AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

It's only together, that we can weather the storm.

THANK YOU

CONTENTS

Who we are

The Netcare Group is a leading provider of private healthcare services in SA. We provide acute services across our national network of hospitals and are the market leader in acute mental health services. We also provide emergency, cancer care, primary care and renal care services as well as occupational health and wellness services.

Our Netcare promise

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

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

Netcare Limited

Annual Financial Statements 30 September 2020

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

How to navigate this report

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

TR **Transition**
The implementation requirements and related impacts of a newly adopted International Financial Reporting Standard.

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

Directors' responsibility and approval

The directors of Netcare Limited are responsible for the preparation and integrity of the annual financial statements of the Company and the Group, which have been prepared under the supervision of the Chief Financial Officer, Mr KN Gibson, CA(SA). These annual financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee (APC), Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council (FRSC), the requirements of the South African Companies Act, No 71 of 2008 (the Companies Act), and the JSE Listings Requirements in line with the accounting policies of the Group, which are supported by prudent judgements and estimates. The Group's external auditors, Deloitte & Touche, are engaged to express an independent opinion on these financial statements which has been presented on pages 10 to 13.

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

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

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

The annual financial statements were approved by the Board of directors on 19 November 2020 and are signed on its behalf by:

T Brewer
Non-executive Board Chair
Sandton

RH Friedland
Chief Executive Officer

KN Gibson
Chief Financial Officer

19 November 2020

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 Companies Act, section 88(2)(e) and that all such returns appear to be true, correct and up to date.

CM Vikisi
Company Secretary

Sandton

19 November 2020

Directors' report

for the year ended 30 September 2020

Your directors have pleasure in presenting their report on the activities of Netcare Limited consolidated (the Group) and of Netcare Limited (the Company) for the year ended 30 September 2020.

Nature of business

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

Financial results and review

The 2020 financial year has been dominated by the effects of the COVID-19 pandemic, a crisis which remains unparalleled in its scope and unrivalled in its complexities. Despite this, the Group has managed to maintain its consistency of the highest quality care and remain commercially stable. The results have been impacted by the loss of activity across all services, and negative operating leverage due to additional costs relating to the pandemic.

Despite the constrained operating environment, the Group achieved a positive EBITDA for the year of R2 558 million (excluding the exceptional items noted below).

The following exceptional items had a significant impact on the Group results:

- A non-cash share-based payment expense of R348 million arising on the further allocation of Netcare shares available under the Health Partners for Life B-BBEE scheme.
- A post-tax profit of R474 million (R522 million pre-tax) on the disposal of the investment in GHG PropCo 2.

The financial results of the Group are set out on pages 14 to 92 of this report and a segment report is included in note 2.12 to the Group annual financial statements. The Company annual financial statements are presented on pages to 93 to 101.

Subsidiaries, associates and joint ventures

Details of interests in subsidiaries, joint ventures and associates are shown on pages 102 to 105 respectively.

Acquisitions

During the current year, the Group acquired a 40% shareholding in ICAS Employee and Organisation Enhancement Services Southern Africa Proprietary Limited effective 23 March 2020. The entity is equity accounted as an associate as the Group has significant influence.

There were no other material changes in the Group to holdings in subsidiaries, associates or joint ventures during the year ended 30 September 2020.

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

Property, plant and equipment

Capital expenditure incurred during the year amounted to R961 million (2019: R1 378 million).

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

Implementation of IFRS 16: *Leases*

The adoption of IFRS 16 has had a significant impact on the Group's annual financial statements, refer to notes 2.9 and 11 for further details.

Directors' report continued

Share capital

Authorised and issued

The Company's authorised share capital remained unchanged during the year. The Company issued no shares during the year (2019: nil).

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

Shareholding of Company

The issued capital of the Company held by public and non-public entities as at 30 September 2020 was as follows:

	Number of shareholders	Number of shares[1]	% of issued share capital
Public	22 006	1 334 540 048	99.96
Non-public	2	548 257	0.04
Directors	2	548 257	0.04
Total	22 008	1 335 088 305	100.00
Beneficial shareholders holding 5% or more			
Public Investment Corporation on behalf of Government Employee Pension Fund[2]		276 287 148	20.69
Total		276 287 148	20.69
Investment management shareholding greater than 5%			
Public Investment Corporation Group		234 251 233	17.55
Allan Gray Proprietary Limited		105 786 110	7.92
Total		340 037 343	25.47

1. *Number of shares are net of treasury shares.*
2. *As the treasury shares held by the HPFL B-BBEE scheme carry voting rights, the effective voting power of the Government Employee Pension Fund is 19.2%.*

Share incentive schemes

Particulars relating to the Forfeitable Share Plan are provided in note 4.3 to the Group annual financial statements.

Ordinary dividends paid

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

Rm	2020	2019
Final distribution paid		
Final dividend paid on 27 January 2020 of 64.0 cents per share (2019: 60.0 cents per share)	921	883
No special dividend paid (2019: 40.0 cents per share)	—	588
Total	921	1 471
Interim distribution paid		
No interim dividend paid (2019: 47.0 cents per share)	—	685
Total distribution paid	921	2 156
Dividends attributable to treasury shares	(61)	(160)
Paid to Netcare Limited external shareholders	860	1 996

Dividends are accrued on the date of declaration. Given the extraordinary levels of uncertainty due to the effect that COVID-19 has had on the business, the Board made the decision to suspend both the interim and final dividends in order to preserve cash. Under the conditions of the covenant waivers obtained, dividend payments are prohibited.

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

Cents	**2020**	2019
Interim dividend	—	47.0
Final dividend	—	64.0
	—	111.0

Preference dividends

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

Rm	**2020**	2019
Interim dividend	**27**	27
Final dividend	**27**	27
	54	54

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

Directors

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

Executive directors

RH Friedland
KN Gibson

Independent non-executives

MR Bower
T Brewer – Chairperson
B Bulo
L Human
D Kneale – Appointed effective 1 January 2020
MJ Kuscus
KD Moroka
N Weltman – Retired effective 30 September 2020

The directors standing for re-election at the annual general meeting are:
B Bulo
MR Bower

Board diversity

Gender	
Male	6
Female	4
Nationality	
Black South African	4
White South African	5
White Foreign National	1
Independence	
Executive	2
Independent non-executive[1]	8

1. The continued independence of independent non-executive directors that have served for a period of ten years is evaluated, taking into account the factors that may impair their independence. Following the 2020 review, the Board is satisfied that there are no relationships or circumstances likely to affect, or which appear to affect, the judgement of Adv KD Moroka as a director. The Board is also satisfied that the Chairperson of the Board, T Brewer, is independent and free from any conflicts of interest.

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

Directors' report continued

Company secretary

Ms Lynelle Bagwandeen resigned as Company Secretary effective 30 June 2020.

Mr Charles Vikisi was appointed as Company Secretary effective 1 September 2020.

The Company Secretary's contact details, and the business and postal addresses of Netcare Limited appear on page 112.

Auditors

Deloitte & Touche were appointed as auditors of Netcare Limited and will continue in office in accordance with section 94(7) of the Companies Act of South Africa, No. 71 of 2008. Mr Graeme Berry is the designated audit partner.

Events after the reporting period

Subsequent to year end, a decision was taken to dispose of the Ceres Hospital property, plant and equipment, consisting of land and buildings, and various moveable assets, mostly medical equipment (included in Hospital and pharmacy operations). Netcare owns 99.56% of the shares in Ceres Hospital Limited, and it is the intention to wind up the legal entity once the assets are sold.

An offer has been received, and is currently being considered. A due diligence will be performed before the sale can be finalised, but this is not unusual for a transaction of this nature, and is not expected to prolong the sale process beyond the next 12 months.

The directors are not aware of any other matters or circumstances arising since the end of the financial year, not otherwise dealt with in the Group and Company's annual financial statements, which significantly affect the financial position at 30 September 2020 or the results of its operations or cash flows for the year then ended.

Going concern

Since the emergence of COVID-19 in South Africa in early March 2020, trading circumstances have changed dramatically, resulting in increased levels of uncertainty prevalent in the global and domestic economies, the healthcare sector and Netcare specifically. This heightened uncertainty has predicated a need to consider, in line with remodelled existing forecasts, the going concern assertion applicable to the Group and Company.

COVID-19 has had a significant negative impact on the Group and Company's performance for the current financial year. However, Netcare remains in a healthy financial position with acceptable levels of gearing as reflected by its net debt to EBITDA coverage of 3.1 times (pre-IFRS 16) at 30 September 2020. Available committed undrawn facilities amount to R4.2 billion which will ensure the availability of liquidity for the foreseeable future. Netcare has secured a waiver of its covenant testing for the September 2020 period as well as for the March 2021 period. The budgets prepared for the 2021 and 2022 years indicate a recovery from the impact of COVID-19 during the first half of 2021, and an improved second half with no indicators of a covenant breach at September 2021. On this basis the Board is confident in the Group and Company's ability to continue as a going concern for the foreseeable future.

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 3.1 to the Group annual financial statements.

Special resolutions

Netcare Limited

- Annual general meeting of shareholders
  - General authority to repurchase shares.
  - Approval of non-executive director's remuneration, for the period 1 October 2019 to 30 September 2020.
  - Specific authority to repurchase shares.

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

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

Audit Committee Report

for the year ended 30 September 2020

Introduction

The Audit Committee (the Committee) is pleased to present its report in terms of section 94 of the Companies Act, No 71 of 2008, as amended (the Companies Act), the King IV Report of Corporate Governance for South Africa (King IV) and the JSE Listings Requirements for the financial year ended 30 September 2020. The Committee conducted its duties in accordance with its written terms of reference approved by the Board.

Role of the Audit Committee

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

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

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

Structure of the Audit Committee

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

The fees paid to the Committee members for the year ended 30 September 2020 were approved by the shareholders at the annual general meeting held on 31 January 2020.

Committee members' attendance is detailed below.

		Committee attendance
M Bower[1]	Audit Committee Chair	3/3
B Bulo[2]		3/3
D Kneale[3]		2/3
N Weltman[4]		3/3

1. *M Bower BCom (cum laude), BCompt, BCompt (Hons), CA(SA).*
2. *B Bulo BBuSci Hons, PDGA, CA(SA).*
3. *D Kneale BA, appointed with effect from 01 January 2020, and therefore only attended 2/3 meetings held during the year (first meeting was prior to his appointment).*
4. *N Weltman CTA, CA(SA), retirement effective 30 September 2020.*

Audit Committee report continued

Structure of the Audit Committee continued

The head of Netcare Group Internal Audit as well as Deloitte & Touche, in their capacity as external auditors to Netcare, attended and reported at all the Committee meetings. The Chief Financial Officer and the Chief Executive Officer attend by invitation. The Group risk management function is also represented at the meetings and relevant senior managers attend by invitation. To ensure an integrated and coordinated approach to the risk management process, three members of the Committee are also members of the Risk Committee. Divisional Internal Audit Committee meetings were held on 31 October 2019 and Deloitte & Touche, in their capacity as external auditors of Netcare, attended these meetings. The Divisional Internal Audit meetings scheduled for April 2020 were not held due to COVID-19 logistics.

External auditors

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

The Committee approved the terms of engagement, the audit plan and the audit fees payable, as well as the nature and extent of non-audit services which Deloitte & Touche are permitted to provide to Netcare. The Committee also pre-approved, where relevant, proposed contracts with Deloitte & Touche for the provision of non-audit services to the Group. With regards to these services, consideration is given to the nature of the work involved and its potential impact on the independence of Deloitte & Touche in their role as external auditors. No approval is granted for work that may impair, or be perceived to impair, their independence. The fees to Deloitte & Touche for the financial year ended 30 September 2020 amounted to R15 million for audit services and R1 million for other services. The other services related primarily to work done on Clindeb debt issuances and the registration requirements for Netcare Education with the Department of Higher Education.

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

Graeme Berry's experience and knowledge has been assessed in terms of the JSE Listing Requirements and the Committee is satisfied that it is appropriate. The audit committee also acknowledges receipt of section 22 information from Deloitte & Touche relating to the documentation received following the firms latest inspection performed by IRBA.

The Committee is of the view that the quality of the external audit, with reference to audit quality indicators is appropriate.

Internal Audit

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

The Committee has no reason to believe that the design and implementation of internal financial controls is not effective. No weaknesses in the design, implementation or execution of internal financial controls that resulted in material financial loss, fraud, corruption or error were detected.

Chief Financial Officer

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

Annual financial statements

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

Key Audit Matters

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

Adoption of IFRS 16: Leases ("IFRS 16"):

The Committee was advised that the judgements and estimates applied in determining the impact of IFRS 16 as well as the quantitative impact of the accounting standard was identified as a key audit matter due to the changes made to processes, systems and controls. Based on audit work conducted by both the internal and external auditors, the Committee is satisfied that IFRS 16 has been appropriately implemented and the impact of adoption has been appropriately disclosed in the annual financial statements.

Revenue recognition:

The Committee was advised that the accuracy of revenue in Hospitals was identified as a significant risk of material misstatement, due to its dependence upon accurate recording of the numerous tariff increase arrangements with the funders and the appropriate calculation of revenue using those tariffs. Based on audit work conducted by both the internal and external auditors, the Committee is satisfied that the revenue reported for the Group is accurate in all material respects.

Approval of Audit Committee Report

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

M Bower
Audit Committee Chair
Sandton

18 November 2020

Independent auditor's report

To the Shareholders of Netcare Limited

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Netcare Limited (the Group and Company) set out on pages 14 to 105, which comprise the consolidated and separate statements of financial position as at 30 September 2020, and the consolidated and separate statements of profit or loss , consolidated statement of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Netcare Limited and its subsidiaries as at 30 September 2020, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters apply to the consolidated financial statements and there are no key audit matters for the separate financial statements.

Key Audit Matter	How the matter was addressed in the audit
Adoption of IFRS 16: Leases ("IFRS 16")	
As disclosed in notes 2.9 and 11, the Group adopted IFRS 16 effective 1 October 2019, and on adoption the Group recognised right of use assets of R3.9 billion and lease liabilities of R4 billion. The assessment of the impact of the new standard is significant to our audit, as the balances recorded are material, the update of the accounting policy required policy elections, the implementation process to identify and process all relevant data associated with the leases is complex and the measurement of the right-of-use asset and lease liability is based on assumptions and judgements such as: • discount rates; • lease terms, including termination and renewal options; and • the appropriate determination of fixed lease payments. The implementation of IFRS 16 resulted in changes to processes, systems and controls. When considering the number of assumptions and judgements which have been applied in determining the impact of IFRS 16 as well as the quantitative impact of the accounting standard, this is considered a key audit matter.	In responding to the identified key audit matter, our audit procedures included the following: • Assessment of the design and implementation of key controls pertaining to the implementation of IFRS 16; • Assessment, with support from internal valuation specialists, of the discount rate used by the directors in determining lease liabilities; • Assessment of the accuracy of the underlying lease data by agreeing a sample of leases to original contracts or other supporting information, and auditing the integrity and arithmetic accuracy of the IFRS 16 calculations for each lease sampled through recalculation of the expected IFRS 16 adjustment. To the extent assumptions were made regarding the lease term, we reviewed whether, in light of the market conditions and risks in the industry, the underlying assumptions are plausible and consistent with other assumptions made in the Group; • Considered completeness of the leases identified by the directors by investigating key service contracts to assess whether they contained a lease under IFRS 16; and • Assessed whether the disclosures within the consolidated financial statements are appropriate in light of the requirements of new accounting standard. Based on these procedures and after management considered and adjusted for our audit findings, we conclude that IFRS 16 has been appropriately implemented. We assessed the accuracy and completeness of the Group's disclosures of the impact of the adoption of new standard in notes 2.9 and 11 to the consolidated annual financial statements in terms of IFRS 16 and consider these disclosures to be appropriate.
Revenue recognition	
As discussed in note 2.1, the Group earned revenue of R18.8 billion (2019: R21.6 billion) from Hospital and Emergency Services as well as Primary Care services. The accuracy of amounts recorded as revenue is an inherent industry risk due to the complexity of billing rules, significant number of funder agreements and the complexity of tariff structures. In order to address this risk, a significant level of audit effort was applied to revenue.	In evaluating the appropriateness of the accuracy of revenue and responding to the key audit matter, we performed the following procedures: • Assessment of the design, implementation and operating effectiveness of the Group's controls over the tariff inputs in the revenue system; • Agreement of a sample of the tariff increases in the system to the agreed contracts with the funders; • Our IT specialists tested application controls over billing logic in the revenue application system; and • We verified a sample of patient files to confirm the occurrence and accuracy of the revenue recorded. Based on our testing, we concluded that the reported revenue was appropriate.

