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NETCARE LIMITED 2015 ANNUAL FINANCIAL STATEMENTS

NETCARE LIMITED

Consolidated Annual Financial Statements 30 September 2015.

The preparation of the annual financial statements was supervised by KN Gibson CA (SA), Chief Financial Officer of Netcare Limited.

CONTENTS

ANNUAL FINANCIAL STATEMENTS

Directors' responsibility and approval	**2**
Certificate by the Company Secretary	**2**
Report of the independent auditor	**3**
Audit Committee report	**4**
Directors' report	**6**
Accounting policies	**10**
Group statement of financial position	**29**
Group statement of profit and loss	**30**
Group statement of comprehensive income	**31**
Group statement of changes in equity	**32**
Group statement of cash flows	**34**
Notes to the Group statement of cash flows	**35**
Notes to the Group annual financial statements	**37**

COMPANY FINANCIAL STATEMENTS	**91**
Annexure A – Interest in subsidiaries	**100**
Annexure B – Investment in associated companies	**103**
Annexure C – Interest in joint ventures	**107**
Annexure D – Analysis of shareholders	**108**

OTHER INFORMATION

Corporate information	**IBC**
Disclaimer	**IBC**

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. The Group's external auditors are engaged to express an independent opinion on these annual financial statements.

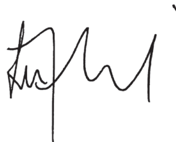
In order to fulfil this responsibility, the Group maintains internal accounting and administrative control systems designed to provide reasonable assurance that assets are safeguarded and that transactions are executed and recorded in accordance with the Group's policies and procedures.

The directors are satisfied that such accounting and administrative control systems have been maintained during the year.

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

The annual financial statements were approved by the Board of directors on 19 November 2015 and are signed on its behalf by:

JM Kahn
Non-executive Chairman



RH Friedland
Chief Executive Officer

KN Gibson
Chief Financial Officer

Sandton

CERTIFICATE BY THE COMPANY SECRETARY

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 South African Companies Act No 71 of 2008, and that all such returns appear to be true, correct and up to date.

L Bagwandeen
Company Secretary

Sandton

19 November 2015

REPORT OF THE INDEPENDENT AUDITOR

To the shareholders of Netcare Limited

We have audited the consolidated and separate financial statements of Netcare Limited set out on pages 10 to 107, which comprise the statements of financial position as at 30 September 2015, the income statement and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, a summary of significant accounting polices, the notes and other explanatory information.

Directors' responsibility for the annual financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Netcare Limited as at 30 September 2015, 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.

Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 30 September 2015, we have read the Directors' Report, Audit Committee's Report and Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Grant Thornton

Grant Thornton Johannesburg Partnership

Chartered Accountants (SA)
Registered Auditors

EFG Dreyer
Partner
Chartered Accountant (SA)
Registered Auditor

19 November 2015

@ Grant Thornton
Wanderers Office Park
52 Corlett Drive
Illovo
2196

AUDIT COMMITTEE REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2015

Introduction

The Audit Committee (the Committee) endeavours to review the principles, policies and practices adopted in the preparation of the annual financial statements. The Committee also endeavours to ensure that the interim and annual financial statements and any other formal announcements relating to the Group's financial performance and position comply with all statutory and JSE Listings Requirements.

This report is presented to shareholders in compliance with the requirements of the South African Companies Act No 71 of 2008 (Companies Act).

Role of the Audit Committee

The objectives and functions of the Committee are contained in the terms of reference which are reviewed on a regular basis and approved by the Board. 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 financial auditing;
- 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;
- Considered the progress pertaining to the implementation of a combined assurance model;
- Reviewed and evaluated reports relating to findings of Internal Audit investigations and whistle-blowing arrangements;
- Reviewed developments in the Companies Act and corporate governance in relation to the Audit Committee's functions;
- Reviewed and, where appropriate, updated the Audit Committee's own terms of reference;
- Assessed the effectiveness of the external audit process following the end of the annual audit cycle;
- Reviewed the integrated reporting process so as to consider factors and risks that may impact the integrity of the annual integrated report; and
- Endeavoured to recommend the annual integrated report to the Board for approval.

Structure of the Audit Committee

The Committee was appointed by the Board of directors 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 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.

Details of the Committee members and their attendance can be found on page 88 of the annual integrated report. The fees paid to the Committee members for the year ended 30 September 2015 were approved by the shareholders at the annual general meeting held on 6 February 2015.

The head of Netcare Group Internal Audit as well as Grant Thornton Johannesburg Partnership (Grant Thornton), in their capacity as external auditors to Netcare and its South African subsidiaries, attended and reported at all the Audit Committee meetings. Divisional Internal Audit Committee meetings are also held twice a year and Grant Thornton in their capacity as external auditors of Netcare also attend these 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, a member of the Audit Committee is also a member of the Risk Committee.

In the United Kingdom (UK), General Healthcare Group (GHG) operates an independent Audit Committee that reports through the Group Audit Committee. The GHG Audit Committee is chaired by G Hughes and its members are all non-executive directors of GHG.

External auditors

Grant Thornton is the appointed auditor for the Group and Company, with the audit partner, EFG Dreyer, 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 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 Grant Thornton are permitted to provide to Netcare. The Committee also pre-approved, where relevant, proposed contracts with Grant Thornton for the provision of non-audit services to the Group. The fees paid to Grant Thornton for the financial year ended 30 September 2015 amounted to R12 million for audit services and R1 million for other services.

Deloitte LLP is the appointed auditor for GHG in the UK. The fees paid to Deloitte for the financial year ended 30 September 2015 amounted to £0.5 million for audit services and £0.4 million for other services.

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 Audit Committee and is able to meet with the Audit Committee independent of management if and when required.

Chief Financial Officer

In terms of the JSE Listings Requirements, 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 director.

Annual financial statements

The Committee reviewed the accounting policies and annual financial statements (of which this report forms part) and endeavoured 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.

Approval of Audit Committee report

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

T Brewer
Audit Committee Chair

Sandton

16 November 2015

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2015

Your directors have pleasure in presenting their report on the activities of the Group and of the Company for the year ended 30 September 2015.

Nature of business

Netcare Limited is an investment holding company and through its subsidiaries, joint ventures and associates in Southern Africa (SA) and in the United Kingdom (UK) 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, administration and logistical services.

Financial results and review

The financial results of the Group are set out on page 30 of this report and a segment report is included in note 1 to the Group annual financial statements. The Company annual financial statements are presented on pages 91 to 99.

Subsidiaries, associates and joint ventures

Details of interests in subsidiaries, associates and joint ventures are shown on pages 100 to 107, respectively.

Acquisitions, disposals and changes in holdings

Acquisitions

Group

The Group acquired the following new subsidiaries, associates and joint ventures during the year:

- With effect from 1 November 2014:
  The Group acquired 95.72% of the shares in Ceres Hospitaal Limited.
- With effect from 1 August 2015:
  The Group acquired 80% of the shares in Raslouw Private Hospital Proprietary Limited.
  The Group acquired 60% of the shares in Centurion Suburbs Mall Proprietary Limited.

Company

- With effect from 1 April 2015:
  The Company acquired 100% of the shares in Netcare Holdings Proprietary Limited.

Disposals

Group

- With effect from 1 October 2014:
  The Group disposed of its 50% shareholding in Optimed Proprietary Limited, which was accounted for as an associate.

Company

- With effect from 1 April 2015, as part of a broader group restructure, the Company disposed of its 100% shareholding in the following entities to other entities within the Group:
  Netcare Hospital Group Proprietary Limited
  Medicross Healthcare Group Proprietary Limited
  Netcare Hospitals Proprietary Limited
  Netcare International SA Proprietary Limited
  Netcare Management Proprietary Limited

Changes in holdings

The Group changed its shareholding in the following subsidiaries, associates and joint ventures during the year:

Group

- With effect from 1 October 2014:
  The Group acquired an additional 10% in Constantia Clinic Proprietary Limited, increasing its holding to 60%. This resulted in a gain of control, and the entity is now consolidated as a subsidiary.
- With effect from 9 December 2014:
  The Group disposed of 39% in Health Management Technologies Proprietary Limited, decreasing its holding to 51%. This did not result in a loss of control, and Health Management Technologies is still consolidated as a subsidiary.

- With effect from 29 May 2015:
  Arrangements for the restructure of the £1.5 billion GHG PropCo 1 debt facility were finally completed on 29 May 2015. Following completion, Netcare no longer holds any equity interest in GHG PropCo 1.
- With effect from June 2015:
  Garden Hospital MRI Limited, a 40% associate, was put into voluntary liquidation.
- With effect from 1 September 2015:
  The Group increased its shareholding in North West Cancer Clinic Limited from 50% to 90%. This resulted in a gain of control, and the entity is now consolidated as a subsidiary.

The above excludes acquisitions, disposals and changes in holdings of dormant companies.

There were no other material changes to holdings in subsidiaries, associates or joint ventures during the year ended 30 September 2015.

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

There were no further changes to companies incorporated in the United Kingdom during the year, other than what has been mentioned above.

Property, plant and equipment

Capital expenditure incurred during the year amounted to R2 641 million (2014: R1 902 million).

Details of capital commitments are provided in note 32 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 95 million shares during the year in terms of the Netcare Share Incentive Scheme.

Further details of the authorised and issued share capital of the Company are given in note 12 to the Group annual financial statements.

Share incentive schemes

Particulars relating to the Netcare Share Incentive Scheme and the Forfeitable Share Plan are given in note 36 to the Group annual financial statements.

Ordinary dividends paid

Details of the ordinary shares are provided in note 12 to the Group annual financial statements. Details of the ordinary dividends paid for the year are:

Rm	2015	2014
Final distribution paid		
Final dividend paid on 2 February 2015 of 48.0 cents per share (2014: 40.5 cents per share)	**710**	598
Interim distribution paid		
Interim dividend paid on 22 June 2015 of 38.0 cents per share (2014: 32.0 cents per share)	**562**	472
	1 272	1 070
Dividends attributable to treasury shares	**(106)**	(97)
Paid to Netcare Limited shareholders	**1 166**	973

Dividends paid are accounted for on the date of declaration. As a result, the final dividend of 54.0 cents per share, declared on 19 November 2015, is not reflected in the financial statements for the year ended 30 September 2015.

DIRECTORS' REPORT CONTINUED

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	Friday, 22 January 2016
Trading ex dividend commences	Monday, 25 January 2016
Record date	Friday, 29 January 2016
Payment date	Monday, 1 February 2016

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

Cents	2015	2014
Interim dividend	**38.0**	32.0
Final dividend	**54.0**	48.0
	92.0	80.0

The estimated total cash flow of the final dividend of 54.0 cents per share payable on 1 February 2016, is R729 million.

This amount excludes R58 million attributable to treasury shares.

Preference dividends

Details of the preference shares are provided in note 13 to the Group annual financial statements. The preference dividends paid for the year are:

Rm	2015	2014
Interim dividend	**24**	23
Final dividend	**25**	23
	49	46

Directors

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

* T Brewer
+ RH Friedland
+ KN Gibson
* APH Jammine
* JM Kahn
* MJ Kuscus
* KD Moroko
* SJ Vilakazi – Retired as a non-executive director with effect from 31 May 2015
+ J Watts – Appointed as an executive director with effect from 17 November 2014
* N Weltman

The directors standing for re-election at the annual general meeting are:

JM Kahn
MJ Kuscus
KD Moroka

The interests of directors and remuneration paid to directors are disclosed in note 35 to the Group annual financial statements.

Company Secretary

The Company Secretary is L Bagwandeen.

The Company Secretary's business and postal addresses appear on page 109.

Auditors

Grant Thornton Johannesburg Partnership continued in office as auditors of Netcare Limited.

Events after the reporting period

The directors are not aware of any matter or circumstance arising since the end of the financial year, not otherwise dealt with in the Company and Group financial statements, which significantly affects the financial position at 30 September 2015 or the results of its operations or cash flows for the year then ended.

* Independent, non-executive director.
\+ Executive director.

Going concern

The directors have reviewed the Group and Company's 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. In arriving at this conclusion, the directors have assessed the situation of the operating companies in both SA and the UK as set out below.

The review of the budget and cash flow forecast for the SA operations indicate that these operations will continue to deliver positive cash flows and earnings and meet their obligations as they fall due for at least the next 12 months from the date of approval of this report.

The BMI Healthcare directors have reviewed forecasts for the purpose of the going concern review. These forecasts show that the Group will comply with its financial covenants throughout the forecast period with significant headroom. The forecasts also show sufficient liquidity headroom through the review period, taking into account committed facilities available to the business.

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 their 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's 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, were they to be made, would be subject to the provisions of the Group's treasury policy and the Companies Act. The details of borrowings appear in note 15 and 22 to the Group annual financial statements.

Special resolutions

Netcare Limited

- Annual General Meeting of Shareholders
  - Special Resolution number 1 – General authority to repurchase shares
  - Special Resolution number 2 – Approval of non-executive directors remuneration
  - Special Resolution number 3 – Financial assistance to related and inter-related companies in terms of section 45 of the Companies Act.
- General Meeting of Shareholders
  - Special Resolution number 1 – specific authority for the repurchase of shares by the Company from Patient Care and Passionate People Finance Company Proprietary Limited
  - Special Resolution number 2 – specific authority for the repurchase of shares by the Company from Netcare Health Partners for Life Company Proprietary Limited

Subsidiaries

The following special resolutions were passed by subsidiary companies in South Africa:

- Netcare Parklands Linac Joint Venture Proprietary Limited passed a special resolution to amend the MOI by increasing the authorised shares on 14 April 2015.
- Special Resolution for the change of name of Ismacode Proprietary Limited to Netcare Holdings Proprietary Limited was passed on 19 May 2015.
- Special Resolution for the change of name of Luzovect Proprietary Limited to Netcare Jet Air Ambulance Proprietary Limited was passed on 17 July 2015.

No special resolutions were passed by the General Healthcare Group of companies in the United Kingdom.

A register of special resolutions passed is available to shareholders on request.

There were no other special resolutions passed by subsidiary companies during the year under review that affect the understanding of the Company and its subsidiaries.

ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 SEPTEMBER 2015

The principal accounting policies adopted in the preparation of these annual financial statements are set out below:

1. Basis of preparation

The Group and Company annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), including all interpretations applicable to companies reporting under IFRS, as issued by the International Accounting Standards Board (IASB), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the requirements of the South African Companies Act No 71 of 2008 and the JSE Listings Requirements.

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 2014, unless expressly stated otherwise as changes in accounting policy. No standards were adopted before the effective date during the financial reporting period ended 30 September 2015.

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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in note 29 in the accounting policies.

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 when otherwise indicated. They are 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 are measured at fair value; and
- Post-retirement benefit obligations are measured in terms of the projected unit credit method.

2. Changes in accounting policy

The following new, revised and amended standards implemented for the first time in the current year financial statements, mainly affect presentation and disclosure:

- **Amendments to IAS 19 Employee Benefits**

  The amendments to IAS 19 clarify the accounting treatment for contributions from employees or third parties to a defined benefit plan. According to the amendments, discretionary contributions made by employees or third parties reduce service costs upon payment of these contributions to the plan. Alternatively, when the formal terms of the plan specify contributions from employees or third parties, the accounting would depend on whether the contributions are linked to service, as follows:

  If the contributions are not linked to services (e.g. contributions are required to reduce a deficit arising from losses on plan assets or from actuarial losses), they would affect the remeasurement of the net defined benefit liability / (asset).

  If contributions are linked to services, they would reduce service costs. For the amount of contribution that is dependent on the number of years of service, the entity should reduce service costs by attributing these to periods of service using the same attribution method in accordance with IAS 19 paragraph 70 for the gross benefits. For the amount of contribution that is independent of the number of years of service, the entity is permitted to reduce service costs in the period in which the related service is rendered; the amendment allows a choice. The amendment requires retrospective application.

  The Group adoption of this amendment has had no impact on the Group results as the Group has made the decision to continue to account for the reduction of service costs by attributing these to periods of service.

- **Amendments to IAS 32 Financial Instruments: Presentation**

  The Group has applied the amendments to IAS 32: Offsetting Financial Assets and Financial Liabilities for the first time in the current year. The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

  The amendments have been applied retrospectively. The Group has assessed whether certain of its financial assets and financial liabilities qualify for offset based on the criteria set out in the amendments, and concluded that it does not hold any financial assets and financial liabilities that qualify for offset. Therefore the application of the amendments has had no impact on the amounts recognised in the Group's consolidated financial statements.

  The Group adoption of this amendment has had no impact on the Group results.

2. Changes in accounting policy continued

+ Amendment to IAS 36: Impairment of assets

The amended standard requires the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. In addition, if the recoverable amount was measured based on the present value technique, disclosure is required of the discount rates used in the current and previous measurements. The amended standard should be applied in conjunction with IFRS 13.

The Group adoption of this amendment has had no impact on the Group results.

+ Amendment to IAS 39: Financial Instruments: Recognition and Measurement

The standard was amended in June 2013 to include guidance on novation of derivative financial instruments. Under the amendments hedge accounting will not be discontinued if a hedging derivative is novated, provided certain criteria are met.

The Group adoption of this amendment has had no impact on the Group results.

Annual Improvement cycle

2010 – 2012 Cycle

+ IFRS 2: Share based payment

The amendments (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'.

+ IFRS 3: Business combination

The amendments clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss.

+ IFRS 8: Operating segments

The amendments (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have similar economic characteristics; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

+ IFRS 13: Fair value measurement

The amendments to the basis for conclusions in IFRS 13 clarify that the issue of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short – term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

+ IAS 16: Property Plant and Equipment and IAS 38: Impairment of Assets

The amendments to IAS 16 and IAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

+ IAS 24: Related party disclosure

The amendments clarify that a management entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose, as related party transactions, the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of compensation to key management personnel that are paid through another entity is not required.

2011 – 2013 Cycle

+ IFRS 3: Business combination

The amendments clarify that IFRS 3 does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

ACCOUNTING POLICIES CONTINUED

FOR THE YEAR ENDED 30 SEPTEMBER 2015

2. Changes in accounting policy continued

Annual Improvement cycle continued

2011 – 2013 Cycle continued

- **IFRS 13: Fair value measurement**

  The amendments clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

- **IAS 40: Investment property**

  This amendment clarifies the inter-relationship of IFRS 3 and IAS 40 and when classifying property as investment property or owner-occupied property. Consequently, an entity acquiring investment property must determine whether:

  (a)the property meets the definition of investment property in terms of IAS 40; and

  (b)the transaction meets the definition of a business combination under IFRS 3.

  The Group adoption of the annual improvement cycle amendments have had no impact on the Group results.

3. Basis of consolidation of financial results

Subsidiaries

The Group financial statements consolidate those of the parent company and all of its subsidiaries as of 30 September 2015.

Control is determined where the Company has all of the following elements:

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect the amount of the investor's returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. These may relate to, inter alia, changes in shareholding due to a sale/acquisition of shares; a change in the rights of the Company due to the rights held by other shareholders becoming substantive; or a shift in fiduciary duties of directors to manage the business in the best interests of its creditors.

Subsidiaries are consolidated from the date on which control elements are achieved by the Group and are no longer consolidated from the date that control ceases. The acquisition method of accounting is used to account for the acquisition of subsidiaries in accordance with the Group's accounting policy for business combinations.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

Non-controlling interests represent the portion of a subsidiary's profit or loss and net assets that are not held by the Group. Total comprehensive income or loss is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where the Group decreases its controlling interest in a subsidiary without losing control, the partial disposal is recognised as an equity transaction. The difference between the proceeds and the carrying value of the share of net assets disposed of is recognised directly in the statement of changes in equity and no adjustment is made to the carrying amount of goodwill.

When the Group loses control of a subsidiary, all the assets, liabilities and non-controlling interests are derecognised at their carrying values. Any equity interest retained in the former subsidiary is recognised at its fair value at the date control is lost, with the resulting gain or loss recognised in profit or loss.

In the Company's financial statements, investments in subsidiaries are stated at cost less any impairment losses.

Investment in associated companies and joint ventures

An associate is an entity over which the Group has significant influence, and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

3. Basis of consolidation of financial results continued

Investment in associated companies and joint ventures continued

Joint control involves the contractually agreed sharing of control, and arrangements subject to joint control are classified as either a joint venture (representing a share of net assets and equity accounted) or a joint operation (representing rights to assets and obligations for liabilities, accounted for accordingly).

The financial performance, assets and liabilities of associates and joint ventures are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5: Non-Current Assets Held for Sale and Discontinued Operations. Under the equity method of accounting, investments in associates and joint ventures are initially recognised at cost and adjusted for post-acquisition changes in the Group's share of net assets of the associate or joint venture, less any impairment in the value of individual investments. Losses of an associate or joint venture in excess of the Group's investment in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture) are not recognised, unless the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

Any excess of the cost of acquisition over the Group's share of the net fair value of identifiable assets, liabilities and contingent liabilities of the associate or joint venture recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the fair value of the net identifiable assets and contingent liabilities of the entity acquired, over the cost of acquisition is recognised immediately in profit or loss.

Where the Group transacts with an associate or joint venture of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

The entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36: Impairment of Assets, as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group loses significant influence over the associate or joint control of the joint venture, any retained investment is measured at fair value with any consequential gain or loss recognised in profit or loss.

4. Business combinations

Initial recognition and measurement

All business combinations are accounted for by applying the acquisition method. The cost of the business combination is the fair value at the date of exchange of the assets given, liabilities incurred or assumed, and equity instruments issued by the Group, in exchange for control of the acquiree as defined by IFRS 10: Consolidated Financial Statements. Costs directly attributable to the business combination are expensed as incurred, except the costs to issue debt which are amortised as part of the effective interest and costs to issue equity which are included in equity. Identifiable assets acquired and liabilities and contingent liabilities that meet the recognition conditions of IFRS 3: Business Combinations are measured initially at their fair values, except for non-current assets (or disposal company) that are classified as held-for-sale in accordance with IFRS 5: Non-current Assets Held-for sale and Discontinued Operations, which are recognised at fair value less costs to sell, at the acquisition date, irrespective of the extent of any non-controlling interest.

Contingent consideration is included in the cost of the business combination at fair value determined at the date of acquisition. Subsequent changes to the assets, liabilities or equity which arise as a result of the contingent consideration are not effected against goodwill, unless they are valid measurement period adjustments.

The interest of non-controlling shareholders may be measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis.

When a business combination is achieved in stages, the Group's previously held interests in the acquired entity are re-measured to fair value on the date the Group attains control and the resulting gain or loss is recognised in profit or loss. Where the previously held interest was classified as an available-for-sale financial asset, the cumulative fair value adjustments recognised previously in other comprehensive income and accumulated in equity are recognised in profit or loss as a reclassification adjustment.

ACCOUNTING POLICIES CONTINUED
FOR THE YEAR ENDED 30 SEPTEMBER 2015

4. Business combinations continued

Initial recognition and measurement continued

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets.

The excess of the fair value of the net identifiable assets and contingent liabilities of the entity acquired over the cost of acquisition results in a gain on bargain purchase which is recognised immediately in profit or loss.

Subsequent measurement

If the initial accounting for business combinations has been determined provisionally, then these provisional amounts are adjusted during the measurement period to reflect new information obtained about facts and circumstances that existed as of the date of acquisition that, if known, would have affected the amounts initially recognised.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, subject to a maximum period of one year.

5. Goodwill

Initial recognition and measurement

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. See Note 3 for information on how goodwill is initially determined.

Subsequent measurement

Goodwill is subsequently measured at cost less any accumulated impairment.

Derecognition

When goodwill forms part of a cash-generating unit and part of that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation in determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill is allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period. Refer to note 3 to the Group annual financial statements for a description of impairment testing procedures.

6. Non-current assets held for sale and discontinued operations

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their carrying amount and their fair value less costs to sell and are presented separately in the statement of financial position. Non-current assets (and disposal groups) are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use.

The conditions are regarded as met only when it is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale are classified as held for sale from the date these conditions are met and are measured at the lower of their carrying amount and their fair value less costs to sell. However, some assets held for sale, such as financial assets or deferred tax assets, continue to be measured in accordance with the Group's relevant accounting policy for those assets. Any resulting impairment is reported through profit or loss.

