Life Healthcare Group Holdings Limited
Registration number: 2003/002733/06
Income tax number: 9387/307/15/1
ISIN: ZAE000145892
Share code: LHC

Audited Group Results for the year ended 30 September 2013 and cash dividend declaration

Highlights

+8.3% Group revenue increased by 8.3% to R11 843 million

+12.2% Cash generated from operations was up 12.2% toáR3 414 million

+2.7% Paid patient days (PPDs) were up 2.7%

162.1 cents Normalised earnings per share increased by 17.4% toá162.1 cents per share

+ 20% Final dividend of 72 cents per share, giving a total dividend of 126 cents per share

Condensed consolidated statement of comprehensive income for the year ended 30 September 2013

R Million	2013 Audited	Change %	2012 Audited
Revenue	11á843	8.3	10á937
Other income	121		114
Operating expenses	(9á012)		(8á540)
Loss on remeasuring of fair value of equity interest before business combination	-		(3)
Additional receipt on previously disposed business	-		2
Profit on disposal of businesses	-		30
Loss on derecognition of finance lease asset	(4)		-
Gain on bargain purchase	-		2
Operating profit	2á948	16.0	2á542
Fair value gain/(loss) on derivative financial instruments	9		(2)
Gain on derecognition of finance lease liability	22		-
Finance income	15		22

Finance cost	(226)		(235)
Share of associatesÆ net profit after tax	65		85
Profit before tax	2á833		2á412
Tax expense	(779)		(669)
Profit after tax	2á054	17.8	1á743
Other comprehensive income, net of tax			
Items that may be reclassified subsequently toáprofit or loss			
Currency translation differences	11		-
Total comprehensive income for the year	2á065	18.5	1á743
Profit after tax attributable to:			
Ordinary equity holders of the parent	1á761	17.7	1á496
Non-controlling interest	293		247
	2á054	17.8	1á743
Total comprehensive income attributable to:			
Ordinary equity holders of the parent	1á767	18.1	1á496
Non-controlling interest	298		247
	2á065	18.5	1á743
Weighted average number of shares in issue (million)	1á038		1á040
Earnings per share (cents)	169.7	17.9	143.9
Headline earnings per share (cents)	169.7	20.6	140.7
Diluted earnings per share (cents)	169.5	18.0	143.7
Diluted headline earnings per share (cents)	169.5	20.6	140.5
Headline earnings			
Profit attributable to ordinary equity holders	1á761		1á496
Headline earnings adjustable items			
Loss on remeasuring of fair value of equity interest before business combination	-		3
Additional receipt on previously disposed business	-		(2)
Profit on disposal of businesses	-		(30)
Gain on bargain purchase	-		(2)
Profit on disposal of property, plant and equipment	(4)		(9)

Loss on derecognition of finance lease asset	4		-
Tax	-		7
Headline earnings	1á761	20.4	1á463

Condensed consolidated statement of financial position for the year ended 30 September 2013

R Million	2013 Audited	2012 Audited
ASSETS		
Non-current assets	8á343	7á771
Property, plant and equipment	4á518	4á010
Intangible assets	2á084	2á181
Other non-current assets	1á741	1á580
Current assets	1á627	1á485
Other current assets	1á327	1á239
Cash and cash equivalents	300	246
TOTAL ASSETS	9á970	9á256
EQUITY AND LIABILITIES		
Capital and reserves		
Capital and reserves	4á525	3á941
Non-controlling interest	1á082	937
TOTAL EQUITY	5á607	4á878
LIABILITIES		
Non-current liabilities	2á150	2á445
Interest-bearing borrowings	1á657	1á929
Other non-current liabilities	493	516
Current liabilities	2á213	1á933
Other current liabilities	1 528	1á473
Interest-bearing borrowings	452	460
Bank overdraft	233	-
TOTAL LIABILITIES	4á363	4á378
TOTAL EQUITY AND LIABILITIES	9á970	9á256

Condensed consolidated statement of changes in equity for the year ended 30 September 2013

R Million	Total capital and reserves	Non-controlling interest	Total equity
Balance at 1 October 2012	3á941	937	4á878
Total comprehensive income for the year	1á767	298	2á065
Profit for the year	1á761	293	2á054