Independent auditor's report continued

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Netcare Limited Consolidated and Separate Annual Financial Statements 2020", which includes the Certificate by the company secretary, the Directors' report, the Audit committee report as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the Integrated Annual Report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

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

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

Deloitte & Touche

Deloitte & Touche
Registered Auditor
Per: Graeme Berry
Partner
20 November 2020

Deloitte & Touche
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Waterfall
2090

Group statement of profit or loss

for the year ended 30 September

Rm	Notes	2020	2019
Revenue	2.1	**18 843**	21 589
Cost of sales		**(9 810)**	(10 653)
Gross profit		**9 033**	10 936
Other income – excluding items below		**386**	446
Administrative and other expenses – excluding items below[1]		**(7 752)**	(7 619)
Impairment of financial assets[1]		**(274)**	(123)
Operating profit before items below		**1 393**	3 640
Profit on disposal of investment in associate	10	**522**	—
Share-based payment expense on B-BBEE transaction		**(348)**	—
Realisation of foreign currency translation reserve		**—**	128
Operating profit	2.2	**1 567**	3 768
Investment income	3.3	**156**	172
Finance costs	3.4	**(1 031)**	(656)
Other financial losses – net	6.3	**(18)**	(2)
Attributable earnings of associates		**20**	29
Attributable earnings of joint ventures		**36**	46
Profit before taxation		**730**	3 357
Taxation	2.4	**(291)**	(879)
Profit for the year		**439**	2 478
Attributable to:			
Owners of the parent		**392**	2 393
Preference shareholders		**54**	54
Profit attributable to shareholders		**446**	2 447
Non-controlling interest		**(7)**	31
		439	2 478
Cents			
Basic earnings per share	2.3	**28.3**	176.7
Diluted earnings per share	2.3	**28.1**	175.0

1. *Impairment of financial assets is re-presented on the face of the statement of profit or loss. This is for disclosure comparability and enhancement purposes. The value disclosed in administrative and other expenses in the prior year was reduced as a result.*

Group statement of comprehensive income

for the year ended 30 September

Rm	Notes	2020	2019
Profit for the year		**439**	2 478
Items that will not subsequently be reclassified to profit or loss		**(14)**	66
Remeasurement of defined benefit obligation		**50**	91
Fair value adjustment on equity investments		**(50)**	—
Taxation on items that will not subsequently be reclassified to profit or loss		**(14)**	(25)
Items that may subsequently be reclassified to profit or loss		**(55)**	(161)
Effect of cash flow hedge accounting		**(82)**	(44)
Amortisation of cash flow hedge accounting reserve	6.3	**86**	5
Change in the fair value of cash flow hedges	6.3	**(168)**	(49)
Effect of translation of foreign entities		**—**	(1)
Realisation of foreign currency translation reserve		**4**	(128)
Taxation on items that may subsequently be reclassified to profit or loss		**23**	12
Other comprehensive income for the year	8.5	**(69)**	(95)
Total comprehensive income for the year		**370**	2 383
Attributable to:			
Owners of the parent		**323**	2 298
Preference shareholders		**54**	54
Non-controlling interest		**(7)**	31
		370	2 383

Group statement of financial position

as at 30 September

Rm	Notes	2020	2019
ASSETS			
Non-current assets			
Property, plant and equipment	2.8	12 665	12 541
Right of use assets	2.9	3 755	—
Goodwill	2.11	1 606	1 606
Intangible assets	2.10	198	175
Investment in joint ventures	9.1	213	259
Investment in associates	9.2	378	476
Loans and receivables	9.3	158	289
Financial assets	6.1	77	5
Deferred lease assets		32	28
Deferred taxation	2.5	812	512
Total non-current assets		**19 894**	**15 891**
Current assets			
Loans and receivables	9.3	154	122
Inventories	5.2	1 206	564
Trade and other receivables	5.1	3 102	2 837
Taxation receivable		138	43
Cash and cash equivalents	3.2	1 450	1 732
		6 050	5 298
Assets classified as held for sale	10	—	226
Total current assets		**6 050**	**5 524**
Total assets		**25 944**	**21 415**
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary share capital	8.1	4 297	4 334
Treasury shares	8.2	(3 851)	(3 853)
Other reserves		783	447
Retained earnings		7 894	8 611
Equity attributable to owners of the parent		9 123	9 539
Preference share capital and premium	8.3	644	644
Non-controlling interest	8.4	32	52
Total shareholders' equity		**9 799**	**10 235**
Non-current liabilities			
Long-term debt	3.1	6 761	5 061
Long-term lease liabilities		3 546	—
Financial liabilities	6.2	64	44
Post-employment healthcare benefit obligations	4.2	469	487
Deferred lease liabilities		—	54
Deferred taxation	2.5	288	238
Total non-current liabilities		**11 128**	**5 884**
Current liabilities			
Trade and other payables	5.3	3 230	3 462
Short-term debt	3.1	1 108	1 780
Short-term lease liabilities		499	—
Financial liabilities	6.2	115	26
Taxation payable		61	23
Bank overdrafts	3.2	4	5
Total current liabilities		**5 017**	**5 296**
Total equity and liabilities		**25 944**	**21 415**

Group statement of cash flows

for the year ended 30 September

Rm	Notes	2020	2019
Cash flows from operating activities			
Cash received from customers		**18 409**	21 890
Cash paid to suppliers and employees		**(16 917)**	(17 002)
Cash generated from operations	2.6	**1 492**	4 888
Interest paid on debt		**(580)**	(602)
Interest paid on lease liabilities		**(367)**	—
Taxation paid	2.7	**(601)**	(967)
Ordinary dividends paid by subsidiaries		**(11)**	(21)
Ordinary dividends paid		**(860)**	(1 454)
Special dividends paid		**—**	(542)
Preference dividends paid		**(54)**	(54)
Distribution paid to beneficiaries of the HPFL B-BBEE[1] trusts		**(11)**	(26)
Net cash from operating activities		**(992)**	1 222
Cash flows from investing activities			
Acquisition of property, plant and equipment	2.8	**(961)**	(1 378)
Additions to intangible assets	2.10	**(38)**	(51)
Proceeds on disposal of property, plant and equipment and intangible assets		**38**	193
Proceeds on disposal of investment in associate	10	**778**	—
Payments for investments and loans		**(4)**	(66)
Interest received		**156**	172
Dividends received		**89**	8
Cash and cash equivalents of businesses deconsolidated		**—**	(3)
Net cash from investing activities		**58**	(1 125)
Cash flows from financing activities			
Proceeds on disposal of treasury shares		**2**	22
Purchase of ordinary shares		**(251)**	(458)
Debt raised	3.1.1	**3 621**	2 748
Debt repaid	3.1.1	**(2 575)**	(2 050)
Acquisition of non-controlling interests		**(2)**	—
Proceeds from issue of shares to non-controlling interests		**—**	3
Payment of principal elements of lease liabilities		**(142)**	—
Net cash from financing activities		**653**	265
Net (decrease)/increase in cash and cash equivalents		**(281)**	362
Cash and cash equivalents at the beginning of the year		**1 727**	1 365
Cash and cash equivalents at the end of the year		**1 446**	1 727

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

Group statement of changes in equity

for the year ended 30 September

Rm	Ordinary share capital	Treasury shares	Cash flow hedge accounting reserve	Foreign currency translation reserve
Balance at 1 October 2018	4 391	(3 871)	(15)	112
Shares purchased and cancelled during the year[1]	(57)	—	—	—
Sale of treasury shares	—	18	—	—
Reclassification of investment fair value reserve to retained earnings	—	—	—	—
Reclassification of reserves	—	—	—	13
Share-based payment reserve movements	—	—	—	—
Written put option over non-controlling interest	—	—	—	—
Tax recognised in equity	—	—	—	—
Preference dividends paid	—	—	—	—
Ordinary dividends paid[2]	—	—	—	—
Special dividends paid	—	—	—	—
Distributions to beneficiaries of the HPFL B-BBEE[3] trusts	—	—	—	—
Changes in equity interest in subsidiaries	—	—	—	—
Total comprehensive income for the year	—	—	(32)	(129)
Profit for the year	—	—	—	—
Other comprehensive income	—	—	(32)	(129)
Balance at 1 October 2019	**4 334**	**(3 853)**	**(47)**	**(4)**
Shares purchased and cancelled during the year[1]	**(37)**	**—**	**—**	**—**
Sale of treasury shares	**—**	**2**	**—**	**—**
Share-based payment reserve movements	**—**	**—**	**—**	**—**
Tax recognised in equity	**—**	**—**	**—**	**—**
Preference dividends paid	**—**	**—**	**—**	**—**
Ordinary dividends paid[2]	**—**	**—**	**—**	**—**
Distributions to beneficiaries of the HPFL B-BBEE[3] Trusts	**—**	**—**	**—**	**—**
Changes in equity interests in subsidiaries	**—**	**—**	**—**	**—**
Total comprehensive income for the year	**—**	**—**	**(59)**	**4**
Profit for the year	**—**	**—**	**—**	**—**
Other comprehensive income	**—**	**—**	**(59)**	**4**
Balance at 30 September 2020	**4 297**	**(3 851)**	**(106)**	**—**
Notes	8.1	8.2		

1. Refer to note 8.1 for details of the shares purchased and cancelled.
2. Refer to note 8.1 for detail of the ordinary dividends paid.
3. Health Partners for Life Broad-based Black Economic Empowerment.

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
90	448	8 526	9 681	644	50	10 375
—	—	(401)	(458)	—	—	(458)
—	—	3	21	—	—	21
(90)	—	90	—	—	—	—
—	—	(13)	—	—	—	—
—	50	—	50	—	—	50
—	—	(9)	(9)	—	—	(9)
—	—	(9)	(9)	—	—	(9)
—	—	—	—	(54)	—	(54)
—	—	(1 454)	(1 454)	—	(21)	(1 475)
—	—	(542)	(542)	—	—	(542)
—	—	(30)	(30)	—	—	(30)
—	—	(9)	(9)	—	(8)	(17)
—	—	2 459	2 298	54	31	2 383
—	—	2 393	2 393	54	31	2 478
—	—	66	(95)	—	—	(95)
—	**498**	**8 611**	**9 539**	**644**	**52**	**10 235**
—	**—**	**(214)**	**(251)**	**—**	**—**	**(251)**
—	**—**	**—**	**2**	**—**	**—**	**2**
—	**391**	**—**	**391**	**—**	**—**	**391**
—	**—**	**(11)**	**(11)**	**—**	**—**	**(11)**
—	**—**	**—**	**—**	**(54)**	**—**	**(54)**
—	**—**	**(860)**	**(860)**	**—**	**(11)**	**(871)**
—	**—**	**(11)**	**(11)**	**—**	**—**	**(11)**
—	**—**	**1**	**1**	**—**	**(2)**	**(1)**
—	**—**	**378**	**323**	**54**	**(7)**	**370**
—	**—**	**392**	**392**	**54**	**(7)**	**439**
—	**—**	**(14)**	**(69)**	**—**	**—**	**(69)**
—	**889**	**7 894**	**9 123**	**644**	**32**	**9 799**
				8.3	8.4	

Index

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

Notes to the Group annual financial statements

for the year ended 30 September 2020

1. Accounting framework and critical judgements

1.1 Basis of preparation

The Group and Company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and comply with the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council (FRSC), the requirements of the Companies Act and the JSE Listings Requirements.

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

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

The Group and Company financial statements have been prepared on the historical cost basis, except for the following material items included in the statement of financial position that are measured as described below:
- Derivative financial instruments are measured at fair value; and
- Post-employment healthcare benefit obligations are measured in terms of the projected unit credit method.

Operating activities

The activities of the Group's operating segments are described below:
- **Hospital and emergency services**
  This segment is further disaggregated into Hospital and pharmacy operations covering our private acute hospital network which includes day clinics, and non-acute services. The non-acute services include emergency medical services, the operation of private mental health clinics as well as cancer care services.

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

1.2 Going concern

Since the emergence of COVID-19 in South Africa in early March 2020, trading circumstances have changed dramatically, resulting in increased levels of uncertainty prevalent in the global and domestic economies, the healthcare sector and Netcare specifically. This heightened uncertainty has predicated a need to consider, in line with remodelled existing forecasts, the going concern assertion applicable to the Group and Company.

COVID-19 has had a significant negative impact on the Group and Company's performance for the current financial year. However, Netcare remains in a healthy financial position with acceptable levels of gearing as reflected by its net debt to EBITDA coverage of 3.1 times (pre-IFRS 16) at 30 September 2020. Available committed undrawn facilities amount to R4.2 billion which will ensure the availability of liquidity for the foreseeable future. Netcare has secured a waiver of its covenant testing for the September 2020 period as well as for the March 2021 period. The budgets prepared for the 2021 and 2022 years indicate a recovery from the impact of COVID-19 during the first half of 2021, and an improved second half with no indicators of a covenant breach at September 2021. On this basis the Board is confident in the Group and Company's ability to continue as a going concern for the foreseeable future.

Notes to the Group annual financial statements continued

1. Accounting framework and critical judgements continued

1.3 Accounting policies

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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 2019, except for the changes noted in note 11 relating to the adoption of IFRS 16: *Leases*. In addition to IFRS 16 the Group has adopted the following interpretations and amendments which have not had a material impact on the current year results:

- IFRIC 23: *Uncertainty over Income Tax Treatments*
- Amendment to IFRS 16: *COVID-19 Related Rent Concessions*
- Amendment to IAS 28: *Long term interests in Associates and Joint Ventures*

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

No other new, revised or amended standards were implemented during the financial reporting period ended 30 September 2020.

1.4 Critical accounting judgements, estimates and assumptions

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Critical accounting judgements

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

Refer to note 2.5, Deferred taxation and note 2.9, Leases, for judgements that have been made in the process of applying the Group's accounting policies in relation to the recognition of deferred tax assets and extension periods on leases respectively.

Key sources of estimation uncertainty

Impairment of assets and future cash flows

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

In early January 2020, COVID-19 emerged in Wuhan, China. In March 2020, the World Health Organisation declared the virus a pandemic, as transmission had become widespread worldwide. In spite of the measures taken by the various Health Ministries to contain the virus, the outbreak has affected economic activity across the globe, with uncertain implications for financial reporting. Management has incorporated the negative impact of COVID-19 into the cash flow forecasts prepared when testing for impairment on non-financial assets.

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

1.5 Events after the reporting period

Subsequent to year end, a decision was taken to dispose of the Ceres Hospital property, plant and equipment, consisting of land and buildings, and various moveable assets, mostly medical equipment (included in Hospital and pharmacy operations). Netcare owns 99.56% of the shares in Ceres Hospital Limited, and it is the intention to wind up the legal entity once the assets are sold.

An offer has been received, and is currently being considered. A due diligence will be performed before the sale can be finalised, but this is not unusual for a transaction of this nature, and is not expected to prolong the sale process beyond the next 12 months.

The directors are not aware of any other matters or circumstances arising since the end of the financial year, not otherwise dealt with in the Group's annual financial statements, which significantly affect the financial position at 30 September 2020 or the results of its operations or cash flows for the year then ended.

Notes to the Group annual financial statements continued

2. Investments and returns

2.1 Revenue

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

Revenue is derived from the following major categories:

Rm	2020	2019
Hospital and Emergency services	**18 232**	20 794
Hospital and pharmacy operations	**17 239**	19 706
Non-acute services	**993**	1 088
Primary Care		
Services	**611**	795
	18 843	21 589

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

Non-acute services includes emergency services, mental health and cancer care. In emergency services, which includes road and air emergency services, recognition occurs when the recoverability of revenue has been determined to be probable. At the time of delivery of the service, in an emergency situation, the counterparty has not entered into a contract. Revenue is recognised once the contract has been entered into with the patient, their next of kin or the medical aid of which the patient is a member. Invoices issued are payable on presentation.

Revenue from Primary Care services is recognised as the administration services to medical and dental practices are performed, or over a period of time as the patient is treated. The Group recognises revenue over the period of the patient's treatment, as and when the Group meets the performance obligations of the contract by rendering the services specified. The administration fees are settled as the underlying practices receive cash from their patients. The practices' invoices to patients are payable on presentation.

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

The disaggregation of revenue above is consistent with the revenue information disclosed for each reportable segment under IFRS 8: *Operating Segments* (refer to note 2.12.2).

2. **Investments and returns** continued

2.2 Operating profit

Rm	Notes	2020	2019[1]
Operating profit		**1 567**	3 768
After charging:			
Amortisation of intangible assets	2.10	**15**	11
Auditors' remuneration		**20**	23
Audit fees – current year		**15**	16
Audit fees – prior year		**4**	6
Other services		**1**	1
Depreciation		**1 150**	737
Depreciation of property, plant and equipment	2.8	**770**	737
Depreciation of right of use assets	2.9	**367**	—
Amortisation of cash flow hedge accounting reserve		**13**	—
Directors' emoluments		**32**	25
Executive directors paid by subsidiaries			
Basic remuneration, bonuses, retirement and medical benefits	4.1.3	**22**	15
Non-executive directors			
Consulting fees and fees for services as directors	4.1.3	**10**	10
Employee costs (excluding directors' emoluments)		**8 030**	7 631
Salaries and wages		**7 254**	7 206
Group retirement benefit contributions		**385**	375
Share-based payment expense on B-BBEE transaction		**348**	—
Share-based payment expenses		**43**	50
Impairment of investment in associate		**35**	5
Impairment of property, plant and equipment	2.8	**3**	7
Impairment of right of use assets	2.9	**1**	—
Impairment of financial assets		**274**	123
Movements in expected credit losses and bad debts related to trade and other receivables		**169**	104
Impairment of loans	9.3	**105**	19
Loss on disposal of investments		**—**	27
Loss on disposal of property, plant and equipment		**19**	5
Operating lease charges	2.9	**170**	629
Technical, managerial and secretarial services		**2**	3
After crediting:			
Fair value gain on investment[2]		**32**	5
Profit on disposal of property, plant and equipment		**11**	69
Profit on disposal of investments[3]		**522**	2
Property rental income		**285**	343

1. 2019 comparatives included for new line items added in 2020.
2. Included in other income.
3. The investment in associate classified as held for sale was disposed of in the current year. Refer to note 10 for further detail.

Notes to the Group annual financial statements continued

2. Investments and returns continued

2.3 Earnings per share

AP

Earnings per share is derived by dividing profit for the year by the weighted average number of shares in issue net of the Forfeitable Share Plan and HPFL B-BBEE Trust units. Appropriate adjustments are made in calculating diluted and headline earnings per share.

Diluted earnings per share reflects the potential dilution that could occur by taking into account the free portion if the shares of the Group's outstanding share options and HPFL B-BBEE trust units were exercised and converted into ordinary shares.

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

Headline earnings per share is calculated using the weighted average number of ordinary shares in issue during the year and is based on the earnings attributable to ordinary shareholders, after excluding those items as required by Circular 1/2019 issued by the South African Institute of Chartered Accountants (SAICA) as required by the JSE Limited.