On classification as held for sale, the assets are no longer depreciated and comparative amounts are not adjusted.

Discontinued operations are classified as held for sale. Discontinued operations are either a separate major line of business or geographical area of operations that have been sold or are part of a single coordinated plan to be disposed of, or a subsidiary acquired exclusively with a view to sell. Once an operation has been identified as discontinued, or is reclassified as continuing, the comparative information is represented.

7. Property, plant and equipment

Property plant and equipment are recognised if it is probable that future economic benefits will flow to the entity from the assets and the costs of the assets can be reliably measured.

Property, plant and equipment are 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. Land is not depreciated.

Where an item comprises major components with different useful lives, these components are accounted for as separate items.

Property, plant and equipment are depreciated to estimated residual value on a straight-line basis over their expected useful lives. The depreciation method, estimated remaining useful lives and residual values are reviewed annually.

The assumptions regarding estimated useful lives for the 2015 financial year were as follows:

Land	Indefinite
Buildings	4 – 75 years
Leasehold improvements	Shorter of the lease term and the asset's useful life
Computer equipment	1 – 20 years
Furniture and equipment	1 – 16 years
Medical equipment	1 – 12 years
Motor vehicles	5 years
Aircraft	Useful life based on the number of hours used
Plant and machinery	1 – 20 years

Assets under construction are not depreciated.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

8. Intangible assets

Intangible assets are recognised if it is probable that future economic benefits will flow to the entity from the assets and the costs of the assets can be reliably measured.

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

Intangible assets are amortised on a straight-line basis over their estimated useful lives. Amortisation has been included within operating profit.

The assumptions regarding estimated useful lives for the 2015 financial year were as follows:

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

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

Computer software – other, is software that requires modification or further development and is amortised from the date that it is brought into use. Costs associated with maintaining computer software programs or development expenditure that does not meet the recognition criteria are recognised as an expense.

Development expenditure comprises the capitalisation of bid costs incurred in mobilising management contracts which have gained preferred bidder status. All costs incurred in the preparation of bids are expensed in the income statement up to the point where the contract is virtually certain and the contract has then gained preferred bidder status. Bid costs incurred after this point are capitalised to the intangible asset.

Intangible assets are derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of intangible assets is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

ACCOUNTING POLICIES CONTINUED
FOR THE YEAR ENDED 30 SEPTEMBER 2015

9. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets that take a substantial period of time (longer than one year) to prepare for their intended use or sale, are capitalised to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Borrowings are recognised initially at fair value, net of transaction costs incurred.

Borrowings are subsequently stated at amortised cost using the effective interest rate method.

All other borrowing costs are expensed in the period in which they are incurred.

10. Financial instruments

Initial recognition and measurement

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

Financial instruments are initially measured at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs directly attributable to the acquisition or issue of the financial asset or financial liability. Subsequent to initial recognition, financial instruments are measured as set out below.

Fair value

Fair value represents the current market value where a regulated market exists. Otherwise fair value is determined utilising appropriate valuation methodology including discounted cash flow models. If fair values cannot be measured reliably, the financial asset is valued at cost less accumulated impairment.

Amortised cost

Amortised cost is calculated using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the instrument. All fees, transaction costs and other premiums or discounts are included in the calculation.

Trade and other receivables

Trade and other receivables are classified as loans and receivables and are subsequently measured at amortised cost less allowances for doubtful debts.

Individually significant receivables are considered for impairment when objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the type and region of counterparty and other available features of shared credit risk characteristics. The percentage of the write-down is then based on recent historical counterparty default rates for each identified group. Impairment of these assets is expensed in profit or loss. The carrying amount of the asset is reduced through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents are stated at carrying value which is deemed to be fair value. In the statement of cash flows, bank overdrafts are offset against cash and cash equivalents.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangement entered into and the definitions of a financial liability and an equity instrument in IFRS.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Financial liabilities, other than derivative instruments, are subsequently recognised at amortised cost, comprising original debt less principal payments and amortisations.

The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

10. Financial instruments continued

Compound instruments

The component parts of compound instruments are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is accounted for as a liability on an amortised cost basis until extinguished upon conversion or the maturity date of the instrument.

The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured.

Trade payables

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

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.

Derecognition of financial assets and liabilities

Financial assets are derecognised where:

- The contractual rights to receive cash flows from the asset have expired; or
- The Group has transferred the financial asset and substantially all the risks and rewards of ownership.

Financial liabilities are derecognised when the relevant obligation has either been discharged or cancelled or it has expired.

11. Derivative financial instruments and hedge accounting

Derivative financial 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.

A derivative instrument needs to meet the following criteria to be designated as a hedging instrument:

- The hedge transaction is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk;
- The effectiveness of the hedge can be reliably measured throughout the duration of the hedge;
- There is adequate documentation of the hedging relationship at the inception of the hedge; and
- For cash flow hedges, the forecast transaction that is the subject of the hedge must be highly probable.

The Group designates certain derivatives as cash flow hedges, which hedge the exposure to variability in cash flows that are either attributable to a particular risk associated with a recognised asset or liability or a forecast transaction that could affect profit or loss. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and the ineffective portion is recognised in profit or loss. Further details of derivative financial instruments are disclosed in note 34 to the Group annual financial statements.

If an effective hedge of a forecast transaction subsequently results in the recognition of a financial asset or financial liability, the gains or losses recognised in other comprehensive income are reclassified from equity to profit or loss and presented as a reclassification adjustment within other comprehensive income in the same period in which the asset or liability affects profit or loss.

ACCOUNTING POLICIES CONTINUED
FOR THE YEAR ENDED 30 SEPTEMBER 2015

11. Derivative financial instruments and hedge accounting continued

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated gains or losses that had previously been recognised in other comprehensive income are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability.

Hedge accounting is discontinued on a prospective basis when the hedge no longer meets the hedge accounting criteria (including when it becomes ineffective), when the hedge is sold, terminated or exercised, when, for cash flow hedges, the forecast transaction is no longer expected to occur or when the hedge designation is revoked. Any cumulative gain or loss on the hedging instrument for a forecast transaction is retained in equity until the transaction occurs, unless the transaction is no longer expected to occur, in which case it is transferred to profit or loss for the period.

12. Set-off

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

13. Impairment of tangible and intangible assets excluding goodwill

At each year-end reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset, or cash-generating unit, is estimated to be less than its carrying amount, the carrying amount of the asset, or cash-generating unit, is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset, or cash-generating unit, is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

14. Insurance contracts

Contracts under which the Group accepts significant risk from other parties by indemnifying that party against uncertain future costs are classified as insurance contracts. The contracts issued compensate the other party for medical and emergency service expenses incurred.

Recognition and measurement

Capitation premiums

The Group receives premiums from medical aid schemes/members in return for underwriting the cost of providing medical or emergency services. These premiums are recognised as revenue before the deduction of any brokerage, commissions or similar costs.

Provision for outstanding claims

All claims assessed but not yet paid are accrued for in full.

Claims incurred but not reported (IBNR) liability

Claims arising from insured events that occurred within the accounting period, but which have not yet been received or reported to the Group within the period are provided for. The IBNR liability is estimated by independent actuarial consultants using statistical methods. The IBNR liability is based on assessed claim patterns as these patterns are more stable than claims paid patterns. Claims IBNR estimates are arrived at by using independent actuarial assessments of the claims based on the chain-ladder method of forecasting claims development patterns.

14. Insurance contracts continued

Recognition and measurement continued

Re-insurance contracts held

Contracts entered into with re-insurers, under which compensation for specified losses meet the classification requirements for insurance contracts, are accounted for as re-insurance contracts. Re-insurance contracts are entered into for calendar years, coinciding with the term of the insurance contracts entered into with other parties. Re-insurance premiums and any associated recoveries are accounted for monthly in profit or loss. Amounts recoverable from or payable to the re-insurer are measured consistently in terms of each re-insurance contract and are classified as trade and other receivables or financial liabilities respectively.

15. Financial guarantee contracts

The Group regards financial guarantee contracts as insurance contracts and uses accounting applicable to insurance contracts. Details regarding financial guarantees issued are disclosed under contingent liabilities in note 31 to the Group annual financial statements.

16. Inventories

Inventories, comprising medical consumables are valued at the lower of cost and 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.

Write-downs to net realisable value and inventory losses are expensed in the period in which the write-downs or losses occur.

17. Ordinary and preference share capital and premium

Issued ordinary and preference share capital and premium are stated as the amount of the proceeds received less directly attributable issue costs.

18. Treasury shares

Treasury shares held by subsidiary companies are deducted from share capital and premium on consolidation. These shares are not included in the number of shares in issue for purposes of calculating earnings per share and certain other performance ratios.

19. Provisions

Provisions represent liabilities of uncertain timing or amount. Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Provisions are measured at the present value of expected future expenditure required to settle an obligation and discounted using a pre-tax market related rate which is adjusted for the risks associated with the obligation.

20. Foreign currency translation

Items included in the financial results of each entity are measured using the functional currency of that entity. The consolidated financial results are presented in South African Rands, which is Netcare's functional and presentation currency.

Foreign currency transactions

Income and expenditure transactions are translated into the functional currency of the entity at the exchange rate at the transaction date. Monetary assets and liabilities are translated into the functional currency of the entity at the exchange rate prevailing at the end of the reporting period. Foreign exchange gains and losses resulting from the translation and settlement of monetary assets and liabilities are charged to profit or loss, except when they relate to cash flow hedging activities in which case these gains and losses are recognised in other comprehensive income and included in the cash flow hedge accounting reserve in equity.

Non-monetary items are translated at year-end and are measured at historical cost, except for non-monetary items measured at fair value which are translated using the exchange rate at the date when fair value was determined.

ACCOUNTING POLICIES CONTINUED
FOR THE YEAR ENDED 30 SEPTEMBER 2015

20. Foreign currency translation continued

Foreign operations

The financial results of all entities that have a functional currency different from the presentation currency of their parent entity are translated into the presentation currency. Income and expenditure transactions of foreign operations are translated at the average exchange rate for the period. All assets and liabilities, including fair value adjustments arising on acquisition, are translated at the exchange rate prevailing at the reporting date. Differences arising on translation are recognised in other comprehensive income and included in the foreign currency translation reserve in equity.

On consolidation, differences arising from the translation of the net investment in a foreign operation are recognised in other comprehensive income and included in the foreign currency translation reserve in equity.

On disposal of part or all of the investment, the proportionate share of the related cumulative gains and losses previously recognised in the foreign currency translation reserve in equity are included in determining the profit or loss on disposal of that investment charged to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the exchange rate prevailing at the end of the reporting period.

21. Taxation

The tax expense consists of current South African and foreign tax, deferred tax and secondary tax on companies (prior to 1 April 2012).

Current South African and foreign tax

The current tax charge is the expected tax payable on the taxable income for the period. The tax rates and tax laws used to compute this amount are those that are enacted or substantively enacted by the reporting date.

Deferred tax

The provision for deferred tax assets and liabilities reflects the tax consequences that would follow from the expected recovery or settlement of the carrying amount of the Group's assets and liabilities.

Deferred tax is provided using the liability method, for all temporary differences at the reporting date between the tax bases of assets or liabilities and their respective carrying amounts.

A deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries, joint ventures and associates, except to the extent that both of the following conditions are satisfied: (i) the parent or investor is able to control the timing of the reversal of the temporary difference and (ii) it is probable that the temporary difference will not reverse in the foreseeable future. No deferred tax liability is recognised on temporary differences caused by the initial recognition of goodwill.

A deferred tax asset is recognised where it is probable that, in the foreseeable future, taxable profits will be available against which the deferred tax asset can be realised. Neither a deferred tax asset nor liability is recognised where it arises from a transaction that is not part of a business combination, and, at the time of the transaction, has not impacted accounting or taxable profit or loss. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

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

Current and deferred tax relating to items recognised in other comprehensive income and equity are recognised in other comprehensive income and equity respectively.

Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to set-off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

22. Leasing

Finance leases

Leases of assets where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalised at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments and are depreciated at appropriate rates over the shorter of the estimated useful lives of the assets or the lease period. A corresponding amount is recognised as a finance lease liability. Finance lease payments are allocated using the effective interest rate method, between the finance charge and the capital repayment.

Operating leases

Leases of assets where the Group does not assume substantially all the benefits and risks of ownership are classified as operating leases. Payments made in respect of operating leases with a fixed escalation clause are charged to profit or loss on a straight-line basis over the lease term. All other lease payments are expensed as they occur. Minimum rentals due after year-end are reflected under commitments.

23. Revenue recognition

Revenue

Revenue is recognised at the fair value of the consideration received or receivable net of indirect taxes and trade discounts, when the significant risks and rewards of ownership have been transferred or services have been rendered. Revenue comprises the amount charged for accommodation, theatre fees and medical consumables. Revenue within the Group is eliminated on consolidation.

Revenue from charges to patients is recognised when the service giving rise to this revenue is rendered.

Revenue arising from administration fees is recognised on the accrual basis in accordance with the substance of the relevant agreements.

Other income

Rental income from operating leases is recognised as it is earned over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Dividends are recognised when the shareholders' right to receive payment is established.

Interest is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Group.

24. Cost of sales

Cost of sales includes the costs of inventories, employee and other related costs that are directly attributable to the provision of services. Inventory write-downs are included in cost of sales when recognised. Trade discounts, settlement discounts and similar costs are deducted in determining cost of sales.

25. Employee benefits

Short-term employee benefits

Remuneration to employees is recognised in profit or loss as services are rendered and employees become entitled to the remuneration and the Group has an unavoidable obligation to make payment.

Post-employment benefits – Defined contribution pension plans

Contributions to defined contribution plans are recognised in profit or loss.

Post-employment benefits – Defined benefit pension plans

The Group's obligation in respect of defined benefit pension plans is actuarially calculated by deducting the fair value of the plan assets from the gross obligation for post-retirement benefits. The gross obligation is determined by estimating the future benefit attributable to employees in return for services rendered to date.

ACCOUNTING POLICIES CONTINUED
FOR THE YEAR ENDED 30 SEPTEMBER 2015

25. Employee benefits continued

Post-employment benefits – Defined benefit pension plans continued

The future benefit is discounted using the discount rate to determine its present value. Independent actuaries perform this calculation annually using the projected unit credit method.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income, with the exception of gains or losses arising from changes in the benefits regarding past services, which are recognised in profit or loss.

Past service costs are recognised immediately in profit and loss.

Where the plan assets exceed the gross obligation, the asset recognised is limited to the total of unrecognised net actuarial losses, unrecognised past service costs related to the improvements of the defined benefit pension plan and the present value of any future refunds from the plan or reductions in future contributions to the plan.

Post-employment benefits – Medical funds

The Group provides post-retirement benefits to certain of its retirees in South Africa only. Employees who joined the employment of the Group prior to 1 November 2004 are entitled to a post-retirement medical aid subsidy. Due to previous employment benefits offered, the Group has honoured its contractual commitment in respect of post-retirement medical obligations before the change in policy.

The future benefit is discounted to determine its present value. Independent actuaries perform this calculation every two years for the Group, using the projected unit credit method.

Actuarial gains and losses are recognised in other comprehensive income.

Equity compensation benefits – Netcare Share Incentive Scheme

The Group grants share options to certain employees under the Netcare Share Incentive Scheme. The fair value of the employee services received in exchange for the grant of options is recognised as an expense with a corresponding increase in equity. The total amount to be expensed over the vesting period is determined with reference to the fair value of the options granted on grant date and is expensed on a straight-line basis over the vesting period. The fair value is determined by using the Trinomial model and the assumptions used to determine the fair value are detailed in note 36 to the Group annual financial statements.

Equity compensation benefits – Health Partners for Life

The beneficiaries of the Health Partners for Life trusts hold trust units which entitle them to the economic benefits of a specified number of Netcare shares over a vesting period. The total amount to be expensed over the vesting period is determined with reference to the fair value of the units at grant date and is expensed on a straight-line basis over the vesting period. The fair value is determined by using the Trinomial model and the assumptions used to determine the fair value are detailed in note 36 to the Group annual financial statements.

Equity compensation benefits – Forfeitable Share Plan

The Group awards forfeitable shares to certain employees subject to performance (performance shares) and retention (retention shares) conditions. The total amount to be expensed over the vesting period is determined with reference to the fair value of the units at grant date and is expensed on a straight-line basis over the vesting period. The fair value is determined by using the weighted average traded share price on grant date and the assumptions to determine the fair value are detailed in note 36 to the Group annual financial statements. For the performance shares, the probability of achieving the performance condition is used to determine the expense in each reporting period. Vesting conditions, including performance conditions, are taken into account by adjusting the number of forfeitable shares so that, ultimately, the amount recognised for services received as consideration for the forfeitable shares granted shall be based on the number of forfeitable shares that eventually vest.

26. Segment information

The Group's identification of segments and the measurement of segment results is based on the Group's internal reporting to management. The segments have been identified according to the geographic regions in which the business operates and the nature of their respective products and services. Refer to note 1 to the Group annual financial statements for details on the Group's operating segments.

The accounting policies applied by the segments are the same as the Group's accounting policies, unless otherwise indicated in note 1 to the Group annual financial statements. Certain expenses, earnings from associates and joint ventures, financial income and expenses and income tax are not disclosed for all segments, consistent with the disclosure to management.

27. Employee benefit trust

Cash held on behalf of employees within the Group's employee benefit trusts is consolidated in accordance with IFRS 10: Consolidated Financial Statements. This is included within the Employee Share Trust Reserve in the statement of changes in equity.

28. Distributions paid to shareholders

Distributions are recorded in the period in which the distribution is declared and approved by the Company's Board. All transactions with owners of the parent are recorded separately within equity.

29. Government Grants

Government grants are recognised when there is reasonable assurance that:

- The Group will comply with the conditions attached to them; and
- The grant will be received.

Government grants are presented in the statement of financial position as deferred income.

30. Significant judgements, accounting estimates and assumptions

The Group prepares its financial statements in accordance with IFRS which requires management to make judgements, accounting estimates and assumptions that affect the reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and the application of judgement and assumptions are inherent in the formation of estimates. The actual results could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised.

The following accounting policies have been identified as involving particularly complex or subjective judgements, assumptions or assessments during the year:

Impairment of non-financial assets

Goodwill is considered for impairment annually. Property, plant and equipment and 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, 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 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.

Where appropriate, the fair value of assets less cost 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 effective yield.

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.

Refer to note 3 to the Group annual financial statements for more details on the assumptions applied in the annual impairment test for goodwill.

Estimation of useful lives and residual values

Property, plant and equipment are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values 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 consider issues such as future market conditions, the remaining lives of the assets and projected disposal values. Refer to accounting policy 7 which sets out the estimated useful lives of property, plant and equipment.

ACCOUNTING POLICIES CONTINUED
FOR THE YEAR ENDED 30 SEPTEMBER 2015

30. Significant judgements, accounting estimates and assumptions continued

Estimation of useful lives and residual values continued

Intangible assets are amortised on a straight-line basis over their estimated useful lives. The amortisation methods and 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 about future use and therefore requires a significant degree of judgement. Refer to accounting policy 8 which sets out the estimated useful lives of intangible assets.

Deferred taxation assets

Deferred tax assets are recognised to the extent it is probable that taxable income will be available in future against which they can be utilised. Future taxable profits are estimated based on business plans which include estimates and assumptions regarding economic growth, interest, inflation rates, taxation rates and competitive forces.

Fair value of share-based payments

The fair value of options granted in terms of the Netcare Share Incentive Scheme and the trust units issued in terms of the Health Partners for Life initiative are determined using the Trinomial model. The fair value of forfeitable shares granted in terms of the Forfeitable Share Plan is determined by using the weighted average traded share price on grant date. The fair value of the phantom share options granted in terms of the executive leveraged bonus scheme is determined using the Black-Scholes option pricing model. Additional details regarding the assumptions used to value the share options and trust units are detailed in note 36 to the Group annual financial statements.

Valuation of financial instruments

The valuation of derivative financial instruments is based on the market situation 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 swaps is calculated based on a discounted cash flow model using a number of key assumptions.

The valuation of the UK RPI swaps takes into account management's expectation of the future cash flows attributable to this swap. Refer to note 33 to the Group annual financial statements for further details of the judgements and assumptions applied.

The fair value of the European style call options is calculated using the Black-Scholes option pricing model.

Hedge accounting and reclassification of reserves

Hedge accounting is discontinued when the hedging relationship no longer qualifies for hedge accounting. 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 swaps 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.

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

The valuation of the UK interest rate and RPI swaps and the application of hedge accounting involves significant judgement as they are based on a view of likely future events, although there can be no certainty as to how the events will actually unfold.

Refer to note 33 to the Group annual financial statements for further details of the judgements and assumptions regarding hedge accounting.

Post-employment benefit obligations

Post-retirement defined benefits are provided for certain existing and former employees. Actuarial valuations are based on assumptions which include employee turnover, mortality rates, the discount rate, the expected long-term rate of return on retirement plan assets, healthcare inflation cost and rates of increase in compensation costs. Additional details of the valuation method and assumptions used are provided in note 17 to the Group annual financial statements.

30. Significant judgements, accounting estimates and assumptions continued

Incurred but not reported (IBNR) liability

Judgement is required in estimating the IBNR liability. The IBNR liability is calculated using the chain-ladder method which involves the selection of estimated claims development factors based on historical patterns in order to forecast future claims. Refer to note 21 to the Group annual financial statements for further details.

Control over an investee

Under IFRS 10, an investor is considered to control an investee if all of the factors below are satisfied. The application of judgement is typically required in making these assessments:

- The investor has power over the investee, i.e. the investor has existing rights that give it the ability to direct the relevant activities;
- The investor has exposure, or rights to variable returns from its involvement with the investee; and
- The investor has the ability to use its power over the investee to affect the amount of the investors returns.

The Group assesses its control of an investee at the time of its initial investment and again if changes in facts and circumstances affect one or more of the control factors listed above. In assessing whether the Group has control over an investee, consideration is given to many factors including shareholding; voting rights and their impact on the Group's ability to direct the management, operations and returns of the investee; contractual obligations; minority shareholder rights and whether these are protective or substantive in nature; and the financial position of the investee.

Accounting for GHG PropCo 1 as an associate:

The GHG PropCo 1 entities (collectively referred to as GHG PropCo 1) were previously classified as associates even though the Group owned an effective interest of 50%. GHG PropCo 1 has a debt facility of £1.5 billion with an original maturity date of 15 October 2013. On 29 May 2015 the lender groups concluded restructuring agreements for this debt. As a result of the restructuring agreement Netcare no longer holds any equity in these entities and the Group does not have representation on the GHG PropCo 1 board of directors. The investment in GHG PropCo 1 was written down to zero and the goodwill impaired at the time that these entities were deconsolidated in November 2012. The loss of our equity interest in GHG PropCo 1 therefore has no impact on the Group reporting in the current year.

Accounting for GHG PropCo 2 as an associate:

The GHG PropCo 2 entities (collectively referred to as GHG PropCo 2) are classified as associates even though the Group owns an effective interest of 56%. An assessment was undertaken to determine if the Group has control over the entities, as defined in IFRS 10. The cumulative effects of a number of factors led management to conclude that Netcare is not able to govern the financial and operating policies of GHG PropCo 2, including the rights of the lender and the statutory, contractual and legal rights of GHG PropCo 2's other shareholders. However, the Group does have representation on the GHG PropCo 2 board of directors, and is therefore considered to have significant influence over the GHG PropCo 2 entities.

Accounting for Netcare Unitas Linac Joint Venture Proprietary Limited (Unitas Linac) as a joint venture:

During the prior year, the Group disposed of 12% of its interest in Unitas Linac, reducing its interest to 50%. Unitas Linac was previously accounted for as a subsidiary as the Group had control over the entity. Subsequent to the disposal the Group examined its control position. Based on the updated shareholders' agreement and discussions with management, and given that Netcare no longer holds a majority vote and the remaining shareholders could be expected to exercise their votes collectively, the Group has concluded that it does not have power over the investee, but rather joint control. The investment is therefore accounted for as a joint venture, with effect from 1 April 2014.

