You're in safe hands

Netcare Limited

UNAUDITED INTERIM GROUP RESULTS
for the six months ended 31 March 2017

contents

NETCARE
You're in safe hands

NETCARE 082911
24HR EMERGENCY MEDICAL ASSISTANCE

MEDICROSS MEDICAL CENTRE
All the quality care you need.

primecure

GHG
General Healthcare Group

BMI Healthcare
Serious about health.
Passionate about care.

SA revenue

▲ 2.3%

R9 218m

UK revenue

▲ 3.2%

£458.0m

Group revenue

▼ 10.1%

R16 912m

(23.9% adverse variance in average exchange rate)

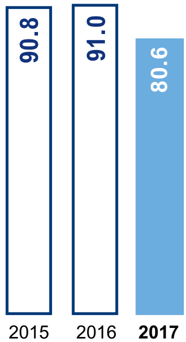
Adjusted HEPS

▼ 11.4%

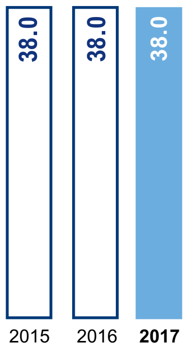
80.6c

Interim dividend per share

38.0c



Adjusted headline earnings per share (cents)



Interim dividend per share (cents)

Commentary

Rm	Unaudited six months ended 31 March 2017	31 March 2016	% change
Revenue	**16 912**	18 814	(10.1)
Normalised EBITDA	**2 313**	2 663	(13.1)
Normalised EBITDA margin	**13.7%**	14.2%	
Normalised operating profit	**1 689**	1 952	(13.5)
Normalised operating profit margin	**10.0%**	10.4%	
Normalised profit before taxation	**1 562**	1 781	(12.3)
Normalised taxation	**(440)**	(452)	
Normalised profit after taxation	**1 122**	1 329	(15.6)
Exceptional items:			
RPI swap instruments fair value adjustment	**665**	–	
Profit on sale of old Netcare CBMH land and buildings	**203**	–	
Taxation effect	**(48)**	–	
Profit for the period	**1 942**	1 329	46.1

OVERVIEW

The Netcare Group reported an increase in profit after tax of 46.1% and growth in headline earnings per share ("HEPS") of 18.9% for the six months ended 31 March 2017. However, the results were boosted by non-trading profits relating to the mark-to-market revaluation of the UK Retail Price Index ("RPI") swap instruments and a profit on the sale of the old Netcare Christiaan Barnard Memorial Hospital ("CBMH") land and buildings. Given the exceptional nature of these non-trading items, their impact has been separately disclosed and the commentary that follows refers to normalised results excluding the financial effects of these transactions.

The financial results were materially impacted by the significant period-on-period variance in the exchange rate used to convert the results of the UK operations. The average exchange rate of R16.82 to the Pound Sterling ("Pound"), used to convert UK income and expenditure, was 23.9% stronger than the average rate of R22.10 for the six months ended 31 March 2016. The closing exchange rate, used to convert assets and liabilities, ended at R16.85 at 31 March 2017 as compared to R17.79 at 30 September 2016 and R21.20 at 31 March 2016.

Normalised profit after taxation declined by 15.6% and adjusted headline earnings per share ("adjusted HEPS") reduced by 11.4% to 80.6 cents (2016: 91.0 cents). Revenue in South Africa ("SA") continued to grow although the business experienced a challenging period of trading characterised by low growth in the SA economy. In the United Kingdom ("UK"), activity and local currency revenue increased in a tough trading environment.

The accounting policies applied in preparing the unaudited Group interim 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 fell 10.1% to R16 912 million (2016: R18 814 million). In constant currency terms, when applying the March 2016 average exchange rate of R22.10 to the Pound as the base rate, Group revenue grew by 2.7% with currency conversion reducing reported revenue by R2 418 million (12.9%) as a result of a stronger Rand.

Normalised Group earnings before interest, tax, depreciation and amortisation ("EBITDA") declined 13.1% to R2 313 million (2016: R2 663 million). Currency conversion accounted for R130 million (4.9%) of this decline. Normalised operating profit for the period was 13.5% lower at R1 689 million (2016: R1 952 million).

Net financial expenses decreased to R204 million (2016: R249 million) as a result of lower UK financial instrument charges and currency conversion, offset by higher net debt levels in SA.

Normalised Group profit before taxation declined by 12.3% to R1 562 million (2016: R1 781 million). Normalised Group taxation charges reduced to R440 million (2016: R452 million), reflecting a normalised effective Group tax rate of 28.2%. Normalised Group profit after taxation reduced by 15.6% to R1 122 million (2016: R1 329 million).

In terms of IFRS, the RPI swap instruments related to property leases in our UK operations are required to be carried at their fair market value at each reporting date. The valuation of these instruments is related to future RPI expectations and is sensitive to small movements in these expectations. The valuation of the RPI swap instruments liability as at 31 March 2017 amounted to R1 314 million (£78.0 million) and reflects the mark-to-market valuation by the swap counterparty. This liability reduced significantly from the mark-to-market valuation at 30 September 2016 of R2 129 million (£119.7 million). Consequently, the results for H1 2017 reflect a significant, non-cash benefit of R665 million (£41.7 million) before tax.

