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

SUMMARISED AUDITED GROUP RESULTS
for the year ended 30 September 2017

COMMENTARY

OVERVIEW

The 2017 financial year has been an unusually difficult year for Netcare. Market conditions have presented challenges to growth in both South Africa ("SA") and the United Kingdom ("UK"). Funder-led demand management initiatives in both geographies impacted results with negative patient day growth in SA, while in the UK overall caseload volumes were marginally up on the prior year with growth in day cases but a decline in higher revenue inpatient cases.

In addition, there have been a number of large, non-recurring transactions which have had a significant impact on the Group results comprising of:

- A capital profit on the sale of the old Netcare Christiaan Barnard Memorial Hospital ("CBMH") land and buildings of R203 million (R169 million after tax). The sale proceeds of R300 million were received in July 2017;

- A non-cash profit of R937 million (2016: loss of R1 858 million) after tax, arising on the mark-to-market revaluation of the UK Retail Price Index ("RPI") swap instruments; and

- Non-cash adjustments of an aggregate R5 563 million after tax, relating to the impairment of property, plant and equipment (R1 540 million), recognition of onerous lease provisions (R1 669 million) and impairment of goodwill (R2 354 million) in the UK operations (collectively referred to as "UK impairment and onerous lease charges"). The assessment of these non-cash accounting adjustments required the application of judgment and in light of the difficult current trading environment a conservative view has been applied.

Given the exceptional nature of these non-trading items, their impact has been separately disclosed in the table below and the commentary that follows refers to normalised results excluding the effects of these transactions.

KEY FINANCIAL RESULTS

Rm	Year ended 30 September		
Normalised results before exceptional items	2017	2016(1)	% change
Revenue	34 125	37 729	(9.6)
EBITDA	4 265	5 518	(22.7)
EBITDA margin	12.5%	14.6%	
Operating profit	2 966	4 128	(28.1)
Operating profit margin	8.7%	10.9%	
Profit before taxation	2 675	3 853	(30.6)
Taxation	(901)	(961)	
Profit after taxation	1 774	2 892	(38.7)
Exceptional items (after tax):	(4 457)	(1 858)	
Profit on sale of old CBMH land and buildings	169	-	
RPI swap instruments fair value adjustment (non-cash)	937	(1 858)	
UK impairment and onerous lease charges (non-cash)	(5 563)	-	
(Loss)/profit for the year from continuing operations	(2 683)	1 034	
(Loss)/profit for the year from discontinued operation	(46)	14	
(Loss)/profit for the year	(2 729)	1 048	

1. Restated for discontinued operation.

The financial results were also affected by currency conversion. The average exchange rate of R16.94 to the Pound Sterling ("Pound"), used to convert UK income and expenditure, was 19.5% stronger than the average rate of R21.04 for the year ended 30 September 2016. However, the gap between current year and prior year exchange rates closed towards the financial year-end such that the closing exchange rate, used to convert assets and liabilities, ended only 2.0% weaker at R18.15 as at 30 September 2017 compared to R17.79 at September 2016.

Following an operational review of the Emergency Services business, a decision was made to discontinue operations in Mozambique. Accordingly, the assets and liabilities of the Mozambique Emergency Services operations have been classified as held for sale and the September 2016 results have been restated for the discontinued operation.

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 2016.

GROUP FINANCIAL REVIEW

Financial performance

Group revenue decreased by 9.6% to R34 125 million (2016: R37 729 million). Currency conversion contributed R3 650 million to this decline. In constant currency terms, revenue would have remained broadly flat year-on-year with the increase of 1.2% in SA revenue offset by a similar decrease in UK revenue.

Normalised Group earnings before interest, tax, depreciation and amortisation ("EBITDA") declined 22.7% to R4 265 million (2016: R5 518 million). Currency conversion accounted for R87 million of the decrease. Normalised operating profit fell by 28.1% to R2 966 million (2016: R4 128 million).

Net financial expenses of R437 million (2016: R432 million) were in line with the prior year. Normalised profit before taxation decreased 30.6% to R2 675 million (2016: R3 853 million). The Group's normalised taxation expense reduced to R901 million (2016: R961 million), representing an effective tax rate of 33.7% (2016: 24.9%). Normalised profit after taxation was 38.7% lower at R1 774 million (2016: R2 892 million). Exceptional items amounted to a net loss of R4 457 million (2016: R1 858 million) after tax, while a loss of R46 million (2016: profit of R14 million) was incurred by the discontinued operation. The reported loss for the year amounted to R2 729 million (2016: profit of R1 048 million).

Adjusted headline earnings per share from continuing operations ("adjusted HEPS") reduced by 24.6% to 149.6 cents (2016: 198.5 cents).

Financial position and cash flow

Total assets at 30 September 2017 reduced by 8.3% to R28 112 million (2016: R30 659 million) as a result of the impairment of goodwill and property, plant and equipment in the UK of R3 894 million and depreciation and amortisation of R1 299 million, offset by capital expenditure of R2 447 million.

Total shareholders' equity decreased 31.9% to R8 862 million (2016: R13 009 million), affected by currency fluctuations and the after-tax impact of the exceptional items.

At 30 September 2017, the Group's net debt was R6 385 million (2016: R5 543 million). The net debt to normalised EBITDA ratio moderated to 1.5 times (2016: 1.0 times), driven by higher debt balances and lower normalised EBITDA, with interest cover at 6.7 times (2016: 11.1 times).

In SA, net debt increased to R3 908 million, from R3 587 million a year before. The increase is from the funding of capital expenditure, tax and dividend payments of R3 838 million during the year, offset by cash generated from operations. Net debt in the UK increased to £136.5 million at 30 September 2017 from £110.0 million at the prior year-end after funding capital expenditure of £52.4 million during the year.