Accounting for Constantia Clinic Proprietary Limited (Constantia Clinic) as a subsidiary:

During the year, the Group acquired an additional 10% in Constantia Clinic, increasing its interest to 60%. Constantia Clinic was previously accounted for as a joint venture as the Group had joint control of the entity. Subsequent to the acquisition the Group examined its control position. Based on the updated shareholders' agreement and discussions with management, and given that Netcare holds a majority vote, the Group has concluded that it does have power over the investee. The investment is therefore accounted for as a subsidiary, with effect from 1 October 2014.

ACCOUNTING POLICIES CONTINUED
FOR THE YEAR ENDED 30 SEPTEMBER 2015

30. Significant judgements, accounting estimates and assumptions continued

Accounting for Health Management Technologies Proprietary Limited (Health Management Technologies) as a subsidiary:

During the year, the Group disposed of 39% of its interest in Health Management Technologies, reducing its interest to 51%. Health Management Technologies was previously accounted for as a subsidiary as the Group had control over the entity. Subsequent to the disposal the Group examined its control position. There were no changes to the Memorandum of Incorporation or the shareholders' agreement as a result of the sale. Decisions are made by a simple majority and a quorum requires two Netcare directors and one other. Netcare therefore has the majority of decision making rights and the ability to affect its return. The Group has therefore concluded that it does have power over the investee. The investment is therefore still accounted for as a subsidiary.

Accounting for North West Cancer Clinic Limited (NWCC) as a subsidiary:

During the year, the Group acquired an additional 40% in NWCC, increasing its interest to 90%. NWCC was previously accounted for as an associate as the Group exercised significant influence over the entity. Subsequent to the acquisition the Group examined its control position. Based on discussions with management, and given that the Group holds a majority vote, the Group has concluded that it does have power over the investee. The investment is therefore accounted for as a subsidiary, with effect from 1 September 2015.

31. Impact of new issued standards and interpretations not yet effective

Certain applicable new, amended and revised IFRS have been issued but are not yet effective for the Group's 2015 financial year. The Group has not early adopted the new, amended and revised IFRS that are not yet effective.

Annual Improvements 2012 – 2014 is applicable to the Group for the financial year ending 30 September 2017. The impact of the improvement cycle on the Group's performance and financial position are being evaluated.

IFRS 9: Financial Instruments

(2009) This IFRS is part of the IASB's project to replace IAS 39. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. The adoption of the amendments on the Group's performance and financial position will result in additional presentation.

(2010) The IASB has updated IFRS 9: Financial Instruments to include guidance on financial liabilities and derecognition of financial instruments. The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39: Financial instruments: Recognition and measurement, without change, except for financial liabilities that are designated at fair value through profit or loss.

(2011) The IASB has published an amendment to IFRS 9: Financial Instruments that delays the effective date to annual periods beginning on or after 1 January 2015. The original effective date was for annual periods beginning on or after 1 January 2013. This amendment is a result of the board extending its timeline for completing the remaining phases of its project to replace IAS 39 (for example, impairment and hedge accounting) beyond June 2011, as well as the delay in the insurance project. The amendment confirms the importance of allowing entities to apply the requirements of all the phases of the project to replace IAS 39 at the same time. The requirement to restate comparatives and the disclosures required on transition have also been modified.

(2013) A new chapter to IFRS 9 on hedge accounting was introduced, putting in place a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. The impact of the standard on the Group's performance and financial position will be evaluated. It permits an entity to apply only the requirements introduced in IFRS 9 (2010) for the presentation of gains and losses on financial liabilities designated as at fair value through profit or loss without applying the other requirements of IFRS 9, meaning the portion of the change in fair value related to changes in the entity's own credit risk can be presented in other comprehensive income rather than within profit or loss.

31. Impact of new issued standards and interpretations not yet effective continued

IFRS 9: Financial Instruments continued

(2014) An update was issued on 24 July 2014 and supersedes IFRS 9 (2013).The standard contains requirements in the following areas:

- Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.
- The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised.
- Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- The requirements for derecognition of financial assets and liabilities are carried forward from IAS 39.

This standard first becomes applicable to the Group for the financial year ending 30 September 2019 and the impact is currently being assessed.

IFRS 10: Consolidated Financial statements and IAS 28: Investments in Associates and Joint Ventures (2011)

Amendments to IFRS 10: Consolidated Financial Statements and IAS 28: Investments in Associates and Joint Ventures (2011) clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture. This will require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3: Business Combinations) or partial recognition of gains and losses where the assets do not constitute a business whereby gain or loss is recognised only to the extent of the unrelated investors' interests in that associate or joint venture.

The amended standard becomes applicable to the Group for the financial year ending 30 September 2017.

IFRS 11: Joint Arrangements (Amendment)

Amendments adding new guidance on accounting for the acquisition of an interest in a joint operation, that constitutes a business, which specifies the appropriate accounting treatment for such acquisition and application the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11. The amendments apply prospectively both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation. The amendments are not expected to have an impact on the Group but will be continued to be evaluated.

The amended standard becomes applicable to the Group for the financial year ending 30 September 2017.

IFRS 15: Revenue from Contracts with Customers

The new standard requires companies to recognise revenue to depict the transfer of goods or services to customers, that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The new Standard will also result in enhanced disclosures about revenue, and provides guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements. The adoption of the standard on the Group's performance and financial position will result in additional presentation and disclosure.

This standard first becomes applicable to the Group for the financial year ending 30 September 2019. Further amendments to the Standard are expected before the effective date.

ACCOUNTING POLICIES CONTINUED
FOR THE YEAR ENDED 30 SEPTEMBER 2015

31. Impact of new issued standards and interpretations not yet effective continued

IAS 1: Presentation of Financial Statements (Amendment)

The amendments were a response to comments that there are difficulties in applying the concept of materiality in practice. Certain key highlights in the amendments are as follows:

- An entity should not reduce the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.
- An entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material.
- In the other comprehensive income section of a statement of profit or loss and other comprehensive income, the amendments require separate disclosures for the following items:
  - the share of other comprehensive income of associates and joint ventures accounted for using the equity method that will not be reclassified subsequently to profit or loss; and
  - the share of other comprehensive income of associates and joint ventures accounted for using the equity method that will be reclassified subsequently to profit or loss.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2016 with earlier application permitted.

IAS 16: Property, Plant and Equipment & IAS 38 Intangibles (Amendment)

Amendments to IAS 16: Property plant and equipment and IAS 38: Intangibles, to clarify the basis for the calculation of depreciation and amortisation, as being the expected pattern of consumption of the future economic benefits of an asset, when based on revenue. The amendments are not expected to have a material impact on the Group.

The amended standard becomes applicable to the Group for the financial year ending 30 September 2017.

IAS 27: Separate Financial Statements (Amendment)

Amendments to IAS 27: Separate Financial Statements permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements. The amendments are not expected to have a material impact on the Group.

The amended standard becomes applicable to the Group for the financial year ending 30 September 2017.

Annual Improvement Cycle

2012 – 2014 Cycle

- **IFRS 5: Non-current Assets held for Sale**

  Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.

- **IFRS 7: Financial Instruments**

  Additional guidance to clarify whether a servicing contract is regarded as continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements.

- **IAS 19: Employee Benefits**

  Clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid.

- **IAS 34: Interim Reporting**

  Clarifies the meaning of 'elsewhere in the interim report' and requires a cross-reference.

The annual improvement cycle becomes applicable to the Group for the financial year ending 30 September 2017 and the impact will result in additional presentation which is not expected to have a material impact on the Group.

GROUP STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER

Rm	Notes	2015	2014
ASSETS			
Non-current assets			
Property, plant and equipment	2	**13 622**	11 504
Goodwill	3	**4 482**	3 879
Intangible assets	4	**397**	437
Investment in joint ventures	5	**197**	76
Investment in associates	5	**668**	602
Loans and receivables	6	**1 680**	1 337
Financial assets	7	**57**	45
Deferred lease assets	8	**16**	–
Deferred taxation	19	**1 597**	1 419
Total non-current assets		**22 716**	19 299
Current assets			
Loans and receivables	6	**71**	26
Inventories	9	**1 107**	987
Trade and other receivables	10	**5 192**	4 688
Taxation receivable		**19**	5
Cash and cash equivalents	11	**2 551**	1 712
		8 940	7 418
Asset classified as held for sale		**8**	–
Total current assets		**8 948**	7 418
Total assets		**31 664**	26 717
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary share capital and premium	12	**4 033**	962
Treasury shares	12	**(3 713)**	(735)
Other reserves		**3 090**	2 560
Retained earnings		**6 902**	5 859
Equity attributable to owners of the parent		**10 312**	8 646
Preference share capital and premium	13	**644**	644
Non-controlling interest	14	**3 325**	2 882
Total shareholders' equity		**14 281**	12 172
Non-current liabilities			
Long-term debt	15	**6 104**	4 939
Financial liabilities	16	**224**	97
Post-retirement benefit obligations	17	**400**	260
Deferred lease liabilities	18	**118**	74
Deferred taxation	19	**1 633**	1 360
Provisions	20	**150**	138
Total non-current liabilities		**8 629**	6 868
Current liabilities			
Trade and other payables	21	**6 403**	5 726
Short-term debt	22	**2 162**	1 739
Financial liabilities	16	**4**	3
Taxation payable		**110**	203
Bank overdrafts	11	**75**	6
Total current liabilities		**8 754**	7 677
Total equity and liabilities		**31 664**	26 717

GROUP STATEMENT OF PROFIT AND LOSS
FOR THE YEAR ENDED 30 SEPTEMBER

Rm	Notes	2015	2014
Revenue	23	**33 711**	31 783
Cost of sales		**(18 948)**	(18 227)
Gross profit		**14 763**	13 556
Other income		**498**	350
Administrative and other expenses		**(11 533)**	(10 653)
Operating profit	24	**3 728**	3 253
Investment income	25	**367**	213
Financial expenses	26	**(700)**	(564)
Other financial losses – net	27	**(134)**	(80)
Attributable earnings of associates		**66**	39
Attributable earnings of joint ventures		**48**	36
Profit before taxation		**3 375**	2 897
Taxation	28	**(936)**	(801)
Profit for the year		**2 439**	2 096
Attributable to:			
Owners of the parent		**2 412**	2 107
Preference shareholders		**49**	46
Profit attributable to shareholders		**2 461**	2 153
Non-controlling interest		**(22)**	(57)
		2 439	2 096
Earnings per share (cents)			
Basic	29	**178.9**	157.5
Diluted	29	**174.8**	154.2

GROUP STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER

Rm	Notes	2015	2014
Profit for the year		**2 439**	2 096
Items that may not subsequently be reclassified to profit or loss		**(88)**	(13)
Remeasurement of defined benefit obligation	17	**(123)**	(18)
Actuarial losses on defined benefit obligations		**(75)**	(131)
Actuarial gains relating to plan assets		**239**	201
Unrecognised pension surplus		**(298)**	(97)
Future defined benefit pension scheme provision		**11**	9
Taxation on items that may not subsequently be reclassified to profit or loss	30	**35**	5
Items that may subsequently be reclassified to profit or loss		**912**	694
Effect of cash flow hedge accounting		**44**	(39)
Change in the fair value of cash flow hedges		**7**	(39)
Reclassification of cash flow hedge accounting reserve		**37**	–
Effect of translation of foreign entities		**878**	732
Taxation on items that may subsequently be reclassified to profit or loss	30	**(10)**	1
Other comprehensive income for the year		**824**	681
Total comprehensive income for the year		**3 263**	2 777
Attributable to:			
Owners of the parent		**2 814**	2 469
Preference shareholders		**49**	46
Non-controlling interest		**400**	262
		3 263	2 777

GROUP STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER

Rm	Ordinary share capital	Ordinary share premium	Treasury shares	Cash flow hedge accounting reserve
Balance at 1 October 2013 (restated)[1]	15	919	(766)	–
Shares issued during the year	–	28	–	–
Sale of treasury shares	–	–	31	–
Share-based payment reserve movements	–	–	–	–
Income tax recognised in equity	–	–	–	–
Deferred tax recognised in equity	–	–	–	–
Dividend withholding tax	–	–	–	–
Preference dividends paid	–	–	–	–
Dividends paid*	–	–	–	–
Distributions to beneficiaries of the HPFL Trusts	–	–	–	–
Change in shareholding of subsidiary	–	–	–	–
Total comprehensive income for the year	–	–	–	(19)
Balance at 30 September 2014	**15**	**947**	**(735)**	**(19)**
Shares issued during the year	**–**	**37**	**–**	**–**
Sale of treasury shares	**–**	**–**	**56**	**–**
Restructure of HPFL B-BBEE trusts**	**–**	**3 034**	**(3 034)**	**–**
Share-based payments reserve movements	**–**	**–**	**–**	**–**
Tax recognised in equity	**–**	**–**	**–**	**–**
Preference dividends paid	**–**	**–**	**–**	**–**
Dividends paid*	**–**	**–**	**–**	**–**
Distributions to beneficiaries of the HPFL trusts	**–**	**–**	**–**	**–**
Increase in equity interest in subsidiaries	**–**	**–**	**–**	**–**
Total comprehensive income for the year	**–**	**–**	**–**	**22**
Balance at 30 September 2015	**15**	**4 018**	**(3 713)**	**3**

1. Restated for the adoption of IFRS 10: *Consolidated Financial Statements*, IFRS 11: *Joint Arrangements* and IAS 19 (Revised): *Employee Benefits*.
* Refer to page 7 of the Directors' report for detail of the ordinary dividends paid.
** Refer to note 12 for more detail relating to this transaction.

Employee share trust reserve	Foreign currency translation reserve	Investment fair value reserve	Share-based payment reserve	Retained earnings	Equity attributable to owners of the parent	Preference share capital and premium	Non-controlling interest	Total shareholders' equity
32	1 778	90	246	4 846	7 160	644	2 611	10 415
–	–	–	–	–	28	–	–	28
–	–	–	–	69	100	–	–	100
–	–	–	37	–	37	–	–	37
–	–	–	2	17	19	–	–	19
–	–	–	–	(1)	(1)	–	–	(1)
–	–	–	–	(14)	(14)	–	–	(14)
–	–	–	–	–	–	(46)	–	(46)
–	–	–	–	(973)	(973)	–	(3)	(976)
–	–	–	–	(154)	(154)	–	–	(154)
–	–	–	–	(25)	(25)	–	12	(13)
–	394	–	–	2 094	2 469	46	262	2 777
32	**2 172**	**90**	**285**	**5 859**	**8 646**	**644**	**2 882**	**12 172**
–	**–**	**–**	**–**	**–**	**37**	**–**	**–**	**37**
–	**–**	**–**	**–**	**244**	**300**	**–**	**–**	**300**
–	**–**	**–**	**–**	**(53)**	**(53)**	**–**	**–**	**(53)**
–	**–**	**–**	**39**	**–**	**39**	**–**	**–**	**39**
–	**–**	**–**	**–**	**(90)**	**(90)**	**–**	**–**	**(90)**
–	**–**	**–**	**–**	**–**	**–**	**(49)**	**–**	**(49)**
–	**–**	**–**	**–**	**(1 166)**	**(1 166)**	**–**	**(9)**	**(1 175)**
–	**–**	**–**	**–**	**(211)**	**(211)**	**–**	**–**	**(211)**
–	**–**	**–**	**–**	**(4)**	**(4)**	**–**	**52**	**48**
–	**469**	**–**	**–**	**2 323**	**2 814**	**49**	**400**	**3 263**
32	**2 641**	**90**	**324**	**6 902**	**10 312**	**644**	**3 325**	**14 281**

GROUP STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER

Rm	Notes	2015	2014
Cash flows from operating activities			
Cash received from customers		**33 523**	31 456
Cash paid to suppliers and employees		**(28 567)**	(27 074)
Cash generated from operations	A	**4 956**	4 382
Interest paid		**(600)**	(545)
Taxation paid	B	**(1 104)**	(822)
Ordinary dividends paid by subsidiaries		**(9)**	(3)
Ordinary dividends paid		**(1 166)**	(973)
Preference dividends paid		**(49)**	(46)
Distributions to beneficiaries of the HPFL trusts		**(211)**	(154)
Net cash from operating activities		**1 817**	1 839
Cash flows from investing activities			
Acquisition of businesses	C	**(35)**	(19)
Purchase of property, plant and equipment		**(2 641)**	(1 902)
Additions to intangible assets		**(12)**	(43)
Proceeds on disposal of property, plant and equipment and intangible assets		**68**	80
Proceeds from disposal of businesses	E	**3**	46
Increase in other loans and investments		**(145)**	(103)
Interest received		**152**	96
Dividends received		**12**	18
Increase in equity interest in subsidiaries	D	**(49)**	–
Net cash from investing activities		**(2 647)**	(1 827)
Cash flows from financing activities			
Proceeds on disposal of treasury shares		**300**	121
Proceeds from issue of ordinary shares		**37**	28
Long-term debt raised/(repaid)		**828**	(614)
Short-term debt raised		**278**	535
Acquisition of non-controlling interests		**–**	(4)
Net cash from financing activities		**1 443**	66
Net increase in cash and cash equivalents		**613**	78
Translation effects on cash and cash equivalents of foreign entities		**157**	125
Cash and cash equivalents at the beginning of the year		**1 706**	1 503
Cash and cash equivalents at the end of the year	F	**2 476**	1 706

NOTES TO THE GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER

Rm	2015	2014
A. Cash generated from operations		
Operating profit	**3 728**	3 253
Adjustments for:		
Amortisation of intangible assets	**118**	105
Depreciation	**1 135**	1 046
(Profit)/loss on disposal of property, plant and equipment and intangible assets	**(30)**	27
Recognition of impairment of property, plant and equipment	**–**	1
Recognition/(reversal) of loan impairment	**4**	(4)
Loss/(profit) on disposal of investments (net)	**1**	(10)
Decrease in post-retirement benefit obligation	**–**	(14)
Increase/(decrease) in deferred lease liability	**19**	(1)
Share-based payment expense	**39**	37
Fair value gains on investments on acquisition of control	**(77)**	–
Other non-cash flow items	**31**	43
Cash generated from operations before working capital changes	**4 968**	4 483
Increase in trade and other receivables	**(188)**	(327)
Increase in inventories	**(54)**	(23)
Increase in provisions	**–**	26
Increase in trade and other payables	**230**	223
	4 956	4 382
B. Taxation paid		
Amounts payable at beginning of year (net)	**198**	230
Charge per the income statement (excluding deferred taxation)	**902**	771
Other taxation movements through equity	**97**	13
Translation of foreign entities	**(2)**	6
Amounts payable at end of year (net)	**(91)**	(198)
	1 104	822
C. Acquisition of businesses		
Property, plant and equipment	**62**	–
Current assets	**5**	–
Debt	**(1)**	–
Deferred taxation	**(7)**	–
Current liabilities	**(8)**	–
Fair value of net assets acquired	**51**	–*
Non-controlling interest	**(19)**	–
Goodwill (net of bargain purchase)	**7**	19
Consideration paid	**39**	19
Consideration paid in cash and cash equivalents	**39**	19
Less: Cash and cash equivalent balances acquired	**(4)**	–
	35	19

* Net assets acquired were less than R500 000.

Comprising:
Acquired 95.7% shareholding in Ceres Hospitaal Limited effective 1 November 2014.
Acquired 60% shareholding in Centurion Suburbs Mall Proprietary Limited effective 1 August 2015.
Acquired 80% shareholding in Raslouw Private Hospital Proprietary Limited effective 1 August 2015.
The three acquisitions have been shown in aggregate as they are immaterial to the Group.

The net goodwill of R7 million arises due to expected synergies between the businesses.
None of the goodwill is expected to be deducted for tax purposes.

Impact of acquisitions on the results of the Group

The profit for the year includes a loss of R2 million that relates to the businesses acquired during the year. The revenue includes R6 million in respect of the businesses acquired during the year. The effect on revenue would have been immaterial, and the effect on profit would have been an additional loss of R9 million, had the businesses been acquired on 1 October 2014 rather than on their various acquisition dates.

NOTES TO THE GROUP STATEMENT OF CASH FLOWS CONTINUED
FOR THE YEAR ENDED 30 SEPTEMBER

	Rm	2015	2014
D.	**Increase in equity interest in subsidiaries**		
	Property, plant and equipment	**37**	–
	Current assets	**4**	–
	Debt	**(1)**	–
	Deferred taxation	**(9)**	–
	Current liabilities	**(3)**	–
	Fair value of net assets acquired	**28**	–
	Non-controlling interest	**(24)**	–
	Goodwill	**129**	–
	Consideration paid*	**133**	–
	Consideration paid in cash and cash equivalents	**53**	–
	Less: Cash and cash equivalent balances acquired	**(4)**	–
		49	–

Comprising:
Acquired additional 10% shareholding in Constantia Clinic Proprietary Limited effective 1 October 2014.
Acquired additional 40% shareholding in North West Cancer Clinic Limited effective 1 September 2015.

* The consideration paid for both these entities includes a deemed disposal of the equity accounted investment of R80 million, which is not a cash flow movement. Fair value adjustments of R77 million were processed through profit and loss immediately preceding the disposal, and the remaining amount relates to the reduction in our original investment in joint ventures.

The goodwill of R129 million arises because the cost of the acquisitions included a control premium.
None of the goodwill is expected to be deducted for tax purposes.

	Rm	2015	2014
E.	**Disposal of businesses**		
	Property, plant and equipment	**–**	18
	Investments and loans	**2**	32
	Intercompany loans	**–**	7
	Debt	**–**	(21)
	Current liabilities	**–**	1
	Net assets disposed	**2**	37
	Non-controlling interest	**–**	(1)
	Profit on disposal	**1**	10
	Proceeds from disposal of businesses	**3**	46

Comprising:
Disposed of our 50% shareholding in Optimed Proprietary Limited (an associate), effective 1 October 2014.

Disposals in 2014 related to the disposal of 12% of the shareholding in Netcare Unitas Linac Joint Venture Proprietary Limited and 45% of the shareholding in KOPM Investment Holdings Proprietary Limited (an associate).

	Rm	2015	2014
F.	**Cash and cash equivalents and bank overdrafts**		
	Cash on hand and balances with banks	**2 551**	1 712
	Short-term money market borrowings and bank overdrafts	**(75)**	(6)
		2 476	1 706

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

1. Segment report

Information reported to the chief operating decision maker (the Executive Committee) is based on the two geographical divisions in which the entity operates, South Africa (SA) and the United Kingdom (UK).

SA has two further segments which are separately reported on.

1.1 Operating activities

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

South Africa

The SA segment includes the following operations:

Hospital and emergency services

This segment includes the operation of the Group's private hospital network and emergency medical services and additional services.

Primary Care

This segment offers comprehensive primary healthcare services and managed care.

United Kingdom

The UK segment includes the following operation:

BMI Healthcare

This segment includes the operation of private acute care hospitals in the UK.

1.2 Measurement of segment performance and allocation of resources

The accounting policies of the SA and UK segments are the same as the Group's accounting policies.

The segments within SA and the UK are reviewed by the chief operating decision maker to the operating profit level.

Net interest expenses, other net financial losses, attributable earnings of associates and taxation are only allocated to the SA and UK segments as a whole.

Similarly, total assets, total liabilities, additions to property, plant and equipment and debt net of cash are reviewed for the total SA and UK segments.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 SEPTEMBER

1. Segment report continued

1.3 Segment report – 2015

	South Africa			United Kingdom	
Rm	Hospital and emergency services	Primary Care	Total	BMI Healthcare	Group
Income statement					
Revenue	16 119	1 170	**17 289**	16 422	**33 711**
EBITDA*	3 837	111	**3 948**	1 033	**4 981**
Depreciation and amortisation	(502)	(35)	**(537)**	(716)	**(1 253)**
Depreciation	(492)	(35)	**(527)**	(608)	**(1 135)**
Amortisation of intangible assets	(10)	–	**(10)**	(108)	**(118)**
Operating profit	3 335	76	**3 411**	317	**3 728**
Investment income			**280**	87	**367**
Financial expenses			**(352)**	(348)	**(700)**
Other financial losses – net			**–**	(134)	**(134)**
Attributable earnings of joint ventures and associates			**67**	47	**114**
Profit/(loss) before taxation			**3 406**	(31)	**3 375**
Taxation			**(908)**	(28)	**(936)**
Profit/(loss) for the year			**2 498**	(59)	**2 439**
Segment assets and liabilities					
Total assets			**16 788**	14 876	**31 664**
Total liabilities			**(8 384)**	(8 999)	**(17 383)**
Debt net of cash			**(3 292)**	(2 498)	**(5 790)**
Other segment information					
Additions to property, plant and equipment			**1 893**	748	**2 641**

* Earnings before interest, tax, depreciation and amortisation.

