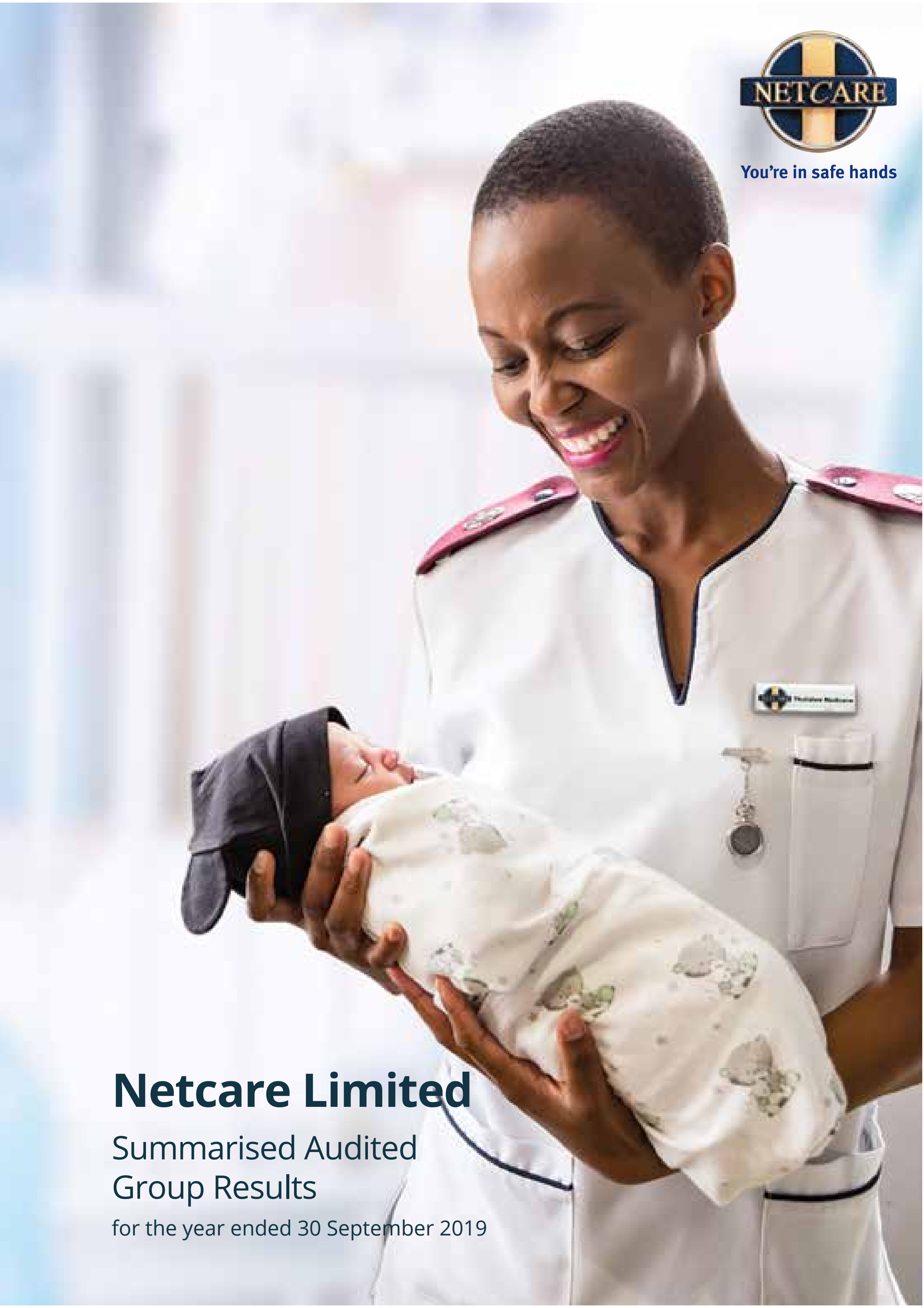


NETCARE

You're in safe hands

Netcare Limited

Summarised Audited Group Results

for the year ended 30 September 2019

CONTENTS

You're in safe hands

NETCARE 082 911 24HR EMERGENCY MEDICAL ASSISTANCE

All the quality care you need.

NATIONAL RENAL CARE

akeso Behavioural Healthcare Group

Patient days

^ 3.7%

Normalised EBITDA from continuing operations

^ 4.3%

SA cash generated from operations

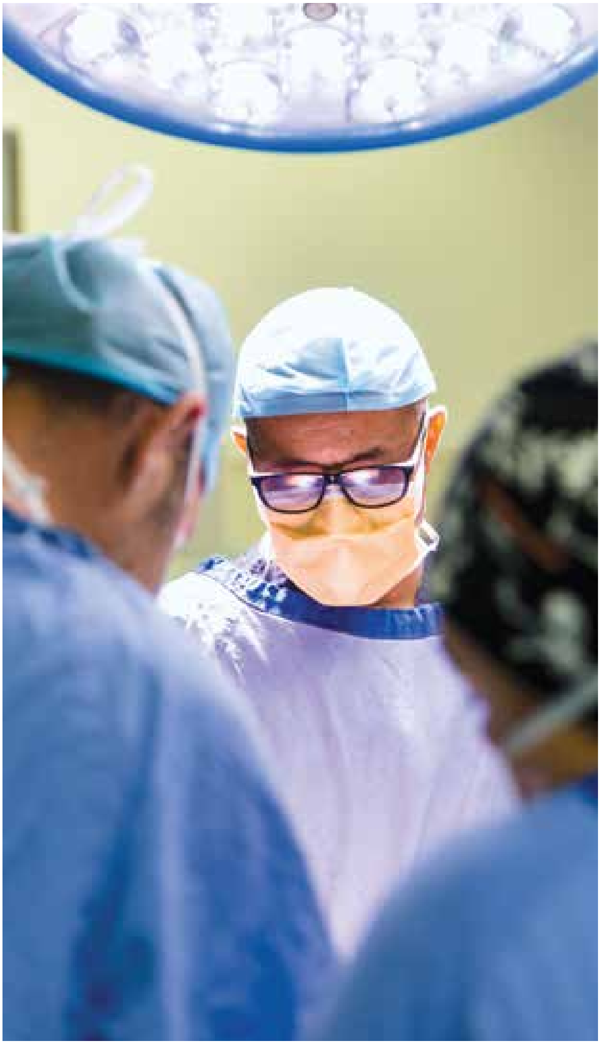
^ 13.5%

Adjusted HEPS from continuing operations

^ 3.0%[1]

Final dividend per share

^ 6.7%



1. *Base equalised to exclude prior year's interest income on contractual economic interest in BMI Healthcare's debt. Adjusted HEPS has been audited by the Company's auditors.*

Commentary

Highlights

- 3.7% increase in patient days
- 4.3% increase in normalised Group EBITDA to R4 388 million
- 3.0% increase in adjusted HEPS from continuing operations to 171.2 cents[1]
- 13.5% increase in cash generated from SA operations to R4 888 million
- 6.7% increase in final dividend to 64.0 cents per share
- >20% ROIC target achieved

Key financial results

Rm	Year ended 30 September 2019	Year ended 30 September 2018	% change
Continuing operations			
Revenue	**21 589**	20 717	4.2
Normalised EBITDA	**4 388**	4 209	4.3
Normalised operating profit	**3 640**	3 486	4.4
Normalised profit before taxation	**3 229**	3 232	(0.1)
Normalised taxation	**(879)**	(904)	
Normalised profit after taxation from continuing operations	**2 350**	2 328	0.9
Discontinued operations			
Loss from discontinued operations	**–**	(467)	
Normalised profit after taxation	**2 350**	1 861	26.3
Exceptional items:	**128**	2 883	
Realisation of foreign currency translation reserve	**128**	–	
Profit on loss of control	**–**	4 205	
Impairment of contractual economic interest in debt of BMI Healthcare	**–**	(1 544)	
Taxation effect	**–**	222	
Profit for the year	**2 478**	4 744	(47.8)

"Normalised" excludes the impact of exceptional items.