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

Adjusted headline earnings represent headline earnings which have been adjusted for specific items of a non-trading and/or non-recurring nature, including:
- Gains or losses on financial instruments;
- Impairments and reversal of impairments on loans;
- Acquisition costs;
- Regulatory inquiry costs;
- Onerous lease provisions;
- Significant restructuring costs;
- New business development costs;
- Realisation of reserves through profit or loss;
- B-BBEE transaction costs;
- Changes in tax rates; and
- Other non-trading and /or non-recurring items.

Cents	2020	2019
Basic earnings per share	**28.3**	176.7
Diluted earnings per share	**28.1**	175.0
Headline (loss)/earnings per share	**(3.6)**	165.9
Diluted headline (loss)/earnings per share	**(3.6)**	164.3
Adjusted headline earnings per share	**32.5**	171.2
Diluted adjusted headline earnings per share	**32.3**	169.5

2. Investments and returns continued

2.3 Earnings per share continued

Million	2020	2019
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	**1 336**	1 345
Potential dilutive effect of employee share options and HPFL B-BBEE Trust units[1]	**7**	13
Forfeitable Share Plan	**—**	6
HPFL B-BBEE Trust units	**7**	7
Diluted weighted average number of shares	**1 343**	1 358

1. *The forfeitable share plan options and the 2020 allocation of HPFL B-BBEE trust units were not included in the calculation of diluted earnings per share because they are anti-dilutive in the current year.*

Rm	2020	2019
Basic earnings per share		
The profit used in the calculation of basic earnings per share is as follows:		
Profit for the year	**439**	2 478
Adjusted for:		
Dividends paid on shares attributable to the Forfeitable Share Plan and HPFL B-BBEE Trust units	**(14)**	(16)
Preference shareholders	**(54)**	(54)
Non-controlling interest	**7**	(31)
Profit for the purposes of basic and diluted earnings per share	**378**	2 377

Notes to the Group annual financial statements continued

2. Investments and returns continued

2.3 Earnings per share continued

Rm	Gross pre tax and non-controlling interests 2020	Net 2020	Gross pre tax and non-controlling interests 2019	Net 2019
Headline (loss)/earnings				
Headline earnings are determined as follows:				
Earnings used in the calculation of basic earnings per share	**669**	**378**	3 221	2 377
Adjusted for:				
Recognition of impairment of investment in associate	**35**	**35**	5	5
Realisation of foreign currency translation reserve	**4**	**4**	(128)	(128)
Recognition of impairment of property, plant and equipment	**3**	**3**	7	7
Recognition of impairment of right of use assets	**1**	**1**	—	—
Loss on disposal of property, plant and equipment	**19**	**13**	5	4
Profit on disposal of property, plant and equipment and intangible assets	**(11)**	**(8)**	(69)	(59)
Loss on disposal of subsidiary	**—**	**—**	27	27
Profit on disposal of subsidiary	**—**	**—**	(2)	(2)
Profit on disposal of investment in associate	**(522)**	**(474)**	—	—
Headline (loss)/earnings	**198**	**(48)**	3 066	2 231

2. **Investments and returns** continued

2.3 **Earnings per share** continued

Rm	**Gross pre tax and non-controlling interests 2020**	**Net 2020**	Gross pre tax and non-controlling interests 2019	Net 2019
Adjusted headline earnings				
Adjusted headline earnings are determined as follows:				
Headline (loss)/earnings	**198**	**(48)**	3 066	2 231
Adjusted for:				
Amortisation of cash flow hedge accounting reserve	**17**	**12**	5	4
Fair value losses on derivative financial instruments	**—**	**—**	1	1
De-designation of a portion of a hedging instrument	**16**	**12**	—	—
Ineffectiveness losses/(gains) on cash flow hedges	**2**	**1**	(4)	(3)
Health Market Inquiry	**—**	**—**	34	25
Recognition of loan impairment	**105**	**105**	19	19
Restructure costs incurred by Netcare in respect of BMI Healthcare	**1**	**1**	13	9
Share-based payment expense on B-BBEE transaction	**348**	**348**	—	—
Associate restructure costs	**4**	**3**	—	—
Restructure costs incurred by Hospital Division	**—**	**—**	22	16
Adjusted headline earnings	**691**	**434**	3 156	2 302

Notes to the Group annual financial statements continued

2. Investments and returns continued

2.4 Taxation

Rm	2020	2019
South African normal taxation		
Current year	**(522)**	(900)
Prior years	**(4)**	9
Capital gains tax	**—**	(9)
	(526)	(900)
Foreign taxation		
Current year	**(7)**	(11)
Prior years	**—**	—
Income tax	**(533)**	(911)
South African deferred taxation		
Current year	**229**	25
Prior years	**11**	6
	240	31
Foreign deferred taxation		
Current year	**2**	1
	2	1
Deferred taxation	**242**	32
Total taxation per statement of profit or loss	**(291)**	(879)
Reconciliation of effective taxation rate (%)		
South African normal tax rate	**28.0**	28.0
Adjusted for:		
Deductible temporary differences and assessed losses not recognised	**10.0**	(0.1)
Capital gains tax	**—**	0.3
Net non-taxable income and allowances	**2.4**	(0.5)
Consulting fees	**0.8**	0.3
Legal fees	**0.1**	—
Donations	**0.5**	0.1
Non-deductible depreciation	**1.3**	0.2
Earnings from associates and joint ventures	**(2.1)**	(0.6)
Impairments and fair value adjustments	**4.3**	—
Profit on sale of investment in associate	**(13.7)**	—
Share-based payment expense on B-BBEE transaction	**13.4**	—
Learnership allowances	**(1.1)**	(0.6)
Other	**(1.1)**	0.1
Profit on loss of control	**—**	(1.1)
Prior years' taxation	**(0.9)**	(0.5)
Different trust tax rates	**0.4**	0.1
Effective taxation rate	**39.9**	26.2

2. Investments and returns continued

2.4 Taxation continued

Rm	2020	2019
Estimated taxation losses		
Unused tax losses available for set-off against future taxable income	**1 452**	486
Utilised against the deferred tax balance	**1 137**	332
Not recognised as a deferred tax asset	**315**	154

2.5 Deferred taxation

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.

Rm	Note	2020	2019
Reconciliation of movement			
Balance at beginning of year		**274**	237
Current year charge:			
Per the statement of profit or loss	2.4	**242**	32
Amounts recognised in other comprehensive income		**9**	(13)
Amounts recognised directly in equity		**—**	10
(Acquisitions)/disposals		**(1)**	8
Balance at end of year		**524**	274
Comprising:			
Deferred tax assets		**812**	512
Deferred tax liabilities		**(288)**	(238)
		524	274

EJ

The deferred tax assets include amounts relating to two start-up phase subsidiary companies, which are making losses at this early stage. The Group has assessed the future profitability of these two entities and concluded that the deferred tax assets arising from deductible temporary differences and tax losses will be recoverable using the estimated future taxable income based on approved business plans and forecasts for the subsidiaries. The forecasts and business plans were benchmarked against existing similar business units to substantiate the likelihood of generating future taxable profits.

In terms of the deferred tax assets relating to established business units, a shorter forecast period was used to assess the future profitability using approved business plans and forecasts.

The unutilised tax loss that is available to set off against future taxable profits includes an amount relating to the Group's largest hospital entity and equates to R743 million (tax effect: R208 million). This is the first year in which this company is loss making, largely due to the COVID-19 impact on operations. The company has a long history of profitability and is expected to return to profitability in the 2021 financial year. The raising of the deferred tax asset is based on approved budgets and forecasts.

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

Notes to the Group annual financial statements continued

2. Investments and returns continued

2.5 Deferred taxation continued

Rm	Balance at beginning of year	Recognised in profit or loss
2020		
Property, plant and equipment	**(289)**	**(13)**
Right of use assets	**—**	**(1 051)**
Lease liability	**—**	**1 133**
Prepayments	**(9)**	**(1)**
Allowance for doubtful debts	**65**	**(5)**
Post-employment benefit obligations	**137**	**9**
Payroll accruals and provisions	**212**	**2**
Deferred lease liabilities/derivatives	**21**	**(21)**
Calculated tax losses	**94**	**225**
Financial instruments	**17**	**7**
Other temporary differences	**26**	**(44)**
	274	**241**

Rm	Balance at beginning of year	Recognised in profit or loss
2019		
Property, plant and equipment	(250)	(47)
Prepayments	(16)	7
Allowance for doubtful debts	50	5
Post-employment benefit obligations	150	12
Payroll accruals and provisions	189	23
Deferred lease liabilities/derivatives	15	6
Calculated tax losses	72	22
Financial instruments	4	1
Other temporary differences	23	3
	237	32

Recognised in other comprehensive income	Acquisitions/ disposals	Balance at end of year
—	**—**	**(302)**
—	**—**	**(1 051)**
—	**—**	**1 133**
—	**—**	**(10)**
—	**—**	**60**
(14)	**—**	**132**
—	**—**	**214**
—	**—**	**—**
—	**—**	**319**
23	**—**	**47**
—	**—**	**(18)**
9	**—**	**524**

Recognised in other comprehensive income	Recognised directly in equity	Acquisitions/ disposals	Balance at end of year
—	—	8	(289)
—	—	—	(9)
—	10	—	65
(25)	—	—	137
—	—	—	212
—	—	—	21
—	—	—	94
12	—	—	17
—	—	—	26
(13)	10	8	274

Notes to the Group annual financial statements continued

2. Investments and returns continued

2.6 Cash generated from operations

Rm	Notes	2020	2019[1]
Operating profit		**1 567**	3 768
Adjustments for:			
Amortisation of intangible assets	2.10	**15**	11
Depreciation of property, plant and equipment	2.8	**770**	737
Depreciation of right of use assets	2.9	**367**	—
Amortisation of cash flow hedge accounting reserve		**13**	—
Profit on disposal of property, plant and equipment and intangible assets	2.2	**(11)**	(69)
Loss on disposal of property, plant and equipment and intangible assets	2.2	**19**	5
Impairment of property, plant and equipment	2.8	**3**	7
Impairment of right of use assets	2.9	**1**	—
Realisation of foreign currency translation reserve		**4**	(128)
Movements in expected credit losses and bad debts related to trade and other receivables		**169**	104
Recognition of loan impairments		**105**	19
Recognition of impairment of associate		**35**	5
Loss on disposal of investments in subsidiaries (net)		**—**	25
Profit on disposal of investment in associate		**(522)**	—
Increase in deferred lease liabilities		**—**	3
Share-based payment expense	4.3	**391**	50
Fair value gains on investments	2.2	**(32)**	(5)
Other non-cash flow items		**(7)**	(16)
Cash generated from operations before working capital changes		**2 887**	4 516
(Increase)/decrease in trade and other receivables		**(434)**	246
(Increase)/decrease in inventories		**(642)**	25
(Decrease)/increase in trade and other payables		**(319)**	101
		1 492	4 888

1. 2019 amended by adjusting movement in expected credit losses and bad debts related to trade and other receivables and decrease in trade and other receivables to provide additional information.

2.7 Taxation paid

Rm	2020	2019
Amounts (receivable)/payable at beginning of year (net)	**(20)**	27
Charge per the statement of profit or loss (excluding deferred taxation)	**533**	911
Other taxation movements through equity	**11**	9
Amounts receivable at end of year (net)	**77**	20
	601	967

2. Investments and returns continued

2.8 Property, plant and equipment

AP

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

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

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

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

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

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

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

The assumptions regarding estimated useful lives for the 2020 financial year were as follows:

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

Notes to the Group annual financial statements continued

2. Investments and returns continued

2.8 Property, plant and equipment continued

Rm	Freehold and leasehold land and buildings	Assets under construction	Computer equipment
1 October 2018	8 977	528	204
Additions	42	623	77
Disposals	(27)	(2)	—
Depreciation	(116)	—	(94)
Recognition of impairment	(7)	—	—
Transfers between categories	754	(764)	9
Deconsolidation of subsidiary	(85)	(44)	—
30 September 2019	9 538	341	196
Additions	**33**	**450**	**40**
Disposals	**(14)**	**(4)**	**(2)**
Depreciation	**(120)**	**—**	**(94)**
Recognition of impairment	**(3)**	**—**	**—**
Transfer to right of use assets	**—**	**—**	**—**
Transfers between categories	**306**	**(319)**	**7**
Carrying value at 30 September 2020	**9 740**	**468**	**147**

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

Furniture and equipment	Medical equipment	Motor vehicles	Plant and machinery	Total
175	2 171	28	15	12 098
47	570	16	3	1 378
(2)	(25)	(6)	—	(62)
(60)	(456)	(7)	(4)	(737)
—	—	—	—	(7)
(6)	7	—	—	—
—	—	—	—	(129)
154	2 267	31	14	12 541
42	**383**	**7**	**6**	**961**
(2)	**(23)**	**—**	**(1)**	**(46)**
(57)	**(491)**	**(5)**	**(3)**	**(770)**
—	**—**	**—**	**—**	**(3)**
—	**—**	**(18)**	**—**	**(18)**
7	**4**	**(2)**	**(3)**	**—**
144	**2 140**	**13**	**13**	**12 665**

Notes to the Group annual financial statements continued

2. Investments and returns continued

2.8 Property, plant and equipment continued

Rm	Cost	Accumulated depreciation and impairments	Carrying value
2020			
Freehold and leasehold land and buildings	**11 112**	**(1 372)**	**9 740**
Assets under construction	**468**	**—**	**468**
Computer equipment	**652**	**(505)**	**147**
Furniture and equipment	**367**	**(223)**	**144**
Medical equipment	**5 260**	**(3 120)**	**2 140**
Motor vehicles	**25**	**(12)**	**13**
Plant and machinery	**32**	**(19)**	**13**
Net carrying value	**17 916**	**(5 251)**	**12 665**
2019			
Freehold and leasehold land and buildings	10 836	(1 298)	9 538
Assets under construction	341	—	341
Computer equipment	669	(473)	196
Furniture and equipment	369	(215)	154
Medical equipment	5 077	(2 810)	2 267
Motor vehicles	42	(11)	31
Plant and machinery	31	(17)	14
Net carrying value	17 365	(4 824)	12 541

Fair value – Land and Buildings

The Netcare 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 R9.7 billion as at 30 September 2020. 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 R25.3 billion as at 30 September 2018. The fair value of properties with operating facilities was determined using the capitalisation of income approach or other relevant income approach methodologies, 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:

- Capitalisation rate of between 9.0% and 11.75%.
- The valuation exercise has assumed fair value in continuation of existing use is the highest and best use of the buildings.
- 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.
- The Group has assumed:
  - There is full compliance with all applicable state and local environmental regulations and laws, and that the site is free of any noxious waste that could affect value.
  - There are no hidden or unapparent conditions of the properties, subsoil or structures that render them more or less valuable.
  - All applicable zoning and use regulations and restrictions have been complied with.
  - All required licenses, certificates of occupancy, consents, or other legislative or administrative 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.
  - The utilisation of the land and improvements is within the boundaries or property lines of the property description and there is no encroachment or trespass.

2. Investments and returns continued

2.8 Property, plant and equipment continued

Fair value – Land and Buildings continued

Relationship of unobservable inputs to fair value

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

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Impairment losses recognised in the year

An impairment loss is recognised to the extent by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use.

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

- Latest management budgets for the period from 1 October 2020 to 30 September 2021, using key assumptions concerning caseload volume, payor and case mix, tariff changes, general inflation and staffing cost movements.

Capitalisation rates range between 9.0% – 11.75% per annum.

Based on the calculations performed, the recoverable amount for a Mental Health clinic was lower than the carrying value, and an impairment loss of R3 million (2019: R7 million) was recognised in administrative and other expenses.

Borrowing costs

Borrowing costs of R19 million (2019: R32 million) were capitalised during the year and are included in the "Additions" disclosed. These costs have also been reflected under investing activities in the statement of cash flows. The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation range from prime to prime less 1% on the majority of the properties, and one property utilising a fixed amount of 12%.

Security

Property, plant and equipment with a carrying value of Rnil (2019: R31 million) has been encumbered as security for debt. Refer to note 3.1.1 for more details.

Notes to the Group annual financial statements continued

2.9 Leases

AP

The Group assesses whether a contract is, or contains, a lease upon inception. A contract is, or contains, a lease if it conveys the right to control an identifiable asset for a period of time in exchange for consideration. Prior to the adoption of IFRS 16: *Leases*, the Group only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under IAS 17: *Leases.* The assets were presented in property, plant and equipment and the liabilities as part of the Group's borrowings. For adjustments recognised on adoption of IFRS 16 on 1 October 2019, please refer to note 11.

The Group's leasing activities and accounting treatment

The Group leases property, vehicles and aircraft. Rental contracts range from 1 year to 30 years with extension options available. The extension period has been included in the lease term on contracts where the Group is reasonably certain it will exercise the option to extend. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants.

EJ

Critical judgements in determining the lease term

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

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

2.9 Leases continued

AP

Measurement of lease liabilities
Lease liabilities are initially measured at the net present value of the lease payments, including payments to be made under reasonably certain extension options. The lease payments are discounted using the incremental borrowing rate (IBR). The IBR is determined using a 3-month JIBAR swap rate adjusted for the following:
- credit spread;
- the term of the lease; and
- the risk associated with the category and location of the leased asset.

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

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

Measurement of right of use assets
Right of use assets are initially measured at the initial amount of the corresponding lease liability. Deferred lease liabilities which existed at 30 September 2019 have been written off against the right of use asset.

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

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

The key assumptions used in the value in use calculations are as follows:
- The latest management budgets for the period from 1 October 2020 to 30 September 2021, using key assumptions concerning caseload volume, payor and case mix, tariff changes, general inflation and staffing cost movements.

Based on the calculations performed, the recoverable amount for an acute hospital was lower than the carrying value, and an impairment loss of R1 million was recognised in administrative and other expenses.