1. Segment report continued

1.3 Segment report – 2014

	South Africa			United Kingdom	
Rm	Hospital and emergency services	Primary Care	Total	BMI Healthcare	Group
Income statement					
Revenue	15 171	1 102	**16 273**	15 510	**31 783**
EBITDA*	3 499	98	**3 597**	807	**4 404**
Depreciation and amortisation	(454)	(33)	**(487)**	(664)	**(1 151)**
Depreciation	(444)	(33)	**(477)**	(569)	**(1 046)**
Amortisation of intangible assets	(10)	–	**(10)**	(95)	**(105)**
Operating profit	3 045	65	**3 110**	143	**3 253**
Investment income			**201**	12	**213**
Financial expenses			**(328)**	(236)	**(564)**
Other financial losses – net			**(2)**	(78)	**(80)**
Attributable earnings of joint ventures and associates			**35**	40	**75**
Profit/(loss) before taxation			**3 016**	(119)	**2 897**
Taxation			**(841)**	40	**(801)**
Profit/(loss) for the year			**2 175**	(79)	**2 096**
Segment assets and liabilities					
Total assets			**13 694**	13 023	**26 717**
Total liabilities			**(6 710)**	(7 835)	**(14 545)**
Debt net of cash			**(2 967)**	(2 005)	**(4 972)**
Other segment information					
Additions to property, plant and equipment			**1 195**	707	**1 902**

* Earnings before interest, tax, depreciation and amortisation.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 SEPTEMBER

2. Property, plant and equipment

Rm	Freehold and leasehold land and buildings	Assets under construction
Carrying value at 1 October 2013 (restated[1])	6 949	411
Additions	159	801
Disposals	(13)	–
Depreciation	(257)	–
Impairment	–	–
Disposal of businesses	–	–
Transfers between categories	385	(518)
Transfers to intangible assets	–	–
Translation of foreign entities	240	29
Carrying value at 30 September 2014	**7 463**	**723**
Additions	**337**	**1 074**
Disposals	**(20)**	**–**
Depreciation	**(293)**	**–**
Acquisition of businesses	**98**	**–**
Transfers between categories	**901**	**(1 022)**
Transfers to intangible assets	**–**	**–**
Transfer to non-current assets held for sale[2]	**(8)**	**–**
Translation of foreign entities	**310**	**32**
Carrying value at 30 September 2015	**8 788**	**807**

1. Restated for the adoption of IFRS 10: *Consolidated Financial Statements*, IFRS 11: *Joint Arrangements* and IAS 19 (Revised): *Employee Benefits*.
2. The transfer relates to an unused property that is in the process of being sold.

Computer equipment	Furniture and equipment	Medical equipment	Motor vehicles and aircraft	Plant and machinery	Total
308	167	2 532	29	5	10 401
78	105	745	2	12	1 902
(9)	–	(66)	(10)	(1)	(99)
(122)	(67)	(588)	(1)	(11)	(1 046)
–	–	–	(1)	–	(1)
–	–	(18)	–	–	(18)
114	4	16	–	(1)	–
(89)	–	–	–	–	(89)
16	12	157	(1)	1	454
296	**221**	**2 778**	**18**	**5**	**11 504**
109	**73**	**1 035**	**1**	**12**	**2 641**
–	**(1)**	**(14)**	**–**	**–**	**(35)**
(114)	**(45)**	**(671)**	**(1)**	**(11)**	**(1 135)**
–	**–**	**1**	**–**	**–**	**99**
74	**(3)**	**50**	**–**	**–**	**–**
(34)	**–**	**–**	**–**	**–**	**(34)**
–	**–**	**–**	**–**	**–**	**(8)**
19	**15**	**216**	**–**	**(2)**	**590**
350	**260**	**3 395**	**18**	**4**	**13 622**

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

Rm	Cost	Accumulated depreciation and impairments	Carrying value
2. Property, plant and equipment continued			
Net carrying value			
2015			
Freehold and leasehold land and buildings	**10 965**	**(2 177)**	**8 788**
Assets under construction	**807**	**–**	**807**
Computer equipment	**1 061**	**(711)**	**350**
Furniture and equipment	**570**	**(310)**	**260**
Medical equipment	**7 965**	**(4 570)**	**3 395**
Motor vehicles and aircraft	**25**	**(7)**	**18**
Plant and machinery	**17**	**(13)**	**4**
	21 410	**(7 788)**	**13 622**
2014			
Freehold and leasehold land and buildings	9 305	(1 842)	7 463
Assets under construction	723	–	723
Computer equipment	902	(606)	296
Furniture and equipment	480	(259)	221
Medical equipment	6 596	(3 818)	2 778
Motor vehicles and aircraft	25	(7)	18
Plant and machinery	27	(22)	5
Net carrying value	18 058	(6 554)	11 504

The South African hospital property portfolio reflects its land and buildings (excluding furniture and fittings, medical equipment, loose plant and machinery and commissioning costs) at carrying book value, based on historic cost less accumulated depreciation, of R6.3 billion as at 30 September 2015. 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 R21.9 billion as at 30 September 2015. The fair value was determined using the capitalisation of the first year's net income approach for the hospitals, and the 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 a 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 market 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:

- The valuation exercise has assumed "fair value in continuation of existing use".
- 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 the businesses will be properly staffed, stocked and capitalised.
- The properties are valued free and clear of any liens or encumbrances.
- It was assumed that 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.
- It was assumed that there are no hidden or unapparent conditions of the properties, subsoil or structures that render them more or less valuable.
- It was assumed that all applicable zoning and use regulations and restrictions have been complied with.
- It was assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from local or national government or private entity or organisation have been or can be obtained or renewed for any use on which the value estimate is based.
- It was assumed that the utilisation of the land and improvements is within the boundaries or property lines of the property description and that there is no encroachment or trespass.

2. Property, plant and equipment continued

Impairment losses recognised in the year

No impairment tests were performed in the current year as there were no indicators of impairment. An impairment of R1 million was recognised in the prior year relating to the recoverable amount of an aircraft.

The impairment loss recognised in 2014 was included in profit for the year, in administrative and other expenses.

Borrowing costs

Borrowing costs of R51 million (2014: R13 million) were capitalised during the year and are included in "Additions" in the movement summary.

Security

Property, plant and equipment with a carrying value of R332 million (2014 : R308 million) has been encumbered as security for debt. Refer to note 15 for more details.

3. Goodwill

Rm	2015	2014
Net carrying value		
Cost	**4 515**	3 912
Accumulated impairment losses	**(33)**	(33)
	4 482	3 879
The movement in the carrying value of goodwill is as follows:		
Balance at beginning of year	**3 879**	3 466
Acquisition of businesses	**137**	19
Translation of foreign entities	**466**	394
Balance at end of year	**4 482**	3 879

Goodwill impairment testing

Goodwill is allocated to the cash-generating unit (CGU) that is expected to benefit from the acquisition. The recoverable amount is either calculated on a value-in-use basis or fair value less costs to sell, whichever is higher.

An impairment loss is recognised in the income statement when the recoverable amount of the CGU is less than the net carrying value. Impairment losses of CGUs are first used to reduce the net carrying value of the goodwill and then to reduce the carrying value of other assets.

Goodwill is allocated to the Hospital and Primary Care operations CGUs in SA and to the BMI Healthcare CGU in the UK.

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

Rm	2015	2014
South Africa		
Hospital operations	**359**	349
Primary Care operations	**155**	155
United Kingdom		
BMI Healthcare	**3 968**	3 375
	4 482	3 879

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 SEPTEMBER

3. Goodwill continued

SA Hospital and Primary Care operations

The recoverable amounts of the SA Hospital and Primary Care 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 2015 to 30 September 2020. Key assumptions applied in the cash flow forecasts include activity and tariff changes, salary increases and inflation;
- The pre-tax weighted average cost of capital (WACC) of 13.6% (2014: 13.7%) is based on current market assessments of the optimal capital structure, cost of debt and cost of equity;
- Long term growth rate of 5.5% (2014: 5.5%).

The amount by which the value-in-use exceeds the carrying value is significantly large to enable the directors to conclude that any possible reasonable change in any of the key assumptions would not result in an impairment loss.

BMI Healthcare

The recoverable amount of BMI Healthcare is assessed using a value-in-use model. Value-in-use is calculated as the present value of the projected cash flows attributable to that unit. The key assumptions in the value-in-use calculations are as follows:

- Latest management forecasts for the five year period from 1 October 2015 to 30 September 2020, using key assumptions concerning payor volumes and tariff changes, general inflation and salary increases;
- A pre-tax WACC of 8.5% (2014: 10.4%) based on current market assessments of optimal capital structure, cost of debt and market risk premium; and
- Long term growth rate of 2.5% (2014: 2.5%).

The WACC rate used reflects both market factors as well as sector and company factors. Whilst management believes the assumptions are realistic, it is possible that an impairment could be identified if there were material changes in forecast revenue and/or headline EBITDAR. Revenue and headline EBITDAR is derived from volumes, price and mix assumptions across a range of payor groups. Revenue and headline EBITDAR growth rates could be adversely impacted by both macro-economic challenges (thereby impacting demand and pricing of private healthcare) and changes in government policy and sentiment with regards to private sector participation in the NHS. Goodwill is very sensitive to the assumptions in this regard and in particular a further significant economic downturn could result in an impairment.

An increase of 5.1% in the WACC rate and a 8.4% reduction in the EBITDA for the year ending 30 September 2020 would result in the carrying amount being equal to the value-in-use.

4. Intangible assets

Rm	Management contracts and other	Software	Development expenditure	Total
2015				
Net carrying value				
Cost	**129**	**1 229**	**21**	**1 379**
Accumulated amortisation and impairment losses	**(53)**	**(921)**	**(8)**	**(982)**
	76	**308**	**13**	**397**
Movement in the carrying value				
Carrying value at 1 October 2014	**85**	**336**	**16**	**437**
Additions	**2**	**10**	**–**	**12**
Disposals	**–**	**(3)**	**–**	**(3)**
Amortisation	**(7)**	**(110)**	**(1)**	**(118)**
Transfers from property, plant and equipment	**–**	**51**	**(17)**	**34**
Transfers between categories	**(13)**	**2**	**11**	**–**
Translation of foreign entities	**9**	**22**	**4**	**35**
Carrying value at 30 September 2015	**76**	**308**	**13**	**397**
2014				
Net carrying value				
Cost	131	1 042	32	1 205
Accumulated amortisation and impairment losses	(46)	(706)	(16)	(768)
	85	336	16	437
Movement in the carrying value				
Carrying value at 1 October 2013	89	286	14	389
Additions	1	42	–	43
Disposals	(6)	(2)	–	(8)
Amortisation	(6)	(99)	–	(105)
Impairment	(2)	–	–	(2)
Transfers from property, plant and equipment	–	89	–	89
Translation of foreign entities	9	20	2	31
Carrying value at 30 September 2014	85	336	16	437

The remaining amortisation periods for intangible assets at 30 September 2015 are:

Management contracts and other	4 – 20 years
Software	3 – 11 years
Development expenditure	1 – 8 years

No borrowing costs were capitalised during the 2015 and 2014 years.

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

Rm	2015	2014
5. Investment in joint ventures and associate companies		
5.1 Investment in joint ventures		
Investments at cost	**96**	85
Share of post-acquisition reserves	**101**	74
Carrying value of shares	**197**	159
Loans	**–**	(83)
	197	76
Director's valuation of joint venture companies	**1 031**	952

This valuation falls under Level 3 of the fair value hierarchy. The valuations are performed using the free cash flow (FCF) method. The FCF method values an entity based on the sum of the present values of the future cash flows from year one to five, plus a discounted value in perpetuity. The book value of net debt is deducted from this value to arrive at the equity value of the investment. The future cash flows are discounted at the entity's weighted average cost of capital (WACC).

In 2014, the loans from joint ventures were unsecured, bore interest at between prime and prime plus 1.0% and call deposit plus 0.1%, and were repayable on demand. They were classified as part of the net investment in joint ventures, and were included under non-current assets on the face of the statement of financial position.

In 2015, loans to and from joint ventures have been assessed as working capital in nature, and have therefore been recognised as part of trade receivables and trade payables.

Rm	2015	2014
Trade and other receivables (refer to note 10)	**11**	–
Trade and other payables (refer to note 21)	**(122)**	–

Details of the Group's principal joint ventures are set out in Annexure C.

Rm	2015	2014
5. Investment in joint ventures and associate companies		
5.2 Investment in associates		
Investments at cost	**159**	95
Share of post-acquisition reserves	**161**	172
Carrying value of shares	**320**	267
Loans	**348**	335
	668	602
Director's valuation of associated companies	**1 659**	2 122

This valuation falls under Level 3 of the fair value hierarchy. The valuations are performed using the free cash flow (FCF) method. The FCF method values an entity based on the sum of the present values of the future cash flows from year one to five, plus a discounted value in perpetuity. The book value of net debt is deducted from this value to arrive at the equity value of the investment. The future cash flows are discounted at the entity's weighted average cost of capital (WACC).

The loans to/(from) associate companies are unsecured, bearing interest at between 0.0% – 17.8%, and are repayable on demand or up to 12 years.

Rm	2015	2014
Non-current assets	**303**	297
Current assets	**53**	40
Current liabilities	**(8)**	(2)
	348	335

The loans form part of the net investment in associates, and have therefore been included under non-current assets on the face of the statement of financial position.

Details of the Group's principal associated companies are set out in Annexure B.

Rm	2015	2014
6. Loans and receivables		
Included within:		
Non-current assets	**1 680**	1 337
Current assets	**71**	26
	1 751	1 363

An investment of R1 398 million (2014: R1 087million) relating to the acquisition of a contractual economic interest in the debt of BMI Healthcare, is incorporated in the balance of loans and receivables. The blended effective interest rate applicable on this loan is 12.0% (2014: 11.9%) and is repayable in full in October 2018.

The other loans and receivables are unsecured, bearing interest at between 0.0% and the prime lending rate and are repayable on demand or up to 8 years.

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

Rm	2015	2014
7. Financial assets		
Non-current assets		
Derivative financial instruments		
Interest rate swaps		
South African Rand	**38**	23
Inflation rate swaps		
South African Rand	**–**	2
Non-derivative financial instrument		
Investment in Cell Captive	**19**	20
	57	45
The financial assets are measured at fair value. Refer to note 33.		
8. Deferred lease assets		
Net operating lease receivable		
Balance at beginning of year	**–**	–
Increase in receivable	**18**	–
Balance at end of year	**18**	–
Less: Current portion included in:		
Trade and other receivables (refer to note 10)	**(2)**	–
Deferred lease asset included in non-current assets	**16**	–
To be realised as follows:		
Within 1 year	**2**	–
1 – 5 years	**13**	–
5 – 10 years	**3**	–
	18	–
9. Inventories		
Medical and pharmaceutical merchandise	**1 038**	917
Crockery, cutlery, linen, soft furnishings and other consumables	**69**	70
	1 107	987

The cost of inventories recognised as an expense during the year was R11 078 million (2014: R9 218 million). The write-down of inventories during the year to net realisable value was R7 million (2014: R8 million).

Rm	2015	2014

10. Trade and other receivables

Rm	2015	2014
Trade receivables	**4 152**	3 764
Allowance for doubtful debts	**(247)**	(223)
Trade receivables – net	**3 905**	3 541
Prepaid expenses	**526**	530
Joint venture receivables (refer to Annexure C)	**11**	–
Current portion of deferred lease asset (refer to note 8)	**2**	–
Current portion of deferred lease liability (refer to note 18)	**17**	–
Other debtors	**731**	617
	5 192	4 688
The carrying amount of trade and other receivables is denominated in the following currencies:		
Foreign currency	**2 770**	2 407
South African Rand	**2 422**	2 281
	5 192	4 688

Trade receivables include R14 million (2014: R9 million) for accounts with renegotiated credit terms.

The directors consider that the carrying amount of the trade and other receivables approximate their fair value, as the carrying amount is based on contractual rights and obligations.

Trade receivables – net, can be categorised into the following types:

Rm	2015	2014
South Africa		
Medical aid	**548**	569
Private	**166**	135
Road Accident Fund	**4**	5
Compensation for Occupational Injuries and Disease	**402**	375
Patient work-in-progress	**458**	443
Other	**220**	196
	1 798	1 723
United Kingdom		
Insured	**744**	772
Self-pay	**141**	41
National Health Service (NHS)	**780**	659
Patient work-in-progress	**165**	123
Other	**277**	223
	2 107	1 818

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

Rm	2015	2014

10. Trade and other receivables continued

At 30 September 2015 trade receivables of R1 068 million (2014: R1 072 million) were past due but not impaired. There has not been a significant change in credit quality of these receivables and the amounts are still considered recoverable. The ageing of the past due but not impaired trade receivables is shown below:

Rm	2015	2014
Past due 0 – 30 days	**260**	460
Past due 31 – 60 days	**164**	134
Past due 60 – 120 days	**199**	105
More than 120 days*	**445**	373

* The majority is made up of outstanding Compensation for Occupational Injuries and Disease balances. Refer to note 33.4.3 for the evaluation of their credit risk.

Trade receivables that are not past their due date are not considered for impairment, except in situations where they are part of individually impaired trade receivables. Individually significant receivables are considered for impairment when objective evidence is received that a specific counterparty will default. Receivables that are not considered for individual impairment are reviewed for impairment in groups, which are determined by reference to the type and region of counterparty and other available features of shared credit risk characteristics. The estimated irrecoverable amounts are determined by reference to past default experience. The allowance for doubtful debts is used to reduce the carrying amount of the asset.

Trade and other receivables are classified as loans and receivables in terms of IAS 39: *Financial Instruments: Recognition and Measurement*. Refer to note 33 for more details on the Group's exposure to credit risk.

Movement in the allowance for doubtful debts is as follows:

Rm	2015	2014
Balance at beginning of year	**(223)**	(281)
Impairment losses recognised	**(150)**	(58)
Impairment losses reversed	**–**	61
Amounts written off as uncollectable	**130**	59
Amounts recovered during the year	**(3)**	(3)
Translation of foreign entities	**(1)**	(1)
Balance at end of year	**(247)**	(223)

11. Cash and cash equivalents and bank overdrafts

Rm	2015	2014
Cash on hand and balances with banks	**2 551**	1 712
Bank overdrafts	**(75)**	(6)
	2 476	1 706
Cash on hand and balances with banks		
South African Rand	**1 420**	629
Foreign currency	**1 131**	1 083
	2 551	1 712
Bank overdrafts		
South African Rand	**(75)**	(6)
	2 476	1 706

Cash and cash equivalents are classified as loans and receivables in terms of IAS 39: *Financial Instruments: Recognition and Measurement*. Refer to note 33 for discussion on credit risk and capital management.

12. Ordinary share capital and premium

Rm	2015	2014
Number of shares (million)		
Authorised		
Ordinary shares of 1.0 cent each	**2 500**	2 500
Issued		
Shares in issue at beginning of year	**1 478**	1 475
Shares issued during the year	**95**	3
Shares cancelled during the year	**(117)**	–
Shares in issue at end of year	**1 456**	1 478
Treasury shares		
Treasury shares at beginning of year	**(141)**	(146)
HPFL purchase of treasury shares	**(91)**	–
Sale of treasury shares	**8**	5
HPFL treasury share buy-back	**117**	–
Treasury shares at end of year	**(107)**	(141)
Total issued ordinary shares	**1 349**	1 337
Treasury shares are held as follows:		
HPFL Trusts	**101**	134
Forfeitable Share Plan	**6**	7

Rm	2015	2014
Authorised		
Ordinary shares of 1.0 cent each	**25**	25
Issued ordinary share capital		
Balance at beginning and end of year	**15**	15
Share premium		
Balance at beginning of year	**947**	919
Share premium arising on issue of shares	**37**	28
Repurchase and cancellation of shares for the HPFL restructure	**3 034**	–
Balance at end of year	**4 018**	947
Issued ordinary share capital and premium	**4 033**	962
Treasury shares		
Balance at beginning of year	**(735)**	(766)
Restructure of HPFL B-BBEE trusts (repurchase and subscription net)	**(3 034)**	–
Sale of treasury shares	**56**	31
Balance at end of year	**(3 713)**	(735)

The HPFL trusts are special purpose entities of which Netcare is a beneficiary. They are consolidated in terms of IFRS 10: *Consolidated Financial Statements*. Treasury shares held by the HPFL 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 a decision was taken to restructure the Netcare B-BBEE transaction in order to simplify the structures and settle all associated funding liabilities. The increase in Netcare's share price created an opportunity for the HPFL scheme and the PCT scheme to increase value for future beneficiaries by the repayment of Finco liabilities. This resulted in a movement within share premium and treasury shares, but had zero impact on the Group's total shareholder's equity. The transaction included both a repurchase and a subscription of Netcare Limited shares. The average price paid for the shares repurchased was R38.86.

During the year, 8 million (2014: 5 million) treasury shares held by the HPFL trusts were sold on the open market.

The Forfeitable Share Plan is an incentive scheme which issues share awards. The scheme has not issued any shares during the year (2014: Nil shares issued).

The previous shares issued are treated as treasury shares in the Group. These treasury shares do not 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.

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

12. Ordinary share capital and premium continued

Unissued ordinary shares

The number of unissued ordinary shares at 30 September 2015 is 1 044 million (2014: 1 022 million).

Share-based payments

Details of options under the Netcare Share Incentive Scheme, trust units issued by the HPFL trusts and share awards issued in terms of the Forfeitable Share Plan are disclosed in note 36.

Rm	2015	2014
13. Preference share capital and premium		
Authorised		
10 million (2014: 10 million) variable rate, cumulative, non-redeemable, non-convertible preference shares of 50.0 cents each	**5**	5
Issued		
7 million (2014: 7 million) preference shares in issue at beginning and end of year	**3**	3
Share premium		
Balance at beginning and end of year	**641**	641
Total issued preference share capital and premium	**644**	644
The preference shares earn dividends on the issue price at 75% of the prime rate. Although the rights to receive dividends are cumulative, declaration of such dividends is at the discretion of the directors.		
14. Non-controlling interest		
Balance at beginning of year	**2 882**	2 611
Dividends paid	**(9)**	(3)
Movements in equity interest in subsidiaries and acquisition of businesses	**52**	12
Total comprehensive income for the year	**400**	262
	3 325	2 882
15. Long-term debt		
Total South African Rand and foreign currency debt	**8 266**	5 444
Short-term portion (refer to note 22)	**(2 162)**	(505)
Total South African Rand and foreign currency long-term debt	**6 104**	4 939
Comprising:		
South African Rand		
Secured liabilities	**2**	–
Finance leases	**29**	23
Promissory notes	**4 000**	2 400
Unsecured debt	**606**	–
	4 637	2 423
Foreign currency		
Secured debt	**3 193**	2 743
Finance leases	**308**	292
Accrued interest	**138**	–
Less: Arrangement fees	**(10)**	(14)
	3 629	3 021
	8 266	5 444

15. Long-term debt continued

Terms of repayment	Security	Effective interest rate at 30 September 2015	2015	2014
Debt in South African Rand				
Secured liabilities				
Repayable in monthly instalments ending in 2023	Secured by land and buildings with a book value of R8 million	9.9%	**2**	–
Finance leases Repayable in monthly instalments ending in 2023	Secured by medical equipment with a book value of R38 million (2014: R42 million)	8.0% – 8.6%	**29**	23
Promissory notes Repayable on maturity in August 2016, February 2017, March 2018 , February 2019 and July 2020		7.6% – 8.15%	**4 000**	2 400
Unsecured debt Repayable in full on 30 November 2021 and 30 September 2025		6.3% – 11.0%	**606**	–
			4 637	2 423
Debt in foreign currency				
Secured debt				
BMI Healthcare				
Repaid in full on 9 October 2014	Secured by floating charges over the assets of BMI Healthcare	2.4%	**–**	441
Repayable in full on 9 October 2015		3.4%	**484**	423
Facility expires on 31 March 2017		3.8%	**467**	–
Repayable in full on 9 April 2017		4.5%	**429**	374
Repayable in full on 9 April 2018		5.2%	**442**	386
Repayable in full on 9 October 2018		4.8%	**1 187**	1 037
Repayable in full on 9 October 2018		6.8%	**184**	82
			3 193	2 743
Finance leases Repayable in monthly instalments ending in March 2021	Secured by plant and medical equipment with a book value of R299 million (2014: R287 million)	5.3% – 22.9%	**308**	292
Other				
Accrued interest			**138**	–
Less: Arrangement fees			**(10)**	(14)
			3 629	3 021

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

15. Long-term debt continued
Finance lease liabilities

	Minimum lease payments		Present value of minimum lease payments	
Rm	2015	2014	2015	2014
Less than 1 year	129	121	72	68
Later than 1 year but not later than 5 years	313	263	189	152
Later than 5 years	64	133	76	108
	506	517	337	328
Less: future finance charges	(169)	(189)	–	–
Present value of minimum lease payments	337	328	337	328

Maturity profile

Rm	Total	< 1 year	1 – 2 years	2 – 3 years	3 – 4 years	> 4 years
2015						
Debt in South African Rand	4 637	1 016	265	1 609	560	1 187
Debt in foreign currency	3 629	1 146	485	493	1 428	77
	8 266	2 162	750	2 102	1 988	1 264
2014						
Debt in South African Rand	2 423	11	992	258	602	560
Debt in foreign currency	3 021	494	467	418	423	1 219
	5 444	505	1 459	676	1 025	1 779

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

Rm	2015	2014
Facilities expire:		
Within 1 year	1 600	2 416
Between 1 and 2 years	–	831
In 2 years or more	3 000	2 955
	4 600	6 202

The UK debt is ring-fenced from the Netcare South African operations.

