Netcare Limited

Summarised Audited Group Results

for the year ended 30 September 2021

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

NETCARE

Contents

Our purpose and promise

Our purpose

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

Our promise

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

Our values

Our core value is **CARE**. We care about the **DIGNITY** of people and all members of the Netcare family. We care about the **PARTICIPATION** of our people and healthcare partners in everything that we do. We care about the **TRUTH** in all our actions. We are **PASSIONATE** about quality care and professional excellence. We listen with empathy and respond with acts of **COMPASSION**.

Commentary

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

Results for the year ended 30 September 2021 and changes to the Board

Netcare's results for the year ended 30 September 2021 reflect improved sequential performance and solid progress on the delivery of our strategic objectives

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

Salient features

- Steady sequential trading improvement throughout FY 2021 despite severe second and third waves of COVID-19
- Strong cash conversion ratio of 118.8%, up from 58.3%
- Adjusted HEPS increased by 107.4% to 67.4 cents
- Resumption of dividend at 34.0 cents

Key financial results

Rm	**30 September 2021**	30 September 2020	% change
Normalised revenue[1]	**21 005**	18 843	11.5
Normalised EBITDA[1]	**3 193**	2 558	24.8
Normalised operating profit[1]	**2 025**	1 393	45.4
Profit before taxation[1]	**1 284**	556	130.9
Taxation[1]	**(380)**	(243)	
Profit after taxation[1]	**904**	313	188.8
Exceptional items:			
Lesotho PPP termination	**(35)**		
Impairment of properties	**(73)**		
Profit on disposal of investment in associate		522	
Share-based payment expense on B-BBEE transaction		(348)	
Taxation on exceptional items	**(36)**	(48)	
Profit for the year	**760**	439	
Adjusted HEPS (cents)	**67.4**	32.5	107.4
ROIC (%)	**7.9**	5.6	

1. *Normalised to exclude the impact of exceptional items comprising the termination of the Lesotho PPP (refer note 11 of the summarised Group financial statements) and property impairments in FY 2021 and profit on disposal of investment in associate and a once-off non-cash share-based payment expense on the Broad-based Black Economic Empowerment ("B-BBEE") transaction in FY 2020.*

Commentary continued

Note:
The accounting policies applied in preparing the audited Group financial statements are consistent in all material respects with those applied in the audited Group financial statements for the year ended 30 September 2020.

Overview

The Coronavirus 2019 disease ("COVID-19" or "the pandemic") is the worst health crisis for almost a century and its magnitude in terms of loss of life and impact on the economy has been devastating.

Our core purpose of providing the best and safest care has never been more relevant and we have been privileged to play a role on the frontline in supporting our country through the COVID-19 pandemic and subsequent vaccination programme. Since Netcare's first case on 9 March 2020, we have treated over 125 000 COVID-19 patients, of which 43.3% were admitted to our hospitals.

The first wave of the COVID-19 pandemic, which peaked in July 2020, predominantly impacted Netcare's operations for the second half of the 2020 financial year ("H2 2020"). The second wave of COVID-19, driven by the emergence of the Beta variant in late November 2020, peaked in January 2021 and negatively impacted Netcare's operational and financial performance during the first six months of the 2021 financial year ("H1 2021"). The second six months of the 2021 financial year ("H2 2021") were affected by a third wave of COVID-19 following the emergence of the more contagious Delta variant in May 2021. Each successive wave has proven to be more severe than the preceding wave, as evidenced by the number of COVID-19 admissions during H2 2021 exceeding those of H1 2021, which in turn exceeded those of H2 2020.

During these waves, it has been necessary to carefully balance hospital capacity to meet the increasing bed demand for patients with severe COVID-19 symptoms. Consequently, elective surgeries were temporarily suspended across our network from mid-December 2020 to mid-February 2021 during the second wave and from mid-June 2021 until mid-August 2021

during the third wave, only allowing for medically necessary and time-sensitive surgeries during these periods.

The experience and learnings gained since the onset of COVID-19, resulted in more effective bed allocation and evolving treatment regimens contributed to reduced length of stay for COVID-19 patients. Although there was a substantial increase in COVID-19 admissions during the third wave, only 52% of beds were allocated to COVID-19 patients at the peak, reflecting a marked improvement from 60% in the second wave and 80% in the first wave.

Netcare's adaptability within this challenging environment is evidenced by the continued sequential improvement in financial performance in H2 2021 when benchmarked against H1 2021 and H2 2020, as well as a robust improvement in the Group's year-on-year financial results.

We are encouraged by the gradual return of non-COVID-19 activity experienced in the first six weeks of FY 2022 following the decline in COVID-19 cases and subsequent relaxation of the national lockdown regulations.

In a time of unprecedented difficulty, we remain confident that our strategy is appropriate, our growth opportunities are achievable and our purpose has never been more meaningful and inspiring.

Group financial review (normalised results)

Weathering two sizable waves of COVID-19 within the space of a year has constrained our capacity to operate efficiently. The short recovery periods between waves resulted in a stop-start pattern impinging on momentum towards a full recovery to pre-pandemic levels. Group revenue, EBITDA and EBITDA margins showed steady sequential improvement in H2 2021 when benchmarked against both H1 2021 and H2 2020, and reflect a solid improvement in the year-on-year financial results.

Group revenue for FY 2021 increased by 11.5% to R21 005 million (FY 2020: R18 843 million). Group EBITDA for FY 2021 improved by 24.8% to R3 193 million (FY 2020: R2 558 million), with the Group EBITDA margin improving to 15.2% (FY 2020: 13.6%).

In addition to absorbing lower activity levels throughout the pandemic, the Group also incurred COVID-19 related costs of R521 million in FY 2021 (FY 2020: R300 million). Approximately 80% of these costs comprise personal protective equipment (PPE) required to keep staff, doctors and patients safe and prevent in-hospital infection. These costs continued to weigh on margins given the higher prices paid for PPE during the first wave in May 2020 due to a shortage of international supply and long lead times.

