Life Healthcare Funding Limited
Formerly (Shiluvana Residential Facility Proprietary Limited)
(Registration number 2016/273566/06)
Audited annual financial statements
for the year ended 30 September 2022

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Borrowing and/or lending of funds
Directors	A Myataza M Naidoo MTG Stafford
Registered office	Building 2 Oxford Parks 203 Oxford Road Cnr Eastwood and Oxford Roads Dunkeld 2196
Business address	Building 2 Oxford Parks 203 Oxford Road Cnr Eastwood and Oxford Roads Dunkeld 2196
Postal address	Private Bag X13 Northlands 2116
Holding company and guarantor under the company's Domestic Medium Term Note Program	Life Healthcare Group Holdings Limited incorporated in the Republic of South Africa
Auditors	Deloitte & Touche
Secretary	Life Healthcare Group Proprietary Limited
Company registration number	2016/273566/06

Preparation of the audited annual financial statements

These audited annual financial statements have been audited by our external auditors, Deloitte & Touche. The preparation of the audited annual financial statements were supervised by W Love (Group Treasurer).

Index

Directors' Responsibilities and Approval

The directors are responsible for the preparation, integrity and fair presentation of the audited annual financial statements of the company in accordance with International Financial Reporting Standards (IFRS), the Companies Act, 71 of 2008 (as amended) (the Companies Act), and the JSE Limited Debt Listings Requirements.

The directors consider that the most appropriate accounting policies, consistently applied (apart from the adoption of new accounting standards) and supported by reasonable and prudent judgements and estimates, have been used in the preparation of the financial statements and that all IFRS that they consider to be applicable have been followed. The directors are satisfied that the information contained in the financial statements fairly presents the financial position of the company as at 30 September 2022, and its financial performance and cash flows for the year then ended. The directors are also responsible for reviewing all information included in the financial statements and ensuring both its accuracy and its consistency.

The directors have the responsibility for ensuring that accounting records are kept. The accounting records disclose, with reasonable accuracy, the financial position of the company and enable the directors to ensure that the financial statements comply with the relevant legislation.

The company operated in a well-established control environment, which is well documented and regularly reviewed. This incorporates risk management and internal control procedures, which are designed to provide reasonable, but not absolute, assurance that assets are safeguarded and the risks facing the business are being controlled. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The going concern basis has been adopted in preparing the financial statements. The directors have no reason to believe that the company will not be a going concern in the foreseeable future, based on forecasts, available cash resources and available group banking facilities.

The Code of Corporate Practices and Conduct has been adhered to.

The company's external auditors, Deloitte & Touche, audited the financial statements, and their audit report is presented on pages 7 to 9.

Approval of financial statements

The audited annual financial statements set out on pages 4 to 6 and 10 to 25 were approved by the board on 26 January 2023 and were signed on their behalf by:

PP van der Westhuizen	Myataza **A Myataza**

Statement of Company Secretary

In terms of the Companies Act, all returns submitted as required by the Companies Act are true, correct and up to date and have been lodged with the Registrar.

Directors' Report

The directors have pleasure in submitting their report on the audited annual financial statements of Life Healthcare Funding Limited for the year ended 30 September 2022.

1. Nature of business

Life Healthcare Funding Limited was incorporated in South Africa and is in the business of borrowing and/or lending funds.

There have been no material changes to the nature of the company's business from the prior year.

2. Review of financial results and activities

The audited annual financial statements have been prepared in accordance with International Financial Reporting Standards ,the requirements of the Companies Act, No 71 of 2008 (as amended) (Companies Act) and the JSE Limited Debt Listings Requirements . The accounting policies have been applied consistently compared to the prior year.

Full details of the financial position, results of operations and cash flows of the company are set out in these audited annual financial statements and do not in our opinion require any further comment.

3. Share capital

Refer to the notes of the audited annual financial statements for detail of the movement in authorised and issued share capital.

