ANNUAL REPORT 2010

Life HEALTHCARE Group

GROWTH
QUALITY
EFFICIENCY
SUSTAINABILITY

Making life better

www.lifehealthcare.co.za

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

Life Healthcare's financial year ends on 30 September of each year

NOTICE OF ANNUAL GENERAL MEETING
See separate document enclosed with this report

Scope of report

Our annual report >	The Life Healthcare 2010 annual report is the Group's first as a public company listed on the JSE. It integrates our operational, financial and sustainability performance for the year ended 30 September 2010. In previous years an annual review including financial results was provided to the Group's institutional shareholders.
Our sustainability journey >	Over the past five years Life Healthcare has worked towards integrating our long term economic performance with sustainability issues such as transformation, corporate governance, corporate social investment and, more recently, environmental preservation. We recognise sustainability as a crucial business imperative.
Our strategic issues >	Life Healthcare has four strategic issues which are particularly relevant to the Group's operations. These are highlighted throughout this annual report and summarised on page 2.
Our financial reporting >	The annual financial statements were prepared according to International Financial Reporting Standards (IFRS), the requirements of the Companies Act of South Africa, regulations of the JSE and the guidelines of King III.

The full report or its components may be downloaded from the Life Healthcare investor relations website at **www.lifehealthcare.co.za.**

GROWTH
QUALITY
EFFICIENCY
SUSTAINABILITY

Focusing on and investing in:

1 Growth

Life Healthcare was founded 27 years ago, with the acquisition of four hospitals in Johannesburg. The Group has expanded steadily to become a leading acute care private hospital operator in South Africa, with an extensive geographic network in seven provinces, and mainly in the country's most populous metropolitan areas. We will pursue growth opportunities through capacity expansion in existing facilities, acquisitions, the construction of new facilities and new lines of business, and will explore opportunities for expansion into selected offshore emerging markets. New growth opportunities are carefully evaluated to ensure that they will add sustainable value in future.

2 Quality

When people entrust their lives, or those of their loved ones into our hands, it is our responsibility to provide them with clinical care of the highest quality, delivered with empathy and respect. We constantly strive to deliver world class healthcare, benchmarked against international best practices. This focus is reflected, among others, in our Group's international quality certification, the number of clinical quality initiatives which we have implemented to improve patient outcomes, our strong clinical governance and patient-centric care.

3 Efficiency

Life Healthcare's goal of entrenching a culture of efficiency, operational excellence and professionalism throughout the organisation has positively impacted virtually every aspect of our operations, strengthening our business model and unlocking value for our stakeholders.

4 Sustainability

Our acute care hospitals and healthcare services operations as well as our investment in human capital, infrastructure, technology and good governance are designed to ensure the Group creates long term value for shareholders and responds optimally to the needs of our patients, supporting doctors and other medical professionals as well as to the communities we serve, at the same time contributing to our country's sustainable development.

Making life better

Our vision

To be a world class provider of quality healthcare for all

Our values

We have five core values:

- Passion for people
- Q^e – quality to the power of e (ethics, excellence, empowerment, empathy and energy)
- Performance pride
- Personal care
- 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

Our purpose

Making life better

Revenue
+10.8%
to R8 786 million

Operating profit
+20.1%
to R1 867 million

Earnings per share
(12.5%)
to 64.5 cents

Normalised earnings per share
+26.1%
to 92.7 cents

Cash generated from operations
R2 233 million

Total dividend
52 cents
per share
(Final dividend 29 cents per share)

Life Healthcare as an **investment**

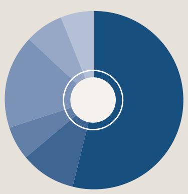
The Group is a conduit through which the shareholders own the assets

Market position >	– One of three leading private hospital operators in attractive South African healthcare market – Market share of ± 27% of South African hospital beds – Owns Life Esidimeni, largest healthcare public/private partnership (PPP) in South Africa – Market leader in acute mental healthcare, acute rehabilitation and occupational healthcare in the private market – Extensive geographic network of healthcare facilities – Market leader for preferred provider agreements with medical funders
Shareholder wealth creation >	– Solid track record of operational excellence – Over 100 senior Life Healthcare managers have invested in the Company – 13% compound annual growth in revenue over five years from continuing operations – Normalised EBITDA margin has increased from 21.0% to 24.7% over five years – Occupancies increased to 70% over five years despite the addition of nearly 1 200 beds – Earnings underpinned by high cash generation – Compound annual growth rate of 16% for normalised EBITDA over five years
Management depth >	– Experienced management team with an average 15 years' service – Management team has guided growth and development of the Group – Formalised succession planning and management skills development ensure the continuity of management excellence
Good governance >	– Board structure has strong independent element – As at 30 September 2010, the board of directors is a culturally diverse group with five historically disadvantaged members of whom two are female and six white members – Compliant with JSE Listings Requirements – Working on King III compliance by 2011
Sustainability >	– Committed to clinical excellence in world class facilities – Track record of providing high quality, cost effective healthcare in South Africa – Continued focus on transformation and BBBEE – Well entrenched corporate social investment programme – Support for government's initiatives to build a healthier nation – Making a vital contribution to the training and development of nurses in South Africa

Financial **highlights**

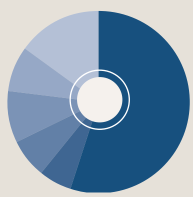
Statement of value added

	%	30 September 2010 R'000	%	30 September 2009 R'000
Revenue		8 786 333		7 929 667
Less: purchased cost of goods and services		(3 726 871)		(3 576 083)
Value added	96.1	5 059 462	93.4	4 353 584
Other income	3.9	205 436	6.6	308 661
Wealth created	100.0	5 264 898	100.0	4 662 245
Employees	53.7	2 827 458	55.4	2 582 700
Providers of equity	10.1	529 708	5.6	260 000
Providers of funding	6.2	327 114	7.4	346 011
Government	16.9	889 564	9.5	441 436
Maintenance and expansion of capital	7.3	385 562	7.6	354 773
Re-investment in the Group	5.8	305 492	14.5	677 325
Wealth distribution	100.0	5 264 898	100.0	4 662 245
Average number of employees		12 911		12 684
Wealth created per employee (R)		407 784		367 569
Weighted average number of shares ('000)		1 029 883		1 029 747
Wealth created per share (R)		5.11		4.53



Distribution of wealth created 2010

- Employees 54%
- Providers of equity 10%
- Providers of funding 6%
- Government 17%
- Maintenance and expansion of capital 7%
- Re-investment in the Group 6%



Distribution of wealth created 2009

- Employees 55%
- Providers of equity 6%
- Providers of funding 7%
- Government 9%
- Maintenance and expansion of capital 8%
- Re-investment in the Group 15%

Financial **highlights** continued

Revenue

Overall revenue for Life Healthcare increased by 10.8% to R8 786 million. The Group's hospital division revenue increased by 11.6%. Paid patient days (PPDs) increased by 2.5% as a result of the increasing disease burden and the growth in our facilities. Bed capacity increased with the opening of Life Beacon Bay and Life Orthopaedic hospitals in November 2009, and the acquisition of Life Bay View Private Hospital in Mossel Bay in June 2010. This, together with organic growth within the Group's existing facilities, further contributed to revenue growth.

Revenue in Life's healthcare services division increased by 3.7%, primarily as a result of inflation linked price increases offset by reduced volumes as a result of the completion of Life Esidimeni's contract with the Eastern Cape Department of Health.

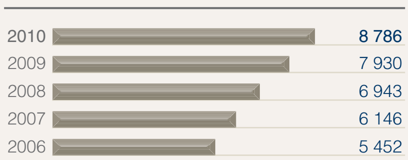
Operating profit

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 benefit surplus over the liabilities. 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.

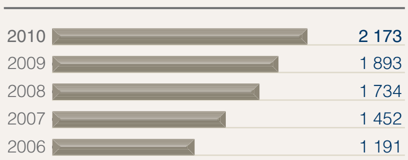
Earnings per share (EPS), headline earnings per share (HEPS) and normalised earnings per share

Earnings per share and headline earnings per share reduced by 12.5% to 64.5 cents and by 14.8% to 63.5 cents respectively, as a result of the once-off secondary tax charge (STC) of R322 million following the share repurchase immediately preceding the listing on the JSE main board on 10 June 2010. Earnings on a normalised basis excluding items of a 'non-recurring' nature increased by 26.1% to 92.7 cents, underpinned by good cash generation.

Revenue continuing operations
CAGR 12.7%



Normalised EBITDA
CAGR 16.2%



Group summary

Group statements of comprehensive income

	Compound annual growth since 2006 %	2010 R'm	2009 R'm	2008 R'm	2007 R'm	2006 R'm
Continuing operations						
Revenue	13	**8 786**	7 930	6 943	6 146	5 452
Operating profit	24	**1 867**	1 555	1 546	1 008	788
Normalised EBITDA[1]	16	**2 173**	1 893	1 734	1 452	1 191
Net finance cost	(1)	**(327)**	(346)	(320)	(335)	(343)
Share of associates' net profit after tax	12	**100**	101	88	70	64
Profit before tax	34	**1 640**	1 310	1 315	744	509
Profit after tax from continuing operations	26	**835**	937	964	505	334
Discontinued operations						
Profit/(Loss) from discontinued operations		**–**	–	34	31	(4)
Profit for the year	26	**835**	937	998	536	331
Attributable to:						
Ordinary equity holders of the parent		**664**	759	865	418	255
Non-controlling interest[2]		**171**	178	133	118	76
Normalised EBITDA	16	**2 173**	1 893	1 734	1 452	1 191
Operating profit		**1 867**	1 555	1 614	1 080	806
Profit on sale of businesses		**(10)**	(1)	(153)	(9)	(12)
Depreciation of property, plant and equipment		**263**	223	239	262	242
Impairment of intangible assets		**0**	9	0	0	36
Amortisation of intangible assets[3]		**122**	123	125	119	119
Employee Trust accelerated charge[4]		**36**	0	0	0	0
Retirement benefit asset		**(102)**	(9)	(91)	0	0
Post retirement medical aid		**(3)**	(7)	0	0	0

1 *Life defines normalised EBITDA as operating profit plus depreciation, amortisation of intangibles, impairment of intangibles as well as excluding profit/loss on disposal of businesses, surpluses/deficits on retirement benefits and the accelerated employee trust charge. This is a non-IFRS measure.*

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 subsequent business combinations.*

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.*

Group summary continued

Group statements of financial position

	2010 R'm	2009 R'm	2008 R'm	2007 R'm	2006 R'm
ASSETS					
Non-current assets					
Property, plant and equipment	3 258	2 905	2 585	2 769	2 631
Intangible assets	2 220	2 156	2 293	2 299	2 406
Retirement benefit assets[1]	203	100	89	–	–
Post-retirement medical aid benefit[1]	75	76	1	11	7
Other non-current assets	437	427	575	362	341
Total non-current assets	6 193	5 664	5 543	5 441	5 385
Current assets					
Inventories	185	166	144	140	134
Trade and other receivables	1 012	956	838	907	767
Cash and cash equivalents	482	101	412	517	275
Total current assets	1 679	1 223	1 396	1 566	1 176
Non-current assets held for sale	–	–	–	25	–
Total assets	7 872	6 887	6 939	7 032	6 561
EQUITY AND LIABILITIES					
Capital and reserves	2 849	2 320	1 813	915	405
Non controlling interest	666	610	536	544	519
Total shareholders' equity	3 515	2 930	2 349	1 459	924
Non-current liabilities					
Interest bearing borrowings	2 024	1 631	1 997	2 516	2 741
Deferred income tax liabilities	376	305	568	373	418
Preference shares	–	–	24	76	104
Post retirement medical aid liability[1]	65	69	–	–	–
Other non-current liabilities	101	69	66	39	100
Total non-current liabilities	2 566	2 074	2 655	3 004	3 363
Current liabilities					
Trade and other payables	1 154	1 005	906	806	699
Current portion of interest bearing borrowings	450	723	476	328	264
Shareholders' loans	–	–	313	1 005	1 001
Other current liabilities	187	155	240	430	310
Total current liabilities	1 791	1 883	1 935	2 569	2 274
Total equity and liabilities	7 872	6 887	6 939	7 032	6 561

Group statements of cash flows

	2010 R'm	2009 R'm	2008 R'm	2007 R'm	2006 R'm
Cash operating profit	2 283	2 050	1 860	1 617	1 320
Changes in working capital	(50)	(155)	5	(52)	29
Cash generated from operations	2 233	1 895	1 865	1 565	1 349
Income tax paid	(396)	(493)	(341)	(257)	(270)
Net cash inflow from operating activities	1 837	1 402	1 524	1 308	1 079
Net cash inflow from investing activities – investments to expand	(683)	(480)	(496)	(336)	(444)
Net cash inflow from investing activities – investments to maintain	(93)	(81)	(81)	(72)	(62)
Net cash inflow from investing activities – disposals	26	4	260	29	42
Net cash inflow from investing activities – other	55	91	12	22	79
Net cash outflow from financing activities	(788)	(1 249)	(1 296)	(708)	(690)
Net (decrease)/increase in cash and cash equivalents	354	(313)	(77)	242	4
Cash and cash equivalents – beginning of the year	101	412	517	275	271
Cash balances disposed of through disposal of joint venture	–	–	(28)	–	–
Cash balances acquired through business combination	27	2	–	–	–
Cash and cash equivalents – end of the year	482	101	412	517	275

[1] *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 plans have been approved, and consequently the surplus assets have been recognised on the statement of financial position. All 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 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.

Group summary continued

Hospital business performance and ratios

	Compound annual growth since 2006 %	2010	2009	2008	2007	2006
Number of acute hospitals*[1]		**56**	54	54	54	54
Number of active beds*		**7 298**	6 846	6 698	6 417	6 318
Number of registered beds*		**7 665**	7 190	7 021	6 705	6 543
Paid patient days*	5	**1 806 730**	1 761 964	1 693 925	1 613 934	1 501 974
Occupancy (%)*[2]		**69.6**	71.6	69.8	69.7	68.3
Length of stay (days)*		**3.27**	3.20	3.12	3.06	3.04
Group financial ratios						
EBITDA** margin (%)		**24.7**	23.9	23.7	22.2	21.0
Effective tax rate excluding secondary tax on companies (%)		**27.5**	27.3	26.0	29.7	31.3
Effective tax rate (%)		**49.1**	28.4	26.9	32.1	34.9
Debtors' days		**33**	36	34	37	37
Stock cover (days)		**24.3**	23.7	25.8	27.6	27.6
Quick ratio (:1)		**1.25**	1.05	0.96	0.70	0.58
Current ratio (:1)		**1.11**	0.91	0.86	0.64	0.52
Gearing net of cash (%)		**33.3**	42.6	42.7	54.1	69.5
Total debt (R'000)		**2 474 523**	2 353 579	2 473 178	2 844 147	3 005 018
Net debt (R'000)		**1 992 367**	2 252 162	2 060 925	2 326 998	2 730 302
Interest bearing debt[3]		**1 900 186**	1 799 585	1 910 556	2 258 317	2 477 721
Debt related to finance leases raised in terms of IAS 17[4]		**574 337**	553 994	562 622	585 831	527 297
Net debt: EBITDA**		**0.92**	1.19	1.19	1.60	2.29
Interest cover		**5.7**	4.5	4.8	3.0	2.2
Return on net assets (RONA) (%)		**40.8**	38.1	39.7	32.4	29.0

* *Excluding associate hospitals.*

** *EBITDA – earnings before interest, taxes, depreciation and amortisation.*

1 *Life Beacon Bay Hospital and Life Orthopaedic Hospital opened in November 2009. Life also acquired Life Bay View Private Hospital in Mossel Bay in June 2010.*

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

3 *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.*

4 *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 the fair value of the leased property.*

Shareholders' returns

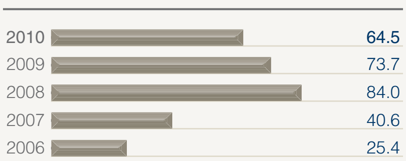
	Compound annual growth since 2006 %	2010 R'm	2009 R'm	2008 R'm	2007 R'm	2006 R'm
Earnings per share (cents)	26	64.5	73.7	84.0	40.6	25.4
Diluted earnings per share (cents)	27	64.5	72.0	82.0	39.6	24.8
Headline earnings per share (cents)	22	63.5	74.5	71.1	39.6	28.8
Diluted headline earnings per share (cents)	23	63.5	72.7	69.4	38.6	28.1
Normalised earnings per share (cents)	40	92.7	73.5	64.9	39.9	24.4
Weighted average number of shares in issue ('000)		1 029 883	1 029 747	1 030 000	1 030 000	1 003 123
Weighted average number of shares for diluted earnings per share ('000)		1 029 883	1 055 166	1 055 750	1 055 750	1 028 543
Total number of shares in issue ('000)		1 042 210	1 016 790	1 030 000	1 030 000	1 030 000
Dividends per share (cents)		50.8	25.3	–	–	–
Net asset value per share (cents)	62	273.3	228.2	176.1	88.8	39.4

	2010	2009	2008	2007	2006
Normalised earnings	954	755	668	410	245
Profit attributable to ordinary equity	664	759	865	418	255
Adjustments (net of tax):					
Retirement funds	(76)	(12)	(66)	–	–
STC on listing	322	–	–	–	–
Employee trust accelerated charge	36	–	–	–	–
Listing cost	17	–	–	–	–
Impairment of intangible assets	–	9	–	–	–
Profit on disposal of businesses	(9)	(1)	(131)	(8)	(10)

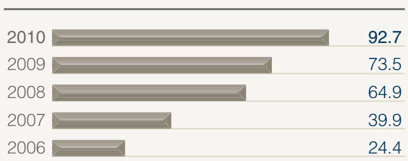
	2010[2]
Market indicators	
Market price – high (R) per share	14.59
Market price – low (R) per share	12.83
Market price – year end (R) per share	14.44
Market capitalisation – year end (R'millions)	15 049 509
Number of shares traded ('000)[1]	n/a
Value of shares traded ('000)[1]	n/a
Price-earnings ratio	22.39

[1] *Life listed on the JSE on 10 June 2010 and therefore a full year's volumes and value traded is not available.*
[2] *Reflects JSE trading results from 10 June 2010 to 30 September 2010.*

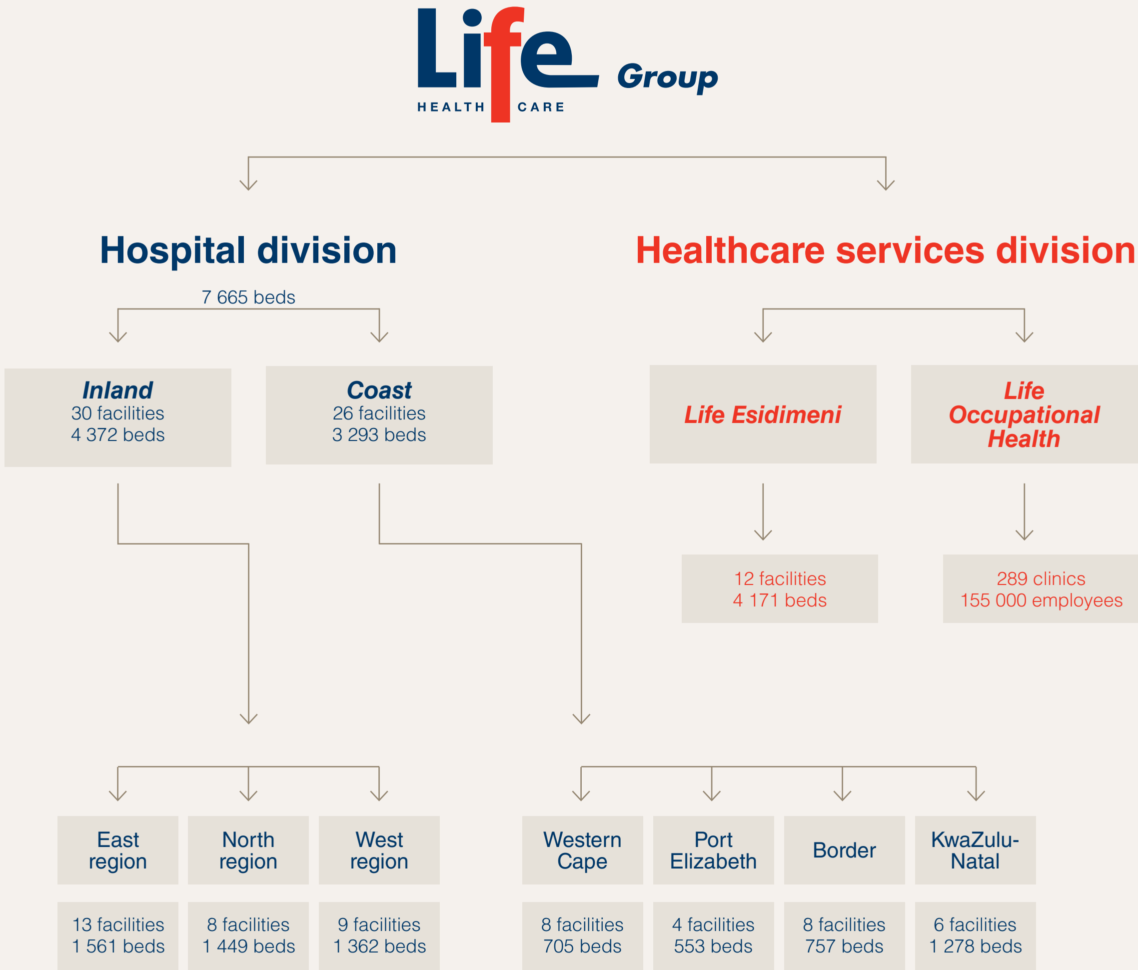
EPS
CAGR 26.3%



Normalised EPS
CAGR 39.6%



Our structure



HOSPITALS AND HEALTHCARE SERVICES

Geographical **information**

Broad geographic network of diverse healthcare facilities

Life Healthcare's extensive hospital network includes 63 hospitals (of which 56 are majority owned and another seven in which the Group holds substantial minority ownership) providing a range of healthcare services across South Africa.

Life Healthcare has hospitals in seven of the country's nine provinces, in which approximately 93% of the privately insured population resides, and in the country's most populous metropolitan areas, including Johannesburg, Pretoria, Cape Town, Durban, Port Elizabeth, East London and Bloemfontein. The Group operates a range of facilities adapted to meet the local demand in the various regions of the country, including complex, multi-disciplinary hospitals, community hospitals and specialised niche facilities to provide the appropriate scale and scope of healthcare services.

History and achievements

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 traumas, neurological damage or other disabling conditions, and continued to expand its rehabilitation business through the establishment of additional units based at hospitals in Johannesburg, Bloemfontein, Durban, Pretoria, East London and Port Elizabeth.

1998

Expanded into acute mental healthcare with a facility in Port Elizabeth, and subsequently established mental health treatment 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 chronic 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.

2001

Entered into a public/private partnership with the South African government, following the acquisition by Afrox Healthcare of a 55% stake in Life Esidimeni.

2002

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

2004

Operated the UK business, Partnership Health Group (PHG), established as a 50-50 joint venture with Care UK plc, a healthcare services company in the United Kingdom listed on the London Stock Exchange. PHG successfully obtained contracts to construct and operate a number of independent sector treatment centres on behalf of the UK National Health Service. Life Healthcare sold its 50% stake in 2008.

2005

In January, following the implementation 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.

2007

Commissioned the new Life Cosmos Hospital.

2008

Acquired the remaining 45% stake in Life Esidimeni

2009

Built two new facilities – the Life Orthopaedic Hospital and Life Beacon Bay Hospital.

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.

About Life Healthcare

The Life Healthcare Group is a key role player in the South African healthcare sector, primarily serving the market for private medically insured individuals, representing more than eight million people. The Group has one of the most extensive footprints in southern Africa.

The South African private healthcare market is attractive due to a number of factors including the high capital cost of developing facilities in the private hospital sector; a growing and ageing middle class privately insured population, a high and increasing disease burden, and an under-resourced public sector healthcare system.

Life has 27 years' experience in operating private hospitals in South Africa. The Group was listed on the JSE in 1999, and subsequently taken private in 2005 by a consortium of investors including senior management. On 10 June 2010 the Company relisted in the Health Care Providers sector on the JSE main board, under the share code LHC and ISIN: ZAE000145892.

Life Healthcare has a proud track record of operational excellence and strong financial results. For the past five years Life Healthcare's revenue has grown at a compound annual growth rate of 12.7%, and normalised EBITDA at a rate of 16.2%.

Competitive strengths

The following key strengths position Life Healthcare well in the South African private healthcare market:

> Leading market position
> Geographically extensive network of facilities
> Solid track record of operational excellence
> Well established relationships with private medical insurance providers
> Strong relationships with doctors
> Proven successful management of growth
> Qualified, experienced and incentivised nurses, pharmacists and other staff
> Experienced and dedicated management team.

Strategy

Life Healthcare aims to continue providing high quality, cost effective healthcare in South Africa, and to become a leading private hospital operator in selected offshore emerging markets. To achieve this Life Healthcare will:

> leverage the breadth and depth of the existing hospital network
> expand its coverage and penetration of the South African market
> position the Group for international expansion
> maintain its commitment to world class healthcare while enhancing operational efficiencies
> implement sustainable human capital strategies and practices that meet the challenges of a dynamic commercial and legislative environment, and
> partner with government and engage with healthcare reform in South Africa.

International quality certification

Life Healthcare was the only South African healthcare company to achieve ISO 9001:2000 multi-site certification in 2007. In January 2010, Life Healthcare was awarded ISO 9001:2008 multi-site certification, becoming the first, and to date the only, South African healthcare company to achieve this.

Business divisions

Life Healthcare's core business is the provision of acute private hospital care. Its hospitals are complemented by related healthcare services businesses that facilitate an integrated healthcare delivery system, covering the full spectrum of medical care.

Life Healthcare's business is divided into two principal divisions:

> Hospital division – representing 93% of the Group's revenue for the year – comprising the core acute care hospital business, as well as inpatient and outpatient services for acute rehabilitation, mental healthcare, chronic renal dialysis, and radiation and chemotherapy oncology.
> 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 primary and occupational healthcare provided by Life Occupational Health.

Hospital division

Life hospitals (56 facilities)

Life Healthcare's 56 hospitals extend over seven of South Africa's nine provinces and Botswana. These 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, sameday surgical centres and dedicated niche facilities, thereby providing the appropriate scale and scope of healthcare services. The Group also has minority shareholdings in seven other hospitals.

Life Healthcare hospitals admitted over 550 000 patients in the 2010 financial year, mainly from the private medically insured market.

Life Healthcare strives to maximise its hospital utilisation 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 our hospitals include an increasing disease burden, local economic conditions and preferred network agreements with private medical insurers.

In addition to continuing to provide world class medical care in South Africa, the Group's strategy is to become a pre-eminent hospital operator in selected offshore emerging markets.

Life Rehabilitation (six 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 approximately 50% of the private rehabilitation beds in South Africa.

Life Rehabilitation now has six rehabilitation units, situated in four provinces, with a total of 229 beds.

About Life Healthcare continued

Mental healthcare (six facilities)

Life Healthcare is currently the largest provider of private acute mental healthcare, with six dedicated facilities located in the Eastern Cape, KwaZulu-Natal and Gauteng, comprising a total of 172 beds. Plans are in place to increase the number of beds in the Group's network, with an additional 140 beds becoming available in the 2011 financial year.

Chronic renal dialysis (four facilities)

A growing demand for renal dialysis prompted Life Healthcare's entry into this business in 2000. The Group now has three dedicated facilities in Gauteng and another in the Eastern Cape. A fifth unit will be opening in Port Elizabeth in January 2011 and it is envisaged that more facilities will be established at selected Life Healthcare hospitals in the coming two to three years.

Overview

Life Healthcare enjoys the support of approximately 2 700 specialists and other healthcare professionals. In conjunction with these healthcare professionals our hospitals and sameday surgical centres offer access to the following:

7 665 registered beds in total, excluding associates*
308 operating theatres
664 ICU beds
316 high care beds
40 emergency units
35 maternity units
12 cardiac units
6 acute rehabilitation units
6 dedicated acute mental healthcare facilities
4 dedicated renal dialysis units
43 radiology units
7 fertility units

**8 322 beds including associates.*

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 hospitals through a public/private partnership with the South African government. Life Esidimeni provides its services under contract to provincial health and social development departments. Established over 50 years ago, Life Esidimeni has been involved in the largest and longest running public/private partnership in the South African healthcare sector. Life Esidimeni operates 12 long term care facilities with 4 171 beds. These facilities provide long term clinical care to chronically ill public sector patients, catering for mental health (3 343 beds) and frail care (650 beds) patients, providing approximately 1.6 million patient days a year. It also operates an acute care community (district) hospital with 178 beds near Hazyview. This hospital 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 (289 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 government correctional services facilities. Life Occupational Health currently operates in 289 on-site customer clinics throughout the country and provides services to approximately 155 000 employees. It also provides contracted off-site and mobile occupational and primary health services to clients.

Utilisation in Life's occupational health clinics is driven largely by Occupational Health and Safety Act requirements and the needs of corporate or institutional 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 and, in January 2010, followed this up with ISO 9001:2008 certification. It is rated at Level 4 BEE by Empowerlogic.

Life College of Learning

The Life College of Learning, established 12 years ago, is registered with the Departments of Education as a private higher and further education institution, and provides professional training in nursing education, health sciences, management and leadership. The college operates in partnership with the Nelson Mandela Metropolitan University and has been accredited with Umalusi (the Council for Quality Assurance in General and Further Education and Training).

The college management provides visible leadership in South African nursing education and is actively involved in the Nursing Education Association (NEA), South African Nursing Council (SANC) and the Hospital Association of South Africa (HASA) as well as tertiary institutions. In total, 7 700 students have graduated from the college since its inception, with 1 004 graduating and 1 350 nursing students registered during 2010.

The college expanded its number of learning centres to 10 with the addition of the Midmed Learning Centre in Middelburg, Mpumalanga and the Bay View nursing school in Mossel Bay. Nine of these centres are individually accredited with SANC, with the Bay View nursing school currently in the process of being accredited. These centres offer basic and, in some cases, post basic nursing courses.

To alleviate the critical shortage of specialist nurses nationally, the Life College of Learning also offers nursing programmes for enrolled nurses in the fields of high care, mental health and operating theatre nursing.

Since 2003, the college has been involved in a number of public/private initiatives to support provincial governments and non-governmental organisations (NGOs) with their educational needs. Currently, the college works closely with the Port Elizabeth Academic Complex and also trains some post basic learners for the KwaZulu-Natal Department of Health.

The Life College of Learning also co-operates with the Health and Welfare Sector Education and Training Authority (HWSETA) in providing learnerships, bursaries and workplace experience to people from disadvantaged communities.

Life Healthcare Foundation

The Life Healthcare Foundation was established in 2007. It is managed as a trust with Company and independent trustees. The foundation provides resources and efforts in the health, wellness and education arenas, aimed at improving the health and well-being of disadvantaged communities and individuals, and reflecting Life Healthcare's purpose of making life better for all. Most of the Group's corporate social investment initiatives are channelled through the foundation.

Collaboration with supporting specialists, suppliers, NGOs, academic institutions and government has added further impetus to the foundation's initiatives.

