Life Healthcare Group Holdings Limited
(Incorporated in the Republic of South Africa)
(Registration number: 2003/002733/06)
ISIN: ZAE000145892
Share Code: LHC
("Life Healthcare", "the Group" or "the Company")

AUDITED GROUP RESULTS AND CASH DIVIDEND DECLARATION FOR THE YEAR ENDED 30 SEPTEMBER 2010

Life Healthcare Group
a world class provider of quality healthcare

Revenue +10.8% to R8 786 million
Operating profit +20.1%
Earnings per share (12.5%) to 64.5 cents
Normalised earnings per share +26.1% to 92.7 cents
Cash generated from operations +18% to R2 233 million
Final dividend 29 cents per share (total 52 cents per share)

Our 4 drivers... focusing on and investing in:
GROWTH, QUALITY, EFFICIENCY AND SUSTAINABILITY

Condensed consolidated statement of comprehensive income

for the year ended	30 September		30 September
R'm	2010		2009
Revenue	8 786	10.8%	7 930
Other income	94		79
Operating expenses	(7 013)		(6 454)
Operating profit	1 867	20.1%	1 555
Fair value losses on derivative financial instruments	(26)		(64)
Finance income	41		54
Finance cost	(342)		(337)
Share of associates' net profit after tax	100		101
Profit before tax	1 640		1 309
Tax expense	(805)		(372)
Profit after tax	835	(10.9%)	937
Other comprehensive income			
Foreign currency translation differences	(3)		(1)
Total comprehensive income for the year	832	(11.1%)	936
Profit after tax attributable to:			
Ordinary equity holders of the parent	664	(12.5%)	759
Non-controlling interest	171		178
	835		937
Earnings per share (cents)	64.5	(12.5%)	73.7
Headline earnings per share	63.5	(14.8%)	74.5

(cents)			
Diluted earnings per share (cents)	64.5	(10.4%)	72.0
Diluted headline earnings per share (cents)	63.5	(12.7%)	72.7
Weighted number of shares in issue ('000)	1 029 883		1 029 747
Headline earnings per share			
Profit attributable to ordinary equity holders	664		759
Adjustments (net of tax):			
Impairment of intangible assets	–		9
Profit on disposal of investments in subsidiaries, joint ventures and associates	(9)		(1)
Profit on disposal of property, plant and equipment	(1)		(1)
Headline earnings	654	(14.6%)	766
Headline earnings per share	63.5	(14.8%)	74.5

Condensed consolidated statement of financial position

R'm	30 September 2010	30 September 2009
ASSETS		
Non-current assets	6 194	5 663
Property, plant and equipment	3 258	2 905
Intangible assets	2 220	2 156
Other non-current assets	716	602
Current assets	1 678	1 223
Other current assets	1 196	1 122
Cash and cash equivalents	482	101
TOTAL ASSETS	7 872	6 886
EQUITY AND LIABILITIES		
Capital and reserves		
Capital and reserves	2 849	2 320
Non-controlling interest	667	610
TOTAL EQUITY	3 516	2 930
LIABILITIES		
Non-current liabilities	2 566	2 073
Interest bearing borrowings	2 024	1 631
Other non-current liabilities	542	442
Current liabilities	1 790	1 883
Other current liabilities	1 340	1 160
Current portion of interest bearing borrowings	450	723
TOTAL LIABILITIES	4 356	3 956
TOTAL EQUITY AND LIABILITIES	7 872	6 886