Notes to the Group annual financial statements continued

2.9 Leases continued

Rm	Properties	Vehicles	Aircraft	Total
Balance at 1 October 2019	3 828	49	55	3 932
Additions	170	31	42	243
Depreciation	(306)	(30)	(31)	(367)
Recognition of impairment	(1)	—	—	(1)
De-recognition	(30)	(6)	(16)	(52)
Balance at 30 September 2020	3 661	44	50	3 755

AP

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

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

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

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

Rm	30 September 2020
Short-term leases	38
Low-value leases	19
Variable and activity-based rentals	115
COVID-19 related rent concessions credits	(2)
Total	170

Lease expenses recognised in the statement of profit or loss under IAS 17

Rm	30 September 2019
Land and buildings and other	601
Motor vehicles	28
Total	629

2.9 Leases continued

AP

As a direct result of the COVID-19 pandemic during 2020, some landlords provided rent concessions to lessees. Due to the difficulty of accounting for these rent concessions as lease modifications under IFRS 16, the International Accounting Standards Board published an amendment to provide practical relief to lessees. The amendment provided an optional exemption to lessees from assessing whether COVID-19-related rent concessions were lease modifications, and allowed such concessions to be accounted for as if they were not lease modifications.

The practical expedient applied only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions were met:

- The change in lease payments resulted in a revised consideration for the lease that was substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- Any reduction in lease payments affected only payments originally due on or before 30 June 2021; and
- There was no substantive change to other terms and conditions of the lease.

The amendment applied to annual reporting periods beginning on or after 1 June 2020. However, earlier application was permitted, including in financial statements, interim or annual, not yet authorised for issue at 28 May 2020.

The Group elected to apply this practical expedient early and met all the conditions noted above. A total of 11 leases recorded concessions during the year, none of which contractually extend beyond 30 June 2021.

Maturity analysis of undiscounted lease payments

Rm	Total	< 1 year	1 – 5 years	> 5 years
Property	13 637	817	2 964	9 856
Vehicles	67	46	21	—
Aircraft	85	59	26	—
Total	13 789	922	3 011	9 856

2.10 Intangible assets

AP

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

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

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. Amortisation has been included in operating profit.

The assumptions regarding estimated useful lives for the 2020 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 value of contracts with third parties to operate hospital facilities.

The closing balance of development expenditure in 2020 includes software related to CareOn (electronic patient health records), as well as clinical intellectual property in the Mental health division.

Notes to the Group annual financial statements continued

2. Investments and returns continued

2.10 Intangible assets continued

Rm	Management contracts and other	Software	Development expenditure	Total
2020				
Net carrying value				
Cost	**55**	**200**	**93**	**348**
Accumulated amortisation and impairment losses	**(14)**	**(136)**	**—**	**(150)**
	41	**64**	**93**	**198**
Movement in the carrying value				
Carrying value at 1 October 2019	**43**	**69**	**63**	**175**
Additions – internally developed	**—**	**8**	**30**	**38**
Amortisation	**(2)**	**(13)**	**—**	**(15)**
Carrying value at 30 September 2020	**41**	**64**	**93**	**198**
2019				
Net carrying value				
Cost	55	192	63	310
Accumulated amortisation and impairment losses	(12)	(123)	—	(135)
	43	69	63	175
Movement in the carrying value				
Carrying value at 1 October 2018	28	71	36	135
Additions – internally developed	—	—	51	51
Amortisation	(2)	(9)	—	(11)
Transfers between categories	17	7	(24)	—
30 September 2019	43	69	63	175

No borrowing costs were capitalised during the 2020 and 2019 years.

2. Investments and returns continued

2.11 Goodwill

Rm	2020	2019
Net carrying value		
Cost	**1 639**	1 639
Accumulated impairment losses	**(33)**	(33)
	1 606	1 606
The movement in carrying value of goodwill is as follows:		
Balance at beginning of year	**1 606**	1 614
Deconsolidation of subsidiary	**—**	(8)
Balance at end of year	**1 606**	1 606

AP

Goodwill impairment testing

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

Goodwill is considered for impairment annually.

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

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

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

Rm	2020	2019
Hospital operations	**504**	504
Primary Care operations	**166**	166
Mental health operations	**936**	936
	1 606	1 606

Notes to the Group annual financial statements continued

2. Investments and returns continued

2.11 Goodwill continued

EJ

Hospital, Primary Care and Mental health operations

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

- The future projected cash flows are based on management's forecast for the five-year period from 1 October 2020 to 30 September 2025. Key assumptions applied in the cash flow forecasts include activity and tariff changes, salary increases and inflation. The forecasts have also considered the impact of COVID-19 on the business, and each CGU expects to recover to pre-COVID-19 levels at different stages over the forecast period.
- The pre-tax weighted average cost of capital (WACC) for Hospital operations of 15.7% (2019: 13.5%), Primary Care operations of 13.5% (2019: 13.3%) and for Mental health of 14.7% (2019: 13.4%) has been calculated.
- The pre-tax WACC has been informed by the Group post-tax WACC of 12.0% (2019: 11.0%). This post-tax WACC has been calculated by an independent entity based on current market assessments of the optimal capital structure, cost of debt and cost of equity.
- Long-term growth rate of 5.1% (2019: 5.5%).

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

Management have considered COVID-19 and the measures taken to control it in arriving at estimates of future cash flows and discount rates used in determining the value for each CGU.

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

Assumption	Approach used to determine values
Activity	Average annual growth rate over the five-year forecast period is based on past performance and management's expectations of healthcare market development. Slower growth is expected in the earlier years as the business recovers from the impact of COVID-19. Towards the end of the forecast period, activity is bolstered by the impact of certain strategic initiatives.
Tariff changes	Guidance obtained from the Netcare Tariff Committee, based on past experience with funders and the outcome of ongoing tariff negotiations, taking into consideration both historic and forward looking average inflation rates.
Salary increases	Management forecasts salary cost increases based on the current structure of the business, adjusting for inflationary increases but not reflecting any possible future restructuring or cost saving measures.
Inflation	Management forecast inflation using guidance obtained from local banks on their long term inflation forecasts for the country.
Growth rate	This is the weighted average growth rate used to extrapolate cash flows beyond the budget period. In the current period this represents the long-term inflation outlook using guidance from local banks. Due to current economic uncertainty and the possible long-term impact of COVID-19, we have assumed growth equal to inflation into perpetuity. Once the benefits of our various strategic initiatives are proven they will be incorporated into long-term forecasts and this growth will be reassessed.
Pre-tax discount rates	Reflect specific risks relating to the relevant segments.

2. Investments and returns continued

2.12 Segment report

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

2.12.1 Measurement of segment performance and allocation of resources

AP

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

- Hospital and Emergency services, further disaggregated into Hospital and pharmacy operations, and non-acute services which includes the provision of emergency services, mental health services and cancer care. Effective 1 October 2019, 15 Medicross day clinics were integrated into the Hospital operations. The results of these day clinics are therefore included in Hospital and pharmacy operations. In order to aid comparability, the 2019 segment report has been restated on this same basis.
- Primary Care.

2.12.2 Segment report – 2020

Rm	Hospital and pharmacy operations	Non-acute services	Hospital and Emergency services	Primary Care	Inter-segment elimination[1]	Group
Statement of profit or loss						
Revenue	**17 239**	**1 011**	**18 250**	**611**	**(18)**	**18 843**
EBITDA[2] – before items below	**2 362**	**103**	**2 465**	**93**	**—**	**2 558**
Depreciation and amortisation	**(885)**	**(177)**	**(1 062)**	**(103)**	**—**	**(1 165)**
Operating profit – before items below	**1 477**	**(74)**	**1 403**	**(10)**	**—**	**1 393**
Profit on disposal of investment in associate	**522**	**—**	**522**	**—**	**—**	**522**
Share-based payment expense on B-BBEE transaction	**(348)**	**—**	**(348)**	**—**	**—**	**(348)**
Operating profit	**1 651**	**(74)**	**1 577**	**(10)**	**—**	**1 567**
Additional segment information						
Impairment of property, plant and equipment	**—**	**(3)**	**(3)**	**—**	**—**	**(3)**

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

Notes to the Group annual financial statements continued

2. Investments and returns continued

2.12 Segment report continued

2.12.3 Segment report – 2019

Rm	Hospital and pharmacy operations[1]	Non-acute services	Hospital and Emergency Services	Primary Care	Inter-segment elimination[2]	Group
Statement of profit or loss						
Revenue	19 800	1 104	20 904	701	(16)	21 589
EBITDA[3] – before item below	4 162	118	4 280	108	—	4 388
Depreciation and amortisation	(645)	(58)	(703)	(45)	—	(748)
Operating profit – before item below	3 517	60	3 577	63	—	3 640
Realisation of foreign currency translation reserve	128	—	128	—	—	128
Operating profit	3 645	60	3 705	63		3 768
Additional segment information						
Impairment of property, plant and equipment	—	(7)	(7)	—	—	(7)

1. *EBITDA and operating profit in 2019 are inclusive of UK related restructure costs amounting to R13 million, Hospital division restructure costs amounting to R22 million, a loss on disposal of a subsidiary amounting to R27 million and profit on disposal of property, plant and equipment amounting to R69 million.*
2. *Relates to revenue earned in the Hospital and Emergency services segment.*
3. *Earnings before interest, tax, depreciation and amortisation.*

Restated to reflect the impact of the integration of 15 Medicross day clinics into Hospital and pharmacy operations.

3. Funding

3.1 Debt

AP

All borrowings are measured at amortised cost.

3.1.1 Long-term debt

Rm	Note	2020	2019
Total debt		**7 869**	6 841
Short-term portion		**(1 108)**	(1 780)
Non-current portion		**6 761**	5 061
Comprising:			
Secured liabilities at amortised cost			
Finance lease liabilities		**—**	26
Unsecured liabilities at amortised cost			
Promissory notes and commercial paper in issue		**5 236**	4 761
Bank loans		**2 628**	2 050
Other		**5**	4
		7 869	6 841

Rm Terms of repayment	Effective interest rate at 30 September 2020	2020	2019
Promissory notes and commercial paper in issue Repayable on maturity on: 15 February 2021 29 March 2021 17 April 2021 7 September 2021 19 March 2022 24 March 2022 10 June 2022 29 September 2022 15 February 2023 12 June 2023 7 December 2023 12 December 2024 25 March 2025	4.7% – 5.3%	**5 236**	4 761
Bank and Other Repayable on maturity on: 31 May 2021 20 November 2021 22 July 2022 30 November 2022 23 January 2023 21 January 2025	4.6% – 5.6%	**2 633**	2 054
		7 869	6 841

Notes to the Group annual financial statements continued

3. Funding continued

3.1 Debt continued

3.1.1 Long-term debt continued

Maturity profile[1]

Rm	Total	< 1 year	1 – 2 year	2 – 3 years	3 – 4 years	> 4 years
2020	**8 736**	**1 481**	**3 106**	**2 251**	**651**	**1 247**
2019	8 069	2 304	1 725	1 570	1 871	599

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

Undrawn borrowing facilities

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

Rm	2020	2019
Committed facilities		
Facilities expire:		
Within 1 year	**3 705**	1 000
Between 1 and 2 years	**—**	500
After 2 years or more	**450**	500
	4 155	2 000
Uncommitted facilities		
Facilities expire:		
Within 1 year	**2 264**	300
After 2 years or more	**—**	2 739
	2 264	3 039
Total facilities	**6 419**	5 039

Debt reconciliation

Rm	Long-term debt	Short term-debt	Total
1 October 2019	**5 061**	**1 780**	**6 841**
Cash flows:			
Repayment of debt	**(1 077)**	**(1 498)**	**(2 575)**
Proceeds of debt raised	**3 372**	**249**	**3 621**
Non-cash:			
Transfer between categories	**(577)**	**577**	**—**
Reclassification in terms of IFRS 16	**(18)**	**—**	**(18)**
30 September 2020	**6 761**	**1 108**	**7 869**

3. Funding continued

3.1 Debt continued

3.1.1 Long-term debt continued

Debt reconciliation continued

Rm	Long-term debt	Short term debt	Total
1 October 2018	5 114	1 056	6 170
Cash flows:			
Repayment of debt	(1 000)	(1 050)	(2 050)
Proceeds of debt raised	2 248	500	2 748
Non-cash:			
Transfer between categories	(1 275)	1 275	—
Change in shareholding	(26)	(1)	(27)
30 September 2019	5 061	1 780	6 841

3.2 Cash and cash equivalents and bank overdrafts

AP Cash and cash equivalents are classified as financial assets measured at amortised cost and bank overdrafts are classified as financial liabilities measured at amortised cost.

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

Rm	2020	2019
Cash on hand and balances with banks	**1 450**	1 732
Bank overdrafts	**(4)**	(5)
	1 446	1 727

Included in cash and cash equivalents is restricted cash:		
HPFL B-BBEE trusts	**354**	306
Netcare Foundation (Association incorporated under section 21)	**5**	—

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

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

3.3 Investment income

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

Rm	2020	2019
Interest on bank accounts and other	**156**	172

Notes to the Group annual financial statements continued

3. Funding continued

3.4 Finance costs

AP

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

Rm	Note	2020	2019
Interest on bank loans and other		208	193
Interest expense on lease liabilities		367	—
Interest on promissory notes		404	409
Total funding finance costs		979	602
Amortisation of cash flow hedge accounting reserve		4	—
Post-employment benefit plan finance costs	4.2.1	48	54
		1 031	656

4. Our people

4.1 Remuneration of directors and prescribed officers

4.1.1 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 October 2019[1]	Options exercised	Disposed	30 September 2020	Directly[2]	Indirectly[3]
Executive directors						
RH Friedland	23 812	187 530	(89 090)	122 252	122 252	—
KN Gibson	383 569	79 802	(37 366)	426 005	426 005	—
Non-executive directors						
N Weltman[4]	10 000	—	—	10 000	—	10 000
Prescribed officers						
J du Plessis	30 068	62 231	(59 561)	32 738	32 738	—
	447 449	329 563	(186 017)	590 995	580 995	10 000

1. *The information in this column is consistent with 30 September 2019.*
2. *The direct shares held are beneficial.*
3. *The indirect shares held are non-beneficial.*
4. *Retired effective 30 September 2020.*

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 shareholders on request.

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

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

4. Our people continued

4.1 Remuneration of directors and prescribed officers continued

4.1.2 Directors' and prescribed officers' share options

Health Partners for Life

The following share options were held by directors and prescribed officers at 30 September 2020:

Number of options	Grant date	1 October 2019	**Exercised**	**30 September 2020**
Executive directors				
KN Gibson	2 Oct 2006	1 041	**—**	**1 041**
Weighted average exercise price		12.34	**—**	**12.34**
Prescribed officers				
CE Grindell	25 Oct 2005	1 200	**—**	**1 200**
Weighted average exercise price		6.42		**6.42**
		2 241	**—**	**2 241**

No share options were granted in 2020 (2019: Nil).

2 241 Health Partners for Life share options had vested as at 30 September 2020 (2019 : 2 241).

Forfeitable share plan

The following forfeitable shares were held by directors and prescribed officers at 30 September 2020:

Number of options	Grant date	1 October 2019	**Granted**	**Shares forfeited during the year**	**Exercised (sold and retained)**	**30 September 2020**	**Market price at exercise date (cents)**	**Gain arising on exercise (R'000)**
Executive directors	FSP 2: 20 January 2016							
RH Friedland[1]		1 207 236	**—**	**(68 036)**	**(187 530)**	**951 670**	**15.73**	**2 949**
KN Gibson[2]		515 116	**—**	**(28 862)**	**(79 802)**	**406 452**	**15.73**	**1 254**
Prescribed officers	FSP 3: 20 January 2018							
J Du Plessis		408 013	**—**	**(22 094)**	**(62 231)**	**323 688**	**15.67**	**975**
C Grindell		199 453	**—**	**(4 364)**	**(29 980)**	**165 109**	**14.23**	**427**
S Mhlongo		—	**125 000**	**—**	**(10 416)**	**114 584**	**13.93**	**145**
WN van der Merwe		251 207	**—**	**(5 559)**	**(34 831)**	**210 817**	**14.32**	**499**
		2 581 025	**125 000**	**(128 915)**	**(404 790)**	**2 172 320**		**6 249**

1. RH Friedland exercised 187 530 (2019: 113 393) share options during the year in terms of the Forfeitable Share Plan.
2. KN Gibson exercised 79 802 (2019: 48 103) share options during the year in terms of the Forfeitable Share Plan.

The forfeitable shares vest in 9 tranches from 13 June 2015 in terms of the rules of the scheme.

Refer to note 4.3.1 for more details on the forfeitable shares.

