

LIFE HEALTHCARE GROUP HOLDINGS LIMITED
(Incorporated in the Republic of South Africa)
(Registration number: 2003/002733/06)
Share code: LHC ISIN: ZAE000145892
("Life Healthcare" or "the Company")
a world class provider of quality healthcare

UNAUDITED GROUP RESULTS AND CASH DISTRIBUTION FOR THE PERIOD ENDED
31 MARCH 2011

Revenue
+12.7%
Operating profit
+20.1%
Normalised earnings per share
+35.9%
Cash generated from operations
+30.2%
Interim distribution per share
31 cents
Paid patient day (PPD) growth
+6.4%
Increase in occupancy to
69.5%

Condensed consolidated interim statement of comprehensive income
for the period ended 31 March 2011

	6 months 31 March 2011		6 months 31 March 2010		12 months 30 Sept. 2010
R'm	Unaudited	%	Reviewed	Audited	
Revenue	4 718	12,7	4 186	8 786	
Other income	50		51	94	
Operating expenses	(3 781)		(3 415)	(7 013)	
Operating profit	987	20,1	822	1 867	
Fair value gains (losses) on derivative financial instruments	8		(22)	(26)	
Finance income	30		24	41	
Finance cost	(144)		(189)	(342)	
Share of associates' net profit after tax	56		44	100	
Profit before tax	937		679	1 640	
Tax expense	(297)		(197)	(805)	
Profit after tax	640	32,8	482	835	
Other comprehensive income Currency translation differences	(1)		(2)	(3)	
Total comprehensive income for the year	639		480	832	
Profit after tax attributable to:					
Ordinary equity holders of the parent	552	37,3	402	664	
Non-controlling interest	88		80	171	
	640	32,8	482	835	

Total comprehensive income attributable to:				
Ordinary equity holders of the parent	551		400	661
Non-controlling interest	88		80	171
	639		480	832
Weighted average shares in issue ('000)	1 042		1 017	1 029
	210		138	883
Earnings per share (cents)	53,0	33,8	39,6	64,5
Headline earnings per share (cents)	52,6	35,2	38,9	63,5
Diluted earnings per share (cents)	53,0	33,8	39,6	64,5
Diluted headline earnings per share (cents)	52,6	35,2	38,9	63,5
Earnings, headline earnings and dividends per share				
Profit after tax attributable to the ordinary equity holders of the parent	552		402	664
Headline earnings adjustable items (net of tax)				
Profit on disposal of businesses	(3)		(7)	(9)
Profit on disposal of property, plant and equipment	—		—	(1)
Headline earnings	549	39,0	395	654
Ordinary dividends per share (cents)				
Ordinary dividends per share				
- Interim	31,0		23,0	23,0
- Final				29,0

Condensed consolidated interim statement of financial position
at 31 March 2011

	30 March 2011	31 March 2010	30 Sept. 2010
R'm	Unaudited	Reviewed	Audited
ASSETS			
Non-current assets	6 266	5 827	6 194
Property, plant and equipment	3 346	2 986	3 258
Intangible assets	2 164	2 097	2 220
Other non-current assets	756	744	716
Current assets	1 624	1 524	1 678
Other current assets	1 360	1 315	1 196
Cash and cash equivalents	264	209	482
TOTAL ASSETS	7 890	7 351	7 872
EQUITY AND LIABILITIES			
Capital and reserves			
Capital and reserves	3 102	2 380	2 849
Non-controlling interest	686	620	667
TOTAL EQUITY	3 788	3 000	3 516
LIABILITIES			

Non-current liabilities	2 292	2 192	2 566
Interest-bearing borrowings	1 786	1 487	2 024
Other non-current liabilities	506	705	542
Current liabilities	1 810	2 159	1 790
Other current liabilities	1 346	1 092	1 340
Current portion of interest-bearing borrowings	464	1 067	450
TOTAL LIABILITIES	4 102	4 351	4 356
TOTAL EQUITY AND LIABILITIES	7 890	7 351	7 872