The accounting policies applied in preparing the audited Group financial statements are consistent in all material respects with those applied in the audited financial statements for the year ended 30 September 2018, with the exception of the adoption of IFRS 9: *Financial Instruments* and IFRS 15: *Revenue from Contracts with Customers* from 1 October 2018. Further detail on the impact of the adoption of these new accounting statements is set out in Note 10 to the audited Group financial statements.

1. *Base equalised to exclude prior year's interest income on contractual economic interest in BMI Healthcare's debt. Adjusted HEPS has been audited by the Company's auditors.*

Overview

Netcare delivered a resilient financial performance in a challenging market and made important strides towards executing its strategic objectives during the 2019 financial year.

The broader South African economy continues to struggle and the healthcare environment faces a number of growth challenges. Medical scheme membership is stagnant and funders remain focused on initiatives to reduce healthcare costs, including the introduction of more affordable medical scheme options which limit member access to specific providers across the healthcare value chain.

Against this backdrop, Netcare has managed its cost base well with targeted efficiency initiatives gaining traction, specifically in the second half of the year.

The Group remains committed to the objectives of its Quadruple Aim of:

- Delivering the best clinical outcomes;
- Ensuring the best patient experience;
- Delivering healthcare at an affordable cost; and
- Improving the wellbeing of healthcare delivery teams.

Globally, the delivery of healthcare is increasingly being transformed by the digitisation of processes and clinical records and the intelligent application of data. In addition, a greater focus on wellness and patients assuming co-responsibility for their health is driving a shift towards participatory healthcare. Netcare's service offering is rapidly evolving to align with these trends and the Group is firmly on track to achieve its strategic objectives of providing person-centred health and care that is digitally enabled and data driven.

Netcare remains committed to its disciplined capital management guidelines, both in allocating capital to value creating projects and in the distribution of capital to shareholders.

Group financial review

Revenue from continuing operations improved by 4.2% to R21 589 million (2018: R20 717 million).

Normalised earnings before interest, tax, depreciation and amortisation ("EBITDA") increased 4.3% to R4 388 million (2018: R4 209 million). Normalised operating profit was 4.4% higher at R3 640 million (2018: R3 486 million). Normalised EBITDA margin was unchanged at 20.3%, while normalised operating profit margin increased to 16.9% (2018: 16.8%).

Net financial expenses increased to R486 million (2018: R327 million) impacted by higher finance costs and lower interest income. The increase in finance costs results from higher average debt levels as the business seeks to continue optimising its capital structure. The reduction in interest income is due to Netcare earning R104 million in the prior year on its contractual economic interest in the debt of BMI Healthcare, which is no longer earned following the disposal of this investment.

Normalised profit before taxation was marginally lower at R3 229 million (2018: R3 232 million). The normalised taxation charge amounted to R879 million (2018: R904 million), reflecting an effective tax rate of 27.2% (2018: 28.0%). Normalised profit after taxation increased by 0.9% to R2 350 million (2018: R2 328 million).

A gain of R128 million was recognised on the realisation of a foreign currency translation reserve related to the deregistration of a foreign subsidiary. In the prior year an

Commentary continued

after-tax loss of R467 million from discontinued operations was reported, mostly comprising the results of BMI Healthcare, as well as exceptional items of a net favourable R2 883 million that were recognised and relate to Netcare's exit from the UK.

Adjusted headline earnings per share ("HEPS") from continuing operations declined 0.2% to 171.2 cents (2018: 171.6 cents). However, equalising the 2018 base to 166.2 cents to exclude the prior year's interest income recognised on the contractual economic interest in BMI Healthcare's debt, led to an increase of 3.0% in adjusted HEPS.

Financial position and cash flow

Rm	**Actual 30 Sep 2019**	Actual 30 Sep 2018
Assets		
PPE, goodwill and intangible assets	**14 322**	13 847
Other non-current assets	**1 569**	1 453
Current assets	**5 298**	5 167
Assets classified as held for sale	**226**	297
Total assets	**21 415**	20 764
Equity and liabilities		
Total shareholders' equity	**10 235**	10 415
Borrowings	**6 846**	6 176
Other liabilities	**4 334**	4 173
Total equity and liabilities	**21 415**	20 764

Total assets increased 3.1% to R21 415 million at 30 September 2019, from R20 764 million at 30 September 2018. In terms of its 'asset lighter' approach, the Group's capital expenditure for the year (including intangible assets) reduced to R1 429 million (2018: R1 514 million), of which R512 million was on expansionary projects. Effective 30 September 2019, all conditions precedent relating to the sale of the Netcare Rand and Bell Street hospitals were fulfilled, and the sale was recognised. The proceeds relating to the moveable assets were received by the financial year-end, while the balance of R116 million relating to the properties is reflected as a receivable and will be paid to Netcare in cash upon transfer of the properties.

A sale process for the GHG PropCo 2 assets in the UK is underway. These assets continue to be held for sale at a carrying value of R226 million (2018: R226 million).

Total shareholders' equity decreased to R10 235 million at 30 September 2019, from R10 415 million at 30 September 2018, largely due to the repurchase of shares and the payment of ordinary and special dividends during the year.

At 30 September 2019, Group net debt was R5 114 million (2018: R4 805 million). Net debt to normalised EBITDA is stable at 1.2 times (2018: 1.1 times) and is comfortably within the internally-set policy limit of less than 2.0 times, while interest cover remains strong at 7.5 times.

The increase in net debt from R4 805 million at 30 September 2018 is due to capital expenditure, tax and ordinary dividend payments which collectively amounted to R3 951 million (2018 SA: R3 634 million), as well as the repurchase and cancellation of 19 166 550 shares at a cost of R458 million and the payment of a special dividend of R542 million.

Cash generated from SA operations showed strong growth of 13.5% to R4 888 million (2018: R4 305 million). The cash conversion ratio improved further to 111.4% (2018: 102.3%) benefitting from various working capital initiatives implemented during the year.

Divisional review

Hospital and emergency services

Revenue for the segment amounted to R20 810 million (2018: R20 000 million) and grew by 4.1%. Patient days grew by 3.7%, which comprises a 1.4% decline in acute hospital patient days (excluding the Netcare Rand and Bell Street hospitals), offset by strong growth from Akeso Clinics (acquired effective 27 March 2018). The decline in acute patient days in FY 2019 is primarily attributed to the creation of new hospital networks by funders, effective January 2019, and ongoing funder case management activity that started in 2018, most notably in the medical respiratory disciplines.

Excluding these funder-led initiatives, underlying acute patient day growth was approximately 0.8%. Acute hospital full week occupancy levels (excluding Netcare Rand and Bell Street) ended the year at 65.9% (2018: 66.6%), with weekday occupancies of 71.4% compared to 72.6% in the prior year. Acute hospital revenue per patient day increased by 4.3%.

Netcare continues to attract specialists and a net 112 doctors were granted admission rights at acute and mental health facilities during the year.

