Life Healthcare Group

Integrated annual report 2012

Making life better

At Life Healthcare – our three key strategic focus areas are ...

go to page 21 to learn more about these three strategies

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SCOPE AND BOUNDARY OF THE REPORT

The Life Healthcare Group reports on its financial performance twice a year. The Group's interim report covers the period beginning October to end March, and the annual integrated report covers the period beginning October to end September of every year. This report covers Life Healthcare Group operations in South Africa, Botswana and India, reviews from the chairman, CEO and CFO, feedback on our key strategies of growth, efficiency and sustainability and the corporate governance and accountability report. The information in this report covers the year ended 30 September 2012. However, where it is informative to add information post 30 September 2012, this has been included and noted.

In line with providing clear and concise reporting we have integrated the condensed consolidated financial information with the non-financial elements of our reporting. The full set of financial statements can be found on the group website www.lifehealthcare.co.za <http://www.lifehealthcare.co.za>.

Since the release of the Life Healthcare Group annual integrated report for the year ended 30 September 2011, there has been no material change to the structure, ownership or products and services of the organisation except for the Group's investment into Max Healthcare in India, which is covered in the report.

In defining the report and the information included, we have been guided by the principles of the Global Reporting Initiative (GRI) (G3.1 guidelines), the governance guidelines outlined in the King III Code and Report on Governance for South Africa, as well as the reporting requirements as per the JSE Securities Exchange (JSE) Listings Requirements, the integrated report discussion document and the Companies Act No 71 of 2008.

GOVERNANCE

To assist in meeting the recommendations of the King III Code and the Companies Act of 2008, the board, while retaining overall accountability, has delegated authority to the chief executive officer (CEO) to run the day-to-day affairs of the Group. The board has also created sub-committees to enable it to discharge its duties and responsibilities and to fulfil its decision-making process effectively.

DISCLOSURE

The Group aims to achieve the high standards in all the disclosures included in this report in order to provide meaningful, accurate, complete, transparent and balanced information to stakeholders. The board and board committees were actively involved in finalising disclosures made in this report. This report should be read in conjunction with the audited financial statements which are available on the website (www.lifehealthcare.co.za). The condensed financial information included in this report has been extracted from the annual financial statements.

BOARD RESPONSIBILITY

It is the board's responsibility to ensure the integrity of the integrated report. The board has accordingly applied its mind to the integrated report and in the opinion of the board, the integrated report addresses all material issues and fairly presents the integrated performance of the Group and its impacts. The integrated report has been prepared in line with best practice pursuant to the recommendations of the King III Code (principle 9.1).

It has been signed by the chairman of the board, **Prof GJ Gerwel**, and the chief executive officer, **CMD Flemming**, who have been duly authorised thereto by the board.

ASSURANCE

The condensed consolidated financial statements contained in this report have been prepared according to International Financial Reporting Standards and have been independently assured by PricewaterhouseCoopers Inc. However, this report has not been independently assured as a whole. We have commenced on our external assurance journey and have obtained limited assurance on certain aspects.

ABOUT THIS REPORT

The JSE Limited (JSE) has granted Life Healthcare Group Holdings Limited a listing in respect of 1 042 209 750 shares (the listing) in the Health Care Providers sector under the abbreviated name LifeHC, share code LHC and ISIN: ZAE000145892.

FORWARD LOOKING STATEMENTS

The integrated report contains forward-looking statements that, unless otherwise indicated, reflect the Group's expectations as at 15 November 2012. Actual results may differ materially from the Group's expectations if known and unknown risks or uncertainties affect its business, or if estimates or assumptions prove inaccurate. The Group cannot guarantee that any forward-looking statement will materialise and, accordingly, readers are cautioned not to place undue reliance on these forward-looking statements. The Group disclaims any intention and assumes no obligation to update or revise any forward-looking statement even if new information becomes available as a result of future events or for any other reason.

Financial year-end: 30 September of each year
Notice of annual general meeting is featured on page 178 to 186 of this report.
Tear-out form of proxy is on pages 187 and 188.

Feedback We need your feedback to ensure that we report on the Life Healthcare Group specifics that matter to you – our stakeholders.
For enquiries please contact: Fazila Patel, Tel: +27 11 219 9000, Email: fazila.patel@lifehealthcare.co.za Postal address: Private Bag X13, Northlands, 2116
Please visit: **www.lifehealthcare.co.za** to download or print out our feedback form.

OUR PURPOSE

Making life better

OUR VISION

To be a world-class provider of quality healthcare for all

OUR VALUES

We have five core values:

1. Passion for people
2. Q^e Quality to the power of e (ethics, excellence, empowerment, empathy, energy)
3. Performance pride
4. Personal care
5. Lifetime partnerships

OUR CULTURE

We believe the provision of world-class healthcare is achieved by working closely with our medical professionals in delivering unparalleled quality and clinical excellence, and by caring for the personal needs of our patients and their families.

OUR BRAND

Life Healthcare offers world-class facilities, expertise and a unique focus on Health and Care, which gives added impetus to Life.

Our name, Life Healthcare, embodies our beliefs.

We are dedicated to:

Life — Well-being and quality of life

Health — Clinical excellence in world-class facilities

Care — Quality, service, respect and empathy for those entrusted to our care

Diversified healthcare businesses

Life Healthcare's core business is the provision of acute private hospital care. Our acute care hospitals are complemented by mental health, acute rehabilitation, renal dialysis and occupational health businesses.

Life's diversified healthcare business is organised into three divisions:

Hospitals division: representing 93% of the Group's revenue for the year, comprising the core acute care hospital business and services for acute physical rehabilitation, acute mental healthcare and renal dialysis in South Africa and Botswana.

Healthcare services division: representing 7% of the Group's revenue for the year, comprising acute and long-term hospitalisation services to public sector patients provided by Life Esidimeni, as well as contracted occupational healthcare provided by Life Occupational Health to private and public employers.

International division: comprising the Group's 26% interest in Max Healthcare, an acute care hospital business in India.

Head office

The Group's head office is situated in Johannesburg, at Oxford Manor, 21 Chaplin Road, Illovo, 2196

8 227 Registered beds in total	7 Acute rehabilitation facilities	87 Renal stations
50 Acute hospitals	255 Acute rehabilitation beds	12 Life Esidimeni facilities
7 608 Acute hospital beds	6 Mental healthcare facilities	4 165 Life Esidimeni beds
711 ICU beds	364 Mental healthcare beds	314 Life Occupational Health on-site clinics
343 High care beds	7 Dedicated renal dialysis units	192 000 Workers served by Life Occupational Health

BUSINESS MODEL – DIVISIONS

Life Mental Health

Life Renal Dialysis

Life Hospitals

Life Rehabilitation

Over **2 700**
specialists and other
healthcare professionals

Hospital division

We admitted over
585 000
patients mainly from the private medically insured market

ACUTE HOSPITALS
(50 facilities)

Life Healthcare's acute hospitals extend over seven of South Africa's nine provinces and Botswana. These facilities, comprising 7 608 registered beds, are located in the country's most populous metropolitan areas. The facilities range from high technology, multi-disciplinary hospitals offering highly specialised medical disciplines, to community hospitals, same-day surgical centres and dedicated niche facilities. The Group has a non-controlling shareholding in five hospitals, comprising 539 beds in South Africa.

Life Healthcare enjoys the support of approximately 2 700 specialists and other healthcare professionals. Life Healthcare strives to optimise the utilisation of its hospitals by maintaining excellent working relationships with its supporting doctors and other healthcare professionals providing medical care within its facilities, by supporting them with the latest technology, equipment and quality nursing care, and by meeting the needs of patients with respect and empathy. Other factors which positively impact utilisation of Life hospitals include an increasing number of privately insured individuals, the high disease burden, our alternative reimbursement pricing model (ARM) and preferred network agreements with private medical insurers.

ACUTE REHABILITATION
(7 facilities)

Life Rehabilitation complements and lends strategic support to some of the services offered in Life Healthcare hospitals. It provides acute, outcomes-driven physical and cognitive rehabilitation for adult and paediatric patients disabled by brain or spinal trauma, stroke or other disabling injuries or conditions. It has consolidated its position as the leader in the provision of private acute rehabilitation services, operating a total of 255 beds. Life rehabilitation is the only ISO 9001:2008 certified rehabilitation network in South Africa.

MENTAL HEALTH
(6 facilities)

Life Healthcare is currently the leading provider of private acute mental healthcare, with dedicated facilities in the Eastern Cape, KwaZulu-Natal and Gauteng, comprising a total of 364 beds.

RENAL DIALYSIS
(7 facilities)

Life Renal Dialysis is a specialised healthcare service dedicated to treating clients on acute and chronic renal dialysis. There are currently seven renal dialysis units located in Gauteng, the Eastern Cape, Western Cape and KwaZulu-Natal with 87 stations. Life Healthcare is currently set to expand its footprint in this niche market in order to widen access to, and meet the growing demand for, private acute and chronic renal dialysis.

Healthcare services division

Life Esidimeni and Life Occupational Health are managed in the healthcare services portfolio.

LIFE ESIDIMENI

(12 facilities)

Life Esidimeni (meaning "place of dignity") operates a network of care centres and a community hospital through a public private partnership (PPP) with the South African government. Life Esidimeni provides its services under contract to provincial health and social development departments. Established more than 50 years ago, Life Esidimeni is the largest and longest running PPP in the South African healthcare sector.

The long-term care facilities consist of 3 987 beds providing long-term clinical care to chronically ill public sector patients, mental health patients and frail care patients.

An acute care community (district) hospital with 178 beds situated near Hazyview in Mpumalanga offers clinical services to public sector patients in support of the government's objective of providing care to people who do not have access to private facilities, and thereby strengthens the public sector healthcare delivery system.

LIFE OCCUPATIONAL HEALTH

(314 on-site clinics)

Life Occupational Health is South Africa's leading provider of contracted on-site occupational and primary healthcare services to large employer groups in the commercial, industrial, mining and parastatal sectors, as well as to a government correctional services facility.

Life Occupational Health currently operates in 314 on-site, off-site and mobile customer clinics throughout the country and provides services to approximately 192 000 employees.

Utilisation of Life's occupational health clinics is driven largely by Occupational Health and Safety Act requirements and the needs of corporate clients. Life Occupational Health contracts with corporate employers or institutions to provide a tailor-made range of services to suit their individual needs.

Life Occupational Health was the first South African occupational healthcare organisation to achieve ISO 9001:2000 certification in January 2010, and followed this up with ISO 9001:2008 certification. It has a Level 3 BEE rating by Empowerlogic.

International division

The Group acquired a 26% shareholding in Max Healthcare Institute (MHC), an Indian hospital group. MHC has nine hospitals with 1 943 beds in the Delhi and surrounding regions. The Group's strategy is to become a pre-eminent hospital operator in selected offshore emerging markets with a particular focus on India and specific countries on the African continent.

Max Healthcare Institute has

nine hospitals with 1 943 beds

in the Delhi and surrounding regions

Life Esidimeni

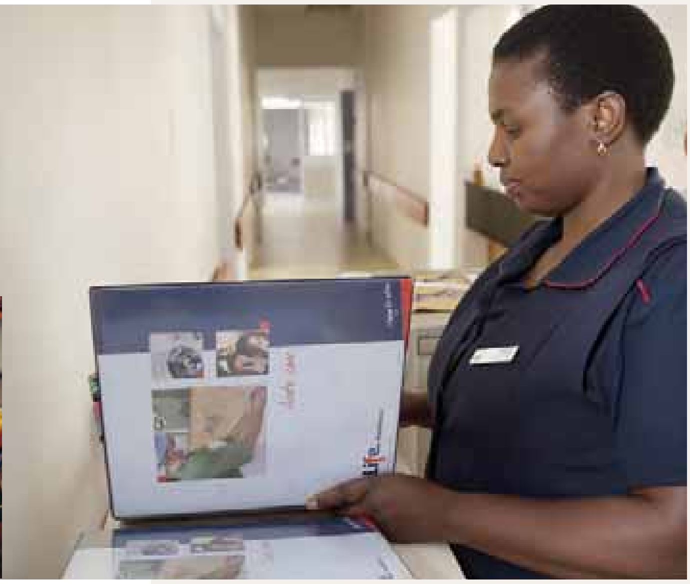
Life Occupational Health

Healthcare Services

Life Occupational Health currently operates in

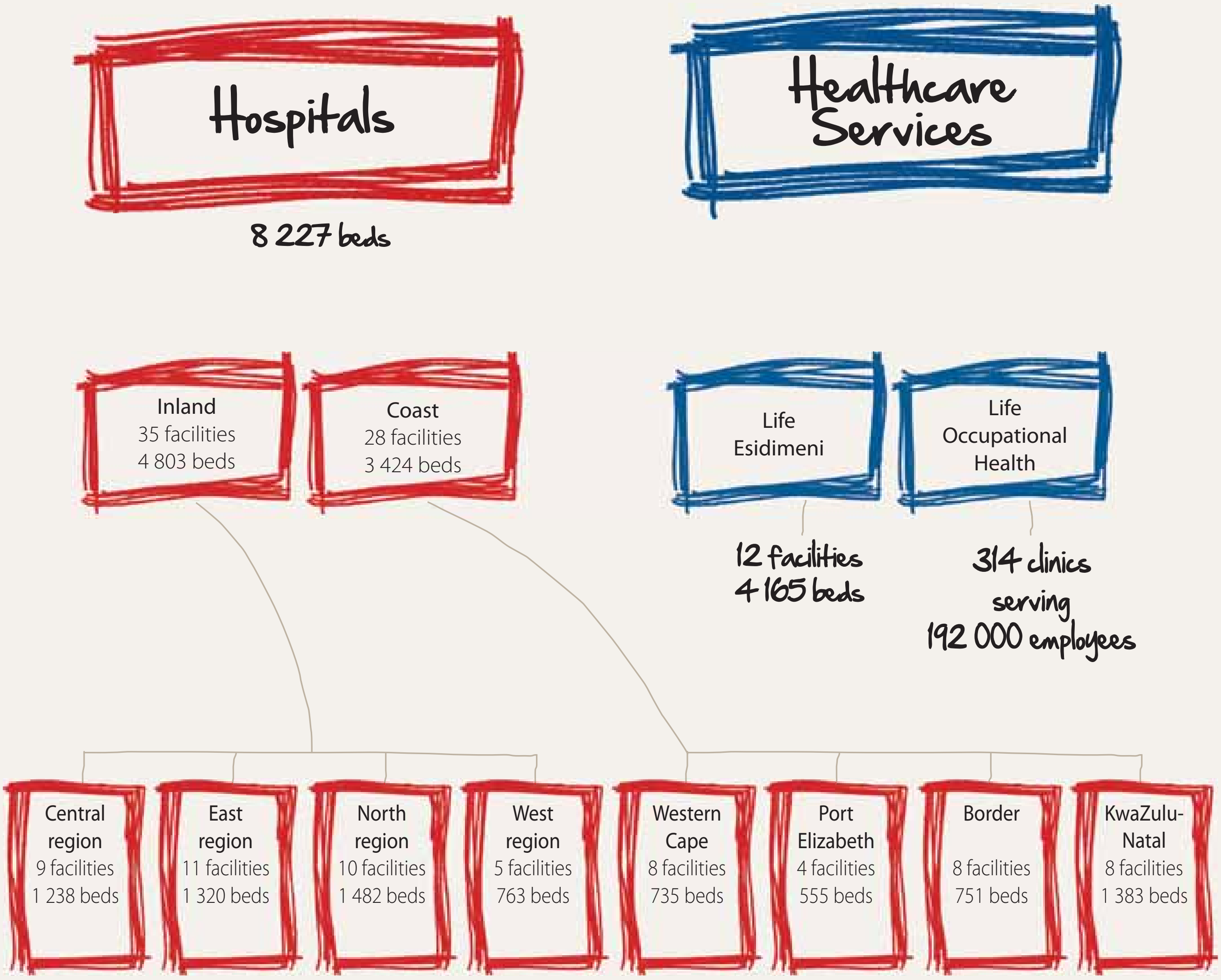
314 on-site, as well as off-site

and mobile clinics throughout the country



ORGANISATIONAL STRUCTURE

Life Healthcare Group



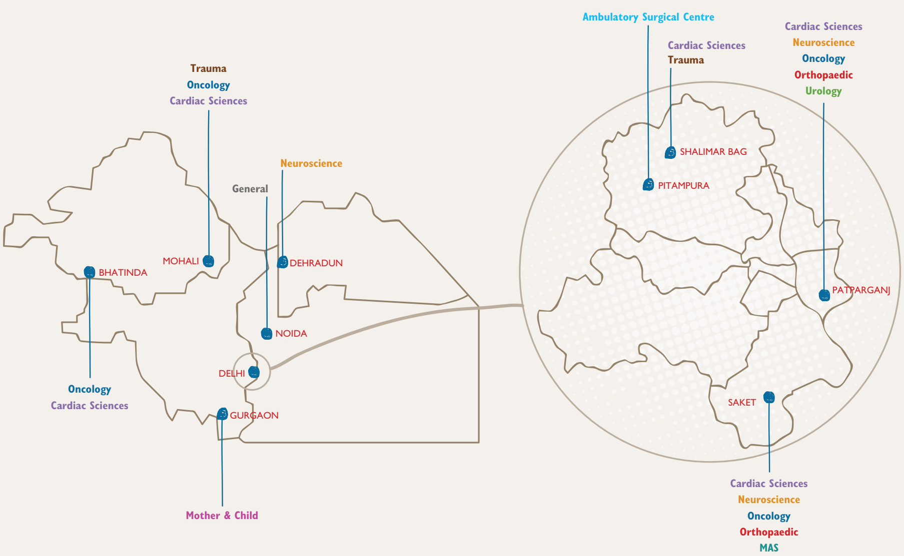
Geographical representation of our facilities in southern Africa

Life hospitals and same-day surgical centres

Life rehabilitation units

Life mental health facilities

Geographical representation of our facilities in India



BRIEF HISTORY

Life Healthcare has operated hospitals for 27 years, incrementally growing the business.

1983 – Life Healthcare was founded as the hospital division of African Oxygen Limited, with the acquisition of the Ammed Group comprising four hospitals.

1994 – Established the first operation outside of South Africa with the purchase of the **Gaborone Hospital in Botswana.**

1995 – Acquired Afrox Occupational Healthcare and launched the occupational health business.

1997 – Opened its first acute rehabilitation unit for patients recovering from severe trauma, neurological damage or other disabling conditions, and later continued to expand its rehabilitation business through the establishment of additional units in Johannesburg, Bloemfontein, Durban, Pretoria and East London.

1998 – Expanded into acute mental healthcare with a facility in Port Elizabeth, and subsequently established mental healthcare facilities in East London, Johannesburg and Durban.

1999 – Acquired the listed Presmed hospital group, comprising 38 hospitals and healthcare facilities in a transaction structured as a merger and reverse listing on the JSE. The business was known as Afrox Healthcare Limited.

2000 – Launched the renal dialysis business, and continued to expand the offering of renal dialysis services through the establishment of renal units across Johannesburg and in East London and Port Elizabeth.

2001 – Acquired a 55% stake in Life Esidimeni which operated the largest public private partnership with the South African government.

2002 – Acquired the Amahosp Group, comprising four hospitals and an emergency unit in Durban.

2003 – Opened the new 124 bed Life Roseacres Hospital.

2004 – Operated the UK business, Partnership Health Group (PHG), established as a 50-50 joint venture with Care UK plc. PHG successfully obtained contracts to construct and operate a number of independent sector treatment centres on behalf of the UK National Health Service.

2005 – In January, following the conclusion of transactions commenced in November 2003, the Group was delisted, sold to a private consortium led by Brimstone and Mvelaphanda, and changed its name from Afrox Healthcare Limited to Life Healthcare Group Holdings Limited.

2006 – Built the **Life Fourways Hospital** in Sandton.

2007 – Commissioned the new Life Cosmos Hospital in eMalahleni.

2008 – Acquired the remaining 45% stake in Life Esidimeni.

Sold its 50% stake in PHG.

2009 – Built two new facilities – the Life Orthopaedic Hospital in Cape Town and Life Beacon Bay Hospital in East London.

2010 – Listed as Life Healthcare Group Holdings Limited in the Health Care Providers sector on the JSE.

Acquired Life Bay View Private Hospital in Mossel Bay.

2011 – Opened both the 80 bed Life Glynnview mental healthcare unit in Benoni, and the 36 bed acute rehabilitation unit at Life Vincent Pallotti Hospital in Cape Town, and increased our shareholding in Life Midmed from 45% to 57%.

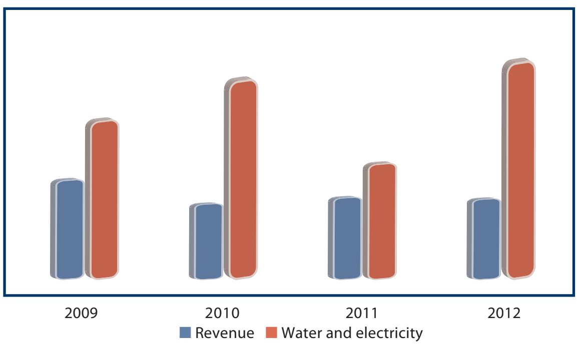
2012 – Opened two 80 bed mental healthcare units, Life St Josephs in Durban and Life Poortview in Johannesburg and the 43 bed Life Piet Retief Hospital. Acquired a 26% shareholding in Max Healthcare, one of the largest private hospital groups in India.

PERFORMANCE

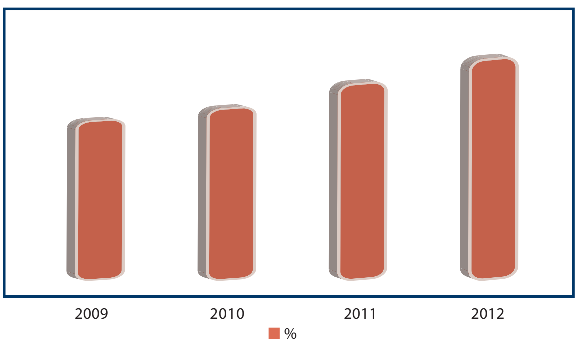
	2012	2011
Business performance and ratios		
Number of healthcare facilities	**63**	61
Number of beds (registered)	**8 227**	7 916
Number of acute facilities	**50**	51
Number of dedicated mental health facilities	**6**	4
Number of dedicated acute rehabilitation facilities	**7**	6
Paid patient days (PPDs)	**2 020 864**	1 903 951
Occupancy (%)	**71.2**	71.0
Length of stay (LOS) (days)	**3.45**	3.34
Number of Life Esidimeni facilities	**12**	12
Number of Life Esidimeni beds	**4 165**	4 165
Number of Life Esidimeni paid patient days (PPDs)	**1 500 000**	1 500 000
Number of Life Occupational Health clinics	**314**	307
Number of lives covered through the Life Occupational Health clinics	**192 000**	165 000
Quality metrics		
Patient satisfaction (%)	**98.4**	98.2
Net promoter score (%)	**95.7**	94.8
Clinical indicators		
– Ventilator associated pneumonia (VAP) (per 1 000 VAP days)	**4.02**	6.00
– Surgical site infections (SSI) (per 1 000 theatre cases)	**0.97**	1.09
– Central line associated bloodstream infections (CLABSI) (per 1 000 central lines)	**1.11**	1.15
– Catheter-related urinary tract infections (CAUTI) (per 1 000 catheter days)	**0.68**	0.95
Patient incident rate (per 1 000 PPDs)	**3.80**	4.17
Employee incident rate (per 200 000 labour hours)	**6.49**	7.10
Social performance		
Number of employees	**14 135**	14 297
Number of nurses enrolled in training	**1 250**	1 444
Black employees (%)	**66.4**	67.0
Environmental		
Electricity usage (kWh)[1]	**163 846 643**	168 328 736
Water usage (kilolitres)[1]	**1 529 890**	1 566 149
Medical waste generation (kilograms – '000)[1]	**3 028**	2 927

[1] *These figures are based on best estimates with the available information.*

Revenue increases vs water and electricity increases
%



Water and electricity as a % of revenue
%



SEVEN-YEAR REVIEW

for the year ended 30 September 2012

GROUP STATEMENTS OF COMPREHENSIVE INCOME

	Compound annual growth since 2006 %	**2012 R'm**	2011 R'm	2010 R'm	2009 R'm	2008 R'm	2007 R'm	2006 R'm
Continuing operations								
Revenue	12.3	**10 937**	9 812	8 786	7 930	6 943	6 146	5 452
Operating profit	21.6	**2 542**	2 173	1 867	1 555	1 546	1 008	788
Normalised EBITDA[1]	16.0	**2 907**	2 548	2 173	1 893	1 734	1 452	1 191
Net finance cost	(7.4)	**(215)**	(199)	(327)	(346)	(320)	(335)	(343)
Share of associates' net profit after tax	4.9	**85**	115	100	101	88	70	64
Profit before tax	29.6	**2 412**	2 089	1 640	1 310	1 315	744	509
Profit after tax from continuing operations	31.7	**1 743**	1 492	835	937	964	505	334
Discontinued operations								
Profit/(loss) from discontinued operations		**–**	–	–	–	34	31	(4)
Profit for the year	32.0	**1 743**	1 492	835	937	998	536	331
Attributable to:								
Ordinary equity holders of the parent	34.3	**1 495**	1 287	664	759	865	418	255
Non-controlling interest[2]	21.7	**247**	205	171	178	133	118	76
Normalised EBITDA[1]	16.0	**2 907**	2 548	2 173	1 893	1 734	1 452	1 191
Operating profit		**2 542**	2 173	1 867	1 555	1 614	1 080	806
Profit on sale of businesses		**(30)**	(5)	(10)	(1)	(153)	(9)	(12)
Additional payment on previously disposed business		**(2)**	–	–	–	–	–	–
Loss/(gain) on remeasuring of fair value of equity interest before business combination		**3**	(92)	–	–	–	–	–
Gain on bargain purchase		**(2)**	–	–	–	–	–	–
Profit on disposal of property		**(9)**	–	–	–	–	–	–
Depreciation on property, plant and equipment		**318**	299	263	223	239	262	241
Impairment of intangible assets		**–**	65	–	9	–	–	36
Amortisation of intangible assets[3]		**124**	110	122	123	125	119	119
Employee Trust accelerated charge[4]		**–**	–	36	–	–	–	–
Retirement benefit asset		**(42)**	(2)	(103)	(9)	(91)	–	–
Post-retirement medical aid		**5**	–	(3)	(7)	–	–	–

Notes

[1] *Life defines normalised EBITDA as operating profit plus depreciation, amortisation of intangibles, impairment of goodwill as well as excluding profit/loss on disposal of businesses/property and surpluses/deficits on retirement benefits.*

[2] *Non-controlling interest represents the shareholders without control interests in subsidiaries.*

[3] *Amortisation of intangibles arose on the intangible assets recognised during the leverage buy-out business combination in 2005, as well as the Midmed acquisition to subsidiary.*

[4] *The IPO constituted a liquidity event for the Employee Trust and the unamortised future cost of R36 million had to be recognised in terms of IFRS 2 during 2010.*

for the year ended 30 September 2012

GROUP STATEMENTS OF FINANCIAL POSITION

	2012 R'm	2011 R'm	2010 R'm	2009 R'm	2008 R'm	2007 R'm	2006 R'm
ASSETS							
Non-current assets							
Property, plant and equipment	**4 010**	3 753	3 258	2 905	2 585	2 769	2 631
Intangible assets	**2 181**	2 296	2 220	2 156	2 293	2 299	2 406
Retirement benefit asset[5]	**247**	205	203	100	89	–	–
Post-retirement medical aid benefit[5]	**73**	77	75	76	1	11	7
Other non-current assets	**1 260**	444	438	426	575	362	341
Total non-current assets	**7 771**	6 775	6 193	5 664	5 543	5 441	5 385
Current assets							
Inventories	**198**	193	185	166	144	140	134
Trade and other receivables	**1 041**	1 100	1 012	955	839	908	767
Cash and cash equivalents	**246**	400	482	101	412	517	275
Total current assets	**1 485**	1 693	1 679	1 223	1 396	1 566	1 176
Non-current assets held for sale	**–**	–	–	–	–	25	–
Total assets	**9 256**	8 468	7 872	6 887	6 939	7 032	6 561
EQUITY AND LIABILITIES							
Capital and reserves	**3 941**	3 518	2 849	2 320	1 813	915	406
Non-controlling interest	**937**	866	666	610	536	544	519
Total shareholders' equity	**4 878**	4 384	3 515	2 930	2 350	1 459	924
Non-current liabilities							
Interest-bearing borrowings	**1 929**	1 565	2 024	1 631	1 997	2 516	2 741
Deferred income tax liabilities	**352**	368	376	305	568	373	418
Preference shares	**–**	–	–	–	24	76	104
Post-retirement medical aid liability[5]	**68**	67	65	69	–	0	0
Other non-current liabilities	**96**	84	101	68	66	39	99
Total non-current liabilities	**2 445**	2 084	2 566	2 074	2 655	3 004	3 363
Current liabilities							
Trade and other payables	**1 239**	1 261	1 154	1 005	906	806	699
Current portion of interest-bearing borrowings	**460**	460	450	723	476	328	264
Shareholders' loans	**–**	–	–	–	313	1 005	1 001
Other current liabilities	**234**	279	187	155	241	429	310
Total current liabilities	**1 933**	2 000	1 790	1 883	1 935	2 568	2 273
Total equity and liabilities	**9 256**	8 468	7 872	6 887	6 939	7 032	6 561

Notes

[5] Post-retirement benefits

The Group operates a number of retirement benefit plans, but all new employees can only join either a defined contribution pension fund or a provident fund. New employees do have the option at inception to elect dual fund membership where their contribution is paid into the provident fund and the Company's contribution is paid into the defined contribution pension fund.

Surplus apportionment schemes on three of the five defined benefit pension funds have been approved, and consequently the surplus assets have been recognised on the statement of financial position. All the defined benefit pension funds are closed for new members.

In prior years up to 2008 the Group has disclosed the net assets for the post-retirement medical aid subsidy. This was done as it was the Group's intention to settle the liability with the participants of this benefit. However, due to the adverse market conditions at the time and requirements of the individual beneficiaries, it was not possible. Therefore the asset and liability are disclosed separately. The post-retirement medical aid subsidy is also closed for new members.

for the year ended 30 September 2012

GROUP STATEMENTS OF CASH FLOWS

	2012 R'm	2011 R'm	2010 R'm	2009 R'm	2008 R'm	2007 R'm	2006 R'm
Cash operating profit	**3 067**	2 567	2 284	2 050	1 860	1 617	1 320
Changes in working capital	**(25)**	(5)	(50)	(154)	4	(52)	29
Cash generated from operations	**3 042**	2 562	2 233	1 895	1 865	1 565	1 349
Income tax paid	**(748)**	(617)	(396)	(493)	(341)	(258)	(270)
Net cash inflow from operating activities	**2 294**	1 945	1 837	1 402	1 524	1 308	1 079
Net cash outflow from investing activities – investments to expand	**(1 312)**	(633)	(684)	(480)	(495)	(336)	(444)
Net cash outflow from investing activities – investments to maintain	**(105)**	(144)	(93)	(81)	(81)	(72)	(62)
Net cash inflow from investing activities – disposals	**63**	8	26	4	260	29	42
Net cash inflow from investing activities – other	**86**	81	55	91	12	22	79
Net cash outflow from financing activities	**(1 182)**	(1 378)	(788)	(1 249)	(1 296)	(708)	(691)
Net (decrease)/increase in cash and cash equivalents	**(156)**	(121)	354	(312)	(77)	242	4
Cash and cash equivalents – beginning of the year	**400**	482	101	412	517	275	271
Cash balances disposed of through disposal of joint venture	**–**	–	–	–	(28)	–	0
Cash balances acquired through business combination	**2**	39	27	2	–	–	–
Cash and cash equivalents – end of the year	**246**	400	482	101	412	517	275

for the year ended 30 September 2012

HOSPITAL BUSINESS PERFORMANCE AND METRICS

	Compound annual growth since 2006 %	**2012 R'm**	2011 R'm	2010 R'm	2009 R'm	2008 R'm	2007 R'm	2006 R'm
All the numbers reflected exclude associates								
Number of registered beds[6]	3.9	**8 227**	7 916	7 669	7 190	7 021	6 705	6 543
Paid patient days	5.1	**2 020 864**	1 903 951	1 806 730	1 761 964	1 693 925	1 613 934	1 501 974
Occupancy (%)[7]		**71.2**	71.0	69.6	71.6	69.8	69.7	68.3
Length of stay		**3.45**	3.34	3.27	3.20	3.12	3.06	3.04
Financial ratios								
Normalised EBITDA margin (%)		**26.6**	26.0	24.7	23.9	23.7	22.2	21.0
Tax rate excluding secondary tax on companies (%)		**26.7**	25.7	27.5	27.3	26.0	29.7	31.3
Effective tax rate (%)		**27.7**	28.6	49.1	28.4	26.9	32.1	34.9
Debtors days		**30**	31	33	36	34	37	37
Stock cover (days)		**25.5**	24.6	24.3	23.7	25.8	27.6	27.6
Quick ratio (:1)		**1.01**	1.10	1.25	1.05	0.96	0.70	0.58
Current ratio (:1)		**0.87**	0.97	1.11	0.91	0.86	0.64	0.52
Gearing net of cash (%)		**29.4**	25.3	33.3	42.6	42.7	54.1	69.5
Total debt (R'm)		**2 389**	2 024	2 475	2 354	2 473	2 844	3 005
Net debt (R'm)		**2 205**	1 624	1 992	2 252	2 061	2 327	2 730
Interest-bearing debt (R'm)[8]		**1 876**	1 478	1 900	1 800	1 911	2 258	2 478
Debt related to finance leases raised in terms of IAS 17[9]		**513**	546	574	554	563	586	527
Net debt:normalised EBITDA		**0.73**	0.64	0.92	1.19	1.19	1.60	2.29
Interest cover		**12.1**	10.9	5.7	4.5	4.8	3.0	2.2
Return on net assets (RONA) (%)		**45.6**	41.3	26.5	32.4	40.2	20.3	12.8

[6] *Life St Josephs, Life Piet Retief and Life Poortview opened in November 2011, December 2011 and May 2012 respectively. Life Grey Monument management agreement concluded during October 2011 and Life Birchmed was disposed of in March 2012. Life acquired the majority shareholding in Middelburg Hospital in August 2011. Life Beacon Bay Hospital and Life Orthopaedic Hospital opened in November 2009. Life also acquired Life Bay View Hospital in Mossel Bay in June 2010.*

[7] *Occupancy is measured based on the weighted number of available beds during the period and takes acquisitions and expansions during the year on a proportionate basis into account.*

[8] *The debt negotiated in 2005 was refinanced in May 2010 reducing interest costs, increasing flexibility in respect of future funding and extending the debt term.*

[9] *IAS 17 requires lessees at the commencement of the lease term to recognise finance leases as assets and liabilities in their statement of financial position at amounts equal to their fair value of the leased property.*

SHAREHOLDER RETURNS

	Compound annual growth since 2006 %	**2012**	2011	2010	2009	2008	2007	2006
Earnings per share (cents)	33.5	**143.9**	123.6	64.5	73.7	84.0	40.6	25.4
Diluted earnings per share (cents)	34.1	**143.7**	123.6	64.5	72.0	82.0	39.6	24.8
Headline earnings per share (cents)	30.2	**140.7**	119.5	63.5	74.5	71.1	39.6	28.8
Diluted headline earnings per share (cents)	30.8	**140.5**	119.5	63.5	72.7	69.4	38.6	28.1
Normalised earnings per share (cents)	33.5	**138.1**	119.3	92.7	73.5	64.9	39.9	24.4
Normalised earnings per share excluding amortisation (cents)	28.3	**146.6**	126.9	101.2	82.1	73.6	48.1	33.0
Weighted average number of shares in issue ('million)		**1 040**	1 042	1 030	1 030	1 030	1 030	1 003
Weighted average number of shares for diluted earnings per share ('million)		**1 041**	1 042	1 030	1 055	1 056	1 056	1 029
Total number of shares in issue ('million)		**1 042**	1 042	1 042	1 017	1 030	1 030	1 030
Distributions per share (cents)		**99.0**	60.0	50.8	25.6	–	–	–
Net asset value per share (cents)	45.9	**379.4**	337.5	273.3	228.2	176.1	88.8	39.4

for the year ended 30 September 2012

SHAREHOLDER RETURNS CONTINUED

	2012 R'm	2011 R'm	2010 R'm	2009 R'm	2008 R'm	2007 R'm	2006 R'm
Normalised earnings	**1 436**	1 243	954	756	668	411	245
Profit attributable to ordinary equity holders	**1 496**	1 287	664	759	865	418	255
Adjustments (net of tax):							
Retirement funds	**(27)**	(2)	(76)	(12)	(66)	–	–
STC on listing	**–**	–	322	–	–	–	–
Employee Trust accelerated charge	**–**	–	36	–	–	–	–
Listing cost	**–**	–	17	–	–	–	–
Profit on disposal of property	**(7)**	–	–	–	–	–	–
Loss/(gain) on remeasuring of fair value of equity interest before business combination	**3**	(92)	–	–	–	–	–
Gain on bargain purchase	**(2)**						
Impairment of intangible assets	**–**	54	–	–	–	–	–
Additional payment on previous disposed business	**(2)**	(4)	–	–	–	–	–
Excess of fair value over the purchase price	**–**	–	–	9	–	–	–
Profit on disposal of businesses	**(25)**	–	(9)	(1)	(131)	(8)	(10)

MARKET INDICATORS

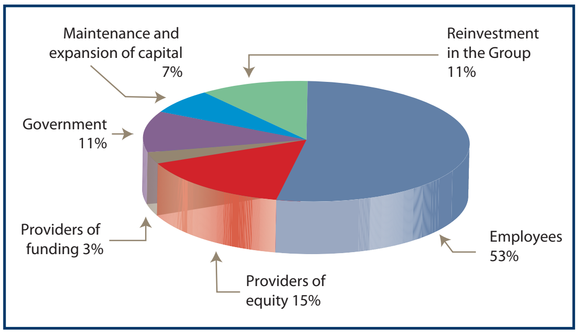
	2012	2011	2010	2009	2008	2007	2006
Market price – high (R) per share	**35.70**	19.30	14.59	n/a	n/a	n/a	n/a
Market price – low (R) per share	**18.50**	14.00	12.83	n/a	n/a	n/a	n/a
Market price – year-end (R) per share	**31.75**	19.30	14.44	n/a	n/a	n/a	n/a
Market capitalisation – year-end (R'm)	**33 090**	20 115	15 050	n/a	n/a	n/a	n/a
Number of shares traded ('million)[10]	**1 001**	1 100	n/a	n/a	n/a	n/a	n/a
Value of shares traded (R'm)[10]	**26 253**	18 130	n/a	n/a	n/a	n/a	n/a
Price-earnings ratio	**22.08**	15.62	22.39	n/a	n/a	n/a	n/a

[10] *Life listed on the JSE on 10 June 2010 and therefore a full year's volumes and value traded is not available for 2010.*

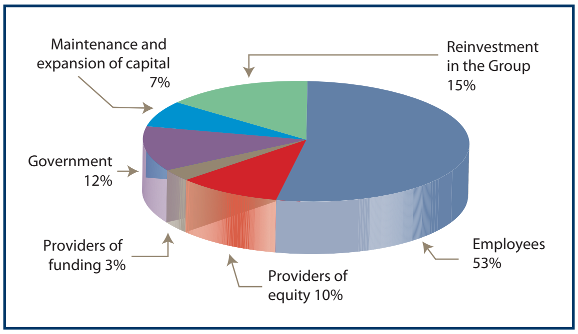
STATEMENT OF VALUE ADDED

	%	**30 September 2012 R'm**	%	30 September 2011 R'm
Revenue		**10 937**		9 812
Less: Purchased cost of goods and services		**(4 448)**		(4 082)
Value added	96.3	**6 489**	94.8	5 730
Other income	3.7	**247**	5.2	316
Wealth created	100.0	**6 736**	100.0	6 047
Employees	52.9	**3 562**	52.7	3 189
Providers of equity	15.3	**1 031**	10.3	625
Providers of funding	3.2	**216**	3.3	199
Government	11.5	**772**	11.4	688
Maintenance and expansion of capital	6.6	**443**	7.8	474
Reinvestment in the Group	10.6	**712**	14.4	871
Wealth distributed	100.0	**6 736**	100.0	6 047
Average number of employees		**14 361**		13 599
Wealth created per employee (R'000)		**469**		445
Weighted average number of shares ('million)		**1 040**		1 042
Wealth created per share (R)		**6.48**		5.81

Wealth distributed – 2012
%



Wealth distributed – 2011
%



LIFE HEALTHCARE AS AN INVESTMENT

STRONG MARKET POSITIONING IN A DEFENSIVE INDUSTRY

- One of three leading private hospital operators in an attractive South African healthcare market
- Market share of ± 27% of South African acute hospital beds
- Market leader in private mental healthcare and acute rehabilitation services
- Extensive geographic network of healthcare facilities
- Market leader for preferred provider agreements with medical schemes
- Own Life Esidimeni, largest healthcare PPP in South Africa
- Largest provider of contracted occupational healthcare
- Diversified into the fast growing Indian healthcare market through a 26% investment in Max Healthcare

see page 40

GOOD TRACK RECORD OF SHAREHOLDER WEALTH CREATION

- Solid track record of operational excellence
- High cash generation – cash generated as a percentage of EBITDA: 104.6%
- Low gearing – net debt to normalised EBITDA of 0.73
- CAGR of 16.0% for normalised EBITDA over seven years
- CAGR of 33.5% for normalised earnings per share (EPS) over seven years
- Strong cash distribution

see page 16

FOCUS ON IMPROVING EFFICIENCIES

- Occupancies increased from 68% to 71.2% over seven years including the addition of 1 684 beds
- Normalised EBITDA margin has increased from 21% to 26.6% over seven years
- An alternative pricing model strategy that enables improvement in margins through cost efficiencies

see page 43

GOOD GOVERNANCE

- Board structure has strong independent element
- Compliant with JSE Listings Requirements
- Substantial compliance with the King III Code

see pages 58 to 65

CLINICAL EXCELLENCE

- International quality certification and benchmarking selected practices against global clinical, nursing and health and safety best practices
- Track record of providing high quality, cost effective healthcare in South Africa

see pages 47 to 51

The goals of Life Healthcare are to continue providing high quality, cost effective healthcare in southern Africa, and to become a leading private hospital operator in other selected emerging markets with an initial focus on India and Africa.

These goals are encapsulated in our three key focus areas: growth, efficiency and sustainability. In order to achieve these goals, Life Healthcare seeks to implement the following key strategies:

DEVELOP THE BREADTH AND DEPTH OF LIFE HEALTHCARE'S EXISTING SOUTHERN AFRICAN HOSPITAL NETWORK

Life Healthcare has detailed plans to grow the capacity of its existing facilities to meet increased demand and enhance the profitability and competitiveness of these facilities. These plans are centred on:

- expanding facilities within existing hospitals through adding additional beds, wards and/or operating theatres; and
- adding new lines of business to existing hospitals. Life Healthcare intends to introduce new services and disciplines at selected hospitals where there is the opportunity to create niches. In particular, the new lines of business will focus on mental healthcare, acute rehabilitation and renal dialysis.

see page 41

EXPAND OUR COVERAGE AND PENETRATION OF THE SOUTHERN AFRICAN MARKET

Life Healthcare plans to expand the geographic reach of its coverage within southern Africa in the acute hospital care, mental healthcare, acute rehabilitation and renal dialysis sectors to meet the increasing demand for private healthcare simultaneously improving its national network and increasing its attractiveness in negotiating preferred network arrangements with medical schemes. This expansion of our geographic footprint will occur through:

- acquisition of select facilities which complement our existing geographic spread of hospitals; and
- building of new facilities where we have no existing coverage.

see pages 41 to 42

CONTINUE TO EXPAND OUR OPERATIONS IN SELECT EMERGING MARKETS

Life Healthcare's international expansion is focused on selected attractive emerging markets which display the following characteristics:

- a rapidly growing middle class;
- increasing disease burden;
- underdeveloped public sector healthcare systems;
- an expanding private health insurance market;
- a rapidly growing but fragmented private hospital sector; and
- a suitable supply of medical professionals and personnel.

Life Healthcare believes that emerging markets such as India and selected countries on the African continent offer opportunities for us to leverage our skills, systems and experience.

see page 42

Our three key strategic focus areas are...

1 Growth

Develop the breadth and depth of Life Healthcare's existing southern African hospital network

Expand our coverage and penetration of the southern African market

Continue to expand our operations in select emerging markets

2 Efficiency

Continue to enhance operational efficiencies

3 Sustainability

Maintain Life Healthcare's commitment to world-class healthcare

Implement sustainable human capital strategies and practices that meet the challenges of a dynamic commercial and legislative environment

Ongoing partnership with government and engagement in healthcare reform in South Africa

CONTINUE TO ENHANCE OPERATIONAL EFFICIENCIES

Life Healthcare will continue to focus on the improved management of all hospital costs. Our alternative reimbursement model (ARM) and cost efficiency align our incentives with medical schemes. The Group will, however, continue to explore alternative healthcare delivery models and take advantage of additional patient growth to leverage our fixed cost base and continue to improve occupancy and margins.

see page 44

MAINTAIN LIFE HEALTHCARE'S COMMITMENT TO WORLD-CLASS HEALTHCARE

Life Healthcare believes it delivers world-class, high quality healthcare comparable to private healthcare available at hospitals in developed economies. Life Healthcare aims to maintain this commitment to world-class healthcare by continued improvements in quality benchmarks, including patient satisfaction, clinical outcomes, patient health and safety and employee health and safety.

see page 47

IMPLEMENT SUSTAINABLE HUMAN CAPITAL STRATEGIES AND PRACTICES THAT MEET THE CHALLENGES OF A DYNAMIC COMMERCIAL AND LEGISLATIVE ENVIRONMENT

Life Healthcare acknowledges the need to have a trained and skilled workforce and continues to make a considerable investment in education, training and development to create competent and motivated employees who are able to deliver quality services. Life Healthcare recognises that the shortage of critical skills globally, particularly in healthcare, makes retention, development and motivation of employees a priority. In addition, to meet the growth needs of the Company and the healthcare requirements of the country, the training of additional doctors is required. Life Healthcare will continue to invest in the training of doctors and other healthcare personnel.

see page 52

ONGOING PARTNERSHIP WITH GOVERNMENT AND ENGAGEMENT IN HEALTHCARE REFORM IN SOUTH AFRICA

Life Healthcare will continue to actively engage with the South African government in the development of healthcare policy and proposed healthcare reforms. Life Healthcare plans to leverage its position as the largest public private partnership provider of healthcare to seek future opportunities to provide services to government.

see page 26

Prof GJ (Jakes) Gerwel (66)
Chairman
South African – BA (Hons), LicGermPhil, DLitt et Phil

Professor Jakes Gerwel gained his degrees in South Africa and Belgium, and has received honorary doctorates from numerous local and foreign universities. He was vice-chancellor and rector of the University of the Western Cape from 1987 to 1994, after which he served as director-general in the Office of the President for five years and as secretary of the cabinet in the government of national unity. Professor Gerwel is non-executive chairman of Aurecon Singapore (Pte) Limited, Media 24 and Brimstone. He chairs the boards of trustees of the Nelson Mandela Foundation, the Mandela Rhodes Foundation and is vice-chairman of the Peace Parks Foundation. He was appointed to the Life Healthcare board of directors in 2003.

CMD (Michael) Flemming (55)
Chief executive officer
South African – BCom, BJur, BProc, AMP (Harvard)

Michael Flemming joined African Oxygen Limited (Afrox) in 1985 and transferred to its healthcare division in 1994. He has held several senior finance and line management positions with both Afrox and Afrox Healthcare. He managed the business finance function and then moved into managing a 300 bed hospital. A year later he was promoted to regional manager and shortly thereafter to general manager. In 2001, he was appointed managing director of Afrox Healthcare, which became Life Healthcare in 2005 where he is now CEO.

RJ (Roger) Hogarth (58)
Chief financial officer
South African – BAcc (Wits), CA(SA)

After qualifying as a chartered accountant, Roger Hogarth joined Afrox in 1980. He has a wealth of experience in tax, accounting, systems and financing in both the industrial and healthcare businesses. He was manager corporate finance for Afrox, before transferring to Afrox Healthcare as general manager finance and administration in August 2004. He was appointed to the board of directors in 2007.

MA (Mustaq) Brey (58)
Non-executive director
South African – BCompt (Hons), CA(SA)

Mustaq Brey is a founder member and chief executive officer of Brimstone. He is a chartered accountant and currently serves on the boards of Oceana Fishing Group Limited, the Scientific Group, Lion of Africa Insurance Company Limited and Nedbank Limited. He serves on the audit committee of the Mandela Rhodes Foundation and chairs the capital and risk committee for Nedbank. He was appointed to the Life Healthcare board of directors in 2003.

Adv F (Fran) du Plessis (57)
Independent non-executive director
South African – BCom, LLB, CA(SA), BCom (Hons) (Taxation)

Adv Fran du Plessis is an advocate of the High Court of South Africa. She holds a number of current board positions, namely Sanlam, Naspers and ArcelorMittal. Fran has previously held non-executive directorships at SAA and Industrial Development Corporation of South Africa Limited. Fran is a chartered accountant and has worked extensively in both commercial and academic settings. She is a director of the auditing firm LDP Incorporated in Stellenbosch and an ad hoc lecturer in the department of accounting at the University of Stellenbosch, where she lectures the Masters degree in Taxation. She was appointed to the Life Healthcare board of directors in 2010.

PJ (Peter) Golesworthy (54)
Independent non-executive director
British – BA (Hons) (first class), Accountancy Studies, CA

Peter Golesworthy graduated from Exeter University in the UK and qualified as a chartered accountant with the Institute of Chartered Accountants of Scotland. He currently serves as a director of a number of private companies and as a member of various investment committees of certain Old Mutual businesses. He was previously the finance director of Old Mutual (South Africa), and prior to joining Old Mutual was a finance manager in the Corporate & International Finance Department of Anglo American Corporation of South Africa Limited. He was appointed to the Life Healthcare board of directors in 2010.

K (Ketso) Gordhan (51)
Independent non-executive director
South African – BA, MPhil (University of Sussex)

Ketso Gordhan is currently consulting to the Office of the President. Up until recently he was head of the private equity division of Rand Merchant Bank. Ketso held various senior roles in the FirstRand Group between 2001 and 2009. His prior experience includes that of director-general of the Department of Transport, a member of the ANC´s Department of Economic Policy and a national election manager. Ketso has held non-executive directorships in the FirstRand Group including the Momentum Group. In an academic role, Ketso is a senior visiting fellow at the Wharton Business School, University of Pennsylvania. He was appointed to the Life Healthcare board of directors in 2010.

LM (Louisa) Mojela (56)
Independent non-executive director
South African – BCom

Louisa Mojela is group CEO of WIPHOLD of which she is a founder member. She holds non-executive directorships, inter alia in ABB SA, Adcorp Holdings, Distell Group, Lesotho Pension Fund, Afrisun Gauteng, Afrisun Leisure, Emfuleni Resorts and USB-ED United. She previously held positions at the Lesotho National Development Corporation, Development Bank of Southern Africa and Standard Corporate and Merchant Bank. She was appointed to the Life Healthcare board of directors in 2010.

TS (Trevor) Munday (63)
Lead independent non-executive director
South African – BCom

Trevor Munday completed his BCom at the University of Natal, and served in several commercial, financial and accounting roles in his formative years, both locally and overseas. He was appointed chief executive of Polifin Limited in 1996. In 2001, he was appointed as executive director and chief financial officer of Sasol Limited. He later served as deputy CEO of Sasol prior to his retirement in 2006. He serves as a non-executive director on the boards of several JSE-listed companies including Absa Group Limited, Reunert Limited and Illovo Sugar Limited. He was appointed to the Life Healthcare board of directors in 2010.