4. Dividends

No dividends were declared or paid to shareholders during the year.

5. Directorate

The directors in office during the year and at the date of this report are as follows:

Directors	Changes	Reason		
A Myataza	Appointed	Replaced MTG Stafford	11 May 2022	Executive director
M Naidoo			11 May 2022	Executive director
MTG Stafford	Resigned		11 May 2022	Executive director
PP van der Westhuizen	Appointed	Group CFO	11 May 2022	Executive director

Brief CVs are available on pages 14 to 16 of the Information Statement available on https://www.lifehealthcare.co.za/investor-relations/domestic-medium-term-note-programme/

6. Directors' interests in contracts

During the financial year, no contracts were entered into which directors or officers of the company had an interest in and which significantly affected the business of the company.

7. Holding company

The company's holding company is Life Healthcare Group Holdings Limited, incorporated in the Republic of South Africa.

8. Ultimate holding company

The company's ultimate holding company is Life Healthcare Group Holdings Limited, incorporated in the Republic of South Africa.

Directors' Report

9. Special resolutions

The following special resolutions were passed in writing by the shareholders of the company:

Special resolution 1
The company name has changed to Life Healthcare Funding Limited effective 26 May 2022 .

Special resolution 2
- The company name was converted from a private company to a public company in terms of section 16(6) of the Companies Act.

Special resolution 3
- The company name was amended by substituting the words "Proprietary Limited" with "Limited" at the end of the company name to reflect as Life Healthcare Funding Limited.

Special resolution 4
- The existing Memorandum of Incorporation was abrogated in its entirety and replaced with a new Memorandum of Incorporation, with effect from 26 May 2022.

10. Events after the reporting period

Subsequent to the reporting date, cash and cash equivalents have been on-lent at higher interest rates which will return the company to profitability.

11. Governance

11.1 The company is a wholly-owned subsidiary of its ultimate holding company, Life Healthcare Group Holdings Limited (Group) and has been included in the Group's application of the King Code. The Group's application of the King Code disclosure on its application of the King Code is included in its intergrated annual report, available on https://www.lifehealthcare.co.za/investor-relations/results-and-reports/.

11.2 The audit committee of the Group acts on behalf of the company, in accordance with section 94(2) of the Companies Act. The audit committee report is included in the Group's annual financial statements, available on https://www.lifehealthcare.co.za/investor-relations/results-and-reports/.

11.3 Petrus Phillipus van der Westhuizen has been appointed as the Debt Officer of the company, in accordance with paragraph 7.3(g) of the JSE Debt Listing Requirements, the board of directors has considered and is satisfied with the competence, qualifications and experience of the Debt officer.

11.4 The board of directors has executed its responsibilities under the evaluation policy.

12. Going Concern

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the company is in a sound financial position as cash and cash equivalents disclosed at the reporting date have subsequently been on-lent at higher rates which will return the company to profitability and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company.

13. Auditors

Deloitte & Touche were appointed as auditors for the company for 2022, in accordance with section 90(1) of the Companies Act.

Directors' Report

14. Secretary

The company secretary is Life Healthcare Group Proprietary Limited.

Postal address:	Private Bag X13 Northlands 2116
Business address:	Building 2 Oxford Parks 203 Oxford Road Cnr Eastwood and Oxford Roads Dunkeld 2196

15. Liquidity and solvency

The directors have performed the liquidity and solvency test required by the Companies Act and are satisfied with the financial performance and position of the company.

Deloitte.

Private Bag X6
Gallo Manor 2052
South Africa

Deloitte & Touche
Registered Auditors
Audit & Assurance
Deloitte
5 Magwa Crescent
Waterfall City
Waterfall 2090
Docex 10 Johannesburg

Tel: +27 (0)11 806 5000
www.deloitte.com

INDEPENDENT AUDITOR'S REPORT
To the Shareholder of Life Healthcare Funding Limited

Opinion

We have audited the financial statements of Life Healthcare Funding Limited set out on pages 10 to 25, which comprise the statement of financial position as at 30 September 2022, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Life Healthcare Funding Limited as at 30 September 2022, and its financial performance for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act of South Africa.