It is broadly estimated that the pandemic resulted in the loss of approximately R1.5 billion in EBITDA (FY 2020: R2.3 billion) to the Group.

Operating profit increased by 45.4% to R2 025 million (FY 2020: R1 393 million).

Net interest paid excluding interest on lease liabilities declined to R413 million (FY 2020: R504 million) benefiting from a lower level of average debt through the period compared to the prior year, as well as a lower average cost of debt.

Profit before taxation increased by 130.9% to R1 284 million (FY 2020: R556 million). The taxation charge amounted to R380 million (FY 2020: R243 million), reflecting an effective tax rate of 29.6% (FY 2020: 43.7%). Profit after taxation increased by 188.8% to R904 million (FY 2020: R313 million).

In light of the early termination of the Lesotho Public-Private Partnership agreement by the Government of Lesotho and ongoing uncertainty with regard to the resolution of matters under dispute, the Group recognised net losses of R35 million before tax.

Provisions for impairments of property assets amounted to R73 million, the majority of which relates to the Union and Clinton hospital buildings which will be vacated on the opening of the new 427 bed Netcare Alberton facility. The impact of COVID-19 on the property market has reduced the previously anticipated market valuations of these sites.

Adjusted headline earnings per share ("HEPS") increased by 107.4% to 67.4 cents (2020: 32.5 cents).

Commentary continued

Financial position

Rm	30 September 2021	30 September 2020
Assets		
Property, plant, equipment, goodwill and intangible assets	**14 721**	14 469
Right of use assets	**3 600**	3 755
Other non-current assets	**1 705**	1 670
Current assets	**4 139**	4 600
Cash and cash equivalents	**1 456**	1 450
Total assets	**25 621**	25 944
Equity and liabilities		
Total shareholders' equity	**10 589**	9 799
Borrowings	**6 787**	7 873
Lease liabilities – long and short term	**4 096**	4 045
Other liabilities	**4 149**	4 227
Total equity and liabilities	**25 621**	25 944

As at 30 September 2021, total assets decreased to R25 621 million from R25 944 million in the previous year.

Total shareholders' equity increased to R10 589 million from R9 799 million. The Group's return on invested capital improved to 7.9% (2020: 5.6%), which is below historical norms due to the adverse trading conditions in FY 2021.

Capex on critical strategic projects continued during the year, with total capex investments (including intangible assets) amounting to R1.1 billion for the year, of which R460 million related to expansionary projects.

Working capital has been well managed and inventory levels continued to decline. Most of the higher-priced PPE and drugs procured during the first COVID-19 wave were consumed, with an overall reduction of R566 million in inventory balances since September 2020.

As at 30 September 2021, the Group's cash resources and available undrawn committed facilities amounted to R5.6 billion. Group net debt (exclusive of IFRS 16 lease liabilities) reduced to R5.3 billion from R6.4 billion at 30 September 2020. The decrease in net debt during FY 2021 is due to higher operating profit, improved working capital and the suspension of ordinary dividends, partially offset by ongoing capital expenditure. The net debt to EBITDA ratio at 30 September 2021 was 1.7 times, improving from 2.5 times at 30 September 2020. EBITDA/net interest cover remains strong at 4.1 times.

Cash generated from operations showed strong growth of 154.3% to R3 794 million (FY 2020: R1 492 million). The cash conversion ratio improved further to 118.8% (FY 2020: 58.3%).

Divisional review

Hospital and emergency services

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

Rm	**30 September 2021**	30 September 2020	% change
Normalised revenue[1]	**20 422**	18 250	11.9
Normalised EBITDA[1]	**3 069**	2 465	24.5
Normalised operating profit[1]	**1 989**	1 403	41.8
EBITDA margin (%)	**15.0**	13.5	
Operating profit margin (%)	**9.7**	7.7	
Occupancy (full week) – acute hospital (%)	**55.9**	52.5	
Occupancy (week day) – acute hospital (%)	**59.2**	56.2	
Occupancy (full week) – mental health (%)	**62.1**	55.0	
Percentage change in:			
Patient days – total	**6.8**		
Patient days – acute hospital	**6.2**		
Patient days – mental health	**12.7**		

1. *Normalised to exclude the impact of exceptional items comprising the termination of the Lesotho PPP (refer note 11 of the summarised Group financial statements) and property impairments in FY 2021 and profit on disposal of investment in associate and a once-off non-cash share-based payment expense on the Broad-based Black Economic Empowerment ("B-BBEE") transaction in FY 2020.*

Revenue for the segment increased by 11.9% to R20 422 million (FY 2020: R18 250 million).

The emergence of the COVID-19 Beta variant impacted our operations in H1 2021, primarily in KwaZulu Natal ("KZN") and Gauteng. Total patient days declined by 13.6%, from a pre-COVID-19 base in H1 2020, comprising a decline in acute hospital patient days of 13.7% and 12.6% in mental health facilities.

H2 2021 was impacted by a third wave of COVID-19 precipitated by the more contagious Delta variant, primarily impacting Gauteng and peaked in July 2021 at a higher intensity than previous waves. As expected, the recovery period of mid-August to September 2021 was characterised by the further easing of lockdown levels and a reduction in COVID-19 admissions, allowing for a gradual return of non-COVID-19 activity.

As KZN and Gauteng account for 77% of Netcare's beds, the impact of the second and third waves was particularly severe for Netcare and impacted our ability to continue elective surgery and non-COVID-19 activity.

Total patient days in H2 2021 grew by 8.2% against H1 2021 and 36.6% against H2 2020. Total patient day growth for the financial year equated to 6.8% against FY 2020.

Within acute hospitals, patient days for H2 2021 improved by 8.5% against H1 2021 and by 35.0% compared to H2 2020. On a full year basis, acute hospital patient days grew by 6.2% against FY 2020.

Mental health patient days showed a strong recovery, improving in H2 2021 by 5.7% compared to H1 2021 and 55.3% against H2 2020. Mental health patient days grew by 12.7% in FY 2021 against the prior year.

Despite the challenges of navigating the rolling waves of COVID-19 and the short recovery periods between waves, our average full week acute hospital occupancies continued to improve to 55.9% from 52.5% in FY 2020.

