024 million) and total patient days increased by 6.7% to 2 447 494 days in FY 2023 (FY 2022: 2 293 344 days). The steady increase in activity contributed to higher occupancy levels with total occupancy of 64.4% (FY 2022: 60.1%).

Notwithstanding the changes in various networks that were effective from January 2023, a milder flu season and extended vacations by specialists, acute hospital patient days increased by a solid 6.1% against FY 2022, equating to 95.1% of FY 2019 with ICU and high care PPDs being 10.1% higher than pre-pandemic levels.

In line with the trend reported in H1 2023, year-to-date growth in medical PPDs of 8.5% continued to outpace surgical PPD growth of 3.9%. Medical PPDs have recovered to 99.0% of 2019 levels, while surgical PPDs continue to be impacted by sector

trends, *inter alia*, declining maternity cases, as well as an outmigration of lower margin day cases, and have recovered to 91.7% of pre-pandemic levels. Total surgical cases comprised 51.5% of patient days (FY 2022: 52.6%; pre-pandemic levels: 53.4%) and medical cases 48.5% (FY 2022: 47.4%; pre-pandemic levels: 46.6%). Surgical cases continue to contribute more than 70% of revenue.

Acute revenue per PPD for FY 2023 increased by 2.9% compared to FY 2022. The first half of the year reflected the ongoing post-pandemic case mix recovery, which resulted in acute revenue PPD increasing by 0.7%. This stabilised in the second half with growth in acute revenue per PPD of 4.9%.

The higher complexity cases in both categories is reflected in the increased length of stay of 4.4 days (FY 2022: 4.3 days).

Full week occupancy for FY 2023 within acute hospitals increased to 63.5% from 59.3% in FY 2022 (FY 2019: 66.3%), with weekday occupancy increasing to 68.3% from 63.9% in FY 2022 (FY 2019: 71.8%).

## Commentary continued

Demand for mental healthcare remains strong with mental health patient days increasing by 12.7% compared to FY 2022. The newly opened Netcare Akeso Gqeberha facility contributed 2.3% of this growth. Activity has surpassed pre-pandemic levels by 5.4% (same store) and 11.6% inclusive of the 36-bed Netcare Akeso Richards Bay facility (commissioned in May 2022) and the 72-bed Netcare Akeso Gqeberha facility (commissioned in May 2023).

The strong increase in mental healthcare activity has resulted in occupancies improving to 72.7% (73.5% excluding Netcare Akeso Gqeberha) in FY 2023 from 68.1% in FY 2022 (FY 2019: 71.6%).

Normalised EBITDA for the segment increased by 18.4% to R3 947 million from R3 333 million in FY 2022.

The improved activity levels and ongoing efficiencies are reflected in the EBITDA margin, which increased to 17.1% from 15.9% reported for FY 2022. Underlying EBITDA margin (excluding operational costs of R253 million (FY 2022: R245 million) related to strategic projects,

and generator diesel costs of R117 million (FY 2022: R36 million) continued to improve and strengthened to 18.7% in FY 2023 from 17.2% in FY 2022.

The FY 2023 EBITDA margin within the hospital and pharmacy operations sub-segment, normalised for strategic costs of R189 million (FY 2022: R192 million) and generator fuel costs of R111 million (FY 2022: R35 million), continued to improve to 19.0% from 17.5% reported in FY 2022.

In 2023, Netcare Christiaan Barnard Memorial Hospital received Level One trauma accreditation from the Trauma Society of South Africa, which is aligned to the American Trauma Society accreditation principles. There are only four hospitals in South Africa that have achieved this status, all of which are in the Netcare Group. Our geographic footprint, Electronic Medical Record ("EMR") offering and highly accredited facilities allow the Group to continue attracting specialists and a net 124 doctors were granted admission rights at acute and mental health facilities during FY 2023.

### Primary care

Rm	30 September 2023	30 September 2022	% change
Revenue	663	634	4.6
EBITDA	168	163	3.1
Operating profit	82	72	13.9
EBITDA margin (%)	25.3	25.7	
Operating profit margin (%)	12.4	11.4	

Total GP and dental visits have decreased by 3.1% in FY 2023 compared to FY 2022. The decline in visits is predominantly attributable to the higher base in FY 2022, which was boosted by increased COVID-19 GP visits during the Omicron-driven fourth wave. Notwithstanding the decline in visits, revenue increased by 4.6% to R663 million from R634 million in FY 2022. EBITDA margins in FY 2023, were positively impacted by a capital profit of R2 million relating to the sale of property. In addition, margins were adversely impacted by diesel fuel costs of R7 million (FY 2022: R1 million). Underlying EBITDA margins excluding these items amounted to 26.1% (FY 2022: 25.9%).



## Strategic update

We have made excellent progress in the implementation of our key strategic projects and are now well placed to benefit from the rapidly changing dynamics driving demand in the healthcare sector as we enter the operational phase of our person centred health and care strategy that is digitally enabled and data driven.

In FY 2023, the Group invested capital expenditure of R163 million (FY 2022: R159 million) and incurred operational costs of R258 million (FY 2022: R249 million) on various strategic projects.

## Digitisation

Significant progress has been made in the implementation of our CareOn hospital EMR which is a major focus of the digitisation strategy. This new way of care has been successfully implemented at 38 of the 45 Netcare hospitals to date, comprising 8 645 beds (90% of registered beds). In addition, over 28 000 healthcare professionals, comprising nurses, doctors, allied health professionals and pharmacists, are actively using the system. Rollout to the final seven hospitals (943 beds) will be completed by April 2024.

The completion of this project in April 2024 will mark an inflection point for the business. As we enter the final phase of our most ambitious healthcare digitisation project, we remain confident that this investment will create a sustainable competitive advantage for the Group and will prove pivotal in laying the foundations in achieving our strategy of person centred health and care that is digitally enabled and data driven. With more than 28 GB of patient data generated per day the future of predictive analytics is now becoming a reality, benefiting our patients and healthcare professionals throughout the Netcare ecosystem.

In addition to the numerous clinical benefits, the gross financial savings and benefits of R104 million in FY 2023, have exceeded expectations.

Furthermore, digitisation has been completed across all our ancillary businesses in the Netcare ecosystem spanning Netcare Akeso, Medicross, Netcare 911, National Renal Care and Cancer Care radiotherapy.

## Netcare App

We successfully launched the new Netcare App in July 2023, which represents the next phase of our strategy to enable digital engagement with our patients and clients. We are pleased with the robust take-up of this app, which allows online preadmissions, doctor appointments, the ability for Netcare 911 to geolocate someone in an emergency, access to a summary of care and the ability to purchase NetcarePlus policies, with further services to be added in future.

## Promoting access to healthcare

NetcarePlus has a portfolio of innovative healthcare products and funding solutions that promote access to affordable, quality healthcare in South Africa. In FY 2023, we launched additional pre-paid procedures and completed enhancements to NetcarePlus GapCare and NetcarePlus Accident Cover, and launched a new primary care offering. The Group benefits from the sale of NetcarePlus products to the retail and corporate segments, as well as the contribution through the increased use of the Netcare ecosystem. NetcarePlus was recently placed in the top three in the Ask Afrika Orange Index amongst Medical Insurers and in the top 10 overall for consistent client experience.

## Netcare Diagnostics

Netcare Diagnostics, which supports a Black female owned pathology service provider, Dr Esihle Nomlomo Inc., is gaining traction and made a positive contribution to EBITDA. The first stage rollout of 122 blood gas analysers at Netcare's intensive care and high care units has been completed, with a further 70 point of care devices commissioned at ten emergency departments. Additionally, the service has been rolled out at ten Medicross facilities to date and will be extended to further sites in FY 2024.

### **Environmental sustainability**

The first phase of our environmental sustainability strategy commenced in 2013. Since then, energy intensity per bed has reduced by 39%, exceeding the initial 10-year target. Similarly, the Group has exceeded its 2023 financial targets, achieving cumulative operational savings and benefits of more than R1.5 billion to date, yielding an IRR of 40%.

The Just Energy Transition Plan (“JET IP”) developed by the Presidential Climate Commission was approved by Cabinet in September 2022 and highlights a shift in focus for South Africa and a period of intensified climate action. We fully support these initiatives, and our environmental sustainability strategy and goals are well aligned with those of the JET IP. In 2021, we embarked on the second phase of our strategy with a primary target of reducing Scope 2 emissions to zero by 2030 and Scope 1 and 3 emissions by a combined 84%. The Group’s 2030 strategy aims to achieve 100% utilisation requirements from renewable sources, with zero waste to landfill and an additional 20% reduction of impact on water sources.

The proposed legislative changes and policies outlined in the JET IP have further enabled Netcare’s transition to renewables, and the Group has concluded an agreement for a Renewable Energy supply arrangement with NOA Group Trading, a renewable energy trader. The transaction covers six Netcare facilities, whose power is currently supplied by Eskom’s coal-fired power stations. From Q1 2026, up to 100% of these sites’ energy consumption (comprising c.11% or 22 GWh/annum of the Group’s total energy consumption) will be supplied from a combination of wind and solar farms through “Energy Wheeling” over the national electricity grid. In combination with other initiatives already implemented under Netcare’s sustainability programme, this agreement

will increase the proportion of our total energy consumption that is derived from RE sources to c.26%. This transaction represents an important step towards our goal of achieving 100% reliance on RE sources by 2030.

For FY 2024, we have allocated approximately R77 million in capex and R16 million in operational costs towards achieving these targets set for 2030.

### **Outlook and Guidance**

We are confident that our strategy remains relevant and we remain committed to realising growth opportunities, improving returns and the successful completion and execution of our key strategic projects. Notwithstanding the fluid economic environment, we expect ongoing improvements in the operational and financial performance of the business in FY 2024 and beyond.

Although the macro environment remains impacted by national power grid load shedding, global supply chain constraints, a constrained consumer, and high levels of unemployment, we have a number of measures in place to mitigate these challenges and will remain focused on optimising the progress made in FY 2023. Furthermore, our environmental sustainability projects will continue to mitigate the significant escalation in costs associated with increased reliance on diesel powered generators resulting from the instability of the national electricity grid.

The enduring weak macroeconomic environment and the increased pressure on disposable income continue to drive growth in affordable restricted network plans. Our significant geographic footprint, coupled with NetcarePlus GapCare products, enable us to retain a steady portion of patients in these networks. Netcare remains focused on driving efficiencies to mitigate the impact of the lower tariffs related to these contracts.

In addition, although there has been limited growth in medical scheme membership, the pool of covered lives remains resilient and underscores the sustainable demand for quality private healthcare which is exacerbated by the growing disease burden and ageing insured population.

For FY 2024, the Group expects revenue growth of between 7.5% and 9.5%. Total patient days are expected to grow by between 2.5% and 3.5% off a largely normalised base. The increased activity will drive further EBITDA margin expansion, improved earnings and higher ROIC.

The final implementation costs associated with the CareOn EMR project of approximately R57 million will be incurred in FY 2024. The project will be earnings accretive from FY 2024 and we expect to realise gross savings of approximately R120 million.

Other strategic costs of R75 million will be incurred in FY 2024 for environmental sustainability and NetcarePlus, which are all critical enablers of our strategy, reducing to approximately R60 million in FY 2025.

Total capital expenditure for FY 2024 of R1.4 billion will be incurred.

Following the successful commissioning of Netcare Akeso Gqeberha (72 beds), we will continue to explore opportunities to meet the demand for mental healthcare and plan to expand Akeso's footprint further by adding 164 beds. Construction of the new Netcare Akeso Polokwane (77 beds) and Alberlito (87 beds) facilities will commence in FY 2024.

We will continue to maintain an optimal capital structure, and the strength of the statement of financial position and the ongoing improvement in operational performance in the underlying businesses will continue to support dividend payments in line with our dividend policy, where we seek to return between 50% – 70% of adjusted headline earnings to shareholders. Additionally, the Group will continue to return excess cash to shareholders by way of share buybacks or special dividends.

The forecast financial information above has not been reviewed or reported on by the company's external auditors.

## **Acknowledgement**

We express our thanks and appreciation to our staff and clinicians for their unwavering commitment and dedication in supporting our core purpose of delivering the best and safest care and enabling us to achieve our Group's strategic and operational goals.

## **Executive leadership and Board sub-committee changes**

After an extensive search, Netcare has identified a preferred CEO candidate. Given that the candidate is unavailable for an extended period, details will remain confidential at this stage. At the Board's request, Dr Richard Friedland has agreed to continue as CEO beyond September 2024 for a further six months.

With effect from 01 January 2024, Mr I Kirk joins the Risk Committee as chairperson and the Remuneration Committee as a member, and Mr A Maditse joins the Nominations Committee as a member.

With effect from 05 February 2024, Ms L Stephens will assume the role of chairperson of the Remuneration Committee.

## **Dividend**

### **Declaration of dividend number 26**

Notice is hereby given of the declaration of a gross final dividend of 35.0 cents per ordinary share in respect of the year ended 30 September 2023. The dividend has been declared from income reserves and is payable to shareholders recorded in the register at the close of business on Friday, 26 January 2024. The number of ordinary shares (inclusive of treasury shares) in issue at the date of this declaration is 1 439 090 009. The dividend will be subject to a local dividend withholding tax at a rate of 20%, which will result in a net final dividend to those shareholders not exempt from paying dividend withholding tax of 28.0 cents per ordinary share and 35.0 cents per ordinary share for those shareholders who are exempt from dividend withholding tax.

## Commentary continued

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The Board has confirmed by resolution that the solvency and liquidity test as contemplated by the Companies Act 71 of 2008 (as amended) has been duly considered, applied and satisfied.

The salient dates applicable to the dividends are as follows:

Last day to trade cum dividend	Tuesday, 23 January 2024
Trading ex-dividend commences	Wednesday, 24 January 2024
Record date	Friday, 26 January 2024
Payment date	Monday, 29 January 2024

Share certificates may not be dematerialised nor rematerialised between Wednesday, 24 January 2024 and Friday, 26 January 2024, both dates inclusive.

On Monday, 29 January 2024, the dividends will be electronically transferred to the bank accounts of all certificated shareholders. Holders of dematerialised shares will have their accounts credited at their participant or broker on Monday, 29 January 2024.

Netcare Limited's tax reference number is 9999/581/71/4.

The normalised information contained in this announcement is the responsibility of the directors of Netcare, has been prepared for illustrative purposes only and, because of its nature, may not fairly present Netcare's financial position, changes in equity, results of operations or cash flows.

16 November 2023

### Sponsor

Nedbank Corporate and Investment Banking,  
a division of Nedbank Limited



# Independent auditor's report on summarised financial statements

## To the shareholders of netcare limited

### Opinion

The summarised consolidated financial statements of Netcare Limited, which comprise the summarised consolidated statement of financial position as at 30 September 2023, the summarised consolidated statement of profit or loss, the summarised consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Netcare Limited for the year ended 30 September 2023.

In our opinion, the summarised consolidated financial statements included on pages 12 to 28 are consistent, in all material respects, with the audited consolidated financial statements of Netcare Limited, in accordance with the requirements of the JSE Limited Listings Requirements for summarised financial statements, set out in note 1 to the summarised consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

### Other matters

We have not audited future financial performance and expectations by management included in the accompanying summarised consolidated financial statements and accordingly do not express any opinion thereon.

### Summarised Consolidated Financial Statements

The summarised consolidated financial statements do not contain all the disclosures required by the International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summarised consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements of Netcare Limited and the auditor's report thereon.

### The Audited Consolidated Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated

17 November 2023. That report also includes, the communication of a key audit matter as reported in the auditor's report of the audited financial statements.

### Directors' Responsibility for the Summarised Consolidated Financial Statements

The directors are responsible for the preparation of the summarised consolidated financial statements in accordance with the requirements of the JSE Limited Listings Requirements for summarised financial statements set out in note 1 to the summarised consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summarised financial statements.

The Listings Requirements require summary financial statements to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, and also contain the information required by IAS 34, *Interim Financial Reporting*.

### Auditor's Responsibility

Our responsibility is to express an opinion on whether the summarised consolidated financial statements are consistent, in all material respects, with the consolidated audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements*.

DocuSigned by:



Deloitte & Touche

C068A3D5910E408...

### Deloitte & Touche

Registered Auditor  
Per: Spiro Tyranes  
Partner  
17 November 2023

5 Magwa Crescent  
Waterfall City  
Waterfall  
2090

## Summarised Group statement of profit or loss for the year ended 30 September

Rm	Notes	2023	2022
<b>Revenue<sup>1</sup></b>		<b>23 699</b>	21 636
Cost of sales		<b>(11 937)</b>	(11 085)
<b>Gross profit</b>		<b>11 762</b>	10 551
Other income		<b>466</b>	435
Administrative and other expenses		<b>(9 371)</b>	(8 524)
Impairment of financial assets		<b>(141)</b>	(180)
<b>Operating profit</b>	2	<b>2 716</b>	2 282
Investment income		<b>144</b>	115
Finance costs	3	<b>(1 064)</b>	(885)
Other financial gains – net		<b>2</b>	1
Attributable earnings/(losses) of associates		<b>2</b>	(23)
Attributable earnings of joint ventures		<b>38</b>	44
Impairment of long-term interests and investment in associates		<b>(31)</b>	—
<b>Profit before taxation</b>		<b>1 807</b>	1 534
Taxation	4	<b>(471)</b>	(484)
<b>Profit for the year</b>		<b>1 336</b>	1 050
<i>Attributable to:</i>			
Owners of the parent		<b>1 271</b>	975
Preference shareholders		<b>50</b>	38
		<b>1 321</b>	1 013
Non-controlling interests		<b>15</b>	37
		<b>1 336</b>	1 050
Cents			
<b>Basic earnings per share</b>		<b>94.5</b>	72.3
<b>Diluted earnings per share</b>		<b>93.5</b>	71.7

1. Refer to segment report on page 20 for detail on the disaggregation of revenue

## Summarised Group statement of comprehensive income for the year ended 30 September

Rm	2023	2022
<b>Profit for the year</b>	<b>1 336</b>	1 050
<b>Items that will not subsequently be reclassified to profit or loss</b>	<b>53</b>	(21)
Remeasurement of post employment benefit obligation	72	—
Fair value adjustment on equity investments	—	(21)
Taxation on items that will not subsequently be reclassified to profit or loss	(19)	—
<b>Items that may subsequently be reclassified to profit or loss</b>	<b>(6)</b>	62
Effect of cash flow hedge accounting	(8)	85
Amortisation of the cash flow hedge accounting reserve	(27)	43
Change in the fair value of cash flow hedges	19	42
Taxation on items that may subsequently be reclassified to profit or loss	2	(23)
<b>Other comprehensive income for the year</b>	<b>47</b>	41
<b>Total comprehensive income for the year</b>	<b>1 383</b>	1 091
<i>Attributable to:</i>		
Owners of the parent	1 318	1 016
Preference shareholders	50	38
Non-controlling interests	15	37
	<b>1 383</b>	1 091

# Summarised Group statement of financial position

## at 30 September

Rm	Notes	2023	2022
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		13 887	13 469
Right of use assets		4 073	3 770
Goodwill		1 606	1 606
Intangible assets		267	237
Equity-accounted investments, loans and receivables	5	606	594
Financial assets	6	63	99
Deferred lease assets		19	17
Deferred taxation		854	1 040
<b>Total non-current assets</b>		<b>21 375</b>	<b>20 832</b>
<b>Current assets</b>			
Loans and receivables	5	27	59
Financial assets	6	15	2
Inventories		556	562
Trade and other receivables		3 542	3 288
Taxation receivable		9	28
Cash and cash equivalents		2 279	1 499
<b>Total current assets</b>		<b>6 428</b>	<b>5 438</b>
<b>Total assets</b>		<b>27 803</b>	<b>26 270</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Ordinary share capital		4 297	4 297
Treasury shares		(3 926)	(3 504)
Other reserves		526	473
Retained earnings		9 479	8 980
Equity attributable to owners of the parent		10 376	10 246
Preference share capital and premium		644	644
Non-controlling interests		21	54
<b>Total shareholders' equity</b>		<b>11 041</b>	<b>10 944</b>
<b>Non-current liabilities</b>			
Long-term debt	7	6 057	5 265
Long-term lease liabilities		4 334	3 906
Post-employment healthcare benefit obligations		495	533
Deferred taxation		254	319
Provisions		19	22
<b>Total non-current liabilities</b>		<b>11 159</b>	<b>10 045</b>
<b>Current liabilities</b>			
Trade and other payables		3 657	3 521
Short-term debt	7	1 249	1 105
Short-term lease liabilities		658	582
Financial liabilities	6	12	20
Taxation payable		26	49
Bank overdrafts		1	4
<b>Total current liabilities</b>		<b>5 603</b>	<b>5 281</b>
<b>Total equity and liabilities</b>		<b>27 803</b>	<b>26 270</b>



# Summarised Group statement of cash flows

## for the year ended 30 September

Rm	2023	2022
<b>Cash flows from operating activities</b>		
Cash received from customers	23 338	21 522
Cash paid to suppliers and employees	(19 203)	(17 572)
<b>Cash generated from operations</b>	<b>4 135</b>	<b>3 950</b>
Interest paid on debt	(516)	(419)
Interest paid on lease liabilities	(454)	(409)
Taxation paid	(374)	(439)
Ordinary dividends paid by subsidiaries	(47)	(25)
Ordinary dividends paid	(808)	(728)
Preference dividends paid	(50)	(38)
Distribution paid to beneficiaries of the HPFL B-BBEE <sup>1</sup> trusts	(6)	(8)
<b>Net cash from operating activities</b>	<b>1 880</b>	<b>1 884</b>
<b>Cash flows from investing activities</b>		
Advances to associates	(25)	(30)
Advances (to)/from joint ventures	(20)	17
Payments for acquisition of property, plant and equipment	(1 443)	(1 382)
Payments for additions to intangible assets	(64)	(14)
Proceeds on disposal of property, plant and equipment and intangible assets	101	35
Payments for investments and loans	(45)	(8)
Interest received	144	115
Dividends received	46	19
<b>Net cash from investing activities</b>	<b>(1 306)</b>	<b>(1 248)</b>
<b>Cash flows from financing activities</b>		
Proceeds on disposal of treasury shares	49	29
Acquisition of treasury shares	(510)	(29)
Debt raised	2 080	1 903
Debt repaid	(1 174)	(2 325)
Payments for equity interests in subsidiaries	(8)	—
Payment for acquisition of non-controlling interests	(2)	—
Proceeds from issue of shares to non-controlling interests	—	2
Payment of principal elements of lease liabilities	(226)	(177)
<b>Net cash from financing activities</b>	<b>209</b>	<b>(597)</b>
<b>Net increase in cash and cash equivalents</b>	<b>783</b>	<b>39</b>
Cash and cash equivalents at the beginning of the year	1 495	1 456
<b>Cash and cash equivalents at the end of the year</b>	<b>2 278</b>	<b>1 495</b>
<b>Consisting of</b>		
Cash on hand and balances with banks	2 279	1 499
Bank overdrafts	(1)	(4)
	<b>2 278</b>	<b>1 495</b>

1. Health Partners for Life Broad-based Black Economic Empowerment

# Summarised Group statement of changes in equity

## for the year ended 30 September

Rm	Ordinary share capital	Treasury shares	Cash flow hedge accounting reserve
<b>Balance at 1 October 2021</b>	4 297	(3 557)	(31)
Sale of treasury shares	—	82	—
Purchase of treasury shares	—	(29)	—
Acquisition of subsidiaries	—	—	—
Transfer <sup>1</sup>	—	—	—
Share-based payment reserve movements	—	—	—
Preference dividends paid	—	—	—
Ordinary dividends paid	—	—	—
Other reserve movements	—	—	—
Distributions to beneficiaries of the HPFL B-BBEE <sup>2</sup> trusts	—	—	—
Tax recognised in equity	—	—	—
Changes in equity interests in subsidiaries	—	—	—
Total comprehensive income for the year	—	—	62
Profit for the year	—	—	—
Other comprehensive income	—	—	62
<b>Balance at 1 October 2022</b>	<b>4 297</b>	<b>(3 504)</b>	<b>31</b>
Sale of treasury shares	—	78	—
Purchase of treasury shares	—	(510)	—
Transfer <sup>1</sup>	—	10	—
Share-based payment reserve movements	—	—	—
Preference dividends paid	—	—	—
Ordinary dividends paid	—	—	—
Other reserve movements	—	—	—
Distributions to beneficiaries of the HPFL B-BBEE <sup>2</sup> trusts	—	—	—
Tax recognised in equity	—	—	—
Changes in equity interests in subsidiaries	—	—	—
Total comprehensive income for the year	—	—	(6)
Profit for the year	—	—	—
Other comprehensive income	—	—	(6)
<b>Balance at 30 September 2023</b>	<b>4 297</b>	<b>(3 926)</b>	<b>25</b>

1. Transfer of treasury shares and share-based payment reserve in respect of vested shares

2. Health Partners for Life Broad-based Black Economic Empowerment

Share-based payment reserve	Retained earnings	Equity attributable to owners of the parent	Preference share capital and premium	Non-controlling interests	Total shareholders' equity
444	8 780	9 933	644	12	10 589
—	(53)	29	—	—	29
—	—	(29)	—	—	(29)
—	(1)	(1)	—	17	16
(42)	42	—	—	—	—
41	—	41	—	—	41
—	—	—	(38)	—	(38)
—	(728)	(728)	—	(25)	(753)
(1)	8	7	—	—	7
—	(8)	(8)	—	—	(8)
—	(2)	(2)	—	—	(2)
—	(12)	(12)	—	13	1
—	954	1 016	38	37	1 091
—	975	975	38	37	1 050
—	(21)	41	—	—	41
<b>442</b>	<b>8 980</b>	<b>10 246</b>	<b>644</b>	<b>54</b>	<b>10 944</b>
—	(29)	49	—	—	49
—	—	(510)	—	—	(510)
(39)	29	—	—	—	—
98	—	98	—	—	98
—	—	—	(50)	—	(50)
—	(808)	(808)	—	(47)	(855)
—	(8)	(8)	—	—	(8)
—	(6)	(6)	—	—	(6)
—	(3)	(3)	—	—	(3)
—	—	—	—	(1)	(1)
—	1 324	1 318	50	15	1 383
—	1 271	1 271	50	15	1 336
—	53	47	—	—	47
<b>501</b>	<b>9 479</b>	<b>10 376</b>	<b>644</b>	<b>21</b>	<b>11 041</b>

# Headline earnings

for the year ended 30 September

Rm	2023	2022
<b>Reconciliation of headline earnings</b>		
Profit for the year	1 336	1 050
<i>Adjusted for:</i>		
Dividends paid on shares attributable to the Forfeitable Share Plan, Single Incentive Plan and HPFL B-BBEE <sup>1</sup> Trust units	(14)	(8)
Preference shareholders	(50)	(38)
Non-controlling interest	(15)	(37)
<b>Profit for the purposes of basic and diluted earnings per share</b>	1 257	967
<i>Adjusted for:</i>		
Profit on disposal of property, plant and equipment and intangible assets	(23)	(2)
Loss on disposal of property, plant and equipment and intangible assets	9	9
Recognition of impairment of property, plant and equipment in operating profit and equity accounted earnings	130	13
Recognition of impairment of investment in associate	2	3
Tax effect of headline adjusting items	(32)	—
<b>Headline earnings</b>	1 343	990

<sup>1</sup>. Health Partners for Life Broad-based Black Economic Empowerment

## Headline earnings continued

for the year ended 30 September

Rm	2023	2022
<b>Adjusted headline earnings</b>		
Headline earnings	1 343	990
Adjusted for:		
Amortisation of cash flow hedge accounting reserve	3	8
Fair value gains on derivative financial instruments	—	(2)
Modification loss	7	—
Impairment of financial assets	27	40
De-designation of portion of hedging instrument	(2)	—
Ineffectiveness losses on cash flow hedges	—	2
Impairment of loan to joint venture	—	1
Restructure costs	—	2
Impairment of associate loans	31	48
Tax rate change	—	24
Tax effect of headline adjusting items	(3)	—
<b>Adjusted headline earnings</b>	<b>1 406</b>	<b>1 113</b>
Cents		
<b>Headline earnings per share</b>	<b>101.0</b>	74.0
<b>Diluted headline earnings per share</b>	<b>99.9</b>	73.4
<b>Adjusted headline earnings per share</b>	<b>105.7</b>	83.2
<b>Diluted adjusted headline earnings per share</b>	<b>104.5</b>	82.6

Adjusted headline earnings per share is a measurement used by the chief operating decision maker as a key measure of sustainable earnings from trading operations. The calculation of adjusted headline earnings per share excludes non-trading and/or non-recurring items, and is based on the adjusted profit attributable to ordinary shareholders, divided by the weighted average number of ordinary shares in issue during the year. The presentation of adjusted headline earnings is not an IFRS requirement, nor a JSE Listings Requirement.