JK (Joel) Netshitenzhe (55)
Independent non-executive director
South African – MSC (University of London), Postgraduate Diploma in Economic Principles, Diploma in Political Science

Joel Netshitenzhe is the Executive Director and Board Vice-Chairman of the Mapungubwe Institute for Strategic Reflection (MISTRA), an independent research institute dealing with strategic issues facing South Africa. Joel is a member of the National Planning Commission and the ANC National Executive Committee. Joel serves as a non-executive director on the boards of Nedbank Group and CEEFAfrica (a section 21 company dealing with tertiary education opportunities). He is also a programme pioneer of the Nelson Mandela – Champion Within Programme which is run by the Nelson Mandela Foundation and Life College Association. Before joining the Government Communication and Information System (GCIS) as CEO in 1998, he was head of communication in President Nelson Mandela´s office. In addition to being GCIS CEO, he was appointed head of the Policy Co-ordination and Advisory Services (PCAS) in the presidency, in 2001. He headed the PCAS on a full-time basis from 2006 until his retirement in 2009. Prior to 1994, he served in various capacities within the ANC: Radio Freedom, Mayibuye editor, member of the ANC Politico-Military Council and deputy head of the Department of Information and Publicity, and as part of the ANC negotiating team. He was appointed to the Life Healthcare board of directors in 2010.

Dr MP (Peter) Ngatane (58)
Independent non-executive director
South African – BSc, MBChB, FCOG

Dr Peter Ngatane is a specialist obstetrician and gynaecologist. He has served as a consultant obstetrician and gynaecologist, as well as superintendent of the Chris Hani Baragwanath Hospital. He also served as the head of obstetrics and gynaecology at Natalspruit Hospital. He is currently in private practice. Dr Peter serves on the boards of Boxing South Africa (BSA), the World Boxing Council based in Mexico and is the vice-president of the African Boxing Union based in Tunisia. He serves as treasurer for the International Planned Parenthood Federation in Nairobi and is a trustee of the Commonwealth Boxing Council based in London. He was appointed to the Life Healthcare board of directors in 2007.

GC (Garth) Solomon (46)
Independent non-executive director
South African – BCom, BCompt (Hons), CA(SA)

Garth Solomon graduated from the University of Cape Town and qualified as a chartered accountant while completing articles with Deloitte & Touche. Thereafter he served in various commercial and corporate finance roles with the South African Revenue Service, Group Five Properties and African Harvest Limited before joining Old Mutual Private Equity in 2003. He is currently head of Old Mutual Private Equity and in this capacity serves on the boards of the Tourvest Group Proprietary Limited and Liberty Star Consumer Holdings Proprietary Limited. Garth was appointed to the Life Healthcare board of directors in 2005.

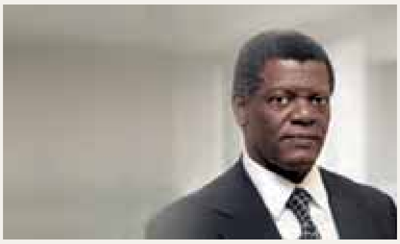
BOARD OF DIRECTORS continued

Above column top to bottom:

Prof GJ (Jakes) Gerwel

RJ (Roger) Hogarth

JK (Joel) Netshitenzhe



Above column top to bottom:

CMD (Michael) Flemming

MA (Mustaq) Brey

Adv F (Fran) du Plessis

LM (Louisa) Mojela

TS (Trevor) Munday

Dr MP (Peter) Ngatane

Above column top to bottom:

PJ (Peter) Golesworthy

K (Ketso) Gordhan

GC (Garth) Solomon

EXECUTIVE MANAGEMENT

Michael Flemming (55)
Chief executive officer
BCom, BJur, BProc, AMP (Harvard)
28 years´ service

Michael Flemming joined African Oxygen Limited (Afrox) in 1985 and transferred to its healthcare division in 1994. He has held several senior finance and line management positions with both Afrox and Afrox Healthcare. He managed the business finance function and then moved into managing a 300 bed hospital. A year later he was promoted to regional manager and shortly thereafter to general manager. In 2001, he was appointed managing director of Afrox Healthcare, which became Life Healthcare in 2005 where he is now CEO.

Roger Hogarth (58)
Chief financial officer
BAcc (Wits), CA(SA)
32 years´ service

After qualifying as a chartered accountant, Roger Hogarth joined Afrox in 1980. He has a wealth of experience in tax, accounting, systems and financing in both the industrial and healthcare businesses. He was manager corporate finance for Afrox, before transferring to Afrox Healthcare as general manager finance and administration in August 2004. He was appointed to the board of directors in 2007.

Lourens Bekker (53)
Chief operating executive – inland
Hons Industrial Psychology
18 years´ service

Lourens Bekker has been with the Group since 1994 and has held various positions at hospital level and national level including group HR manager, integration manager and regional hospital manager. He was appointed chief operating executive (COE) inland region in December 2011 and also bears responsibility for the Group's engineering division.

Colin Davidson (55)
Group information management executive
12 years´ service

Colin Davidson spent more than 20 years in the IT consulting industry before joining the Group as manager of healthcare information management. He was appointed to his current position in 2002 and is responsible for information management strategy, national patient services and delivery to all lines of business.

Janette Joubert (52)
Group pharmacy and procurement executive
DipPharm
28 years´ service

Janette Joubert joined the Group in 1984 and has gained a wealth of knowledge and wide experience in the healthcare industry through the various positions she has held including operations manager, national operations manager and national pharmacy practice manager. She was appointed to her current position in 2010. Her responsibilities include pharmacy operations and professional and legal practice, group procurement and pharmaceutical procurement.

Jonathan Lowick (42)
Group strategy and development executive
BCom, HDip (Acc), CA(SA), Advanced Cert in Taxation
15 years´ service

Jonathan Lowick has been with the Group since 1997, and has gained wide experience through the various positions he has held at head office and in hospital operations, including finance and administration, patient services and funder relations. His last position before his appointment to the executive in April 2009 was that of regional hospital manager: Cape Region. In his current position, Jonathan is also responsible for strategy, product development, funding and health policy.

Fazila Patel (44)
Company secretary
BA, LLB, Cert Programme in Corporate Governance
6 years´ service

Fazila Patel gained extensive experience as legal adviser for the Greater Johannesburg Metropolitan Council before joining City Power as general manager legal services in 2001. In this position she managed the legal department and was company secretary. She was appointed as company secretary at Life Healthcare in August 2006.

From left:
Michael Flemming, Roger Hogarth, Lourens Bekker, Colin Davidson, Janette Joubert, Jonathan Lowick, Fazila Patel

Dr Nilesh Patel (43)
Chief operating executive – healthcare services
MBCBh, MPhil (cum laude)
13 years´ service

Dr Nilesh Patel graduated from Wits Medical School in 1992 and after his internship at Groote Schuur Hospital, worked in the Geriatrics Unit at UCT reviewing the manner in which services for patients with acute stroke were arranged. This work led to the establishment of the Groote Schuur Stroke Unit in 1997 and his interest in health systems and outcomes management in patients with functional impairment. During this time he completed his Masters in Epidemiology and Biostatistics at the UCT Department of Community Health. Thereafter he established the first outcomes driven acute rehabilitation unit in SA at the Life Brenthurst Clinic in 1997. In 1999 he joined the Group as national rehabilitation manager and coordinated the establishment of a network of acute rehabilitation units throughout SA. In 2007 he was appointed as the managing director of Life Esidimeni until his appointment to his current position in 2009. He is responsible for the Healthcare Services portfolio which includes the Life Esidimeni and Life Occupational Health business units and is also responsible for the Group´s quality management and clinical product management support functions (rehabilitation, mental health and renal dialysis).

Denis Scheublé (58)
Chief operating executive – coastal
Advanced Diploma in Personnel Management (IPM), DipPharm, Certificate in Labour Relations (Unisa SBL)
29 years´ service

Denis Scheublé joined the Group in 1983 in human resources, specialising in national, high level recruitment, resource development and placement. He moved to the healthcare division in 1992 and held a number of hospital management positions before being appointed regional manager – east region in 2000. Denis assumed responsibility for the Group´s hospitals in the coastal region in 2010. He is also responsible for the Group's marketing division. He serves on the boards of a number of associates.

Peter Scott (48)
Group human resources executive
BA
10 years´ service

Peter Scott heads the human resources and corporate communication divisions. His experience in human resources has spanned several years in a corporate and consulting environment with organisations that included Accenture Proprietary Limited, Standard Bank Limited and CNA Limited. Prior to his current position, which he has held since 2002, Peter was human resources director at CNA.

Dr Sharon Vasuthevan (53)
Group nursing executive
BCur, BCur Honours, MSc, PhD
11 years´ service

Dr Sharon Vasuthevan joined the Group in 2001 as national training and development manager, a position she held until her appointment to the executive in 2010. She is currently responsible for the national nursing function as well as for the Life College of Learning. Sharon serves on various committees and societies and is currently president of the Nursing Education Association (NEA); chairperson of the Hospital Association of South Africa (HASA) nursing committee; and a member of the Advisory Council for Monash University, School of Health Sciences. She also serves on the South African Nursing Council (SANC) and on the SANC´s education accreditation and human resources sub-committees and is chairperson of the SANC´s education committee.

From left:
Dr Nilesh Patel, Denis Scheublé, Peter Scott, Dr Sharon Vasuthevan

Adam Pyle (46) Resigned
Group marketing executive
BCom, LLB
8 years´ service

Adam Pyle´s responsibilities included investor relations, health policy, funder relations, marketing, product development, national patient services and communications. He has worked in the healthcare industry for several years and was previously marketing director at HealthBridge. He is now contracted in an investor relations role for the Company.

Dr Keith Shongwe (49) Resigned
Group health policy executive
BSc, MBChB, Dip Ed
2 years and 6 months' service

Dr Keith Shongwe has extensive clinical, business, as well as government experience. Before his appointment to the Life Healthcare executive management team in January 2010, he held the position of deputy director-general in the Department of Communications. His responsibilities at Life included matters relating to the healthcare regulatory environment, health research and economics, government relations and strategy.

Chris Redfern (64) Retired
Chief operating executive – inland
41 years´ service

Chris Redfern joined Afrox in 1971, transferring to the hospital division in 1987, and worked in hospital management before assuming this position in 2002. He was responsible for the Group´s inland hospitals prior to his retirement.

Continuing to deliver

Prof Jakes Gerwel
Chairman

Life Healthcare is committed to delivering world-class healthcare through our facilities, strong growth to our shareholders and playing a constructive role in supporting government in its efforts to expand access to quality healthcare services. Through our 2012 financial report, we aim to provide our stakeholders with an overview of our financial, operational, environmental and social performance and impact.

INCREASING RETURNS FOR SHAREHOLDERS

Life Healthcare again delivered a solid performance during 2012, continuing to deliver on our commitments in terms of our three strategic objectives: growth, efficiency and sustainability.

The Group provides world-class acute care, high technology, private hospital services predominantly to the medically insured population in South Africa. We also continue to show that public private partnerships (PPPs) such as Life Esidimeni can improve access to critical health services, including hospital care, for many more South Africans. Our foreign shareholding increased from 27% to 50% during the year under review, demonstrating continued confidence in our business model, local market fundamentals, as well as growth prospects.

At our listing in 2010, we set our sights on expanding our international footprint in select emerging markets which had an increasing demand for private hospital services and where we believed we could leverage our skills.

Our R823 million purchase of a 26% stake in Max Healthcare (MHC) is a first step in this international expansion. MHC is India's third largest hospital group and is a subsidiary of Max India, a multi-business corporate with interests in life insurance, healthcare and health insurance. Max India is listed on the BSE and NSE.

This acquisition represents an exciting opportunity for us in one of the world's fastest growing private healthcare markets.

REGULATORY ENVIRONMENT

Through government's 10-point plan, the strategic programme aimed at improving public hospital infrastructure, human resources management, as well as procurement, the groundwork is being laid for the implementation of a National Health Insurance (NHI) scheme. The government proposes that NHI will be phased in over 14 years with R1 billion being earmarked for its pilot projects in the 2012/2013 financial year.

Life Healthcare continues to actively engage with the South African government in the development of healthcare policy and proposed healthcare reforms.

We believe NHI presents numerous opportunities for Life Healthcare, which has partnered government to deliver quality public health services to thousands of patients through PPPs. It is encouraging that our PPP contract at the Conradie Care Centre was extended for a further five years. During the past year we submitted detailed responses to the NHI green paper to the Department of Health and await clarity in terms of next steps. We continue to contribute to training and educating healthcare professionals through the Life College of Learning. Increasing the number of healthcare professionals is a critical element in the success of NHI. In the past year an additional 928 nurses were trained at our Life College of Learning and a further 1 250 are currently in training. We have also committed R78 million over six years for the training of specialists through the Colleges of Medicine of South Africa.

Our approach is to promote an operating environment that encourages competition between healthcare providers and allows for innovative funding mechanisms to make healthcare as affordable as possible for more South Africans. In recent years we have seen the success of our alternative reimbursement model (ARM) through our market leadership in preferred provider network agreements.

With healthcare costs taking centre stage in the healthcare sector, we welcome the proposed inquiry by the Competition Commission into prices in the private healthcare sector. We believe a thorough, holistic investigation into the drivers as well as international comparisons and benchmarking will show that our prices are not out of line, especially in relation to the quality of care our facilities are able to offer patients. In order to be truly useful, such an inquiry would need to look at the full ambit of cost drivers in the healthcare sector, consider factors such as the growing burden of disease and ageing, the increased utilisation of private hospitals and the restrictions around employment of doctors.

It is clear that other new strategies are needed to make healthcare more affordable and accessible. National Treasury's proposed amendments to taxation laws to reform the current medical deduction allowances by replacing them with medical tax credits will benefit medical scheme members with a taxable income of under R150 000 – nearly half of all medical scheme members.

We believe this will increase the affordability of private healthcare at the low-income end of the market and there would be potential to extend this concept to people below the tax threshold.

The establishment of the Office of Health Standards Compliance through the National Health Amendment Bill of 2011 will provide core standards to measure and address the poor condition of public sector hospitals – another vital step towards the introduction of NHI. Standards have also been published for the private sector and we will look to engage government in terms of how these will be regulated in future.

TRANSFORMATION AND COMMITMENT TO COMMUNITIES

We are committed to sustainable transformation and have aligned ourselves with the Codes of Practice under the Broad-Based Black Economic Empowerment (B-BBEE) Act. It is pleasing to note that our staff profile continues to reflect the demographics of the country. Historically disadvantaged individuals account for 67% of employees.

Employment equity targets are set and managed on a national basis in consultation with executive management and the national employment and training committee, with oversight by the board's social, ethics and transformation committee.

Our well-established Corporate Social Investment (CSI) programme continues to focus on health and education, particularly in assisting disadvantaged communities. Projects include providing surgery for indigent patients, community outreach initiatives and the sponsorship of mobile clinics to serve disadvantaged rural areas.

GOVERNANCE AND SUSTAINABILITY

The private hospital sector is pivotal in meeting the rising demand for healthcare in our country. The challenge remains to ensure that we are able to integrate sustainability into our business strategy and practice. We continue to focus on developing a framework for sustainable development, ensuring compliance with the key requirements of regulations such as the King III Code, the Listings Requirements of the JSE Limited and the Companies Act of 2008. The board strives to provide strong leadership, strategic direction and a productive environment that can sustain the delivery of value to our shareholders and other stakeholders.

CHANGES TO THE BOARD

There were no changes to the board during the period under review.

PROSPECTS

Life Healthcare continues to focus on growing in the South African market through the development of new lines of business, organic growth as well as appropriate acquisitions. There remain numerous opportunities for the development of more integrated models of healthcare delivery to service untapped markets, as well as partnering with government to provide critical health services, including hospital care.

Internationally, our purchase of a stake in Max Healthcare provides a stepping stone to grow our business into new markets. Our partnership model enables us to extract synergies and leverage our experience and skills alongside an established management team. We will look to bed down the arrangements and focus on growing this investment in the year ahead.

APPRECIATION

In closing I would like to thank my colleagues on the board for their valuable input and guidance, our CEO, Michael Flemming, his management team, all employees of the Group and the doctors who practice at our facilities whose dedication and hard work throughout the year has enabled us to deliver a strong set of results. Given the skills and dedication of the Life Healthcare team, I am confident that the Company is well placed to continue to deliver its strategic objectives.

On behalf of the board, I look forward to another successful year ahead.

Jakes Gerwel
Chairman

A world of opportunity

Michael Flemming
Chief executive officer

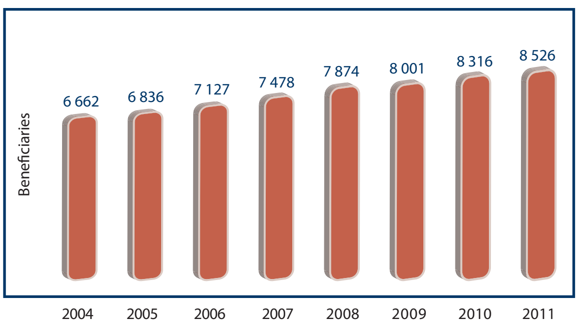
Life Healthcare's performance over the past year reflects good revenue growth and healthy profit conversion.

Revenue increased by 11.5% to R10 937 million (2011: R9 812 million), while Group operating profit was up 17.0% to R2 542 million (2011: R2 173 million).

OPERATING ENVIRONMENT

The number of people demanding private healthcare continued to rise as more South Africans joined the ranks of the middle class. Medical scheme membership grew 2.5% during 2011 to 8.5 million members, a 22% increase since 2004.

Beneficiaries of private healthcare schemes



Source: Council for Medical Schemes

Hospital utilisation was also driven by a persistently high burden of disease – as more people adopt a Western lifestyle, non-communicable diseases such as heart disease, cancer and diabetes become more common. High incidents of communicable diseases such as tuberculosis and pneumonia also increased utilisation, along with an ageing population and fast-changing medical technology.

We believe doctors have a role in managing costs. This is why we have over a number of years driven the change in our pricing model from fee for service to a risk sharing reimbursement model. Our revenue per day rose 5.1% – in line with general inflation – and we continue to look for ways to improve efficiencies while growing our business in a sustainable way.

The Group believes that the delivery of healthcare is best done working with our doctors. The inclusion of doctors as minority shareholders at local (regional or hospital) level is part of aligning interests and forms part of the Group's strategy. At 30 September 2012 doctors held a non-controlling interest in 52% (2011: 52%) of the registered beds.

FOCUS ON GROWTH

We have sought to grow the number of beds across the Group by expanding capacity at existing facilities; introducing new lines of business and building new facilities. In addition, we have looked to expand our business internationally, focusing on an emerging market strategy with a particular focus on India and Africa, resulting in our first venture into India.

Hospital division

Revenue for this division was up 11.5% to R10 185 million (2011: R9 136 million). The total number of new registered beds added during 2012 in southern Africa was 311, bringing our registered bed total to 8 227 (excluding associates). Capital expenditure was R593 million, with R840 million on acquisitions, giving a total of R1 433 million.

Acute hospitals

Our proposed increase in shareholding in Joint Medical Holdings (JMH) from 49% to 65% resulted in a hearing at the Competition Tribunal. The Competition Tribunal unconditionally approved the increase in shareholding despite the Competition Commission's recommendation that the deal be prohibited. JMH has five hospitals in Durban with 539 registered beds. We are reviewing discussions with the JMH board.

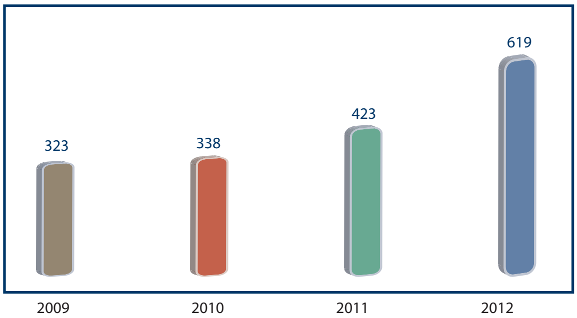
Acute mental healthcare

We continue to experience high demand for mental health services. Some of our hospitals, such as Life St Joseph, experienced occupancies of nearly 90%. We also opened the Life Poortview mental healthcare facility, bringing the total number of mental healthcare beds in the Life Healthcare Group to 364 across the country.

Acute rehabilitation

As a business, acute rehabilitation is well positioned as demand for specialised acute rehabilitation programmes continues to grow. We now have 255 beds in dedicated acute rehabilitation units in five provinces.

Combined mental health and acute rehabilitation bed growth
Beds



Renal dialysis

There are currently seven renal dialysis units located in Gauteng, the Eastern and Western Cape and KwaZulu-Natal. We aim to expand our footprint in this niche market in order to widen access to and meet the growing demand for private acute and chronic renal dialysis. We are currently developing several facilities which are expected to open early in 2013. This will bring the total number of chronic renal dialysis units operated by Life Healthcare to 17. We also aim to increase the acute dialysis footprint from seven to 30 hospitals.

Healthcare services division

Life Esidimeni

A key five-year contract in our joint venture with government through Life Esidimeni was renewed at the Conradie Care Centre in Pinelands, Cape Town. Life Esidimeni has over 1.4 million PPDs annually, offering 4 165 beds and providing services across the fields of chronic mental healthcare, frail care and acute care in five provinces.

Occupational Health

Life Occupational Health experienced good growth in 2012, increasing the number of sites to 314 (2011: 307) and the number of lives covered to 192 000 (2011: 165 000). This growth has been driven by acquiring new clients and through the selling of new products within the existing client base.

International expansion

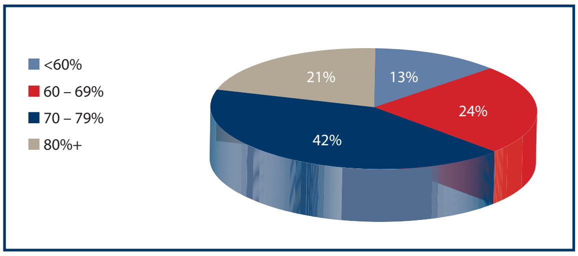
We finalised our R823 million acquisition of a 26% shareholding in Max Healthcare (MHC), a leading hospital chain in Delhi with a strong brand and reputation. MHC is a subsidiary of Max India, a multi-business corporate with interests in life insurance, healthcare and health insurance. Max India is listed on the BSE and NSE. As a strong strategic partner, we hope to add value to this investment by leveraging our skills and experience to help MHC grow profitably in India's highly fragmented and fast growing healthcare market.

To assist with the integration plan we seconded a regional manager to MHC. The current management structure within Life Healthcare has the capacity to support this. We have also exchanged visits with finance, systems, procurement, nursing and business efficiency management teams. Our agreement with MHC allows the opportunity of increasing our stake to 50% in 2014/2015 should certain minimum performance criteria be met.

EXTRACTING EFFICIENCIES

While the Group increased its active beds, bed occupancies were maintained at 71.2% (2011: 71.0%). Life Healthcare has for a number of years had a strategic programme to improve occupancies in under-performing units. We have used a variety of strategies including the addition of doctors, re-positioning units, investing capex, having hospital specific plans and entering into network deals to reduce those hospitals with occupancy levels of less than 70%. There has been a significant improvement in our occupancies over the last five years with beds having an occupancy of 70% or more increasing from 44% of beds in 2007 to 62% in 2012.

2012: Bed occupancy split



To fulfil our strategic objective of improving efficiency across the Group, we continued to focus on cost of sales management. Our Alternative Reimbursement Model (ARM) incentivises Life Healthcare to focus on procurement costs which results in lower hospital costs for funders. Our continuous focus on strong procurement, backed by analysis, benchmarking and improved product utilisation, meant we experienced lower procurement costs which contributed 0.3% to the increase in the EBITDA (earnings before interest, depreciation and amortisation) margin.

Administratively we continued to drive efficiencies through our five-year Impilo, patient-centric system. This focuses on driving standardisation, reducing administrative costs and building economies of scale. It also provides a platform for accurate clinical coding and enables the more effective management of risk in a complex funder environment through proactive case management.

With regard to the MHC acquisition, the Indian hospital group will leverage off Life Healthcare's processes, systems and operating model. The integration team is working to improve efficiency by using management information systems and financial reporting, leveraging our best practices in supply chain management; focusing on staff rationalisation by using our nursing model benchmarks, and using our hospital governance structure and expertise to develop a robust structure. In turn, we are investigating the use of an electronic patient record system utilised by MHC as well as procurement and training opportunities.

ENSURING SUSTAINABILITY

Quality

In 2012 we have seen an improvement in our patient satisfaction scores, a reduction in both the patient and employee incident rates and an improvement in our clinical outcomes resulting in a reduction in our healthcare associated infections (HAI) and in our Acute Myocardial Infarction (AMI) mortality rate.

We are into the third year of measuring the AMI bundle at our 12 hospitals with cardiac facilities and have rolled out this bundle to a further 16 feeder hospitals. In addition, we launched the Venous Thromboembolism (VTE) bundle, focusing on managing Deep Vein Thrombosis and Pulmonary Embolism.

We are also implementing a Patient Reported Outcome Measures programme which measures quality from the patient perspective, initially covering hip and knee replacements. The Vermont Oxford Network programme, a voluntary initiative which seeks to improve the effectiveness and efficiency of medical care for newborn infants and their families through a coordinated programme of research, education and quality-improvement projects, is being piloted in the Neonatal ICU units of four hospitals.

Human capital

Our management and staff remain an integral part of our success. In this regard an important part of our retention strategy is our long-term incentive plan (LTIP) and the employee share plan (ESP). Both the LTIP and the ESP focus on long-term measures, allow managers and staff to share

Clinical indicators	Hospital indicator compliance*	**Clinical indicator outcome 2012**	Clinical indicator outcome 2011	**Measure**
Ventilator associated pneumonia (VAP)	96%	**4.02**	6.00	Per 1 000 VAP days
Surgical site infections (SSI)	93%	**0.97**	1.09	Per 1 000 theatre cases
Central line associated bloodstream infections (CLABSI)	92%	**1.11**	1.15	Per 1 000 central line days
Catheter-related urinary tract infections (CAUTI)	95%	**0.68**	0.95	Per 1 000 catheter days

** The hospital indicator compliance measures a hospital's compliance to the specific intervention bundles per clinical indicator.*

in the growth of the Company and assist with recruitment, motivation and retention (see pages 66 to 70 in the remuneration report for further information). This follows the success in 2010 of the Life Healthcare Employees Trust which benefited approximately 12 000 employees, 61% of whom were historically disadvantaged.

We have put in place a strategic plan to address the shortage of medical professionals by committing R78 million over six years to train 36 specialists in coordination with the Colleges of Medicine South Africa. We are also training 1 250 nurses and looking to recruit specialised nurses from India in conjunction with MHC to bolster our local teams. We are also investigating the opportunity to extend the Life College of Learning in conjunction with the Nelson Mandela Metropolitan University and MHC by setting up a college centre in Delhi to train specialised nurses for South Africa. We currently have 71 pharmacist assistants and 15 pharmacy interns in training in our hospitals.

Over the past year 107 members of management completed the Front Line Management Programme. Recognising the importance of education, Life Healthcare provided 122 staff bursaries and 107 bursaries for employees' children to study for a tertiary qualification.

LOOKING FORWARD

The fundamentals of our business remain strong and we remain confident that our growth both in South Africa and India will continue. We plan to add another 1 000 beds across our business over the next three to four years following on from the 1 000 beds added since 2009. We have earmarked total capex spend of R752 million to grow our beds in the local market in 2013.

We support our government's initiative to improve the access to and the quality of healthcare received by all South Africans. In this regard we will continue to assist in policy formulation, the training of healthcare professionals and through our continued drive to make healthcare delivery more affordable.

At MHC, the focus of the management team will be on ramping up the new facilities and bedding down a new organisational structure to cater for the growth in beds. We will also look to MHC to drive efficiency programmes and assist with scalability and standardisation. The aggressive marketing of new facilities and business re-engineering in terms of pricing, supply chain management and labour productivity have been identified as priorities.

We are busy concluding a joint venture with the International Finance Corporation (IFC) which is a shareholder in Life Healthcare, to work together with our growth strategy within Africa. The IFC will bring its expertise, contacts and knowledge of the African continent to the joint venture.

We believe that our strategy of focusing on growth, efficiency and sustainability will again result in Life Healthcare being able to add value for our stakeholders and improve the quality of care offered to our patients in the coming year.

APPRECIATION

Chris Redfern, the chief operating executive – inland, retired after 41 years of service. I would like to thank him for his effort and valuable contribution. My thanks to the board and management team who have contributed so much in this important phase of Life Healthcare's journey. I also extend my thanks to the doctors and other healthcare professionals for their continued support of Life Healthcare's facilities. Our performance is the result of a real team effort involving management, staff and doctors.

ACKNOWLEDGEMENT

The Chairman of Life Healthcare, Professor Jakes Gerwel passed away on 28 November 2012 following a short illness. Professor Gerwel had been Chairman of the board of Life Healthcare since 2003 and made an immense contribution to the Group through his vision and leadership. The board, management and staff of Life Healthcare wish to pay tribute to his contribution to the group and acknowledge his role as a leader and the values and integrity by which he lived his life. His passing is not only a loss for Life Healthcare but also for the country.

Michael Flemming
Chief executive officer

Strong results

Roger Hogarth
Chief financial officer

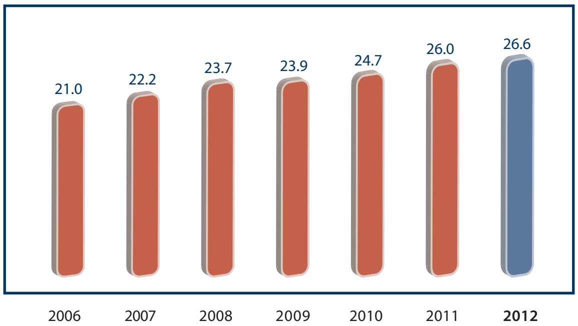
STRONG FINANCIAL RESULTS

Life Healthcare continued to grow its business and improve operational efficiencies during 2012, delivering strong financial results. Activities as measured by hospital paid patient days (PPDs) increased by 6.1% as a result of an increased demand for hospital services, the expansion of our acute hospitals, mental health and acute rehabilitation facilities and the inclusion of Life Midmed which became a subsidiary in August 2011. An additional 311 registered beds were added to the business to meet expected demand, including the opening of Life Piet Retief and two mental health facilities, Life St Joseph's and Life Poortview. The total number of registered beds at 30 September 2012 is 8 227 (2011: 7 916).

During the current financial year, Life Healthcare invested R1 433 million (2011: R780 million) including capital projects of R593 million (2011: R740 million) and R823 million for the acquisition of a 26% stake in Max Healthcare Institute (MHC), India. The MHC acquisition was funded via a bridge loan which was replaced by the issue of R820 million in five-year redeemable preference shares. The interest cost of the bridge loan as well as the dividends on the preference shares of R36 million are included as finance charges. An amount of R165 million (2011: R131 million) was spent on repairs and maintenance. This investment in the Group's facilities ensures that the demand for services is met and the Group remains abreast of modern technology and standards.

While the Group increased its active beds, bed occupancies were maintained at 71.2% (2011: 71.0%). This together with the strong procurement of consumables and administrative efficiencies contributed to improved operating efficiencies resulting in normalised EBITDA (Life Healthcare defines normalised EBITDA as operating profit plus depreciation, amortisation of intangible assets, impairment of intangible assets as well as excluding profit/loss and fair value adjustments on disposal of businesses/property and surpluses/deficits on retirement benefits) margin improving from 26.0% in 2011 to 26.6% in 2012.

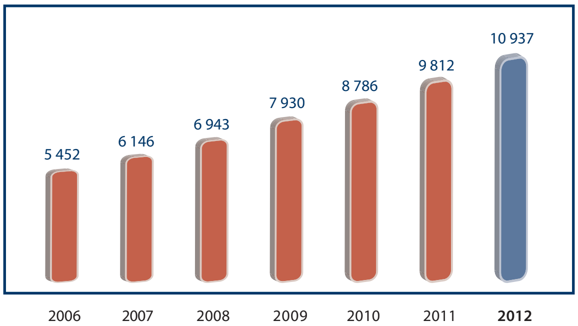
Seven-year EBITDA margin
'000



TRADING RESULTS

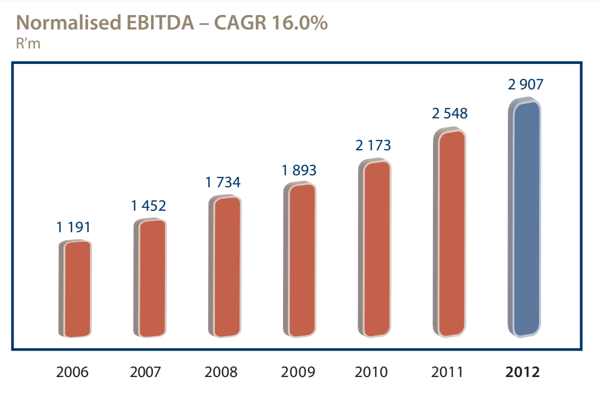
Group revenue increased by 11.5% to R10 937 million (2011: R9 812 million). Hospital division revenue increased by 11.5% to R10 185 million (2011: R9 136 million) driven by the 6.1% increase in PPDs and higher revenue per PPD of 5.1%. Healthcare Services revenue increased by 11% to R748 million (2011: R674 million). Life Esidimeni revenue grew in line with inflation while Life Occupational Health expanded, signing new large contracts and selling off additional services to existing clients.

Revenue continuing operations – CAGR 12.5%
R'm



A key management measure, which is a non-IFRS measure, of business performance, is normalised EBITDA which increased by 14.1% to R2 907 million (2011: R2 548 million).

R million	30 Sept 2012	30 Sept 2011
Normalised EBITDA		
Operating profit	**2 542**	2 173
Profit on disposal of business	**(30)**	–
Gain on bargain purchase	**(2)**	–
Additional receipt on previous disposed business	**(2)**	(5)
Profit on disposal of property	**(9)**	–
Loss/(gain) on remeasuring of fair value of equity interest before business combination	**3**	(92)
Depreciation on property, plant and equipment	**318**	299
Impairment of intangible assets	**–**	65
Amortisation of intangible assets	**124**	110
Employee Trust accelerated charge	**–**	–
Retirement benefit asset	**(42)**	(2)
Post-retirement medical aid	**5**	–
Normalised EBITDA	**2 907**	2 548
Normalised EBITDA as % of turnover	**26.6**	26.0



The EBITDA and operating profit is after taking into account the charges relating to the long-term incentive and retention schemes for senior managers and staff R91 million (2011: R42 million), employee share plan, repairs and maintenance expenditure of R165 million (2011: R131 million), electricity, gas and water charges R193 million (2011: R157 million) and property rates R52 million (2011: R44 million).

Operating profit increased 17% to R2 542 million (2011: R2 173 million), mainly due to improved hospital division results and services division recorded a decline in profits mainly due to a debtor impairment charge in Life Esidimeni. Profit after tax attributable to ordinary shareholders increased 16.2% to R1 496 million (2011: R 1 287 million).

Non-controlling interest

The Group believes in working with its supporting doctors. To align mutual interests they are invited to hold equity in local operating subsidiaries. The profit after tax attributable to non-controlling interests increased by 20.5% to R247 million (2011: R205 million). This is mainly due to the inclusion of Life Midmed, which was acquired in August 2011, as a subsidiary for the full year.

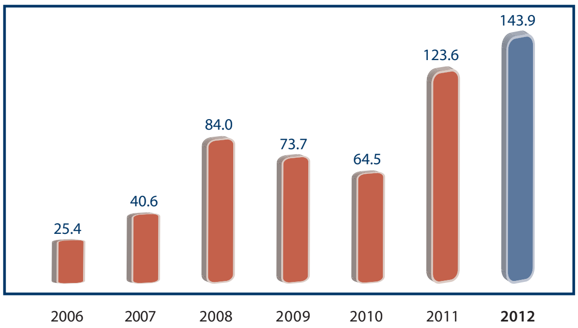
Associates

The net income after taxation from associates decreased by R30 million to R85 million (2011: R115 million). A majority interest was acquired in Life Midmed Hospital during the 2011 financial year and is included as a subsidiary in 2012. Life Midmed Hospital's contribution to associate income in 2011 was R16 million. The Group holds a 49% interest in Joint Medical Holding Limited in KwaZulu-Natal. This business has continued to perform well expanding its capacity, increasing paid patient days, revenue and profits. The 26% interest in Max Healthcare Institute, India, which was acquired in January 2012, is accounted for as an associate. The business, which has 1 943 beds, has recently completed the construction of 964 hospital beds and is in the ramp-up phase for these new facilities. The activities are in line with expectations. In respect of the period ending 30 September 2012 a loss of R27 million (2011: Rnil) has been recognised, including amortisation of intangibles relating to the transaction.

Cash flow

The business generated healthy cash flows as we continue to focus on improving the quality and efficiency of our processes, especially around administration systems and working capital management. Cash generated from operations increased 18.7% to R3 042 million (2011: R2 562 million) and was 104.6% (2011: 101%) of normalised EBITDA. Investing activities utilised R1 268 million (2011: R688 million) mainly due to the acquisition of the 26% interest in MHC at a cost of R823 million. The cash outflow from financing activities of R1 182 million was R196 million lower than 2011 (R1 378 million). This was mainly due to inflow of R820 million (2011: Rnil) from the preference shares, which are classified as debt for accounting purposes, issued to fund the MHC acquisition and higher distributions to shareholders of R1 031 million (2011: R625 million).

EPS – CAGR 37.2%
Cents



The Group's effective tax rate was 27.7% (2011: 28.6%). The decline in the effective tax rate was mainly due to secondary tax on companies (STC), which reduced the effective tax rate by 1.8%, decreasing from R59 million in 2011 to R25 million as a result of STC being replaced with dividend withholding tax on 1 April 2012. The prior year adjustments, assessed losses not utilised, income not taxable and expenses not deductible increased the effective tax rate by 1.0% from 2011.

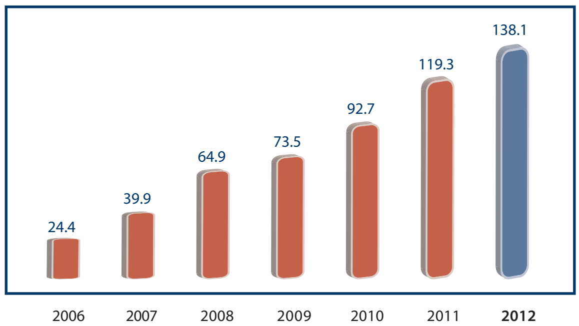
Earnings per share (EPS), headline earnings per share (HEPS) and normalised earnings per share

EPS and HEPS increased by 16.4% and 17.7% to 143.9 cents (2011: 123.6 cents) and 140.7 cents (2011: 119.5 cents). Earnings on a normalised basis, which excludes non-trading related items as set out below, increased by 15.8% to 138.1 cents (2011: 119.3 cents) and excluding the amortisation of intangibles by 15.5% to 146.6 cents (2011: 126.9 cents).

The earnings per share is based on a diluted number of shares of 1 040 796 395. The 4 712 999 treasury shares comprise 1 018 960 shares acquired from Ammed Trust following the IPO and 1 086 373 and 1 588 706 shares relating to the management retention and the ESP respectively, which are recognised as treasury shares in terms of IFRS.

R million	30 Sept 2012	Change %	30 Sept 2011
Normalised earnings			
Profit attributable to ordinary equity holders	**1 496**		1 287
Adjustments (net of tax):			
Profit on disposal of businesses	**(25)**		–
Gain on bargain purchase	**(2)**		–
Additional receipt on previous disposed business	**(2)**		(4)
Profit on disposal of property	**(7)**		
Loss/(gain) on remeasuring of fair value of equity interest before business combination	**3**		(92)
Impairment of intangible assets	**–**		54
Retirement funds	**(27)**		(2)
Normalised earnings	**1 436**	15.5	1 243
Amortisation of intangible assets	**89**		79
Normalised earnings excluding amortisation of intangible assets	**1 525**	15.4	1 322
Normalised EPS (cents)	**138.1**	15.8	119.3
Normalised EPS – excluding amortisation (cents)	**146.6**	15.5	126.9

Normalised EPS – CAGR 37.4%
Cents



The investment in MHC reduces EPS, HEPS and normalised EPS by 6.06 cents per share comprising Life Healthcare's share of after tax trading loss of 2.34 cents, intangibles of 0.15 cents and financing costs of 3.57 cents.

STATEMENT OF FINANCIAL POSITION

The Group is in a strong financial position with a low gearing. Net debt, including the MHC funding, to normalised EBITDA is 0.73 times as of 30 September 2012, well within the bank covenant of a maximum of 3.0 times. This low gearing provides the Group with the financial flexibility to continue to invest and execute its strategic plans.

The Group has good liquidity with the current assets at R1 485 million (2011: R 1 693 million) exceeding current liabilities excluding short-term borrowings of R1 473 million (2011: R1 539 million). The Group has a working capital facility of R250 million and uncommitted revolving credit facility of R1 000 million to meet operational requirements. The Group uses interest rate hedges to manage part of its exposure to variable interest rate movements. This exposure is reviewed quarterly by the audit committee. Currently R750 million is hedged at a fixed rate swap at 6.025% against three-month JIBAR until 28 February 2014. The fixed rate loans and the interest rate hedge cover is 68% of the net debt, limiting the Group's exposure to interest rate movements.

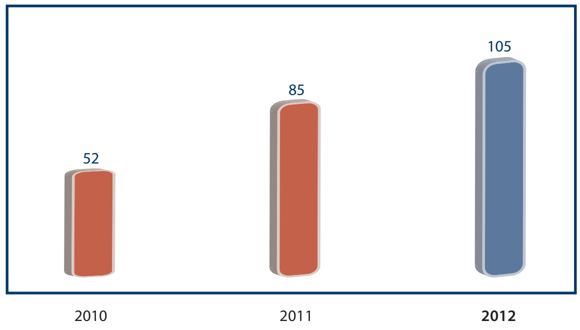
The Group is well covered in terms of the debt covenants:

Ratio	As calculated	Covenant
Total interest cover ratio (times)	12.08	3.00 (minimum)
Net debt to EBITDA ratio	0.73	3.00 (maximum)

SHAREHOLDER DIVIDEND

The directors approved a final cash dividend of 60 cents per ordinary share out of income reserves (2011: distribution of 54 cents per ordinary share made up of a dividend of 18 cents per share out of income reserves and 36 cents out of share premium) on 15 November 2012. The dividend will be subject to a dividend withholding tax at a rate of 15%, which will result in a net dividend of 51 cents per share to those shareholders who are not exempt in terms of section 64F of the Income Tax Act.

Distribution	Cents/share	R million
2012		
Interim	**45**	**469**
Final	**60**	**625**
Total	**105**	**1 094**
2011		
Interim	31	323
Final	54	562
Total	85	885



Three-year distribution
Cents

Roger Hogarth
Chief financial officer

BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The condensed consolidated annual financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* and in the manner required by the Companies Act of South Africa and the JSE Listings Requirements. These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations and the AC 500 standards issued and effective as at 30 September 2012.

The condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 30 September 2012 which have been prepared in accordance with IFRS.

These accounting policies have been consistently applied to all the years presented, unless otherwise stated.

These financial results have been prepared under the supervision of Roger Hogarth (CA)(SA), the chief financial officer of the Group.

ANNUAL FINANCIAL STATEMENTS

The Group's annual financial statements can be found on the Group website, www.lifehealthcare.co.za.

R million	12 months 30 Sept 2012 Audited	Change %	12 months 30 Sept 2011 Audited
Revenue	**10 937**	11.5	9 812
Other income	**114**		102
Operating expenses	**(8 540)**		(7 838)
(Loss)/gain on remeasuring of fair value of equity interest before business combination	**(3)**		92
Additional receipt on previously disposed business	**2**		5
Profit on disposal of business	**30**		–
Gain on bargain purchase	**2**		–
Operating profit	**2 542**	17.0	2 173
Fair value gains/(losses) on derivative financial instruments	**(2)**		14
Finance income	**22**		37
Finance cost	**(235)**		(250)
Share of associates' net profit after tax	**85**		115
Profit before tax	**2 412**		2 089
Tax expense	**(669)**		(597)
Profit after tax	**1 743**	16.8	1 492
Other comprehensive income			
Currency translation differences	**–**		2
Total comprehensive income for the year	**1 743**	16.7	1 494
Profit after tax attributable to:			
Ordinary equity holders of the parent	**1 496**	16.2	1 287
Non-controlling interest	**247**		205
	1 743	16.8	1 492
Total comprehensive income attributable to:			
Ordinary equity holders of the parent	**1 496**		1 288
Non-controlling interest	**247**		206
	1 743		1 494
Weighted average shares in issue (million)	**1 040**		1 042
Earnings per share (cents)	**143.9**	16.4	123,6
Headline earnings per share (cents)	**140.7**	17.7	119,5
Diluted earnings per share (cents)	**143.7**	16.3	123,6
Diluted headline earnings per share (cents)	**140.5**	17.6	119,5
Headline earnings			
Profit attributable to ordinary equity holders	**1 496**		1 287
Headline earnings adjustable items (net of tax)			
Impairment of intangible assets	**–**		54
(Loss)/gain on remeasuring of fair value of equity interest before business combination	**3**		(92)
Additional receipt on previously disposed business	**(2)**		(4)
Profit on disposal of businesses	**(25)**		–
Gain on bargain purchase	**(2)**		–
Profit on disposal of property, plant and equipment	**(7)**		(1)
Headline earnings	**1 463**	17.6	1 244

R million	30 Sept 2012 Audited	30 Sept 2011 Audited
ASSETS		
Non-current assets	**7 771**	6 775
Property, plant and equipment	**4 010**	3 753
Intangible assets	**2 181**	2 296
Other non-current assets[1]	**1 580**	726
Current assets	**1 485**	1 693
Other current assets	**1 239**	1 293
Cash and cash equivalents	**246**	400
TOTAL ASSETS	**9 256**	8 468
EQUITY AND LIABILITIES		
Capital and reserves		
Capital and reserves	**3 941**	3 518
Non-controlling interests	**937**	867
TOTAL EQUITY	**4 878**	4 385
LIABILITIES		
Non-current liabilities	**2 445**	2 084
Interest-bearing borrowings[2]	**1 929**	1 565
Other non-current liabilities	**516**	519
Current liabilities	**1 933**	1 935
Other current liabilities	**1 473**	1 539
Current portion of interest-bearing borrowings	**460**	460
TOTAL LIABILITIES	**4 378**	4 083
TOTAL EQUITY AND LIABILITIES	**9 256**	8 468

1. *The increase includes the investment made in Max Healthcare during the current year.*
2. *The increase includes the new funding regarding the acquisition of Max Healthcare during the current year.*

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 September 2012

R million	Total capital and reserves	Non-controlling interest	Total equity
Balance at 1 October 2011	3 518	867	4 385
Total comprehensive income for the year	1 496	247	1 743
Profit for the year	1 496	247	1 743
Other comprehensive income	–	–	–
Transactions with non-controlling interests	5	(5)	–
Non-controlling interests arising on business acquisition	–	2	2
Distribution to shareholders	(1 031)	(174)	(1 205)
Treasury shares	(76)	–	(76)
Long-term incentive scheme	26	–	26
Life Healthcare employee share plan	3	–	3
Balance at 30 September 2012	**3 941**	**937**	**4 878**
Balance at 1 October 2010	2 849	667	3 516
Total comprehensive income for the year	1 288	206	1 494
Profit for the year	1 287	205	1 492
Other comprehensive income	1	1	2
Non-controlling interests arising on business acquisition	–	128	128
Transactions with non-controlling interest	12	–	12
Change in ownership that does not result in loss of control	–	16	16
Distribution to shareholders	(625)	(150)	(775)
Treasury shares	(6)	–	(6)
Balance at 30 September 2011	3 518	867	4 385

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 September 2012

R million	**12 months 30 Sept 2012 Audited**	12 months 30 Sept 2011 Audited
Cash generated from operations	**3 042**	2 562
Income tax paid	**(748)**	(617)
Net cash inflow from operating activities	**2 294**	1 945
Net cash outflow from investing activities	**(1 268)**	(688)
Net cash outflow from financing activities	**(1 182)**	(1 378)
Net (decrease)/increase in cash and cash equivalents	**(156)**	(121)
Cash and cash equivalents – beginning of the year	**400**	482
Cash balances acquired through business combinations	**2**	39
Cash and cash equivalents – end of the year	**246**	400

SEGMENTAL REPORT

During the reporting periods all the operating segments operated in southern Africa and therefore no geographical segments are presented.

Assets and liabilities are not reviewed on an individual segment basis but rather on a Group basis and are therefore not presented.

There are no inter-segment revenue streams.

R million	**Year ended 30 Sept 2012 Audited**	Year ended 30 Sept 2011 Audited
Operating segments		
Revenue		
Southern Africa		
Hospitals	**10 185**	9 136
Healthcare Services	**748**	674
Other	**4**	2
Total	**10 937**	9 812
Profit before items detailed below		
Southern Africa		
Hospitals	**2 242**	1 917
Healthcare Services	**121**	141
Other	**235**	191
Operating profit before items detailed below	**2 598**	2 249
Amortisation of intangible assets	**(124)**	(110)
Impairment of intangible assets	**–**	(65)
Profit on disposal of businesses	**30**	–
Gain on bargain purchase	**2**	–
Retirement benefit asset	**42**	2
Post-retirement medical aid	**(5)**	–
(Loss)/gain on remeasuring of fair value of equity interest before business combination	**(3)**	92
Additional receipt on previously disposed business	**2**	5
Operating profit	**2 542**	2 173
Fair value gain/(loss) on derivative financial instruments	**(2)**	14
Finance income	**22**	37
Finance costs	**(235)**	(250)
Share of associates' net profit after tax	**85**	115
Profit before tax	**2 412**	2 089

Operating profit before items detailed above includes the segment's share of shared services and rental costs. These costs are all at market-related rates.


Growth
Life HEALTH CARE Poortview

Life Healthcare has grown from four hospitals in 1983, to our current portfolio of 63 healthcare facilities, comprising 50 acute hospitals, six mental health facilities and seven acute rehabilitation facilities with a total of 8 227 registered beds. The Group owns substantial minority interests in a further five hospitals with 539 beds.

The Group is also the largest healthcare PPP in South Africa through Life Esidimeni which has 12 facilities and 4 165 beds and has expanded into occupational health supplying services to 192 000 employees through 314 on-site clinics.

During 2012 we also acquired a 26% shareholding in Max Healthcare (MHC), a leading hospital group in Delhi, India, with nine hospitals and 1 943 acute care beds.

Over 1 000 registered beds added in the last three years

Our growth strategy in southern Africa is focused on:

DEVELOPING THE BREADTH AND DEPTH OF LIFE HEALTHCARE'S EXISTING SOUTHERN AFRICAN HOSPITAL NETWORK THROUGH:

- expanding facilities within existing hospitals through adding additional beds, wards and/or operating theatres. This growth is generally lower risk, offering higher returns; and
- adding new lines of business to existing hospitals. Life Healthcare intends to introduce new services and disciplines at selected hospitals where there is the opportunity to create niches. In particular, the new lines of business will focus on mental healthcare, acute rehabilitation and renal dialysis.

EXPANDING OUR COVERAGE AND PENETRATION OF THE SOUTHERN AFRICAN MARKET

Life Healthcare plans to expand the geographic reach of its coverage within southern Africa to meet the increasing demand for private healthcare. This expansion of our geographic footprint will occur through:

- acquisition of select facilities which complement our existing geographic spread of hospitals; and
- building new facilities where we have no existing coverage.

Southern African investment 2012

Capital expenditure for the year amounted to R593 million (2011: R740 million) and projects included:

Capacity expansion within existing facilities

Life Healthcare added an additional 110 brownfield beds at the following hospitals:

- Life Anncron Clinic in Klerksdorp added four ICU beds and two neo-natal ICU beds.
- Life Bedford Gardens Hospital in Johannesburg added eight high care beds.

- Life Cosmos Hospital in Witbank added five ICU beds and five maternity beds.
- Life Wilgers Hospital in Pretoria added nine high care beds.
- Life Robinson Private Hospital in Randfontein added eight beds.
- Life Suikerbos in Heidelberg added nine new beds.
- Life St Mary's Private Hospital in Mthatha added 17 new maternity beds and a new maternity ward.
- Life Empangeni Garden Clinic in Empangeni added an additional five ICU beds following on from the 28 beds added in 2011.
- Life East London Private Hospital added 11 additional beds.
- Life The Glynnwood on the East Rand added 27 beds including 13 ICU beds.