Similarly, mental health occupancies continued to show a steady improvement increasing from 55.0% in FY 2020 to 62.1% for FY 2021.

Commentary continued

In line with sector trends, our acute care case-mix continued to be influenced by COVID-19 waves with COVID-19 admissions comprising 11.1% of total admissions during H2 2021 against 8.9% in H1 2021 and 10.0 % for the full financial year (FY 2020: 3.0%).

The decline in non-COVID-19 medical cases since the onset of the pandemic in March 2020 was more pronounced than the decline in surgical cases due to lower infections in transmissible diseases arising from restrictions on the movement of individuals under lockdown regulations, non-pharmaceutical interventions and the reluctance of patients to be admitted to hospital during the pandemic.

The temporary suspension of elective surgery during the second and third waves, coupled with higher COVID-19 admissions, resulted in a decline of 12.0% in surgical elective admissions compared to FY 2020. Surgical admissions comprised 58.2% of total admissions in FY 2021 (FY 2020: 60.0%).

Acute revenue per patient day increased by 5.4% compared to FY 2020. This comprises a 9.8% increase in H1 2021 (from a low H1 2020 base with limited COVID-19 patients) and a decrease of 0.2% in H2 2021, (where the comparative period included COVID-19 patients). Similarly, the average length of stay increased slightly to 4.8 days (FY 2020: 4.3 days).

Normalised EBITDA for the segment increased by 24.5% to R3 069 million from R2 465 million in FY 2020.

The improved sequential performance is reflected in the EBITDA margin for the full year, which grew to 15.0% from 13.5% reported for FY 2020.

Full year normalised EBITDA margins excluding the impact of COVID-19 costs and operational costs related to strategic projects, continued to improve and strengthened to 18.4% in FY 2021 from 15.7% in FY 2020.

The FY 2021 EBITDA margin within the hospital and pharmacy operations sub-segment, normalised for items above, continued to improve to 18.8% from the 16.0% reported in FY 2020.

In line with our asset light strategy, no new acute care beds were commissioned during FY 2021.

Primary care

Rm	**30 September 2021**	30 September 2020	% change
Revenue	**595**	611	(2.6)
EBITDA	**124**	93	33.3
Operating profit/(loss)	**36**	(10)	460.0
EBITDA margin (%)	**20.8**	15.2	
Operating profit margin (%)	**6.1**	(1.6)	

Total medical and dental consultations increased in FY 2021 by 1.5% on a like-for-like basis, despite the impact of the COVID-19 pandemic, subsequent lockdowns, an absence of seasonal flu and the civil unrest in Kwa-Zulu Natal, which resulted in the temporary closure of some clinics.

Revenue for FY 2021 declined by 2.6% year-on-year. EBITDA for FY 2021 increased by 33.3% resulting from stringent cost management. The EBITDA margin for FY 2021 improved to 20.8% from 15.2% in FY 2020.

Medicross was recently awarded first place in the 2021 Ask Afrika Orange Index service excellence awards for its commitment to consistent quality of service across its national network of medical and dental centres.

Strategic update

Notwithstanding the disruptive operating environment, we continued to differentiate ourselves through a number of key strategic projects during FY 2021, which are predicated on solving healthcare challenges that are common to both the private and public sector and will fundamentally redesign Netcare's healthcare delivery model.

While the short term operating environment is still unpredictable, we remain unwavering in our long-term strategy, which appropriately accounts for external trends and shifts in consumer behaviour. The goal underpinning this strategy is to achieve sustainable competitive advantage. In delivering a person centred approach, which encourages patients to take ownership of, and to actively participate in, their health and care, the digitisation of our entire ecosystem across all our service offerings is critical. During FY 2021, we continued to develop this platform and remain on track to achieve our objectives by the end of 2023.

The COVID-19 pandemic has heightened awareness and demand for access to clinical data across the globe. Netcare's core focus on digital enablement and data analytics was a critical enabler during the pandemic and enhanced our ability to respond to the changing healthcare environment. The benefits of our digital systems were evident during this period as doctors could limit their physical presence in wards while still managing patients remotely, timeously and effectively.

Investment and progress

The Group invested capex of R120 million and incurred operational costs of R172 million on various strategic projects across the ecosystem in FY 2021.

A major focus of these projects is to provide electronic medical records ("EMR") across all divisions of Netcare. Despite the delays caused by three successive waves of COVID-19, the hospital EMR, CareOn, was successfully implemented at four hospitals. A further 16 hospitals will be completed by the end of FY 2022 and implementation is expected to be fully completed across the acute hospital portfolio by the end of 2023.

Commentary continued

Although the delays due to COVID-19 have resulted in an extension of the original implementation timetable, the project remains within budget and no financial penalties have been incurred.

Within our different divisions, digitisation will allow us to re-engineer our internal systems and processes to allow for more efficient clinical and business operations. During FY 2021, substantial progress has been made on the digitisation of Akeso, National Renal Care and Medicross, which is expected to complete during 2022.

Patients within CareOn enabled hospitals, Akeso facilities, NRC and patients assisted by Netcare 911 will be provided with access to their electronic medical records during 2022.

Promoting access to healthcare

We continued to invest in complementary initiatives that can leverage off our extensive acute care network and facilitate access to our ecosystem for both insured and uninsured individuals.

The NetcarePlus division launched several new products, including NetcarePlus Accident and Trauma cover, NetcarePlus pre-paid procedures and NetcarePlus vouchers for optometry services, with the introduction of dental vouchers currently underway. These products all solve for the needs of households that are employed but do not have adequate healthcare cover. In addition, given the ongoing trend of buy-downs by medical scheme members, GapCare, a range of three gap cover products underwritten by Hollard, allowing medically insured patients unencumbered access to healthcare, will be available from January 2022.

Expanding the Netcare ecosystem

Construction of the new Alberton hospital, which will replace the existing Netcare Union and Clinton hospitals, is progressing well with the opening of the 427 bed facility planned for April 2022.