The sale of the old Netcare CBMH land and buildings has been concluded for a consideration of R300 million. The H1 2017 results reflect a profit on sale of these premises of R203 million, before tax. However, the cash proceeds from the sale will only be received in the second half of 2017.

Taxation on these non-trading transactions amounted to R48 million. The overall profit after tax reported by the Group increased by 46.1% to R1 942 million (2016: R1 329 million).

Financial position and cash flow

Total assets increased 0.7% to R30 862 million at 31 March 2017, from R30 659 million at 30 September 2016. Total shareholders' equity increased to R13 935 million at 31 March 2017, from R13 009 million at 30 September 2016.

At 31 March 2017, Group net debt was R6 657 million (March 2016: R6 721 million). Net debt to EBITDA remains stable at 1.4 times (March 2016: 1.3 times), while interest cover remains strong at 8.3 times (March 2016: 10.4 times).

SA net debt closed the period at R4 724 million (March 2016: R4 153 million). The increase from R3 587 million at 30 September 2016 is due to funding requirements for capital expenditure, tax and dividend payments. Collectively these payments amounted to R2 050 million (March 2016: R2 207 million) during the period under review.

At 31 March 2017 UK net debt was £114.8 million (March 2016: £121.1 million), which is marginally higher than the net debt of £110.0 million at 30 September 2016. On 7 April 2017, BMI Healthcare completed a refinancing of its existing debt facilities. The new debt package comprises a 5-year Term Loan B facility of £85 million and a Revolving Credit Facility of £50 million, with the debt beneficially held by Netcare being further extended to April 2023. The refinancing does not in any way preclude the conclusion of a rent reduction arrangement with PropCo.

Group cash generated from operations was 17.7% lower at R1 337 million (2016: R1 625 million), influenced by an increase in working capital levels attributable to underlying trading as well as the consideration receivable for the sale of the old Netcare CBMH land and buildings.

The Group invested R960 million (2016: R1 088 million) in capital expenditure (including intangible assets) and paid R773 million (2016: R726 million) to shareholders in ordinary dividends.

DIVISIONAL REVIEW

South Africa

Revenue grew by 2.3% to R9 218 million (2016: R9 011 million). Excluding the non-trading profit on the sale of the old Netcare CBMH land and buildings, EBITDA decreased by 2.1% to R1 915 million (2016: R1 957 million) and operating profit decreased by 3.6% to R1 595 million (2016: R1 655 million). HEPS decreased by 8.2% to 79.6 cents (2016: 86.7 cents) and adjusted HEPS declined by 8.9% to 80.1 cents (2016: 87.9 cents).

Capital expenditure, including intangible assets, was R744 million (2016: R886 million).

Netcare has adopted a standardised programme for quality measurement and systems improvement by focusing on three key priority areas of excellence in meeting the Netcare and National Core Standards criteria, effectively managing infection risk and driving change to ensure improvement of patient and family experience. The quadruple aim philosophy (achieving best clinical outcomes, ensuring best patient experience, delivering healthcare at the most affordable cost and improving the wellbeing of healthcare delivery teams) continues to underpin quality improvement work across the Netcare Group.

Hospital and Emergency Services

Overall revenue grew by R391 million (4.6%) against the comparative period. Patient days declined by 1% for the period under review primarily attributable to a fall in activity from private-paying and foreign patients, as well as patients injured on duty covered by the

Workers' Compensation Fund and, to a lesser extent, from more active case management by medical schemes. It should be noted that the timing of the Easter holidays fell in H2 in 2017, as compared to H1 in 2016. In line with activity, full week occupancy levels reduced to 63.2% (2016: 64.4%). An increase in the mix of higher complexity cases was experienced across our hospitals resulting in a 7.4% increase in revenue per patient day, ahead of tariff inflation.

The results for H1 2017 were adversely impacted within our Emergency Services division due to a decline in revenues from industrial sites in Mozambique, as prevailing economic difficulties in the country have curtailed activity within the mining and resources sectors. The Emergency Services business had, over a number of years, built up a successful client base of industrial sites in Mozambique, which subsidised the performance of the local Netcare 911 operations. However, this benefit has fallen off sharply in the current reporting period with a decline of R24 million at EBITDA level between H1 2016 and H1 2017.

The position has been exacerbated by the detection in H1 2017 of a non-cash accounting error within the Emergency Services division which relates to the prior year. The error arose through an overstatement of revenue related to accruals for work-in-progress cases. The non-cash error was spread across the full 2016

financial year and amounted to R81 million. The error has been corrected against the corresponding periods in which it arose. Accordingly, the H1 2017 results include a correction of R40 million, with the balance to be corrected within H2 2017.

SA Hospital and Emergency Services revenue grew 4.6% to R8 829 million (2016: R8 438 million). EBITDA, excluding the capital benefit from the sale of the old Netcare CBMH land and buildings, fell by 2.0% to R1 865 million (2016: R1 904 million) while the normalised EBITDA margin contracted to 21.1% (2016: 22.6%). Margins were negatively influenced by the following factors:

- Lower than anticipated volumes, together with higher demand for ICU from more complex cases, placed pressure on the management of direct payroll. The increase in complexity also resulted in consumption of more expensive drugs and/or surgicals, on which no margin is earned;
- Rental charges on the new Netcare CBMH of R16 million in H1 2017, with an impact on EBITDA margin of 20 basis points; and
- The impact from Emergency Services accounted for 80 basis points of the EBITDA margin decline, of which 50 basis points is attributable to the non-cash prior period accounting error and 30 basis points to the decline in Mozambique trading.