Other comprehensive income	6	5	11
Gains on transactions with non-controlling interests	10	(10)	-
Non-controlling interests arising on business combination	-	-	-
Distribution to shareholders	(1á188)	(143)	(1á331)
Life Healthcare Employee Share Trust	9	-	9
Long-term incentive scheme	28	-	28
Treasury shares	(67)	-	(67)
Profit on disposal of treasury shares	31		31
Tax on profit on disposal of treasury shares	(6)		(6)
Balance at 30 September 2013	4á525	1á082	5á607
Balance at 1 October 2011	3á518	867	4á385
Total comprehensive income for the year	1á496	247	1á743
Profit for the year	1á496	247	1á743
Other comprehensive income	-	-	-
Transactions with non-controlling interests	5	(5)	-
Non-controlling interests arising on business combination	-	2	2
Distribution to shareholders	(1á031)	(174)	(1á205)
Treasury shares	(76)	-	(76)
Long-term incentive scheme	26	-	26
Life Healthcare Employee Share Trust	3	-	3
Balance at 30 September 2012	3á941	937	4á878

Condensed consolidated statement of cash flows
for the year ended 30 September 2013

R Million	2013	2012
	Audited	Audited
Cash generated from operations	3á414	3á042
Tax paid	(804)	(748)

Net cash generated from operating activities	2á610	2á294
Net cash utilised in investing activities1	(772)	(1á268)
Net cash utilised in financing activities2	(2á017)	(1á182)
Net decrease in cash and cash equivalents	(179)	(156)
Cash and cash equivalents - beginning of the year	246	400
Cash balances acquired through business combinations	-	2
Cash and cash equivalents - end of the year	67	246

1 The cash utilised in investing activities includes the investment made in Max during the prior period.
2 The cash utilised in financing activities includes the new funding regarding the acquisition of Max during the prior period.

Basis of presentation and accounting policies

The condensed consolidated annual financial statements have been prepared in accordance with IASá34áôInterim Financial Reportingö and in the manner required by the Companies Act of South Africa and the JSE Listing 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 AC500 Standards issued and effective as at 30 September 2013. The condensed consolidated annual financial statements should be read in conjunction with the annual financial statements for the year ended 30 September 2013 which have been prepared in accordance withá 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 PP van der Westhuizen (CA)(SA), the Chief Financial Officer of the Group.

Report of the independent auditor

These results have been audited by PricewaterhouseCoopers Inc. Registered auditors. Their unqualified audit opinion is available for inspection at the CompanyÆs registered office.

Changes in ownership interest in subsidiaries as a result of non-controlling interest transactions

The Group had marginal increases and decreases in its shareholdings in some of its subsidiary companies due to transactions with minority shareholders.

Segmental report

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.

R Million	2013 Audited	2012 Audited
Operating segments		
Revenue		
Southern Africa		
Hospitals	11á010	10á185
Healthcare Services	831	748
Other	2	4
Total	11á843	10á937
Profit before items below		
Southern Africa		
Hospitals	2á694	2á242
Healthcare Services	167	121
Other	121	235
Operating profit before items detailed below	2á982	2á598
Amortisation of intangible assets	(116)	(124)
Profit on disposal of businesses	-	30
Gain on bargain purchase	-	2
Retirement benefit asset	75	42
Post-retirement medical aid	11	(5)
Loss on remeasuring of fair value of equity interest before business combination	-	(3)
Additional receipt on previously disposed business	-	2
Loss on derecognition of finance lease asset	(4)	-
Operating profit	2á948	2á542
Fair value gain/(loss) on derivative financial instruments	9	(2)
Gain on derecognition of finance lease liability	22	

Finance income	15	22
Finance costs	(226)	(235)
Share of associatesÆ net profit after tax	65	85
Profit before tax	2á833	2á412

Operating profit before items detailed includes the segmentÆs share of shared services and rental costs. These costs are all at market related rates.