Condensed consolidated statement of changes in equity

for the year ended	Total	Non-

R'm	capital and reserves	controlling interest	Total equity
Balance at 1 October 2009	2 320	610	2 930
Total comprehensive income	661	171	832
Profit for the year	664	171	835
Other comprehensive income	(3)	–	(3)
Issue of shares	4 341	–	4 341
Share repurchase	(4 019)	–	(4 019)
Share based payment reserve movement	75	–	75
Deferred tax on realisation of share based payment	20	–	20
Movement on transactions with non-controlling interest	(19)	–	(19)
Capital repayments to non-controlling interests	–	(28)	(28)
Dividends paid	(530)	(86)	(616)
Balance at 30 September 2010	2 849	667	3 516
Balance at 1 October 2008	1 813	537	2 350
Total comprehensive income	758	178	936
Profit for the year	759	178	937
Other comprehensive income	(1)	–	(1)
Share based payment reserve movement	52	–	52
Deferred tax on share based payment reserve modification	57	–	57
Capital repayments to non-controlling interests	–	(39)	(39)
Dividends paid	(260)	(66)	(326)
Share repurchase	(100)	–	(100)
Balance at 30 September 2009	2 320	610	2 930

Condensed consolidated statement of cash flows

for the year ended R'm	Notes	30 September 2010	30 September 2009
Cash generated from operations		2 233	1 895
Income tax paid		(396)	(493)
Net cash inflow from operating activities		1 837	1 402
Net cash outflow from investing activities		(695)	(466)
Net cash outflow from financing activities		(788)	(1 249)
Net (decrease)/ increase in cash and cash equivalents		354	(313)
Cash and cash equivalents - beginning of the year		101	412
Cash balances acquired through business combinations		27	2
Cash and cash equivalents - end of the year		482	101

Segmental report

During the reporting years all the segments operated in southern Africa and therefore no geographical segments are presented. Assets and liabilities are not reviewed on individual segment basis but rather on a Group basis and are therefore not presented. There are no inter-segment revenue streams.

R'm	2010	2009
Operating segments		
Revenue		
Southern Africa	8 786	7 930
Hospitals	8 140	7 298
Healthcare services	636	614
Corporate	10	18
Profit before items detailed below		
Southern Africa	1 874	1 670
Hospitals	1 595	1 419
Healthcare services	118	92
Corporate	161	159
	1 874	1 670
Amortisation of intangible assets	(122)	(123)
Impairment of intangible assets	–	(9)
Profit on disposal of businesses	10	1
Post-retirement medical aid movement	3	7
Retirement benefit asset movement	102	9
Fair value gains/(losses) on derivative financial instruments	(26)	(64)
Finance income	41	54
Finance costs	(342)	(337)
Share of associate's net profit after tax	100	101
Profit before tax	1 640	1 309

Acquisition and disposal of investments
Increase in ownership interest in subsidiaries as a result of non-controlling interest transactions
The Group had marginal increases in its investment in Flohoc Investments (Pty) Ltd, The New Kensington Clinic (Pty) Ltd, and Wilgeheuwel Hospital (Pty) Ltd.
During 2009, the Group had marginal increases in its investment in Flohoc Investments (Pty) Ltd, The New Kensington Clinic (Pty) Ltd and Little Company of Mary Trust,
as well as indirectly buying out the remaining non-controlling interest in Wilgers Hospital Ltd.

R'm	2010	2009
Value of investments acquired:		
Value of increased ownership in subsidiary	(14)	(28)
Transactions with non-controlling interest reserve	(23)	–
Goodwill	–	(15)
Cash flow on increase of investments in subsidiaries under common control	(37)	(43)

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

The Group disposed of marginal percentages in Little Company of Mary Trust and Flohoc Investments (Pty) Ltd to non-controlling interests.
During 2009 the Group disposed of a marginal percentage of its investment in Little Company of Mary Trust and Flohoc Investments (Pty) Ltd to non-controlling interests.
The Group still maintained control over the subsidiary entities after the part disposal of the investments.
Disposal of investments in subsidiaries, associates and joint ventures
The Group disposed of its investments in Vincent Pallotti Oncology Joint Venture on 31 May 2010 and Joint Radiotherapy (Pty) Ltd on 30 November 2009.
Business combinations
During June 2010, the Group acquired Amabubesi Hospitals (Pty) Ltd (Bay view Hospital) and Amabubesi Healthcare Properties (Pty) Ltd.
Due to a change in the shareholders' agreement, the Group has gained control of LCM Oncology (Pty) Ltd
and Wilgers Cathlab Trust.