Cash generated from the Group's operations of R4 269 million was 19.2% lower than the prior year (2016: R5 282 million) with a cash conversion of 100.1%.

The Group invested R2 447 million (2016: R2 822 million) in capital expenditure, including intangible assets. Ordinary dividends of R1 296 million (2016: R1 250 million) were paid to shareholders and R49 million (2016: R74 million) to beneficiaries of our Health Partners for Life ("HPFL") broad-based black economic empowerment trusts. Combined cash payments to shareholders, empowerment partners and revenue authorities amounted to R2 312 million (2016: R2 335 million).

DIVISIONAL REVIEW

South Africa

Revenue from continuing operations increased 1.2% to R19 114 million (2016: R18 891 million). Normalised EBITDA from continuing operations was lower by 3.7% at R3 975 million (2016: R4 126 million) with margins of 20.8% (2016: 21.8%). Normalised operating profit from continuing operations declined 5.6% to R3 331 million (2016: R3 528 million) and adjusted HEPS decreased 8.2% to 170.6 cents (2016: 185.9 cents).

Cash generated from operations was 11.3% lower at R3 654 million (2016: R4 120 million) with a cash conversion ratio of 91.9%. Capital expenditure, including intangible assets, totalled R1 553 million (2016: R2 054 million).

Hospitals and Emergency Services

Revenue in this segment increased by 3.9% to R18 403 million (2016: R17 713 million). The current year results were negatively impacted by a non-cash accounting error of R81 million in the Emergency Services division. This error relates to the prior year but has been corrected in the 2017 results. Accordingly, the underlying revenue, excluding the impact of the prior year non-cash accounting error, increased by 4.8% year-on-year.

Patient days fell by 1.0% in a year characterised by stringent demand management strategies implemented by funders. Patient days returned to growth in Q4 2017. Full week occupancy levels of 65.5% were achieved in the year, improving from 63.2% reported at the half-year, although occupancies are still lower than the 67.2% reported for 2016. Week day occupancies for the same period were 71.3%, compared to 69.0% at the half-year and 72.9% in 2016. Revenue per patient day increased by 6.4%, which is ahead of inflation, due to an increase in the mix of higher complexity cases. The specialist base has grown by a net 136 doctors.

EBITDA excluding capital items, most notably the profit from the sale of the old Netcare CBMH land and buildings, decreased by 3.3% to R3 875 million (2016: R4 008 million) at an EBITDA margin of 21.1% (2016: 22.6%). Underlying EBITDA, excluding the impact of the prior year non-cash accounting error, increased by 0.7% year-on-year at an EBITDA margin of 21.4% (2016: 22.3%). Margins have been adversely influenced by, inter alia, the following factors:

- Volume contraction and cost inflation; and

- Rental charges on the new Netcare CBMH of R42 million.

Operating profit before capital items declined 5.0% to R3 276 million (2016: R3 449 million), influenced by higher depreciation charges. Underlying operating profit before capital items declined by 0.3%.

The business continues to focus on its cost base through a number of efficiency initiatives, including the automation and centralisation of administrative processes, and extensive sustainability programmes to curb the increasing cost of utilities such as electricity, water and waste. These projects continue to deliver cost savings, although these were not sufficient to absorb the countervailing margin pressures in the current year.

During the year there was a net increase of 93 beds and 52 under-utilised beds were converted to disciplines where there is higher demand.

Netcare has progressed its pursuit of establishing a world class quality management system through a group-wide, standardised programme for quality measurement and improvement, and systems leadership in support of our strategic priority of consistency of care. Excellence in patient care remains at the core of our value creation strategy, with leadership and frontline work concentrated on improving the experience of patients and families in our care and achieving best and safest clinical outcomes. Focused clinical improvement projects and risk mitigation strategies strive to ensure that our patients are in safe hands when in our care.

Primary Care

The Primary Care division has undergone a positive structural change in the 2017 financial year. The retail pharmacies were outsourced to Clicks from 1 December 2016. The outsourced pharmacies continue to perform well under the new arrangement and have shown solid growth in scripts for the past 10 months. Prime Cure wound down its managed care administration service offering during the first half, in line with its strategic decision to focus on provider services.

The division has reported lower revenue against the prior year due to these structural changes. In line with our strategy, the division has expanded its offering in the day theatre and sub-acute market. A new day theatre in Kimberley commenced operations in mid-October 2016, a new sub-acute and rehabilitation facility opened in Hillcrest in May 2017 and a new day theatre facility was constructed and opened in Upington in August 2017. Together with two new day theatre facilities due to open in 2018, Primary Care’s network will comprise 17 day theatre and three sub-acute facilities. We believe we are well positioned to extend our partnership with doctors and medical schemes in offering a comprehensive network of day theatre facilities.

The Primary Care Division reported revenue of R711 million for the year (2016: R1 178 million) as a result of the changes to its business model. EBITDA fell by 8.5% from R118 million in the prior year to R108 million, impacted by start-up losses at the new day theatre and sub-acute facilities. The EBITDA margin improved to 15.2% from 10.0% in the previous financial year, reflecting the benefit of the retail pharmacy outsourcing arrangement, which replaces retail pharmacy revenue with rental income. Operating profit fell by 20.3% to R63 million (2016: R79 million) as a result of underlying trading impacts in conjunction with higher depreciation charges on the new sub-acute and day theatre facilities.

United Kingdom

The overall performance of the UK operations has been disappointing. Trading conditions were challenging during 2017, particularly in the second half of the financial year, where the acceleration of demand management initiatives implemented by both the National Health Services (“NHS”) and private medical insurers affected patient activity, in combination with lower tariffs for NHS work effective from 1 April 2017, and further change in case mix in favour of more day cases. Inpatient and day caseload grew 0.5% year-on-year. However, the underlying mix comprised of 2.0% growth in day case admissions and a reduction of 4.5% in inpatient admissions, resulting in a decline in revenue per case.