Adjusted headline earnings represent headline earnings which have been adjusted for specific items of a non-trading and/or non-recurring nature, including:

- Gains or losses on financial instruments;
- Impairments and reversal of impairments on loans;
- Acquisition costs;
- Regulatory inquiry costs;
- Onerous lease provisions;
- Significant restructuring costs;
- New business development costs;
- Realisation of reserves through profit or loss;
- B-BBEE transaction costs;
- Changes in tax rates;
- Other non-trading items; and
- Other non-recurring items.

# Summarised segment report

for the year ended 30 September

## Hospital and emergency services

This segment is further disaggregated into Hospital and pharmacy operations, covering our private acute hospital network and day clinics, and Non-acute services. The Non-acute services include the provision of emergency services, the operation of private mental health clinics, cancer care, diagnostics services and the sale of healthcare products and vouchers.

## Primary Care

This segment offers comprehensive primary healthcare services, employee health and wellness services, and administrative services to medical and dental practices.

Rm	Hospital and pharmacy operations	Non-acute services	Hospital and emergency services	Primary Care	Inter-segment elimination <sup>1</sup>	Total
<b>30 September 2023</b>						
<b>Statement of profit or loss</b>						
<b>Revenue</b>	21 472	1 578	23 050	663	(14)	23 699
<b>EBITDA<sup>2</sup></b>	3 661	168	3 829	161		3 990
Depreciation and amortisation	(1 046)	(142)	(1 188)	(86)	—	(1 274)
<b>Operating profit</b>	2 615	26	2 641	75	—	2 716
<b>Additional segment information</b>						
Impairment of property, plant and equipment	(118)	(5)	(123)	(7)	—	(130)

1. Relates to revenue earned in the Hospital and emergency services segment

2. Earnings before interest, tax, depreciation and amortisation

Rm	Hospital and pharmacy operations	Non-acute services	Hospital and emergency services	Primary Care	Inter-segment elimination <sup>1</sup>	Total
<b>30 September 2022</b>						
<b>Statement of profit or loss</b>						
<b>Revenue</b>	19 733	1 291	21 024	634	(22)	21 636
<b>EBITDA<sup>2</sup></b>	3 211	111	3 322	163	—	3 485
Depreciation and amortisation	(929)	(183)	(1 112)	(91)	—	(1 203)
<b>Operating profit/(loss)</b>	2 282	(72)	2 210	72	—	2 282
<b>Additional segment information</b>						
(Impairment)/reversal of impairment of property, plant and equipment	(13)	2	(11)	—	—	(11)

1. Relates to revenue earned in the Hospital and emergency services segment

2. Earnings before interest, tax, depreciation and amortisation

# Notes to the summarised Group financial statements

## for the year ended 30 September

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### 1. **Basis of preparation and accounting policies**

The summarised consolidated financial statements have been prepared in accordance with the framework concepts, recognition and measurement criteria of IFRS and its interpretations adopted by the International Accounting Standards Board in issue and effective for the Group at 30 September 2023 and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council. The results contain the information as required by IAS 34 and comply with the JSE Listings Requirements and the Companies Act. These summarised consolidated financial statements, and the audited consolidated financial statements from which they have been derived, were compiled under the supervision of Mr KN Gibson (CA) SA, Group Chief Financial Officer.

The accounting policies and methods of computation applied in the preparation of these results are in accordance with IFRS. All policies are consistent in all material respects with those applied in the audited consolidated financial statements for the year ended 30 September 2022.

#### **Audit opinion**

The external auditor, Deloitte & Touche, has issued their opinion on the Group's consolidated financial statements for the year ended 30 September 2023. The audit was conducted in accordance with International Standards on Auditing. The auditor responsible for the audit is Mr S Tyranes. The annual financial statements were audited by Deloitte & Touche, who expressed an unmodified opinion and communication of a key audit matter as reported in the auditor's report of the audited consolidated financial statements.

A copy of the audit report, together with the accompanying consolidated financial statements is available for inspection at the Company's registered office with the head of investor relations ([ir@netcare.co.za](mailto:ir@netcare.co.za)) as well as online at [www.netcare.co.za/Netcare-Investor-Relations/Reports/Financial-Results](http://www.netcare.co.za/Netcare-Investor-Relations/Reports/Financial-Results). Any reference to future financial performance included in this announcement has not been audited and reported on by the Group's external auditor.

The directors take full responsibility for the preparation of the summarised consolidated financial statements which have been extracted from and are consistent in all material respects with the Group's consolidated financial statements.

## Notes to the summarised Group financial statements continued

Rm	2023	2022
<b>2. Operating profit</b>	<b>2 716</b>	2 282
After including:		
Depreciation and amortisation	(1 274)	(1 203)
Depreciation and amortisation of property, plant and equipment and intangibles assets	(844)	(787)
Depreciation of right of use assets	(428)	(410)
Amortisation of cash flow hedge accounting reserve	(2)	(6)
Impairment of property, plant and equipment	(130)	(11)
Impairment of financial assets	(141)	(180)
Movements in expected credit losses and bad debts related to trade and other receivables	(114)	(112)
Impairment of loans	(27)	(68)
Operating lease charges	(173)	(190)
Net profit/(loss) on disposal of property, plant and equipment	14	(11)

Operating profit is defined as the profit generated from the core business activities of the Group. Operating profit is derived after general and administrative expenses, including impairment of financial assets, have been deducted from gross profit and other income. Operating profit excludes investment income, and is stated before finance costs and before other net financial gains/losses are added/deducted. Due to their nature, these items are not classified as being part of the core operating activities of the Group.

Operating profit only includes profit from entities which are controlled by the Group in accordance with IFRS 10: Consolidated Financial Statements, and excludes amounts from entities where we share control or have significant influence. The Group, therefore, excludes from operating profit, income and expense items relating to associates and joint ventures, such as its share of earnings/losses of associates and joint ventures, impairments of investments in associates and joint ventures, profit/loss on disposal of investments in associates and joint ventures, and impairments of long-term interest in associates and joint ventures.

Revenue, income or expense items that would otherwise be presented within gross profit or operating profit, are separately disclosed and appropriately described when, by virtue of their nature or amount, they require separate disclosure on the statement of profit or loss.



## Notes to the summarised Group financial statements continued

Rm	2023	2022
<b>3. Finance costs</b>		
Interest on bank loans and other	(91)	(108)
Interest expense on lease liabilities	(454)	(409)
Interest on promissory notes	(456)	(310)
Total funding finance costs	(1 001)	(827)
Amortisation of cash flow hedge accounting reserve	(1)	(2)
Post-employment benefit plan finance costs	(62)	(56)
	(1 064)	(885)
<b>4. Taxation</b>		
<b>South African normal and deferred taxation</b>		
Current year	(498)	(514)
Prior years	33	34
Capital gains tax	(2)	—
	(467)	(480)
<b>Foreign normal and deferred taxation</b>		
Current year	(2)	—
Prior years	(2)	(4)
<b>Total taxation per the statement of profit or loss</b>	<b>(471)</b>	<b>(484)</b>

## Notes to the summarised Group financial statements continued

Rm		2023	2022	
<b>5.</b>	<b>Equity-accounted investments, loans and receivables</b>			
	<b>Non-current</b>			
	Associated companies	166	200	
	Joint ventures	217	218	
	Loans and receivables	223	176	
		<b>606</b>	<b>594</b>	
	<b>Current</b>			
	Loans and receivables	27	59	
	Total equity-accounted investments, loans and receivables	<b>633</b>	<b>653</b>	
	Rm	Level	2023	2022
<b>6.</b>	<b>Financial assets/liabilities</b>			
	<b>Derivative financial assets</b>			
	Interest rate swaps	2	35	45
	<b>Non-derivative financial assets</b>			
	Investment in Cell Captive	2	5	18
	Investment in equity instruments <sup>1</sup>	3	38	38
			<b>78</b>	<b>101</b>
	Included in:			
	Non-current assets		<b>63</b>	99
	Current assets		<b>15</b>	2
			<b>78</b>	<b>101</b>
	<b>Derivative financial liabilities</b>			
	Interest rate swaps	2	—	1
	Inflation rate swaps	2	—	7
	Written put option over non-controlling interest	3	12	12
			<b>12</b>	<b>20</b>
	Included in:			
	Current liabilities		<b>12</b>	20

1. The Group designates investments in equity instruments held at fair value through other comprehensive income

### Investment in equity instruments

The valuations are based on the estimated liquidation values determined for the net assets on the balance sheet of each entity. The main objective of these entities is the investment in start-up businesses. Given the difficulty in obtaining reliable forward-looking cash flow forecasts for new businesses of this nature, it is challenging to determine a reliable fair value for the underlying investments, and therefore a liquidation basis approach to the valuation has been adopted.

**6. Financial assets/liabilities continued**

**Written put option over non-controlling interest**

The fair value of the put option is based on the following formula: annual rent of the entity in which shares will be purchased when the option is exercised, divided by 10% yield (before tax) divided by 100 to derive the value per percentage shareholding. As at 30 September 2023 the annual rental was obtained from the entity and the fair value of the put option was calculated using the formula above. The fair value of the put option is therefore directly impacted by fluctuations in the annual rent of the entity.

Rm	2023			2022		
	Interest rate swaps	Inflation rate swaps	Total	Interest rate swaps	Inflation rate swaps	Total
<b>Recognised in profit or loss</b>						
De-designation of portion of hedging instrument <sup>1</sup>	2	—	2	—	—	—
Hedge ineffectiveness <sup>1</sup>	—	—	—	(1)	—	(1)
Reclassification into profit or loss <sup>2</sup>	30	(3)	27	(35)	(8)	(43)
	<b>32</b>	<b>(3)</b>	<b>29</b>	<b>(36)</b>	<b>(8)</b>	<b>(44)</b>
<b>Recognised in other comprehensive income</b>						
Fair value movements	19	—	19	42	—	42
Reclassification into profit or loss	(30)	3	(27)	35	8	43
	<b>(11)</b>	<b>3</b>	<b>(8)</b>	<b>77</b>	<b>8</b>	<b>85</b>
<b>Cash flow hedge reserve</b>						
Gross	34	—	34	44	(3)	41
Deferred tax	(9)	—	(9)	(12)	1	(11)
Net	<b>25</b>	<b>—</b>	<b>25</b>	<b>32</b>	<b>(2)</b>	<b>30</b>

1. Amounts included in other financial gains - net in the statement of profit or loss

2. Amounts included in interest and depreciation

**Fair value hierarchy**

Financial instruments measured at fair value are grouped into the following levels based on the significance of the inputs used in determining fair value:

- Level 1: Fair value is derived from quoted prices (unadjusted) in active markets for identical instruments.
- Level 2: Fair value is derived through the use of valuation techniques based on observable inputs, either directly or indirectly.
- Level 3: Fair value is derived through the use of valuation techniques using inputs not based on observable market data.

The Group has no financial instruments measured at fair value categorised as Level 1. There were no transfers between categories in the current year.

## Notes to the summarised Group financial statements continued

Rm		<b>2023</b>	2022
<b>7. Debt</b>			
Long-term debt		<b>6 057</b>	5 265
Short-term debt		<b>1 249</b>	1 105
<b>Total debt</b>		<b>7 306</b>	6 370
Comprising:			
<b>Unsecured liabilities</b>			
Bank loans		<b>2 414</b>	1 505
Promissory notes and commercial paper in issue		<b>4 888</b>	4 860
Other		<b>4</b>	5
		<b>7 306</b>	6 370

### Maturity Profile<sup>1</sup>

Rm		<b>Total</b>	<b>&lt;1 year</b>	<b>1 – 2 years</b>	<b>2 – 3 years</b>	<b>3 – 4 years</b>	<b>&gt;4 years</b>
<b>30 September 2023</b>		<b>9 022</b>	<b>1 828</b>	<b>2 017</b>	<b>2 505</b>	<b>1 300</b>	<b>1 372</b>
30 September 2022		7 622	1 529	1 923	1 458	1 224	1 488

*1. This maturity analysis includes the contractual undiscounted cash flows, represented by gross commitments, including finance charges. These amounts are different to those reflected in the statement of financial position, which are based on discounted cash flows*

Rm	2023	2022
<b>8. Commitments</b>		
<b>Capital expenditure commitments</b>	<b>1 560</b>	1 858
<b>Authorised and contracted for</b>		
Land and buildings	260	412
Computer equipment	21	58
Plant and equipment	9	22
Medical equipment	129	106
Other (including furniture and fittings)	—	3
Equity investments	—	83
<b>Authorised but not yet contracted for</b>		
Land and buildings	755	588
Plant and equipment	145	114
Computer equipment	104	236
Medical equipment	97	206
Other (including furniture and fittings)	40	30

## Notes to the summarised Group financial statements continued

Rm	2023	2022
<b>9. Contingent liabilities</b>		
Guarantees in favour of municipalities and other beneficiaries	29	32

### 10. Going concern

The directors have reviewed the Group and Company budget and cash flow forecasts and have satisfied themselves that the Group and Company are in a sound financial position and that they have access to sufficient borrowing facilities to meet their foreseeable cash requirements.

On the basis of this review, the Netcare directors have concluded that there is a reasonable expectation that the Group will continue to meet its financial covenants and meet its obligations as they fall due for at least the next 12 months from the date of approval of these financial statements. The directors consider it appropriate to adopt the going concern basis in preparing the Group and Company annual financial statements.

### 11. Significant transactions Impairment of properties

In the current period, due to change in usage, three properties have been impaired to their fair value less costs of disposal. As such, impairments of R125 million (2022: R11 million) were recognised.

### 12. Events after the reporting period

Shareholders are advised that an ordinary dividend of 35.0 cents per share was declared by the Board of Netcare Limited on 16 November 2023.

Shareholders are advised that with effect from 01 January 2024, Mr I Kirk joins the Risk Committee as chairperson and the Remuneration Committee as a member, and Mr A Maditse joins the Nominations Committee as a member. With effect from 05 February 2024, Ms L Stephens will assume the role of chairperson of the Remuneration committee.

Shareholders are advised that after an extensive search, Netcare has identified a preferred CEO candidate. Given that the candidate is unavailable for an extended period, details will remain confidential at this stage. At the Board's request, Dr Richard Friedland has agreed to continue as CEO beyond September 2024 for a further six months.

The directors are not aware of any other matters or circumstances arising since the end of the financial year, not otherwise dealt with in the Company's annual financial statements, which significantly affect the financial position at 30 September 2023 or the results of its operations or cash flows for the year then ended.

## Salient features

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	2023	2022
<b>Share statistics</b>		
<i>Ordinary shares</i>		
Shares in issue (million)	<b>1 439</b>	1 439
Shares in issue net of treasury shares (million)	<b>1 305</b>	1 338
Weighted average number of shares (million)	<b>1 330</b>	1 338
Diluted weighted average number of shares (million)	<b>1 345</b>	1 348
Market price per share (cents)	<b>1 350</b>	1 372

# Corporate information

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## Netcare Limited

Registration number: 1996/008242/06  
(Incorporated in the Republic of South Africa)

JSE ordinary share code: NTC

ISIN: ZAE000011953

JSE preference share code: NTCP

ISIN: ZAE000081121

Listed on the JSE and the A2X Exchanges  
("Netcare" or "the Company" or "the Group")

## Registered office

76 Maude Street (corner West Street),  
Sandton 2196, Private Bag X34  
Benmore 2010

## Executive directors

RH Friedland (Chief Executive Officer),

KN Gibson (Chief Financial Officer)

## Non-executive directors

MR Bower (Chair), B Bullo,  
L Human, I Kirk, A Maditse, R Phillips, L Stephens

## Company Secretary

Charles Vikisi

## Sponsor

Nedbank Corporate and Investment Banking  
135 Rivonia Road  
Sandown, 2196

## Transfer secretaries

4 Africa Exchange Registry (Pty) Ltd  
Cedar Woods House  
Ballywoods Office Park  
33 Ballyclare Drive  
Bryanston  
Tel: 011 100 8352

## Investor relations

[ir@netcare.co.za](mailto:ir@netcare.co.za)



## Disclaimer

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Certain statements in this document constitute 'forward-looking statements'. Forward-looking statements may be identified by words such as 'believe', 'anticipate', 'expect', 'plan', 'estimate', 'intend', 'project', 'target', 'predict' and 'hope'. By their nature, forward-looking statements are inherently predictive, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future, involve known and unknown risks, uncertainties and other facts or factors which may cause the actual results, performance or achievements of the Group, or the healthcare sector to be materially different from any results, performance or achievement expressed or implied by such forward-looking statements. Forward-looking statements are not guarantees of future performance and are based on assumptions regarding the Group's present and future business strategies and the environments in which it operates now and in the future. No assurance can be given that forward-looking statements will prove to be correct and undue reliance should not be placed on such statements.

Any forward-looking information contained in this announcement/presentation has not been reviewed or reported on by the company's external auditors.

Forward-looking statements apply only as of the date on which they are made, and Netcare does not undertake other than in terms of the Listings Requirements of the JSE Limited, to update or revise any statement, whether as a result of new information, future events or otherwise.

The normalised information has been prepared for illustrative purposes only, which is the responsibility of the directors. It has not been reviewed or reported on by the auditors because of its nature, and may not fairly represent Netcare's financial position, changes in equity, results of operations or cash flows.

Providing YOU with the best and safest care.



# 2023



## **Netcare Limited**

Audited Consolidated  
and Separate Annual  
Financial Statements

for the year ended 30 September 2023

Providing **YOU** with the best and safest care.



**NETCARE**

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# Who we are



The Netcare Group is a leading provider of private healthcare services in South Africa (SA). We provide acute services across our national network of hospitals and are the market leader in acute mental health services. We also provide emergency, cancer care, diagnostics support, primary care and renal care services as well as occupational health and wellness services. We improve access to affordable services and high-quality healthcare through NetcarePlus healthcare products and vouchers. Netcare Education develops healthcare professionals in nursing and emergency medical services.

## Our Netcare promise

**While you are in our care we promise you the following:**

We promise to care for you, and about you, in a manner that places you and your family at the centre of everything we do. We recognise that you are an individual with unique needs and expectations. We recognise the importance of your family and loved ones in your healing process. We are here to ensure that we provide you with the best and safest care, when you need it and in a way that we would wish for our loved ones.

## Netcare Limited

**Annual Financial Statements 30 September 2023**

These annual financial statements were prepared by the finance department of Netcare Limited acting under the supervision of KN Gibson CA(SA), Chief Financial Officer of the Group.

## How to navigate this report

AP

### Accounting policies

The specific principles, bases, conventions, rules and practices applied by the Group and Company for preparing and presenting financial statements.

EJ

### Estimates and judgements

The complex or subjective judgements that have the most significant effect on amounts recognised, assumptions and other sources of estimation uncertainty required to be made about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

# Directors' responsibility and approval

The directors of Netcare Limited are responsible for the preparation and integrity of the annual financial statements of the Company and the Group, which have been prepared under the supervision of the Chief Financial Officer, Mr KN Gibson, CA(SA). These annual financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee (APC), Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council (FRSC), the requirements of the South African Companies Act, No 71 of 2008, as amended (the Companies Act), and the Johannesburg Stock Exchange (JSE) Listings Requirements in line with the accounting policies of the Group, which are supported by judgements and estimates. The Group's external auditors, Deloitte & Touche, are engaged to express an independent opinion on these financial statements which has been presented on pages 11 to 13.

To enable the directors to fulfil this responsibility, the Group maintains internal accounting and administrative control systems designed to provide reasonable assurance that assets are safeguarded and that transactions are executed and recorded in accordance with the Group's policies and procedures to prevent and detect material misstatement and loss.

The directors are of the opinion that such accounting and administrative control systems have been maintained during the year, and based on information and explanations from management believe that the system of internal control is adequate for ensuring the:

- Reliability and integrity of financial and operating information;
- Adequate safeguarding, verification and accountability of assets against unauthorised use or disposition; and
- Compliance of established systems with policies, procedures, laws and regulations.

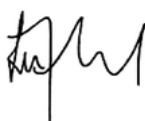
Nothing has come to the attention of the Netcare Board that causes it to believe that the Group's system of internal controls and risk management are not effective and that the internal financial controls do not form a sound basis for the preparation of reliable financial statements. The directors have considered control deficiencies identified by the internal and external auditors and have concluded that these have not resulted in a material misstatement of these financial statements. The directors have considered the proposed and completed remedial actions in respect of the identified control deficiencies.

The annual financial statements are prepared on a going concern basis and in accordance with IFRS. These financial statements are audited by the external auditors in conformity with International Standards on Auditing.

The annual financial statements were approved by the Board of directors on 16 November 2023 and are signed on its behalf by:



**MR Bower**  
Non-executive Board Chair



**RH Friedland**  
Chief Executive Officer



**KN Gibson**  
Chief Financial Officer

Sandton  
16 November 2023

# Chief Executive Officer and Chief Financial Officer responsibility statement

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Each of the Directors, whose names are stated below, hereby confirm that:

- a) The annual financial statements set out on pages 14 to 101, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;
- b) To the best of our knowledge and belief, no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
- c) Internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries has been provided to effectively prepare the financial statements of the issuer;
- d) The internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function as executive directors with primary responsibility for implementation and execution of controls;
- e) Where we are not satisfied, we have disclosed to the Audit Committee and the auditors any deficiencies in design and operational effectiveness of the internal financial controls, and have taken steps to remedy the deficiencies; and
- f) We are not aware of any fraud involving directors.



**RH Friedland**  
Chief Executive Officer



**KN Gibson**  
Chief Financial Officer

Sandton  
16 November 2023

## Certificate by the Company Secretary

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I hereby certify that, in respect of the year under review, the Company has lodged with the Companies and Intellectual Property Commission all returns and notices required of a public company in terms of the Companies Act, section 88(2)(e) and that all such returns appear to be true, correct and up to date.



**CM Vikisi**  
Company Secretary

Sandton  
16 November 2023

# Directors' report

for the year ended 30 September 2023

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Your directors have pleasure in presenting their report on the consolidated activities of Netcare Limited (the Group) and of Netcare Limited (the Company) for the year ended 30 September 2023.

## Nature of business

Netcare Limited is an investment holding company incorporated in South Africa and through its subsidiaries, joint arrangements and associates in Southern Africa (SA), carries on business as a private hospital group, providing an extensive range of general, emergency and specialised medical care services. Ancillary healthcare businesses include primary healthcare, administration and logistical services. Netcare Limited is a public company under the Companies' Act 71 of 2008 and the Company's shares are listed on the JSE and the A2X Exchanges.

## Financial results and review

The 2023 financial year saw a strong recovery in financial performance from the prior year that was partially impacted by the effects of highly transmissible COVID-19 variants and resultant rolling COVID-19 waves. The Group has managed to maintain consistency in the provision of the highest quality care and remain commercially stable. Whilst sequential improvements have been seen in profitability, cash generation and activity, the business has not yet fully recovered to pre-pandemic levels.

The financial results of the Group are set out on pages 14 to 86 of this report and a segment report is included in note 2.12 to the Group annual financial statements. The Company annual financial statements are presented on pages to 87 to 95.

## Subsidiaries, associates and joint arrangements

Details of interests in subsidiaries, joint arrangements and associates are shown on pages 96 to 99 respectively.

## Changes in shareholdings

There were no material changes in the Group to holdings in subsidiaries, associates and joint arrangements during the year ended 30 September 2023.

The complete list of acquisitions, disposals, deregistrations and changes in holdings is available to shareholders on request.

## Property, plant and equipment and intangible assets

Capital expenditure incurred during the year amounted to R1 507 million (2022: R1 396 million). There were R130 million (2022: R11 million) of property, plant and equipment that was impaired.

Details of capital commitments are provided in note 7.2.1 to the Group annual financial statements.

## Share capital

### Authorised and issued

The Company's authorised share capital remained unchanged during the year. The Company issued no shares during the year (2022: nil).

During the current financial year, 3 421 540 Forfeitable Share Plan treasury shares were sold at an average price of R22.96 per share and 12 913 380 Share Incentive Plan treasury shares were purchased at an average price of R14.58. In addition, 24 427 085 treasury shares were acquired by subsidiary at an average price of R13.11.

Further details of the authorised and issued share capital of the Company are provided in note 8.1 to the Group annual financial statements.

## Shareholding of Company

The issued capital of the Company held by public and non-public entities as at 30 September 2023 was as follows:



# Directors' report continued

for the year ended 30 September 2023

	Number of shareholders	Number of shares <sup>1</sup>	% of issued share capital
Public	29 706	1 304 767 798	99.94
Non-public	2	794 686	0.06
Directors	2	794 686	0.06
<b>Total</b>	<b>29 708</b>	<b>1 305 562 484</b>	<b>100.00</b>
<b>Beneficial shareholders holding 5% or more</b>			
Public Investment Corporation on behalf of Government Employee Pension Fund <sup>2</sup>		350 436 896	26.84
Capital Research Global Investors on behalf of American Funds SMALLCAP World Fund		73 590 762	5.64
<b>Total</b>		<b>424 027 658</b>	<b>32.48</b>
<b>Investment management shareholding greater than 5%</b>			
Public Investment Corporation (SOC) Limited		282 777 259	21.66
Ninety One SA (Pty) Ltd		94 599 353	7.25
Capital Research Global Investors		82 408 850	6.31
Templeton Asset Management Ltd.		75 104 453	5.75
<b>Total</b>		<b>534 889 915</b>	<b>40.97</b>

1. Number of shares are net of treasury shares

2. As the treasury shares held by the HPFL B-BBEE scheme carry voting rights, the effective voting power of the Government Employee Pension Fund is 25.2%

## Share incentive schemes

Particulars relating to the Single Incentive Plan are provided in note 4.3 to the Group annual financial statements.

## Ordinary dividends paid

Details of the ordinary dividends paid for the year are as follows (note 8.1 refers):

Rm	2023	2022
<b>Final distribution paid</b>		
30.0 cents per share (2022: 34.0 cents)	432	489
Dividends attributable to treasury shares	(26)	(32)
<b>Paid to Netcare Limited external shareholders</b>	<b>406</b>	<b>457</b>

Rm	2023	2022
<b>Interim distribution paid</b>		
30.0 cents per share (2022: 20.0 cents)	432	288
Dividends attributable to treasury shares	(30)	(17)
<b>Paid to Netcare Limited external shareholders</b>	<b>402</b>	<b>271</b>

Rm	2023	2022
<b>Total distribution paid</b>		
Total dividend paid	864	777
Dividends attributable to treasury shares	(56)	(49)
<b>Paid to Netcare Limited external shareholders</b>	<b>808</b>	<b>728</b>

Dividends are accrued on the date of declaration. As a result, the final dividend of 35.0 cents per share declared on 16 November 2023, is not reflected in the financial statements for the year ended 30 September 2023.

In accordance with the provisions of STRATE, the electronic settlement and custody system used by the JSE Limited, the relevant dates for the dividend are as follows:

Last day to trade cum dividend	Tuesday, 23 January 2024
Trading ex-dividend commences	Wednesday, 24 January 2024
Record date	Friday, 26 January 2024
Payment date	Monday, 29 January 2024

# Directors' report continued

for the year ended 30 September 2023

Ordinary dividends declared in respect of the current year's earnings are:

Cents	2023	2022
Interim dividend	30.0	20.0
Final dividend	35.0	30.0
	65.0	50.0

The estimated total cash flow of the final dividend of 35.0 cents per share payable on 29 January 2024, is R504 million.

This amount excludes R41 million attributable to treasury shares which includes shares purchased after year end.

## Preference dividends

Details of the preference shares are provided in note 8.3 to the Group annual financial statements. The preference dividends paid for the year are:

Rm	2023	2022
Interim dividend	23	19
Final dividend	27	19
	50	38

The Board has confirmed by resolution that the solvency and liquidity test as contemplated by the Companies Act has been duly considered, applied and satisfied.