Commentary

Overview

Life Healthcare performed well during the year under review and continues to be in a healthy financial position to deliver its strategic objectives of growth, efficiency and sustainability. Activities as measured by hospital paidápatient days (PPDs), increased by 2.7% on the back of a stronger second half where PPDs grew by 3.8%. An additional 95 active beds have been added to the business to cater for this additional demand. The GroupÆs average occupancy for the year was 71.7% (2012: 71.2%). Driving efficiency improvement is a key strategy for the Group resulting in margins improving despite salary pressures and the depreciation of the Rand. The drive is to ensure services remain affordable and to improve margins. Life Healthcare continued to improve on its quality metrics as evidenced by an improvement in both clinical outcomes and hospital acquired infection rates.

The performance of Max Healthcare Institute Limited (Max) India, continues to improve as revenue grows due to higher occupancies and the operationalisation of more beds in the new hospitals. Cost saving initiatives in combination with the higher occupancies resulted in an improvement in margins.

Financial performance

Group revenue increased by 8.3% to R11 843 million (2012: R10 937 million). Hospital division revenue increased by 8.1% to R11 010 million (2012: R10 185 million) driven by the 2.7% increase in PPDs and higher revenue per PPD of 5.3%. Healthcare Services revenue increased by 11.1% to R831 million (2012:áR748 million).

The alternative re-imbursement model (ARM) provides an incentive to actively manage input costs, which together with higher occupancies and excellent cost of sales management allowed the Group to leverage efficiencies across its fixed cost base resulting in normalised EBITDA╣ increasing by 14.6% to R3 332 million (2012: 2 907 million).

Profit after tax increased by 17.8% to R2 054 million (2012: 1 743 million).

R Million	30 September 2013	30 September 2012
Normalised EBITDA		
Operating profit	2á948	2á542
Profit on disposal of business	-	(30)
Loss on derecognition of finance lease asset	4	-
Profit on disposal of property	(4)	(9)
Gain on bargain purchase	-	(2)
Additional receipt on previously disposed business	-	(2)
Loss on remeasuring of fair value of equity interest before business combination	-	3
Depreciation on property, plant and equipment	354	318
Amortisation of intangible assets	116	124
Retirement benefit asset	(75)	(42)
Post-retirement medical aid	(11)	5
Normalised EBITDA	3á332	2á907
Normalised EBITDA as % of turnover	28.1%	26.6%

Cash flow

The business generated healthy cash flows. Streamlined administrative processes contributed to tight working capital management resulting in an increase of 12.2% to R3 414 million (2012: R3 042 million) in cash generated from operations, representing 102.5% (2012: 104.6%) of normalised EBITDA.

Financial position

The Group is in a strong financial position with low gearing. Net debt to normalised EBITDA at 30áSeptember 2013 was 0.63 times (2012: 0.73 times), well within the bank covenants of 3 times. This low gearing provides the Group with the financial flexibility to continue to invest locally and internationally.

Headline earnings per share (HEPS) and normalised earnings per share

Headline earnings per share increased by 20.6% to 169.7 cps (2012: 140.7 cps). Earnings per share onááánormalised basis, which excludes non trading related items listed below, increased by 17.4% to 162.1 cps (2012:á138.1 cps).

R Million
30 September   Change   30 September

	2013 Audited	%	2012 Audited
Normalised earnings			
Profit attributable to ordinary equity holders	1á761		1á496
Adjustments (net of tax):			
Profit on disposal of businesses	-		(25)
Loss on derecognition of finance lease asset	3		-
Profit on disposal of property, plant and equipment	(3)		(7)
Gain on bargain purchase	-		(2)
Additional receipt on previously disposed business	-		(2)
Loss on remeasuring of fair value of equity interest before business combination	-		3
Gain on derecognition of finance lease liability	(16)		-
Retirement funds	(62)		(27)
Normalised earnings	1á683	17.2	1á436
Amortisation of intangible assets	84		89
Normalised earnings excluding amortisation of intangible assets	1á767		1á525
Normalised EPS (cents)	162.1	17.4	138.1
Normalised EPS - excluding amortisation (cents)	170.2	16.1	146.6

Capital expenditure

During the current financial year, Life Healthcare invested R829 million (2012: R1 433 million, of which R840ámillion was on acquisitions) comprising capital projects of R761 million (2012: R593 million) and R68ámillion to maintain the 26% shareholding in Max. A further R1á112 million has been committed for capital projects of which R835 million is anticipated to be spent in 2014. This investment in the GroupÆs facilities ensures that the demand for services is met and theáGroup remains abreast of modern technology and standards.