16. Financial liabilities
Derivative financial instruments

	2015	2014
Interest rate swaps		
South African Rand	7	8
Inflation rate swaps		
South African Rand	13	7
Foreign currency	208	85
	228	100
Included under non-current liabilities	224	97
Included under current liabilities	4	3
	228	100

Refer to note 33 for more details on the derivative financial instruments.

Rm	2015	2014
17. Post-retirement benefit obligations		
Post-retirement healthcare benefits	400	260
Total post-retirement benefit obligations	**400**	260

17.1 Post-retirement healthcare benefits

The Group provides post-retirement healthcare benefits to certain of its retirees in South Africa only.

Employees employed by the Group prior to 1 November 2004 are entitled to a post-retirement medical aid subsidy.

An actuarial valuation is performed at least every three years for the Netcare Medical Scheme. The post-retirement medical benefits are unfunded.

Details of the defined benefit obligations are set out below.

Valuation

Last actuarial valuation – Netcare Medical Scheme	30 September 2015
Valuation method adopted	Projected unit credit method

%	2015	2014
Principal actuarial assumptions		
Net discount rate	2.3	2.5
Subsidy inflation	6.3	6.5
Rm		
Reconciliation of the actuarial obligations to amounts recognised in the statement of financial position		
Unfunded obligation	400	260
Reconciliation of net defined benefit obligation to amounts recognised in the statement of financial position		
Net liability at beginning of year	260	229
Current service cost	8	7
Net interest cost	24	20
Benefits paid	(15)	(14)
Remeasurement losses	123	18
Net liability at end of year	**400**	260
Net post-retirement healthcare costs recognised in the income statement		
Service cost	8	7
Interest cost	24	20
Total cost recognised in the income statement	**32**	27
Net amount recognised in other comprehensive income		
Remeasurement on the net defined benefit liability	123	18
Taxation	(35)	(5)
Net actuarial loss recognised in other comprehensive income	**88**	13

The current service cost for the year has been included in the employee benefits expense in profit or loss.

The Group expects to contribute approximately R77 million (2014: R79 million) to the post retirement subsidy in 2016.

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

17. Post-retirement benefit obligations continued

17.1 Post-retirement healthcare benefits continued

Sensitivity Analysis

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

	Change in service cost (Rm)	Change in interest cost (Rm)	Change in accrued liability (Rm)
1% increase in inflation	12	40	452
1% decrease in inflation	(9)	(31)	(354)
The results of the valuation are sensitive to changes in the assumptions used.			
The effect of adjusting the assumptions is shown below:			
Pensioners 2 years younger (mortality)			12
Net discount rate decrease of 1.0%			51
Net discount rate increase of 1.0%			(45)

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.

17.2 Post-retirement pension benefits

In the United Kingdom, employees are covered by defined contribution schemes and defined benefit schemes. There are currently three defined contribution schemes, of which two are closed to new entrants.

Defined contribution schemes

The assets of the scheme are held separately from the Company and the Group and are under the control of the appointed trustees.

There are no specific vesting conditions associated with the scheme and the contributions made by the employee and employer will not be forfeited or reduced if the employee resigns.

The total number of members forming part of the scheme for the reporting period was 9 924 (2014 : 9 375).

Total expense recognised in profit and loss in respect of the contributions made by the Group was R150 million (2014: R132 million). Due to deterioration of the Rand over the past year, the foreign exchange rate impact contributed R9 million.

All contributions were paid over to the scheme and there were no unpaid contributions for the reporting period (2014: Nil).

Defined benefit schemes

The scheme is administered by a separate Fund that is legally separate to the entity. The Board of the fund is made up of Company appointed trustee directors and member nominated trustee directors in equal proportion. The trustee directors are responsible for the investing policy of the assets of the scheme (the Trustee itself is a limited company).

Under the defined benefit scheme, the employees are entitled to retirement benefits of 1/60th of each year's pensionable service on attainment of retirement age of 65.

The plan is closed to future accruals and members with effect from 31 August 2008. No other post-retirement benefits are provided.

The actuarial valuation of plan assets and the present value of the defined obligations were performed by Aon Hewitt as at 30 September 2015.

17. Post-retirement benefit obligations continued

17.2 Post-retirement pension benefits continued

Valuation

Last actuarial valuation	30 September 2015
Valuation method adopted	Projected unit credit method

%	2015	2014
Principal actuarial assumptions		
Net discount rate	**3.7**	3.8
Future pension increases	**3.0**	3.2
CPI inflation rate	**2.0**	2.3
RPI inflation rate	**3.1**	3.3
Average longevity at retirement age for current pensioners (years)		
– Male	**87.4**	87.4
– Female	**90.0**	89.9
Average longevity at retirement age for current employees (future pensioners)(years)		
– Male	**88.7**	88.8
– Female	**91.9**	91.9

The overall expected return on assets is calculated as the average of the expected returns on each individual asset class, weighted by the Scheme's exposure to that asset class. The expected return on asset assumption is same as the discount rate assumption.

Reducing the discount rate by 0.25% pa will increase the defined benefit obligation by approximately 4.7% equivalent to R95 million and increasing the RPI inflation assumption by 0.25% per annum for pension increases before and after retirement will increase the liabilities by approximately 3.4% or R68 million. An increase in the life expectancy of one year will increase the liabilities by approximately 3.7% or R75 million.

Rm	2015	2014
Present value of obligation		
Balance at beginning of year	**1 591**	1 470
Interest cost	**77**	70
Benefit payments	**(54)**	(49)
Remeasurement (gains)/losses	**(48)**	113
Translation of foreign entities	**456**	(13)
Benefit obligation at end of year	**2 022**	1 591
Fair value of plan assets		
Balance at beginning of year	**2 261**	1 795
Interest income	**77**	70
Employer contributions	**16**	14
Benefit payments	**(54)**	(49)
Other	**(6)**	(4)
Remeasurement gains	**239**	201
Translation of foreign entities	**322**	234
Fair value of plan assets at end of year	**2 855**	2 261
Represented by investments in:		
Equity instruments	**2 171**	1 874
Debt instruments	**684**	387
	2 855	2 261

All equity and debt instruments have quoted prices in active markets (Level 1).

The disclosure of the funded status is for accounting disclosure purposes only, and does not indicate assets available to the Group.

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

17. Post-retirement benefit obligations continued

17.2 Post-retirement pension benefits continued

Rm	2015	2014
Reconciliation to the statement of financial position		
Present value of obligation	**(2 022)**	(1 591)
Fair value of plan assets	**2 855**	2 261
Net surplus	**833**	670
Unrecognised portion of net defined benefit asset	**(833)**	(670)
Opening balance	**(670)**	(325)
Current year movement	**(298)**	(97)
Translation of foreign entities	**135**	(248)
Net post-retirement pension amounts recognised in the income statement		
Interest income on return on plan assets	**77**	70
Actual expenses paid	**(6)**	(4)
Interest cost on obligation	**(77)**	(70)
Total expense recognised in the income statement	**(6)**	(4)
Net amount recognised in other comprehensive income		
Remeasurement on net defined benefit liability	**(287)**	(70)
Actuarial (gains)/losses relating to the defined benefit obligation	**(48)**	131
Actuarial gains relating to plan assets	**(239)**	(201)
Movement in the unrecognised portion of plan assets	**298**	97
Future defined benefit pension scheme provision (refer to note 20)	**(11)**	(9)
Gross actuarial loss recognised in other comprehensive income	**–**	18
Taxation	**–**	(5)
Net actuarial loss recognised in other comprehensive income	**–**	13

The scheme exposes the Group to a number of risks:

- **Investment risk:** The liabilities are calculated using a discount rate set with reference to corporate bond yields; if the assets underperform this yield, a deficit will be created. The plan holds a significant proportion of growth and synthetic assets which are expected to outperform corporate bonds in the long-term while providing volatility and risk in the short-term. The allocation to growth assets is monitored such that it is aligned to the plan's long-term objectives.
- **Interest rate risk:** A decrease in corporate bond yields will increase the value placed on the scheme's liabilities for IAS 19 (revised), although this will be partially offset by an increase in the value of the scheme's bond holdings. A significant portion of the scheme's benefit obligations are linked to inflation, and higher inflation leads to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect against extreme inflation). The majority of the assets are either unaffected by, or only loosely correlated with, inflation, meaning that an increase in inflation will also increase the deficit.
- **Longevity risk:** The majority of the scheme's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liabilities.

The process to manage the actuarial risks by the Group has not changed from the prior year and there is no specific risk for dependants of members.

The Group expects to contribute R17 million (2014: R15 million) to the defined benefit plan during the 2016 financial year.

Rm	2015	2014
18. Deferred lease liabilities		
Net operating lease accrual		
Balance at beginning of year	**74**	70
Increase in accrual	**27**	4
Balance at end of year	**101**	74
Less: Current portion included in:		
Trade and other receivables (refer to note 10)	**17**	–
Deferred lease liabilities included in non-current liabilities	**118**	74
To be realised as follows:		
Within 1 year	**(17)**	(8)
1 – 5 years	**(41)**	(11)
5 – 10 years	**(11)**	(1)
> 10 years	**170**	94
	101	74
19. Deferred taxation		
Reconciliation of movement		
Balance at beginning of year	**59**	89
Current year charge		
Per the income statement (refer to note 28)	**(34)**	(25)
Amounts recognised in other comprehensive income	**22**	6
Amounts recognised directly in equity	**(43)**	(1)
Acquisition of businesses	**(16)**	–
Translation of foreign entities	**(24)**	(10)
Balance at end of year	**(36)**	59
Comprising:		
Deferred tax asset	**1 597**	1 419
Deferred tax liability	**(1 633)**	(1 360)
	(36)	59

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 SEPTEMBER

19. Deferred taxation continued

Rm	Balance at beginning of year	Recognised in profit or loss	Recognised in other compre-hensive income	Recognised directly in equity	Acquisitions/ disposals	Exchange differences	Balance at end of year
2015							
Property, plant and equipment	**(228)**	**(27)**	**–**	**–**	**(17)**	**(29)**	**(301)**
Cash-settled share-based payments of subsidiaries	**32**	**1**	**–**	**(27)**	**–**	**–**	**6**
Prepayments	**(9)**	**(26)**	**–**	**–**	**–**	**–**	**(35)**
Allowance for doubtful debts	**26**	**26**	**–**	**–**	**–**	**–**	**52**
Post-retirement benefit obligations	**79**	**5**	**32**	**–**	**–**	**2**	**118**
Payroll accruals and provisions	**167**	**(20)**	**–**	**–**	**–**	**–**	**147**
Deferred lease liability	**(958)**	**(17)**	**–**	**–**	**–**	**(146)**	**(1 121)**
Calculated tax losses	**1 064**	**19**	**–**	**–**	**1**	**137**	**1 221**
Financial instruments	**15**	**22**	**(10)**	**–**	**–**	**10**	**37**
Other temporary differences	**(129)**	**(17)**	**–**	**(16)**	**–**	**2**	**(160)**
	59	**(34)**	**22**	**(43)**	**(16)**	**(24)**	**(36)**

Rm	Balance at beginning of year	Recognised in profit or loss	Recognised in other compre-hensive income	Recognised directly in equity	Acquisitions/ disposals	Exchange differences	Balance at end of year
2014							
Property, plant and equipment	(217)	12	–	–	–	(23)	(228)
Cash-settled share-based payments of subsidiaries	32	1	–	(1)	–	–	32
Prepayments	(9)	–	–	–	–	–	(9)
Allowance for doubtful debts	36	(10)	–	–	–	–	26
Post-retirement benefit obligations	72	3	4	–	–	–	79
Payroll accruals and provisions	154	13	–	–	–	–	167
Deferred lease liability	(778)	(73)	–	–	–	(107)	(958)
Calculated tax losses	896	52	–	–	–	116	1 064
Financial instruments	(6)	15	8	–	–	(2)	15
Other temporary differences	(91)	(38)	(6)	–	–	6	(129)
	89	(25)	6	(1)	–	(10)	59

Deferred taxation assets and liabilities are offset where there is a legal enforceable right to offset and relates to taxes levied by the same revenue authority and legal entity. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the unused tax losses and unused credits can be utilised. The deferred tax asset is reviewed at the end of the reporting period and adjusted taking into consideration the existing and forecast future results of the business.

Rm	2015	2014
20. Provisions		
Legal claims	**60**	45
Property related provisions :		
Onerous lease	**52**	58
Future defined benefit pension scheme commitment	**38**	35
Total provisions included in non-current liabilities	**150**	138

The carrying amount of provisions is analysed as follows:

Rm	Legal claims	Property related – Onerous lease	Future defined benefit pension scheme commitment	Total
Balance at 1 October 2013	36	30	31	97
Amounts provided	42	25	–	67
Amounts utilised	(37)	(8)	(9)	(54)
Under provision in the prior year	–	–	7	7
Translation of foreign entities	4	11	6	21
Balance at 30 September 2014	**45**	**58**	**35**	**138**
Amounts provided	**43**	**–**	**7**	**50**
Amounts utilised	**(35)**	**(13)**	**(12)**	**(60)**
Translation of foreign entities	**7**	**7**	**8**	**22**
Balance at 30 September 2015	**60**	**52**	**38**	**150**

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 on a case-by-case basis. This provision is expected to be utilised within five years.

Onerous lease provision – The onerous lease was raised as a result of a present legal obligation existing as a consequence of an unavoidable past obligation under the head lease agreement's terms and conditions for rental costs to be incurred until 2018 and 2034. This provision will be utilised within the next five to 20 years.

Future defined benefit pension scheme commitment provision – This provision represents the long-term portion of the estimated costs of future potential contributions to the defined benefit pension scheme.

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

21. Trade and other payables

Rm	2015	2014
Trade payables	**2 637**	2 245
Leave pay	**274**	272
Bonuses	**260**	458
Joint venture payables (Refer to Annexure C)	**122**	–
Accrued expenses	**2 245**	1 577
Claims incurred but not reported	**14**	12
Deferred rent*	**586**	512
Other payables	**265**	650
	6 403	5 726

* The deferred rent relates to rental on certain hospital properties payable to GHG PropCo 1 by BMI Healthcare. In 2006, BMI Healthcare entered into an agreement with each of the GHG PropCo 1 property holding companies whereby it was agreed that the rent due under each lease for the 3 month period ending 31 October 2006 would be deferred until demand of repayment by the relevant PropCo following the occurrence of certain payment triggers. This has been taken into consideration by management in the going concern assessment.

The directors consider that the carrying amount of the trade and other payables approximate their fair value, as the carrying amount is based on contractual rights and obligations.

Trade and other payables is classified as a financial liability measured at amortised cost in terms of IAS 39: *Financial Instruments: Recognition and Measurement*. Refer to note 33 for the Group's financial risk management policies.

Rm	2015	2014
Claims incurred but not reported (IBNR) liability		
The movement in the IBNR accrual can be analysed as follows:		
Balance at beginning of year	**12**	11
Charge to the income statement	**2**	1
Balance at end of year	**14**	12

The IBNR liability is calculated by independent and employed actuaries using the chain-ladder method. This method is applied to paid and assessed claims to calculate incurred claims (assessed claims plus IBNR). The assessed IBNR liability is used for accounting purposes and the paid IBNR serves as a reasonability check. The chain-ladder method involves the selection of estimated development factors based on historical patterns to forecast future claims. The selected development factors are then applied to cumulative claims data for each month that is not yet fully developed in order to predict an ultimate claims value.

The chain-ladder method is most appropriate to mature classes of business that have relatively stable development patterns. This method is less suitable in cases where the insurer does not have a developed claims history for a particular class of business. To the extent that this method uses historical claims development information, we assume that the historical claims development patterns will be repeated. There are reasons why this may not be the case, which, in so far as they can be identified, have been allowed for by modifying the method.

Such reasons include, inter alia:

- Changes in processes that affect the development or recording of claims paid and incurred;
- Economic, legal, political and social trends;
- Changes in composition of members and their dependants; and
- Random fluctuations, including the impact of large losses.

Rm	2015	2014
22. Short-term debt		
Total South African Rand and foreign currency short-term debt		
Comprising:		
South African Rand		
Short-term portion of long-term debt	**16**	11
Commercial paper in issue	**1 000**	1 167
	1 016	1 178
Foreign currency		
Short-term portion of long-term debt	**1 014**	500
Accrued interest	**138**	67
Less: Arrangement fees	**(6)**	(6)
	1 146	561
	2 162	1 739
The UK debt is ring-fenced from Netcare's South African operations.		
23. Revenue		
South Africa	**17 289**	16 273
Hospitals and Emergency services	**16 119**	15 171
Primary care	**1 170**	1 102
United Kingdom	**16 422**	15 510
	33 711	31 783
24. Operating profit		
After charging:		
Amortisation of intangible assets	**118**	105
Auditors' remuneration	**21**	22
Audit fees – current year	**17**	20
Audit fees – prior year	**3**	–
Fees for other services	**1**	2
Depreciation – property, plant and equipment	**1 135**	1 046
Directors' emoluments (refer to note 35)	**37**	27
Executive directors paid by subsidiaries		
Basic remuneration, bonuses, retirement and medical benefits	**30**	19
Non-executive directors		
Consulting fees and fees for services as directors	**7**	8
Employee costs (excluding directors' emoluments)	**11 617**	11 086
Salaries and wages	**11 113**	10 629
Group retirement benefit contributions	**441**	413
Amount expensed in terms of defined benefit scheme (refer to note 17)	**24**	7
Share-based payment expenses	**39**	37
Loss on disposal of investments	**2**	–
Loss on disposal of property, plant and equipment	**3**	27
Operating lease charges	**3 625**	3 070
Land and buildings	**3 583**	3 024
GHG Property Businesses	**2 683**	2 464
Other	**900**	560
Motor vehicles	**42**	46
Technical, managerial and secretarial services	**43**	156
After crediting:		
Gain on bargain purchase	**1**	–
Profit on disposal of property, plant and equipment	**33**	–
Profit on disposal of investments	**1**	10
Fair value gain on investments on acquisition of control	**77**	–
Reversal of loan impairment	**–**	4

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

	Rm	2015	2014
25.	**Investment income**		
	Expected return on retirement benefit plan assets	**77**	70
	Interest on bank accounts and other	**290**	143
		367	213
26.	**Financial expenses**		
	Amortisation of arrangement fee	**7**	6
	Interest on bank loans and other	**333**	206
	Interest on promissory notes	**259**	262
	Retirement benefit plan interest cost	**101**	90
		700	564
27.	**Other financial losses – net**		
	Amount reclassified from the cash flow hedge accounting reserve	**(25)**	–
	Fair value losses on inflation rate swaps	**(109)**	(78)
	Fair value gains on interest rate swaps	**–**	1
	Fair value losses on other financial assets	**–**	(3)
		(134)	(80)

28. Taxation

Rm	2015	2014
South African normal taxation		
Current year	**(884)**	(807)
Prior years	**1**	(5)
Capital gains tax	**–**	(6)
	(883)	(818)
Dividend tax	**–**	(1)
Foreign taxation		
Current year	**(19)**	(14)
Prior years	**–**	57
	(19)	43
Income tax	**(902)**	(776)
South African deferred taxation		
Current year	**(7)**	(12)
Prior years	**(1)**	1
	(8)	(11)
Foreign deferred taxation		
Current year	**(11)**	(2)
Prior years	**(15)**	(12)
	(26)	(14)
Deferred taxation	**(34)**	(25)
Total taxation per the income statement	**(936)**	(801)

	2015	2014
Reconciliation of effective taxation rate (%)		
South African normal tax rate	**28.0**	28.0
Adjusted for:		
Assessed losses created	**(1.0)**	0.3
Capital gains tax	**–**	0.2
Different foreign tax rate	**0.1**	0.2
Net non-deductible items	**–**	0.5
Change in statutory tax rate in the UK	**–**	(0.1)
Prior year taxation	**0.5**	(1.4)
Translation of foreign entities	**0.1**	(0.2)
Other	**–**	0.1
Effective taxation rate	**27.7**	27.6
Rm		
Estimated taxation losses		
Unused tax losses available for set-off against future taxable income		
South Africa	**435**	438
United Kingdom	**6 709**	5 942
	7 144	6 380
Utilised against the deferred tax balance		
South Africa	**(315)**	(136)
United Kingdom	**(5 656)**	(5 128)
	(5 971)	(5 264)
Not recognised as a deferred tax asset		
South Africa	**120**	302
United Kingdom	**1 053**	814
	1 173	1 116

Deferred tax assets have been recognised to the extent that it is probable that the entities will generate future taxable income against which these tax losses can be utilised.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 SEPTEMBER

29. Earnings per share

Earnings per share is derived by dividing attributable earnings by the weighted average number of shares after taking the Netcare Share Incentive Scheme, Forfeitable Share Plan and HPFL trust units into account. Appropriate adjustments are made in calculating diluted and headline earnings per share.

Diluted earnings per share reflect the potential dilution that could occur if all of the Group's outstanding share options and HPFL units were exercised. The number of shares outstanding is adjusted to show the potential dilution if employee share options and HPFL units are converted into ordinary shares.