New lines of business

- The R44 million 80 bed mental health facility at Life St Joseph's in Durban was opened in November 2011 and the 80 bed mental health facility at Life Poortview on the West Rand was opened in May 2012 at a cost of R40 million.

Business	Sept 2010	Sept 2011	**Sept 2012**
Mental health	190 beds	223 beds	**364 beds**

Building of new facilities where we have no existing coverage

In November 2011 we opened the 43 bed hospital in Piet Retief.

Growth outlook

The Group expects to see a continued increased demand for hospital services due to the high incidence of disease together with a growing medical aid population, the impact of ageing and preferred network arrangements. The Group has plans to add an additional 1 000 beds over the next three to four years to cater for this additional demand and has a combination of licence approvals and licence applications pending for over 550 beds. R752 million has been allocated for capital projects for the 2013 financial year. This growth will consist of capacity expansion within existing acute care facilities, expanding

mental health and acute rehabilitation, and the construction of new facilities and the Group hopes to capitalise on certain acquisition opportunities.

The Group is also aiming to expand its geographic footprint in renal dialysis in order to widen access to and meet the growing demand for private acute and chronic renal dialysis. The Group is currently developing several facilities which are expected to open early in 2013. This will bring the total number of chronic renal dialysis units operated by Life Healthcare to 17 and increase the acute dialysis service offering to over 30 hospitals.

CONTINUE TO EXPAND OUR OPERATIONS IN SELECT EMERGING MARKETS

Life Healthcare completed the acquisition of 26% of Max Healthcare (MHC) in 2012 for R823 million. During 2012, MHC added the following beds to its business through the completion of four new hospitals to bring its total number of beds to 1 943:

- Shalimar Bagh, a 288 bed hospital in North Delhi;
- Mohali, a 206 bed hospital in Punjab;
- The 205 bed Bhatinda hospital in Punjab; and
- The 205 bed Dehra Dun hospital in Uttarakhand.


Efficiency

INFORMATION MANAGEMENT

Information technology has the potential to improve the quality, safety and efficiency of our hospitals, and for this reason Life Healthcare is investing significantly in the improvement of its IT systems. Aligned to the business strategy of patient centricity and efficiency, there is an impetus to put the necessary infrastructure in place and to translate all the good ideas, innovation and best practices into Project Impilo and other identified IT solutions.

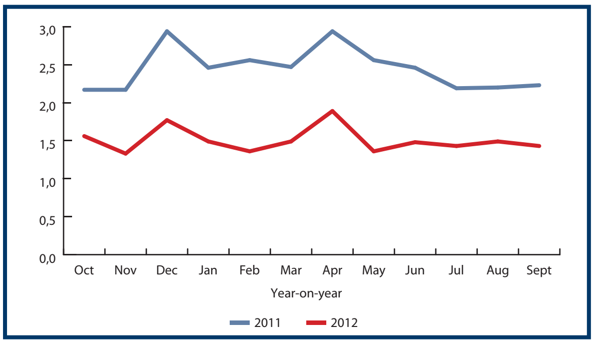
PROJECT IMPILO

Project Impilo is a major phased development to update our hospital information system and is progressing according to plan. The project comprises five modules, of which two are complete. The remaining modules – billing, credit management and infection control – will be developed and implemented by the end of 2013.

Module	Status
Patient admissions	Complete
Case management	Complete
Billing: ■ Accommodation billing ■ Dispensing ■ Theatre and ward charges	2013 complete
Credit management	2013
Infection control	2013

The continuing benefits of the re-engineered case management module can be seen in the graph below highlighting the continued improvement in Group internal days.

Group internal DSO comparison



The third module, billing, has been split into three parts: accommodation billing, dispensing, and theatre and ward charges. The development and successful rollout of the accommodation module was completed in September 2012. Using multi-touch technology, the hospitals have benefited by the move from a batching to a real time environment, which includes:

- Real time census management.
- Real time management of changes in level of care (LOC) and length of stay (LOS).
- Removal of dependency on tariff knowledge from staff members.

The remaining two billing modules are currently in the development stage with focus on achieving real time billing. The new stock and product management modules are scheduled for rollout at the beginning of 2013.

BUSINESS EFFICIENCY DRIVES

Process redesign will increase efficiency and efficacy and is a required competency in meeting the fast changing challenges in our healthcare environment. Management and staff remain committed to improving efficiency and reducing costs without compromising on quality care.

This includes the improvement of current administrative, billing and operational processes and restructuring current staffing models to fit patient needs, while aligning to the Impilo strategy of customer centricity and real time billing and quality care.

ALTERNATIVE REIMBURSEMENT STRATEGY (ARMs)

Life Healthcare has adopted an alternative reimbursement strategy. Alternative reimbursement structures currently cover approximately 65% of the acute hospitalisation revenue and take the form of either fixed fees or per diems. Under these reimbursement structures, Life Healthcare is incentivised to reduce the utilisation and cost of stock used and works with its clinicians in this process.

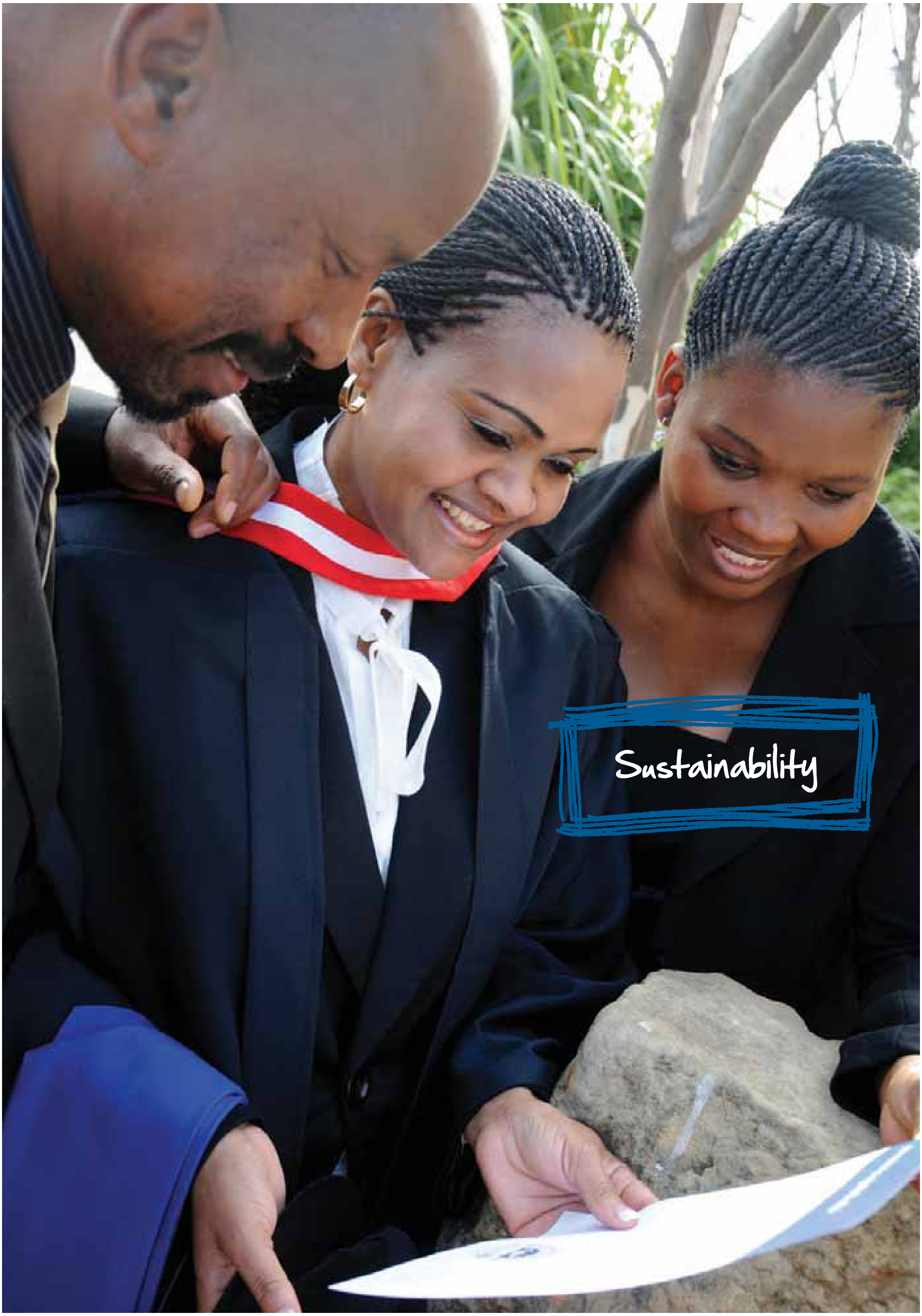
Life Healthcare has more than eight years of hospital billing information that is used to validate ARMs, and has invested substantial resources in analysis and reporting to ensure the risk taken under the alternative reimbursement contracts is managed appropriately throughout the business and to enable operations to take advantage of opportunities that these arrangements offer. The reports enable management to identify costs on a per hospital, specialist discipline, doctor, procedure and product level basis and to benchmark these costs against other Group hospitals. Reports also identify where savings can be generated. Savings generated under the contracts are shared with medical schemes, thus creating a partnership and aligning incentives.

COST OF SALES MANAGEMENT

Life Healthcare's effective product management and an established evidence-based formula that focuses on reducing costs without compromising quality remains critical to sustain our healthcare business in the current economic environment. The continued enhancement of a dynamic product classification system enabled procurement to effectively analyse data and improve the quality product selection process.

The pharmaceutical procurement strategy provided substantial value through product management, alternative sourcing strategies, supplier partnerships and aggressive management of price increases, successfully delivering cost of sales reductions. During the current financial year 70 product categories were reviewed. The unrelenting management of supplier price increases contributed significantly to curtailing rising healthcare costs achieving a year-on-year increase of less than CPI.

Communication, training and reports to the business have underpinned our enhanced ability to proactively manage cost of sales and maximise cost reduction opportunities created through our procurement process. Engagement with our doctors and gaining their support has been instrumental in achieving the cost savings.


Sustainability

QUALITY AND CLINICAL GOVERNANCE

Quality is one of our deeply rooted core values and a key business strategy

The vision of Life Healthcare is to be a world-class provider of quality healthcare for all. Our approach to quality combines the concept of personal care and patient centredness with excellence in clinical care and service delivery at all levels. The balanced approach to quality is achieved through our focus on **clinical excellence** (iQ), to ensure that patients receive world-class clinical care, and the **patient experience** (Qe), to address the needs of patients and their families.

Quality management system

A sustainable and consistent quality management system across all hospitals is key

Life Healthcare is the only healthcare organisation in South Africa to have achieved multi-site ISO 9001:2008 certification. In the six years since our original Group certification, we have successfully met the criteria of yearly surveillance audits conducted by our external certification agent, PricewaterhouseCoopers Incorporated (PwC).

Life Healthcare's quality management system is based on a factual approach to quality improvement through consistent monitoring, management, measurement and reporting. We have embraced transparency in quality in line with the trend in the global health industry, where providers increasingly use process and outcome data to review and improve quality of healthcare delivery. Common systems are entrenched across the Group, and have resulted in management and leadership being empowered, as well as teams at all organisational levels, to measure their performance against individual goals of the hospital and against other Group hospitals.

Quality scorecard

World-class healthcare requires a purposeful balance between a patient-centred approach (care) and clinical excellence (health)

The five key aspects of quality that are measured across Group hospitals are:

- Patient satisfaction
- Quality audit results
- Patient health and safety
- Employee health and safety
- Clinical outcomes improvement

The scorecard is presented below and further detail and actions are described in subsequent sections.

LIFE HEALTHCARE GROUP SCORECARD – 2012	2012	2011	LHC goal
Customer excellence			
Net promoter (highly likely to recommend)	**95.7%**	94.8%	All hospitals over 95%
Customer satisfaction	**98.4%**	98.2%	All hospitals over 98%
Written customer feedback cards	**284 078**	243 717	
% positive comment cards	**93.5%**	93.6%	All hospitals over 95%
Internal quality audits			
Overall % attained (all hospitals)	**85%**	84%	All hospitals over 85%
Health and safety			
Patient incident rate (per 1 000 PPDs)	**3.80**	4.17	All hospitals <4.30
– Medication incidents (per 1 000 PPDs)	**1.86**	2.04	All hospitals <2.00
– Falling incidents (per 1 000 PPDs)	**0.73**	0.72	All hospitals <0.70
– Procedure-related incidents (per 1 000 PPDs)	**0.71**	0.87	All hospitals <0.90
Employee incident rate (per 200 000 labour hours)	**6.49**	7.10	All hospitals <7.50
– Needle-sticks (per 200 000 labour hours)	**1.54**	1.78	All hospitals <1.80

LIFE HEALTHCARE GROUP SCORECARD – 2012	2012	2011	LHC goal
Clinical outcomes			
Patient documentation audit:	**89%**	n/a	All hospitals over 80%
Prevention of healthcare associated infections:			
– Ventilator associated pneumonias (VAP)	**96%**	94%	All hospitals over 90%
– Surgical site infections (SSI)	**93%**	90%	All hospitals over 85%
– Central line associated blood stream infections (CLABSI)	**92%**	91%	All hospitals over 85%
– Catheter associated urinary tract infections (CAUTI)	**95%**	94%	All hospitals over 90%
– Healthcare associated infections (HAI)	**0.65**	0.78	All hospitals <1.00
– VAP (per 1 000 ventilated days)	**4.02**	6.00	All hospitals <8.00
– SSI (per 1 000 theatre cases)	**0.97**	1.09	All hospitals <1.10
– CLABSI (per 1 000 central line days)	**1.11**	1.15	All hospitals <2.00
– CAUTI (per 1 000 catheter days)	**0.68**	0.95	All hospitals <2.00
Cardiac excellence (only applicable to cathlab hospitals):			
– Aspirin given on arrival	**90%**	92%	All hospitals over 90%
– Beta-blockers given within 24 hours of arrival	**88%**	87%	All hospitals over 80%
– Aspirin given on discharge	**99%**	99%	All hospitals over 95%
– PCI <90min	**54%**	39%	All hospitals over 60%
– Acute myocardial infarction (AMI) mortality rate	**6.3%**	7%	All hospitals <6.5%

Group quality management system audit results

Audit results form part of the performance management of all senior leaders in hospitals

To ensure that all hospitals comply with the Group quality standards and procedures, a detailed review and internal audit is conducted annually in each hospital. The review assesses hospitals on their compliance to the Life Healthcare quality management system and its effective functioning in overall quality management and leadership responsibilities. Quality deliverables within nursing, infection prevention, pharmacy, patient services, engineering and procurement are also audited. A detailed report on achievements and gaps is provided to all hospitals. They, in turn, submit corrective and preventive action plans on non-compliant elements identified in the review.

Results from these audits are benchmarked across the Group. These reviews and audits prepare our hospitals for the external audits conducted by PwC which are required as part of the International Standards Organisation (ISO) certification and surveillance audits. The surveillance audits review the quality management system compliance yearly and rotate through all the hospitals over a three-year period. On completion of the surveillance audit cycle, a recommendation is made to the ISO regarding continued ISO certification of Life Healthcare.

Following our initial certification in 2007, Life Healthcare is moving into its third surveillance audit cycle in 2013.

Qe – patient experience

A patient-centred approach is core to Life Healthcare's quality management system

Customer satisfaction

Patient perceptions of the quality of hospital care are increasingly recognised as being critical to elevating care standards. Three measures included in the Group scorecard, which measures patients' perceptions of the quality, are:

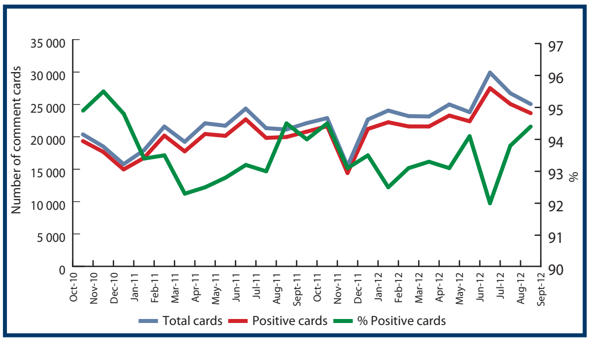
- Patient satisfaction score – online electronic patient satisfaction measurement. Net promoter score – a patient loyalty measure adopted from international patient loyalty measurement tools.
- Comment cards handed to patients for any written comments they may have on the quality of the experience during their stay.

Further satisfaction measures implemented at hospital level include:

- Post-discharge telephonic interviews
- Doctor satisfaction surveys

To ensure we obtain detailed information on specific events or aspects of care, comment cards are given to patients during their stay, enabling written feedback on positive experiences and drawing attention to areas needing improvement. Aspects of improvement raised by patients are reviewed by the unit managers and communicated to employees at review meetings.

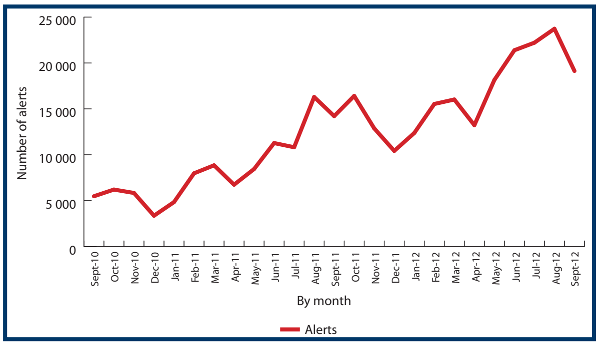
Comment cards



Health and safety measures

Life Healthcare's alert system, which records the near misses within our service delivery process, has produced positive results this financial year which we believe has contributed to the reduction in patient and employee-related incidents.

Number of alerts



Patient health and safety

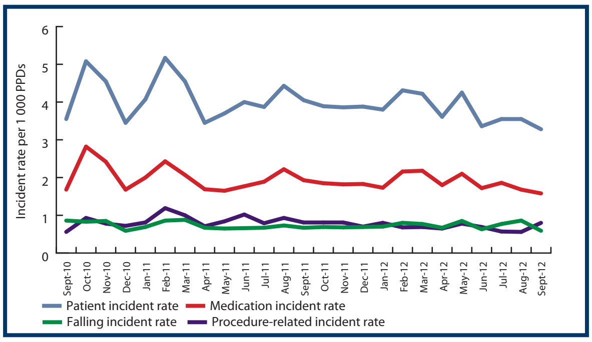
Patient incident recording allows for a detailed analysis of incidents in individual hospitals and across the Group

All patient incidents in Life Healthcare are reported and full investigations are conducted by the responsible managers. The purpose of these investigations is to determine the root cause of the incident, which is then corrected to avoid any recurrence of similar incidents. Lessons are learnt and communicated by means of Q-learnings and steps are taken to prevent similar incidents in other units.

Patient incidents are recorded on an electronic reporting system for statistical analysis purposes. Each incident is categorised by type of incident, business unit and department in which it occurred. The information is used to identify patient health and safety trends and focus areas. Preventable actions are then implemented to reduce the risk of recurrence.

The overall patient incident rate is measured as a ratio of the number of incidents per 1 000 paid patient days. Two internationally accepted high risk areas receive specific and continuous management attention at all hospitals, namely medication incidents and slips and falls. In addition to these high risk areas, Life Healthcare focuses on procedure-related incidents.

Patient incident rates



Reducing medication errors

During this financial year, Life Healthcare's national nursing introduced four medication bundles into our hospitals, which have contributed to the reduction in medication-related incidents during the latter part of the year. These four bundles relate to:

- Legal medical prescription
- Complete medication administration
- Complete medication documentation
- Effect of medication monitored and recorded

The objective of these bundles is to provide a tool to all Life Healthcare hospitals to understand and manage the underlying cause of every medication error, to identify trends and agree appropriate action plans. Progress is assessed against these actions on a monthly basis. Expected compliance levels are 90% across all hospitals and we are pleased to report that average compliance to the four bundles is at 91%.

Managing patient slips and falls

During our admissions and our patient assessment process, nurses identify high risk patients and include preventative measures in the patients' care plans. These preventative measures include:

- empowering staff with the necessary skills through an effective orientation and training programme to identify high risk patients;
- ensuring adequate supervision of and assistance to high risk patients;
- recording patients' complete history on admission and noting risks and actions in the care plan;
- implementing the slips and falls patient information leaflet which is handed to patients on admission to increase their awareness; and
- encouraging staff to raise a slip and fall alert when hazards are observed, for example the non-availability of cot sides or cot sides left in a lowered position. Alert trends are used to identify interventions such as training and reinforcement of protocols.

Employee health and safety

Annual risk and periodic safety inspections are conducted in each hospital to identify significant risks. Mitigating actions are implemented and their effectiveness is continuously assessed through the quality management system.

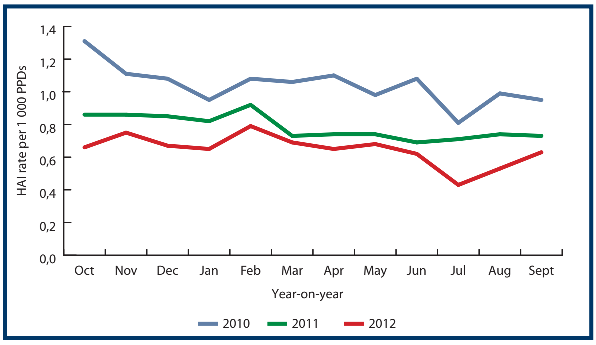
Life Healthcare encourages the active involvement of every employee in occupational health and safety. All new employees receive quality, safety and health and environment induction. In addition, employees participate as safety representatives and are involved in monthly health and safety committee meetings. Potential hazardous conditions are identified and reported on continuously through the alert process, which ensures that potential hazards are immediately addressed while trends highlight possible new risks that require remedy.

Trained incident investigators determine the root causes of occupational health and safety incidents and corrective action is implemented to prevent recurrence.

This financial year, Life Healthcare embarked on a number of campaigns related to employee safety awareness and training. These campaigns revolved around the importance of hand-hygiene, needle-stick and sharps injury awareness in particular.

Employee incident rates

HAI year-on-year rate



iQ – clinical excellence

Turning our vision of excellence in clinical outcomes into reality at the frontline of care

Clinical outcomes improvement

Life Healthcare's infection prevention and risk management system involves all relevant functions within the business in the identification and prevention of healthcare associated infections.

Our improvement initiatives have concentrated on:

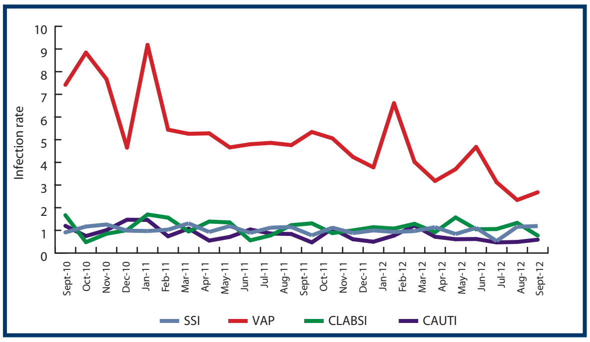
- prevention of healthcare associated infections; and
- meeting international best practice in acute myocardial infarction (AMI).

Life Healthcare continues to experience excellent results with the implementation of a bundle approach. These bundles are a structured way of improving the processes of care and patient outcomes. They comprise a small, straightforward set of evidence-based practices that, when performed collectively and reliably, improve patient outcomes and reduce infections in fields such as:

- Ventilator associated pneumonias (VAP)
- Central line associated blood stream infections (CLABSI)
- Surgical site infections (SSI)
- Catheter-related urinary tract infections (CAUTI)

Our Group continues to experience a reduction in its infection rates through the continuous measurement and monitoring of compliance to infection prevention bundle interventions.

Infection rates



Acute myocardial infarction – cardiac excellence

Globally, heart disease and stroke are the world's leading cause of death, claiming 17.3 million lives each year and the numbers are rising according to *World Heart Federation, World Health Day 2012*.

Studies show that patients with AMI should receive specified components of care to reduce morbidity and mortality. The type of care patients receive during and after hospitalisation may vary depending on their clinical condition and other co-morbidities. With this in mind, Life Healthcare successfully adopted the AMI bundle in 2008 in Group hospitals with cardiac catheterisation laboratories and has seen improvement in patient outcomes, in particular regarding AMI mortality rate, which reduced from 7% in 2011 to 6.4% in 2012.

Encouraged by the successful implementation of the AMI bundle, Life Healthcare continued the implementation to a number of feeder hospitals. These feeder hospitals focus specifically on the immediate transfer of AMI patients to cardiac catheterisation laboratories to ensure the best possible outcomes for patients in the shortest possible time.

Additional clinical outcome initiatives

Patient reported outcomes measures (PROMs)

Life Healthcare embarked on a pilot project at four hospital sites to investigate the implementation of PROMs across all Group hospitals in 2013 for common elective surgical procedures such as hip and/or knee replacements.

The PROMs data collected can be used to determine the outcome of the operation as perceived by the patient in terms of its impact on their self-reported symptoms and functional status. We are encouraged by the results that this pilot project has produced to date.

Antimicrobial stewardship (AMS)

AMS is a multi-disciplinary approach to minimise the development of antimicrobial resistance through the rational selection of appropriate antimicrobials, optimising dose and duration of therapy and minimising toxicity and side effects.

It is becoming essential to preserve the efficacy of existing antimicrobials (antibiotics and antifungals) and to optimise clinical outcomes whilst minimising unintended consequences of antimicrobial use, including toxicity and the emergence of resistant pathogens. This is done by closely monitoring the antimicrobial therapy for every patient, particularly in ICU and high care. This will ensure that appropriate antimicrobials are prescribed and administered at a sufficient dose and over an adequate duration to eradicate the pathogen, without exposing other organisms to the antimicrobial so that they develop resistance.

Life Healthcare has adopted an AMS bundle with the following elements and interventions in four pilot hospitals:

- Duration of therapy
- Appropriate daily dose
- Microbiology
- Treatment duplication

We look forward to monitoring and measuring the success of the AMS bundle at our four pilot hospitals, with a view to implementing the bundle in the balance of Life Healthcare hospitals within the short term, commencing 2013.

OUR COMMITMENT TO THE ENVIRONMENT

Environmental policy

As part of Life Healthcare's commitment to minimising our environmental impact and in keeping with government guidelines on sustainability we have adopted an environmental policy. In terms of this policy an environmental management committee will be elected and terms of reference established. Suitable training will be implemented for the committee members.

Targets

To set a measurable target on emissions, Life Healthcare has decided to convert all greenhouse gas (GHG) emissions into a value of tons per PPD (paid patient day). As the facilities continue to grow and evolve, this will allow Life Healthcare to continue to monitor its environmental impact per patient treated in its facilities, irrespective of the size of facility.

Life Healthcare has set a target for 2013 to reduce its GHG emissions per PPD by 10%. To verify these results Life Healthcare has contracted an external provider to verify actual electricity and water consumption at all of Life Healthcare facilities for 2012 to provide a benchmark for total GHG emissions.

Life Healthcare is finalising a sustainability by design policy for all new buildings and refurbishments which will be issued with tender documents to contractors. This policy will include stipulations on the use of energy efficient materials and equipment such as double glazing improved insulation and the use of variable speed motors. Each project for 2013 will be assessed in terms of whether it meets the 10% reduction target.

Pilot projects

Life Healthcare has a long-term goal to become carbon neutral through the use of carbon offset programmes and investment in green energy sources. Life St Dominic's Hospital in East London has invested R1 million in solar hot water generation thus far as a pilot site. R8 million has been invested in heat pumps at various hospitals to heat water. The effectiveness of these systems will be monitored and knowledge gained used for future planning on larger scale investment into green energy sources.

Life Wilgers Hospital in Pretoria has been chosen as a pilot site for a full environmental assessment project. This project commenced in June 2012 with a full environmental aspects and impacts assessment and is due to be completed in January 2013. Once proven, the methods and standards implemented here will be cascaded across other sites.

HUMAN CAPITAL AND RELATIONSHIPS

A service industry such as ours is dependent on its people to provide high quality patient care. Managing the retention, development and motivation of employees is a top priority, particularly given the critical global shortage of healthcare skills. Life Healthcare works to attract and retain high calibre people, and to develop its employees through continual opportunities for education and career advancement.

The Group complies with legislation (Basic Conditions of Employment Act, the Labour Relations Act, the Employment Equity Act and the Skills Development Act) and is committed to supporting transformation and the enhancement of health professionals.

The Group employs 13 700 permanent staff and approximately 430 sessional staff.

Year ended 30 September	**2012**	2011	2010
Administrative employees	**2 611**	2 738	2 700
Nursing personnel	**9 240**	9 181	9 095
Pharmacy employees	**318**	274	270
Rehabilitation employees	**273**	244	240
Healthcare services employees	**1 161**	1 061	1 032
Other	**102**	274	189
Temporary personnel	**430**	525	498
Total employees	**14 135**	14 297	14 024

Due to the nature of running healthcare facilities 365 days a year, 24 hours a day, Life Healthcare also uses the services of professional staff from agencies. The current complement of agency staff is just over 3 300.

TRANSFORMATION

Life Healthcare has a sound track record of sustainable transformation and aligns itself with the Codes of Practice under section 9(1) of the Broad-Based Black Economic Employment Act (Act 52 of 2003). Transformation and sound corporate responsibility strategies underpin our business ethos as a responsible corporate citizen. Life Healthcare promotes and actively manages the business to achieve a non-discriminatory culture within the Group.

Progress in each hospital or business unit is monitored against rolling three-year measurable targets. Our staff profile reflects our transformation drive, with 8 665 female personnel and 9 382 black personnel in our employ. Our progress is reviewed at monthly executive management meetings and this ensures that employment equity, legislative compliance and numerical target levels are set on a national basis in consultation with executive management, the employment equity steering committee and consultative forums in the hospitals.

This process is overseen by the Life Healthcare board through the social, ethics and transformation committee.

Life Healthcare has made steady transformation progress again during the last financial year by attracting and developing historically disadvantaged individuals (HDIs). Life Healthcare met its transformation targets for the year. HDIs in the Group account for 66.4% of employees.

Life Healthcare's empowerment rating, conducted by EmpowerLogic, is a level 4 contributor.

Ownership

The shareholder profile is contained in Annexure C on pages 170 and 171.

EMPLOYEE EMPOWERMENT AND SKILLS DEVELOPMENT

Life Healthcare recognises the need to invest in its people to achieve a trained and skilled workforce. The Group continues to make a considerable investment in education, training and development to create employees who are able to deliver a quality service.

The executive management team conducts monthly reviews of the training plans within the business, and education forms an important part of career and succession planning to provide individuals with career progression opportunities.

The Life College of Learning offers programmes in management development, hospital management, health sciences and life skills, as well as ongoing professional training of nurses. These in-house programmes are supplemented with a well established bursary programme.

The college had another year of excellent results in the registered examinations, reflecting the professionalism of our clinical and management educators. An important development has been the registration of the Operating Department Assistant programme with the Council for Higher Education. This provides Life Healthcare the opportunity to train technical assistants to assist nurses and doctors in the technical management of theatres. At present we are waiting for our institutional care worker programme to be accredited. This will enable a cadre of employees to become proficient in assisting patients with effective care and support.

The Life College of Learning continues to offer its programmes to certain public sector nurses and private paying students along with Life Healthcare employees, to increase the pool of nurses in South Africa.

Close ties are maintained with the Health and Welfare Sector Education and Training Authority (HWSETA), and we currently provide 186 nursing learnerships including skills development and basic training to people from previously disadvantaged communities.

The Life School of Management is accredited by the UK-based Institute of Leadership and Management (ILM) to offer the Front Line Management Programme, and 107 participants graduated during the year. A second hospital management programme is currently under way. The first nursing management programme was completed in the past year with 18 delegates attending. These programmes focus on providing competent managers and facilitating career growth.

Recognising the importance of education, Life Healthcare provided 122 staff bursaries and 107 bursaries for employees' children to study for a tertiary qualification. On merit, managers may be offered education at Masters degree level. The total investment made by the Group in bursaries in 2012 was R2.5 million. We have also developed a pipeline of critical skills for our hospitals through the Life College of Learning.

In 2012, in line with International Nurses' Day, Life Healthcare embarked on a recognition programme for nurses by recognising the top 100 nurses in the Group who have contributed to the profession and the Company.

Training of nurses

The Life College of Learning is registered with the Department of Education as a private higher and further education institution. It is accredited by the South African Nursing Council, Council of Higher Education, as well as the Council of Quality Assurance in General and Further Education (Umalusi).

The Life College of Learning has a geographical spread of nine learning centres. This year, 928 students graduated during seven graduation ceremonies across the country. In 2012 (between January and August) the college had a total student intake of 1 154 in the basic programmes and a total student intake of 96 in the post-basic programmes.

	Gender		Race				
Type of students	Female	Male	African	Indian	Coloured	White	Total
Basic	1 074	80	750	93	144	167	**1 154**
Post-basic	88	8	35	25	17	19	**96**
Graduates	853	75	515	77	161	175	**928**

The college continues to attain a high pass rate in the South African Nursing Council examinations as well as in the post-basic programmes.

Training of pharmacy professionals

Life Pharmacy Management Services (LPMS) remains committed to building the capacity of pharmacy professionals for Life Healthcare and the broader healthcare industry.

A total of 71 pharmacist assistants (55 basic level and 16 post-basic level) are currently in training in Life Healthcare hospitals throughout South Africa. The number of pharmacist assistants in training has increased by 33% from 2011, with 77% of these learners being historically disadvantaged individuals (HDIs). Twenty (28%) of the learners were unemployed prior to commencement of their training. Participation in our structured pharmacist intern programme expanded in 2012 and we have 15 interns placed in our pharmacies, with 93% of them being HDIs. They will qualify at the end of 2012 and move into their community service year, during which LPMS will maintain communication with them through our In Touch programme.

As part of the continued development of pharmacy leaders, 22 senior pharmacists also joined our senior pharmacist development programme during 2012.

Four continuing education modules were provided to pharmacy staff by LPMS during the course of the year. A total of 743 on-line training interventions were completed, representing a 31% increase from 2011.

Employment benefits

Details of our employment benefits including short- and long-term incentives, retirement funds, medical aid and the employee share plan can be found in the remuneration report on pages 66 to 70.

Employee wellness

The Life Healthcare wellness programme operating in partnership with ICAS has added a significant benefit to many employees over the last year. The programme encourages and assists employees to manage their physical, mental and financial well-being, along with assisting managers and employees in times of grief and trauma. It extends to family members and is highly and effectively utilised.

Healthcare professionals – recruitment and retention

The global shortage of health professionals continues to be the most critical strategic area in managing human capital. The ability to recruit, develop and retain employees of a high calibre remains a major focus to ensure quality patient care and clinical excellence.

Life Healthcare has responded to a request from the Colleges of Medicines of South Africa (CMSA) to support them in the education of sub-specialists. Life Healthcare has committed R13 million a year to fund sub-specialist training for six years. The first recipients of these scholarships will be known before the end of 2012.

Doctors

Doctors have a strong consultative role in the operation of our hospitals, participating in the medical advisory committees and/or hospital boards. In addition, to align mutual interests doctors are encouraged to hold equity in local operating subsidiaries. Doctors have an interest in 29 Group hospitals. Doctors who provide clinical services in Life's rehabilitation units, Life Occupational Health clinics and Life Esidimeni hospitals are employed by Life Healthcare through a special dispensation from the Health Professions Council of South Africa (HPCSA).

Alternative recruitment sources

Life Healthcare is committed to recruiting and developing South Africans to fill its vital clinical and administrative roles. However, the acute shortage in certain categories of health professionals has obliged us to seek international candidates for specific areas, such as specialised areas of nursing. In this regard we are leveraging our relationship with Max Healthcare to assist with the recruitment of Indian nurses.

Employee engagement and labour relations

Life Healthcare has continued to build sound labour relations and has a good relationship with recognised trade unions with no formal labour disputes in the last financial year. Formal and informal communication channels have been developed to ensure interactions at both national and local level. Regular evaluation of our policies and procedures ensures fairness and a safe working environment.

To assist this process of engagement, an employee climate survey is conducted every second year. Feedback to staff following the most recent survey is currently under way at all levels within the business. Strategies and plans are being developed and implemented at both national and hospital level according to the feedback provided.

Cultural diversity

Life Healthcare takes pride in the cultural diversity of its people, and employee differences are appreciated. As set out in our code of conduct, we encourage tolerance and sensitivity to all cultures and are committed to maintaining a workplace free from discrimination, where employees are selected on merit. This is bolstered by education programmes, employee relations processes and policy.

HIV/Aids

Life Healthcare's HIV/Aids policy includes training programmes, the wellness programme operated with ICAS, medical aid benefits ensuring access to antiretrovirals, and the legacy programme Aids for Aids. The policy dictates absolute confidentiality, compassion and fairness, including non-discrimination on the grounds of illness. The focus is on awareness, lifestyle education and the prevention of infection and reinfection.

CORPORATE SOCIAL INVESTMENT (CSI)

SANCB Eye Project

In partnership with the South African Council for the Blind, through its Prevention of Blindness Project, two vehicles fully fitted with mobile ophthalmic equipment were donated. These vehicles access the more remote areas of the country. To date over 28 000 screenings have been completed and over 6 300 cataract operations have been done.

Heart Health for Kids Project

This is a partnership with the University of Cape Town for the research and screening of children for rheumatic heart disease (RHD) in 10 primary schools in Vanguard Estate. This is the fifth and final year of our sponsorship.

Research findings have been presented to the various interested parties, including the Department of Health (DoH), which plans to include RHD screening in the school health programme.

Hip and Knee Project

In partnership with a faith-based organisation in KwaZulu-Natal, 42 hip and knee joint replacement surgeries for indigent patients on the Albert Luthuli Hospital waiting list were undertaken at Life Entabeni Hospital.

Play pumps

In partnership with Play Pump International and Roundabout Water Solutions, eight play pumps were sponsored at schools and in communities without running water in the Eastern Cape, Mpumalanga, KwaZulu-Natal, North West province and Free State.

South Coast Hospice

Life Healthcare Foundation has donated two new vehicles to the South Coast Hospice Association, for home-based care teams to access more than 1 600 patients who require palliative care and support in their own homes in the impoverished Ugu district in KwaZulu-Natal. The Ugu district has been identified as a Presidential Poverty Node where HIV and Aids prevalence rates are amongst the highest in the world. In addition to providing care and support to those in need, this project also trains families to provide care to their loved ones.

Desmond Tutu Foundation

We are extending the reach of the current Tutu Tester Mobile Clinic to bring testing facilities for HIV and other common chronic diseases such as diabetes, obesity and hypertension, to disadvantaged areas of Mitchell's Plain and Khayelitsha. Our sponsorship of the refurbishment of the mobile clinic and the purchase of the Gene Expert machine, generator and its consumables has enhanced the point of care testing to at least eight tests at a time.

Build a Home

The Life Healthcare Foundation in partnership with Habitat for Humanity (HFH) built two houses in Orange Farm, south of Johannesburg. Each house built was made possible with at least 80 volunteers from Group Head Office under the guidance of a professional builder assigned by HFH.

The second house was a contribution to International Mandela Week, linking it to Mandela Day, a movement that invites people everywhere to give of their time and money to improve the lives of others, their environments and the communities in which they live and work.

Teddy Bear Clinic

Life Healthcare Foundation donated to the Teddy Bear Clinic 10 sets of anatomically correct dolls (six dolls per set) which are used in therapy for sexually abused children. The Teddy Bear Clinic plays an important advocacy role in society.

Operation Thembakazi

The Group Foundation in partnership with the Life Vincent Pallotti Hospital has committed to provide free surgery and hospitalisation for one talented athlete per month (provincial or national level) who would not otherwise be able to afford a procedure. Athletes over 16 years from financially disadvantaged backgrounds who have been identified as potential provincial level athletes will also be considered. This project involves a number of other service providers, including physiotherapy, physical rehabilitation and psychology services.

Life Sizanani

This successful employee involvement programme has been in existence for 14 years and has touched the lives of countless disadvantaged children over the years. Each business unit adopts and supports a children's organisation in a bid to improve their lives.

STAKEHOLDERS

Effective, transparent and sustainable communication with all our stakeholders is important to our brand and reputation, and is done according to our values and business principles. Our key stakeholders are identified in the table below.

Key outcomes	Key strategies	Communication and engagement
Patients		
■ Ease of admission, billing and discharge procedures ■ Quality nursing and pharmacy care ■ Internationally based clinical best practice promoting quality care and improved patient outcomes ■ Well controlled infection rates ■ High technology facilities ■ Access to multi-disciplinary health services through a wide geographic spread ■ Access to affordable private healthcare through funders who have contracted with Life Healthcare in preferred network agreements ■ Positive hospital experience	■ Changing the Group's IT system to a more patient centric focused system ■ Promoting access to, and affordability of healthcare ■ Facilitating quality nursing and pharmacy standards ■ Maintaining excellence in quality and clinical governance ■ Patient engagement through improved communications channels ■ Patient centric approach to facilitate a positive hospital experience ■ Implementation of the "Moments" advertising campaign	■ Keeping the nurse at the bedside programme ■ Paper-based comment cards (240 000 received annually) ■ Q-evaluator (electronic-based patient satisfaction measuring system) ■ Post-discharge telephone interviews ■ Life Healthcare website, brochures and information leaflets ■ Life magazine specifically for patients ■ Corporate monitoring of complaints and actions taken
Employees		
■ Recognition and reward for quality performance ■ Training and personal development ■ Equal opportunity in non-discriminatory culture ■ Competitive remuneration and benefits package ■ Structured ethical working environment ■ Access to wellness programme ■ Right to freedom of association ■ Work environment focused on safety and minimising of occupational risks	■ Recruitment and retention of skills ■ Ongoing employee training and development ■ Accelerating transformation ■ Empowering employees and nurturing their career aspirations ■ Code of conduct focusing employees on standards expected of them ■ Introducing an employee share plan ■ Creating an environment conducive to employee safety and health ■ Tertiary bursary scheme for employees and bursaries for their children	■ Consultative forums assist in providing open communication and constructive dialogue ■ Regular communication and meetings ■ Employee specific interim and annual results communications ■ Comprehensive induction programme ■ Conducting an employee climate survey
Doctors		
■ High quality support with regard to nursing, hospital facilities, technology and equipment ■ Access to patients through preferred network agreements ■ Affordable hospital care through Life Healthcare's alternative reimbursement models ■ Investment opportunities within the Group ■ Access to multi-disciplinary health services ■ Participation in medical advisory committees ■ Life Healthcare's clinical directorate keeps abreast of technological healthcare advances	■ Offering best healthcare facilities and technology ■ Ensuring superior doctor support through excellence in nursing, administration and infrastructure ■ Maintaining strong doctor relations and minimising doctor turnover ■ Attracting and retaining new doctors to cater for future expansion ■ Implementing proven clinical interventions and measuring compliance to international evidence-based best practices ■ Committed R78 million over a six-year period through the colleges of medicine for the training of specialists	■ Hospital managers facilitate open communication with doctors on a daily basis ■ Clinical directorate supports doctors and managers to safeguard professional conduct ■ Doctors play a strong consultative role through participation in our medical advisory committees and/or hospital boards ■ Engagement with doctors in our quality drives and cost of sales project to our mutual benefit

Key outcomes	Key strategies	Communication and engagement
Suppliers		
■ A reputation for ethics and fairness in dealings with suppliers ■ Negotiations with suppliers built on mutual respect and fair pricing structures	■ Well structured BEE procurement policy with guidelines for transforming supplier base ■ Making well evaluated product investments and adding value to operations and ultimately to shareholders ■ Fair procurement practices based on integrity and timeous delivery ■ Understanding of, and respect for, suppliers ■ Ongoing interaction with suppliers in reviewing and renewing contracts and procurement initiatives ■ Regular meetings and negotiations with strategic supply partners ■ Life Healthcare's code of conduct and ethics applied to all employees and suppliers	■ Ongoing interaction with suppliers in reviewing and renewing contracts and procurement initiatives ■ Regular meetings and negotiations with strategic supply partners ■ Life Healthcare's code of conduct and ethics made available to all employees and suppliers
Funders (medical schemes)		
■ A reputation for ethics and fairness in dealings with funders ■ Negotiations with funders built on mutual respect and fair pricing structures ■ Reputation for providing clinical excellence to their members ■ Implementation of our ARM pricing strategies ■ Largest market share with funders with regard to preferred network agreements ■ Efficient interaction as regards case management and payment	■ Develop our ARM pricing strategy to ensure efficient pricing and sharing of savings with funders ■ Utilise the ARM pricing strategy to drive preferred network deals which enhance hospital occupancies ■ Implement electronic communication regarding case management to assist in driving efficiencies and faster payment	■ Ongoing interaction and feedback regarding utilisation, pricing, contracts and preferred network agreements ■ Communicate our clinical and quality excellence and patient satisfaction scores with the funders
Government		
■ Supporting government service delivery through quality long-term healthcare services rendered by Life Esidimeni ■ Assisting in the development of appropriate healthcare regulation	■ Engagement on the National Health Insurance plan ■ Engaging in information sharing and best clinical and administrative practices ■ Contributing to skills training through public private partnerships ■ Increasing access to hospital services through public private partnerships ■ Facilitating and maintaining close interaction with government on healthcare regulatory matters and strategy	■ Ongoing interaction with the National Department of Health at an executive level ■ Ongoing communication on private/public sector issues ■ Liaison with government health departments through HASA ■ Ongoing interaction on Life Esidimeni public private partnership matters
Shareholders/investors		
■ Sustained growth and financial stability ■ Depth of management expertise with record of solid results ■ Strong corporate and clinical governance to safeguard business ■ Commitment to provision of quality, cost effective healthcare ■ Track record in transformation and BEE ■ A broad local and international shareholder base	■ Clear communication to local and international investors of our: 1. Local and international growth strategies 2. Our efficiency and sustainability strategies 3. Our business performance 4. Our financial performance 5. The South African and Indian healthcare environments 6. Our clinical quality standards and performance ■ Continued interaction with local and international shareholders	■ Continued interaction with shareholders locally and offshore via the interim results and annual results road shows, attending select local and international investor conferences, ad hoc executive meetings and engagements ■ General communications such as telephonic, web-based, emails, interim and annual reports, and through SENS

The board of directors of Life Healthcare is committed to the principles and practice of corporate governance and is cognisant of the role that corporate governance plays in the delivery of sustainable growth to all stakeholders.

The directors regard good corporate governance as critical to the success of Life Healthcare's business and stakeholder interests, and fundamental to discharging their stewardship responsibilities. The board strives to provide strong leadership, strategic direction and control, and a productive environment that can sustain the delivery of value to the Group's shareholders. The directors and executive management are committed to applying the principles necessary to ensure that the highest standards of governance and accountability are practised in the conduct of Life Healthcare's business. These principles include honesty, transparency, integrity, discipline and accountability in the conduct of business.

STATEMENT OF COMPLIANCE

Life Healthcare is subject to the JSE Listings Requirements, which require that listed companies comply with the recommendations contained in the King III Code of Corporate Practices and Conduct. For the period under review, Life Healthcare has complied with the majority of the recommendations in the King III Code. The following is an explanation for the area where the Group does not fully apply the recommendations contained in the King III Code:

Disclosure of remuneration

King III recommends that the salaries of the three most highly paid employees who are not directors be disclosed. The Group deems this information to be sensitive and has therefore only disclosed the remuneration of the two executive directors.

BOARD OF DIRECTORS

Corporate governance within Life Healthcare is managed and monitored by a unitary board of directors and various board sub-committees. The key principles underpinning the governance of Life Healthcare are to ensure that the Group conducts its business as a responsible corporate citizen through the development and implementation of strategies and policies that are integrated into every area of its operations.

Board accountability

The board sets the strategic objectives of the Group, determines investment policy and performance criteria, and delegates to management the detailed planning and implementation of policies in accordance with the appropriate risk parameters. The board monitors compliance with policies and achievement against objectives by holding management accountable for its activities through quarterly performance reporting and budget updates.

It considers issues of strategic direction, large acquisitions and disposals, and approves major capital expenditure and financial statements as well as matters having a material effect on Life Healthcare. Board members are encouraged to debate and challenge issues in an atmosphere of mutual respect and cooperation.

The role of the board is regulated in a formal board charter which defines its authority and power.

In accordance with its charter, the responsibilities of the board include:

- acting as a focal point for and custodian of corporate governance;
- identifying key performance and risk areas;
- ensuring the Group's strategy will result in sustainable outcomes;
- considering sustainability as a business opportunity that guides strategy formulation;
- approving the Group's strategy and annual business plans;
- ensuring that the Group's ethics are effectively managed;
- the governance of risk;
- overseeing of IT governance;
- assessing the impact of the Group's business operations on the environment; and
- approval and adoption of Group policies, programmes and procedures in relation to safety, health, economic, social and environmental impacts, as well as remuneration and benefits.

While retaining overall accountability, the board has delegated authority to the chief executive officer to run the day-to-day affairs of the Group. The board has also created sub-committees to enable it to discharge its duties and responsibilities properly and to fulfil its decision-making process effectively. Each committee acts with appropriate terms of reference. Board committees may take independent professional advice at the Group's expense when necessary.

Composition of the board

The board comprised 12 directors as at 30 September 2012. The composition of the board included eight independent non-executive directors; two non-executive directors; and two executive directors reflecting an appropriate balance between the executive and non-executive directors.

Professor Jakes Gerwel, a non-executive director, is chairman of the board and in line with the King III Code, Trevor Munday is the lead independent non-executive director. Michael Flemming, an executive director, is the CEO.

The roles of chairman and CEO are not vested in the same person and there is a clearly outlined division of responsibilities.

In compliance with JSE Listings Requirements, non-executive directors do not participate in any share incentive or option scheme of the Group.

The names of the directors as at 30 September 2012 as well as their biographical details are set out on pages 22 and 23 of this integrated annual report. No changes were made to the board during the financial year ended 30 September 2012.

The board ensures that no individual has unfettered powers of decision making and authority, and that shareholder interests are protected. The independent directors are Trevor Munday, Louisa Mojela, Peter Golesworthy, Dr Peter Ngatane, Adv Fran du Plessis, Ketso Gordhan, Joel Netshitenzhe and Garth Solomon. The board considers that there is an appropriate balance of knowledge, expertise and collective experience among the non-executive directors.

Any new appointments to the board involve a formal and transparent process and are a matter of consideration for the full board, assisted by the nominations committee. When appointing directors, the board considers its needs regarding expertise, experience, diversity and number of members. The articles of association stipulate that one-third of the board members will retire from office at the annual general meeting and will be eligible for re-election. The directors to retire are those who have been longest in office since their last election or appointment. The chief executive officer (CEO) and the chief financial officer (CFO) are not subject to retirement by rotation or taken into account in determining the rotation of retirement of directors.

Effective control is exercised through the CEO, who is accountable through regular reports to the board. The non-executive directors are considered to have the skills and experience to bring unrestrained judgement to bear on issues of strategy, resources, transformation, diversity and employment equity, standards of conduct, evaluation of results as well as on economic, social and environmental policies.

Senior executives have access to board meetings as and when necessary to apprise the directors of important events and to devise strategy. This encourages interaction, good communication and close cooperation between the directors and executive management.

The board meets quarterly as well as on an ad hoc basis to consider specific issues as the need arises. The board and management meet annually to review strategy and agree areas of focus and growth. Where directors are unable to attend board meetings for any reason, every effort is made to obtain and communicate to the meeting any comments they may have regarding the agenda and general items. The board met six times during the year and in addition attended a special meeting focusing on the Group's strategy.

Directors' attendance at board meetings

Meetings	Board meetings	Special board#	Board	Special board#	Board	Board	Board
Date		10.10.11	16.11.11	05.12.11	10.02.12	10.05.12	23.07.12
Members							
MA Brey	6/6	1*	1	1*	1	1*	1
Adv F du Plessis	6/6	1*	1*	1*	1	1	1
CMD Flemming	6/6	1	1	1	1	1	1
Prof GJ Gerwel	6/6	1*	1	1*	1	1	1
PJ Golesworthy	6/6	1*	1	1*	1	1	1*
KM Gordhan	4/6	Apology	1	Apology	1	1	1
RJ Hogarth	6/6	1	1	1	1	1	1
LM Mojela	6/6	1	1	1*	1	1	1
TS Munday	5/6	1*	1	Apology	1	1	1
JK Netshitenzhe	4/6	Apology	1	Apology	1	1	1
Dr MP Ngatane	6/6	1	1	1	1	1	1
GC Solomon	5/6	1*	1	1*	1	Apology	1

** By teleconference.*
 # Special meetings are called on an ad hoc basis and are not scheduled, directors consequently have not made provision for these meetings and may have had prior commitments.