Basis for Opinion

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

Key Audit Matters

We have determined that there are no key audit matters to communicate in our report.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Life Healthcare Funding Limited Annual Financial Statements for the year ended 30 September 2022" which includes the Directors' Report as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's report thereon.

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

Deloitte.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Deloitte.

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in the Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Life Healthcare Funding Limited for 1 year.

DocuSigned by:
Deloitte & Touche
F6185D3EF8A946E...

Deloitte & Touche
Registered Auditor
Per: J Welch
Partner
27 January 2023
5 Magwa Crescent
Waterfall City
Midrand
2090

Statement of Financial Position as at 30 September 2022

Figures in Rand	Note(s)	2022	2021
Assets			
Current Assets			
Loans to group companies	4	1	1
Trade and other receivables	5	5 046 983	-
Cash and cash equivalents	6	1 006 906 237	-
		1 011 953 221	**1**
Equity and Liabilities			
Equity			
Stated capital	8	1	1
Retained income/ (Accumulated loss)		(1 983 233)	-
		(1 983 232)	**1**
Liabilities			
Non-Current Liabilities			
Interest bearing borrowings	9	1 000 000 000	-
Deferred tax	10	21 985	-
		1 000 021 985	**-**
Current Liabilities			
Trade and other payables	11	13 914 468	-
Total Liabilities		**1 013 936 453**	**-**
Total Equity and Liabilities		**1 011 953 221**	**1**

Statement of Profit or Loss and Other Comprehensive Income

Figures in Rand	Note(s)	2022	2021
Other expenses		(781 870)	-
Operating profit/(loss)		**(781 870)**	**-**
Finance income	13	11 876 625	-
Finance costs	14	(13 056 003)	-
Profit/(loss) before taxation		**(1 961 248)**	**-**
Tax (expense)/income		(21 985)	-
Profit/(loss) for the year		**(1 983 233)**	**-**
Other comprehensive income/(loss), net of tax		-	-
Total comprehensive income/(loss) for the period		**(1 983 233)**	**-**

Statement of Changes in Equity

Figures in Rand	Stated capital	Retained income/ (Accumulated loss)	Total equity
Balance at 01 October 2020	**1**	**-**	**1**
Profit /(loss) for the year	-	-	-
Other comprehensive income/(loss), net of tax	-	-	-
Total comprehensive income/(loss) for the year	**-**	**-**	**-**
Balance at 01 October 2021	**1**	**-**	**1**
Profit /(loss) for the year	-	(1 983 233)	(1 983 233)
Other comprehensive income/(loss), net of tax	-	-	-
Total comprehensive income/(loss) for the year	**-**	**(1 983 233)**	**(1 983 233)**
Balance at 30 September 2022	**1**	**(1 983 233)**	**(1 983 232)**
Note	8		

Statement of Cash Flows

Figures in Rand	Note(s)	2022	2021
Cash flows from/(used in) operating activities			
Cash generated from operations	15	13 051 172	-
Finance income	13	6 911 068	-
Finance costs		(13 056 003)	-
Net cash from/(used in) operating activities		**6 906 237**	**-**
Cash flows from/(used in) financing activities			
Interest bearing borrowings	9	1 000 000 000	-
Net cash from/(used in) financing activities		**1 000 000 000**	**-**
Total cash movement for the year		**1 006 906 237**	**-**
Cash at the beginning of the year		-	-
Total cash at end of the year	6	**1 006 906 237**	**-**

Accounting Policies

1. Basis of preparation, critical judgements and accounting estimates and assumptions

1.1 Basis of preparation

The audited annual financial statements present the financial position and changes therein, operating results and cash flow information of Life Healthcare Funding Limited, and have been prepared on a historical cost basis, unless otherwise stated.