Notes to the Group annual financial statements continued

4. Our people continued

4.1 Remuneration of directors and prescribed officers continued

4.1.3 Directors' and prescribed officers' emoluments

Emoluments paid to directors and prescribed officers of the Company by the Company and its subsidiaries (excluding gains on share options exercised) for the year to 30 September 2020, are set out below:

Executive directors

R'000	Salary	Short-term contributions	Retirement fund contributions	Guaranteed package	Bonuses[1]	Total	Fair value of options granted[2]
2020							
RH Friedland	**9 421**	**28**	**798**	**10 247**	**5 000**	**15 247**	**—**
KN Gibson	**4 869**	**28**	**426**	**5 323**	**1 825**	**7 148**	**—**
	14 290	**56**	**1 224**	**15 570**	**6 825**	**22 395**	**—**
2019							
RH Friedland	9 035	26	765	9 826	—	9 826	—
KN Gibson	4 668	26	409	5 103	—	5 103	—
	13 703	52	1 174	14 929	—	14 929	—

1. *Incentive bonuses paid in the current year relating to financial performance of the previous financial year.*
2. *Grant date fair value of options granted in the current period. This is a change from prior year disclosure, where the amount related to the annual expense of options granted determined in accordance with IFRS 2.*

Non-executive directors

Fees for services as directors

R'000	2020	2019
MR Bower	**1 388**	1 356
T Brewer	**2 113**	2 177
B Bulo	**1 182**	1 169
L Human[1]	**943**	405
APH Jammine[2]	**—**	1 169
D Kneale[3]	**849**	—
MJ Kuscus	**1 178**	1 162
KD Moroka	**990**	990
N Weltman[4]	**1 446**	1 508
	10 089	9 936

1. *Appointed effective 13 May 2019.*
2. *Retired effective 30 September 2019.*
3. *Appointed effective 1 January 2020.*
4. *Retired effective 30 September 2020.*

4. Our people continued

4.1 Remuneration of directors and prescribed officers continued

4.1.3 Directors' and prescribed officers' emoluments continued

Prescribed officers

R'000	Salary	Short-term contributions	Retirement fund contributions	Guaranteed package	Bonuses[1]	Total	Fair value of options granted[2]
2020							
J Du Plessis	**4 448**	**28**	**359**	**4 835**	**2 000**	**6 835**	**—**
C Grindell	**3 101**	**28**	**271**	**3 400**	**1 250**	**4 650**	**—**
S Mhlongo	**2 820**	**28**	**246**	**3 094**	**600**	**3 694**	**2 160**
WN van der Merwe	**3 489**	**28**	**305**	**3 822**	**1 450**	**5 272**	**—**
	13 858	**112**	**1 181**	**15 151**	**5 300**	**20 451**	**2 160**
2019							
J Du Plessis	4 270	26	343	4 639	—	4 639	—
C Grindell	2 863	26	251	3 140	500	3 640	—
S Mhlongo[3]	1 052	9	100	1 161	—	1 161	—
N Phillipson[4]	227	2	19	248	—	248	—
WN van der Merwe	3 561	26	301	3 888	—	3 888	—
	11 973	89	1 014	13 076	500	13 576	—

1. *Incentive bonuses paid in the current year relating to financial performance of the previous financial year.*
2. *Grant date fair value of options granted in the current period. This is a change from prior year disclosure, where the amount related to the annual expense of options granted determined in accordance with IFRS 2.*
3. *Appointed as Managing Director – Akeso Clinics on 15 May 2019.*
4. *Resigned effective 1 November 2018.*

4.2 Post-employment healthcare benefit obligations

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

Remeasurement losses are recognised in other comprehensive income.

Rm	2020	2019
Post-employment healthcare benefits	**469**	487

Notes to the Group annual financial statements continued

4. Our people continued

4.2 Post-employment healthcare benefit obligations continued

4.2.1 Post-employment healthcare benefits

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

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

Details of the defined benefit obligations are set out below.

Valuation

Last actuarial valuation performed by PwC (SA)		30 September 2019	
Valuation method adopted		Projected unit credit method	
%	Note	**2020**	2019
Principal actuarial assumptions			
Net discount rate		**4.6**	3.5
Subsidy inflation		**7.1**	6.4
Rm			
Actuarial obligation of amounts recognised in the statement of financial position			
Unfunded obligation		**469**	487
Reconciliation of defined benefit obligation to amounts recognised in the statement of financial position			
Liability at beginning of year		**487**	535
Current service cost		**10**	13
Interest cost	3.4	**48**	54
Benefits paid		**(26)**	(24)
Remeasurement gains		**(50)**	(91)
Change in financial assumptions		**(50)**	(69)
Experience variance		**—**	(22)
Liability at end of year		**469**	487
Post-employment healthcare costs recognised in the statement of profit or loss			
Service cost		**10**	13
Interest cost		**48**	54
Total cost recognised in profit or loss		**58**	67
Amount recognised in other comprehensive income			
Remeasurement on the defined benefit liability		**(50)**	(91)
Taxation		**14**	25
Net actuarial gains recognised in other comprehensive income		**(36)**	(66)

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 R80 million to the post employment subsidy in 2021 (2020: R83 million).

The duration of the obligation is approximately 11 years.

4. Our people continued

4.2 Post-employment healthcare benefit obligations continued

4.2.1 Post-employment healthcare benefits continued

Sensitivity Analysis

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

Rm	Change in service cost	Change in interest cost	Change in accrued liability
1% increase in inflation	1	2	26
1% decrease in inflation	—	(1)	(16)
The results of the valuation are sensitive to changes in the assumptions used. The effect of adjusting the assumptions is shown below:			
Net discount rate decrease of 1.0%			(13)
Net discount rate increase of 1.0%			23

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

The scheme exposes the Group to a number of risks:

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

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

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

Notes to the Group annual financial statements continued

4. Our people continued

4.3 Share-based payments

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

EJ The fair value of options granted in terms of the Trust units issued under 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.

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

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

Rm	Notes	2020	2019
Equity-settled			
Netcare Limited Forfeitable Share Plan	4.3.1	**43**	50
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 4.3.1. 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 the amount recognised for services received as consideration for the forfeitable shares granted, will be based on the number of forfeitable shares that eventually vest. The fair value model and the assumptions used to determine the fair value are detailed in note 4.3.1.			
Health Partners for Life (B-BBEE transaction)	4.3.2	**348**	—
The beneficiaries of the Health Partners for Life Trusts hold Trust units which entitle them to the economic benefits linked to the value 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 4.3.2. On 15 October 2019, Netcare approved a further allocation of 61 110 000 previously unallocated Netcare shares to 20 370 Netcare employees. A once-off, non-cash IFRS 2 charge of R348 million has been recognised relating to this allocation.			
		391	50

4. Our people continued

4.3 Share-based payments continued

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	2020	2019
Shares allotted	**212 295 415**	210 397 391
Share options granted	**7 136 859**	9 371 768
Unallocated share options	**3 379 003**	3 042 118
	222 811 277	222 811 277

4.3.1 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 is 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 Listings 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 1% of the ordinary shares in issue.

Vesting periods of shares issued

Number of shares issued	2020	2019
Within 1 year	**3 104 001**	2 132 264
Within 1 – 2 years	**2 545 121**	3 198 253
Within 2 – 3 years	**1 487 737**	2 540 948
Within 3 – 4 years	**—**	1 500 303
	7 136 859	9 371 768

Notes to the Group annual financial statements continued

4. Our people continued

4.3 Share-based payments continued

4.3.1 Netcare Limited Forfeitable Share Plan continued

Analysis of award dates and prices of shares

Grant date	Outstanding at 1 October 2019	Granted	Grant date fair value in Rands	Forfeited	Exercised	Outstanding at 30 September 2020
Retention shares						
20 January 2016	412 114	—		(7 533)	(404 581)	—
24 February 2016	7 194	—		—	(7 194)	—
30 March 2017	14 172	—		—	(14 172)	—
16 April 2018	834	—		—	(834)	—
20 January 2018	2 937 412	—		(244 196)	(954 326)	1 738 890
29 June 2018	82 057	—		—	(27 351)	54 706
21 September 2018	20 000	—		—	(6 666)	13 334
4 December 2018	31 967	—		(26 967)	(1 666)	3 334
28 January 2019	30 500	—		—	(10 166)	20 334
30 January 2019	5 000	—		—	(1 666)	3 334
4 February 2019	15 000	—		—	(5 000)	10 000
25 October 2019	—	268 750	17.28	(45 834)	(77 080)	145 836
13 January 2020	—	62 500	19.90	—	(20 833)	41 667
1 June 2020	—	125 000	13.22	—	(41 666)	83 334
	3 556 250	456 250		(324 530)	(1 573 201)	2 114 769
Performance shares						
20 January 2016	1 270 222	—		(415 645)	(313 739)	540 838
24 February 2016	14 386	—		(3 596)	(3 594)	7 196
30 March 2017	28 336	—		(11 251)	(7 075)	10 010
16 April 2018	1 667	—		(416)	(416)	835
20 January 2018	4 316 385	—		(540 337)	—	3 776 048
29 June 2018	82 055	—		(14 142)	—	67 913
21 September 2018	20 000	—		—	—	20 000
4 December 2018	31 967	—		(26 967)	—	5 000
28 January 2019	30 500	—		—	—	30 500
30 January 2019	5 000	—		—	—	5 000
4 February 2019	15 000	—		—	—	15 000
25 October 2019	—	331 250	17.28	(50 000)	—	281 250
13 January 2020	—	137 500	19.90	—	—	137 500
1 June 2020	—	125 000	13.22	—	—	125 000
	5 815 518	593 750		(1 062 354)	(324 824)	5 022 090
	9 371 768	1 050 000		(1 386 884)	(1 898 025)	7 136 859

4. Our people continued

4.3 Share-based payments continued

4.3.1 Netcare Limited Forfeitable Share Plan continued

Analysis of award dates and prices of shares continued

1 898 025 forfeitable shares had vested at 30 September 2020 and were exercised during the 2020 financial year (2019: 769 299).

Refer to note 4.1 for details on shares issued to directors.

EJ

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 is applied. 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 R43 million (2019: R50 million). The expected unrecognised share-based payment expense relating to non-vested share issues amounts to R29 million (2019: R63 million).

EJ

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

Grants under the forfeitable share plan are entitled to the dividends during the vesting period and therefore no adjustment is made to the traded share price in this regard.

Assumptions	FSP 2 %	FSP 3 %
Annual attrition rate	10	10
Probability of performance condition – Vesting year 1	50	50
Probability of performance condition – Vesting year 2	50	50
Probability of performance condition – Vesting year 3	50	50

The remainder of shares for the first allocation of the forfeitable share plan vested and further shares were granted to eligible participants during the year.

4.3.2 Health Partners for Life (B-BBEE transaction)

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

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

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

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

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

Notes to the Group annual financial statements continued

4. Our people continued

4.3 Share-based payments continued

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

The details of the Trusts are as follows:

The Patient Care and Passionate People Trust
The Patient Care and Passionate People Trust indirectly assists the Group in attracting and retaining staff. Beneficiaries who are Netcare employees cease to be entitled to hold trust units if they resign or are dismissed from their employment.

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.

On 15 October 2019, Netcare approved a further allocation of 61 110 000 previously unallocated Netcare shares that were available under the HPFL scheme, to 20 370 Netcare employees (excluding executives), of which 80% are black and 65% are black women (the Beneficiaries). A non-cash share-based payment expense of R348 million was recorded on the date of the allocation, determined using the following valuation inputs:

- 15-day VWAP share price of R17.42
- Five year average volatility of 26.4%
- Risk-free rate of 7.8%
- Dividend yield of 5.3%
- Interest on notional loan of Prime minus 3.0%

The volatility was based on historical volatilities only.

In terms of the allocation, each Beneficiary received an equal allotment of 3 000 shares funded through a notional interest-bearing debt structure with a waiting period of ten years. The allocation was made at R13.94 per share, being a 20% discount to the 15-day VWAP on 15 October 2019, with no forfeiture conditions. Beneficiaries are entitled to 20% of dividends from the date of allocation. After the ten year waiting period, the value of the shares less any outstanding notional funding balance at that time will be delivered to Beneficiaries in the form of Netcare shares.

The allocation is aligned with the initial approvals granted by shareholders for the HPFL B-BBEE Scheme and did not require shareholder approval given that it is an extension of an existing scheme and does not involve the issue of any new shares.

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

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

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

4. Our people continued

4.3 Share-based payments continued

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

The Physician Partnerships Trust continued

Beneficiaries who are medical doctors cease to be entitled to hold trust units if they emigrate from SA or cease to be a practicing doctor in good standing with the relevant professional board or council.

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

The Mother and Child Trust

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

The Healthy Lifestyle Trust

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

Details of the Trust units at 30 September 2020 are:

Trust	Shares allocated to trust 1 Oct 2019	**Transfers**	**Disposals during the year**	**Shares allocated to trust 30 Sep 2020**	**Units in issue**	**Units converted**	**Available**
The Patient Care and Passionate People Trust	46 421 241	**19 995 835**	**(3 890)**	**66 413 186**	**66 974 600**	**(759 377)**	**197 963**
The Physician Partnerships Trust	34 205 817	**(19 995 835)**	**(101 725)**	**14 108 257**	**11 857 000**	**(2 836 152)**	**5 087 409**
The Mother and Child Trust	9 916 737	**—**	**—**	**9 916 737**	**—**	**—**	**9 916 737**
The Healthy Lifestyle Trust	5 105 097	**—**	**—**	**5 105 097**	**—**	**—**	**5 105 097**
	95 648 892	**—**	**(105 615)**	**95 543 277**	**78 831 600**	**(3 595 529)**	**20 307 206**

Notes to the Group annual financial statements continued

4. Our people continued

4.3 Share-based payments continued

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

The Healthy Lifestyle Trust continued

Movement in the number of units was as follows:

	The Patient Care and Passionate People Trust	Weighted average debt allocation	The Physician Partnerships Trust	Weighted average debt allocation	Total
Balance at 1 October 2019	6 170 675	12.81	12 188 000	8.34	18 358 675
Issued	**61 110 000**	**14.17**	**—**	**—**	**61 110 000**
Exercised	**(302 096)**	**11.27**	**(331 000)**	**7.93**	**(633 096)**
Forfeited	**(3 979)**	**12.03**	**—**	**—**	**(3 979)**
Balance at 30 September 2020	**66 974 600**	**14.06**	**11 857 000**	**8.35**	**78 831 600**

- The range of the debt allocation per share for units outstanding at year-end is R8.45 to R26.00 per share for the Patient Care and Passionate People Trust.
- The range of the debt allocation per share for units outstanding at year-end is R7.93 to R19.61 for the Physicians Partnerships Trust.
- The weighted average share price at the date of exercise of shares exercised during the year was R16.64 for the Patient Care and Passionate People Trust, and R15.76 for the Physician Partnerships Trust.
- The contractual life of the new allocation of Patient Care and Passionate People Trust units granted in the current year is 10 years.

4.4 Key management personnel

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

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

Remuneration of key management personnel

Remuneration paid to key management personnel is as follows:

R'000	**2020**	2019
Exco[1]		
Salaries and allowances	**54 667**	44 060
Short term benefits	**318**	269
Retirement fund contributions	**4 268**	3 751
Bonuses and termination payments	**19 875**	3 270
Fair value of options granted[2]	**15 393**	9 485
	94 521	60 835

1. 2020 – 12 posts on average (2019: 12 posts).
2. The fair value of options granted is the annual expense determined in accordance with IFRS 2.

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

5. Working capital

5.1 Trade and other receivables

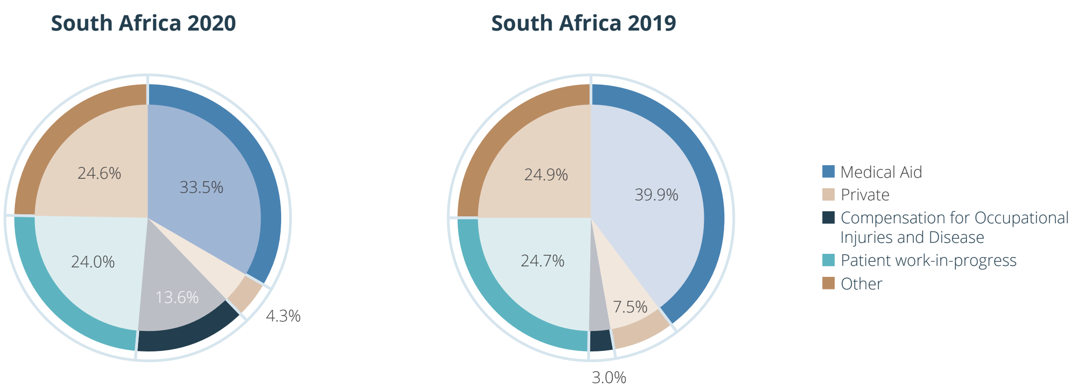
AP Trade receivables are amounts due from customers for services rendered and goods sold in the ordinary course of business and are measured at amortised cost. The Group's exposure to credit risk relating to trade and other receivables is disclosed in note 6.4.3.2.

Rm	Note	2020	2019
Trade receivables[1]		**2 962**	2 674
Loss allowance		**(435)**	(322)
Net trade receivables		**2 527**	2 352
Prepaid expenses		**105**	74
Joint venture receivables (refer to Annexure B)	9.1	**18**	27
Current portion of deferred lease assets		**15**	5
Other debtors		**437**	379
		3 102	2 837

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

Rm	2020	2019
Net trade receivables, are categorised into the following types:	**2 527**	2 352
Medical aid	**846**	938
Private	**110**	177
Compensation for Occupational Injuries and Disease[2]	**344**	71
Patient work-in-progress	**606**	580
Other[2]	**621**	586
	2 527	2 352

1. *Administered practice debtors of R28 million were disclosed under other debtors in 2019. These have been reallocated from other debtors to trade receivables for consistency with the current year presentation.*
2. *In 2019 unallocated receipts of R223 million associated with Compensation for Occupational Injuries and Disease were disclosed as part of Other. These have been reallocated from Other to Compensation for Occupational Injuries and Disease for consistency with the current year presentation.*



Notes to the Group annual financial statements continued

5. Working capital continued

5.1 Trade and other receivables continued

Impairment

AP

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

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

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

2020	Gross carrying amount	Loss allowance	Net carrying amount
Medical aid	**865**	**(19)**	**846**
Private	**112**	**(2)**	**110**
Compensation for Occupational Injuries and Disease	**377**	**(33)**	**344**
Patient work-in-progress	**606**	**—**	**606**
Other	**1 002**	**(381)**	**621**
	2 962	**(435)**	**2 527**

2019	Gross carrying amount	Loss allowance	Net carrying amount
Medical aid	963	(25)	938
Private	178	(1)	177
Compensation for Occupational Injuries and Disease	82	(11)	71
Patient work-in-progress	580	—	580
Other	843	(285)	558
	2 646	(322)	2 324

Compensation for Occupational Injuries and Disease (COID) implemented a new claims processing system in or around August 2019. Teething problems related to the new system implementation resulted in a delay in the processing of claims during the year, which has been further exacerbated by the COVID-19 lockdown period during which COID claims processing teams were not at full complement.