Directors are entitled, at the Group's expense, to seek independent professional advice regarding Group issues for the furtherance of their duties. All directors have access to the company secretary who is responsible for ensuring Group compliance with applicable legislation and procedures.

Conflict of interests

The directors are required to avoid a situation where they may have a direct or indirect interest that conflicts with the Group's interests. A conflict of interests policy ensures that directors disclose conflicts of interest at every meeting in terms of section 75 of the Companies Act 2008. In addition, directors present an updated list of their directorships and interests to the company secretary on an annual basis, or when a change has occurred.

Induction of directors

On appointment, new directors are briefed on their fiduciary duties and responsibilities by executive management. New directors also receive information on the JSE Listings Requirements and the obligations that they have to comply with. Directors are informed of relevant new legislation and changing commercial risks that affect the Group. The company secretary assists the chairman with the induction of directors and visits to selected Group hospitals.

Board self-evaluation

The board and sub-committee assessments and director and chairman evaluations were undertaken in February 2012 through questionnaire-based assessments under the auspices of the nominations committee. The overall results of the assessments indicate that the board and sub-committees were effective. Areas of improvement will be focused on in the ensuing year and monitored by the nominations committee.

Board sub-committees

The board sub-committees consist of the:

- audit committee
- remuneration and human resources committee
- nominations committee
- risk committee
- social, ethics and transformation committee and
- investment committee.

Each sub-committee, with the exception of the nominations and social, ethics and transformation committees, is chaired by an independent non-executive director. Certain executives are required to attend sub-committee meetings by invitation. External auditors also attend the audit committee meetings.

The role of the board sub-committees is formalised by terms of reference which define their authority and scope. During the period under review, all sub-committee terms of reference were reviewed and amended to align with the King III Code.

Audit committee

Members

Peter Golesworthy (chairman – independent non-executive director)
Trevor Munday (lead independent non-executive director)
Louisa Mojela (independent non-executive director)
Adv Fran du Plessis (independent non-executive director) – resigned as a member on 1 July 2012

Roles and responsibilities

The committee has an independent role with accountability to both the board and shareholders. The overall function of the committee is to assist the directors in discharging their responsibilities relating to the safeguarding of assets, the operation of adequate and effective systems and control processes, and the preparation of the integrated report and fairly presented financial statements in compliance with all applicable legal and regulatory requirements and accounting standards.

The committee performs the statutory duties on behalf of all subsidiaries of the Group which do not have their own audit committee. In addition, the committee monitors the activities of the other audit and/or governance committees within the Group.

The audit committee's role is to ensure the integrity of the integrated and financial reporting and audit processes, and the maintenance of sound risk management and internal control systems. It has a wide range of powers to consult both internally and externally and must be provided with sufficient resources to examine financial reporting and other strategic issues according to its written terms of reference, as confirmed by the board.

In pursuing these objectives, this committee inter alia:

- monitors the integrity of the annual and interim financial statements and external financial reports;
- oversees relations with the external auditors, and reviews the effectiveness of the internal audit function;
- considered and recommended the internal audit charter for approval to the board;
- evaluates the findings of internal and external audits, the actions taken, the adequacy of the systems of internal financial and operational control, reviews accounting policies and financial information issued to stakeholders;
- recommends to the board, for approval by shareholders, the selection of the Group's external auditors, approves the remuneration and terms of engagement of the external auditors, considers and pre-approves non-audit services and monitors the external auditors' independence and effectiveness;
- reviews the integrated report to ensure that it is reliable and does not conflict with the financial information, and recommends the integrated report for approval to the board; and
- has the authority to seek information it requires from any employee.

As set out in the report of the audit committee, contained in the annual financial statements, the committee confirmed for the 2012 financial year that it functioned in accordance with its terms of reference.

The audit committee met five times for the period under review.

Directors' attendance at audit committee meetings

Meetings	Audit meetings attended	Audit	Special audit#	Audit	Audit	Audit
Date		14.11.11	05.12.11	26.01.12	03.05.12	23.07.12
Members						
Adv F du Plessis[1]	3/4	Apology	1*	1	1*	
PJ Golesworthy	5/5	1	1*	1	1	1*
LM Mojela	5/5	1	1*	1	1	1
TS Munday	3/5	1	Apology	1	Apology	1

[1] Resigned as a committee member on 1 July 2012.
** By teleconference.*
 # Special meetings are called on an ad hoc basis and are not scheduled, directors consequently have not made provision for these meetings and may have had prior commitments.

The audit committee reports its activities and makes recommendations to the board. The audit committee is satisfied that the external auditors are independent of the Group and that the CFO has appropriate experience and expertise.

Remuneration and human resources committee

Members

Trevor Munday (chairman – lead independent non-executive director)
Louisa Mojela (independent non-executive director)
Garth Solomon (non-executive director)

Roles and responsibilities

The role of the committee is to assist the board to ensure that the Group has a clearly articulated remuneration philosophy and that:

- the design and implementation of remuneration structures are consistent, fair, legally compliant and equitable;
- the Group remunerates employees and executives fairly and responsibly, taking appropriate cognisance of short-, medium- and long-term remuneration approaches and in ways that suitably recognise the interests of both employees and shareholders; and
- the disclosure of non-executive director and executive director remuneration is accurate and transparent.

The remuneration and human resources committee inter alia:

- oversees the establishment and implementation of remuneration policies;
- assesses and reviews employee short-term and long-term incentive schemes and performance bonuses;
- reviews the salary mandate on an annual basis and makes recommendations to the board in this regard;
- considers management proposals in respect of fees for non-executive directors, which are tabled for shareholder approval at the annual general meeting;
- determines executive and staff participation in the long-term incentive schemes; and
- considers and makes recommendations to the board in respect of retirement fund matters.

This committee determines the framework, policy and costs of executive and senior management remuneration. The committee strives to achieve adequate, competitive and fair compensation in recognising and rewarding executive directors and senior employees to ensure their motivation and retention.

No person is involved in decisions as to his or her own remuneration. In fulfilling its duties, the remuneration and human resources committee pays due attention to succession plans and the retention of key executives.

The committee met four times for the period under review. In addition, a special joint meeting of the committee and the nominations committee was convened.

Directors' attendance at remuneration and human resources committee meetings

Meetings	Remuneration meetings attended	Remuneration	Remuneration	Special remuneration	Remuneration
Date		19.10.11	22.02.12	15.06.12	25.07.12
Members					
LM Mojela	4/4	1*	1	1*	1
TS Munday	4/4	1	1	1	1
GC Solomon	3/4	Apology	1	1^	1*

** By teleconference.*
^ By videoconference.

Nominations committee

Members

Prof Jakes Gerwel (chairman – non-executive director)
Peter Golesworthy (independent non-executive director)
Louisa Mojela (independent non-executive director)
Dr Peter Ngatane (independent non-executive director)

Roles and responsibilities

The role of the committee is to assist the board to ensure that:

- the board has the appropriate composition for it to execute its duties effectively;
- directors are appointed through a formal process;
- induction and ongoing training and development of directors take place; and
- formal succession plans for the board, chairman of the board, CEO and CFO appointments are in place.

The board nominations committee inter alia:

- ensures the establishment of a formal process for the appointment of directors;
- oversees the development of a formal induction programme for new directors;
- seeks to ensure that the board has an appropriate balance of skills, experience and diversity;
- coordinates the board, individual director and committee appraisal process;
- develops effective succession planning for the board, chairman of the board, CEO and the CFO; and
- reviews the board sub-committees and committee membership.

While devising criteria for board membership and board positions, the nominations committee determines and recommends changes to the board and any adjustments required regarding the Group's governance policies and practices. The committee identifies, evaluates and nominates candidates to fill vacancies for executive, non-executive and independent directors of the Group for approval by the board, and also recommends the number of directors on the board and the various committee structures.

The committee holds a minimum of one meeting a year. The committee met twice during the period under review.

Directors' attendance at nomination committee meetings

Meetings	Nomination meetings attended	Special nomination	Nomination
Date		25.01.12	12.03.12
Members			
Prof GJ Gerwel	2/2	1*	1*
PJ Golesworthy	2/2	1*	1*
LM Mojela	1/2	1*	Apology
Dr MP Ngatane	2/2	1*	1*

** By teleconference.*

Investment committee

Members

Garth Solomon (chairman – non-executive director)
Peter Golesworthy (independent non-executive director)
Mustaq Brey (non-executive director)
Michael Flemming (CEO)
Roger Hogarth (CFO)

The committee was established to assist the Group to facilitate strategic investments. In this regard the committee considers:

- the investment strategy and framework of the Group;
- recommendations from management in relation to material projects, acquisitions and the disposal of assets, as well as capital expenditure related to any material acquisitions not within the mandate of management; and
- the incurring and refinancing of debt.

The committee evaluates such proposals and makes appropriate recommendations to the board. Following presentations to the board on annual budget parameters, the committee considers and makes recommendations to the board in respect of the annual budget and capital expenditure for the Group.

The committee holds a minimum of two meetings a year but meets if required to do so around major acquisitions or disposals. The committee met twice during the period under review.

The record of attendance is contained in the table below.

Directors' attendance at investment committee meetings

Meetings	Investment meetings attended	Special investment	Investment
Date		17.04.12	25.09.12
Members			
MA Brey	2/2	1*	1*
CMD Flemming	2/2	1	1
PJ Golesworthy	2/2	1*	1*
RJ Hogarth	2/2	1	1
GC Solomon	2/2	1*	1

** By teleconference.*

Social, ethics and transformation committee

Members

Prof Jakes Gerwel (chairman – non-executive director)
Louisa Mojela (independent non-executive director)
Adv Fran du Plessis (independent non-executive director)
Dr Peter Ngatane (independent non-executive director)

Roles and responsibilities

The role of the committee is to assist the board to ensure inter alia that:

- the functions contemplated in section 72(4)(a) of the Companies Act 71 of 2008 for the social and ethics committee read with regulation 43 are carried out;
- the Company's transformation objectives are accomplished and that progress is made in accordance with the transformation plan;
- the employment equity plan and progress made against the employment equity plan are monitored;
- the annual training report and workplace skills plan and progress against the plans are monitored;
- senior management development in line with succession planning as determined by the board remuneration and human resources committee is monitored;
- reports are received in respect of the Company's corporate social responsibility initiatives;
- the Company's sustainable initiatives and impact on the environment are monitored; and
- legal and ethical compliance by the Company is monitored.

The committee met once during the year. The record of attendance is contained in the table below.

Directors' attendance at the social, ethics and transformation committee meetings

Meeting	Social, ethics and transformation meeting attended	Social, ethics and transformation
Date		26.07.12
Members		
Adv F du Plessis	1/1	1*
Prof GJ Gerwel	1/1	1*
LM Mojela	1/1	1*
Dr MP Ngatane	1/1	1*

** By teleconference.*

At its meeting, the committee reviewed its membership and the following members will therefore be recommended to shareholders for approval at the Company's upcoming annual general meeting:
Prof Jakes Gerwel (chairman – non-executive director)
Louisa Mojela (independent non-executive director)
Adv Fran du Plessis (independent non-executive director)
Dr Peter Ngatane (independent non-executive director)
Michael Flemming (chief executive officer)
Dr Nilesh Patel (chief operating executive – Healthcare Services)

Risk committee

Members

Ketso Gordhan (chairman – independent non-executive director)
Trevor Munday (independent non-executive director)
Joel Netshitenzhe (independent non-executive director)
Mustaq Brey (non-executive director)
Michael Flemming (CEO)
Roger Hogarth (CFO)

Roles and responsibilities

The role of the committee is to assist the board to ensure that:

- the Group has implemented an effective policy and plan for risk management that will enhance the Group's ability to achieve its strategic objectives; and
- the disclosure regarding risk is comprehensive, timely and relevant.

The risk committee inter alia:

- oversees the development and annual review of a policy and plan for risk management to recommend for approval to the board;
- makes recommendations to the board concerning the levels of tolerance and appetite, and ensuring that risks are managed within the levels of tolerance and appetite as approved by the board;
- ensures that risk management assessments are performed on a continual basis;
- ensures that continual risk monitoring by management takes place; and
- expresses the committee's formal opinion to the board on the effectiveness of the system and process of risk management.

The committee met once for the period under review. The record of attendance is contained in the table below.

Directors' attendance at risk committee meetings

Meeting	Risk meeting attended	Risk
Date		08.03.12
Members		
MA Brey	1/1	1
CMD Flemming	1/1	1
KM Gordhan	1/1	1
RJ Hogarth	1/1	1
TS Munday	1/1	1
JK Netshitenzhe	1/1	1

COMPANY SECRETARY

The role of Fazila Patel as company secretary is to guide the board on its duties and responsibilities, keeping directors abreast of relevant changes in legislation and governance best practices and working with the board to ensure compliance with Group policies and procedures, applicable statutes, regulations and the King III Code. She plays an active role in the Group's corporate governance process and ensures that the proceedings and affairs of the directorate, the Group itself and, where appropriate, shareholders are properly administered. The company secretary also oversees the induction of new directors. She is kept apprised of directors' dealings in Life Healthcare's shares and ensures that the appropriate disclosures are made in accordance with the JSE Listings Requirements.

In line with King III and paragraph 3.84(i) and (j) of the JSE Listings Requirements, the board considered the competence, qualifications and experience of the company secretary and the board is of the view that the company secretary has the requisite qualifications and expertise to effectively discharge her duties. The board also considered whether the company secretary maintains an arm's-length relationship with the board and concluded that an arm's-length relationship is maintained. In this regard the board took into account that the company secretary is not a director, nor is she related to or connected to any of the directors which could result in a conflict of interest.

CODE OF ETHICS

Life Healthcare's code of ethics commits employees to the highest standards of integrity, ethics and business conduct. In living our values we have earned a reputation in the industry for fairness and ethical behaviour in all our business dealings and processes.

Allegiance to our code of ethics is the starting point from which our employees draw guidance for behaviour within our Group. The code sets out policies and procedures to be followed in all aspects of our professional, clinical and business dealings and establishes a set of standards. It guides employees in their behaviour towards supporting medical professionals, patients, customers, suppliers, shareholders, co-workers and the communities in which the Group operates. The code of ethics also extends to safety, health, security, conflict of interests, environmental issues and human rights.

While common sense, good judgement and conscience apply in managing a difficult or uncertain situation, the code assists in detailing the standards and priorities within the Group. A confidential guidance and support hotline, operated by an international accounting firm, provides an independent facility for employees to report fraud or any form of malpractice. A policy of non-retaliation protects and encourages people wishing to share their concerns. The Group maintains a zero tolerance approach to fraudulent activity. Executives and line management are responsible for implementing procedures against fraud and corruption.

New staff members are familiarised with the guiding principles contained within the code, as part of their induction.

In tandem with the code of ethics, individuals from Life Healthcare are represented on the South African Nursing Council, as well as the Professional Conduct Committee, which monitors professional misconduct within the nursing profession. Staff members who are professionals are encouraged to take up membership of their associations.

The ethical standards of the Group, as stipulated in the code, are monitored and are being achieved. Where there is non-compliance with the code, the appropriate disciplinary action is taken as Life Healthcare responds to offences and aims to prevent recurrence.

INTERNAL CONTROLS

Management maintains accounting records, and has developed systems designed to provide reasonable assurance as to the integrity and reliability of the financial statements. Responsibility for the adequacy and operation of these systems is delegated to the CEO. These records and systems are designed to safeguard assets and minimise fraud. Our systems of internal control are based on established organisational structures, such as written policies and procedures, which include budgeting and forecasting disciplines and the comparison of actual results against these budgets and forecasts. A checklist has been developed for the key operational processes. Responsibilities for controls in the processes have been agreed with the appropriate senior managers. Compliance is tested by internal audit and external audit reviews.

INTERNAL AUDIT

Internal audit is an independent appraisal function. It examines and evaluates the Group's activities and the appropriateness, adequacy and efficiency of the systems of internal control and resultant business risks. In terms of the updated audit committee terms of reference, the group audit manager is responsible for reporting to the audit committee and has unrestricted access to its chairman, the chairman of the Group and the CEO. Audit plans are formulated based on the assessment of the key risks. Every assignment is accompanied by a detailed report to management, which includes recommendations for improvement. Significant business risks and weaknesses in the operating and financial control systems are highlighted and brought to the attention of the audit committee, senior management and external auditors. The audit work plan is presented in advance to the audit committee. Employees and associates are able to report suspected irregularities anonymously to an independent service provider. The team is responsible for managing the investigation of reported incidents and informing the audit committee of the results.

INSIDER TRADING

Life Healthcare observes a closed period from the end of the accounting period to the announcement of the interim or annual results, during which time no employee who may be in possession of unpublished price-sensitive information or director may deal, either directly or indirectly, in the shares of the Group. Comprehensive guidelines on how to comply with insider trading restrictions and how to deal with analysts are provided in the insider trading policy.

MATERIAL LITIGATION

During the financial year ending 30 September 2012, the Group was not involved in any material litigation or arbitration proceedings nor are the directors aware of any legal issues which are pending or threatened, which may impact materially on the Group's financial position. Institutions in the healthcare sector are subject to patient lawsuits and the directors are of the opinion that the Group has sufficient insurance to mitigate financial risk.

INTRODUCTION

The objective of the Life Healthcare remuneration strategy is to enable the Company to attract and retain key talent and to influence the behaviour of employees, to ensure the alignment of shareholder and employee interests.

Competition for clinical healthcare skills in the South African market is intense and largely driven by an increasing demand for healthcare, whilst the supply of skills is not keeping pace. In addition, large numbers of local healthcare professionals have migrated.

REMUNERATION

The Company acknowledges that focused management and employee attention on business objectives is a critical success factor for sustained long-term value creation for shareholders. To this end, its remuneration strategy aims to attract and retain the talent required to give effect to these objectives.

At a practical level, Life Healthcare strives for:

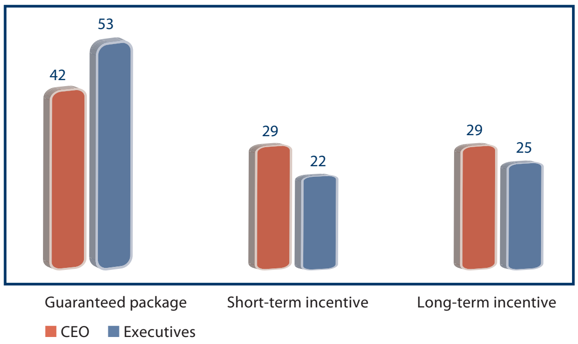
- internal fairness by setting salary ranges per job category, which are broad enough to distinguish between performance and experience and that reward top performers accordingly;
- flexible and responsive remuneration practices;
- sound corporate structures and governance;
- competitiveness with the external market; and
- a balance between market pressures on remuneration and long-term sustainability of the Company.

The Company remunerates employees on the basis of basic salary plus benefits. It is acknowledged that whilst the modern trend is to base remuneration on a cost-to-company package, the healthcare industry has largely retained the traditional approach of basic plus benefits, and employees in this market are familiar with and prefer this methodology. Benchmarking of all remuneration, however, is done on the basis of total cost-to-company and the total cost of employment is measured and communicated to each employee.

High performance and quality are key drivers in Life Healthcare. Short-term and long-term incentives compose a high percentage (45% to 58%) of remuneration for senior management and are directly linked to these drivers, whilst junior categories of staff receive performance-linked increases.

Life Healthcare offers more senior employees a combination of guaranteed remuneration, short-term incentives and long-term incentives. Short-term incentives are paid to employees at middle management and higher grades who have line of sight to business incentives. Targets are stretched to ensure higher performance before the full payment of benefit is achieved. Senior managers with strategic and/or tactical roles participate in the Company's long-term incentive scheme. Executive employment contracts are subject to a six-month notice period as well as a subsequent six-month restraint of trade.

Executive remuneration
%



Guaranteed remuneration

The Company conducts appropriate peer group benchmarking of remuneration. It participates in a number of salary surveys to substantiate its remuneration data. Our pay line is benchmarked at the market median, but adjusted where market imperfections distort the slope on the pay line. Individual pay rates per job are influenced by our pay line, market rates for such roles and current pay rates in the Company. The salary structure is reviewed during October and adjusted with effect from January each year. The performance level of employees is a key factor in determining employees' respective increases. Individual salaries are benchmarked internally and externally to ensure fairness. The attraction and retention of clinical staff is a key focus area. Specific areas of concern are addressed via a bespoke retention and specialist allowance structure. Such allowances are offered in addition to basic salaries and provide significant retention value. The Company rewards skills by granting higher specialist allowances to employees who have attained additional qualifications to enhance their knowledge, skill and quality of care to the patient. The large differential between qualified and experienced specialist allowances is designed to encourage employees to further their education and thus heighten the professionalism and excellence of the Company.

Short-term incentives

Life Healthcare believes in the value that appropriate performance-driven awards can add to its successful operation. It subscribes to the philosophy that substantial benefit can be derived from defining appropriately weighted quantitative and qualitative measures, linked to variable compensation. The Company's variable compensation plan (VCP) is a short-term incentive scheme, assessed and paid on a bi-annual basis, to reward and retain senior managers who have line of sight and contribute to the bottom line of the business.

Eligible managers are evaluated against three weighted key performance areas. These key performance areas contribute to the overall strategy and business objectives of the Company, namely:

- Company performance (15% weighting): measured against operating profit and cash flow targets;

- Business unit performance (60% weighting): the financial performance of the manager's specific business unit/s that he/she is responsible for. This target has a higher weighting than the other two criteria as managers have a greater individual influence on these results. This measure is apportioned by varying weighted criteria that are measured against agreed targets. The criteria include operating EBITDA, gross cash flow and RONA; and
- Personal performance criteria (25% weighting): more subjective and includes overall performance of the individual in carrying out his/her job requirements, transformation and quality outputs.

The weighting of criteria is uniformly applied to all eligible managers to allow for fairness and equity and the scheme is measurable and defendable. The Company emphasises pay for performance, and business and/or personal performance that falls below a set threshold will result in non-payment of incentives.

Long-term incentive plan (LTIP)

The purpose of the LTIP is to attract, retain, motivate and reward executives and senior managers who are able to influence the long-term performance and sustainability of the Group. This is done by rewarding participants on the basis of Company performance measured against key long-term measures.

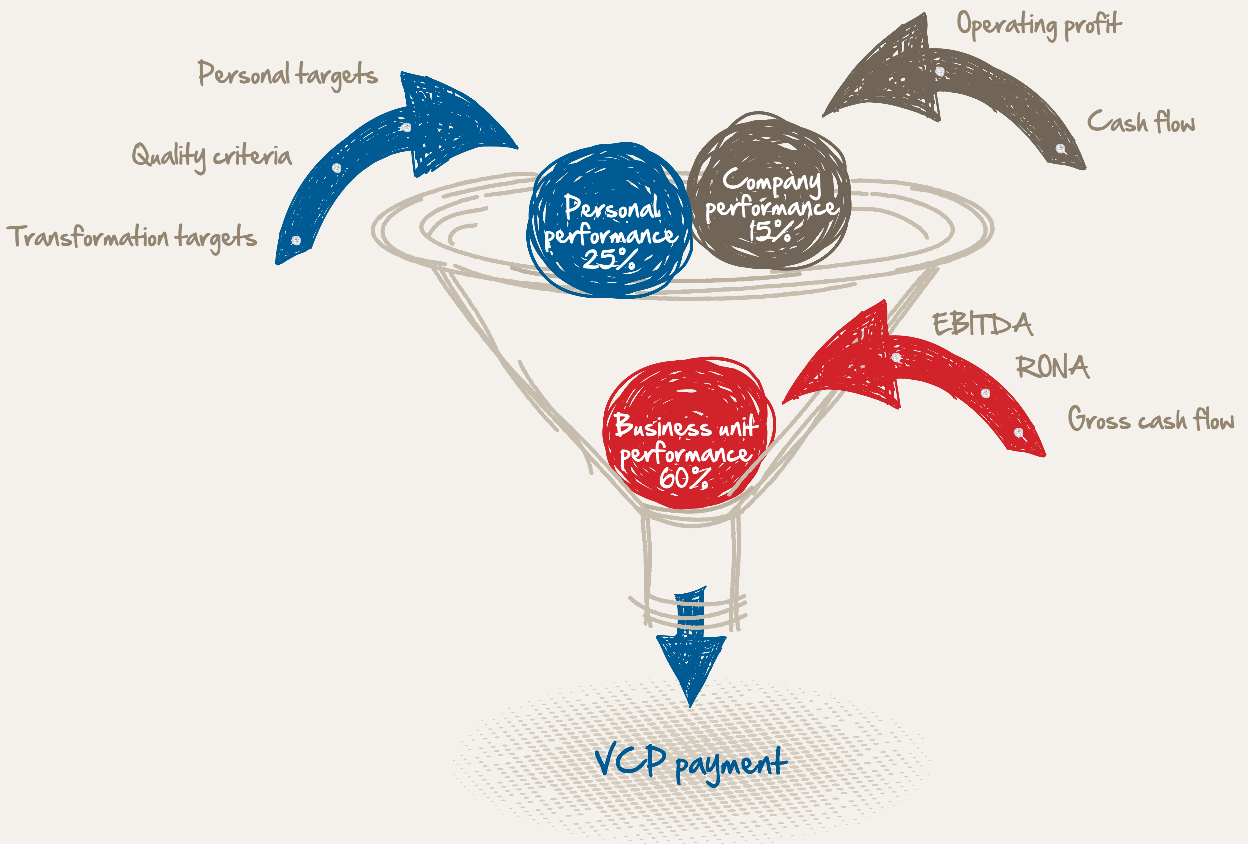
The aim of the scheme is:

- to provide a long-term financial incentive to maximise a collective contribution to the Company's continued growth and prosperity;
- to allow managers to share in the growth of the Company;
- to align managers' interests with those of the Company's shareholders; and
- to assist with the recruitment, motivation and retention of managers of the Company.

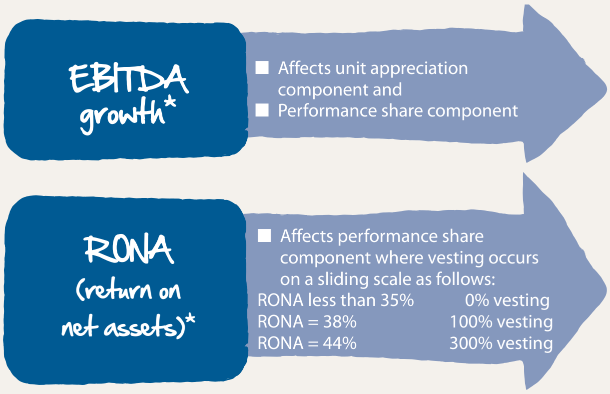
The long-term incentive scheme is a hybrid scheme that combines a pure unit appreciation component; and a performance share component.

The scheme is settled in cash and pays out after three years. Performance levels of participants in this scheme influence the quantum of initial allocations and quantum of reward increases with seniority and is industry benchmarked. The performance units vest on the third anniversary of their award, subject to the achievement of stretching performance measures over the intervening period. Certain financial thresholds need to be met to warrant payment.

Components of the variable compensation plan



The determinants of reward are:



*As defined by the scheme rules.

As a means of enhancing the alignment between managers and shareholders, managers are provided the opportunity to invest their payment from the long-term incentive scheme in Company shares. This investment results in a co-investment by the Company with matching ratios. These shares are restricted for a further two or three-year period (dependent on the year of allocation) from the time of vesting.

The co-investment shares, whether deferred or matched, will be purchased in the market and transferred to participants when vesting and settlement occurs.

Co-investment option	Matching ratio
No co-investment	Cash payment in January 2015 as per original scheme conditions
50% co-investment	The Company will invest an additional R0.50 for every R1 invested by the participant
75% co-investment	The Company will invest an additional R0.75 for every R1 invested by the participant
100% co-investment	The Company will invest an additional R1.00 for every R1 invested by the participant

The combined, weighted implementation of the above share incentive elements allows Life Healthcare to offer a competitive long-term incentive scheme, reward long-term sustainable Company performance, enhance retention and ensure that executives and senior managers share a significant level of personal risk/reward with the Company's shareholders.

Employee benefits

The benefits that form part of guaranteed remuneration include the following:

Retirement funds

Life Healthcare operates two defined contribution retirement funds:

- The Life Healthcare Provident Fund (LHC Provident Fund)
- The Life Healthcare DC Pension Fund (LHC DC Pension Fund).

Membership details of the Life Healthcare DC funds:

- 10 491 are provident fund members
- 812 are pension fund members
- 2 341 are dual fund members (provident and pension funds)

All new employees join the LHC Provident Fund or may opt for dual fund membership, which channels employee contributions to the LHC DC Pension Fund and employer contributions to the LHC Provident Fund.

In addition, the Company operates two defined benefit funds which closed to new membership in 1996. The Life Healthcare DB Pension Fund provides retirement benefits for approximately 200 active members and 278 pensioners, whilst the Lifecare Group Holdings Pension Fund provides benefits to 26 active members and 151 pensioners.

The Company-supported retirement funds offer group life cover and disability benefits to members. Both permanent disability and death are covered by lump sum payments underwritten by an insurer. The standard cover for new employees is three times annual salary death cover and three times annual salary disability cover.

The Company has, as a result of historical acquisitions, been required to rationalise and consolidate a large number of retirement funds. This process is largely complete.

Medical aid

It is a condition of employment for Life Healthcare employees to belong to a Company-supported medical aid, unless membership of a spouse's medical aid can be proven.

Membership of a principal member, spouse and two children is subsidised by the Company. The Company participates in the open medical scheme market, currently using Discovery Health.

Post-retirement medical aid liability

A continued medical aid subsidy, post retirement, is enjoyed by a small number of employees who were Afrox employees on or before 1 November 1996. This limited liability is funded via investments held in the market.

Other benefits

All other benefits are industry benchmarked and are granted on the basis that it aids employee retention and/or provides an efficient work environment for the employee. Such benefits are priced and form part of the annual salary review mandate process.

Employee share plan (ESP)

Life Healthcare has implemented a trust that has been established to facilitate employees' direct equity ownership in the Company. During July 2012, the Group purchased shares to the value of R50 million. The Trust holds the shares and confers "rights" to shares to employees. Permanent employees belonging to the retirement fund and with one year's service as of 1 July 2012 are eligible to rights. The rights have been equally distributed to all qualifying employees.

Dividends start to flow to employees from the onset of the scheme. Shares are transferred from the Trust to the employee on the fifth to seventh anniversaries (fifth: 25%, sixth: 25% and seventh: 50% of the allocated "rights"). Employees who resign or are dismissed during the duration of the scheme will lose their rights to any shares and their rights will be distributed equally among the remaining employees. These employees will then no longer participate in the scheme. Once the shares are transferred into the employee's name, the employee will have a choice to either retain their share ownership or sell their shares.

Life Healthcare will in accordance with the scheme acquire a number of shares on an annual basis to ensure that the opportunity is granted to new employees and the objectives of the scheme are achieved. Each allocation will be managed separately and will vest according to the same criteria.

Executive directors' remuneration

Executive directors are subject to a six-month notice and six-month restraint of trade. Details of the remuneration of individual executive and non-executive directors are set out on pages 69 and 70 as per the annual financial statements on page 162.

Non-executive director remuneration

The fees in respect of non-executive directors are reviewed on an annual basis and independent survey data is utilised for benchmarking purposes. Fees are paid as a combination of a retainer and an attendance fee per meeting in alignment with the emerging market practice and Company culture.

DIRECTORS' EMOLUMENTS

Emoluments paid to directors of the Company by the Company and its subsidiaries for the year to 30 September are set out below:

2012 (R'000)	Directors' fees	Salaries	Bonus and performance-related payments	Other allowances	Gains on long-term incentive scheme	Medical aid contributions	Pension fund contribution	Total
Executive directors								
CMD Flemming	–	**2 625**	**3 479**	**835**	**3 898**	**24**	**708**	**11 569**
RJ Hogarth	–	**1 455**	**1 613**	**641***	**1 839**	**20**	**392**	**5 960**
	–	**4 080**	**5 092**	**1 476**	**5 737**	**44**	**1 100**	**17 529**
Non-executive directors								
MA Brey	**253**	–	–	–	–	–	–	**253**
Prof GJ Gerwel	**714**	–	–	–	–	–	–	**714**
Dr MP Ngatane	**247**	–	–	–	–	–	–	**247**
GC Solomon	**336**	–	–	–	–	–	–	**336**
LM Mojela	**415**	–	–	–	–	–	–	**415**
PJ Golesworthy	**455**	–	–	–	–	–	–	**455**
TS Munday	**460**	–	–	–	–	–	–	**460**
Adv FA du Plessis	**281**	–	–	–	–	–	–	**281**
JK Netshitenzhe	**183**	–	–	–	–	–	–	**183**
KM Gordhan	**219**	–	–	–	–	–	–	**219**
	3 563	–	–	–	–	–	–	**3 563**

* *Includes R166 546 related to leave paid out.*

DIRECTORS' EMOLUMENTS continued

2011 (R'000)	Directors' fees	Salaries	Bonus and performance-related payments	Other allowances	Gains on long-term incentive scheme	Medical aid contributions	Pension fund contribution	Total
Executive directors								
CMD Flemming	–	2 378	3 874	759	1 565	23	669	9 268
RJ Hogarth	–	1 294	1 526	425	747	18	364	4 374
	–	3 672	5 400	1 184	2 312	41	1 033	13 642
Non-executive directors								
MA Brey	302	–	–	–	–	–	–	302
YZ Cuba	21	–	–	–	–	–	–	21
CWJ Lyons	14	–	–	–	–	–	–	14
Dr JPF Dalmeyer	35	–	–	–	–	–	–	35
Prof GJ Gerwel	456	–	–	–	–	–	–	456
Dr MP Ngatane	218	–	–	–	–	–	–	218
GC Solomon	442	–	–	–	–	–	–	442
LM Mojela	376	–	–	–	–	–	–	376
PJ Golesworthy	484	–	–	–	–	–	–	484
TS Munday	413	–	–	–	–	–	–	413
Adv FA du Plessis	208	–	–	–	–	–	–	208
JK Netshitenzhe	128	–	–	–	–	–	–	128
KM Gordhan	133	–	–	–	–	–	–	133
	3 230	–	–	–	–	–	–	3 230

The directors' fees are paid by the subsidiary company of Life Healthcare Group Holdings Limited.

Prescribed officer

In line with the requirements of the new Companies Act, the Group discloses the remuneration paid to prescribed officers who are defined as the Group's chief executive officer (CMD Flemming) and the Group's chief financial officer (RJ Hogarth) in line with a legal opinion. Refer above for the directors' remuneration for the prescribed officers.

PROPOSED NON-EXECUTIVE DIRECTORS' EMOLUMENTS FOR 2013

Committee	Number of meetings in 2012	Entity	Retainer per annum	Total meeting fees per annum	2012 Current annual cost	Proposed retainer per annum	Proposed fees per annum	2013 Proposed annual cost
Directors' fees	4	Chairperson	360 000	240 000	**600 000**	385 200	256 800	**642 000**
		Board member	90 000	60 000	**150 000**	96 300	64 200	**160 500**
Audit	4	Chairperson	109 440	72 960	**182 400**	117 120	78 060	**195 180**
		Board member	64 320	42 880	**107 200**	68 820	45 880	**114 700**
Remuneration	3	Chairperson	83 700	55 800	**139 500**	89 580	59 700	**149 280**
		Board member	41 940	27 960	**69 900**	44 880	29 925	**74 805**
Nominations	2	Chairperson	55 800	37 200	**93 000**	59 700	39 800	**99 500**
		Board member	27 960	18 640	**46 600**	29 940	19 950	**49 890**
Risk	2	Chairperson	55 800	37 200	**93 000**	59 700	39 800	**99 500**
		Board member	27 960	18 640	**46 600**	29 940	19 950	**49 890**
Investment	3	Chairperson	83 700	55 800	**139 500**	89 580	59 700	**149 280**
		Board member	41 940	27 960	**69 900**	44 880	29 925	**74 805**
Social, ethics and transformation	2	Chairperson	55 800	37 200	**93 000**	59 700	39 800	**99 500**
		Board member	27 960	18 640	**46 600**	29 940	19 950	**49 890**
					1 877 200			**2 008 720**

The combined assurance model which was developed in 2011 by the group risk manager, serves as a formal platform to facilitate the identification, prioritisation, assessment, mitigation and monitoring of operating, financial and business risks. The model was updated in the year under review. The business unit managers, in conjunction with the group risk manager and internal audit manager, are responsible for implementing control processes and for providing the necessary assurance that the controls are implemented and maintained. Appropriate action plans ensure that significant risks are reduced to acceptable levels.

The board, under advisement from the risk committee is satisfied that there are adequate, ongoing risk management processes in place, providing reasonable assurance that key risks are professionally identified, evaluated and managed. The following risks have been identified specifically related to conducting business in southern Africa and India.

Risk	Description of risk	Risk mitigation	Responsible committee
Regulatory environment	■ The healthcare industry is subject to government regulations relating to licences, conduct of operations, security of medical records, quality standards and certain categories of pricing ■ The healthcare industry is also subject to a number of new/proposed regulations to the Labour Relations Act, Basic Conditions of Employment Act, EE Act and the Employment Services Bill (ESB)	■ The Group closely monitors and provides input where possible in any new proposed legislation ■ The Group has a team of individuals working on health policy-related issues and interacting with industry stakeholders ■ The Group does pertinent company and industry research and analysis to assist in the debate regarding any proposed legislative initiatives	Risk committee
National Health Insurance (NHI)	■ The government released a green paper on NHI in August 2011. The green paper provided a high level strategic direction of the NHI and did not provide sufficient detail of how the NHI would be implemented. The funding proposals are expected to be made known in early 2013	■ The Group continues to monitor developments and will engage with stakeholders where appropriate ■ The Group responded to the green paper, both as an individual organisation as well as through the Hospital Association of South Africa (HASA) ■ The Group will prepare for NHI accreditation at appropriate Life Healthcare facilities	Risk committee
Proposed Competition inquiry into private healthcare costs	■ The Competition Commission is considering an inquiry into private healthcare industry prices. The terms of the inquiry have not yet been released but the inquiry is expected to last at least two years and cover the major cost drivers in the industry and benchmark our costs internationally	■ The Group continues to monitor developments and will engage with the Competition Commission when appropriate ■ The Group will do pertinent company and industry research and analysis to assist in the inquiry	Risk committee

Risk	Description of risk	Risk mitigation	Responsible committee
Doctor shortages	■ Doctors are not employed by the Group and may terminate their association with the Group at any time ■ Insufficient doctors are being trained to address the health needs of, and general shortage in, the country	■ The Group maintains strong relationships with its doctors and strives to provide quality infrastructural and nursing support as well as high technology facilities and equipment to attract and retain doctors ■ The Group is significantly increasing its funding for the training of specialists through the College of Medicines in a R78 million, six-year programme ■ The Group's doctor shareholding model results in increased doctor involvement	Risk committee
Skilled personnel shortages	■ South Africa has an increasing shortage of nurses, pharmacists and other healthcare professionals ■ The effect of HIV/Aids on staff	■ The Group offers competitive pay, an ESP, opportunities for career advancement and ongoing training through the Life College of Learning. These benefits have assisted in employee retention ■ 1 250 nursing students are enrolled at the Life College of Learning this year ■ A total of 72 pharmacist assistants are training with the Group with an additional 15 pharmacist interns in Group pharmacies ■ The Group supports staff via a variety of wellness programmes, including HIV/Aids education and support	Remuneration and human resources committee
Poor investment decisions	■ Poor investment decisions (local and offshore) may impact the Group's growth and/or financial stability ■ Offshore investments have additional uncertainty and unknown factors	■ The Group's strategy and development team manages all investments, including due diligence reviews, review by the executive committee, approval of material investments by the board investment committee and professional legal and tax advice obtained ■ Post-investment reviews for all material investments are undertaken	Investment committee

Risk	Description of risk	Risk mitigation	Responsible committee
Competition from other healthcare providers	■ The Group competes for patients with other providers of medical services	■ The Group competes successfully by maintaining close relationships with medical schemes and by driving cost efficiency to secure preferred network agreements ■ The Group also continues to: – improve its geographical coverage of hospitals as well as adding new lines of business – invest in facilities and equipment to support the delivery of world-class healthcare – build on its quality programme and benchmark against international best practices	Risk committee
Payments from government	■ Life Esidimeni operates under contract to Provincial Departments of Health and Social Welfare and is dependent on payments which are sometimes delayed ■ A small percentage of the Group's hospital revenue comes from compensation for occupational injuries and diseases (COID)	■ Government contracts are monitored carefully and targets for payments are set ■ We have a centralised COID office. Payments are monitored on a monthly basis and regular meetings are conducted with representatives of COID	Audit committee
Equipment and facilities	■ The Group must remain abreast of advancements in medical technology and equipment needs or will lag in healthcare delivery	■ The Group continues to ensure that there are facilities, technology and equipment to attract doctors, nurses and patients in order to achieve the Group's growth, efficiency and sustainability strategies. A total of R752 million has been allocated for capital expenditure in 2013	Risk committee
Industrial action	■ Strikes or industrial action could impair the Group's business activities	■ Negotiations with unions occur at four acute facilities. There were no strikes during 2012. The Group has established consultative forums and open channels of communication including conducting employee climate surveys to maintain good relations with employees	Remuneration and human resources committee

Risk	Description of risk	Risk mitigation	Responsible committee
Information technology	■ Information management could be compromised by viruses or data corruption, posing a threat to the business ■ The Group's operations are dependent on uninterrupted performance of information systems; their failure could disrupt business operations	■ The Group achieved the international ISO 27001 information security management system certification some years ago and external agencies conduct regular ISO audits to maintain the certification ■ The Group regularly reviews its information management technology and upgrades this where necessary to ensure optimal business efficiencies ■ The Group has pursued a strategy of using only "main-stream" products	Risk committee
Operational risks	■ Risks related to dependence on suppliers of essential services, eg laundry, medical waste, water, electricity as well as environmental issues	■ Preferred suppliers are selected, screened and regularly monitored and reviewed ■ Back-up and alternative response plans are in place to mitigate outages	Risk committee
Patient lawsuits	■ The Group is subjected to lawsuits resulting from negligence, treatment errors and other claims	■ The Group has extensive programmes, including ISO 9001 quality certification, to mitigate the risk ■ The Group has also taken out adequate insurance to cover potential losses	Risk committee
Quality	■ If the Group does not maintain and continuously improve the quality of the healthcare provided, business operations may be affected	■ Systems are in place to manage the quality of care provided to patients including international benchmarking ■ The Group has achieved multi-site ISO 9001:2008 certification and developed a quality scorecard which measures: – Patient satisfaction – Quality audit results – Patient health and safety – Employee health and safety – Clinical outcomes improvement	Risk committee
Real estate management	■ If the real estate of the Group is not well managed, it may lead to adverse financial implications	■ The Group's property is managed using appropriate property software involving the Group risk, engineering and legal departments ■ The Group has acquired several previously leased premises	Risk committee

Risk	Description of risk	Risk mitigation	Responsible committee
Reputational risk	■ Adverse events and incidents may lead to a decline in confidence as a trusted health service provider by patients and supporting doctors	■ There is a policy and plan to deal with incidents and adverse events ■ Staff are trained in respect of quality and Company protocols to ensure these are followed in the provision of services to patients and supporting doctors	Risk committee
Credit risk	■ The majority of hospital bills are paid by medical schemes to which the Group's patients belong. In South Africa, medical schemes are subject to regulation by the Council of Medical Schemes and are required to maintain reserves of 25% ■ A range of corporate employers under contracts in the occupational health business	■ The Group has a well established and protocol driven case management system in each hospital to manage all medical scheme patients and interaction with the private medical insurer ■ The Group verifies patients' medical scheme coverage to confirm if accounts will be paid ■ Management makes provision for potential losses during the year ■ Private (self-funding) patients pay deposits upfront or make payment arrangements prior to admission	Audit committee
Liquidity risk	■ The Group must maintain sufficient cash, marketable securities and working capital facilities with banks	■ The Group monitors its facilities to ensure it has sufficient facilities to meet its operating requirements ■ Cash flow position is monitored monthly and forecasts done quarterly to ensure that adequate facilities are available	Audit committee
Interest rate risk	■ The Group's working capital and loan facilities bear interest at variable rates	■ The Group analyses its interest rate exposure, taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Interest rate hedges are used to manage exposure to this risk	Audit committee
Foreign exchange risk	■ Pharmaceuticals, surgical supplies and medical equipment are generally imported. Although prices are denominated in rand, the rand prices are linked to US dollars or euros. The Group has a hospital in Botswana and is exposed to foreign currency movements there	■ The Group has limited foreign exchange risk. Group policy is to take forward cover on any material currency exposure. Local suppliers are required to quote prices in rand	Audit committee

Profile disclosure	Description	Section	Page
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2. ORGANISATIONAL PROFILE			
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2.3	Operational structure of the organisation, including main divisions, operating companies, subsidiaries, and joint ventures.	Group overview, Annexures A and B	2 165
2.4	Location of organisation's headquarters.	Group overview, Administration	2 86
2.5	Number of countries where the organisation operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	Scope and boundary of report, Group overview	1 2
2.6	Nature of ownership and legal form.	Scope and boundary of report, Annexure C	1 170
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	Group overview	2
2.8	Scale of the reporting organisation.	Group overview, Chief executive officer's review, Chief financial officer's review, Annexure C	2 28 32 170
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3. REPORT PARAMETERS			
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3.6	Boundary of the report (eg countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).	Scope and boundary of report, Group overview, Annexures A and B	1 2 165
3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).	Scope and boundary of report	1
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organisations.	Notes to the Group annual financial statements	98
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4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organisation´s performance (including social and environmental performance).	Remuneration report	66
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	Corporate governance report (conflict of interest)	60
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4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, social performance and the status of their implementation.	Group overview, Corporate governance report (code of ethics)	2 64
4.9	Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	Corporate governance report (social, ethics and transformation committee); (risk committee)	63 64
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G3 DMA	Description	Section	Page
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Performance indicator	Description	Section	Page
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LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.	Sustainability (employee health and safety)	50
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LIFE HEALTHCARE GROUP FACILITIES

LIFE HOSPITALS

Botswana		
Life Gaborone Private Hospital	Plot 8448, Segoditshane Road, Mica Way, Broadhurst, Gaborone, Botswana	00267 368 5600
Eastern Cape		
Life Beacon Bay Hospital	32 Quenera Drive, Beacon Bay, East London 5201	043 711 5100
Life East London Private Hospital	32 Albany Street, East London 5201	043 722 3128
Life Eye Hospital East London	36 St James Road, Southernwood, East London 5201	043 722 9685
Life Isivivana Private Hospital	Du Plessis Street, Humansdorp 6300	042 295 1100
Life Mercantile Hospital	Cnr Kempston and Durban Roads, Korsten, Port Elizabeth 6020	041 404 0400
Life Queenstown Private Hospital	Cnr Ebden and Griffith Streets, Queenstown 5319	045 838 4110
Life St Dominic's Hospital	45 St Mark's Road, Southernwood, East London 5201	043 707 9000
Life St George's Hospital	40 Park Drive, Central, Port Elizabeth 6001	041 392 6111
Life St Mary's Private Hospital	30 Durham Road, Mthatha, Transkei 5099	047 505 5600
Free State		
Life Rosepark Hospital	57 Gustav Crescent, Fichardt Park, Bloemfontein 9301	051 505 5111
Gauteng		
Life Bedford Gardens Hospital	7 Leicester Road, Bedford Gardens, Bedfordview 2008	011 677 8500
Life Brenthurst Clinic	4 Park Lane, Parktown, Johannesburg 2193	011 647 9000
Life Brooklyn Day Hospital	154 Olivier Street, Brooklyn 0181	012 433 0860
Life Carstenhof Clinic	21 Dane Road, Glen Austin, Midrand 1685	011 655 5500
Life Dalview Clinic	11 Hendrik Potgieter Road, Brakpan 1541	011 747 0747
Life Eugene Marais Hospital	696, 5th Avenue, Les Marais, Pretoria 0084	012 334 2777
Life Faerie Glen Hospital	Cnr Atterbury Road and Oberon Avenue, Faerie Glen 0043	012 369 5600
Life Flora Clinic	William Nicol Drive, Floracliffe, Florida 1709	011 470 7777
Life Fourways Hospital	Cnr Cedar Road and Cedar Avenue West, Fourways 2055	011 875 1000
Life Little Company of Mary Hospital	50 George Storrar Drive, Groenkloof, Pretoria 0181	012 424 3600
Life Pretoria North Surgical Centre	260 Burger Street, Pretoria North 0182	012 546 0322
Life Robinson Private Hospital	Hospital Road, Randfontein 1759	011 278 8700
Life Roseacres Clinic	Cnr Castor and St Joseph Streets, Symhurst, Primrose, Germiston 1401	011 842 7500
Life Sandton Surgical Centre	200 Rivonia Road, Morningside 2057	011 883 1400
Life Springs Parkland Clinic	Artemis Road, Pollak Park, Springs 1559	011 812 4000
Life St Mary's Women's Clinic	15 Middlesex Street, Springs 1559	011 815 6885
Life Suikerbosrand Clinic	Cnr HF Verwoerd and Maré Streets, Heidelberg 1441	016 342 9200
Life The Glynnwood	33 – 35 Harrison Street, Benoni 1501	011 741 5000
Life Wilgeheuwel Hospital	Amplifier Road, Radiokop Ext 13, Roodepoort 1724	011 796 6500
Life Wilgers Hospital	Cnr Lynnwood and Simon Vermooten Roads, Die Wilgers Ext 14, Pretoria 0040	012 807 8100

LIFE HOSPITALS

KwaZulu-Natal		
Life Chatsmed Garden Hospital	80 Woodhurst Drive, Woodhurst, Chatsworth 4092	031 459 8000
Life Empangeni Garden Clinic	Cnr Biyela and Ukula Streets, Empangeni 3880	035 902 8000
Life Entabeni Hospital	148 Mazisi Kunene (South Ridge) Road, Berea, Durban 4001	031 204 1300
Life Mount Edgecombe Hospital	163 – 179 Redberry Road, Rockford, Phoenix 4068	031 537 4000
Life The Crompton Hospital	102 Crompton Street, Pinetown 3610	031 702 0777
Life Westville Hospital	7 Spine Road, Westville 3630	031 251 6911
Mpumalanga		
Life Cosmos Hospital	Cnr OR Tambo and Beatty Avenues, eMalahleni 1035	013 653 8000
Life Midmed Hospital	Cnr OR Tambo and Joubert Streets, Middelburg, Mpumalanga 1050	013 283 8700
Life Piet Retief Hospital	Mansoor Street, Kempville, Piet Retief, Mkhondo 2380	017 826 9200
North West		
Life Anncron Clinic	Cnr Dr Yusuf Dadoo and Hartley Streets, Wilkoppies, Klerksdorp 2571	018 468 0000
Life La Femme Clinic	Cnr Kerk and Heystek Streets, Rustenburg 0299	014 594 9500
Life Peglerae Hospital	173 Beyers Naude Drive, Rustenburg 0299	014 597 7200
Western Cape		
Life Bay View Private Hospital	Cnr Alhof and Ryk Tulbach Streets, Mossel Bay 6506	044 691 3718
Life Claremont Hospital	Main Road, Claremont 7700	021 670 4300
Life Kingsbury Hospital	Wilderness Road, Claremont 7700	021 670 4000
Life Knysna Private Hospital	Hunters Estate Drive, Hunters Home, Knysna 6570	044 384 1083
Life Orthopaedic Hospital	Alexandra Road, Pinelands, Cape Town 7405	021 506 5400
Life Sports Science Orthopaedic Surgical Day Centre	Mariendahl Terrace, Off Sports Pienaar Road, Newlands, Cape Town 7700	021 670 9920
Life Vincent Pallotti Hospital	Alexandra Road, Pinelands, Cape Town 7405	021 506 5111
Life West Coast Private Hospital	22 Voortrekker Street, Vredenburg 7380	022 719 1030
Associate hospitals		
Ascot Park Hospital	1st Floor, 3 Ascot Road, Durban 4001	031 374 8000
City Hospital	83 Lorne Street, Durban 4001	031 314 3000
Durdoc Hospital	5th Floor, Durdoc Centre, 460 Smith Street, Durban 4001	031 301 8531
Isipingo Hospital	162 Old Main Road, Isipingo 4110	031 913 7000
Maxwell Clinic	79 Lorne Street, Durban 4001	031 314 3000