These audited annual financial statements have been prepared in accordance with:

- International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations effective for the company's financial year.
- SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.
- South African Companies Act, No 71 of 2008 (as amended); and
- JSE Limited Debt Listings Requirements.

The audited annual financial statements are presented in Rands, which is the company's functional currency.

1.2 Critical judgements, accounting estimates and assumptions

The preparation of audited annual financial statements requires the use of critical accounting estimates and assumptions and requires management to exercise judgements in the process of applying the company's accounting policies.

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. A description of the accounting estimates, assumptions and judgements that were critical to preparing specific financial statement items as well as the processes employed to do so, are set out as follows:

1.3 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

The company has the following financial assets:

- Cash and cash equivalents
- Loans to group companies

Initial recognition and measurement

Financial assets in the company are classified at initial recognition and subsequently measured as either amortised cost or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the company's business model managing it.

The company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

On initial recognition:

- Financial assets held at fair value through profit and loss are measured initially at fair value, excluding transaction cost.
- Trade receivables, which do not have a significant financing component, are initially measured at the transaction price determined under IFRS 15, including transaction costs.
- All other financial assets are initially measured at fair value, including transaction costs.

Accounting Policies

1.3 Financial instruments (continued)

Subsequent measurement

Financial assets are subsequently measured at amortised cost.

The company's financial assets at amortised cost include trade and other receivables, loans to associates, loans receivable, finance lease receivables and cash and cash equivalents.

The company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held with the objective to collect contractual cash flows, and
- The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. This assessment is referred to as the SPPI test (solely payments of principal and interest) and is performed at an instrument level.

If it fails the above criteria it will be classified as fair value through profit or loss.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial asset have expired or the company has transferred its rights to receive cash flows from the asset or has assumed an obligation and either:

- The company has transferred substantially all risks and rewards of the assets, or
- The company has neither transferred nor retained substantially all risks and rewards, but has transferred control of the asset.

When the company has transferred its rights to receive cash flows from an asset it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the company has retained.

Impairment of financial assets

Further disclosures relating to the impairment of financial assets are also provided in the risk management note.

The company recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between contractual cash flows due in accordance with the contract and all the cash flows that the company expects to receive, discounted at an approximation of the original effective interest rate.

For trade receivables, the company applies a simplified approach in calculating ECLs.

Therefore, the company does not track significant increases in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The company established an ECL model that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the macro-economic factors affecting the ability of the customer to settle outstanding balances. If the forecasted economic conditions (i.e. GDP, unemployment, repo rate, impact of COVID-19 pandemic) are expected to lead to an increased number of defaults, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The company considers a financial asset in default when contractual payments are past due, which differ for each trade receivable category. However, in certain cases, the company may also consider a financial asset to be in default when internal or external information indicates that the company is unlikely to receive the outstanding contractual amounts in full.

The company considers the following factors:

- The history of the specific customer
- Indications of financial difficulties of the specific customer
- Credit terms specific to the customer
- General economic conditions

Accounting Policies

1.3 Financial instruments (continued)

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. This is when the company has exhausted all options regarding the debt, it also includes the following factors:

- The account is handed back from the debt collectors as uncollectable, i.e. the company has followed full legal process
- The debtor is deceased and the estate is insolvent
- The debtor cannot be traced

Loans are valued based on the risk of the counterparty on the comprehensive method. All loans are considered to be stage 1. The probability of default and loss given default are measured using Moody's Analytics RiskCalc solution which compares the company's financial information to an extensive database of company financial information. These are then converted to point in time measures taking into account forward looking macro-economic forecasts.

1.4 Capital and reserves

Stated capital comprises share capital.

Share capital issued by the company is recorded at the proceeds received, net of issue costs.

Incremental costs directly attributable to the issue of new shares or options, other than in connection with a business combination, are shown in equity as a deduction, net of tax, from the proceeds.