Self-pay caseload grew by 9.6%, while Private Medical Insurance (“PMI”) activity declined by 5.5%. Total NHS caseload for the year increased by 4.9%, with NHS e-referrals increasing by 8.4%, while NHS spot work fell by 9.3%.

As published by the NHS in the ‘Next Steps on the NHS Five Year Forward Review’ (March 2017), the main NHS 2017/18 national service improvement priorities have been on non-elective healthcare services due to funding constraints. This has led to the downgrading of NHS elective referrals in the short term and an escalation in NHS demand management strategies. In BMI Healthcare, this has been more acutely felt in certain localised sites where triage and referral management centres have been introduced. However, these strategies are generally expected to defer hospital treatment rather than completely remove the need for it, with the self-pay market absorbing some of the activity in the meantime. NHS waiting lists for elective treatment stood at 4.1 million at 31 August 2017, the highest level since 2007. As occupancies within the NHS are approaching 90%, the insourcing of the growing demand within NHS facilities remains challenging.

Revenue decreased by 0.9% to £887.1 million (2016: £895.5 million) driven by lower average revenue per case from the shift in case mix in favour of day cases. Cost pressure has been experienced in a number of areas, with labour costs not yet aligned to the fall in inpatient activity versus the growth in day cases. The lower revenue per case and current cost base have resulted in a 60.7% fall in EBITDA, before one-off costs, to £25.1 million from £63.8 million in the prior year. The EBITDA margin, before one-off costs, has deteriorated from 7.1% in 2016 to 2.8% in the current year. The business also incurred one-off costs comprising fees relating to the PropCo rent negotiation and restructuring costs of a combined £7.1 million. After depreciation and amortisation charges the business reported an operating loss of £20.6 million (2016: profit of £28.7 million).

Capital expenditure, including intangible assets, amounted to £52.4 million and was invested in a balanced portfolio of projects, focused on improving and extending clinical services, hospital and IT infrastructure, and growing the diagnostic capabilities of the business.

On 27 July 2017, it was announced that Mrs Jill Watts, CEO of BMI Healthcare had resigned and that Dr Karen Prins, a highly experienced Netcare executive, would be taking over as the new CEO of BMI Healthcare with effect from 30 September 2017.

The combination of the weaker trading results and contractual rental commitments resulted in a review of the carrying value of property, plant and equipment and goodwill, as well as a consideration of onerous lease obligations. The assessment of these factors required the application of judgment in the context of the difficult trading environment and a conservative approach was adopted. Consequently, non-cash accounting adjustments in the aggregate of R5 563 million (£316.3 million) have been recognised in the 2017 results, allocated to the impairment of property, plant and equipment, onerous lease provisions and the impairment of goodwill. The property, plant and equipment impairment and onerous lease provisions will be reviewed at each reporting period in light of the changes to the operating environment and may be adjusted or reversed in future as appropriate. In terms of IFRS, impairment of goodwill may not be reversed under any circumstances.

Netcare has reached agreement with Apax and the other minority shareholders in General Healthcare Group ("GHG") to acquire their interests in GHG subject to certain conditions precedent, such that it will become a wholly-owned subsidiary of Netcare upon completion.

The summary terms of the agreement with the GHG minority shareholders are as follows:

- There is no immediate cash payment. The selling parties will receive the right to subscribe for 67 million shares in Netcare over the course of the next five years;

- The right to subscribe for Netcare shares is subject to BMI Healthcare achieving an annualised EBITDA of £65 million;

- In the event that the selling parties elect to exercise their right to subscribe for Netcare shares, they will need to pay to Netcare a strike price which will be set at the higher of (i) R26.25 per share or (ii) a 25% premium to the Volume Weighted Average Price of Netcare shares during the 10 day period following the release of Netcare's 2017 full year results; and

- This transaction is not a categorised transaction in terms of the JSE Listings Requirements.

This transaction finally allows Netcare to assume full operational and management control of the UK operations. Despite the challenging operating environment, the incoming CEO, Dr Prins, has the necessary flexibility to lead the business with the full support of Netcare's operational expertise.

OUTLOOK

The drivers of demand for healthcare services, such as ageing populations and increasing disease prevalence, have not changed and societies will continue to require similar or greater levels of medical treatment in future. The challenge for those needing and providing healthcare services will remain the payment mechanisms of national funding versus insured and private cover. We will focus on higher demand service lines across our footprint and increasing our market share.

South Africa

The growth experienced in patient days in Q4 2017 has continued into the first two months of the current year. This trend is expected to continue through FY2018. The business expects to benefit from the restructuring of the Emergency Services business and improved performance from the new Primary Care day theatre and sub-acute facilities.

We have embarked on a major IT digitalisation of our front end services and will be introducing electronic medical and nursing records across all of our divisions in a roll out over three years. We will continue to seek reductions in our cost base and invest in IT and other technology and efficiency projects to mitigate underlying margin pressures.

We believe we have sufficient beds and facilities given the current market dynamics and our strategic focus will be on filling our existing capacity by converting beds to higher demand disciplines and transferring beds from under-utilised to higher demand facilities. Accordingly we do not expect to add any new beds 2018. However, we will continue to evaluate selective investments in high growth areas. Planned capital expenditure in SA for 2018 of approximately R1.35 billion is expected, covering, inter alia, continued work on the major Netcare Milpark Hospital expansion project, refurbishment of certain hospitals and cyclical replacement and technological upgrade of medical equipment, as well as growing the footprint of our cancer services, day theatre and sub-acute networks.

The acquisition of Akeso Clinics, a portfolio of 12 mental health facilities, will provide Netcare with a specialist mental health offering as both the demand for and incidence of mental illness continues to rise in South Africa. This transaction, which is classified as a large merger, is now before the Competition Tribunal for adjudication.