Operating profit before capital items was 3.3% lower at R1 567 million (2016: R1 621 million) due to underlying trading as well as higher depreciation charges.

There was a net increase of 91 beds during the period under review growing the division's total registered beds to 10 604 beds (September 2016: 10 513 beds) including the Lesotho Public Private Partnership of 425 beds. A further 35 under-utilised beds have been converted to disciplines where there is higher demand.

The new Netcare CBMH has seen 5.8% growth in patient days in the period under review, despite having been open for only four months of the reporting period.

The acquisition of Akeso Clinics, comprising 12 mental health facilities, which was announced in November 2016, has been submitted to the Competition Commission for approval.

Primary Care

Our national network of Medicross family medical and dental centres experienced a structural change in the period under review following the outsourcing of its retail pharmacy operations with effect from 1 December 2016. In addition, in H1 2017 Prime Cure wound down its managed care administration service offering as part of its strategic focus on provider services, which now comprise occupational health and wellness and practice administration services. As a result, Primary Care revenue has declined against the comparative period, but EBITDA margin has strengthened.

Primary Care revenue of R389 million (2016: R573 million) reduced by 32.1%. EBITDA decreased by 5.7% to R50 million (2016: R53 million) influenced by the start-up costs of new day clinic and sub-acute facilities, while the EBITDA margin improved to 12.9% from 9.2%, reflecting the benefit of the retail pharmacy outsourcing arrangement, which replaces retail pharmacy revenue with rental income. Operating profit fell by 17.6% to R28 million (2016: R34 million) related to underlying trading in conjunction with higher depreciation charges on the new sub-acute and day clinic facilities.

Medicross has a large national day clinic network comprising 14 facilities. The division is focused on expanding its offering in the day clinic and sub-acute market. In line with this strategy, a new day clinic in Kimberley (comprising 20 beds, two theatres and an endoscopy unit) commenced operations in mid-October 2016. Development is on track for the opening of a further sub-acute and rehabilitation facility in Hillcrest (comprising 30 beds) and a day clinic in Upington (comprising 12 beds and two theatres), both scheduled to open in H2 2017. In addition, the development of a further two new day clinics and two new sub-acute facilities is underway for opening in FY2018.

United Kingdom

Revenue increased by 3.2% to £458.0 million (2016: £444.0 million). BMI Healthcare's inpatient and day caseload grew by 2.6% in the period under review, with some benefit in the current period from the timing of the Easter holidays. National Health Services ("NHS") volumes, now at 43.5% of total caseload, have continued to be the primary growth driver of activity. NHS caseload grew by 8.5% with growth of 10.2% (2016: 8.5%) in e-Referrals caseload, while NHS spot work remained flat, reflecting financial constraints at many NHS Trusts in the second half of the 2016/17 NHS financial year. There has been no change in the factors affecting the Private Medical Insurance ("PMI") market, with caseload declining by 3.6% during the period. Self-pay activity continued to grow, increasing by 6.4% during H1 2017 driven by packaged pricing, an increased range of services and targeted marketing campaigns.

EBITDA declined by 25.2% to £24.0 million (2016: £32.1 million) at a margin of 5.2% (2016: 7.2%). Rental costs are higher in the current period due to normal lease escalations and the impact in the prior period of a one-off rent credit. These higher net rental charges, combined with a further non-operational benefit in the prior period relating to the reversal of a provision in respect of the resolution of a dispute with a service provider, have resulted in a lower EBITDA and EBITDA margin than reported in H1 2016. Operating profit decreased by 55.9% to £6.0 million (2016: £13.6 million).

Capital expenditure, including intangible assets, of £13.0 million (2016: £9.1 million) was invested in various targeted projects aimed at new revenue generation and enhancing the hospital portfolio.

In November 2016 it was announced that BMI Healthcare had agreed heads of terms with its major external landlord with respect to a rent reduction coupled to changes in BMI Healthcare's lease agreements with PropCo. Accordingly, in anticipation of its imminent conclusion, broad parameters of the proposed deal were shared with the market. However, final agreement was not reached as anticipated and BMI Healthcare and PropCo remain in discussions on how best to bring the rent reduction transaction to a conclusion. While the rent reduction remains of interest to BMI Healthcare, the business and its shareholders are only supportive of a transaction that is mutually beneficial and enhances BMI Healthcare's long-term position.

OUTLOOK

In SA we expect demand for private healthcare to remain resilient over the medium and longer term as a function of the aging population, the growing burden of disease and medical innovation. In the near term, economic pressures and medical scheme interventions are likely to weigh on demand for the services Netcare provides. Growth is still expected from the new capacity opened in the past two years.

Ongoing benefits will be delivered by our long term operational excellence and quality improvement projects, in line with our commitment to best outcomes, best experience and cost-effective care for our patients. Our IT and automation projects and operational models are continually reviewed to deal with the complexities of providing private healthcare services and to optimise the cost base to deliver sustainable returns.

Planned capital expenditure in SA for the full year is expected to reach approximately R1.7 billion which includes the further development of the new Netcare CBMH medical precinct and the expansion of Netcare Milpark Hospital, as well as maintenance and upgrade of medical equipment and the property estate.