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

Cents	2015	2014
Basic earnings per share	**178.9**	157.5
Diluted earnings per share	**174.8**	154.2
Headline earnings per share	**174.1**	158.2
Diluted headline earnings per share	**170.0**	154.9
Adjusted headline earnings per share	**189.0**	167.8

Million		
Weighted average number of ordinary shares		
The weighted average number of ordinary shares used in the calculations is as follows:		
Weighted average number of shares	**1 345**	1 334
Potential dilutive effect of employee share options and HPFL units	**32**	29
Diluted weighted average number of shares	**1 377**	1 363
Potential dilutive effect of employee share options and HPFL trust units		
The dilutive effect is arrived as follows:		
Netcare Share Incentive Scheme	**3**	5
Forfeitable Share Plan	**6**	5
HPFL trust units	**23**	19
	32	29

29. Earnings per share continued

Rm	2015	2014
Basic earnings per share		
The earnings used in the calculation of basic earnings per share is as follows:		
Profit for the year	**2 439**	2 096
Less:		
Dividends paid on shares attributable to the Forfeitable Share Plan	**(6)**	(5)
Preference shareholders	**(49)**	(46)
Non-controlling interest	**22**	57
Profit attributable to owners of the parent	**2 406**	2 102
Headline earnings		
Headline earnings are determined as follows:		
Earnings used in the calculation of basic earnings per share	**2 406**	2 102
Adjusted for:		
Bargain purchase on acquisition of subsidiary	**(1)**	–
Fair value gains on investments on acquisition of control	**(77)**	–
Recognition of impairment of property, plant and equipment	**–**	1
(Profit)/loss on disposal of property, plant and equipment	**(30)**	27
Loss/(profit) on disposal of investments (net)	**1**	(10)
Tax effect of headline adjusting items	**–**	(5)
Non-controlling share of headline adjusting items	**42**	(4)
Headline earnings	**2 341**	2 111
Adjusted headline earnings		
Adjusted headline earnings are determined as follows:		
Headline earnings	**2 341**	2 111
Adjusted for:		
Amount reclassified from the cash flow hedge accounting reserve	**36**	–
Fair value losses on derivative financial instruments	**109**	77
Fair value losses on inflation rate swaps	**109**	78
Fair value gains on interest rate swaps	**–**	(1)
Recognition/(reversal) of loan impairment	**4**	(4)
Competition Commission costs	**42**	145
Restructure costs	**223**	–
Site closure costs	**–**	31
Tax effect of adjusting items	**(87)**	(56)
Non-controlling share of adjusting items	**(126)**	(66)
Adjusted headline earnings	**2 542**	2 238

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

30. Other comprehensive income

Rm	Gross	Tax	Other comprehensive income/ (loss)	Non-controlling interest	Net attributable to owners of the parent
2015					
Remeasurement losses on defined benefit plans	**(123)**	**35**	**(88)**	**–**	**(88)**
Effect of cash flow hedge accounting	**44**	**(10)**	**34**	**13**	**21**
Effect of translation of foreign entities	**878**	**–**	**878**	**409**	**469**
	799	**25**	**824**	**422**	**402**
2014					
Remeasurement losses on defined benefit plans	(18)	5	(13)	–	(13)
Effect of cash flow hedge accounting	(39)	8	(31)	(11)	(20)
Effect of translation of foreign entities	732	(7)	725	330	395
	675	6	681	319	362

Rm	2015	2014
31. Contingent liabilities		
31.1 Financial guarantees		
+ Guarantee covering the obligation of an associate company	**34**	44
+ Guarantee covering the obligations of pathologists, to a banking institution following the sale of Ampath	**45**	126
+ Guarantee covering the obligation of a subsidiary company instalment sale agreement	**20**	–
+ Guarantees to various other parties	**–**	1

31.2 Litigation

+ There are current and pending legal cases, which have been adequately provided for (refer to note 20). The Group is not aware of any other current or pending legal cases that would have a material adverse effect on the Group.

32. Commitments

32.1 Capital expenditure commitments to be incurred

Rm	2015	2014
Authorised and contracted for		
Land and buildings	**292**	1 396
Plant and equipment	**212**	165
Computer equipment	**13**	8
Other (including furniture and fittings)	**2**	10
Authorised but not yet contracted for		
Land and buildings	**1 077**	628
Plant and equipment	**364**	350
Computer equipment	**42**	25
Other (including furniture and fittings)	**10**	18
	2 012	2 600
This expenditure will be financed from internally generated funds and existing banking facilities.		
To be expended:		
Within 1 year	**727**	1 429
Over 1 year	**1 285**	1 171

32. Commitments continued

32.2 Operating lease commitments

The Group has entered into various operating lease agreements on properties, motor vehicles and equipment.

Leases on properties are contracted for periods between 1 and 116 years with renewal options of between 1 and 20 years.

Rental escalations on properties vary between 2.5% and 10% per annum.

Motor vehicles leases are contracted for periods between 1 and 72 months with rentals linked to the prime interest rate.

Leases on plant and equipment are contracted for periods between 1 and 7 years with rentals linked to the prime interest rate.

At 30 September future non-cancellable minimum lease rentals are payable during the following financial years:

	2015	2014
Properties		
Within 1 year	3 339	3 775
GHG Property Businesses	3 018	2 867
Other	321	908
1 – 5 years	13 413	14 195
GHG Property Businesses	12 085	11 388
Other	1 328	2 807
5 – 10 years	16 661	14 491
GHG Property Businesses	15 139	14 119
Other	1 522	372
> 10 years	23 993	23 023
GHG Property Businesses	18 688	22 826
Other	5 305	197
Motor vehicles		
Within 1 year	16	27
1 – 5 years	3	13
Plant and equipment		
Within 1 year	35	11
1 – 5 years	84	7
Medical equipment		
Within 1 year	13	–
1 – 5 years	48	–
5 – 10 years	48	–
	57 653	55 542

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

33. Financial instruments and risk management

33.1 Fair value measurement

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

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

Financial assets

Loans and receivables

Loans and receivables are recognised at amortised cost and the carrying amounts included in the statement of financial position approximate the fair values with the exception of the Cell Captive, which is recognised at fair value through profit and loss.

Derivative financial assets

The fair value of the interest rate and inflation rate swaps is calculated based on a discounted cash flow model using a number of key assumptions. There are no enforceable master netting off arrangements existing within the group to allow for set-off.

Financial liabilities

Derivative financial liabilities

The fair value of the interest rate and inflation rate swaps are calculated based on a discounted cash flow model using a number of key assumptions. There are no enforceable master netting off arrangements existing 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.

33. Financial instruments and risk management continued

33.2 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 table below analyses the level applicable to financial instruments measured at fair value:

Rm	Notes	Level 2	Level 3	Total
2015				
Non-derivative financial asset				
Cell Captive	7	**19**	**–**	**19**
Derivative financial asset				
Interest rate swaps	7	**38**	**–**	**38**
		57	**–**	**57**
Derivative financial liabilities				
Interest rate swaps		**(7)**	**–**	**(7)**
Inflation rate swaps		**(13)**	**(208)**	**(221)**
	16	**(20)**	**(208)**	**(228)**
2014				
Non-derivative financial asset				
Cell Captive	7	20	–	20
Derivative financial asset				
Interest rate swaps	7	23	–	23
Inflation rate swaps	7	2	–	2
		45	–	45
Derivative financial liabilities				
Interest rate swaps		(8)	–	(8)
Inflation rate swaps		(7)	(85)	(92)
	16	(15)	(85)	(100)

The Group has no financial instruments categorised as Level 1.

There has been no transfer between levels during the financial year.

Cell Captive – Level 2

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

All fair value gains and losses have been accounted for in profit for the year.

Derivative financial asset and derivative financial liabilities – Level 2 & Level 3

The analyses of the levels applicable to financial instruments measured at fair value are presented and performed by qualified experts, PriceWaterhouse Coopers Inc. The effectiveness test and valuations were performed as at 30 September 2015.

Ratio Offset and Regression Analysis methods were used and modelled the hedged items as an interest rate or inflation-linked swap, 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

33. Financial instruments and risk management continued

33.2 Fair value hierarchy continued

The valuation inputs and assumptions

South African

Interest rate swaps

- Zero coupon perfect fit swap curve as at 30 September 2015.
- Standard interest rate swap valuation methodology was used.

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

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

Inflation rate swaps

- Historical Consumer Price Index (CPI).
- Zero coupon perfect fit swap curve as at 30 September 2015 was used to discount the net cash flows.
- Standard CPI-linked rate swap valuation methodology was used, incorporating the specific terms in the swap.

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

Foreign

Inflation rate swaps

- Discounting future fixed and floating cashflows, applying relevant risk free rates until the valuation date.
- The variability of the swap forecast was generated using Monte Carlo simulation within the prime series analysis which suited the Auto Regressive Moving Average model. The approach is consistent with Cliff Speed : Inflation Modelling.

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

All gains and losses for the ineffective portion for the period have been accounted for in profit and loss, and in other comprehensive income for the effective portion.

The reconciliation of the movement in the derivative financial liabilities categorised in Level 3 is presented below:

Rm	2015	2014
Inflation rate swaps:		
Balance at beginning of the year	**(85)**	25
Fair value movement recognised in the cash flow hedge accounting reserve	**37**	(32)
Fair value movement recognised in the income statement	**(134)**	(76)
Translation of foreign entities	**(26)**	(2)
Balance at the end of the year	**(208)**	(85)

33. Financial instruments and risk management continued

33.3 Financial instruments by category

The carrying amounts recognised in the statement of financial position relate to the following categories of assets and liabilities:

Rm	Loans and receivables	Amortised cost	Fair value through profit or loss	Derivatives designated as hedging instruments	Total
2015					
Financial assets					
Investment in associates	**348**	**–**	**–**	**–**	**348**
Loans and receivables	**1 751**	**–**	**–**	**–**	**1 751**
Financial assets	**–**	**–**	**19**	**38**	**57**
Trade and other receivables	**4 543**	**–**	**–**	**–**	**4 543**
Cash and cash equivalents	**2 551**	**–**	**–**	**–**	**2 551**
Total	**9 193**	**–**	**19**	**38**	**9 250**
Financial liabilities					
Long-term debt	**–**	**6 104**	**–**	**–**	**6 104**
Financial liabilities	**–**	**–**	**–**	**228**	**228**
Trade and other payables	**–**	**6 267**	**–**	**–**	**6 267**
Short-term debt	**–**	**2 162**	**–**	**–**	**2 162**
Bank overdrafts	**–**	**75**	**–**	**–**	**75**
Total	**–**	**14 608**	**–**	**228**	**14 836**

Financial assets and financial liabilities are classified as level 2 or level 3 in accordance with the contractual rights and obligations assigned to the balances. The fair values of these financial assets and financial liabilities are set out below:

Rm	Level 2	Level 3	Total
2015			
Financial assets			
Investment in associates	**–**	**348**	**348**
Loans and receivables	**–**	**1 751**	**1 751**
Trade and other receivables	**–**	**4 543**	**4 543**
Cash and cash equivalents	**2 551**	**–**	**2 551**
Total	**2 551**	**6 642**	**9 193**
Financial liabilities			
Long-term debt	**–**	**6 104**	**6 104**
Trade and other payables	**–**	**6 267**	**6 267**
Short-term debt	**–**	**2 162**	**2 162**
Bank overdrafts	**75**	**–**	**75**
Total	**75**	**14 533**	**14 608**

The fair value of the financial assets and financial liabilities included in level 2 and level 3 categories have been determined in accordance with the contractual rights and obligations assigned to the balance.

There has been no transfer between levels during the financial year 30 September 2015 (2014 : No transfer occurred between categories).

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 SEPTEMBER

33. Financial instruments and risk management continued

33.3 Financial instruments by category continued

Rm	Loans and receivables	Amortised cost	Fair value through profit or loss	Derivatives designated as hedging instruments	Total
2014					
Financial assets					
Investment in associates	335	–	–	–	335
Loans and receivables	1 363	–	–	–	1 363
Financial assets	–	–	20	25	45
Trade and other receivables	4 108	–	–	–	4 108
Cash and cash equivalents	1 712	–	–	–	1 712
Total	7 518	–	20	25	7 563
Financial liabilities					
Long-term debt	–	4 939	–	–	4 939
Investment in joint ventures	83	–	–	–	83
Financial liabilities	–	–	–	100	100
Trade and other payables	–	5 582	–	–	5 582
Short-term debt	–	1 739	–	–	1 739
Bank overdrafts	–	6	–	–	6
Total	83	12 266	–	100	12 449

Financial assets and financial liabilities are classified as level 2 or level 3 in accordance with the contractual rights and obligations assigned to the balances. The fair values of these financial assets and financial liabilities are set out below:

Rm	Level 2	Level 3	Total
2014			
Financial assets			
Investment in associates	–	335	335
Loans and receivables	–	1 363	1 363
Trade and other receivables	–	4 108	4 108
Cash and cash equivalents	1 712	–	1 712
Total	1 712	5 806	7 518
Financial liabilities			
Long-term debt	–	4 939	4 939
Investment in joint ventures	–	83	83
Trade and other payables	–	5 582	5 582
Short-term debt	–	1 739	1 739
Bank overdrafts	6	–	6
Total	6	12 343	12 349

33. Financial instruments and risk management continued

33.4 Financial risk management

The Group is exposed to a number of financial risks arising from the use of financial instruments 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. Key functions are managed from the head office in SA and the UK, but due authority is obtained from central treasury. 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:

33.4.1 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 risk and applies hedge accounting where the effectiveness criteria are met.

In the UK, the indebtedness of BMI Healthcare has been converted to fixed rates through fixed-for-floating interest rate swaps covering a notional amount of £116 million.

Local interest rate swaps have been entered into on a funds pool approach as the Group seeks to fix the interest on 50% of local debt at any given time.

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 R27 million (2014: R23 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 swaps.

This analysis was prepared on the assumption that the amount outstanding at the end of the year was outstanding for the entire year.

Interest and inflation rate derivatives

Under interest rate swap 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 swaps 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 2015, the Group had 10 (2014: 20) fixed-for-floating interest rate swap contracts.

The inflation rate swap contracts hedge the inflationary increases in certain lease contracts. The fair value of the inflation rate swaps are determined at each reporting date.

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

33. Financial instruments and risk management continued
33.4 Financial risk management continued
33.4.1 Interest rate risk continued

Rm	Notional amount	Rate (%)	Maturity date	Fair value gain/(loss)
2015				
Interest rate swaps				
South Africa	**2 650**	**6.3**	**2018 – 2021**	**–**
				–
Inflation rate swaps				
South Africa	**3**	**0.0**	**2016**	**–**
BMI Healthcare	**2 424**	**2.5**	**2031[1]**	**(109)**
				(109)
2014				
Interest rate swaps				
South Africa	1 883	5.9 – 8.1	2014 – 2015	1
BMI Healthcare	1 829	0.6	2015	–
				1
Inflation rate swaps				
South Africa	2	0.0	2015	–
BMI Healthcare	2 117	2.5	2033[1]	(78)

1. The valuation of these instruments is sensitive to future RPI expectations and the expected timing of the swap termination. The future RPI rates were based on future forecasts available in the market, and the impact of the termination date was estimated using a weighted average of probabilities.

The fair value gain or loss recognised in the income statement is reflected above.

In addition to the above, gains of R44 million (2014 losses: R39 million) resulting from the fair value movement in the interest rate swaps designated as cash flow hedges, as well as recycling of a portion of the cash flow hedge reserve in the inflation rate swaps, 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 development 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 liabilities	Movement in the interest/inflation rate (%)	Increase/ (decrease) equity Rm
2015		
Interest rate swaps		
South Africa	Increase of 1%	72
	Decrease of 1%	(75)
Inflation rate swaps		
South Africa	Increase of 1%	10
	Decrease of 1%	(10)
United Kingdom	Increase of 1%	22
	Decrease of 1%	(22)
2014		
Interest rate swaps		
South Africa	Increase of 1%	31
	Decrease of 1%	(34)
Inflation rate swaps		
South Africa	Increase of 1%	11
	Decrease of 1%	(13)
United Kingdom	Increase of 1%	13
	Decrease of 1%	(13)

33. Financial instruments and risk management continued

33.4 Financial risk management continued

33.4.2 Foreign exchange risk

Exchange rate risk arises from adverse movements in the exchange rate with reference to major currencies.

The SA operations have limited trading with foreign markets, and are not particularly susceptible to either an appreciation or depreciation of the Rand. SA based capital expenditure is rarely, if ever, denominated in foreign currency.

The Group is exposed to translational foreign exchange risk. The Group has investments in foreign subsidiaries whose net assets are exposed to foreign currency translation risk.

The UK debt of BMI Healthcare provides a natural hedge against the assets of that subsidiary.

During the year, a gain of R296 million (2014 : R280 million) was made on the currency translation arising from the consolidation of BMI Healthcare and was recognised in the statement of comprehensive income and included in the foreign currency translation reserve in equity.

Foreign exchange sensitivity

The impact of a R1 increase/decrease in the Rand/Pound Sterling exchange rate at year-end would result in an increase/decrease of R139 million in equity (2014: R122 million).

33.4.3 Credit risk

Credit risk arises from cash and cash equivalents, trade and other receivables and derivative financial instruments as a result of non-performance or default. The Group's maximum exposure to credit risk is equal to the carrying amount of these assets. Considerable resources, expertise and controls are in place to ensure efficient and effective management of credit risk. The Group has a comprehensive credit risk policy which is updated on a regular basis. Our credit risk arises predominantly from settlement risk which stems from transactions involving the non-simultaneous exchange of value where the Group honours its obligations to deliver value, and the counterparty does not.

The Group only deposits short-term cash surpluses and enters into derivative contracts with major banks of high quality credit standing. Information as to the creditworthiness of customers is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available information and its own trading records to rate its customers and counterparties.

In SA, 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.

In the UK, trade receivables consist mainly of amounts owed by private medical insurers and the National Health Service (NHS). Medical insurance companies are registered insurers, and are subject to liquidity ratios. The NHS is backed by the UK government.

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.

The Group also experiences concentration risk in that a significant proportion of trade and other receivables relate to a small number of debtors. In SA, the Group is exposed to concentration risk in the Compensation for Occupational Injuries and Diseases. The amount due by the Commissioner as at 30 September 2015 was R402 million (2014: R375 million). The level of risk associated with this funder is low due to its strong financial position and low risk or incidence of repudiation of accounts. In the UK, the Group is exposed to five customers namely BUPA, Axa, Kuwait Health Office, Aviva and the NHS. The risk of non-payment from these debtors is low as a result of the good credit rating of these organisations. Due to the sensitivity and nature of these debtors, the outstanding amounts at year-end are not disclosed.

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

33. Financial instruments and risk management continued
33.4 Financial risk management continued
33.4.4 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 payables, borrowings and derivative financial liabilities fall into the following maturity profiles:

Rm	< 1 year	1-5 years	> 5 years	Total
2015				
Trade and other payables	**6 403**	**–**	**–**	**6 403**
Bank overdrafts	**75**	**–**	**–**	**75**
Secured debt	**946**	**2 230**	**9**	**3 185**
Financial liabilities	**72**	**188**	**76**	**336**
	7 496	**2 418**	**85**	**9 999**
2014				
Trade and other payables	5 726	–	–	5 726
Bank overdrafts	6	–	–	6
Secured debt	505	1 331	1 229	3 065
Financial liabilities	8	8	–	16
	6 245	1 339	1 229	8 813

33.4.5 Risk arising from insurance contracts

The Group is exposed to insurance risk resulting from contracts entered into with other parties for the provision of certain emergency and medical services whereby risk is transferred from the party to the Group.

Management of insurance risk

Risk parameters and unforeseen circumstances may affect the cost of claims and the pattern or size of claims. These risks are controlled through underwriting mandates and guidelines. The key risk is that the frequency or severity of the claims is greater than expected or that premiums have not been correctly priced for the level of risk assumed.

Risk Management objectives and policies for mitigating insurance risk

The Group uses several methods to assess and monitor insurance risk exposures, both for individual types of risk insured and overall risks.

These methods include:

- Internal risk measurement models and analysis of claims history; and
- The use of external actuarial consultants to analyse the claims development patterns to predict future costs and identify areas where claims are likely to exceed expectations.

Insurance events are random by nature and the actual number and size of events may vary from those estimated using statistical techniques. Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and demographics of the party covered. Monthly actuarial modelling of claims development patterns is used to provide early warning of deteriorating risk. Insurance contracts are constantly evaluated to ensure that the necessary profitability is maintained relative to the risk exposure. Assessment of future claim payments is dependent on the speed and predictability of claim development patterns.

33. Financial instruments and risk management continued

33.4 Financial risk management continued

33.4.6 Capital management

The Group's objective when managing capital is to maintain an optimal capital structure to ensure that there is sufficient capital available to support funding requirements, while optimising the cost of capital to safeguard the Group's ability to continue as a going concern and to maximise the return to its stakeholders.

The Group manages its capital and adjusts it in view of changes in economic conditions and the needs of the Group. In order to maintain the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, repurchase shares currently in issue, issue new shares, raise new debt or sell assets to reduce existing debt. Opportunities in the market are monitored closely to ensure that the most efficient funding solution is implemented.

The Group monitors capital using the net debt to EBITDA ratio in SA and the UK. The Group's policy is to keep this ratio in line with annual targets. The net debt to EBITDA ratio for the year is as follows:

Rm	2015	2014
South Africa		
Debt	**4 637**	3 590
Cash and cash equivalents	**(1 345)**	(623)
Net debt	**3 292**	2 967
EBITDA	**3 948**	3 599
Net debt to EBITDA (times)	**0.8**	0.8
£m		
United Kingdom		
Debt	**173.3**	168.9
Cash and cash equivalents	**(54.0)**	(59.3)
Net debt	**119.3**	109.6
EBITDA	**55.2**	45.9
Net debt to EBITDA (times)	**2.2**	2.4

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 exceeds 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.

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

34. Related parties

Related party relationships exist within the Group. Transactions are on commercial terms. Details of transactions with related parties not disclosed elsewhere in the financial statements are set out below.

34.1 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. In SA, key management personnel consist of the South African Executive Committee (SA Exco) and in the UK, the United Kingdom Executive Committee (UK Exco).

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:

Rm	2015	2014
SA Exco[1]		
Salaries and allowances	**34**	33
Company contributions	**3**	3
Bonuses and termination payments	**21**	20
Fair value of options granted[2]	**11**	11
	69	67
UK Exco[3]		
Salaries and allowances	**37**	31
Company contributions	**3**	3
Short-term incentives and termination payments	**18**	10
Long-term incentives	**39**	–
	97	44

1. 2015 – 11 posts on average (2014: 11 posts).
2. The fair value of options granted is the annual expense determined in accordance with IFRS 2.
3. 2015 – eight posts on average (2014: nine posts).

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 35.

Directors

As part of arm's length business operations, certain subsidiaries of the Netcare Group enter into contracts with Medscheme Holdings Proprietary Limited, a multi-medical scheme administrator operating in SA. Medscheme Proprietary Limited is owned by Lethimvula Investments Limited and 94.1% of the share capital of Lethimvula Investments Limited is owned by AfroCentric Investment Corporation Limited. JM Kahn, who is a non-executive director of Netcare Limited, is also a director of AfroCentric Investment Corporation Limited.

At 30 September 2015, the shareholding of Netcare directors in AfroCentric Investment Corporation Limited was as follows:

Ordinary shares

Netcare director	Ordinary shares held	Direct	Indirect	% of total issued share capital
JM Kahn	18 535 608	18 535 608	–	4.0%

34. Related parties continued

34.2 Netcare Medical Scheme

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

Certain members of the SA 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	2015	2014
Netcare Pharmacies 2 Proprietary Limited	Dispensary services	**13**	12
Medicross Healthcare Group Proprietary Limited	Healthcare services	**–**	10
Netcare 911 Proprietary Limited	Capitation fee	**4**	4
Netcare Hospitals Proprietary Limited	Healthcare services	**234**	225
Netcare Pharmacies Proprietary Limited	Dispensary services	**64**	58
Primecure Health Proprietary Limited	Capitation fee	**15**	14
PrimeMed Administrators Proprietary Limited	Administration fee	**27**	25
		357	348

35. Remuneration of directors and executives

35.1 Interests of directors and prescribed officers

Ordinary shares

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

Number of shares	1 Oct 2014[1]	Acquired	30 Sep 2015	Directly	Indirectly
Executive directors					
RH Friedland	10 593 406[2]	**1 372 960**	**11 966 366**	**7 993 342**	**3 973 024[4]**
KN Gibson	129 014[3]	**63 249**	**192 263**	**192 263**	**–**
Non-executive directors					
N Weltman	10 000	**–**	**10 000**	**–**	**10 000[5]**
	10 732 420	**1 436 209**	**12 168 629**	**8 185 605**	**3 983 024**

1. The information reflected in this column is consistent at 30 September 2014.
2. RH Friedland exercised 1 300 000 (2014: Nil) share options during the year in terms of the Netcare Share Incentive Scheme and retained 11 966 366 (2014: 10 593 406) shares directly and beneficially.
3. KN Gibson exercised 100 000 (2014: Nil) share options during the year in terms of the Netcare Share Incentive Scheme and retained 192 263 (2014: 129 014) shares directly and beneficially.
4. The indirect shares held are beneficial.
5. The indirect shares held are non-beneficial.

Preference shares

N Weltman holds 1 100 non-beneficial preference shares in the Company.