United Kingdom

The growth of the UK healthcare market is underpinned by strong long term demand drivers. Notwithstanding this, the challenges prevalent in H2 2017 are unlikely to abate in H1 2018. The PMI market is expected to remain challenging, with shorter term demand in the NHS remaining uncertain due to ongoing demand management strategies such as triage and referral management. The growth in NHS elective surgical waiting lists is expected to result in more patients choosing to pay for their own treatment and thus driving increases in self-pay volume.

In light of the reduced profitability in the 2017 financial year, BMI Healthcare has embarked on a restructuring programme to address areas of underperformance and reduce its operating cost base. The company also expects to enter into renewed negotiations with its major external landlord regarding a reduction in rentals on 35 hospital properties.

DECLARATION OF FINAL DIVIDEND NUMBER 17

Notice is hereby given that a gross final dividend of 57.0 cents per ordinary share is declared in respect of the year ended 30 September 2017. The dividend has been declared from income reserves and is payable to shareholders recorded in the register at the close of business on Friday, 26 January 2018. The number of ordinary shares (inclusive of treasury shares) in issue at date of this declaration is 1 462 809 779. The dividend will be subject to a local dividend withholding tax at a rate of 20%, which will result in a net final dividend to those shareholders not exempt from paying dividend withholding tax of 45.6 cents per ordinary share and 57.0 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 final dividend are as follows:

Last day to trade cum dividend	Tuesday, 23 January 2018
Trading ex-dividend commences	Wednesday, 24 January 2018
Record date	Friday, 26 January 2018
Payment date	Monday, 29 January 2018

Share certificates may not be dematerialised nor rematerialised between Wednesday, 24 January 2018 and Friday, 26 January 2018, both dates inclusive.

On Monday, 29 January 2018, the dividend will be electronically transferred to the bank accounts of all certificated shareholders. Holders of dematerialised shares will have their accounts credited at their participant or broker on Monday, 29 January 2018.

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

On behalf of the Board

Meyer Kahn
Non-executive Chairman

Richard Friedland
Chief Executive Officer

Keith Gibson
Chief Financial Officer

Sandton
16 November 2017

CONSTANT CURRENCY INFORMATION

Certain financial information presented in these final financial results constitutes pro forma financial information. The pro forma financial information is the responsibility of the Group's board of directors and is presented for illustrative purposes only. Because of its nature, the pro forma financial information may not fairly present the company's financial position, changes in equity, results of operations or cash flows.

The constant currency information included in these financial results has been presented to illustrate the impact of changes in currency rates on the Group's results. In determining the change in constant currency terms, the current financial reporting period's results have been adjusted to the prior period's average exchange rate of R21.04 to the Pound, determined as the average of the monthly exchange rates. The constant currency percentage has been calculated based on the current period constant currency results compared to the prior period results. An assurance report has been prepared and issued by our external auditors, Grant Thornton, in respect of the constant currency financial information included in this announcement and such report is available for inspection at the registered office of the Company.

GROUP STATEMENT OF PROFIT OR LOSS

for the year ended 30 September

Rm	Notes	2017	2016(1)
Continuing operations			
Revenue		34 125	37 729
Cost of sales		(19 333)	(21 287)
Gross profit		14 792	16 442
Other income		462	457
Administrative and other expenses - excluding items below		(12 288)	(12 771)
Operating profit before items below		2 966	4 128
Profit on sale of old Netcare CBMH(2) land and buildings		203	-
UK impairment and onerous lease charges		(5 563)	-
Impairment of property, plant and equipment		(1 540)	-
Onerous lease provisions		(1 669)	-
Impairment of goodwill		(2 354)	-
Operating (loss)/profit	2	(2 394)	4 128
Investment income	3	396	404
Financial expenses	4	(836)	(776)
Other financial gains/(losses) - net	5	940	(2 048)
Attributable earnings of associates		77	100
Attributable earnings of joint ventures		69	57
(Loss)/profit before taxation		(1 748)	1 865
Taxation	6	(935)	(831)
(Loss)/profit for the year from continuing operations		(2 683)	1 034
(Loss)/profit from discontinued operation	10	(46)	14
(Loss)/profit for the year		(2 729)	1 048
Attributable to:			
Owners of the parent		(549)	1 667
Preference shareholders		56	52
(Loss)/profit attributable to shareholders		(493)	1 719
Non-controlling interest		(2 236)	(671)
		(2 729)	1 048
Cents			
Basic (loss)/earnings per share		(40.9)	122.6
Continuing operations		(37.5)	121.6
Discontinued operation		(3.4)	1.0
Diluted (loss)/earnings per share		(40.9)	120.6
Continuing operations		(37.5)	119.6
Discontinued operation		(3.4)	1.0
Total dividend per share		95.0	95.0

1. Restated for discontinued operation.
2. Christiaan Barnard Memorial Hospital.

GROUP STATEMENT OF OTHER COMPREHENSIVE INCOME

for the year ended 30 September

Rm	2017	2016
(Loss)/profit for the year	(2 729)	1 048
Items that may not subsequently be reclassified to profit or loss	(29)	-
Remeasurement of defined benefit obligation	(40)	-
Taxation on items that may not subsequently be reclassified to profit or loss	11	-
Items that may subsequently be reclassified to profit or loss	(38)	(1 142)
Effect of cash flow hedge accounting	(43)	(15)
Amortisation of the cash flow hedge accounting reserve	2	-
Change in the fair value of cash flow hedges	(45)	(36)
Reclassification of the cash flow hedge accounting reserve	-	21
Effect of translation of foreign entities	(7)	(1 131)
Taxation on items that may subsequently be reclassified to profit or loss	12	4
Other comprehensive loss for the year	(67)	(1 142)
Total comprehensive loss for the year	(2 796)	(94)
Attributable to:		
Owners of the parent	(604)	1 005
Preference shareholders	56	52
Non-controlling interest	(2 248)	(1 151)
	(2 796)	(94)