Listing of **Life Healthcare** on the JSE

Five years after the Group (then known as Afrox Healthcare) delisted from the JSE, it has again become a public company, Life Healthcare Group Holdings Limited.

On 10 June 2010, Life Healthcare Group Holdings Limited successfully listed in the Health Care Providers sector on the JSE main board. An initial public offering (IPO) by the Company's existing shareholders preceded the listing and comprised 37.35% of the Company's total issued share capital. Shares were placed at R13.50 per share, representing a market capitalisation of over R14 billion. At the time this was the largest IPO to list on the JSE and was taken up by institutions in South Africa and selected institutional investors in other jurisdictions.

The placement of approximately R5.25 billion was concluded in volatile markets prior to Life Healthcare's listing. About 40% was subscribed for by foreign investors, demonstrating the international community's confidence in Life Healthcare, the local healthcare sector and also in South Africa as an investment destination. Post the IPO, management and doctors hold 11.4% of Life Healthcare.

GROWTH, QUALITY, EFFICIENCY, SUSTAINABILITY

Strategic issues

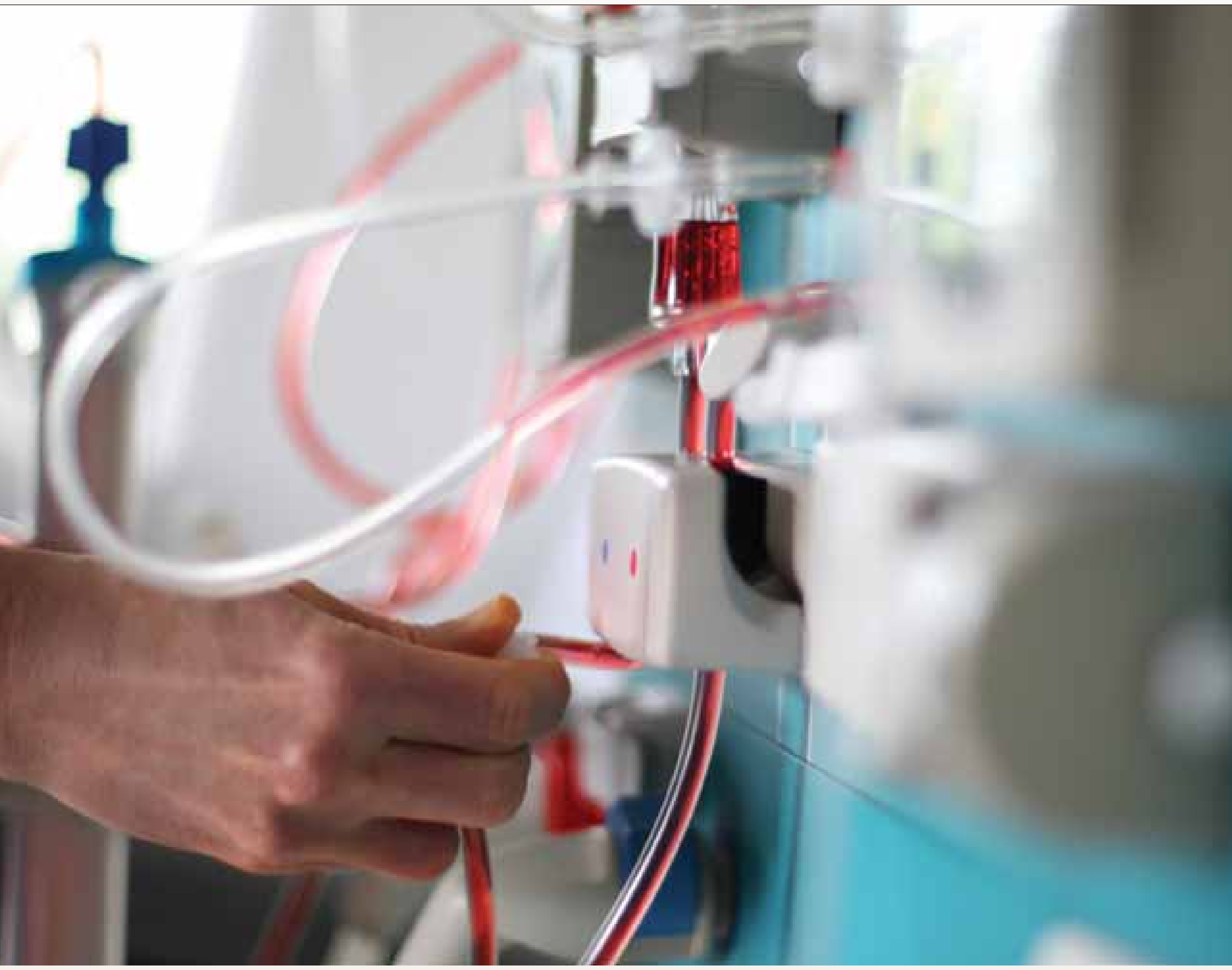
There are four themes which drive the Group's strategies and which are evident across its operations. These strategic themes are covered throughout this annual report.

Growth >	The Group continues to explore growth opportunities locally through acquisitions, expansion of capacity within existing facilities, the development of new lines of business and construction of hospitals in certain greenfield projects; and in selected offshore emerging markets.
Quality and clinical governance >	Life Healthcare strives to deliver world class healthcare which is driven by quality. In pursuing quality in all its endeavours Life Healthcare has achieved international quality certification and is benchmarking selected practices against global clinical, nursing, health and safety best practices.
Efficiency >	The drive for optimising operational efficiencies encompasses, among others, occupancies, information management, financial process restructuring, nursing, theatre efficiencies, appropriate drug regimens and usage, stock classification, formulary management, staffing models, hospital patient services including billing, and management of overheads and assets.
Sustainability >	**Human capital and relationships** People shape Life Healthcare and its future. The Group is committed to transformation and attracting and retaining people who are passionate about their jobs. It aims to create a nurturing culture and an environment that encourages and rewards outstanding performance.
>	**Corporate social investment** Through the Life Healthcare Foundation the Group is committed to bringing healthcare to a broader spectrum of South Africans and enriching the lives of the communities in which it operates. The Group has particularly focused on health and education for disadvantaged children.
>	**Corporate governance** A solid ethical foundation and integrity are fundamental to the Group's business strategies as set out in its code of conduct. Good governance provides a framework to manage risks, responsibilities and economic, environmental and social impacts.
>	**Sustainable development** Life Healthcare is committed to improving the economic, health and environmental issues in the country by providing for a healthy population, sound preventive and curative healthcare systems and environmental preservation.

Management reviews

Life HEALTHCARE Group

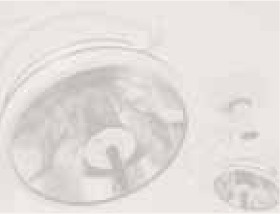
Making life better



In 2000, the Group launched its chronic renal dialysis business, and has continued to expand its offering through the establishment of three renal units in Gauteng and one in the Eastern Cape. A fifth unit is opening in January 2011 in the latter province.

Below: Life Healthcare has developed a pipeline of critical nursing skills through the Life College of Learning, which has enrolled more than 3 500 nursing students over the last three years.

Board of directors




From top left:
Prof Jakes Gerwel
Michael Flemming
Roger Hogarth



Prof GJ Gerwel (64)
BA (Hons), LicGermPhil, DLitt et Phil

Chairman – *appointed to the board 3 November 2003*

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 Africon Engineering International Limited, Media 24 Limited and Brimstone Investment Corporation Limited. He chairs the boards of trustees of the Nelson Mandela Foundation, the Nelson Mandela Rhodes Foundation, the Institute for Justice and Reconciliation, the Allan Gray Orbis Foundation and is vice-chairman of the Peace Parks Foundation.

CMD Flemming (53)
BCom, BJur, BProc, AMP (Harvard)

Managing director – *appointed to the board 23 March 2005*

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 in the North West region. 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.

RJ Hogarth (56)
BAcc (Wits), CA(SA)

Financial director – *appointed to the board 7 May 2007*

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.






From top left:
Mustaq Brey
Yolanda Cuba
Dr Paul Dalmeyer
Peter Golesworthy
Richard Laubscher
Eutychus Mbuthia

MA Brey (56)
BCompt (Hons), CA(SA)

Non-executive director – *appointed to the board 28 August 2003*

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 committees of the South African Revenue Service and Mandela Rhodes Foundation and chairs the capital and risk committee for Nedbank.

YZ Cuba (33)
BCom (Hons), CA(SA)

Non-executive director – *appointed to the board 23 March 2005*

Yolanda Cuba is the chief executive officer of Mvelaphanda Group Limited, one of South Africa's leading listed black-owned investment companies. She joined Mvelaphanda in their corporate finance division in 2003 and was appointed deputy CEO later that year. She has been responsible for initiating and executing a number of the Group's major investments. At 29 years of age, she became one of the youngest CEOs of a JSE listed company. She has worked at Robertsons Foods (now part of Unilever) and Fisher Hoffman PKF. She also sits on a number of boards including those of Absa Limited, AVUSA Limited and Steinhoff Limited.

Dr JPF Dalmeyer (61)
MBChB, FCOG(SA)

Non-executive director – *appointed to the board 23 June 2009*

Dr Paul Dalmeyer graduated with an MBChB from the University of Pretoria and as a specialist in obstetrics and gynaecology FCOG(SA) from the University of Cape Town. He is a registered reproductive specialist. He serves as a board member on the International Federation of Fertility Societies and is president of the South African Menopause Society (SAMS). He has been involved in hospital business for the past 26 years and is chairman of Life Doctor Investments Limited.

PJ Golesworthy (52)
BA (Hons) (first class), Accountancy Studies, CA

Independent non-executive director – *appointed to the board 10 June 2010*

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.

RCM Laubscher (59)
BCom (Hons), AMP (Harvard)

Independent non-executive director – *appointed to the board 23 March 2005*
Resigned 21 April 2010

Richard Laubscher holds a legal degree in commerce from the University of the Witwatersrand, an honours degree in finance from the University of South Africa (UNISA), and he attended the advanced management programme at Harvard. He was CEO of Nedcor Ltd for 10 years, and a director of Nedcor and its subsidiaries, as well as Old Mutual (SA) and Old Mutual plc. He currently serves on the boards of several private companies. He resigned from the board in April 2010.

EW Mbuthia (43)
BSc (Eng), MBA (Wits), CPA (Kenya)

Non-executive director – *appointed to the board 31 December 2008*
Resigned 23 August 2010

Eutychus Mbuthia graduated with a degree in electrical engineering from the University of Nairobi (Kenya) and subsequently joined PricewaterhouseCoopers where he qualified as a certified public accountant (CPA). Eutychus completed his MBA studies at the University of the Witwatersrand in 2000, the same year he joined RMB as a private equity transactor. Eutychus currently co-manages RMB Ventures, one of the RMB Private Equity business units and serves on a number of boards/audit committees of RMB Ventures investee companies. He resigned from the board in August 2010.

Board of **directors** continued

From top left:
Louisa Mojela
Neo Mokhesi
Trevor Munday
Dr Peter Ngatane
Garth Solomon

LM Mojela (54)
BCom

Independent non-executive director – *appointed to the board 10 June 2010*

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, DBSA and SCMB.

NV Mokhesi (formerly Sowazi) (49)
BCom

Non-executive director – *appointed to the board 26 May 2005*
Resigned 20 August 2010

Neo Mokhesi graduated from the National University of Lesotho and has studied advanced management at the Wits Business School and at Insead in France. She is divisional executive for marketing and corporate affairs at the Industrial Development Corporation of South Africa and a council member of the National Film and Video Foundation of South Africa and the Tshwane University of Technology in Pretoria. She resigned from the Company in August 2010.

TS Munday (61)
BCom

Lead independent non-executive director – *appointed to the board 10 June 2010*

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 an 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 several JSE listed companies including ABSA Group Limited, Reunert Limited and Illovo Sugar Limited. He is a non-executive director of various Sasol subsidiaries and divisions.

Dr MP Ngatane (56)
BSc, MBChB, FCOG

Independent non-executive director – *appointed to the board 25 July 2007*

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. Peter is the chairman of the South African Boxing Commission and is the medical director of Boxing South Africa. He serves on the board of governors of the World Boxing Council and is the vice-president of the African Boxing Union. He serves as treasurer for the International Planned Parenthood Federation in Nairobi and is a trustee of the Commonwealth Boxing Council based in London.

GC Solomon (44)
BCom, BCompt (Hons), CA(SA)

Non-executive director – *appointed to the board 25 March 2005*

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 a portfolio manager in the Old Mutual Private Equity team and in this capacity serves on the boards of the Tourvest Group (Pty) Limited and Metcash Trading Africa (Pty) Limited. He chairs Life Healthcare's investment committee and serves on the remuneration and human resources committee.

Executive management

Back row from left: Jonathan Lowick, Dr Steve Taylor, Adam Pyle, Roger Hogarth, Peter Scott, Colin Davidson and Chris Redfern.

Front row from left: Fazila Patel, Dr Keith Shongwe, Michael Flemming, Dr Dena van den Bergh, Dr Nilesh Patel.

Michael Flemming (53)
BCom, BJur, BProc, AMP (Harvard)

Managing director
26 years' service
Biography set out under board of directors – page 4.

Roger Hogarth (56)
BAcc (Wits), CA(SA)

Financial director
31 years' service
Biography set out under board of directors – page 4.

Colin Davidson (53)
General manager information management
10 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 general manager information management in 2002 and is responsible for information management strategy and delivery to all lines of business.

Jonathan Lowick (40)
BCom, HDip (Acc), CA(SA)
Advanced Cert in Taxation

General manager strategy and development
13 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 hospital operations, including finance and administration, as well as national credit, patient services and funder management. His last position before his appointment to the executive in April 2009 was that of regional hospital manager: Cape region.

Dr Nilesh Patel (41)
MBBCh, MPhil (cum laude)

General business manager healthcare services
11 years' service

Dr Nilesh Patel has gained extensive clinical and management experience in both the public and private healthcare sectors. He joined Life Healthcare in 1999 as national rehabilitation manager and established the Group's first acute rehabilitation unit. He was managing director of Life Esidimeni from 2007 until his appointment to his current position in 2009. As general business manager healthcare services he is responsible for Life Esidimeni, Life Occupational Health and Life Healthcare's rehabilitation business. Nilesh Patel served as the founding chairperson of the Southern African Neuro-rehabilitation Association from 2005 to 2009.

Adam Pyle (44)
BCom, LLB

General manager marketing
7 years' service

Adam Pyle's responsibilities include investor relations, health policy, funder negotiations, marketing and product development. He has worked in the healthcare industry for several years and was previously marketing director at HealthBridge. He is a director of the Hospital Association of South Africa (HASA).

Chris Redfern (62)
General manager inland region
40 years' service

Chris Redfern joined Afrox in 1971, transferring to the hospital division in 1987, and worked in hospital management before assuming his current portfolio. He now has responsibility for 30 inland hospitals and sameday surgical centres.

Peter Scott (46)
BA

General manager human resources
8 years' service

Peter Scott heads human resources and employee services and is responsible for the Life College of Learning. His experience in human resources has spanned several years in a corporate and consulting environment with organisations that included Accenture (Pty) Limited, Standard Bank Limited and CNA Limited (CNA). Prior to his current position he was human resources director of CNA. He is a director of HASA.

Dr Keith Shongwe (47)
BSc, MBChB, Dip Ed

General business manager health policy
1 year's 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 in his present position include matters relating to the healthcare regulatory environment, health research and economics, and government relations and strategy.

Dr Steve Taylor (53)
MD ChB, FFCM(SA), MMed

General manager coastal region
18 years' service

Dr Steve Taylor has a wealth of healthcare experience both in the public sector where he worked as a public health specialist, and in medicine administration, as a chief medical superintendent. Since joining the Group, he has specialised in hospital management and administration. As general manager: coastal region, Steve is responsible for 26 hospitals.

Dr Dena van den Bergh (48)
BPharm, MSc (Med) EngD

General manager national healthcare functions
27 years' service

Dr Dena van den Bergh has a wide ranging portfolio that encompasses the national nursing services, pharmacy management, pharmaceutical procurement, clinical directorate and quality management systems departments. She is chairperson of the Life College of Learning and of the Life Healthcare Foundation. She is the chair of HASA quality sub-committee and the Best Care ... Always industry wide collaborative quality improvement campaign.

Fazila Patel (42)
BA LLB, Cert Programme in Corporate Governance

Company secretary
4 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.

Chairman's **statement**

Life Healthcare has been operating hospitals for 27 years and 2010 marked the Group's re-listing on the JSE as Life Healthcare Group Holdings Limited. It therefore gives me pleasure to report that the Group recorded a strong performance over the last 12 months. These results bear testimony to the Company's emphasis on operational excellence, achieved through a focus on growth, quality, efficiency and sustainability in all its endeavours.

The initial public offering (IPO) that preceded Life Healthcare's listing resulted in 37.35% of the Company's total issued share capital changing hands. Shares were offered to selected institutional investors, and qualified institutional buyers. Life Healthcare management, staff and supporting doctors subscribed to shares worth R134 million. Offshore investors showed a keen interest and took up 40% of the IPO despite volatile markets preceding the listing.

On 10 June 2010, Life Healthcare listed on the JSE in the Health Care Providers sector. The listing provided selling shareholders with the opportunity to unlock value for their shareholders through the disposal of a portion of their investment in the Group.

One of the most pleasing aspects of the listing was the participation of permanent South African employees in the success of the Group through the Life Healthcare employee trust. This trust enabled these employees to benefit from the Group's growth. Employee trust participation was based on length of service from 2005 and not seniority, thus ensuring fair and equitable reward for the number of years with the Company. Seventy percent of the approximately R470 million was paid out in June 2010 with the balance being paid to employees once the six month lock-in period expires in December. Of the approximately 12 700 employees who are eligible, 61% are historically disadvantaged individuals excluding white women (94% including white women).

Although primarily a provider of acute care, high technology, private hospital services to the medically insured population, our Group has demonstrated, through Life Esidimeni, that public/private partnership (PPP) models are highly effective in addressing some of the country's healthcare challenges. It is imperative to improve access to critical health services including hospital care. Partnerships between government and the private hospital sector with its valuable management expertise, clinical skills and assets could make a significant impact in this respect. We welcome participation with the public sector in establishing parameters which will enable us to participate in addressing healthcare challenges, and are encouraged by recent developments in which the government appears to be more willing to collaborate meaningfully with the private sector. In this regard we look forward to engaging with government on the national health insurance (NHI) proposal recently released by the ANC.

Good corporate governance and sustainability are pivotal to our success. Governance and sustainability have become more complex and regulated with changes to the Companies Act. This report is not only our maiden communication to our shareholders as a public company, but also our first attempt bearing King III requirements in mind. Over the next year

Life Healthcare will concentrate on aspects that have been identified as requiring improvement to achieve optimum sustainability levels.

In June, we welcomed three new independent directors to the board – Louisa Mojela, Peter Golesworthy and Trevor Munday, who is the lead independent non-executive director. Richard Laubscher, Eutychus Mbuthia and Neo Mokhesi stepped down from the board. I would like to thank them for their valuable contribution as directors of Life Healthcare.

Life Healthcare has a dedicated executive management team with a depth of experience. The team's entrepreneurial approach has been instrumental in expanding the Group to the R15 billion organisation it is today. Life Healthcare's reputation for quality healthcare, ethics and integrity in its business dealings is in large measure due to the calibre of its managers. While successfully managing its hospitals and other operations as businesses, Life Healthcare does not compromise the quality of medical care for its patients. Its status as a world class healthcare provider has been earned through the consistent delivery of quality in all its endeavours.

South African healthcare is at a crossroads and Life Healthcare has boldly adapted to the challenges of the past year with flexibility and flair. I am deeply appreciative of the efforts of my fellow directors, the executive team under Michael Flemming's strong leadership, and all the employees, as well as of the support of our other stakeholders. You are responsible for the continued enhancement of this dynamic Group and have helped to secure this set of impressive results.

Professor Jakes Gerwel
Chairman

Managing director's **review**

Life Healthcare extends a warm welcome to our new shareholders. We thank you, and our existing shareholders, for the confidence you have shown in our Group through your investment.

Results

Our Group's 2010 financial results reflect significant growth, with all our businesses contributing to Group profits. Revenue increased by 10.8% to R8 786 million, while operating profit was up 20.1% to R1 867 million. This strong overall performance resulted from organic growth through the expansion of existing facilities, investment of capital in new facilities and technologies, and operational efficiencies leveraged across the Group.

Increased hospital admissions

Life Healthcare's robust results reflect the increasing demand for private medical treatment in South Africa. Our hospital occupancies have been boosted by a growing, affluent but ageing middle class population with medical insurance, a high disease burden and constraints within the public healthcare system.

There is a correlation between higher hospital occupancies and medical scheme membership, which has grown from 6.7 million in 2004 to over 8 million in 2010. The introduction of the Government Employees Medical Aid Scheme (GEMS) has made private health insurance more affordable to government employees, which led to a significant expansion in private health insurance membership. Our hospital occupancies have also risen due to our leadership position in preferred network agreements with medical aid schemes, which offer financial incentives for members to use our facilities. In addition, South Africa's sustained economic growth has resulted in a growing middle class with more citizens opting for private healthcare, especially in view of the current constraints within the public healthcare sector.

Expanding our horizons

This past year we have focused on growth, quality, efficiency and sustainability.

Hospital division

We increased the number of registered hospital beds to 8 322 (including associates).

Acute care hospitals

In November 2009 we opened the Life Beacon Bay Hospital in East London and the Life Orthopaedic Hospital in Cape Town. Furthermore we acquired the Life Bay View Private Hospital in Mossel Bay. These hospitals, together with the new cardiac unit and additional 55 beds at Life St George's Hospital in Port Elizabeth, as well as other facility and services expansions, will enhance our revenue in the coming year.

Acute rehabilitation

A number of our rehabilitation units were expanded during the year. Additional adult beds were incorporated at Life St Dominic's Hospital in East London and a dedicated acute paediatric rehabilitation facility with 10 beds was opened at Life New Kensington Clinic in Johannesburg. Application has been made for a licence for the establishment of a 50 bed rehabilitation unit in the Western

Cape. This unit will incorporate a dedicated 10 bed paediatric facility. Responding to the demand for inpatient orthopaedic and pulmonary rehabilitation, these services were incorporated into our rehabilitation product range.

Acute mental healthcare

Scarcity of acute mental healthcare facilities in South Africa has presented an opportunity for us to expand our network in this field and to increase the number of beds in existing facilities. A new 20 bed facility opened at Life New Kensington Clinic at the beginning of the year, while the new bed facility at Life The Glynnwood in Benoni is due to open in March 2011.

Renal dialysis

Our Group's fourth renal dialysis unit opened at Life St James Hospital in East London in 2009, bringing the number of dialysis stations to 40. A fifth unit will be opening at Life Mercantile Hospital in Port Elizabeth in January 2011.

Healthcare services division

Life Esidimeni

Life Esidimeni continues to explore opportunities for clinical healthcare delivery public/private partnerships (PPPs) with government. Contracts for the operation of the Conradie Care Centre and Siyathuthuka Care Centre were extended to the end of April 2011 and May 2011, respectively.

Life Occupational Health

Stabilisation of the economy and new business growth resulted in increased demand for our occupational health services. Some contracts, lost in 2009 due to the depressed economy, have been re-instated in 2010. We expanded our presence in the mining sector through new contracts with mines in the Northern Cape and Mpumalanga. Our focus over the past year to increase the number of national clients has paid off, with a number of such new contracts having been secured this year. The Transnet Rail Engineering contract, for example, required the establishment of 10 additional clinics.

To add value to our occupational and primary health services, we offer personal protective equipment to our existing clients, as well as a range of branded vitamins to enhance the well-being of HIV positive and other individuals treated at our clients' on-site clinics.

Growth

We continue to extend the boundaries in our growth strategies and have ambitious yet realistic goals for

Managing director's review continued

the next three to five years. Already a leading provider of high quality, cost effective healthcare in South Africa, Life Healthcare aims to establish itself similarly in other selected offshore emerging markets. We will grow the capacity of our existing facilities to meet increased demand and to enhance profitability while remaining competitive. Capital expenditure of R600 million excluding new acquisitions has been allocated for 2011 to achieve our growth, quality, efficiency and sustainability strategies and to provide facilities and technology to attract specialists, healthcare professionals and, of course, our patients.

Increased admissions in all our hospitals have encouraged us to expand the geographic reach of our coverage in the acute care hospital sector. Over the next two to three years, we intend to increase our bed numbers by approximately 800. This will be achieved by:

- selected acquisitions
- expansion of existing facilities
- new lines of business, and
- construction of new facilities.

We are exploring opportunities to create niches in fields such as mental health, renal dialysis, acute rehabilitation, frail care and treatment for tuberculosis.

In support of our plans for international expansion, our Group has formed a strategic partnership with the International Finance Corporation (IFC), a member of the World Bank Group, to encourage investment between emerging market countries. We intend to access markets where we have identified the scale and financial resources to drive demand for private hospital services and where we can leverage our skills.

Quality and clinical governance

The quality management programme we introduced into our operations a number of years ago has developed into a comprehensive, consistently applied and measured endeavour for which our Group has received international recognition. It is important that our quality programme focuses on our patients' experience of the service we provide them, on health and safety issues affecting them, as well as on the clinical excellence we demonstrate in caring for them. In the latter respect, we continually explore ways of improving our clinical interventions, adopting and benchmarking ourselves against international best practices, with the ultimate aim of enhancing patient outcomes.

Our Group is a key role player in expanding the quality improvements that we have implemented in our hospitals to the industry at large, including the Department of Health, and is a leading force in the industry wide collaborative initiative, Best Care … Always. Through HASA we have participated in developing revised quality standards for health institutions countrywide.

Operational efficiencies

Life Healthcare hospitals face above inflation escalations in health professional salaries as well as electricity and other utilities' costs, which impact our profit margins. In an effort to safeguard profitability while continuing to provide quality care, we have reviewed all our financial structures and obligations, streamlined our operational activities and standardised our accounting processes. Benefits derived from our critical review of efficiencies in theatre, appropriate medication formularies and usage, stock classification, and staffing models – to name a few – have achieved a sustainable culture of performance, productivity, and efficiency.

For the past four years Life Healthcare has maintained its international ISO 27001 ISMS (information security management system) certification. Significant investment in information management has improved the patient experience as well as the quality and efficacy of information used in key decision making. Our systems have enabled the provision of significant strategic information to our business processes and enhanced our management of key business areas.

Our updated information management system, being phased in over five years, is assisting the hospitals with quicker and more efficient admissions and superior patient case management, while modules that will be implemented in coming years will also enhance billing, credit management and infection control. The judicious management of skills allocation through a system that assesses the number and condition of patients in a ward, and then ascertains the appropriate skills and number of nursing staff required, ensures the most efficient use of our healthcare professionals. This is further enhanced by our initiative to free nursing staff from administrative duties, enabling them to focus on patient care.

Sustainability

Healthcare regulatory environment

The problems and challenges facing South Africa are many and varied. Affordability of healthcare provision has become a global phenomenon and South Africa is not alone in facing this. What makes our situation more complicated is the severity of our disease burden. As a result, implementation of the Department of Health's 10 point plan to improve the quality of healthcare for all South Africans, has assumed a greater urgency. Life Healthcare has appointed Dr Keith Shongwe as general business manager health policy, to liaise with government in matters relating to the healthcare regulatory environment, health research and economics, and government relations and strategy.

National health insurance (NHI)

In September 2010, the ANC announced their plans to phase in NHI over 14 years, with 2012 as the starting point. At the core of NHI will be primary healthcare, as the first point of entry into the health system. Roll-out is initially intended in the seriously underserviced areas where people have difficulty accessing healthcare.

At the time of the announcement of the NHI, the private sector had been afforded minimal opportunity to assist in the planning for this extremely complex endeavour. We look forward to receiving clarification of the process, so that we can contribute positively to the development of a model and address existing challenges that will significantly impact NHI, such as the shortage of medical professionals and resources in the country.

For many years Life Healthcare has proved, through Life Esidimeni, that we are proficient at providing affordable healthcare to the low income sector. Affordability and cost containment are attained through good primary healthcare and ensuring that patients access health services at the correct level. We hope for an inclusive process which will enable us to engage with the state and other stakeholders in a spirit of co-operation, to work towards constructive solutions in ensuring an NHI that is appropriate to South African needs and conditions.

National health reference price list (NHRPL)

In 2007, the Department of Health provided pricing guidelines for the establishment of a reference tariff set out in the NHRPL based on current costs, reasonable returns on capital invested, and spread over current occupancies. These tariffs were to be established as a combined approach by business and the Department of Health, and would facilitate competition and the entry of new participants into the industry.

To ensure a fair and accurate NHRPL process, the private hospital industry commissioned Deloitte to collate data and to maintain confidentiality between the various participants. The exercise proved useful in that it established the basic cost of services provided, highlighted any cross-subsidies between services, and identified areas where services under recovered costs.

It also emphasised the fixed cost element of the private hospital business and therefore the need to plan and ensure that facilities were able to maintain minimum levels of occupancy.

Unfortunately no agreement was reached with the Department of Health, and as a result the published 2009 tariffs and the 2007 regulations were rescinded by High Court order.

We will continue to update and maintain the costing model to assist us in any future price negotiations.

Shortage of doctors and other healthcare professionals

It is of national concern that insufficient doctors are qualifying to serve the healthcare needs of the country. The shortage of doctors in South Africa in both the public and private sectors, coupled with the long development lead time for specialists in particular, will impact the future quality of healthcare. According to research done by Econex there are approximately 27 400 general practitioners and specialists practising in South Africa. This is much lower than the often quoted number of 36 912 doctors, which fails to take into account doctors who are still registered but do not practise for a variety of reasons. This equates to a ratio of 0.55 doctors per 1 000 people compared to 2.1 in the UK, 2.7 in the USA and 1.7 in Brazil (WHO 2008 figures).

In addressing skills shortages, Life Healthcare has a clinical directorate comprising doctors who are tasked with improving access to academic institutions with an emphasis on fields such as cardiology, neurosurgery, internal medicine, orthopaedic surgery and paediatrics. We are keen to partner with academic institutions to address the current lack of capacity for doctor education at recognised institutions. We currently sponsor a fellowship for gastroenterology at the Pretoria Academic Hospital and trainee cardiologists at both the University of the Witwatersrand and University of Cape Town.

Of equal concern for South Africa is the shortage of nurses as well as pharmacists. Demand for nursing services corresponds with demand for hospital beds and our Group has been successful in attracting and retaining nurses of a high calibre. The Life College of Learning with its geographical spread of 10 learning centres and our national network of acute care hospitals, position us ideally to train and develop nurses. Our Group's pharmacy management services resource development programme focuses on the training of pharmacist interns and pharmacist assistants in conjunction with eight South African universities.

Managing director's review continued

Business stakeholder relationships

Specialists

Although the doctors – mainly specialists – who work in Life Healthcare's hospitals are clinically independent from our Group, they play a strong consultative role in the operation of our hospitals through participation in our medical advisory committees and/or hospital boards. Our supporting doctors have contributed meaningfully to the success of our quality initiatives and business efficiency projects. In return Life Healthcare ensures that our medical professionals are supported with quality personnel, facilities, technology and equipment in the treatment of their patients in our hospitals.