LIFE HEALTHCARE GROUP FACILITIES continued

LIFE MENTAL HEALTH

Facilities		
Eastern Cape		
Life Hunterscraig Private Hospital	22 Park Drive, Central, Port Elizabeth 6001	041 586 2664
Life St Mark's Clinic	16 St Andrews Road, Southernwood, East London 5201	043 707 4400
Gauteng		
Life Glynnview	129 – 131 Howard Avenue, Benoni 1501	011 741 5460
Life Poortview	18 Malcolm Road, Ruimsig, Roodepoort 1724	010 003 0930
Life Riverfield Lodge	34 Southernwoods Road, Nietgedacht, Randburg 2194	086 074 8373
KwaZulu-Natal		
Life St Joseph's	82 Mazisi Kunene (South Ridge) Road (entrance off Tighard Avenue), Berea, Durban 4001	031 204 1470

LIFE REHABILITATION

Units		
Eastern Cape		
Life St Dominic's Hospital	45 St Mark's Road, Southernwood, East London 5201	043 742 0723
Free State		
Life Pasteur Hospital	54 Pasteur Drive, Hospitaalpark, Bloemfontein 9301	051 522 6601
Gauteng		
Life Eugene Marais Hospital	696, 5th Avenue, Les Marais, Pretoria 0084	012 334 2603
Life New Kensington Clinic	23 Roberts Avenue, Kensington, Johannesburg 2094	011 538 4700
Life Riverfield Lodge	34 Southernwoods Road, Nietgedacht, Randburg 2194	086 074 8373
KwaZulu-Natal		
Life Entabeni Hospital	148 Mazisi Kunene (South Ridge) Road, Berea, Durban 4001	031 204 1300
Western Cape		
Life Vincent Pallotti Hospital	Ground Floor, The Park, Park Lane (off Alexandra Road), Pinelands, Cape Town 7405	021 506 5372

LIFE RENAL DIALYSIS

Units		
Eastern Cape		
Life Mercantile Hospital	Cnr Kempston and Durban Roads, Korsten, Port Elizabeth 6020	041 404 0473
Life St James Hospital	36 St James Road, Southernwood, East London 5201	043 722 9685
Gauteng		
Life Flora Clinic	William Nicol Drive, Floracliffe, Florida 1709	011 470 7777
Life Fourways Hospital	Cnr Cedar Road and Cedar Avenue West, Fourways 2055	011 875 1810
Life The Glynnwood	33 – 35 Harrison Street, Benoni 1501	011 741 5000
KwaZulu-Natal		
Life Entabeni Hospital	148 Mazisi Kunene (South Ridge) Road, Berea, Durban 4001	031 204 1300
Western Cape		
Life Vincent Pallotti Hospital	Alexandra Road, Pinelands, Cape Town 7405	021 506 5350

LIFE OCCUPATIONAL HEALTH

Regional offices		
Eastern Cape regional office	Transnet Building, 85 Burman Road, Deal Party, Port Elizabeth 6210	041 486 1741
Inland regional office	158 Leeuwpoort Street (cnr East Street), Boksburg 1541	011 917 6819
KwaZulu-Natal regional office	Suite 7, Three Peaks House, 22 Underwood Road, 2nd Floor, Pinetown 3600	031 709 2525
Mpumalanga regional office	31a Botha Avenue, Ext 1, eMalahleni 1035	013 656 3936
Outland regional office	Oxford Manor, 21 Chaplin Road, Illovo 2196	011 219 9137
Pretoria regional office	Oxford Manor, 21 Chaplin Road, Illovo 2196	011 219 9209
Western Cape regional office	Shop 4, 42 Voortrekker Road, Goodwood 7460	021 591 7050
Correctional Services – Bloemfontein	c/o the G4S Mangaung Correctional Centre, along route R702 towards Dewetsdorp, Kagisanong, Bloemfontein 9323	051 406 5319

LIFE ESIDIMENI

Facilities		
Eastern Cape		
Algoa Frail Care Centre	Mission Road, Bethelsdorp, Port Elizabeth 6001	041 372 8012/3
Kirkwood Care Centre	Sonop Street, Kirkwood, Eastern Cape 6120	042 230 0333
Lorraine Frail Care Centre	3 Sedan Avenue, Lorraine, Port Elizabeth 6070	041 379 1213
Gauteng		
Baneng Care Centre	91 Leader Road, Robertville, Roodepoort 1709	011 474 0400
Randfontein Care Centre	Old South Compound, Randfontein Estate Gold Mine, 28 Maugham Street, Randfontein 1759	011 693 3615
Randwest Care Centre	Old South Compound, Randfontein Estate Gold Mine, 28 Maugham Street, Randfontein 1759	011 693 3615
Waverley Care Centre	Main Reef Road, Knights, Germiston 1413	011 776 8600
Witpoort Care Centre	185 Lemmer Road, Vulcania, Brakpan 1541	011 817 6901/2
Limpopo		
Shiluvana Hospital	Ezekhaya Farm, Ritavi District, Tzaneen 0850	015 355 7902
Mpumalanga		
Matikwana Hospital	Stand No 413, Main Street, Mkhuhlu 1246	013 708 6024
Siyathuthuka Care Centre	938 Zakheni Street, Siyathuthuka, Belfast 1100	013 255 0391
Western Cape		
Conradie Care Centre	Ward 94, Lentegeur Hospital, 103 Highlands Drive. Mitchells Plain 7785	TBA

LIFE COLLEGE OF LEARNING

Learning centres		
Bay View Learning Centre	Life Bay View Private Hospital, 12 Ryk Tulbach Drive, Da Nova, Mossel Bay 6500	044 691 3718
Bloemfontein Learning Centre	Life Pasteur Hospital, 54 Pasteur Drive, Hospitaalpark, Bloemfontein 9301	051 522 1828
Cape Town Learning Centre	First Floor, The Park, Park Lane Pinelands, Cape Town 7405	021 506 5340
East London Learning Centre	Life St Dominic's Hospital, 45 St Mark's Road, Southernwood, East London 5201	043 742 4438
East Rand Learning Centre	18 Lakeview Crescent, Kleinfontein Lake, Benoni 1501	011 744 8600
KwaZulu-Natal Learning Centre	Life St Joseph's, 82 Mazisi Kunene (South Ridge) Road, Berea, Durban 4001	031 204 1445
Midmed Learning Centre	22 OR Tambo Street, Shop 1, Middelburg, Mpumalanga 1050	013 243 3924/1302
Port Elizabeth Learning Centre	Ground Floor, Oasim North Building, Havelock Street, Central, Port Elizabeth 6001	041 501 1851
Pretoria Learning Centre	Room 8, Denneboom Office Park, cnr Lynnwood and Simon Vermooten Roads, Die Wilgers Ext 14, Pretoria 0041	012 807 6140/1/2
West Rand Learning Centre	91 Leader Road, Robertville, Roodepoort 1709	011 474 0400/2

CONTENTS

ADMINISTRATION

COMPANY NAME	Life Healthcare Group Holdings Limited
REGISTRATION NUMBER	2003/002733/06
DATE OF INCORPORATION	7 February 2003
COUNTRY OF INCORPORATION	Republic of South Africa
REGISTERED BUSINESS ADDRESS	Oxford Manor 21 Chaplin Road Illovo 2196
REGISTERED POSTAL ADDRESS	Private Bag X13 Northlands 2116
COMPOSITION OF BOARD OF DIRECTORS	Prof GJ Gerwel (chairman) CMD Flemming (chief executive officer) RJ Hogarth (chief financial officer) MA Brey Adv F du Plessis PJ Golesworthy KM Gordhan LM Mojela TS Munday JK Netshitenzhe Dr MP Ngatane GC Solomon
COMPANY SECRETARY	F Patel
TRANSACTIONAL BANKERS	First National Bank
AUDITORS	PricewaterhouseCoopers Inc. Johannesburg

PREPARATION OF THE ANNUAL FINANCIAL STATEMENTS

These financial statements have been audited by our external auditors, PricewaterhouseCoopers Inc. The preparation of the financial statements was supervised by RJ Hogarth (chief financial officer).

STATEMENT OF DIRECTORS' RESPONSIBILITY

for the year ended 30 September 2012

The directors are responsible for the preparation, integrity and fair presentation of the consolidated and Company financial statements of Life Healthcare Group Holdings Limited and its subsidiaries (Group) in accordance with International Financial Reporting Standards (IFRS) and the Companies Act of South Africa.

The directors consider that in preparing the financial statements they have used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all International Financial Reporting Standards that they consider to be applicable have been followed. The directors are satisfied that the information contained in the financial statements fairly presents the consolidated and separate financial position of Life Healthcare Group Holdings Limited at 30 September 2012, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended. The directors also prepared the other information included in the annual report and are responsible for both its accuracy and its consistency with the financial statements.

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

Life Healthcare Group Holdings Limited and its subsidiaries 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 Group or any operating company within the Group will not be going concerns in the foreseeable future, based on forecasts, available cash resources and available banking facilities. These financial statements support the viability of the Group.

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

The Group's external auditors, PricewaterhouseCoopers Inc., audited the financial statements, and their unqualified audit report is presented on page 90.

APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 15 November 2012 and are signed on its behalf:

J Golesworthy
Independent non-executive director

CMD Flemming
Chief executive officer

Johannesburg

STATEMENT FROM COMPANY SECRETARY

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

F Patel
Company secretary

REPORT OF THE AUDIT COMMITTEE

for the year ended 30 September 2012

INTRODUCTION

The Life Healthcare Group Holdings Limited audit committee (the committee) is a formal committee of the board. The responsibilities of the committee are outlined in its written terms of reference which are reviewed annually and the terms of reference are in line with the Companies Act, King III and the JSE Listings Requirements. The committee has an independent role with accountability to both the board and shareholders.

This report of the committee is presented to the shareholders in terms of section 94(7)(f) of the Companies Act, No 71 of 2008, as amended (the Companies Act) and as recommended by King III.

COMPOSITION OF THE AUDIT COMMITTEE

The members of the committee were recommended by the board and appointed by the shareholders in respect of the 2012 financial year.

The committee comprised the following independent non-executive directors who have the requisite financial skills and experience to fulfil the duties of the committee:

Messrs PJ Golesworthy (chairman) and TS Munday and Ms LM Mojela currently serve on the committee. Adv FA du Plessis resigned as a member of the committee on 1 July 2012. The chairman of the board is not a member of the audit committee.

The biographical details of the committee members appear on pages 22 and 23 of the integrated report. The fees paid to committee members are outlined in the table of directors' remuneration on page 162.

The chairman of the board, chairman of the risk committee, chief executive officer, chief financial officer, head of internal audit, group risk manager and senior management in the financial department attended meetings at the invitation of the committee, together with the external auditors.

ROLE OF THE AUDIT COMMITTEE

The overall function of the committee is to assist the directors in discharging their responsibilities relating to the safeguarding of assets, the operation of adequate and effective systems and control processes and the preparation of the integrated report and fairly presented financial statements in compliance with all applicable legal and regulatory requirements and accounting standards.

In respect of the year ended 30 September 2012, the committee executed its responsibilities in accordance with its terms of reference. The committee performed, among others, the following functions:

- Reviewed and recommended for approval the interim results and annual financial statements and the related SENS and press announcements.
- Considered the factors and risks that might impact financial reporting.
- Confirmed the going concern basis of preparation of the annual financial statements.
- Reviewed and recommended for approval the integrated report, including the disclosure of sustainability issues.
- Assessed the effectiveness of internal controls systems and formed the opinion that there were no material breakdowns in internal control.
- Reviewed the internal audit charter in line with King III recommendations and recommended the approval thereof to the board.
- Approved the internal audit plan for the 2012 financial year.
- Considered the effectiveness of the internal audit function.
- Reviewed the progress in the development of the combined assurance mode.
- Reviewed arrangements made by the Company to enable employees and outside whistleblowers to report any concerns about possible improprieties.
- Reviewed and evaluated reports relating to internal audit and risk management.
- Nominated PricewaterhouseCoopers Inc. (PwC) as the Group's registered external auditors and Mr FJ Lombard the designated partner, respectively to the shareholders for appointment as auditors for the financial year ended 30 September 2012.
- Approved the external audit engagement letter, the audit plan and the audit fees payable to the external auditors.
- Reviewed the quality and effectiveness of the external audit process.
- Obtained a statement from the external auditors confirming that its independence was not impaired.
- Confirmed that no reportable irregularities had been identified or reported by the external auditors under the Auditing Profession Act.
- Ensured no limitations were imposed on the scope of the external audit.
- Determined the nature and extent of non-audit services that may be performed by the external auditors and approved such services.
- Reviewed and recommended dividend/distribution declarations to the board.

for the year ended 30 September 2012

- Performed the functions required in terms of section 94(2) of the Companies Act on behalf of the Group's subsidiary companies.
- Considered whether there were any concerns or complaints, whether from within or outside the Company, relating to the accounting practices and internal audit of the Company, the content or auditing of the Company's financial statements, the internal financial controls of the Company or any related matter. The committee confirms that there were no material matters raised.
- Made submissions to the board on matters concerning the Group's accounting policies, financial control, records and reporting.

INTERNAL AUDIT

The committee is responsible for ensuring that the internal audit function is independent and has the necessary resources to enable it to fulfil its mandate. The head of internal audit reports functionally to the chairman of the committee and administratively to the chief financial officer.

EXTERNAL AUDIT

PricewaterhouseCoopers Inc. (PwC) served as the Group's registered external auditors for the 2012 financial year and Mr FJ Lombard the designated partner.

The auditors' terms of engagement were approved prior to the year-end audit on a Group basis, taking into consideration factors such as the timing of the subsidiary audits, the extent of work required and the scope of the audit. The fees paid to the external auditors are disclosed in note 26 to the annual financial statements.

The committee satisfied itself that the external auditors' appointment complies with the Companies Act, the Auditing Profession Act and the JSE Listings Requirements.

The committee satisfied itself through enquiry that both PwC and the audit partner are independent as defined by the Companies Act and as per the standards stipulated in the audit profession. The external auditors provided assurance that their internal governance processes within their audit firm support and demonstrate their claim to independence.

The committee has established a policy in terms of which the nature and extent of all non-audit services provided by PwC are reviewed and approved in advance. These services were limited to R2 million for the current year and comprise mainly audit certificates required in terms of certain contracts, the review of compliance to quality standards and due diligence activities in relation to proposed acquisitions.

The committee has nominated PwC as the Group's registered external auditors and Mr FJ Lombard the designated partner, respectively to the shareholders for appointment as auditors for the financial year ending 30 September 2013 at the next annual general meeting.

EXPERTISE AND EXPERIENCE OF THE CHIEF FINANCIAL OFFICER AND THE FINANCE TEAM

As required by the JSE Listings Requirements, the committee is satisfied that the expertise and experience of the chief financial officer, Mr RJ Hogarth, is appropriate to meet the responsibilities of the position.

The committee considered the expertise, resources and experience of the Group's finance function and concluded that these were appropriate to meet the requirements of the Group.

APPROVAL OF THE REPORT

The committee confirms for the 2012 financial year that it has discharged its responsibilities in accordance with its terms of reference.

On behalf of the audit committee

J Golesworthy
Chairman: Audit committee
Johannesburg
12 November 2012

INDEPENDENT AUDITORS' REPORT

for the year ended 30 September 2012

We have audited the consolidated annual financial statements and annual financial statements of Life Healthcare Group Holdings Limited, which comprise the consolidated and separate statements of financial position as at 30 September 2012, and the consolidated and separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies, other explanatory notes and the directors' report, as set out on pages 91 to 177.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's directors are responsible for the preparation and fair presentation of these 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 misstatements, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements present fairly, in all material respects, the consolidated and separate financial position of Life Healthcare Group Holdings Limited as at 30 September 2012, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: FJ Lombard
Registered Auditor
Johannesburg
15 November 2012

DIRECTORS' REPORT

for the year ended 30 September 2012

The directors have pleasure in submitting their report on the annual financial statements of the Group and the Company for the year ended 30 September 2012. In the context of the financial statements, the term "Group" refers to the Company, its subsidiaries, associates and joint ventures. The directors are of the opinion that stakeholders' interests are best served by presenting the Group's annual financial statements separately from those of the Company. The latter financial statements appear on pages 91 to 177.

NATURE OF THE BUSINESS

Life Healthcare Group Holdings Limited is an investment holding company and through its subsidiaries, associates and joint ventures operates and has extensive interests in private hospitals, sameday surgical centres and healthcare services companies in southern Africa. The Group acquired a 26% interest in Max Healthcare Institute, India, expanding its interests into the growing Indian healthcare market. The Group is listed on the main board of the JSE Limited.

FINANCIAL RESULTS

The financial statements on pages 91 to 177 fully set out the financial results of the Group and Company and do not require further comment in this report. In addition, a separate annual integrated report has been prepared containing the condensed consolidated financial results.

SPECIAL RESOLUTIONS

The following special resolutions were passed during the course of the year:

Life Healthcare Group Holdings Limited

- General authority to repurchase Company shares
- General authority to provide financial assistance to related and inter-related companies
- Approval of non-executive directors' remuneration
- Increase in the authorised share capital of the Company (creation of cumulative redeemable preference shares and cumulative non-redeemable preference shares)
- Amendment to article 44 of the articles of association of the Company (cumulative redeemable preference share terms)
- Amendment to article 45 of the articles of association of the Company (cumulative non-redeemable preference share terms)

Subsidiaries

Life Healthcare Group Proprietary Limited

- Increase in the authorised share capital of the Company (creation of cumulative redeemable preference shares and cumulative non-redeemable preference shares)
- Amendment to article 32 of the articles of association of the Company (cumulative redeemable preference share terms)
- Amendment to article 33 of the articles of association of the Company (cumulative non-redeemable preference share terms)

Life Healthcare Finance Proprietary Limited

- Name change
- Amendment to the memorandum of incorporation (MOI)
- MOI replacement and increase in share capital
- General authority to provide financial assistance to related and inter-related companies

Subsidiaries

- Subsidiary companies passed special resolutions related to financial assistance for purposes of provision of guarantees and inter-company loans, replacement of MOIs, conversion of share capital and name changes. A full list of the special resolutions can be obtained from the Company on request.

SHARE CAPITAL

Details of the authorised and issued share capital of the Company are disclosed in note 15 of the Group annual financial statements.

DISTRIBUTIONS TO SHAREHOLDERS

The Company's distribution policy is to consider an interim and final distribution in respect of each financial year.

The Company paid the following distributions during the current financial year:

Date paid	R'm	Dividend out of income reserve Cents per share	Distribution out of share premium Cents per share	Total Cents per share	Type of distribution
12 December 2011	562	18.00	36.00	54.00	Final 2011
11 June 2012	469	45.00[1]	–	45.00	Interim 2012

[1] *The Group has utilised STC credits amounting to 9.877 cents per share. The balance of the dividend was subject to a dividend withholding tax at a rate of 15%, which resulted in a net dividend of 39.732 cents per share to those shareholders who were not exempt in terms of section 64F on the Income Tax Act.*

The directors approved a final gross cash dividend of 60 cents per ordinary share out of income reserve on 15 November 2012 and no secondary tax on companies' credits has been used. The dividend will be subject to a dividend tax at a rate of 15%, which will result in a net dividend of 51 cents per share to those shareholders who are not exempt in terms of section 64F of the Income Tax Act. Distributions are only accounted for on the date of declaration. As a result the final dividend is not accounted for in the annual financial statements.

In compliance with the requirements of the JSE Limited, the following dates are applicable:

Last day to trade cum the dividend	30 November 2012
Trading ex the dividend commences	3 December 2012
Record date	7 December 2012
Payment date	10 December 2012

INTEREST IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Material changes in holdings in subsidiaries, associates and joint ventures in 2012 were:

- In January 2012, the Group acquired a 26% shareholding in Max Healthcare Institute Limited, incorporated in India. Subject to certain performance criteria being met, the Group has the right to increase this holding to 50% in either 2014 or 2015.
- On 1 December 2011, the Group acquired an additional 25% interest in Medical Imaging Botswana Proprietary Limited (MIB) to obtain control over this entity.
- On 1 December 2011, the Group disposed of its 50% interest in Occulli Trust and Bloemfontein Eye Clinic.
- On 1 March 2012, the Group disposed of its total interest in Birchmed Day Clinic Partnership and the related property.

Details of holdings in subsidiaries, associates and joint ventures are disclosed in Annexure A, Annexure B and notes 7 and 8 in the annual financial statements.

PROPERTY, PLANT AND EQUIPMENT

The Group's property, plant and equipment is owned by its subsidiaries and the book value amounts to R4 010 million (2011: R3 753 million). There were no changes in the nature of property, plant and equipment or in the policy regarding their use during the year.

BOARD OF DIRECTORS

The names of the directors in office at the date of this report are set out on page 86. The remuneration of the directors is set out in note 35 to the annual financial statements.

for the year ended 30 September 2012

INTERESTS OF DIRECTORS

At 30 September directors owned ordinary shares in the Company, directly or indirectly, as follows:

	2012		2011	
	Direct	**Indirect**	Direct	Indirect
Non-executive directors				
Prof GJ Gerwel	**987 000**	**4 038 315[4]**	987 000[1]	5 474 225[1]
MA Brey	**716 255[5]**	**6 277 943[6,7]**	685 463[1]	7 776 923[1,2]
GC Solomon	**107 000**	**–**	107 000	–
PJ Golesworthy	**22 000**	**–**	22 000	–
TS Munday	**–**	**37 700**	–	19 400[3]
LM Mojela	**–**	**–**	–	–
Adv F du Plessis	**–**	**–**	–	–
JK Netshitenzhe	**–**	**–**	–	–
KM Gordhan	**–**	**–**	–	–
Dr MP Ngatane	**–**	**–**	–	–
Dr JPF Dalmeyer*	**–**	**–**	784 350	–
YZ Cuba*	**–**	**–**	55 493	–
Executive directors				
CMD Flemming	**9 232 463**	**1 522 615**	9 232 463	1 522 615
RJ Hogarth	**5 446 415**	**–**	5 446 415	–
Alternate directors				
LZ Brozin~	**–**	**–**	–	1 572 387
PN Boynton~	**–**	**–**	–	–
CWJ Lyons#	**–**	**–**	–	135 021
	16 511 133	**11 876 573**	17 320 184	16 500 571

* *Retired on 27 January 2011.*
~ *Resigned on 17 December 2010. The shares are shown as indirect. At the time of resignation these shares were still held through Health Strategic Investments Limited (HSI).*
\# *Resigned on 1 March 2011.*

Subsequent to the listing certain shareholders unbundled their interest in the Company. Brimstone Investment Corporation Limited (Brimstone) and Mvelaphanda Holdings Limited (Mvela) decided to unbundle their shareholding in the Company to their respective shareholders via Health Strategic Investments Limited (HSI). Life Doctor Investments Limited (Docvest), through which doctors had invested in the Company, distributed their holding in specie to its shareholders.

[1] *Shares acquired on the unbundling of the HSI shares through various Brimstone structures.*
[2] *141 774 shares are held in Life Healthcare by associates of the director and includes shares acquired on the unbundling of the HSI shares through various Brimstone structures.*
[3] *An associate of the director acquired 18 300 shares after the end of the financial year and prior to the date of approval of the annual financial statements.*
[4] *An associate of the director disposed of 1 455 062 shares.*
[5] *The director exercised an off market option through which he acquired 30 792 Life Healthcare shares.*
[6] *An associate of the director disposed of 1 455 062 shares.*
[7] *78 704 shares are held in Life Healthcare by associates of the director and are non-beneficial.*

No change in the interests as set out above has occurred between 30 September 2012 and the date of this report. No arrangements to which the Company is a party existed at year-end that would enable the directors, alternate directors or their families to acquire benefits by means of the acquisition of shares in the companies.

There were no contracts of any significance during or at the end of the financial year in which any director or alternate director of the Company had a material interest.

The board of directors is of the opinion that the Group and the Company will be a going concern in the foreseeable future. The directors have considered the budget and cash flow forecast for the 2013 year. The Group is of a sound financial position and it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. Key management is in place. The directors therefore consider it appropriate to adopt the going concern basis in the preparation of the Group and Company annual financial statements.

AUDITORS

The board of directors recommend that PricewaterhouseCoopers Inc. are re-appointed as auditors of the Company and the Group in terms of the resolution to be proposed at the annual general meeting in accordance with section 90(1) of the Companies Act.

SECRETARY

The address of the Company's secretary is the same as the Company's registered address and appears on page 86 of the report.

EVENTS AFTER THE REPORTING DATE

No other material events occurred between the accounting date and the date of this report that need further comment, in addition to those already disclosed in note 39 to the annual financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 September 2012

	Notes	2012 R'm	2011 R'm
ASSETS			
Non-current assets		**7 771**	6 775
Property, plant and equipment	5	**4 010**	3 753
Intangible assets	6	**2 181**	2 296
Investment in associates	7	**1 091**	288
Loans receivable	9	**9**	5
Retirement benefit asset	10	**247**	205
Post-retirement medical aid benefit	10	**73**	77
Operating lease asset	19	**1**	1
Deferred tax assets	11	**159**	150
Current assets		**1 485**	1 693
Inventories	12	**198**	193
Trade and other receivables	13	**1 037**	1 092
Cash and cash equivalents	14	**246**	400
Loans to associates	7	**3**	6
Derivative financial instruments	22	**–**	1
Operating lease asset	19	**1**	1
Total assets		**9 256**	8 468
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	15	**–**	–
Treasury shares	15	**(82)**	(6)
Share premium	16	**3 373**	3 748
Other reserves	17	**18**	(16)
Retained earnings/(accumulated loss)		**632**	(208)
		3 941	3 518
Non-controlling interest		**937**	867
Total equity		**4 878**	4 385
LIABILITIES			
Non-current liabilities		**2 445**	2 084
Interest-bearing borrowings	18	**1 929**	1 565
Deferred tax liabilities	11	**352**	368
Derivative financial instruments	22	**11**	–
Provisions	21	**21**	28
Operating lease liability	19	**64**	56
Post-retirement medical aid liability	10	**68**	67
Current liabilities		**1 933**	1 999
Trade and other payables	20	**1 239**	1 260
Provisions	21	**179**	161
Interest-bearing borrowings	18	**460**	460
Shareholders for dividends		**1**	1
Current income tax liabilities		**54**	107
Derivative financial instruments	22	**–**	10
Total liabilities		**4 378**	4 083
Total equity and liabilities		**9 256**	8 468

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 September 2012

	Notes	2012 R'm	2011 R'm
Revenue	24	**10 937**	9 812
Other income	25	**114**	102
Ethicals and surgicals consumed		**(2 888)**	(2 622)
Employee benefits expense	27	**(3 639)**	(3 228)
Depreciation on property, plant and equipment	26	**(318)**	(299)
Amortisation of intangible assets	26	**(124)**	(110)
Impairment of intangible assets	26	**–**	(65)
Repairs and maintenance expenditure on property, plant and equipment	26	**(165)**	(131)
Retirement benefit asset	10	**42**	2
Post-retirement medical aid	10	**(5)**	–
Occupational expenses		**(338)**	(284)
Hospital service expenses		**(480)**	(502)
Communication expenses		**(124)**	(113)
Other expenses		**(501)**	(486)
Profit on disposal of businesses	34	**30**	–
Gain on bargain purchase	34	**2**	–
(Loss)/gain on remeasuring of fair value of equity interest before business combination		**(3)**	92
Additional receipt on previously disposed business	26	**2**	5
Operating profit		**2 542**	2 173
Fair value (loss)/gain on derivative financial instruments	22	**(2)**	14
Finance income	28	**22**	37
Finance cost	28	**(235)**	(250)
Share of associates' net profit after tax	7	**85**	115
Profit before tax	26	**2 412**	2 089
Tax expense	29	**(669)**	(597)
Profit after tax		**1 743**	1 492
Other comprehensive income			
Currency translation differences		**–**	2
Total comprehensive income for the year		**1 743**	1 494
Profit after tax attributable to:			
Ordinary equity holders of the parent		**1 496**	1 287
Non-controlling interest		**247**	205
		1 743	1 492
Total comprehensive income attributable to:			
Ordinary equity holders of the parent		**1 496**	1 288
Non-controlling interest		**247**	206
		1 743	1 494
Weighted average shares in issue (million)	30	**1 040**	1 042
Earnings per share (cents)	30	**143.9**	123.6
Diluted earnings per share (cents)	30	**143.7**	123.6

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 September 2012

		Attributable to equity holders of the Company							
R'm	Notes	Ordinary share capital	Treasury shares	Share premium	Other reserves	Retained earnings	Total	Non-controlling interest	Total
Balance at 1 October 2010		–	–	3 956	(29)	(1 078)	2 849	667	3 516
Total comprehensive income for the year		–	–	–	1	1 287	1 288	206	1 494
Profit for the year		–	–	–	–	1 287	1 287	205	1 492
Other comprehensive income		–	–	–	1	–	1	1	2
Transactions with non-controlling interests		–	–	–	12	–	12	–	12
Non-controlling interest arising on business combination	34	–	–	–	–	–	–	128	128
Change in ownership that does not result in loss of control		–	–	–	–	–	–	16	16
Distribution to shareholders		–	–	(208)	–	(417)	(625)	(150)	(775)
Treasury shares	15	–	(6)	–	–	–	(6)	–	(6)
Balance at 30 September 2011		–	(6)	3 748	(16)	(208)	3 518	867	4 385
Balance at 1 October 2011		–	(6)	3 748	(16)	(208)	3 518	867	4 385
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**1 496**	**1 496**	**247**	**1 743**
Profit for the year		**–**	**–**	**–**	**–**	**1 496**	**1 496**	**247**	**1 743**
Transactions with non-controlling interests		**–**	**–**	**–**	**5**	**–**	**5**	**(5)**	**–**
Non-controlling interest arising on business combination	34	**–**	**–**	**–**	**–**	**–**	**–**	**2**	**2**
Distribution to shareholders		**–**	**–**	**(375)**	**–**	**(656)**	**(1 031)**	**(174)**	**(1 205)**
Treasury shares	15	**–**	**(76)**	**–**	**–**	**–**	**(76)**	**–**	**(76)**
Long-term Incentive Scheme	17	**–**	**–**	**–**	**26**	**–**	**26**	**–**	**26**
Life Healthcare Employee Share Plan	17	**–**	**–**	**–**	**3**	**–**	**3**	**–**	**3**
Balance at 30 September 2012		**–**	**(82)**	**3 373**	**18**	**632**	**3 941**	**937**	**4 878**
Notes		15	15	16	17				

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 September 2012

	Notes	2012 R'm	2011 R'm
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	32	**3 042**	2 562
Tax paid		**(748)**	(617)
Net cash generated from operating activities		**2 294**	1 945
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment – expand		**(437)**	(442)
Purchase of property, plant and equipment – property acquisitions		**(38)**	(140)
Purchase of property, plant and equipment – maintain		**(105)**	(144)
Proceeds on disposal of property, plant and equipment	33	**15**	8
Subsidiaries acquired	34	**(2)**	(38)
Associate acquired	34	**(823)**	–
Disposal of investments in subsidiaries	34	**12**	–
Disposal of investments in associates and joint ventures	34	**36**	–
Dividends from associates	7	**93**	47
Associate loans received	7	**3**	12
Intangible assets acquired (software)	6	**(12)**	(14)
Additional receipt on previously disposed business		**2**	5
Cash movement in other investing activities		**(12)**	18
Net cash utilised in investing activities		**(1 268)**	(688)
CASH FLOWS FROM FINANCING ACTIVITIES			
Bridge loan raised		**820**	–
Bridge loan repaid		**(820)**	–
Preference shares raised	18	**820**	–
Interest-bearing borrowings repaid		**(509)**	(497)
Loan and dividend payments to non-controlling interest		**(173)**	(143)
Cash flow on increases in ownership interests	34	**(14)**	(2)
Proceeds on decreases in ownership interests	34	**14**	24
Finance cost		**(235)**	(166)
Finance income		**22**	37
Treasury shares acquired for delivery to staff scheme and Long-term Incentive Scheme	15	**(76)**	(6)
Distributions to shareholders		**(1 031)**	(625)
Net cash utilised in financing activities		**(1 182)**	(1 378)
Net (decrease) in cash and cash equivalents		**(156)**	(121)
Cash and cash equivalents – beginning of the year		**400**	482
Cash balances acquired through business combinations	34	**2**	39
Cash and cash equivalents – end of the year	14	**246**	400

1. ACCOUNTING POLICIES

The financial statements are presented in South African rand, unless otherwise stated, rounded to the nearest million, which is the Group's presentation and functional currency.

1.1 Presentation of annual financial statements

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the Companies Act of South Africa. These financial statements have been prepared in accordance with those IFRS standards and International Financial Reporting Interpretations Committee (IFRIC) interpretations issued and effective or issued and early adopted as at 30 September 2012. The annual financial statements are prepared in accordance with the going concern principle under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets and liabilities (including derivative instruments) at fair value through profit and loss, and incorporate the principal accounting policies set out below.

These accounting policies have been consistently applied to all the years presented, unless otherwise stated.

1.2 Critical accounting estimates, judgements and assumptions

The preparation of the annual financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgements in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements, are disclosed in note 3.

1.3 Consolidation

The consolidated annual financial statements include the results of Life Healthcare Group Holdings Limited and its subsidiaries, associates and joint ventures.

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of *de facto* control. *De facto* control may arise in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that the control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through the statement of comprehensive income.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of the non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the statement of comprehensive income.

1. ACCOUNTING POLICIES continued

1.3 Consolidation continued

(a) Subsidiaries continued

Transactions in which combining entities are controlled by the same parties or parties before and after the transaction, and that control is not transitory, are referred to as common control transactions. Where there are common control transactions in the Group, predecessor accounting is applied.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in partnership capital accounts and trust beneficiary accounts under the control of the Group are consolidated in the Group annual financial statements.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes directly attributable costs of investments.

(b) Associates

Investments in associates are defined as those investments in which the Group has a long-term interest in and over which it exercises significant influence, but not control. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's interest in associates in the statement of financial position is carried at an amount that reflects its share of the net assets of the associates net of any accumulated impairment losses. Goodwill arising on the acquisition of associates is accounted for in the same way as goodwill on the acquisition of subsidiaries, and is included in "Investment in associates" on the statement of financial position. The Group stops equity accounting associates when it does not exercise significant influence. If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to the statement of comprehensive income where appropriate.

The Group's share of its associates' post-acquisition profit or loss is recognised in the statement of comprehensive income, and its share of post-acquisition movement in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. The Group does not recognise further losses, when the Group's share of losses in an associate equals or exceeds its interest in the associate, unless the Group has incurred legal or constructive obligations, issued guarantees or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "Share of associates' net profit after tax" in the statement of comprehensive income.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(c) Joint ventures

Joint ventures are those entities over which the Group exercises joint control under a contractual agreement. Such investments are accounted for by using the proportionate consolidation method whereby the Group's proportionate share of the assets, liabilities, revenues and expenses of the joint ventures are combined, on a line-by-line basis, with similar items in the financial statements. The results of joint ventures are included from the effective dates of when joint control commences until the effective date when joint control ceases.

The accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) Inter-company transactions and balances

To the extent that a loss on a transaction provides evidence of a reduction in the net realisable value of the current assets or an impairment loss of a non-current asset, that loss is charged to the statement of comprehensive income.

for the year ended 30 September 2012

1. ACCOUNTING POLICIES continued

1.3 Consolidation continued

(e) Changes in ownership interest in subsidiaries without change in control

The Group treats transactions with non-controlling interests that do not result in loss of control as equity transactions with the owners of the Group. For purchases from non-controlling interests, the difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. This reserve is a distributable reserve. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(f) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in the statement of comprehensive income. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets and liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the statement of comprehensive income.

1.4 Goodwill

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of the non-controlling interest over the net identifiable assets acquired and liabilities assumed. Goodwill on the acquisition of subsidiaries, businesses, associates and joint ventures is capitalised and shown as part of "Intangible assets" in the statement of financial position and carried at cost less accumulated impairment losses except for associates that is carried as part of the investment in associates. Separately recognised goodwill is tested for impairment on an annual basis or when there is an indication of impairment. Impairment losses on goodwill are not reversed. Refer to the policy on impairment of non-financial assets for more details on impairment testing.

The profit or loss realised on disposal or termination of an entity is calculated after taking into account the carrying amount of any related goodwill.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Cash-generating units are defined as individual hospitals or healthcare service operating units. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

At the date of acquisition, acquired deferred tax assets may not be fully recognised under IFRS. Adjustments to the initial recognition of acquired deferred tax assets under IFRS, subsequent to the acquisition date, are recognised in the statement of comprehensive income unless the adjustment qualifies as a measurement period adjustment in which case it is recognised as an adjustment to goodwill.

Contingent consideration in a business combination is included in the cost of a business combination at the fair value and is initially recognised as a liability. Subsequent adjustments to the estimated amount of the contingent consideration resulting in a gain or a loss is recognised in the statement of comprehensive income.

When the accounting for a business combination can only be determined provisionally at the date of reporting, provisional values are used. These provisional values are adjusted once the initial accounting has been completed, which must be within 12 months from the date of acquisition, by retrospectively adjusting the fair values of the net identifiable assets acquired and goodwill. Goodwill acquired on the acquisition of associates is included in the cost of the investment.

1.5 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses, except for land which is carried at cost less accumulated impairment losses.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment. The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised in the statement of comprehensive income during the financial period in which they are incurred.

for the year ended 30 September 2012

1. ACCOUNTING POLICIES continued

1.5 Property, plant and equipment continued

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Land is not depreciated. All other assets are depreciated based on the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Item	Average useful life
Land	Not depreciable
Buildings	
– Owned	40 years
– Leased	Shorter of lease term or useful life
Motor vehicles	4 to 7 years
Leasehold improvements	Shorter of lease term or useful life
Other property, plant and equipment	
– Owned	3 to 15 years
– Leased	Shorter of lease term or useful life

The residual value and the useful life of each significant operating asset is reviewed, and adjusted if appropriate, at each financial year-end and the useful lives of all other assets are reviewed annually.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The gain or loss arising from the derecognising of an item of property, plant and equipment is included in the statement of comprehensive income when the item is derecognised. The gain or loss arising from the derecognising of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Refer to the policies on impairment of non-financial assets for more details on impairment testing.

Replacements of linen, cutlery and crockery and certain medical instruments are also charged as an expense in the statement of comprehensive income over a 12-month period from the date of purchase.

Assets held under finance leases are depreciated over the shorter of the estimated useful lives of the assets or the remaining period of the lease on the same basis as owned assets.

1.6 Intangible assets

An intangible asset is recognised when:
– it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group; and
– the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost. Intangible assets are subsequently measured at cost less accumulated amortisation and accumulated impairment.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Intangible assets that are reflected in the statement of financial position consist of purchased assets and internally generated assets.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets. For all other intangible assets amortisation is provided on a straight-line basis over their estimated useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at financial year-end.

1. ACCOUNTING POLICIES continued

1.6 Intangible assets continued

For impairment testing refer to the policies on impairment of non-financial assets for more details.

(a) Customer relations and hospital licences

Customer relations and hospital licences are carried at cost less accumulated amortisation and any impairment losses. Cost is defined as the fair value as at the date of the business combination, valued on the royalty method or the multi-period earnings excess method (MEEM). The carrying amounts of these intangible assets are reviewed annually for indicators that these assets may be impaired. Amortisation is provided to write down the customer relations and hospital licences, on a straight-line method over the estimated useful life, as follows:

Item	Useful life
Customer relations	15 years
Hospital licences	15 years

(b) Computer software

Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring the specific software into use. These costs are amortised over their estimated useful lives on the straight-line method (three to five years), except for internally developed software that is amortised over a period of eight years unless a longer period is more appropriate. Computer software is carried at cost less accumulated amortisation and impairment losses.

Costs associated with the developing or maintaining of computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the asset so that it will be available for use or sale.
- There is an intention to complete or sell it.
- There is an ability to use or sell it.
- It will generate probable future economic benefits.
- There are available technical, financial and other resources to complete the development and to use or sell the asset.
- The expenditure attributable to the asset during its development can be measured reliably.

Direct costs include the software development employee costs and an appropriate portion of the relevant overheads. Development costs that are recognised as an expense are not recognised as an asset in a subsequent period.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

(c) Preferred supplier contracts

These intangible assets are shown at cost less accumulated amortisation and impairment losses. Cost represents fair value as at the date of the business combination. Amortisation is calculated using the straight-line method to allocate costs over the estimated useful life of the preferred supplier contracts.

(d) Other intangible assets

Other intangible assets are carried at cost less accumulated amortisation and any impairment losses. The carrying amounts of these intangible assets are reviewed annually for indicators that these assets may be impaired. Amortisation is calculated using the straight-line method to allocate costs over the estimated useful life of the intangible assets, as follows:

Item	Useful life
Restraint of trade payments	Duration of the respective agreements
Other intangible assets	Duration of the respective agreements

for the year ended 30 September 2012

1. ACCOUNTING POLICIES continued

1.7 Financial instruments

(a) Initial recognition and measurement

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes party to the contractual provisions of the instrument. Financial assets are derecognised when the rights to receive cash flows from the financial asset have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or has expired.

Purchases and sales of financial assets are recognised on trade date; the date on which the Group commits to purchase or sell the asset. Financial assets and financial liabilities are initially recognised at fair value plus transaction costs for all financial assets and financial liabilities not carried at fair value through profit or loss. Financial assets and financial liabilities carried at fair value through profit and loss are initially recognised at fair value, and transaction costs are expensed in the statement of comprehensive income. Available-for-sale financial assets and financial assets and financial liabilities at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

(b) Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's-length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

(c) Classification and subsequent measurement

The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement. The classification of financial assets depends on the purpose for which they were acquired. The Group classifies its financial assets in the following categories: financial assets at fair value through profit and loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

Financial assets at fair value through profit or loss are measured initially and subsequently at fair value. Gains and losses arising from changes in fair value are included in the statement of comprehensive income.

Transaction costs are recognised in the statement of comprehensive income. Dividend income is recognised in the statement of comprehensive income as part of "Other income" when the Group's right to receive payment is established.

Derivatives

Derivative financial instruments consisting of foreign exchange contracts and interest rate swaps are initially measured at fair value on the contract date and subsequently remeasured to their fair values.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract; the host contract is not carried at fair value with unrealised gains or losses reported in the statement of comprehensive income; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.

The Group does not document at inception of each hedge transaction the relationship between the hedging instrument and the hedged item. The Group does, however, have a general policy to hedge items that significantly expose the Group to interest rate risk and foreign exchange risk. The Group economically hedges to manage risk but does not hedge account.

Changes in the fair value of derivative financial instruments are recognised in the statement of comprehensive income as they arise.

1. ACCOUNTING POLICIES continued

1.7 Financial instruments continued

(c) Classification and subsequent measurement continued

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the financial year. These are classified as non-current assets. The Group's loans and receivables comprise "Loans to/(from) associate companies", "Trade and other receivables", "Loans receivable" and "Cash and cash equivalents".

Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(a) Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

(b) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value and bank overdrafts.

(iii) Available-for-sale financial assets

These financial assets are non-derivatives that are either designated in this category or not classified elsewhere. They are included in non-current assets unless the investment matures or management intends to dispose of the financial asset within 12 months of the statement of financial position date.

These investments are measured initially and subsequently at fair value. Gains and losses arising from changes in fair value are recognised in other comprehensive income until the security is disposed of or is determined to be impaired.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of comprehensive income.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the statement of comprehensive income as part of "finance income". Dividends on available-for-sale equity instruments are recognised in the statement of comprehensive income as part of "other income" when the Group's right to receive payments is established.

(iv) Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and with fixed maturities. Financial assets that the Group has the positive intention and ability to hold to maturity are classified as held-to-maturity.

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest method, less any impairment loss recognised to reflect irrecoverable amounts.

(d) Impairment of financial assets

The Group assesses at each statement of financial position date whether there is objective evidence that a financial asset or a class of financial assets is impaired. For loans receivables, the impairment is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. The asset's carrying amount is reduced and the amount of the loss is recognised in the statement of comprehensive income.

A financial asset or group of financial assets is impaired and impairment losses are recognised only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

1. ACCOUNTING POLICIES continued

1.7 Financial instruments continued

(d) Impairment of financial assets continued

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from other comprehensive income and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income.

The criteria the Group uses to determine that there is objective evidence of an impairment loss on trade receivables include:

- Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments.

Impairment losses are reversed in subsequent periods when an increase in the financial assets recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised. The reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

1.8 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest method.

1.9 Borrowings

Borrowings are initially measured at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost; any difference between the proceeds (net of transaction costs) and the settlement or redemption value is recognised in the statement of comprehensive income over the term of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

1.10 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the statement of comprehensive income in the period in which they are incurred.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the statement of comprehensive income as finance cost.

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1. ACCOUNTING POLICIES continued

1.11 Tax

The tax expense for the period comprises current and deferred tax. Current tax, deferred tax and secondary tax on companies (until April 2012) are recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case tax is recognised in other comprehensive income or directly in equity.

(a) Normal income tax assets and liabilities

Normal income tax is calculated on the computed taxable income for the year using tax rates enacted or substantively enacted at statement of financial position date in the countries where the Group's subsidiaries, associates and joint ventures operate and generate taxable income and any adjustments to tax payable for preceding years.

Current tax for current and prior periods is, to the extent unpaid, recognised as a current liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as a current asset.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred tax assets and liabilities

Deferred income tax is recognised using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

- the initial recognition of goodwill; or
- the initial recognition of an asset or liability in a transaction which:
  – is not a business combination; and
  – at the time of the transaction, affects neither accounting profit nor taxable profit/(taxable loss).

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except to the extent that both of the following conditions are satisfied:

- The parent, investor or venturer is able to control the timing of the reversal of the temporary difference.
- It is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised only to the extent that it is anticipated that future taxable profit will be available against which the temporary difference can be utilised.

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the statement of financial position date.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(c) Secondary tax on companies

The Group has STC charges on the declaration or deemed declaration of dividends (as defined under the tax law) to its shareholders. STC is not a withholding tax on shareholders, but a tax on companies.

1. ACCOUNTING POLICIES continued

1.11 Tax continued

(c) Secondary tax on companies continued

The South African Government replaced STC on companies with a dividend tax on shareholders with effect from 1 April 2012. Dividends declared by the Company before 1 April 2012 are subject to STC. The STC expense is disclosed under "Tax expense" in the statement of comprehensive income in the period that the related dividend is declared. Cash dividends declared by the Company from 1 April 2012 are subject to dividend tax which is a tax on the shareholder. STC credits will not directly benefit the Company because the new withholding tax is levied on the shareholder and not the Company, with exception of non-cash dividends. The Company will only carry STC deferred tax assets to the extent that they will be utilised against future non-cash dividends.

Existing STC credits will expire on 1 April 2015 if not utilised.

1.12 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership to the lessee.

The Group is the lessee of various hospital and administration office properties under non-cancellable leases that are classified as operating leases and is the lessee of fixed property that meets the definition of finance leases.

(a) Finance leases – lessor

When assets are leased under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return. Lease income is recognised over the term of the lease on a straight-line basis.

Finance income is recognised based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the finance lease.

(b) Finance leases – lessee

Finance leases are capitalised at the lease's commencement at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of return on the remaining balance of the liability. The corresponding rental obligations, net of finance charges, are included in payables. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

(c) Operating leases – lessor

Operating lease income is recognised as income on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income. When assets are leased out under an operating lease, the asset is included in the statement of financial position based on the nature of the asset.

Income from leases is disclosed under "Other income" in the statement of comprehensive income.

(d) Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or operating lease liability. Neither the asset nor liability is discounted.

Any contingent rents are expensed in the period they are incurred.

1. ACCOUNTING POLICIES continued

1.13 Inventories

Inventories are measured at the lower of cost and net realisable value on the first-in first-out basis.

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

The cost of inventories comprises costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.14 Impairment of non-financial assets

The Group assesses at each statement of financial position date whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the Group also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period; and
- tests goodwill arising from business combination for impairment annually.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount and the impairment loss is recognised immediately in the statement of comprehensive income. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Goodwill is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

– First, to reduce the carrying amount of any goodwill allocated to the cash-generating unit.
– Then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The Group assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increase in the carrying amount of an asset, other than goodwill, attributable to a reversal of an impairment loss is limited to the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in the statement of comprehensive income.

1.15 Share capital and equity

Ordinary shares are classified as equity.

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.

1.16 Treasury shares

Treasury shares held by subsidiary companies and trusts are treated as a deduction from the issued and weighted average number of shares. The consideration paid, including any directly attributable incremental costs, is deducted from the Group's total equity until the shares are cancelled, disposed of or vest in term of the Life Healthcare Employee Share Plan or Long-term Incentive Scheme.

for the year ended 30 September 2012

1. ACCOUNTING POLICIES continued

1.17 Employee benefits

(a) Short-term employee benefits

The cost of short-term employee benefits (those payable within 12 months after the service is rendered, such as paid vacation leave, sick leave, bonuses and non-monetary benefits such as medical care) are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance and the related liability, and a reliable estimate of the obligation can be made.

Provision is made for accumulated leave and for non-vested short-term benefits when there is no realistic alternative other than to settle the liability, and at least one of the following conditions is met:

- There is a formal plan and the amounts to be paid are determined before the time of issuing the financial statements.
- Past practice has created a valid expectation by employees that they will receive a bonus and the amount can be determined before the time of issuing the financial statements.

(b) Defined contribution plan

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

(c) Defined benefit plans

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

For defined benefit plans the cost of providing the benefits is determined using the projected unit credit method.

Actuarial accounting valuations are conducted on an annual basis by independent actuaries separately for each plan. Consideration is given to any event that could impact the funds up to statement of financial position date where the interim valuation is performed at an earlier date.

The liability or asset recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of the plan assets, together with adjustments for unrecognised past-service costs. The present value of the defined benefit obligations is discounted using appropriate interest rates. Actuarial gains or losses are recognised immediately in the statement of comprehensive income.

Past-service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight-line basis over the average period until the amended benefits become vested.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognised when the Group is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In the statement of comprehensive income, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

Any asset is limited to unrecognised actuarial losses, and unrecognised past-service cost plus the present value of available refunds and reduction in future contributions to the plan.

1. ACCOUNTING POLICIES continued

1.17 Employee benefits continued

(d) Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it can demonstrate that it is committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(e) Post-retirement medical aid costs

It is Group policy not to provide for post-retirement medical aid benefits. Due to a business combination transaction the Group, however, did become party to a contractual obligation to provide post-retirement medical aid benefits to certain employees.

The entitlement for an employee to receive these benefits is dependent on the employee remaining in service until retirement age. For past service, the Group recognises and provides for the actuarially determined present value of post-retirement medical aid employer contributions on an accrual basis using the projected unit credit method. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged to the statement of comprehensive income in the period in which they arise. Independent qualified actuaries carry out annual valuations of these obligations.

(f) Long-term Incentive Scheme

The Group recognises a liability, a reserve and an expense for bonuses based on a formula that takes into consideration the net growth in earnings before interest, tax, depreciation and amortisation (EBITDA) after certain adjustments (performance units) and an adjusted return on capital (appreciation units). There was a modification to the bonus scheme in the 2012 financial year in which each participant shall in respect of future awards and allocations, prior to the vesting date or at the time of the award or allocation, have the right to make a co-investment election. The co-investment election means that the participant shall be entitled to invest either 50%, 75% or 100% of his/her after-tax bonus, in the acquisition of co-investment shares, in which event the employer company will also fund the acquisition of matched shares for the beneficial ownership of the participant. This cost will be accounted for as a share-based payment (IFRS 2).

The Group recognises a provision where it is contractually obliged or where past practice has created a constructive obligation.

Refer to 1.18 for the accounting policy on share-based payments.