## Directors

The composition of the Board of directors for the year and to the date of this report is as follows:

### Executive directors

RH Friedland  
KN Gibson

### Independent non-executives

MR Bower – Chairperson  
T Brewer<sup>1</sup>  
B Bulo  
L Human  
I Kirk<sup>2</sup>  
D Kneale<sup>3</sup>  
MJ Kuscus<sup>4</sup>  
T Leoka<sup>5</sup>  
A Maditse<sup>6</sup>  
KD Moroka<sup>4</sup>  
R Phillips  
L Stephens<sup>2</sup>

1. T Brewer resigned effective from 31 December 2022

2. I Kirk and L Stephens appointed effective from 1 January 2023

3. D Kneale retired effective from 3 February 2023

4. MJ Kuscus and KD Moroka retired effective from 31 December 2022

5. T Leoka resigned effective from 8 March 2023

6. A Maditse appointed effective from 7 June 2023

# Directors' report continued

for the year ended 30 September 2023

## Board diversity

<b>Gender</b>	
Male	5
Female	4
<b>Nationality</b>	
Black South African	4
White South African	5
<b>Independence</b>	
Executive	2
Independent non-executive <sup>1</sup>	7

*1. The Board is satisfied that there are no relationships or circumstances likely to affect, or which appear to affect, the judgement of the directors*

The interests of directors and remuneration paid to directors are disclosed in note 4.1 to the Group annual financial statements.

## Company Secretary

The Company Secretary's contact details and the business and postal addresses of Netcare Limited appear on page 102.

## Auditors

Deloitte & Touche were appointed as auditors of Netcare Limited and will continue in office in accordance with section 94(7) of the Companies Act. Mr Spiro Tyranes is the designated audit partner.

## Events after the reporting period

Shareholders are advised that an ordinary dividend of 35.0 cents per share was declared by the Board of Netcare Limited on 16 November 2023.

Shareholders are advised that with effect from 01 January 2024, Mr I Kirk joins the Risk Committee as chairperson and the Remuneration Committee as a member and Mr A Maditse joins the Nominations Committee as a member. With effect from 05 February 2024, Ms L Stephens will assume the role of chairperson of the Remuneration committee.

Shareholders are advised that after an extensive search, Netcare has identified a preferred CEO candidate. Given that the candidate is unavailable for an extended period, details will remain confidential at this stage. At the Board's request, Dr Richard Friedland has agreed to continue as CEO beyond September 2024 for a further six months.

The directors are not aware of any other matters or circumstances arising since the end of the financial year, not otherwise dealt with in the Group and Company annual financial statements, which significantly affect the financial position at 30 September 2023 or the results of operations or cash flows for the year then ended.

## Going concern

The directors have reviewed the Group and Company budget and cash flow forecasts and have satisfied themselves that the Group and Company are in a sound financial position and that they have access to sufficient borrowing facilities to meet their foreseeable cash requirements. On the basis of this review, the Netcare directors have concluded that there is a reasonable expectation that the Group will continue to meet its financial covenants and its obligations as they fall due for at least the next 12 months from the date of approval of these financial statements. The directors consider it appropriate to adopt the going concern basis in preparing the Group and Company annual financial statements.

## Borrowing powers

In terms of the Memorandum of Incorporation (MOI), the borrowing powers of the Company are unlimited. Any borrowings by the Group would be subject to the provisions of the Group's treasury policy and the Companies Act. The details of borrowings appear in note 3.1 to the Group annual financial statements.

## Special resolutions

### Netcare Limited

At the annual general meeting of shareholders, the following special resolutions were passed relating to Netcare Limited:

- General authority to repurchase shares.
- Approval of non-executive directors' remuneration, for the period 1 October 2022 to 30 September 2023.
- Financial assistance to related and inter-related companies in terms of Section 44 and 45 of the Companies Act.

A register of special resolutions passed is available to shareholders on request. No special resolutions were passed by subsidiary companies during the year under review that affect the understanding of the consolidated financial statements.

# Audit Committee Report

for the year ended 30 September 2023

## Introduction

The Audit Committee (the Committee) is pleased to present its report in terms of section 94 of the Companies Act, the King IV Report on Corporate Governance for South Africa (King IV) and the JSE Listings Requirements for the financial year ended 30 September 2023. The Committee conducted its duties in accordance with its written terms of reference approved by the Board.

## Role of the Audit Committee

The Committee's main objective is to assist the Board in fulfilling its oversight responsibilities, in particular with regard to the evaluation of the adequacy and efficiency of accounting policies, internal controls and financial and corporate reporting processes.

In summary, during the year under review, the Committee performed the following roles:

- Reviewed and recommended for approval the interim and annual financial statements and related SENS and press announcements.
- Monitored and reviewed the effectiveness of internal control systems, including IT controls over financial reporting.
- Monitored and reviewed the staffing, work plan, resources and activities of the Internal Audit function.
- Reviewed and evaluated the effectiveness of the Internal Audit, financial risk management and compliance functions.
- Reviewed the Internal Audit charter.
- Reviewed the combined assurance model to ensure its appropriate alignment to King IV which included oversight on the effectiveness of the combined assurance mechanisms in place.
- Reviewed compliance in terms of the requirements of King IV on financial reporting and the role of the Audit Committee.
- Reviewed and evaluated reports relating to findings of Internal Audit investigations and whistle-blowing arrangements.
- Assessed the effectiveness and quality of the external audit process following the end of the annual audit cycle, with reference to audit quality indicators such as those that may be included in inspection reports issued by external audit regulators.
- Reviewed the integrated reporting process so as to consider factors and risks that may impact the integrity of the annual integrated report.
- Considered and reviewed the most recent Proactive Monitoring and Thematic reports issued by the JSE.
- Recommended the annual integrated report to the Board for approval.

## Structure of the Audit Committee

The Committee was appointed by the Board of directors and ratified by shareholders, to hold office in respect of the financial year under review. The Committee also performs statutory duties on behalf of all relevant subsidiary companies of Netcare. The Committee members are all independent non-executive directors with adequate knowledge and experience to equip the Committee to perform its functions. The Committee satisfies the requirements as stipulated in the Companies Act.

Ms B Bulo is the Chair of the Committee.

The fees paid to the Committee members for the year ended 30 September 2023 were approved by shareholders at the annual general meeting held on 03 February 2023.

Committee members' attendance is detailed below.

	Committee attendance
M Bower <sup>1</sup>	3/3
B Bulo <sup>2</sup> Audit Committee Chair	3/3
D Kneale <sup>3</sup>	1/1
T Leoka <sup>4</sup>	1/1
L Stephens <sup>5</sup>	2/2

1. M Bower BCom (Cum laude), BCompt, BCompt (Hons), CA(SA). M Bower stepped down as chair effective from 28 February 2023

2. B Bulo BBusci Hons, PDGA, CA(SA). B Bulo was appointed as chair effective from 1 March 2023

3. D Kneale BA. D Kneale retired effective from 4 February 2023

4. T Leoka BA (Hons) MA, MSc Economics and Economic History and PhD in Economics. T Leoka resigned effective from 8 March 2023

5. L Stephens CA (SA) and Chartered Director. L Stephens joined effective from 1 January 2023

# Audit Committee Report continued

for the year ended 30 September 2023

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## Structure of the Audit Committee continued

The head, or where appropriate the acting head, of Netcare Group Internal Audit as well as Deloitte & Touche, in their capacity as external auditors to Netcare, attended and reported at all the Committee meetings. The Chief Financial Officer and the Chief Executive Officer attend by invitation. The Group risk management function is also represented at the meetings and relevant senior managers attend by invitation. To ensure an integrated and coordinated approach to the risk management process, M Bower and B Bulu are also members of the Risk Committee. Divisional Internal Audit Committee meetings were held on 2 May 2023 and 1 November 2023. Deloitte & Touche, in their capacity as external auditors of Netcare, attended the Divisional and Group Audit committee meetings.

## External auditors

Deloitte & Touche is the appointed auditor for the Group and Company, with the audit partner, Mr. S Tyranes, appointed as the designated registered auditor in terms of the Companies Act. The Committee satisfied itself that both the audit firm and audit partner are independent of the Group and the Company. The Audit Committee engaged with the external auditors on its performance and provided recommendations on service delivery requirements.

The Committee approved the terms of engagement, the audit plan and the audit fees payable, as well as the nature and extent of non-audit services which Deloitte & Touche are permitted to provide to Netcare. The Committee also pre-approved, where relevant, proposed contracts with Deloitte & Touche for the provision of non-audit services to the Group. With regards to these services, consideration is given to the nature of the work involved and its potential impact on the independence of Deloitte & Touche in their role as external auditors. No approval is granted for work that may impair, or be perceived to impair, their independence. The fee payable to Deloitte & Touche for the financial year ended 30 September 2023 amounted to R21 million for audit services.

The Committee has a policy of periodically reviewing the controls and approvals relating to the approval of non-audit services, and is comfortable that the non-audit services approved were not excessive, were necessary and did not impact on the independence of the auditors.

Mr Tyranes' experience and knowledge has been assessed in terms of the JSE Listings Requirements and the Committee is satisfied that it is appropriate. The Audit Committee also acknowledges receipt of the section 22 information from Deloitte & Touche as required by the JSE Listings Requirements relating to the documentation received following the firm's latest inspection performed by IRBA and that of Mr Tyranes. The Committee is of the view that the quality of the external audit, with reference to audit quality indicators, is appropriate. It is also of the view that the audit tenure of five years is appropriate and does not impair independence.

## Internal Audit

The Committee monitors and reviews the effectiveness of the Internal Audit function and endeavours to ensure that it is adequately resourced to provide assurance on the effectiveness of the Group's internal controls and risk management. Internal Audit has the appropriate authority within the Group to perform and discharge its duties in terms of the Internal Audit charter approved by the Committee. There is an annual audit plan, approved by the Committee, which includes an IT component to provide assurance over the IT internal control framework. Internal Audit works closely with the Committee and is able to meet with the Committee independently of management, if and when required.

The Committee has no reason to believe that the design and implementation of internal financial controls is not effective. No weaknesses in the design, implementation or execution of internal financial controls that resulted in material financial loss, fraud, corruption or error were detected. The Committee is satisfied that the Internal Audit Head has the appropriate experience and expertise to meet the responsibility to fulfil the duties of Head of Internal Audit.

## Chief Financial Officer

The Committee is satisfied that the Chief Financial Officer, KN Gibson, has the appropriate experience and expertise to meet the responsibility to fulfil the duties of a financial officer, in terms of the JSE Listings Requirements. The Committee is also satisfied that the Group finance function is appropriate, and that the Group has maintained internal accounting and administrative control systems.

## Annual financial statements

The Committee reviewed the accounting policies and annual financial statements (of which this report forms part) to ensure that the annual financial statements comply with International Financial Reporting Standards and are appropriate for recommendation to the Board of directors for approval. The Committee is satisfied that the Board has assessed a solvency and liquidity test on the Company in terms of section 46 of the Companies Act and has concluded that the Company satisfies the test.

# Audit Committee Report continued

for the year ended 30 September 2023

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## Key Audit Matter

In reviewing the Key Audit Matter (KAM) the Audit Committee engaged with the auditors through the relevant governance structures and also held additional meetings to debate and consider the KAM:

### Valuation of Deferred Tax Asset on Assessed Losses:

The Committee was advised that the judgements and estimates applied in determining the valuation of the deferred tax asset on assessed losses was identified as a key audit matter due to the uncertainty of profitability of certain entities. Management has assessed the recoverability of the deferred tax assets on entities in the Group based on the requirements set out in IAS12 – Income taxes, giving consideration to the following factors:

- Approved budgets (for the period 1 October 2023 to 30 September 2024) and forecasts (through to 30 September 2028), using key assumptions relating to activity metrics, payroll and case mix as well as tariff changes, general inflation, the impact of COVID-19 and the recovery and normalisation of activity levels;
- History of profitability of the entities;
- Business recapitalisation; and
- The causes of the tax losses.

The Audit Committee concurs with Management's view with respect to the valuation of deferred tax assets on assessed losses.

## Approval of Audit Committee Report

The Committee hereby confirms that it has functioned in accordance with its terms of reference and discharged its duties for the financial year under review.



**B Bulo**  
Audit Committee Chair

Sandton  
16 November 2023

# Independent auditor's report

To the Shareholders of Netcare Limited

## Report on the Audit of the Consolidated and Separate Financial Statements

### Opinion

We have audited the consolidated and separate financial statements of Netcare Limited (the Group and Company) set out on pages 14 to 99, which comprise the consolidated and separate statements of financial position as at 30 September 2023, and the consolidated and separate statements of profit or loss, consolidated statement of 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 Netcare Limited and its subsidiaries as at 30 September 2023, 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 Matter

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. This matter was 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 this matter. The key audit matter applies to the consolidated financial statements and there are no key audit matters for the separate financial statements.

Key Audit Matter	How the matter was addressed in the audit
<b>Measurement of deferred tax asset on assessed loss of a significant subsidiary</b> <p>A deferred tax asset is recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary difference or unused tax losses can be utilised. The carrying value of the deferred tax asset recognised on assessed losses related to a significant subsidiary as at 30 September 2023 was R245 million, as disclosed in note 2.5 to the consolidated financial statements.</p> <p>In the current year, Netcare recapitalised the significant subsidiary. This factor together with the profitability of the significant subsidiary allowed it to utilise significant portion of its deferred tax asset arising out of assessed losses.</p> <p>Due to the significant estimation and uncertainty related to the cash flows of the significant subsidiary, the utilisation and recoverability of the deferred tax asset on its assessed losses is a matter of most significance to the current year audit and has been determined as the key audit matter.</p>	<p>In responding to the identified key audit matter, our audit procedures included the following:</p> <ul style="list-style-type: none"><li>• Obtained the approved budget and five-year forecast from the directors used to support the future taxable income.</li><li>• Tested the mathematical accuracy and logic of the budget calculations.</li><li>• Compared the forecasted taxable income in the previous year with the actual performance of the current year.</li><li>• Assessed the budgeting techniques and accuracy thereof by comparing the prior year budget assumptions to the current year budget assumptions to assess for material discrepancies in the forecast and considered relevant contradictory evidence in the forecasts used.</li><li>• Challenged the directors' assumptions in the subsidiary's approved budgets.</li><li>• Performed an independent analysis of inputs and assumptions used and independently recalculated the budget. This included considering appropriate market factors and recent market evidence based on our own third-party research.</li><li>• Performed a sensitivity analysis on the directors' forecasts and budgets considering the impact of changes to key inputs.</li><li>• Assessed the accounting and tax implications of the recapitalisation of the subsidiary.</li><li>• Evaluated the adequacy of the disclosures in the consolidated financial statements on the expected recoverability of the deferred tax assets relating to the assessed losses.</li></ul> <p>Based on our procedures performed above, the inputs and assumptions used in the recognition of the deferred tax asset on the assessed loss, as well as the disclosures of the amounts related to the deferred tax asset on assessed losses appears appropriate.</p>

# 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 "Netcare Limited Audited Consolidated and Separate Annual Financial Statements for the year ended 30 September 2023", which includes the Certificate by the Company Secretary, the Directors' report, the Audit Committee report as required by the Companies Act of South Africa, Chief Executive Officer, the Chief Financial Officer responsibility statement, which we obtained prior to the date of this report, and the Integrated Annual 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.



# Independent auditor's report continued

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- 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 Board 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 Board 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 Board 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 Netcare Limited for five years.



**Deloitte & Touche**  
Registered Auditor  
Per: Spiro Tyranes  
Partner  
17 November 2023

5 Magwa Crescent  
Waterfall City  
Waterfall  
2090

# Group statement of profit or loss

for the year ended 30 September

Rm	Notes	2023	2022
<b>Revenue</b>	2.1	23 699	21 636
Cost of sales	2.2	(11 937)	(11 085)
<b>Gross profit</b>		11 762	10 551
Other income		466	435
Administrative and other expenses		(9 371)	(8 524)
Impairment of financial assets	2.2	(141)	(180)
<b>Operating profit</b>	2.2	2 716	2 282
Investment income	3.3	144	115
Finance costs	3.4	(1 064)	(885)
Other financial gains – net		2	1
Attributable earnings/(losses) of associates		2	(23)
Attributable earnings of joint ventures		38	44
Impairment of long-term interests and investments in associates		(31)	—
<b>Profit before taxation</b>		1 807	1 534
Taxation	2.4	(471)	(484)
<b>Profit for the year</b>		1 336	1 050
<i>Attributable to:</i>			
Owners of the parent		1 271	975
Preference shareholders		50	38
		1 321	1 013
Non-controlling interests		15	37
		1 336	1 050
Cents			
<b>Basic earnings per share</b>	2.3	94.5	72.3
<b>Diluted earnings per share</b>	2.3	93.5	71.7

# Group statement of comprehensive income

for the year ended 30 September

Rm	Notes	2023	2022
<b>Profit for the year</b>		<b>1 336</b>	<b>1 050</b>
<b>Items that will not subsequently be reclassified to profit or loss</b>		<b>53</b>	<b>(21)</b>
Remeasurement of post-employment benefit obligation	8.5	72	—
Fair value adjustment on equity investments		—	(21)
Taxation on items that will not subsequently be reclassified to profit or loss	8.5	(19)	—
<b>Items that may subsequently be reclassified to profit or loss</b>		<b>(6)</b>	<b>62</b>
Effect of cash flow hedge accounting	8.5	(8)	85
Amortisation of cash flow hedge accounting reserve	6.3	(27)	43
Change in the fair value of cash flow hedges	6.3	19	42
Taxation on items that may subsequently be reclassified to profit or loss	8.5	2	(23)
<b>Other comprehensive income for the year</b>	8.5	<b>47</b>	<b>41</b>
<b>Total comprehensive income for the year</b>		<b>1 383</b>	<b>1 091</b>
<i>Attributable to:</i>			
Owners of the parent		1 318	1 016
Preference shareholders		50	38
Non-controlling interests		15	37
		<b>1 383</b>	<b>1 091</b>

# Group statement of financial position

as at 30 September

Rm	Notes	2023	2022
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	2.8	13 887	13 469
Right of use assets	2.9	4 073	3 770
Goodwill	2.11	1 606	1 606
Intangible assets	2.10	267	237
Investment in joint ventures	9.1	217	218
Investment in associates	9.2	166	200
Loans and receivables	9.3	223	176
Financial assets	6.1	63	99
Deferred lease assets		19	17
Deferred taxation	2.5	854	1 040
<b>Total non-current assets</b>		<b>21 375</b>	<b>20 832</b>
<b>Current assets</b>			
Loans and receivables	9.3	27	59
Financial assets	6.1	15	2
Inventories	5.2	556	562
Trade and other receivables	5.1	3 542	3 288
Taxation receivable		9	28
Cash and cash equivalents	3.2	2 279	1 499
<b>Total current assets</b>		<b>6 428</b>	<b>5 438</b>
<b>Total assets</b>		<b>27 803</b>	<b>26 270</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Ordinary share capital	8.1	4 297	4 297
Treasury shares	8.2	(3 926)	(3 504)
Other reserves		526	473
Retained earnings		9 479	8 980
Equity attributable to owners of the parent		10 376	10 246
Preference share capital and premium	8.3	644	644
Non-controlling interests	8.4	21	54
<b>Total shareholders' equity</b>		<b>11 041</b>	<b>10 944</b>
<b>Non-current liabilities</b>			
Long-term debt	3.1	6 057	5 265
Long-term lease liabilities	2.9	4 334	3 906
Post-employment healthcare benefit obligations	4.2	495	533
Deferred taxation	2.5	254	319
Provisions	7.3	19	22
<b>Total non-current liabilities</b>		<b>11 159</b>	<b>10 045</b>
<b>Current liabilities</b>			
Trade and other payables	5.3	3 657	3 521
Short-term debt	3.1	1 249	1 105
Short-term lease liabilities	2.9	658	582
Financial liabilities	6.2	12	20
Taxation payable		26	49
Bank overdrafts	3.2	1	4
<b>Total current liabilities</b>		<b>5 603</b>	<b>5 281</b>
<b>Total equity and liabilities</b>		<b>27 803</b>	<b>26 270</b>

# Group statement of cash flows

for the year ended 30 September

Rm	Notes	2023	2022
<b>Cash flows from operating activities</b>			
Cash received from customers		23 338	21 522
Cash paid to suppliers and employees		(19 203)	(17 572)
<b>Cash generated from operations</b>	2.6	<b>4 135</b>	<b>3 950</b>
Interest paid on debt		(516)	(419)
Interest paid on lease liabilities		(454)	(409)
Taxation paid	2.7	(374)	(439)
Ordinary dividends paid by subsidiaries		(47)	(25)
Ordinary dividends paid	8.1	(808)	(728)
Preference dividends paid	8.3	(50)	(38)
Distribution paid to beneficiaries of the HPFL B-BBEE <sup>1</sup> trusts		(6)	(8)
<b>Net cash flows from operating activities</b>		<b>1 880</b>	<b>1 884</b>
<b>Cash flows from investing activities</b>			
Advances to associates		(25)	(30)
Advances (to)/from joint ventures		(20)	17
Payments for acquisition of property, plant and equipment	2.8	(1 443)	(1 382)
Payments for additions to intangible assets	2.10	(64)	(14)
Proceeds on disposal of property, plant and equipment and intangible assets		101	35
Payments for investments and loans		(45)	(8)
Interest received	3.3	144	115
Dividends received		46	19
<b>Net cash flows from investing activities</b>		<b>(1 306)</b>	<b>(1 248)</b>
<b>Cash flows from financing activities</b>			
Proceeds on disposal of treasury shares		49	29
Acquisition of treasury shares		(510)	(29)
Debt raised	3.1	2 080	1 903
Debt repaid	3.1	(1 174)	(2 325)
Payments for equity interests in subsidiaries		(8)	—
Payment for acquisition of non-controlling interest		(2)	—
Proceeds from issue of shares to non-controlling interests		—	2
Payment of principal elements of lease liabilities		(226)	(177)
<b>Net cash flows from financing activities</b>		<b>209</b>	<b>(597)</b>
<b>Net increase in cash and cash equivalents</b>		<b>783</b>	<b>39</b>
Cash and cash equivalents at the beginning of the year		1 495	1 456
<b>Cash and cash equivalents at the end of the year</b>	3.2	<b>2 278</b>	<b>1 495</b>

1. Health Partners for Life Broad-based Black Economic Empowerment

# Group statement of changes in equity

for the year ended 30 September

Rm	Ordinary share capital	Treasury shares	Cash flow hedge accounting reserve	Share- based payment reserve	Retained earnings	Equity attributable to owners of the parent	Preference share capital and premium	Non- controlling interests	Total share- holders' equity
<b>Balance at 1 October 2021</b>	4 297	(3 557)	(31)	444	8 780	9 933	644	12	10 589
Sale of treasury shares	—	82	—	—	(53)	29	—	—	29
Transfer <sup>1</sup>	—	—	—	(42)	42	—	—	—	—
Purchase of treasury shares	—	(29)	—	—	—	(29)	—	—	(29)
Share-based payment reserve movements	—	—	—	41	—	41	—	—	41
Acquisition of subsidiary	—	—	—	—	(1)	(1)	—	17	16
Preference dividends paid	—	—	—	—	—	—	(38)	—	(38)
Ordinary dividends paid <sup>2</sup>	—	—	—	—	(728)	(728)	—	(25)	(753)
Other reserve movements	—	—	—	(1)	8	7	—	—	7
Distributions paid to beneficiaries of the HPFL B-BBEE <sup>3</sup> Trusts	—	—	—	—	(8)	(8)	—	—	(8)
Tax recognised in equity	—	—	—	—	(2)	(2)	—	—	(2)
Changes in equity interests in subsidiaries	—	—	—	—	(12)	(12)	—	13	1
Total comprehensive income for the year	—	—	62	—	954	1 016	38	37	1 091
Profit for the year	—	—	—	—	975	975	38	37	1 050
Other comprehensive income	—	—	62	—	(21)	41	—	—	41
<b>Balance at 1 October 2022</b>	<b>4 297</b>	<b>(3 504)</b>	<b>31</b>	<b>442</b>	<b>8 980</b>	<b>10 246</b>	<b>644</b>	<b>54</b>	<b>10 944</b>
Sale of treasury shares	—	78	—	—	(29)	49	—	—	49
Transfer <sup>1</sup>	—	10	—	(39)	29	—	—	—	—
Purchase of treasury shares	—	(510)	—	—	—	(510)	—	—	(510)
Share-based payment reserve movements	—	—	—	98	—	98	—	—	98
Preference dividends paid	—	—	—	—	—	—	(50)	—	(50)
Ordinary dividends paid <sup>2</sup>	—	—	—	—	(808)	(808)	—	(47)	(855)
Other reserve movements	—	—	—	—	(8)	(8)	—	—	(8)
Distributions paid to beneficiaries of the HPFL B-BBEE <sup>3</sup> Trusts	—	—	—	—	(6)	(6)	—	—	(6)
Tax recognised in equity	—	—	—	—	(3)	(3)	—	—	(3)
Changes in equity interests in subsidiaries	—	—	—	—	—	—	—	(1)	(1)
Total comprehensive income for the year	—	—	(6)	—	1 324	1 318	50	15	1 383
Profit for the year	—	—	—	—	1 271	1 271	50	15	1 336
Other comprehensive income	—	—	(6)	—	53	47	—	—	47
<b>Balance at 30 September 2023</b>	<b>4 297</b>	<b>(3 926)</b>	<b>25</b>	<b>501</b>	<b>9 479</b>	<b>10 376</b>	<b>644</b>	<b>21</b>	<b>11 041</b>

Notes

8.1

8.2

8.3

8.4

1. Transfer of treasury shares and share-based payment reserve in respect of vested shares
2. Refer to note 8.1 for detail of the ordinary dividends paid
3. Health Partners for Life Broad-based Black Economic Empowerment

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# Notes to the Group annual financial statements

for the year ended 30 September 2023

## 1. Accounting framework and critical judgements

### 1.1 Basis of preparation

The Group and Company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and comply with the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council (FRSC), the requirements of the South African Companies Act, No 71 of 2008, as amended (the Companies Act), and the Johannesburg Stock Exchange (JSE) Listings Requirements.

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Estimates and underlying assumptions are reviewed on an ongoing basis, and revisions to accounting estimates are recognised in the period in which the estimates are revised. The actual results could differ from these estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements, have been disclosed in note 1.4.

The financial statements are presented in South African Rand (ZAR), the functional currency of the Group and Company and all amounts are rounded to the nearest million, except where otherwise indicated.

The Group and Company financial statements have been prepared on the historical cost basis, except for the following material items included in the statement of financial position that are measured as described below:

- Derivative financial instruments and investments in equity instruments are measured at fair value (note 6.1); and
- Post-employment healthcare benefit obligations are measured in terms of the projected unit credit method.

#### Operating activities

The activities of the Group's operating segments are described below:

- **Hospital and emergency services**

This segment is further disaggregated into Hospital and pharmacy operations, covering our private acute hospital network and day clinics, and non-acute services. The non-acute services include the provision of emergency medical services, the operation of private mental health clinics, diagnostics support services, the sale of healthcare products and vouchers and cancer care services.

- **Primary Care**

This segment offers comprehensive primary healthcare services, employee health and wellness services, and administrative services to medical and dental practices.

### 1.2 Going concern

The directors consider it appropriate to adopt the going concern basis in preparing the Group and Company annual financial statements.

Netcare remains in a healthy financial position with acceptable levels of gearing as reflected by its net debt to EBITDA coverage of 1.2 times at 30 September 2023. Cash balances of R2 279 million and committed undrawn facilities of R1 420 million amount to R3 699 million which will ensure the availability of liquidity for the foreseeable future.

### 1.3 Accounting policies

AP

The accounting policies applied in the preparation of these Group and Company financial statements are consistent in all material respects with those applied for the year ended 30 September 2022. Certain new or amended standards became applicable for the current financial year. The adoption of these standards did not have a material impact on the Group.

Accounting policies for which no choice is permitted in terms of International Financial Reporting Standards have been included only if management considers that the disclosure will assist users in understanding the financial statements as a whole, after taking into account the materiality of the item being discussed. Accounting policies which are not applicable from time to time have been removed, but will be included if the type of transaction occurs in future or becomes material. Accounting policies that refer to "consolidated" or "Group" apply equally to the Company financial statements where relevant.