At Company level, Life Healthcare has provided investment opportunities for doctors, and they currently own a 5.9% shareholding in the Group. Doctors have also purchased shares in certain hospitals, aligning their interests with those of the Group.

As a support to both doctors and line managers our clinical directorate safeguards professional conduct and standards and monitors procedures to ensure best practices are followed.

Private medical insurers

Our commitment to providing world class quality and cost effective healthcare is underpinned by our strategy to make healthcare accessible to all sectors of the private insurance market.

Life Healthcare is the leading hospital provider to private insurers for preferred network agreements, under which patients are either encouraged or restricted to use our Group's hospitals rather than other healthcare facilities. Due to our ability to contain hospital costs without comprising quality of care, we have maintained strong relations with the medical insurers.

Life Healthcare has initiated innovative models to ensure that our pricing structures are current, appropriate and accurate. Through information sharing and co-operative relations with medical schemes, we have introduced alternative reimbursement models (ARMs), changing our billing systems and fee structures. These models consist of a mix of *per diems*, fixed fees and diagnostic related groupings (DRGs) that commit Life Healthcare to managing and containing costs, and passing on a portion of the savings from such cost containment to the private medical insurers.

Government

Life Healthcare is committed to building a better South Africa by improving healthcare in the country. The Group has, through Life Esidimeni, maintained a long standing PPP with the government in providing quality long term healthcare services to indigent patients. Our Group is also in partnership with the Eastern Cape Department of Health and an empowerment partner in Life Isivivana Hospital in Humansdorp.

Corporate social investment

Sustainable corporate social investment is an inherent component of our business ethos and is aligned to our long term objectives. In August 2010, the three week strike action by nurses from the National Health and Allied Workers Union (NEHAWU) led to widespread shutdowns of state clinics and hospitals. In total 109 patients, most of them in dire need of specialised medical care, were admitted to various Life Healthcare facilities. Several state paediatric patients were admitted to Life Esidimeni's Matikwana Hospital, a PPP district facility near Hazyview, while other Life Esidimeni facilities admitted mental health and other long term patients from state hospitals affected by striking healthcare workers.

Our own private hospitals were in no way affected by the public sector strike. I applaud the compassion shown to these patients by our nurses and supporting doctors during the strike action. This generosity of spirit is evidenced in many examples of services rendered in our community outreach projects (see page 40 to 41).

In another public sector outreach, Life Healthcare responded to the call to support the government's national campaign to have 15 million citizens counselled on, and tested for, HIV and screened for other chronic conditions by June 2011. Capitalising on our ability to access employed but medically uninsured people, we are engaged in free counselling, testing and screening services at more than 50 of our occupational health sites and also at a number of our hospitals.

Looking ahead

Key to our continued success is the ability to adapt to a changing healthcare environment and explore innovative methods of healthcare delivery to ensure sustainability. It is premature to predict the effect the planned NHI will have on the private sector. We await clarity from the government on the role of private healthcare providers in this initiative. We are confident of our ability to make a meaningful contribution both to NHI and the country as a whole.

In particular, we can share expertise with the public sector in providing management, systems and administrative support; by training healthcare professionals and partnering in addressing issues such as skills shortages;

by reducing waiting lists of patients requiring elective surgery; and by establishing clinical quality benchmarks and understanding disease patterns. We are committed to broadening access to healthcare for low income groups and to making a positive impact on people's lives across the spectrum of society. Our outreach to government continues.

Skills development is essential to the country's sustainability. Training of nurses and pharmacists remains a priority to mitigate the skills shortages in meeting the needs of doctors and patients, and to ensure continuity of high quality patient care. In striving to attain our strategic objectives, we remain committed to investing in the further education, development and well-being of all our employees.

We will continue to focus on our growth objectives in South Africa and in selected offshore emerging markets.

To enhance performance, productivity and best practices throughout the Group we will pursue our quality management and clinical governance strategies, aiming to maintain and exceed internationally accepted standards of care. In promoting affordability and accessibility we will continue to focus on cost containment and business efficiencies.

Life Healthcare has a consistent strategy, a disciplined framework, and exciting opportunities for sustainable growth. Aligned to our growth, quality, efficiency and sustainability objectives and our vision of providing world class healthcare for all, we will adhere to the ethics for which Life Healthcare is renowned. I look forward to 2011, confident that we will once again add value for our shareholders.

Acknowledgments

This year we welcomed Dr Keith Shongwe to our executive management team. We believe his extensive experience in clinical and government matters will broaden our expertise.

Two changes to the executive team are Dr Dena van den Bergh, general manager national healthcare functions, who resigned after 27 years of service, and Dr Steve Taylor, general manager coastal region who has stepped off the executive team but will remain within the Group as medical director. I thank them for their effort and contribution to executive management over the years.

Our corporate activities intensified during the year with the share offering and subsequent listing on the JSE, and I would like to thank the board for their guidance and resolute support of management during this time.

Life Healthcare employees across all of our operations have shown dedication, often beyond the call of duty. Our financial results and the progress we have made in expanding our Group are evidence of every individual's contribution to the Company. We are also indebted to the healthcare professionals, patients and suppliers who support and strengthen our endeavours. Thank you to all of them.

Michael Flemming
Managing director

Financial director's **review**

Life Healthcare performed well during the period under review and is in a healthy financial position to deliver on its strategic objectives. This review of the operating performance, the financial position of the Group, and the listing on the JSE, should be read in conjunction with the audited consolidated financial statements for the year ended 30 September 2010 presented on pages 66 to 177.

Trading results and cash generated

We continue to invest in our facilities to ensure that they meet the demand for services and are abreast of modern technology and standards. During 2010, Life Healthcare invested R813 million (2009: R603 million) comprising capital projects of R516 million (2009: R551 million) and acquisitions of R297 million (2009: R52 million). A further R600 million has been allocated for capital projects, excluding acquisitions, in the 2011 financial year.

The increase in medical scheme members, the Group's share of preferred network members and the age and disease profile in South Africa continued to drive the growth in demand for hospital services. Hospital volumes as measured by paid patient days (PPDs) increased through organic growth in existing facilities, expansions and upgrades at selected facilities, and the acquisition of Life Bay View Private Hospital.

PPDs increased by 2.5% contributing to a 10.8% growth in revenue to R8 786 million.

The containment of costs is one of our strategic objectives to ensure the affordability and sustainability of healthcare services. Life Healthcare has a number of productivity and efficiency programmes aimed at eliminating unnecessary costs without affecting the quality of our services. These initiatives use technology to streamline processes, leverage capabilities and optimise product usage. Case mix and acuity are monitored to facilitate better staffing levels and improve utilisation of resources. While the hospitals have expanded with increased bed capacity, occupancies, which are important to operating efficiencies, have been sustained. The partnership with private medical insurers continues, and through our preferred network agreements we service a large portion of this market which has contributed to occupancy levels.

Cost control combined with healthy occupancies boosted normalised EBITDA, a key measure of the trading results, by 14.8% from R1 893 million to R2 173 million. Operating profit before taxation increased by 20.1% to R1 867 million (2009: R1 555 million) after amortisation of intangibles of R122 million (2009: R123 million) and retirement benefit surpluses of R105 million (2009: R16 million). The intangibles are being amortised over a maximum period of 15 years.

	2010 R'm	%	2009 R'm
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%

The business generated healthy cash flows. The 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).

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 new investors. These transactions had the following effect:

	Share capital and share premium	Distri-butable 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 in the current financial year of R61 million (2009: R25 million).

Through Health Strategic Investments (HSI) the empowerment shareholders, Brimstone Investment Corporation Limited and Mvelaphanda Group Limited, will unbundle 277 million shares to their respective shareholders in December 2010.

Financial director's **review** continued

The following charges and taxes have affected the earnings and headline earnings. The table below reconciles the impact on earnings.

	30 September 2010 R'm	%	30 September 2009 R'm
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 costs	17		–
Impairment of intangible assets	–		9
Profit on disposal of businesses	(9)		(1)
Normalised earnings	954	26.2	755
Normalised earnings per share	92.7	26.1	73.5

Statement of 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 has hedged its exposure to interest rate movements through an interest rate swap taken out on 22 September 2009, which fixed the interest rate on R750 million at 7.61% until February 2011 and a further R750 million at 8.18% until February 2012.

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

Ratio	As calculated	Covenant
Total interest cover ratio (times)	5.69	3.00 (minimum)
Net debt to EBITDA ratio	0.92	3.00 (maximum)

Dividends

A dividend of R290 million was paid in December 2009 in respect of the previous financial year. Due to the sound results and healthy cash flows, after the IPO, the board declared an interim dividend on 11 July 2010 of 23 cents per share amounting to R240 million.

The board of directors has reviewed the dividend policy and timing of dividend payments and has approved a dividend cover between 1.75 and 2.75 times. The directors have declared a final cash dividend of 29 cents per share amounting to R302 million.

Roger Hogarth
Financial director

Growth 1

A competitive strength

Life Group
HEALTH CARE

Making life better

The R80 million Life Orthopaedic Hospital opened in November 2009 on the premises of Life Vincent Pallotti Hospital in Cape Town, and offers eight orthopaedic super-specialist disciplines.

Below: Life Rehabilitation expanded its capacity for paediatric rehabilitation when the second such 10 bed dedicated unit opened at Life New Kensington Clinic in Johannesburg.

Growth

Infrastructure expansion and organic growth

Life Healthcare has grown from four hospitals in 1983, to our current portfolio of 63 acute care hospitals (of which 56 are majority owned by Life Healthcare and another seven in which the Group holds substantial minority ownership) with a total of 8 322 registered beds. In addition we have expanded into occupational healthcare, and have developed this business to its current market leadership position. Our Group's acquisition of Life Esidimeni has also positioned us as the leader in healthcare public/private partnerships.

Changing market conditions have dictated different strategies over time and our adaptability has proved successful in ensuring sustainable growth for our organisation. This growth is being achieved in the following ways:

Capacity expansion within existing facilities

We will add capacity to existing facilities through targeted brownfield expansion plans. This growth is generally lower risk, offering higher returns. Life Healthcare has a significant number of projects as well as licences for use over the next three years.

The addition of new lines of business

We are actively pursuing our strategy of growing the niche markets of mental health, acute rehabilitation and chronic renal dialysis, and we have a strong pipeline of brownfield expansions, new buildings and acquisitions in these niche areas.

Construction of hospitals in certain greenfield projects

By 2013, we plan to have constructed an additional acute care hospital, two additional mental health facilities and one new acute rehabilitation facility.

Acquisitions

We will continue to capitalise on opportunities to acquire facilities that will complement and extend our footprint in acute hospitals, acute rehabilitation and mental health.

Offshore expansion

Life Healthcare is exploring expansion opportunities in selected emerging market geographies. Markets that we are investigating demonstrate the key ingredients of size, high growth rates of GDP and health expenditure, a growing middle class and fragmented or under supplied private and public healthcare delivery systems. Markets with these attributes are suitable to leverage our expertise to extend healthcare to a wider community.

Investment

Capital expenditure and investments for the year amounted to R813 million, with another R600 million earmarked for organic and greenfield growth in 2011. This investment is one component in our strategy to meet and exceed the expectations of medical schemes, our supporting medical professionals and patients.

During the year, capital investment projects included the following:

Acquisitions

> The acquisition in June 2010, of the 108 bed Life Bay View Private Hospital in Mossel Bay with its six theatres, a cardiac unit including a cardiac catheterisation

laboratory, and providing a broad and comprehensive range of high technology services including cardiology, cardiac surgery and orthopaedics.

Capacity expansion within existing facilities

> The opening in November 2009, of a new cardiac unit at Life St George's Hospital in Port Elizabeth together with the expansion of the facility by 55 additional beds at a total cost of R90 million.
> A new 46 bed ICU opened at Life Wilgers Hospital, Pretoria in October 2009. A project to add additional theatre capacity, including a new hybrid vascular theatre, and general bed capacity commenced during 2010 and will be completed in 2011.

> At Life Mercantile Hospital in Port Elizabeth, an upgrade of the maternity unit, neonatal intensive care unit (NICU) and pharmacy was completed. The accident and emergency unit will be upgraded in 2011.
> Life Mount Edgecombe Hospital in Durban expanded with 17 new beds.
> Additions to general wards at Life Suikerbosrand Clinic in Heidelberg and Life Queenstown Private Hospital were completed in September 2010.
> Additional doctors' suites were completed at Life Brenthurst Clinic in Johannesburg.
> Our acute rehabilitation capacity was increased by 28 beds through projects undertaken at a number of Life Rehabilitation units. This includes 10 dedicated paediatric rehabilitation beds.

Construction of new facilities

> The 135 bed Life Beacon Bay Hospital became operational in November 2009, and helps to cater for the demand for private hospital care in East London. The demand has grown to such an extent that we have already submitted a new application for expansions at this hospital.
> The new R80 million Life Orthopaedic Hospital, constructed on the premises of Life Vincent Pallotti in Cape Town, opened in November 2009 with four theatres and 41 beds, catering for eight orthopaedic super-specialist disciplines. This facility is supported by 16 orthopaedic surgeons.

Current projects include the following:

New lines of business and repositioning of facilities

> Development of a R43 million, 80 bed mental health unit at Life The Glynnwood in Benoni which is due for completion in March 2011, as well as a R45 million 80 bed mental health facility at Nazareth House, adjacent to Life Entabeni Hospital in Durban. These new units will significantly expand our mental health network.
> Life Faerie Glen Hospital in Pretoria is being repositioned as a specialised orthopaedic hospital. Five new orthopaedic surgeons have joined the hospital and appropriate renovations are in progress to position this facility as a centre of excellence in this discipline.
> Life Gaborone Hospital in Botswana is being repositioned.

Growth continued

- The establishment of 50 medical and 50 step-down beds at Life East London Private Hospital in East London.
- The building of a 48 bed step-down unit at Life St Mary's Private Hospital in Mthatha.
- A 20 bed mental healthcare unit opened at Life New Kensington Clinic.

Capacity expansion within existing facilities

- In East London the relocation of the cardiac unit from Life East London Private Hospital to Life St Dominic's Hospital, and increased general medical bed and ICU capacity at Life St Dominic's at a total cost of R38 million.
- A R15 million expansion continues at Life Westville Hospital to develop a new level 1 trauma and emergency unit.
- New consulting rooms and upgrading of the maternity unit at Life Wilgeheuwel Hospital on the West Rand continues, following on the opening of an eight bed ICU in 2010.
- Life St Mary's Hospital in Mthatha is expanding by 27 medical beds.
- Life Cosmos Hospital in Witbank will increase its ICU and maternity capacity.
- Life Carstenhof Clinic in Midrand will upgrade its eight bed ICU.
- Construction of a R55 million new theatre complex and 33 additional beds including increased ICU capacity has commenced at Life Eugene Marais Hospital in Pretoria.

Construction of new facilities

- In a partnership with local doctors, construction of a new 45 bed hospital in Piet Retief started in November 2010.
- The Group's fifth renal unit, with 20 stations, is due to open in 2011 at Life Mercantile Hospital in Port Elizabeth.

Quality 2

Driving world class
healthcare in South Africa

Life HEALTHCARE Group

Making life better

World class clinical care and a patient-centric approach are key components of Life Healthcare's approach to quality hospital care.

Below: Life Healthcare's comprehensive, well entrenched infection prevention programme is aligned to evidence based international best practices.

Quality and clinical **governance**

Quality is one of Life Healthcare's core values and a key business strategy. Life Healthcare is the only healthcare organisation in southern Africa to have achieved multi-site ISO 9001:2008 certification. All hospitals have met the criteria based on ongoing internal audits as well as surveillance audits conducted by an independent ISO certification agent. This accreditation confirms Life Healthcare's standing as a world class provider of quality healthcare.

The need to improve the overall healthcare delivery system in South Africa is well recognised and has called for a new approach to collaboration among all role players. With this in mind, Life Healthcare is participating in an industry quality initiative called Best Care … Always. This includes strategic and hands-on interaction with the Department of Health in addressing challenges in healthcare delivery.

Quality management system

The Life Healthcare quality management system is sustainable and consistent across all hospitals. It is based on a factual assessment through ongoing management and measurement. Hospitals are assessed on their overall quality management, leadership responsibilities, and quality aspects in the nursing, pharmacy, patient services and engineering departments. Results are benchmarked across the Group and form part of the performance management of senior hospital leaders. Stringent criteria promote compliance with procedures.

We have established a balance between clinical excellence (health) and patient experience (care). Clinical excellence (iQ) ensures that patients receive world class clinical care. This is balanced against the patient experience (Q^e) which addresses the needs of patients and their families including emotional support, communication, physical facilities, services rendered by outsourced service providers and billing accuracy.

Quality scorecard

The five key aspects that the quality scorecard measures consistently across all hospitals and consolidates monthly include:

> patient/customer satisfaction (CSF)
> quality management system
> patient health and safety
> employee health and safety, and
> clinical outcomes improvements benchmarked against international best practice.

The scorecard reflecting the Group average (shown below) focuses attention and effort on continual improvement in a manner that is measurable and quantifiable.

Measure	FY2010	FY2009	Target FY2010
Patient/customer relations			
Net promoter score	94.6%	93.9%	All hospitals over 90%
CSF score	98.04%	97.83%	
Health and safety measures			
Patient incident rate	4.27 per 1 000 PPDs	4.27 per 1 000 PPDs	5.5 per 1 000 PPDs
Employee incident rate	7.25 per 200 000 labour hours	7.99 per 200 000 labour hours	8.4 per 200 000 labour hours
Total incident rate (excluding employee incidents)	5.82 per 1 000 PPDs	5.32 per 1 000 PPDs	* Total incidents = patient, property and environment and external stakeholders
Clinical outcomes			
Infection prevention rates – outcomes measures			
HAIs (healthcare associated infections)	1.06	1.30	–
VAP (ventilator associated pneumonia)	8.81	11.51	10.0 per 1 000 VAP days
SSI (surgical site infection)	1.26	2.05	1.2 per 1 000 theatre cases
CLABSI (central line associated bloodstream infection)	2.55	3.73	Canadian goal from average of 5 to < 1.9 CR-BSI per 1 000 CL days
CAUTI (catheter associated urinary tract infection)	2.25	2.57	–

Quality and clinical governance continued

Clinical excellence (iQ)

Life Healthcare's clinical excellence focuses on the following areas:

> Ensuring that clinical care is provided by appropriately qualified and registered practitioners.
> Continuously monitoring and evaluating patients' clinical care.
> Conducting regular internal and external clinical care audits.
> Implementing evidence based clinical quality practised to improve patient outcome.
> Systematically collecting and analysing Group wide data on patient visits, hospital stays and outcomes to determine changes and trends.

Clinical outcomes improvement

Working with our doctors, we have identified proven interventions and we measure our compliance to international evidence based practices of the Institute for Healthcare Improvement 100K Lives campaign, Canadian Safer Healthcare Now work, the American Alliance for Cardiac Care Excellence and the World Health Organisation World Alliance for Patient Safety.

Prevention of healthcare associated infections (HAIs)

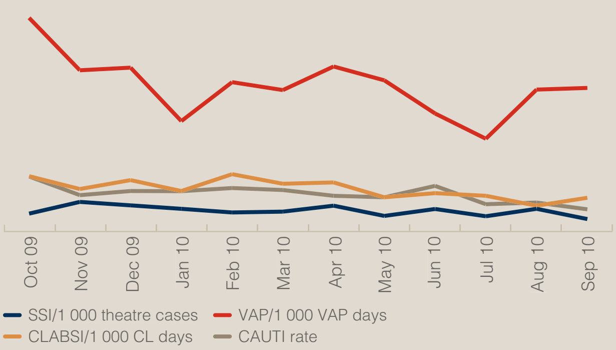
According to the WHO patient safety initiative, healthcare associated infections (HAIs) remain the most frequent, costly and life threatening adverse event in healthcare facilities. Life Healthcare's infection prevention and risk management department is involved in all aspects of the business including nursing, education, procurement, hospital services, operating theatres, sterile services, clinical and general engineering, renovations and new construction as well as occupational health.

In the USA recent estimates suggest there are approximately 4.5 infections per 100 admissions. In reducing the incidence of HAIs, Life Healthcare has had excellent results in the following fields after having adopted a 'bundled' approach (see graphs for results):

> Ventilator associated pneumonia (VAP)
> Central line associated bloodstream infection (CLABSI)
> Surgical site infection (SSI)
> Catheter-associated urinary tract infection (CAUTI)

A 'bundle' is an evidence based, well researched intervention implemented together for all patients, and has been proved to reduce infections.

Infection rates



Cardiac excellence project

Life Healthcare embarked on the process of identifying proven interventions which reduce morbidity and mortality in patients with acute myocardial infarction (AMI). Together with our supporting doctors, we started measuring our compliance to these evidence based practices. As with our infection related clinical outcomes improvement campaigns, our cardiac excellence initiative has as its foundation the work done by the Institute of Healthcare Improvement (IHI), Canadian Safer Healthcare Now AMI campaigns and the American Alliance for Cardiac Care Excellence (ACE). These are based on leading healthcare organisations partnering with international cardiologists to ensure that every hospitalised patient suffering from acute myocardial infarction receives the right care, at the right time, every time. We acknowledge the significant support and contribution of these organisations.

The following components of care form part of our cardiac excellence project:

> Early administration of aspirin on arrival.
> Timely initiation of re-perfusion (restoring blood flow to the cardiac muscle by thrombolytic therapy and/or coronary intervention).
> Administration of ACE inhibitors or angiotensin receptor blockers (ARBs) to improve cardiac function.
> Administration of beta-blockers to improve cardiac function.
> Prescription of aspirin at discharge to prevent further blood clot formation.
> Prescription of statins at discharge to reduce high cholesterol levels.
> Education on cessation of smoking at discharge.

Life Healthcare has implemented these specified components of care at our hospitals with dedicated cardiac units. We are measuring compliance on an ongoing basis. Results have been heartening, showing reduced mortality rates for our patients.

Q^e – Patient experience

Patient satisfaction

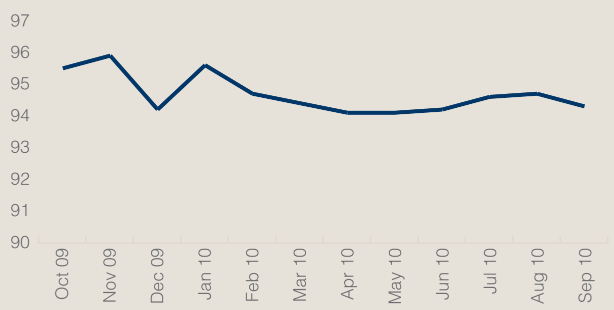
To obtain accurate and reliable feedback on patients' perceptions of the quality of our hospital care, Life Healthcare measures patient satisfaction through a Q-evaluator, an interactive electronic patient monitoring and feedback system adopted from international customer loyalty measurement trends. This measures our patients' perception of a number of service aspects specific to individual departments and units within our hospitals, and enables management to gauge service levels. On average the Group receives more than 1.2 million responses per year on this system which means that each patient averages two opportunities to provide feedback during hospitalisation. The overall patient feedback score for 2010 was 98.03%.

This system is supported by a manual comment card process that patients utilise to provide qualitative feedback and comments. During the year over 185 000 cards were returned and 94.2% of these cards contained positive comments. Complaints are treated as a priority for quick resolution and the opportunity to ensure our patients' ultimate satisfaction.

Net promoter score

Life Healthcare uses this as the overall measure of customer satisfaction. This loyalty measurement is based on a single question: *"How likely is it that you would recommend this Company to a friend or colleague?"* A customer response indicating a high likelihood of recommending the Company is indicative of a patient whose needs and requirements have been met and such a patient is known as a promoter. A patient who is undecided or unlikely to recommend Life Healthcare is a detractor, and the score is calculated by subtracting the detractors from the promoters.

Net promoter score



Patient health and safety measures

All patient incidents are reported and fully investigated by responsible managers. Remedial action is implemented to avoid recurrence of similar incidents in other units. Incidents are recorded on an electronic reporting system and are categorised by type, business unit and department in which the incident occurred. Detailed statistics are recorded and analysed through the use of a sophisticated electronic tracking system implemented throughout the Group's hospitals. This allows for trending, a factual approach to decision making, and the implementation of preventive measures.

The overall patient incident rate is measured as a ratio of the number of incidents per 1 000 paid patient days (PPDs). Two internationally accepted high risk areas receive specific and ongoing management attention in all hospitals. These are medication incidents and slips and falls.

Measure per 1 000 PPDs	FY2010	FY2009	FY2008
Patient incident rate	4.27	4.27	5.5
Medication rate	2.00	2.02	2.2
Slips and falls rate	0.71	0.69	1.2

Quality and clinical governance continued

Patient incidents

The overall patient incident rate has decreased from 5.5 per 1 000 PPDs in 2008 to 4.27 in 2009. During the financial year under review the rate remained flat at 4.27. This unchanged rate is partly due to a continued effort in the Group to encourage 100% reporting of incidents.

Medication incidents

The overall medication incident rate has decreased to 2.00 per 1 000 PPDs from 2.2 in 2008. Life Healthcare continues to review these incidents and involves nursing and pharmacy staff, quality specialists and doctors in training to mitigate this risk.

Managing slips and falls

Globally hospitals report that patient slips and falls are the most common and serious injuries in hospitals. Our nurses identify high risk patients during the admission process and include preventive measures in the care plans for these patients. This approach has contributed to the reduction in slips and falls from 1.2 per 1 000 PPDs in 2008 to 0.71 in 2010.

Safety, health and the environment

Employee health and safety

Employees identify and report potential hazardous conditions through an alert process which addresses potential hazards. Trends are monitored to highlight possible new risks requiring mitigation. Various risk assessments are completed on all pathogens that may cause disease and to which staff may be exposed. Risks are mitigated in various ways, for example by the use of personal protective equipment or isolation facilities, various infection control precautionary measures, vaccines or prophylactic treatment.

Trained incident investigators investigate and report all occupational health and safety incidents to determine their root causes. Corrective actions are implemented to address the cause and prevent the recurrence of similar incidents. Incident trends are monitored throughout the Group.

All new employees receive quality induction and training in safety awareness as well as infection prevention and control. Some employees also act as safety representatives and link nurses reporting to occupational health and safety and infection control committees each month.

Continued safety awareness training and campaigns at operational levels have resulted in a reduction of incidents since 2007. Employees are monitored for occupational exposures such as radiation and are screened for tuberculosis (TB) and for latex allergies. In 2010, measles, H1N1 and seasonal influenza vaccinations were offered to all frontline healthcare workers.

Employee health and safety

Measure (per 200 000 hours)	FY2010	FY2009	FY2008
Employee incident rate	7.25	7.99	8.4

The year on year reduction in employee incidents has been attained by focusing on specific high risk areas which include employee slips and falls and needle stick injuries, as well as on continued safety awareness campaigns and training.

Clinical engineering

Life Healthcare's clinical engineers are responsible for the maintenance of all clinical equipment. Employees who will operate the equipment are appropriately trained and their competency assessed to ensure safe handling. Annual audits ensure adherence to and compliance with safety standards. The Group ascribes to the Engineering and Construction Risk Institute (ECRI) philosophy, unless the manufacturer's recommendations are more stringent. Our clinical engineers are actively involved in the Clinical Engineering Association of South Africa (CEASA) and participate in the SA Federation of Hospital Engineers' programmes.

Environment

Life Healthcare is classified as a low impact organisation in environmental terms. However, we acknowledge the impact of our activities on the environment and bear responsibility for the environmental, health and safety consequences of our medical services. Our environmental obligations are managed through regular safety, health, environment and quality audits and the reviewing of environmental registers in the Group's hospitals.

We endorse the need to manage the consumption of our natural resources in a sustainable manner, to conserve energy and water, and we are recycling paper, glass and plastic – all in an effort to reduce our carbon footprint in line with best international practices.

Healthcare waste management

The Waste Act was enacted to protect health and the environment by providing reasonable measures for the prevention of pollution and ecological degradation. Facilities that generate medical waste may store this for short periods of time. Life Healthcare is sensitive to the potential impact that waste generated through our hospitals' activities could pose to the environment and to health if not correctly handled, disposed of or destroyed, particularly as the healthcare waste industry in South Africa has a history of illegal dumping and insufficient incinerators. Waste includes infectious waste, drug waste resulting from cancer treatments, waste from the usage of X-rays, cleaning concentrates, diesel fuel or motor oil which represent a danger to the soil or groundwater, and chemicals such as those used in anaesthetics.

To mitigate the risks within our control, Life Healthcare ensures that we minimise toxicity through the correct handling of waste within our facilities and that our waste disposal contractors meet legislative requirements in transporting, disposing of or destroying healthcare waste. Waste is weighed on collection, and Life Healthcare facilities keep and reconcile documentation on a monthly basis to monitor that the waste collected by external service providers was disposed of or destroyed correctly. Our healthcare waste transporters have tracking systems so that any deviation in the planned route is reported. Waste disposal contractors are audited internally and shortcomings

Quality and clinical governance continued

are addressed. In addition, an environmental auditing team has been contracted to conduct independent audits of service providers.

All Life Healthcare facilities have recycling initiatives and training is provided to enable staff to reduce the amount of waste through correct segregation.

Energy usage

Life Healthcare's primary source of energy is electricity and we purchase 124 367 994 kWh annually for use in our hospitals and other facilities. We have embarked on an energy conservation programme and have identified various initiatives in this regard. Currently we are measuring and creating a baseline to substantiate actual savings after implementation of the conservation initiatives. These will be reported on in 2011.

As a result of frequent power outages in 2009, Life Healthcare spent R45 million in acquiring secondary back-up generators at our hospitals. The cost of diesel for the generators is four to six times higher than Eskom's electricity, but uninterrupted power supply in the event of any one of our primary generators malfunctioning during a power cut, is an imperative in healthcare delivery. Electricity supply to our hospitals stabilised as Eskom reduced its load shedding programme. In 2010, our diesel consumption for the on-site generation of emergency power was 81 273 litres.

Water usage

Water is obtained from municipal or regional utilities. Life Healthcare's total water usage for the year was 1 194 552 kilolitres. At present less than 0.5% or 6 400 kilolitres is recycled or reused, however we have identified initiatives that will reduce our water consumption and this will be reported on in 2011.

Efficiency 3

Optimising operating efficiencies to sustain business performance

Life Healthcare Group

Making life better

Life Healthcare's business efficiency drive focused, among others, on improving operating theatre efficiencies.

Below: Project Impilo will enhance the conversion and presentation of data from various providers in the healthcare system.

Efficiency

Information management

Life Healthcare has invested significantly in the latest information technology and systems to enable analysis of complex utilisation data, particularly in view of our alternative reimbursement models (ARMs). In a market place driven by technology, we view information management as a key aspect of sustainability and operational efficiency.

Project Impilo

Project Impilo is a major, phased development of an updated hospital information system for our Group, and is replacing the iMeds system. The project comprises five modules, namely patient admissions, case management, billing, credit management and infection control. It is expected that the final module will be implemented by 2013.

Impilo will equip our hospitals with patient centric information management capability, and will enhance the convergence and presentation of data from various providers in the healthcare system. We are already deriving benefits from this system.