Commentary continued

Normalised EBITDA, excluding the gain of R128 million on the realisation of the foreign currency translation reserve on deregistration of a foreign subsidiary and net non-trading income of R7 million (2018: cost of R63 million), increased to R4 263 million (2018: R4 163 million). The EBITDA margin of 20.5% (2018: 20.8%) was higher than guided at half-year as the benefits from cost efficiency initiatives offset the impact of lower occupancy levels, allowing the core acute hospital business to maintain its EBITDA margin. However, overall EBITDA margin was impacted by higher central costs due to increasing investment in IT and data analytics in order to drive continual improvement in clinical outcomes, patient experience, operational efficiencies and patient retention across the continuum of care. Normalised operating profit improved 2.3% to R3 569 million (2018: R3 490 million).

Demand for mental healthcare remains strong. Akeso experienced total patient day growth of 17.9% over the comparative base period (which was prior to the Netcare acquisition). This has been boosted by contributions from two new hospitals opened in 2017 and 2018, respectively, and the expanded and refurbished Akeso George Hospital, which re-opened in March 2019.

A total of 57 mental health beds were added during the year, including Akeso George Hospital. No acute beds were added during FY 2019. However, in line with Netcare's focus on improving asset utilisation, 29 under-utilised acute hospital beds were converted to higher demand disciplines during the year. Of the 100 beds transferred from Netcare Rand Hospital to Netcare Milpark Hospital, 48 beds were opened in mid-September 2019, a few weeks ahead of schedule.

Primary care

The Primary Care division achieved strong revenue growth of 10.9%, driven by the expansion of its occupational health offering, resulting in revenue of R795 million (2018: R717 million). EBITDA improved by 8.3% to R118 million (2018: R109 million). The EBITDA margin improved from 13.3% at the half-year to 14.8%, but remains below the 2018 margin

of 15.2%. This is due to a greater proportion of lower margin occupational health activity, non-recurring restructuring costs and the impact of new day clinics operating below mature activity levels. Operating profit increased 8.5% to R64 million (2018: 59 million).

Person centred health and care

Netcare's strategy is to ensure the patient is at the centre of the health and care that Netcare provides. Our values of treating every individual with dignity, respect and compassion are further enhanced by ensuring that customers are provided with the knowledge, skills and confidence to make more informed decisions about their own health and healthcare. Various person centred health and care initiatives are being piloted at multiple hospital sites and are also being integrated into the training of our staff and healthcare providers. Technology platforms, in combination with our developing data analytics capabilities, will play an important role in supporting individuals in their health and care journey. Netcare's assets, which span across the broad healthcare delivery ecosystem, position us in a unique way to deliver on this strategy.

Digitisation and data analytics

Excellent progress has been made in achieving Netcare's journey of implementing fully mobile electronic clinical and patient records ("CareOn") in partnership with Apple, Deutsche Telekom, IBM Watson Micromedix and Capsule. This fully supports our strategy of delivering person centred health and care that is digitally enabled and data driven. The design and development phase of the project was completed during August 2019, and the pilot at Netcare Milpark Hospital was successfully launched on 1 September 2019. The pilot is being conducted in three wards before being rolled out across the hospital in early 2020. Thereafter, the intention is to roll-out CareOn to a further four hospitals in 2020 and to the remainder of the portfolio in 2021 and 2022.

Netcare Milpark Hospital is now the first in Africa to be able to electronically prescribe medication with a fully integrated pharmacy dispensing system. The CareOn solution also includes full digital integration of medical equipment in wards and theatres, pathology laboratories, radiology and blood bank, providing doctors with 24 hour access to full patient records from any location within or outside the hospital. The solution is integrated with IBM Watson Micromedex, which allows automated drug dosage and interaction checks to significantly improve medication safety.

The costs of the project remain within expectations, with R55 million of capital expenditure invested and R12 million of operating costs incurred during the 2019 financial year.

Significant progress has been achieved in building a Big Data and Artificial Intelligence ("AI") platform in Netcare and a number of test cases were developed this year which have added demonstrable value to the Group. Netcare is in the process of migrating to a Microsoft Azure cloud based analytics platform that will substantially accelerate and enhance our machine learning and predictive analytics capabilities across the Group.

Sustainability

Netcare's environmental sustainability initiatives continue to deliver value to the business, and have been recognised internationally through the prestigious 2019 Association of Energy Engineers (USA) Corporate Energy Management Award for the Sub-Saharan Africa region. Netcare is the first healthcare company to receive this global award. This follows the receipt of four Climate Champion Awards presented to Netcare in August 2019, including three gold awards in the categories of Greenhouse Gas Emission Reduction, Climate Resilience and Climate

Commentary continued

Leadership, and a silver award for Renewable Energy. These awards place Netcare second in the world among a network of more than 1 200 members consisting of over 36 000 hospitals and healthcare centres. Over the past six years Netcare has reduced its energy intensity by 20% through these initiatives and is on track to reduce its energy footprint by 30%.

Regulatory update

Health Market Inquiry ("HMI")

The Competition Commission's HMI, which was established to review the functioning of the private healthcare market and to determine whether there are barriers to effective competition, published its final report on 30 September 2019. Following the publication of the Provisional Report on 6 June 2018 the HMI received 67 submissions and held further presentations on specific topics. Netcare disagrees with certain key findings but is pleased with the HMI's final stance that hospital profitability is not excessive, that divestiture of hospitals or a moratorium on hospital licences is not warranted and the endorsement of the current bilateral negotiation process between hospitals and funders.

National Health Insurance ("NHI")

The amended draft NHI Bill published on 8 August 2019 paves the way for the establishment of an NHI Fund, which will purchase services from accredited public and private healthcare providers. Certain elements of the Bill remain unclear, and Netcare is actively participating in engagements with policy makers on the detail of the Bill and will participate in the parliamentary process.

Netcare fully embraces the principles of Universal Healthcare and, given the inequality of access to quality healthcare and the scarcity of resources, Netcare strongly supports an inclusive approach to improving accessibility and quality of care. Netcare believes that the broader healthcare delivery system, including a significant role for private medical schemes, can be constructively leveraged to create a healthier society. Netcare is actively working to develop affordable solutions and services to broaden access to private healthcare for the currently uninsured population.

Events after the reporting period

On 15 October 2019, Netcare approved a further allocation of 61 050 000 previously unallocated Netcare shares ("the Allocation") that were available under its Health Partners For Life ("HPFL") Broad-based Black Economic Empowerment ("B-BBEE") scheme concluded in 2005, to 20 350 Netcare employees (excluding executives), of which 80% are black and 65% are black women ("the Beneficiaries").

The Allocation reflects Netcare's commitment to the imperative of building a transformed South Africa characterised by values of social and economic equality and inclusion for all. The Allocation achieves this objective in a manner that enables Netcare to further strengthen the ownership component of its empowerment rating. Netcare will increase its B-BBEE ownership and should improve its overall B-BBEE rating to Level 4 (from Level 5 in 2018 and Level 8 in 2017).

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.

Outlook

Driven by the burden of disease and an ageing population, the underlying demand for healthcare remains intact. The South African healthcare landscape is however unlikely to improve in the short term given the underlying macro-economic outlook. We do not foresee any meaningful increase in medical scheme membership, and expect further growth in the number of beneficiaries covered by restricted hospital network options.

In late September 2019, Netcare Milpark Hospital opened 48 beds of the 100 beds transferred from Rand Hospital. The remaining 52 beds will open in February 2020. We expect to convert 28 beds to higher demand specialties during FY 2020.