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

No prescribed officer holds any interest in the Company.

At the date of this report, these interests remain unchanged.

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

35. Remuneration of directors and executives continued

35.2 Directors and prescribed officers' share options

Netcare Share Incentive Scheme

The following share options were held by the directors and prescribed officers at 30 September 2015:

Number of share options	Grant date	Exercise price (cents)	1 Oct 2014	Exercised	30 Sep 2015
Executive directors					
RH Friedland	25-Aug-08	838	1 300 000	**(1 300 000)**	**–**
KN Gibson	25-Aug-08	838	100 000	**(100 000)**	**–**
Prescribed officers					
C Pailman	25-Aug-08	838	640 000	**(640 000)**	**–**
J Du Plessis	25-Aug-08	838	160 000	**(160 000)**	**–**
			2 200 000	**(2 200 000)**	**–**

The following are the gains on share options exercised by directors and prescribed officers during the year:

	Exercise price (cents)	Share options exercised	Market price at exercise date (cents)	Gain arising on exercise (R'000)
Executive directors				
RH Friedland	**838**	**1 300 000**	**3 680**	**36 946**
KN Gibson	**838**	**100 000**	**3 957**	**3 119**
Prescribed officers				
C Pailman	**838**	**640 000**	**3 809**	**19 015**
J Du Plessis	**838**	**160 000**	**4 000**	**5 059**
		2 200 000		**64 139**

Health Partners for Life

The following share options were held by directors and prescribed officers at 30 September 2015:

Number of options	Grant date	1 Oct 2014	Exercised	30 Sep 2015	Market price at exercise date (cents)	Gain arising on exercise (R'000)*
Executive directors						
RH Friedland	25-Oct-05	200	**(200)**	**–**	**4 101**	**5**
KN Gibson	2-Oct-06	2 082	**(1 041)**	**1 041**	**4 101**	**15**
Prescribed officers						
C Pailman	2-Oct-06	10 405	**–**	**10 405**	**–**	**–**
J Du Plessis	25-Oct-05	2 000	**(2 000)**	**–**	**3 272**	**34**
		14 687	**(3 241)**	**11 446**		**54**

* The gains on exercise are calculated with reference to the market price of the Netcare Limited shares and the debt allocation in the month of exercise.

No share options were granted in 2015 (2014: Nil)

There were no vested Health Partners for Life share options as at 30 September 2015.

35. Remuneration of directors and executives continued

35.2 Directors and prescribed officers' share options continued

Forfeitable share plan

The following forfeitable shares were held by directors and prescribed officers at 30 September 2015:

Number of options	Grant date	1 Oct 2014	Exercised	Total at 30 Sep 2015	Market price at exercise date (cents)	Gain arising on exercise (R'000)
Executive directors						
RF Friedland	13-Dec-12	874 115	**(72 843)**	**801 272**	**3 609**	**2 629**
KN Gibson	13-Dec-12	341 204	**(28 434)**	**312 770**	**3 609**	**1 026**
Prescribed officers						
C Pailman	13-Dec-12	213 409	**(17 784)**	**195 625**	**3 609**	**642**
J Du Plessis	13-Dec-12	273 995	**(22 833)**	**251 162**	**3 609**	**824**
N Phillipson	13-Dec-12	152 252	**(12 688)**	**139 564**	**3 609**	**458**
		1 854 975	**(154 582)**	**1 700 393**		**5 579**

The forfeitable shares vest in 6 tranches from 13 June 2015 in terms of the rules of the scheme.

Refer to note 36 in the Group annual financial statements for more details on the forfeitable shares.

35.3 Directors and prescribed officers' emoluments

Emoluments paid to directors and prescribed officers of the Company by the Company and its subsidiaries (excluding gains on share options exercised) for the year to 30 September 2015, are set out below:

Executive directors

R'000	Salary	Company contributions	Guaranteed package	Bonuses[1]	Total	Fair value of options granted[2]
2015						
RH Friedland	**7 400**	**652**	**8 052**	**6 000**	**14 052**	**3 662**
KN Gibson	**3 802**	**355**	**4 157**	**2 500**	**6 657**	**1 430**
	11 202	**1 007**	**12 209**	**8 500**	**20 709**	**5 092**
£'000						
J Watts [3]	**479**	**42**	**521**	**–**	**521**	**–**
2014						
RH Friedland	7 004	619	7 623	5 500	13 123	2 928
KN Gibson	3 607	337	3 944	2 000	5 944	1 104
	10 611	956	11 567	7 500	19 067	4 032

1. Incentive bonuses paid in respect of the previous financial year.
2. The fair value of options granted is the annual expense determined in accordance with IFRS 2.
3. Appointed as an executive director effective 17 November 2014.

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

35. Remuneration of directors and executives continued
35.3 Directors and prescribed officers' emoluments continued
Prescribed officers

R'000	Salary	Company contributions	Guaranteed package	Bonuses[1]	Total	Fair value of options granted[2]
2015						
C Pailman	**2 917**	**272**	**3 189**	**1 500**	**4 689**	**894**
J Du Plessis	**3 327**	**282**	**3 609**	**2 000**	**5 609**	**1 148**
N Phillipson	**2 656**	**242**	**2 898**	**1 500**	**4 398**	**638**
	8 900	**796**	**9 696**	**5 000**	**14 696**	**2 680**
2014						
C Pailman	2 768	258	3 026	1 400	4 426	979
J Du Plessis	3 158	266	3 424	1 700	5 124	798
N Phillipson	2 386	217	2 603	1 100	3 703	475
	8 312	741	9 053	4 200	13 253	2 252

1. Incentive bonuses paid in respect of the previous financial year.
2. The fair value of options granted is the annual expense determined in accordance with IFRS 2.

Non-executive directors

R'000	Fees for services as directors
2015	
T Brewer	**1 312**
APH Jammine	**1 095**
JM Kahn	**1 238**
MJ Kuscus	**931**
KD Moroka	**691**
SJ Vilakazi[3]	**725**
N Weltman	**1 008**
	7 000
2014	
T Brewer	1 054
APH Jammine	1 019
JM Kahn	1 047
MJ Kuscus	912
HR Levin[4]	461
KD Moroka	652
SJ Vilakazi	1 401
N Weltman	1 053
	7 599

3. Retired on 31 May 2015
4. Retired on 28 February 2014

36. Share-based payments

The following amounts relating to share-based payments were included in the income statement before tax during the year:

Rm	2015	2014
Equity-settled		
Netcare Share Incentive Scheme (note 36.1)	**3**	2
Netcare Limited Forfeitable Share Plan (note 36.2)	**28**	22
Health Partners for Life (B-BBEE transaction) (note 36.3)	**8**	13
	39	37

The Group has three equity settled share schemes namely the Netcare Share Incentive Scheme, Netcare Limited Forfeitable Share Plan (FSP) and Health Partners for Life (B-BBEE transaction).

The maximum aggregate number of shares which may be allocated at any time to all participants in respect of the Netcare Share Incentive Scheme together with the Forfeitable Share Plan shall not exceed 222 811 277 shares, either alone or when aggregated with the existing share plans, in each case as determined pursuant to the provisions applicable to the relevant existing share plans.

Shares available for allocation

Number of shares	2015	2014
Shares allotted	**202 852 008**	197 455 780
Share options granted	**7 011 029**	12 202 603
Unallocated share options	**12 948 240**	13 152 894
	222 811 277	222 811 277

36.1 Netcare Share Incentive Scheme

The Netcare Share Incentive Scheme was adopted on 7 November 1996. Amendments to the scheme were made on 26 September 2005.

Participants in the scheme are executives or other employees of the Group, including, but not limited to, executive directors selected by the Board. Participants may be offered the opportunity to acquire share options in terms of the scheme. In terms of the rules of the scheme, all offers are granted at the closing market price of the Company's shares on the JSE Limited on the trading day immediately preceding the last day on which the relevant options are granted. The share options granted vest in equal amounts over five years commencing on the second anniversary of the grant date.

In the event of death, serious disability, retrenchment or retirement of a participant, options may be taken up and paid for within 12 months of such event. In the event of resignation of a participant, options which have vested may be exercised and paid for and any unvested options will be forfeited.

The number of Netcare ordinary shares to which any eligible participant is entitled shall not exceed 1% of the ordinary shares in issue.

Vesting periods of options granted

Number of share options	2015	2014
Already vested	**990 000**	5 047 550
Within 1 year	**300 000**	200 000
Within 1 – 2 years	**300 000**	200 000
Within 2 – 3 years	**–**	200 000
	1 590 000	5 647 550

The scheme did not hold any shares in the Company at 30 September 2015.

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

36. Share-based payments continued

36.1 Netcare Share Incentive Scheme continued

Share options

Movement in the number of share options outstanding was as follows:

	Number of share options	Weighted average exercise price (cents)
Balance at 1 October 2013	8 784 000	928
Exercised	(2 862 450)	839
Expired/forfeited	(274 000)	1 251
Balance at 1 October 2014	**5 647 550**	**958**
Granted	**500 000**	**1 451**
Exercised	**(4 557 550)**	**838**
Balance at 30 September 2015	**1 590 000**	**1 435**

Analysis of exercise dates and prices of outstanding share options

Grant date	Expiry date	Exercise price (cents)	Outstanding at 1 Oct 2014	Granted	Exercised	Outstanding at 30 Sep 2015	Vested at 30 Sep 2015
25-Aug-08	25-Aug-18	838	4 647 550	**–**	**(4 557 550)**	**90 000**	**90 000**
03-Jan-11	02-Jan-18	1 517	1 000 000	**–**	**–**	**1 000 000**	**600 000**
07-Feb-11	07-Feb-18	1 451	–	**500 000**	**–**	**500 000**	**300 000**
			5 647 550	**500 000**	**(4 557 550)**	**1 590 000**	**990 000**

Refer to note 35 for details on share options held by directors.

The fair value of options granted since 7 November 2002 was calculated using the Trinomial model. The share option cost expensed during the year amounted to R3 million (2014: R2 million). The expected unrecognised share-based payment expense relating to non-vested share options amounts to R1 million (2014: R1 million).

The following assumptions were used to value the share options granted:

Assumptions	%
Volatility	24.0 – 28.0
Forfeiture rate	15.0
Risk-free interest rate	7.7 – 9.8
Dividend yield	3.3 – 3.5

36. Share-based payments continued

36.2 Netcare Limited Forfeitable Share Plan

The Forfeitable Share Plan (FSP) was introduced as a long-term incentive for selected employees who will receive shares in the Company for no consideration. The purpose of the FSP 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 are subject to continued employment over the vesting period and meeting certain financial performance targets.

The Participant shall not be entitled to any voting rights prior to vesting. Participants will not have their votes at a general/annual general meeting taken into account for the purpose of resolutions proposed in terms of the JSE Listing Requirements.

In the event of death, serious disability, retrenchment or retirement of a participant, a portion of the award to be calculated in terms of the provisions of the FSP shall vest. If the participant's employment is terminated, the unvested portion of the award will be forfeited in its entirety, or partially at the discretion of the Remuneration Committee, and all rights will lapse immediately on the date of termination of employment.

It should be noted that the maximum number of shares allocated in respect of all unvested awards granted to any participant in respect of the FSP, shall not exceed 17 824 902 (2014: 17 824 902) shares.

Vesting periods of shares issued

Number of shares issued	2015	2014
Within 1 year	**2 079 792**	2 185 018
Within 1 – 2 years	**2 079 792**	2 185 018
Within 2 – 3 years	**1 261 445**	2 185 017
	5 421 029	6 555 053

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

36. Share-based payments continued

36.2 Netcare Limited Forfeitable Share Plan continued

Analysis of award dates and prices of shares

Grant date	Outstanding at 1 October 2014	Granted	Forfeited	Exercised	Outstanding at 30 Sep 2015
Retention shares					
13-Dec-12	2 117 690	–	(164 517)	(696 740)	**1 256 433**
01-Feb-13	41 660	–	–	–	**41 660**
16-Apr-13	30 114	–	–	–	**30 114**
07-Jun-13	30 614	–	–	–	**30 614**
15-Aug-13	14 240	–	–	–	**14 240**
12-Jul-14	340 309	–	(27 016)	(104 427)	**208 866**
16-Mar-15	–	90 879	–	(37 511)	**53 368**
19-May-15	–	1 396	–	–	**1 396**
	2 574 627	92 275	(191 533)	(838 678)	**1 636 691**
Performance shares					
13-Dec-12	3 523 489	–	(262 482)	–	**3 261 007**
01-Feb-13	41 660	–	–	–	**41 660**
16-Apr-13	30 114	–	–	–	**30 114**
07-Jun-13	30 614	–	–	–	**30 614**
15-Aug-13	14 240	–	–	–	**14 240**
12-Jul-14	340 309	–	(27 016)	–	**313 293**
16-Mar-15	–	90 879	–	–	**90 879**
19-May-15	–	2 531	–	–	**2 531**
	3 980 426	93 410	(289 498)	–	**3 784 338**
	6 555 053	185 685	(481 031)	(838 678)	**5 421 029**

838 678 forfeitable shares had vested at 30 September 2015 and were exercised (2014: 56 979).

Refer to note 35 for details on shares issued to the directors.

The fair value is determined by using the weighted average traded share price on grant date. In determining the IFRS 2 expense, the observed attrition factor and a probability of achieving the performance conditions was applied to determine the expense for the reporting period. The final expense to be recognised will however be dependent on the actual number of retention shares and performance shares that ultimately vest.

The share issue cost expensed during the year amounted to R28 million (2014: R22 million). The expected unrecognised share-based payment expense relating to non-vested share issues amounts to R19 million (2014: R35 million).

The following assumptions were used to value the forfeitable shares granted:

Assumptions	%
Annual attrition rate	**10**
Probability of performance condition – Vesting 1	**100**
Probability of performance condition – Vesting 2	**75**
Probability of performance condition – Vesting 3	**50**

36. Share-based payments continued

36.3 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, will acquire Netcare shares. The HPFL trusts that are participants to the transaction are The Patient Care and Passionate People Trust, The Physician Partnerships Trust, The Mother & Child Trust and The Healthy Lifestyle Trust. The objective of the HPFL trusts is to manage and administer the award, settlement and repurchase of trust units, the assets and liabilities of the trusts and the making of income awards, if applicable, in a manner consistent with Netcare's commitment to Broad-based Black Economic Empowerment.

The awards to beneficiaries of these trusts are effected by the trustees. The beneficiaries hold trust units which entitle them to the economic benefits of a specified number of Netcare shares in tranches of 20% over five years commencing on the fifth anniversary of the commencement of their participation. Beneficiaries have the option of either converting trust units into Netcare shares, or to request the trustees to sell their shares in the open market and to distribute the net value in cash to them.

Beneficiaries are entitled to Netcare shares or the cash equivalent 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 BEE transaction, adjusted by dividends received.

The details of the trusts are as follows:

The Patient Care and Passionate People Trust and The Physician Partnerships Trust

The Patient Care and Passionate People Trust indirectly assists the Group in attracting and retaining management and staff. Awards made under this trust are in addition to any awards participants may receive under the Netcare Share Incentive Scheme. Directors are not entitled to participate in the HPFL transaction.

The Physician Partnerships Trust assists the Group in attracting and retaining quality medical professionals in SA. The Trust established the Hamilton Naki Clinical Scholarship to support the development of academic specialists. To date, eight specialists have been selected to pursue doctoral degrees in SA and abroad under this scholarship.

Beneficiaries who are Netcare employees cease to be entitled to hold trust units if they resign or are dismissed from their employment. Beneficiaries who are medical doctors cease to be entitled to hold trust units if they emigrate from SA or cease to be a practising doctor in good standing with the relevant professional board or council.

The Mother & Child Trust and The Healthy Lifestyle Trust

The Mother & Child Trust funds the provision of healthcare assistance to women and children historically and previously disadvantaged, through selected women's groups and children's organisations. Three broad-based women empowerment companies are beneficiaries of this trust.

The Healthy Lifestyle Trust promotes healthy lifestyle through wellness programmes and selected national screening initiatives.

The South African Football Association is an anchor beneficiary of this trust.

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

36. Share-based payments continued

36.3 Health Partners for Life (B-BBEE transaction) continued

Details of the trust units at 30 September 2015 are:

Trust	Shares allocated to trust 1 Oct 2014	Disposals during the year	**Shares allocated to trust 30 Sep 2015**	**Units in issue**	Available
The Patient Care and Passionate People Trust	70 824 385	(21 069 587)	**49 754 798**	**17 615 657**	32 139 141
The Physician Partnerships Trust	45 292 631	(9 419 636)	**35 872 995**	**15 455 800**	20 417 195
The Mother & Child Trust	11 935 353	(2 018 616)	**9 916 737**	**4 000 000**	5 916 737
The Healthy Lifestyle Trust	6 681 576	(1 279 432)	**5 402 144**	**600 000**	4 802 144
	134 733 945	(33 787 271)	**100 946 674**	**37 671 457**	63 275 217

Movement in the number of units was as follows:

	The Patient Care and Passionate People Trust	The Physician Partnerships Trust	The Mother & Child Trust	The Healthy Lifestyle Trust	**Total**
Balance at 1 October 2014	28 577 906	20 854 200	4 000 000	800 000	**54 232 106**
Exercised	(9 189 775)	(5 344 200)	–	(200 000)	**(14 733 975)**
Forfeited	(1 772 474)	(54 200)	–	–	**(1 826 674)**
Balance at 30 September 2015	17 615 657	15 455 800	4 000 000	600 000	**37 671 457**

The fair value of the units issued was calculated using the Trinomial model. The fair value of units expensed during 2015 was R8 million (2014: R13 million).

The expected unrecognised share-based payment expense relating to non-vested share options amounts to R5 million (2014: R9 million).

The following assumptions were used to value the units issued:

Assumptions	%
Volatility	30,0
Forfeiture rate	15,0
Risk-free interest rate	7.1 – 8.7
Dividend yield	2.0 – 4.0

COMPANY STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER

Rm	Notes	2015	2014
ASSETS			
Non-current assets			
Investment in subsidiaries	2	**835**	5 225
Total non-current assets		**835**	5 225
Current assets			
Amounts owing by subsidiaries	2	**4 628**	345
Cash and cash equivalents	3	**35**	11
Total current assets		**4 663**	356
Total assets		**5 498**	5 581
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary share capital and premium	4	**3 924**	738
Other reserves		**230**	223
Retained earnings		**683**	3 960
Equity attributable to ordinary shareholders		**4 837**	4 921
Preference share capital and premium	5	**644**	644
Total shareholders' equity		**5 481**	5 565
Current liabilities			
Trade and other payables	6	**17**	16
Total current liabilities		**17**	16
Total equity and liabilities		**5 498**	5 581

COMPANY STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER

Rm	Notes	2015	2014
Operating (loss)/profit	7	**(2)**	14
Investment income	8	**2 113**	919
Profit before taxation		**2 111**	933
Taxation	9	**(1)**	(1)
Profit after taxation		**2 110**	932
Total comprehensive income for the year		**2 110**	932
Attributable to:			
Ordinary shareholders		**2 061**	886
Preference shareholders		**49**	46
		2 110	932

COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER

Rm	Notes	2015	2014
Cash flows from operating activities			
Cash (utilised by)/generated from operations	A	**(1)**	45
Taxation paid	B	**(1)**	(1)
Dividends paid		**(1 272)**	(1 071)
Preference dividends paid		**(49)**	(46)
Net cash from operating activities		**(1 323)**	(1 073)
Cash flows from investing activities			
Decrease in investments and loans		**115**	71
Dividends received		**2 113**	919
Net cash from investing activities		**2 228**	990
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**152**	85
Restructure of HPFL B-BBEE trusts		**3 034**	–
Repurchase of shares		**(4 067)**	–
Net cash from financing activities		**(881)**	85
Net increase in cash and cash equivalents		**24**	2
Cash and cash equivalents at beginning of year		**11**	9
Cash and cash equivalents at end of year	C	**35**	11

NOTES TO THE COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER

Rm	2015	2014
A. Cash (utilised by)/generated from operations		
Operating (loss)/profit	**(2)**	14
Adjustments for:		
Reversal of impairment of investments	**–**	(13)
Cash (utilised by)/generated from operations before working capital changes	**(2)**	1
Decrease in accounts receivable	**–**	39
Increase in accounts payable	**1**	5
	(1)	45
B. Taxation paid		
Amounts payable at beginning of year	**–**	–
Charge per the income statement	**(1)**	(1)
Amounts payable at end of year	**–**	–
	(1)	(1)
C. Cash and cash equivalents		
Cash on hand and balances with banks	**35**	11
	35	11

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER

Rm	Ordinary share capital	Ordinary share premium	Share-based payment reserve
Balance at 30 September 2013	15	638	210
Shares issued during the year	–	85	–
Share-based payment reserve movements	–	–	13
Dividends paid	–	–	–
Preference dividends paid	–	–	–
Total comprehensive income for the year	–	–	–
Balance at 30 September 2014	**15**	**723**	**223**
Shares issued during the year	**–**	**152**	**–**
Share-based payment reserve movements	**–**	**–**	**7**
Dividends paid	**–**	**–**	**–**
Preference dividends paid	**–**	**–**	**–**
Restructure of HPFL B-BBEE trusts	**–**	**3 034**	**–**
Total comprehensive income for the year	**–**	**–**	**–**
Balance at 30 September 2015	**15**	**3 909**	**230**

Retained earnings	Equity attributable to ordinary shareholders	Preference share capital and premium	Total shareholders' equity
4 145	5 008	644	5 652
–	85	–	85
–	13	–	13
(1 071)	(1 071)	–	(1 071)
–	–	(46)	(46)
886	886	46	932
3 960	**4 921**	**644**	**5 565**
–	**152**	**–**	**152**
–	**7**	**–**	**7**
(1 272)	**(1 272)**	**–**	**(1 272)**
–	**–**	**(49)**	**(49)**
(4 066)	**(1 032)**	**–**	**(1 032)**
2 061	**2 061**	**49**	**2 110**
683	**4 837**	**644**	**5 481**

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

1. Accounting policies, significant judgements and estimates and impact of new issued standards and interpretations

Refer to the Group annual financial statements.

Rm	2015	2014
2. Interest in subsidiaries		
Investment in subsidiaries		
Investments at cost	**671**	671
Share-based payments arising from the Group's share incentive schemes	**173**	165
Long-term loans (from)/to subsidiaries	**(9)**	4 389
	835	5 225
Amounts owing by subsidiaries		
Included in:		
Current assets	**4 628**	345
Net interest in subsidiaries	**5 463**	5 570

Subsidiaries are funded by way of equity from the holding company as well as long-term, interest-free loans which form part of the investment in subsidiaries. These long-term loans are unsecured and there are no fixed terms of repayment.

The amounts owing by subsidiaries are unsecured, interest-free and are repayable on demand. The carrying values of loans to subsidiaries approximate their fair values.

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

Rm	2015	2014
3. Cash and cash equivalents		
Cash on hand and balances with banks (South African Rand)	**35**	11

	2015	2014
4. Ordinary share capital and premium		
Number of shares (million)		
Authorised		
Ordinary shares of 1.0 cent each	**2 500**	2 500
Issued		
Shares in issue at beginning of year	**1 478**	1 475
Shares issued during the year	**95**	3
Shares repurchased during the year	**(117)**	–
Shares in issue at end of year	**1 456**	1 478
Rm		
Authorised		
Ordinary shares of 1.0 cent each	**25**	25
Issued ordinary share capital		
Balance at beginning and end of year	**15**	15
Share premium		
Balance at beginning of year	**723**	638
Share premium arising on issue of shares	**3 666**	85
Restructure of HPFL B-BBEE trusts	**(480)**	–
Balance at end of year	**3 909**	723
Total issued ordinary share capital and premium	**3 924**	738

Refer to note 12 of the notes to the Group annual financial statements for further details.