The patient admissions module was successfully implemented in all Life Healthcare hospitals during 2010. This system enables a quicker and more efficient admissions process for the benefit of patients, doctors and staff. It offers:

- electronic patient files
- electronic clinical assessment
- electronic application of medical aid rules, benefits and exclusions
- improved clinical coding
- a standard tool for private pre-payments, and
- an acuity based patient classification system (triage) for use in emergency units.

The development of the case management module is complete and will provide hospital case managers with an effective tool offering benefits including:

- risk ratings against each visit, identifying high priority cases
- easy identification of high value items and some funder benefit rule applications
- identification of exclusions and certain protocols by fund or option
- grouping of case management visits into various acuity levels to reduce excessive case management, and
- an audit trail of coding sets from pre-admission to discharge.

By December 2010 the case management module will have been piloted at two of our hospitals and the roll-out started for the remaining hospitals, with completion expected in early 2011.

Business efficiency drives

Management and staff are committed to improving business efficiencies and reducing costs without compromising our quality of care.

Business efficiencies, which enabled innovative pricing and marketing strategies, have also contributed to our growth in patient numbers. We changed our business model to offer a variety of preferred provider network products, in order to enhance affordability and increase access to a broader section of the population.

Meticulous attention to working in the most effective and efficient manner has focused on administrative, operational and broader efficiencies across information management, financial process restructuring, operating theatre management, appropriate medication, drug regimens and usage, stock classification, formulary management, staffing models, and the judicious management of overheads and assets.

At Life Esidimeni, Kabusha – a quality and facility improvement project – continued throughout the year. Isidima, an outcomes measurement and operational clinical risk management system, was presented to the Gauteng Department of Health and was well received. In 2011, this system, covering detailed admission, rehabilitation goal planning, discharge planning and clinical risk management processes relevant to mental health rehabilitation interventions, will be extended throughout our long term mental health facilities in Gauteng, the Eastern Cape and Mpumalanga.

Alternative reimbursement model (ARM)

Payments for Life Healthcare's services are primarily from private medical insurers and tariffs are agreed with them on an annual basis. Life Healthcare's investment in information systems enables analysis of complex utilisation data particularly in respect of the pricing of our services. We have introduced an ARM model which commits the Group to managing and containing costs, and passing on a portion of the savings from such cost containment to the medical schemes. As a result of our product offering the Group has a preferred network status with many private medical insurers. The preferred network products we offer are now firmly entrenched and we expect this to grow in the future.

Cost of sales projects

Cost of sales is an integral part of our business efficiency drive. To maximise opportunities for product cost management, a multi-functional project team was established in 2009. The team's strategy has ensured the alignment of Life Healthcare business units to commercial business goals. Effective product management is vital in order to sustain any healthcare business in the current economic environment.

Efficiency continued

Our doctors' commitment to the project has played a critical role in ensuring the Group's ability to manage product conversion. As a result, Life Healthcare has improved the differential between revenue and cost per PPD, which has impacted positively on our contribution margin. The Group's commitment to sustainable healthcare has resulted in a growth in our preferred network status with private medical insurers.

Detailed analysis enables management to benchmark against other similar hospitals, disciplines, procedures and doctors in the Group.

Additional projects

To enhance efficiencies, we have implemented a management tool that assists in work scheduling, work patterns and variable pay. This has improved governance and reduced administration by improving accuracy and rigour in managing employees' leave and absenteeism, entrenching pay rules and practices, and automating nursing agency billing.

Sustainability 4

Securing our long term future

Life Healthcare Group

Making life better

Life Healthcare continued to make a considerable investment in training and development to create skilled and motivated employees who will deliver quality service. In 2010, just over 1 000 nursing students graduated through the Life College of Learning.

Below: Life Rehabilitation is the leading provider of accredited continuing professional development (CPD) programmes in South Africa, to benefit both internal and external rehabilitation professionals by exposing them to the latest technology, techniques and therapies in the field of rehabilitation.

Human capital and **relationships**

Human capital is of core importance in all of Life Healthcare's operations and is the foundation of our success. Life Healthcare recognises that the growing shortage of critical skills globally, particularly in the healthcare industry, makes retention and motivation of employees a priority.

We aim to achieve an 'employer of choice' status, striving to attract and retain calibre people who share a common vision and embrace our values and goals. To support our employees, Life Healthcare provides a range of benefits that focus on recognition and reward.

In line with business requirements, we empower our employees to develop as leaders and professionals as part of the Life Healthcare team, while ensuring that their contribution to the Group is encouraged and recognised.

Life Healthcare complies in all material respects with the Basic Conditions of Employment Act, the Labour Relations Act, the Employment Equity Act and the Skills Development Act, and is committed to achieving various employee related transformation targets.

The Group employs 13 526 permanent staff as well as 498 sessional staff – see table below:

Year ended 30 September	2010	2009
Administrative employees	2 700	2 495
Nursing personnel	9 095	8 663
Pharmacy employees	270	254
Rehabilitation employees	240	195
Healthcare services employees	1 032	956
Other	189	193
Temporary personnel	498	1 264
Total employees	14 024	14 020

Transformation

Life Healthcare is committed to 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 exercising sound corporate responsibility are fundamental to our business ethos and promote an equitable and non-discriminatory culture within the Group.

Progress in each hospital or business unit is monitored against measurable targets. Our staff profile reflects our transformation drive, with 11 500 female personnel and 8 200 black personnel. 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.

Management and employment equity

BEE participation at Group level is a strategic priority. Prior to the IPO, which preceded our Group's listing on the JSE, our BEE equity ownership in Life Healthcare stood at 42.67%, making it a truly black owned South African company. With the subsequent change in shareholder mix, there has been a dilution of direct BEE shareholding but it has remained above 25%.

Employee and management equity ownership in Life Healthcare has been channelled through various trusts. Prior to listing management held 9.19% and post the listing event this shareholding has reduced to 6.50%. Equity ownership has been an important component of our staff retention strategy and we are currently reviewing options in terms of a new employee equity structure.

Life Healthcare espouses equal opportunity and fair treatment and strives for an employee composition that reflects the demographics of South Africa. The Group has good BEE credentials and a solid track record of attracting and advancing historically disadvantaged individuals (HDIs). Driven by our transformation strategy, Life Healthcare exceeded its BEE targets for the year. HDIs in the Group accounted for 61% of employees.

Our BEE approach recognises ownership, management and employment equity, skills development, enterprise development, preferential procurement and corporate social investment. We have made good progress in achieving our objectives. Recently new appointments to the executive management team have included Dr Nilesh Patel, Dr Keith Shongwe, Dr Sharon Vasuthevan, and Janette Joubert.

Employee empowerment and skills development

Life Healthcare strives to be a learning organisation that makes a considerable investment in training and development to create skilled and motivated employees who will deliver quality service. The executive management team conducts monthly reviews of the training plans within the business, and further education leads to opportunities for career progression.

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. The college had another year of excellent results in the registered examinations, reflecting the professionalism of our clinical educators. Our training and personal development initiatives for staff at all levels are designed to develop the wealth of talent within the Group.

Through the college, 24 133 workplace skills training events took place with another 15 560 training interventions planned for 2011. All new nursing employees are inducted in a process which includes competency based training. New courses were developed in health sciences, incorporating occupational therapy assistant and occupational therapy technician modules, as well as an operating theatre technician module.

To realise Life Healthcare's vision of quality healthcare, it is imperative that competent nurses are continually at our patients' bedside, nursing and supervising clinical care. During the past two years, a project was introduced to increase performance levels and competencies. Led by a team representing nursing, pharmacy, patient services and human resources departments, some 500 senior nurses have attended regional training workshops. The project included a focus on reviewing nursing processes affecting clinical outcomes, restructuring nursing roles, and implementing a competence assessment framework.

Several public sector nurses and previously disadvantaged individuals have enrolled at the Life College of Learning. Close ties are maintained with the HWSETA and our Group is currently providing 86 nursing learnerships including skills development and basic training to people from previously disadvantaged communities.

During the year the Life School of Health Sciences, which is part of the college, liaised with key stakeholders in developing the qualifications for operating theatre and institutional care workers, and the draft qualifications have been submitted to the South African Qualifications Authority. Twelve operating theatre technicians qualified in 2010. They are a new cadre of healthcare workers who assist nurses in the operating theatre.

The Life School of Management, also forming part of the college, achieved accreditation with the UK based Institute of Leadership and Management (ILM) to offer the Front Line Management Certificate, and 117 delegates graduated during the year. Sixteen trainee managers completed the Group's first hospital management programme.

As 2010 was the International Year of the Nurse, Life Healthcare initiated and implemented the My Nursing 100 campaign. This campaign was subsequently adopted by the NEA and the Forum for University Deans in South Africa (FUNDISA). It became a South African initiative and, on 12 May 2010, nurses and others involved in healthcare celebrated their profession by spending 100 minutes in patient care in any healthcare environment. The campaign embraced nurses currently in practice, retired nurses, healthcare administrators and managers as well as community members. It presented an opportunity to support nursing related activities and to emphasise the care, commitment and compassionate aspects of the profession.

Human capital and **relationships** continued

Training of pharmacy professionals

Life Pharmacy Management Services (LPMS) is dedicated to the development and training of pharmacy professionals and has partnered with eight South African universities to offer a comprehensive and guided pharmacist intern programme.

In 2010, our hospitals trained 13 pharmacist interns, as well as 13 basic level and 39 post basic level pharmacist assistants, with more than 80 percent of these candidates being from designated groups. This is a threefold increase in students from 2009.

The LPMS pharmacy in-touch programme communicates with, and offers support to, qualified pharmacist interns during their community service year. As a result many qualified pharmacist interns are interested in joining our Group's hospital pharmacies in 2011. Furthermore LPMS offers bursaries to five pharmacy students through HWSETA. Three of these students will be doing their internship with LPMS in 2011.

LPMS is actively involved in the South African Association of Hospital & Institutional Pharmacists (SAAHIP). In September our pharmacists held events throughout pharmacy week promoting the profession and their role in the community.

Employment benefits

Life Healthcare's infrastructure provides for employee commitment through fair representation in the workplace, structured succession planning, and competitive remuneration and compensation benefits. The Group offers a choice of medical aid cover, including a basic option for lower income staff, while a generous subsidy is offered to employees who are members of a medical aid supported by the Group. Life Healthcare introduced a life stage investment model which has assisted in the appropriate management of benefits for employees approaching retirement.

A wellness programme that encourages and assists employees to take responsibility for their own physical, mental and financial well-being, and also extends to family members, has been enthusiastically embraced. We have contracted with an external service provider, ICAS, to provide a confidential support and information service to which employees and their family members have access. The service includes trauma debriefing, family and personal counselling, advice on legal and financial management, and substance abuse support. The programme is measured quarterly and is well utilised.

The Group has engaged the services of an external service provider to assist certain employees with the judicial management of their indebtedness. Response to this support has been positive.

Recognising the importance of education, Life Healthcare also provided for 110 staff bursaries and 103 bursaries for employees' children to study for a tertiary qualification. On merit, managers may be offered education at master's degree level.

Healthcare professionals' recruitment and retention

The ability to recruit and retain staff of a high calibre is a critical success factor in our competitive healthcare industry and is vital to the provision of quality care. The global shortage of medical professionals has been well documented and the chronic shortage of skilled workers in South Africa is of national concern.

Life Healthcare currently sponsors a fellowship for gastroenterology at the Pretoria Academic Hospital, and is sponsoring trainee cardiologists at both the University of the Witwatersrand and University of Cape Town.

Doctors

Life Healthcare depends on doctors and other healthcare professionals to provide clinical services, as patients can only be admitted to our hospitals on the instruction of an admitting doctor. The reputation, expertise and demeanour of the doctors and other healthcare professionals who provide clinical services in our hospitals are therefore instrumental in the Group's ability to attract patients.

The doctors who are affiliated with, and use Life Healthcare's facilities, are not employed by the Group. Exceptions to this are the 120 doctors in our rehabilitation units and hospitals or clinics in the healthcare services division, whom we employ under special dispensation from the Health Professions Council of South Africa (HPCSA).

Nevertheless, Life Healthcare enjoys a strong symbiotic relationship with the doctors practising at our facilities. Our doctors benefit from our high quality infrastructure of personnel, facilities, technology and equipment. In addition our excellent relationships with medical schemes (including preferred network agreements), provide a constant flow of patients. Investment opportunities are offered that allow doctors at certain hospitals to own equity in Life Healthcare and/or the hospitals where they practise.

Doctors have a strong consultative role in the operation of our hospitals, participating in the medical advisory committees and/or hospital boards. During the past financial year Life Healthcare has experienced a low rate of turnover of doctors practising at our facilities.

Nurses and pharmacists

Life Healthcare is committed to ensuring continuity of high quality nursing and pharmacy care through the adoption and implementation of innovative strategies to recruit, train, develop and retain our nurses and pharmacists. In excess of 15% of our total workforce is now involved in training and education initiatives through the Life College of Learning and universities. We have stepped up our recruitment of specialised and experienced nursing and pharmaceutical professionals in particular, and for the past two years we have recruited nurses from India to augment our nursing complement.

Life Healthcare maintains competitive remuneration policies, monitored to respond to the developments in the market and providing increased pay for personnel in certain positions where the Group faces shortages. We have also developed a pipeline of critical nursing skills for our hospitals through the Life College of Learning (see pages xviii and 37).

Employee trust

One successful retention tool used over the past five years is the Life Healthcare employees trust which was financed through a special purpose vehicle by the Industrial Development Corporation (IDC). The trust has enabled employees to participate in the Group's financial growth and ensured that people identified strongly with the success of Life Healthcare. Eligible beneficiaries of the trust are fulltime South African employees who are also members of a Life Healthcare retirement fund and had to be in the Group's employ on the date of listing. In June 2010 (on the listing of Life Healthcare), 70% of the trust was paid out and the balance will be distributed in December 2010 as a dividend to the beneficiaries, after which the trust will be deregistered.

Employee engagement and labour relations

Life Healthcare is committed to creating and maintaining sound labour relations. Formal and informal communication channels are used to shape behaviour and share information. Regular evaluation of our policies and procedures ensures fair treatment and a safe work environment. An employee climate survey is conducted every second year. This year's results have been interpreted and strategies devised to address and mitigate areas that need attention and improvement.

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 other cultures and are committed to maintaining a work place free from discrimination, where employees are selected on merit and an ability to perform.

HIV/Aids

HIV/Aids remains one of South Africa's most pressing challenges. Life Healthcare's HIV/Aids policy has recently been revised to align with the latest developments in communicable diseases, and is based on sound business principles as well as the obligations associated with our social responsibility as an employer.

Through the Life College of Learning's training and ongoing peer education, our employees are encouraged to know their health status. The Life Healthcare HIV/Aids programme 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 re-infection. Employees are offered voluntary counselling and testing, monitoring, care and continuous support as well as access to appropriate treatment for those on medical aid. All employees undergo HIV/Aids awareness training as part of their induction into the Group.

Corporate social **investment (CSI)**

Corporate social investment is an inherent part of Life Healthcare's business ethos. Our primary focus in CSI is on health and education, particularly in assisting disadvantaged communities. During 2010 the total value of our CSI projects was approximately R10 million.

Life Healthcare Foundation

The Life Healthcare Foundation was established in 2007 and is a registered public benefit association. Most of the Group's CSI initiatives are channelled through the foundation. The foundation provides financial sponsorship, hospital and nursing services and enlists the services of employees, supporting specialists and suppliers. It also collaborates with NGOs, academic institutions and government to add impetus to its various initiatives.

The following are some of the initiatives undertaken by the Life Healthcare Foundation during the past year:

HIV counselling and testing campaign (HCT)

Life Healthcare has committed its support to the HCT campaign launched by government in April 2010, that aims to have 15 million citizens tested for HIV and screened for other chronic conditions by June 2011. Selected Life Healthcare hospitals in each province and over 50 Life Healthcare occupational health sites offer free counselling, testing and screening services in an ongoing initiative. The campaign includes HIV rapid testing, blood glucose, blood pressure and blood haemoglobin screening and a TB questionnaire screening service.

Kangaroo mother care

In collaboration with the University of Witwatersrand Paediatric Fund, the foundation contributed to the Charlotte Maxeke Johannesburg Academic Hospital's kangaroo mother care initiative. This intervention called 'skin to skin' promotes physical contact between a mother and baby and assists in stabilising premature and low birth weight babies. A dedicated ward accommodates mothers who commit to 10 weeks in hospital to offer this care.

Early childhood development

In support of early childhood development, the Life Healthcare Foundation, together with the Bright Kid Foundation, sponsored and equipped two classroom 'edutainers' made from shipping containers, for the Akani Diepsloot Foundation, north of Johannesburg. These edutainers each accommodates 25 to 30 young children, providing a productive learning environment.

Mobile clinic for kids' heart health

Since 2007 the Life Healthcare Foundation has partnered the University of Cape Town's Department of Medicine/ Groote Schuur Hospital in a research project aimed at promoting kids' heart health among disadvantaged school children in the Western and Eastern Cape. The foundation sponsored and equipped a mobile clinic, the maintenance of the vehicle and its staffing for five years.

To date, 1 800 scholars have been screened by technologists and 800 echo images have been reviewed by paediatric cardiologists. Four post graduate students from the university are involved in the project as a platform for their research.

Mobile eye care units in partnership with the South African National Council for the Blind (SANCB)

The foundation has sponsored two vehicles, fully fitted with ophthalmic equipment, to serve as mobile eye clinics, as well as the vehicles' maintenance for five years. The first mobile clinic was donated in 2006 and the second will be donated before the end of 2010.

Between October 2006 and October 2010, the first mobile unit conducted 97 tours of rural hospitals, screened 17 655 patients, issued 5 948 spectacles, detected 712 cases of glaucoma and performed 3 122 cataract extractions and 48 other eye procedures. The latest mobile unit will be dedicated to render eye care services to the 18 priority districts throughout the country, as identified by the Department of Health.

Surgery for indigent patients

Cataract extractions

Free cataract extractions have been performed on 200 indigent patients over the past year, bringing to 800 the total number of patients who have benefited from this initiative since its start four years ago. These procedures were done at a number of participating Life Healthcare hospitals throughout the country. This project has the support of ophthalmologists and anaesthetists.

Hip and knee replacements

Twenty-five hip and three knee replacements have been conducted on disadvantaged patients at Life Entabeni Hospital since the project was launched in 2006. The foundation's partners in this project include the KwaZulu-Natal (KZN) Department of Health, The Rama Krishna Society, which is a faith based organisation in KZN, and supporting orthopaedic surgeons at, and prosthesis suppliers to, the hospital.

Neonatal and maternal care programme

Through the Life Healthcare Foundation, Life Esidimeni introduced a neonatal and maternal care training programme for public and private healthcare professionals and community and primary health nursing staff in the Mkhuhlu area surrounding Matikwana Hospital. This is aligned to other interventions planned for the most challenged districts. Owing to the high disease burden in the area, the Matikwana Hospital and Life Healthcare Foundation are undertaking an additional pilot intervention at improving neonatal and maternal outcomes in the district.

Rehabilitation outreach

Life Rehabilitation provided 7 800 hours of clinical placement and teaching to various undergraduate students studying nursing, occupational, speech and physiotherapy at the Universities of Pretoria, KwaZulu-Natal, Free State and the Witwatersrand.

Life Rehabilitation's continuing professional development (CPD) accredited programme aimed at both internal and external rehabilitation professionals, remains the leading rehabilitation CPD accredited series. It is our means of sharing our clinical expertise with our colleagues. This year 600 CPD units were provided through seminars held at all of our rehabilitation facilities.

Hospitals' community health initiatives

Our hospitals undertake various community health initiatives, conducting free health screenings and distributing educational material aimed at empowering the public with health information. Projects during the past year included free auditory screenings and assessments in conjunction with the South African Association of Audiologists (SAAA), and free cholesterol, blood pressure and blood sugar screenings in support of the Heart and Stroke Foundation South Africa (HSFSA). Hospitals also hosted educational talks, for example on heart health, the safe use of medication and healthy pregnancy, and raised funds in support of the Cancer Association of South Africa (CANSA). Our hospitals are also involved with support groups for patients suffering from clinical depression, cancer, cardiac disease and diabetes. Other services provided include rape crisis intervention and counselling, drug awareness campaigns as well as voluntary work with HIV and Aids patients.

Sizanani community involvement programme (CIP)

In 2010 the Group's Sizanani programme comprised 77 projects, reaching out to more than 12 000 disadvantaged children in orphanages, care centres, crèches, schools and institutions housing abused, abandoned and disabled children in South Africa and Botswana.

Sizanani has United Nations (UN) recognition as a meaningful, sustainable and employee driven CIP model, based on consultation, empowerment and partnerships.

Corporate governance

This corporate governance statement outlines Life Healthcare's key principles and governance practices in informing our internal and external stakeholders through transparent and comprehensible disclosure.

The directors regard 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 Company's shareholders. The directors 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. Each director brings a depth of experience and independence of judgement to his or her role as a board member.

Statement of compliance

As a newly listed public company, Life Healthcare is subject to the JSE Listings Requirements, which require that companies listed on the exchange should comply with the King III code as soon as practically possible. The Company's financial year commenced on 1 October 2009, and changes related to King III must be complied with in respect of all financial years commencing on or after 1 March 2010.

Prior to the listing of the Company, and the advent of King III, Life Healthcare complied in all material respects with the requirements for proper corporate governance as set out in King II. The only area of non-compliance for the period under review relates to board assessments and director evaluations. As the Company was a private company and non-executive directors were appointed in terms of the shareholders' agreement, there was no requirement to conduct board and non-executive director evaluations. This will be addressed, and annual assessments will be conducted in the 2011 financial year.

Life Healthcare subscribes to the values expressed in the Code of Corporate Practices and Conduct as set out in King III and has already implemented several aspects of the code, particularly the mandatory aspects as required by the JSE. The additional responsibilities on the board, management and stakeholders of Life Healthcare to align with the requirements of King III are being addressed, and we should be in a position to report compliance with King III at the end of September 2011.

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 Company 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

In accordance with its charter, the board has the following responsibilities:

> Approval and adoption of the strategic and annual business plans, the setting of objectives and the review of key risk and performance areas.

> Approval of commitments outside the authority delegated to executive management.

- Review, at regular board meetings, of management's performance against set objectives.
- Determination of overall policies and processes to ensure the integrity of the Company's management of risk and internal control.
- 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.
- Adoption and monitoring of the code of conduct and related matters.
- Approval and adoption of statutory communications to stakeholders and the investing public.
- Appointment of the managing director.
- Approval of the appointment and removal of the directors, the auditors and the company secretary.

While retaining overall accountability, the board has delegated authority to the managing director to run the day to day affairs of the Company. 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 Company's expense when necessary.

Composition of the board

The board comprised 11 directors as of 30 September 2010. There were:

- four independent non-executive directors
- five non-executive directors, and
- two executive directors.

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

The roles of the chairman and managing director 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 Company.

The names of the directors as at 30 September 2010 as well as biographical details are set out on pages 4 to 6 of this annual report. During the financial year ended 30 September 2010 the following changes were made to the board, thus strengthening the board's number of independent directors.

Appointments		
TS Munday	Lead independent non-executive director	10 June 2010
PJ Golesworthy	Independent non-executive director	10 June 2010
LM Mojela	Independent non-executive director	10 June 2010
Resignations		
RCM Laubscher	Independent non-executive director	21 April 2010
EW Mbuthia	Non-executive director	23 August 2010
AG Aitken	Alternate director	23 August 2010
NV Mokhesi (formerly Sowazi)	Non-executive director	20 August 2010

Corporate governance continued

The board ensures that no individual has unfettered powers of decision making and authority, and ensures that shareholder interests are protected. The independent directors are Trevor Munday, Louisa Mojela, Peter Golesworthy and Dr Peter Ngatane. 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 managing director and the financial director 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 managing director, 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.

Roles and responsibilities

The board sets the strategic objectives of the Company, 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 co-operation.

The role of the board is regulated in a formal board charter which defines its authority and power. Following Life Healthcare's listing on the JSE the board charter is being reviewed and updated to ensure compliance with King III and the proposed new Companies Act 2008.

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 co-operation 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. 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. Five board meetings were held during the year including one special meeting. The record of attendance is contained in the following table.

Directors' attendance at board meetings pre-listing

Meeting	Board	Board	Board	Board pre-listing
Date	04.11.09	20.01.10	21.04.10	
Members				
MA Brey	1	1	1	3/3
YZ Cuba	Apology	Apology	1	1/3
JPF Dalmeyer	1	1	1	3/3
Prof GJ Gerwel	1	1	1	3/3
RCM Laubscher	1	1	1	3/3
C Lyons*	1	1	–	2/3
EW Mbuthia	1	1	1	3/3
Dr MP Ngatane	Apology	1	1	2/3
GC Solomon	1	1	1	3/3
NV Sowazi	1	Apology	1	2/3
CMD Flemming	1	1	1	3/3
RJ Hogarth	1	1	1	3/3

**Alternate director*

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

Conflicts of interest

The directors are required to avoid a situation where they may have a direct or indirect interest that conflicts with the Company's interests. A conflicts of interest policy ensures that directors disclose conflicts of interest at every meeting in terms of section 234 of the Companies Act. 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 in their directorships.

Induction of directors

On appointment, new directors are briefed on their fiduciary duties and responsibilities by executive management. Directors are informed of relevant new legislation and changing commercial risks that affect the Company. The company secretary assists the chairman with the induction of directors and visits to selected Group hospitals.

Board self-assessment

The Company was previously a private company and the directors were appointed in terms of a shareholders' agreement. As a consequence no board and non-executive director assessments were required. Following the listing on the JSE, procedures are being implemented to conduct board and director assessments on an annual basis.

Directors' attendance at board meetings post-listing

Meeting	Board	Special board	Board post-listing
Date	21.07.10	01.09.10	
Members			
MA Brey	1	1	2/2
YZ Cuba	1	Apology	1/2
JPF Dalmeyer	1	1	2/2
Prof GJ Gerwel	1	1	2/2
PJ Golesworthy	1	1	2/2
C Lyons*	–	1	1/2
EW Mbuthia	1	Resigned	1/1
LM Mojela	1	1	2/2
TS Munday**	Apology	Apology	0/2
Dr MP Ngatane	1	1	2/2
GC Solomon	1	1	2/2
NV Sowazi	1	Resigned	1/1
CMD Flemming	1	1	2/2
RJ Hogarth	1	1	2/2

** Alternate director*
*** Mr TS Munday was elected as a new director in June 2010 after the board had agreed meeting dates for 2010 at the end of 2009, and had prior commitments for those dates.*

Board sub-committees

The board sub-committees consist of the audit committee, remuneration and human resources committee, board nominations committee and the board investment committee. The transformation committee is to be restructured and a separate risk committee established. Each sub-committee, with the exception of the nominations and investment 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 sub-committee meetings.

The role of the board sub-committees is formalised by terms of reference which define their authority and scope.

Audit committee

Members

Peter Golesworthy (chairman – independent non-executive director)
Trevor Munday (lead independent non-executive director)
Louisa Mojela (independent non-executive director)

Prior to the listing, the committee comprised Mustaq Brey (chairman), Lawrie Brozin (alternate director), Eutychus Mbuthia, Garth Solomon and Craig Lyons (alternate director). In line with King III and the JSE Listings Requirements, the committee was newly constituted and now comprises three independent non-executive directors.

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 fairly presented financial statements in compliance with all applicable legal and regulatory requirements and accounting standards.

The committee performs its 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.

Corporate **governance** continued

The audit committee's role is to ensure the integrity of the financial reporting and audit process, 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:

- 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 business assurance/internal audit function
- evaluates the findings of business assurance/internal audit and external audit, 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 the selection of the Company'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, and
- has the authority to seek information it requires from any employee.

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 Company and that the financial director has appropriate experience and expertise.

Prior to listing on the JSE, as an adjunct and reporting to the audit committee, a risk committee was formed to assess any financial or other risks the Company may encounter. The risk committee is currently being restructured in compliance with King III as a separate sub-committee reporting directly to the board. The committee comprised Eutychus Mbuthia (chairman), Lawrie Brozin (alternate director) and Craig Lyons (alternate director). The committee met once during the year. The record of attendance is contained in the table on page 47.

The audit committee holds a minimum of four meetings a year. The former committee met three times and the newly constituted committee met once for the period under review. The record of attendance is contained in the table below.

Directors' attendance at the audit committee meetings pre-listing

Meeting	Audit	Audit	Audit	Audit pre-listing
Date	25.11.09	20.01.10	21.04.10	
Members				
MA Brey	1	1	1	3/3
LZ Brozin	1	1	1	3/3
C Lyons	1	1	1	3/3
EW Mbuthia	1	1	1	3/3
GC Solomon	1	1	1	3/3

Directors' attendance at the audit committee meeting post-listing

Meeting	Audit	Audit post-listing
Date	02.09.10	
Members		
PJ Golesworthy	1	1/1
LM Mojela	1	1/1
TS Munday	1	1/1

Directors' attendance at the risk audit sub-committee meeting pre-listing

Meeting	Risk audit sub-committee	Risk audit pre-listing
Date	10.03.10	
Members		
LZ Brozin	1	1/1
C Lyons	1	1/1
EW Mbuthia	1	1/1

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)

Prior to the listing the committee comprised Garth Solomon (chairman), Richard Laubscher and Eutychus Mbuthia. In line with best practice the committee was re-constituted and now comprises two independent non-executive directors. Garth Solomon remained on the committee for purposes of continuity.

Roles and responsibilities

The remuneration and human resources committee:

- ensures that the Group has a remuneration policy which is aligned with the Group strategy and performance goals
- assesses and reviews remuneration policies, employee short term and long term incentive schemes and performance bonuses
- approves the remuneration of executive directors and senior management
- considers management proposals in respect of fees for non-executive directors, which are tabled for shareholder approval at the annual general meeting, and
- determines executive and staff participation in the long term incentive schemes.

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. The committee refers specific recommendations for non-executive director remuneration to the board for deliberation. 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.

Prior to the listing, a retirement sub-committee was established but this has now been incorporated into the remuneration and human resources committee. Two meetings were held during the year. The record of attendance is contained in the table below.

Directors' attendance at the remuneration and human resources committee meetings pre-listing

Meeting	Remuneration and human resources	Remuneration and human resources	Remuneration and human resources pre-listing
Date	21.10.09	19.01.10	
Members			
RCM Laubscher	1	1	2/2
EW Mbuthia	1	1	2/2
GC Solomon	1	1	2/2

Corporate governance continued

Board nominations committee

Members

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

Prior to the listing the committee comprised Professor Jakes Gerwel (chairman), Michael Flemming and Yolanda Cuba. In line with best practice the committee was re-constituted to comprise a majority of independent non-executive directors.

Roles and responsibilities

The board nominations committee:

> advises on the composition of the board, reviews the board structure, size and balance between non-executive and executive directors
> identifies and recommends qualified candidates for directorships
> seeks to ensure that the board has an appropriate balance of skills, experience and diversity
> co-ordinates the board evaluation process
> develops effective succession planning for senior management, and
> ensures that the performance of the board's individual members and sub-committees is reviewed formally and regularly.

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

The committee holds a minimum of one meeting a year. The former committee met twice and the newly constituted committee met once during the period under review. The record of attendance is contained in the table below.