In the UK, the ongoing constraints faced by the NHS are expected to result in further growth in NHS-funded patients treated in private facilities and in the Self-pay market. The PMI market is not expected to improve markedly in the short term.

Further improvement of patient pathways and the extraction of operating efficiencies will continue to be driven across the business.

BMI Healthcare expects to spend approximately £52.0 million in 2017 on capital projects to enhance its hospital infrastructure, expand its diagnostic capacity and keep abreast of technological developments.

DECLARATION OF INTERIM DIVIDEND NUMBER 16

Notice is hereby given that a gross interim dividend of 38.0 cents per ordinary share is declared in respect of the six months ended 31 March 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, 7 July 2017. 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 local dividend withholding tax at a rate of 20%, which will result in a net interim dividend, to those shareholders not exempt from paying dividend withholding tax, of 30.4 cents per ordinary share and 38.0 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 interim dividend are as follows:

Last day to trade cum dividend	Tuesday, 4 July 2017
Trading ex dividend commences	Wednesday, 5 July 2017
Record date	Friday, 7 July 2017
Payment date	Monday, 10 July 2017

Share certificates may not be dematerialised nor rematerialised between Wednesday, 5 July 2017 and Friday, 7 July 2017, both days inclusive.

On Monday, 10 July 2017, 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, 10 July 2017.

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

11 May 2017

DISCLAIMER

Certain financial information presented in these interim 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 interim 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 R22.10 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.

Any forward-looking statements and the pro forma financial information including the constant currency information incorporated in these interim financial results have not been audited or reviewed by our external auditors.

Group statement of profit or loss

Rm	Notes	Unaudited six months ended 31 March 2017	Unaudited six months ended 31 March 2016	% change	Year ended 30 September 2016
Revenue		**16 912**	18 814	(10.1)	37 796
Cost of sales		**(9 482)**	(10 627)		(21 312)
Gross profit		**7 430**	8 187	(9.2)	16 484
Other income		**417**	213		457
Administrative and other expenses		**(5 955)**	(6 448)		(12 793)
Operating profit	2	**1 892**	1 952	(3.1)	4 148
Investment income	3	**139**	174		404
Financial expenses	4	**(343)**	(362)		(777)
Other financial gains/(losses) – net	5	**665**	(61)		(2 048)
Attributable earnings of associates		**54**	54		100
Attributable earnings of joint ventures		**23**	24		57
Profit before taxation		**2 430**	1 781	36.4	1 884
Taxation	6	**(488)**	(452)		(836)
Profit for the period		**1 942**	1 329	46.1	1 048
Attributable to:					
Owners of the parent		**1 632**	1 257		1 667
Preference shareholders		**28**	25		52
Profit attributable to shareholders		**1 660**	1 282	29.5	1 719
Non-controlling interest		**282**	47		(671)
		1 942	1 329	46.1	1 048

Earnings per share (cents)					
Basic		**120.0**	92.7	29.4	122.6
Diluted		**118.5**	91.1	30.1	120.6
Dividend per share (cents)		**38.0**	38.0	–	95.0

Group statement of other comprehensive income

Rm	Unaudited six months ended 31 March 2017	Unaudited six months ended 31 March 2016	Year ended 30 September 2016
Profit for the period	**1 942**	1 329	1 048
Items that may subsequently be reclassified to profit or loss	**(231)**	108	(1 142)
Effect of cash flow hedge accounting	**(10)**	39	(15)
Amortisation of cash flow hedge accounting reserve	**1**	–	–
Change in the fair value of cash flow hedges	**(11)**	18	(36)
Reclassification of cash flow hedge accounting reserve	**–**	21	21
Effect of translation of foreign entities	**(224)**	77	(1 131)
Taxation on items that may subsequently be reclassified to profit or loss	**3**	(8)	4
Other comprehensive (loss)/income for the period	**(231)**	108	(1 142)
Total comprehensive income/(loss) for the period	**1 711**	1 437	(94)
Attributable to:			
Owners of the parent	**1 499**	1 318	1 005
Preference shareholders	**28**	25	52
Non-controlling interest	**184**	94	(1 151)
	1 711	1 437	(94)