(g) Life Healthcare Employee Share Plan

The Group set up an employee share plan during the 2012 financial year which is accounted for as a share-based payment (IFRS 2) and the annual contribution is expensed over the seven-year retention period in the statement of comprehensive income. All permanent employees employed by Life Healthcare in South Africa for a continuous period of at least one year as at the date of the allocation and who (i) are members of an employer-supported retirement scheme and who (ii) do not participate in the Group's Long-term Incentive Plan are beneficiaries of the trust (qualifying employees). Voting rights and dividends vest with the qualifying employees. Employees who leave, other than good leavers, forfeit their beneficial interest in the trust. Qualifying employees will need to be in service on the fifth (25%), sixth (25%) and seventh (50%) anniversaries when the shares become unrestricted and deliverable. Each employer company will make annual contributions to the trust. The yearly contributions will be utilised to purchase shares in the market.

Refer to 1.18 for the accounting policy on share-based payments.

1.18 Share-based payments

For IFRS 2 accounting, the fair value of the employee services received in exchange for grants are recognised as an expense over the vesting period of the award. The total amount to be expensed is determined by reference to the fair value of the awards granted.

At the end of each reporting period, the Group revises its estimates of the number of awards that are expected to vest based on the number of employees remaining in the scheme. It recognises the impact of the revision to original estimates, if any, in the statement of comprehensive income, with a corresponding adjustment to equity.

1. ACCOUNTING POLICIES continued

1.19 Directors' emoluments

The directors' emoluments disclosed in note 35 of the Group financial statements represent the emoluments paid to, or receivable by, directors in their capacity as director or any other capacity. All amounts in respect of the financial year reported on are presented, including bonuses accrued for in the annual financial statements. This disclosure is provided in terms of the JSE Listings Requirements.

1.20 Provisions and contingencies

Provisions are recognised when:

- the Group has a present legal or constructive obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation. In determining the present value a pre-tax rate that reflects the current market assessment of the time value of money and risks specific to the obligation is used. The increase in the provision due to the passage of time is recognised as an interest expense.

Restructuring provisions comprise lease termination penalties and employee termination payments, and are recognised in the period in which the Group becomes legally or constructively committed to payment. Provisions are not recognised for future operating losses.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement will not exceed the amount of the provision.

If the Group has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision.

After their initial recognition, contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised unless the contingent liability is acquired as part of a business combination. Contingencies are disclosed in note 37.

1.21 Recognition of income

(a) Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax. Revenue is shown after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into account the type of customer, the type of transaction and the specifics of each arrangement.

(b) Sale of goods

The Group dispenses medication and medical supplies as part of the provision of its healthcare services. Sales of goods are recognised when a Group entity dispenses the products to its patients.

(c) Sales of services

The Group provides acute healthcare services and operates same-day surgical centres. The revenue recognised relates to invoiced fees for private healthcare and fees for healthcare services. The services are provided on a fixed-price basis. The revenue is recognised over the period during which the service is performed.

1. ACCOUNTING POLICIES continued

1.21 Recognition of income continued

(d) Interest income

Interest income is recognised, in the statement of comprehensive income, using the effective interest method, unless it is doubtful. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables are recognised using the original effective interest rate.

(e) Rental income

The rental income arising from the operating leases is accounted for on a straight-line basis over the lease term.

(f) Dividend income

Dividends are recognised, in the statement of comprehensive income, when the Group's right to receive payment has been established.

1.22 Translation of foreign currencies

(a) Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At each statement of financial position date:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in the statement of comprehensive income in the period in which they arise.

Cash flows arising from transactions in a foreign currency are recorded in the functional currency by applying to the foreign currency amount the exchange rate between the functional currency and the foreign currency at the date of the cash flow.

(b) Investments in subsidiaries, joint ventures and associates

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency using the following procedures:

- Assets and liabilities for each statement of financial position item presented are translated at the closing rate at the date of that statement of financial position.
- Income and expenses for each statement of comprehensive income item are translated at an average exchange rate which is a reasonable approximation of the prevailing exchange rate at the date of each transaction.
- All resulting exchange differences are recognised in other comprehensive income.

Exchange differences arising on a monetary item that forms part of a net investment in a foreign operation are recognised initially in other comprehensive income and recognised in the statement of comprehensive income on disposal of the net investment as part of the gain or loss on the sale.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

The cash flows of a foreign subsidiary are translated at the exchange rates between the functional currency and the foreign currency at the dates of the cash flows.

1.23 Distribution

Distribution to the Group's shareholders is recognised as a liability in the Group's financial statements in the period in which the distributions are approved by the board.

1.24 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (CODM). The CODM who is responsible for allocating resources and assessing performance of the operating segments has been identified as the chief executive officer.

for the year ended 30 September 2012

1. ACCOUNTING POLICIES continued

1.25 Earnings and headline earnings per share

The Group presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to the ordinary shareholders by the weighted average number of ordinary shares in issue during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares in issue for the dilutive effects of all share options granted to employees. The weighted average number of shares is adjusted for the weighted average number of treasury shares.

The calculation of headline earnings per share is based on the net profit attributable to equity holders of the parent, after excluding all items of a non-trading nature, divided by the weighted average number of ordinary shares in issue during the year. The presentation of headline earnings is not an IFRS requirement, but is required by the JSE Limited and Circular 3 of 2009. An itemised reconciliation of the adjustments to net profit attributable to equity holders of the parent is provided in note 30.

1.26 New accounting standards and IFRIC interpretations

Standards, amendments and interpretations effective in 2012 but not considered to have a significant impact on the Group

Standard	Standard's name	Effective date	Summary of change and consideration of the impact on the Group
IFRS 1	*First time adoption on hyperinflation and fixed dates*	1 July 2011	The first amendment replaces references to a fixed date of "1 January 2004" with "the date of transition to IFRS", thus eliminating the need for companies adopting IFRS for the first time to restate derecognition transactions that occurred before the date of transition to IFRS. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRS after a period when the entity was unable to comply with IFRS because its functional currency was subject to severe hyperinflation. This is not applicable to the Group.
IFRS 7	*Disclosures – Transfer of financial assets*	1 July 2011	The amendments are intended to address concerns raised during the financial crisis by the G20, among others, that financial statements did not allow users to understand the ongoing risks the entity faced due to derecognised receivables and other financial assets. This is not expected to have a significant impact on the Group.
IAS 24	*Related party disclosure (Amendments)*	1 January 2011	The revisions to IAS 24 include a clarification of the definition of a related party as well as providing a partial exemption for related party disclosures between government-related entities. In terms of the definition, the revision clarifies that joint ventures or associates of the same third party are related parties of each other. To this end, an associate includes its subsidiaries and a joint venture includes its subsidiaries. The partial exemption applies to related party transactions and outstanding balances with a government which controls, jointly controls or significantly influences the reporting entity as well as to transactions or outstanding balances with another entity which is controlled, jointly controlled or significantly influenced by the same government.
IFRIC 14	*Prepayments of minimum funding requirement*	1 January 2011	The amendments apply in limited circumstances: when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendments permit such an entity to treat the benefit of such an early payment as an asset.

1. ACCOUNTING POLICIES continued

1.26 New accounting standards and IFRIC interpretations continued

Standards, amendments and interpretations that are not yet effective and have not been early adopted unless specified

The Group is currently assessing the impact of these standards.

Standard	Standard's name	Effective date	Summary of change and consideration of the impact on the Group
IAS 1	*Presentation of financial statements, on presentation of items of OCI*	1 July 2012	The IASB has issued an amendment to IAS 1 *Presentation of financial statements*. The amendment changes the disclosure of items presented in other comprehensive income (OCI) in the statement of comprehensive income. The IASB originally proposed that all entities should present profit or loss and OCI together in a single statement of comprehensive income. The proposal has been withdrawn and IAS 1 will still permit profit or loss and OCI to be presented in either a single statement or in two consecutive statements. The amendment does not address which items should be presented in OCI and the option to present items of OCI either before tax or net of tax has been retained. This is not expected to have a significant impact on the Group.
IAS 19	*Employee benefits*	1 January 2013	The IASB has issued an amendment to IAS 19 *Employee benefits*, which makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. This will be applicable to the Group for the first time in the 2014 financial statements as it has defined benefit plans as disclosed in note 10.
IFRS 7	*Financial instruments: Disclosure*	1 January 2013	The IASB has published an amendment to IFRS 7 *Financial instruments: Disclosures* reflecting the joint requirements with the FASB to enhance current offsetting disclosures. These new disclosures are intended to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP.
IFRS 9	*Financial instruments (2009)*	1 January 2013	This IFRS is part of the IASB's project to replace IAS 39. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value.
IFRS 9	*Financial instruments (2010)*	1 January 2013	The IASB has updated IFRS 9 *Financial instruments* to include guidance on financial liabilities and derecognition of financial instruments. The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39 *Financial instruments: Recognition and measurement* without change, except for financial liabilities that are designated at fair value through profit or loss.
IFRS 9	*Financial instruments*	1 January 2015	The IASB has published an amendment to IFRS 9 *Financial instruments* that delays the effective date to annual periods beginning on or after 1 January 2015. The original effective date was for annual periods beginning on or after 1 January 2013. This amendment is a result of the board extending its timeline for completing the remaining phases of its project to replace IAS 39 (for example, impairment and hedge accounting) beyond June 2011, as well as the delay in the insurance project. The amendment confirms the importance of allowing entities to apply the requirements of all the phases of the project to replace IAS 39 at the same time. The requirement to restate comparatives and the disclosures required on transition have also been modified. This will be applicable to the Group for the first time in the 2016 financial statements.

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1. ACCOUNTING POLICIES continued

1.26 New accounting standards and IFRIC interpretations continued

Standards, amendments and interpretations that are not yet effective and have not been early adopted unless specified continued

Standard	Standard's name	Effective date	Summary of change and consideration of the impact on the Group
IFRS 10	*Consolidated financial statements*	1 January 2013	This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess. This new standard may impact the entities that a group consolidates as its subsidiaries.
IFRS 11	*Joint arrangements*	1 January 2013	This standard provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The Group currently proportionally consolidates its joint ventures, as disclosed in note 8, and therefore this amendment is likely to have an impact on the Group. This will be applicable to the Group for the first time in the 2014 financial statements.
IFRS 12	*Disclosures of interests in other entities*	1 January 2013	This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. This will be applicable to the Group for the first time in the 2014 financial statements.
IFRS 13	*Fair value measurement*	1 January 2013	This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS or US GAAP. This will be applicable to the Group for the first time in the 2014 financial statements.
IAS 12	*Income taxes*	1 January 2012	Currently IAS 12 *Income taxes* requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 *Investment Property*. Hence this amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21 *Income taxes – recovery of revalued non-depreciable assets* would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is accordingly withdrawn. This will be applicable to the Group for the first time in the 2013 financial statements.

for the year ended 30 September 2012

1. ACCOUNTING POLICIES continued

1.26 New accounting standards and IFRIC interpretations continued

Standards, amendments and interpretations that are not yet effective and have not been early adopted unless specified continued

Standard	Standard's name	Effective date	Summary of change and consideration of the impact on the Group
IAS 27 (revised 2011)	*Separate financial statements*	1 January 2013	This standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10. This will be applicable to the Group for the first time in the 2014 financial statements.
IAS 28 (revised 2011)	*Associates and joint ventures*	1 January 2013	This standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11. This will be applicable to the Group for the first time in the 2014 financial statements.
IAS 32	*Financial instruments: Presentation*	1 January 2014	The IASB has issued amendments to the application guidance in IAS 32 *Financial instruments: Presentation*, that clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. However, the clarified offsetting requirements for amounts presented in the statement of financial position continue to be different from US GAAP. This will be applicable to the Group for the first time in the 2015 financial statements.
IFRIC 20	*Stripping costs in the production phase of a surface mine*	1 January 2013	In surface mining operations, entities may find it necessary to remove mine waste materials (overburden) to gain access to mineral ore deposits. This waste removal activity is known as "stripping". The interpretation clarifies there can be two benefits accruing to an entity from stripping activity: usable ore that can be used to produce inventory and improved access to further quantities of material that will be mined in future periods. The interpretation considers when and how to account separately for these two benefits arising from the stripping activity, as well as how to measure these benefits both initially and subsequently. This will not be applicable to the Group.

2010 annual improvements project that are effective for the first time in the 2012 financial statements

Standard	Standard's name	Effective date	Subject of amendment
IFRS 1	*First-time adoption of International Financial Reporting Standards*	1 January 2011	Accounting policy changes in the year of adoption. Revaluation basis as deemed cost. Use of deemed cost for operations subject to rate regulation. Measurement of non-controlling interests. Unreplaced and voluntarily replaced share-based payment awards.
IFRS 7	*Financial instruments: Disclosures*	1 January 2011	Additional clarification is provided on the requirements for risk disclosures.
IAS 1	*Presentation of financial statements*	1 January 2011	The amendment now requires that an entity must present, either in the statement of changes in equity or in the notes, an analysis of other comprehensive income by item.
IAS 34	*Interim financial reporting*	1 January 2011	Significant events and transactions.
IFRIC 13	*Customer loyalty programmes*	1 January 2011	Fair value of award credits.

for the year ended 30 September 2012

2. RISK MANAGEMENT

The Group's overall 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 uses derivative financial instruments to hedge interest and foreign currency risk exposures. Financial risk management is carried out by a central treasury department (company treasury) under policies approved by the audit committee. Company treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The audit committee approves 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.

(a) Capital risk management

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern and to provide for sufficient capital expansion.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in notes 18 and 19, and cash and cash equivalents disclosed in note 14, and equity as disclosed in the statement of financial position.

The Group uses the gearing ratio to measure the proportion of capital provided by net borrowings.

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 reduce debt or raise debt.

The ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "Current and non-current borrowings" as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as "Equity" as shown in the statement of financial position plus net debt.

Normalised EBITDA is defined as earnings before interest, tax, depreciation and amortisation, adjusted for non-operating items.

	2012	2011
The gearing ratio at 30 September	**30%**	28%

The Group has externally imposed debt covenants in terms of the debt structures.
The covenants are:

	2012	2011
A minimum of total interest cover ratio (times)	**3.0**	3.0
A maximum of net debt to EBITDA ratio	**3.0**	3.0

The Group has met covenant requirements during the current and previous financial year.

New preference share funding was introduced into the Group due to the acquisition of Max Healthcare Institute Limited, based in India.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

(b) Financial risk

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk.

(i) Liquidity risk

Liquidity risk is the risk that an entity in the Group will not be able to meet its obligations as they become due.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Company treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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 credit facilities.

Cash flow forecasts are prepared and utilised borrowing facilities are monitored on a daily basis. Longer-term cash flow forecasts are updated monthly.

for the year ended 30 September 2012

2. RISK MANAGEMENT continued

(b) Financial risk continued

(i) Liquidity risk continued

The table below analyses the Group'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. Refer to note 37 for operating lease commitments.

R'm	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
2012					
Interest-bearing borrowings	**460**	**457**	**1 123**	**349**	**2 389**
Trade and other payables	**935**	**–**	**–**	**–**	**935**
	1 395	**457**	**1 123**	**349**	**3 324**
2011					
Interest-bearing borrowings	529	534	903	643	2 609
Trade and other payables	975	–	–	–	975
	1 504	534	903	643	3 584

The table below analyses the Group's derivative financial instruments which will be settled on a gross basis 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.

R'm	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
2012					
Foreign exchange contracts and interest rate swap contracts – cash flow hedges					
– Outflow	**–**	**(11)**	**–**	**–**	**(11)**
– Inflow	**–**	**–**	**–**	**–**	**–**
2011					
Foreign exchange contracts and interest rate swap contracts – cash flow hedges					
– Outflow	(10)	–	–	–	(10)
– Inflow	1	–	–	–	1

(ii) Interest rate risk

The Group has interest-bearing assets that mainly consist of investments in money-market accounts. The Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises primarily from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Group policy is to hedge approximately 60% of its borrowings to fixed interest rates and at the statement of financial position date, 68% are being hedged. Refer to note 39 for the events after the reporting period.

The Group manages its interest rate exposure in total and mainly borrows or invests as far as possible at Group level.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies.

The scenarios are run only for liabilities that represent the major interest-bearing positions. Based on the simulations performed, the impact on post-tax profit of a 1.0% shift in the interest rates would be a maximum increase of R4 million (2011: R5 million) or decrease of R4 million (2011: R5 million) respectively. The simulation is done on a six-monthly basis to verify that the maximum loss potential is within the limit given by management. The simulation takes into account a portion of the interest on the term loans. The term loans are partially hedged by interest rate swap contracts. The interest rate swap contract hedges R750 million of the variable outstanding balance of R1 676 million.

2. RISK MANAGEMENT continued

(b) Financial risk continued

(ii) Interest rate risk continued

Based on the various scenarios, the Group manages its cash flow interest rate risk by using interest rate collars, caps and 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 and caps, 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 amounts. Swaps are entered into to fix interest rates from floating rates. Refer to note 22 for the current interest rate hedges in place. All interest rate hedges are economic hedges.

(iii) Cash flow interest rate risk

R'm	Current interest rate	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
2012						
Financial instrument						
Trade and other receivables – normal credit terms	**n/a**	**–**	**–**	**–**	**–**	**–**
Loans receivable	**8.50%**	**–**	**9**	**–**	**–**	**9**
Cash in current banking institutions	**4.80%**	**246**	**–**	**–**	**–**	**246**
Interest-bearing borrowings – floating rates	**7.24%**	**–**	**–**	**(413)**	**(619)**	**(1 032)**
Loans to associates	**5.60%**	**3**	**–**	**–**	**–**	**3**
		249	**9**	**(413)**	**(619)**	**(774)**
2011						
Financial instrument						
Trade and other receivables – normal credit terms	n/a	–	–	–	–	–
Loans receivable	9.00%	–	5	–	–	5
Cash in current banking institutions	5.30%	400	–	–	–	400
Interest-bearing borrowings – floating rates	7.97%	(705)	(1)	(3)	(3)	(712)
Loans to associates	6.10%	6	–	–	–	6
		(299)	4	(3)	(3)	(301)

(iv) Fair value interest rate risk

R'm	Current interest rate	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
2012						
Financial instrument						
Interest-bearing borrowings – fixed rates	**7.48%**	**(459)**	**(456)**	**(1 119)**	**(348)**	**(2 382)**
2011						
Financial instrument						
Interest-bearing borrowings – fixed rates	9.29%	(454)	(460)	(722)	(380)	(2 016)

for the year ended 30 September 2012

2. RISK MANAGEMENT continued

(b) Financial risk continued

(v) Credit risk

Credit risk is the risk of financial loss due to counterparties to financial instruments not meeting their contractual obligation.

Credit risk is managed on a Group basis by a central credit control department.

Credit risk arises mainly from cash deposits, cash equivalents, derivative financial instruments, loans and receivables, and trade debtors. The Group mainly deposits cash with the main subsidiary company. The main subsidiary company deposits the 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 Fitch Rating "A" (zaf) 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. Otherwise, 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. Services 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.

Management does not expect any significant loss from non-performance by counterparties on credit granted during the financial year under review that has not been provided for.

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

	2012 R'm	2011 R'm
Derivative financial instruments	**–**	1
Trade and other receivables	**1 010**	1 066
Cash and cash equivalents	**246**	400
Loans receivable	**9**	5
Loans to associates	**3**	6

The Group is exposed to a number of guarantees for the overdraft facilities of Group companies. Refer to note 37 for additional details.

(vi) Fair values

The fair values and carrying amounts of the financial assets and liabilities, as presented in the statement of financial position, are as follows:

	2012		2011	
R'm	**Carrying value**	**Fair value**	Carrying value	Fair value
Assets and liabilities at fair value				
Derivative assets at fair value for hedging	**–**	**–**	1	1
Derivative liability at fair value for hedging	**(11)**	**(11)**	(10)	(10)

The following is an analysis of the Group's financial instruments that are measured subsequent to the initial recognition at fair value at 30 September 2012. They are grouped into levels 1 to 3 based on the extent to which the fair values are observable.

for the year ended 30 September 2012

2. RISK MANAGEMENT continued

(b) Financial risk continued

(vi) Fair values continued

The levels are classified as follows:

Level 1 Fair value is based on quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2 Fair value is determined using inputs other than level 1 that are observable for the asset or the liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 Fair value is determined on inputs not based on an observable market (that is, unobservable inputs).

R'm	Level 1	Level 2	Level 3	Total
30 September 2012				
Financial instrument				
Derivative financial liability	**–**	**(11)**	**–**	**(11)**
	–	**(11)**	**–**	**(11)**
30 September 2011				
Financial instrument				
Derivative financial assets	–	1	–	1
Derivative financial liability	–	(10)	–	(10)
	–	(9)	–	(9)

The impact on post-tax profit of a 1.0% shift in the interest rates would be a maximum increase of R8 million or decrease of R8 million respectively.

The mark-to-market valuation represents the mid-market value of the instrument as determined by the financial institution at 30 September.

(vii) Foreign exchange risk

The Group transacts with international suppliers and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the European Euro, US Dollar and Botswana Pula (BWP). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group's treasury risk management principle is to hedge material cash flows where the local cash flow impact is in excess of 500 000 functional currency denomination.

Management has set up a policy to require Group companies to manage their foreign exchange risk against their functional currency. The Group companies are required to economically hedge their foreign exchange risk exposure in consultation with the Company treasury. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group use forward contracts, transacted with commercial banks or all-inclusive price in the companies' functional currency. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

The Group has two investments in foreign operations, one in Botswana (a subsidiary company) and one in India. Only the net assets of the Botswana investment are exposed to foreign currency translation risk, as the India investment is an associate. Currency exposure arising from the net assets of the Group's foreign operation is managed primarily through borrowings denominated in the relevant foreign currencies, as and when it is required. At 30 September 2012 no foreign denominated borrowings existed.

At 30 September 2012, if the currency had weakened/strengthened by 10% against the Botswana Pula with all other variables held constant, post-tax profit for the year would have changed by R4 million (2011: R0.63 million), mainly as a result of foreign exchange gains/losses on translation of Botswana Pula financial assets at fair value through profit or loss, and foreign exchange losses/gains on translation of Botswana Pula denominated borrowings.

At 30 September 2012, if the currency had weakened/strengthened by 10% against the Indian Rupee with all other variables held constant, post-tax profit for the year would have changed by R1 million (2011: n/a), mainly as a result of foreign exchange gains/losses on translation of the Indian Rupee attributable profit.

for the year ended 30 September 2012

2. RISK MANAGEMENT continued

(b) Financial risk continued

(vii) Foreign exchange risk continued

Foreign currency exposure at statement of financial position date	2012 R'm	2011 R'm
Non-current assets		
BWP30 214 708 (2011: BWP24 054 370)	**33**	26
Current assets		
BWP60 059 505 (2011: BWP35 952 732)	**65**	40
Liabilities		
BWP38 362 092 (2011: BWP26 163 933)	**(42)**	(29)
Non-current liabilities		
BWP Nil (2011: BWP nil)	**–**	–
Exchange rates used for conversion of foreign denominated assets/liabilities outstanding at year-end were:		
BWP	**1.08**	1.10
Exchange rates used for conversion of foreign denominated income/expense items were:		
BWP	**1.08**	1.05
INDR	**0.15**	–

All transactions denominated in a foreign currency are converted at the spot rate applicable at the date of the transaction.

Forward exchange contracts which relate to future commitments
Refer to note 22 of the Group annual financial statements.

The Group reviews its foreign currency exposure, including commitments, on an ongoing basis. The Group expects its foreign exchange contracts to hedge material foreign exchange exposure.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates 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 Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

3.1 Critical accounting estimates

(a) Estimated impairment of goodwill

Goodwill is tested annually for impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

The key assumptions are:	2012 %	2011 %
Growth rate in activities	**0.0 to 5.0**	0.0 to 5.0
Average discount rate	**15.21**	15.88
Tariff and inflation increases	**5.0 to 10.0**	5.0 to 10.0

The discount rates used are pre-tax and reflect the specific risks relating to the industry and to the Group. The growth rate in activities is based on historical experience, capacity availability and the expected developments in the market. Tariff and inflation rates are based on latest available economic forecasts and management's expectations of the outcome of annual tariff negotiations.

If the key assumptions were to change by more than 5% it would have an impact on the impairment charge of R20 million to R50 million.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS continued

3.1 Critical accounting estimates continued

(b) Depreciation, amortisation rates and residual values

The Group depreciates or amortises its assets over their estimated useful lives, as more fully described in the accounting policies for property, plant and equipment and intangible assets. The estimation of the useful lives of assets is based on historic performance as well as expectations about future use and therefore requires a significant degree of judgements to be applied by management. The actual lives of these assets can vary depending on a variety of factors, including technological innovation, product life cycles and maintenance programmes.

Significant judgement is applied by management when determining the residual values for property, plant and equipment and intangible assets. In the event of contractual obligations in terms of which a termination consideration is payable to the Group, management will apply a residual value to the intangible asset. When determining the residual value for property, plant and equipment, the following factors are taken into account:

- External residual value information (if applicable).
- Internal technical assessments for complex plant and machinery.

Refer to notes 5 and 6 of the Group annual financial statements.

(c) Valuation of derivative financial instruments

The valuation of derivative financial instruments is based on the market situation at year-end. The net market value of all forward exchange contracts at year-end was calculated by comparing the forward exchange contracted rates to the equivalent year-end market foreign exchange rates. The present value of these net market values were then discounted using the appropriate currency-specific discount curve. The fair value of interest rate swaps and cross-currency swaps is calculated as the present value of estimated future cash flow. The value of these derivative instruments fluctuates on a daily basis and the actual amounts realised may differ materially from the value at which they are reflected on statement of financial position.

Refer to note 22 of the Group annual financial statements.

(d) Impairment provision for trade and other receivables

The Group collects deposits for private market customers where possible and provision is made for the balance of long outstanding trade receivables where it considers the recoverability to be doubtful.

A significant degree of judgement is applied by management when considering whether a trade receivable is recoverable or not.

The following factors are taken into account when considering whether a trade receivable is impaired:

- Default of payments.
- History of the specific customer with the Group.
- Indications of financial difficulties of the specific customer.
- Credit terms specific to the customer.
- General economic conditions.

Refer to note 13 of the Group annual financial statements.

(e) Fair value adjustment to revenue

The Group has included an estimate for pricing and volume adjustment for certain medical aids where the volume of price discounts are settled after year-end.

Refer to note 24 of the Group annual financial statements.

(f) Tax

Current and deferred tax calculations have been determined on the basis of prior year assessed computation methodologies adjusted for changes in taxation legislation in the year. No significant new transactions that require specific additional estimates or judgements have been entered into in the current year.

The Group recognises the net future benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of the deferred income tax assets requires the Group to make estimates related to expectations in future taxable income. Estimates of future taxable income are based on forecast cash flow from operations and the application of existing tax laws. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the statement of financial position date could be impacted. Additionally, future changes in tax laws could limit the ability of the Group to obtain tax deductions in future periods. Assets are only raised where the Group expects to utilise these losses.

Refer to notes 11 and 29 of the Group annual financial statements.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS continued

3.2 Judgements

(a) Valuation assumptions for the Life Healthcare Employee Share Plan

The Group entered into a new employee share scheme during the current year. All permanent employees employed by Life Healthcare in South Africa for a continuous period of a least one year as at the date of the allocation and who (i) are members of an employer-supported retirement scheme and who (ii) do not participate in the founder's Long-term Incentive Plan are beneficiaries of the trust. Voting rights and dividends vest with the qualifying employees. The scheme is accounted for as an equity-settled scheme, in accordance with IFRS 2.

Refer to note 17 of the Group annual financial statements.

(b) Valuation assumptions for Long-term Incentive Scheme

The Group provides a Long-term Incentive Scheme to senior and key employees. The valuation of these benefits is based on certain estimates.

Refer to notes 17 and 21 of the Group annual financial statements.

(c) Pension and other post-employment benefits

The cost of defined benefit pension plans and post-employment medical benefits is determined using actuarial valuations. The actuarial valuations involve making assumptions about discount rates, expected return on assets, future salary increases, attrition and mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Further details are provided in the accounting policy in notes 1 and 10.

(d) Fair value determination in business combinations

IFRS 3 requires all assets, liabilities and contingent liabilities to be measured at fair value when accounting for business combinations and subsidiaries previously accounted for as associates. The Group makes use of various valuation methodologies in determining these fair values, including the use of reputable independent valuers. Valuations are inherently subjective, and require the use of judgements. Judgement is applied in determining the allocation of goodwill to different cash-generating units (CGUs). The allocation is done based on the expected benefit arising from synergies due to the business combinations.

Refer to note 34 of the Group annual financial statements.

(e) Fair value determination

The carrying values of financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

4. SEGMENT INFORMATION

IFRS 8 requires operating segments to be identified on the basis of internal reports about the components of the Group that are regularly reviewed by the chief operating decision-maker (CODM) in order to allocate resources to the segments and to assess their performance.

The CODM regularly reviews the operating results of the Group as a non-IFRS measure based on hospital, healthcare services businesses and other. The reportable segments derive their revenue primarily from private healthcare.

The Hospitals segment comprises all the private hospitals in southern Africa, and the Healthcare Services segment comprises Life Esidimeni and Life Occupational Healthcare, while the Other segment comprises head office and other administrative functions.

During the reporting years all the operating segments operated in southern Africa and therefore no geographical segments are presented.

Assets and liabilities are not reviewed on an individual segment basis but rather on a Group basis and are therefore not presented.

There are no inter-segment revenue streams.

Refer to note 24 for a split of the major revenue streams.

for the year ended 30 September 2012

Operating segments	2012 R'm	2011 R'm
4. SEGMENT INFORMATION continued		
Revenue		
Southern Africa	**10 937**	9 812
Hospitals	**10 185**	9 136
Healthcare Services	**748**	674
Other	**4**	2
Total	**10 937**	9 812
Profit before items detailed below		
Southern Africa	**2 598**	2 249
Hospitals	**2 242**	1 917
Healthcare Services	**121**	141
Other	**235**	191
Operating profit before items detailed below	**2 598**	2 249
Amortisation of intangible assets	**(124)**	(110)
Impairment of intangible assets	**–**	(65)
Profit on disposal of businesses	**30**	–
Gain on bargain purchase	**2**	–
Retirement benefit asset	**42**	2
Post-retirement medical aid	**(5)**	–
(Loss)/gain on remeasuring of fair value of equity interest before business combination	**(3)**	92
Additional receipt on previously disposed business	**2**	5
Operating profit	**2 542**	2 173
Fair value (loss)/gain on derivative financial instruments	**(2)**	14
Finance income	**22**	37
Finance cost	**(235)**	(250)
Share of associate's net profit after tax	**85**	115
Profit before tax	**2 412**	2 089

Operating profit before amortisation, disposals and impairment of intangible assets includes the segment's share of shared services and rental costs. These costs are all at market-related rates.

for the year ended 30 September 2012

	2012 R'm	2011 R'm
5. PROPERTY, PLANT AND EQUIPMENT		
Land		
Cost		
Opening balance at 1 October	**267**	218
Additions	**52**	47
Acquisition/disposal of subsidiary	**–**	2
Closing balance at 30 September	**319**	267
Fixed property – owned		
Cost		
Opening balance at 1 October	**3 082**	2 492
Additions	**196**	430
Acquisition/disposal of subsidiary	**–**	64
Leased property acquired	**–**	101
Reclassification	**85**	–
Disposals or scrappings	**(39)**	(5)
Closing balance at 30 September	**3 324**	3 082
Accumulated depreciation		
Opening balance at 1 October	**582**	448
Charge for the year	**97**	80
Leased property acquired	**–**	55
Reclassification	**66**	–
Disposals or scrappings	**(33)**	(1)
Closing balance at 30 September	**712**	582
Carrying value at 30 September	**2 612**	2 500
Fixed property – leased		
Cost		
Opening balance at 1 October	**355**	456
Additions	**28**	–
Leased property acquired	**–**	(101)
Reclassification	**(52)**	–
Disposals or scrappings	**(8)**	–
Closing balance at 30 September	**323**	355
Accumulated depreciation		
Opening balance at 1 October	**184**	208
Charge for the year	**23**	31
Leased property acquired	**–**	(55)
Reclassification	**(47)**	–
Disposals or scrappings	**(8)**	–
Closing balance at 30 September	**152**	184
Carrying value at 30 September	**171**	171

for the year ended 30 September 2012

	2012 R'm	2011 R'm
5. PROPERTY, PLANT AND EQUIPMENT continued		
Improvements to leased premises		
Cost		
Opening balance at 1 October	**156**	138
Additions	**25**	17
Acquisition/disposal of subsidiary	**1**	1
Reclassification	**(33)**	–
Disposals or scrappings	**(5)**	–
Closing balance at 30 September	**144**	156
Accumulated depreciation		
Opening balance at 1 October	**74**	61
Charge for the year	**11**	13
Acquisition/disposal of subsidiary	**1**	–
Reclassification	**(19)**	–
Disposals or scrappings	**(5)**	–
Closing balance at 30 September	**62**	74
Carrying value at 30 September	**82**	82
Medical equipment		
Cost		
Opening balance at 1 October	**1 343**	1 226
Additions	**259**	185
Acquisition/disposal of subsidiary	**3**	5
Disposals or scrappings	**(53)**	(74)
Effect of foreign currency movement	**–**	1
Closing balance at 30 September	**1 552**	1 343
Accumulated depreciation		
Opening balance at 1 October	**734**	669
Charge for the year	**147**	138
Acquisition/disposal of subsidiary	**2**	–
Disposals or scrappings	**(53)**	(74)
Effect of foreign currency movement	**–**	1
Closing balance at 30 September	**830**	734
Carrying value at 30 September	**722**	609

for the year ended 30 September 2012

	2012 R'm	2011 R'm
5. PROPERTY, PLANT AND EQUIPMENT continued		
Other equipment		
Cost		
Opening balance at 1 October	**272**	242
Additions	**16**	44
Acquisition/disposal of subsidiary	**–**	2
Reclassification	**(2)**	–
Disposals or scrappings	**(7)**	(16)
Closing balance at 30 September	**279**	272
Accumulated depreciation		
Opening balance at 1 October	**156**	136
Charge for the year	**37**	34
Reclassification	**(2)**	–
Disposals or scrappings	**(7)**	(14)
Closing balance at 30 September	**184**	156
Carrying value at 30 September	**95**	116
Motor vehicles		
Cost		
Opening balance at 1 October	**19**	17
Additions	**4**	4
Disposals or scrappings	**(2)**	(2)
Closing balance at 30 September	**21**	19
Accumulated depreciation		
Opening balance at 1 October	**11**	10
Charge for the year	**3**	3
Disposals or scrappings	**(2)**	(2)
Closing balance at 30 September	**12**	11
Carrying value at 30 September	**9**	8
Total cost		
Opening balance at 1 October	**5 494**	4 789
Additions	**580**	727
Acquisition/disposal of subsidiary	**4**	74
Reclassification	**(2)**	–
Disposals or scrappings	**(114)**	(97)
Effect of foreign currency movement	**–**	1
Closing balance at 30 September	**5 962**	5 494
Total accumulated depreciation		
Opening balance at 1 October	**1 741**	1 532
Charge for the year	**318**	299
Acquisition/disposal of subsidiary	**3**	–
Reclassification	**(2)**	–
Disposals or scrappings	**(108)**	(91)
Effect of foreign currency movement	**–**	1
Closing balance at 30 September	**1 952**	1 741
Total carrying value at 30 September	**4 010**	3 753

Property, plant and equipment with a book value of R21 million (2011: R21 million) secure fixed rate bank borrowings and property, plant and equipment with a book value of R66 million (2011: R58 million) secure floating rate bank borrowings. Refer to note 18.

The leased assets secure lease liabilities to the value of R223 million (2011: R170 million). Refer to note 18.

for the year ended 30 September 2012

	2012 R'm	2011 R'm
6. INTANGIBLE ASSETS		
Intangible assets consist of:		
Goodwill	**1 175**	1 178
Computer software	**46**	39
Restraint of trade payments	**–**	–
Hospital licences	**502**	561
Customer relations	**450**	507
Preferred supplier contracts	**7**	10
Other intangible assets	**1**	1
	2 181	2 296
The movement in the balance for intangible assets is as follows:		
Balance at 1 October	**2 296**	2 219
Additions	**–**	–
Arising on acquisition of subsidiaries	**–**	238
Computer software additions	**12**	14
Amortisation charge	**(124)**	(110)
Impairment charge	**–**	(65)
Disposals	**(3)**	–
Carrying value at 30 September	**2 181**	2 296
Goodwill		
Cost		
Opening balance at 1 October	**1 241**	1 211
Arising on acquisition of subsidiaries	**–**	30
Disposals	**(3)**	–
Closing balance at 30 September	**1 238**	1 241
Accumulated impairment		
Opening balance at 1 October	**63**	34
Impairment charge	**–**	29
Closing balance at 30 September	**63**	63
Carrying value at 30 September	**1 175**	1 178
Computer software		
Cost		
Opening balance at 1 October	**106**	92
Additions	**12**	14
Disposals or scrappings	**(1)**	–
Closing balance at 30 September	**117**	106
Accumulated amortisation and impairment		
Opening balance at 1 October	**67**	62
Amortisation charge	**5**	5
Disposals or scrappings	**(1)**	–
Closing balance at 30 September	**71**	67
Carrying value at 30 September	**46**	39

for the year ended 30 September 2012

	2012 R'm	2011 R'm
6. INTANGIBLE ASSETS continued		
Restraint of trade payments		
Cost		
Opening balance at 1 October	2	2
Closing balance at 30 September	2	2
Accumulated amortisation and impairment		
Opening balance at 1 October	2	2
Closing balance at 30 September	2	2
Carrying value at 30 September	–	–
Hospital licences		
Cost		
Opening balance at 1 October	828	620
Arising on acquisition of subsidiaries	–	208
Closing balance at 30 September	828	828
Accumulated amortisation and impairment		
Opening balance at 1 October	267	219
Amortisation charge	59	37
Impairment charge	–	11
Closing balance at 30 September	326	267
Carrying value at 30 September	502	561
Customer relations		
Cost		
Opening balance at 1 October	909	909
Arising on acquisition of subsidiaries	–	–
Closing balance at 30 September	909	909
Accumulated amortisation and impairment		
Opening balance at 1 October	402	318
Amortisation charge	57	59
Impairment charge	–	25
Closing balance at 30 September	459	402
Carrying value at 30 September	450	507
Preferred supplier contracts		
Cost		
Opening and closing balance	107	107
Accumulated amortisation and impairment		
Opening balance at 1 October	97	88
Amortisation charge	3	9
Closing balance at 30 September	100	97
Carrying value at 30 September	7	10

for the year ended 30 September 2012

	2012 R'm	2011 R'm
6. INTANGIBLE ASSETS continued		
Other intangible assets		
Other intangible assets comprise capitalised lease premiums.		
Cost		
Opening balance at 1 October	**2**	2
Closing balance at 30 September	**2**	2
Accumulated amortisation and impairment		
Opening balance at 1 October	**1**	1
Closing balance at 30 September	**1**	1
Carrying value at 30 September	**1**	1
Total carrying value at 30 September	**2 181**	2 296
Total cost		
Opening balance at 1 October	**3 195**	2 943
Additions	**12**	14
Arising on acquisition of subsidiary	**–**	238
Disposals or scrappings	**(4)**	–
Closing balance at 30 September	**3 203**	3 195
Total accumulated amortisation and impairment		
Opening balance at 1 October	**899**	724
Amortisation charge	**124**	110
Impairment charge	**–**	65
Disposals or scrappings	**(1)**	–
Closing balance at 30 September	**1 022**	899
Total carrying value at 30 September	**2 181**	2 296
Goodwill impairment testing		
Goodwill has been allocated to the following operating segments for impairment:		
Hospitals	**1 026**	1 029
Healthcare Services	**149**	149
	1 175	1 178

The original goodwill and intangible assets were allocated to the various cash-generating units based on trading profit as a percentage of the Group's trading profit. Subsequent additions are allocated to the specific cash-generating units.

The impairment charge of R65 million for the prior year relates to four hospitals in the Group, identified as cash-generating units, included in the Hospitals segment. The impairment was attributed to changes within the business conditions during the prior year.

There is no impairment charge during the current year.

Refer to note 3 for the methods and assumptions applied.

	2012 R'm	2011 R'm
7. INVESTMENT IN ASSOCIATES		
Unlisted ordinary shares		
Balance at 1 October	**288**	286
Share of net profits after tax	**85**	115
Share of current year profit before tax	**130**	163
Share of current year tax	**(45)**	(48)
Dividends declared by associates	**(93)**	(47)
Capital distributions transferred to loan account	**4**	(8)
Associate becoming a subsidiary (Refer to note 34)	**(9)**	(58)
Acquisition of investment in associate (Refer to note 34)	**823**	–
Disposal of investment in associate (Refer to note 34)	**(7)**	–
Balance at 30 September	**1 091**	288
Directors' valuation of shares	**2 121**	1 102
Loans to associates		
Balance at 1 October	**6**	11
Repayment of loans	**–**	(12)
Effect of foreign currency movement	**–**	(1)
Capital distributions transferred from equity	**(3)**	8
Balance at 30 September	**3**	6

Amounts owing are interest bearing at rates negotiated on an annual basis (2012: 5.6% and 2011: 6.1%) and are repayable on terms determined by the associate company's directors. The credit quality of these loans is determined based on past default rates. No such defaults existed in the past.

The Group acquired a 26% shareholding in Max Healthcare Institute Limited, based in India, during the current year. The company has a March year-end, and the February and March associate income was based on the year-end results. The results for the period from April 2012 to September 2012 were based on management accounts.

One of the other associate companies has a February year-end. The results for this company were brought into account for the period to August 2012 (August 2011) based on management accounts.

There were no material transactions in the period between August 2012 and the Group's year-end, 30 September 2012.

The accounting policies of the associated companies do not differ materially from the Group's accounting policies.

On 1 December 2011 the Group acquired an additional 25% interest in Medical Imaging Botswana Proprietary Limited (MIB) to obtain control over this entity.

On 1 December 2011 the Group disposed of its 50% interest in Occulli Trust and Bloemfontein Eye Clinic.

	2012 R'm	2011 R'm
7. INVESTMENT IN ASSOCIATES continued		
The aggregate assets, liabilities and results of operations of associate companies are summarised as follows (not adjusted for percentage ownership by the Group):		
Statement of comprehensive income		
Revenue	**1 035**	798
Expenses	**(815)**	(454)
Profit before tax	**220**	344
Statement of financial position		
Non-current assets	**2 121**	366
Current assets	**660**	291
Total assets	**2 781**	657
Equity and liabilities		
Capital and reserves	**1 056**	573
Non-current liabilities	**1 026**	17
Current liabilities	**699**	67
Total equity and liabilities	**2 781**	657

The aggregate post-acquisition reserves (adjusted for the Group's ownership) for the associates are R250 million (2011: R271 million).

There are no unrecognised losses for associates.

Loans to associates past due but not impaired

All loans to associates that are past due are impaired accordingly. At 30 September 2012 there are no loans to associates that are past due and impaired (2011: Rnil).

Fair value of loans to associates

The values stated above approximate the fair values of the financial assets at statement of financial position date.

8. INTERESTS IN JOINT VENTURES

The Group had the following interests in unlisted joint ventures at 30 September:

	2012 %	2011 %
East Rand Oncology Unit^	**–**	48
Brenthurst MRI	**70**	70
Brenthurst Equipment Trust 1	**50**	50
Brenthurst Equipment Trust 2	**70**	70
Brenthurst Radiology Cat Scan	**50**	50
Flora Renal Dialysis Unit Proprietary Limited (liquidated during the current financial year)	**51**	51
Boldprops 102 Proprietary Limited	**50**	50

^ *The joint venture was dissolved during the current year.*

for the year ended 30 September 2012

	2012 R'm	2011 R'm
8. INTERESTS IN JOINT VENTURES continued		
The following amounts represent the Group's proportionate share of the assets, liabilities and results of its interests in the joint ventures included in the consolidated statement of financial position and consolidated statement of comprehensive income:		
Statement of comprehensive income		
Revenue	**7**	7
Expenses	**(2)**	(3)
Profit before tax	**5**	4
Statement of financial position		
Assets	**8**	11
Non-current assets	**2**	3
Current assets	**6**	8
Liabilities	**(1)**	(6)
Non-current liabilities	**–**	(4)
Current liabilities	**(1)**	(2)
Net assets	**7**	5
Directors' valuation	**19**	17

The Group's interest in capital commitments for the joint ventures is Rnil (2011: Rnil).

	2012 R'm	2011 R'm
9. LOANS RECEIVABLE		
Loans receivable		
Balance at 1 October	**5**	6
Loans repaid	**(4)**	(1)
Loans granted	**8**	1
Non-current portion at 30 September	**9**	6
Impairment of loans receivable	**–**	(1)
Opening balance	**(1)**	(2)
Amounts impaired and written off	**1**	1
Net loans receivable	**9**	5

These loans are unsecured, bear interest at rates linked to the prime bank overdraft rate, and are repayable between one and five years.

Fair value of loans receivable

The values stated above approximate the fair values of the financial assets at statement of financial position date.

Loans receivable past due but not impaired

All loans receivable that are past due are impaired accordingly.

Loans receivable impaired

At 30 September loans receivable of R1 million (2011: R1 million) were impaired and provided for.

Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates. No default existed at year-end.

10. RETIREMENT BENEFIT OBLIGATIONS AND POST-RETIREMENT MEDICAL AID SURPLUS

Pension and provident fund benefits

The Group used to operate or was a participating employer in twenty-three retirement funds, prior to a fund consolidation project which commenced in the 2006 financial year.

Five retirement funds (which included three defined benefit funds) were successfully deregistered during the current financial year. Four dormant funds are in various stages of closure and all of these funds are defined contribution funds, three are provident funds and one is a defined contribution pension fund.

The Group currently contributes to four funds: two defined benefit pension funds, a defined contribution pension fund and a defined contribution provident fund. The two defined benefit funds are closed to new members. New employees have the choice of dual fund defined contribution membership or membership of the provident fund only. Any new group of employees as a result of a business acquisition who were defined contribution pension fund members join the defined contribution pension fund.

The assets of all the funds, whether they are defined benefit or defined contribution, are held and administered in funds separate from the Group's assets. The assets are administered on behalf of the Group by external financial services companies. All the funds are governed by the Pension Funds Act of 1956. Both of the active defined benefit pension funds require a statutory actuarial valuation every three years.

All the other pension funds and provident funds are defined contribution plans and require triennial statutory financial reviews. A financial review is, however, carried out annually to determine the solvency of the plans. Defined contribution funds are not guaranteed by the employer.

The following actuarial assumptions were applied in the valuation of the defined benefit funds as required by IAS 19:

	2012	2011
Discount rate (%)	**8.59**	9.11
Consumer price inflation (%)	**6.52**	6.52
Expected return on assets (%)		
Life Healthcare DB Pension Fund	**9.59**	10.11
Lifecare Group Holdings Pension Fund	**8.25**	9.25
The long-term investment return assumption is based on the expected long-term returns on equities, cash and bonds. In setting these assumptions the actual asset split of the various funds is used. The expected long-term rate of return on bonds is set at the same level as the discount rate and the return on equities is set at a level of 1% above the bond rate and the long-term rate of return on cash is set at a level of 1% above the bond rate.		
Compensation increase rate (%)		
Life Healthcare DB Pension Fund	**7.52**	7.52
Lifecare Group Holdings Pension Fund	**6.50**	6.50
Pension increase rate (%)		
Life Healthcare DB Pension Fund	**4.89**	4.89
Lifecare Group Holdings Pension Fund	**3.10**	3.50
Rates of mortality	**0.50**	0.50

The last statutory actuarial valuations for the funds were:

Presmed Pension Fund	Deregistered
Jan S Marais Pension Fund	Deregistered
Life Healthcare DB Pension Fund	30 June 2009
Lifecare Group Holdings Pension Fund	1 April 1998 (approval of 2001 and subsequent tri-annual valuations outstanding)
Lifecare Clinics Pension Fund	Deregistered

10. RETIREMENT BENEFIT OBLIGATIONS AND POST-RETIREMENT MEDICAL AID SURPLUS continued

The Group's obligation in respect of retirement benefits as measured in terms of IAS 19 are tabled below:

R'm	Life Healthcare DB Pension Fund	Lifecare Group Holdings Pension Fund
Components of net periodic cost – 2012		
Current service cost	**10**	1
Interest cost	**37**	4
Expected return on assets	**(60)**	(11)
Amortisation:		
Unrecognised net (gain)/loss	**–**	–
Net actuarial gain recognised in the year	**(19)**	–
Unrecognised due to limit	**–**	4
Recognition in terms of paragraph 58A	**–**	2
Net periodic income	**(32)**	–
Components of net periodic cost – 2011		
Current service cost	**10**	1
Interest cost	**36**	4
Expected return on assets	**(58)**	(10)
Amortisation:		
Unrecognised net (gain)/loss	**–**	–
Net actuarial loss recognised in the year	**20**	–
Unrecognised due to limit	**–**	7
Recognition in terms of paragraph 58A	**–**	(1)
Net periodic cost	**8**	1
Actual return on plan assets		
2012	**52**	9
2011	**40**	7
Reconciliation of defined benefit obligation – 2012		
Defined benefit obligation at 30 September 2011	**401**	47
Service cost	**10**	1
Member contributions	**4**	–
Interest cost	**37**	4
Actuarial loss	**30**	1
Benefits paid	**(34)**	(8)
Risk premiums	**(1)**	–
Defined benefit obligation at 30 September 2012	**447**	45
Reconciliation of defined benefit obligation – 2011		
Defined benefit obligation at 30 September 2010	**388**	54
Service cost	**10**	1
Member contributions	**4**	–
Interest cost	**36**	4
Actuarial loss/(gain)	**4**	(5)
Benefits paid	**(40)**	(6)
Risk premiums	**(1)**	–
Defined benefit obligation at 30 September 2011	**401**	48

10. RETIREMENT BENEFIT OBLIGATIONS AND POST-RETIREMENT MEDICAL AID SURPLUS continued

R'm	Life Healthcare DB Pension Fund	Lifecare Group Holdings Pension Fund
Reconciliation of fair value of plan assets – 2012		
Assets at fair market value as at 30 September 2011	**606**	**115**
Expected return on assets	**60**	**11**
Contributions	**13**	**1**
Benefits paid	**(34)**	**(8)**
Actuarial gain/(loss)	**49**	**(2)**
Assets at fair market value as at 30 September 2012	**694**	**117**
Reconciliation of fair value of plan assets – 2011		
Assets at fair market value as at 30 September 2010	592	114
Expected return on assets	58	10
Contributions	14	1
Risk premiums	(1)	–
Benefits paid	(40)	(6)
Actuarial loss	(17)	(4)
Assets at fair market value as at 30 September 2011	606	116
Defined benefit fund asset/liability – 2012		
Asset as at 1 October 2011	**205**	**–**
Net periodic cost	**33**	**–**
Company contributions	**9**	**–**
Asset as at 30 September 2012	**247**	**–**
Unrecognised due to paragraph 58 limit	**–**	**–**
Asset recognised on the statement of financial position	**247**	**–**
Defined benefit fund asset/liability – 2011		
Asset as at 1 October 2010	203	–
Net periodic cost	(8)	(1)
Company contributions	10	1
Asset as at 30 September 2011	205	–
Unrecognised due to paragraph 58 limit	–	–
Asset recognised on the statement of financial position	205	–
Actuarial value of defined benefit obligation and funded status – 2012		
Defined benefit obligation	**(447)**	**(45)**
Assets at fair market value	**694**	**117**
Funded status	**247**	**72**
Unrecognised net gain/(loss)	**–**	**–**
Asset as at 30 September 2012	**247**	**72**
Unrecognised due to paragraph 58 limit	**–**	**(72)**
Asset recognised on the statement of financial position	**247**	**–**
Actuarial value of defined benefit obligation and funded status – 2011		
Defined benefit obligation	(401)	(48)
Assets at fair market value	606	116
Funded status	205	68
Unrecognised net gain/(loss)	–	–
Asset as at 30 September 2011	205	68
Unrecognised due to paragraph 58 limit	–	(68)
Asset recognised on the statement of financial position	205	–

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10. RETIREMENT BENEFIT OBLIGATIONS AND POST-RETIREMENT MEDICAL AID SURPLUS continued

R'm	Life Healthcare DB Pension Fund	Lifecare Group Holdings Pension Fund
Actuarial value of defined benefit obligation and funded status – 2010		
Defined benefit obligation	(388)	(53)
Assets at fair market value	591	114
Funded status	203	61
Unrecognised net gain/(loss)	–	–
Asset as at 30 September 2010	203	61
Unrecognised due to paragraph 59 limit	–	(61)
Asset recognised on the statement of financial position	203	–
Actuarial value of defined benefit obligation and funded status – 2009		
Defined benefit obligation	(377)	(51)
Assets at fair market value	520	115
Funded status	143	64
Unrecognised net gain/(loss)	(43)	–
Asset as at 30 September 2009	100	64
Unrecognised due to paragraph 59 limit	–	(64)
Asset recognised on the statement of financial position	100	–
Actuarial value of defined benefit obligation and funded status – 2008		
Defined benefit obligation	(398)	(57)
Assets at fair market value	487	115
Funded status	89	58
Unrecognised net gain/(loss)	–	–
Asset as at 30 September 2008	89	58
Unrecognised due to paragraph 59 limit	–	(58)
Asset recognised on the statement of financial position	89	–
Composition of plan assets – 2012		
Cash (%)	**8.9**	7.6
Equity instruments (%)	**40.3**	60.1
Bonds (%)	**24.8**	16.3
Property (%)	**3.1**	7.5
Other (%)	**22.9**	8.5
	100.0	100.0
Composition of plan assets – 2011		
Cash (%)	11.4	10.5
Equity instruments (%)	40.1	43.8
Bonds (%)	24.4	20.1
Property (%)	2.7	9.2
Other (%)	21.4	16.4
	100.0	100.0

10. RETIREMENT BENEFIT OBLIGATIONS AND POST-RETIREMENT MEDICAL AID SURPLUS continued

R'm	Life Healthcare DB Pension Fund	Lifecare Group Holdings Pension Fund
Expected contributions to the benefit plans for the year ending 30 September 2013:		
Member contributions	4	–
Company contributions	10	1
Risk premiums	(1)	–
Benefit payments	(36)	(3)

	Increase R'm	Decrease R'm
The effect of a 1% movement for the year ended 30 September 2012 in the assumed net discount rate:		
Effect on the defined benefit obligation	13	(15)

Post-retirement medical aid benefit

Life Healthcare Group has a liability arising as a result of a post-retirement employer subsidy of healthcare benefits. Members of certain medical aid plans, who joined the Company before 1 November 1996 and remain in the employment of Life Healthcare Group until retirement, are eligible for a post-retirement subsidy of their medical contributions.