Notes to the Audited Annual Financial Statements

2. New Accounting Standards and IFRIC Interpretations

2.1 New and amended accounting standards adopted by the company

The company has applied the following standards, amendments and interpretations for the first time for the annual reporting period commencing 1 October 2021:

- Amendments to IFRS 7, IFRS 9 and IAS 39 - interest rate benchmark reform phase 2
- Amendments to IFRS 16 - Covid-19-related rent concessions beyond 30 June 2021

Impact

The implementation of these standards and amendments had no material financial impact on the company.

2.2. New accounting standards, amendments and IFRIC interpretations not yet effective and not early adopted

The following amendments and IFRICs are effective for annual periods beginning on or after 1 January 2022

- Amendment to IAS 16 - the amendment prohibits deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. (1 January 2022)
- Annual improvements 2018-2020 cycle - amendments and clarifications to existing IFRS standards. (1 January 2022)
- Amendments to IFRS 3 to update an outdated reference to the conceptual framework in IFRS without significantly changing the requirements in the standard. (1 January 2022)
- Amendment to IAS 37 Onerous contracts - the amendment specifies that the cost of fulfilling a contract comprises the costs that relate directly to the contract. (1 January 2022)
- Amendment to IAS 1 - the amendment aims to promote consistency in applying the requirements by helping companies determine whether debt and other liabilities with an uncertain settlement date should be classified as current or non-current. (1 January 2023)
- Amendment to IAS 1 and IFRS Practice Statement 2 - the amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. (1 January 2023)
- Amendment to IAS 8 - the amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. (1 January 2023)
- Amendment to IAS 12 - the amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. (1 January 2023)

All the amendments and IFRICs listed above are not expected to have a material impact on the company in the current or future periods.

Notes to the Audited Annual Financial Statements

3. Risk management

The company forms part of the Life Healthcare Group of companies.

The Group's overall risk management programme focuses, inter alia, on the unpredictability of financial markets and seeks to minimise potential adverse effects of the Group's financial performance. The Group does not apply formal hedge accounting, but uses derivative financial instruments to hedge interest and foreign currency risk exposures.

Financial risk management is carried out by a central treasury department (treasury) of Life Healthcare Group Proprietary Limited under policies approved by the Group investment committee.

Treasury identifies, evaluates and economically hedges financial risks in close co-operation with the company. The Group has written principles for overall financial risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risks, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Capital risk management

The company's capital structure is monitored and managed by Life Healthcare Group Proprietary Limited and borrows mostly at a group level.

The company's objective when managing capital is to safeguard the company's ability to continue as a going concern in order to provide returns to shareholders and to provide for sufficient capital expansion. The capital structure of the company consists of debt, which includes borrowings, cash and cash equivalents, and equity as disclosed in the statement of financial position. Preference shares are included in borrowings. The Group uses the net debt to normalised EBITDA ratio, as defined in the debt agreements, to measure the funding requirements in the form of debt or equity. Normalised EBITDA is defined as earnings before interest, tax, depreciation and amortisation, adjusted for non-recurring items.

In order to maintain or adjust the capital structure, the company may adjust the amount of distributions paid to shareholders, return capital to shareholders, issue new shares, issue new debt, refinancing existing debt or sell assets to manage the debt level, in consultation with Life Healthcare Group Proprietary Limited.

There have been no changes to what the company manages as capital and the strategy for capital maintenance.

Financial risk management

The company's activities expose it to a variety of financial risks:
- Credit risk;
- Liquidity risk; and
- Market risk (including foreign exchange risk, fair value interest rate risk and cash flow interest rate risk).

Credit risk

Credit risk is managed by Life Healthcare Group Proprietary Limited by a central credit control department.