We anticipate patient day growth for the full year of between 0.8% to 1.2%. H1 will still be negatively influenced by the 2019 hospital network arrangements which will impact the first quarter of FY 2020. However, Netcare has secured participation as an anchor provider in new restricted hospital networks commencing in January 2020 and this is expected to have a positive impact.

The efficiency and nurse optimisation programmes, which gained strong traction in H2 2019, will continue to deliver benefits and assist the core acute hospital business to maintain EBITDA margin at current levels, including CareOn costs of approximately R38 million. (Note: this guidance excludes the impact of the adoption of IFRS 16: *Leases* which is covered separately).

We expect an increase in central costs in FY 2020 of approximately R50 million as the business builds out its data platform and analytics capabilities, and steps up developments in respect of digitising medical records at Akeso, Medicross and Netcare's Cancer Care.

A once-off, non-cash IFRS 2 charge of R347 million, relating to the implementation of the B-BBBEE transaction referred to above, will be recognised in FY 2020. This accounting charge is excluded from adjusted HEPS. The cost of the 20% of dividends payable to beneficiaries of HPFL B-BBEE scheme will have a minimal annual impact on future earnings per share.

Capital expenditure for FY 2020 is expected to total R1.4 billion, including finalisation of Netcare Milpark's expansion, construction on the replacement 427-bed Netcare Alberton Hospital, expansion of Netcare St Augustine's Hospital, a new 36-bed Akeso facility in Richards Bay and commencement of construction on a new 72-bed Akeso facility in Port Elizabeth. The delivery of the CareOn solution remains a key focus area and capital expenditure of approximately R50 million is anticipated in FY 2020. Aside from the abovementioned projects which will elevate levels of capital expenditure in the short term, the Group's 'asset lighter' strategy, which focuses on IT systems and data, should result in reducing levels of expansionary capital expenditure in the medium term.

The Group's statement of financial position remains strong and well within the policy guidelines outlined last year. Netcare remains committed to maintaining an optimal capital structure. Share buybacks remain the preferred method of returning excess capital to shareholders and further share buybacks over the next twelve months are anticipated.

Netcare will adopt IFRS 16: *Leases* in FY 2020. Under this new accounting standard leases are brought onto the statement of financial position through the capitalisation of a right-of-use asset and recognition of a related lease liability. Rental payments are no longer

Commentary continued

expensed through the statement of profit and loss, but are applied to reduce the lease liability. The right-of-use asset is depreciated over the lease period, creating an additional depreciation charge, while an interest charge is recognised on the balance of the lease liability. Although the economics and cash flows of the business will not change, there will be an impact on our accounting results from the adoption of this new statement.

The adoption of IFRS 16 is expected to have an impact on the FY 2020 results within the ranges set out below.

	Range	
Rm	From	To
Statement of profit or loss		
Increase in EBITDA	450	500
Increase in depreciation	(350)	(410)
Increase in interest paid	(375)	(435)
Decrease in profit before tax	(275)	(345)
Decrease in tax	75	95
Decrease in profit after tax	(200)	(250)
Statement of financial position		
Right-of-use asset	4 100	4 500
Lease liability	4 100	4 500

Change in directorship

Dr. Azar Jammine retired from the Board on 30 September 2019. Dr. Jammine loyally served on the Board for over 20 years, providing valuable guidance, wisdom and support to the Board and management of Netcare. He served as chairperson of the Remuneration Committee since 25 November 2015 and also served as a member of the Audit and Nomination Committees and certain operational sub-committees during his tenure. The Board and management of Netcare wish to express their profound gratitude and appreciation to Dr. Jammine for the enormous contribution made to Netcare during his term of office.

Ms Lezanne Human was appointed as an independent non-executive director of the Board with effect from 13 May 2019.

Netcare is pleased to announce the appointment of Mr David Kneale to the Board effective 1 January 2020 as an independent non-executive director. He will also be joining the Remuneration and Audit Committees as chairperson and member respectively. Mr Kneale has enjoyed a successful career spanning over 30 years in retail. He was appointed chief executive officer of Clicks Group in January 2006. During his 13-year tenure at the helm, the Clicks Group experienced strong growth in its core markets. The Clicks Group is also one of the most transformed and empowered retailers in the country, evidenced by its strong B-BBEE credentials and rating. Before joining the Clicks Group, Mr Kneale held positions in the United Kingdom including Boots Group plc, Waterstone's Booksellers and the HMV Group. Mr Kneale currently holds an independent non-executive directorship at Woolworths Holdings Limited. The Netcare Board welcomes the appointment of Mr Kneale and is confident that he will provide valuable insight and experience to the Group.

Declaration of dividend number 21

Notice is hereby given of the declaration of a gross final dividend of 64.0 cents per ordinary share in respect of the year ended 30 September 2019. The dividend has been declared from income reserves and is payable to shareholders recorded in the register at the close of business on Friday, 24 January 2020. The number of ordinary shares (inclusive of treasury shares) in issue at the date of this declaration is 1 451 843 229. The dividends will be subject to a local dividend withholding tax at a rate of 20%, which will result in a net final dividend to those shareholders not exempt from paying dividend withholding tax of 51.2 cents per ordinary share and 64.0 cents per ordinary share for those shareholders who are exempt from dividend withholding tax.

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

The salient dates applicable to the dividends are as follows:

Last day to trade cum dividend	Tuesday, 21 January 2020
Trading ex-dividend commences	Wednesday, 22 January 2020
Record date	Friday, 24 January 2020
Payment date	Monday, 27 January 2020

Share certificates may not be dematerialised nor rematerialised between Wednesday, 22 January 2020 and Friday, 24 January 2020, both dates inclusive.

On Monday, 27 January 2020, the dividends will be electronically transferred to the bank accounts of all certificated shareholders. Holders of dematerialised shares will have their accounts credited at their participant or broker on Monday, 27 January 2020.

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

On behalf of the Board

Thevendrie Brewer
Chairperson

Richard Friedland
Chief Executive Officer

Keith Gibson
Chief Financial Officer

Sandton
14 November 2019

Disclaimer

Any forward-looking statements incorporated in these financial results have not been audited or reviewed by our external auditors.

Summarised Group statement of profit or loss

for the year ended 30 September

Rm	Notes	2019	2018
Continuing operations			
Revenue		**21 589**	20 717
Cost of sales		**(10 653)**	(10 364)
Gross profit		**10 936**	10 353
Other income		**446**	511
Administrative and other expenses – excluding items below		**(7 742)**	(7 378)
Operating profit before items below		**3 640**	3 486
Realisation of foreign currency translation reserve		**128**	–
Impairment of contractual economic interest in the debt of BMI Healthcare		**–**	(1 544)
Operating profit	2	**3 768**	1 942
Investment income	3	**172**	271
Finance costs	4	**(656)**	(597)
Other financial losses – net		**(2)**	(1)
Attributable earnings of associates		**29**	32
Attributable earnings of joint ventures		**46**	41
Profit before taxation		**3 357**	1 688
Taxation	5	**(879)**	(682)
Profit for the year from continuing operations		**2 478**	1 006
Loss from discontinued operations	9	**–**	(467)
Profit on loss of control		**–**	4 205
Profit for the year		**2 478**	4 744
Attributable to:			
Owners of the parent		**2 393**	4 885
Preference shareholders		**54**	55
Profit attributable to shareholders		**2 447**	4 940
Non-controlling interest		**31**	(196)
		2 478	4 744
Cents			
Basic earnings per share		**176.7**	357.7
Continuing operations		**176.7**	68.5
Discontinued operations		**–**	289.2
Diluted earnings per share		**175.0**	353.6
Continuing operations		**175.0**	67.7
Discontinued operations		**–**	285.9
Dividend per share		**111.0**	104.0
Special dividend per share		**–**	40.0