GROUP STATEMENT OF FINANCIAL POSITION

at 30 September

Rm	Notes	2017	2016
ASSETS			
Non-current assets			
Property, plant and equipment		13 908	14 421
Goodwill		1 705	3 942
Intangible assets		332	314
Equity-accounted investments, loans and receivables	7	2 876	2 564
Financial assets	8	17	34
Deferred lease assets		23	21
Deferred taxation		1 092	1 318
Total non-current assets		19 953	22 614
Current assets			
Loans and receivables	7	53	58
Financial assets	8	1	-
Inventories		984	1 019
Trade and other receivables		4 541	4 972
Taxation receivable		6	16
Cash and cash equivalents		2 531	1 980
		8 116	8 045
Assets classified as held-for-sale		43	-
Total current assets		8 159	8 045
Total assets		28 112	30 659
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary share capital and premium		4 205	4 197
Treasury shares		(3 720)	(3 768)
Other reserves		2 481	2 465
Retained earnings		5 316	7 283

Equity attributable to owners of the parent		8 282	10 177
Preference share capital and premium		644	644
Non-controlling interest		(64)	2 188
Total shareholders' equity		8 862	13 009
Non-current liabilities			
Long-term debt	9	7 232	6 132
Financial liabilities	8	1 187	2 158
Post-retirement benefit obligations		497	427
Deferred lease liabilities		149	124
Deferred taxation		1 049	1 207
Provisions		1 470	113
Total non-current liabilities		11 584	10 161
Current liabilities			
Trade and other payables		5 912	6 012
Short-term debt	9	1 678	1 390
Financial liabilities	8	9	5
Taxation payable		56	81
Bank overdrafts		6	1
		7 661	7 489
Liabilities classified as held-for-sale		5	-
Total current liabilities		7 666	7 489
Total equity and liabilities		28 112	30 659

GROUP STATEMENT OF CASH FLOWS

for the year ended 30 September

Rm	2017	2016
Cash flows from operating activities		
Cash received from customers	34 508	37 561
Cash paid to suppliers and employees	(30 239)	(32 279)
Cash generated from operations	4 269	5 282
Interest paid	(732)	(678)
Taxation paid	(874)	(950)
Ordinary dividends paid by subsidiaries	(37)	(9)
Ordinary dividends paid	(1 296)	(1 250)
Preference dividends paid	(56)	(52)
Distributions to beneficiaries of the HPFL B-BBEE Trusts	(49)	(74)
Net cash from operating activities	1 225	2 269
Cash flows from investing activities		
Acquisition of property, plant and equipment	(2 419)	(2 789)
Additions to intangible assets	(28)	(33)
Proceeds on disposal of property, plant and equipment and intangible assets	338	60
Acquisition of businesses	(139)	(18)
Acquisition of business loans	-	(25)
Cash related to acquisition of businesses	-	1
Proceeds from disposal of businesses	3	20
Decrease in investments and loans	50	119
Interest received	151	161
Dividends received	15	34
Increase in equity interest from associates and joint ventures to subsidiaries	-	(43)
Net cash from investing activities	(2 029)	(2 513)
Cash flows from financing activities		
Proceeds from issue of ordinary shares	8	23
Proceeds on disposal of treasury shares	48	101
Long-term debt raised	1 018	356
Short-term debt raised/(repaid)	287	(572)

Acquisition of non-controlling interests	(1)	9
Net cash from financing activities	1 360	(83)
Net increase/(decrease) in cash and cash equivalents	556	(327)
Translation effects on cash and cash equivalents of foreign entities	21	(170)
Cash and cash equivalents at the beginning of the year	1 979	2 476
Cash and cash equivalents related to assets held-for-sale	(31)	-
Cash and cash equivalents at the end of the year	2 525	1 979
Consisting of:		
Cash on hand and balances with banks	2 531	1 980
Bank overdrafts	(6)	(1)
	2 525	1 979

SUMMARISED GROUP STATEMENT OF CHANGES IN EQUITY

at 30 September

Rm	Ordinary share capital and premium	Treasury shares	Cash flow hedge accounting reserve	Foreign currency translation reserve	Other reserves	Retained earnings	Equity attributable to owners of the parent	Preference share capital and premium	Non-controlling interest	Total shareholders' equity
Balance as at 30 September 2015	4 033	(3 713)	3	2 641	446	6 902	10 312	644	3 325	14 281
Shares issued during the year	164	(141)	-	-	-	-	23	-	-	23
Sale of treasury shares	-	86	-	-	-	15	101	-	-	101
Share-based payment reserve movements	-	-	-	-	33	-	33	-	-	33
Tax recognised in equity	-	-	-	-	-	35	35	-	-	35
Preference dividends paid	-	-	-	-	-	-	-	(52)	-	(52)
Dividends paid	-	-	-	-	-	(1 250)	(1 250)	-	(9)	(1 259)
Distributions to beneficiaries of the HPFL B-BBEE Trusts	-	-	-	-	-	(74)	(74)	-	-	(74)
Increase in equity interest in subsidiaries	-	-	-	-	-	(8)	(8)	-	23	15
Total comprehensive (loss)/income for the year	-	-	(17)	(641)	-	1 663	1 005	52	(1 151)	(94)
Balance as at 30 September 2016	4 197	(3 768)	(14)	2 000	479	7 283	10 177	644	2 188	13 009
Shares issued during the year	8	-	-	-	-	-	8	-	-	8
Sale of treasury shares	-	48	-	-	-	-	48	-	-	48
Share-based payment reserve movements	-	-	-	-	46	-	46	-	-	46
Tax recognised in equity	-	-	-	-	-	(14)	(14)	-	-	(14)
Preference dividends paid	-	-	-	-	-	-	-	(56)	-	(56)
Dividends paid	-	-	-	-	-	(1 296)	(1 296)	-	(37)	(1 333)
Distributions to beneficiaries of the HPFL B-BBEE Trusts	-	-	-	-	-	(49)	(49)	-	-	(49)
Increase in equity interest in subsidiaries	-	-	-	-	-	(34)	(34)	-	33	(1)
Total comprehensive (loss)/income for the year	-	-	(31)	1	-	(574)	(604)	56	(2 248)	(2 796)
Balance as at 30 September 2017	4 205	(3 720)	(45)	2 001	525	5 316	8 282	644	(64)	8 862

