29. COMMITMENTS AND CONTINGENCIES continued

Contingencies

The Group stands as guarantor in respect of certain operating leases, instalment sale agreements and mortgage bonds concluded by subsidiaries and also pro rata in relation to the Group's interest in joint ventures.

The Group has issued various guarantees as security for leases and construction projects to the value of R123 million (2018: R64 million).

Certain subsidiary companies have issued letters of support to other fellow subsidiary companies, when required.

Disposal of Max

As part of the conditions in the share purchase agreement (SPA), Life Healthcare indemnified the purchaser (Radiant Life Care Private Limited) from and against, any and all losses incurred or suffered by the purchaser in relation to claims set out in the SPA. The value of the contingent liability is limited to a maximum exposure of R206 million to Life Healthcare (excluding tax payable in respect of any indemnification payments). In the event where tax is payable on the indemnification payment, the tax liability will be payable equally by Life Healthcare and the purchaser. The liability for Life Healthcare with respect to the payment of the specific indemnity tax shall be in addition to the liability of R206 million. The contingent liability is valid for a period of three years from the closing date (ie until 21 June 2022).

30. EVENTS AFTER THE REPORTING PERIOD

No event which is material to the understanding of this report has occurred between year-end and the date of the annual financial statements, other than:

Cash dividend declaration

The board approved a final gross cash dividend of 53.0 cents per ordinary share for the year ended 30 September 2019. The dividend has been declared from income reserves. A dividend withholding tax of 20% will be applicable to all shareholders not exempt therefrom, after deduction of which the net cash dividend is 42.4 cents per share.

31. RISK MANAGEMENT

Overall risk management programme

The Group's overall financial risk management programme focuses, inter alia, on the unpredictability of financial markets and seeks to minimise potential adverse effects on 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) under policies approved by the investment committee. Treasury identifies, evaluates and economically hedges financial risks in close cooperation with the Group's operating units. 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 risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Capital risk management

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to provide for sufficient capital expansion. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 21, cash and cash equivalents disclosed in note 15 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 to measure the funding requirements in the form of debt or equity.

The ratio is calculated as net debt divided by normalised EBITDA. Net debt is calculated as total interest-bearing borrowings (including current interest-bearing and non-current interest-bearing borrowings as shown in the statement of financial position) plus guarantees (if applicable) less net cash and cash equivalents. Normalised EBITDA is defined, in the debt agreements, as earnings before interest, tax, depreciation and amortisation, adjusted for non-recurring items and including the EBITDA of new acquisitions for that part of the year when it was not owned by the Group.

In order to maintain or adjust the capital structure, the Group may adjust the amount of distributions paid to shareholders, return capital to shareholders, issue new shares or sell assets to manage the debt level.

There have been no changes to what the Group manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year. Although the implementation of IFRS 16 *Leases* has an immaterial impact on the covenants, the Group has had initial discussions with the lenders to potentially adjust the calculations.