Condensed consolidated interim statement of changes in equity for the period ended 31 March 2011

R'm	Total capital and reserves	Non-control-ling interest	Total equity
Balance at 1 October 2010	2 849	667	3 516
Total comprehensive income for the year	551	88	639
Profit for the year	552	88	640
Other comprehensive income	(1)	—	(1)
Movement on transactions with non-controlling interest	4	—	4
Net other movement in non-controlling interests	—	(69)	(69)
Ordinary dividends paid	(302)	—	(302)
Balance at 31 March 2011	3 102	686	3 788
Balance at 1 October 2009	2 320	610	2 930
Total comprehensive income for the year	400	80	480
Profit for the year	402	80	482
Other comprehensive income	(2)	—	(2)
Issue of shares	395	—	395
Share based payment reserve movement	26	—	26
Realisation of share based payment	(395)	—	(395)
Deferred tax on realisation of share based payment	(56)	—	(56)
Goodwill on acquisition of common control subsidiaries	(20)	—	(20)
Net other movement in non-controlling interest	—	(70)	(70)
Ordinary dividends paid	(290)	—	(290)
Balance at 31 March 2010	2 380	620	3 000
Balance at 1 October 2009	2 320	610	2 930
Total comprehensive income for the year	661	171	832
Profit for the year	664	171	835
Other comprehensive income	(3)	—	(3)
Share based payment reserve movement	74	—	74
Deferred tax on share based payment reserve modification	20	—	20

Movement on transactions with non-controlling interests	(19)	—	(19)
Net other movement in non-controlling interests	—	(114)	(114)
Ordinary dividends paid	(529)	—	(529)
Issue of shares at listing	4 341	—	4 341
Share repurchase	(4 019)	—	(4 019)
Balance at 30 September 2010	2 849	667	3 516

Condensed consolidated interim statement of cash flows
for the period ended 31 March
2011

	6 months 31 March 2011 Unaudited	6 months 31 March 2010 Reviewed	12 months 30 Sept. 2010 Audited
R'm			
Cash generated from operations	1 069	821	2 233
Income tax paid	(301)	(162)	(396)
Net cash inflow from operating activities	768	659	1 837
Net cash outflow from investing activities	(207)	(130)	(695)
Net cash outflow from financing activities	(779)	(421)	(788)
Net (decrease)/increase in cash and cash equivalents	(218)	108	354
Cash and cash equivalents - beginning of the year	482	101	101
Cash balances acquired through business combinations	—	—	27
Cash and cash equivalents - end of the year	264	209	482

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.

	6 months ended 31 March 2011 Unaudited	6 months ended 31 March 2010 Reviewed	12 months ended 30 Sept. 2010 Audited
R'm			
Operating segments			
Revenue			
Southern Africa			
Hospitals	4 393	3 857	8 140
Healthcare Services	324	326	636
Corporate	1	3	10
Total	4 718	4 186	8 786
Operating profit			
Southern Africa			
Hospitals	859	716	1 595

Healthcare Services	68	64	118
Corporate	93	74	161
Profit before items below	1 020	854	1 874
Amortisation of intangible assets	(60)	(59)	(122)
Profit on disposal of businesses	4	8	10
Retirement benefit asset	20	17	102
Post-retirement medical aid	3	2	3
Fair value gains (losses) on derivative financial instruments	8	(22)	(26)
Finance income	30	24	41
Finance costs	(144)	(189)	(342)
Share of associates' net profit after tax	56	44	100
Profit before tax	937	679	1 640

Disposal of investments

On 1 October 2010 the operations for the Cosmos Hospital and the Faerie Glen Hospital were transferred to separate legal entities. The Group sold 20% of the Cosmos Hospital and 40% of the Faerie Glen Hospital to non-controlling interests.