R'm	2010	2009
Details of the net assets acquired and goodwill are as follows:		
Purchase consideration		
Total purchase consideration	267	9
Cash portion	260	9
Non-cash portion	7	—
Non-controlling interest	3	—
Fair value of net assets acquired	(97)	(1)
Intangible assets	(93)	(3)
Goodwill	80	5

The assets and liabilities arising from the acquisition were as follows:

R'000	Fair value 2010	Acquiree's carrying amount 2010
Cash and cash equivalents	27	27
Inventories	6	6
Trade and other receivables	25	25
Property, plant and equipment	118	77
Trade and other payables	(26)	(26)
Contingent liabilities	(9)	—
Current income tax liability	(13)	(13)
Deferred tax	(31)	—
Intangible assets	0	0
Fair value of the net assets	97	96

The contingent liability relates to potential tax liabilities identified during the due diligence process of acquiring businesses and were not accounted for at the acquisition date in the records of the company.
These liabilities will in all likelihood become contractual obligations in the short term.

Total purchase consideration		
Transactions with non-controlling interest reserve	37	43
Business combinations	267	9
	304	52

Basis of preparation and presentation of annual financial statements

These consolidated condensed financial results have been prepared in accordance with IAS 34 "Interim Financial Reporting", in the manner required by the Companies Act of South Africa and the JSE Listings Requirements. The financial results 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 2010. The consolidated condensed 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 International Financial Reporting Standards (IFRS).

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

Board of directors

During the year under review the following changes were made to the board of directors as non-executive directors:

Resignations

RCM Laubscher resigned on 21 April 2010

NV Mokhesi resigned on 20 August 2010

EW Mbuthia resigned on 23 August 2010

AG Aitken (alternate director) resigned on 23 August 2010

Appointments

PJ Golesworthy was appointed on 10 June 2010

LM Mojela was appointed on 10 June 2010

TS Munday was appointed on 10 June 2010

Report of the independent auditor

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

Commentary

Overview

Life Healthcare performed well during the period under review and is in a healthy financial position to deliver on its strategic objectives. The high incidence of disease together with a growing and ageing medical aid population contributed to an increased demand for hospital services. These factors and the increase in bed capacity resulted in hospital paid patient days increasing by 2.5%.

Initial public offer (IPO), listing on the JSE and earnings

The Group completed its IPO on 10 June 2010 with new investors taking up 387 million shares. The listing included the issuing of 321 million new shares raising R4 341 million and simultaneously repurchasing an equal number of shares out of share premium (R803 million) and distributable reserves (R3 216 million), which attracted an STC charge of R322 million. The remaining 66 million shares were sold by shareholders to the new investors. These transactions had the following effect :

	Share capital and share	Distributable

	Share premium	Distributable reserves	Total
Issue of shares at listing	4 341	–	4 341
Share repurchase	(803)	(3 216)	(4 019)
STC arising on share repurchase	–	(322)	(322)
	3 538	(3 538)	–

The Group did not raise any cash as a result of the listing as it has sufficient facilities and capacity to meet expected operating requirements. Total shareholder funds were not affected by the new share issue and repurchase, however the structure of the repurchase through distributable reserves and the STC charge has resulted in negative retained earnings at September 2010 of R1 079 million.

The majority of the IPO costs and the STC payable of R322 million were borne by the selling shareholders. 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 with a total charge for the year of R61 million (2009: R25 million).

Financial performance

Revenue increased by 10.8% to R8 786 million (2009: R7 930 million). The hospital division revenue increased by 11.6% as a result of higher revenue per paid patient day and a 2.5% increase in paid patient days (PPDs). Revenue in Healthcare Services increased by 3.6% primarily as a result of inflation linked price increases offset by reduced volumes following the completion of two contracts with the Eastern Cape Department of Health.