Summarised Group statement of comprehensive income

for the year ended 30 September

Rm	2019	2018
Profit for the year	**2 478**	4 744
Other comprehensive income		
Items that will not subsequently be reclassified to profit or loss	**66**	–
Remeasurement of defined benefit obligation	**91**	–
Taxation on items that will not subsequently be reclassified to profit or loss	**(25)**	–
Items that may subsequently be reclassified to profit or loss	**(161)**	(1 842)
Effect of cash flow hedge accounting	**(44)**	42
Amortisation of cash flow hedge accounting reserve	**5**	4
Change in the fair value of cash flow hedges	**(49)**	38
Effect of translation of foreign entities	**(1)**	104
Realisation of foreign currency translation reserve	**(128)**	(1 976)
Taxation on items that may subsequently be reclassified to profit or loss	**12**	(12)
Other comprehensive income for the year	**(95)**	(1 842)
Total comprehensive income for the year	**2 383**	2 902
Attributable to:		
Owners of the parent	**2 298**	2 737
Preference shareholders	**54**	55
Non-controlling interest	**31**	110
	2 383	2 902

Summarised Group statement of financial position

at 30 September

Rm	Notes	2019	2018[1]
ASSETS			
Non-current assets			
Property, plant and equipment		12 541	12 098
Goodwill		1 606	1 614
Intangible assets		175	135
Equity-accounted investments, loans and receivables	6	1 024	965
Financial assets	7	5	16
Deferred lease assets		28	25
Deferred taxation		512	447
Total non-current assets		15 891	15 300
Current assets			
Loans and receivables	6	122	48
Inventories		564	589
Trade and other receivables		2 837	3 124
Taxation receivable		43	35
Cash and cash equivalents		1 732	1 371
		5 298	5 167
Assets classified as held for sale		226	297
Total current assets		5 524	5 464
Total assets		21 415	20 764
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary share capital		4 334	4 391
Treasury shares		(3 853)	(3 871)
Other reserves		447	635
Retained earnings		8 611	8 566
Equity attributable to owners of the parent		9 539	9 721
Preference share capital and premium		644	644
Non-controlling interest		52	50
Total shareholders' equity		10 235	10 415
Non-current liabilities			
Long-term debt	8	5 061	5 114
Financial liabilities	7	44	21
Post-employment benefit obligations		487	535
Deferred lease liabilities		54	47
Deferred taxation		238	210
Total non-current liabilities		5 884	5 927
Current liabilities			
Trade and other payables		3 462	3 288
Short-term debt	8	1 780	1 056
Financial liabilities	7	26	10
Taxation payable		23	62
Bank overdrafts		5	6
Total current liabilities		5 296	4 422
Total equity and liabilities		21 415	20 764

1. *Other receivables and other payables in 2018 have increased by R216 million to restate for credit balances previously incorrectly included in other receivables.*

Summarised Group statement of cash flows

for the year ended 30 September

Rm	2019	2018[1]
Cash flows from operating activities		
Cash received from customers	21 890	20 203
Cash paid to suppliers and employees	(17 002)	(15 976)
Cash generated from operations	4 888	4 227
Interest paid	(602)	(729)
Taxation paid	(967)	(916)
Ordinary dividends paid by subsidiaries	(21)	(23)
Ordinary dividends paid	(1 454)	(1 388)
Special dividends paid	(542)	–
Preference dividends paid	(54)	(55)
Distribution to beneficiaries of the HPFL B-BBEE[2] trusts	(26)	(21)
Net cash from operating activities	1 222	1 095
Cash flows from investing activities		
Acquisition of business	–	(1 233)
Acquisition of property, plant and equipment	(1 378)	(1 512)
Additions to intangible assets	(51)	(2)
Proceeds on disposal of property, plant and equipment and intangible assets	193	44
(Payments for)/proceeds from investments and loans	(66)	92
Interest received	172	171
Dividends received	8	27
Increase in equity from joint ventures to subsidiaries	–	(1)
Cash and cash equivalents of businesses deconsolidated	(3)	(673)
Net cash from investing activities	(1 125)	(3 087)
Cash flows from financing activities		
Proceeds on disposal of treasury shares	22	48
Proceeds from issue of ordinary shares	–	3
Purchase of ordinary shares	(458)	–
Debt raised	2 748	3 054
Debt repaid	(2 050)	(1 989)
Acquisition of non-controlling interests	–	(3)
Issue of shares to non-controlling interests	3	11
Settlement of debt related to acquisition of business	–	(238)
Settlement of derivatives	–	(2)
Net cash from financing activities	265	884
Net increase/(decrease) in cash and cash equivalents	362	(1 108)
Translation effects on cash and cash equivalents of foreign entities	–	(81)
Cash and cash equivalents at the beginning of the year	1 365	2 525
Cash and cash equivalents related to assets held for sale	–	29
Cash and cash equivalents at the end of the year	1 727	1 365
Consisting of		
Cash on hand and balances with banks	1 732	1 371
Bank overdrafts	(5)	(6)
	1 727	1 365

1. *2018 has been restated and an outflow of R238 million on the refinancing of debt directly related to the Akeso Clinics Group acquisition has been reclassified from Cash Flows from Investing Activities to Cash Flows from Financing Activities. In addition, debt raised and debt repaid have been presented on a gross basis.*
2. *Health Partners for Life Broad-based Black Economic Empowerment.*

Summarised Group statement of changes in equity

for the year ended 30 September

Rm	Ordinary share capital	Treasury shares	Cash flow hedge accounting reserve
Balance at 1 October 2017	4 205	(3 720)	(45)
Shares issued during the year	186	(183)	–
Sale of treasury shares	–	39	–
Purchase of treasury shares	–	(7)	–
Acquisition of subsidiaries	–	–	–
Share-based payment reserve movements	–	–	–
Tax recognised in equity	–	–	–
Preference dividends paid	–	–	–
Dividends paid	–	–	–
Distributions to beneficiaries of the HPFL B-BBEE[1] trusts	–	–	–
Changes in equity interest in subsidiaries	–	–	–
Total comprehensive income for the year	–	–	30
Ordinary movements	–	–	30
Deconsolidation of BMI Healthcare	–	–	–
Balance at 30 September 2018	4 391	(3 871)	(15)
Impact of adoption of IFRS 9	–	–	–
Tax impact of adoption of IFRS 9	–	–	–
Balance at 1 October 2018	**4 391**	**(3 871)**	**(15)**
Shares purchased and cancelled during the year[2]	**(57)**	–	–
Sale of treasury shares	–	**18**	–
Share-based payment reserve movements	–	–	–
Reclassification of investment reserve to retained earnings	–	–	–
Reclassification of reserves	–	–	–
Tax recognised in equity	–	–	–
Preference dividends paid	–	–	–
Ordinary dividends paid	–	–	–
Special dividends paid	–	–	–
Written put option over non-controlling interest	–	–	–
Distributions to beneficiaries of the HPFL B-BBEE[1] trusts	–	–	–
Changes in equity interest in subsidiaries	–	–	–
Total comprehensive income for the year	–	–	**(32)**
Profit for the year	–	–	–
Other comprehensive income	–	–	**(32)**
Balance at 30 September 2019	**4 334**	**(3 853)**	**(47)**

1. *Health Partners for Life Broad-based Black Economic Empowerment.*
2. *The Group purchased 19 million shares at an average price of R24.11 per share. The shares have subsequently been cancelled and now form part of authorised shares not issued.*