Group statement of financial position

Rm	Notes	Unaudited 31 March 2017	31 March 2016	30 September 2016
ASSETS				
Non-current assets				
Property, plant and equipment		**14 476**	14 094	14 421
Goodwill		**3 897**	4 543	3 942
Intangible assets		**268**	375	314
Equity-accounted investments, loans and receivables	7	**2 598**	2 708	2 564
Financial assets	8	**9**	78	34
Deferred lease assets		**26**	16	21
Deferred taxation		**1 171**	1 468	1 318
Total non-current assets		**22 445**	23 282	22 614
Current assets				
Loans and receivables	7	**52**	80	58
Financial assets	8	**11**	–	–
Inventories		**1 138**	1 241	1 019
Trade and other receivables		**5 567**	5 634	4 972
Taxation receivable		**19**	60	16
Cash and cash equivalents		**1 630**	1 501	1 980
		8 417	8 516	8 045
Asset classified as held for sale		**–**	8	–
Total current assets		**8 417**	8 524	8 045
Total assets		**30 862**	31 806	30 659
EQUITY AND LIABILITIES				
Capital and reserves				
Ordinary share capital and premium		**4 205**	4 185	4 197
Treasury shares		**(3 738)**	(3 795)	(3 768)
Other reserves		**2 340**	3 165	2 465
Retained earnings		**8 109**	7 391	7 283
Equity attributable to owners of the parent		**10 916**	10 946	10 177
Preference share capital and premium		**644**	644	644
Non-controlling interest		**2 375**	3 427	2 188
Total shareholders' equity		**13 935**	15 017	13 009
Non-current liabilities				
Long-term debt	9	**4 492**	5 961	6 132
Financial liabilities	8	**1 344**	269	2 158
Post-retirement benefit obligations		**442**	409	427
Deferred lease liabilities		**124**	126	124
Deferred taxation		**1 134**	1 599	1 207
Provisions		**94**	153	113
Total non-current liabilities		**7 630**	8 517	10 161
Current liabilities				
Trade and other payables		**5 473**	6 008	6 012
Short-term debt	9	**3 570**	2 258	1 390
Financial liabilities	8	**8**	3	5
Taxation payable		**21**	–	81
Bank overdrafts		**225**	3	1
Total current liabilities		**9 297**	8 272	7 489
Total equity and liabilities		**30 862**	31 806	30 659

Group statement of cash flows

Rm	Unaudited six months ended 31 March 2017	Unaudited six months ended 31 March 2016	Year ended 30 September 2016
Cash flows from operating activities			
Cash received from customers	**16 433**	18 404	37 561
Cash paid to suppliers and employees	**(15 096)**	(16 779)	(32 279)
Cash generated from operations	**1 337**	1 625	5 282
Interest paid	**(324)**	(346)	(678)
Taxation paid	**(466)**	(512)	(950)
Ordinary dividends paid by subsidiaries	**(9)**	(5)	(9)
Ordinary dividends paid	**(773)**	(726)	(1 250)
Preference dividends paid	**(28)**	(25)	(52)
Distributions to beneficiaries of the HPFL B-BBEE trusts	**(30)**	(53)	(74)
Net cash from operating activities	**(293)**	(42)	2 269
Cash flows from investing activities			
Purchase of property, plant and equipment	**(958)**	(1 068)	(2 789)
Additions to intangible assets	**(2)**	(20)	(33)
Proceeds on disposal of property, plant and equipment and intangible assets	**8**	24	60
Acquisition of businesses	**(140)**	(13)	(18)
Acquisition of business loans	**–**	(25)	(25)
Cash related to acquisition of businesses	**–**	1	1
Proceeds from disposal of businesses	**2**	20	20
Decrease in investments and loans	**46**	39	119
Interest received	**62**	83	161
Dividends received	**12**	16	34
Increase in equity interest from associates and joint ventures to subsidiaries	**–**	–	(43)
Net cash from investing activities	**(970)**	(943)	(2 513)
Cash flows from financing activities			
Proceeds from issue of ordinary shares	**7**	11	23
Proceeds on disposal of treasury shares	**31**	74	101
Long-term debt (repaid)/raised	**(1 538)**	(175)	356
Short-term debt raised/(repaid)	**2 249**	83	(572)
(Increase)/decrease in equity interest in subsidiaries	**(5)**	–	9
Net cash from financing activities	**744**	(7)	(83)
Net decrease in cash and cash equivalents	**(519)**	(992)	(327)
Translation effects on cash and cash equivalents of foreign entities	**(55)**	14	(170)
Cash and cash equivalents at the beginning of the period	**1 979**	2 476	2 476
Cash and cash equivalents at the end of the period	**1 405**	1 498	1 979
Consisting of:			
Cash on hand and balances with banks	**1 630**	1 501	1 980
Short-term money market borrowings and bank overdrafts	**(225)**	(3)	(1)
	1 405	1 498	1 979

Summarised Group statement of changes in equity

Rm	Ordinary share capital and premium	Treasury shares	Cash flow hedge accounting reserve
Balance as at 30 September 2015	4 033	(3 713)	3
Shares issued during the period	152	(141)	–
Sale of treasury shares	–	59	–
Share-based payments reserve movements	–	–	–
Tax recognised in equity	–	–	–
Preference dividends paid	–	–	–
Dividends paid	–	–	–
Distributions to beneficiaries of the HPFL B-BBEE trusts	–	–	–
Increase in equity interest in subsidiaries	–	–	–
Total comprehensive income for the period	–	–	25
Balance as at 31 March 2016	4 185	(3 795)	28
Shares issued during the period	12	–	–
Sale of treasury shares	–	27	–
Share-based payments reserve movements	–	–	–
Tax recognised in equity	–	–	–
Preference dividends paid	–	–	–
Dividends paid	–	–	–
Distributions to beneficiaries of the HPFL B-BBEE trusts	–	–	–
Decrease in equity interest in subsidiaries	–	–	–
Total comprehensive (loss)/income for the period	–	–	(42)
Balance as at 30 September 2016	**4 197**	**(3 768)**	**(14)**
Shares issued during the period	**8**	**–**	**–**
Sale of treasury shares	**–**	**30**	**–**
Share-based payments reserve movements	**–**	**–**	**–**
Tax recognised in equity	**–**	**–**	**–**
Preference dividends paid	**–**	**–**	**–**
Dividends paid	**–**	**–**	**–**
Distributions to beneficiaries of the HPFL B-BBEE trusts	**–**	**–**	**–**
Increase in equity interest in subsidiaries	**–**	**–**	**–**
Total comprehensive (loss)/income for the period	**–**	**–**	**(7)**
Balance as at 31 March 2017	**4 205**	**(3 738)**	**(21)**