Basis of presentation and accounting policies

The interim financial information for the six months ended 31 March 2011 has been prepared in accordance with International Financial Reporting Standards (IFRS), the Listings Requirements of the JSE Limited and the South African Companies Act 61 of 1973, and are in compliance with IAS 34 Interim Financial Reporting. The interim financial statements should be read in conjunction with the annual financial statements for the year ended 30 September 2010, which have been prepared in accordance with IFRS. The accounting policies applied are consistent with those applied in preparation of the annual financial statements for the year ended 30 September 2010.

Costs that occur unevenly during the year are anticipated or deferred in the interim report only if it would also be appropriate to anticipate or defer such costs at the end of the financial year.

Unaudited results

The results have not been reviewed or audited for the period 31 March 2011.

Commentary

The Group continued to grow during the half year ending 31 March 2011 with continued expansion of its facilities and supported by the acquisition of the Life Bay View Hospital in Mossel Bay in June 2010, increasing Group revenue by 12,7% to R4 718 million (2010: R4 186 million). Increased demand for hospital services together with preferred network arrangements supplying additional volumes resulted in Paid Patient Days (PPD's) increasing by 6,4%. This contributed to an improved occupancy of 69,5% (2010: 68,2%). The increase in activity and a higher revenue per PPD resulted in hospital division revenue increasing by 13,9%. Healthcare Services revenues declined marginally due to reduced volumes in the Life Esidimeni business as result of the completion of two contracts. This was offset by the increase in value of contracts obtained in Life Occupational Health.

The Group continues to focus on cost containment to ensure that services remain affordable. The alternative re-imbursement model (ARM) provides an incentive to actively manage input costs, which together with operating efficiencies, higher occupancies and group leverage resulted in an operating profit increase of 20,1% to R987 million (2010: R822 million). A key management measure which is a non-IFRS measure of business performance is normalised EBITDA (Life Healthcare defines normalised EBITDA as operating profit plus depreciation, amortisation of intangibles, impairment of goodwill as well as excluding profit/loss on disposal of businesses, surpluses/deficits on retirement benefits and the accelerated employee trust charge) increased by 18,7% to R1 166 million (2010: R982 million).

	31 March 2011	31 March 2010	30 Sept. 2010
R'm	Unaudited	Unaudited	Unaudited
Normalised EBITDA			
Operating profit	987	822	1 867
Profit on sale of businesses	(4)	(8)	(10)
Depreciation on property, plant and equipment	146	128	263
Amortisation of intangible assets	60	59	122
Employee Trust accelerated charge	—	—	36
Retirement benefit asset movement	(20)	(17)	(102)
Post-retirement medical aid movement	(3)	(2)	(3)
Normalised EBITDA	1 166	982	2,173
Normalised EBITDA as % of turnover	24,7	23,5	24,7

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

Net financing costs (Fair value gains (losses) on derivative financial instruments and Finance income and Finance costs) of R106 million were R81 million lower than in the previous year (2010: R187 million) contributing to the profit before tax rising 38,0% to R937 million (2010: R679 million) and earnings per share and headline earnings per share increasing by 33,8% to 53,0 cents (2010: 39,6 cents) and by 35,2% to 52,6 cents (2010: 38,9 cents) respectively. The Group results include items not directly related to trading activities and on a normalised basis earnings excluding amortisation of intangibles earnings increased by 35,6% to R575 million (2010: R424 million), or by 32,4% to 55,2 cents per share (2010: 41,7 cents). This measure of the business performance has been used to determine the dividend based on the board's policy of a dividend cover of 1,75 to 2,75 times.