HEADLINE EARNINGS

for the year ended 30 September

Rm	2017	2016(1)
Reconciliation of headline earnings		
(Loss)/profit for the year	(2 729)	1 048
Adjusted for:		
Dividends paid on shares attributable to the Forfeitable Share Plan	(7)	(7)
Preference shareholders	(56)	(52)
Non-controlling interest	2 236	671
(Loss)/profit attributable to owners of the parent	(556)	1 660
Adjusted for discontinued operation:		
Loss/(profit) from discontinued operation	46	(14)
(Loss)/profit for the purposes of basic and diluted earnings per share from continuing operations	(510)	1 646
Adjusted for:		
Impairment of goodwill	2 354	-
Profit on disposal of investments (net)	(7)	(4)
Fair value gain on investments on acquisition of control	(16)	(11)
Net profit on disposal of property, plant and equipment and intangibles	(193)	(18)
Bargain purchase on acquisition of subsidiary	-	(2)
Recognition/(reversal) of impairment of investments	8	(44)
Recognition/(reversal) of impairment of property, plant and equipment	1 543	(1)
Tax effect of headline adjusting items	32	4
Non-controlling share of headline adjusting items	(1 672)	27
Headline earnings from continuing operations	1 539	1 597
Headline earnings adjusted for:		
Ineffectiveness gains on cash flow hedges	(5)	(1)
Fair value (gains)/losses on derivative financial instruments	(937)	2 029
Amortisation of the cash flow hedge accounting reserve	2	-
Amount reclassified from the cash flow hedge accounting reserve	-	20
Recognition of loan impairment	7	3
Competition Commission costs	14	30
Onerous lease provisions	1 668	-
Restructure costs	132	2
Change in tax rate	-	(34)
Tax effect of adjusting items	(28)	(149)
Non-controlling share of adjusting items	(359)	(810)
Adjusted headline earnings from continuing operations	2 033	2 687
Cents		
Headline earnings per share	109.9	119.0
- Continuing operations	113.3	118.0
- Discontinued operation	(3.4)	1.0
Diluted headline earnings per share	108.6	117.1
- Continuing operations	112.0	116.1
- Discontinued operation	(3.4)	1.0
Adjusted headline earnings per share	146.2	199.5
- Continuing operations	149.6	198.5
- Discontinued operation	(3.4)	1.0

1. Restated for discontinued operation.

SUMMARISED SEGMENT REPORT

for the year ended 30 September

Rm	South Africa Hospital and Emergency services(1)	South Africa Primary Care	South Africa Total	United Kingdom BMI Healthcare	Group	United Kingdom BMI Healthcare £m
30 September 2017						
Statement of profit or loss						
Revenue	18 403	711	19 114	15 011	34 125	887.1
Attributable earnings of associates and joint ventures	-	-	89	57	146	3.3
EBITDA - before items below	3 867	108	3 975	290	4 265	18.0
Depreciation and amortisation	(599)	(45)	(644)	(655)	(1 299)	(38.6)
Operating profit/(loss) - before items below	3 268	63	3 331	(365)	2 966	(20.6)
Profit on sale of old Netcare CBMH(2) land and buildings	203	-	203	-	203	-
UK impairment and onerous lease charges	-	-	-	(5 563)	(5 563)	(316.3)
Impairment of property, plant and equipment	-	-	-	(1 540)	(1 540)	(87.8)
Onerous lease provisions	-	-	-	(1 669)	(1 669)	(95.2)
Impairment of goodwill	-	-	-	(2 354)	(2 354)	(133.3)
Operating profit/(loss)	3 471	63	3 534	(5 928)	(2 394)	(336.9)
Segment assets and liabilities						
Total assets			19 864	8 248	28 112	454.8
Total liabilities			(9 215)	(10 035)	(19 250)	(553.1)

1. EBITDA and operating profit are inclusive of an R8 million impairment of a joint venture.
2. Christiaan Barnard Memorial Hospital.

Rm	South Africa Hospital and Emergency services(1)	South Africa Primary Care	South Africa Total(1)	United Kingdom BMI Healthcare	Group(1)	United Kingdom BMI Healthcare £m
30 September 2016						
Statement of profit or loss						
Revenue	17 713	1 178	18 891	18 838	37 729	895.5
Attributable earnings of associates and joint ventures	-	-	71	86	157	4.2
EBITDA	4 008	118	4 126	1 392	5 518	66.4
Depreciation and amortisation	(559)	(39)	(598)	(792)	(1 390)	(37.7)
Operating profit	3 449	79	3 528	600	4 128	28.7
Segment assets and liabilities						
Total assets			17 963	12 696	30 659	702.1
Total liabilities			(8 470)	(9 180)	(17 650)	(515.8)

1. Restated for discontinued operation.

SUMMARISED NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 30 September

1. Basis of preparation and accounting policies

The provisional summarised consolidated financial statements for the year ended 30 September 2017 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 requirements of the International Accounting Standards (IAS) 34, Interim Financial Reporting, SAICA Financial Reporting Guidelines as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the Companies Act, No. 71 of 2008. These provisional summarised consolidated financial statements were compiled under the supervision of Mr KN Gibson (CA) SA, Group Chief Financial Officer.