Directors' attendance at the board nominations committee meetings pre-listing

Meeting	Board nominations	Board nominations	Board nominations pre-listing
Date	30.07.10	16.08.10	
Members			
YZ Cuba	1	1	2/2
Prof GJ Gerwel	1	1	2/2
CMD Flemming	1	1	2/2

Directors' attendance at the board nominations committee meeting post-listing

Meeting	Board nominations	Board nominations post-listing
Date	02.09.10	
Members		
Prof GJ Gerwel	1	1/1
PJ Golesworthy	1	1/1
LM Mojela	1	1/1
Dr MP Ngatane	Apology	0/1

Board investment committee

Members

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

The committee was established to assist the Company to facilitate strategic investments. In this regard the committee considers 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. The committee will evaluate such acquisitions and make 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.

Prior to the listing, the committee comprised Garth Solomon (chairman), Lawrie Brozin (alternate director), Yolanda Cuba, Eutychus Mbuthia, Michael Flemming and Roger Hogarth. The committee was reconstituted post-listing. The committee holds a minimum of two meetings a year but would meet if required to do so around major acquisitions or disposals. The former committee met eight times to deal with issues, mainly regarding the listing, and the newly constituted committee met once during the period under review.

The record of attendance is contained in the table below.

Directors' attendance at the investment committee meetings pre-listing

Meeting	Board investment								Board investment pre-listing
		Special meetings							
Date	08.10.09	20.10.09	21.10.09	03.11.09	26.11.09	19.01.10	01.03.10	07.05.10	
Members									
LZ Brozin	1	1	1	1	1	1	1	1	8/8
YZ Cuba	1	1	Apology	Apology	1	1	Apology	1	5/8
C Lyons*	–	–	1	1	–	–	1	–	3/3
EW Mbuthia	1	1	1	1	1	1	1	1	8/8
GC Solomon	1	1	1	1	1	1	1	1	8/8
CMD Flemming	1	1	1	1	1	1	1	1	8/8
RJ Hogarth	1	1	1	1	1	1	1	1	8/8

**Alternate to YZ Cuba*

Directors' attendance at the investment committee meeting post-listing

Meeting	Board investment	Board investment post-listing
Date	14.09.10	
Members		
MA Brey	1	1/1
PJ Golesworthy	1	1/1
GC Solomon	1	1/1
CMD Flemming	1	1/1
RJ Hogarth	1	1/1

Corporate governance continued

Transformation committee

The transformation committee reviewed employment equity, corporate social responsibility and the Company's transformation plan. This committee is currently being restructured with new terms of reference taking sustainability reporting into account.

The committee comprised Professor Jakes Gerwel (chairman), Dr Paul Dalmeyer, Dr Peter Ngatane and Neo Mokhesi. The committee met once during the year. The record of attendance is contained in the table below.

Directors' attendance at the transformation committee meeting pre-listing

Meeting	Transformation	Transformation post-listing
Date	20.10.09	
Members		
JPF Dalmeyer	1	1/1
Prof GJ Gerwel	1	1/1
Dr MP Ngatane	1	1/1
NV Mokhesi	Apology	0/1

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 Company's corporate governance process and ensures that the proceedings and affairs of the directorate, the Company 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 under the Listings Requirements of the JSE.

Code of conduct

Life Healthcare's code of conduct 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 conduct 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 our medical professionals, patients, customers, suppliers, shareholders, co-workers and the communities in which we work. The code of conduct also extends to safety, health, security, conflicts of interest, 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 Company. 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 Company maintains a zero tolerance approach to fraudulent activity. Executives and line management are responsible for implementing procedures against fraud or corruption.

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

In tandem with the code of conduct, 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 of conduct, are monitored and are being achieved. Where there is non-compliance with the code of conduct, 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 managing director. 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 business assurance and external audit reviews.

Business assurance

Business assurance 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 senior business assurance manager is responsible for reporting to the audit committee and has unrestricted access to its chairman, the chairman of the Company and the managing director. 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 or director may deal, either directly or indirectly, in the shares of the Company. 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 2010, 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 Company has sufficient insurance to mitigate financial risk.

Stakeholder relations

The Company continually promotes dialogue with all its major institutional shareholders. Roadshows are arranged for senior executives to make presentations to them and to meet them face to face. Local shareholders are encouraged to attend the annual general meeting.

The managing director and financial director make presentations to investors and analysts following the publication of the interim and annual results. Both these executives make themselves available to interact with major investors and shareholders during the normal course of business. Other than the annual general meeting, minority shareholders can express their opinions via shareholder resolutions.

IT security and governance – ISO 27001 certification

In 2006, Life Healthcare achieved the international ISO 27001 information security management system certification, and has since had annual external audits resulting in recertification. ISO has driven the review, questioning and reinvention of all processes of control and security within the business environment. The process measures the Company against governance legislation and guidelines and informs its ongoing activities.

Within the framework of the ISO 27001 Information Security Management System (ISMS) the following IT governance issues are managed:

Information security, management and privacy

The ISMS ensures that data and information assets are managed securely and with appropriate consideration for privacy, both at a corporate and individual level.

IT risk management

The ISMS drives an overall risk management approach to IT security and operations. Together with IT as an integral part of the executive risk management process, this provides an internal and Company wide perspective to IT risk.

Disaster recovery

A business continuity management sub-committee meets regularly to manage IT business continuity and disaster recovery issues. The Company has an arrangement with an alternate physical disaster recovery site and conducts two disaster recovery tests annually to ensure continuity of IT processing in the event of a significant disaster.

Corporate governance continued

IT legislation

Within the ISMS management forum, a management sub-committee with representation from Life Healthcare's legal team assesses the implications of relevant laws on IT processes.

IT audit

An independent ISO 27001 certified organisation audits the overall ISMS annually, ensuring adherence to the system and that there is a philosophy of ongoing improvement. Every year, external auditors conduct an extensive IT audit focused on infrastructure and data management controls and security, as well as processes that affect financial controls and reporting.

IT steering committee

Executive feedback of strategic IT issues is provided monthly to the executive meeting. Further, an executive IT steering committee meets quarterly to review significant IT expenditure and projects.

Risk management

The board is responsible for risk management through the identification and control of operational risks that could adversely affect the achievement of the Group's business objectives. Business unit managers, in conjunction with the Group risk manager, identify and monitor risk, are responsible for implementing control processes, and for providing the necessary assurance that the controls are implemented and maintained. A risk management process includes the identification, prioritisation, assessment and mitigation of business risks. Appropriate action plans ensure that significant risks are reduced to acceptable levels. Responsibilities for actions are agreed, and target dates are set for completing each action. Risk analyses are conducted in respect of business acquisitions and major projects. The board is satisfied that there is an adequate, ongoing risk management process in place, providing reasonable assurance that key risks are professionally identified, evaluated and managed.

The board has identified the following business risks specifically related to conducting business in South Africa and the southern African region and financial market risks.

Risks facing Life Healthcare

Risk	Details of risks	Mitigation of risks
Industry		
Regulated industry >	– The healthcare industry is subject to government regulations relating to licences, conduct of operations, security of medical records and certain categories of pricing – The risk of some form of regulated pricing remains	– Life Healthcare closely monitors and participates where possible in any new proposed legislation – Appointed a general manager health policy to assist with government relations
National Health Insurance (NHI) >	– The ANC has released a discussion document which outlines the proposed NHI. The focus is initially on primary healthcare in the rural and underserviced areas with the intention of implementing over a period of 14 years, however there is still no clear sense of funding and costs and the process still has to be ratified by government	– Life Healthcare continues to monitor developments and will engage with stakeholders where appropriate – Life Healthcare, through the HASA is contributing to well defined, accurate research to assist the NHI debate

Risks facing Life Healthcare continued

Risk		Details of risks	Mitigation of risks
Business			
Doctor shortages	>	– Doctors are not employed by Life Healthcare and may terminate their association with the Group at any time – Insufficient doctors are being trained to address the health needs of the country	– Life Healthcare 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 – Life Healthcare currently sponsors a number of fellowships – Our Life Healthcare doctor shareholding model results in increased doctor loyalty
Skilled personnel shortages	>	– South Africa has an increasing shortage of nurses, pharmacists and other healthcare personnel – The effect of HIV/Aids	– Life Healthcare offers competitive pay, opportunities for career advancement and ongoing training through the Life College of Learning. These benefits have assisted in employee retention – Life Healthcare is busy training 1 300 nursing students through the Life College of Learning – Life Healthcare supports staff via a variety of wellness programmes, including HIV education and support
Competition from other healthcare providers	>	– Life Healthcare competes for patients with other providers of medical services	– Life Healthcare competes successfully by maintaining close relationships with medical schemes to secure preferred network agreements – Life Healthcare also continues to: 1. improve its geographic coverage of hospitals as well as adding new lines of business 2. invest in facilities and equipment to support the delivery of world class healthcare 3. build on its quality programme and benchmark against international best practice
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 our hospital revenue comes from compensation for occupational injuries and diseases (COID)	– Government contracts are monitored carefully and targets for payments are set, as reductions or delays could adversely affect Life Healthcare's business and profits – We have a centralised COID office to assist with payments from COID. Payments are monitored on a monthly basis and regular meetings are conducted with representatives of COID

Corporate **governance** continued

Risks facing Life Healthcare continued

Risk	Details of risks	Mitigation of risks
Business continued		
Equipment and facilities >	– Life Healthcare must remain abreast of advancements in medical technology and equipment needs or will lag in healthcare delivery	– R600 million has been allocated for capital expenditure in 2011 to achieve Life Healthcare's growth, quality, efficiency and sustainability strategy and to provide facilities, technology and equipment to attract doctors, nurses and patients
Industrial action >	– Strikes or industrial action could impair Life Healthcare's business activities	– 17% of employees are members of trade unions. There were no strikes during 2010. Life Healthcare has established consultative forums and open channels of communication to maintain good relations with employees
Information technology >	– Information management could be compromised with viruses or data corruption, posing a threat to the business	– Life Healthcare has achieved the international ISO27001 information security management system certification and external agencies conduct regular ISO audits – Life Healthcare regularly reviews its information management technology and upgrades this where necessary to ensure optimal business efficiencies
Operational risks >	– Risks related to dependence of suppliers eg laundry, medical waste, water, etc	– Preferred suppliers are selected, screened and regularly monitored and reviewed – Back-up and alternative response plans are in place to mitigate outages
Patient lawsuits >	– Life Healthcare is subjected to lawsuits resulting from negligence, treatment errors and other claims	– Life Healthcare has extensive programmes, including ISO9001 quality accreditation, to mitigate this risk – The Group has also taken out adequate insurance to cover potential losses

Risk		Details of risks	Mitigation of risks
Financial			
Credit risk	>	– 92% of hospital bills are paid by medical schemes to which Life Healthcare's patients belong. In SA, medical schemes are subject to regulation by the Council for Medical Schemes and are required to maintain reserves of 25% – Other payments include a government insurance fund for workers injured on duty and private patients – A range of corporate employers under contracts in the occupational health business	– Life Healthcare has a well established and protocol driven case management system in each hospital to manage all medical scheme patients and the interaction with the private medical insurer – Life Healthcare verifies patients' medical scheme coverage to prevent fraud – Management makes provision for potential losses during the year – Private (self-funding) patients pay deposits up front or make prior payment arrangements
Liquidity risk	>	– Life Healthcare must maintain sufficient cash, marketable securities and working capital facilities with banks	– Life 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
Interest rate risk	>	– Life Healthcare's working capital and loan facilities bear interest at variable rates	– Life Healthcare 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
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 dollar or euros. Life Healthcare also has a hospital in Botswana and is exposed to foreign currency movements there	– Life Healthcare has limited foreign exchange risk. Our policy is to take forward cover on any material currency exposure. Local suppliers are required to quote prices in rands

(Also see pages 103 to 109).

Sustainable **development**

Sustainable development is a major component of our business ethos and strategic planning, and is extensively covered throughout this report. It is dependent on a healthy population, sound preventive and curative healthcare systems and environmental preservation. Life Healthcare is committed to playing a meaningful role in improving the economic and health environment in the country. We do this in the following ways:

> Positively impacting the clinical, health and well-being outcomes of our patients. Over 550 000 patients are admitted to our hospitals annually and we provide occupational and primary healthcare services to 155 000 lives though our occupational health business.
> Supporting independent health professionals who partner with us to achieve sound health and clinical outcomes. These include referring doctors, specialists, radiologists, pathologists, therapists and other healthcare professionals.
> Addressing the shortage of nurses through a focused strategy to attract, recruit and retain nurses locally and internationally, and through structured training and career development opportunities.
> Enhancing the skills, knowledge and clinical approaches of Life Healthcare's nurses, pharmacists and other healthcare professionals through a focus on clinical quality, professional training, knowledge enhancement and investment in medical technology.
> Continuing to adapt our pricing and re-imbursement models to stay abreast of the changing South African healthcare environment, and partnering with medical schemes and funders in developing preferred provider networks to broaden the reach of healthcare services to more South Africans.
> Bolstering our support for the government through:
  – ongoing provision of quality long term healthcare services though Life Esidimeni, catering for mental health and frail indigent patients for approximately 1.6 million patient days a year
  – engaging with, and assisting government in clinical and educational initiatives, and
  – supporting government's initiatives to transform the South African society and build a healthier nation.
> Providing sustained growth and financial stability to our shareholders and other stakeholders through ethical business practices and strong corporate and clinical governance which include managing risks and business opportunities.
> Assisting in the transformation of the Company through strategic initiatives such as:
  – developing black people in clinical and management positions
  – complying with transformational legislation
  – promoting enterprise development, and
  – progressive development of preferred black suppliers through our procurement strategies.
> Enhancing the lives and well-being of disadvantaged communities and individuals through corporate social investment and initiatives by the Life Healthcare Foundation, and of communities in the areas where we do business through corporate social investment initiatives undertaken by our hospitals.
> Encouraging employee participation in the 13 year old Sizanani programme, where our operations 'adopt' a children's home, shelter or charity to optimise the children's environment and development.
> Making a leading and vital contribution to the training and development of nurses in South Africa through the Life College of Learning, as an accredited education institution for higher and further learning.
> Providing safe, hygienic and environmentally sensitive hospitals that drive issues of global importance, for example by adhering to sound energy and water utilisation practices, and responsible waste management.
> Driving healthcare enhancement in the country through passionate and dedicated senior managers participating in sector and national organisations and structures, for example NEA, SANC and HASA, as well as tertiary institutions.
> Driving quality enhancements in the public and private sectors through our leadership role in the national, industry wide Best Care...Always campaign.

Enterprise development and preferential procurement

Life Healthcare ensures that, when contracting with external suppliers, they adhere to fair labour practices and fully comply with relevant labour legislation. The Group's formal broad based black economic empowerment (BBBEE) procurement policy sets the guidelines for transforming our supplier base by supporting joint ventures between traditional suppliers and black owned businesses.

The Group assists black owned businesses to enter the mainstream by inviting them to participate in our procurement processes, and helps in the development of small businesses, historically disadvantaged and women owned businesses. We encourage and support skills development and entrepreneurial talent among black owned suppliers.

The Group uses the BBBEE status of contending suppliers in identifying preferred suppliers and awarding contracts. The procurement department also evaluates suppliers based on feedback received mainly from healthcare professionals regarding product quality, lead time for increasing the volume of stock and the product distribution chain.

The development and support of BEE initiatives have progressed steadily, resulting in increased preferential procurement. The pharmaceutical procurement expenditure for the 2010 financial year was R2.4 billion of which 53% was channelled through empowered companies. BEE suppliers also accounted for 53% of non-pharmaceutical spend. 84% of our spend for catering, cleaning, security, medical waste and laundry services is attributed to BEE suppliers.

Global Reporting Initiative (GRI) G3 disclosure

The Group aims to declare its GRI G3 application level in the 2011 annual report.

General

Many of the issues and achievements that Life Healthcare considers as vital to sustainable development have been covered in detail elsewhere in this report. Summarised in alphabetical order are some of the topics that are daily business practice and the pages on which they are reported:

Topic	Pages
Business stakeholder relationships – specialists and healthcare professionals, medical schemes and government partnerships	14, 58 – 61
Cultural diversity	39
Clinical governance	24 – 30
Corporate social investment	xviii, 14, 40 – 41
Corporate governance	42 – 55
Employee empowerment and skills development	37
Employee health and safety	28
Environment	29 – 30
Financial health	ii – ix, 16 – 18, 168
Pharmacy training programmes	38
Life College of Learning	xviii, 37
Quality	24 – 30
Transformation	36

Sustainable development continued

Key outcomes for stakeholders

Doctors	Patients	Employees	Funders
– High quality support in 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's clinical directorate keeps abreast of technological healthcare advances	– Quality nursing care and clinical excellence for optimal patient outcomes – High technology facilities – Well controlled infection rates – Ease of admission, billing and discharge procedures – 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 networks agreements – Positive hospital experience – International based clinical benchmarks to promote quality and safer care.	– 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 – Tertiary bursary scheme for employees and bursaries for their children – Right to freedom of association – Work environment focused on safety and minimising occupational risks	– Preferred networks agreements – Alternate reimbursement models – Portion of savings from cost containment passed on – Cost effective quality healthcare for members – Cordial and co-operative business relations – Wide geographic coverage of hospitals and facilities offering range of disciplines

Government	Shareholders	Suppliers	Communities
– Supporting government service delivery through quality long term healthcare services rendered by Life Esidimeni – Engaging in clinical and education initiatives e.g. Life's introduction of Isidima clinical risk management to Gauteng Department of Health – Supporting government's initiatives to transform South African society and build a healthier nation e.g. Life's participation in national HIV counselling and testing campaign	– Sustained growth and financial stability since 1983 – 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 – Well established and leading healthcare company with expanding operations in southern African healthcare	– A reputation for ethics and fairness in dealings with suppliers – Negotiations with suppliers built on mutual respect and fair pricing structures	– Well entrenched corporate social investment – Primary focus on health and education, particularly in empowering and developing disadvantaged communities – Life Healthcare Foundation provides financial sponsorship, hospital and nursing services – CSI based on consultation, empowerment and partnerships

Sustainable **development** continued

	Doctors	Patients	Employees	Funders
Key strategies for Life Healthcare >	– Offering best healthcare facilities and technology – Ensuring superior doctor support through excellent support in nursing, administration and infrastructure – Maintaining strong doctor relations and minimising doctor turnover – Attracting and retaining new doctors to cater for future expansion – Optimising clinical outcomes for patients through doctor participation in projects such as cardiac excellence project, etc	– Promoting access to and affordability of healthcare – Facilitating quality nursing standards – Maintaining excellence in quality and clinical governance – Patient engagement through improved communication channels – Patient-centric approach to facilitate positive hospital experience – International based clinical benchmarks to promote quality and safer care	– 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 – Creating an environment conducive to employee safety and health	– Maintaining strong relationships through fairness, co-operation, ethical practices and information sharing – Ongoing adaption of reimbursement models for growth in preferred provider network
Communication and engagement >	– 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	– Keeping the nurse at the bedside programme – Paper based comment cards (1.2 million received annually) – Q-evaluator (electronic based patient satisfaction measuring system) – Post discharge telephone interviews – Life Healthcare website, brochures, information leaflets and Life magazine specifically for patients – Corporate monitoring of complaints and actions taken	– Consultative forums assist in providing open communication and constructive dialogue – Regular newsletters, brochures, intranet communication and meetings – Employee specific interim and annual results communications – Comprehensive induction programme	– Annual negotiations on hospital tariffs – Ongoing communication regarding preferred provider networks – Regular communication on hospital and healthcare provision issues – Annual communication on Life Healthcare's clinical and patient centric quality initiatives

Government	Shareholders	Suppliers	Communities
– Engagement on National Health Insurance as soon as Life Healthcare has access to formal government plans for implementation – Contributing to information sharing and best clinical and administrative practices – Contributing to skills training through public private partnerships – Collaboration in drafting existing and new legislation e.g. pricing models and cost benchmarking – Increasing access to hospital services, through public private partnerships	– Clear and ambitious strategy to create shareholder wealth – Improved access to capital – Structural clarity through focus on quality and affordability of healthcare services – Expanding coverage and penetration of local market – Positioning Group for international expansion – Maintaining commitment to world class healthcare – Maintaining and continuing to develop sound relations with key stakeholders e.g. government, funders and doctors	– 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	– Providing medical and surgical services to indigent patients – Collaboration with NGOs, academic institutions and government adds impetus to CSI – Enlisting support and services of employees, specialists and suppliers – Sizanani has United Nations recognition as a meaningful, sustainable and employee driven CIP model – Assisting in national or regional emergencies e.g. H1N1 epidemic in 2009 and public sector strike in August and September 2010
– Life Healthcare has a general business manager for health policy tasked with healthcare regulatory matters and government relations and strategy – Ongoing communication on private/public sector issues – Liaison with government health departments through HASA – Ongoing interaction on Life Esidimeni public private partnership matters	– Continued interaction with shareholders locally and offshore via road shows, presentations, ad hoc executive meetings and engagements – General communications such as telephonic, web-based, e-mails, interim and annual reports, and through SENS	– 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 communities, NGOs and provincial departments of health to identify areas of need where Life Healthcare is best equipped to assist

Life Healthcare **hospitals**

Botswana		
Life Gaborone Private Hospital	Plot 8448, Segoditshane Road, Mica Way, Gaborone	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 Grey Monument Private Clinic	Lonsdale Street, King William's Town 5601	043 643 3522
Life Hunterscraig Hospital	22 Park Drive, Central, Port Elizabeth 6001	041 586 2664
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 James Hospital	36 St James Road, Southernwood, East London 5201	043 722 9685
Life St Mark's Clinic	16 St Andrews Road, Southernwood, East London 5201	043 707 4400
Life St Mary's Private Hospital	30 Durham Road, Mthatha, Transkei 5099	047 531 2911
Free State		
Life Pasteur Hospital	54 Pasteur Drive, Hospitaalpark, Bloemfontein 9301	051 522 6601
Life Rosepark Hospital	57 Gustav Crescent, Fichardt Park, Bloemfontein 9301	051 505 5111
Gauteng		
Life Bedford Gardens Hospital	7 Leicester Rd, Bedford Gardens, Bedfordview 2008	011 677 8500
Life Birchmed Surgical Centre	8 Tiger Street, Birchleigh Ext. 16, Kempton Park 1619	011 391 3300
Life Brenthurst Clinic	4 Park Lane, Parktown, Johannesburg 2193	011 647 9000
Life Brooklyn Hospital	154 Olivier Street, Brooklyn 0181	012 346 6240
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 and Oberon Avenues, 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 New Kensington Clinic	23 Roberts Avenue, Kensington, Johannesburg 2094	011 614 7125
Life Pretoria North Surgical Centre	260 Burger Street, Pretoria North 0182	012 546 0322
Life Riverfield Lodge	34 Southernwoods Road, Nietgedacht, Randburg 2194	086 074 8373
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 Middelsex Street, Springs 1559	011 815 6885
Life Suikerbosrand Clinic	Cnr HF Verwoerd and Maré Streets, Heidelberg 1441	016 349 2431
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

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 South Ridge Road, Berea, Durban 4001	031 204 1300
Life Hillcrest Accident & Emergency Unit	54 Old Main Road, Hillcrest 3610	031 765 7815
Life Mount Edgecombe Hospital	163 – 179 Redberry Road, Rockford, Phoenix 4068	031 539 3311
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
North West province		
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 Drive, Hunters Estate, 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 (managed and/or shareholding)		
Ascot Park Hospital	3 Ascot Road, Durban 4001	031 374 8000
Bloemfontein Ophthalmology Trust	Bloemfontein Eye Centre, Life Pasteur Centre, Pasteur Avenue, Hospitaalpark, Bloemfontein 9301	051 522 6601
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 Midmed Hospital	Cnr OR Tambo and Joubert Streets, Middelburg 1050	013 283 8700

Life Healthcare hospitals continued

Life Esidimeni facilities

Coastal		
Algoa Frail Care Centre	Mission Road, Bethelsdorp, Port Elizabeth 6001	041 372 8013/4
Conradie Care Centre	Forest Drive Extension, Pinelands, Cape Town 7405	021 532 3940
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 5243
Randwest Care Centre	Old South Compound, Randfontein Estate Gold Mine 28 Maugham Street, Randfontein 1759	011 693 7263
Waverley Care Centre	Main Reef Road, Knights, Germiston 1413	011 828 9616/7
Witpoort Care Centre	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

Life Rehabilitation units

Based at		
Life Entabeni Hospital	148 South Ridge Road, Berea, Durban 4001	031 204 1300
Life Eugene Marais Hospital	696, 5th Avenue, Les Marais, Pretoria 0084	012 334 2603
Life New Kensington Clinic	23 Roberts Avenue, Kensington, Johannesburg 2094	011 614 7125
Life Pasteur Hospital	54 Pasteur Drive, Hospitaalpark, Bloemfontein 9301	051 520 1230
Life Riverfield Lodge	34 Southernwoods Road, Nietgedacht, Randburg 2194	086 074 8373
Life St Dominic's Hospital	38 – 40 St Mark's Road, Southernwood, East London 5201	043 742 0723

Life College of Learning

Learning centres		
Bloemfontein Learning Centre	Life Pasteur Hospital, 54 Pasteur Drive, Hospitaalpark, Bloemfontein 9301	051 522 1828/9
Cape Town Learning Centre	The Attic, Kingsbury House, Wilderness Road, Claremont, Cape Town 7700	021 670 4071
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	2nd Floor, Old Mutual Building, Cnr Howard Avenue and Wilstead Street, Benoni 1501	011 421 8155
KwaZulu-Natal Learning Centre	Nazareth House, 82 South Ridge Road, Berea, Durban 4001	031 204 1352
Midmed Learning Centre	22, OR Tambo Street, Shop 1, Middelburg, Mpumalanga 1050	013 243 3924
Bay View Nursing School	Life Bay View Private Hospital, Cnr Da Nova and Alhoff Drives, Da Nova, Mossel Bay 6500	044 691 3718
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 0040	012 807 6140
West Rand Learning Centre	91 Leader Road, Robertville, Roodepoort 1709	011 474 0400

Group annual financial statements

Life HEALTH CARE Group

Making life better

Group annual financial statements

ADMINISTRATION
for the year ended 30 September 2010

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 (managing director) RJ Hogarth (financial director) MA Brey YZ Cuba Dr JPF Dalmeyer PJ Golesworthy (appointed 10 June 2010) LM Mojela (appointed 10 June 2010) TS Munday (appointed 10 June 2010) MP Ngatane GC Solomon LZ Brozin (alternate director to MA Brey) PN Boynton (alternate director to GC Solomon) CWJ Lyons (alternate director to YZ Cuba)
Company secretary	F Patel
Transactional bankers	First National Bank
Auditors	PricewaterhouseCoopers Inc. Johannesburg

The directors are responsible for the preparation, integrity and fair presentation of the financial statements of Life Healthcare Group Holdings Limited and its subsidiaries (Group).

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 2010, 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 should disclose with reasonable accuracy the financial position of the Group to enable the directors to ensure that the financial statements comply with the relevant legislation.

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the reporting period. Actual results could differ from those estimates.

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.

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 report is presented on page 70.

APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 30 November 2010 and are signed on its behalf:

Prof GJ Gerwel	CMD Flemming
Chairman	Managing director

Johannesburg

STATEMENT FROM COMPANY SECRETARY

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

F Patel
Company secretary

INTRODUCTION

The Life Healthcare Group Holdings Limited audit committee (the committee) is a formal committee of the board which complies with all relevant legislation, regulations and governance practices. The responsibilities of the committee are outlined in its written terms of reference which are reviewed annually and which were updated during the year.

This report of the committee is presented to the shareholders in compliance with the Companies Act of South Africa (the Companies Act).

COMPOSITION OF THE AUDIT COMMITTEE

The current committee comprises three independent non-executive directors who are all financially literate and who were appointed to the board on 10 June 2010 on the listing of the company on the JSE Limited.

Messrs PJ Golesworthy (chairman) and TS Munday and Ms LM Mojela currently serve on the committee. The chairman of the audit committee is not the chairman of the board.

Prior to the Company's listing the committee comprised three non-executive directors (Messrs MA Brey (chairman), EW Mbuthia and GC Solomon) and two alternate directors (Messrs LZ Brozin and CW Lyons).

The biographical details of the current as well as the previous committee members who served during the year appear on pages 4 to 6 of the annual report. The fees paid to committee members are outlined in the table of directors' remuneration on pages 157 to 158.

The managing director, financial director, head of business assurance/internal audit, the 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

In respect of the year ended 30 September 2010, the committee executed its responsibilities in accordance with its terms of references. The committee performed, among others, the following functions:

> Reviewed and recommended for approval the annual financial statements and the related SENS and press announcement.
> Considered the factors and risks that might impact the financial reporting.
> Confirmed the going concern basis of preparation of the annual financial statements.
> Assessed the effectiveness of internal controls systems and formed the opinion that there were no material breakdowns in internal control.
> Reviewed the quality and effectiveness of the external audit process.
> Obtained assurances from the external auditors that adequate accounting records were being maintained.
> Considered whether any reportable irregularities were identified by the external auditors and determined that there were none.
> Reviewed and evaluated reports relating to business assurance/internal audit and risk management.
> Ensured no limitations were imposed on the scope of the external audit.
> Confirmed the nomination and appointment of the Group's external auditors and satisfied itself that the external auditors were independent.
> Approved the terms of the engagement and the fees paid to the external auditor.
> Reviewed the nature and extent of non-audit services performed by the external auditors.
> Ensured the appointment of the external auditors complied with relevant legal and regulatory requirements.
> Reviewed and recommended dividend declarations to the board.

EXTERNAL AUDITORS

PricewaterhouseCoopers Inc. (PwC) served as the Group's registered external auditors for the 2010 financial year and Mr FJ Lombard the designated partner.

The audit committee approved the terms of the engagement and the fees paid to PwC, in conjunction with executive management.

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 subsidiaries' audit, the extent of work required and scope of the audit. The committee reviewed the annual Group audit fee budget proposed by PwC and determined the fees to be paid. Fees paid to the external auditors are disclosed in note 28 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 audit committee has 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 R465 000 for the current year and comprise mainly audit certificates required in terms of certain contracts and the review of compliance to quality standards.

EXPERTISE AND EXPERIENCE OF THE FINANCIAL DIRECTOR

As required by the JSE Listings Requirements, the committee is satisfied that the expertise and experience of the financial director is appropriate to meet the responsibilities of the position.

APPROVAL OF THE REPORT

The committee confirms for the 2010 financial year that it has functioned in accordance with its terms of references and as required by the Companies Act and that its report to the shareholders has been approved by the board.

On behalf of the audit committee:

P. J. Golesworthy

PJ Golesworthy

Chairman: audit committee
Johannesburg
30 November 2010

INDEPENDENT AUDITORS' REPORT

for the year ended 30 September 2010

TO THE MEMBERS OF THE LIFE HEALTHCARE GROUP HOLDINGS LIMITED

We have audited the Group 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 2010, 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 and other explanatory notes, and the directors' report as set out on pages 71 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 in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 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 2010, 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 in the manner required by the Companies Act of South Africa.

PricewaterhouseCoopers Inc.

Director: FJ Lombard
Registered auditor
Johannesburg
30 November 2010

The directors have pleasure in submitting their report on the annual financial statements of the Group and Company for the year ended 30 September 2010. In 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 71 to 177.