5. Working capital continued

5.1 Trade and other receivables continued

Impairment continued

EJ

Medical aid

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

Private patients

Credit risk for private patients is mitigated by taking an appropriate deposit calculated with specific regard to the services expected to be provided. Credit risk is assessed as being higher for private patients who haven't paid a deposit, admissions due to an emergency, or balances transferred from medical aid debtors as they were not covered by medical insurance. To determine the probability of default that would approximate the risk of the private book balances, data analysis around the credit risk of these private individuals would need to be performed. The Group has determined that it would be of undue cost and effort to perform this analysis and, as such, significant judgement supported by observation of external reporting, as permitted by IFRS 9, has been applied in determining this rate. The Group has used the Experian Composite Index on defaults and has applied a probability of default of 5.86% to private patients. This rate has increased from 3.61% in 2019. Cases which present significant credit risk are assessed using the relevant factors which have an impact on credit risk. In certain cases, the expected credit loss rate can be up to 100%.

EJ

Compensation for Occupational Injuries and Disease (COID)

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

Patient work-in progress (PIP)

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

Other

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

Notes to the Group annual financial statements continued

5. Working capital continued

5.1 Trade and other receivables continued

Impairment continued

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

Rm	2020	2019
Balance at beginning of year	322	263
Adjustment to opening retained earnings	—	50
Revised balance at 1 October	322	313
Impairment losses recognised	283	50
Impairment losses reversed	(6)	(4)
Amounts written off as uncollectible	(157)	(32)
Amounts recovered during the year	(7)	(5)
Balance at end of year	435	322

5.2 Inventories

AP

Inventories, comprising pharmaceuticals and medical consumables (including PPE), 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.

Rm	2020	2019
Medical and pharmaceutical merchandise	536	473
Personal protective equipment (PPE)[1]	610	5
Crockery, cutlery, linen, soft furnishings and other consumables	60	86
	1 206	564

1. *In the current year, the Group purchased significant quantities of personal protective equipment which were necessary for use in the care of patients during the COVID-19 pandemic.*

The cost of inventories recognised as an expense during the year was R5 804 million (2019: R6 007 million). Inventories carried at net realisable value amount to Rnil (2019: Rnil). There were no write-downs of inventories during the year to net realisable value (2019: Rnil).

5. Working capital continued

5.3 Trade and other payables

AP

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

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

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

Rm	Notes	**2020**	2019
Trade payables		**1 050**	1 328
Leave pay		**416**	353
Bonuses		**306**	369
Joint venture payables (Refer to Annexure B)	9.1	**1**	119
Accrued expenses		**662**	581
Claims incurred but not reported		**12**	15
Current portion of deferred lease liabilities		**—**	21
Other payables		**783**	676
		3 230	3 462

Notes to the Group annual financial statements continued

6. Financial management

Hedge accounting

AP

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

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

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

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

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

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

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

6. Financial management continued

6.1 Financial assets

Rm	Notes	2020	2019
Non-derivative financial instruments			
Investment in Cell Captive	6.4.2	37	5
Investment in equity instruments[1]	6.4.2	40	—
Founders Factory Africa		25	—
SA SME Fund		9	—
CareConnect		6	—
Included in:			
Non-current assets		77	5

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

6.2 Financial liabilities

Rm	Notes	2020	2019
Derivative financial instruments			
Interest rate swaps		140	31
Inflation rate swaps		29	29
Written put option over non-controlling interest		10	10
	6.4.2	179	70
Included in:			
Non-current liabilities		64	44
Current liabilities		115	26
		179	70

6.3 Analysis of movement in swap instruments

	2020			2019		
	Interest rate swaps	Inflation rate swaps	Total	Interest rate swaps	Inflation rate swaps	Total
Recognised in profit or loss						
De-designation of a portion of a hedging instrument[1]	(16)	—	(16)	—	—	—
Hedge ineffectiveness[1]	(2)	—	(2)	(1)	5	4
Reclassification into profit or loss[2]	(53)	(17)	(70)	—	(5)	(5)
	(71)	(17)	(88)	(1)	—	(1)
Recognised in other comprehensive income						
Fair value movements	160	8	168	42	7	49
Reclassification into profit or loss	(69)	(17)	(86)	—	(5)	(5)
	91	(9)	82	42	2	44
Cash flow hedge reserve						
Gross	122	25	147	31	34	65
Deferred tax	(34)	(7)	(41)	(8)	(10)	(18)
Net	88	18	106	23	24	47

1. *Amounts included in other financial losses – net in the statement of profit or loss.*
2. *Amounts included in interest and depreciation in 2020, and operating lease charges in 2019.*

Notes to the Group annual financial statements continued

6. Financial management continued

6.4 Financial instruments and risk management

6.4.1 Fair value measurement

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

AP

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

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

Financial assets

Investment in Cell Captive

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

Investments in Founders Factory Africa, the SA SME Fund and CareConnect

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

Financial liabilities

Derivative financial liabilities

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

Other financial liabilities

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

6. Financial management continued

6.4 Financial instruments and risk management continued

6.4.2 Fair value hierarchy

EJ

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

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

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

Rm	Notes	Level 2	Level 3	Total
2020				
Non-derivative financial assets				
Investment in Cell Captive		**37**	**—**	**37**
Investment in equity instruments		**—**	**40**	**40**
	6.1	**37**	**40**	**77**
Derivative financial liabilities				
Interest rate swaps		**140**	**—**	**140**
Inflation rate swaps		**29**	**—**	**29**
Written put option over non-controlling interest		**—**	**10**	**10**
	6.2	**169**	**10**	**179**
2019				
Non-derivative financial assets				
Investment in Cell Captive	6.1	5	—	5
Derivative financial liabilities				
Interest rate swaps		31	—	31
Inflation rate swaps		29	—	29
Written put option over non-controlling interest		—	10	10
	6.2	60	10	70

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

	Equity instruments	Written put option
Balance at 1 October 2019	**—**	**10**
2019 acquisitions[1]	**41**	**—**
2020 acquisitions	**49**	**—**
Fair value losses in other comprehensive income	**(50)**	**—**
Balance at 30 September 2020	**40**	**10**

1. *These instruments were measured at fair value through other comprehensive income in 2019, however were included in non-current loans and receivables on the basis of materiality. As a result of the movements in the current year, separate disclosure under financial assets was considered more useful.*

Notes to the Group annual financial statements continued

6. Financial management continued

6.4 Financial instruments and risk management continued

6.4.2 Fair value hierarchy continued

EJ

Non-derivative financial assets – Level 2
Investment in Cell Captive
The valuation and assumptions are based on monthly unaudited management accounts received from the insurer. The investment portfolio includes unit trusts, call deposits, money market accounts and cash on hand held at year end along with outstanding claims and other liabilities.

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

Non-derivative financial assets – Level 3
Investments in Founders Factory Africa, the SA SME Fund and CareConnect
The valuations are based on the liquidation values determined for the net assets on the balance sheet of each entity. The main objective of these entities is the investment in start-up businesses. Given the difficulty in obtaining reliable forward-looking cash flow forecasts for these types of new businesses, it is challenging to determine a reliable fair value for the underlying investments. This is the reason for using a liquidation basis approach to our valuation.

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

Derivative financial liabilities – Level 2
The analysis of the values applicable to financial instruments measured at fair value is performed by qualified independent experts, with the exception of the put option which is valued internally (see below). The effectiveness test and valuations were performed as at 30 September 2020.

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

6. Financial management continued

6.4 Financial instruments and risk management continued

6.4.2 Fair value hierarchy continued

The valuation inputs and assumptions

Interest rate swaps

EJ

- Zero coupon perfect fit swap instrument curve as at 30 September 2020 was used to determine the relevant floating interest rates.
- Standard interest rate swap instrument valuation methodology was used.

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

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

Inflation rate swaps

- Forecast and historic Consumer Price Index (CPI) metrics were provided by independent sources.
- Zero coupon perfect fit swap instrument curve as at 30 September 2020 was used to discount the net cash flows.
- Standard CPI-linked rate swap instrument valuation methodology was used, incorporating the specific terms in the swap.

In the current year the Group adopted IFRS 16: *Leases,* resulting in a change in the accounting treatment applied to the lease contract hedged with the inflation rate swap instrument. The methodology applied in releasing the effective portion of the change in the fair value of the hedging instrument deferred in the hedging reserve to profit or loss was therefore amended in the current reporting period. The accounting treatment should present the economic effect of the hedging relationship in profit or loss over the period of the hedge.

In order to achieve this result, the depreciation charge on the right of use asset will remain constant on an annual basis, recalculated from the effective value of the right of use asset based on the fixed escalation hedge cash flows arising from the hedging instrument. This will be achieved by the periodic release of amounts from the hedging reserve to profit and loss to achieve the "target depreciation" in profit or loss at every reporting date.

In addition, based on the recalculated fixed escalation rate of the hedged cash flows, the effective interest rate of the structure should be calculated based on the original incremental borrowing rate used. An additional release from the hedging reserve is therefore made on a periodic basis to ensure that the total interest expense in profit or loss amounts to the recalculated interest amount.

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

Derivative financial liability – Level 3

Written put option instrument

The fair value of the put option is based on the following formula: annual rent of the entity in which shares will be purchased when the option is exercised, divided by 10% yield (before tax) divided by 100 to derive the value per percentage shareholding. As at 30 September 2020, the annual rental was obtained from the entity and the fair value of the put option was calculated using the formula above. The fair value of the put option is therefore directly impacted by fluctuations in the annual rent of the entity. An increase of 1% in rent will result in an increase of 1% in the fair value of the put option. A decrease of 1% in rent will result in a decrease of 1% in the fair value of the put option.

Notes to the Group annual financial statements continued

6. Financial management continued

6.4 Financial instruments and risk management continued

6.4.3 Financial risk management

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

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

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

6.4.3.1 Interest rate risk

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

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

The Group's interest rate policy is to target a 50/50 ratio between variable and fixed rate funding instruments.

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 R24 million (2019: R16 million). This is attributable to the Group's exposure to interest rates on its variable rate borrowings which have not been fixed through the use of fixed-for-floating interest rate swap instruments. This analysis was prepared on the assumption that the amount outstanding at the end of the year was outstanding for the entire year.

Interest and inflation rate derivatives
Under interest rate swap instrument contracts, the Group agrees to exchange the differences between fixed and floating interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt held and the cash flow exposures on the issued variable rate debt held. The fair value of interest rate swap instruments at the reporting date is determined by regression analysis and by dynamic hedging strategy, with the change in the hedged item being based on the hypothetical derivative approach. As at 30 September 2020, the Group had 6 (2019: 7) fixed-for-floating interest rate swap instrument contracts and 2 (2019: 2) inflation rate swap instrument contracts. The inflation rate swap instruments hedge the inflationary increases in certain lease contracts. The fair value of the inflation rate swap instruments is determined at each reporting date.

6. Financial management continued

6.4 Financial instruments and risk management continued

6.4.3 Financial risk management continued

6.4.3.1 Interest rate risk continued

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

Rm	2020	2019
Interest rate swaps		
Carrying amount of interest rate swap liabilities	**140**	31
Notional amount	**3 095**	3 600
Rate (%) – fixed	**6.4% – 7.8%**	8.3% – 9.9%
Maturity date	**2021 – 2023**	2020 – 2022
Change in fair value of the hedged item	**91**	43
Inflation rate swaps		
Carrying amount of inflation rate swap liabilities	**29**	29
Notional amount	**32**	32
Maturity date	**2020 – 2022**	2020 – 2022
Change in fair value of the hedged item	**(1)**	1

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

In addition to the above, losses of R82 million (2019: losses of R44 million) resulting from the fair value movement in the interest rate swap instruments designated as cash flow hedges, as well as amortisation of a portion of the cash flow hedge reserve in the inflation rate swap instruments, were recognised in other comprehensive income and included in the cash flow hedge accounting reserve. The Group's ability to apply hedge accounting is determined on a year-by-year basis and is subject to developments in the financial markets.

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

Derivative financial liabilities	Movement in the interest/inflation rate (%)	Increase/ (decrease) in equity (Rm)
2020		
Interest rate swaps		
	Increase of 1%	**38**
	Decrease of 1%	**(39)**
Inflation rate swaps		
	Increase of 1%	**1**
	Decrease of 1%	**(2)**
2019		
Interest rate swaps		
	Increase of 1%	41
	Decrease of 1%	(42)
Inflation rate swaps		
	Increase of 1%	3
	Decrease of 1%	(3)

Notes to the Group annual financial statements continued

6. Financial management continued

6.4 Financial instruments and risk management continued

6.4.3 Financial risk management continued

6.4.3.2 Credit Risk

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

Information on the creditworthiness of customers is supplied by independent rating agencies where available. If not available, the Group uses other publicly available information and its own trading records to rate its customers and counterparties. The Group assesses credit risk using historic information and past default experience as well as future expectations of the probability of default using predicted economic and market conditions and expected financial performance of the counterparty to the financial asset. The Group is not exposed to concentration risk as a large proportion of debtor balances are with medical aid funds which have been determined to have low probabilities of default. The Group's maximum exposure to credit risk is equal to the carrying amount of the instrument.

Credit risk arises on the following financial instruments:

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

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

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

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

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

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

6. Financial management continued

6.4 Financial instruments and risk management continued

6.4.3 Financial risk management continued

6.4.3.3 Liquidity risk

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

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

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

Rm	< 1 year	1 – 5 years	Total
2020			
Trade and other payables[1]	**2 381**	**—**	**2 381**
Interest rate swaps	**95**	**54**	**149**
Inflation rate swaps	**9**	**22**	**31**
Bank overdrafts	**4**	**—**	**4**
	2 489	**76**	**2 565**
2019			
Trade and other payables[1]	2 629	—	2 629
Interest rate swaps	21	14	35
Inflation rate swaps	7	26	33
Bank overdrafts	5	—	5
Finance leases	3	25	28
	2 665	65	2 730

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

1. *Value Added Tax, leave pay and bonus accruals are not defined as financial instruments and have been excluded from trade and other payables. The 2019 disclosure has been amended to exclude leave pay and bonus accruals, which were previously included in error.*

Notes to the Group annual financial statements continued

6. Financial management continued

6.4 Financial instruments and risk management continued

6.4.3 Financial risk management continued

6.4.3.4 Capital management

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

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

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

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

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

The Group has set medium-term targets for pre-IFRS 16 net debt to EBITDA of less than 2.75x and a pre-IFRS 16 interest cover ratio (being EBITDA/net interest) of greater than 4.0x. The pre-IFRS 16 net debt to EBITDA and interest cover ratios for the year have been adversely affected by the impact of COVID-19 and are as follows:

Pre-IFRS 16 (estimate)

Rm	**2020**	2019
Debt	**7 869**	6 841
Cash and cash equivalents	**(1 446)**	(1 727)
Net debt	**6 423**	5 114
EBITDA	**2 088**	4 388
Net debt to EBITDA (times)[1]	**3.1**	1.2
Interest cover (times)	**2.6**	7.5

1. *In anticipation of a possible covenant breach, the Group has secured covenant waivers relating to the September 2020 and March 2021 covenant tests. As a result of the waiver, the Group is obligated to submit monthly management accounts to the lenders for review, with which the Group is in compliance. Under the conditions of the covenant waivers, dividend payments are prohibited.*

Capital discipline requires income statement and balance sheet measures and the Group will use return on invested capital (ROIC) and cash flow return on investment (CFROI) to measure performance of its businesses and to evaluate new projects. Medium-term targets have been set for ROIC at greater than 20% and CFROI to exceed 10%. The intrinsic value of the Group is intimately tied to the ability to maintain an attractive return on capital and the growth of economic profit.

7. Commitments

7.1 Contingent liabilities

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

7.1.1 Financial guarantees

Rm	2020	2019
Guarantee covering the obligation of an associate company	**11**	22

The expected credit losses on guarantees are not material.

7.1.2 Litigation

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

7.2 Commitments

7.2.1 Capital expenditure commitments to be incurred

Rm	2020	2019
Authorised and contracted for		
Intangible assets	**7**	4
Land and buildings	**395**	73
Plant and equipment	**4**	5
Medical equipment	**21**	35
Other (including furniture and fittings)	**3**	15
Equity investments	**130**	—
Authorised but not yet contracted for		
Intangible assets	**29**	189
Land and buildings	**295**	858
Plant and equipment	**73**	117
Medical equipment	**222**	371
Other (including furniture and fittings)	**223**	323
	1 402	1 990
This expenditure will be financed from internally generated funds and existing banking facilities.		
To be expended:		
Within 1 year	**1 247**	1 455
Over 1 year	**155**	535
	1 402	1 990

The commitment for equity investments represents a contribution of £2 million per year for the next three years, relating to our ongoing investment in Founders Factory Africa. This is subject to Founders Factory Africa investing in five accelerator and two incubator businesses per annum.

Notes to the Group annual financial statements continued

7. Commitments continued

7.2 Commitments continued

7.2.2 Operating lease commitments as lessee

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

Rm	2020
Short term lease commitments	
Within 1 year	4

Prior year comparatives under IAS 17

During the drafting of the IFRS 16 transition reconciliation between the previously reported operating lease commitments and the initial take-on lease liability value, it was determined that the 2019 commitments were erroneously understated due to the inadvertent omission of certain leases.

In line with the JSE's recommendation in the guidance published by the JSE proactive monitoring panel, management has restated the comparative 2019 operating lease commitments to correctly reflect the complete balances.

Rm	2019
As reported	2 821
Adjustment	1 765
Restated	4 586

7.2.3 Operating lease commitments as lessor

The Group has entered into operating leases as the lessor for property and equipment. Rentals are payable by the lessees on a monthly basis. The table below shows the undiscounted lease payments to be received after the reporting date. Equipment rentals are low in value and are not material to the Group.