# Notes to the Group annual financial statements continued

for the year ended 30 September 2023

## 1. Accounting framework and critical judgements continued

### 1.4 Critical accounting judgements, estimates and assumptions

EJ

#### Critical accounting judgements

In the application of the Group's accounting policies, judgements, estimates and assumptions are required to be made about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised.

Refer to note 2.5 Deferred taxation asset, note 2.9 Leases, and note 9 Group structure for judgements that have been made in the process of applying the Group's accounting policies in relation to the recognition of deferred tax assets, extension periods on leases and determination of recoverable amounts from terminated Public Private Partnership agreements respectively.

#### Key sources of estimation uncertainty

##### Impairment of assets and future cash flows

The Group tests its fixed assets for impairment when indicators of impairment exist. Goodwill is tested for impairment annually. The recoverable amounts of assets (including goodwill), individual cash-generating units (CGUs) and groups of CGUs are based on the Group's best estimate of the future cash flows relating to those assets or CGUs, discounted to reflect the time value of money and the risks specific to the asset, group of assets or leases and contracts under consideration.

The resulting impairment calculations are sensitive to changes in the timing or quantum of future cash flows. Changes in one or more of these inputs to management's estimations could result in reversals of impairment losses, or the recognition of further impairment charges. Please refer to notes 2.8 and 2.11 for further discussion of the methodology and rationale for selecting these inputs to management's estimations.

### 1.5 Events after the reporting period

Shareholders are advised that an ordinary dividend of 35.0 cents per share was declared by the Board of Netcare Limited on 16 November 2023.

Shareholders are advised that with effect from 01 January 2024, Mr I Kirk joins the Risk Committee as chairperson and the Remuneration Committee as a member and Mr A Maditse joins the Nominations Committee as a member. With effect from 05 February 2024, Ms L Stephens will assume the role of chairperson of the Remuneration committee.

Shareholders are advised that after an extensive search, Netcare has identified a preferred CEO candidate. Given that the candidate is unavailable for an extended period, details will remain confidential at this stage. At the Board's request, Dr Richard Friedland has agreed to continue as CEO beyond September 2024 for a further six months.

The directors are not aware of any other matters or circumstances arising since the end of the financial year, not otherwise dealt with in the Group and Company annual financial statements, which significantly affect the financial position at 30 September 2023 or the results of operations or cash flows for the year then ended.

## 2. Investments and returns

### 2.1 Revenue

AP

Revenue is recognised when the Group transfers control of goods and services to the customer.

Revenue is derived from the following major categories:

Rm	Note	2023	2022
<b>Hospital and emergency services</b>		<b>23 036</b>	21 002
Hospital and pharmacy operations		21 472	19 733
Non-acute services		1 564	1 269
<b>Primary Care</b>			
Services		663	634
		<b>23 699</b>	21 636

# Notes to the Group annual financial statements continued

for the year ended 30 September 2023

## 2. Investments and returns continued

### 2.1 Revenue continued

EJ

Hospital and pharmacy operations comprise of ward and theatre fees and the sale of pharmaceutical and other consumables incidental in the provision of hospital services. Revenue is recognised over the period of the patient's stay, as and when the Group meets the performance obligations by rendering the medical and surgical services as per the contract between the Group and the patient, or as pharmaceuticals and consumables are used in the treatment of the patient. Invoices issued are payable on presentation.

Non-acute services include the provision of emergency services, mental health, NetcarePlus, diagnostics services and cancer care. In emergency services, which include road and air emergency services, recognition occurs when the recoverability of revenue has been determined to be probable because at the time of delivery of the service, in an emergency situation, the counterparty has not entered into a contract. Revenue is recognised once the contract has been entered into with the patient or their next of kin. Invoices issued are payable on presentation. In mental health revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. In NetcarePlus, revenue is recognised from the sale of medical vouchers and prepaid procedures at the point of redemption when the service is provided. The Group recognises revenue when it meets the performance obligations of the contract by rendering the service. Netcare Diagnostics provides administrative and logistics services to a third party pathology practice and revenue is recognised as costs are incurred. In cancer care revenue is received from rental income from operating leases.

Revenue from Primary Care services is recognised as the administration services to medical and dental practices are performed, or over a period of time as the patient is treated. The Group recognises revenue over the period of the patient's treatment, as and when the Group meets the performance obligations of the contract by rendering the services specified. The administration fees are settled as the underlying practices receive cash from their patients. The practices' invoices to patients are payable on presentation. Revenue from Netcare Occupational Health is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties.

For all major categories, revenue is measured at the consideration the Group is entitled to receive under the contract with the patient and excludes any amounts collected on behalf of third parties.

The disaggregation of revenue above is consistent with the revenue information disclosed for each reportable segment under IFRS 8: *Operating Segments* (refer to note 2.12).

### 2.2 Operating profit

AP

Operating profit is defined as the profit generated from the core business activities of the Group. Operating profit is derived after general and administrative expenses, including impairment of financial assets, have been deducted from gross profit and other income. Operating profit excludes investment income, and is stated before finance costs and before other net financial gains/losses are added/deducted. Due to their nature, these items are not classified as being part of the core operating activities of the Group.

Operating profit only includes profit from entities which are controlled by the Group in accordance with IFRS 10: *Consolidated Financial Statements*, and excludes amounts from entities where we share control or have significant influence. The Group, therefore, excludes from operating profit, income and expense items relating to associates and joint ventures, such as its share of earnings/losses of associates and joint ventures, impairments of investments in associates and joint ventures, profit/loss on disposal of investments in associates and joint ventures, and impairments of long-term interest in associates and joint ventures.

Revenue, income or expense items that would otherwise be presented within gross profit or operating profit, are separately disclosed and appropriately described when, by virtue of their nature or amount, they require separate disclosure on the statement of profit or loss.

# Notes to the Group annual financial statements continued

for the year ended 30 September 2023

## 2. Investments and returns continued

### 2.2 Operating profit continued

Rm	Notes	2023	2022
<b>Operating profit</b>		<b>2 716</b>	<b>2 282</b>
<b>After charging:</b>			
Cost of sales <sup>1</sup>		11 937	11 085
Cost of goods sold		6 325	5 863
Settlement and volume discounts		(78)	(70)
Direct payroll		5 527	4 995
Other		163	297
Auditors' remuneration		23	22
Audit fees – current year		21	20
Audit fees – prior year		2	2
Depreciation and amortisation		1 274	1 203
Depreciation of property, plant and equipment	2.8	800	748
Depreciation of right of use assets	2.9	428	410
Amortisation of intangible assets	2.10	44	39
Amortisation of cash flow hedge accounting reserve		2	6
Directors' emoluments		36	33
Executive directors paid by subsidiaries			
Basic remuneration, bonuses, retirement and medical benefits	4.1.3	26	22
Non-executive directors			
Consulting fees and fees for services as directors	4.1.3	10	11
Employee costs (excluding directors' emoluments)		3 687	3 348
Indirect payroll <sup>1</sup>		3 334	3 020
Group retirement benefit contributions		255	287
Share-based payment expenses	4.3	98	41
Impairment of investment in associate		—	3
Impairment of property, plant and equipment	2.8	130	11
Impairment of financial assets		141	180
Movements in expected credit losses and bad debts related to trade and other receivables		114	112
Impairment of loans	9.3	27	68
Fair value loss on investment		13	—
Loss on disposal of property, plant and equipment		9	14
Impairment of short-term associate loans		2	18
Operating lease charges	2.9	173	190
Technical, managerial and secretarial services		2	2
<b>After crediting:</b>			
Profit on disposal of property, plant and equipment		23	3
Fair value gain on investment		—	21
Property rental income		411	366

1. Based on recent stakeholder engagement in the current financial year, the information around the composition of cost of sales has become useful to the users of the financial statements. Therefore the breakdown of cost of sales has now been included in the operating profit note. As a result of this additional disclosure, the prior year salaries and wages disclosed of R8 015 million has been represented as direct payroll under cost of sales (R4 995 million) and indirect payroll (R3 020 million)

# Notes to the Group annual financial statements continued

for the year ended 30 September 2023

## 2. Investments and returns continued

### 2.3 Earnings per share

Earnings per share is derived by dividing profit for the year by the weighted average number of shares in issue. Appropriate adjustments are made in calculating diluted and headline earnings per share.

Diluted earnings per share reflects the potential dilution that could occur by taking into account the free portion if the Single Incentive Plan shares and HPFL B-BBEE trust units were exercised.

No adjustments were made to reported earnings attributable to shareholders in the computation of diluted earnings per share.

Headline earnings per share is calculated using the weighted average number of ordinary shares in issue during the year and is based on the earnings attributable to ordinary shareholders, after excluding those items as required by Circular 1/2023 issued by the South African Institute of Chartered Accountants (SAICA) as required by the JSE Limited.

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Adjusted headline earnings per share is a measurement used by the chief operating decision maker as a key measure of sustainable earnings from trading operations. The calculation of adjusted headline earnings per share excludes non-trading and/or non-recurring items, and is based on the adjusted profit attributable to ordinary shareholders, divided by the weighted average number of ordinary shares in issue during the year. The presentation of adjusted headline earnings is not an IFRS requirement, nor a JSE Listings requirement.

Adjusted headline earnings represent headline earnings which have been adjusted for specific items of a non-trading and/or non-recurring nature, including:

- Gains or losses on financial instruments;
- Impairments and reversal of impairments on loans;
- Acquisition costs;
- Regulatory inquiry costs;
- Onerous lease provisions;
- Significant restructuring costs;
- New business development costs;
- Realisation of reserves through profit or loss;
- B-BBEE transaction costs;
- Changes in tax rates;
- Other non-trading items; and
- Other non-recurring items.

Cents	2023	2022
<b>Basic earnings per share</b>	<b>94.5</b>	72.3
<b>Diluted earnings per share</b>	<b>93.5</b>	71.7
<b>Headline earnings per share</b>	<b>101.0</b>	74.0
<b>Diluted headline earnings per share</b>	<b>99.9</b>	73.4
<b>Adjusted headline earnings per share</b>	<b>105.7</b>	83.2
<b>Diluted adjusted headline earnings per share</b>	<b>104.5</b>	82.6

# Notes to the Group annual financial statements continued

for the year ended 30 September 2023

## 2. Investments and returns continued

### 2.3 Earnings per share continued

Million	2023	2022
<b>Weighted average number of ordinary shares</b>		
The weighted average number of ordinary shares used in the calculations is as follows:		
Weighted average number of shares	1 330	1 338
Potential dilutive effect of:	15	10
Single Incentive Plan shares	11	5
HPFL B-BBEE Trust units	4	5
<b>Diluted weighted average number of shares</b>	<b>1 345</b>	<b>1 348</b>

Rm	2023	2022
<b>Basic earnings per share</b>		
The profit used in the calculation of basic earnings per share is as follows:		
Profit for the year	1 336	1 050
<i>Adjusted for:</i>		
Dividends paid on shares attributable to the Forfeitable Share Plan, Single Incentive Plan and HPFL B-BBEE Trust units	(14)	(8)
Preference shareholders	(50)	(38)
Non-controlling interest	(15)	(37)
<b>Profit for the purposes of basic and diluted earnings per share</b>	<b>1 257</b>	<b>967</b>

Rm	Gross 2023	Net 2023	Gross 2022	Net 2022
<b>Headline earnings</b>				
Headline earnings are determined as follows:				
<b>Earnings used in the calculation of basic earnings per share</b>				
		1 257		967
<i>Adjusted for:</i>				
Recognition of impairment of investment in associate	2	2	3	3
Recognition of impairment of property, plant and equipment in operating profit	130	95	13	13
Loss on disposal of property, plant and equipment and intangible assets	9	7	14	9
Profit on disposal of property, plant and equipment and intangible assets	(23)	(18)	(3)	(2)
<b>Headline earnings</b>		<b>1 343</b>		<b>990</b>

# Notes to the Group annual financial statements continued

for the year ended 30 September 2023

## 2. Investments and returns continued

### 2.3 Earnings per share continued

Rm	Gross 2023	Net 2023	Gross 2022	Net 2022
<b>Adjusted headline earnings</b>				
Adjusted headline earnings are determined as follows:				
Headline earnings		1 343		990
<i>Adjusted for:</i>				
Amortisation of cash flow hedge accounting reserve	3	2	10	8
Fair value gains on derivative financial instruments	—	—	(3)	(2)
Ineffectiveness losses on cash flow hedges	—	—	3	2
De-designation of portion of hedging instrument	(2)	(1)	—	—
Impairment of loan to joint venture	—	—	1	1
Restructure costs	—	—	2	2
Modification loss	7	7	—	—
Impairment of financial assets	27	27	40	40
Impairment of associate loans	31	28	48	48
Tax rate change	—	—	24	24
<b>Adjusted headline earnings</b>		<b>1 406</b>		<b>1 113</b>

# Notes to the Group annual financial statements continued

for the year ended 30 September 2023

## 2. Investments and returns continued

### 2.4 Taxation

Rm	2023	2022
<b>South African normal taxation</b>		
Current year	(383)	(558)
Prior years	22	2
Capital gains tax	(2)	—
	<b>(363)</b>	<b>(556)</b>
<b>Foreign taxation</b>		
Current year	(2)	—
Prior years	(2)	—
	<b>(4)</b>	<b>—</b>
<b>Income tax</b>	<b>(367)</b>	<b>(556)</b>
<b>South African deferred taxation</b>		
Current year	(115)	44
Prior years	11	32
	<b>(104)</b>	<b>76</b>
<b>Foreign deferred taxation</b>		
Prior years	—	(4)
<b>Deferred taxation</b>	<b>(104)</b>	<b>72</b>
<b>Total taxation per statement of profit or loss</b>	<b>(471)</b>	<b>(484)</b>
<b>Reconciliation of effective taxation rate (%)</b>		
South African normal tax rate	27.0	28.0
<b>Adjusted for:</b>		
Deductible temporary differences and assessed losses not recognised	1.5	1.1
Capital gains tax	0.1	—
Net non-taxable income and allowances	(1.1)	2.7
Non-deductible depreciation	1.0	0.5
Earnings from associates and joint ventures	(0.6)	(0.4)
Impairments and fair value adjustments	0.4	2.1
Consulting fees	0.1	0.2
Donations	0.4	0.2
Learnership allowances	(0.2)	(0.4)
Other <sup>1</sup>	(2.2)	0.5
Prior years' taxation	(1.7)	(1.9)
Rate change	—	1.6
Different trust tax rates	0.3	0.1
<b>Effective taxation rate</b>	<b>26.1</b>	<b>31.6</b>

1. None of the items included in other have an impact of greater than 1.0% in either period

# Notes to the Group annual financial statements continued

for the year ended 30 September 2023

## 2. Investments and returns continued

### 2.4 Taxation continued

Rm	2023	2022
<b>Estimated taxation losses</b>		
Unused tax losses available for set-off against future taxable income	1 743	2 350
Utilised in recognised deferred tax assets and liabilities	1 046	1 767
Not recognised as a deferred tax asset	697	583

### 2.5 Deferred taxation

Deferred taxation assets and liabilities are offset where there is a legal enforceable right to offset and they relate to taxes levied by the same revenue authority and legal entity.

Rm	Note	2023	2022
<b>Reconciliation of movement</b>			
Balance at beginning of year		721	678
Current year charge:			
Per the statement of profit or loss	2.4	(104)	72
Amounts recognised in other comprehensive income		(17)	(23)
Acquisition of business		—	(6)
<b>Balance at end of year</b>		<b>600</b>	<b>721</b>
Comprising:			
Deferred tax assets		854	1 040
Deferred tax liabilities		(254)	(319)
		<b>600</b>	<b>721</b>

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Management has assessed the recoverability of the deferred tax assets on entities in the Group based on the requirements set out in IAS12 *Income Taxes*, giving consideration to the following factors:

- Approved budgets (for the period 1 October 2023 to 30 September 2024) and forecasts (through to 30 September 2028), using key assumptions relating to activity metrics, payroll and case mix as well as tariff changes, general inflation, the impact of COVID-19 and the recovery and normalisation of activity levels;
- History of profitability of the entities;
- The causes of the tax losses.

The Group has assessed the future profitability of entities with tax losses and concluded that the deferred tax assets arising from deductible temporary differences and tax losses will be recoverable against the estimated future taxable income based on approved business plans and forecasts. Deferred tax assets have been recognised to the extent that such tax losses are expected to be utilised against future taxable income within the forecast period.

The unutilised tax loss that is available to set off against future taxable profits includes an amount relating to a major subsidiary and equates to R906 million (2022: R1 520 million) with tax effect of R245 million (2022: R410 million) at the statutory rate of 27%. This tax loss arose primarily due to the lingering impact of COVID-19 and was partially utilised in the current financial year. The company has a long history of profitability and returned to profitability in the current year. These factors, together with a recapitalisation of the business in the current year, support that the losses will be fully utilised well before the end of the forecast period.

The tax losses incurred by subsidiaries can be carried forward indefinitely and have no expiry date.



# Notes to the Group annual financial statements continued

for the year ended 30 September 2023

## 2. Investments and returns continued

### 2.5 Deferred taxation continued

Rm	Balance at beginning of year	Recognised in profit or loss	Recognised in other comprehensive income	Acquisition of business	Balance at end of year
<b>2023</b>					
Property, plant and equipment	(405)	(35)	—	—	(440)
Right of use assets	(1 018)	(82)	—	—	(1 100)
Lease liability	1 212	136	—	—	1 348
Prepayments	(13)	(3)	—	—	(16)
Allowance for doubtful debts	65	(17)	—	—	48
Post-employment benefit obligations	122	9	(19)	—	112
Payroll accruals and provisions	244	79	—	—	323
Calculated tax losses	477	(194)	—	—	283
Financial instruments	13	(5)	2	—	10
Other temporary differences	24	8	—	—	32
	<b>721</b>	<b>(104)</b>	<b>(17)</b>	<b>—</b>	<b>600</b>

Rm	Balance at beginning of year	Recognised in profit or loss	Recognised in other comprehensive income	Acquisition of business	Balance at end of year
<b>2022</b>					
Property, plant and equipment	(345)	(54)	—	(6)	(405)
Right of use assets	(1 008)	(10)	—	—	(1 018)
Lease liability	1 147	65	—	—	1 212
Prepayments	(11)	(2)	—	—	(13)
Allowance for doubtful debts	42	23	—	—	65
Post-employment benefit obligations	142	(20)	—	—	122
Payroll accruals and provisions	252	(8)	—	—	244
Calculated tax losses	430	47	—	—	477
Financial instruments	15	21	(23)	—	13
Other temporary differences	14	10	—	—	24
	<b>678</b>	<b>72</b>	<b>(23)</b>	<b>(6)</b>	<b>721</b>

# Notes to the Group annual financial statements continued

for the year ended 30 September 2023

## 2. Investments and returns continued

### 2.6 Cash generated from operations

Rm	Notes	2023	2022
Operating profit		2 716	2 282
<i>Adjustments for:</i>			
Amortisation of intangible assets	2.10	44	39
Depreciation of property, plant and equipment	2.8	800	748
Depreciation of right of use assets	2.9	428	410
Amortisation of cash flow hedge accounting reserve		2	6
Profit on disposal of property, plant and equipment and intangible assets	2.2	(23)	(3)
Loss on disposal of property, plant and equipment and intangible assets	2.2	9	14
Impairment of property, plant and equipment	2.2	130	11
Movements in expected credit losses and bad debts related to trade and other receivables	2.2	114	112
Impairments of loans	2.2	27	68
Impairment of short-term associate loan	2.2	2	18
Impairment of investment in associate	2.2	—	3
Post-employment medical benefits		9	—
Share-based payment expense	4.3	98	41
Fair value loss/(gain) on investments	2.2	13	(21)
Other non-cash flow items		(4)	(5)
<b>Cash generated from operations before working capital changes and other</b>		<b>4 365</b>	<b>3 723</b>
Increase in trade and other receivables		(361)	(114)
Decrease in inventories		6	79
Increase in trade and other payables		133	273
Fair value loss on swaps		(8)	(11)
		<b>4 135</b>	<b>3 950</b>

### 2.7 Taxation paid

Rm	2023	2022
Amounts payable/(receivable) at beginning of year (net)	21	(94)
Charge per the statement of profit or loss (excluding deferred taxation)	367	556
Acquisition of business	—	(2)
Other taxation movements through equity	3	—
Amounts payable at end of year (net)	(17)	(21)
	<b>374</b>	<b>439</b>

# Notes to the Group annual financial statements continued

for the year ended 30 September 2023

## 2. Investments and returns continued

### 2.8 Property, plant and equipment continued

AP

Property, plant and equipment is stated at acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by management, less accumulated depreciation and any impairment losses.

Property, plant and equipment is considered for impairment if there is reason to believe that impairment may be necessary. Factors taken into consideration include the economic viability of the asset itself and where it is a component of a larger cash-generating unit (CGU), the viability of the unit.

The recoverable amounts are determined by projecting the future cash flows expected to be generated by the assets, taking into consideration market conditions and the expected useful lives of the assets. The present value of these cash flows is determined using an appropriate discount rate.

Where appropriate, the fair value of assets less costs to sell is used in the impairment assessment. For property assets, this is determined using an estimate of fair market value taking into account advice from an external professional valuator. Key judgements in determining the fair market value include the fair market rental amount and the applicable capitalisation rates.

The higher of fair value less costs to sell or value in use is compared to the carrying value of the asset or related CGU and, if lower, the assets are impaired to that value.

Property, plant and equipment is depreciated to estimated residual value on a straight-line basis over the assets expected useful lives. The depreciation method, estimated remaining actual useful lives and residual values of assets are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments apply a conservative view taking into account the specialised nature of the buildings, the regulated environment in which the hospitals operate, the area in which the hospital operates, utilising external residual value information and taking any recent disposals of hospital property into account.

Land is not depreciated. In prior years and the current year, the residual value of all buildings was considered and determined to be higher than the carrying value. Buildings are therefore no longer depreciated, except for new builds which will depreciate to the estimated residual value. The Group has identified significant components that need to be separately accounted for in the asset class. The Buildings components' useful lives and the method of depreciation have been determined on a reasonable basis which reflect the patterns of consumption.

Land and buildings are valued at least every three years to determine fair value for disclosure purposes. If the valuation indicates that land and buildings are impaired, an impairment charge is recognised immediately in the statement of profit or loss.

Borrowing costs are capitalised.

The assumptions regarding estimated useful lives for the 2023 financial year are as follows:

Land	Indefinite
Buildings	1 – 55 years
Leasehold improvements	Shorter of the lease term and the asset's useful life
Computer equipment	3 – 5 years
Furniture and equipment	1 – 16 years
Medical equipment	1 – 12 years
Motor vehicles	5 years
Plant and machinery	1 – 20 years

# Notes to the Group annual financial statements continued

for the year ended 30 September 2023

## 2. Investments and returns continued

### 2.8 Property, plant and equipment continued

Rm	Freehold and leasehold land and buildings	Assets under construction	Computer equipment	Furniture and equipment	Medical equipment	Motor vehicles	Plant and machinery	Total
<b>1 October 2021</b>	9 928	725	144	126	1 965	16	11	12 915
Additions	24	1 226	23	46	51	11	1	1 382
Disposals	(25)	(3)	(3)	(1)	(12)	(1)	—	(45)
Depreciation	(136)	—	(66)	(69)	(466)	(7)	(4)	(748)
Recognition of impairment	(10)	—	—	—	(1)	—	—	(11)
Acquisition of business	—	—	1	—	39	—	—	40
Transfer to intangibles	—	(48)	(16)	—	—	—	—	(64)
Transfers between categories	807	(1 583)	184	34	541	—	17	—
<b>30 September 2022</b>	10 588	317	267	136	2 117	19	25	13 469
Additions	24	1 306	20	51	36	5	1	1 443
Disposals	(54)	(1)	(13)	(1)	(13)	(1)	—	(83)
Depreciation	(129)	—	(99)	(75)	(483)	(8)	(6)	(800)
Recognition of impairment	(125)	—	—	—	(5)	—	—	(130)
Transfer to intangibles	—	(12)	—	—	—	—	—	(12)
Transfers between categories	445	(1 180)	146	15	566	—	8	—
<b>Carrying value at 30 September 2023</b>	<b>10 749</b>	<b>430</b>	<b>321</b>	<b>126</b>	<b>2 218</b>	<b>15</b>	<b>28</b>	<b>13 887</b>

Substantially all of the Group's assets are owned and used. There are incidental leases for doctors rooms, pathologists, pharmacies and retail stores

# Notes to the Group annual financial statements continued

for the year ended 30 September 2023

## 2. Investments and returns continued

### 2.8 Property, plant and equipment continued

Rm	Accumulated depreciation and impairments		Carrying value
	Cost	impairments	
<b>2023</b>			
Freehold and leasehold land and buildings	12 453	(1 704)	10 749
Assets under construction	430	—	430
Computer equipment	690	(369)	321
Furniture and equipment	344	(218)	126
Medical equipment	5 920	(3 702)	2 218
Motor vehicles	35	(20)	15
Plant and machinery	48	(20)	28
<b>Net carrying value</b>	<b>19 920</b>	<b>(6 033)</b>	<b>13 887</b>
<b>2022</b>			
Freehold and leasehold land and buildings	12 200	(1 612)	10 588
Assets under construction	317	—	317
Computer equipment	629	(362)	267
Furniture and equipment	342	(206)	136
Medical equipment	5 619	(3 502)	2 117
Motor vehicles	35	(16)	19
Plant and machinery	41	(16)	25
<b>Net carrying value</b>	<b>19 183</b>	<b>(5 714)</b>	<b>13 469</b>

#### Fair value – Land and Buildings

Netcare reflects its property portfolio of land and buildings (excluding furniture and fittings, medical equipment, loose plant and machinery and commissioning costs) at carrying value, based on historic cost less accumulated depreciation, of R10.8 billion as at 30 September 2023. The fair market value of the portfolio's land and buildings (also exclusive of furniture and fittings, medical equipment, loose plant and machinery and commissioning costs) was independently valued by Mills Fitchet at R22.2 billion as at 30 September 2021. The fair value of properties with operating facilities was determined using the income approach (profit method) or other relevant approach methodologies, and market value was used for the land component.

In terms of the fair value hierarchy, the fair value measurement of the hospital property portfolio would be classified as level 3. The inputs into the valuation, i.e. the value of the first year's income, are not quoted in an active market, but are observable based on the rental contracts signed with the various tenants. The fair value is determined based on an estimated amount for which the asset could be exchanged on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing, and where the parties had each acted knowledgeably, prudently and without compulsion. The following material assumptions were made in performing the valuation:

- Capitalisation rate of between 8.50% and 10.75%.
- The valuation exercise has assumed that fair value in continuation of existing use is the highest and best use of the buildings.
- Fair, maintainable operating profit.
- The hospital valuations were carried out on the basis of trading potential and as such it was assumed that the businesses will at all times be effectively and competently managed, operated and promoted, and will be properly staffed, stocked and capitalised.
- The properties are valued free and clear of any liens or encumbrances.
- The Group has assumed:
  - There is full compliance with all applicable state and local environmental regulations and laws, and that the site is free of any noxious waste that could affect value.
  - There are no hidden or unapparent conditions of the properties, subsoil or structures that render them more or less valuable.
  - All applicable zoning and use regulations and restrictions have been complied with.
  - All required licenses, certificates of occupancy, consents, or other legislative or administrative authorities from local or national government or private body have been or can be obtained or renewed for any use on which the value estimate is based.
  - The utilisation of the land and improvements is within the boundaries or property lines of the property description and there is no encroachment or trespass.

# Notes to the Group annual financial statements continued

for the year ended 30 September 2023

## 2. Investments and returns continued

### 2.8 Property, plant and equipment continued

Fair value – Land and Buildings continued  
Relationship of unobservable inputs to fair value

Unobservable input	Relationship of unobservable inputs to fair value
Discount rate	The higher the discount rate and the terminal yield, the lower the fair value.
Terminal yield	
Capitalisation rate	The higher the capitalisation rate and the expected vacancy rate, the lower the fair value.
Expected vacancy rate	
Rental growth rate	The higher the rental growth rate, the higher the fair value.

EJ

#### Impairment losses recognised in the year

An impairment loss is recognised to the extent by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use. In the current period, taking into account the intention of the alternative use of certain properties, these have been impaired to their fair value less costs of disposal. These impairments are reported in the Hospital and emergency segment.

The key assumptions used in the fair value calculations are described earlier in this note except for the below changes to the assumptions specific to the three properties which have been impaired during the current financial year:

- Capitalisation rate of 13.00%.
- The valuation exercise has assumed that fair value in continuation of existing use is the alternate use of the buildings.