In addition, the construction of the new 36-bed Akeso facility in Richards Bay has been completed and will open in early 2022.

Environmental sustainability

Netcare is a recognised global leader in healthcare sustainability and we are pleased to be leading the continent's private healthcare response to the Race to Zero 2050 challenge of the UN Framework Convention on Climate Change [UNFCCC].

Since the implementation of our environmental sustainability strategy in 2013, we have reduced our absolute Scope 1 and Scope 2 emissions by 8%, with a 28% reduction in the intensity of Scope 2 emissions per bed. We have reduced our energy intensity per bed by 28%, ahead of our initial 10-year target.

We have set even bolder targets for 2030, with a primary target to reduce scope 2 emissions to zero by 2030 and reduce scope 1 and 2 emissions by a combined 84%. As part of our strategy, by 2030 we aim to utilise 100% of our energy from renewable sources, achieve zero waste to landfill and reduce our impact on water sources by 20%.

Update on FY 2022 trading

Following a slowdown in COVID-19 cases towards the end of September 2021, a month-on-month increase of 3.5% was reported in acute hospital patient days in October 2021. Acute hospital patient days in October 2021 were 4.3% higher than October 2020. We continue to see a steady improvement in average acute occupancy levels. Our average full week occupancy for October 2021 was 55.0% and 60.1 % on weekdays, whilst November 2021 weekday occupancy is currently 57.8%.

Similarly, we have seen significant improvement in the performance in Akeso since September 2021, with a month-on-month increase of 1.5% in patient days during October 2021, while occupancy is currently at 67.0%.

Outlook

The outlook for FY 2022 largely depends on the evolution of the COVID-19 pandemic and the potential scenarios emanating from it.

The possibility of further waves of COVID-19 still exists. In the absence of new highly transmissible and virulent variants of the virus, we expect a reduction in severity of such potential waves. This is due to increasing levels of immunity from natural infection and vaccination, which will continue to influence our ability to operate in an unrestrained environment. If South Africa is able to move from a pandemic to an endemic state in which outbreaks are not overly disruptive and largely controlled by significant and frequent vaccination, recovery in activity over time to pre COVID-19 levels will be possible.

EBITDA margins in the underlying operating divisions are expected to strengthen. However, the Group margin is expected to remain unchanged due to planned operating costs of R273 million (FY 2021: R172 million) associated with the implementation of our strategy.

We expect to spend R1.4 billion on capex including the investment of R227 million in strategic projects, R160 million on Netcare Alberton Hospital and R80 million in the new 72-bed Akeso facility in Gqeberha, which will be completed in FY 2023.

The strength of the balance sheet and the underlying businesses, together with an enhanced pipeline of new initiatives should allow the continuation of dividend payments and position Netcare to return to pre COVID-19 profitability and growth over the medium term.

Acknowledgement and thanks

We express our sincere gratitude and thanks to our staff and doctors for their utmost dedication and resilience in embodying our purpose of providing patients with the best and safest care and delivering world-class healthcare under such difficult circumstances.

We extend our heartfelt condolences to the families of our doctors and staff who have lost loved ones throughout the pandemic.

Appointment of independent non-executive directors

Netcare is pleased to announce the appointment of Dr Rozett Phillips and Dr Thabi Leoka as independent non-executive directors with effect from 1 January 2022.

In addition to her medical training, Dr Phillips has over 25 years of business and management consulting experience across Africa, Europe and the Middle East, covering strategy formulation, business, digital and human capital transformation and large-scale technology implementation programmes. She will also be joining the Social and Ethics and Consistency of Care committees. Dr Phillips serves as an independent non-executive director of SPEAR REIT, a property portfolio investment company.

Dr Leoka has a PhD in Economics and has worked as an economist in various financial sector firms in London and South Africa, and has a passion for emerging markets and African economies. She serves as an independent non-executive director for MTN SA and Anglo American Platinum. Dr Leoka will also be joining the Audit Committee and the Social and Ethics Committee.

The Netcare Board welcomes the appointments of Dr Phillips and Dr Leoka and is confident that they will provide valuable insight and experience to the Group.

Commentary continued

Dividend

Declaration of dividend number 22

Notice is hereby given of the declaration of a gross final dividend of 34.0 cents per ordinary share in respect of the year ended 30 September 2021. The dividend has been declared from income reserves and is payable to shareholders recorded in the register at the close of business on Friday, 28 January 2022. The number of ordinary shares (inclusive of treasury shares) in issue at the date of this declaration is 1 439 090 009. 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 27.2 cents per ordinary share and 34.0 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, 25 January 2022
Trading ex-dividend commences	Wednesday, 26 January 2022
Record date	Friday, 28 January 2022
Payment date	Monday, 31 January 2022

Share certificates may not be dematerialised nor rematerialised between Wednesday, 26 January 2022 and Friday, 28 January 2022, both dates inclusive.

On Monday, 31 January 2022, 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, 31 January 2022.

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

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

On behalf of the Board

Thevendrie Brewer
Chairperson

Richard Friedland
Chief Executive Officer

Keith Gibson
Chief Financial Officer

Sandton

18 November 2021

Independent auditor's report on summarised financial statements

To the shareholders of Netcare Limited

Opinion

The summarised consolidated financial statements of Netcare Limited, which comprise the summarised consolidated statement of financial position as at 30 September 2021, the summarised consolidated statement of profit or loss, the summarised consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Netcare Limited for the year ended 30 September 2021.

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

Other Matter

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

Summarised consolidated Financial Statements

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

The Audited consolidated Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 19 November 2021. That report also includes:

- The communication of a key audit matter as reported in the auditor's report of the audited financial statements; and
- A "Report on Other Legal and Regulatory Requirements" paragraph which includes details on a Reportable Irregularity in terms of sections 44(2) and 44(3) of the Auditing Profession Act.