Credit risk arises mainly from cash and cash equivalents, trade and other receivables and other assets. Credit risk is the risk of financial loss due to counterparties to financial instruments not meeting their contractual obligations. The company mainly deposits cash with Life Healthcare Group Proprietary Limited. Life Healthcare Group Proprietary Limited deposits surplus cash with major banks with high quality credit standing and maintains an appropriate spread of cash deposits between various financial institutions to limit the exposure to any one counterparty. For banks and financial institutions, only independently rated parties with a minimum Moody's global scale rating of B1, or equivalent local scale rating for South African banks are accepted.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. If there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set for patients without medical aid insurance. Service to customers without medical aid insurance are settled in cash or using major credit cards on discharge date as far as possible. Credit guarantee insurance is not purchased.

An impairment analysis, for trade and other receivables, is performed at each reporting date using an ECL model to measure expected credit losses (ECLs). The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (mainly by customer type).

Notes to the Audited Annual Financial Statements

3. Risk management (continued)

Credit risk (continued)

The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions.

Generally, trade receivables are written-off when the company has exhausted all options regarding the debt.

Financial assets exposed to credit risk at year end were as follows:

	2022			2021		
	Gross carrying amount	**Credit loss allowance**	**Amortised cost / fair value**	**Gross carrying amount**	**Credit loss allowance**	**Amortised cost / fair value**
Loans to group companies	1	-	1	1	-	1
Trade and other receivables	4 965 557	-	4 965 557	-	-	-
Cash and cash equivalents	1 006 906 237	-	1 006 906 237	-	-	-
	1 011 871 795	**-**	**1 011 871 795**	**1**	**-**	**1**

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial asset disclosed in this note.

Liquidity risk

The company's exposure to liquidity risk is managed by Life Healthcare Group Proprietary Limited.

Liquidity risk is the risk that an entity will not be able to meet its obligations as they become due. Financial liabilities of the company with contractual cash flows and maturity dates are exposed to liquidity risk.

The company participates in the Life Healthcare Group Proprietary Limited's cash facilities and its liquidity requirements are managed by the central treasury department.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed banking facilities and the ability to close out market positions. The Group's liquidity risk is mitigated by the availability of funds to cover future commitments. The Group manages liquidity risk through an ongoing review of future commitments and banking facilities. Due to the dynamic nature of the underlying businesses, treasury maintains flexibility in funding by maintaining availability under committed credit lines.

To ensure the Group has sufficient cash reserves during the COVID-19 pandemic, in addition to securing additional bank facilities, management has implemented a number of mitigating actions and cash preservation levers across the Group's operations.

Cashflow forecasts are prepared and utilised facilities are monitored on a daily basis. Longer-term cash flow forecasts are updated quarterly.

The Group maintains a varied maturity profile for non-current interest bearing borrowings in line with forecast profitability and cash flow. Acceptable profitability and gearing levels at the time of refinancing will meet lenders credit criteria and mitigate refinancing risk.

The Group ensures that a reasonable balance is maintained between the period over which assets generate funds and the period over which the assets are funded.

The Group maintains relationships with a broad range of financial institutions to avoid concentration risk and safeguard the availability of liquidity at all times. To further avoid market concentration risk, the Group diversifies its funding sources between traditional bank markets and debt capital markets, enabling it to target different lenders at different points in their credit cycles.

Notes to the Audited Annual Financial Statements

3. Risk management (continued)

Liquidity risk (continued)

Amortising debt is budgeted to be repaid from cash resources or re-financed with available short term facilities.

The Group reviews maturities at least 12 months in advance and ensures that adequate cash resources and/or committed banking facilities will be in place and available at least six months before a significant refinancing date.