Rm	2020	2019
Property		
Within 1 year	**180**	92
1 – 5 years	**243**	245
>5 years	**2**	84
	425	421

8. Shareholders' interests

8.1 Ordinary share capital

Number of shares (million)	2020	2019
Authorised		
Ordinary shares of 1.0 cent each	**2 500**	2 500
Issued		
Shares in issue at beginning of year	**1 452**	1 471
Shares cancelled during the year	**(13)**	(19)
Shares in issue at end of year	**1 439**	1 452
Treasury shares		
Treasury shares at beginning of year	**(107)**	(108)
Purchase of treasury shares	**—**	(19)
Sale of treasury shares	**3**	20
Treasury shares at end of year	**(104)**	(107)
Total issued ordinary shares (net of treasury shares)	**1 335**	1 345
Treasury shares are held as follows:		
HPFL B-BBEE Trusts	**96**	97
Forfeitable Share Plan	**8**	10

Rm	2020	2019
Authorised		
Ordinary shares of 1.0 cent each	**25**	25
Issued ordinary share capital		
Balance at beginning of year	**4 334**	4 391
Share buy-back	**(37)**	(57)
Balance at end of year	**4 297**	4 334

The Group purchased 12.7 million shares at an average price of R19.68 per share in November and December 2019. The shares have subsequently been cancelled and now form part of authorised shares not issued.

Ordinary dividends paid

Details of the ordinary dividends paid for the year are as follows (also see directors report on page 4):

Rm	2020	2019
Final distribution paid		
Final dividend paid on 27 January 2020 of 64.0 cents per share (2019: 60.0 cents per share)	**921**	883
No special dividend paid (2019: 40.0 cents per share)	**—**	588
Total	**921**	1 471
Interim distribution paid		
No interim dividend paid (2019: 47.0 cents per share)	**—**	685
Total distribution paid	**921**	2 156
Dividends attributable to treasury shares	**(61)**	(160)
Paid to Netcare Limited external shareholders	**860**	1 996

Notes to the Group annual financial statements continued

8. Shareholders' interests continued

8.1 Ordinary share capital continued

Dividends are accrued on the date of declaration. Given the extraordinary levels of uncertainty due to the effect that COVID-19 has had on the business, the Board made the decision to suspend both the interim and final dividend in order to preserve cash.

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

Cents	**2020**	2019
Interim dividend	—	47.0
Final dividend	—	64.0
	—	111.0

8.2 Treasury shares

Rm	**2020**	2019
Balance at beginning of year	**(3 853)**	(3 871)
Sale of treasury shares	**2**	18
Balance at end of year	**(3 851)**	(3 853)

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

During the year 105 615 (2019: 619 945) 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. Treasury shares held by the employees 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.

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 4.3.

8. Shareholders' interests continued

8.3 Preference share capital and premium

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

Rm	2020	2019
Authorised		
10 million (2019: 10 million) variable rate, cumulative, non-redeemable, non-convertible preference shares of 50.0 cents each	**5**	5
Issued		
7 million (2019: 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

Preference dividends

The preference dividends paid for the year are:

Rm	2020	2019
Interim dividend	**27**	27
Final dividend	**27**	27
	54	54

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

8.4 Non-controlling interest

Rm	2020	2019
Balance at beginning of year	**52**	50
Dividends paid	**(11)**	(21)
Movements in equity interest in subsidiaries	**(2)**	(8)
Total comprehensive income for the year	**(7)**	31
	32	52

Notes to the Group annual financial statements continued

8. Shareholders’ interests continued

8.5 Other comprehensive income

Rm	Gross	Tax	Other comprehensive income	Non-controlling interest	Net attributable to owners of the parent
2020					
Remeasurement gain on defined benefit plans	**50**	**(14)**	**36**	**—**	**36**
Effect of cash flow hedge accounting	**(82)**	**23**	**(59)**	**—**	**(59)**
Remeasurement of equity investments	**(50)**	**—**	**(50)**	**—**	**(50)**
Realisation of foreign currency translation reserve	**4**	**—**	**4**	**—**	**4**
	(78)	**9**	**(69)**	**—**	**(69)**
2019					
Remeasurement gain on defined benefit plans	91	(25)	66	—	66
Effect of cash flow hedge accounting	(44)	12	(32)	—	(32)
Effect of translation of foreign entities	(1)	—	(1)	—	(1)
Realisation of foreign currency translation reserve	(128)	—	(128)	—	(128)
	(82)	(13)	(95)	—	(95)

9. Group structure

Investment in associates and joint ventures

AP

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

The carrying amount of the Group's investments in associates and joint ventures is reduced to recognise any potential impairment in the value of individual investments. The Group does not recognise further losses when the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, unless the Group has an obligation, issued guarantees or made payments on behalf of the associate or joint venture.

9.1 Investment in joint ventures

Rm	Notes	**2020**	2019
Investments at cost		**39**	39
Share of post-acquisition reserves		**174**	220
Carrying value of shares		**213**	259
Trade and other receivables	5.1	**18**	27
Trade and other payables	5.3	**(1)**	(119)

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

9.2 Investment in associates

Rm	**2020**	2019
Investments at cost net of accumulated impairments[1]	**24**	9
Share of post-acquisition reserves	**145**	162
Carrying value of shares	**169**	171
Loans	**209**	305
	378	476

1. *Effective 23 March 2020, Netcare acquired a 40% shareholding in ICAS Employee and Organisation Enhancement Services Southern Africa Proprietary Limited for R20 million.*

The loans to/(from) associate companies are carried at amortised cost and are unsecured, bearing interest at between 0.0% – 12.0%, and are repayable on demand or up to four years.

Rm	**2020**	2019
Non-current assets	**209**	305

The non-current portion of the loans forms part of the net investment in associates, and the current portion forms part of loans and receivables.

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

Notes to the Group annual financial statements continued

9. Group structure continued

9.3 Loans and receivables

AP

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

Rm	2020	2019
Included within:		
Non-current assets	158	289
Current assets	154	122
	312	411

Included in current loans and receivables are current associate loans of R88 million (2019: R58 million). The majority of loans and receivables are unsecured. These loans and receivables bear interest at between 0.0% and 12.0% and are repayable on demand or up to eight years.

AP

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

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

Rm	2020	2019
Balance at beginning of year	39	20
Impairment losses recognised	105	19
Balance at end of year	144	39

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

Rm	Gross carrying amount	Loss allowance	Net carrying amount
Included within:			
Loans and receivables – non-current and current	354	(42)	312
Associate loans – non-current and current	399	(102)	297
	753	(144)	609

9. Group structure continued

9.4 Related parties

AP

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

Netcare Medical Scheme

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

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

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

Rm	Nature of revenue	**2020**	2019
Medicross Healthcare Group Proprietary Limited	Healthcare services	**1**	1
Netcare Hospitals Proprietary Limited	Healthcare services	**266**	307
Netcare Pharmacies Proprietary Limited	Dispensary services	**71**	74
Akeso Clinics (Pty) Ltd	Administration fee	**4**	5
Netcare 911 Propriety Limited	Capitation fee	**6**	6
		348	393

Transactions with joint ventures and associates

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

2020

Rm	**Associates**	**Joint Ventures**
Interest received	**1**	**2**
Interest paid	**(1)**	**(4)**
Asset rental income	**23**	**21**
Admin fee income	**18**	**—**
Utilities, water and effluent recoveries	**—**	**(5)**
Employee wellness services	**(4)**	**—**
Dividends received	**7**	**82**
Impairment of loans	**(63)**	**—**

2019

Rm	Associates	Joint Ventures
Interest received	1	3
Interest paid	(1)	(7)
Asset rental income	24	19
Admin fee income	15	1
Dividends received	7	2
Impairment of loans	(19)	—

Notes to the Group annual financial statements continued

9. Group structure continued

9.4 Related parties continued

Balances with joint ventures and associates

The Group has the following loan balances outstanding with joint ventures and associates as at 30 September 2020:

2020

Rm	Associates[1]	Joint Ventures[2]
Loans receivable – gross	**423**	**18**
Loans receivable – loss allowance	**(102)**	**—**
Loans payable	**(13)**	**(1)**
Guarantee	**11**	**—**

1. The majority of loans receivable are unsecured, bear interest at Prime and are repayable on demand or up to 29 years and 11 months from date of origination.
2. The majority of loans receivable are unsecured, bear interest at Prime less 0.5% and are repayable on demand or up to 29 years and 11 months from date of origination.

2019

Rm	Associates[1]	Joint Ventures[2]
Loans receivable – gross	473	27
Loans receivable – loss allowance	(39)	—
Loans payable	(71)	(119)
Guarantee	22	—

1. The majority of loans receivable are unsecured, bear interest at Prime and are repayable on demand or up to 29 years and 11 months from date of origination.
2. The majority of loans receivable are unsecured, bear interest at Prime less 0.5% and are repayable on demand or up to 29 years and 11 months from date of origination.

10. Assets classified as held for sale

AP

An asset is classified as held for sale when its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The asset should be available for immediate sale in its present condition, and the sale must be highly probable. In order for this to be the case, the appropriate level of management must be committed to a plan to sell the asset. In order for this to be achieved, the plan needs to be approved by the appropriate levels of management in terms of the Group's approvals framework. For sales over a certain threshold, approval is required by the Finance and Investment Committee.

The disposal of the GHG PropCo 2 investment in associate was finalised during the year and proceeds of R778 million were received in September 2020. As part of the transaction additional legal costs were provided for amounting to R30 million, resulting in a net profit on disposal of R522 million (R474 million post-tax). This profit has been recorded in the statement of profit or loss for the year.

Rm	2020	2019
Investment in associate held for sale		
Opening balance	**226**	226
Disposal in the current year	**(226)**	—
Closing balance	**—**	226

11. Adoption of new and revised accounting standards

Impact of initial application of IFRS 16: *Leases*

TR

The Group has adopted IFRS 16: *Leases*, effective 1 October 2019. As permitted by the standard in the specific transitional provisions, the Group has elected not to restate any comparative information. Accordingly, reclassifications and adjustments arising upon adoption of IFRS 16 have been recognised in the opening balance sheet on 1 October 2019. To assist with comparability, pro forma financial information has been prepared whereby the impact of IFRS 16 is excluded from the 2020 financial results. Refer to Annexure E for this detail.

Prior to the adoption of IFRS 16, leases were classified as either finance or operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease. From 1 October 2019, leases are recognised in the balance sheet as a right of use asset and a corresponding lease liability has been raised. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period. The right of use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

For leases previously classified as finance leases, the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date.

Upon adoption of IFRS 16, the Group recognised and measured lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 October 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 October 2019 was 9.36%.

Rm	
Operating lease commitments disclosed as at 30 September 2019[1]	**4 586**
Effect of discounting using the incremental borrowing rate	**(1 425)**
Add: highly probable extension periods	**857**
Add: financial lease liabilities recognised as at 30 September 2019	**18**
Less: short-term leases recognised on a straight-line basis as expense	**(24)**
Less: low-value leases recognised on a straight-line basis as expense	**(8)**
Lease liability recognised as at 1 October 2019	**4 004**

1. This number has been restated, refer to note 7.2.2 for details.

Included in:

Rm	1 October 2019
Current lease liabilities	**464**
Non-current lease liabilities	**3 540**
	4 004

Right of use assets were measured at an amount equal to the related lease liability, adjusted by the deferred lease liability relating to the specific lease which had been recognised in the balance sheet as at 30 September 2019 under the principles of IAS 17.

The recognised right of use assets on 1 October 2019 relate to the following type of assets:

Rm	1 October 2019
Properties	**3 828**
Vehicles	**49**
Aircraft	**55**
Total right of use assets	**3 932**

Notes to the Group annual financial statements continued

11. Adoption of new and revised accounting standards continued

Impact of initial application of IFRS 16: *Leases* continued

TR

At 30 September 2019 the Group estimated that a right of use asset and lease liability of between R4.1 and R4.5 billion would be recognised on 1 October 2019, and this range was included in the disclosure contained in note 13 of the annual financial statements for 2019. However, as a result of a change in circumstances at some of the leased sites, management decided to exclude the extension periods included for those contracts, as the Group was no longer considered to be reasonably certain that the extensions would be exercised. As a result, the right of use asset and lease liability brought onto the statement of financial position at 1 October 2019 was lower than anticipated, at R3.9 billion and R4.0 billion respectively.

The adoption of IFRS 16 had an impact on the following statement of financial position items on 1 October 2019:

Rm		
Property, plant and equipment	decreased by	**18**
Right of use assets	increased by	**3 932**
Long-term debt	decreased by	**15**
Short-term debt	decreased by	**3**
Lease liabilities	increased by	**4 004**
Deferred lease liabilities	decreased by	**51**
Current portion of deferred lease liabilities	decreased by	**21**

Practical expedients applied

In adopting IFRS 16 for the first time, the Group has applied the following practical expedients permitted by the standard:

- The exclusion of initial direct costs for the measurement of the right of use assets at the date of initial application;
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease; and
- Reliance on previous assessments on whether leases are onerous.

The Group has also elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made under IAS 17 and IFRIC 4: *Determining whether an Arrangement contains a Lease.*

12. New issued standards not yet effective

Certain new accounting standards, amendments to standards and interpretations have been published that are not mandatory for 30 September 2020 reporting periods. Apart from the COVID-19 related rent concessions, none have been early adopted by the Group.

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

Standards and Amendments	Annual periods beginning on or after
Definition of Material – Amendments to IAS 1 and IAS 8	1 January 2020
Definition of a Business – Amendments to IFRS 3	1 January 2020
Amendments to References to Conceptual Framework in IFRS Standards	1 January 2022
IFRS 17 Insurance Contracts	1 January 2023
COVID-19-Related Rent Concessions (Amendment to IFRS 16)	1 June 2020 (early adopted – refer to note 12)
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	1 January 2020

Company statement of profit or loss

for the year ended 30 September

Rm	Notes	2020	2019
Revenue	2.2	**1 172**	2 632
Other income		**1**	—
Administrative and other expenses		**—**	(3)
Operating profit		**1 173**	2 629
Profit before taxation		**1 173**	2 629
Taxation	2.3	**—**	—
Profit after taxation		**1 173**	2 629
Total comprehensive income for the year		**1 173**	2 629
Attributable to:			
Ordinary shareholders		**1 119**	2 575
Preference shareholders		**54**	54
		1 173	2 629

Company statement of financial position

as at 30 September

Rm	Notes	2020	2019
ASSETS			
Non-current assets			
Investment in subsidiaries	2.1	**837**	837
Total non-current assets		**837**	837
Current assets			
Amounts owing by subsidiaries	2.1	**4 314**	4 367
Cash and cash equivalents	3.1	**15**	15
Total current assets		**4 329**	4 382
Total assets		**5 166**	5 219
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary share capital	5.1	**4 254**	4 291
Other reserves		**232**	231
Retained earnings		**26**	42
Equity attributable to ordinary shareholders		**4 512**	4 564
Preference share capital and premium	5.2	**644**	644
Total shareholders' equity		**5 156**	5 208
Current liabilities			
Amounts owing to subsidiaries	2.1	**2**	4
Other payables	4.1	**8**	7
Total current liabilities		**10**	11
Total equity and liabilities		**5 166**	5 219

Company statement of cash flows

for the year ended 30 September

Rm	Notes	2020	2019
Cash flows from operating activities			
Cash generated from operations	2.4	**1 174**	2 618
Dividends paid – ordinary dividend		**(921)**	(1 565)
Dividends paid – special dividend		**—**	(588)
Preference dividends paid		**(54)**	(54)
Net cash flow from operating activities		**199**	411
Cash flows from investing activities			
Decrease in loans		**52**	44
Net cash flow from investing activities		**52**	44
Cash flows from financing activities			
Payments for ordinary shares purchased		**(251)**	(456)
Net cash flow from financing activities		**(251)**	(456)
Net decrease in cash and cash equivalents		**—**	(1)
Cash and cash equivalents at the beginning of the year		**15**	16
Cash and cash equivalents at the end of the year	3.1	**15**	15

Company statement of changes in equity

for the year ended 30 September

Rm	Ordinary share capital	Share-based payment reserve
Balance at 1 October 2018	4 347	233
Share buyback during the year	(56)	—
Ordinary dividends paid	—	—
Special dividends paid	—	—
Preference dividends paid	—	—
Total comprehensive income for the year	—	(2)
Balance at 30 September 2019	4 291	231
Share buyback during the year	**(37)**	**—**
Ordinary dividends paid	**—**	**—**
Preference dividends paid	**—**	**—**
Total comprehensive income for the year	**—**	**1**
Balance at 30 September 2020	**4 254**	**232**

Retained earnings	Equity attributable to ordinary shareholders	Preference share capital and premium	Total shareholders' equity
20	4 600	644	5 244
(400)	(456)	—	(456)
(1 565)	(1 565)	—	(1 565)
(588)	(588)	—	(588)
—	—	(54)	(54)
2 575	2 573	54	2 627
42	4 564	644	5 208
(214)	**(251)**	**—**	**(251)**
(921)	**(921)**	**—**	**(921)**
—	**—**	**(54)**	**(54)**
1 119	**1 120**	**54**	**1 174**
26	**4 512**	**644**	**5 156**

Notes to the company annual financial statements

for the year ended 30 September

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

Refer to the Group annual financial statements.

2. Investments and returns

2.1 Interest in subsidiaries

Rm	2020	2019
Investment in subsidiaries		
Investments at cost	**663**	663
Share-based payments arising from the Group's share incentive schemes	**174**	174
	837	837
Amounts owing by/(to) subsidiaries		
Included in:		
Current assets	**4 314**	4 367
Current liabilities	**(2)**	(4)
Net interest in subsidiaries	**5 149**	5 200

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. Management have assessed and concluded that expected credit losses on these loans are not significant.

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

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

2.2 Revenue

Rm	2020	2019
Dividends received	**1 172**	2 632

Dividends received are accounted for on the date of declaration.