Directors' Responsibility for the Summarised consolidated Financial Statements

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

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

Auditor's Responsibility

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

Deloitte & Touche
Registered Auditors
Per: Graeme Berry
Partner
19 November 2021

5 Magwa Crescent
Waterfall City
Waterfall
2090

Summarised Group statement of profit or loss

for the year ended 30 September

Rm	Notes	2021	2020
Revenue[1]		**21 200**	18 843
Cost of sales		**(10 748)**	(9 810)
Gross profit		**10 452**	9 033
Other income		**330**	386
Administrative and other expenses		**(8 518)**	(7 752)
Impairment of financial assets		**(188)**	(274)
Operating profit before items below		**2 076**	1 393
Profit on disposal of investment in associate		**—**	522
Share-based payment expense on B-BBEE transaction		**—**	(348)
Operating profit	2	**2 076**	1 567
Investment income		**116**	156
Finance costs	3	**(903)**	(1 031)
Other financial gains/(losses) – net		**1**	(18)
Attributable (losses)/earnings of associates		**(147)**	20
Attributable earnings of joint ventures		**33**	36
Profit before taxation		**1 176**	730
Taxation	4	**(416)**	(291)
Profit for the year		**760**	439
Attributable to:			
Owners of the parent		**730**	392
Preference shareholders		**39**	54
Profit attributable to shareholders		**769**	446
Non-controlling interest		**(9)**	(7)
		760	439
Cents			
Basic earnings per share		**54.6**	28.3
Diluted earnings per share		**54.3**	28.1

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

Summarised Group statement of comprehensive income

for the year ended 30 September

Rm	2021	2020
Profit for the year	**760**	439
Items that will not subsequently be reclassified to profit or loss	**(25)**	(14)
Remeasurement of defined benefit obligation	**1**	50
Fair value adjustment on equity investments	**(26)**	(50)
Taxation on items that will not subsequently be reclassified to profit or loss	**—**	(14)
Items that may subsequently be reclassified to profit or loss	**75**	(55)
Effect of cash flow hedge accounting	**104**	(82)
Amortisation of the cash flow hedge accounting reserve	**103**	86
Change in the fair value of cash flow hedges	**1**	(168)
Realisation of foreign currency translation reserve	**—**	4
Taxation on items that may subsequently be reclassified to profit or loss	**(29)**	23
Other comprehensive income for the year	**50**	(69)
Total comprehensive income for the year	**810**	370
Attributable to:		
Owners of the parent	**780**	323
Preference shareholders	**39**	54
Non-controlling interest	**(9)**	(7)
	810	370

Summarised Group statement of financial position

at 30 September

Rm	Notes	2021	2020
ASSETS			
Non-current assets			
Property, plant and equipment		**12 915**	12 665
Right of use assets		**3 600**	3 755
Goodwill		**1 606**	1 606
Intangible assets		**200**	198
Equity-accounted investments, loans and receivables	5	**643**	749
Financial assets	6	**63**	77
Deferred lease assets		**12**	32
Deferred taxation		**987**	812
Total non-current assets		**20 026**	19 894
Current assets			
Loans and receivables	5	**132**	154
Financial assets	6	**4**	—
Inventories		**640**	1 206
Trade and other receivables		**3 251**	3 102
Taxation receivable		**112**	138
Cash and cash equivalents		**1 456**	1 450
Total current assets		**5 595**	6 050
Total assets		**25 621**	25 944
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary share capital		**4 297**	4 297
Treasury shares		**(3 557)**	(3 851)
Other reserves		**413**	783
Retained earnings		**8 780**	7 894
Equity attributable to owners of the parent		**9 933**	9 123
Preference share capital and premium		**644**	644
Non-controlling interest		**12**	32
Total shareholders' equity		**10 589**	9 799
Non-current liabilities			
Long-term debt	7	**4 936**	6 761
Long-term lease liabilities		**3 588**	3 546
Financial liabilities	6	**32**	64
Post-employment healthcare benefit obligations		**503**	469
Deferred taxation		**309**	288
Provisions		**42**	—
Total non-current liabilities		**9 410**	11 128
Current liabilities			
Trade and other payables		**3 207**	3 230
Short-term debt	7	**1 851**	1 108
Short-term lease liabilities		**508**	499
Financial liabilities	6	**38**	115
Taxation payable		**18**	61
Bank overdrafts		**—**	4
Total current liabilities		**5 622**	5 017
Total equity and liabilities		**25 621**	25 944

Summarised Group statement of cash flows

for the year ended 30 September

Rm	**2021**	2020
Cash flows from operating activities		
Cash received from customers	**20 702**	18 409
Cash paid to suppliers and employees	**(16 908)**	(16 917)
Cash generated from operations	**3 794**	1 492
Interest paid on debt	**(441)**	(580)
Interest paid on lease liabilities	**(371)**	(367)
Taxation paid	**(618)**	(601)
Ordinary dividends paid by subsidiaries	**(19)**	(11)
Ordinary dividends paid	**—**	(860)
Preference dividends paid	**(39)**	(54)
Distribution paid to beneficiaries of the HPFL B-BBEE[1] trusts	**(1)**	(11)
Net cash from operating activities	**2 305**	(992)
Cash flows from investing activities		
Payment for acquisition of interest in associate	**(12)**	—
Payment for acquisition of interest in joint venture	**(9)**	—
Payments for acquisition of property, plant and equipment	**(1 132)**	(961)
Payments for additions to intangible assets	**(12)**	(38)
Proceeds on disposal of property, plant and equipment and intangible assets	**36**	38
Proceeds on disposal of investment in associate	**—**	778
Payments for investments and loans	**(105)**	(4)
Interest received	**116**	156
Dividends received	**92**	89
Net cash from investing activities	**(1 026)**	58
Cash flows from financing activities		
Proceeds on disposal of treasury shares	**1**	2
Purchase of ordinary shares	**—**	(251)
Debt raised	**1 000**	3 621
Debt repaid	**(2 108)**	(2 575)
Payment for acquisition of non-controlling interests	**(1)**	(2)
Proceeds from issue of shares to non-controlling interests	**9**	—
Payment of principal elements of lease liabilities	**(170)**	(142)
Net cash from financing activities	**(1 269)**	653
Net increase/(decrease) in cash and cash equivalents	**10**	(281)
Cash and cash equivalents at the beginning of the year	**1 446**	1 727
Cash and cash equivalents at the end of the year	**1 456**	1 446
Consisting of		
Cash on hand and balances with banks	**1 456**	1 450
Bank overdrafts	**—**	(4)
	1 456	1 446