Life Healthcare Group is liable to make good on any shortfalls in the fund.

The benefit fund meets the definition of a defined benefit plan and has been disclosed in accordance with IAS 19.

The plan represents the market value of the assets.

The defined benefit fund is actuarially valued using the projected unit credit method. The benefit fund is a closed fund.

The following actuarial assumptions were applied:

	2012	2011
Discount rate (%)	**8.75**	8.75
Consumer price inflation (%)	**6.00**	5.75
Expected return on assets (%)	**9.75**	9.75
Healthcare cost inflation (%)	**8.00**	7.75
Compensation increase rate (%)	**7.50**	6.50
Average retirement age	**60**	60
Rates of mortality	**0.5**	0.5

The expected return on planned assets of 9.75% (2011: 9.75%) per annum is based on a nominal allocation of the plan assets, expected return on the underlying asset classes and expected expenses.

The Group's obligation in respect of post-retirement medical aid benefit as measured in terms of IAS 19 is tabled below:

	2012 R'm	2011 R'm
Components of net periodic cost		
Current service cost	**2**	2
Interest cost	**6**	5
Expected employer benefit payments	**(2)**	(2)
Expected benefit payments from plan assets	**2**	2
Actuarial loss	**2**	2
Effect of curtailment or settlement	**(6)**	(2)
Disinvestment from plan assets	**8**	–
Net periodic cost	**12**	7

10. RETIREMENT BENEFIT OBLIGATIONS AND POST-RETIREMENT MEDICAL AID SURPLUS continued

	2012 R'm	2011 R'm	2010 R'm	2009 R'm	2008 R'm
Defined benefit fund asset surplus					
Asset as at 30 September	**10**	10	7	1	11
Growth in market value	**7**	7	8	7	7
Net periodic cost	**(12)**	(7)	(5)	(1)	(17)
Asset as at 30 September	**5**	10	10	7	1
Unrecognised due to paragraph 59 limit	**–**	–	–	–	–
Asset recognised on the statement of financial position	**5**	10	10	7	1
Actuarial value of defined benefit obligation and funded status					
Defined benefit obligation	**(68)**	(67)	(65)	(69)	(72)
Assets at fair market value	**73**	77	75	76	73
Funded status	**5**	10	10	7	1
Unrecognised net (gain)/loss	**–**	–	–	–	–
Asset as at 30 September	**5**	10	10	7	1
Unrecognised due to paragraph 59 limit	**–**	–	–	–	–
Asset recognised on the statement of financial position	**5**	10	10	7	1
Post-retirement medical aid benefits					
Plan assets comprise:					
Equity instruments	**58.7%**	49.2%	99.3%	91.1%	
Cash	**41.3%**	50.8%	0.7%	8.9%	
	100.0%	100.0%	100.0%	100.0%	

There are no expected contributions to the post-retirement benefit plan for the year ending 30 September 2012 as the fund is fully funded.

	Increase R'm	Decrease R'm
The effect of a 1% movement for the year ended 30 September 2012 in the assumed medical cost trend rate is as follows:		
Effect on the aggregate of the current service cost and interest cost	2	(1)
Effect on the defined benefit obligation	12	(10)

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	2012 R'm	2011 R'm
11. DEFERRED INCOME TAX		
Deferred tax per the statement of financial position represents the summation of the individual deferred tax balances per subsidiary. This is split between deferred tax assets and liabilities as follows:		
Deferred tax assets	**159**	150
Deferred tax liabilities	**(352)**	(368)
	(193)	(218)
The movement in the deferred tax account is as follows:		
Balance at 1 October	**(218)**	(231)
Acquired through acquisition of subsidiary	**–**	(10)
Business combination	**–**	(32)
Deferred tax movements directly in reserves	**–**	(8)
Current year charge through profit and loss	**25**	63
Carrying amount at 30 September	**(193)**	(218)
Gross deferred tax assets included above	**(277)**	(467)
Gross deferred tax liability	**(470)**	(685)

R'm	Balance at 1 October 2011	Net charge/ (credited) during the current year	Balance at 30 September 2012
2012			
Employee benefit provisions	**93**	**3**	**96**
Other provisions	**17**	**5**	**22**
Provision for doubtful debts	**5**	**–**	**5**
Accelerated wear and tear for tax purposes on property, plant and equipment	**(268)**	**164**	**(104)**
Tax loss carried forward	**5**	**–**	**5**
Property leases	**332**	**(198)**	**134**
Credit balances in trade receivables	**12**	**–**	**12**
Pre-paid expenses	**(9)**	**–**	**(9)**
Intangible assets on acquisition of subsidiary	**(311)**	**42**	**(269)**
Non-current receivables adjusted to fair value on acquisition of subsidiary	**(1)**	**–**	**(1)**
Retirement benefit asset	**(60)**	**(10)**	**(70)**
Interest rate hedge	**2**	**1**	**3**
Revaluation of property	**(24)**	**8**	**(16)**
Other movements	**(11)**	**10**	**(1)**
	(218)	**25**	**(193)**

11. DEFERRED INCOME TAX continued

R'm	Balance at 1 October 2010	Acquired through acquisition of subsidiary	Business combi- nations	Net charge/ (credited) during the current year	Balance at 30 September 2011
2011					
Employee benefit provisions	79	–	3	11	93
Other provisions	16	–	–	1	17
Provision for doubtful debts	5	–	–	–	5
Accelerated wear and tear for tax purposes on property, plant and equipment	(187)	–	(2)	(79)	(268)
Tax loss carried forward	7	–	–	(2)	5
Property leases	198	–	–	134	332
Credit balances in trade receivables	12	–	–	–	12
Pre-paid expenses	(12)	–	–	3	(9)
Intangible assets on acquisition of subsidiary	(282)	–	(33)	4	(311)
Non-current receivables adjusted to fair value on acquisition of subsidiary	(5)	–	–	4	(1)
Retirement benefit asset	(59)	–	–	(1)	(60)
Interest rate hedge	7	–	–	(5)	2
Revaluation of property	(6)	(10)	–	(8)	(24)
Other movements	(4)	–	–	(7)	(11)
	(231)	(10)	(32)	55	(218)

	2012 R'm	2011 R'm
Analysis of deferred tax assets and deferred tax liabilities is as follows:		
Deferred tax assets		
Deferred tax assets to be recovered within 12 months	**138**	130
Deferred tax assets to be recovered after more than 12 months	**139**	337
	277	467
Deferred tax liabilities		
Deferred tax liabilities to be recovered within 12 months	**(11)**	(22)
Deferred tax liabilities to be recovered after more than 12 months	**(459)**	(663)
	(470)	(685)

Deferred tax assets arising from tax losses are recognised to the extent that realisation of the related tax benefits are probable. The determination of the probability of recovery is based on management forecast for the units.

The Group has tax losses of R2 million (2011: R2 million) to carry forward against future taxable income, which have not been recognised in these financial statements due to uncertainties regarding the utilisation of these losses in the foreseeable future. None of the tax losses are expected to expire.

for the year ended 30 September 2012

		2012 R'm	2011 R'm
12.	**INVENTORIES**		
	Ethical drugs and surgical consumable products	**198**	193
	All medical consumables are carried at cost which is lower than the net realisable value.		
	The cost of inventories recorded as an expense is included in ethicals and surgicals consumed on the statement of comprehensive income.		
	The cost of inventories written off as expired stock is recognised as an expense and is included in "other expenses" in the statement of comprehensive income. Inventories written off amounted to:	**6**	7
13.	**TRADE AND OTHER RECEIVABLES**		
	Trade receivables	**984**	1 020
	Less: Provision for impairment of receivables	**(28)**	(28)
	Net trade receivables	**956**	992
	Other receivables	**54**	74
	Prepaid expenses	**27**	26
	Balance at 30 September	**1 037**	1 092
	The Group has recognised losses for the impairment of its trade receivables for the year ended 30 September:	**70**	61

These losses have been included in "other expenses" in the statement of comprehensive income.

The values as stated above approximate the fair values at statement of financial position date of trade and other receivables.

The fair value of trade receivables is based on cash flows discounted using the prime interest rate. Provision for impairment of receivables is based on historical collection trends, current market conditions and expected future cash flows.

Fair values are determined annually at statement of financial position date.

Trade and other receivables past due but not impaired

	2012 R'm	2011 R'm
Trade and other receivables which are less than three months past due or another period depending on the class of the trade receivable, are not considered to be impaired, as there has not been a significant change in credit quality and amounts are still recoverable. At 30 September trade and other receivables past due but not impaired were as follows:	**77**	115

The ageing of amounts past due but not impaired is as follows:

Trade and other receivables at 30 September 2012 (R'm)	31 – 60 days	61 – 90 days	91 – 180 days	181 – 360 days	More than a year	Total
Private clients	**–**	**–**	**7**	**1**	**1**	**9**
Medical aids	**–**	**16**	**12**	**3**	**1**	**32**
Government (RAF, COID, non-pure COID and provincial departments)	**26**	**4**	**4**	**–**	**–**	**34**
Foreign patients	**1**	**–**	**–**	**–**	**1**	**2**
	27	**20**	**23**	**4**	**3**	**77**
Trade and other receivables at 30 September 2011 (R'm)						
Private clients	–	–	7	3	–	10
Medical aids	–	13	9	3	1	26
Government (RAF, COID, non-pure COID and provincial departments)	23	18	30	–	–	71
Foreign patients	2	–	2	4	–	8
	25	31	49	10	1	115

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	2012 R'm	2011 R'm
13. TRADE AND OTHER RECEIVABLES continued		
Trade and other receivables impaired		
The amount of the provision at 30 September was:	**(28)**	(28)
Reconciliation of provision for impairment of trade and other receivables		
Opening balance	**(28)**	(29)
Provision raised	**(7)**	(5)
Amounts utilised	**7**	6
	(28)	(28)

The creation and release of the provision for impaired receivables has been included in "other expenses" in the statement of comprehensive income. Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the fair value of each class of trade and other receivable mentioned above. The Group does not hold any collateral as security.

Currencies

	2012 R'm	2011 R'm
The trade and other receivables carrying amount is denominated in the following currencies:		
South African Rand	**996**	1 065
Botswana Pula	**41**	27
Balance at 30 September	**1 037**	1 092

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates. No material historical default rates exist that require additional impairments.

	2012 R'm	2011 R'm
14. CASH AND CASH EQUIVALENTS		
Cash at bank and on hand	**131**	206
Short-term money market instruments	**115**	194
Balance at 30 September	**246**	400
The cash at bank and deposits are on call, immediately available and consist of money market call deposits and short-term money market instruments. The average effective interest rate on short-term money market instruments for the period was:	**4.80%**	5.30%
The cash and cash equivalents carrying amount is denominated in the following currencies:		
South African Rand	**228**	393
Botswana Pula	**18**	7
Balance at 30 September	**246**	400
Cash and cash equivalents include the following for the purpose of the cash flow statement:		
Cash at bank and in hand	**131**	206
Short-term money market instruments	**115**	194
Cash and cash equivalents	**246**	400
Overdraft facilities within the Group are secured by means of cross-sureties by Group companies.		
The credit quality of cash at bank and short-term money market instruments based on Fitch Ratings (zaf) are:		
AAA	**–**	194
AA	**246**	206
Cash and cash equivalents	**246**	400

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	2012 R'm	2011 R'm
15. SHARE CAPITAL		
Authorised		
Ordinary shares		
4 149 980 000 (2011: 4 149 980 000) ordinary shares of R0.000001 each (Total value = R4 149 (2011: R4 149))	*	*
Issued and fully paid		
Ordinary shares		
Balance at 30 September	*	*
Fully paid share capital		
1 042 209 750 (2011: 1 042 209 750) ordinary shares of R0.000001 each (Total value = R1 042 (2011: R1 042))	*	*
Treasury shares	**(82)**	(6)
3 694 039 (2011: 1 018 960) At cost	**(82)**	(6)
Reconciliation of the value of treasury shares		
Balance at 1 October	**(6)**	–
Shares bought by Life Healthcare Group Proprietary Limited	**–**	(6)
Purchase of shares in terms of the Life Healthcare Employee Share Plan (Refer to note 17)	**(50)**	–
Purchase of shares in terms of the Long-term Incentive Scheme (Refer to note 17)	**(26)**	–
Closing balance	**(82)**	(6)
Reconciliation of number of shares (millions)		
Balance at 1 October	**1 041**	1 042
Treasury shares acquired	**(3)**	(1)
Closing balance	**1 038**	1 041
Current year movement of the number of shares (millions)		
Treasury shares held by Life Healthcare Group Proprietary Limited (Refer to note 17)	**1**	1
Treasury shares held by Life Healthcare Employee Share Plan (Refer to note 17)	**2**	–
Total movement for the year	**3**	1
* *Amounts rounded to less than R million.*		
16. SHARE PREMIUM		
Balance at 1 October	**3 748**	3 956
Capital reduction	**(375)**	(208)
	3 373	3 748
On 16 November 2011 a capital reduction out of share premium of 36.00 cents per share was declared. During the prior year, on 9 May 2011, a capital reduction out of share premium of 20.00 cents per share was declared.		
17. OTHER RESERVES		
Foreign currency translation reserve	**(8)**	(8)
Share-based payment reserve	**3**	–
Long-term Incentive Scheme	**26**	–
Transactions with non-controlling interest reserve	**(3)**	(8)
	18	(16)

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	2012 R'm	2011 R'm
17. OTHER RESERVES continued		
The movements in each category of reserves were as follows:		
Life Healthcare Employee Share Plan		
Employee expense for the year	**3**	–
Balance at 30 September	**3**	–

The share-based payment reserve consists of an equity-settled scheme namely the Life Healthcare Employee Share Plan. The scheme is a special purpose trust in terms of SIC 12. In terms of the scheme, Life Healthcare Group Holdings Limited shares were acquired in the market at the ruling market price. The number of shares acquired for the scheme is limited to the value as approved by the Company's remuneration and human resources committee. The number of shares acquired in 2012 is 1 588 706, for all qualifying employees, at an average market price of R31.47 per share on inception date of the scheme. All permanent employees employed by Life Healthcare in South Africa for a continuous period of at least one year as at the date of the allocation and who (i) are members of an employer-supported retirement scheme and who (ii) do not participate in the Group's Long-term Incentive Plan are beneficiaries of the trust (qualifying employees). Voting rights and dividends vest with the qualifying employees.

Employees who leave, other than good leavers, forfeit their beneficial interest in the trust. Qualifying employees will need to be in service on the fifth (25%), sixth (25%) and seventh (50%) anniversaries when the shares become unrestricted and deliverable.

An annual contribution is made by each employer company in the Group for its qualifying employees.

	2012 R'm	2011 R'm
Long-term Incentive Scheme		
Employee expense for the year	**26**	–
Balance at 30 September	**26**	–

The Group has an existing bonus scheme available to senior employees. In terms of the scheme Life Healthcare Group Holdings Limited shares were acquired in the market at the ruling market price. The number of shares acquired for the scheme is limited to the value as approved by the Company's remuneration and human resources committee. The number of shares acquired in 2012 is 1 086 373 at an average market price of R23.89 per share on grant date. There was a modification to the bonus scheme in the 2012 financial year in which each participant shall in respect of future awards and allocations, prior to the vesting date or at the time of the award or allocation, have the right to make a co-investment election. This cost will be accounted for as a share-based payment.

Refer to note 21 for the IAS 19 portion of the Long-term Incentive Scheme.

	2012 R'm	2011 R'm
Foreign currency translation reserve		
Balance at 1 October	**(8)**	(9)
Currency translations arising in the year	**–**	1
Balance at 30 September	**(8)**	(8)
Transactions with non-controlling interest reserve		
Balance at 1 October	**(8)**	(20)
Decreases in ownership interest in subsidiaries	**5**	12
Balance at 30 September	**(3)**	(8)

The transactions with non-controlling interest arise from changes of ownership interests in subsidiaries, with non-controlling interests that do not result in a change in control. Refer to note 34.

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	2012 R'm Non-current portion	2012 R'm Current portion	2012 R'm Total
18. INTEREST-BEARING BORROWINGS			
Unsecured borrowings			
Term loans	**623**	**415**	**1 038**
Preference shares	**820**	**–**	**820**
Secured borrowings			
Mortgage bonds at variable interest rates	**6**	**1**	**7**
Mortgage bonds at fixed interest rates	**4**	**7**	**11**
Finance leases – properties	**476**	**37**	**513**
Total borrowings – 30 September 2012	**1 929**	**460**	**2 389**

	2011 R'm Non-current portion	2011 R'm Current portion	2011 R'm Total
Unsecured borrowings			
Term loans	1 038	415	1 453
Secured borrowings			
Mortgage bonds at variable interest rates	7	2	9
Mortgage bonds at fixed interest rates	11	5	16
Finance leases – properties	509	37	546
Finance leases – other	–	1	1
Total borrowings – 30 September 2011	1 565	460	2 025

The maturity of the borrowings is as follows:

	2012 R'm	2011 R'm
Within one year	**460**	460
Between one and two years	**457**	457
Between two and five years	**1 123**	726
Over five years	**349**	382
	2 389	2 025
Unsecured borrowings		
Term loans	**623**	1 038
Opening balance at 1 October	**1 453**	1 868
Less: Capital repaid during the year	**(415)**	(415)
Closing balance at 30 September	**1 038**	1 453
Less: Current portion transferred to current liabilities	**(415)**	(415)

18. INTEREST-BEARING BORROWINGS continued

Repayment terms

The term loans are unsecured and are split in two distinctive loans with different interest rates. The first term loan of R1 075 million carries interest at the three-month JIBAR rate plus a margin of 2.5%. The second term loan of R1 000 million carries interest at the three-month JIBAR rate plus a margin of 2.3%. The interest is serviced quarterly. The loans are repayable over five years with equal six-monthly instalments of R107.5 million and R100 million respectively. The last repayment date is 31 March 2015. At 30 September 2012 the outstanding amount for the first term loan is R538 million and for the second term loan is R500 million.

The Group has a revolving credit facility. The uncommitted and undrawn facility is R1 000 million.

	2012 R'm	2011 R'm
Unsecured borrowings		
Preference shares	**820**	–
Opening balance at 1 October	**–**	–
Add: Capital raised during the year	**820**	–
Closing balance at 30 September	**820**	–
Less: Current portion transferred to current liabilities	**–**	–

Repayment terms

The preference shares are defined as a term loan. The term loan is unsecured. The term loan of R820 million carries interest at 77% of the three-month JIBAR rate plus a margin of 2.035%. The interest is serviced quarterly. The loan is repayable from September 2015 in four equal six-monthly instalments of R205 million each. The last repayment date is March 2017. At 30 September 2012 the outstanding amount for the term loan is R820 million.

The borrowing powers of the Company and its subsidiaries are not limited by the memorandum of incorporation of the Company.

The lenders have the right to change the interest rate margin on the term loans in the following conditions:
- If the average liquidity premiums for the lenders change by more than 0.1%, then the interest changes by the same difference in the margin.
- If the net debt to EBITDA ratio is higher than 2:1 and less than 2.5:1, then the interest rate margin shall be increased by 0.25%.
- If the net debt to EBITDA ratio is higher than 2.5:1 and less than 3:1, then the interest rate margin shall be increased by 0.5%.

	2012 R'm	2011 R'm
Mortgage bonds at fixed interest rate	**4**	11
Opening balance at 1 October	**16**	20
Loans repaid during the year	**(5)**	(4)
Closing balance at 30 September	**11**	16
Less: Current portion transferred to current liabilities	**(7)**	(5)

Repayment terms

The mortgage bonds bear interest at a fixed rate of 18.2% (2011: 18.2%), are repayable in average monthly instalments of R0.71 million (2011: R0.68 million) and are secured by properties with a carrying value of R21 million (2011: R21 million). The last instalment is due on 31 March 2014.

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18. INTEREST-BEARING BORROWINGS continued

	2012 R'm	2011 R'm
Mortgage bonds at variable interest rate	**6**	7
Opening balance at 1 October	**9**	12
Loans repaid during the year	**(2)**	(3)
Closing balance at 30 September	**7**	9
Less: Current portion transferred to current liabilities	**(1)**	(2)

Repayment terms

The mortgage bonds bear interest at various rates linked to the prime bank overdraft rate and are repayable in average monthly instalments of R0.12 million (2011: R0.23 million) over periods ranging from one to ten years. The mortgage bonds are secured by property, plant and equipment with a carrying value of R66 million (2011: R58 million). The last instalment is due on 31 March 2019.

	2012 R'm	2011 R'm
Finance leases	**–**	–
Opening balance at 1 October	**1**	1
Loans repaid during the year	**(1)**	–
Closing balance at 30 September	**–**	1
Less: Current portion transferred to current liabilities	**–**	(1)

Repayment terms

These finance leases bear interest at various rates linked to the prime bank overdraft rate and are repayable in average monthly instalments of R0.01 million (2011: R0.06 million) over periods ranging from one to two years (2011: one to two years). The finance lease agreements are secured by property, plant and equipment with a carrying value of R0.29 million (2011: R0.78 million).

	2012 R'm	2011 R'm
Minimum future finance lease payments		
Not later than one year	**–**	1
Later than one year, not later than five years	**–**	–
Later than five years	**–**	–
	–	1
Future finance charges on lease payments	**–**	–
Present value of finance lease liabilities	**–**	1
The present value of future lease liabilities is as follows:		
Not later than one year	**–**	1
Later than one year, not later than five years	**–**	–
Later than five years	**–**	–
	–	1

	2012 R'm	2011 R'm
Finance leases – property lease agreements capitalised	**476**	509
Opening balance at 1 October	**546**	573
Loans repaid during the year	**(33)**	(27)
Closing balance at 30 September	**513**	546
Less: Current portion transferred to current liabilities	**(37)**	(37)

Repayment terms

These finance leases bear interest at various rates ranging from 4.5% to 18% (2011: 4.5% to 18%) and are repayable in average monthly instalments of R5 million (2011: R5 million) over periods ranging between one to seventeen (2011: one to eighteen) years. The finance lease agreements are secured by property, plant and equipment with a carrying value of R223 million (2011: R170 million).

18. INTEREST-BEARING BORROWINGS continued

	2012 R'm	2011 R'm
Minimum future finance lease payments		
Not later than one year	**104**	102
Later than one year, not later than five years	**360**	380
Later than five years	**557**	641
	1 021	1 123
Future finance charges on lease payments	**(508)**	(577)
Present value of finance lease liabilities	**513**	546
The present value of future lease liabilities is as follows:		
Not later than one year	**37**	37
Later than one year, not later than five years	**127**	129
Later than five years	**349**	380
	513	546
Borrowing facilities		
The Group has the following borrowing facilities available:		
Available and uncommitted revolving credit facility	**1 000**	1 000
Working capital facility	**250**	250
Guarantee facility	**50**	50
Pre-settlement facility on forward exchange contracts	**68**	68
	1 368	1 368

19. OPERATING LEASE LIABILITY

The Group is a lessee of various hospital and administration office properties under non-cancellable lease agreements.

	2012 R'm	2011 R'm
Opening balance at 1 October	**54**	51
Operating lease expense on a straight-line basis	**61**	46
Lease payments to lessors	**(53)**	(43)
Total liability at 30 September	**62**	54
Add: Operating lease asset non-current portion	**1**	1
Add: Operating lease asset current portion	**1**	1
Non-current operating lease liability	**64**	56

The lease terms range from one to seventeen (2011: one to eighteen) years.

Refer to note 37 for the operating lease commitments

20. TRADE AND OTHER PAYABLES

	2012 R'm	2011 R'm
Trade payables	**713**	737
Accruals	**94**	93
Salary-related contributions	**101**	95
Value added tax	**42**	37
Accrued leave pay	**161**	153
Other payables	**128**	145
Balance at 30 September	**1 239**	1 260

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	2012 R'm	2011 R'm
21. PROVISIONS		
Employee benefit provisions	**135**	124
Long-term Incentive Scheme	**65**	65
Total provisions	**200**	189
Less: Portion included in non-current liabilities	**(21)**	(28)
Current portion of provisions	**179**	161
Employee benefit provisions		
Balance at 1 October	**124**	107
Additional provisions raised	**169**	160
Amounts utilised	**(158)**	(143)
Balance at 30 September	**135**	124

The employee benefit provisions represent the pro rata portion of a thirteenth cheque that is payable to employees in December annually in terms of their employment contracts, as well as a performance bonus scheme that is calculated quarterly. Provisions are raised as payment is subject to the employee being in employment at vesting date.

	2012 R'm	2011 R'm
Long-term Incentive Scheme		
Balance at 1 October	**65**	42
Interest cost	**2**	6
Service cost	**36**	27
Actual benefit payments	**(36)**	(19)
Actuarial loss/(gain)	**(2)**	9
Balance at 30 September	**65**	65

If the EBITDA growth rate was 10% higher, then the liability would be 4% higher.

If the EBITDA growth rate was 10% lower, then the liability would be 4% lower.

	%	%
Summary of assumptions		
Discount rate	**5.47**	6.99
Growth rates		
2009	**n/a**	16.9
2010	**13.0**	13.0
2011	**11.9**	11.5
2012	**11.3**	15.7
2013	**14.5**	15.0
Adjusted return on assets		
2009	**n/a**	42
2010	**42**	42
2011	**42**	42
2012	**41**	40
2013	**40**	40
2014	**40**	40

The scheme is a bonus scheme available for senior employees. The original scheme was adopted in March 2005 and came to an end January 2008. Vesting in terms of this scheme takes place in three years from allocation and is based on the growth in the Company above a hurdle rate. An amendment to the scheme was introduced from January 2009. This scheme also has vesting three years after allocation. Based on the employee's seniority, a larger proportion of the allocation is based on returns achieved. The holder of the rights lose the right if he/she resigns. The final vesting of the old scheme was January 2011.

There was a modification to the bonus scheme in the 2012 financial year in which each participant shall in respect of future awards and allocations, prior to the vesting date or at the time of the award or allocation, have the right to make a co-investment election. The co-investment election will be accounted for as a share-based payment (IFRS 2).
Refer to note 17 for the share-based payment portion.

The Group recognises a liability, a reserve and an expense for bonuses based on a formula that takes into consideration the net growth in earnings before interest, tax, depreciation and amortisation (EBITDA) after certain adjustments (performance units) and an adjusted return on capital (appreciation units).

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22. DERIVATIVE FINANCIAL INSTRUMENTS

Interest rate swap contracts

The Group entered into two interest rate swap contracts to manage exposure to fluctuations in interest rates on the interest-bearing borrowings on 22 September 2009. The instruments are settled quarterly on the last days of February, May, August and November. The notional principal amount of the interest rate swap contracts was R750 million. The interest rate contracts were linked to the three months JIBAR (nacq). These interest rate swap contracts matured respectively on 28 February 2011 and 29 February 2012. The first interest rate swap matured in the prior financial year on 28 February 2011. At this date, the interest rate varied from 7.61% to 5.55%. The second interest rate swap matured in the current financial year on 29 February 2012. At this date, the interest rate varied from 8.18% to 5.58%. At 30 September 2011 the fixed interest rate for the second interest rate swap varied from 8.18% to 5.58%.

The Group entered into a new interest rate swap contract on 29 February 2012. The instrument is settled quarterly on the last days of February, May, August and November. The notional principal amount of the interest rate swap contract was R750 million. The interest rate contract is linked to the three months JIBAR (nacq). At 30 September 2012 the fixed interest rate for the new interest rate swap varied from 6.03% to 4.92%. Gains and losses on the interest rate swap contracts are recognised in the statement of comprehensive income.

	2012		2011	
	Assets R'm	**Liabilities R'm**	Assets R'm	Liabilities R'm
Carrying value at 30 September	**–**	**(11)**	–	(10)
Cost price of the instruments	**–**	**–**	–	–
Mark-to-market valuation at 30 September	**–**	**(11)**	–	(10)
Foreign exchange contracts				
The Group entered into United States Dollar exchange contracts to manage exposure to fluctuations in the Rand/Dollar exchange rate on a foreign liability. The notional principal amounts of the outstanding foreign exchange contracts at 30 September 2012 was R0.03 million (2011: R1 million). These contracts will mature within twelve months.	**–**	**–**	1	–
Cost price of the instruments	**–**	**–**	–	–
Mark-to-market valuation at 30 September	**–**	**–**	1	–
Total carrying value of derivative financial instruments at 30 September	**–**	**(11)**	1	(10)
Less: Non-current portion at 30 September	**–**	**(11)**	–	–
Interest rate cap	**–**	**(11)**	–	–
Foreign exchange contracts	**–**	**–**	–	–
Net current portion at 30 September	**–**	**–**	1	(10)

	2012 R'm	2011 R'm
The fair value (losses)/gains changes charged to the statement of comprehensive income are as follows:		
Interest rate swap contracts	**(1)**	13
Foreign exchange contracts	**(1)**	1
	(2)	14

23. FINANCIAL INSTRUMENTS BY CATEGORY

R'm	Loans and receivables	Total
30 September 2012		
Assets per statement of financial position		
Trade and other receivables	**1 010**	**1 010**
Loans receivable	**9**	**9**
Loans to associates	**3**	**3**
Cash and cash equivalents	**246**	**246**
	1 268	**1 268**

R'm	Liabilities at fair value through profit or loss	Liabilities at amortised cost	Total
30 September 2012			
Liabilities per statement of financial position			
Trade and other payables	**–**	**935**	**935**
Interest-bearing borrowings	**–**	**2 389**	**2 389**
Derivative financial instruments	**11**	**–**	**11**
	11	**3 324**	**3 335**

R'm	Loans and receivables	Assets at fair value through profit or loss	Total
30 September 2011			
Assets per statement of financial position			
Derivative financial instruments	–	1	1
Trade and other receivables	1 066	–	1 066
Loans receivable	5	–	5
Loans to associates	6	–	6
Cash and cash equivalents	400	–	400
	1 477	1	1 478

R'm	Liabilities at fair value through profit or loss	Liabilities at amortised cost	Total
30 September 2011			
Liabilities per statement of financial position			
Trade and other payables	–	975	975
Interest-bearing borrowings	–	2 025	2 025
Derivative financial instruments	10	–	10
	10	3 000	3 010

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		2012 R'm	2011 R'm
24.	**REVENUE**		
	Revenue comprises invoiced fees for private healthcare and fees for healthcare services, net of value added tax (VAT) and discounts allowed. Main categories of revenue are as follows:		
	Private healthcare services	**10 178**	9 103
	Government and public healthcare facility services	**450**	422
	Other healthcare-related services	**270**	252
	Rental income related to auxiliary services	**39**	35
		10 937	9 812
25.	**OTHER INCOME**		
	Other income comprises:		
	Other rental income	**41**	37
	Other income	**73**	65
		114	102
26.	**PROFIT BEFORE TAX**		
	The following items have been included in arriving at profit before tax:		
	Depreciation on property, plant and equipment	**318**	299
	Fixed property – owned	**97**	80
	Fixed property – leased	**23**	31
	Leasehold improvements	**11**	13
	Medical equipment	**147**	138
	Other equipment	**37**	34
	Motor vehicles	**3**	3
	Amortisation of intangible assets	**124**	110
	Customer relations	**57**	59
	Hospital licences	**59**	37
	Computer software	**5**	5
	Preferred supplier contracts	**3**	9
	Impairment of intangible assets	**–**	65
	Profit on disposal of property, plant and equipment	**(9)**	(2)
	Profit on disposal of investments in subsidiaries	**(9)**	–
	Profit on disposal of investments in associates	**(17)**	–
	Profit on disposal of investment in joint venture	**(4)**	–
	Additional receipt on previously disposed business	**(2)**	(5)
	Gain on bargain purchase	**(2)**	–
	Repairs and maintenance expenditure on property, plant and equipment	**165**	131
	Operating lease rentals	**102**	84
	Equipment	**41**	38
	Property	**61**	46
	Trade receivables – impairment charge for bad and doubtful debts	**70**	61
	Auditors' remuneration	**11**	10
	Audit fees	**9**	9
	Management consulting and other audit-related services	**2**	1
	Directors' remuneration (Refer to note 35)	**22**	17
	For services as executive director	**18**	14
	For services as non-executive director	**4**	3
	Foreign exchange losses	**–**	1
	Professional, legal and secretarial fees	**87**	75

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		2012 R'm	2011 R'm
27.	**EMPLOYEE BENEFITS EXPENSE**		
	Salaries*	**2 668**	2 406
	Agency fees	**560**	471
	Long-term Incentive Scheme	**65**	42
	Share-based payment – Life Healthcare Employee Share Plan	**3**	–
	Termination benefits	**–**	1
	Medical aid contributions	**168**	148
	Skills development	**24**	21
	UIF	**15**	14
	Pension fund costs – defined benefit and contribution plans	**20**	19
	Provident fund costs – defined contribution plans	**116**	106
		3 639	3 228
	Average number of permanent employees	**13 901**	13 599
	* *Salaries include executive directors' remuneration.*		
28.	**FINANCE INCOME AND COST**		
	Finance cost	**235**	250
	Interest-bearing borrowings and bank overdrafts	**218**	240
	Preference shares	**9**	–
	Net foreign exchange losses	**2**	1
	Other	**6**	9
	Finance income	**(22)**	(37)
	Bank and deposits	**(20)**	(37)
	Other	**(2)**	–
	Net finance cost	**213**	213
29.	**TAX EXPENSE**		
	Normal tax		
	Current year	**676**	578
	Prior year	**(7)**	23
	Deferred tax		–
	Current year	**(27)**	(32)
	Prior year	**2**	(31)
	Secondary tax on companies		–
	Current year	**25**	59
		669	597
	Reconciliation of the tax rate	**%**	%
	South African normal tax rate	**28.00**	28.00
	Adjusted for:		
	Secondary tax on companies	**1.03**	2.82
	Prior year	**(0.20)**	(0.39)
	Assessed losses not utilised	**(0.81)**	(0.28)
	Income not taxable	**(0.82)**	(6.35)
	Expenses not deductible	**0.54**	4.76
	Effective rate	**27.74**	28.56

The Group has estimated tax losses of R19 million (2011: R20 million) available to offset against future taxable income. Tax losses of R2 million (2011: R8 million) were utilised during the period.

	2012 R'm	2011 R'm
30. EARNINGS AND HEADLINE EARNINGS PER SHARE		
Basic earnings per share		
Basic earnings per share is calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the year.		
Weighted average number of shares in issue is calculated as the number of shares in issue at the beginning of the year, increased/(decreased) by shares issued/(redeemed) during the year, weighted on a time basis for the period during which they participated in the net profit of the Group.		
Profit from operations attributable to equity holders	**1 496**	1 287
Weighted average number of shares in issue ('million)	**1 040**	1 042
Earnings per share	**143.9**	123.6
Diluted earnings per share		
The diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.		
Profit attributable to ordinary equity holders	**1 496**	1 287
Diluted number of shares for diluted earnings per share ('million)	**1 041**	1 042
Weighted average number of shares in issue ('million)	**1 041**	1 042
Diluted earnings per share (cents)	**143.7**	123.6
Headline earnings per share		
Profit attributable to ordinary equity holders	**1 496**	1 287
Adjustments (net of tax):		
Impairment of intangible assets	**–**	54
Loss/(gain) on remeasuring of fair value of equity interest before business combination	**3**	(92)
Additional receipt on previously disposed business	**(2)**	(4)
Profit on disposal of investment in joint venture	**(3)**	–
Profit on disposal of investment in associate	**(15)**	–
Profit on disposal of investment in subsidiary	**(7)**	–
Gain on bargain purchase	**(2)**	–
Profit on disposal of property, plant and equipment	**(7)**	(1)
Headline earnings	**1 463**	1 244
Weighted average number of shares in issue ('million)	**1 040**	1 042
Headline earnings per share (cents)	**140.7**	119.5
Diluted headline earnings per share		
Diluted headline earnings per share is calculated on the same basis used for calculating diluted earnings per share, other than headline earnings being the numerator:		
Headline earnings	**1 463**	1 244
Diluted number of shares for diluted headline earnings per share ('million)	**1 041**	1 042
Weighted average number of shares in issue ('million)	**1 041**	1 042
Diluted headline earnings per share (cents)	**140.5**	119.5
Reconciliation between the weighted average number of shares and the diluted number of shares ('million)		
Issued ordinary shares at the beginning of the year	**1 042**	1 042
Effect of treasury shares	**(2)**	–
Weighted average number of ordinary shares at the end of the year for the purpose of basic earnings per share and headline earnings per share	**1 040**	1 042
Effect of dilutive potential ordinary shares – treasury shares	**1**	–
Weighted average number of ordinary shares at the end of the year for the purpose of diluted earnings per share and diluted headline earnings per share	**1 041**	1 042

for the year ended 30 September 2012

	2012	2011
31. DISTRIBUTION PER SHARE		
Distribution per share (cents)	**99.00**	60.00
Final (previous financial year)	**54.00**	29.00
Interim	**45.00**	31.00

On 16 November 2011 a distribution of R562 million by way of a dividend out of income reserves of 18.00 cents per share and a capital reduction out of share premium of 36.00 cents per share was declared. On 10 May 2012 an ordinary dividend of R469 million was declared by way of a dividend out of income reserves of 45.00 cents per share.

During 2011 ordinary dividends were declared on 30 November 2010 of R302 million by way of a dividend out of income reserves of 18.00 cents per share and on 9 May 2011 a distribution of R323 million by way of a dividend out of income reserves of 11.00 cents per share and a capital reduction out of share premium of 20.00 cents per share.

	2012 R'm	2011 R'm
32. CASH GENERATED FROM OPERATIONS		
Reconciliation of profit before tax to cash generated from operations		
Net profit before tax	**2 412**	2 089
Adjusted for:		
Foreign exchange loss	**2**	1
Income from associates	**(85)**	(115)
Depreciation on property, plant and equipment	**318**	299
Impairment and amortisation of intangible assets	**124**	175
Finance costs excluding amortisation of debt arrangement fees and foreign exchange profit (Refer to note 28)	**211**	126
Fair value loss/(gain)	**2**	(14)
Gain on remeasuring of fair value of equity interest before business combination	**3**	(92)
Additional receipt on previously disposed business	**(2)**	(5)
Profit on disposal of property, plant and equipment	**(9)**	(2)
Gain on bargain purchase	**(2)**	–
Profit on disposal of investments	**(30)**	–
Share-based payment reserve charge	**29**	–
Effect of straight-line operating expense	**61**	46
Post-retirement benefit obligation charge	**(37)**	(2)
Trade receivable impairment charge	**70**	61
Operating cash flow before working capital changes	**3 067**	2 567
Working capital changes:		
Inventories	**(6)**	(6)
Trade and other receivables	**(7)**	(138)
Trade and other payables	**(12)**	139
Cash generated from operations	**3 042**	2 562
33. PROCEEDS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT		
In the statement of cash flows, proceeds from sale of property, plant and equipment comprise:		
Net carrying value	**6**	6
Profit on sale of property, plant and equipment	**9**	2
Proceeds from sale of property, plant and equipment	**15**	8

	2012 R'm	2011 R'm
34. ACQUISITION AND DISPOSAL OF INVESTMENTS		
Acquisition of associate		
On 23 January 2012 the Group acquired a 26% shareholding in Max Healthcare Institute Limited, based in India.		
Cost of acquisition of associate	**(823)**	–
The Group has the option to increase its shareholding in Max Healthcare Institute Limited to a maximum of 50% in March 2014 or March 2015 based on certain performance targets being achieved.		
Refer to note 7 for the investment in associate.		
Increase in ownership interest in subsidiaries as a result of non-controlling interest transactions		
During the current and previous financial year, the Group had marginal increases in its shareholding in subsidiary companies.		
Increase in ownership interest:		
Cash outflow on increase of ownership interest in subsidiaries	**(14)**	(2)
Decrease in ownership interest in subsidiaries as a result of non-controlling interest transactions		
During the current and previous financial year, the Group disposed of a marginal percentage of its holding in subsidiary companies to non-controlling interest.		
The Group still maintained control over the subsidiary entities after the decrease in ownership interest.		
Decrease in ownership interest:		
Value of decrease in ownership interest in subsidiary	**9**	12
Total value of decrease in ownership interest in subsidiary	**9**	12
Transactions with non-controlling interest reserve	**5**	12
Proceeds on disposal of investments	**14**	24
Cash proceeds on decrease of ownership interest in subsidiaries	**14**	24
Disposal of investments in subsidiary		
On 1 March 2012 the Group disposed of its total interest in Birchmed Day Clinic Partnership and the related property.		
Carrying amount of assets and liabilities disposed of were as follows:		
Property, plant and equipment	**3**	
Trade and other receivables	**1**	
Loan and receivables	**1**	
Operating leases	**(1)**	
Non-controlling interest	**(1)**	
Carrying amount of investment disposed	**3**	
Profit on disposal of investment	**9**	
Cash proceeds on disposal of investment in subsidiary	**12**	

	2012 R'm	2011 R'm
34. ACQUISITION AND DISPOSAL OF INVESTMENTS continued		
Disposal of investment in associates		
On 1 December 2011 the Company disposed of its 50% interest in Occulli Trust and Bloemfontein Eye Clinic.		
Proceeds on disposal of investment in associates	28	–
Carrying amount of investment disposed	11	–
Profit on disposal of investment in associates	17	–
Dissolvement of investment in joint venture		
The East Rand Oncology Joint Venture was dissolved during the current year.		
Proceeds on dissolvement of investment in joint venture	8	–
Carrying amount of investment disposed	4	–
Profit on the dissolvement of investment in joint venture	4	–
Business combinations		
On 1 December 2011 the Group acquired an additional 25% interest in Medical Imaging Botswana Proprietary Limited (MIB) to obtain control over this entity. The Group previously had an interest of 50% in MIB. This company was previously accounted for as an associate.		
The company had no significant contingent liabilities at the acquisition date.		
From the date of acquisition, MIB contributed revenue of R23 million and net profit of R5 million which was recognised in the statement of comprehensive income.		
The following presents the net impact on the consolidated information of the Group as if the business combination took place on 1 October 2011 after taking into account the associate profit already recognised:		
Revenue	28	
Net profits	7	
Details of the net assets acquired and goodwill are as follows:		
Purchase consideration		
Total purchase consideration	6	
Cash portion	2	
Fair value of equity interest in MIB held before the business combination	4	
Fair value of net assets acquired		
Fair value of net assets acquired	(10)	
Fair value of non-controlling interest recognised	2	
Gain on bargain purchase	(2)	

34. ACQUISITION AND DISPOSAL OF INVESTMENTS continued

The carrying amount of the assets and liabilities arising from the acquisition was as follows:

	Acquiree carrying amount 2012 R'm
Cash and cash equivalents	**2**
Trade and other receivables	**8**
Property, plant and equipment	**4**
Trade and other payables	**(3)**
Current income tax liability	**(1)**
	10

The fair value of the trade and other receivables is R10 million and includes trade receivables of R8 million. It is expected that the full contractual amounts can be collected.

On acquisition of MIB, an unlisted company, the non-controlling interest was estimated by using the fair value method.

The Group recognised a loss of R3 million as a result of remeasuring at fair value its 50% equity interest in MIB before the business combination. The loss is included in the statement of comprehensive income.

	2011 R'm
2011 financial year	
On 1 August 2011 the Group acquired an additional 12.512% interest in each of Middelburg Private Hospital Proprietary Limited and Middelburg Hospital Limited (collectively Midmed) to obtain control over these entities. The Group previously had an interest of 45% in Midmed. Both were previously accounted for as associates.	
Midmed had no significant contingent liabilities at the acquisition date.	
For the 2011 year Midmed contributed revenue of R33 million and net profit of R8 million in the statement of comprehensive income.	
The following presents the net impact on the consolidated information of the Group as if the business combination took place on 1 October 2010 after taking into account the associate profit already recognised:	
Revenue	187
Net profits	17
Details of the net assets acquired and goodwill are as follows:	
Purchase consideration	
Total purchase consideration	173
Cash portion	38
Fair value of equity interest in Midmed held before the business combination	135
Fair value of net assets acquired	
Fair value of net assets acquired	(271)
Fair value of non-controlling interest recognised	128
Goodwill	30

for the year ended 30 September 2012

34. ACQUISITION AND DISPOSAL OF INVESTMENTS continued

Business combinations continued

2011 financial year continued

The fair value of the assets and liabilities arising from the acquisition was as follows:

	Fair value 2011 R'm	Acquiree carrying amount 2011 R'm
Cash and cash equivalents	39	39
Inventories	2	2
Trade and other receivables	22	22
Property, plant and equipment	75	75
Trade and other payables	(8)	(8)
Loan accounts	(3)	(3)
Current income tax liability	(7)	(7)
Deferred tax	(56)	2
Fair value of intangible assets acquired – hospital licences	207	–
	271	122

Goodwill on the acquisition of Midmed relates to the excess of the purchase consideration over the fair value of the assets and liabilities acquired including amounts paid for the expected synergies and anticipated profitability of the business acquired.

None of the goodwill recognised is expected to be deductible for income tax purposes.

The fair value of the trade and other receivables is R22 million and includes trade receivables of R21 million. The gross amount of the trade receivables is R24 million. It is expected that the full contractual amounts can be collected.

On acquisition of Midmed, an unlisted company, the non-controlling interest was estimated by using a discounted cash flow method. The fair value estimates are based on:
(a) an assumed discount rate of 17%; and
(b) long-term sustainable growth rate of 5%.

The Group recognised a gain of R92 million as a result of remeasuring at fair value its 45% equity interest in Midmed before the business combination. The gain is included in the statement of comprehensive income.

Acquisition-related costs were expensed in the statement of comprehensive income in other expenses.

	2012 R'm	2011 R'm
Total purchase consideration		
Transactions with non-controlling interest reserve	**14**	2
Business combination	**6**	173
	20	175

35. DIRECTORS' EMOLUMENTS

Emoluments paid to the directors of the Company by the Company and its subsidiaries for the year to 30 September are set out below:

R'000	Directors' fees	Salaries	Bonus and performance-related payments	Other allowances	Gains on Long-term Incentive Scheme	Medical aid contributions	Pension fund contribution	Total
2012								
Executive directors								
CMD Flemming	–	**2 625**	**3 479**	**835**	**3 898**	**24**	**708**	**11 569**
RJ Hogarth	–	**1 455**	**1 613**	**641***	**1 839**	**20**	**392**	**5 960**
	–	**4 080**	**5 092**	**1 476**	**5 737**	**44**	**1 100**	**17 529**
Non-executive directors								
MA Brey	**253**	–	–	–	–	–	–	**253**
Prof GJ Gerwel	**714**	–	–	–	–	–	–	**714**
Dr MP Ngatane	**247**	–	–	–	–	–	–	**247**
GC Solomon	**336**	–	–	–	–	–	–	**336**
LM Mojela	**415**	–	–	–	–	–	–	**415**
PJ Golesworthy	**455**	–	–	–	–	–	–	**455**
TS Munday	**460**	–	–	–	–	–	–	**460**
FA du Plessis	**281**	–	–	–	–	–	–	**281**
JK Netshitenzhe	**183**	–	–	–	–	–	–	**183**
KM Gordhan	**219**	–	–	–	–	–	–	**219**
	3 563	–	–	–	–	–	–	**3 563**
2011								
Executive directors								
CMD Flemming	–	2 378	3 874	759	1 565	23	669	9 268
RJ Hogarth	–	1 294	1 526	425	747	18	364	4 374
	–	3 672	5 400	1 184	2 312	41	1 033	13 642
Non-executive directors								
MA Brey	302	–	–	–	–	–	–	302
YZ Cuba	21	–	–	–	–	–	–	21
CWJ Lyons	14	–	–	–	–	–	–	14
Dr JPF Dalmeyer	35	–	–	–	–	–	–	35
Prof GJ Gerwel	456	–	–	–	–	–	–	456
Dr MP Ngatane	218	–	–	–	–	–	–	218
GC Solomon	442	–	–	–	–	–	–	442
LM Mojela	376	–	–	–	–	–	–	376
PJ Golesworthy	484	–	–	–	–	–	–	484
TS Munday	413	–	–	–	–	–	–	413
FA du Plessis	208	–	–	–	–	–	–	208
JK Netshitenzhe	128	–	–	–	–	–	–	128
KM Gordhan	133	–	–	–	–	–	–	133
	3 230	–	–	–	–	–	–	3 230

* *Includes R166 546 related to leave cashed.*

The directors' fees are paid by the subsidiary company of Life Healthcare Group Holdings Limited.

Prescribed officer

In line with the requirements of the Companies Act, the Group discloses the remuneration paid to prescribed officers who are defined as the Group's chief executive officer (CMD Flemming) and the Group's chief financial officer (RJ Hogarth). Refer above for the directors' remuneration for the prescribed officers.

for the year ended 30 September 2012

36. RELATED PARTIES

Subsidiary companies – refer to Annexure A

During the year certain companies in the Group entered into transactions with other companies in the Group. These intra-Group transactions have been eliminated on consolidation.

Associate companies – refer to Annexure B

The Group has investments in a number of associate companies. Details are disclosed in note 7 and Annexure B to the financial statements. No provision has been required in 2012 and 2011 for the loans made to associates.

Joint ventures – refer to note 8

Directors and director-related entities

Details of directors are disclosed in the administration to the financial statements on page 86. No direct loans were made to or received from any director and no other transactions were entered into with any director. Refer to note 35 for details on directors' emoluments. No director has a notice period of more than six months. No director's service contract includes pre-determined compensation as a result of termination that would exceed one year's salary and benefits.

Key management

Key management is defined as all executive management, functional heads, hospital managers, pharmacy managers, nursing managers, administration managers and patient service managers.

	2012 R'm	2011 R'm
Key management remuneration		
Salaries	**225**	200
Medical aid contributions	**4**	3
Pension fund costs – defined benefit and contribution plans	**4**	4
Provident fund costs – defined contribution plans	**9**	8
	242	215

Other related parties

Post-retirement medical aid plan for the benefit of certain past and current employees. Refer to note 10.

for the year ended 30 September 2012

	2012 R'm	2011 R'm
37. COMMITMENTS AND CONTINGENCIES		
Capital commitments		
Capital expenditure approved but not contracted at the statement of financial position date and not recognised in the financial statements is as follows:		
– Property, plant and equipment	**810**	686
Capital expenditure contracted for and not provided in the financial statements is as follows:		
– Property, plant and equipment	**115**	103
Funds to meet capital expenditure will be provided from Group resources.		
Operating lease commitments		
The Group is a lessee to various hospital and administration office properties as well as medical and office equipment items under non-cancellable lease agreements. The leases have varying terms, escalation clauses and renewal rights.		
The future aggregate minimum lease payments under non-cancellable operating leases are as follows:		
Not later than one year	**62**	79
Later than one year and not later than five years	**202**	146
Later than five years	**270**	325
	534	550

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 to various government institutions for leases and construction projects to the value of R16 million (2011: R65 million).