The accounting policies applied in the preparation of these results are in accordance with IFRS and are consistent in all material respects with those applied in the audited financial statements for the year ended 30 September 2016.

Due to the significance of the UK impairments and onerous lease charges, both quantitatively and qualitatively, we have presented them separately on the face of the statement of profit or loss, together with the profit on the sale of the old Netcare Christiaan Barnard Memorial Hospital land and buildings.

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 auditors, Grant Thornton Johannesburg, have issued their opinion on the Group's consolidated financial statements for the year ended 30 September 2017. The audit was conducted in accordance with International Standards on Auditing. The auditor responsible for the audit is GM Chaitowitz. An unqualified audit opinion has been issued on the consolidated financial statements. The directors take full responsibility for the preparation of the provisional summarised consolidated financial statements which have been extracted from and are consistent in all material respects with the Group's consolidated financial statements, but are not audited. A copy of the audit report on the 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 auditors.

	Rm	2017	2016(1)
2.	OPERATING (LOSS)/PROFIT		
	After including:		
	Depreciation and amortisation	(1 299)	(1 390)
	Impairment of property, plant and equipment	(1 541)	-
	Onerous lease provisions	(1 669)	-
	Impairment of goodwill	(2 354)	-
	Operating lease charges	(5 272)	(4 123)
	GHG Property Businesses	(2 575)	(3 124)
	Other	(2 697)	(999)
	Profit on disposal of property, plant and equipment	205	23
3.	INVESTMENT INCOME		
	Investment income on retirement benefit plan assets	50	65
	Interest on bank accounts and other	346	339
		396	404
4.	FINANCIAL EXPENSES		
	Amortisation of arrangement fees	(15)	(6)
	Interest on bank loans and other	(525)	(423)
	Interest on promissory notes	(207)	(248)
	Total funding financial expense	(747)	(677)
	Retirement benefit plan financial expenses	(89)	(99)
		(836)	(776)
5.	OTHER FINANCIAL GAINS/(LOSSES) - NET		
	Amount reclassified from the cash flow hedge accounting reserve	-	(20)
	Amortisation of the cash flow hedge accounting reserve	(2)	-
	Fair value gains/(losses) on inflation rate swap instruments	937	(2 029)
	Ineffectiveness gains on cash flow hedges	5	1
		940	(2 048)

1. Restated for discontinued operation.

Netcare's UK subsidiary, BMI Healthcare (BMI), leases 35 of its hospital properties from various subsidiary entities of its major external landlord, Hospital Topco. The leases on these properties have annual rental uplifts linked to the Retail Price Index (RPI). BMI also holds certain RPI swap instruments which, combined with the leases, achieve the economic effect of a fixed 2.5% rental uplift.

In terms of IFRS, the RPI swap instruments related to property leased in our UK operations are required to be carried at their fair market value at each reporting date. The valuation of these instruments is sensitive to future RPI expectations and also the expected timing and amount of any swap instrument termination payment, which is uncertain. The valuation of the RPI swap instruments liability as at 30 September 2017 amounted to R1 133 million (£62.5 million) and reflects the market-to-market valuation by the counterparty to the RPI swap instruments, as well as a credit risk adjustment. No credit risk adjustment was recognised in the prior year, as heads of terms for a potential rent reduction transaction had been agreed with Hospital Topco, and there was a sufficiently high level of certainty relating to the settlement of the RPI swap instruments, which was due to occur within the 2017 financial year. The agreement was subsequently retracted, and no settlement of the RPI swap instruments occurred during the year. At 30 September 2017, it has been assumed that the swap instruments will be settled on maturity date. Due to the long term nature of the RPI swap instruments, it is necessary to include a credit risk adjustment in determining their fair market value.

	Rm	2017	2016(1)
6.	TAXATION		
	South African normal and deferred taxation		
	Current year	(923)	(941)
	Prior years	26	(2)
	Capital gains tax	(32)	(6)
	Rate change	-	(10)
		(929)	(959)
	Foreign normal and deferred taxation		
	Current year	(11)	78
	Prior years	5	30
	Rate change	-	20
		(6)	128
	Total taxation per the statement of profit or loss	(935)	(831)

1. Restated for discontinued operation.

7.	EQUITY-ACCOUNTED INVESTMENTS, LOANS AND RECEIVABLES		
	Non-current		
	Associated companies	817	721
	Joint ventures	228	191
	Loans and receivables	1 831	1 652
		2 876	2 564
	Current		
	Loans and receivables	53	58
		2 929	2 622

Included in loans and receivables is an investment of R1 575 million (2016: R1 339 million) relating to a contractual economic interest in the debt of BMI Healthcare.

8.	DERIVATIVE FINANCIAL INSTRUMENTS		
	Non-derivative financial asset		
	Investment in Cell Captive	12	15
	Derivative financial assets		
	Interest rate swaps		
	South African Rand	6	19
		18	34
	Included in:		
	Non-current assets	17	34
	Current assets	1	-
		18	34
	Derivative financial liabilities		
	Interest rate swaps		
	South African Rand	(34)	(15)
	Inflation rate swaps		
	South African Rand	(29)	(19)
	Foreign currency	(1 133)	(2 129)

	(1 196)	(2 163)
Included in:		
Non-current liabilities	(1 187)	(2 158)
Current liabilities	(9)	(5)
	(1 196)	(2 163)

Fair value hierarchy

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

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

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

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

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

Rm	Level 2	Total
30 September 2017		
Non-derivative financial asset		
Cell Captive	12	12
Derivative financial assets		
Interest rate swaps	6	6
	18	18
Derivative financial liabilities		
Interest rate swaps	(34)	(34)
Inflation rate swaps	(1 162)	(1 162)
	(1 196)	(1 196)
30 September 2016		
Non-derivative financial asset		
Cell Captive	15	15
Derivative financial assets		
Interest rate swaps	19	19
	34	34
Derivative financial liabilities		
Interest rate swaps	(15)	(15)
Inflation rate swaps	(2 148)	(2 148)
	(2 163)	(2 163)

The Group has no financial instruments categorised as Level 1 or Level 3. There were no transfers between categories in the current year.