A key management measure which is a non-IFRS measure of business performance is normalised EBITDA (earnings before interest, tax, depreciation and amortisation) which increased by 14.8% to R2 173 million (2009: R1 893 million). 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.

R’m	30 September 2010		30 September 2009
Normalised EBITDA			
Operating profit	1 867		1 555
Profit on sale of businesses	(10)		(1)
Depreciation on property, plant and equipment	263		223
Impairment of intangible assets	–		9
Amortisation of intangible assets	122		123
Employee trust accelerated charge	36		–
Retirement benefit asset movement	(102)		(9)
Post-retirement medical aid movement	(3)		(7)
Normalised EBITDA	2 173	14.8%	1 893
Normalised EBITDA as % of turnover	24.7%		23.9%

Operating profit increased by 20.1% to R1 867 million (2009: R1 555 million) due to strong business performance, leveraging efficiencies across the Group to contain costs, and a R105 million actuarial gain on the retirement benefits. Salaries, especially those of skilled nursing staff, continued to increase above the rate of inflation and accounted for a large portion of the Group’s expenditure.

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

Earnings per share and headline earnings per share reduced by 12.5% to 64.5 cents (2009 73.7 cents) and by 14.8% to 63.5 cents (2009 74.5 cents) respectively. This was primarily due to the once-off STC charge of R322 million in respect of the share repurchase. Earnings on a normalised basis increased by 26.1% to 92.7 cents (2009: 73.5 cents) and are underpinned by high cash generation.

R’m	30 September 2010		30 September 2009
Normalised earnings			
Profit attributable to ordinary equity holders	664		759
Adjustments (net of tax):			
Retirement funds	(76)		(12)
STC on listing	322		–
Employee trust accelerated charge	36		–
Listing cost	17		–
Impairment of intangible assets	–		9
Profit on disposal of businesses	(9)		(1)
Normalised earnings	954	26.2%	755
Normalised EPS (cents)	92.7	26.1%	73.5

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 of R2 233 million (2009 R1 895 million).

Financial position

The Group is in a strong financial position with low gearing. 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. 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 2010, Life Healthcare invested R813 million (2009: R603 million) comprising capital projects of R516 million (2009: R551 million) and acquisitions R297 million (2009 R52 million). A further R600 million has been allocated for capital projects in 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

During the year, the Life Beacon Bay Hospital in East London and the Life Orthopaedic Hospital in Cape Town were commissioned, and the Life Bay View Private Hospital in Mossel Bay, was acquired.

This contributed to the increased number of registered hospital beds to 8 322 (including associate hospitals).

Dividends

The Board of directors has reviewed the dividend policy and has approved a dividend cover of between 1.75 and 2.75 times.

The directors have declared a cash dividend of 29 cents per ordinary share payable to shareholders.

To comply with the requirements of Strate the relevant details are:

Event	Date
Last day to trade "cum" the dividend	Friday, 17 December 2010
Shares to commence trading "ex" the dividend	Monday, 20 December 2010
Record date (date shareholders recorded in books)	Friday, 24 December 2010
Payment date	Tuesday, 28 December 2010

No share certificates may be dematerialised or rematerialised between Monday, 20 December 2010 and Friday, 24 December 2010 (both days inclusive)

Outlook

Life Healthcare is confident that the demand for private healthcare in South Africa will continue due to the increasing disease burden and ageing medical aid population. Taking into consideration the proposed growth in hospital capacity as well as the business benefits of our efficiency programmes, Life Healthcare is optimistic that historical growth rates will be maintained.

On behalf of the board

Professor Jakes Gerwel

Chairman

Michael Flemming

Managing director

30 November 2010

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

Non-executive directors: Prof GJ Gerwel (chairman), MA Brey, YZ Cuba, Dr JPF Dalmeyer, GC Solomon. MP Ngatane, PJ Golesworthy, LM Mojela, TS Munday

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.

For more information please visit our website: www.lifehealthcare.co.za