Foreign currency translation reserve	Other reserves	Retained earnings	Equity attributable to owners of the parent	Preference share capital and premium	Non-controlling interest	Total share-holders' equity
2 001	525	5 316	8 282	644	(64)	8 862
–	–	–	3	–	–	3
–	–	16	55	–	–	55
–	–	–	(7)	–	–	(7)
–	–	–	–	–	8	8
–	45	9	54	–	–	54
–	–	16	16	–	–	16
–	–	–	–	(55)	–	(55)
–	–	(1 388)	(1 388)	–	(23)	(1 411)
–	–	(21)	(21)	–	–	(21)
–	–	(10)	(10)	–	19	9
(1 889)	(32)	4 628	2 737	55	110	2 902
87	–	680	797	55	(180)	672
(1 976)	(32)	3 948	1 940	–	290	2 230
112	538	8 566	9 721	644	50	10 415
–	–	(50)	(50)	–	–	(50)
–	–	10	10	–	–	10
112	538	8 526	9 681	644	50	10 375
–	–	(401)	(458)	–	–	(458)
–	–	3	21	–	–	21
–	50	–	50	–	–	50
–	(90)	90	–	–	–	–
13	–	(13)	–	–	–	–
–	–	(9)	(9)	–	–	(9)
–	–	–	–	(54)	–	(54)
–	–	(1 454)	(1 454)	–	(21)	(1 475)
–	–	(542)	(542)	–	–	(542)
–	–	(9)	(9)	–	–	(9)
–	–	(30)	(30)	–	–	(30)
–	–	(9)	(9)	–	(8)	(17)
(129)	–	2 459	2 298	54	31	2 383
–	–	2 393	2 393	54	31	2 478
(129)	–	66	(95)	–	–	(95)
(4)	498	8 611	9 539	644	52	10 235

Headline earnings

for the year ended 30 September

Rm	2019	2018
Reconciliation of headline earnings		
Profit for the year	**2 478**	4 744
Adjusted for:		
Dividends paid on shares attributable to the Forfeitable Share Plan	**(16)**	(13)
Preference shareholders	**(54)**	(55)
Non-controlling interest	**(31)**	196
Profit attributable to owners of the parent used in the calculation of basic and diluted earnings per share	**2 377**	4 872
Adjusted for:		
Impairment of goodwill	**–**	6
Net loss/(profit) on disposal of investments	**25**	(4)
Profit on loss of control	**–**	(4 205)
Fair value gain on investments on acquisition of control	**–**	(5)
Net profit on disposal of property, plant and equipment and intangibles	**(64)**	(3)
Realisation of foreign currency translation reserve	**(128)**	–
Recognition of impairment of investment in associate	**5**	–
Recognition of impairment of property, plant and equipment	**7**	11
Tax effect of headline adjusting items	**9**	1
Non-controlling share of headline adjusting items	**–**	(1)
Headline earnings	**2 231**	672
Adjustments for discontinued operations:		
Loss from discontinued operations	**–**	467
Non-controlling interest	**–**	(201)
Net profit on disposal of property, plant and equipment	**–**	(2)
Non-controlling share of headline adjusting items	**–**	1
Headline earnings from continuing operations	**2 231**	937

Headline earnings continued

for the year ended 30 September

Rm	2019	2018
Adjusted headline earnings		
Headline earnings	2 231	672
Adjusted for:		
Settlement loss on FEC option	–	2
Ineffectiveness gains on cash flow hedges	(4)	(4)
Fair value losses on derivative financial instruments	–	85
Amortisation of the cash flow hedge accounting reserve	5	3
Recognition of loan impairment	19	6
Recognition of impairment of contractual economic interest in debt of BMI Healthcare	–	1 544
Health Market Inquiry	34	36
Reversal of onerous lease provisions	–	(168)
Fair value loss on derivative financial instrument	1	–
Restructure costs incurred by BMI Healthcare	–	212
Restructure costs incurred by Netcare in respect of BMI Healthcare	13	45
Akeso related transaction costs	–	18
Hospital division restructure costs	22	–
Tax effect of adjusting items	(19)	(254)
Non-controlling share of adjusting items	–	(43)
Adjusted headline earnings	2 302	2 154
Adjustments for discontinued operations:		
Loss from discontinued operations	–	467
Non-controlling interests	–	(201)
Headline adjustments relating to discontinued operations	–	(1)
Fair value losses on derivative financial instruments	–	(85)
Reversal of onerous lease provisions	–	168
Restructure costs incurred by BMI Healthcare	–	(212)
Tax effect of adjusting items	–	4
Non-controlling share of adjusting items	–	43
Adjusted headline earnings from continuing operations	2 302	2 337

Cents		
Headline earnings/(loss) per share	165.9	49.3
Continuing operations	165.9	68.8
Discontinued operations	–	(19.5)
Diluted headline earnings/(loss) per share	164.3	48.8
Continuing operations	164.3	68.0
Discontinued operations	–	(19.2)
Adjusted headline earnings/(loss) per share	171.2	158.1[1]
Continuing operations	171.2	171.6
Discontinued operations	–	(13.5)[1]
Diluted adjusted headline earnings/(loss) per share	169.5	156.3
Continuing operations	169.5	169.6
Discontinued operations	–	(13.3)

1. *2018 restated due to calculation error.*

Summarised segment report

for the year ended 30 September

Rm	Hospital and pharmacy operations[1]	Non-acute services	Hospital and emergency services	Primary Care	Inter-segment elimination	**Total**
2019						
Statement of profit or loss						
Revenue	19 706	1 104	20 810	795	(16)	**21 589**
EBITDA[2] before item below	4 152	118	4 270	118	–	**4 388**
Operating profit – before item below	3 516	60	3 576	64	–	**3 640**
Realisation of foreign currency reserve	128	–	128	–	–	**128**
Operating profit	3 644	60	3 704	64	–	**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 a profit on disposal of PPE of R69 million.*
2. *Earnings before interest, tax, depreciation and amortisation.*

Hospital and emergency services

This segment is further disaggregated into Hospital and pharmacy operations covering our private acute hospital network, 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.

Summarised segment report continued

for the year ended 30 September

Rm	Hospital and pharmacy operations[1]	Non-acute services	Hospital and emergency services	Primary Care	**Total**
2018					
Statement of profit or loss					
Revenue	19 202	798	20 000	717	**20 717**
EBITDA before item below	4 090	10	4 100	109	**4 209**
Operating profit – before item below	3 454	(27)	3 427	59	**3 486**
Impairment of contractual economic interest in debt of BMI Healthcare	(1 544)	–	(1 544)	–	**(1 544)**
Operating profit	1 910	(27)	1 883	59	**1 942**

1. *EBITDA and operating profit in 2018 are inclusive of UK related restructure costs amounting to R45 million, and Akeso transaction costs amounting to R18 million.*

Notes to the summarised Group financial statements

for the year ended 30 September

1. Basis of preparation and accounting policies

The summarised consolidated financial statements for the year ended 30 September 2019 have been prepared in compliance with the Listings Requirements of the JSE Limited, the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the minimum requirements of the International Accounting Standards (IAS) 34, Interim Financial Reporting, SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act, No. 71 of 2008, as applicable to summarised financial statements. These summarised consolidated financial statements, and the audited consolidated financial statements from which they have been derived, were compiled under the supervision of Mr KN Gibson (CA) SA, Group Chief Financial Officer.

The accounting policies and methods of computation applied in the preparation of these results are in accordance with IFRS. Aside from the adoption of IFRS 9 and 15, detailed in note 10, all policies are consistent in all material respects with those applied in the audited consolidated financial statements for the year ended 30 September 2018.