Based on the valuation, the recoverable amounts for two acute hospitals and one day clinic were lower than their carrying values.

Impairment losses totalling R125 million (2022: R11 million), were recorded in administrative and other expenses, and were recognised across the three properties reducing their combined carrying values to R62 million.

#### Borrowing costs

Borrowing costs of R17 million (2022: R24 million) were capitalised during the year and are included in "Additions". These costs have also been reflected under investing activities in the statement of cash flows. The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation range from prime to prime less 1% on the majority of the properties.

#### Security

No items of property, plant and equipment are encumbered as security for debt (2022: Rnil).

# Notes to the Group annual financial statements continued

for the year ended 30 September 2023

## 2.9 Leases

AP

### The Group's leasing activities and accounting treatment

The Group leases property, vehicles, plant and equipment, medical equipment and aircrafts. Rental contracts range from one year to 30 years with extension options available. The extension period has been included in the lease term on contracts where the Group is reasonably certain it will exercise the option to extend. 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.

EJ

### Critical judgements in determining the lease term

Extension and termination options are included in a number of leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Factors considered when determining whether an extension will be exercised include:

- the importance of the leased asset to the Group's operations;
- contractual terms and conditions for the optional period;
- the specialised nature of leased assets – buildings are outfitted specifically for use as hospitals and medical facilities and cannot be readily used for alternate operations;
- significant leasehold improvements undertaken or expected to be undertaken during the term of the lease;
- costs relating to the termination of the lease; and
- the Group's past practice regarding the period over which the leased asset has been used.

AP

### Measurement of lease liabilities

Lease liabilities are initially measured at the net present value of the lease payments, including payments to be made under reasonably certain extension options. The lease payments are discounted using the incremental borrowing rate (IBR). The IBR is determined using a 3-month JIBAR swap rate adjusted for the following:

- credit spread;
- the term of the lease; and
- the risk associated with the category and location of the leased asset.

Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to profit or loss over the lease period.

Certain leases have variable lease payments which are linked to movements in the consumer price index (CPI). The lease liability on CPI-linked leases is initially recognised using the lease payments on the commencement date of the lease. Subsequently, the lease liability is remeasured prospectively when there is a change in future lease payments resulting from a subsequent change in CPI.

### Measurement of right of use assets

Right of use assets are initially measured at the initial amount of the corresponding lease liability.

Subsequently, the right of use assets are depreciated over the shorter of the useful life of the leased assets and the lease term on a straight-line basis.

The Group applies IAS 36: *Impairment of Assets* to determine whether a right of use asset is impaired and accounts for any impairment loss accordingly. The Group assesses the economic viability of the leased asset and where the leased asset is a component of a larger cash-generating unit (CGU), also assesses the viability of the CGU. The higher of fair value less costs to sell or value in use is compared to the carrying value of the asset or related CGU and, if lower, the assets are impaired to that value.

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

- The latest management budgets for the period from 1 October 2023 to 30 September 2024 and forecasts through to 30 September 2028, using key assumptions concerning caseload volume, payroll and case mix, tariff changes, general inflation, staffing cost movements, the impact of COVID-19 and the recovery and normalisation of activity levels.

# Notes to the Group annual financial statements continued

for the year ended 30 September 2023

## 2.9 Leases continued

### Right of uses assets

Rm	Properties	Vehicles	Aircrafts	Medical equipment	Plant and equipment	Total
<b>Balance at 1 October 2021</b>	3 522	35	43	—	—	3 600
Additions	779	35	—	—	—	814
Depreciation	(340)	(33)	(37)	—	—	(410)
De-recognition	(17)	(1)	—	—	—	(18)
Modifications	(245)	19	10	—	—	(216)
<b>Balance at 30 September 2022</b>	<b>3 699</b>	<b>55</b>	<b>16</b>	<b>—</b>	<b>—</b>	<b>3 770</b>
Additions	36	46	162	21	6	271
Depreciation	(337)	(38)	(40)	(10)	(3)	(428)
De-recognition	(6)	(3)	(6)	—	—	(15)
Modifications	462	14	(1)	—	—	475
<b>Balance at 30 September 2023</b>	<b>3 854</b>	<b>74</b>	<b>131</b>	<b>11</b>	<b>3</b>	<b>4 073</b>

AP

#### Low value leases

Leases for assets which have a value less than R100 000 are considered to be low value leases and are not accounted for under IFRS 16, as permitted by the standard. The payments relating to these leases are recognised as an expense on the accrual basis.

#### Short term leases

Leases with lease terms of less than twelve months are deemed to be short term in nature. As permitted by IFRS 16, these lease payments are expensed over the lease term.

#### Variable and activity-based rentals

Leases in which the rental is based on usage with no fixed charge are excluded from IFRS 16. These agreements include the rental of oncology equipment, medical equipment, document storage, printers and PABX systems, and the payments relating to these leases are recognised as an expense on the accrual basis.

### Lease expenses recognised in the statement of profit or loss under IFRS 16

Rm	2023	2022
Short-term leases	45	39
Low-value leases	53	65
Variable and activity-based rentals	75	86
<b>Total</b>	<b>173</b>	<b>190</b>



# Notes to the Group annual financial statements continued

for the year ended 30 September 2023

## 2.9 Leases continued

### Maturity analysis of undiscounted lease payments

Rm	Total	< 1 year	1- 2 years	2-3 years	3-4 years	4-5 years	> 5 years
<b>2023</b>							
Property	15 291	601	590	544	554	531	12 471
Vehicles	84	41	28	12	3	—	—
Aircraft	155	47	48	48	12	—	—
Medical equipment	11	10	1	—	—	—	—
Plant and equipment	3	3	—	—	—	—	—
	<b>15 544</b>	<b>702</b>	<b>667</b>	<b>604</b>	<b>569</b>	<b>531</b>	<b>12 471</b>
<b>2022</b>							
Property	11 235	556	562	550	504	510	8 553
Vehicles	63	33	19	9	2	—	—
Aircraft	17	17	—	—	—	—	—
	<b>11 315</b>	<b>606</b>	<b>581</b>	<b>559</b>	<b>506</b>	<b>510</b>	<b>8 553</b>

### Lease liability

Rm	Total
<b>1 October 2022</b>	<b>4 488</b>
<b>Cash flows:</b>	
Interest repayment	(454)
Capital repayment	(226)
<b>Non-cash:</b>	
Modification	474
De-recognition	(15)
Additions	271
Interest expense	454
<b>30 September 2023</b>	<b>4 992</b>
Comprising:	
Non-current liabilities	4 334
Current liabilities	658
	<b>4 992</b>

# Notes to the Group annual financial statements continued

for the year ended 30 September 2023

## 2.10 Intangible assets

AP

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets are considered for impairment if there is any reason to believe that impairment may be necessary. Factors taken into consideration include the economic viability of the asset itself and where it is a component of a larger cash-generating unit (CGU), the viability of the CGU.

Intangible assets are amortised on a straight-line basis over their estimated useful lives. The amortisation methods and the remaining useful lives are reviewed at least annually. The estimation of the useful lives of intangible assets is based on historic performance as well as expectations on future use and therefore requires a significant degree of judgement. Amortisation has been included in operating profit.

The assumptions regarding estimated useful lives for the 2023 financial year are as follows:

Management contracts	Over contract period
Software – purchased	2 – 6 years
Software – other	10 – 20 years
Development expenditure	Over contract period
Other	4 years

Management contracts comprise the value of contracts with third parties to operate hospital facilities.

The closing balance of development expenditure in 2023 and 2022 includes software related to CareOn (electronic patient health records), as well as clinical intellectual property in the mental health division.

# Notes to the Group annual financial statements continued

for the year ended 30 September 2023

## 2. Investments and returns continued

### 2.10 Intangible assets continued

Rm	Management contracts and other	Software	Development expenditure <sup>2</sup>	Total
<b>2023</b>				
<b>Net carrying value</b>				
Cost	71	383	82	536
Accumulated amortisation and impairment losses	(25)	(242)	(2)	(269)
	46	141	80	267
<b>Movement in the carrying value</b>				
Carrying value at 1 October 2022	50	155	32	237
Additions	—	1	63	64
Disposals	—	(1)	(1)	(2)
Amortisation	(4)	(38)	(2)	(44)
Transfers from property, plant and equipment	—	5	7	12
Transfers between categories <sup>1</sup>	—	19	(19)	—
<b>Carrying value at 30 September 2023</b>	<b>46</b>	<b>141</b>	<b>80</b>	<b>267</b>
<b>2022</b>				
<b>Net carrying value</b>				
Cost	71	359	32	462
Accumulated amortisation and impairment losses	(21)	(204)	—	(225)
	50	155	32	237
<b>Movement in the carrying value</b>				
Carrying value at 1 October 2021	45	68	87	200
Additions	—	10	4	14
Disposals	—	—	(2)	(2)
Amortisation	(3)	(34)	(2)	(39)
Transfers from property, plant and equipment	8	15	41	64
Transfers between categories <sup>1</sup>	—	96	(96)	—
<b>30 September 2022</b>	<b>50</b>	<b>155</b>	<b>32</b>	<b>237</b>

1. Development expenditure relating to CareOn capitalised to software

2. Development expenditure consists of CareOn and Clinical IP. The amount relating to the Clinical IP is immaterial

No borrowing costs were capitalised during the 2023 and 2022 years.

# Notes to the Group annual financial statements continued

for the year ended 30 September 2023

## 2. Investments and returns continued

### 2.11 Goodwill

Rm	2023	2022
<b>Net carrying value</b>		
Cost	1 639	1 639
Accumulated impairment losses	(33)	(33)
	<b>1 606</b>	1 606

There were no movements in the carrying value of goodwill in the current year.

AP

#### Goodwill impairment testing

Goodwill is allocated to the cash-generating unit (CGU) that is expected to benefit from the acquisition and is measured and managed at an operating segment level.

Goodwill is considered for impairment annually.

The recoverable amounts are determined by projecting the future cash flows expected to be generated by the assets, taking into account market conditions and the expected useful lives of the assets. The present value of these cash flows is determined using an appropriate discount rate.

The tangible and intangible assets constituting the hospital CGUs are tested for impairment prior to the portfolio CGU being tested for goodwill impairment. Any further impairment losses, arising from the portfolio CGU value in use calculation, are applied against goodwill and immediately recognised in the statement of profit or loss.

The carrying value of goodwill has been allocated to the following CGUs for impairment testing:

Rm	2023	2022
Hospital operations	511	511
Primary care operations	159	159
Mental health operations	936	936
	<b>1 606</b>	1 606

# Notes to the Group annual financial statements continued

for the year ended 30 September 2023

## 2. Investments and returns continued

### 2.11 Goodwill continued

EJ

#### Hospital, primary care and mental health operations

The recoverable amounts of the hospital, primary care and mental health operations' CGUs are determined based on value in use. The value in use is calculated as the present value of the projected cash flows attributable to each CGU. The key assumptions in the value in use calculations for each CGU are as follows:

- The future projected cash flows are based on management's forecast for the five-year period from 1 October 2023 to 30 September 2028. Key assumptions applied in the cash flow forecasts include activity and tariff changes, salary increases and inflation. The forecasts have also considered the impact of recovery to pre-COVID-19 levels in each CGU .
- A pre-tax weighted average cost of capital (WACC) for Hospital operations of 15.4% (2022: 15.5%), Primary Care operations of 14.2% (2022: 14.5%) and for Mental Health of 16.2% (2022: 15.7%) has been calculated.
- The unlevered cost of capital (utilised as a conservative post-tax WACC for investment decisions) of 13.0% (2022: 13.0%) has been informed by the Group.
- Long-term growth rate of 6.0% (2022: 6.0%).

The amount by which the value in use exceeds the carrying value provides sufficient evidence to enable the directors to conclude that a reasonable change in any of the key assumptions would not result in an impairment loss.

Management has determined the values assigned to each of the above key assumptions as follows:

#### Approach used to determine values

Activity	Average annual growth rate over the five-year forecast period is based on past performance and management's expectations of healthcare market developments. Towards the end of the forecast period, activity is bolstered by the impact of certain strategic initiatives.
Tariff changes	Guidance obtained from the Netcare Tariff Committee, based on past experience with funders and the outcome of ongoing tariff negotiations, taking into consideration both historic and forward looking average inflation rates.
Salary increases	Management forecasts salary cost increases based on the current structure of the business, adjusting for inflationary increases but not reflecting any possible future restructuring or cost saving measures.
Inflation	Management forecasts inflation using guidance obtained from local banks on their long term inflation forecasts for the country.
Growth rate	This is the weighted average growth rate used to extrapolate cash flows beyond the budget period. An internal actuarial calculation was performed but capped in line with the South African Reserve Bank's maximum inflation target band.
Pre-tax discount rates	Reflect specific risks relating to the relevant segments.

# Notes to the Group annual financial statements continued

for the year ended 30 September 2023

## 2. Investments and returns continued

### 2.12 Segment report

Information reported to the chief operating decision maker (the Executive Committee) is based on two segments which are separately reported. Refer to note 1.1 for further details.

#### 2.12.1 Measurement of segment performance and allocation of resources

AP

The segmental analysis reflects the operating structure under which management currently reports. The segments are reviewed by the Executive Committee to the operating profit level. The segments are comprised of:

- Hospital and emergency services, further disaggregated into Hospital and pharmacy operations and non-acute services, which include the provision of emergency services, mental health services, cancer care, diagnostics services and the sale of healthcare products and vouchers.
- Primary Care.

#### 2.12.2 Segment report – 2023

Rm	Hospital and pharmacy operations	Non-acute services	Hospital and emergency services	Primary Care	Inter-segment elimination <sup>1</sup>	Group
<b>Statement of profit or loss</b>						
<b>Revenue</b>	21 472	1 578	23 050	663	(14)	23 699
<b>EBITDA<sup>2</sup></b>	3 661	168	3 829	161	—	3 990
Depreciation and amortisation	(1 046)	(142)	(1 188)	(86)	—	(1 274)
<b>Operating profit</b>	2 615	26	2 641	75	—	2 716
<b>Additional segment information</b>						
Impairment of property, plant and equipment	(118)	(5)	(123)	(7)	—	(130)

1. Relates to revenue earned in the Hospital and emergency services segment  
2. Earnings before interest, tax, depreciation and amortisation

#### 2.12.3 Segment report – 2022

Rm	Hospital and pharmacy operations	Non-acute services	Hospital and emergency Services	Primary Care	Inter-segment elimination <sup>1</sup>	Group
<b>Statement of profit or loss</b>						
<b>Revenue</b>	19 733	1 291	21 024	634	(22)	21 636
<b>EBITDA<sup>2</sup></b>	3 211	111	3 322	163	—	3 485
Depreciation and amortisation	(929)	(183)	(1 112)	(91)	—	(1 203)
<b>Operating profit</b>	2 282	(72)	2 210	72	—	2 282
<b>Additional segment information</b>						
(Impairment)/reversal of impairment of property, plant and equipment	(13)	2	(11)	—	—	(11)

1. Relates to revenue earned in the Hospital and emergency services segment  
2. Earnings before interest, tax, depreciation and amortisation

# Notes to the Group annual financial statements continued

for the year ended 30 September 2023

## 3. Funding

### 3.1 Debt

AP

All borrowings are measured at amortised cost.

#### 3.1.1 Long-term debt

Rm	2023	2022
Total debt	7 306	6 370
Short-term portion	(1 249)	(1 105)
<b>Non-current portion</b>	<b>6 057</b>	<b>5 265</b>
Comprising:		
<b>Unsecured liabilities at amortised cost</b>		
Promissory notes and commercial paper in issue	4 888	4 860
Bank loans	2 414	1 505
Other	4	5
	<b>7 306</b>	<b>6 370</b>

Rm	Effective interest rate at 30 September 2023	2023	2022
Terms of repayment			
<b>Promissory notes and commercial paper in issue</b>			
Repayable on maturity on:			
07 December 2023			
19 March 2024			
12 October 2024			
12 December 2024			
26 February 2025	9.9% - 10.5%	4 888	4 860
07 September 2025			
14 February 2026			
28 January 2027			
07 September 2027			
12 October 2027			
14 February 2028			
<b>Bank and other</b>			
Repayable on maturity on:			
21 January 2025	10.1% - 10.2%	2 418	1 510
30 June 2026			
22 September 2028			
		<b>7 306</b>	<b>6 370</b>

# Notes to the Group annual financial statements continued

for the year ended 30 September 2023

## 3. Funding continued

### 3.1 Debt continued

#### 3.1.1 Long-term debt continued

##### Maturity profile<sup>1</sup>

Rm	Total	< 1 year	1 – 2 years	2 – 3 years	3 – 4 years	> 4 years
<b>2023</b>	<b>9 022</b>	<b>1 828</b>	<b>2 017</b>	<b>2 505</b>	<b>1 300</b>	<b>1 372</b>
<b>2022</b>	<b>7 622</b>	<b>1 529</b>	<b>1 923</b>	<b>1 458</b>	<b>1 224</b>	<b>1 488</b>

1. This maturity analysis includes the contractual undiscounted cash flows, represented by gross commitments, including finance charges. These amounts are different to those reflected in the statement of financial position, which are based on discounted cash flows

##### Undrawn borrowing facilities

The Group has the following undrawn borrowing facilities at 30 September:

Rm	2023	2022
<b>Committed facilities</b>		
Facilities expire:		
Within 1 year	1 050	1 050
More than 1 year <sup>1</sup>	370	950
	<b>1 420</b>	<b>2 000</b>
<b>Uncommitted facilities</b>		
Facilities expire:		
Within 1 year	1 000	2 640
Between 1 and 2 years	2 612	—
	<b>3 612</b>	<b>2 640</b>
<b>Total facilities</b>	<b>5 032</b>	<b>4 640</b>

1. This facility will expire on 30 June 2026

##### Debt reconciliation

Rm	Long-term debt	Short-term debt	Total
<b>1 October 2022</b>	<b>5 265</b>	<b>1 105</b>	<b>6 370</b>
<b>Cash flows:</b>			
Repayment of debt	(400)	(774)	(1 174)
Proceeds of debt raised	2 080	—	2 080
<b>Non-cash:</b>			
Accrued interest	—	30	30
Transfer between categories	(888)	888	—
<b>30 September 2023</b>	<b>6 057</b>	<b>1 249</b>	<b>7 306</b>



# Notes to the Group annual financial statements continued

for the year ended 30 September 2023

## 3. Funding continued

### 3.1 Debt continued

#### 3.1.1 Long-term debt continued

Debt reconciliation continued

Rm	Long-term debt	Short term debt	Total
<b>1 October 2021</b>	4 936	1 851	6 787
<b>Cash flows:</b>			
Repayment of debt	(474)	(1 851)	(2 325)
Proceeds of debt raised	1 903	—	1 903
<b>Non-cash:</b>			
Accrued interest	—	5	5
Transfer between categories	(1 100)	1 100	—
<b>30 September 2022</b>	5 265	1 105	6 370

### 3.2 Cash and cash equivalents and bank overdrafts

All cash and cash equivalents and bank overdrafts are denominated in South African Rand.

Rm	2023	2022
Cash on hand and balances with banks	2 279	1 499
Bank overdrafts	(1)	(4)
	<b>2 278</b>	<b>1 495</b>
<b>Included in cash and cash equivalents is restricted cash<sup>1</sup>:</b>		
HPFL B-BBEE trusts	404	382
Netcare Foundation (non-profit company)	20	13

*1. In terms of the founding documents of these entities, the cash is only able to be used for the purposes of these entities*

Refer to note 6.4 for discussion on credit risk and capital management.

### 3.3 Investment income

AP

Investment income comprises of interest on funds invested with financial institutions, which are recognised in profit or loss. Investment income is recognised in profit or loss as it accrues, using the effective interest method.

Rm	2023	2022
Interest on bank accounts and other	144	115

# Notes to the Group annual financial statements continued

for the year ended 30 September 2023

## 3. Funding continued

### 3.4 Finance costs

AP

Finance costs comprise interest expenses on borrowings, interest on lease liabilities, amortisation of the cash flow hedge accounting reserve and post-employment benefit plan interest costs which are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method, unless the borrowing costs are directly attributable to the acquisition, construction or production of qualifying assets, in which case they are capitalised to property, plant and equipment. Following the adoption of IFRS 16, a portion of the amortisation of the cash flow hedge reserve relating to the inflation rate swap instrument is realised through interest.

Rm	Note	2023	2022
Interest on bank loans and other		91	108
Interest expense on lease liabilities		454	409
Interest on promissory notes		456	310
Total funding finance costs		1 001	827
Amortisation of cash flow hedge accounting reserve		1	2
Post-employment benefit plan finance costs	4.2.1	62	56
		1 064	885

## 4. Our people

### 4.1 Remuneration of directors and prescribed officers

#### 4.1.1 Interests of directors and prescribed officers

The beneficial and non-beneficial interests of directors and prescribed officers in the ordinary shares of the Company were:

Number of shares	1 October 2022 <sup>1</sup>	Options exercised	Disposed	30 September 2023	Directly <sup>1</sup>
<b>Executive directors</b>					
RH Friedland	294 957	—	—	294 957	294 957
KN Gibson	499 729	—	—	499 729	499 729
<b>Prescribed officers</b>					
J du Plessis	115 112	—	—	115 112	115 112
WN van der Merwe	82 243	—	—	82 243	82 243
M Da Costa	81 999	—	—	81 999	81 999
CE Grindell	66 700	—	—	66 700	66 700
Total	1 140 740	—	—	1 140 740	1 140 740

1. The direct shares held are beneficial

The register of interests of directors in the shares of the Company is available to shareholders on request.

No executive director or prescribed officer holds any interest in the Company's preference shares.

At the date of this report, these interests in ordinary and preference shares remain unchanged.

# Notes to the Group annual financial statements continued

for the year ended 30 September 2023

## 4. Our people continued

### 4.1 Remuneration of directors and prescribed officers continued

#### 4.1.2 Directors' and prescribed officers' share options

##### Health Partners for Life

The following share options were held by directors and prescribed officers at 30 September 2023:

Number of options	Grant date	1 October 2022	Exercised	30 September 2023
<b>Executive directors</b>				
KN Gibson	2 Oct 2006	1 041	—	1 041
Weighted average exercise price		12.34		12.34
<b>Prescribed officers</b>				
CE Grindell	25 Oct 2005	1 200	—	1 200
Weighted average exercise price		6.42		6.42
		2 241	—	2 241

No share options were granted in 2023 (2022: nil).

2 241 (2022: 2 241) Health Partners for Life share options had vested as at 30 September 2023.

##### Share Incentive Plan

The following shares were held by directors and prescribed officers at 30 September 2023:

Number of options	Grant date	1 October 2022	Granted	Shares forfeited during the year	Exercised (sold and retained)	30 September 2023
<b>Executive directors</b>						
RH Friedland		—	1 584 514	—	—	1 584 514
KN Gibson		—	686 889	—	—	686 889
<b>Prescribed officers</b>						
T Akaloo	5 December 2022	—	308 424	—	—	308 424
J du Plessis		—	607 448	—	—	607 448
C Grindell		—	341 529	—	—	341 529
M Da Costa		—	440 839	—	—	440 839
WN van der Merwe		—	391 433	—	—	391 433
		—	4 361 076	—	—	4 361 076

# Notes to the Group annual financial statements continued

for the year ended 30 September 2023

## 4. Our people continued

### 4.1 Remuneration of directors and prescribed officers continued

#### 4.1.3 Directors' and prescribed officers' emoluments

Emoluments paid to directors and prescribed officers of the Group by the Company and its subsidiaries (excluding gains on single incentive shares exercised) for the year ended 30 September 2023, are set out below:

##### Executive directors

R'000	Salary	Short-term contributions	Retirement fund contributions	Guaranteed package	Bonuses <sup>1</sup>	Total	Fair value of deferred shares <sup>2</sup>
<b>2023</b>							
RH Friedland	10 907	31	546	11 484	5 804	17 288	22 719
KN Gibson	6 052	31	312	6 395	2 516	8 911	9 849
	<b>16 959</b>	<b>62</b>	<b>858</b>	<b>17 879</b>	<b>8 320</b>	<b>26 199</b>	<b>32 568</b>
<b>2022</b>							
RH Friedland	10 328	30	632	10 990	3 000	13 990	—
KN Gibson	5 349	30	338	5 717	2 000	7 717	—
	<b>15 677</b>	<b>60</b>	<b>970</b>	<b>16 707</b>	<b>5 000</b>	<b>21 707</b>	<b>—</b>

1. Incentive bonuses paid in the current year relating to financial performance of the previous financial year

2. Grant date fair value of deferred shares granted in the current financial year

Note: Each director has received dividend income which is below R1 million

##### Non-executive directors

##### Fees for services as directors

R'000	2023	2022
MR Bower	2 290	1 452
T Brewer <sup>1</sup>	582	2 159
B Bulo	1 501	1 243
L Human	1 303	1 133
I Kirk <sup>2</sup>	513	—
D Kneale <sup>3</sup>	398	1 185
MJ Kuscus <sup>4</sup>	297	1 182
T Leoka <sup>5</sup>	582	809
A Maditse <sup>6</sup>	270	—
KD Moroka <sup>4</sup>	247	990
R Phillips	1 131	746
L Stephens <sup>2</sup>	742	—
	<b>9 856</b>	<b>10 899</b>

1. T Brewer resigned effective from 31 December 2022

2. I Kirk and L Stephens appointed effective from 1 January 2023

3. D Kneale retired effective from 3 February 2023

4. MJ Kuscus and KD Moroka retired effective from 31 December 2022

5. T Leoka resigned effective from 8 March 2023

6. A Maditse appointed effective from 7 June 2023

# Notes to the Group annual financial statements continued

for the year ended 30 September 2023

## 4. Our people continued

### 4.1 Remuneration of directors and prescribed officers continued

#### 4.1.3 Directors' and prescribed officers' emoluments continued

##### Prescribed officers

R'000	Salary	Short-term contributions	Retirement fund contributions	Guaranteed package	Bonuses <sup>2</sup>	Total	Fair value of deferred shares <sup>1</sup>
<b>2023</b>							
T Akaloo	3 830	31	196	4 057	1 130	5 187	4 422
J du Plessis	5 157	31	248	5 436	2 225	7 661	8 710
C Grindell	4 155	31	214	4 400	1 251	5 651	4 897
M Da Costa	4 736	31	229	4 996	1 615	6 611	6 321
WN van der Merwe	4 310	31	214	4 555	1 434	5 989	5 612
	<b>22 188</b>	<b>155</b>	<b>1 101</b>	<b>23 444</b>	<b>7 655</b>	<b>31 099</b>	<b>29 962</b>
<b>2022</b>							
T Akaloo	3 622	30	227	3 879	1 626	5 505	—
J du Plessis	4 881	30	286	5 197	1 700	6 897	—
C Grindell	3 466	30	217	3 713	1 400	5 113	—
M Da Costa	4 478	30	269	4 777	1 500	6 277	—
WN van der Merwe	4 072	30	253	4 355	1 200	5 555	—
	<b>20 519</b>	<b>150</b>	<b>1 252</b>	<b>21 921</b>	<b>7 426</b>	<b>29 347</b>	<b>—</b>

1. Grant date fair value of deferred shares granted in the current financial year

2. Incentive bonuses paid in the current year relating to financial performance of the previous financial year

Note: Each director has received dividend income which is below R1 million

## 4.2 Post-employment healthcare benefit obligations

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Post-employment benefits are provided for certain existing and former employees. Actuarial valuations are based on assumptions which include subsidy inflation and the discount rate. Additional details of the valuation method and assumptions used are provided below. Remeasurement gains are recognised in other comprehensive income.

Rm	2023	2022
Post-employment healthcare benefits	<b>495</b>	533

# Notes to the Group annual financial statements continued

for the year ended 30 September 2023

## 4. Our people continued

### 4.2 Post-employment healthcare benefit obligations continued

#### 4.2.1 Post-employment healthcare benefits continued

Employees who joined the Group prior to 1 November 2004 are entitled to a post-employment medical aid subsidy. Due to previous employment benefits offered, the Group has honoured its contractual commitment in respect of post-employment healthcare obligations arising before the change in policy.

An actuarial valuation of the post-employment healthcare benefits of the Netcare Medical Scheme is performed at least every two years, using the projected unit credit method. The post-employment medical benefits are unfunded.