The table below analyses the company's financial liabilities into relevant maturity groupings, based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

At 30 September 2022

	Due in less than 1 year	Due in 1 to 2 years	Due in 2 to 5 years	Due in more than 5 years	Total
Trade and other payables	13 914 400	-	-	-	13 914 400
Other financial liabilities	79 120 000	79 336 767	1 143 366 000	-	1 301 822 767
	93 034 400	**79 336 767**	**1 143 366 000**	**-**	**1 315 737 167**

At 30 September 2021

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Loans to group companies	1	-	-	-	1

Cash flow interest rate risk

The Group manages its cash flow interest rate risk by using interest rate collars, caps or swaps. Such interest rate hedges have the economic effect of capping the exposure to floating rates to a maximum rate. Generally, the Group raises long-term borrowings at floating rates and then hedges floating rates to a known maximum exposure. Under the interest rate collars, caps or swaps, the Group agrees with other parties to exchange, at specified intervals (primarily quarterly), the difference between the hedge and the floating rate interest amounts calculated by reference to the agreed notional principle amount. Interest rate collars, caps and swaps are entered into to fix interest rates from floating rates.

The Group policy is to hedge a maximum of 80% of its borrowings (excluding lease liabilities) and to hedge a quantum of borrowings (excluding lease liabilities) to ensure the profit or loss impact of a 1% movement in interest rates on unhedged borrowings (excluding lease liabilities) is less than 2.0% of the previous 12-month Group normalised EBITDA.

The Group analyses its interest rate exposure on a dynamic basis.

2022 Financial instrument	Current interest rate	Due in less than 1 year	Due in 1 to 2 years	Due in 2 to 5 years	Due in more than 5 years	Total
Other financial liabilities	6.53 %	-	-	(1 000 000 000)	-	(1 000 000 000)

Notes to the Audited Annual Financial Statements

4. Loans to group companies

2022

	Gross carrying amount	Loss allowance	Amortised cost
Loans to holding companies			
Life Healthcare Group Holdings Limited	1	-	1
The loan is unsecured and does not bear interest with no fixed terms of repayment.			
Total			
Loans to holding companies	1	-	1

2021

	Gross carrying amount	Loss allowance	Amortised cost
Loans to holding companies			
Life Healthcare Group Holdings Limited	1	-	1
The loan is unsecured and does not bear interest with no fixed terms of repayment.			
Total			
Loans to holding companies	1	-	1

Non-current assets	-	-
Current assets	1	1
	1	**1**

Exposure to credit risk

Loans receivable inherently expose the company to credit risk, being the risk that the company will incur financial loss if counterparties fail to make payments as they fall due.

Credit loss allowances

The tables above set out the carrying amount, loss allowance and measurement basis of expected credit losses for group loans receivable. The loss allowance has been determined based on the 12 months expected credit loss.

Fair value of loans to group companies

The fair value of loans to group companies approximate their carrying amounts.

Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021

5. Trade and other receivables

Other receivables - accrued interest	4 965 557	-
Prepaid expenses	81 426	-
	5 046 983	**-**

Exposure to credit risk

An impairment analysis is performed at each reporting date using an ECL model to measure expected credit losses (ECLs). The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (mainly customer type).

The calculation reflects probability-weighted outcomes, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off when the company has exhausted all options regarding the debt.

Please refer to the financial asset accounting policy for further indicators. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in this note. The company does not hold collateral as security.

Fair value of trade and other receivables

The fair value of trade and other receivables approximate their carrying amounts.

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank accounts	1 006 906 237	-

The cash in bank (R506.9m) and deposits (R500m) are on call, immediately available, and consist of money market call deposits and short term money market instruments.

The company forms part of Life Healthcare Group of companies and participates in the group's overdraft facilities.

7. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

Amortised cost		
Loans to group companies	1	1
Trade and other receivables	5 046 983	-
	5 046 984	**1**

Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021

8. Stated capital

Stated capital comprises:		
Share capital	1	1

Share capital

Authorised		
1000 Ordinary shares of R1 each	1 000	1 000

Unissued ordinary shares are under the control of the directors in terms of a resolution of members passed at the last annual general meeting. This authority remains in force until the next annual general meeting.