Due to the significance of the realisation of a foreign currency translation reserve following deregistration of a foreign subsidiary, both quantitatively and qualitatively, we have presented this separately on the face of the statement of profit or loss, together with the impairment of a contractual economic interest in the debt of BMI Healthcare in the prior year.

We believe this presentation is in line with IAS 1: *Presentation of Financial Statements,* which notes that additional line items may be presented in the statement of profit or loss when such presentation is relevant to an understanding of the entity's financial performance.

The external auditor, Deloitte & Touche, has issued their opinion on the Group's consolidated financial statements for the year ended 30 September 2019. The audit was conducted in accordance with International Standards on Auditing. The auditor responsible for the audit is G Berry. An unqualified audit opinion has been issued on the consolidated financial statements. The directors take full responsibility for the preparation of the preliminary summarised consolidated financial statements which have been extracted from and are consistent in all material respects with the Group's consolidated financial statements. A copy of the audit report together with the accompanying consolidated financial statements is available for inspection at the Company's registered office. The auditor's report does not necessarily cover all the information contained in this announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's work, they should obtain a copy of the auditor's unqualified audit report together with the Group financial information from the Company's registered office. Any reference to future financial performance included in this announcement has not been audited and reported on by the Group's external auditor.

2. Operating profit

Rm	2019	2018
Operating profit	**3 768**	1 942
After including:		
Depreciation and amortisation	**(748)**	(723)
Impairment of property, plant and equipment	**(7)**	(8)
Operating lease charges	**(629)**	(617)
Profit on disposal of property, plant and equipment	**69**	12

3. Investment income

Rm	2019	2018
Interest on bank accounts and other	**172**	167
Interest income on contractual economic interest in the debt of BMI Healthcare[1]	**–**	104
	172	271

1. 2018 balance is inclusive of 6 months of interest up until the deconsolidation of BMI Healthcare.

4. Finance costs

Rm	2019	2018
Interest on bank loans and other	**(193)**	(215)
Interest on promissory notes	**(409)**	(333)
Total funding finance costs	**(602)**	(548)
Retirement benefit plan finance costs	**(54)**	(49)
	(656)	(597)

5. Taxation

Rm	2019	2018
South African normal and deferred taxation		
Current year	**(875)**	(665)
Prior years	**15**	2
Capital gains tax	**(9)**	(3)
	(869)	(666)
Foreign normal and deferred taxation		
Current year	**(10)**	(16)
Total taxation per the statement of profit or loss	**(879)**	(682)

Notes to the summarised Group financial statements continued

6. Equity-accounted investments, loans and receivables

Rm	2019	2018
Non-current		
Associates	**476**	501
Joint ventures	**259**	215
Other loans and receivables	**289**	249
	1 024	965
Current		
Loans and receivables	**122**	48
	1 146	1 013

7. Financial assets/liabilities

Rm	Level	2019	2018
Non-derivative financial asset			
Investment in Cell Captive	**2**	**5**	–
Derivative financial assets			
Interest rate swaps	**2**	**–**	16
		5	16
Included in:			
Non-current assets		**5**	16
Derivative financial liabilities			
Written put option over non-controlling interest	**3**	**(10)**	–
Interest rate swaps	**2**	**(31)**	(5)
Inflation rate swaps	**2**	**(29)**	(26)
		(70)	(31)
Included in:			
Non-current liabilities		**(44)**	(21)
Current liabilities		**(26)**	(10)
		(70)	(31)

Fair value hierarchy

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

Level 1: Fair value is derived from quoted prices (unadjusted) in active markets for identical instruments.

Level 2: Fair value is derived through the use of valuation techniques based on observable inputs, either directly or indirectly.

Level 3: Fair value is derived through the use of valuation techniques using inputs not based on observable market data.

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

Rm	2019	2018

8. Debt

Long-term debt	5 061	5 114
Short-term debt	1 780	1 056
Total debt	6 841	6 170
Comprising:		
Secured liabilities		
Finance leases	26	29
Unsecured liabilities		
Bank loans	2 050	1 700
Promissory notes and commercial paper in issue	4 761	4 411
Other	4	30
	6 841	6 170

Maturity Profile[1]

Rm	Total	<1 year	1-2 years	2-3 years	3-4 years	>4 years
30 September 2019	8 069	2 304	1 725	1 570	1 871	599
30 September 2018	7 519	1 525	1 717	1 471	2 188	618

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.*

9. Loss from discontinued operations

Included in discontinued operations in the current year are the results of the Mozambique emergency services business. The entity was deregistered prior to 30 September 2019.

Rm	Mozambique emergency services
30 September 2019	
The profit from discontinued operations is analysed as follows:	
Operating profit	1
Finance costs	(1)
Profit from discontinued operations	–
Cash flows from discontinued operations	
Cash flows from operating activities	–
Cash flows from investing activities	3
Cash flows from financing activities	(5)
Net decrease in cash and cash equivalents	(2)

Notes to the summarised Group financial statements continued

9. Loss from discontinued operations continued

Rm	Mozambique emergency services	BMI Healthcare	GHG PropCo 2	Total
30 September 2018				
The (loss)/profit from discontinued operations is analysed as follows:				
Revenue	6	7 608	–	7 614
(Loss)/profit after taxation for the year is analysed as follows:				
Operating loss	(2)	(184)	–	(186)
Investment income	–	4	–	4
Finance costs	–	(226)	–	(226)
Other financial losses – net	–	(85)	–	(85)
Attributable earnings of associates	–	11	10	21
Attributable earnings of joint venture	–	7	–	7
(Loss)/profit before taxation	(2)	(473)	10	(465)
Taxation	(3)	1	–	(2)
(Loss)/profit from discontinued operations	(5)	(472)	10	(467)
Cash flows from discontinued operations				
Cash flows from operating activities	(2)	(265)	–	(267)
Cash flows from investing activities	2	(310)	–	(308)
Cash flows from financing activities	(25)	386	–	361
Net decrease in cash and cash equivalents	(25)	(189)	–	(214)
Operating (loss)/profit after charging:				
Depreciation of property, plant and equipment	–	239	–	239
Employee costs – salaries and wages	4	2 566	–	2 570
Operating lease charges	–	1 421	–	1 421

10. New accounting standards

The Group adopted IFRS 9: *Financial Instruments* and IFRS 15: *Revenue from Contracts with Customers,* effective 1 October 2018. As permitted by these standards, the Group has elected not to restate comparatives. Accordingly, the impact of adopting the revised requirements has been applied retrospectively with an adjustment to retained earnings as at 1 October 2018. Reported information in the prior financial year to 30 September 2018 was unaffected by the application of IFRS 9 and IFRS 15.

10.1 Impact of initial application of IFRS 9: *Financial Instruments*

IFRS 9: *Financial Instruments* (IFRS 9) was issued in July 2014 and has replaced IAS 39: *Financial Instruments – Recognition and Measurement.*

Classification and Measurement

IFRS 9 incorporates amendments to the classification and measurement of financial instruments, hedge accounting guidance and the accounting requirements for the impairment of financial assets measured at amortised cost and fair value through other comprehensive income. Accordingly, the Group has applied the requirements of IFRS 9 to financial instruments that continue to be recognised as at 1 October 2018 and has not applied the requirements of IFRS 9 to financial instruments that have already been derecognised as at 1 October 2018.