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

Summarised Group statement of changes in equity

for the year ended 30 September

Rm	Ordinary share capital	Treasury shares	Cash flow hedge accounting reserve
Balance at 1 October 2019	4 334	(3 853)	(47)
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	—	—	—
Distributions paid to beneficiaries of the HPFL B-BBEE[2] trusts	—	—	—
Changes in equity interest in subsidiaries	—	—	—
Total comprehensive income for the year	—	—	(59)
Profit for the year	—	—	—
Other comprehensive income	—	—	(59)
Balance at 1 October 2020	**4 297**	**(3 851)**	**(106)**
Sale of treasury shares	**—**	**2**	**—**
Transfer[3]	**—**	**292**	**—**
Share-based payment reserve movements	**—**	**—**	**—**
Preference dividends paid	**—**	**—**	**—**
Ordinary dividends paid	**—**	**—**	**—**
Other reserve movements	**—**	**—**	**—**
Distributions paid to beneficiaries of the HPFL B-BBEE[2] trusts	**—**	**—**	**—**
Tax recognised in equity	**—**	**—**	**—**
Changes in equity interests in subsidiaries	**—**	**—**	**—**
Total comprehensive income for the year	**—**	**—**	**75**
Profit for the year	**—**	**—**	**—**
Other comprehensive income	**—**	**—**	**75**
Balance at 30 September 2021	**4 297**	**(3 557)**	**(31)**

1. *In the prior year 12.7 million shares were repurchased at an average price of R19.68 per share. The shares were subsequently cancelled and now form part of authorised shares not issued.*
2. *Health Partners for Life Broad-based Black Economic Empowerment.*
3. *Transfer of treasury shares and share-based payment reserve in respect of vested shares.*

Foreign currency translation reserve	Share-based payment reserve	Retained earnings	Equity attributable to owners of the parent	Preference share capital and premium	Non-controlling interest	Total share-holders' equity
(4)	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)
4	—	378	323	54	(7)	370
—	—	392	392	54	(7)	439
4	—	(14)	(69)	—	—	(69)
—	**889**	**7 894**	**9 123**	**644**	**32**	**9 799**
—	**—**	**—**	**2**	**—**	**—**	**2**
—	**(471)**	**179**	**—**	**—**	**—**	**—**
—	**26**	**—**	**26**	**—**	**—**	**26**
—	**—**	**—**	**—**	**(39)**	**—**	**(39)**
—	**—**	**—**	**—**	**—**	**(19)**	**(19)**
—	**—**	**(6)**	**(6)**	**—**	**8**	**2**
—	**—**	**(1)**	**(1)**	**—**	**—**	**(1)**
—	**—**	**(1)**	**(1)**	**—**	**—**	**(1)**
—	**—**	**10**	**10**	**—**	**—**	**10**
—	**—**	**705**	**780**	**39**	**(9)**	**810**
—	**—**	**730**	**730**	**39**	**(9)**	**760**
—	**—**	**(25)**	**50**	**—**	**—**	**50**
—	**444**	**8 780**	**9 933**	**644**	**12**	**10 589**

Headline earnings

for the year ended 30 September

Rm	2021	2020
Reconciliation of headline earnings		
Profit for the year	**760**	439
Adjusted for:		
Dividends paid on shares attributable to the Forfeitable Share Plan and HPFL B-BBEE[1] Trust units	**—**	(14)
Preference shareholders	**(39)**	(54)
Non-controlling interest	**9**	7
Profit for the purposes of basic and diluted earnings per share	**730**	378
Adjusted for:		
Recognition of impairment of intangible assets in equity accounted earnings	**13**	—
Profit on disposal of investment in associate	**—**	(522)
Net loss on disposal of property, plant and equipment and intangibles	**5**	8
Recognition of impairment of right of use assets	**—**	1
Realisation of foreign currency translation reserve	**—**	4
Recognition of impairment of property, plant and equipment in operating profit and equity accounted earnings	**75**	3
Recognition of impairment of investment in associate	**—**	35
Tax effect of headline adjusting items	**(1)**	45
Headline earnings/(loss)	**822**	(48)

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

Headline earnings continued

for the year ended 30 September

Rm	2021	2020
Adjusted headline earnings		
Headline earnings/(loss)	**822**	(48)
Adjusted for:		
Amortisation of cash flow hedge accounting reserve	**14**	17
Fair value gains on derivative financial instruments	**(3)**	—
De-designation of a portion of a hedging instrument	**1**	16
Ineffectiveness losses on cash flow hedges	**1**	2
Reversal of loan impairment	**(11)**	—
Recognition of loan impairment	**9**	105
Net impact of Lesotho PPP[1] termination	**35**	—
Associate restructure costs	**—**	4
Restructure costs incurred by Netcare in respect of BMI Healthcare	**—**	1
Share-based payment expense on B-BBEE[2] transaction	**—**	348
Tax effect of adjusting items	**32**	(11)
Adjusted headline earnings	**900**	434
Cents		
Headline earnings/(loss) per share	**61.5**	(3.6)
Diluted headline earnings/(loss) per share	**61.2**	(3.6)
Adjusted headline earnings per share	**67.4**	32.5
Diluted adjusted headline earnings per share	**67.0**	32.3

1. *Public Private Partnership.*
2. *Broad-based Black Economic Empowerment.*

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.