Details of the defined benefit obligations are set out below.

#### Valuation

Last actuarial valuation performed by PwC (SA)  
Valuation method adopted

30 September 2023  
Projected unit credit method

%	Note	2023	2022
<b>Principal actuarial assumptions</b>			
Net discount rate		4.9	4.0
Subsidy inflation		7.7	7.1
<b>Rm</b>			
<b>Actuarial obligation of amounts recognised in the statement of financial position</b>			
Unfunded obligation		495	533
<b>Reconciliation of defined benefit obligation to amounts recognised in the statement of financial position</b>			
Liability at beginning of year		533	503
Current service cost		9	9
Interest cost	3.4	62	56
Benefits paid		(37)	(35)
Remeasurement gains		(72)	—
Change in financial assumptions		(49)	—
Experience variance		(23)	—
<b>Liability at end of year</b>		<b>495</b>	<b>533</b>
<b>Post-employment healthcare costs recognised in the statement of profit or loss</b>			
Service cost		9	9
Interest cost		62	56
<b>Total cost recognised in profit or loss</b>		<b>71</b>	<b>65</b>
<b>Amount recognised in other comprehensive income</b>			
Remeasurement of the post-employment healthcare benefit obligation		(72)	—
<b>Net actuarial gains recognised in other comprehensive income</b>		<b>(72)</b>	<b>—</b>

The current service cost for the year has been included in administrative and other expenses in profit or loss.

The Group expects to contribute approximately R70 million to the post-employment subsidy in 2024 (2023: R71 million).

The duration of the obligation is approximately 9 years.

# Notes to the Group annual financial statements continued

for the year ended 30 September 2023

## 4. Our people continued

### 4.2 Post-employment healthcare benefit obligations continued

#### 4.2.1 Post-employment healthcare benefits continued

##### Sensitivity Analysis

The effect of a 1% increase or decrease in the inflation assumption on the service cost, interest cost and accrued liability is as follows:

Rm	Change in service cost	Change in interest cost	Change in accrued liability
1% increase in inflation	1	6	52
1% decrease in inflation	(1)	(6)	(45)
The results of the valuation are sensitive to changes in the assumptions used. The effect of adjusting the assumptions is shown below:			
Net discount rate decrease of 1.0%			(50)
Net discount rate increase of 1.0%			43

The methods and types of assumptions used in preparing the sensitivity analysis did not change from the prior year.

The scheme exposes the Group to a number of risks:

**Interest rate risk:** The scheme's liabilities are assessed using market yields on government bonds to discount the liabilities. An increase in the interest rate will increase the plan liability.

**Mortality risk:** An increase in the life expectancy of the plan participants will increase the plan's liability.

**Inflation risk:** An increase in the inflation rate will impact healthcare costs, which will increase the plan liability.

# Notes to the Group annual financial statements continued

for the year ended 30 September 2023

## 4. Our people continued

### 4.3 Share-based payments

The Group currently has two equity settled share schemes, namely the Health Partners for Life (B-BBEE transaction) and the Single Incentive Plan.

**EJ** The fair value of shares granted in terms of the Single Incentive Plan is determined by using the weighted average traded share price on the grant date.

The following amounts relating to share-based payments were included, before tax, in the statement of profit or loss during the year.

Rm	Notes	2023	2022
<b>Equity-settled</b>			
Netcare Limited Forfeitable Share Plan <sup>1</sup>		—	(22)
Health Partners for Life (B-BBEE transaction)	4.3.1	—	—
Single Incentive Plan	4.3.2	98	63
		<b>98</b>	<b>41</b>

*1. The remaining Forfeitable Share Plan shares were forfeited during the previous financial year*

Additional details regarding the assumptions used to value the share options and trust units are shown below.

#### 4.3.1 Health Partners for Life (B-BBEE transaction)

The Group implemented the Health Partners for Life (HPFL) initiative on 1 October 2005, a strategy to effect Broad-based Black Economic participation and transformation within the Netcare Group and in the private healthcare sector.

A broad grouping of predominantly historically disadvantaged individuals, through their participation in the HPFL Trusts, were identified as having the opportunity to acquire Netcare shares or benefit from the dividend stream thereof.

The HPFL formed four separate Trusts being The Patient Care and Passionate People Trust, The Physician Partnerships Trust, The Mother and Child Trust and The Healthy Lifestyle Trust.

The objective of the HPFL trusts is to make, manage and administer the awards, settlement of debt and repurchase of trust units, and the assets and liabilities of the trusts, in a manner consistent with Netcare's commitment to B-BBEE and socio and economic development.

Dividends or other distributions received on HPFL shares are applied first to meet funding obligations and administrative and operating expenses, and thereafter are distributed within the Trusts.



# Notes to the Group annual financial statements continued

for the year ended 30 September 2023

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## 4. Our people continued

### 4.3 Share-based payments continued

#### 4.3.1 Health Partners for Life (B-BBEE transaction) continued

The details of the Trusts are as follows:

##### The Patient Care and Passionate People Trust

In 2019, Netcare approved a further allocation of 61 110 000 previously unallocated Netcare shares that were available under the HPFL scheme, to 20 370 Netcare employees (excluding executives), of which 80% were black and 65% were black women (the Beneficiaries). A non-cash share-based payment expense of R348 million was recorded on the date of the allocation.

In terms of the allocation, each Beneficiary received an equal allotment of 3 000 shares funded through a notional interest-bearing debt structure with a waiting period of ten years. The allocation was made at R13.94 per share, being a 20% discount to the 15-day VWAP on the allocation date, with no forfeiture conditions. Beneficiaries are entitled to 20% of dividends from the date of allocation. After the ten year waiting period, the value of the shares less any outstanding notional funding balance at that time will be delivered to Beneficiaries in the form of Netcare shares.

Beneficiaries are entitled to Netcare shares calculated as the difference between the market value of the units and the debt allocation. The debt allocation consists of the original cost of the Netcare shares on the allocation date, interest charged on the loan to purchase the Netcare shares and tax paid by Netcare and the trusts on account of the B-BBEE transaction, reduced by dividends received.

##### The Physician Partnerships Trust

The Physician Partnerships Trust assists the Group in retaining quality medical professionals in SA and the awards are not linked in any way to where the medical professionals practice.

The Trust also established a Clinical Scholarship to support the development of academic specialists. To date, twenty-six specialists have been selected to pursue doctoral degrees in SA and/or abroad under this scholarship.

# Notes to the Group annual financial statements continued

for the year ended 30 September 2023

## 4. Our people continued

### 4.3 Share-based payments continued

#### 4.3.1 Health Partners for Life (B-BBEE transaction) continued

##### The Mother and Child Trust

The Mother and Child Trust funds the provision of assistance to women and children through selected women's groups and children's organisations.

##### The Healthy Lifestyle Trust

The Healthy Lifestyle Trust promotes a healthy lifestyle through the provision of financial assistance to wellness programmes and selected aligned initiatives.

Details of the Trust units at 30 September 2023 are:

Trust	Shares allocated to trust 1 Oct 2022	Disposals during the year	Shares allocated to trust 30 Sep 2023	Units in issue	Units converted	Available
The Patient Care and Passionate People Trust	66 410 219	(250)	66 409 969	(65 768 494)	(329 486)	311 989
The Physician Partnerships Trust	14 043 113	(7 883)	14 035 230	(7 497 338)	(1 227 875)	5 310 017
The Mother and Child Trust	9 916 737	—	9 916 737	—	—	9 916 737
The Healthy Lifestyle Trust	5 105 097	—	5 105 097	—	—	5 105 097
	95 475 166	(8 133)	95 467 033	(73 265 832)	(1 557 361)	20 643 840

Movement in the number of units was as follows:

	The Patient Care and Passionate People Trust	Weighted average debt allocation	The Physician Partnerships Trust	Weighted average debt allocation	Total
Balance at 1 October 2022	65 790 707	14.62	7 533 162	15.73	73 323 869
Exercised	(22 213)	9.56	(35 824)	8.35	(58 037)
Forfeited	—	—	—	—	—
<b>Balance at 30 September 2023</b>	<b>65 768 494</b>	<b>14.10</b>	<b>7 497 338</b>	<b>15.01</b>	<b>73 265 832</b>

- The range of the debt allocation per share for units outstanding at year-end is R8.88 to R30.72 per share for the Patient Care and Passionate People Trust.
- The range of the debt allocation per share for units outstanding at year-end is R8.35 to R22.81 for the Physicians Partnerships Trust.
- The weighted average share price at the date of exercise of shares exercised during the year was R13.50 for the Patient Care and Passionate People Trust, and R13.50 for the Physician Partnerships Trust.
- Vested options of the old allocations of the Patient Care and Passionate People Trust and Physician Partnerships Trust units are exercisable until the earlier of 30 September 2055 or when the trusts are terminated by the Trustees.
- The contractual life of the latest allocation of Patient Care and Passionate People Trust units is 10 years from the date of allocation (15 October 2019).

# Notes to the Group annual financial statements continued

for the year ended 30 September 2023

## 4. Our people continued

### 4.3 Share-based payments continued

#### 4.3.2 Single Incentive Plan (variable)

The Single Incentive Plan (SIP) was introduced to promote and reward high levels of performance in a manner that is linked to both the delivery of Netcare's strategic imperatives and shareholder value. The SIP was designed to:

- Align with shareholder interests and other important stakeholder objectives;
- Provide a competitive value proposition for loyal high-performing employees, building wealth for them over the longer term;
- Achieve simplification and consistency across the organisation to enhance understanding and administration; and
- Develop performance criteria that are agile and customised to drive the required business outcomes and performance on an annually reviewed basis, balanced across financial and non-financial performance.

#### Basis of determination

The annual SIP is based on an on-target % of annual cost to company (CTC), as well as the role of the participant, multiplied by an annual performance multiplier.

The performance multiplier will range from 0%, if none of the threshold levels are achieved, to 100% for on-target performance and up to 150% for stretch performance.

The scoring for each performance measure is applied as follows:

- Below threshold – 0%
- Threshold – 50%
- On-target – 100%
- Outperform – 150%

Linear interpolation is applied for performance between threshold and on-target, and on-target and outperform.

#### Delivery

The SIP is settled as follows:

- In cash and deferred shares. The cash portion is settled annually in December of each year.
- The balance, in Deferred Share Awards, which vest over three to five years.

The determination of the pro-forma value for the annual Single Incentive, is as follows:

- Single incentive = annual CTC x on-target % x performance multiplier
- Cash incentive = single incentive x cash percentage
- Deferred share award = (single incentive x deferred percentage) + any approved retention award

While this formulaic determination provides the quantum of eligibility each year, the Remuneration Committee applies its discretion to determine the final award.

The deferred awards are governed by a set of plan rules in line with the salient features described below and are generally issued in December of each year.

The SIP parameters for the on-target percentage, the cash portion, and the deferral term are customised to the market and role, and these parameters, including the applicable performance scorecards and weightings applicable to all participants, are determined, and communicated to participants ideally by the end of October, but by no later than 31 January of the subsequent financial year.

The purpose of the SIP is to provide both an incentive to participants to deliver the Group's business strategy over the long-term and to act as a retention mechanism. There are two types of share awards based on retention and performance. The retention share awards vest over a period of continued employment as stipulated in the award letter. The vesting of the performance share awards is subject to continued employment over the vesting period.

# Notes to the Group annual financial statements continued

for the year ended 30 September 2023

## 4. Our people continued

### 4.3 Share-based payments continued

#### 4.3.2 Single Incentive Plan (variable) continued

##### Salient features of the deferred shares

The deferred shares are forfeitable shares which are procured as soon as possible after the award date and held in escrow for the benefit of the participants.

The shares qualify for ordinary dividends and voting rights, but special dividends must be used to acquire further shares which are subject to the same terms as the underlying awards.

In the case of fault termination of employment, including resignation, retirement before normal retirement date and dismissal for disciplinary reasons, all unvested awards are forfeited.

In the case of no-fault terminations of employment, including death, disability, retirement at normal retirement age and termination of employment due to operational reasons, the awards vest on the original vesting dates, without acceleration, except in the case of death, where the awards will vest as soon as practically possible.

##### Other deferred share awards

Netcare's policy permits the granting of awards of deferred shares which are not part of the annual SIP, and these include:

- Sign-on awards that are included in the employment agreement for new employees, generally to compensate them for awards from their previous employer which will be forfeited on resignation; and
- Specific retention or counter-offer awards, which are not generally made to executive directors and prescribed officers.

Such awards must be motivated by the CEO and approved by the Remuneration Committee.

##### Discretion and safeguards

The annual SIP is subject to the discretion of the Remuneration Committee, which is applied to reduce the overall quantum of the single incentive, unless there are exceptional circumstances, if:

- The aggregate value of the single incentive for the year (including the cash and deferred portion but excluding any additional transition award) is more than 8% of EBIT; and
- The total number of deferred share awards for the year is more than 1% of the number of shares in issue.

##### Analysis of award dates and prices of shares

Expenditure of R98 million (2022: R63 million) was recorded in the statement of profit or loss during the year.

Grant date	Outstanding at 1 October 2022	Granted	Grant date fair value in Rands	Forfeited	Exercised	Outstanding at 30 September 2023
1 June 2022	1 921 893	—	15.00	(34 074)	(640 541)	1 247 278
14 November 2022	—	90 000	14.62	—	—	90 000
5 December 2022	—	10 457 516	14.34	—	—	10 457 516
1 June 2023	—	2 388 573	13.75	—	—	2 388 573
						14 183 367

# Notes to the Group annual financial statements continued

for the year ended 30 September 2023

## 4. Our people continued

### 4.4 Key management personnel

Key management personnel are directors and those executives having authority and responsibility for planning, directing and controlling the activities of the Group. Directors of the Company and certain senior management personnel have been classified as key management personnel. These key management personnel consist of the Executive Committee.

The Group has many different operations, where Group personnel may be transacting. Transactions entered into during the year with key management personnel were on terms and conditions no more favourable than those available to other employees, customers or suppliers and include transactions in respect of the employee option plans, contracts of employment and reimbursement of expenses, as well as other transactions.

#### Remuneration of key management personnel

Remuneration paid to key management personnel is as follows:

R'000	2023	2022
<b>Exco<sup>1</sup></b>		
Salaries and allowances	60 587	56 084
Short term benefits	314	299
Retirement fund contributions	3 020	3 425
Bonuses	22 266	22 366
Fair value of deferred shares <sup>2</sup>	87 150	—
	<b>173 337</b>	<b>82 174</b>

1. 2023 – 13 posts (2022: 13 posts)

2. Grant date fair value of deferred shares granted in the current financial year

Details relating to the remuneration of executive and non-executive directors and prescribed officers, as well as information pertaining to directors' and prescribed officers' interest in the share capital of the Company, share options outstanding and benefits in terms of share options exercised are disclosed in note 4.1.

# Notes to the Group annual financial statements continued

for the year ended 30 September 2023

## 5. Working capital

### 5.1 Trade and other receivables

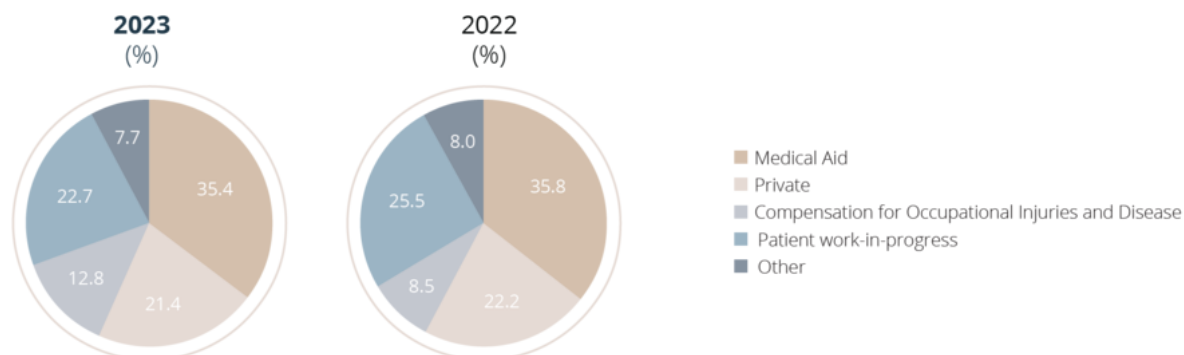
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Trade receivables are amounts due from customers for services rendered and goods sold in the ordinary course of business and are measured at amortised cost. The Group's exposure to credit risk relating to trade and other receivables is disclosed in note 6.4.3.2.

Rm	Note	2023	2022
Trade receivables		3 411	3 238
Loss allowance		(372)	(375)
Net trade receivables		3 039	2 863
Prepaid expenses		144	116
Joint venture receivables	9.1	16	17
Associate receivables	9.2	55	46
VAT receivables		11	9
Current portion of deferred lease assets		8	6
Other debtors <sup>1</sup>		280	231
		<b>3 542</b>	<b>3 288</b>

1. Included in other debtors is provision for doubtful debts, vat receivables, property rental receivable and deposits. Provision for doubtful debts of R20 million (2022: R14 million) have been recorded during the current financial year

The directors consider that the carrying amount of trade and other receivables approximates their fair value.



# Notes to the Group annual financial statements continued

for the year ended 30 September 2023

## 5. Working capital continued

### 5.1 Trade and other receivables continued

#### Impairment

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The Group applies the simplified approach as permitted by IFRS 9 when providing for loss allowances on trade receivables. Under the simplified approach, the loss allowance is calculated over the lifetime of the asset. Trade receivables is disaggregated into major categories and the credit risk is assessed for each category. This is known as the provision matrix approach. Credit risk per category is determined using past information and experience with debtors as well as expectations of the future recoverability of amounts due from debtors. Factors which are considered when assessing the past and future risk associated with each category include an analysis of debtors' current financial position, adjusted for factors that are specific to each debtor, general economic conditions in which the debtor operates and an assessment of both the current as well as the forecast direction of macro-economic conditions at the reporting date. Loss allowances are reviewed at the end of each reporting period.

Trade and other receivables are written off when there is no reasonable expectation of recovery. Debtors written off are subject to administration activities under the Group's debtor collection procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

The following table details the gross and net carrying amount of trade receivables per category:

	Gross carrying amount Rm	Loss allowance Rm	Net carrying amount Rm
<b>2023</b>			
Medical aid	1 096	(19)	1 077
Private	934	(284)	650
Compensation for Occupational Injuries and Disease	436	(48)	388
Patient work-in-progress	690	—	690
Other	255	(21)	234
	<b>3 411</b>	<b>(372)</b>	<b>3 039</b>
	Gross carrying amount Rm	Loss allowance Rm	Net carrying amount Rm
<b>2022</b>			
Medical aid	1 047	(23)	1 024
Private	911	(274)	637
Compensation for Occupational Injuries and Disease	288	(46)	242
Patient work-in-progress	730	—	730
Other	262	(32)	230
	<b>3 238</b>	<b>(375)</b>	<b>2 863</b>

# Notes to the Group annual financial statements continued

for the year ended 30 September 2023

## 5. Working capital continued

### 5.1 Trade and other receivables continued

#### Impairment continued

EJ

#### Medical aid

These funds are regulated by the Medical Schemes Act (MSA) and are monitored and controlled by the Registrar of Medical Schemes. The MSA stipulates minimum reserves for funders which mitigates the Group's credit risk. Medical aid debtors are generally low risk due to the pre-authorisations obtained on patient admissions. Cases which present a greater than normal level of risk require a specific loss allowance assessment, calculated using the factors of that particular case which have an impact on credit risk. In certain cases, the expected credit loss rate can be up to 100%. For general cases with no specific credit risk factors present, the probability of default has been assessed as low (0.01%).

#### Private patients

Credit risk for private patients is mitigated by taking an appropriate deposit calculated with specific regard to the services expected to be provided. Credit risk is assessed as being higher for private patients who haven't paid a deposit, admissions due to an emergency, or balances transferred from medical aid debtors as they were not covered by medical insurance. To determine the probability of default that would approximate the risk of the private book balances, data analysis around the credit risk of these private individuals would need to be performed. The Group has determined that it would be of undue cost and effort to perform this analysis and, as such, significant judgement supported by observation of external reporting, as permitted by IFRS 9, has been applied in determining this rate. The Group has used the Experian Composite Index on defaults and has applied a probability of default of 4.9% to private patients. This rate has increased from 3.8% in 2022. Cases which present significant credit risk are assessed using the relevant factors which have an impact on credit risk. In certain cases, the expected credit loss rate can be up to 100%. Also included in the private category of trade debtors are the estate late accounts and handed over accounts. Estate late accounts are deemed recoverable for up to three years. Thereafter, they are provided for in full. Handed over accounts have been handed over to debt collectors for recovery. These are then deemed to be recoverable for two years. Thereafter, handed over accounts are provided for up to 95%.

#### Compensation for Occupational Injuries and Disease (COID)

Based on past default experience and the current financial position of COID, the probability of default has been assessed as low (0.01%). Cases which present a greater than normal level of credit risk are assessed specifically using the relevant factors of the particular case to determine the expected credit loss rate. In certain cases, the expected credit loss rate can be up to 100%.

#### Patient work-in progress (PIP)

This category refers to patients who have not been discharged and patients who have been discharged but not yet billed. The provision raised against this category is immaterial.

#### Other

This category includes occupational health debtors, administered practice debtors, arranged balances, pharmacy debtors and foreign debtors. These debtors are assessed on an individual basis and are provided for based on the appropriate expected credit loss rate. In certain cases, the expected credit loss rate can be up to 100% depending on the factors present.



# Notes to the Group annual financial statements continued

for the year ended 30 September 2023

## 5. Working capital continued

### 5.1 Trade and other receivables continued

#### Impairment continued

The movement in loss allowances on trade receivables is as follows:

Rm	2023	2022
Balance at beginning of year	375	394
Impairment losses recognised	195	189
Impairment losses reversed	(36)	(12)
Amounts written off as uncollectible	(162)	(195)
Amounts recovered during the year	—	(1)
<b>Balance at end of year</b>	<b>372</b>	<b>375</b>

### 5.2 Inventories

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Inventories, comprising pharmaceuticals, medical consumables and personal protective equipment, are valued at the lower of cost or net realisable value on a first-in-first-out basis. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Other consumables, including crockery, cutlery, linen and soft furnishings are valued at average cost and written down with regard to their age and condition.

Rm	2023	2022
Medical and pharmaceutical merchandise	434	456
Crockery, cutlery, linen, soft furnishings and other consumables	122	106
	<b>556</b>	<b>562</b>

The cost of inventories recognised as an expense during the year was R6 325 million (2022: R5 863 million). Inventories carried at net realisable value amount to Rnil (2022: Rnil). There were no write-downs of inventories during the year to net realisable value (2022: Rnil). Inventories include personal protective equipment, of which R53 million (2022: R47 million) is expected to be recovered more than 12 months after reporting period.

### 5.3 Trade and other payables

AP

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are classified as financial liabilities measured at amortised cost.

The directors consider that the carrying amount of the trade and other payables approximate their fair value.

Refer to note 6.4 for the Group's financial risk management policies.

Rm	Notes	2023	2022
Trade payables		1 289	1 324
Leave pay		449	411
Bonuses		532	441
VAT payable		106	100
Joint venture payables	9.1	26	46
Associate payables	9.2	10	22
Accrued expenses		706	655
Claims incurred but not reported		12	11
Reclassification of payables		39	51
Other payables <sup>1</sup>		488	460
		<b>3 657</b>	<b>3 521</b>

<sup>1</sup> Other payables includes debtors balances in credit, deposits held, dividends payable and non-trade creditors

# Notes to the Group annual financial statements continued

for the year ended 30 September 2023

## 6. Financial management

### Hedge accounting

AP

The Group has taken out interest and inflation rate swaps in order to hedge its interest and inflation rate risk. These swaps are classified as derivative financial instruments and have been designated in their entirety as hedging instruments in accordance with IFRS 9 and are regarded as continuing hedging relationships.

The application of the hedge accounting requirements in IFRS 9 is optional. If certain eligibility and qualification criteria are met, hedge accounting can allow an entity to reflect its risk management activities in the financial statements by matching gains or losses on hedging instruments with losses or gains on the risk exposures they hedge. For a fair value hedge of interest rate risk of a portfolio of financial assets or liabilities an entity adopting IFRS 9 can apply the hedge accounting requirements in IAS 39 in combination with the general macro hedge accounting requirements in IFRS 9.

The swap instruments carried by the Group have followed a process of matching the risks. The Group applies the hedge accounting requirements in IAS 39 as permitted by IFRS 9.

At inception, the Group documents the relationship between the hedging instrument and the hedged item along with its risk management objectives and its strategy for undertaking various hedge transactions. The Group documents whether the hedging instrument is effective on an ongoing basis against changes in fair values and cash flows. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item.

Derivative instruments are initially and subsequently recognised at fair value, with changes in fair value being included in profit or loss other than derivatives designated as cash flow hedges. For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income and the ineffective portion is recognised in profit or loss.

Hedge accounting is discontinued when the hedging relationship no longer meets the qualifying criteria for hedge accounting under IFRS 9. One of the criteria which must be satisfied to qualify for hedge accounting is that the forecast hedged transaction must be considered highly probable. In assessing whether the interest rate swap instruments qualify for hedge accounting, management must make a judgement on whether the hedged interest payments on the debt are considered highly probable for the duration of the swap instruments.

If the hedge is no longer considered effective, the Group considers whether movements in the fair value of the swap instruments previously taken to reserves through the statement of comprehensive income, must be reclassified to the statement of profit or loss. To do this, judgement is made on whether the hedged interest payments on the debt are considered more likely than not to occur. To the extent that these underlying hedged cash flows are not considered more likely than not to occur, then a portion of the hedge reserve is reclassified to profit or loss.

# Notes to the Group annual financial statements continued

for the year ended 30 September 2023

## 6. Financial management continued

### 6.1 Financial assets

Rm	Notes	2023	2022
<b>Derivative financial instruments</b>			
Interest rate swaps	6.4.2	35	45
<b>Non-derivative financial instruments</b>			
Investment in Cell Captive	6.4.2	5	18
Investment in equity instruments <sup>1</sup>	6.4.2	38	38
Founders Factory Africa		29	29
SA SME Fund		9	9
<b>Total</b>		<b>78</b>	<b>101</b>
Included in:			
Non-current assets		63	99
Current assets		15	2
		<b>78</b>	<b>101</b>

1. The Group designates investments in equity instruments held at fair value through other comprehensive income

### 6.2 Financial liabilities

Rm	Notes	2023	2022
<b>Derivative financial instruments</b>			
Interest rate swaps		—	1
Inflation rate swaps		—	7
Written put option over non-controlling interest		12	12
	6.4.2	12	20
Included in:			
Non-current liabilities		—	—
Current liabilities		12	20
		<b>12</b>	<b>20</b>

### 6.3 Analysis of movements in swap instruments

	2023			2022		
	Interest rate swaps	Inflation rate swaps	Total	Interest rate swaps	Inflation rate swaps	Total
<b>Recognised in profit or loss</b>						
De-designation of a portion of a hedging instrument <sup>1</sup>	2	—	2	—	—	—
Hedge ineffectiveness <sup>1</sup>	—	—	—	(1)	—	(1)
Reclassification into profit or loss <sup>2</sup>	30	(3)	27	(35)	(8)	(43)
	32	(3)	29	(36)	(8)	(44)
<b>Recognised in other comprehensive income</b>						
Fair value movements	19	—	19	42	—	42
Reclassification into profit or loss	(30)	3	(27)	35	8	43
	(11)	3	(8)	77	8	85
<b>Cash flow hedge reserve</b>						
Gross	34	—	34	44	(3)	41
Deferred tax	(9)	—	(9)	(12)	1	(11)
<b>Net</b>	<b>25</b>	<b>—</b>	<b>25</b>	<b>32</b>	<b>(2)</b>	<b>30</b>

1. Amounts included in other financial losses – net in the statement of profit or loss

2. Amounts included in interest and depreciation

# Notes to the Group annual financial statements continued

for the year ended 30 September 2023

## 6. Financial management continued

### 6.4 Financial instruments and risk management

#### 6.4.1 Fair value measurement

There is no material difference between the fair values of financial instruments measured at amortised cost and the amounts recognised in the statement of financial position.