	Rm	2015	2014
5.	**Preference share capital**		
	Authorised		
	10 million (2014: 10 million) variable rate, cumulative, non-redeemable, non-convertible preference shares of 50.0 cents each	**5**	5
	Issued		
	7 million (2014: 7 million) preference shares in issue at beginning and end of year	**3**	3
	Share premium		
	Balance at beginning and end of year	**641**	641
	Total issued preference share capital and premium	**644**	644
6.	**Trade and other payables**		
	Other payables	**17**	16
7.	**Operating profit**		
	After charging:		
	Directors' emoluments	**7**	8
8.	**Investment income**		
	Dividends received	**2 113**	919
9.	**Taxation**		
	South African normal taxation		
	Current year	**(1)**	(1)
	Income tax	**(1)**	(1)
	Total taxation per the statement of comprehensive income	**(1)**	(1)
	Reconciliation of effective taxation rate (%)		
	South African normal tax rate	**28.0**	28.0
	Adjusted for:		
	Exempt income	**(28.0)**	(27.6)
	Prior year taxes	**–**	(0.3)
	Effective taxation rate	**–**	0.1
10.	**Contingent liabilities**		
	Financial guarantees		
	+ Guarantee covering the obligations of pathologists to a banking institution following the sale of Ampath	**45**	126
	+ Guarantee to various other parties	**–**	1
	+ The Company has provided a cross deed of suretyship in favour of various other beneficiaries which cover the facilities granted to various subsidiaries	**–**	6
	+ The Company has provided a cross deed of suretyship in favour of various other beneficiaries which cover the unutilised facilities granted to various subsidiaries	**300**	300
	+ The Company has provided unlimited suretyship in favour of various financial institutions which covers the unutilised facilities granted to a subsidiary	**1 800**	1 300

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 SEPTEMBER

Rm	2015	2014
11. Related parties		
Related party transactions		
Various transactions were entered into by the Company during the year with related parties. Details of loan balances with the investment in subsidiaries are disclosed in Annexure A.		
The following is a summary of transactions with related parties during the year:		
Dividends received:		
+ Netcare Hospitals Proprietary Limited	**470**	600
+ Netcare Hospital Group Proprietary Limited	**40**	307
+ Netcare Holdings Proprietary Limited	**1 603**	–
+ Clindeb Investments Proprietary Limited	**–**	10
+ Clinical Partners Proprietary Limited	**–**	2
	2 113	919
Management fees received:		
+ Netcare Management Proprietary Limited	**7**	8
Key management personnel		
Refer to note 35 of the Group annual financial statements.		

ANNEXURE A – INTEREST IN SUBSIDIARIES

Principal subsidiaries	Nature of business	Place of incorporation
Direct		
Netcare Holdings Proprietary Limited	Holding Company	South Africa
Indirect		
Clindeb Investments Proprietary Limited	Financing	South Africa
BMI Healthcare Limited	Investment holding	United Kingdom
GHG 1 Limited trading as BMI Healthcare	Hospital/healthcare services	United Kingdom
General Healthcare Group Limited	Hospital/healthcare services	United Kingdom
General Healthcare Mixer Partnership LLP	Investment holding	United Kingdom
Medicross Healthcare Group Proprietary Limited	Primary healthcare services	South Africa
Netcare Hospital Group Proprietary Limited	Investment holding	South Africa
Netcare Hospitals Proprietary Limited	Hospital/healthcare services	South Africa
Netcare International SA Proprietary Limited	Investment holding	South Africa
Netcare Management Proprietary Limited	Management services	South Africa
Netcare 911 Proprietary Limited	Emergency medical services	South Africa
Netcare Property Holdings Proprietary Limited	Property owning	South Africa
Prime Cure Holdings Proprietary Limited	Investment holding	South Africa
Waterfall City Hospital Proprietary Limited	Hospital/healthcare services	South Africa
Other		South Africa

Loans to subsidiaries disclosed in:

Current assets in the Company statement of financial position

1. 2014 comparative information has been aligned to represent the current direct and indirect shareholding relationships which exist at 30 September 2015, after taking into account the statutory restructure which occurred in the Group during the year.
2. Netcare's direct shareholding in these entities is 53.72%. There is an Employee Benefit Trust that holds unallocated equity interests set aside for GHG management. Netcare is required to consolidate this trust under IFRS 10: *Consolidated Financial Statements*, increasing Netcare's effective ownership (i.e. direct and indirect interests). When equity interests in the trust are allocated or forfeited, this will have an impact on Netcare's effective shareholding.

Notes:
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.

GHG 1 Limited trading as BMI Healthcare

The directors consider the 43% (2014: 44%) non-controlling interest of BMI Healthcare to be material both qualitatively and quantitatively. A loss of R27 million (2014: R66 million loss) of the Group's total non-controlling interest loss of R22 million (2014: R57 million), was attributable to BMI Healthcare for the year ended 30 September 2015. The non-controlling interest reserve relating to BMI Healthcare amounted to R3 299 million at 30 September 2015 (2014: R2 881 million). Netcare has majority representation on the board of directors. However, the BMI Healthcare partnership agreement requires that certain reserved transactions and decisions are subject to investor majority consent. The rights BMI Healthcare's minority shareholders have are protective of their interest in their investment, and do not result in a loss of control for Netcare.

The General Healthcare Mixer Partnership is disclosed separately in the list of subsidiaries. It is purely a holding entity and there is no material difference in the results of this entity and those of BMI Healthcare. There were no other material non-controlling interests identified.

GHG 1 Limited trading as BMI Healthcare – Material non-controlling interest:

Name of subsidiary	Place of incorporation and principal place of business
GHG 1 Limited trading as BMI Healthcare	United Kingdom

Issued ordinary share capital (Thousands)	Effective Group holding %		Investment (Rm)		Loans to subsidiaries	
	2015	2014[1]	**2015**	2014[1]	**2015**	2014[1]
120	**100**	–	**663**	–	**4 428**	–
R1	**100**	100	**–**	–	**183**	338
£17 600	**57[2]**	56	**–**	–	**–**	–
	57[2]	56	**–**	–	**–**	–
£10 000	**57[2]**	56	**–**	–	**–**	–
£540 000	**57[2]**	56	**–**	–	**–**	–
R2	**100**	100	**12**	597	**–**	–
R4	**100**	100	**–**	3 800	**–**	–
	100	100	**148**	130	**–**	–
	100	100	**–**	632	**–**	–
	100	100	**–**	49	**–**	7
R2	**100**	100	**–**	6	**–**	–
	100	100	**–**	–	**–**	–
	100	100	**–**	2	**–**	–
	80	80	**–**	–	**–**	–
			10	10	**17**	–
			833	5 226	**4 628**	345
					4 628	345

	Proportion of ownership interests and voting rights held by non-controlling interests		Loss allocated to non-controlling interests (Rm)		Accumulated non-controlling interest (Rm)	
	2015	2014	**2015**	2014	**2015**	2014
	43%	44%	**(27)**	(66)	**3 299**	2 881

ANNEXURE A – INTEREST IN SUBSIDIARIES CONTINUED

GHG 1 Limited trading as BMI Healthcare – Material non-controlling interest: continued

Summarised financial information in respect of the Group's subsidiary that has a material non-controlling interest is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Rm	30 September 2015	2014
GHG 1 Limited trading as BMI Healthcare		
Current assets	**4 412**	3 952
Non-current assets	**10 465**	9 071
Current liabilities	**(4 731)**	(3 875)
Non-current liabilities	**(4 268)**	(3 960)
Equity attributable to owners of the Company	**5 878**	5 188
Non-controlling interests	**(3 299)**	(2 881)
Revenue	**16 422**	15 510
Expenses	**(16 480)**	(15 589)
Loss for the year	**(58)**	(79)
Loss attributable to owners of the Company	**(31)**	(13)
Loss attributable to non-controlling interests	**(27)**	(66)
Loss for the year	**(58)**	(79)
Other comprehensive income attributable to owners of the Company	**313**	266
Other comprehensive income attributable to non-controlling interests	**422**	319
Other comprehensive income for the year	**735**	585
Total comprehensive income attributable to owners of the Company	**282**	253
Total comprehensive income attributable to non-controlling interests	**395**	253
Total comprehensive income for the year	**677**	506
Dividends paid to non-controlling interests	**–**	–
Net cash inflow from operating activities	**547**	628
Net cash outflow from investing activities	**(594)**	(697)
Net cash (outflow)/inflow from financing activities	**(98)**	211
Net cash (outflow)/inflow	**(145)**	142

Significant Restrictions

In terms of the shareholders agreement relating to Waterfall City Hospital Proprietary Limited, there are certain restrictions placed on the ability of Netcare to transfer cash or other assets between these and other entities within the Group. However, these rights do not affect Netcare's ability to control Waterfall City Hospital.

Acquisition of subsidiaries during the year:

During the current year, the Group acquired the following subsidiaries :

- Acquired 95.7% shareholding in Ceres Hospitaal Limited effective 1 November 2014.
- Acquired 60% shareholding in Centurion Suburbs Mall Proprietary Limited effective 1 August 2015.
- Acquired 80% shareholding in Raslouw Private Hospital Proprietary Limited effective 1 August 2015.

Change in the Group's ownership interest in subsidiaries:

- Additional 10% shareholding in Constantia Clinic Proprietary Limited effective 1 October 2014.
- Additional 40% shareholding in North West Cancer Clinic Limited effective 1 September 2015.

Refer to the accounting policies, note 30 'Significant judgements, accounting estimates and assumptions' for the judgements made by management in arriving at the conclusion to account for these as subsidiaries.

ANNEXURE B – INVESTMENT IN ASSOCIATED COMPANIES

Company	Place of incorporation and principal place of business	Proportion of ownership interests and voting power held by the Group (%)		Carrying value (Rm)	
		2015	2014	**2015**	2014
Community Hospital Management Proprietary Limited	South Africa	**25**	25	**4**	6
Nalithemba Proprietary Limited	South Africa	**50**	50	**287**	290
Kokstad Private Hospital Proprietary Limited	South Africa	**30**	30	**10**	9
Optimed Clinic Proprietary Limited [1]	South Africa	**–**	50	**–**	1
Botle Facilities Management Proprietary Limited	Lesotho	**40**	40	**19**	13
Tsepong Proprietary Limited	Lesotho	**40**	40	**125**	88
BMI Sussex Diagnostics Limited	United Kingdom	**49**	49	**9**	6
Garden Hospital MRI Limited[2, 5]	United Kingdom	**–**	40	**–**	7
GHG PropCo 1 entities[3]	United Kingdom	**–**	50	**–**	–
GHG PropCo 2 entities[4]	United Kingdom	**57**	56	**188**	157
Three Shires Hospital Limited[6]	United Kingdom	**50**	50	**26**	25
Total investment in associated companies				**668**	602

1. Disposal of 50% on 1 October 2014.
2. Voluntary liquidation during the year.
3. Restructuring of debt reduced our equity interest to zero during the year.
4. Netcare's direct shareholding in these entities is 53.72%. There is an Employee Benefit Trust that holds unallocated equity interests set aside for GHG management. Netcare is required to consolidate this trust under IFRS 10: *Consolidated Financial Statements*, increasing Netcare's effective ownership (i.e. direct and indirect interests). When equity interests in the trust are allocated or forfeited, this will have an impact on Netcare's effective shareholding.

Year end dates other than 30 September
5. 31 December
6. 31 March

Where the above entities' financial year-ends are not in line with that of the Company, financial information has been obtained from published information or unaudited management accounts as appropriate.

Refer to note 5.2 in the Group annual financial statements for further details of the carrying value of the investment in associated companies.

ANNEXURE B – INVESTMENT IN ASSOCIATED COMPANIES CONTINUED

Material investment in associates: GHG PropCo 2

The directors do not consider any of the investments in associates to be quantitatively material to the Group. The total equity accounted earnings from associates for the year amounted to R66 million, and the value of the investment in associates at 30 September 2015 was R668 million.

Based on events in recent history, most notably the deconsolidation of GHG PropCo2, the directors consider the investments in these entities to be qualitatively material. GHG PropCo 2 is relevant to the users of the financial statements due to the specialised hospital assets that it owns, the long-term lease obligations pursuant to which BMI Healthcare operates its business, and the level of secured debt funding attributable to this entity.

There are certain background facts and circumstances applicable to the GHG Property Businesses that require highlighting in order for users of the financial statements to fully understand the relevance of these entities to the Netcare Group. These are set out below.

- In 2006, Netcare, together with private equity partners (the "GHG Investors"), acquired the General Healthcare Group (GHG) in the UK.
- In 2008, GHG acquired eight additional hospitals from Nuffield (two of these hospital properties were sold in the 2011 financial year). These businesses were separated into two distinct enterprises, being the hospital operating company that was integrated into BMI Healthcare and a series of eight separate property and property holding companies (collectively GHG PropCo 2). The GHG PropCo 2 properties raised third party non-recourse debt under a separate borrowing facility (the GHG PropCo 2 facility) secured by the shares in the eight separate property and property holding companies and by the property asset held by each property company. The GHG PropCo 2 facility is ring-fenced from the BMI Healthcare facility.
- The BMI Healthcare facility and the GHG PropCo 2 facility have no recourse to Netcare or any of Netcare's South African subsidiaries or operations.

During the 2013 financial year, following careful consideration of certain changes and circumstances relating to Netcare's interest in the GHG Property Businesses, the Netcare Board concluded that it was no longer appropriate to continue consolidating the GHG Property Businesses in Netcare's Group financial statements.

With effect from 16 November 2012, Netcare accounted for GHG PropCo 2 as an investment in associates, as it still had significant influence over these entities. The information below has been provided to enable the users of the financial statements to obtain an understanding of the financial status of the GHG Property Businesses.

The GHG PropCo 1 comprises 35 hospital properties acquired in 2006. Arrangements for the restructure of the £1.5 billion GHG PropCo 1 debt facility with an original maturity date of October 2013 were finally completed on 29 May 2015. Following completion, Netcare no longer holds any equity interest in GHG PropCo 1, which is now an external landlord to BMI Healthcare under the existing long-term leases, which remain intact. As Netcare deconsolidated its interest in GHG PropCo 1 from 16 November 2012, there is no impact on Netcare's accounts.

The information has been obtained from the unaudited management accounts as at 30 September 2015.

Material associates:

Name of associate	Place of incorporation and principal place of business	Principal activity	Proportion of ownership interests and voting power held by the Group	
			2015	2014
GHG PropCo 1 entities	United Kingdom	Property owning	**0%**	50%
GHG PropCo 2 entities	United Kingdom	Property owning	**57%[1]**	56%*

1. Netcare's direct shareholding in these entities is 53.72%. There is an Employee Benefit Trust that holds unallocated equity interests set aside for GHG management. Netcare is required to consolidate this trust under IFRS 10: *Consolidated Financial Statements*, increasing Netcare's effective ownership (i.e. direct and indirect interests). When equity interests in the trust are allocated or forfeited, this will have an impact on Netcare's effective shareholding.
* Refer to the significant judgements and estimates section of the accounting policies for the rationale surrounding accounting for GHG PropCo 2 as an associate even though Netcare holds 57% of the shares (2014: 56%).

GHG PropCo 1:

Due to the restructure of the debt during the current year and change in shareholding of GHG PropCo 1 to zero, no financial information has been disclosed for the 2015 financial year.

Rm	30 September 2014
GHG PropCo 1	
Current assets	137
Non-current assets	27 703
Current liabilities	(36 700)
Non-current liabilities	(4 574)
Total equity	(13 434)
Revenue	2 351
Loss for the year	(1 547)
Other comprehensive income for the year	1 189
Total comprehensive loss for the year	(358)
Dividends received from the associate during the year	–
Reconciliation of the above summarised financial information to the carrying amount of the interest in GHG PropCo 1 recognised in the consolidated financial statements:	
Net assets of the associate	(13 434)
Proportion of the Group's ownership interest in GHG PropCo1	50%
Carrying amount of the Group's interest in GHG PropCo 1	(6 717)
Carrying amount limited to zero	–

Unrecognised share of losses of associate

Since the deconsolidation of GHG PropCo 1 on 16 November 2012, the following losses have been incurred which have not been recognised by Netcare. Prior to this date, the results of GHG PropCo 1 were fully consolidated into Netcare's results.

The unrecognised share of losses of GHG PropCo 1 for the year	(358)
Cumulative share of losses of GHG PropCo 1	(358)

There are no other unrecognised losses of associates in the Group.

ANNEXURE B – INVESTMENT IN ASSOCIATED COMPANIES CONTINUED

GHG PropCo 2:

The results below are taken from the audited management accounts as at 30 September 2015, are prepared in terms of IFRS, and are shown at 100% before intergroup eliminations.

	30 September	
Rm	2015	2014
GHG PropCo 2		
Current assets	87	74
Non-current assets	1 153	1 054
Current liabilities	(33)	(751)
Non-current liabilities	(950)	(176)
Total equity	257	201
Revenue	127	113
Profit for the year	12	31
Other comprehensive income for the year	–	31
Total comprehensive income for the year	12	62
Dividends received from the associate during the year	–	–
Reconciliation of the above summarised financial information to the carrying amount of the interest in GHG PropCo 2 recognised in the consolidated financial statements:		
Net assets of the associate	257	200
Proportion of the Group's ownership interest in GHG PropCo2	57%	56%
Group's interest in GHG PropCo 2	147	112
Fair value adjustment at acquisition of associate including translations of foreign currency	41	45
Carrying amount of the Group's interest in GHG PropCo 2	188	157
Rm		
Aggregate information of associates that are not individually material		
The Group's share of profit for the year	59	21
The Group's share of other comprehensive income for the year	–	–
The Group's share of total comprehensive income for the year	59	21
Aggregate carrying amount of the Group's interests in these associates	480	445

ANNEXURE C – INTEREST IN JOINT VENTURES

Company	Place of incorporation and principal place of business	Proportion of ownership interests and voting power held by the Group (%) 2015	2014	Carrying value (Rm) 2015	2014
Basfour 2463 Proprietary Limited	South Africa	**50**	50	**–**	–
Constantia Clinic Proprietary Limited[1]	South Africa	**–**	50	**–**	4
National Renal Care Proprietary Limited[2]	South Africa	**50**	50	**115**	15
Netcare Parklands Linac Joint Venture Proprietary Limited	South Africa	**50**	50	**9**	3
Olivedale Clinic Oncology Centre Proprietary Limited	South Africa	**50**	50	**5**	–
Rand Clinic Oncology Centre Proprietary Limited	South Africa	**50**	50	**10**	1
Waterberg Lodge Proprietary Limited	South Africa	**50**	50	**–**	14
Netcare Unitas Linac Joint Venture Proprietary Limited	South Africa	**50**	50	**4**	(5)
BMI Southend Private Hospital Limited	United Kingdom	**50**	50	**1**	–
BMI Imaging Clinic Limited	United Kingdom	**50**	50	**27**	20
Meriden Hospital Advanced Imaging Centre Limited[3]	United Kingdom	**50**	50	**8**	7
The Thornbury Radiosurgery Centre Limited[4]	United Kingdom	**50**	50	**18**	17
Total interest in joint ventures				**197**	76
Loans included in:					
Trade and other receivables (Note 10)				**11**	–
Trade and other payables (Note 21)				**(122)**	–
				(111)	–

1. Additional 10% shareholding acquired on 1 October 2014, therefore recognised and consolidated in term of IFRS 10: *Consolidated Financial Statements*, as a subsidiary from this date. Refer to the accounting policies, note 30 'Significant judgements, accounting estimates and assumptions' for the judgements made by management in arriving at the conclusion to account for this investment as a subsidiary.
2. In 2014, the loans from this entity were classified as part of the net investment in National Renal Care. In 2015, the loans from this entity have been assessed as working capital in nature and have therefore been recognised as part of trade and other payables.

Year end dates other than 30 September
3. 31 December
4. 31 March

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

Rm	30 September 2015	2014
Aggregate information of joint ventures that are not individually material		
The Group's share of profit for the year	**48**	**36**
The Group's share of other comprehensive income for the year	**–**	**–**
The Group's share of total comprehensive income for the year	**48**	**36**
Aggregate carrying amount of the Group's interests in these joint ventures	**197**	**76**

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

ANNEXURE D – ANALYSIS OF SHAREHOLDERS

AT 30 SEPTEMBER 2015	Number of shareholders	Percentage of total shareholders	Number of shares in issue[1]	Percentage of issued share capital
Shareholder spread				
1 – 1 000	9 178	47.44	**3 308 570**	0.25
1 001 – 50 000	9 028	46.67	**62 026 284**	4.59
50 001 – 100 000	327	1.69	**23 298 216**	1.73
100 001 – 10 000 000	792	4.09	**628 351 470**	46.58
10 000 001 and above	21	0.11	**632 157 523**	46.85
Total	19 346	100.00	**1 349 142 063**	100.00
Distribution of shareholders per category				
Individuals	16 052	82.98	**90 982 954**	6.74
Private Companies	283	1.46	**14 357 273**	1.06
Public Companies	1	0.01	**10 000**	0.00
Nominees and Trusts	1024	5.29	**33 220 253**	2.46
Banks	107	0.55	**55 274 940**	4.10
Insurance Companies	80	0.41	**114 906 925**	8.52
Pension Funds and Medical Aid Societies	666	3.44	**439 139 527**	32.55
Collective Investment Schemes and Mutual Funds	1133	5.86	**601 250 191**	44.57
Total	19 346	100.00	**1 349 142 063**	100.00
Public and non-public shareholdings				
Public	19 341	99.97	**1 334 900 668**	98.94
Non-public	5	0.03	**14 241 395**	1.06
Directors[2]	4	0.02	**12 158 629**	0.90
Retirement funds	1	0.01	**2 082 766**	0.16
Total	19 346	100.00	**1 349 142 063**	100.00
Beneficial shareholdings				
Public Investment Corporation			**252 713 994**	18.73
Allan Gray			**79 036 291**	5.86
Total			**331 750 285**	24.59
Investment Manager Top 10				
Public Investment Corporation			**222 268 914**	16.48
Old Mutual			**82 864 075**	6.14
Allan Gray			**79 036 291**	5.86
Standard Bank Group			**70 085 925**	5.20
Prudential Portfolio Managers			**69 525 934**	5.15
BlackRock Inc			**52 587 552**	3.90
Vanguard Group			**45 649 389**	3.38
Investec Group			**42 634 597**	3.16
Abax Investments			**32 359 981**	2.40
Sanlam Group			**32 299 969**	2.39
Total			**729 312 627**	54.06
Beneficial Owner Top 10				
Public Investment Corporation			**252 713 994**	18.73
Liberty Life Assurance of Africa			**47 151 094**	3.50
Old Mutual Investment Group			**39 346 100**	2.92
Vanguard Emerging Markets Stock Index Fund			**27 127 117**	2.01
Norges Bank Investment Management (NBIM)			**24 131 722**	1.79
Falcon			**21 670 411**	1.61
GIC Private Ltd			**21 216 266**	1.57
Allan Gray Balanced Fund			**18 545 381**	1.37
Investment Solutions			**15 249 247**	1.13
Vanguard Total International Stock Index Fund			**13 435 963**	1.00
Total			**480 587 295**	35.62
Geographic ownership				
South Africa			**907 825 710**	67.29
International			**441 316 353**	32.71
Total			**1 349 142 063**	100.00

1. Number of shares in issue net of treasury shares.
2. Beneficial shareholding of directors in the issued share capital of the Company.

CORPORATE INFORMATION

Company registration number

1996/008242/06

Business address and registered office

Netcare Limited
76 Maude Street (corner West Street)
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Company Secretary

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Selected websites

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www.netcareinvestor.co.za
www.netcare911.co.za
www.medicross.co.za
www.primecure.co.za
www.nrc.co.za
www.ghg.co.uk
www.bmihealthcare.co.uk

JSE information

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

Sponsor

Deutsche Securities (SA) Proprietary Limited
A non-bank member of the Deutsche Bank Group
3 Exchange Square
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Sandton 2196

Transfer secretaries

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Trifecta Capital House
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Florida-North, 1709
South Africa
email: netcare@trifectacapital.com
tel no: 0860 222 213

Auditors

Grant Thornton Johannesburg Partnership

Principal bankers

Nedbank Limited

SHAREHOLDERS' DIARY

Annual general meeting

5 February 2016

Reports

Interim results announcement	May
Final results announcement	November

Dividends

	Declared	Paid
Ordinary dividend		
Interim	May	July
Final	November	February
Preference dividend		
Interim	April	May
Final	October	November

DISCLAIMER

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.

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You're in safe hands

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