Summarised segment report

for the year ended 30 September

Hospital and emergency services

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

Primary Care

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

Rm	Hospital and pharmacy operations	Non-acute services	Hospital and emergency services	Primary Care	Inter-segment elimination[1]	Total
30 September 2021						
Statement of profit or loss						
Revenue	**19 465**	**1 152**	**20 617**	**595**	**(12)**	**21 200**
EBITDA[2]	**3 040**	**80**	**3 120**	**124**	**—**	**3 244**
Depreciation and amortisation	**(896)**	**(184)**	**(1 080)**	**(88)**	**—**	**(1 168)**
Operating profit	**2 144**	**(104)**	**2 040**	**36**	**—**	**2 076**
Additional segment information						
Impairment of property, plant and equipment	**(57)**	**(16)**	**(73)**	**—**	**—**	**(73)**

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

Summarised segment report continued

for the year ended 30 September

Rm	Hospital and pharmacy operations	Non-acute services	Hospital and emergency services	Primary Care	Inter-segment elimination[1]	Total
30 September 2020						
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
Share-based payment expense on B-BBEE[3] transaction	(348)	—	(348)	—	—	(348)
Profit on disposal of investment in associate	522	—	522	—	—	522
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.*
3. *Broad-based Black Economic Empowerment.*

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 2021 have been prepared in accordance with the Listings Requirements of the JSE Limited, the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the South African Institute of Chartered Accountants Financial Reporting Guidelines as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, the Companies Act, No. 71 of 2008 and the minimum requirements of International Accounting Standards (IAS) 34: *Interim Financial Reporting*. These summarised consolidated financial statements, and the audited consolidated financial statements from which they have been derived, were compiled under the supervision of Mr KN Gibson (CA) SA, Group Chief Financial Officer.

The accounting policies and methods of computation applied in the preparation of these results are in accordance with IFRS. All policies are consistent in all material respects with those applied in the audited consolidated financial statements for the year ended 30 September 2020.

Audit opinion

The external auditor, Deloitte & Touche, has issued their opinion on the Group's consolidated financial statements for the year ended 30 September 2021. The audit was conducted in accordance with International Standards on Auditing. The auditor responsible for the audit is Mr G Berry. The annual financial statements were audited by Deloitte & Touche, who expressed an unmodified opinion with a reportable irregularity therein. That report also includes the communication of other key audit matters as reported in the auditor's report of the audited 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 as well as online at **www.netcare.co.za/Netcare-Investor-Relations/Reports/Financial-Results**. 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 unmodified 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.

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.

Notes to the summarised Group financial statements continued

	Rm	2021	2020
2.	**Operating profit**	**2 076**	1 567
	After including:		
	Depreciation and amortisation	**(1 168)**	(1 165)
	Depreciation and amortisation – excluding items below	**(779)**	(785)
	Depreciation of right of use assets	**(378)**	(367)
	Amortisation of cash flow hedge accounting reserve	**(11)**	(13)
	Impairment of property, plant and equipment	**(73)**	(3)
	Impairment of financial assets	**(188)**	(274)
	Movements in expected credit losses and bad debts related to trade and other receivables	**(157)**	(169)
	Impairment of loans	**(31)**	(105)
	Operating lease charges	**(184)**	(170)
	Net loss on disposal of property, plant and equipment	**(5)**	(8)
	Share-based payment expense on B-BBEE[1] transaction	**—**	(348)
	Profit on disposal of investment in associate	**—**	522

1. Broad-based Black Economic Empowerment.

	Rm	2021	2020
3.	**Finance costs**		
	Interest on bank loans and other	**(189)**	(208)
	Interest expense on lease liabilities	**(371)**	(367)
	Interest on promissory notes	**(284)**	(404)
	Total funding finance costs	**(844)**	(979)
	Amortisation of cash flow hedge accounting reserve	**(3)**	(4)
	Post-employment benefit plan finance costs	**(56)**	(48)
		(903)	(1 031)

	Rm	2021	2020
4.	**Taxation**		
	South African normal and deferred taxation		
	Current year	**(431)**	**(293)**
	Prior years	**15**	**7**
		(416)	**(286)**
	Foreign normal and deferred taxation		
	Current year	**—**	**(5)**
	Total taxation per the statement of profit or loss	**(416)**	**(291)**

Notes to the summarised Group financial statements continued

	Rm	2021	2020
5.	**Equity-accounted investments, loans and receivables**		
	Non-current		
	Associated companies	**239**	378
	Joint ventures	**185**	213
	Other loans and receivables	**219**	158
		643	749
	Current		
	Loans and receivables	**132**	154
	Total equity-accounted investments, loans and receivables	**775**	903

	Rm	Level	2021	2020
6.	**Financial assets/liabilities**			
	Derivative financial assets			
	Interest rate swaps	2	**4**	—
	Non-derivative financial assets			
	Investment in Cell Captive	2	**4**	37
	Investment in equity instruments[1]	3	**59**	40
			67	77
	Included in:			
	Non-current assets		**63**	77
	Current assets		**4**	—
			67	77
	Derivative financial liabilities			
	Interest rate swaps	2	**40**	140
	Inflation rate swaps	2	**19**	29
	Written put option over non-controlling interest	3	**11**	10
			70	179
	Included in:			
	Non-current liabilities		**32**	64
	Current liabilities		**38**	115
			70	179

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

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

Written put option over non-controlling interest
The fair value is driven by the 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. The fair value of the put option is therefore directly impacted by fluctuations in the annual rent of the entity.

Notes to the summarised Group financial statements continued

6. Financial assets/liabilities continued

Rm	**2021** Interest rate swaps	**2021** Inflation rate swaps	**2021** Total	2020 Interest rate swaps	2020 Inflation rate swaps	2020 Total
Recognised in profit or loss						
De-designation of a portion of a hedging instrument[1]	**(1)**	**—**	**(1)**	(16)	—	(16)
Hedge ineffectiveness[1]	**(1)**	**—**	**(1)**	(2)	—	(2)
Reclassification into profit or loss[2]	**(88)**	**(14)**	**(102)**	(53)	(17)	(70)
	(90)	**(14)**	**(104)**	(71)	(17)	(88)
Recognised in other comprehensive income						
Fair value movements	**(1)**	**—**	**(1)**	160	8	168
Reclassification into profit or loss	**(89)**	**(14)**	**(103)**	(69)	(17)	(86)
	(90)	**(14)**	**(104)**	91	(9)	82
Cash flow hedge reserve						
Gross	**32**	**11**	**43**	122	25	147
Deferred tax	**(9)**	**(3)**	**(12)**	(34)	(7)	(41)
Net	**23**	**8**	**31**	88	18	106