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The valuation of derivative financial instruments is based on market values at the reporting date. The value of the derivative instruments fluctuates on a daily basis and the actual amounts realised may differ materially from their value at the reporting date. The fair value of the inflation and interest rate swap instruments is calculated based on a discounted cash flow model using a number of key assumptions.

The following methods are used by the Group to determine the fair value of financial instruments:

#### Financial assets

##### Investment in Cell Captive

The Cell Captive is mandatorily recognised at fair value through profit and loss. The fair value is derived from the net assets of the cell which mainly comprise financial assets and liabilities accounted for at fair value through profit or loss.

##### Investments in Founders Factory Africa and the SA SME Fund

These investments in equity are designated at fair value through other comprehensive income at inception. These instruments are not considered core to the Group, and any fair value movements are not reflective of the operating activities of the Group. This designation was therefore considered appropriate. The fair value is derived from the estimated liquidation values of the net assets of the entities (not based upon a forced liquidation valuation approach).

#### Financial liabilities

##### Derivative financial liabilities

The fair values of the interest rate and inflation rate swap instruments are calculated based on a discounted cash flow model using a number of key assumptions. The fair value of the put-option instrument is calculated using a formula determined on a fixed yield basis of annual rent of the entity whose shares will be purchased when the option is exercised. There are no enforceable master netting arrangements within the Group to allow for set-off.

##### Other financial liabilities

Other financial liabilities are recognised at amortised cost. The carrying amounts included in the statement of financial position approximate the fair values.

# Notes to the Group annual financial statements continued

for the year ended 30 September 2023

## 6. Financial management continued

### 6.4 Financial instruments and risk management continued

#### 6.4.2 Fair value hierarchy

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Financial instruments measured at fair value are grouped into the following levels based on the significance of the inputs used in determining fair value:

Level 1	Fair value is derived from quoted prices (unadjusted) in active markets for identical instruments.
Level 2	Fair value is derived through the use of valuation techniques based on observable inputs, either directly or indirectly.
Level 3	Fair value is derived through the use of valuation techniques using inputs not based on observable market data.

The table below categorises the Group's financial instruments measured at fair value into the applicable level:

Rm	Notes	Level 2	Level 3	Total
<b>2023</b>				
<b>Derivative financial assets</b>				
Interest rate swaps		35	—	35
<b>Non-derivative financial assets</b>				
Investment in Cell Captive		5	—	5
Investment in equity instruments		—	38	38
	6.1	40	38	78
<b>Derivative financial liabilities</b>				
Written put option over non-controlling interests		—	12	12
	6.2	—	12	12
<b>2022</b>				
<b>Derivative financial assets</b>				
Interest rate swaps		45	—	45
<b>Non-derivative financial assets</b>				
Investment in Cell Captive		18	—	18
Investment in equity instruments		—	38	38
	6.1	63	38	101
<b>Derivative financial liabilities</b>				
Interest rate swaps		1	—	1
Inflation rate swaps		7	—	7
Written put option over non-controlling interests		—	12	12
	6.2	8	12	20

The Group has no financial instruments measured at fair value categorised as Level 1. The movement in financial instruments measured under Level 3 is as follows:

	Equity instruments	Written put option
Balance at 1 October 2021	59	11
Fair value gains recognised in profit and loss	—	1
Fair value losses recognised in other comprehensive income	(21)	—
Balance at 1 October 2022	38	12
Balance at 30 September 2023	38	12

# Notes to the Group annual financial statements continued

for the year ended 30 September 2023

- 6. Financial management continued
- 6.4 Financial instruments and risk management continued
- 6.4.2 Fair value hierarchy continued

EJ

## Non-derivative financial assets – Level 2

### *Investment in Cell Captive*

The valuation and assumptions are based on monthly unaudited management accounts received from the insurer. The investment portfolio includes unit trusts, call deposits, money market accounts and cash on hand held at year end along with outstanding claims and other liabilities.

Fair value gains and losses have been accounted for in the statement of profit or loss for the year.

## Non-derivative financial assets – Level 3

### *Investments in Founders Factory Africa and the SA SME Fund*

The valuations are based on the estimated liquidation values determined for the net assets on the balance sheet of each entity. The main objective of these entities is the investment in start-up businesses. Given the difficulty in obtaining reliable forward-looking cash flow forecasts for these types of new businesses, it is challenging to determine a reliable fair value for the underlying investments. This is the reason for using a liquidation basis approach to our valuation.

Fair value gains and losses on the investments in Founders Factory Africa and the SA SME Fund are accounted for in other comprehensive income.

## Derivative financial liabilities – Level 2

The analysis of the values applicable to financial instruments measured at fair value is performed by qualified independent experts, with the exception of the put option which is valued internally (see below). The effectiveness test and valuations were performed as at 30 September 2023.

Ratio Offset and Regression Analysis methods were used and modelled the hedged items as interest rate or inflation-linked swap instruments, with the notional terms based on the terms of the underlying hedged item provided.

# Notes to the Group annual financial statements continued

for the year ended 30 September 2023

## 6. Financial management continued

### 6.4 Financial instruments and risk management continued

#### 6.4.2 Fair value hierarchy continued

##### The valuation inputs and assumptions

EJ

##### Interest Rate Swaps

Zero coupon perfect fit swap instrument curve as at 30 September 2023 was used to determine the relevant floating interest rates.

Standard interest rate swap instrument valuation methodology was used.

The fair value results exclude the estimated impact of non-performance due to counterparty risk (Credit Valuation Adjustment CVA) and our own risk (Debit Valuation Adjustment DVA). This was assessed and determined to be immaterial.

The probability of default was estimated for debt instruments issued by relevant parties, and the potential exposure of default was estimated by applying a swap valuation model.

##### Derivative financial liability – Level 3

###### *Written put option instrument*

The fair value of the put option is based on the following formula: annual rent of the entity in which shares will be purchased when the option is exercised, divided by 10% yield (before tax) divided by 100 to derive the value per percentage shareholding. As at 30 September 2023, the annual rental was obtained from the entity and the fair value of the put option was calculated using the formula above. The fair value of the put option is therefore directly impacted by fluctuations in the annual rent of the entity. An increase of 1% in rent will result in an increase of 1% in the fair value of the put option. A decrease of 1% in rent will result in a decrease of 1% in the fair value of the put option.

# Notes to the Group annual financial statements continued

for the year ended 30 September 2023

## 6. Financial management continued

### 6.4 Financial instruments and risk management continued

#### 6.4.3 Financial risk management

Financial instruments expose the Group to a number of financial risks in the ordinary course of business. These risks are monitored continuously and, where appropriate, derivative instruments are used by the Group for hedging purposes. The Group does not speculate in the trading of derivative instruments.

The Group has a central treasury function that manages the funding and financial risks relating to the Group's operations. The treasury function is also responsible for adding value by reducing costs without unduly increasing risk and providing specialist financing advice to the business. The treasury function is a subsection of the Finance and Investment Committee which meets at regular intervals to discuss treasury risks.

Risks to which the Group is exposed can be classified into the following major categories:

##### 6.4.3.1 Interest rate risk

Borrowings issued at floating rates expose the Group to cash flow interest rate risk, while fixed rate borrowings expose the Group to fair value interest rate risk.

Cash flow interest rate risk arises from movements in market rates relative to the agreed lending rates on contractual debt instruments. The Group enters into derivative interest rate swap instruments in order to mitigate interest rate risk and applies hedge accounting where the effectiveness criteria are met.

The Group's interest rate policy is to target a 50/50 ratio between variable and fixed rate funding instruments over a rolling 12-month period.

##### Interest rate sensitivity

If interest rates had been 0.5% higher/lower and all other variables were held constant, the Group's profit or loss would decrease/increase by R20 million (2022: R18 million). This is attributable to the Group's exposure to interest rates on its variable rate borrowings which have not been fixed through the use of fixed-for-floating interest rate swap instruments. This analysis was prepared on the assumption that the amount outstanding at the end of the year was outstanding for the entire year.

##### Interest rate derivatives

Under interest rate swap instrument contracts, the Group agrees to exchange the differences between fixed and floating interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt held and the cash flow exposures on the issued variable rate debt held. The fair value of interest rate swap instruments at the reporting date is determined by regression analysis and by dynamic hedging strategy, with the change in the hedged item being based on the hypothetical derivative approach. As at 30 September 2023, the Group had seven (2022: five) fixed-for-floating interest rate swap instrument contracts.



# Notes to the Group annual financial statements continued

for the year ended 30 September 2023

**6. Financial management continued**  
**6.4 Financial instruments and risk management continued**  
**6.4.3 Financial risk management continued**  
**6.4.3.1 Interest rate risk continued**

The effects of the interest and inflation rate swaps on the Group's financial position and financial performance are as follows:

Rm	2023	2022
<b>Interest rate swaps</b>		
Carrying amount of interest rate swap assets	35	45
Carrying amount of interest rate swap liabilities	—	(1)
Notional amount	3 310	2 657
Rate (%) – fixed	5.6% – 8.3%	5.6% – 6.5%
Maturity date	2023 – 2027	2022 – 2024
Change in fair value of the hedged item	10	(76)
<b>Inflation rate swaps<sup>1</sup></b>		
Carrying amount of inflation rate swap liabilities	—	(7)
Notional amount	—	32
Maturity date	—	2023
Change in fair value of the hedged item	—	(17)

1. The inflation rate swaps came to an end during the current financial year

The critical terms of the hedging instrument and the hedged item are closely aligned. Therefore significant hedging ineffectiveness is not expected to occur.

In addition to the above, losses of R8 million (2022: profits of R85 million) resulting from the fair value movement in the interest rate swap instruments designated as cash flow hedges, as well as amortisation of a portion of the cash flow hedge reserve in the inflation rate swap instruments, were recognised in other comprehensive income and included in the cash flow hedge accounting reserve. The Group's ability to apply hedge accounting is determined on a year-by-year basis and is subject to developments in the financial markets.

The impact on the fair value of derivative financial liabilities resulting from a 1% change in the interest or inflation rate is presented below:

Derivative financial assets/liabilities	Movement in the interest/inflation rate (%)	Increase/ (decrease) in equity (Rm)
<b>2023</b>		
<b>Interest rate swaps</b>		
	Increase of 1%	31
	Decrease of 1%	(30)
<b>2022</b>		
Interest rate swaps		
	Increase of 1%	20
	Decrease of 1%	(20)

# Notes to the Group annual financial statements continued

for the year ended 30 September 2023

## 6. Financial management continued

### 6.4 Financial instruments and risk management continued

#### 6.4.3 Financial risk management continued

##### 6.4.3.2 Credit Risk

The Group has a comprehensive credit risk policy which is updated on a regular basis. Considerable resources, expertise and controls are in place to ensure efficient and effective management of credit risk. The Group is exposed predominantly to settlement risk on transactions involving the non-simultaneous exchange of value where the Group honours its obligations to deliver value, and the counterparty does not.

Information on the creditworthiness of customers is supplied by independent rating agencies where available. If not available, the Group uses other publicly available information and its own trading records to rate its customers and counterparties. The Group assesses credit risk using historic information and past default experience as well as future expectations of the probability of default using predicted economic and market conditions and expected financial performance of the counterparty to the financial asset. A default on a financial asset is when a counterparty fails to make contractual payments and/or enter into alternative payment arrangements, with little or no intention and/or ability to make payment. This assessment will differ per trade receivable category. The Group is not exposed to concentration risk as a large proportion of debtor balances are with medical aid funds which have been determined to have low probabilities of default. The group categorises a loan or receivable for write-off and or impairment when a debtor fails to make contractual payments within a reasonable period which varies per individual or class of debtor. Where loans or receivables have been written off, the group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss. The Group's maximum exposure to credit risk is equal to the carrying amount of the instrument.

Credit risk arises on the following financial instruments:

	Note	Internal credit rating	Basis applied to loss allowance
Cash and cash equivalents	3.2	Low credit risk	Twelve month loss allowance
Trade receivables	5.1	Assessed per category of trade receivables. Refer to note 5.1 for further detail	Lifetime loss allowance (simplified approach)
Loans to associates and joint ventures	9.1 9.2	Assessed on an individual basis	Assessed on an individual basis
Loans and receivables	9.3	Assessed on an individual basis	Assessed on an individual basis

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The Group deposits short-term cash surpluses with major banks of high quality credit standing. These banks are considered to have a low risk of default and therefore a twelve month loss allowance is calculated on cash balances. The loss allowance calculated has been determined to be insignificant.

Trade receivables consist mainly of medical aid funders acting as agents for their customers (patients). These funds are regulated by the Medical Schemes Act and are monitored and controlled by the Registrar of Medical Schemes. The Act stipulates minimum reserves for the funders which mitigates the Group's credit risk. Credit risk for customers who do not have medical insurance is mitigated by taking an appropriate deposit calculated with specific regard to the services being provided.

Loans to associates and joint ventures are assessed on an individual basis to determine the loss allowance. Credit risk is determined by assessing the past and current financial performance as well as expected financial performance of the associate or joint venture. For counterparties which have been determined to have low credit risk, a twelve month loss allowance has been raised. For counterparties with significant credit risk, a life time loss allowance has been raised.

Loans and receivables are assessed on an individual basis to determine the loss allowance. For counterparties which have been determined to have low credit risk, a twelve month loss allowance has been raised. For counterparties with significant credit risk, a lifetime loss allowance has been raised.

The carrying amount of the Group's financial assets held at fair value through profit or loss and fair value through other comprehensive income as disclosed in note 6.1 best represents their respective maximum exposure to credit risk. The Group holds no collateral over financial assets held at fair value.

# Notes to the Group annual financial statements continued

for the year ended 30 September 2023

## 6. Financial management continued

### 6.4 Financial instruments and risk management continued

#### 6.4.3 Financial risk management continued

##### 6.4.3.3 Liquidity risk

Liquidity risk arises should the Group have insufficient funds or marketable assets available to fulfil its future cash flow obligations. The Group's liquidity risk management framework is designed to identify, measure and manage liquidity risk such that sufficient liquid resources are always available to fund operations and commitments.

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained. Appropriate probability factors are applied to cash flow forecasts, when forecasts are not certain. Monthly, quarterly and five-year cash flows are updated on a regular basis.

The undiscounted cash flows of the Group's trade and other payables and receivables, borrowings and non-derivative financial liabilities fall into the following maturity profiles:

Rm	< 1 year	Total
<b>2023</b>		
Trade and other payables <sup>1</sup>	2 570	2 570
Interest rate swaps	—	—
Inflation rate swaps	—	—
	<b>2 570</b>	<b>2 570</b>
<b>2022</b>		
Trade and other payables <sup>1</sup>	2 568	2 568
Interest rate swaps	1	1
Inflation rate swaps	8	8
	<b>2 577</b>	<b>2 577</b>

*The maturity analysis of long-term debt is disclosed in note 3.1.1 and the maturity analysis of lease liabilities is disclosed in note 2.9*

*1. Value Added Tax, leave pay and bonus accruals are not defined as financial instruments and have been excluded from trade and other payables*

##### 6.4.3.4 Capital management

The Group defines capital as equity, short-term and long-term debt – specifically promissory notes and bank loans. This definition remains unchanged from the prior year. The Group's policy with regard to its capital structure is to maintain a strong balance sheet and an investment-grade credit rating while reducing the cost of capital with a safe level of debt. This approach increases the Group's capital flexibility and provides access to capital markets throughout the economic cycle.

The Group operates in a rapidly evolving and capital intensive industry. Accordingly, the Group seeks to retain adequate capital to maintain and upgrade its operations. Capital investments are made to maintain and enhance returns and comply with regulatory requirements.

Investments will be made to expand and digitise the business when the expected economic returns exceed the cost of capital. If opportunities that generate economic profits are unavailable, excess capital will be distributed to shareholders in the form of share buybacks or special dividends.

The Group's dividend policy is designed to ensure payment of a sustainable income to its investors. Within its investment framework, the Group is of the view that under normal economic conditions it can safely distribute 50% to 70% of future adjusted headline earnings to shareholders while maintaining safe levels of debt and an investment-grade credit rating. The distribution range is reviewed by the Board before approving shareholder distributions, after considering the economic conditions and liquidity position of the Group.

# Notes to the Group annual financial statements continued

for the year ended 30 September 2023

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## 6. Financial management continued

### 6.4 Financial instruments and risk management continued

#### 6.4.3 Financial risk management continued

The Group ensures that any share repurchases or payments to shareholders are duly authorised by the Board who are suitably advised and reasonably assured that the assets of the Group exceed its liabilities and the Group is able to pay its debts when they fall due, thereby complying with the solvency and liquidity requirements of the South African Companies Act. The Group is partially restricted by covenants in respect of certain borrowing obligations that require specified ratios, which are calculated with reference to pre-IFRS 16 numbers, to be met.

The Group remains compliant with its banking covenants, which require a pre-IFRS 16 net debt to EBITDA of less than 2.75x and a pre-IFRS 16 interest cover ratio of greater than 4.0x.

Capital discipline requires income statement and balance sheet measures and the Group uses return on invested capital (ROIC) and cash flow return on investment (CFROI) to measure performance of its businesses and to evaluate new projects. The intrinsic value of the Group is intimately tied to the ability to maintain an attractive return on capital and the growth of economic profit.

# Notes to the Group annual financial statements continued

for the year ended 30 September 2023

## 7. Commitments

### 7.1 Contingent liabilities

AP

Details regarding financial guarantees issued are disclosed below. The Group does not recognise contingent liabilities in the statement of financial position until it is probable that an outflow of resources will take place and a reliable estimate can be made, at which time a provision is raised.

#### 7.1.1 Financial guarantees

Rm	2023	2022
Guarantees in favour of municipalities and other beneficiaries	29	32

The expected credit losses on guarantees are not material.

#### 7.1.2 Litigation

The Group is not aware of any current or pending legal cases that would have a material adverse effect on the Group.

## 7.2 Commitments

### 7.2.1 Capital expenditure commitments to be incurred

Rm	2023	2022
<b>Authorised and contracted for</b>		
Land and buildings	260	412
Plant and equipment	9	22
Computer equipment	21	58
Medical equipment	129	106
Other (including furniture and fittings)	—	3
Equity investments	—	83
<b>Authorised but not yet contracted for</b>		
Land and buildings	755	588
Plant and equipment	145	114
Computer equipment	104	236
Medical equipment	97	206
Other (including furniture and fittings)	40	30
	<b>1 560</b>	<b>1 858</b>
This expenditure will be financed from internally generated funds and existing banking facilities.		
To be expended:		
Within 1 year	1 438	1 692
Over 1 year	122	166
	<b>1 560</b>	<b>1 858</b>

# Notes to the Group annual financial statements continued

for the year ended 30 September 2023

## 7. Commitments continued

### 7.2 Commitments

#### 7.2.2 Operating lease commitments as lessee

As permitted under IFRS 16, the Group has elected to recognise lease expenses for short term and low value leases instead of capitalising these leases on the statement of financial position. The Group has the following short-term lease commitments at the end of the reporting period:

	2023	2022
<b>Short term lease commitments</b>		
Within 1 year	5	4

#### 7.2.3 Operating lease arrangements as lessor

The Group has entered into operating leases as the lessor for property and equipment. Rentals are payable by the lessees on a monthly basis. The table below shows the undiscounted lease payments to be received after the reporting date.

	2023	2022
<b>Property</b>		
Within 1 year	250	175
1 – 5 years	395	259
	645	434

	2023	2022
<b>Medical Equipment</b>		
Within 1 year	9	—
1 – 5 years	41	—
	50	—

### 7.3 Provisions

Legal claims provisions – The Group is subject to a number of legal claims. Provision has been made for the estimated costs of settlement, based on management's best estimate of the outcome of settlements using historical trends.

	2023	2022
Legal claims	19	22
These claims are underwritten by our insurers, and we have recognised an equal and opposite receivable at 30 September 2023.		
<b>Included in:</b>		
Non-current loans and receivables	19	22
Non-current provisions	(19)	(22)
	—	—

The carrying amount of provisions is analysed as follows:

	2023	2022
Balance at beginning of year	22	42
Amounts released	(3)	(20)
<b>Balance at end of year</b>	<b>19</b>	<b>22</b>

*A corresponding receivable has been released*

# Notes to the Group annual financial statements continued

for the year ended 30 September 2023

## 8. Shareholders' interests

### 8.1 Ordinary share capital

Number of shares (million)	2023	2022
<b>Authorised</b>		
Ordinary shares of no par value	2 500	2 500
<b>Issued</b>		
Shares in issue at beginning and end of year	1 439	1 439
<b>Treasury shares</b>		
Treasury shares at beginning of year	(101)	(102)
Purchase of treasury shares	(37)	(2)
Sale of treasury shares	4	3
<b>Treasury shares at end of year</b>	<b>(134)</b>	<b>(101)</b>
<b>Total issued ordinary shares (net of treasury shares)</b>	<b>1 305</b>	<b>1 338</b>
Treasury shares are held as follows:		
HPFL B-BBEE Trusts	96	96
Single Incentive Plan	14	2
Forfeitable Share Plan	—	3
Other	24	—
	134	101
Rm	2023	2022
<b>Issued ordinary share capital</b>		
Balance at beginning and end of year	4 297	4 297

# Notes to the Group annual financial statements continued

for the year ended 30 September 2023

## 8. Shareholders' interests continued

### 8.1 Ordinary share capital continued

#### Ordinary dividends paid

Details of the ordinary dividends paid for the year are as follows (also see directors report on page 5):

Rm	2023	2022
<b>Total distribution paid</b>		
Total dividend paid	864	777
Dividends attributable to treasury shares	(56)	(49)
<b>Paid to Netcare Limited external shareholders</b>	<b>808</b>	<b>728</b>

Ordinary dividends declared are:

Rm	2023	2022
<b>Final distribution paid</b>		
30.0 cents per share (2022: 34.0 cents per share)	432	489
Dividends attributable to treasury shares	(26)	(32)
<b>Paid to Netcare Limited external shareholders</b>	<b>406</b>	<b>457</b>

Rm	2023	2022
<b>Interim distribution paid</b>		
30.0 cents per share (2022: 20.0 cents per share)	432	288
Dividends attributable to treasury shares	(30)	(17)
<b>Paid to Netcare Limited external shareholders</b>	<b>402</b>	<b>271</b>

Dividends are accrued on the date of declaration. As a result, the final dividend of 35.0 cents per share, declared on 16 November 2023, is not reflected in the financial statements for the year ended 30 September 2023.

In accordance with the provisions of STRATE, the electronic settlement and custody system used by the JSE Limited, the relevant dates for the dividend are as follows:

Last day to trade cum dividend	23 January 2024
Trading ex-dividend commences	24 January 2024
Record date	26 January 2024
Payment date	29 January 2024

### 8.2 Treasury shares

Rm	2023	2022
Balance at beginning of year	(3 504)	(3 557)
Vesting of Single Incentive Plan shares	10	—
Purchase of treasury shares	(510)	(29)
Sale of treasury shares	78	82
<b>Balance at end of year</b>	<b>(3 926)</b>	<b>(3 504)</b>

The HPFL B-BBEE Trusts are consolidated in terms of IFRS 10: *Consolidated Financial Statements*. Treasury shares held by the HPFL B-BBEE Trusts carry voting rights. Treasury shares are deducted from the number of shares in issue for the purpose of calculating earnings per share.

During the year 8 133 (2022: 29 990) treasury shares held by the HPFL B-BBEE Trusts were sold on the open market.



# Notes to the Group annual financial statements continued

for the year ended 30 September 2023

## 8. Shareholders' interests continued

### 8.2 Treasury shares continued

The Single Incentive Plan is an incentive scheme which issues share awards. Treasury shares held by the employees carry voting rights prior to vesting. Treasury shares are deducted from the number of shares in issue and the dividends paid to employees on these shares are deducted from the earnings used in the calculation of earnings per share.

During the current financial year, 3 421 540 Forfeitable Share Plan treasury shares were sold at an average price of R22.96 per share and 12 913 380 Share Incentive Plan treasury shares were purchased at an average price of R14.58. In addition, 24 427 085 treasury shares were acquired by subsidiary at an average price of R13.11.

A mandate was approved on 28 September 2023 to purchase a total of 9 250 000 treasury shares. These were acquired subsequent to year end by a subsidiary at a cost of R123 million.

#### Share-based payments

Details of trust units issued by the HPFL B-BBEE Trusts and share awards issued in terms of the Single Incentive Plan are disclosed in note 4.3.

### 8.3 Preference share capital and premium

The preference shares earn dividends on the issue price at 82.5% of the prime rate. Although the rights to receive dividends are cumulative, declaration of such dividends is at the discretion of the directors.

Rm	2023	2022
<b>Authorised</b>		
10 million (2022: 10 million) variable rate, cumulative, non-redeemable, non-convertible preference shares of 50.0 cents each	5	5
<b>Issued</b>		
7 million (2022: 7 million) preference shares in issue at beginning and end of year	3	3
<b>Share premium</b>		
Balance at beginning and end of year	641	641
<b>Total issued preference share capital and premium</b>	<b>644</b>	<b>644</b>

#### Preference dividends

The preference dividends paid for the year are:

Rm	2023	2022
Interim dividend	23	19
Final dividend	27	19
	<b>50</b>	<b>38</b>

The Board confirmed by resolution that the solvency and liquidity test as contemplated by the Companies Act has been duly considered, applied and satisfied.

### 8.4 Non-controlling interests

Rm	2023	2022
Balance at beginning of year	54	12
Dividends paid	(47)	(25)
Movements in equity interest in subsidiaries	(1)	13
Acquisition of business	—	17
Total comprehensive income for the year	15	37
Balance at end of year	<b>21</b>	<b>54</b>

# Notes to the Group annual financial statements continued

for the year ended 30 September 2023

## 8. Shareholders' interests continued

### 8.5 Other comprehensive income

Rm	Gross	Tax	Other comprehensive income	Net attributable to owners of the parent
<b>2023</b>				
Effect of cash flow hedge accounting	(8)	2	(6)	(6)
Remeasurement gain on defined benefit plans	72	(19)	53	53
	<b>64</b>	<b>(17)</b>	<b>47</b>	<b>47</b>
<b>2022</b>				
Effect of cash flow hedge accounting	85	(23)	62	62
Remeasurement of equity investments	(21)	—	(21)	(21)
	<b>64</b>	<b>(23)</b>	<b>41</b>	<b>41</b>

## 9. Group structure

### Investment in associates and joint ventures

AP

Associates and joint ventures are accounted for using the equity method and are recognised initially at cost. The consolidated financial statements include the Group's share of post-acquisition accumulated profits or losses of associated companies and joint ventures in the carrying amount of the investments, which are generally determined from their latest audited annual financial statements or management accounts, and the annual profit attributable to the Group is recognised in profit or loss. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

The carrying amount of the Group's investments in associates and joint ventures is reduced to recognise any potential impairment in the value of individual investments. 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 an obligation, issued guarantees or made payments on behalf of the associate or joint venture.

### 9.1 Investment in joint ventures

Rm	Notes	2023	2022
Investments at cost		42	42
Share of post-acquisition reserves		175	176
<b>Carrying value of shares</b>		<b>217</b>	<b>218</b>
Trade and other receivables	5.1	16	17
Trade and other payables	5.3	(26)	(46)
<b>Carrying value at the beginning of the year</b>		<b>218</b>	<b>185</b>
Attributable earnings of joint ventures		38	44
Dividends received		(40)	—
Other		1	(11)
<b>Carrying value at the end of the year</b>		<b>217</b>	<b>218</b>

Details of the Group's principal joint ventures and summary financial information are set out in Annexure B.

Management have considered expected credit losses and deemed them to be immaterial.

# Notes to the Group annual financial statements continued

for the year ended 30 September 2023

## 9. Group structure continued

### 9.2 Investment in associates

Rm		2023	2022
Investments at cost net of accumulated impairments		47	47
Share of post-acquisition reserves		(47)	(47)
<b>Carrying value of shares</b>		—	—
Loans		166	200
		<b>166</b>	<b>200</b>
Trade and other receivables	5.1	55	46
Trade and other payables	5.3	(10)	(22)
<b>Carrying value at the beginning of the year</b>		<b>200</b>	<b>239</b>
Attributable earnings/(losses) of associates		2	(23)
Interest earned on long-term loans		—	24
Dividends received		(5)	(19)
		(31)	(3)
Impairment of investments in associates		(2)	(3)
Impairment of long-term interests in associates		(29)	—
Other		—	(18)
<b>Carrying value at the end of the year</b>		<b>166</b>	<b>200</b>

The loans to associate companies are carried at amortised cost and are unsecured, bearing interest between 0.0% and 11.8% (linked to prime), and are repayable up to three years.