Rm	2017	2016
9. DEBT		
Long-term debt	7 232	6 132
Short-term debt	1 678	1 390
Total debt	8 910	7 522
Comprising:		
Debt in South African Rand		
Secured liabilities		
Finance leases	25	27
Mortgage bond	-	1
Unsecured liabilities		
Bank loans	2 700	2 502
Promissory notes and commercial paper in issue	2 750	2 000
Other	15	5

	5 490	4 535
Debt in foreign currency		
Secured liabilities		
Finance leases	326	301
Bank loans	3 109	2 518
Arrangement fees	(89)	(3)
Unsecured liabilities		
Accrued interest	74	171
	3 420	2 987
	8 910	7 522

Maturity profile(1)

Rm	Total	<1 year	1 - 2 years	2 - 3 years	3 - 4 years	>4 years
30 September 2017						
Debt in South African Rand	6 758	2 005	868	1 550	183	2 152
Debt in foreign currency	5 591	183	178	150	120	4 960
	12 349	2 188	1 046	1 700	303	7 112
30 September 2016						
Debt in South African Rand	5 733	611	1 883	747	771	1 721
Debt in foreign currency	3 437	1 038	482	1 797	60	60
	9 170	1 649	2 365	2 544	831	1 781

1. In terms of IFRS 7: Financial Instruments: Disclosures, 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.

10. (LOSS)/PROFIT FROM DISCONTINUED OPERATION

The Board took a decision to dispose of the Emergency Services business in Mozambique as its operations are no longer considered to be aligned with the Netcare Group strategy. Negotiations with potential buyers for the sale of the business are ongoing. In terms of IFRS 5: Discontinued Operations, this business has been presented as a discontinued operation in the Group's statement of profit or loss.

Rm	2017	2016
The (loss)/profit from discontinued operation is analysed as follows:		
Revenue	24	67
(Loss)/profit after taxation for the year is analysed as follows:		
Operating (loss)/profit	(48)	20
Financial expenses	-	(1)
(Loss)/profit before taxation	(48)	19
Taxation	2	(5)
(Loss)/profit from discontinued operation	(46)	14
Cash flows from discontinued operation		
Cash flows from operating activities	(31)	22
Cash flows from investing activities	-	(7)
Cash flows from financing activities	38	2
Net increase in cash and cash equivalents	7	17
Operating (loss)/profit after charging:		
Depreciation of property, plant and equipment	2	1
Employee costs	15	25
Salaries and wages	15	25
Operating lease charges	2	3
Land and buildings	2	3

11. COMMITMENTS

Capital commitments	1 697	3 005
South Africa	1 467	2 671
United Kingdom	230	334
Operating lease commitments	47 723	48 536
South Africa	3 221	3 300
United Kingdom	44 502	45 236

12. CONTINGENT LIABILITIES

South Africa	45	49

13. EVENTS AFTER THE REPORTING PERIOD

In September 2017, Netcare reached an agreement with Apax and the other minority shareholders in General Healthcare Group (GHG) to acquire their interests in GHG, such that it will become a wholly-owned subsidiary of Netcare once all conditions precedent have been met. The summary terms of the agreement with the GHG minority shareholders are as follows:

- There is no immediate cash payment. The selling parties will receive the right to subscribe for 67 million shares in Netcare over the course of the next five years.

- The right to subscribe for Netcare shares is subject to BMI Healthcare achieving an annualised EBITDA of £65 million.

- In the event that the selling parties elect to exercise their right to subscribe for Netcare shares, they will need to pay to Netcare a strike price being the higher of R26.25 per share or a 25% premium to the Volume Weighted Average Price of Netcare shares during the 10 day period following the release of Netcare's 2017 full year results on 20 November 2017.

- This transaction is not a categorised transaction in terms of the JSE Listings Requirements.

Once the conditions precedent are met GHG PropCo 2, currently accounted for as an associate, will be consolidated as a subsidiary.

In light of the impending acquisition of the GHG minorities and the difficult trading environment in the UK, Netcare has assisted BMI Healthcare in the renegotiation of the terms of it banking facilities. Netcare has committed to inject £20 million into the business and to underpin certain facilities. These renegotiated terms are in an advanced stage of being formalised.

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 2017 or the results of its operations or cash flows for the year then ended.

SALIENT FEATURES

	2017	2016
Share statistics		
Ordinary shares		
Shares in issue (million)	1 462	1 462
Shares in issue net of treasury shares (million)	1 360	1 356
Weighted average number of shares (million)	1 359	1 354
Diluted weighted average number of shares (million)	1 374	1 376
Market price per share (cents)	2 380	3 363
Currency conversion guide (R:£)		
Closing exchange rate	18.15	17.79
Average exchange rate for the period	16.94	21.04

ADMINISTRATION

Netcare Limited
(Registration number 1996/008242/06)
JSE ordinary share code: NTC
ISIN: ZAE000011953
JSE preference share code: NTCP
ISIN: ZAE000081121
("Netcare")

Registered office

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

Executive directors

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

Non-executive directors

JM Kahn (Non-executive Chairman), T Brewer (Deputy Chairperson), M Bower, B Bulo, APH Jammine, MJ Kuscus, KD Moroka, N Weltman

Company Secretary

L Bagwandeen

Sponsor

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DISCLAIMER

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

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

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