NATURE OF BUSINESS AND LISTING

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. On 29 April 2010, the Company was converted from a private limited liability company to a public limited liability company.

The Company listed on the main board of the JSE Limited on 10 June 2010 in the Health Care Providers sector under the abbreviated name LIFEHC and the Company's clearing house code is 'LHC' for its ordinary shares.

FINANCIAL RESULTS

The financial statements from page 71 to 177 fully set out the financial results of the Group and Company and do not require further comment in this report.

SPECIAL RESOLUTIONS

The following resolutions were passed by the shareholders of the Company in a general meeting on 21 April 2010 and, in the case of special resolutions, registered with the Companies and Intellectual Property Registration office (CIPRO) on 29 April 2010:

- The Company was converted from a private company to a public company.
- Any and all preference shares in the Company's authorised and unissued share capital were cancelled in terms of section 75(h) of the Companies Act.
- From the date of registration of the relevant special resolution and until the business day immediately preceding listing, the Company's memorandum and articles of association were replaced with memorandum and articles of association that contemplate authorised ordinary 'N' shares and a form of articles of association which contains the terms of the ordinary 'N' shares. (The ordinary 'N' shares convert into ordinary shares (ranking *pari passu* with other issued ordinary shares in the capital of the Company) on the second business day immediately preceding the date of listing).
- With effect from the date of listing, the memorandum and articles of association of the Company were replaced with a memorandum that does not contemplate authorised ordinary 'N' shares and articles of association which do not provide for ordinary 'N' shares.
- Subject to the board of directors making a positive determination as to the Company's solvency and liquidity in terms of section 85 of the Companies Act, the board of directors was authorised to effect the share repurchase in terms of section 85 of the Companies Act; provided that the shareholders of Brimstone Investment Corporation Limited (Brimstone) have approved the participation (in respect of shares held directly in the Company or indirectly via Business Venture Investments No 813 (Proprietary) Limited) by Brimstone in the share repurchase.
- Upon listing, any and all 'N' shares in the Company's authorised but unissued share capital were cancelled in terms of section 75(h) of the Companies Act.
- Granted the board, subject to the listing proceeding, a general authority to repurchase the ordinary shares of the Company, subject to section 85 of the Companies Act and the Listings Requirements.

All the subsidiaries in the Group have passed special resolutions to change their articles of association to comply with the JSE Listings Requirements. A complete list is available at the Company's registered office.

SHARE CAPITAL

The following alterations to the share capital of the Company have occurred:

- In terms of a special resolution registered on 15 December 2009, the Company's authorised and issued share capital was reorganised by sub-dividing the authorised and issued ordinary and 'N' share capital of the Company in the ratio 10 000:1, in order to bring the total number of authorised ordinary shares to 4 000 000 000 and issued ordinary shares to 1 016 790 000, and the total number of authorised 'N' shares to 200 000 000 and issued 'N' shares to 149 980 000.

> On 26 March 2010, the Company issued 25 419 750 shares for the sum of R395 122 000 to the Life Healthcare 2005 performance equity trust, in terms of the provisions of the trust deed of the Life Healthcare 2005 performance equity trust.
> On 8 June 2010, the 149 980 000 'N' ordinary shares in the issued share capital of the Company converted, on a one for one basis and in accordance with their terms as set out in the articles of association, into issued ordinary shares of R0.000001 each in the capital of the Company. Upon their conversion into shares, the issued 'N' ordinary shares rank *pari passu* with all the other shares in the Company in all respects.
> On 10 June 2010, the listing date, the Company issued 321 547 006 ordinary shares at a total value of R4 340 884 000 to investors in terms of the listing offer and repurchased an equivalent number of issued ordinary shares in its capital for a total value of R4 019 148 000. Accordingly, following the aforementioned share issue and the share repurchase, the aggregate number of shares in the issued share capital of the Company remained unchanged.

Further details of the authorised and issued share capital of the Company and the Group are given in notes 2 and 6 of the Company and notes 15 and 19 of the Group financial statements.

DISTRIBUTION TO SHAREHOLDERS

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

The Company declared the following dividends during the current and previous financial year:

Date paid	R'000	Cents per share	Type of dividend
30 June 2009	160 000	15.54	Interim 2009
30 September 2009	100 000	9.71	Interim 2009
28 December 2009	290 000	27.83	Final 2009
13 August 2010	239 708	23.00	Interim 2010

The directors approved a final dividend of 29 cents per share on 30 November 2010. Dividends are only accounted for on the date they are declared. 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	17 December 2010
Trading 'ex' the dividend commences	20 December 2010
Record date	24 December 2010
Payment date	28 December 2010

During the current and previous financial year the Company also repurchased ordinary and ordinary 'N' shares.

The details are as follows:

Date paid	R'000	Number of shares repurchased
16 September 2009	99 944	13 210 000
10 June 2010	4 019 148	321 547 006

INTEREST IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Material changes in holdings in subsidiaries, associates and joint ventures are:

> In June 2010, the Group acquired 100% of the share capital in Amabubesi Hospitals (Proprietary) Limited (Bay View Hospital) and Amabubesi Healthcare Properties (Proprietary) Limited.
> The Group disposed of its investment of 40% in the joint venture Vincent Pallotti Oncology Unit on 31 May 2010.
> The Group disposed of its associate investment of 30% in Joint Radiotherapy (Proprietary) Limited on 30 November 2009.
> Wilgers Cathlab Trust and LCM Oncology (Proprietary) Limited became subsidiaries of the Group due to a change in voting rights on 1 October 2009.

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

PROPERTY, PLANT AND EQUIPMENT

The Group's property, plant and equipment are primarily owned by its subsidiaries and the book value amounts to R3 257 593 000 (2009: R2 905 498 000). 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 66 and the company secretary's details are set out on page 66. The remuneration of the directors is set out in note 38 to the annual financial statements.

APPOINTMENTS

Trevor Munday, Louisa Mojela and Peter Golesworthy were appointed as independent non-executive directors on 10 June 2010.

RESIGNATIONS

Richard Laubscher resigned as an independent non-executive director on 21 April 2010. Neo Mokhesi (formerly Sowazi) resigned as a non-executive director on 20 August 2010. Eutychus Mbuthia resigned as a non-executive director and AG Aitken resigned as an alternate director on 23 August 2010.

INTERESTS OF DIRECTORS

At 30 September 2010, directors owned ordinary shares in the Company, directly or indirectly, as follows:

	2010		2009	
	Direct	Indirect	Direct	Indirect
Non-executive directors				
Prof GJ Gerwel	–	6 448 922[1]	–	–
MA Brey	–	7 792 067[1,5]	–	–
GC Solomon	107 000[2]	–	–	–
PJ Golesworthy	22 000[2]	–	n/a	n/a
TS Munday	–	–	n/a	n/a
LM Mojela	–	–	n/a	n/a
Dr JPF Dalmeyer	783 008[3]	–	–	–
YZ Cuba	55 460[6]	233 349[1]	–	–
Dr MP Ngatane	–	–	–	–
RCM Laubscher	n/a	n/a	–	–
EW Mbuthia	n/a	n/a	–	–
NV Mokhesi	n/a	n/a	–	–
Executive directors				
CMD Flemming	10 715 078[4]	40 000[1]	–	9 615 834[4]
RJ Hogarth	5 446 415[4]	–	–	5 201 604[4]
Alternative directors				
AG Aitken	n/a	n/a	–	–
LZ Brozin	–	1 572 387[1]	–	–
PN Boynton	–	–	–	–
CWJ Lyons	–	135 021[1]	–	–
	17 128 961	16 221 746	–	14 817 438

No change in the interests as set out above has occurred between 30 September 2010 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 Group's 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 were materially interested.

The direct and indirect holdings of certain directors have been affected by specific transactions related to the listing. Prior to the listing of the Company on the JSE, a restructuring of certain shareholdings, share repurchases, share purchases and the release of shares in terms of the performance equity scheme was completed.

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] *Previously no direct or indirect shares were held. With the listing of the Company and the unbundling of interests in the Company by Brimstone and Mvela through HSI, which listed on the JSE Limited on 16 August 2010, a Brimstone or Mvela shareholder would have received HSI shares. The indirect shareholding reflects the holding held through HSI. The HSI shares will be unbundled after the expiry of the lock-in period. This unbundling will result in shareholders holding ordinary shares in the Company directly.*

[2] *There are no comparative figures as these shares were bought on or after the listing.*

[3] *The holding is a result of the distribution in specie of shares in the Company by Docvest. These shares are subject to the 180 day lock-in period.*

[4] *The interest was previously held indirectly. In terms of the arrangements which preceded the listing of the Company, the indirect holding became a direct holding and the following movement in shareholdings occurred:*

	CMD Flemming	RJ Hogarth
Holding September 2009	9 615 834	5 201 604
Performance equity shares	3 739 255	1 370 108
Net share repurchase	(2 640 011)	(1 125 297)
Holding September 2010	10 715 078	5 446 415

These shares are subject to the 180 day lock-in period from the date of listing.

[5] *12 740 shares are held in Life Healthcare by associates of the director. There are no comparative figures as these shares were bought on or after the listing.*

[6] *There are no comparative figures as these shares were bought as part of the book-build pre-listing.*

For all the interests listed, there has not been nor will there be any change in these interests that has or will occur between the end of the financial year and the date of the approval of the annual financial statements.

GOING CONCERN

The directors are 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 2011 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's annual financial statements.

AUDITORS

The board of directors recommends 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 290(2) 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 66 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 41 to the annual financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 September 2010

	Notes	2010 R'000	2009 R'000
ASSETS			
Non-current assets		6 193 470	5 664 338
Property, plant and equipment	5	3 257 593	2 905 498
Intangible assets	6	2 219 692	2 156 225
Investment in associates	7	285 448	250 962
Loans and receivables	9	5 828	5 794
Retirement benefit asset	10	203 026	100 021
Post-retirement medical aid benefit	10	75 131	76 449
Operating lease asset	20	2 056	3 470
Deferred income tax assets	11	144 696	165 919
Current assets		1 678 533	1 222 713
Inventories	12	184 795	166 145
Trade and other receivables	13	992 718	935 511
Cash and cash equivalents	14	482 156	101 417
Retirement benefit asset	10	–	240
Loans to associates	7	11 189	7 622
Derivative financial instruments	24	–	16
Current income tax assets		6 305	10 392
Operating lease asset	20	1 370	1 370
TOTAL ASSETS		7 872 003	6 887 051
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	15	1	1
Share premium	16	3 956 346	23 350
Other reserves	17	(28 899)	224 610
Retained earnings		(1 078 773)	2 072 480
		2 848 675	2 320 441
Non-controlling interest		666 498	609 851
TOTAL EQUITY		3 515 173	2 930 292
LIABILITIES			
Non-current liabilities		2 566 444	2 073 925
Interest bearing borrowings	18	2 024 441	1 631 044
Deferred income tax liabilities	11	376 030	305 080
Derivative financial instruments	24	21 938	1 089
Preference shares	19	–	–
Provisions	22	24 590	16 118
Operating lease liability	20	53 982	51 229
Post-retirement medical aid liability	10	65 463	69 365
Current liabilities		1 790 386	1 882 834
Trade and other payables	21	1 153 700	1 005 079
Provisions	22	124 584	110 414
Interest bearing borrowings	18	450 082	722 535
Shareholders for dividends		–	2 950
Shareholders' loans	23	–	–
Current income tax liabilities		56 614	41 854
Derivative financial instruments	24	5 406	2
TOTAL LIABILITIES		4 356 830	3 956 759
TOTAL EQUITY AND LIABILITIES		7 872 003	6 887 051

	Notes	2010 R'000	2009 R'000
Revenue	26	8 786 334	7 929 667
Other income	27	94 441	78 677
Ethicals and surgicals consumed		(2 430 197)	(2 226 792)
Employee benefits expense	29	(2 967 005)	(2 650 979)
Depreciation on property, plant and equipment	28	(263 208)	(222 556)
Amortisation of intangible assets	28	(122 446)	(122 921)
Impairment of intangible assets	28	–	(9 351)
Repairs and maintenance expenditure on property, plant and equipment	28	(110 227)	(102 954)
Retirement benefit asset	10	102 765	8 898
Post-retirement medical aid	10	2 584	7 084
Occupational expenses		(241 187)	(208 517)
Hospital service expenses		(474 245)	(450 619)
Communication expenses		(108 002)	(109 924)
Other expenses		(412 825)	(365 550)
Profit on disposal of businesses	37	10 449	809
Operating profit		1 867 231	1 554 972
Fair value losses on derivative financial instruments	24	(26 269)	(63 474)
Finance income	30	41 307	54 108
Finance cost	30	(342 152)	(336 644)
Share of associates' net profit after tax	7	99 862	100 595
Profit before tax	28	1 639 979	1 309 557
Tax expense	31	(804 767)	(372 245)
Profit after tax		835 212	937 312
Other comprehensive income			
Currency translation differences		(2 564)	(639)
Total comprehensive income for the year		832 648	936 673
Profit after tax attributable to:			
Ordinary equity holders of the parent		664 321	759 376
Non-controlling interest		170 891	177 936
		835 212	937 312
Total comprehensive income attributable to:			
Ordinary equity holders of the parent		661 757	758 737
Non-controlling interest		170 891	177 936
		832 648	936 673
Weighted average shares in issue ('000)	32	1 029 883	1 029 747
Earnings per share (cents)	32	64.50	73.74
Diluted earnings per share (cents)	32	64.50	71.97

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 September 2010

		Attributable to equity holders of the company						
R'000	Notes	Ordinary share capital	Share premium	Other reserves	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 October 2008		1	23 350	173 611	1 616 396	1 813 358	536 497	2 349 855
Total comprehensive income for the year		–	–	(639)	759 376	758 737	177 936	936 673
Profit for the year		–	–	–	759 376	759 376	177 936	937 312
Other comprehensive income		–	–	(639)	–	(639)	–	(639)
Share based payment reserve movement		–	–	51 638	–	51 638	–	51 638
Deferred tax on share based payment reserve modification		–	–	–	56 652	56 652	–	56 652
Capital repayments to non-controlling interest		–	–	–	–	–	(38 986)	(38 986)
Ordinary dividends paid		–	–	–	(260 000)	(260 000)	(65 596)	(325 596)
Share repurchase	15	–	–	–	(99 944)	(99 944)	–	(99 944)
Balance at 30 September 2009		1	23 350	224 610	2 072 480	2 320 441	609 851	2 930 292
Balance at 1 October 2009		1	23 350	224 610	2 072 480	2 320 441	609 851	2 930 292
Total comprehensive income for the year		–	–	(2 564)	664 321	661 757	170 891	832 648
Profit for the year		–	–	–	664 321	664 321	170 891	835 212
Other comprehensive income		–	–	(2 564)	–	(2 564)	–	(2 564)
Share based payment reserve movement		–	–	74 357	–	74 357	–	74 357
Realisation of share based payment reserve		–	–	(305 333)	305 333	–	–	–
Deferred tax on share based payment reserve modification		–	–	–	20 061	20 061	–	20 061
Movement on transactions with non-controlling interests		–	–	(19 969)	–	(19 969)	–	(19 969)
Capital repayments to non-controlling interest		–	–	–	–	–	(28 423)	(28 423)
Ordinary dividends paid		–	–	–	(529 708)	(529 708)	(85 821)	(615 529)
Issue of shares in terms of the performance equity scheme		–	395 122	–	(395 122)	–	–	–
Issue of shares at listing		–	4 340 884	–	–	4 340 884	–	4 340 884
Share repurchase	15	–	(803 010)	–	(3 216 138)	(4 019 148)	–	(4 019 148)
Balance at 30 September 2010		1	3 956 346	(28 899)	(1 078 773)	2 848 675	666 498	3 515 173
Notes		15	16	17				

	Notes	2010 R'000	2009 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	34	2 233 317	1 895 399
Tax paid		(396 291)	(493 348)
Net cash generated from operating activities		1 837 026	1 402 051
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment – expand		(411 504)	(465 777)
Purchase of property, plant and equipment – maintain		(93 140)	(80 780)
Proceeds on disposal of property, plant and equipment	35	7 401	4 184
Subsidiaries acquired	37	(260 180)	(8 945)
Disposal of investments in associates and joint ventures	37	18 900	–
Dividends from associates	7	51 434	44 335
Associate loans received	7	5 960	17 452
Intangible assets acquired (software)	6	(11 907)	(4 848)
Recovery of guarantee on acquisition of subsidiary	6	–	27 000
Net cash movement in other investing activities		(2 493)	1 918
Net cash utilised in investing activities		(695 529)	(465 461)
CASH FLOWS FROM FINANCING ACTIVITIES			
Preference share capital repaid	19	–	(23 633)
Shareholder loans repaid	23	–	(312 577)
Interest bearing borrowings raised		2 365 000	200 000
Interest bearing borrowings repaid		(2 285 581)	(362 111)
Loan and dividend payments to non-controlling interest		(106 499)	(80 510)
Cash flow on increases in ownership interests	37	(36 897)	(42 877)
Proceeds on decreases in ownership interests	37	6 022	5 659
Finance cost		(311 430)	(328 592)
Finance income		41 307	54 108
Preference dividend paid		–	(1 549)
Issue of shares at listing		4 340 884	–
Ordinary shares repurchased	36	(4 268 017)	(99 944)
Ordinary dividends paid		(532 658)	(257 050)
Net cash utilised in financing activities		(787 869)	(1 249 076)
Net increase/(decrease) in cash and cash equivalents		353 628	(312 486)
Cash and cash equivalents – beginning of the year		101 417	412 253
Cash balances acquired through business combinations	37	27 111	1 650
Cash and cash equivalents – end of the year	14	482 156	101 417

1. ACCOUNTING POLICIES

The financial statements are presented in South African rand unless otherwise stated rounded to the nearest thousand, 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 2010. 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 or 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 judgement 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. 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 uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred 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. Acquisition related costs are expensed as incurred. 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 either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

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 direct attributable costs of investments.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

1. ACCOUNTING POLICIES continued

1.3 Consolidation continued

(a) Subsidiaries continued

Investments in partnerships and trusts under the control of the Group are consolidated in the Group annual financial statements.

(b) Associates

Investments in associates are defined as those investments in which the Group has a long term interest and over which it exercises significant influence, but not control. The Group's share of income from associates is accounted for by using the equity accounting method and is initially recognised at cost. The Group's interest in associates on 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 associates are no longer equity accounted from the date that significant influence ceases.

The Group's share of its associates' post-acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post-acquisition movements in reserves is recognised in reserves. 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 obligations, issued guarantees or made payments on behalf of the associate.

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 also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of the associates agree in all material aspects with the policies adopted by the Group.

(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

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated.

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.

(e) Transactions and non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of the 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.

1. ACCOUNTING POLICIES continued

1.3 Consolidation continued

(e) Transactions and non-controlling interests continued

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. 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 amount previously recognised in other comprehensive income in respect of that entity is 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 profit or loss.

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 are reclassified to profit or loss where appropriate.

Previously transactions with non-controlling interests were treated as transactions with parties external to the Group. Disposals therefore resulted in gains or losses in profit or loss and purchases resulted in the recognition of goodwill. On disposal or partial disposal, a proportionate interest in reserves attributable to the subsidiary was reclassified to profit or loss or directly to retained earnings.

Previously, when the Group ceased to have control or significant influence over an entity, the carrying amount of the investment at the date control or significant influence became its cost for the purposes of subsequently accounting for the retained interests as associates, jointly controlled entity or financial assets.

The Group has applied the new policy prospectively to transactions occurring on or after 1 January 2010. As a consequence, no adjustments were necessary to any of the amounts previously recognised in the financial statements.

1.4 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of acquired subsidiaries, businesses or joint ventures at the date of acquisition. Goodwill on the acquisition of subsidiaries, businesses and joint ventures is capitalised and shown as part of 'Intangible assets' on the face of the statement of financial position and carried at cost less accumulated impairment losses. Separately recognised goodwill is tested for impairment on an annual basis. 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.

When a deferred tax asset is raised after the initial accounting for a business combination is complete, in respect of deferred tax assets that did not satisfy the criteria for separate recognition when the business combination was initially accounted for, an adjustment is made to the amount of goodwill recognised in respect of the acquisition. The goodwill amount is reduced to the amount of goodwill that would have been recognised if the deferred tax asset had been recognised as an identifiable asset from the acquisition date. This reduction is recognised as an expense.

1. ACCOUNTING POLICIES continued

1.4 Goodwill continued

Contingent consideration in a business combination is included in the cost of a business combination and initially recognised as a liability. Subsequent adjustments to the estimated amount of the contingent consideration resulting in a gain or a loss, are recognised in profit or loss 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 profit or loss during the financial period in which they are incurred.

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 profit or loss 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 that its estimated recoverable amount. Refer to the policies on impairment of non-financial assets for more details on impairment testing.

1. ACCOUNTING POLICIES continued

1.5 Property, plant and equipment continued

Replacements of linen, cutlery and crockery and certain medical instruments are also charged as an expense in profit or loss over a 12 month period from the date of purchase.

Assets held under finance leases are depreciated over the shorter of the expected 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.

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 useful lives.

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

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. 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 their expected useful lives, 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 maximum of 20 years. 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.

1. ACCOUNTING POLICIES continued

1.6 Intangible assets continued

(b) Computer software continued

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.

Computer software development costs recognised as assets are amortised over their estimated useful lives not exceeding 20 years unless a longer period is more appropriate.

(c) Preferred supplier contracts

The Group has preferred supplier contracts. These intangibles 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 lives 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

1.7 Financial instruments

(a) Initial recognition

Financial assets and financial liabilities are recognised on 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 expires.

Purchases and sales of financial assets are recognised on trade date; the date on which the Group purchases or sells the asset. Financial assets and financial liabilities are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or 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 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 depends on the purpose for which the financial assets were acquired. The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held to maturity investments and available for sale financial assets.

1. ACCOUNTING POLICIES continued

1.7 Financial instruments continued

(c) Classification and subsequent measurement continued

(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 and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also classified as held for trading as they are not designated as hedges. Financial assets in this category are classified as current or non-current assets depending on the settlement terms.

Financial assets at fair value through profit or loss are measured initially and subsequently at fair value, gains or losses arising from changes in fair value are included in profit or loss for the period as part of other expenses.

Transaction costs are recognised in profit or loss. 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.

(a) 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 re-measured 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 and the host contract is not carried at fair value with unrealised gains or losses reported in profit or loss as part of gains/losses.

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 profit or loss as they arise.

(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', 'loans to/(from) shareholders', 'trade and other receivables', 'other loans and receivables' 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.

1. ACCOUNTING POLICIES continued

1.7 Financial instruments continued

(c) Classification and subsequent measurement continued

(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 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 or losses arising from changes in fair value are recognised directly in equity 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 as 'gains/(losses) from investment securities'.

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 the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. The impairment is measured as the difference between the financial assets carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition only where the financial asset is measured at amortised cost on the effective interest method. 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 incurred 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 measured.

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. 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 equity 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.

1. ACCOUNTING POLICIES continued

1.7 Financial instruments continued

(d) Impairment of financial assets continued

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

> significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

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, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption value is recognised over the term of the borrowings, in terms of the effective interest method.

Borrowing costs are recognised as an expense in the period in which they are incurred, unless required to be capitalised in terms of IAS 23 (revised).

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.

Preference shares are classified as liabilities. The dividends on these preference shares are recognised in the statement of comprehensive income as finance cost.

1.10 Tax

The tax expense for the period comprises current and deferred tax. Current tax, deferred tax and secondary tax on companies are recognised in the statement of comprehensive income, except to the extent that they relate to items recognised in equity, in which case the tax is recognised directly in equity.

(a) Current tax assets and liabilities

Current tax comprises normal income tax and secondary tax on companies. Normal income tax is calculated on the basis of the expected 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. Secondary tax on companies, that is payable on net dividends, is calculated and recognised to the extent that underlying dividends have been declared or paid using enacted rates applicable at the date of the dividend declaration.

1. ACCOUNTING POLICIES continued

1.10 Tax continued

(a) Current tax assets and liabilities continued

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.

(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 and
> 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 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 and unused STC credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits 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 by 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.

1.11 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. 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. Lease income is recognised over the term of the lease on a straight line basis.

1. ACCOUNTING POLICIES continued

1.11 Leases continued

(a) Finance leases – lessor continued

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 an 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.

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 this asset nor liability is discounted.

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

1.12 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 amount of those inventories is 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.

1.13 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.

1. ACCOUNTING POLICIES continued

1.13 Impairment of non-financial assets continued

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 their carrying amounts with their recoverable amounts. This impairment test is performed during the annual period and at the same time every period.
> tests goodwill acquired in a 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 profit or loss. 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 acquired in a business combination 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 units. 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 profit or loss.

1.14 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.

1.15 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.

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.

1. ACCOUNTING POLICIES continued

1.15 Employee benefits continued

(b) Defined contribution plans

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 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 interest rates of government securities that have terms to maturity approximating the terms of the related liability. Actuarial gains or losses are recognised immediately in the statement of comprehensive income, where the surplus apportionment has been approved.

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.

(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.

1. **ACCOUNTING POLICIES** continued

1.15 Employee benefits continued

(e) Post-retirement medical aid costs continued

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 or losses arising from experience adjustments and changes in actuarial assumptions are charged to profit or loss in the period in which they arise. Independent qualified actuaries carry out annual valuations of these obligations.

(f) Long term bonus plans

The Group recognises a liability 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 and a hurdle rate. There was a modification to the bonus scheme in the 2009 financial year in which the bonus is now based on performance units and appreciation units. The scheme uses a fixed multiple of EBITDA and is accounted for using the projected unit credit method using the same accounting principles as for a defined benefit plan.

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

1.16 Share based compensation

The Group operates two share based compensation schemes. Both schemes are treated as equity settled schemes on a group basis. For both schemes the fair value of the services received in exchange for the instruments is expensed over the vesting period. The fair value of the services received is determined with the reference to the fair value of the instruments at inception of the scheme. Both schemes were settled during the current financial year.

1.17 Directors' emoluments

The directors' emoluments disclosed in note 38 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 JSE Listings Requirements.

1.18 Provisions and contingencies

Provisions for restoration costs 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 settle the obligation. In determining the present value a pre-tax rate that reflects the current market assessments 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 shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

If an entity in the Group has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

1. ACCOUNTING POLICIES continued

1.18 Provisions and contingencies continued

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 40.

1.19 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, 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.

(a) 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.

(b) Sales of services

The Group provides acute healthcare and operates sameday 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.

(c) Interest income

Interest income is recognised, in profit or loss, 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 is recognised using the original effective interest rate.

(d) Rental income

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

(e) Dividend income

Dividends are recognised, in profit or loss, when the company's right to receive payment has been established.

1.20 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.

1. ACCOUNTING POLICIES continued

1.20 Translation of foreign currencies continued

(a) Foreign currency transactions continued

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 profit or loss 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 the translation reserve in equity and recognised in profit or loss 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.

1.21 Dividend distribution

Dividend distribution to the Group's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Board.

Preference share dividends payable are recognised as an accrual and included in finance costs.

1.22 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 managing director.

1.23 Earnings per share 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 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 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 32.

1. ACCOUNTING POLICIES continued

1.24 New accounting standards and IFRIC interpretations

Standards, amendments and interpretations effective in 2010

Standard	Standard's name	Effective date	Material difference between the old and new standard
IFRS 2	*Share based payment (amendment)*	1 January 2009	> The amendment deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. > Other features of a share based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. > All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. No impact on the Group for the current year.
IFRS 3	*Business combinations (revised)*	1 July 2009	> The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the statement of comprehensive income. > There is a choice on an acquisition by acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition related costs should be expensed. The Group applied IFRS 3 (revised) prospectively to all business combinations from 1 October 2009, and the impact will be assessed with each prospective transaction.
IFRS 7	*Financial instruments – disclosures (amendment)*	1 January 2009	> The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change only results in additional disclosure, there is no impact on earnings.
IFRS 8	*Operating segments*	1 January 2009	> IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This was adopted in the 2010 financial year.

1. ACCOUNTING POLICIES continued

1.24 New accounting standards and IFRIC interpretations continued

Standards, amendments and interpretations effective in 2010 continued

Standard	Standard's name	Effective date	Material difference between the old and new standard
IAS 1	*Presentation of financial statements (revised)*	1 January 2009	> This amendment requires that an entity must present all non-owner changes in equity either in one statement of other comprehensive income or in two statements; a separate income statement and a statement of other comprehensive income. All owner changes in equity are recognised in a statement of changes in equity. > Total comprehensive income for a period includes profit or loss for that period plus other comprehensive income. Other comprehensive income comprises income or expense items that are not recognised in profit or loss as required or permitted by other standards and are not transactions with owners. > The standard does not change the recognition, measurement or disclosure of specific transactions, nor does it impact the results, financial position and cash flows of the Group. The standard has been applied in the current financial year.
IAS 23	*Borrowing costs (revised)*	1 January 2009	> The standard has eliminated the option of immediate recognition of borrowing costs, which are directly attributable to the acquisition, construction or production of a qualifying asset, as an expense. This will have an impact on the carrying cost of future capital expansions where borrowings are incurred and the expansion takes a substantial period of time to get ready for its intended use or sale. The Group adopted these amendments from 1 October 2009, with no material effect on the Group's financial results.
IAS 27	*Consolidated and separate financial statements (revised)*	1 July 2009	> The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill. > The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value and a gain or loss is recognised in profit or loss. The Group still has interests in a number of entities that are already under control. Therefore equity acquisitions/disposals will have to be assessed prospectively. The Group applied the standard from 1 October 2009.

1. ACCOUNTING POLICIES continued

1.24 New accounting standards and IFRIC interpretations continued

Standards, amendments and interpretations effective in 2010 but not relevant

The following standards, amendments and interpretations to published standards are not relevant to the Group's operations:

Standard	Standard's name	Effective date	Material difference between the old and new standard
IFRS 1	*First time adoptions of International Financial Reporting Standards (revised)*	1 July 2009	> The revised standard has an improved structure but does not contain any technical changes.
IFRS 1	*First time adoptions of International Financial Reporting Standards (revised) and consolidated and separate financial statements (IAS 27)*	1 July 2009	> The amendment allows first time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. > The amendment also removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor.
IAS 32 and IAS 1	*Financial instruments: Presentation; presentation of financial statements*	1 January 2009	> Puttable financial instruments and obligations arising on liquidation (amendment) – effective from 1 January 2009. The amended standards require entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions.
IAS 39	*Financial instruments: recognition and measurement (amendment)*	1 July 2009	> The amendment prohibits designating inflation as a hedgeable component of a fixed rate debt. > It also prohibits including time value in the one-sided hedged risk when designating options as hedges.
IFRIC 15	*Agreement for the construction of real estate*	1 January 2009	> The interpretation addresses diversity in accounting for real estate sales. It clarifies how to determine whether an agreement is written within the scope of IAS 11 – *"Construction contracts"* or IAS 18 – *"Revenue"* and when revenue from construction should be recognised.
IFRIC 17	*Distributions of non-cash assets to owners*	1 July 2009	> The interpretation applies to the accounting for distributions of non-cash assets to the owners of the entity. It clarifies that a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity. The entity should measure the dividend payable at the fair value of the net assets to be distributed; and an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss.