Rm		2023	2022
Non-current assets		166	200

Details of the Group's principal associated companies and summary financial information are set out in Annexure C.

### 9.3 Loans and receivables

AP

Loans and other non-current receivables are carried at amortised cost.

Rm		2023	2022
Included within:			
Non-current assets		223	176
Current assets		27	59
		<b>250</b>	<b>235</b>

The majority of loans and receivables are unsecured. These loans and receivables bear interest between 0.0% and 12.0% and are repayable on demand or up to eight years.

AP

The Group applies IFRS 9 when providing for loss allowances on loans and receivables, including loans to associates. Each loan balance is separately assessed as they each have a different risk profile. Credit risk is determined using past information and experience with the counterparties, as well as expectations of the future recoverability of amounts due. Factors which are considered when assessing the past and future risk associated with each counterparty include an analysis of their current financial position, adjusted for factors that are specific to them, general economic conditions in which they operate and an assessment of both the current as well as the forecast direction of macro-economic conditions at the reporting date. Loss allowances are reviewed at the end of each reporting period.

# Notes to the Group annual financial statements continued

for the year ended 30 September 2023

## 9. Group structure continued

### 9.3 Loans and receivables continued

The movement in loss allowances on loans and receivables, including associate loans, is as follows:

Rm	2023	2022
Balance at beginning of year	260	175
Impairment of financial assets	27	68
Impairment of long-term associate loans	29	—
Other	2	17
<b>Balance at end of year</b>	<b>318</b>	<b>260</b>

The following table details the gross and net carrying amount of loans and receivables:

Rm	Gross carrying amount	Loss allowance	Net carrying amount
<b>2023</b>			
Included within:			
Loans and receivables – non-current and current	359	(109)	250
Associate loans and receivables – non-current and current	430	(209)	221
	<b>789</b>	<b>(318)</b>	<b>471</b>
<b>2022</b>			
Included within:			
Loans and receivables – non-current and current	317	(82)	235
Associate loans – non-current and current	424	(178)	246
	<b>741</b>	<b>(260)</b>	<b>481</b>

# Notes to the Group annual financial statements continued

for the year ended 30 September 2023

## 9. Group structure continued

### 9.4 Related parties

AP

Related party transactions constitute the transfer of resources, services or obligations between parties related to the Group. Details of transactions with related parties not disclosed elsewhere in the financial statements are set out below.

#### Netcare Medical Scheme

The Netcare Medical Scheme is managed for the benefit of certain past and current employees. The employer-subsidised portion of medical aid contributions payable by members has been included in employee costs.

Certain members of the Exco are also directors of certain wholly-owned Netcare subsidiaries which render healthcare services to members of the Netcare Medical Scheme.

The table below reflects the nature of revenue earned by Netcare subsidiaries as a result of services provided to the Netcare Medical Scheme.

Rm	Nature of revenue	2023	2022
Medicross Healthcare Group Proprietary Limited	Healthcare services	1	1
Netcare Hospitals Proprietary Limited	Healthcare services	307	286
Netcare Pharmacies Proprietary Limited	Dispensary services	63	67
Akeso Clinics Proprietary Limited	Healthcare services	6	5
Netcare 911 Propriety Limited	Capitation fee	7	6
		<b>384</b>	<b>365</b>

# Notes to the Group annual financial statements continued

for the year ended 30 September 2023

## 9. Group structure continued

### 9.4 Related parties continued

#### Government Employee Pension Fund

At 30 September 2023, the Government Employee Pension Fund (GEPF) held more than 20% of the voting rights in Netcare Limited, and is therefore presumed to have significant influence.

The Group had the following balances with the GEPF as at 30 September 2023, with detail of the associated transactions also included:

Rm	2023	2022
Right of use asset	6	9
Depreciation on right of use asset	(3)	(3)
Lease liability – long term	(5)	(8)
Lease liability – short term	(4)	(4)
Interest on lease liability	(1)	(1)

#### Transactions with joint ventures and associates

The Group entered into the following transactions with joint ventures and associates in the current year:

#### 2023

Rm	Associates	Joint Ventures
Interest received	1	1
Interest paid	(3)	(3)
Asset rental income	28	7
Employee wellness services	(4)	—
Property rental received	4	9
Dividends received	5	40
Payroll recoveries	10	—
Pharmacy revenue	54	—
Impairment of loans	(31)	—
Other	1	5

#### 2022

Rm	Associates	Joint Ventures
Interest received	23	1
Interest paid	(2)	(2)
Asset rental income	28	6
Admin fee income	4	—
Employee wellness services	(4)	—
Property rental received	4	—
Dividends received	19	—
Legal fees	1	—
Software IT costs	—	12
Pharmacy revenue	46	—
Impairment of loans	(45)	(1)

# Notes to the Group annual financial statements continued

for the year ended 30 September 2023

## 9. Group structure continued

### 9.4 Related parties continued

#### Balances with joint ventures and associates

The Group had the following other receivables and payables balances outstanding with joint ventures and associates as at 30 September 2023:

Rm	Associates <sup>1</sup>	Joint Ventures <sup>2</sup>
<b>2023</b>		
Other receivable – gross	430	16
Other receivable – loss allowance	(209)	—
Other payable	(10)	(26)
<b>2022</b>		
Other receivable – gross	424	17
Other receivable – loss allowance	(178)	—
Other payable	(22)	(46)

1. The majority of loans receivable are unsecured, bearing interest between 0.0% and 11.8% (linked to prime), and are repayable up to three years

2. The majority of loans receivable are unsecured, bear interest at Prime less 0.5% and are repayable on demand

## 10. New issued standards not yet effective

Certain new accounting standards, amendments to standards and interpretations have been published that are not mandatory for 30 September 2023 reporting periods. None have been early adopted by the Group.

These standards, amendments to standards and interpretations are not expected to have a significant impact on the Group's financial statements:

Standards and Amendments	Annual periods beginning on or after
IFRS 17: <i>Insurance Contracts and related amendments</i>	1 January 2023
Amendments to IFRS 4: <i>Extension of the Temporary Exemption from Applying IFRS 9</i>	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2: <i>Disclosure of Accounting Policies</i>	1 January 2023
Amendments to IAS 8: <i>Definition of Accounting Estimates</i>	1 January 2023
Amendments to IAS 12: <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
Amendments to IAS 12: <i>International Tax Reform – Pillar Two Model R</i>	1 January 2023
Amendment to IFRS 17: <i>Initial Application of IFRS 17 and IFRS 9 – Comparative Information</i>	1 January 2023
Amendment to IFRS 16: <i>Lease Liability in a Sale and Leaseback</i>	1 January 2024
Amendments to IAS 1: <i>Classification of Liabilities as Current or Non-Current</i>	1 January 2024
Amendments to IAS 1: <i>Non-current Liabilities with Covenants</i>	1 January 2024
Amendments to IAS 7 and IFRS 7: <i>Supplier Finance Arrangements</i>	1 January 2024
IFRS S1: <i>General Requirements for Disclosure of Sustainability-related Financial Information</i>	1 January 2024
IFRS S2: <i>Climate-related Disclosures</i>	1 January 2024
Amendments to IAS 21: <i>Lack of Exchangeability</i>	1 January 2025

# Company statement of profit or loss

for the year ended 30 September

Rm	Notes	2023	2022
Revenue	2.2	782	800
Administrative and other expenses		(6)	(6)
<b>Operating profit</b>		<b>776</b>	<b>794</b>
<b>Profit before taxation</b>		<b>776</b>	<b>794</b>
Taxation	2.3	(1)	—
<b>Profit after taxation</b>		<b>775</b>	<b>794</b>
<b>Total comprehensive income for the year</b>		<b>775</b>	<b>794</b>
<i>Attributable to:</i>			
Ordinary shareholders		725	756
Preference shareholders		50	38
		<b>775</b>	<b>794</b>



# Company statement of financial position

as at 30 September

Rm	Notes	2023	2022
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment in subsidiaries	2.1	4 885	4 976
<b>Total non-current assets</b>		<b>4 885</b>	<b>4 976</b>
<b>Current assets</b>			
Amounts owing by subsidiaries	2.1	8	148
Cash and cash equivalents	3.1	37	32
<b>Total current assets</b>		<b>45</b>	<b>180</b>
<b>Total assets</b>		<b>4 930</b>	<b>5 156</b>
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Ordinary share capital	4.1	4 254	4 254
Other reserves		(57)	34
Retained earnings		85	224
Equity attributable to ordinary shareholders		4 282	4 512
Preference share capital and premium	4.2	644	644
<b>Total shareholders' equity</b>		<b>4 926</b>	<b>5 156</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Amounts owing to subsidiaries	2.1	4	—
<b>Total liabilities</b>		<b>4</b>	<b>—</b>
<b>Total equity and liabilities</b>		<b>4 930</b>	<b>5 156</b>

# Company statement of cash flows

for the year ended 30 September

Rm	Notes	2023	2022
<b>Cash flows from operating activities</b>			
Cash generated from operations	2.4	776	791
Taxation paid	2.3	(1)	—
Unclaimed dividend <sup>1</sup>		—	7
Dividends paid – ordinary dividend		(864)	(777)
Preference dividends paid		(50)	(38)
<b>Net cash flow from operating activities</b>		<b>(139)</b>	<b>(17)</b>
<b>Cash flows from investing activities</b>			
Increase in loans payable		—	7
Decrease in loans receivable		144	5
<b>Net cash flow from investing activities</b>		<b>144</b>	<b>12</b>
<b>Cash flows from financing activities</b>			
Purchase of treasury shares		(188)	(29)
Reimbursement of treasury share purchase		188	29
<b>Net cash flow from financing activities</b>		<b>—</b>	<b>—</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>5</b>	<b>(5)</b>
Cash and cash equivalents at the beginning of the year		32	37
<b>Cash and cash equivalents at the end of the year</b>	3.1	<b>37</b>	<b>32</b>

1. Prescribed dividends not claimed within 3 years by shareholders

# Company statement of changes in equity

for the year ended 30 September

Rm	Ordinary share capital	Share-based payment reserve	Treasury shares	Other reserves	Retained earnings	Equity attributable to ordinary shareholders	Preference share capital and premium	Total shareholders' equity
<b>Balance at 1 October 2021</b>	4 254	—	—	—	238	4 492	644	5 136
Preference dividends paid	—	—	—	—	—	—	(38)	(38)
Share-based payment reserve charges	—	63	—	63	—	63	—	63
Ordinary dividends paid	—	—	—	—	(777)	(777)	—	(777)
Purchase of treasury shares	—	—	(29)	(29)	—	(29)	—	(29)
Other reserve movements	—	—	—	—	7	7	—	7
Total comprehensive income for the year	—	—	—	—	756	756	38	794
<b>Balance at 30 September 2022</b>	4 254	63	(29)	34	224	4 512	644	5 156
Preference dividends paid	—	—	—	—	—	—	(50)	(50)
Share-based payment reserve charges <sup>1</sup>	—	97	—	97	—	97	—	97
Dividends paid	—	—	—	—	(864)	(864)	—	(864)
Share-based payment reserve transfer	—	(10)	—	(10)	—	(10)	—	(10)
Purchase of treasury shares	—	—	(188)	(188)	—	(188)	—	(188)
Transfer of treasury shares	—	—	10	10	—	10	—	10
Total comprehensive income for the year	—	—	—	—	725	725	50	775
<b>Balance at 30 September 2023</b>	4 254	150	(207)	(57)	85	4 282	644	4 926

1. Transfer of share-based payment reserve in respect of vested shares

# Notes to the Company annual financial statements

for the year ended 30 September

## 1. Accounting framework and critical judgements and impact of new issued standards not yet effective

Refer to the Group annual financial statements.

## 2. Investments and returns

### 2.1 Interest in subsidiaries

Rm	2023	2022
<b>Investment in subsidiaries</b>		
Investments at cost	4 769	4 769
Share-based payments arising from the Group's share incentive schemes	116	207
	<b>4 885</b>	<b>4 976</b>
<b>Amounts owing by/(to) subsidiaries</b>		
Included in:		
Current assets	8	148
Current liabilities	(4)	—
<b>Net interest in subsidiaries</b>	<b>4 889</b>	<b>5 124</b>

Subsidiaries are funded by way of equity from the holding company as well as interest-free loans. These loans are unsecured and there are no fixed terms of repayment, however we expect payment within the next 12 months. Management has assessed and concluded that expected credit losses on these loans are not significant. A loan owed by the subsidiary was used as settlement for the newly acquired shares.

The amounts owing by subsidiaries are unsecured, interest-free and are repayable on demand.

Details of the Company's principal subsidiaries are reflected in Annexure A.

### 2.2 Revenue

Rm	2023	2022
Dividends received	780	800
Investment income	2	—
	<b>782</b>	<b>800</b>

Dividends received are accounted for on the date of declaration.

# Notes to the Company annual financial statements continued

for the year ended 30 September

## 2. Investments and returns continued

### 2.3 Taxation

Rm	2023	2022
<b>South African normal taxation</b>		
Current year	(1)	—
Income tax	(1)	—
<b>Total taxation per the statement of profit or loss</b>	<b>(1)</b>	<b>—</b>
<b>Reconciliation of effective taxation rate (%)</b>		
South African normal tax rate	27.0	28.0
<i>Adjusted for:</i>		
Non-deductible expenses	0.2	0.2
Exempt income – dividends	(27.2)	(28.2)
<b>Effective taxation rate<sup>1</sup></b>	<b>—</b>	<b>—</b>

1. The Company's effective tax rate is 0% because all of its revenue is exempt dividend income and therefore its expenses are not tax deductible

### 2.4 Cash generated by operations

Rm	2023	2022
Operating profit	776	794
Cash generated by operations before working capital changes	776	794
Movement in other payable	—	(3)
	<b>776</b>	<b>791</b>

## 3. Funding

### 3.1 Cash and cash equivalents

Rm	2023	2022
Cash on hand and balances with banks	37	32

# Notes to the company annual financial statements continued

for the year ended 30 September

## 4. Shareholders' Interest

### 4.1 Ordinary share capital

Number of shares (million)	2023	2022
<b>Authorised</b>		
Ordinary shares of no par value	2 500	2 500
<b>Issued</b>		
Shares in issue at beginning and end of year	1 439	1 439
Rm		
<b>Issued ordinary share capital</b>		
Balance at beginning and end of year	4 254	4 254

Refer to note 8.1 of the notes to the Group annual financial statements for further details.

### 4.2 Preference share capital

Rm	2023	2022
<b>Authorised</b>		
10 million (2022: 10 million) variable rate, cumulative, non-redeemable, non-convertible preference shares of 50.0 cents each	5	5
<b>Issued</b>		
7 million (2022: 7 million) preference shares in issue at beginning and end of year	3	3
<b>Share premium</b>		
Balance at beginning and end of year	641	641
<b>Total issued preference share capital and premium</b>	<b>644</b>	<b>644</b>

# Notes to the Company annual financial statements continued

for the year ended 30 September

## 5. Contingent liabilities

### 5.1 Financial guarantees

Rm	2023	2022
The Company has provided unlimited suretyship in favour of various financial institutions which covers the facilities granted to subsidiaries.	7 302	6 365

The expected credit losses on guarantees are not material.

## 6. Group structure

### 6.1 Related parties

Rm	2023	2022
<b>Related party transactions</b>		
Various transactions were entered into by the Company during the year with related parties.		
Details of loan balances with subsidiaries are disclosed in Annexure A.		
The following is a summary of transactions with related parties during the year:		
Dividends received:		
• Netcare Holdings Proprietary Limited	780	800
Management fees received:		
• Netcare Hospitals Proprietary Limited	10	11
Non-executive directors fees	(10)	(12)

### 6.2 Key management personnel

Refer to note 4.1 of the Group annual financial statements.

## 7. Events after reporting period

Shareholders are advised that an ordinary dividend of 35.0 cents per share was declared by the Board of Netcare Limited on 16 November 2023.

Shareholders are advised that with effect from 01 January 2024, Mr I Kirk joins the Risk Committee as chairperson and the Remuneration Committee as a member and Mr A Maditse joins the Nominations Committee as a member. With effect from 05 February 2024, Ms L Stephens will assume the role of chairperson of the Remuneration committee.

Shareholders are advised that after an extensive search, Netcare has identified a preferred CEO candidate. Given that the candidate is unavailable for an extended period, details will remain confidential at this stage. At the Board's request, Dr Richard Friedland has agreed to continue as CEO beyond September 2024 for a further six months.

The directors are not aware of any other matters or circumstances arising since the end of the financial year, not otherwise dealt with in the Group and Company annual financial statements, which significantly affect the financial position at 30 September 2023 or the results of operations or cash flows for the year then ended.

## Annexure A – Interest in subsidiaries

Principal subsidiaries	Nature of business	Place of incorporation	Effective Group holding %			Investment (Rm)		Loans to/(from) subsidiaries (Rm)	
			Issued ordinary share capital (thousands)	2023	2022	2023	2022	2023	2022
<b>Direct</b>									
Netcare Holdings Proprietary Limited	Holding Company	South Africa	R120	100	100	4 768	4 768	—	—
<b>Indirect</b>									
Clindeb Investments Limited	Financing	South Africa	R1	100	100	—	—	8	153
Medicross Healthcare Group Proprietary Limited	Primary healthcare services	South Africa	R2	100	100	24	18	—	—
Netcare Hospitals Proprietary Limited	Hospital/healthcare services	South Africa		100	100	83	182	(4)	(4)
Netcare Hospital Group Proprietary Limited	Investment holding	South Africa		100	100	—	—	—	—
Netcare Property Holdings Proprietary Limited	Property owning	South Africa		100	100	—	—	—	—
Netcare Pharmacies Proprietary Limited	Pharmaceutical services	South Africa		100	100	—	—	—	—
Other		South Africa		100	100	10	8	—	—
						4 885	4 976	4	149
<b>Loans to subsidiaries disclosed in:</b>									
Current assets in the Company statement of financial position								8	149
Current liabilities in the Company statement of financial position								4	—

*Note: The above details are provided in respect of material subsidiaries of the Group. A full list of subsidiaries is available to shareholders at the Company's registered office*

The directors have determined that no subsidiary has a significant non-controlling interest.

There were no significant acquisitions, disposals or changes in holdings related to subsidiaries during the year.



# Annexure B – Interest in joint arrangements

## Joint ventures

Company	Place of incorporation and principal place of business	Proportion of ownership interests and voting power held by the Group %		Carrying value (Rm)	
		2023	2022	2023	2022
National Renal Care Proprietary Limited	South Africa	50	50	195	201
Netcare Digital Proprietary Limited	South Africa	50	50	16	12
Olivedale Clinic Oncology Centre Proprietary Limited	South Africa	45	45	5	5
Waterberg Lodge Proprietary Limited	South Africa	50	50	1	—
<b>Total interest in joint ventures</b>	Note 9.1			<b>217</b>	<b>218</b>
Loans included in:					
Trade and other receivables (note 5.1/9.1)				16	17
Trade and other payables (note 5.3/9.1)				(26)	(46)
				<b>(10)</b>	<b>(29)</b>

No joint ventures were considered to be material by management, based on both quantitative and qualitative factors.

Rm	2023	2022
<b>Aggregate information of joint ventures that are not individually material</b>		
The Group's share of profit and total comprehensive income for the year	38	44
Aggregate carrying amount of the Group's interests in these joint ventures	217	218

There were no unrecognised losses relating to joint ventures in the current or prior year.

## Joint operations

A subsidiary of the Group has a 50% interest in an unincorporated joint arrangement which was set up as a partnership with a property developer. The purpose of this joint arrangement is to develop hospitals on land which is co-owned by the joint venture partners in a 50:50 ratio as well as manage the lease agreements between the joint arrangement and Netcare Hospitals Proprietary Limited.

# Annexure C – Investment in associates

Company	Place of incorporation and principal place of business	Proportion of ownership interests and voting power held by the Group %		Carrying value (Rm)	
		2023	2022	2023	2022
Community Hospital Management Proprietary Limited	South Africa	25	25	4	4
Nalithemba Proprietary Limited	South Africa	50	50	57	105
Kokstad Private Hospital Proprietary Limited	South Africa	30	30	32	27
Gamma Knife Proprietary Limited	South Africa	28	28	14	14
Ismatype Proprietary Limited	South Africa	25	30	2	2
Bottle Facilities Management Proprietary Limited	Lesotho	40	40	17	18
Tsepong Proprietary Limited	Lesotho	40	40	—	—
Elsitron Proprietary Limited	South Africa	30	30	(1)	(1)
ICAS Employee and Organisation Enhancement Services Southern Africa Proprietary Limited	South Africa	40	40	41	31
Dosimeter Services Proprietary Limited	South Africa	49	49	—	—
<b>Total investment in associates</b>				<b>166</b>	<b>200</b>

Refer to note 9.2 in the Group annual financial statements for further details of the carrying value of investments in associates.

## Material investment in associates

The directors do not consider any of the investments in associates to be quantitatively and qualitatively material to the Group.

Rm	2023	2022
Aggregate information of associates that are not individually material		
The Group's share of loss/(profit) and total comprehensive income for the year	2	(23)
Aggregate carrying amount of the Group's interests in these associates	166	200

There are R99 million of accumulated unrecognised losses relating to associates in the current year (2022: R99 million).

# Annexure D – Analysis of shareholders

	Number of shareholders	Percentage of shareholders	Number of shares in issue <sup>1</sup>	Percentage of issued share capital
<b>Shareholder Spread</b>				
1 – 1 000	16 789	56.50	2 601 389	0.20
1 001 – 50 000	11 805	39.74	87 758 961	6.72
50 001 – 100 000	367	1.24	26 161 638	2.00
100 001 – 10 000 000	733	2.47	635 608 679	48.68
10 000 001 and above	14	0.05	553 431 817	42.39
<b>Total</b>	<b>29 708</b>	<b>100.00</b>	<b>1 305 562 484</b>	<b>100.00</b>
<b>Distribution of shareholders per category</b>				
Individuals	25 311	85.20	84 357 413	6.46
Private Companies	548	1.84	21 337 210	1.63
Nominees and Trusts	1 636	5.51	28 577 502	2.19
Banks and Brokerage Firms	57	0.19	65 197 801	4.99
Sovereign Wealth Funds	9	0.03	16 633 605	1.27
Insurance Companies	94	0.32	65 482 626	5.02
Pension Funds and Medical Aid Schemes	1 514	5.10	473 423 477	36.26
Collective Investment Schemes and Mutual Funds	539	1.81	550 552 850	42.17
<b>Total</b>	<b>29 708</b>	<b>100.00</b>	<b>1 305 562 484</b>	<b>100.00</b>
<b>Public and non-public shareholdings</b>				
Public	29 706	99.99	1 304 767 798	99.94
Non-public	2	0.01	794 686	0.06
<b>Total</b>	<b>29 708</b>	<b>100.00</b>	<b>1 305 562 484</b>	<b>100.00</b>

1. Number of shares in issue net of treasury shares

# Annexure D – Analysis of shareholders

## continued

	Number of shares in issue <sup>1</sup>	Percentage of issued share capital
<b>Beneficial shareholders holding 5% or more</b>		
Public Investment Corporation on behalf of Government Employee Pension Fund <sup>2</sup>	350 436 896	26.84
Capital Research Global Investors on behalf of American Funds SMALLCAP World Fund	73 590 762	5.64
<b>Total</b>	<b>424 027 658</b>	<b>32.48</b>
<b>Investment Manager Top 10</b>		
Public Investment Corporation (SOC) Limited	282 777 259	21.66
Ninety One SA Pty Ltd.	94 599 353	7.25
Capital Research Global Investors	82 408 850	6.31
Templeton Asset Management Ltd.	75 104 453	5.75
The Vanguard Group, Inc.	55 751 852	4.27
Old Mutual Investment Group (South Africa) (Pty) Limited	53 421 150	4.09
Schroder Investment Management Ltd. (SIM)	40 212 107	3.08
Mergence Investment Managers (Pty) Ltd	33 324 340	2.55
Wellington Management Company, LLP	27 142 317	2.08
Foord Asset Management (Pty) Limited	25 923 994	1.99
<b>Total</b>	<b>770 665 675</b>	<b>59.03</b>
<b>Beneficial Owner Top 10</b>		
Public Investment Corporation (SOC) Limited	342 795 422	26.26
American Funds SMALLCAP World fund	73 590 762	5.64
Alexander Forbes Investments Solution Limited	29 499 752	2.26
Old Mutual Life Assurance Company SA	24 610 476	1.89
Templeton Emerging Markets Investment Trust Plc	23 809 698	1.82
Eskom Pension and Provident Fund	23 552 207	1.80
Vanguard Emerging Markets Stock Index Fund (US)	19 813 625	1.52
Vanguard Total International Stock Index Fund	19 571 106	1.50
Hartford International Value Fund	16 344 802	1.25
Templeton Developing Market Trust	10 545 093	0.81
<b>Total</b>	<b>584 132 943</b>	<b>44.74</b>
<b>Geographic Ownership</b>		
South Africa	912 359 782	69.88
International	393 202 702	30.12
<b>Total</b>	<b>1 305 562 484</b>	<b>100.00</b>

1. Number of shares in issue net of treasury shares

2. As the treasury shares held by the HPFL B-BBEE scheme carry voting rights, the effective voting power of the Government Employee Pension Fund is 25.2%

# Corporate information

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## Company registration number

Registration number 1996/008242/06

## Business address and registered office

Netcare Limited  
76 Maude Street (corner West Street),  
Sandton 2196, Private Bag X34,  
Benmore 2010

## Company secretary

Charles Vikisi  
tel no: +27 (0) 11 301 0265  
charles.vikisi@netcare.co.za

## Investor relations

ir@netcare.co.za

## Customer call centre

0860 NETCARE (0860 638 2273)  
customer.service@netcare.co.za

## Fraud line

0860 fraud 1 (086 037 2831)  
fraud@netcare.co.za

## JSE information

JSE share code: NTC (Ordinary shares)  
ISIN code: ZAE000011953  
JSE share code: NTCP (Preference shares)  
ISIN code: ZAE000081121

## Sponsor

Nedbank Corporate and Investment Banking, a division of  
Nedbank Limited  
Third floor, F Block, Nedbank 135 Rivonia Campus  
135 Rivonia Road  
Sandown, Sandton, 2196

## Transfer secretaries

4 Africa Exchange  
1st Floor, Cedarwood House  
Ballywoods Office Park, 33 Ballyclare Drive, Bryanston,  
2191  
tel no: +27 (0) 11 100 8352

## Auditors

Deloitte & Touche

## Principal bankers

RMB Private Bank  
Nedbank Limited

## Selected websites

[www.netcare.co.za](http://www.netcare.co.za)  
[www.netcare911.co.za](http://www.netcare911.co.za)  
[www.medicross.co.za](http://www.medicross.co.za)  
[www.nrc.co.za](http://www.nrc.co.za)  
[www.akeso.co.za](http://www.akeso.co.za)

# Shareholders' diary

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<b>Annual general meeting</b>	02 February 2024	
<b>Reports</b>		
Interim results announcement	May	
Final results announcement	November	
<b>Dividends</b>		
<b>Ordinary dividend</b>	<b>Declared</b>	<b>Paid</b>
Interim	May	June
Final	November	January
<b>Preference dividend</b>		
Interim	April	May
Final	October	November

## Disclaimer

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Certain statements in this document constitute 'forward-looking statements'. Forward-looking statements may be identified by words such as 'believe', 'anticipate', 'expect', 'plan', 'estimate', 'intend', 'project', 'target', 'predict' and 'hope'. By their nature, forward-looking statements are inherently predictive, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future, involve known and unknown risks, uncertainties and other facts or factors which may cause the actual results, performance or achievements of the Group, or the healthcare sector to be materially different from any results, performance or achievement expressed or implied by such forward-looking statements. Forward-looking statements are not guarantees of future performance and are based on assumptions regarding the Group's present and future business strategies and the environments in which it operates now and in the future. No assurance can be given that forward-looking statements will prove to be correct and undue reliance should not be placed on such statements.

Any forward-looking information contained in these annual financial statements has not been reviewed or reported on by the company's external auditors.

Forward-looking statements apply only as of the date on which they are made, and Netcare does not undertake other than in terms of the Listings Requirements of the JSE Limited, to update or revise any statement, whether as a result of new information, future events or otherwise.

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