	31 March 2011	%	31 March 2010	30 Sept. 2010
R'm	Unaudited		Unaudited	Unaudited
Normalised earnings				
Profit attributable to ordinary equity holders	552		402	664
Adjustments (net of tax):				

Retirement funds	(17)		(13)	(76)
STC on listing	–		–	322
Employee Trust accelerated charge	–		–	36
Listing cost	–		–	17
Profit on disposal of businesses	(3)		(7)	(9)
Normalised earnings	532	39,3	382	954
Amortisation of intangible assets	43		42	88
Normalised earnings excluding amortisation	575	35,6	424	1042
Normalised EPS (cents)	51,1	35,9	37,6	92,7
Normalised EPS – excluding amortisation (cents)	55,2	32,4	41,7	101,2

Cash flow

The business generated healthy cash flows. Streamlined administrative processes contributed to tight working capital management resulting in cash generated from operations before interest and taxes increasing by 30,2% to R1 069 million (2010: R821 million).

Financial position

The Group is in a strong financial position with a low gearing. Net debt to normalised EBITDA is 0,84 (2010: 1,17). The Group has adequate facilities to meet expected needs with a working capital facility of R250 million and an uncommitted revolving credit facility of R1 billion. The Group is well within the debt covenants.

Capital expenditure

During the first six months of 2011, Life Healthcare invested R235 million (2010: R208 million) comprising capital projects and acquisitions. A further R535 million has been allocated for capital projects for the remainder of the 2011 financial year. 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.

Growth

93 beds were added in the first six months of 2011 with an additional 260 beds projected to be commissioned in the second six months. During 2010, the Life Beacon Bay Hospital in East London and the Life Orthopaedic Hospital in Cape Town were commissioned and the Life Bay View Hospital in Mossel Bay, was acquired. These additional beds contributed to the increased number of PPDs in 2011.

Changes to board of directors

Dr JPF Dalmeyer and Ms YZ Cuba retired as non-executive directors on 27 January 2011.

Mr K Gordhan, Mr JK Netshitenzhe and Ms F du Plessis were appointed as independent non-executive directors on 30 November 2010.

Lawrie Zev Brozin resigned as Mustaq Brey's alternate with effect from 17 December 2010. Craig Warwick John Lyons resigned as Yolanda Cuba's alternate with effect from 17 December 2010.

Distribution to shareholders

The Directors approved an interim cash distribution of 31,0 cents per share on 9 May 2011 by way of a dividend of 11,0 cents per share and a capital reduction out of share premium of 20,0 cents per share, in terms of the general authority granted to directors at the annual general meeting held on 27 January 2011.

Distributions are only accounted for on the date of the declaration. As a result, the interim distribution is not accounted for in the interim financial statements. In compliance with the requirement of the JSE Limited, the following dates are applicable:

Last day to trade cum the cash distribution	Friday, 27 May 2011
Trading ex the cash distribution commences	Monday, 30 May 2011
Record date	Friday, 3 June 2011
Payment date	Monday, 6 June 2011

Share certificates may not be dematerialised or rematerialised between Monday, 30 May 2011 and Friday, 3 June 2011, both days inclusive.

Outlook

Life Healthcare is investing in future bed capacity across its acute hospitals, mental health and acute rehabilitation facilities to meet higher demand due to the increasing disease burden, ageing population, the increase in private insured lives and the preferred network arrangements negotiated with the funders. Life Healthcare will continue to focus on improving its occupancy and efficiency and cost savings programmes to ensure continued real growth in normalised earnings.

Approved by the board of directors on 9 May 2011 and signed on its behalf:

Professor Jakes Gerwel
Chairman

Michael Flemming
Managing director

Executive directors: CMD Flemming (managing director) RJ Hogarth (financial director)

Non-executive directors: Prof GJ Gerwel (chairman), MA Brey, K Gordhan, JK Netshitenzhe, F du Plessis, GC Solomon. MP Ngatane, PJ Goleworthy, LM Mojela, TS Munday

Company secretary: F Patel

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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.

CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDING 31 MARCH 2011 WILL NOT BE DISTRIBUTED BUT WILL BE AVAILABLE ON THE WEBSITE www.lifehealthcare.co.za