Changes to board of directors

Professor GJ Gerwel passed away on 28 November 2012. MA Brey was appointed as chairman of the board on 14 February 2013. KM Gordhan resigned and RJ Hogarth retired as directors on 22 February 2013 and 31 May 2013 respectively. PP van der Westhuizen took over as the new Chief Financial Officer oná1áJune 2013.

Cash dividend declaration

The directors approved and declared a final gross cash dividend of 72 cent per ordinary share (2012: 60 cents per ordinary share) out of income reserves on 14 November 2013. The company has utilised secondary tax on companies credits amounting to 0.65276 cents per share. The balance of the dividend will be subject to dividend withholding tax at a rate of 15%, which will result in a net dividend of 61.29791 cents per share to those shareholders who are not exempt in terms of section 64F of the Income Tax Act.

The company's tax reference number is 9387/307/15/1. The issued share capital at the declaration date is 1 042 209 750 ordinary shares. In compliance with the requirements of the JSE Limited, the following dates are applicable:

Last day to trade cum the dividend	Friday, 29 November 2013
Trading ex the dividend commences	Monday, 2 December 2013
Record date	Friday, 6 December 2013
Payment date	Monday, 9 December 2013

Share certificates may not be dematerialised or rematerialised between Monday, 2 December 2013 and Friday, 6 December 2013, both days inclusive.

Outlook

The Group will continue to focus on its growth objectives in South Africa by adding additional beds through brownfield expansion, new greenfield facilities and mental healthcare. Life Healthcare has 325 new beds which are expected to be operational within the next 12 to 15 months, over 500 beds where Health department licence approval has been obtained but where local and municipal approvals are outstanding and over 1á100 beds where licence applications are pending. Max will continue to increase the number of operational beds as more beds are opened in its new hospitals. The Group will continue to look for investment opportunities in its selected emerging markets.

The focus to drive operational efficiencies in South Africa through optimising cost of sales and procurement, streamlined administrative processes, the re-engineering of certain IT systems, and improving hospital occupancies to enable the leveraging of the fixed cost base, remains.

The quality management programme of the Group is a comprehensive, consistently applied and measured programme which benchmarks clinical interventions against international best practise with the aim of enhancing patient outcomes. In addition the Life Healthcare recognises the shortage of healthcare skills and will continue to invest heavily in the training of doctors, nurses and pharmacists. The proposed Competition Commission market inquiry into the healthcare sector is expected to start in 2014. The inquiry represents an opportunity to factually demonstrate what the real cost drivers of the healthcare industry are as well as proposing structural changes to make the industry more efficient and affordable and we will participate fully.

Thanks
The contribution of the doctors, nurses and employees of Life Healthcare has greatly enhanced the quality of our
performance. We thank them for their contributions.

Approved by the board of directors on 14 November 2013 and signed on its behalf:

Mustaq Brey   Michael Flemming
Chairman   Chief executive officer

14 November 2013

╣ 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
andásurpluses/deficits on retirement benefits.

Executive directors
CMD Flemming (chief executive officer), PP van der Westhuizen (chief financial officer)

Non-executive directors
MA Brey (chairman), FA du Plessis, PJ Golesworthy, LM Mojela, TS Munday, JK Netshitenzhe, MPáNgatane, GC Solomon

Company secretary
F Patel

Registered office
Oxford Manor, 21 Chaplin Road, Illovo Private Bag X13, Northlands 2116

Sponsors
Rand Merchant Bank, a division of FirstRand Bank Limited

Note regarding forward-looking statements: The Company advises investors that any forward-looking
statements or projections made by the Company, including those made in this announcement, are
subject to risk and uncertainties that may cause actual results to differ materially from those projected.

The auditor's report does not necessarily report on all the information contained in this announcement.
Shareholders are therefore advised that, in order to obtain a full understanding of the nature of the
auditor's engagement, they should obtain a copy of the auditor's report together with the accompanying
financial information from the company's registered office.

For more information see: www.lifehealthcare.co.za