Foreign currency translation reserve	Other reserves	Retained earnings	Equity attributable to owners of the parent	Preference share capital and premium	Non-controlling interest	Total share-holders' equity
2 641	446	6 902	10 312	644	3 325	14 281
–	–	–	11	–	–	11
–	–	15	74	–	–	74
–	14	–	14	–	–	14
–	–	6	6	–	–	6
–	–	–	–	(25)	–	(25)
–	–	(726)	(726)	–	(5)	(731)
–	–	(53)	(53)	–	–	(53)
–	–	(10)	(10)	–	13	3
36	–	1 257	1 318	25	94	1 437
2 677	460	7 391	10 946	644	3 427	15 017
–	–	–	12	–	–	12
–	–	–	27	–	–	27
–	19	–	19	–	–	19
–	–	29	29	–	–	29
–	–	–	–	(27)	–	(27)
–	–	(524)	(524)	–	(4)	(528)
–	–	(21)	(21)	–	–	(21)
–	–	2	2	–	10	12
(677)	–	406	(313)	27	(1 245)	(1 531)
2 000	**479**	**7 283**	**10 177**	**644**	**2 188**	**13 009**
–	**–**	**–**	**8**	**–**	**–**	**8**
–	**–**	**2**	**32**	**–**	**–**	**32**
–	**10**	**–**	**10**	**–**	**–**	**10**
–	**–**	**9**	**9**	**–**	**–**	**9**
–	**–**	**–**	**–**	**(28)**	**–**	**(28)**
–	**–**	**(773)**	**(773)**	**–**	**(9)**	**(782)**
–	**–**	**(30)**	**(30)**	**–**	**–**	**(30)**
–	**–**	**(16)**	**(16)**	**–**	**12**	**(4)**
(128)	**–**	**1 634**	**1 499**	**28**	**184**	**1 711**
1 872	**489**	**8 109**	**10 916**	**644**	**2 375**	**13 935**

Headline earnings

Rm	Unaudited six months ended 31 March 2017	Unaudited six months ended 31 March 2016	% change	Year ended 30 September 2016
Reconciliation of headline earnings				
Profit for the period	**1 942**	1 329	46.1	1 048
Less:				
Dividends paid on shares attributable to the Forfeitable Share Plan	**(4)**	(4)		(7)
Preference shareholders	**(28)**	(25)		(52)
Non-controlling interest	**(282)**	(47)		671
Earnings used in the calculation of basic earnings per share	**1 628**	1 253	29.9	1 660
Adjusted for:				
Profit on disposal of investments (net)	**(4)**	(2)		(4)
Fair value gain on investments on acquisition of control	**–**	–		(11)
Net profit on disposal of property, plant and equipment and intangibles	**(200)**	(8)		(18)
Bargain purchase on acquisition of subsidiary	**–**	–		(2)
Reversal of impairment of investment	**–**	(44)		(44)
Reversal of impairment of property, plant and equipment	**–**	(1)		(1)
Tax effect of headline adjusting items	**34**	1		4
Non-controlling share of headline adjusting items	**(1)**	22		27
Headline earnings	**1 457**	1 221	19.3	1 611
Headline earnings adjusted for:				
Ineffectiveness gains on cash flow hedges	**(1)**	(1)		(1)
Amortisation of the cash flow hedge accounting reserve	**1**	–		–
Fair value (gains)/losses on derivative financial instruments	**(665)**	41		2 029
Amount reclassified from the cash flow hedge accounting reserve	**–**	21		20
Recognition of loan impairment	**–**	–		3
Competition Commission costs	**10**	10		30
Restructure costs	**–**	–		2
Change in tax rate	**–**	(47)		(34)
Tax effect of adjusting items	**11**	(14)		(149)
Non-controlling share of adjusting items	**281**	(1)		(810)
Adjusted headline earnings	**1 094**	1 230	(11.1)	2 701
Headline earnings per share (cents)	**107.4**	90.3	18.9	119.0
Diluted headline earnings per share (cents)	**106.0**	88.8	19.4	117.1
Adjusted headline earnings per share (cents)	**80.6**	91.0	(11.4)	199.5