2. Investments and returns continued

2.3 Taxation

Rm	2020	2019
South African normal taxation		
Current year	—	—
Income tax	—	—
Total taxation per the statement of profit or loss	—	—
Reconciliation of effective taxation rate (%)		
South African normal tax rate	28.0	28.0
Adjusted for:		
Exempt income – dividends	(28.0)	(28.0)
Effective taxation rate	—	—

2.4 Cash generated from operations

Rm	2020	2019
Operating profit	1 173	2 629
Cash generated from operations before working capital changes	1 173	2 629
Increase/(decrease) in accounts payable	1	(11)
	1 174	2 618

3. Funding

3.1 Cash and cash equivalents

Rm	2020	2019
Cash on hand and balances with banks	15	15

4. Working capital

4.1 Other payables

Rm	2020	2019
Other payables	8	7

Notes to the company annual financial statements continued

5. Shareholders' Interest

5.1 Ordinary share capital

Number of shares (million)	2020	2019
Authorised		
Ordinary shares of no par value	**2 500**	2 500
Issued		
Shares in issue at beginning of year	**1 452**	1 471
Share buyback[1]	**(13)**	(19)
Shares in issue at end of year	**1 439**	1 452

Rm	2020	2019
Authorised		
Ordinary shares of no par value	**25**	25
Issued ordinary share capital		
Balance at beginning of year	**4 291**	4 347
Share buyback[1]	**(37)**	(56)
Balance at end of year	**4 254**	4 291

1. *The company purchased 12.7 million shares at an average price of R19.68 per share in November and December 2019. The shares have subsequently been cancelled and now form part of authorised shares not issued.*

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

5.2 Preference share capital

Rm	2020	2019
Authorised		
10 million (2019: 10 million) variable rate, cumulative, non-redeemable, non-convertible preference shares of 50.0 cents each	**5**	5
Issued		
7 million (2019: 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. Contingent liabilities

6.1 Financial guarantees

Rm	2020	2019
• 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
• The Company has provided unlimited suretyship in favour of various financial institutions which covers the unutilised facilities granted to a subsidiary institution.	953	653

The expected credit losses on guarantees are not material.

7. Group structure

7.1 Related parties

Rm	2020	2019
Related party transactions		
Various transactions were entered into by the Company during the year with related parties.		
Details of loan balances with subsidiaries are disclosed in Annexure A.		
The following is a summary of transactions with related parties during the year:		
Dividends received:		
• Netcare Holdings Proprietary Limited	1 172	2 632
Management fees received:		
• Netcare Hospitals Proprietary Limited	10	10
Non-executive directors fees	(10)	(10)

7.2 Key management personnel

Refer to note 4.1 of the Group annual financial statements.

8. Events after reporting period

The directors are not aware of any other matters or circumstances arising since the end of the financial year, not otherwise dealt with in the Group's annual financial statements, which significantly affect the financial position at 30 September 2020 or the results of its operations or cash flows for the year then ended.

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 Limited	Financing	South Africa
Medicross Healthcare Group Proprietary Limited	Primary healthcare services	South Africa
Netcare Hospitals Proprietary Limited	Hospital/healthcare services	South Africa
Other		South Africa
Loans to subsidiaries disclosed in:		
Current assets in the Company statement of financial position		
Current liabilities in the Company statement of financial position		

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.

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

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

	Effective Group holding %		Investment (Rm)		Loans to/(from) subsidiaries (Rm)	
Issued ordinary share capital (thousands)	**2020**	2019	**2020**	2019	**2020**	2019
R120	**100**	100	**663**	663	**4 105**	4 286
R1	**100**	100	**—**	—	**203**	81
R2	**100**	100	**13**	13	**—**	—
	100	100	**151**	151	**6**	(2)
			10	10	**(2)**	(2)
			837	837	**4 312**	4 363
					4 314	4 367
					(2)	(4)

Annexure B – Interest in joint ventures

Company	Place of incorporation and principal place of business	Proportion of ownership interests and voting power held by the Group		Carrying value (Rm)	
		2020	2019	**2020**	2019
National Renal Care Proprietary Limited	South Africa	**50**	50	**198**	245
Netcare Parklands Linac Joint Venture Proprietary Limited	South Africa	**50**	50	**10**	9
Olivedale Clinic Oncology Centre Proprietary Limited	South Africa	**45**	45	**5**	5
Waterberg Lodge Proprietary Limited	South Africa	**50**	50	*****	*
Total interest in joint ventures	Note 9.1			**213**	259
Loans included in:					
Trade and other receivables (note 5.1/9.1)				**18**	27
Trade and other payables (note 5.3/9.1)				**(1)**	(119)
				17	(92)

**Amount below R1 million.*

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

Rm	30 September **2020**	2019
Aggregate information of joint ventures that are not individually material		
The Group's share of profit and total comprehensive income for the year	**36**	46
Aggregate carrying amount of the Group's interests in these joint ventures	**213**	259

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

Annexure C – Investment in associates

Company	Place of incorporation and principal place of business	Portion of ownership interests and voting power held by the Group		Carrying value (Rm)	
		2020	2019	**2020**	2019
Community Hospital Management Proprietary Limited	South Africa	**25**	25	**14**	50
Nalithemba Proprietary Limited	South Africa	**50**	50	**154**	227
Kokstad Private Hospital Proprietary Limited	South Africa	**30**	30	**20**	17
Gamma Knife Proprietary Limited	South Africa	**27**	27	**8**	8
Ismatype Proprietary Limited	South Africa	**30**	30	**2**	2
Botle Facilities Management Proprietary Limited	Lesotho	**40**	40	**45**	43
Tsepong Proprietary Limited	Lesotho	**40**	40	**112**	130
Elsitron Proprietary Limited	South Africa	**30**	30	**(1)**	(1)
ICAS Employee and Organisation Enhancement Services Southern Africa Proprietary Limited[1]	South Africa	**40**	—	**24**	—
Dosimeter Services Proprietary Limited	South Africa	**49**	—	**—**	—
Total investment in associates				**378**	476

[1] Year-end of 31 December.

During the current year, the Group acquired a 40% shareholding in ICAS Employee and Organisation Enhancement Services Southern Africa Proprietary Limited effective 23 March 2020. The entity is equity accounted as an associate as the Group has significant influence.

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

Material investment in associates

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

Rm	**2020**	2019
Aggregate information of associates that are not individually material		
The Group's share of profit and total comprehensive income for the year	**20**	29
Aggregate carrying amount of the Group's interests in these associates	**378**	476

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

Annexure D – Analysis of shareholders

	Number of shareholders	Percentage of shareholders	**Number of shares in issue[1]**	Percentage of issued share capital
Shareholder Spread				
1 – 1 000	10 559	47.98	**2 727 751**	0.20
1 001 – 50 000	10 118	45.97	**68 060 542**	5.10
50 001 – 100 000	338	1.54	**24 132 303**	1.81
100 001 – 10 000 000	980	4.45	**829 471 632**	62.13
10 000 001 and above	13	0.06	**410 696 077**	30.76
Total	22 008	100.00	**1 335 088 305**	100.00
Distribution of shareholders per category				
Individuals	18 373	83.48	**70 909 608**	5.31
Private Companies	469	2.13	**50 022 853**	3.75
Nominees and Trusts	1 316	5.98	**13 145 268**	0.98
Banks and Brokerage Firms	74	0.34	**56 219 358**	4.21
Insurance Companies	97	0.44	**57 283 275**	4.29
Pension Funds and Medical Aid Schemes	892	4.05	**494 991 322**	37.08
Collective Investment Schemes and Mutual Funds	787	3.58	**592 516 621**	44.38
Total	22 008	100.00	**1 335 088 305**	100.00
Public and non-public shareholdings				
Public	22 006	99.99	**1 334 540 048**	99.96
Non-public	2	0.01	**548 257**	0.04
Total	22 008	100.00	**1 335 088 305**	100.00

1. Number of shares in issue net of treasury shares.

	Number of shares in issue[1]	Percentage of issued share capital
Beneficial shareholders holding 5% or more		
Public Investment Corporation on behalf of Government Employee Pension Fund[2]	276 287 148	20.69
Total	276 287 148	20.69
Investment Manager Top 10		
Public Investment Corporation Group	234 251 223	17.55
Allan Gray Proprietary Limited	105 786 110	7.92
Visio Capital Management (Pty) Limited	53 409 802	4.00
Coronation Fund Managers Limited	52 082 156	3.90
The Vanguard Group, Inc.	49 806 074	3.73
Old Mutual Investment Group (South Africa) (Pty) Limited	38 635 484	2.89
Ninety One UK Limited	37 102 803	2.78
BlackRock Institutional Trust Company, N.A.	36 186 810	2.71
Abax Investments (Pty) Limited	30 805 934	2.31
Truffle Asset Management (Pty) Limited	28 194 199	2.11
Total	666 260 595	49.90
Beneficial Owner Top 10		
Public Investment Corporation Limited	290 414 507	21.75
Government of Norway	47 822 094	3.58
Vanguard Total International Stock Index Fund	24 648 042	1.85
Allan Gray Balanced Fund	22 992 093	1.72
Alexander Forbes Investments	22 380 244	1.68
Eskom Pension and Provident Fund	19 882 259	1.49
Vanguard Emerging Markets Stock Index Fund (US)	19 697 575	1.48
Coronation Top 20 Fund	18 112 432	1.36
Old Mutual Life Assurance Company SA	14 433 789	1.08
Government Institutions Pension Fund (GIPF)	13 033 265	0.98
Total	493 416 300	36.96
Geographic Ownership		
South Africa	895 121 503	67.05
International	439 966 802	32.95
Total	1 335 088 305	100.00

1. Number of shares in issue net of treasury shares.
2. As the treasury shares held by the HPFL B-BBEE scheme carry voting rights, the effective voting power of the Government Employee Pension Fund is 19.2%.

Annexure E – Pro forma financial information

Independent Reporting Accountant's Assurance Report

To the Directors of Netcare Limited
Netcare Limited
76 Maude Street (corner West Street)
Sandton
2196

Dear Sirs/Mesdames

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION INCLUDED IN THE "NETCARE LIMITED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS 2020

We have completed our assurance engagement to report on the compilation of pro forma financial information of Netcare Limited by the directors. The pro forma financial information, as set out in Annexure E on pages 110 to 111, of the consolidated annual financial statements of Netcare Limited ("the Group") ("the annual financial statements") for the year ended 30 September 2020, to be dated on or about 19 November 2020, consists of a Pro Forma Consolidated Statement of Profit or Loss and key metrics. The pro forma financial information has been compiled on the basis of the applicable criteria specified in the JSE Limited ("JSE") Listings Requirements.

The pro forma financial information has been compiled by the directors to illustrate the impact of the adoption of IFRS 16: Leases, on the Group's financial performance for the year ended 30 September 2020, as if the Group had not adopted IFRS 16 on 1 October 2019 and for the year ended 30 September 2020. As part of this process, information about the Group's financial performance has been extracted by the directors from the consolidated financial statements for the year ended 30 September 2020, on which an unmodified auditor's report was issued on 20 November 2020.

Directors' Responsibility for the Pro Forma Financial Information

The directors are responsible for compiling the pro forma financial information on the basis of the applicable criteria specified in the JSE Listings Requirements and described in the basis of preparation and directors' responsibilities for pro forma information in note 1 of Annexure E to the annual financial statements.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Professional Conduct for Registered Auditors issued by the Independent Regulatory Board for Auditors ("IRBA Code"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants.

The firm applies the International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibility

Our responsibility is to express an opinion about whether the pro forma financial information has been compiled, in all material respects, by the directors on the basis specified in the JSE Listings Requirements based on our procedures performed.

We conducted our engagement in accordance with the International Standard on Assurance Engagements 3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus, which is applicable to an engagement of this nature. This standard requires that we comply with ethical requirements and plan and perform our procedures to obtain reasonable assurance about whether the pro forma financial information has been compiled, in all material respects, on the basis specified in the JSE Listings Requirements.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of the pro forma financial information included in the consolidated annual financial statements is solely to illustrate the impact of the initial application of the IFRS 16 standard on unadjusted financial information of the entity as if it had not been undertaken at an earlier date for comparative purposes.

We do not provide any assurance that the actual outcome of the event or transaction at 30 September 2020 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used in the compilation of the pro forma financial information provides a reasonable basis for presenting the significant effects directly attributable to the corporate action or event, and to obtain sufficient appropriate evidence about whether:
- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

Our procedures selected depend on our judgement, having regard to our understanding of the nature of the company, the corporate action or event in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the pro forma financial information.

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

Opinion
In our opinion, the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria specified by the JSE Listings Requirements and described in the Basis of Preparation and directors' responsibilities for pro forma information in note 1 of Annexure E on pages 110 to 111 of the consolidated annual financial statements.

Deloitte & Touche

Deloitte & Touche
Registered Auditors
Per G Berry
Partner
20 November 2020

Deloitte & Touche
5 Magwa Crescent
Waterfall City
Waterfall
2090

Annexure E – Pro forma financial information continued

Summarised statement of profit or loss and key metrics

Rm	Reviewed: 30 September 2020 As reported	Reviewed: Indicative IFRS 16 impact	Reviewed: 30 September 2020 Indicative pre-IFRS 16 result	30 September 2019[1]	% change
EBITDA	**2 558**	(470)	**2 088**	4 381	(52.3)
Hospital and emergency services	**2 465**	(413)	**2 052**	4 273	(52.0)
Primary Care	**93**	(57)	**36**	108	(66.7)
Non-trading items	**—**	—	—	7	
Reported EBITDA	**2 558**	(470)	**2 088**	4 388	(52.4)
Depreciation and amortisation	**(1 165)**	380	**(785)**	(748)	(4.9)
Operating profit	**1 393**	(90)	**1 303**	3 640	(64.2)
Hospital and emergency services	**1 403**	(83)	**1 320**	3 577	(63.1)
Primary Care	**(10)**	(7)	**(17)**	63	(127.0)
Investment income	**156**	—	**156**	172	
Finance costs	**(1 031)**	371	**(660)**	(656)	(0.6)
Other financial losses – net	**(18)**	—	**(18)**	(2)	
Attributable earnings of associates and joint ventures	**56**	—	**56**	75	
Profit before taxation	**556**	281	**837**	3 229	(74.1)
Taxation	**(243)**	(79)	**(322)**	(879)	63.4
Profit for the year before exceptional items	**313**	202	**515**	2 350	(78.1)
Exceptional items – net of taxation:					
Profit on disposal of associate	**474**	—	**474**	—	
Share-based payment expense on B-BBEE transaction	**(348)**	—	**(348)**	—	
Realisation of foreign currency translation reserve	**—**	—	**—**	128	
Profit for the year	**439**	202	**641**	2 478	(74.1)
Cents					
Earnings per share	**28.3**	15.1	**43.4**	176.7	(75.4)
Diluted earnings per share	**28.1**	15.0	**43.1**	175.0	(75.4)
Headline (loss)/earnings per share	**(3.6)**	15.1	**11.5**	165.9	(93.1)
Diluted headline (loss)/earnings per share	**(3.6)**	15.0	**11.4**	164.3	(93.1)
Adjusted headline earnings per share	**32.5**	15.1	**47.6**	171.2	(72.2)
Diluted adjusted headline earnings per share	**32.3**	15.0	**47.3**	169.5	(72.1)
Key metrics					
EBITDA margin (%)	**13.6**		**11.1**	20.3	
Hospital and emergency services	**13.5**		**11.2**	20.4	
Primary Care	**15.2**		**5.9**	15.4	
Operating profit margin (%)	**7.4**		**6.9**	16.9	
ROIC (%)	**5.6**		**6.7**	20.1	
Net debt to EBITDA (times)	**2.5**		**3.1**	1.2	
EBITDA/net interest (times)	**2.9**		**4.1**	9.1	
Interest cover (times)	**1.6**		**2.6**	7.5	

1. *Segmental split restated to reflect the integration of 15 Medicross day clinics into Hospital and emergency services.*

Notes

1. The pro forma financial information, which is the responsibility of the Group's directors, has been presented for illustrative purposes only and is consistent with the prior reporting period. The pro forma financial information is presented in accordance with the JSE Listings Requirements and the SAICA Guide on Pro Forma Financial Information.
2. The accounting policies applied in the preparation of these pro forma results are consistent in all material respects with those applied in the audited financial statements for the year ended 30 September 2020.
3. The adjustments are calculated with reference to actual depreciation and financial expenses and estimated operating lease charges, on a pre and post IFRS 16 basis, which have been extracted from the Group's accounting records, and an effective tax rate of 28%, all attributable to the appropriate segments. The adjustments are of a continuing nature.
4. The pro forma financial information is derived by excluding IFRS 16 adjustments and including IAS 17 adjustments. IFRS 16 adjustments relating to depreciation of right of use assets of R380 million have been reversed and financial expenses of R371 million relating to the amortisation of lease liabilities have been reversed. Straight-lined operating lease charges of R470 million have been included to reflect the accounting for leases under IAS 17, had the standard still been in effect from 1 October 2019. This information is reflected in the above column headed "Indicative IFRS 16 impact".
5. The calculation of earnings per share, headline earnings per share, adjusted headline earnings per share and diluted adjusted headline earnings per share for the pro forma information is based on the weighted average number of shares in issue at 30 September 2020.
6. Accordingly, because of its nature, the pro forma financial information may not fairly present the Group's financial position, results of operations or cash flows.
7. A specialised review of the pro forma financial information has been performed and reported on by the Group's external auditors. A copy of the unmodified independent reporting accountant's assurance report on the compilation of the pro forma financial information is on page 108.

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(Registration number 1996/008242/06)

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

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RMB Private Bank

Nedbank Limited

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www.netcare911.co.za
www.medicross.co.za
www.nrc.co.za
www.akeso.co.za

Shareholders' diary

Annual general meeting	05 February 2021	
Reports		
Interim results announcement	May	
Final results announcement	November	
Dividends		
Ordinary dividends		
	Declared	Paid
Interim	May	July
Final	November	January
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 notice 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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