1. *Amounts included in other financial losses – net in the statement of profit or loss.*
2. *Amounts included in interest and depreciation.*

Fair value hierarchy

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

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

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

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

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

Notes to the summarised Group financial statements continued

Rm	2021	2020
7. Debt		
Long-term debt	**4 936**	6 761
Short-term debt	**1 851**	1 108
Total debt	**6 787**	7 869
Comprising:		
Unsecured liabilities		
Bank loans	**1 502**	2 628
Promissory notes and commercial paper in issue	**5 280**	5 236
Other	**5**	5
	6 787	7 869

Maturity Profile[1]

Rm	Total	<1 year	1 – 2 years	2 – 3 years	3 – 4 years	>4 years
30 September 2021	**7 417**	**2 178**	**2 314**	**1 681**	**1 244**	**—**
30 September 2020	8 736	1 481	3 106	2 251	651	1 247

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

Rm	2021	2020
8. Commitments		
Authorised and contracted for		
Land and buildings	**245**	395
Computer equipment	**93**	—
Plant and equipment	**7**	4
Medical equipment	**165**	21
Other (including furniture and fittings)	**8**	3
Intangible assets	**—**	7
Equity investments	**83**	130
Authorised but not yet contracted for		
Land and buildings	**512**	295
Plant and equipment	**121**	73
Computer equipment	**323**	—
Medical equipment	**247**	222
Other (including furniture and fittings)	**25**	223
Intangible assets	**—**	29
Capital expenditure commitments	**1 829**	1 402

Notes to the summarised Group financial statements continued

Rm	**2021**	2020
9. Contingent liabilities		
Guarantee covering the obligation of an associate company	**—**	11
Guarantees in favour of municipalities and other beneficiaries	**24**	24

10. 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.

Netcare achieved an improved performance in the current financial year, despite the impact of highly transmissible COVID-19 variants and rolling waves which affected the Group's ability to recover to pre-pandemic levels. Netcare remains in a healthy financial position with acceptable levels of gearing as reflected by its net debt to EBITDA coverage of 2.0 times (pre-IFRS 16) at 30 September 2021. Cash balances and available committed undrawn facilities amount to R5.6 billion which will ensure the availability of liquidity for the foreseeable future. The budget prepared for the 2022 year represents a recovery period as the impact of COVID-19 waves continue to affect profitability, and the Group's strategic projects gather momentum. However, improved profitability and cash generation is expected, with a return to pre-COVID-19 profitability levels expected thereafter within the five-year forecast period. On this basis the Board is confident in the ability of the Group and Company to continue as a going concern for the foreseeable future.

11. Significant transactions

Lesotho PPP termination

The Lesotho Public Private Partnership was prematurely terminated effective 31 August 2021 by the Government of Lesotho. In light of the termination and ongoing uncertainty with regard to the resolution of matters under dispute, the Group has impaired its Lesotho-related investments, including investments in associates and loans to associates, as detailed in the table below. The associates' earnings have also recognised the impairment impacts of the early termination.

Rm	**2021**
Line items impacted on the statement of profit or loss	
Revenue	**195**
Impairment of financial assets	**(71)**
Operating profit	**124**
Attributable losses of associates (primarily related to impairment of debtors)	**(159)**
Profit before taxation	**(35)**
Taxation	**(36)**
Profit for the year	**(71)**

Impairment of properties

Updated external valuations were received for all properties within the Group, in line with the practice of revaluing them every three years. Following this exercise, it was determined that five properties (two acute hospitals and three mental health facilities) had carrying amounts above their fair value, which is their recoverable amount. As such, impairments of R73 million were recognised.

Notes to the summarised Group financial statements continued

12. Reportable irregularity

During the financial year, a matter concerning a breach of controls and an unauthorised payment of an immaterial amount, initiated by an executive, was identified through the Group's internal processes. The Board has taken steps to address the matter in line with the Group's internal policies, including drawing the matter to the attention of the external auditors, and the executive involved is no longer in the employ of the Group. The external auditors raised a reportable irregularity with IRBA in terms of section 45 of the Auditing Profession Act, No. 26 of 2005 ("the Act"). The external auditors have subsequently completed their reporting responsibilities in terms of the Act and confirmed in writing their belief that the reportable irregularity is no longer taking place and that the necessary steps have been taken for the recovery of the loss. Deloitte & Touche have issued an unmodified opinion on the Group's financial statements. The Board mandated management to take necessary remedial actions.

13. Events after the reporting period

Subsequent to year end, Ceres Hospital was closed, effective 31 October 2021. Netcare owns 99.56% of the shares in Ceres Hospital Limited, and it is the intention to sell the hospital to another hospital service provider.

Numerous expressions of interest enquiries have been received with respect to the purchase of the hospital. However, none are advanced enough to meet the requirements to classify the hospital as held for sale as at 30 September 2021. The assets are considered recoverable, and the disposal thereof is not expected to have a material impact on the Group's results.

Shareholders are advised that an ordinary dividend of 34.0 cents per share has been declared by the Board of Netcare Limited on 18 November 2021.

On 19 November 2021 the Board appointed Dr Rozett Phillips and Dr Thabi Leoka as independent non-executive directors with effect from 1 January 2022.

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 annual financial statements, which significantly affect the financial position at 30 September 2021 or the results of operations or cash flows for the year then ended.

Salient features

	2021	2020
Share statistics		
Ordinary shares		
Shares in issue (million)	**1 439**	1 439
Shares in issue net of treasury shares (million)	**1 337**	1 335
Weighted average number of shares (million)	**1 336**	1 336
Diluted weighted average number of shares (million)	**1 344**	1 343
Market price per share (cents)	**1 620**	1 292

Corporate information

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
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KN Gibson (Chief Financial Officer)

Non-executive directors
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L Human, D Kneale, MJ Kuscus, KD Moroka

Company Secretary
Charles Vikisi

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