Summarised segment report

Rm	South Africa Hospital and Emergency services	South Africa Primary Care	South Africa Total	United Kingdom BMI Healthcare	Group
31 March 2017					
Statement of profit or loss					
Revenue	8 829	389	**9 218**	7 694	**16 912**
Attributable earnings of associates and joint ventures	49	–	**49**	28	**77**
EBITDA[1]	2 068	50	**2 118**	398	**2 516**
Operating profit[1]	1 770	28	**1 798**	94	**1 892**
Segment assets and liabilities					
Total assets			**18 726**	12 136	**30 862**
Total liabilities			**(8 817)**	(8 110)	**(16 927)**
31 March 2016					
Statement of profit or loss					
Revenue	8 438	573	**9 011**	9 803	**18 814**
Attributable earnings of associates and joint ventures	42	–	**42**	36	**78**
EBITDA	1 904	53	**1 957**	706	**2 663**
Operating profit	1 621	34	**1 655**	297	**1 952**
Segment assets and liabilities					
Total assets			**16 896**	14 910	**31 806**
Total liabilities			**(7 967)**	(8 822)	**(16 789)**
30 September 2016					
Statement of profit or loss					
Revenue	17 780	1 178	**18 958**	18 838	**37 796**
Attributable earnings of associates and joint ventures	71	–	**71**	86	**157**
EBITDA	4 029	118	**4 147**	1 392	**5 539**
Operating profit	3 469	79	**3 548**	600	**4 148**
Segment assets and liabilities					
Total assets			**17 963**	12 696	**30 659**
Total liabilities			**(8 470)**	(9 180)	**(17 650)**

1 *Including the impact of the profit on sale of the Christiaan Barnard Memorial Hospital land and buildings of R203 million.*

Summarised notes to the unaudited interim Group financial statements

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed unaudited interim Group financial statements for the six months ended 31 March 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 International Accounting Standard (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 condensed unaudited interim 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.

The interim results have not been reviewed or audited by the Group's independent external auditors, Grant Thornton Johannesburg.

Rm	Unaudited six months ended 31 March 2017	Unaudited six months ended 31 March 2016	Year ended 30 September 2016
2. OPERATING PROFIT			
After including:			
Depreciation and amortisation	**(624)**	(711)	(1 391)
Operating lease charges	**(1 755)**	(2 100)	(4 126)
GHG Property Businesses	**(1 273)**	(1 633)	(3 124)
Other	**(482)**	(467)	(1 002)
3. INVESTMENT INCOME			
Investment income on retirement benefit plan assets	**–**	–	65
Interest on bank accounts and other	**139**	174	339
	139	174	404
4. FINANCIAL EXPENSES			
Amortisation of arrangement fees	**(3)**	(3)	(6)
Interest on bank loans and other	**(226)**	(222)	(424)
Interest on promissory notes	**(95)**	(123)	(248)
Retirement benefit plan financial expenses	**(19)**	(14)	(99)
	(343)	(362)	(777)

Rm	Unaudited six months ended 31 March 2017	Unaudited six months ended 31 March 2016	Year ended 30 September 2016
5. OTHER FINANCIAL GAINS/(LOSSES) – NET			
Amount reclassified from the cash flow hedge accounting reserve	**–**	(21)	(20)
Amortisation of the cash flow hedge accounting reserve	**(1)**	–	–
Fair value gains/(losses) on inflation rate swaps (not hedge accounted)	**665**	(41)	(2 029)
Ineffectiveness gains on cash flow hedges	**1**	1	1
	665	(61)	(2 048)

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 leases 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. The valuation of the RPI swap instruments liability as at 31 March 2017 amounted to R1 314 million (£78.0 million) and reflects the mark-to-market valuation by the counterparty to the RPI swap instruments. This liability reduced significantly from the mark-to-market valuation at 30 September 2016 of R2 129 million (£119.7 million). Consequently, the results for H1 2017 reflect a significant, non-cash benefit of R665 million (£41.7 million) before tax.

Rm	Unaudited six months ended 31 March 2017	Unaudited six months ended 31 March 2016	Year ended 30 September 2016
6. TAXATION			
South African normal and deferred taxation			
Current year	**(450)**	(436)	(941)
Prior years	**12**	(2)	(2)
Capital gains tax	**(32)**	–	(6)
Rate change	**–**	(10)	(10)
	(470)	(448)	(959)
Foreign normal and deferred taxation[1]			
Current year	**(18)**	(61)	73
Prior years	**–**	–	30
Rate change	**–**	57	20
	(18)	(4)	123
Total taxation per the statement of profit or loss	**(488)**	(452)	(836)

1 *Included in this amount in the current period is an expense of R14 million (September 2016: credit of R130 million) relating to tax on the UK RPI swap instruments non-cash fair value credit adjustment of R665 million (September 2016: charge of R1 988 million). Refer to note 5 and 8 for more information.*

Rm	Unaudited 31 March 2017	31 March 2016	30 September 2016
7. EQUITY-ACCOUNTED INVESTMENTS, LOANS AND RECEIVABLES			
Non-current			
Associated companies	**773**	699	721
Joint ventures	**210**	189	191
Loans and receivables	**1 615**	1 820	1 652
	2 598	2 708	2 564
Current			
Loans and receivables	**52**	80	58
	2 650	2 788	2 622

Included in loans and receivables is an investment of R1 345 million (March 2016: R1 503 million; September 2016: R1 339 million) relating to a contractual economic interest in the debt of BMI Healthcare.