All derivative financial instruments that are either financial assets or financial liabilities will continue to be classified as held for trading and measured at fair value through profit or loss (FVTPL). The Group has elected to adopt IFRS 9 – *Hedge Accounting.*

The following table illustrates the impact on opening retained earnings on transition to IFRS 9.

Impact of adopting IFRS 9 at 1 October 2018	**Rm**
Recognition of additional expected credit losses under IFRS 9	**50**
Related tax	**(10)**
Decrease in retained earnings	**40**

The adoption of IFRS 9 had no impact on non-controlling interest.

Impairment

IFRS 9 requires an expected credit loss model to calculate impairment as opposed to an incurred loss model under IAS 39. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses as a result of changes in credit risk since initial recognition of financial assets. Under IFRS 9, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Notes to the summarised Group financial statements continued

10. New accounting standards continued

10.1 Impact of initial application of IFRS 9: *Financial Instruments* continued

The table below illustrates the credit risk attributes of the financial assets considered for impairment, as well as their related probability of default, resulting in the adjustment to retained earnings.

	IAS 39	IFRS 9	Credit risk attributes
Loans to Associates and Joint Ventures	Tested under IAS 36	Amortised cost	For associate and JV loans in stage 1, the probability of default in the next 12 months has been assessed as low. For those loans in stage 2 or 3, an expected loss has been calculated on an individual basis.
Loans and receivables	Loans and receivables	Amortised cost	For loans and receivables in stage 1, the probability of default in the next 12 months has been assessed as low. For those loans in stage 2 or 3, an expected loss has been calculated based on an individual basis.
Trade and other receivables	Loans and receivables	Amortised cost	The Group applies the simplified approach and recognises lifetime expected credit losses for these assets.
Cash and cash equivalents	Loans and receivables	Amortised cost	All bank balances are assessed to have low credit risk at each reporting date as they are held with reputable and major South African banking institutions of high quality.

The loss allowances increased by R9 million in the 12 months to 30 September 2019.

The additional loss allowance recognised upon the initial application of IFRS 9 as disclosed above resulted entirely from a change in the measurement attribute of the loss allowance relating to each financial asset. The adoption of IFRS 9 has had no impact on the consolidated cash flows of the Group.

Probability of default (%)	Actual 30 September 2018 under IAS 39	Impairment under IFRS 9 upon adoption on 1 October 2018	Carrying value under IFRS 9 on 1 October 2018
0.01 – 100	336	(14)	322
0.01 – 100	297	(1)	296
0.01 – 3.61	2 875	(35)	2 840
0.01	1 371	–	1 371

Notes to the summarised Group financial statements continued

10. New accounting standards continued

10.2 Impact of initial application of IFRS 15: *Revenue from Contracts with Customers*

IFRS 15: *Revenue from Contracts with Customers* (IFRS 15) establishes a five-step model for recognising and measuring revenue from contracts with customers. Under IFRS 15, revenue is measured at the consideration the Group expects to be entitled to in exchange for goods and services. The Group has applied the five step model as follows:

Identify the contract with a customer – the Group enters into a contract with the counterparty with consent from both parties. Each party's rights and obligations regarding the goods or services of the contract are easily identifiable, as are the payment terms. The Group follows strict processes to obtain pre-authorisations from medical aids when required, performing credit checks on debtors and requesting deposits when engaging with private patients. These contracts are therefore considered to have commercial substance, with a high probability of collection of the consideration.

Identify the performance obligations in the contract – the Group provides distinct goods and services in the form of hospital, emergency and primary care services. The performance obligations of the contract are easily identifiable.

Determine the transaction price – pricing is set based on regulatory requirements (Single Exit Pricing for pharmaceutical goods) or through negotiation with various funders and other parties (medical aid tariffs). These are revised on an annual basis, and the relevant pricing is clearly identifiable in all contracts. The Group is not entitled to variable consideration, and contracts, even those that extend beyond twelve months, require payments on a monthly basis for the performance of services rendered within that month. Therefore, there are no significant financing components.

Allocate the transaction price to the performance obligations in the contract – patients receive various services during their stay as per the contract. Each service rendered is clearly distinct and is able to be billed at its relative stand-alone selling price.

Recognise revenue as and when the entity satisfies a performance obligation – a performance obligation is satisfied when control of the underlying goods or services for the particular performance obligation is transferred to the patient. Control is defined as the ability to direct the use of, and obtain substantially all of the remaining benefits from the underlying goods or services. For hospital, emergency and primary care services, revenue is recognised as and when each performance obligation as per the contract is satisfied.

Upon application of the five step model above, the Group has determined that the adoption of IFRS 15 has not had a significant impact on the recognition and measurement of revenue, as the methodology for the Group, followed under IAS 18, remains the same under IFRS 15 and does not require changes. Accordingly, no adjustment was made to opening retained earnings.

Rm	2019	2018

11. Commitments

Rm	2019	2018
Capital expenditure commitments	**1 990**	2 128
Authorised and contracted for		
Land and buildings	**73**	463
Plant and equipment	**5**	10
Medical equipment	**35**	34
Other (including furniture and fittings)	**15**	9
Intangible assets	**4**	–
Authorised but not yet contracted for		
Land and buildings	**858**	1 102
Plant and equipment	**117**	29
Medical equipment	**371**	175
Other (including furniture and fittings)	**323**	306
Intangible assets	**189**	–
Operating lease commitments	**2 821**	3 439

The capital commitments will be financed from internally generated funds and existing banking facilities.

Rm	2019	2018
12. Contingent liabilities	**22**	34

13. Events after the reporting period

On 15 October 2019, Netcare approved a further allocation of 61 050 000 previously unallocated Netcare shares ("the Allocation"), at a strike price of R13.94 per share, to 20 350 permanent Netcare employees (excluding executives), of which 80% are black and 65% are black women ("the Beneficiaries"). These shares were available under the Health Partners For Life ("HPFL") Broad-based Black Economic Empowerment ("B-BBEE") scheme, which was concluded in 2005.

The Allocation reflects Netcare's commitment to the imperative of building a transformed South Africa characterised by values of social and economic equality and inclusion for all and achieves this objective in a manner that enables Netcare to further strengthen the ownership component of its empowerment rating. As a result, Netcare will be able to increase its B-BBEE ownership and should improve its overall B-BBEE rating to Level 4 (from Level 5 in 2018 and Level 8 in 2017).

The Allocation, as contemplated in the HPFL B-BBEE scheme, will result in an upfront once off non-cash IFRS2 charge of approximately R347 million to be recognised in the 2020 financial year. The dividend payable to beneficiaries will have a negligible annual impact on Netcare's future earnings per share.

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 2019 or the results of its operations or cash flows for the year then ended.

Salient features

	2019	2018
Share statistics		
Ordinary shares		
Shares in issue (million)	**1 452**	1 471
Shares in issue net of treasury shares (million)	**1 345**	1 363
Weighted average number of shares (million)	**1 345**	1 362
Diluted weighted average number of shares (million)	**1 358**	1 378
Market price per share (cents)	**1 755**	2 421

Administration

Netcare Limited

Registration number: 1996/008242/06
(Incorporated in the Republic of South Africa)
JSE ordinary share code: NTC
ISIN: ZAE000011953
JSE preference share code: NTCP
ISIN: ZAE000081121
("Netcare" or the "Company")

Registered office

76 Maude Street (corner West Street),
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Benmore 2010

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RH Friedland (Chief Executive Officer),
KN Gibson (Chief Financial Officer)

Non-executive directors

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L Human, MJ Kuscus, KD Moroka,
N Weltman

Company Secretary

L Bagwandeen

Sponsor

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