1. ACCOUNTING POLICIES continued

1.24 New accounting standards and IFRIC interpretations continued

Standards, amendments and interpretations that are not yet effective and have not been early adopted unless specified

Standard	Standard's name	Effective date	Material difference between the old and new standard
IFRS 2	*Share based payments: Group cash settled share based payment transactions (amendment)*	1 January 2010	> The IASB issued an amendment to IFRS 2 which clarifies the scope and the accounting for group cash settled share based payment transactions. No impact on the Group.
IFRS 9	*Financial instruments*	1 January 2013	> The standard 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, namely amortised cost and fair value. Impact will be assessed.
IAS 24	*Related party disclosure (amendment)*	1 January 2011	> The amendment provides partial relief from the requirement for government related entities to disclose details of all transactions with the government and other government related entities. It also clarifies and simplifies the definition of a related party. Additional disclosures will be required.
IAS 32	*Financial instruments: presentation (amendment)*	1 February 2010	> The amendment clarifies the accounting treatment when rights issues are denominated in a currency other than the functional currency of the issuer. If such rights are issued pro rata to an entity's existing shareholders for a fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated. No impact on the Group.
IFRS 1 and IFRS 7	*First time adoption of International Financial Reporting Standards and financial instruments: disclosure (amendment)*	1 July 2010	> The amendment to IFRS 1 provides first time adopters with the same transition provisions as included in the amendment to IFRS 7.
IFRIC 19	*Extinguishing financial liabilities with equity instruments*	1 July 2010	> The interpretation clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in the profit and loss account based on the fair value of the equity instruments compared to the carrying amount of the debt.
IFRIC 14	*The limit on a defined benefit asset, minimum funding requirements and their interaction (amendment)*	1 January 2011	> The amendment will have a limited impact as it applies only to companies that are required to make minimum funding contributions to a defined benefit pension plan.

1. ACCOUNTING POLICIES continued

1.24 New accounting standards and IFRIC interpretations continued

Annual improvement projects

The IASB initiated annual improvement projects during May 2008, April 2009 and May 2010 as a method of making necessary, but non-urgent amendments to IFRS. These changes will not be included as part of another major project.

The following amendments are effective for annual periods beginning on or after 1 July 2009, although entities are permitted to adopt them earlier:

Standard	Standard's name	Improvement
IFRS 5	*Non-current assets held for sale and discontinued operations*	Details of the amendment relates to plan to sell the controlling interest in a subsidiary.
IAS 38	*Intangible assets*	Additional consequential amendments arising from revised IFRS 3 and the measurement of the fair value of an intangible asset acquired in a business combination.
IFRS 7	*Financial instruments: disclosures*	Presentation of finance costs.
IAS 1	*Presentation of financial statements*	Current/non-current classification of derivatives.
IAS 8	*Accounting policies, changes in accounting estimates and errors*	Status of implementation guidance.
IAS 16	*Property, plant and equipment*	Recoverable amount and sale of assets held for rental.
IAS 18	*Revenue*	Costs of originating a loan.
IAS 19	*Employee benefits*	Curtailments and negative past service cost, plan administration costs, replacement of term 'fall due' and guidance on contingent liabilities.
IAS 20	*Accounting for government grants and disclosure of government assistance*	Government loans with a below market rate of interest and consistency of terminology with other IFRS.
IAS 23	*Borrowing costs*	Components of borrowing costs.
IAS 28	*Investments in associates*	Required disclosures when investments in associates are accounted for at fair value through profit or loss and impairment of investment in associate.
IAS 29	*Financial reporting in hyperinflationary economies*	Description of measurement basis in financial statements and consistency of terminology with other IFRS.
IAS 31	*Interest in joint ventures*	Required disclosures when interests in jointly controlled entities are accounted for at fair value through profit or loss.
IAS 34	*Interim financial reporting*	Earnings per share disclosures in interim financial reports.
IAS 36	*Impairment of assets*	Disclosure of estimates used to determine recoverable amount.
IAS 39	*Financial instruments – recognition and measurement*	Reclassification of derivatives into or out of the classification of at fair value through profit or loss. Designating and documenting hedges at the segment level. Applicable effective interest rate on cessation of fair value hedge accounting.
IAS 40	*Investment property*	Property under construction or development for future use as investment property. Consistency of terminology with IAS 8. Investment property held under lease.
IAS 41	*Agriculture*	Discount rate for fair value calculations. Additional biological transformation. Examples of agricultural produce and products and point of sale costs.

1. ACCOUNTING POLICIES continued

1.24 New accounting standards and IFRIC interpretations continued

Annual improvement projects continued

The following amendments are effective for annual periods beginning on or after 1 January 2010, although entities are permitted to adopt them earlier:

Standard	Standard's name	Improvement
IFRS 2	*Share based payments*	The scope of IFRS 2 and IFRS 3 revised was clarified.
IFRS 5	*Non-current assets held for sale and discontinued operations*	Amendment affected the disclosures of non-current assets (or disposal groups) classified as held for sale or discontinued operations.
IFRS 8	*Operating segments*	The disclosure of information about segment assets was amended.
IAS 1	*Presentation of financial statements*	The amendment deals with the classification of the current/non-current portion of convertible instruments.
IAS 7	*Statement of cash flows*	Classification of expenditures on unrecognised assets is amended.
IAS 17	*Leases*	The amendment deals with the classification of leases of land and buildings.
IAS 36	*Impairment of assets*	The unit of accounting for goodwill impairment testing was addressed. When discounted cash flows are used to estimate 'fair value less cost to sell', additional disclosure is required about the discount rate.
IAS 39	*Financial instruments: recognition and measurement*	The amendment affects the following: Treating loan prepayment penalties as closely related embedded derivatives; scope exemption for business combination contracts; and cash flow hedge accounting.
IAS 38	*Intangible assets*	Additional consequential amendments arising from revised IFRS 3. Measuring the fair value of an intangible asset acquired in a business combination.
IAS 18	*Revenue*	The amendment provides guidance to determine whether an entity is acting as a principal or as an agent.
IFRIC 9	*Reassessment of embedded derivatives*	Scope of IFRIC 9 and revised IFRS 3.
IFRIC 16	*Hedges of a net investment in a foreign operation*	Amendment to the restriction on the entity that can hold hedging instruments.

1. ACCOUNTING POLICIES continued

1.24 New accounting standards and IFRIC interpretations continued

Annual improvement projects continued

The following amendments are effective for annual periods beginning on or after 1 January 2011, although entities are permitted to adopt them earlier:

Standard	Standard's name	Improvement
IFRS 1	*First time adoption of International Financial Reporting Standards*	Accounting policy changes in the year of adoption, revaluation basis as deemed cost and previous GAAP carrying amounts as deemed cost for assets used in operations subject to rate regulations.
IFRS 3	*Business combinations (revised)*	Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS. Measurement of non-controlling interest and unreplaced and voluntarily replaced share based payment awards.
IFRS 7	*Financial instruments: disclosure*	Clarifications of disclosures.
IAS 1	*Presentation of financial statements*	Clarification of the statement of changes in equity.
IAS 27	*Consolidated and separate financial statements*	Transition requirements for amendments made as a result of IAS 27 (Revised), IAS 21, IAS 28 and IAS 31.
IAS 34	*Interim reporting*	Significant events and transactions.
IFRIC 13	*Customer loyalty programmes*	Fair value of award credits.

The Group has assessed the significance of these new standards, amendments to standards and new interpretations, which will be applicable from 1 January 2009 and later years and concluded that they will have no material financial impact. IAS 29, IAS 41 and IFRIC 13 are not applicable to the operations of the Group.

IAS 27 (revised) and IFRS 3 (revised) will have an impact on the financial reporting of new acquisitions and disposals.

2. RISK MANAGEMENT

The Group's overall risk management programme focuses 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. Risk management is carried out by a central treasury department (company treasury) under policies approved by a board sub-committee. Company treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The board sub-committee provides 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, 19, 20, 23, 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 additional dividends paid to shareholders, return capital to shareholders, issue new shares, sell assets to reduce debt or raise additional 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.

EBITDA is defined as earnings before interest, tax, depreciation and amortisation adjusted for non-operating items.

	2010	2009
The gearing ratio at 30 September	37%	44%

The Group had externally imposed debt covenants that limited raising of additional debt from refinancing, in terms of the previous debt structures. The debt was refinanced during the current financial year and in terms of the new covenants the lenders have the right to increase rates where the covenants are breached. The covenants are:

	2010	2009
A minimum of total debt service cover ratio (times)	n/a	1.45
A minimum of senior debt interest cover ratio (times)	n/a	4.0
A minimum of total interest cover ratio (times)	3.0	2.0
A maximum of senior debt equity ratio (%)	n/a	80
A minimum of cumulative total debt cover ratio (times)	n/a	1.10
A maximum of net debt to EBITDA ratio	3.0	1.40

The Group has met or received approval to breach covenant requirements (in respect of previous debt facilities) during the current and previous financial year.

The revolving credit facilities, senior and mezzanine loans were refinanced without any penalties in May 2010 resulting in lower interest rates and greater flexibility regarding raising new debt.

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.

2. RISK MANAGEMENT continued

(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 the availability of funds available 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.

The table below analyses the Group's financial liabilities and net settled, non-derivative financial liabilities into relevant maturity groupings, based on the remaining period at the statement of financial position date to the contractual maturity date. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

2010 (R'000)	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Interest bearing borrowings	450 082	455 810	1 159 267	409 364	2 474 523
Trade and other payables	1 153 700	–	–	–	1 153 700
Operating lease (net)	–	–	6 636	43 920	50 556
	1 603 782	455 810	1 165 903	453 284	3 678 779

2009 (R'000)	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Interest bearing borrowings	722 536	428 235	821 791	381 016	2 353 578
Trade and other payables	1 005 079	–	–	–	1 005 079
Operating lease (net)	–	–	5 534	45 695	51 229
	1 727 615	428 235	827 325	426 711	3 409 886

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. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

2010 (R'000)	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Foreign exchange contracts and Interest rate swap contracts – cash flow hedges					
> Outflow	(5 406)	(21 938)	–	–	(27 344)

2. RISK MANAGEMENT continued

(b) Financial risk continued

(i) Liquidity risk continued

2010 (R'000)	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Foreign exchange contracts and interest rate cap contracts – cash flow hedges					
> Outflow	(2)	(1 089)	–	–	(1 091)

(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 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.

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 or 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 would be a maximum increase of R2 734 000 (2009: R153 000) or decrease of R2 734 000 (2009: R153 000), 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 contracts hedge R1 500 000 000 of the variable outstanding balance of R1 867 500 000, at 30 September 2010.

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 note 24 for the current interest rate hedges in place. All interest rate hedges are economic hedges.

2. RISK MANAGEMENT continued

(b) Financial risk continued

(iii) Cash flow interest rate risk

2010 (R'000)

Financial instrument	Current interest rate	Carrying value: Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Trade and other receivables – normal credit terms	n/a	–	–	–	–	–
Loans and receivables	9.50%	–	5 828	–	–	5 828
Cash in current banking institutions	6.40%	482 156	–	–	–	482 156
Interest bearing borrowings – floating rates	8.99%	(186 990)	(185 830)	(3 385)	(3 868)	(380 073)
Loans to associates	7.50%	11 189	–	–	–	11 189
		306 355	(180 002)	(3 385)	(3 868)	119 100

2009 (R'000)

Financial instrument	Current interest rate	Carrying value: Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Trade and other receivables – normal credit terms	n/a	–	–	–	–	–
Loans and receivables	10.50%	–	5 794	–	–	5 794
Cash in current banking institutions	9.08%	101 417	–	–	–	101 417
Preference shares	n/a	–	–	–	–	–
Interest bearing borrowings – floating rates	9.76%	(357 341)	(4 321)	(2 372)	(7 260)	(371 294)
Loans to associates	8.50%	7 622	–	–	–	7 622
		(248 302)	1 473	(2 372)	(7 260)	(256 461)

(iv) Fair value interest rate risk

2010 (R'000)

Financial instrument						
Interest bearing borrowings – fixed rates	9.98%	(263 092)	(269 981)	(1 155 882)	(405 495)	(2 094 450)

2009 (R'000)

Financial instrument						
Interest bearing borrowings – fixed rates	13.34%	(364 038)	(420 868)	(783 424)	(305 978)	(1 874 308)

2. RISK MANAGEMENT continued

(b) Financial risk continued

(v) Credit risk

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 consists mainly of 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 rating 'A' 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:

	2010 R'000	2009 R'000
Derivative financial instruments	–	16
Trade and other receivables	964 361	912 449
Cash and cash equivalents	482 156	101 417
Loans and receivables	5 828	5 794
Loans to associates	11 189	7 622

The Group is exposed to a number of guarantees for the overdraft facilities of Group companies. Refer note 40 for additional details.

(vi) Fair values

The fair values and carrying amounts of the financial assets and liabilities as presented on the statement of financial position, are as follows:

	2010		2009	
Assets and liabilities at fair value (R'000)	Carrying value	Fair value	Carrying value	Fair value
Derivative assets at fair value for hedging	–	–	16	16
Derivative liability at fair value for hedging	(27 221)	(27 221)	–	–

2. RISK MANAGEMENT continued

(b) Financial risk continued

(vi) Fair values continued

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 2010. They are grouped into levels 1 to 3 based on the extent to which the fair values are observable.

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).

30 September 2010	Level 1	Level 2	Level 3	Total
Financial instrument (R'000)				
Derivative financial assets	–	–	–	–
Derivative financial liability	–	(27 221)	–	(27 221)
	–	(27 221)	–	(27 221)
30 September 2009				
Derivative financial assets	–	16	–	16
Derivative financial liability	–	–	–	–
	–	16	–	16

(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, Botswana pula (BWP) and the British pound sterling (GBP). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group treasury's 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 economically to hedge their foreign exchange risk exposure in consultation with the Group 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 entities' functional currency.

The Group has an investment in one foreign operation, Botswana, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operation is managed primarily through borrowings denominated in the relevant foreign currencies.

At 30 September 2010, 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 R2 038 000 (2009: R969 000), 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.

2. RISK MANAGEMENT continued

(b) Financial risk continued

(vii) Foreign exchange risk continued

Foreign currency exposure at statement of financial position date	2010 R'000	2009 R'000
Non-current assets		
BWP16 499 117 (2009: BWP8 072 469)	17 586	9 196
Current assets		
BWP48 345 578 (2009: BWP49 832 772)	51 532	55 780
Current liabilities		
BWP 20 953 532 (2009: BWP22 413 646)	(22 334)	(25 539)
Non-current liabilities		
BWP Nil (2009: BWP Nil)	–	–
Exchange rates used for conversion of foreign denominated assets/liabilities outstanding at year end were:		
GBP	n/a	12.18
BWP	1.07	1.14
Exchange rates used for conversion of foreign denominated income/expense items were:		
GBP	n/a	n/a
BWP	1.11	1.23

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 note 24.

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:	2010	2009
Growth rate in activities	0.0% to 5.0%	0.0% to 5.0%
Average discount rate	16.80%	18.00%
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 estimates were to change by more than 5% it would have a significant impact on the impairment charge (more than R20 million).

(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 judgement 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 obligation 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 notes 5 and 6 of the Group 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 note 24 of the Group financial statements.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS continued

3.1 Critical accounting estimates continued

(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.

(e) 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 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 Group's ability 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 Group's ability to obtain tax deductions in future periods. Assets are only raised where the Group will be able to utilise these losses.

3.2 Judgements

(a) Valuation assumptions for share based payments

The Group participated in two share based payment schemes. The employee trust was available to all permanent employees that are members of a South African retirement fund of the Group. The performance equity scheme was available to certain members of senior management. The schemes were accounted for as equity settled schemes, in accordance with IFRS 2. Both schemes were settled during the current year.

The key assumptions for both of these schemes are:	2010 at date of settlement	2009
EBITDA multiple	5.39	5.39
Discount rate	8.90%	8.90%
Minority interest discount	25.00%	25.00%

(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 note 22.

(c) Provision for insurance claims

Due to the industry that the Group operates in, it is a party to a number of claims against it. The Group has an insurance policy for such claims. The Group provides for insurance excesses based on historical experience and advice of experts. The excesses provided for are based on the maximum excess payable for a valid claim.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS continued

3.2 Judgements continued

(d) Pension and other post-employment benefits

The cost of defined benefit pension plans and other 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 policies in note 1 and in note 10.

(e) Fair value determination in business combinations

IFRS 3 (revised) requires all assets, liabilities and contingent liabilities to be measured at fair value when accounting for business combinations. 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 judgement. Judgement is applied in determining the allocation of goodwill to different CGUs. The allocation is done based on the expected benefit arising from synergies due to the business combinations.

(f) 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

The Group has adopted IFRS 8 *Operating segments* with effect from 1 October 2009. 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 hospital 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.

Operating segments	2010 R'000	2009 R'000
Revenue		
Southern Africa	8 786 334	7 929 667
Hospitals	8 139 663	7 297 209
Healthcare services	636 863	614 261
Other	9 808	18 197
Total	8 786 334	7 929 667
Profit before items detailed below		
Southern Africa	1 873 879	1 670 453
Hospitals	1 594 535	1 418 553
Healthcare services	118 278	91 523
Other	161 066	160 377
Operating profit before amortisation, disposals and impairment of intangible assets	1 873 879	1 670 453
Amortisation of intangible assets	(122 446)	(122 921)
Impairment of intangible assets	–	(9 351)
Profit on disposal of businesses	10 449	809
Post-retirement medical aid movement	2 584	7 084
Retirement benefit asset movement	102 765	8 898
Fair value losses on derivative financial instruments	(26 269)	(63 474)
Finance income	41 307	54 108
Finance costs	(342 152)	(336 644)
Share of associate's net profit after tax	99 862	100 595
Profit before tax	1 639 979	1 309 557

	2010 R'000	2009 R'000
5. PROPERTY, PLANT AND EQUIPMENT		
Fixed property – owned		
Cost:		
Opening balance at 1 October	2 406 964	2 072 585
Additions	211 922	334 379
Acquisition of subsidiaries	92 232	–
Disposals or scrappings	(1 011)	–
Closing balance at 30 September	2 710 107	2 406 964
Accumulated depreciation:		
Opening balance at 1 October	373 957	316 235
Charge for the year	74 020	57 722
Disposals or scrappings	(376)	–
Closing balance at 30 September	447 601	373 957
Carrying value at 30 September	2 262 506	2 033 007
Fixed property – leased		
Cost:		
Opening balance at 1 October	467 883	463 944
Additions	–	3 939
Reclassification	(11 884)	–
Closing balance at 30 September	455 999	467 883
Accumulated depreciation:		
Opening balance at 1 October	174 468	135 878
Charge for the year	33 728	38 590
Closing balance at 30 September	208 196	174 468
Carrying value at 30 September	247 803	293 415
Improvements to leased premises		
Cost:		
Opening balance at 1 October	97 959	84 915
Additions	38 107	19 274
Acquisition of subsidiaries	5 105	–
Disposals or scrappings	(2 939)	(6 034)
Effect of foreign currency movement	(225)	(196)
Closing balance at 30 September	138 007	97 959
Accumulated depreciation:		
Opening balance at 1 October	52 278	51 277
Charge for the year	11 673	7 205
Disposals or scrappings	(2 934)	(6 034)
Effect of foreign currency movement	(196)	(170)
Closing balance at 30 September	60 821	52 278
Carrying value at 30 September	77 186	45 681

	2010 R'000	2009 R'000
5. PROPERTY, PLANT AND EQUIPMENT continued		
Medical equipment		
Cost:		
Opening balance at 1 October	1 075 304	1 190 266
Additions	219 278	137 299
Acquisition of subsidiaries	16 722	118
Reclassification	11 884	–
Disposals or scrappings	(95 302)	(250 957)
Effect of foreign currency movement	(1 734)	(1 422)
Closing balance at 30 September	1 226 152	1 075 304
Accumulated depreciation:		
Opening balance at 1 October	647 393	799 773
Charge for the year	113 380	91 291
Disposals or scrappings	(89 851)	(242 329)
Effect of foreign currency movement	(1 541)	(1 342)
Closing balance at 30 September	669 381	647 393
Carrying value at 30 September	556 771	427 911
Other equipment		
Cost:		
Opening balance at 1 October	223 622	281 936
Additions	33 419	56 380
Acquisition of subsidiaries	3 353	46
Disposals or scrappings	(18 310)	(114 364)
Effect of foreign currency movement	(432)	(376)
Closing balance at 30 September	241 652	223 622
Accumulated depreciation:		
Opening balance at 1 October	125 126	212 165
Charge for the year	28 122	25 377
Disposals or scrappings	(17 281)	(112 083)
Effect of foreign currency movement	(382)	(333)
Closing balance at 30 September	135 585	125 126
Carrying value at 30 September	106 067	98 496

	2010 R'000	2009 R'000
5. PROPERTY, PLANT AND EQUIPMENT continued		
Motor vehicles		
Cost:		
Opening balance at 1 October	17 272	15 266
Additions	3 509	3 347
Acquisition of subsidiaries	446	–
Disposals or scrappings	(3 473)	(1 328)
Effect of foreign currency movement	–	(13)
Closing balance at 30 September	17 754	17 272
Accumulated depreciation:		
Opening balance at 1 October	10 284	8 928
Charge for the year	2 285	2 371
Disposals or scrappings	(2 075)	(1 004)
Effect of foreign currency movement	–	(11)
Closing balance at 30 September	10 494	10 284
Carrying value at 30 September	7 260	6 988
Total cost		
Opening balance at 1 October	4 289 004	4 108 912
Additions	506 235	554 618
Acquisition of subsidiaries	117 858	164
Disposals or scrappings	(121 035)	(372 683)
Reclassification	–	–
Effect of foreign currency movement	(2 391)	(2 007)
Closing balance at 30 September	4 789 671	4 289 004
Total accumulated depreciation		
Opening balance at 1 October	1 383 506	1 524 256
Charge for the year	263 208	222 556
Disposals or scrappings	(112 517)	(361 450)
Effect of foreign currency movement	(2 119)	(1 856)
Closing balance at 30 September	1 532 078	1 383 506
Total carrying value at 30 September	3 257 593	2 905 498

In the prior year, bank borrowings were secured on property, plant and equipment for the book value of R1 453 961 000. In the current financial year term loans are unsecured. Other bank borrowings are secured on property, plant and equipment for the book value of R51 275 000. Refer to note 18.

The leased assets secure lease liabilities to the value of R247 803 000 (2009: R293 415 000). Refer to note 18.

A register of land and buildings is maintained as per par 22(3) of Schedule 4 of the Companies Act. This register is available for inspection by members at the Company's registered office.

	2010 R'000	2009 R'000
6. INTANGIBLE ASSETS		
Intangible assets consist of:		
Goodwill	1 177 432	1 097 222
Computer software	30 006	27 552
Restraint of trade payments	25	432
Hospital licences	400 443	417 077
Customer relations	590 797	577 790
Preferred supplier contracts	19 399	35 301
Other intangible assets	1 590	851
	2 219 692	2 156 225
The movement in the balance for intangible assets is as follows:		
Balance at 1 October	2 156 225	2 293 190
Additions	873	–
Arising on acquisition of subsidiaries	173 133	18 295
Computer software additions	11 907	4 848
Adjustment to goodwill on settlement of liability	–	(27 000)
Disposals or scrappings	–	(836)
Amortisation charge	(122 446)	(122 921)
Impairment charge	–	(9 351)
Carrying value at 30 September	2 219 692	2 156 225
Goodwill		
Cost		
Opening balance at 1 October	1 131 283	1 142 600
Arising on acquisition of subsidiaries	80 210	15 683
Adjustment to goodwill on settlement of liability	–	(27 000)
Closing balance at 30 September	1 211 493	1 131 283
Accumulated impairment		
Opening balance at 1 October	34 061	24 710
Impairment charge	–	9 351
Closing balance at 30 September	34 061	34 061
Carrying value at 30 September	1 177 432	1 097 222
Computer software		
Cost		
Opening balance at 1 October	80 587	81 039
Additions	11 907	4 848
Arising on acquisition of subsidiaries	244	–
Disposals or scrappings	(1 007)	(5 300)
Closing balance at 30 September	91 731	80 587
Accumulated amortisation and impairment		
Opening balance at 1 October	53 035	47 081
Amortisation charge	9 697	11 222
Disposals or scrappings	(1 007)	(5 268)
Closing balance at 30 September	61 725	53 035
Carrying value at 30 September	30 006	27 552

	2010 R'000	2009 R'000
6. INTANGIBLE ASSETS continued		
Restraint of trade payments		
Cost		
Opening balance at 1 October	2 173	2 173
Additions	–	–
Closing balance at 30 September	2 173	2 173
Accumulated amortisation and impairment		
Opening balance at 1 October	1 741	1 299
Amortisation charge	407	442
Closing balance at 30 September	2 148	1 741
Carrying value at 30 September	25	432
Hospital licences		
Cost		
Opening balance at 1 October	596 769	594 157
Arising on acquisition of subsidiaries	23 170	2 612
Closing balance at 30 September	619 939	596 769
Accumulated amortisation and impairment		
Opening balance at 1 October	179 692	140 098
Amortisation charge	39 804	39 594
Closing balance at 30 September	219 496	179 692
Carrying value at 30 September	400 443	417 077
Customer relations		
Cost		
Opening balance at 1 October	839 156	839 156
Arising on acquisition of subsidiaries	69 509	–
Closing balance at 30 September	908 665	839 156
Accumulated amortisation and impairment		
Opening balance at 1 October	261 366	205 640
Amortisation charge	56 502	55 726
Closing balance at 30 September	317 868	261 366
Carrying value at 30 September	590 797	577 790
Preferred supplier contracts		
Cost		
Opening and closing balance	106 860	106 860
Accumulated amortisation and impairment		
Opening balance at 1 October	71 559	55 657
Amortisation charge	15 902	15 902
Closing balance at 30 September	87 461	71 559
Carrying value at 30 September	19 399	35 301

		2010 R'000	2009 R'000
6.	**INTANGIBLE ASSETS** continued		
	Other intangible assets		
	Other intangible assets comprise capitalised lease premiums		
	Cost		
	Opening balance at 1 October	1 790	2 594
	Additions	873	–
	Disposals or scrappings	–	(804)
	Closing balance at 30 September	2 663	1 790
	Accumulated amortisation and impairment		
	Opening balance at 1 October	939	904
	Amortisation charge	134	35
	Closing balance at 30 September	1 073	939
	Carrying value at 30 September	1 590	851
	Total carrying value at 30 September	2 219 692	2 156 225
	Total cost:		
	Opening balance at 1 October	2 758 618	2 768 579
	Additions	12 780	4 848
	Arising on acquisition of subsidiaries	173 133	18 295
	Disposals or scrappings	(1 007)	(6 104)
	Adjustment to goodwill on settlement of liability	–	(27 000)
	Closing balance at 30 September	2 943 524	2 758 618
	Total accumulated amortisation and impairment:		
	Opening balance at 1 October	602 393	475 389
	Amortisation charge	122 446	122 921
	Impairment charge	–	9 351
	Disposals or scrappings	(1 007)	(5 268)
	Closing balance at 30 September	723 832	602 393
	Total carrying value at 30 September	2 219 692	2 156 225
	Goodwill impairment testing		
	Goodwill has been allocated to the following operating segments for impairment:		
	Hospitals	1 028 701	948 491
	Healthcare services	148 731	148 731
		1 177 432	1 097 222

	2010 R'000	2009 R'000
7. INVESTMENT IN ASSOCIATES		
Unlisted ordinary shares		
Balance at 1 October	250 962	207 446
Share of net profits after tax	99 862	100 595
Share of current year profit before tax	139 661	140 366
Share of current year tax	(39 799)	(39 771)
Dividends declared by associates	(51 434)	(44 335)
Profit on sale of business operations	–	3 927
Effect of foreign currency movement	(390)	(245)
Capital distributions transfer to loan account	(9 531)	(16 120)
Acquisition of investment in associate (Refer to note 37)	1 980	
Disposal of investment in associate (Refer to note 37)	(6 001)	(306)
Balance at 30 September	285 448	250 962
Directors' valuation of shares	850 350	696 614
Loans to associates		
Balance at 1 October	7 622	9 687
Net movement in loans	(5 960)	(17 452)
Effect of foreign currency movement	(4)	(733)
Capital distributions transfer from equity	9 531	16 120
Balance at 30 September	11 189	7 622

Amounts owing are interest bearing at rates negotiated on an annual basis and are repayable on terms determined by the associate companies' directors. The credit quality of these loans is determined based on past default rates. No such defaults existed in the past.

One of the associate companies has a February year end. The results for this company with a February year end were brought into account for the period to August 2010 (2009: August 2009) based on management accounts for the period.

There were no material transactions in the period between August 2010 and the Group's year end, 30 September 2010.

The accounting policies of the associated companies do not differ materially from the Group's accounting policies.

	2010 R'000	2009 R'000
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	717 859	725 394
Expenses	(419 434)	(418 977)
Profit before tax	298 425	306 417
Statement of financial position		
Non-current assets	382 712	307 760
Current assets	286 355	333 137
Total assets	669 067	640 897
Equity and liabilities		
Capital and reserves	587 373	550 439
Non-current liabilities	16 825	15 689
Current liabilities	64 869	74 769
Total equity and liabilities	669 067	640 897

The aggregate post-acquisition reserves for associates are R273 027 000 (2009: R236 956 000).

There are no unrecognised losses for associates.

8. INTERESTS IN JOINT VENTURES

The Group had the following interests in unlisted joint ventures at 30 September:

	2010 %	2009 %
East Rand Oncology Unit^	48	48
Vincent Pallotti Oncology Unit*	–	40
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 (dormant and in voluntary liquidation)	51	51
Sandton GIT*	–	50
Sandton IVF*	–	50
Boldprops 102 (Proprietary) Limited	50	50

^ *Decision was taken in the prior financial year to dissolve the joint venture. The dissolution is currently under arbitration*
* *Joint venture was dissolved during the current financial year*

	2010 R'000	2009 R'000
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:

	2010 R'000	2009 R'000
Statement of comprehensive income		
Revenue	7 630	27 350
Expenses	(3 572)	(11 498)
Profit before tax	4 058	15 852
Statement of financial position		
Assets	10 537	19 646
Non-current assets	3 531	5 405
Current assets	7 006	14 241
Liabilities	(4 709)	(3 428)
Non-current liabilities	(2 557)	(1 802)
Current liabilities	(2 152)	(1 626)
Net assets	5 828	16 218
Director's valuation	17 086	70 527

The Group's interest in capital commitments for the joint ventures is R296 000 (2009: Nil).

9. LOANS AND RECEIVABLES

	2010 R'000	2009 R'000
Loans and receivables		
Balance at 1 October	5 794	6 350
Fair value adjustment	(51)	(276)
Loans granted and balances repaid (net)	1 853	954
Non-current portion at 30 September	7 596	7 028
Impairment of loans and receivables	(1 768)	(1 234)
Opening balance	(1 234)	(963)
Impairment raised	(534)	(271)
Amounts utilised	–	–
Net loans and receivables	5 828	5 794

These loans are unsecured, bear interest at rates linked to the prime bank overdraft rate, and are repayable between two to five years.

Fair value of loans and receivables

The values stated above approximate the fair values of the financial assets at statement of financial position date.

Loans and receivables past due but not impaired

All loans and receivables that are past due are impaired accordingly.