Rm	Unaudited 31 March 2017	31 March 2016	30 September 2016
8. DERIVATIVE FINANCIAL INSTRUMENTS			
Derivative financial assets			
Interest rate swaps			
South African Rand	**12**	59	19
Non-derivative financial asset			
Investment in Cell Captive	**8**	19	15
	20	78	34
Included in:			
Non-current assets	**9**	78	34
Current assets	**11**	–	–
Derivative financial liabilities			
Interest rate swaps			
South African Rand	**(16)**	(5)	(15)
Inflation rate swaps			
South African Rand	**(22)**	(17)	(19)
Foreign currency	**(1 314)**	(250)	(2 129)
	(1 352)	(272)	(2 163)
Included in:			
Non-current liabilities	**(1 344)**	(269)	(2 158)
Current liabilities	**(8)**	(3)	(5)
	(1 352)	(272)	(2 163)

8. DERIVATIVE FINANCIAL INSTRUMENTS continued

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	Level 3	Total
31 March 2017			
Derivative financial assets			
Interest rate swaps	**12**	**–**	**12**
Non-derivative financial asset			
Cell Captive	**8**	**–**	**8**
	20	**–**	**20**
Derivative financial liabilities			
Interest rate swaps	**(16)**	**–**	**(16)**
Inflation rate swaps	**(1 336)**	**–**	**(1 336)**
	(1 352)	**–**	**(1 352)**
31 March 2016			
Derivative financial assets			
Interest rate swaps	59	–	59
Non-derivative financial asset			
Cell Captive	19	–	19
	78	–	78
Derivative financial liabilities			
Interest rate swaps	(5)	–	(5)
Inflation rate swaps	(17)	(250)	(267)
	(22)	(250)	(272)

8. DERIVATIVE FINANCIAL INSTRUMENTS continued

Fair value hierarchy continued

Rm	Level 2	Level 3	Total
30 September 2016			
Derivative financial assets			
Interest rate swaps	19	–	19
Non-derivative financial asset			
Cell Captive	15	–	15
	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.

The RPI swap instruments were reclassified from a Level 3 liability to a Level 2 liability as at 30 September 2016 as the valuation method was based on fair value measurements that are observable indirectly, being derived from market data. In prior periods the valuation also included certain weighted probability assessments as to the future cash flows under the instrument. There were no transfers in the current period.

Rm	Unaudited 31 March 2017	31 March 2016	30 September 2016
9. DEBT			
Long-term debt	**4 492**	5 961	6 132
Short-term debt	**3 570**	2 258	1 390
Total debt	**8 062**	8 219	7 522
Comprising:			
Debt in South African Rand			
Secured liabilities			
Finance leases	**28**	22	27
Mortgage bond	**–**	1	1
Unsecured liabilities			
Bank loans	**2 651**	1 618	2 502
Promissory notes and commercial paper in issue	**2 362**	3 000	2 000
Other	**6**	6	5
	5 047	4 647	4 535
Debt in foreign currency			
Secured liabilities			
Finance leases	**303**	330	301
Bank loans	**2 527**	3 079	2 518
Arrangement fees	**–**	(7)	(3)
Unsecured liabilities			
Accrued interest	**185**	170	171
	3 015	3 572	2 987
	8 062	8 219	7 522

Maturity profile

Rm	Total	<1 year	1 – 2 years	2 – 3 years	3 – 4 years	>4 years
31 March 2017						
Debt in South African Rand	**5 047**	**2 368**	**564**	**2**	**602**	**1 511**
Debt in foreign currency	**3 015**	**1 202**	**423**	**1 296**	**44**	**50**
	8 062	**3 570**	**987**	**1 298**	**646**	**1 561**
31 March 2016						
Debt in South African Rand	4 647	1 259	1 614	564	13	1 197
Debt in foreign currency	3 572	999	497	1 946	74	56
	8 219	2 258	2 111	2 510	87	1 253
30 September 2016						
Debt in South African Rand	4 535	258	1 610	552	602	1 513
Debt in foreign currency	2 987	1 132	435	1 312	53	55
	7 522	1 390	2 045	1 864	655	1 568

Rm	Unaudited 31 March 2017	31 March 2016	30 September 2016
10. COMMITMENTS			
Capital commitments	**2 491**	2 448	3 005
South Africa	**2 040**	1 781	2 671
United Kingdom	**451**	667	334
Operating lease commitments	**45 236**	56 713	48 536
South Africa	**3 594**	1 549	3 300
United Kingdom	**41 642**	55 164	45 236
11. CONTINGENT LIABILITIES			
South Africa	**47**	74	49

12. EVENTS AFTER THE REPORTING PERIOD

UK Refinancing

On 7 April 2017, BMI Healthcare completed a refinancing of existing debt facilities. The new debt package comprises a 5-year Term Loan B facility of £85 million and a Revolving Credit Facility of £50 million, with the debt beneficially held by Netcare being further extended to April 2023. The refinancing does not in any way preclude the conclusion of a rent reduction arrangement with PropCo.

The directors are not aware of any other matters or circumstances arising since the end of the reporting period, not otherwise dealt with in the Group's unaudited interim financial statements, which significantly affect the financial position at 31 March 2017 or the results of its operations or cash flow for the period then ended.

Salient features

	Unaudited		
	31 March 2017	31 March 2016	30 September 2016
Share statistics			
Ordinary shares			
Shares in issue (million)	**1 463**	1 462	1 462
Shares in issue net of treasury shares (million)	**1 359**	1 354	1 356
Weighted average number of shares (million)	**1 357**	1 352	1 354
Diluted weighted average number of shares (million)	**1 374**	1 375	1 376
Market price per share (cents)	**2 582**	3 610	3 363
Currency conversion guide (R:£)			
Closing exchange rate	**16.85**	21.20	17.79
Average exchange rate for the period	**16.82**	22.10	21.04

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