Issued and fully paid		
1 Ordinary shares of R1	1	1

9. Interest bearing borrowings

Held at amortised cost		
Interest bearing borrowings	1 000 000 000	-

During the year the company established a Domestic Medium Term Note programme and raised R1 billion by issuing 2 floating rate notes of R500 million each.
The notes are unsecured and bear interest at 3-month Jibar + 1.35% and 1.54% and repayable in a single instalment on 19 July 2025 and 19 July 2027 respectively.
Life Healthcare Group Holdings Limited is guarantor under the Domestic Medium Term Note programme.

Non-current liabilities	1 000 000 000	-

Exposure to interest rate risk

Refer to the note on financial risk management for details of interest rate risk management for other financial liabilities.

10. Deferred tax

The deferred tax assets and the deferred tax liabilities relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:

Deferred tax liability	(21 985)	-

Reconciliation of deferred tax asset / (liability)

Current year charge	(21 985)	-

Recognition of deferred tax asset / (liability)

2022	**Opening balance**	**Charged/ (credited) during the year**	**Closing balance**
Prepaid expenses	-	(21 985)	(21 985)

Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021

10. Deferred tax (continued)

A deferred tax asset has not been recognised.

11. Trade and other payables

Other payables	13 914 468	-

Fair value of trade and other payables

The fair value of trade and other payables approximate their carrying amounts.

12. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

Amortised cost

Trade and other payables	13 914 468	-
Interest bearing borrowings	1 000 000 000	-
	1 013 914 468	**-**

13. Finance income

Bank	11 876 625	-

14. Finance costs

Interest bearing borrowings	13 056 000	-
Bank overdraft	3	-
	13 056 003	**-**

15. Cash generated from/(used in) operations

Profit/(loss) before taxation	(1 961 248)	-
Adjustments for:		
Finance income	(11 876 625)	-
Finance costs	13 056 003	-
Changes in working capital:		
Trade and other receivables	(81 426)	-
Trade and other payables	13 914 468	-
	13 051 172	**-**

Figures in Rand	2022	2021

16. Related parties

Relationships	
Holding company	Life Healthcare Group Holdings Limited
Fellow subsidiary	Life Healthcare Group Proprietary Limited

Related party balances

	2022	2021
Loan accounts - Owing (to) by related parties		
Life Healthcare Group Holdings Limited	1	1
Intercompany Creditors		
Life Healthcare Group Proprietary Limited	(13 914 468)	-

17. Directors' emoluments

2022

	Salaries	**Retirement/ medical benefits**	**Other allowances**	**Share based payments**	**Cost to company**	**Total**
A Myataza	3 141 863	114 919	-	-	3 256 782	3 256 782
M Naidoo	4 318 810	140 397	90 000	-	4 549 207	4 549 207
PP van der Westhuizen	8 508 918	243 085	65 809	1 231 194	10 049 006	10 049 006
	15 969 591	**498 401**	**155 809**	**1 231 194**	**17 854 995**	**17 854 995**

2021

	Salaries	**Retirement/ medical benefits**	**Other allowances**	**Cost to company**	**Total**
M Naidoo	4 531 295	133 743	90 000	4 755 038	4 755 038
MTG Stafford	3 202 591	89 614	8 540	3 300 745	3 300 745
	7 733 886	**223 357**	**98 540**	**8 055 783**	**8 055 783**

The director is employed by Life Healthcare Group Proprietary Limited and not the entity itself. The cost to company disclosed is for the period of employment within the financial year.

Details of service contracts

No director has a notice period of more than a year. No director's service contract includes predetermined compensation as a result of termination that would exceed one year's salary and benefits.

18. Going concern

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the company is in a sound financial position as cash and cash equivalents disclosed at the reporting date have subsequently been on-lent at higher rates which will return the company to profitability and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company.

19. Events after the reporting period

Subsequent to the reporting date, cash and cash equivalents have been on-lent at higher interest rates which will return the company to profitability.