Certain subsidiary companies have issued letters of support for certain other fellow subsidiary companies.

The Group provides a pro rata Company guarantee of the debts that Max Healthcare Institute Limited currently guarantees: circa R175 million.

38. COMPARATIVE FIGURES

Comparative figures have been adjusted to conform to changes in presentation in the current year. The changes made were rounding of the 2011 figures to the nearest million for disclosure purposes and have no effect on the 2011 retained earnings figures.

39. 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:

Shareholders' dividend

The directors approved a final gross cash dividend of 60 cents per ordinary share out of income reserves on 15 November 2012 and no secondary tax on companies credits have been used. The dividend will be subject to a dividend tax at a rate of 15%, which will result in a net dividend of 51 cents per share to those shareholders who are not exempt in terms of section 64F of the Income Tax Act.

Additional debt facilities

The Group is in the process of negotiating further working capital facilities.

Competition Commission

On 23 October 2012, the Competition Commission advised the Company's subsidiary Life Healthcare Group Proprietary Limited (LHG) that the Commission has decided to refer a complaint against LHG and its associate company, Joint Medical Holdings Limited (JMH) to the Competition Tribunal.

The Group acted based on professional legal advice and is addressing the matter with its advisers.

ANNEXURE A – subsidiary undertakings

for the year ended 30 September 2012

SUBSIDIARIES

	2012 Effective interest %	2011 Effective interest %
Life Healthcare Group Proprietary Limited	**100**	100
Life Healthcare Finance Proprietary Limited	**80**	0
Indirectly held through Life Healthcare Group Proprietary Limited		
Amahosp Medical Rescue Proprietary Limited*~	**100**	100
Ammed Properties Proprietary Limited*	**100**	100
Bendoc Proprietary Limited*~	**100**	100
Birchmed Sameday Surgical Centre Partnership#	**0**	30
Border Hospitals Proprietary Limited	**63**	63
Brooklyn Hospital Proprietary Limited	**66**	66
Brooklyn Sameday Surgical Centre Partnership	**66**	66
Casmed Proprietary Limited*~	**100**	100
Century Ways Trading Proprietary Limited*	**100**	100
Claremont Hospital Proprietary Limited*~	**100**	100
Cosmos Hospital Properties Proprietary Limited*	**100**	100
Cream Magenta 357 Proprietary Limited*	**100**	100
E M H Operating Company Proprietary Limited	**79**	79
Faerie Glen Eiendoms Trust 2*	**100**	100
Faerie Glen Eiendoms Trust*	**100**	100
Faerie Glen Hospitals Proprietary Limited	**60**	60
Faranani Life Health Solutions Proprietary Limited#	**49**	49
Flohoc Investments Proprietary Limited	**71**	70
Foxsay Trading Proprietary Limited*	**100**	0
Garbanzo Property Investments Proprietary Limited	**100**	100
Glynnview Wellness Centre Proprietary Limited, previously called Stonebridge Trading 29 Proprietary Limited	**76**	76
Glynnwood Hospital Operating Company Proprietary Limited	**90**	87
Gold Starfish Trade Proprietary Limited*	**100**	0
H-Doc Investments Proprietary Limited*~	**100**	100
Healthcare Management Services Proprietary Limited (incorporated in Botswana)^	**51**	51
Hentique 1889 Proprietary Limited*	**100**	100
Host Create Main Trade Proprietary Limited*	**100**	0
Jorum Property Investments Proprietary Limited	**100**	100
Kingsbury Hospital Limited*~	**100**	100
Kingsbury Hospital Property Proprietary Limited*	**100**	100
LCM Trust	**70**	70

* *Dormant.*
~ *In voluntary liquidation.*
# *Consolidated as the Group controls the entity through a managing contract.*

ANNEXURE A – subsidiary undertakings continued

for the year ended 30 September 2012

SUBSIDIARIES continued

	2012 Effective interest %	2011 Effective interest %
Indirectly held through Life Healthcare Group Proprietary Limited continued		
Life Bayview Hospitals Proprietary Limited, previously called Amabubesi Hospitals Proprietary Limited	**100**	100
Life Claremont Ophthalmology Proprietary Limited	**50**	50
Life Cosmos Hospital Proprietary Limited	**80**	80
Life East London Private Hospital Proprietary Limited, previously called Walk Tall Distributions 3 Proprietary Limited	**100**	100
Life Esidimeni Group Holdings Proprietary Limited	**100**	100
Life Healthcare Finance Proprietary Limited	**20**	100
Life Healthcare International Proprietary Limited	**100**	0
Life Impilo Proprietary Limited*	**100**	100
Life Mosselbay Properties Proprietary Limited, previously called Amabubesi Healthcare Properties Proprietary Limited	**100**	100
Life Occupational Health Proprietary Limited*~	**100**	100
Life Pharmacy Management Services Proprietary Limited*	**100**	100
Life Piet Retief Proprietary Limited	**56**	56
Life Poortview Proprietary Limited	**90**	0
Life Vincent Pallotti Orthopeadic Centre Proprietary Limited	**100**	100
Ligitprops 109 Proprietary Limited	**100**	100
Medicine Management Services Proprietary Limited	**100**	100
Metropol Hospitals Proprietary Limited	**60**	60
Middelburg Hospitaal Beperk‡	**12**	12
Middelburg Privaat Hospitaal (Eiendoms) Beperk‡	**12**	12
Oudewerf (Eiendoms) Beperk*~	**100**	100
PE Medical Group Investments (No. 3) Proprietary Limited	**100**	100
Peglerae Investment Company Proprietary Limited	**60**	60
Presmed Hospitals Proprietary Limited*	**100**	100
Pretoria North Sameday Surgical Centre Partnership	**82**	51
Prop Robin Proprietary Limited*~	**100**	100
Radio Star Steel Trading Proprietary Limited*	**100**	0
Raise Up White Trade Proprietary Limited*	**100**	0
Robinson Hospital Holdings Proprietary Limited	**82**	82
Roseacres Clinic Proprietary Limited*	**100**	100
Routine Ways Fast Trading Proprietary Limited*	**100**	0
Rustenburg Hospital Properties Proprietary Limited	**51**	51
Safer Way Now Trade Proprietary Limited*	**100**	0
Spring Dust Trade Proprietary Limited*	**100**	0
St Mary's Private Hospital Proprietary Limited	**55**	55

* *Dormant.*
~ *In voluntary liquidation.*
‡ *Previously equity accounted for as associate.*

for the year ended 30 September 2012

SUBSIDIARIES continued

	2012 Effective interest %	2011 Effective interest %
Indirectly held through Life Healthcare Group Proprietary Limited continued		
The New Kensington Clinic Proprietary Limited*	**91**	91
To The Max Trade Proprietary Limited*	**100**	0
UK Health Management Services Proprietary Limited*~	**100**	100
Uniform Red Trading Proprietary Limited*	**100**	0
Upstream Maze Trade Proprietary Limited*	**100**	0
Vredenburg Hospital Proprietary Limited	**100**	100
Wilgeheuwel Hospital Proprietary Limited	**86**	86
Wilgers Hospital Limited	**100**	100
Zandfontein Clinic Proprietary Limited*	**100**	100
Indirectly held through Life Occupational Health Proprietary Limited		
Quantum Occupational Healthcare Services Proprietary Limited*	**100**	100
Indirectly held through Metropol Hospitals Proprietary Limited		
Eastcape Clinic Proprietary Limited*	**60**	60
How Avenue Clinic Proprietary Limited	**60**	60
Isivivana Health Proprietary Limited	**60**	60
Simco 5 Proprietary Limited$^{\Delta}$	**46**	46
Spittal Drau Investments Proprietary Limited	**60**	60
Indirectly held through Healthcare Management Services Proprietary Limited (incorporated in Botswana)		
Gaborone Private Hospital Pathology Proprietary Limited (incorporated in Botswana)^$^{\Delta}$	**38**	38
Medical Imaging Botswana Proprietary Limited (incorporated in Botswana)^$^{\Delta}$	**51**	0
Indirectly held through Life Esidimeni Group Holdings Proprietary Limited		
Life Esidimeni Proprietary Limited	**100**	100
Lifecare Properties Proprietary Limited	**100**	100
Lorraine Nel Inc	**100**	100
Nqubela Chest Hospital Proprietary Limited*~	**100**	100
Indirectly held through Life Esidimeni Proprietary Limited		
Eastern Cape Frail Care Proprietary Limited	**68**	68
Lukhanji Health Services Proprietary Limited	**60**	60
Siyathuthuka Care Centre Proprietary Limited	**59**	59
Indirectly held through Lifecare Community Hospitals Proprietary Limited		
Hewu Hospital Proprietary Limited*~	**100**	100
Matikwana Hospital Proprietary Limited	**100**	100

* *Dormant.*
~ *In voluntary liquidation.*
^ *The functional currency is Pula.*
$^{\Delta}$ *Due to indirect shareholding.*

ANNEXURE A – subsidiary undertakings continued

for the year ended 30 September 2012

SUBSIDIARIES continued

	2012 Effective interest %	2011 Effective interest %
Indirectly held through Wilgers Hospital Limited		
Abrakor Proprietary Limited	**100**	100
Wilgers Cathlab Trust	**54**	55
Indirectly held through Peglerae Investment Company Proprietary Limited		
Peglerae Hospital Proprietary Limited$^{\Delta}$	**36**	36
Indirectly held through Border Hospitals Proprietary Limited		
Border Hospitals Cardiac Equipment Proprietary Limited*	**100**	100
Life Eye Hospital Proprietary Limited$^{\Delta}$	**42**	42
Indirectly held through Glynnwood Hospital Operating Company Proprietary Limited		
Ekurhuleni Sub-Acute Hospital Proprietary Limited*~	**100**	100
Indirectly held through LCM Trust		
LCM Oncology Proprietary Limited‡	**60**	60
Indirectly held through Garbanzo Property Investments Proprietary Limited		
BOEWEST Share Block Company No. 1 Proprietary Limited	**100**	100
BOEWEST Share Block Company No. 2 Proprietary Limited	**100**	100
Indirectly held through Presmed Hospitals Proprietary Limited		
Middelburg Hospitaal Beperk‡	**45**	45
Middelburg Privaat Hospitaal Eiendoms Beperk‡	**45**	45
Indirectly held through Ligitprops 109 Proprietary Limited		
Micawber 249 Proprietary Limited	**100**	100
Indirectly held through Micawber 249 Proprietary Limited		
Micawber 248 Proprietary Limited	**100**	100

* *Dormant.*
~ *In voluntary liquidation.*
‡ *Previously equity accounted for as associate.*
$^{\Delta}$ *Due to indirect shareholding.*

All investments are unlisted and incorporated in the Republic of South Africa, except for three subsidiaries that are incorporated in Botswana as indicated. The voting power and percentage shareholding are the same for all subsidiaries, except where management contracts exist.

The profit after tax earned by subsidiaries before non-controlling interest attributable to shareholders of the Group amounted to R2 232 million (2011: R1 514 million), while losses amounted to R22 million (2011: R7 million).

ANNEXURE B – associate undertakings

for the year ended 30 September 2012

ASSOCIATES

Name of associate	Currency	Issued share capital 2012	Issued share capital 2011	Interest in share capital 2012 %	Interest in share capital 2011 %	Book value of the shares 2012 R'm	Book value of the shares 2011 R'm	Amounts owing by associates 2012 R'm	Amounts owing by associates 2011 R'm
Unlisted investments									
Joint Medical Holdings Limited*#	Rand	**5 471**	5 471	**49**	49	**19**	19	**–**	–
Bloemfontein Ophthalmology Trust#	Rand	**–**	–	**–**	50	**–**	–	**–**	4
Medical Imaging Botswana Proprietary Limited**^#	Pula	**–**	200	**100**	50	**–**	2	**–**	(1)
Mafikeng Hospital Proprietary Limited#	Rand	**8 799**	8 799	**42**	42	**–**	–	**–**	–
Occulli Trust#	Rand	**–**	–	**–**	50	**–**	–	**–**	3
Sandton Eye Laser Centre Partnership#	Rand	**–**	–	**25**	25	**–**	–	**–**	–
Vrystaat Onkologie Trust#	Rand	**–**	–	**23**	23	**–**	–	**–**	(1)
Wilgers Oncology Trusts#	Rand	**–**	–	**25**	25	**–**	–	**1**	1
Consolidated Aone Trade and Invest 12 Proprietary Limited#	Rand	**100**	100	**30**	30	**2**	2	**2**	–
Max Healthcare Institute Limited***##	Rs'00000	**52 038**	–	**26**	–	**823**	–	**–**	–
						844	23	**3**	6

All the associates provide medical and surgical services through private hospitals and/or same-day surgical centres.

* *Associate with a February financial year-end.*
** *The company is incorporated in Botswana.*
*** *The company is incorporated in India and has a March financial year-end and the issued shares reflect in Indian Rupees.*
^ *The associate became a subsidiary from 1 December 2011. Refer to note 34.*
\# *Indirectly held through Life Healthcare Group Proprietary Limited.*
\## *Indirectly held through Life Healthcare International Proprietary Limited.*

ANNEXURE C – shareholder distribution

for the year ended 30 September 2012

1. ANALYSIS OF REGISTERED SHAREHOLDERS AND COMPANY SCHEMES

Registered shareholder spread

In accordance with the JSE Listings Requirements, the following table confirms that the spread of registered shareholders as detailed in the annual report and accounts dated 28 September 2012 was:

Shareholder spread	Number of holders	% of total shareholders	Number of shares	% of issued capital
1–1 000 shares	4 213	39.76	1 689 173	0.16
1 001–10 000 shares	4 150	39.17	15 223 503	1.46
10 001–100 000 shares	1 638	15.46	53 867 402	5.17
100 001–1 000 000 shares	482	4.55	145 349 995	13.95
1 000 001 shares and above	112	1.06	826 079 677	79.26
Total	**10 595**	**100.00**	**1 042 209 750**	**100.00**

Public and non-public shareholdings

Within the shareholder base, we are able to confirm the split between public shareholdings and directors/company-related schemes as being:

Shareholder type	Number of holders	% of total shareholders	Number of shares	% of issued capital
Non-public shareholders	10	0.09	70 601 322	6.77
Directors	6	0.05	16 511 133	1.58
Brimstone Investment Corporation Limited	3	0.03	52 501 483	5.04
Life Healthcare Employees Share Trust	1	0.01	1 588 706	0.15
Public shareholders	10 585	99.91	971 608 428	93.23
Total	**10 595**	**100.00**	**1 042 209 750**	**100.00**

2. SUBSTANTIAL INVESTMENT MANAGEMENT AND BENEFICIAL INTERESTS

Substantial investment management and beneficial interests above 3%

Through regular analysis of STRATE registered holdings, and pursuant to the provisions of section 56 of the Companies Act, the following shareholders held directly and indirectly equal to or in excess of 3% of the issued share capital as at 28 September 2012:

Investment management shareholdings

Investment manager	Total shareholding	%
Government Employees Pension Fund (PIC)	135 976 107	13.05
Industrial Development Corporation (IDC)	52 056 137	4.99
Brimstone Investment Corporation Limited	46 152 780	4.43
International Finance Corporation	42 400 000	4.07
BlackRock Inc	39 386 542	3.78
Total	**315 971 566**	**30.32**
Beneficial shareholdings		
Government Employees Pension Fund (PIC)	144 935 400	13.91
Industrial Development Corporation (IDC)	52 056 137	4.99
Brimstone Investment Corporation Limited	46 000 000	4.41
International Finance Corporation	42 400 000	4.07
Total	**285 391 537**	**27.38**

Previously disclosed holdings
Investment managers now holding below 3%

Investment manager	Total shareholding	%	Previous %
Old Mutual Investment Group SA	15 503 099	1.49	3.93
STANLIB Asset Management	24 499 750	2.35	3.61
Total	**40 002 849**	**3.84**	**7.54**
Beneficial owners now holding below 3%			
Beneficial shareholdings	–	–	–
Total	**–**	**–**	**–**

for the year ended 30 September 2012

3. GEOGRAPHIC SPLIT OF SHAREHOLDERS

Geographic split of investment managers and company-related holdings

Region	Total shareholding	% of issued capital
South Africa	538 412 568	51.66
United States of America and Canada	261 067 574	25.05
United Kingdom	92 085 318	8.83
Rest of Europe	32 466 992	3.12
Rest of world[1]	118 177 298	11.34
Total	**1 042 209 750**	**100.00**

[1] *Represents all shareholdings except those in the above regions.*

Geographic split of beneficial shareholders

Region	Total shareholding	% of issued capital
South Africa	580 916 370	55.74
United States of America and Canada	259 010 777	24.85
United Kingdom	46 616 590	4.47
Rest of Europe	59 823 570	5.74
Rest of world[1]	95 842 443	9.20
Total	**1 042 209 750**	**100.00**

[1] *Represents all shareholdings except those in the above regions.*

4. SHAREHOLDER CATEGORIES

An analysis of beneficial shareholdings, supported by the section 56 enquiry process, confirmed the following beneficial shareholder types:

Category	Total shareholding	% of issued capital
Pension funds	230 351 364	22.10
Unit trusts	225 953 117	21.68
Other	204 454 207	19.62
Retail investor	114 222 925	10.96
Government of SA	52 056 137	4.99
Sovereign wealth	51 398 722	4.93
Black economic empowerment	48 345 094	4.64
Insurance companies	27 736 211	2.66
Investment trust	8 121 566	0.78
Exchange-traded fund	4 466 250	0.43
Employees	3 385 867	0.32
Corporate holding	2 757 810	0.26
Charity	1 944 972	0.19
Hedge fund	1 841 500	0.18
Local authority	630 321	0.06
University	534 213	0.05
Foreign government	367 200	0.04
Remainder	63 642 274	6.11
Total	**1 042 209 750**	**100.00**

COMPANY STATEMENT OF FINANCIAL POSITION

at 30 September 2012

	Note	2012 R'm	2011 R'm
ASSETS			
Non-current assets		**107**	107
Interest in subsidiary	1	**107**	107
Current assets		**390**	389
Cash and cash equivalents	2	**1**	1
Loan to subsidiary	1	**389**	388
Total assets		**497**	496
EQUITY AND LIABILITIES			
Capital and reserves		**495**	495
Share capital	3	**–**	–
Share premium	4	**3 373**	3 748
Accumulated loss		**(2 878)**	(3 253)
Current liabilities		**2**	1
Trade and other payables	5	**1**	–
Shareholders for dividend		**1**	1
Total equity and liabilities		**497**	496

COMPANY STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 September 2012

	Note	**2012 R'm**	2011 R'm
Revenue	6	**1 032**	625
Operating profit		**1 032**	625
Finance income		**–**	–
Profit before tax	8	**1 032**	625
Tax expense	7	**–**	–
Profit after tax		**1 032**	625
Other comprehensive income		**–**	–
Total comprehensive income for the year		**1 032**	625

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 30 September 2012

	Ordinary share capital R'm	Share premium R'm	Retained earnings R'm	Total R'm
Balance at 1 October 2010	–	3 956	(3 461)	495
Total comprehensive income for the year	–	–	625	625
Distribution to shareholders	–	(208)	(417)	(625)
Balance at 30 September 2011	–	3 748	(3 253)	495
Balance at 1 October 2011	–	3 748	(3 253)	495
Total comprehensive income for the year	–	–	1 032	1 032
Distribution to shareholders	–	(375)	(657)	(1 032)
Balance at 30 September 2012	–	3 373	(2 878)	495
Notes	3	4		

COMPANY STATEMENT OF CASH FLOWS

for the year ended 30 September 2012

	Note	2012 R'm	2011 R'm
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	9	**1 033**	556
Tax paid		**–**	–
Net cash generated from operating activities		**1 033**	556
CASH FLOWS FROM INVESTING ACTIVITIES			
Loans (granted)/received from/(to) subsidiary		**(1)**	70
Net cash utilised from investing activities		**(1)**	70
CASH FLOWS FROM FINANCING ACTIVITIES			
Distribution to shareholders		**(1 032)**	(625)
Net cash utilised from financing activities		**(1 032)**	(625)
Net increase in cash and cash equivalents		**–**	1
Cash and cash equivalents – beginning of the year		**1**	–
Cash and cash equivalents – end of the year	2	**1**	1

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS

for the year ended 30 September 2012

		2012 R'm	2011 R'm
1.	**INTERESTS IN SUBSIDIARY**		
	Unlisted investment in Life Healthcare Group Proprietary Limited		
	Shares at cost		
	Balance at 30 September	**107**	107
	Amounts owing by subsidiary		
	Balance at 1 October	**388**	457
	Net amount (recovered)/advanced	**1**	(69)
	Balance at 30 September	**389**	388
	Directors' valuation of shares at 30 September	**32 595**	19 620
	The Company acquired an 80% shareholding in Life Healthcare Finance Proprietary Limited during the current year.		
	The loan is unsecured, has no fixed repayment terms and bears interest as determined by the directors. No interest was received during the current year or prior financial year.		
2.	**CASH AND CASH EQUIVALENTS**		
	Cash at bank and on hand	**1**	1
	Balance at 30 September	**1**	1
	The cash and cash equivalents carrying amount is denominated in the following currencies:		
	South African Rand	**1**	1
	Balance at 30 September	**1**	1
	Cash and cash equivalents include the following for the purpose of the cash flow statement:		
	Short-term money market instruments	**1**	1
	Cash and cash equivalents	**1**	1
	The credit quality of cash at bank and short-term money market instruments based on Fitch Ratings (zaf) are:		
	AAA	**–**	–
	AA	**1**	1
	Cash and cash equivalents	**1**	1
3.	**SHARE CAPITAL**		
	Authorised		
	Ordinary shares		
	4 149 980 000 (2011: 4 149 980 000) ordinary shares of R0.000001 each (Total value = R4 149 (2011: R4 149))	*	*
	Issued and fully paid		
	Ordinary shares		
	Balance at 30 September	*	*
	1 042 209 750 (2011: 1 042 209 750) ordinary shares of R0.000001 each (Total value = R1 042 (2011: R1 042))	*	*
	Reconciliation of number of shares issued		
	Balance at 1 October	**1 042**	1 042
		1 042	1 042

* *Amounts rounded to less than R million.*

for the year ended 30 September 2012

		2012 R'm	2011 R'm
4.	SHARE PREMIUM		
	Balance at 1 October	**3 748**	3 956
	Capital reduction	**(375)**	(208)
		3 373	3 748
	On 16 November 2011 a capital reduction out of share premium of 36.00 cents per share was declared. During the prior year, on 9 May 2011, a capital reduction out of share premium of 20.00 cents per share was declared.		
5.	TRADE AND OTHER PAYABLES		
	Other payables	**1**	–
	Balance at 30 September	**1**	–
6.	REVENUE		
	Revenue comprises dividends received from a subsidiary company.		
7.	INCOME TAX EXPENSE		
	Secondary tax on companies	**–**	–
	Reconciliation of the tax rate	**%**	%
	South African normal tax rate	**28.00**	28.00
	Adjusted for:		
	No taxable income	**(28.00)**	(28.00)
	Secondary tax on companies	**–**	–
		–	–
8.	PROFIT BEFORE TAX		
	Income from subsidiary:		
	Dividends received	**1 032**	625
9.	CASH GENERATED FROM OPERATIONS		
	Reconciliation of profit before tax to cash generated from operations		
	Profit before tax	**1 032**	625
	Adjusted for:		
	Finance income	**–**	–
	Operating profit before working capital changes	**1 032**	625
	Trade and other payables	**1**	(69)
	Cash generated from operations	**1 033**	556

10. ACCOUNTING POLICIES, EVENTS AFTER THE REPORTING PERIOD AND CONTINGENCIES

The items above are the same for the Group and Company. Refer to the relevant notes in the Group annual financial statements.

11. RELATED PARTIES

Refer to note 1 of the Company annual financial statements.

LIFE HEALTHCARE GROUP HOLDINGS LIMITED

Registration number: 2003/002733/06
Share code: LHC
ISIN: ZAE000145892
("Life Healthcare" or "the Company")

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting of shareholders of Life Healthcare Group Holdings Limited will be held at The Wanderers Club, 21 North Street, Illovo, Johannesburg on Thursday, 31 January 2013 at 15:30.

The following business will be transacted and resolutions proposed, with or without modification:

ORDINARY BUSINESS

1. **Ordinary resolution number 1: Approval of annual financial statements**

   Resolved that the audited annual financial statements, including the directors' report, auditor's report and the report by the audit committee of the Company and the Group for the year ended 30 September 2012 be accepted and approved.

2. **Ordinary resolution numbers 2.1 to 2.3: Re-election of directors**

   To re-elect by way of separate resolutions in accordance with article 24 of the Company's Memorandum of Incorporation which provides that one-third of the directors, being those longest in office since their last election or appointment shall retire at the annual general meeting, but they may offer themselves for re-election.

   2.1 Ordinary resolution number 2.1

   Resolved that MP Ngatane who retires by rotation offers himself for re-election;

   2.2 Ordinary resolution number 2.2

   Resolved that LM Mojela who retires by rotation offers herself for re-election; and

   2.3 Ordinary resolution number 2.3

   Resolved that PJ Golesworthy who retires by rotation offers himself for re-election.

   An abbreviated curriculum vitae in respect of each of the current directors offering themselves for re-election is contained in Annexure B attached to this notice.

3. **Ordinary resolution number 3: Reappointment of external auditors**

   Resolved that the reappointment of the auditors, PricewaterhouseCoopers Inc., as independent auditors of the Company and the Group; and FJ Lombard as the designated audit partner, be approved for the ensuing year.

4. **Ordinary resolution numbers 4.1 to 4.3: Appointment of Group audit committee members subject where necessary, to their reappointment as directors of the Company in terms of the resolutions in paragraph 2 above**

   Resolved that an audit committee comprising independent non-executive directors in terms of section 94(4) of the Companies Act, as set out below, be and is hereby appointed by way of separate resolutions to hold office until the next annual general meeting:

   4.1 PJ Golesworthy (chairman);
   4.2 LM Mojela; and
   4.3 TS Munday

   An abbreviated curriculum vitae in respect of each of the independent directors proposed to be appointed to the audit committee is contained in Annexure B attached to this notice.

5. **Ordinary resolution numbers 5.1 to 5.5: Appointment of Group social, ethics and transformation committee members**

   Resolved that a social, ethics and transformation committee in terms of section 72(4) of the Companies Act and regulation 43 of the Companies Act Regulations, as set out below, be and is hereby appointed by way of separate resolutions to hold office until the next annual general meeting:

   5.1 FA du Plessis;
   5.2 CMD Flemming;
   5.3 LM Mojela;
   5.4 MP Ngatane; and
   5.5 NK Patel (non-voting)

   An abbreviated curriculum vitae in respect of each of the directors and management proposed to be appointed to the social, ethics and transformation committee is contained on pages 18 to 20 of Annexure B attached to this notice.

6. **Ordinary resolution number 6: Approval of remuneration policy**

   Resolved to approve through a non-binding advisory vote, the Company's remuneration policy as set out in the remuneration report attached to this notice as Annexure A.

7. **Ordinary resolution number 7: Remuneration of auditors**

   Resolved that the directors of the Company be authorised to determine the remuneration of the auditors.

8. **Ordinary resolution number 8: Placement of authorised, but unissued shares under the control of the directors**

   Resolved that 5% of the authorised, but unissued shares in the capital of the Company be and are hereby placed under the control of the directors of the Company and, further, that the directors be and are hereby authorised and empowered to allot and issue all or any of these shares upon such terms and conditions as they may determine and deem fit, subject to the provisions of the Companies Act (No 71 of 2008), as amended (Companies Act) and the JSE Listings Requirements (JSE) and provided that this authority shall not extend beyond the next annual general meeting or 15 (fifteen) months from the date of this annual general meeting, whichever date is earlier.

9. **Ordinary resolution number 9: Specific authority to issue shares for cash**

Currently Life Healthcare has 1 018 960 shares held as treasury securities by Life Healthcare Group (Pty) Limited and it is the company's intention to sell such shares on the open market. In terms of section 5.75 of the JSE Listings Requirements, the use of such treasury securities must be treated as a fresh issue of securities and accordingly, the company is seeking a specific issue of shares for cash authority (specific issue), in order to dispose of the said treasury securities on the open market.

Resolved that the directors of the Company be and are hereby authorised by way of a specific authority, to issue up to 1 018 960 shares, of the authorised, but unissued shares in the capital of the Company, for cash.

Ordinary resolution number 9 is subject to the following limitations in terms of the JSE Listings Requirements:

- to be passed by a 75% majority of members present or represented by proxy and entitled to vote at the annual general meeting;
- the equity securities which are the subject of the issue for cash must be a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue; and
- the equity securities will not be issued at a discount but rather at the market price of Life Healthcare shares at the time of disposal.

The JSE Listings Requirements require the following disclosures, some of which are detailed in Annexure B, Annexure D and Annexure E attached to this notice:

- The specific issue will have an effect on the net asset value per share, net tangible asset value per share, earnings per share, headline earnings per share and diluted earnings per share of less than 0.2% and is therefore not significant;
- The directors, whose names appear on page 18 of Annexure B attached to this notice, collectively and individually accept full responsibility for the accuracy of the information pertaining to this resolution and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this resolution contains all information required by the JSE Listings Requirements;
- Directors' interests in securities are contained on page 27 of Annexure B attached to this notice;
- No director had any material beneficial interest in transactions effected by Life Healthcare either during the current or immediately preceding financial year, or in an earlier financial year and which remain in any respect outstanding or unperformed;
- A general description of the business of the Company and its subsidiaries is covered on pages 21 and 22 of the chief executive officer's review in Annexure B attached to this notice;
- The prospects of the business are covered on pages 23 and 24 of the chief executive officer's review in Annexure B attached to this notice;
- In terms of section 7.D.11 of the JSE Listings Requirements, the directors, whose names appear on page 18 of Annexure B attached to this notice, are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened, that may have or have had in the recent past, being at least the previous 12 months, a material effect on the Group's financial position;
- Corporate information including the name, address of the registered office and of the transfer office, and the Company's registration number and place of incorporation is reflected on the last page of this notice;
- Details of the share capital of the Company appear on page 28 of Annexure B attached to this notice;
- Information on directors and executive management is given on pages 18 to 20 of Annexure B attached to this notice;
- The trading history of Life Healthcare ordinary shares is set out in Annexure D attached to this notice;
- There will be no variation in the directors' remuneration as a consequence of the specific issue;
- The corporate governance report is contained in Annexure E attached in this notice;
- Since the listing of Life Healthcare in 2010, there has been no issue of securities;
- There are no exchange control requirements as the specific issue involves the selling of treasury shares on the open market of the JSE; and
- The only costs associated with the specific issue are those of the JSE's documentation inspection fee amounting to R12 919.06 (VAT inclusive).

10. **Ordinary resolution number 10: Authority for a director to sign necessary documents**
    Resolved that any one director be authorised to sign all such documents and do all such things as may be necessary for or incidental to the implementation of the resolutions to be proposed at the annual general meeting.

SPECIAL BUSINESS

Shareholders are requested to consider and, if deemed fit, pass the following special resolutions with or without amendment:

11. **Special resolution number 1: General authority to repurchase Company shares**
    Resolved that the board of directors of the Company be hereby authorised, by way of a renewable general authority in terms of the provisions of the JSE Listings Requirements, Companies Act and as permitted in terms of the Memorandum of Incorporation of the Company, to approve the purchase of its own ordinary shares by the Company, or to approve the purchase of ordinary shares in the Company by any subsidiary of the Company, upon such terms and conditions as the board of directors of the Company may from time to time determine, provided that:
    - This general authority shall be valid until the Company's next annual general meeting or for 15 months from the date of passing of this resolution, whichever period is shorter;
    - The ordinary shares be purchased through the order book of the trading system of the JSE and done without any prior understanding or arrangement between the Company and/or the relevant subsidiary and the counterparty;
    - An announcement complying with paragraph 11.27 of the JSE Listings Requirements be published by the Company (i) when the Company and/or its subsidiaries have cumulatively repurchased 3% of the ordinary shares in issue as at the time when the general authority was given (the initial number) and (ii) for each 3% in the aggregate of the initial number of the ordinary shares acquired thereafter by the Company and/or its subsidiaries;
    - The repurchase by the Company of its own ordinary shares shall not in the aggregate in any one financial year exceed 20% of the Company's issued ordinary share capital, provided that the acquisition of ordinary shares as treasury shares by a subsidiary of the Company shall not be effected to the extent that in aggregate more than 10% of the number of issued ordinary shares of the Company at the relevant times are held by or for the benefit of the subsidiaries of the Company taken together;
    - Repurchases must not be made at a price more than 10% above the weighted average of the market value of the ordinary shares for the five business days immediately preceding the date on which the transaction is effected;
    - At any point in time the Company may only appoint one agent to effect any repurchase on the Company's behalf or on behalf of any subsidiary of the Company;
    - Subject to the exceptions contained in the JSE Listings Requirements, the Company and the Group will not repurchase ordinary shares during a prohibited period (as defined in the JSE Listings Requirements) unless they have in place a repurchase programme where the dates and quantities of shares to be traded during the relevant period are fixed (not subject to any variation) and full details of the programme have been disclosed in an announcement over SENS prior to the commencement of the prohibited period;
    - Such general repurchase is subject to exchange control regulations and approval at that point in time;
    - Prior to the repurchase, a resolution has been passed by the board of directors of the Company confirming that the board has authorised the repurchase, that the Company satisfies the solvency and liquidity test contemplated in the Companies Act, and that since the test was done there have been no material changes to the financial position of the Group; and
    - Such repurchases will be subject to the applicable provisions of the Companies Act (including sections 114 and 115 to the extent that section 48(8) is applicable in relation to the particular repurchase), the Memorandum of Incorporation, the JSE Listings Requirements and the Exchange Control Regulations 1961. It is the intention of the board of directors to use this general authority should prevailing circumstances (including the tax dispensation and market conditions) warrant it in their opinion.

The Company's directors undertake that they will not implement any such repurchases while this general authority is valid, unless:

- The Company and the Group will be able, in the ordinary course of business, to pay its debts for a period of 12 months after the date of the general repurchase;
- The assets of the Company and the Group will exceed their liabilities for a period of 12 months after the date of the general repurchase. For this purpose, the assets and liabilities are recognised and measured in accordance with the accounting policies used in the Company's latest audited Group annual financial statements;
- The Company and the Group will have adequate share capital and reserves for ordinary business purposes for a period of 12 months after the date of the general repurchase;
- The working capital of the Company and the Group will be adequate for ordinary business purposes for a period of 12 months after the date of the general repurchase; and
- Upon entering the market to proceed with the repurchase, the Company's sponsor has confirmed the adequacy of the Company's working capital for the purposes of undertaking a repurchase of shares in writing to the JSE.

Reason for and effect of special resolution number 1

The reason for and the effect of special resolution number 1 is to grant the Company's board of directors a general authority to approve the Company's repurchase of its own ordinary shares and to permit a subsidiary of the Company to purchase ordinary shares in the Company.

For the purposes of considering special resolution number 1 and in compliance with paragraph 11.26 of the JSE Listings Requirements, the JSE Listings Requirements require the following disclosures which are disclosed in Annexure B attached to this notice:

- Directors and management;
- Major shareholders;
- Directors' interests in securities; and
- Share capital of the Company

The directors, whose names appear on page 18 of Annexure B attached to this notice, collectively and individually accept full responsibility for the accuracy of the information contained in this special resolution number 1 and certify, to the best of their knowledge and belief, that there are no other facts, the omission of which would make any statement false or misleading and that they have made all reasonable enquiries in this regard and that this resolution contains all information required by law and the JSE Listings Requirements.

There are no legal or arbitration proceedings (including any such proceedings that are pending or threatened of which the Company is aware), which may have or have had a material effect on the Company and the Group's financial position over the last 12-month period.

Other than the facts and developments reported on in the integrated annual report, there have been no material changes in the affairs or financial position of the Company and its subsidiaries since the date of signature of the audit report and up to the date of this notice.

12. Special resolution number 2: Approval of non-executive directors' remuneration

Resolved that the determination of the non-executive directors' fees for the financial year ending 30 September 2013 on the basis set out below be hereby approved by way of a special resolution of the shareholders in terms of section 66(9) of the Companies Act:

Committee	Number of meetings in 2012	Entity	Retainer per annum	Total meeting fees per annum	2012 Current annual cost	Proposed retainer per annum	Proposed fees per annum	2013 Proposed annual cost
Directors' fees	4	Chairperson	360 000	240 000	**600 000**	385 200	256 800	**642 000**
		Board member	90 000	60 000	**150 000**	96 300	64 200	**160 500**
Audit	4	Chairperson	109 440	72 960	**182 400**	117 120	78 060	**195 180**
		Board member	64 320	42 880	**107 200**	68 820	45 880	**114 700**
Remuneration	3	Chairperson	83 700	55 800	**139 500**	89 580	59 700	**149 280**
		Board member	41 940	27 960	**69 900**	44 880	29 925	**74 805**
Nominations	2	Chairperson	55 800	37 200	**93 000**	59 700	39 800	**99 500**
		Board member	27 960	18 640	**46 600**	29 940	19 950	**49 890**
Risk	2	Chairperson	55 800	37 200	**93 000**	59 700	39 800	**99 500**
		Board member	27 960	18 640	**46 600**	29 940	19 950	**49 890**
Investment	3	Chairperson	83 700	55 800	**139 500**	89 580	59 700	**149 280**
		Board member	41 940	27 960	**69 900**	44 880	29 925	**74 805**
Social, ethics and transformation	2	Chairperson	55 800	37 200	**93 000**	59 700	39 800	**99 500**
		Board member	27 960	18 640	**46 600**	29 940	19 950	**49 890**
					1 877 200			**2 008 720**

Annual fee: 60/40 split proposed between retainer and attendance fee per meeting.

It is proposed that the current travel and subsistence benefits remain unchanged.

Reason for and effect of special resolution number 2

The reason for and the effect of special resolution number 2 is to approve the remuneration payable by the Company to its directors for their services as directors of the Company for the financial year ending 30 September 2013.

13. Special resolution number 3: General authority to provide financial assistance to related and inter-related companies

Resolved that, to the extent required in terms of, and subject to the provisions of, sections 44 and 45 of the Companies Act, the shareholders of the Company hereby approve of the Company providing, at any time and from time to time during the period of 2 (two) years commencing on the date of this special resolution, any direct or indirect financial assistance as contemplated in such sections of the Companies Act to any 1 (one) or more related or inter-related companies or corporations of the Company and/or to any 1 (one) or more members of any such related or inter-related company or corporation and/or to any 1 (one) or more persons related to any such company or corporation, on such terms and conditions as the board of directors of the Company, or any one or more persons authorised by the board of directors of the Company from time to time for such purpose, deems fit.

The main purpose for this authority is to grant the board of directors the authority to authorise the Company to provide intergroup loans and other financial assistance for purposes of funding the activities of the Group. The board undertakes that:

- It will not adopt a resolution to authorise such financial assistance, unless the board is satisfied that:
  - immediately after providing the financial assistance, the Company would satisfy the solvency and liquidity test as contemplated in the Companies Act; and
  - the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company; and
- Written notice of any such resolution by the board shall be given to all shareholders of the Company and any trade union representing its employees;
  - within 10 business days after the board adopted the resolution, if the total value of the financial assistance contemplated in that resolution, together with any previous such resolution during the financial year, exceeds 0.1% of the Company's net worth at the time of the resolution; or
  - within 30 business days after the end of the financial year, in any other case.

Reason for and effect of special resolution number 3

The reason for and the effect of special resolution number 3 is to provide a general authority to the board of directors of the Company for the Company to grant direct or indirect financial assistance to any company forming part of the Group, including in the form of loans or the guaranteeing of their debts.

14. Special resolution number 4: Replacement of the Memorandum of Incorporation

Resolved to approve a new Memorandum of Incorporation, which has been harmonised with the Companies Act and schedule 10 of the JSE Listings Requirements.

The Memorandum of Incorporation has been initialled by the chairman for identification purposes and is available for inspection at the registered office of the Company at Oxford Manor, 21 Chaplin Road, Illovo, 2196, during normal office hours from the date of issue of this notice of annual general meeting up to and including the date of the annual general meeting or any adjourned meeting.

The minimum percentage of voting rights that is required for this special resolution to be adopted is 75% (seventy-five percent) of the voting rights to be cast on the resolution.

A summary of the new Memorandum of Incorporation is attached to this notice of the annual general meeting as Annexure C.

And to transact any other business that may be transacted at an annual general meeting.

RECORD DATES

The record date in terms of section 59 of the Companies Act for shareholders to be recorded on the securities register of the Company in order to receive notice of the annual general meeting is Friday, 7 December 2012. The record date in terms of section 59 of the Companies Act for shareholders to be recorded on the securities register of the Company in order to be able to attend, participate and vote at the annual general meeting is Friday, 25 January 2013, and the last day to trade in the Company's shares in order to be recorded on the securities register of the Company in order to be able to attend, participate and vote at the annual general meeting is Friday, 18 January 2013.

APPROVALS REQUIRED FOR RESOLUTIONS

Ordinary resolutions numbers 1 to 10 excluding ordinary resolution number 9 contained in this notice of annual general meeting require the approval by more than 50% of the votes exercised on the resolutions by shareholders present or represented by proxy at the annual general meeting, subject to the provisions of the Companies Act, the Memorandum of Incorporation of the Company and the JSE Listings Requirements.

Ordinary resolution number 9 and special resolutions numbers 1 to 4 contained in this notice of annual general meeting require the approval by at least 75% of the votes exercised on the resolutions by shareholders present or represented by proxy at the annual general meeting, subject to the provisions of the Companies Act, the Memorandum of Incorporation of the Company and the JSE Listings Requirements.

Equity securities held by a share trust or scheme will not have their votes taken into account for the purposes of resolutions passed in terms of the JSE Listings Requirements. Shares held as treasury shares may also not vote.

ATTENDANCE AND VOTING BY SHAREHOLDERS OR PROXIES

Shareholders who have not dematerialised their shares or who have dematerialised their shares with "own name" registration are entitled to attend and vote at the annual general meeting and are entitled to appoint a proxy or proxies (for which purpose a form of proxy is attached hereto) to attend, speak and vote in their stead. The person so appointed as proxy need not be a shareholder of the Company. Proxy forms must be lodged with the transfer secretaries of the Company, Computershare Investor Services Proprietary Limited, 70 Marshall Street, Johannesburg, 2001, South Africa, or posted to the transfer secretaries at PO Box 61051, Marshalltown, 2107, South Africa, to be received by them not later than Tuesday, 29 January 2013, at 15:30 (South African time). Any forms of proxy not lodged by this time must be handed to the Chairman of the meeting.

Proxy forms must only be completed by shareholders who have not dematerialised their shares or who have dematerialised their shares with "own name" registration.

On a show of hands, every shareholder of the Company present in person or represented by proxy shall have one vote only. On a poll, every shareholder shall be entitled to that proportion of the total votes in the Company which the aggregate amount of the nominal value of the shares held by such shareholder bears to the aggregate amount of the nominal value of all the shares issued by the Company.

Shareholders who have dematerialised their shares, other than those shareholders who have dematerialised their shares with "own name" registration, should contact their Central Securities Depository Participant (CSDP) or broker in the manner and time stipulated in their agreement:

- To furnish them with their voting instructions; or
- In the event that they wish to attend the meeting, to obtain the necessary letter of representation to do so.

PROOF OF IDENTIFICATION REQUIRED

In terms of the Companies Act, any shareholder or proxy who intends to attend or participate at the annual general meeting must be able to present reasonably satisfactory identification at the meeting for such shareholder or proxy to attend and participate at the annual general meeting. A green bar-coded identification document issued by the South African Department of Home Affairs, a driver's licence or a valid passport will be accepted at the annual general meeting as sufficient identification.

By order of the board of directors

Fazila Patel
Company Secretary
Johannesburg

30 November 2012

ADMINISTRATION

Secretary
Fazila Patel

Registered office and postal address
Oxford Manor, 21 Chaplin Road, Illovo, 2196
Private Bag X13, Northlands, 2116
Telephone 011 219 9000
Facsimile 011 219 9001

Registration
2003/002733/06
JSE code: LHC
ISIN: ZAE000145892

Place of incorporation
Illovo

Attorneys
DLA Cliffe Dekker Hofmeyr

Auditors
PricewaterhouseCoopers Inc.

Transactional bankers
First National Bank

Sponsors
Rand Merchant Bank (A division of FirstRand Bank Limited)

Transfer secretaries
Computershare Investor Services Proprietary Limited
Transfer office
70 Marshall Street, Johannesburg
PO Box 61051, Marshalltown, 2107
Telephone 011 370 5000
Facsimile 011 370 5271

Website address
www.lifehealthcare.co.za

FORM OF PROXY

This proxy form is not for completion by those shareholders who have dematerialised their shares (other than those whose shareholding is recorded in their own name in the sub-register maintained by their CSDP or broker). Such shareholders should provide their CSDP or broker with their voting instructions.

Life Healthcare Group Holdings Limited
Registration number 2003/002733/06
JSE code: LHC ISIN: ZAE000145892

I/We (please print name in full) ______________________________

of (address) ______________________________

being the holder(s) of ____________________ ordinary shares in the Company, do hereby appoint

____

or, failing him/her, the Chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the annual general meeting of the Company to be held at The Wanderers Club, 21 North Street, Illovo, Johannesburg on Thursday, 31 January 2013, at 15:30 or any adjournment thereof.

I/We desire to vote as follows:

Voting instructions		For	Against	Abstain
Ordinary business				
1.	Approval of the Group annual financial statements for the year ended 30 September 2012			
2.	Re-election of director:			
	2.1 MP Ngatane			
	2.2 LM Mojela			
	2.3 PJ Golesworthy			
3.	Reappointment of external auditors			
4.	Appointment of Group audit committee members subject, where necessary, to their reappointment as directors of the Company in terms of the resolutions in paragraph 2 above:			
	4.1 PJ Golesworthy (chairman)			
	4.2 LM Mojela			
	4.3 TS Munday			
5.	Appointment of Group social, ethics and transformation committee members:			
	5.1 FA du Plessis			
	5.2 CMD Flemming			
	5.3 LM Mojela			
	5.4 MP Ngatane			
	5.5 NK Patel (non-voting)			
6.	Approval of remuneration policy			
7.	Remuneration of auditors			
8.	Placement of authorised but unissued shares under the control of the directors			
9.	Specific authority to issue shares for cash			
10.	Authority for any one director to sign necessary documents			
Special resolutions				
11.	General authority to repurchase Company shares			
12.	Approval of non-executive directors' remuneration			
13.	General authority to provide financial assistance to related and inter-related companies			
14.	Replacement of the Memorandum of Incorporation			

Signed this ____________________ day of ____________________ 20 ______

Signature ______________________________

NOTES TO THE FORM OF PROXY

NOTES

1. A shareholder entitled to attend and vote at the annual general meeting is entitled to appoint one or more proxies to attend, speak and vote in his/her stead. A proxy need not be a registered shareholder of the Company.

2. Every shareholder present in person or by proxy and entitled to vote at the annual general meeting of the Company shall, on a show of hands, have one vote only, irrespective of the number of shares such shareholder holds. In the event of a poll, every shareholder shall be entitled to that proportion of the total votes in the Company which the aggregate amount of the nominal value of the shares held by such shareholder bears to the aggregate amount of the nominal value of all the shares issued by the Company.

3. Shareholders registered in their own name are shareholders who elected not to participate in the Issuer-Sponsored Nominee Programme and who appointed Computershare Limited as their Central Securities Depository Participant (CSDP) with the express instruction that their uncertificated shares are to be registered in the electronic uncertificated securities register in their own names.

INSTRUCTIONS ON SIGNING AND LODGING THE FORM OF PROXY

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space/s provided overleaf, with or without deleting "the Chairman of the annual general meeting", but any such deletion must be initialled by the shareholder. Should this space/s be left blank, the proxy will be exercised by the Chairman of the annual general meeting. The person whose name appears first on the form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.

2. A shareholder's voting instructions to the proxy must be indicated by the insertion of an "X", or the number of votes which that shareholder wishes to exercise, in the appropriate spaces provided overleaf. Failure to do so will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she thinks fit in respect of all the shareholders' exercisable votes. A shareholder or his/her proxy is not obliged to use all the votes exercisable by him/her or by his/her proxy, but the total number of votes cast, or those in respect of which abstention is recorded, may not exceed the total number of votes exercisable by the shareholder or by his/her proxy.

3. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries.

4. To be valid, the completed forms of proxy must be lodged with the transfer secretaries of the Company, Computershare Investor Services Proprietary Limited at 70 Marshall Street, Johannesburg, 2001, South Africa, or posted to the transfer secretaries at PO Box 61051, Marshalltown, 2107, South Africa, to be received by them not later than Tuesday, 29 January 2013, at 15:30 (South African time).

5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the transfer secretaries or waived by the Chairman of the annual general meeting.

6. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.

7. The appointment of a proxy in terms of this form of proxy is revocable in terms of the provisions of section 58(4)(c) read with section 58(5) of the Companies Act, and accordingly a shareholder may revoke the proxy appointment by cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and to the Company.

8. The completion of any blank spaces overleaf need not be initialled. Any alterations or corrections to this form of proxy must be initialled by the signatory/ies.

9. The Chairman of the annual general meeting may accept any form of proxy which is completed other than in accordance with these instructions provided that he is satisfied as to the manner in which a shareholder wishes to vote.

AMI	Acute myocardial infarction
AMS	Antimicrobial stewardship
ARM	Alternative reimbursement model
B-BBEE	Broad-Based Black Economic Empowerment
BSE	Bombay Stock Exchange
CAGR	Compound annual growth rate
CAUTI	Catheter-related urinary tract infections
CLABSI	Central line associated bloodstream infections
CMSA	Colleges of Medicine South Africa
COID	Compensation for occupational injuries and diseases
CPI	Consumer Price Index
CSI	Corporate Social Investment
Current ratio	Current assets/current liabilities
DoH	Department of Health
DSO	Days sales outstanding
EPS	Earnings per share
ESP	Employee share plan
Gearing net of cash	(Total liabilities – cash and cash equivalents) (shareholders' equity + total liabilities)
GHG	Greenhouse gas
GRI	Global Reporting Initiative
HAI	Health associated infections
HDIs	Historically disadvantaged individuals
HEPS	Headline earnings per share
HPCSA	Health Professions Council of South Africa
HWSETA	Health and Welfare Sector Education and Training Authority
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
IPO	Initial public offering
ISO	International Standards Organisation
LOC	Level of care
LOS	Length of stay
LPMS	Life Pharmacy Management Services
LTIP	Long-term incentive plan
MHC	Max Healthcare
NHI	National Health Insurance
Normalised EBITDA	Earnings before interest, depreciation and amortisation *(defined as operating profit plus depreciation, amortisation of intangibles, impairment of goodwill as well as excluding profit/loss on disposal of business/property and surpluses/deficits on retirement benefits)*
NPS	Net promoter score is a client satisfaction measurement tool. *(It's calculated by asking one question to patients: "How likely are you to recommend (our company) to a colleague or friend?" Respondents use a scale from 0 to 10 and they are reclassified as Detractors, Passives and Promoters. Calculation: NPS = % of Promoters – % of Detractors*
NSE	National Stock Exchange
PCI	Percutaneous coronary intervention
PIR	Patient incident rate
PPD	Paid patient days
PPE	Property, plant and equipment
PPP	Public private partnerships
PROMS	Patient reported outcomes measures
Quick ratio	Current assets – Inventories/current liabilities
RHD	Rheumatic heart disease
RONA	Return on net assets Profit after tax/(PPE + net working capital)
SSI	Surgical site infections
STC	Secondary tax on companies
VAP	Ventilator associated pneumonia
VTE	Venous thromboembolism

Life HEALTHCARE Group

lifehealthcare.co.za