Loans and receivables impaired

At 30 September, loans and receivables of R1 768 000 (2009: R1 234 000) 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 has 23 retirement funds. Of these, 19 funds are paid-up funds with no active members. These funds are in the process of being wound up. Five of these funds have been deregistered; three of these funds are defined benefit pension funds. The remaining funds are all defined contribution funds; four being pension funds and 11 being provident funds.

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. All eligible employees are members of either a defined benefit or defined contribution fund. New employees have to join either a defined contribution pension or provident fund.

Five of the pension funds are defined benefit funds. All defined benefit funds are closed to new members. The assets of all the funds 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. All defined benefit pension funds require a statutory actuarial valuation every three years, except for one which requires a valuation every year in terms of the pension fund rules. All the other pension funds and provident funds are defined contribution plans and require no valuation. A financial review is however carried out annually to determine the solvency of the plans.

The following actuarial assumptions were applied in the valuation of the defined benefit funds as required by IAS 19:

	2010	2009
Discount rate (%)	8.98	9.50
Consumer price inflation (%)	5.99	6.00
Expected return on assets (%)		
Presmed Pension Fund	n/a	n/a
Jan S Marais Pension Fund	n/a	n/a
Life Healthcare DB Pension Fund	9.98	11.50
Lifecare Group Holdings Pension Fund	9.00	9.75
Lifecare Clinics Pension Fund	n/a	n/a

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 3% above the bond rate and the long term rate of return on cash is set at a level of 2% below the bond rate.

	2010	2009
Compensation increase rate (%)		
Presmed Pension Fund	n/a	n/a
Jan S Marais Pension Fund	n/a	n/a
Life Healthcare DB Pension Fund	6.99	7.00
Lifecare Group Holdings Pension Fund	6.25	7.00
Lifecare Clinics Pension Fund	n/a	n/a
Pension increase rate (%)		
Presmed Pension Fund	n/a	n/a
Jan S Marais Pension Fund	n/a	n/a
Life Healthcare DB Pension Fund	4.79	3.30
Lifecare Group Holdings Pension Fund	3.10	4.05
Lifecare Clinics Pension Fund	n/a	n/a
Rates of mortality (%)	0.50	0.50

10. RETIREMENT BENEFIT OBLIGATIONS AND POST-RETIREMENT MEDICAL AID SURPLUS continued

Pension and provident fund benefits continued

The last statutory actuarial valuations for the funds were:

Presmed Pension Fund	1 September 2008
Jan S Marais Pension Fund	1 September 2008
Life Healthcare DB Pension Fund	30 June 2009
Lifecare Group Holdings Pension Fund	1 April 1998 (approval of 2001 and 2004 – valuations outstanding)
Lifecare Clinics Pension Fund	1 March 2008

The Group's obligation in respect of retirement benefits as measured in terms of IAS 19 are tabled below.

R'000	Presmed Pension Fund	Jan S Marais Pension Fund	Life Healthcare DB Pension Fund	Lifecare Group Holdings Pension Fund	Lifecare Clinics Pension Fund
Components of net periodic cost – 2010					
Current service cost	–	–	11 145	861	–
Interest cost	–	–	36 972	4 658	–
Expected return on assets	(25)	(73)	(53 371)	(11 099)	(25)
Amortisation:					
Unrecognised net (gain)/loss	393	(693)	(43 117)	–	28
Net actuarial (gain)/loss recognised in the year	(128)	766	(44 325)	–	–
Unrecognised due to limit	–	–	–	(2 899)	(3)
Recognition in terms of paragraph 58A	–	–	–	9 054	–
Termination benefit	–	–	–	–	–
Settlement cost	–	–	–	–	–
Net periodic cost/(income)	240	–	(92 696)	575	–
Components of net periodic cost – 2009					
Current service cost	–	–	11 312	751	–
Interest cost	–	–	32 820	5 258	142
Expected return on assets	(239)	–	(49 903)	(11 408)	(678)
Amortisation:					
Unrecognised net (gain)/loss	(138)	–	3 088	–	15 097
Unrecognised due to limit	–	–	–	5 954	(14 561)
Recognition in terms of paragraph 58A	–	–	–	110	–
Termination benefit	–	–	–	–	–
Settlement cost	–	–	–	–	–
Net periodic cost/(income)	(377)	–	(2 683)	665	–

10. RETIREMENT BENEFIT OBLIGATIONS AND POST-RETIREMENT MEDICAL AID SURPLUS continued

R'000	Presmed Pension Fund	Jan S Marais Pension Fund	Life Healthcare DB Pension Fund	Lifecare Group Holdings Pension Fund	Lifecare Clinics Pension Fund
Actual return on plan assets					
2010	–	–	53 388	–	21
2009	–	–	(18 754)	13 382	(527)
Reconciliation of defined benefit obligation – 2010					
Defined benefit obligation at 30 September 2009	–	–	377 153	51 485	–
Service cost	–	–	11 145	861	–
Member contributions	–	–	3 901	334	–
Interest cost	–	–	36 972	4 658	–
Actuarial (gain)/loss	–	–	(1 884)	2 860	–
Benefits paid	–	–	(38 289)	(6 587)	–
Risk premiums	–	–	(535)	(283)	–
Net transfers in/(out)	–	–	–	–	–
Termination benefits	–	–	–	–	–
Defined benefit obligation at 30 September 2010	–	–	388 463	53 328	–
Reconciliation of defined benefit obligation – 2009					
Defined benefit obligation at 30 September 2008	–	339	397 889	57 290	3 524
Service cost	–	–	11 312	751	–
Member contributions	–	–	4 037	385	–
Interest cost	–	–	32 820	5 258	142
Actuarial (gain)/loss	–	(339)	(36 844)	2 084	820
Benefits paid	–	–	(35 784)	(13 931)	(233)
Risk premiums	–	–	(530)	(352)	–
Net transfers in/(out)	–	–	4 253	–	(4 253)
Termination benefits	–	–	–	–	–
Defined benefit obligation at 30 September 2009	–	–	377 153	51 485	–

10. RETIREMENT BENEFIT OBLIGATIONS AND POST-RETIREMENT MEDICAL AID SURPLUS continued

R'000	Presmed Pension Fund	Jan S Marais Pension Fund	Life Healthcare DB Pension Fund	Lifecare Group Holdings Pension Fund	Lifecare Clinics Pension Fund
Reconciliation of fair value of plan assets – 2010					
Assets at fair market value as at 30 September 2009	240	693	520 291	115 109	200
Expected return on assets	25	73	53 371	11 099	21
Contributions	–	–	14 210	909	–
Risk premiums	–	–	(535)	(283)	–
Benefits paid	–	(186)	(38 289)	(6 587)	–
Actuarial gain/(loss)	(265)	(580)	42 441	(6 194)	(221)
Net transfers in/(out)	–	–	–	–	–
Assets at fair market value as at 30 September 2010	–	–	591 489	114 053	–
Reconciliation of fair value of plan assets – 2009					
Assets at fair market value as at 30 September 2008	2 273	1 129	486 979	116 415	6 568
Expected return on assets	239	–	49 903	11 408	678
Contributions	–	–	12 285	1 050	–
Risk premiums	–	–	(530)	(352)	–
Benefits paid	–	–	(35 784)	(13 931)	(233)
Actuarial gain/(loss)	(375)	(436)	(1 343)	519	71
Net transfers in/(out)	(1 897)	–	8 781	–	(6 884)
Assets at fair market value as at 30 September 2009	240	693	520 291	115 109	200
Defined benefit fund asset/liability – 2010					
(Liability)/Asset as at 1 October 2009	240	–	100 021	–	–
Net periodic cost	(240)	–	92 696	(575)	–
Company contributions	–	–	10 309	575	–
(Liability)/Asset as at 30 September 2010	–	–	203 026	–	–
Unrecognised due to paragraph 58 limit	–	–	–	–	–
(Liability)/Asset recognised on the statement of financial position	–	–	203 026	–	–
Defined benefit fund asset/liability – 2009					
(Liability)/Asset as at 1 October 2008	256	–	89 090	–	18 798
Net periodic cost	377	–	2 683	(665)	–
Company contributions	–	–	8 248	665	–
(Liability)/Asset as at 30 September 2009	633	–	100 021	–	18 798
Unrecognised due to paragraph 58 limit	(393)	–	–	–	(18 798)
(Liability)/Asset recognised on the statement of financial position	240	–	100 021	–	–

10. RETIREMENT BENEFIT OBLIGATIONS AND POST-RETIREMENT MEDICAL AID SURPLUS continued

R'000	Presmed Pension Fund	Jan S Marais Pension Fund	Life Healthcare DB Pension Fund	Lifecare Group Holdings Pension Fund	Lifecare Clinics Pension Fund
Actuarial value of defined benefit obligation and funded status – 2010					
Defined benefit obligation	–	–	(388 463)	(53 328)	–
Assets at fair market value	–	–	591 489	114 053	–
Funded status	–	–	203 026	60 725	–
Unrecognised past service cost	–	–	–	–	–
Unrecognised net gain/(loss)	–	–	–	–	–
(Liability)/Asset as at 30 September 2010	–	–	203 026	60 725	–
Unrecognised due to paragraph 58 limit	–	–	–	(60 725)	–
(Liability)/Asset recognised on the statement of financial position	–	–	203 026	–	–
Actuarial value of defined benefit obligation and funded status – 2009					
Defined benefit obligation	–	–	(377 153)	(51 485)	–
Assets at fair market value	240	693	520 291	115 109	200
Funded status	240	693	143 138	63 624	200
Unrecognised past service cost	–	–	–	–	–
Unrecognised net gain/(loss)	393	(693)	(43 117)	–	–
(Liability)/Asset as at 30 September 2009	633	–	100 021	63 624	200
Unrecognised due to paragraph 58 limit	(393)	–	–	(63 624)	(200)
(Liability)/Asset recognised on the statement of financial position	240	–	100 021	–	–
Actuarial value of defined benefit obligation and funded status – 2008					
Defined benefit obligation	–	(339)	(397 889)	(57 290)	(3 524)
Assets at fair market value	2 273	1 129	486 979	114 960	6 568
Funded status	2 273	790	89 090	57 670	3 044
Unrecognised past service cost	–	–	–	–	–
Unrecognised net gain/(loss)	–	–	–	–	–
(Liability)/Asset as at 30 September 2008	2 273	790	89 090	57 670	3 044
Unrecognised due to paragraph 59 limit	–	(790)	–	(57 670)	(3 044)
(Liability)/Asset recognised on the statement of financial position	2 273	–	89 090	–	–

10. RETIREMENT BENEFIT OBLIGATIONS AND POST-RETIREMENT MEDICAL AID SURPLUS continued

R'000	Presmed Pension Fund	Jan S Marais Pension Fund	Life Healthcare DB Pension Fund	Lifecare Group Holdings Pension Fund	Lifecare Clinics Pension Fund
Actuarial value of defined benefit obligation and funded status – 2007					
Defined benefit obligation	(21 355)	(339)	(274 729)	(54 239)	(28 670)
Assets at fair market value	23 335	1 077	515 656	136 878	49 666
Funded status	1 980	738	240 927	82 639	20 996
Unrecognised past service cost	–	–	–	–	–
Unrecognised net gain/(loss)	(2 475)	(60)	(86 177)	–	(9 993)
(Liability)/Asset as at 30 September 2007	(495)	678	154 750	82 639	11 003
Unrecognised due to paragraph 59 limit	–	(678)	(154 750)	(82 639)	(11 003)
(Liability)/Asset recognised on the statement of financial position	(495)	–	–	–	–
Actuarial value of defined benefit obligation and funded status – 2006					
Defined benefit obligation	(22 225)	(339)	(244 070)	(60 193)	(32 822)
Assets at fair market value	18 911	1 095	407 508	128 095	43 677
Funded status	(3 314)	756	163 438	67 902	10 855
Unrecognised past service cost	–	–	–	–	–
Unrecognised net gain/(loss)	2 955	(167)	(22 695)	16 429	(926)
(Liability)/Asset as at 30 September 2006	(359)	589	140 743	84 331	9 929
Unrecognised due to paragraph 59 limit	–	(589)	(140 743)	(84 331)	(9 929)
(Liability)/Asset recognised on the statement of financial position	(359)	–	–	–	–
Composition of plan assets – 2010					
Cash	–	–	11.0%	12.5%	–
Equity instruments	–	–	60.7%	39.6%	–
Bonds	–	–	14.6%	23.9%	–
Property	–	–	4.2%	8.4%	–
Other	–	–	9.5%	15.6%	–
	–	–	100.0%	100.0%	–
Composition of plan assets – 2009					
Cash	17.8%	97.0%	18.6%	17.3%	17.8%
Equity instruments	68.5%	0.0%	68.1%	53.3%	68.5%
Bonds	9.1%	3.0%	8.8%	19.6%	9.1%
Property	3.8%	0.0%	4.0%	9.2%	3.8%
Other	0.8%	0.0%	0.5%	0.6%	0.8%
	100.0%	100.0%	100.0%	100.0%	100.0%

10. RETIREMENT BENEFIT OBLIGATIONS AND POST-RETIREMENT MEDICAL AID SURPLUS continued

R'000	Presmed Pension Fund	Jan S Marais Pension Fund	Life Healthcare DB Pension Fund	Lifecare Group Holdings Pension Fund	Lifecare Clinics Pension Fund
Expected contributions to the benefit plans for the year ending 30 September 2011					
Member contributions	–	–	4 028	355	–
Company contributions	–	–	10 644	611	–
Risk premiums	–	–	(552)	(301)	–
Benefit payments	–	–	(40 966)	(3 120)	–

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. The Group's portion of this liability was transferred on 29 September 2006.

Life Healthcare Group's contributions to the fund have been disclosed below.

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.

	2010	2009
Discount rate (%)	8.25	9.00
Consumer price inflation (%)	5.25	5.75
Expected return on assets (%)	9.25	10.00
Healthcare cost inflation (%)	7.25	7.75
Compensation increase rate (%)	6.25	7.00
Membership discontinued at retirement (%)	0.00	0.00
Average retirement age	60	60
Rates of mortality (%)	0.50	0.50

The expected return on planned assets of 9.25% (2009: 10%) per annum is based on a nominal allocation of the plan assets, expected return on the underlying asset classes and expected expenses.

10. RETIREMENT BENEFIT OBLIGATIONS AND POST-RETIREMENT MEDICAL AID SURPLUS continued

The Group's obligation in respect of post-retirement medical aid benefit as measured in terms of IAS 19 is tabled below.

Components of net periodic cost	2010 R'000	2009 R'000
Current service cost	2 156	6 540
Interest cost	6 136	2 277
Expected employer benefit payments	(2 269)	(2 359)
Expected benefit payments from plan assets	2 269	2 359
Actuarial loss/(gain)	4 291	(4 741)
Effect of curtailment or settlement	(7 636)	(2 531)
Net periodic income	4 947	1 545

Defined benefit fund asset surplus	2010 R'000	2009 R'000	2008 R'000	2007 R'000	2006 R'000
Asset as at 30 September	7 084	1 296	11 024		
Growth in market value	7 531	7 333	7 065		
Net periodic (cost)/income	(4 947)	(1 545)	(16 793)		
Asset as at 30 September	9 668	7 084	1 296		
Unrecognised due to paragraph 59 limit	–	–	–		
Asset recognised on the statement of financial position	9 668	7 084	1 296		
Actuarial value of defined benefit obligation and funded status					
Defined benefit obligation	(65 463)	(69 365)	(71 428)	(65 041)	(66 652)
Assets at fair market value	75 131	76 449	72 724	76 065	73 793
Funded status	9 668	7 084	1 296	11 024	7 141
Unrecognised past service cost	–	–	–	–	–
Unrecognised net (gain)/loss	–	–	–	–	–
Asset as at 30 September	9 668	7 084	1 296	11 024	7 141
Unrecognised due to paragraph 59 limit	–	–	–	–	–
Asset recognised on the statement of financial position	9 668	7 084	1 296	11 024	7 141
Post-retirement medical aid benefits					
Plan assets comprise of:					
Equity instruments	99.3%	91.1%	86.3%		
Cash	0.7%	8.9%	13.7%		
	100.0%	100.0%	100.0%		

There are no expected contributions to the post-retirement benefit plan for the year ending 30 September 2011 as the fund is fully funded.

	Increase R'000	Decrease R'000
The effect of a 1% movement in the assumed medical cost trend rate is as follows:		
Effect on the aggregate of the current service cost and interest cost	1 440	1 153
Effect on the defined benefit obligation	11 626	9 367

	2010 R'000	2009 R'000
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	144 696	165 919
Deferred tax liabilities	(376 030)	(305 080)
The movement in the deferred tax account is as follows:		
Balance at 1 October	(139 161)	(261 446)
Foreign currency exchange adjustment	(62)	(47)
Acquired through acquisition of subsidiary	580	–
Business combination	(31 690)	–
Deferred tax movements directly in reserves	20 061	56 652
Current year charge through profit and loss	(81 062)	65 680
Carrying amount at 30 September	(231 334)	(139 161)
Gross deferred tax assets included above	(323 920)	(388 160)
Gross deferred tax liability	(555 254)	(527 321)

2010: (R'000)	Balance at 1 October 2009	Acquired through acquisition of subsidiary	Business combi-nations	Foreign currency exchange adjustment	Net charge/ (credited) during the current year	Balance at 30 September 2010
Employee benefit provisions	64 466	580	–	–	13 787	78 833
Other provisions	109 117	–	–	–	(93 370)	15 747
Provision for doubtful debts	5 567	–	–	–	(104)	5 463
Accelerated wear and tear for tax purposes on property, plant and equipment	(174 888)	–	–	(62)	(11 724)	(186 674)
Tax loss carried forward	5 732	–	–	–	1 546	7 278
Property leases	190 642	–	–	–	6 894	197 536
Credit balances in trade receivables	12 098	–	–	–	(178)	11 920
Pre-paid expenses	(13 627)	–	–	–	1 274	(12 353)
Unused STC credits	(1 054)	–	–	–	1 054	–
Intangible assets on acquisition of subsidiary	(288 364)	–	(25 950)	–	31 917	(282 397)
Non-current receivables adjusted to fair value on acquisition of subsidiary	(5 465)	–	–	–	29	(5 436)
Retirement benefit asset	(30 056)	–	–	–	(28 779)	(58 835)
Revenue received in advance	41	–	–	–	(41)	–
Interest rate hedge	(301)	–	–	–	7 432	7 131
Debt arrangement fee	(8 602)	–	–	–	8 602	–
Revaluation of property	–	–	(5 740)	–	–	(5 740)
Other movements	(4 964)	–	–	–	1 145	(3 819)
Partnerships	497	–	–	–	(485)	12
	(139 161)	580	(31 690)	(62)	(61 001)	(231 334)

11. DEFERRED INCOME TAX continued

2009: (R'000)	Balance at 1 October 2008	Foreign currency exchange adjustment	Charge/ (credited) during the current year	Balance at 30 September 2009
Employee benefit provisions	59 560	–	4 906	64 466
Other provisions	35 288	–	73 829	109 117
Provision for doubtful debts	10 293	–	(4 726)	5 567
Accelerated wear and tear for tax purposes on property, plant and equipment	(164 815)	(47)	(10 026)	(174 888)
Tax loss carried forward	312	–	5 420	5 732
Property leases	186 613	–	4 029	190 642
Credit balances in trade receivables	8 893	–	3 205	12 098
Pre-paid expenses	(16 828)	–	3 201	(13 627)
Unused STC credits	669	–	(1 723)	(1 054)
Intangible assets on acquisition of subsidiary	(323 764)	–	35 400	(288 364)
Non-current receivables adjusted to fair value on acquisition of subsidiary	(5 436)	–	(29)	(5 465)
Retirement benefit asset	(25 581)	–	(4 475)	(30 056)
Revenue received in advance	4 822	–	(4 781)	41
Lease premium	(275)	–	275	–
Interest rate hedge	(17 406)	–	17 105	(301)
Debt arrangement fee	(13 791)	–	5 189	(8 602)
Other movements	–	–	(4 964)	(4 964)
Partnerships	–	–	497	497
	(261 446)	(47)	122 332	(139 161)

Analysis of deferred tax assets and deferred tax liabilities is as follows:

Deferred tax assets		
Deferred tax assets to be recovered within 12 months	115 119	102 916
Deferred tax assets to be recovered after more than 12 months	208 801	285 244
	323 920	388 160
Deferred tax liabilities		
Deferred tax liabilities to be recovered within 12 months	(17 789)	(43 176)
Deferred tax liabilities to be recovered after more than 12 months	(537 465)	(484 145)
	(555 254)	(527 321)

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 R1 182 000 (2009: R31 160 000) 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.

		2010 R'000	2009 R'000
12.	**INVENTORIES**		
	Ethical drugs and surgical consumable products	184 795	166 145
	All medical consumables are carried at cost which is lower than the net realisable value.		
	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:	5 397	5 868
13.	**TRADE AND OTHER RECEIVABLES**		
	Trade receivables	930 532	884 625
	Less: Provision for impairment of receivables	(29 263)	(27 197)
	Net trade receivables	901 269	857 428
	Other receivables	63 092	55 021
	Pre-paid expenses	28 357	23 062
	Balance at 30 September	992 718	935 511
	The Group has recognised losses for the impairment of its trade receivables for the year ended 30 September:	57 428	51 939

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

	2010 R'000	2009 R'000
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:	93 849	135 283

13. TRADE AND OTHER RECEIVABLES continued

The ageing of amounts past due but not impaired is as follows:

Trade and other receivables at 30 September 2010 (R'000)	31 – 60 days	61 – 90 days	91 – 180 days	181 – 360 days	More than a year	Total
Private clients	–	–	8 673	4 538	1 239	14 450
Medical aids	–	13 724	12 012	4 386	2 045	32 167
Government	26 247	1 567	9 714	–	–	37 528
Foreign patients	3 153	2 327	3 208	736	280	9 704
	29 400	17 618	33 607	9 660	3 564	93 849
Trade and other receivables at 30 September 2009 (R'000)						
Private clients	–	–	9 715	4 555	1 984	16 254
Medical aids	–	45 154	29 138	3 613	4 253	82 158
Government	7 297	7 621	7 966	–	–	22 884
Foreign patients	3 497	2 961	4 855	1 740	934	13 987
	10 794	55 736	51 674	9 908	7 171	135 283

Trade and other receivables impaired

The amount of the provision at 30 September was:	(29 263)	(27 197)
Reconciliation of provision for impairment of trade and other receivables		
Opening balance	(27 197)	(26 544)
Provision raised	(4 879)	(7 784)
Amounts utilised	2 813	7 131
	(29 263)	(27 197)

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.

In the prior year, the Company's subsidiary pledged and ceded its trade receivables as surety for senior, revolving credit and mezzanine facilities.

Currencies

The trade and other receivables carrying amount is denominated in the following currencies:

South African rand	967 816	906 748
Botswana pula	24 902	28 242
British pound sterling	–	521
Balance at 30 September	992 718	935 511

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.

	2010 R'000	2009 R'000
14. CASH AND CASH EQUIVALENTS		
Cash at bank and on hand	229 156	101 417
Short term bank deposits	253 000	–
Balance at 30 September	482 156	101 417
The cash at bank and deposits are on call, immediately available and consist of money market call deposits and short term fixed deposits. The average effective interest rate on short term bank deposits for the period was:	6.40%	9.08%
The cash and cash equivalents carrying amount is denominated in the following currencies:		
South African rand	460 550	77 914
Botswana pula	21 606	23 503
Balance at 30 September	482 156	101 417
Cash and cash equivalents include the following for the purpose of the statement of cash flows:		
Cash at bank and in hand	229 156	101 417
Short term bank deposits	253 000	–
Cash and cash equivalents	482 156	101 417
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 deposits are:		
AAA	8 055	–
AA	404 322	101 065
A	69 314	–
Cash on hand	465	352
	482 156	101 417

	2010 R'000	2009 R'000
15. SHARE CAPITAL		
Authorised		
Ordinary shares		
4 149 980 000 (2009: 4 000 000 000) ordinary shares of R0.000001 each (Total value = R4 149 (2009: R4 000))	4	4
Nil (2009: 200 000 000) ordinary 'N' shares of R0.000001 each (Total value = R Nil (2009: R200))	–	–

During 2009 the 'N' shares carried one 1 000th of the voting rights of the ordinary shares. The ordinary 'N' shares were converted into ordinary shares during the current financial year in terms of a special resolution dated 29 April 2010. The 'N' shares were converted on a one for one basis. Upon conversion, the 'N' shares ranked *pari passu* with the ordinary shares. Upon listing, any and all 'N' shares authorised but unissued share capital was cancelled in terms of section 75(h) of the Companies Act.

	2010 R'000	2009 R'000
Issued and fully paid		
Ordinary shares		
Balance at 30 September	1	1
1 042 209 750 (2009: 866 810 000) ordinary shares of R0.000001 each (Total value = R1 042 (2009: R867))	1	1
Nil (2009: 149 980 000) ordinary 'N' shares of R0.000001 each (Total value = R Nil (2009: R150))	–	–
Reconciliation of number of shares issued		
Balance at 1 October	101 679	103 000
Share split (December 2009)	1 016 688 321	–
Issue of shares	346 966 756	–
Share repurchase	(321 547 006)	(1 321)
	1 042 209 750	101 679

During the year the Company split its authorised and issued share capital into 10 000 shares for each ordinary and 'N' share.

The Company issued additional 25 419 750 ordinary shares at an issue price of R15.54 in terms of the performance equity scheme, which became fully vested based on the achievement of a non-market based performance condition. These shares were issued at a value of R395 122 000 to the 2005 Performance Equity Trust and settled by a subsidiary of the Group.

The Company listed on the JSE Limited (JSE) on 10 June 2010 and issued 321 547 006 ordinary shares on this date at an issue price of R13.50. On the same date, the Company repurchased 321 547 006 of its ordinary shares at a total price of R13.50 per share. R3 216 138 000 was paid from retained earnings and the balance of R803 010 000 was paid from share premium.

During 2009 the Group acquired 13 210 000 of its own shares through purchases from its current shareholders. The total amount paid to acquire the shares was R99 944 000 and was paid from retained earnings. The Group has the right to re-issue these shares at a later date. All shares issued by Group were fully paid.

		2010 R'000	2009 R'000
16.	**SHARE PREMIUM**		
	Balance at 1 October	23 350	23 350
	Issue of shares in terms of the performance equity scheme	395 122	–
	Issue of shares at listing	4 340 884	–
	Share repurchase	(803 010)	–
		3 956 346	23 350
17.	**OTHER RESERVES**		
	Foreign currency translation reserve	(8 930)	(6 366)
	Share based payment reserve	–	230 976
	Transactions with non-controlling interest reserve	(19 969)	–
		(28 899)	224 610

The movements in each category of reserves were as follows:

Share based payment reserve

	2010 R'000	2009 R'000
Balance at 1 October	230 976	179 338
Charge for the year	74 357	51 638
Settlement of share based payment reserve transferred to retained earnings	(305 333)	–
Balance at 30 September	–	230 976

The share based payment reserve consisted of two equity settled schemes, namely the performance equity scheme and the employee trust scheme. In the prior financial year, the employee trust had an indirect interest of 4.2% in the Company. All permanent employees that are members of a South African retirement fund were beneficiaries of the employee trust. In terms of the trust deed the employees became entitled to a surplus in the event of the trust selling its indirect interest in Life Healthcare Group Holdings Limited at the 'liquidity event'. The equity settled scheme was settled during the current financial period and therefore the full equity value was accounted for during the period. The performance equity scheme entitled certain members of senior management to a maximum of 2.5% of the equity value of Life Healthcare Group Holdings Limited. This allocation was conditional upon certain performance criteria being met. The scheme was settled at the option of the subsidiary company by way of delivery of shares of the Company.

Refer note 3 for the critical accounting estimates and judgements used to calculate the values of these schemes.

Foreign currency translation reserve

	2010 R'000	2009 R'000
Balance at 1 October	(6 366)	(5 727)
Currency translations arising in the year	(2 564)	(639)
Balance at 30 September	(8 930)	(6 366)

Transactions with non-controlling interest reserve

	2010 R'000	2009 R'000
Balance at 1 October	–	–
Increases in ownership interest in subsidiaries	(23 215)	–
Decreases in ownership interest in subsidiaries	3 246	–
Balance at 30 September	(19 969)	–

The transactions with non-controlling interest reserve arises from increases/decreases of ownership interests in subsidiaries, with non-controlling interest, that do not result in a change in control. Refer note 37.

	2010 R'000 Non-current portion	2010 R'000 Current portion	2010 R'000 Total
18. INTEREST BEARING BORROWINGS			
Unsecured borrowings			
Term loans	1 452 500	415 000	1 867 500
Secured borrowings			
Mortgage bonds at variable interest rates	9 333	2 943	12 276
Mortgage bonds at fixed interest rates	16 271	3 842	20 113
Instalment sale agreements	–	297	297
Finance leases – properties	545 398	27 482	572 880
Finance leases – other	939	518	1 457
Total borrowings – 30 September 2010	2 024 441	450 082	2 474 523

	2009 R'000 Non-current portion	2009 R'000 Current portion	2009 R'000 Total
Secured borrowings			
Senior debt	797 326	256 736	1 054 062
Mezzanine debt	312 396	92 555	404 951
Mortgage bonds at variable interest rates	12 284	6 012	18 296
Mortgage bonds at fixed interest rates	20 113	2 729	22 842
Instalment sale agreements	300	328	628
Finance leases – properties	508 938	19 977	528 915
Finance leases – other	2 826	1 781	4 607
Revolving credit facility	–	350 000	350 000
Total secured borrowings	1 654 183	730 118	2 384 301
Debt arrangement fees	(23 139)	(7 583)	(30 722)
Total borrowings – 30 September 2009	1 631 044	722 535	2 353 579

The maturity of the borrowings is as follows:

	2010 R'000	2009 R'000
Within one year	450 082	722 535
Between one and two years	455 810	428 235
Between two and five years	1 159 267	821 791
Over five years	409 364	381 018
	2 474 523	2 353 579
Unsecured borrowings		
Term loans	1 452 500	
Opening balance at 1 October	–	
Additional loans raised	2 075 000	
Less: Capital repaid during the year	(207 500)	
Closing balance at 30 September	1 867 500	
Less: Current portion transferred to current liabilities	(415 000)	

	2010 R'000	2009 R'000

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 075 000 000 carries interest at the three month JIBAR rate plus a margin of 2.5%. The second term loan of R1 000 000 000 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 500 000 and R100 000 000, respectively. The last repayment date is 31 March 2015.

The borrowing powers of the Company and its subsidiaries are not limited by the articles of association 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 changes 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%.

Secured borrowings

	2010 R'000	2009 R'000
Senior debt – loans at variable interest rates	–	797 326
Opening balance at 1 October	1 054 062	1 285 467
Less: Capital repaid during the year	(1 054 062)	(231 405)
Closing balance at 30 September	–	1 054 062
Less: Current portion transferred to current liabilities	–	(256 736)

Repayment terms

These loans were settled in the current financial year as part of a debt refinancing process and were replaced with the term loans as listed above. The debt was refinanced due to more favourable interest rates obtained in terms of the term loans. These loans were secured by a mortgage bond over properties with a carrying value of R1 306 783 000 in 2009, a general notarial bond and a cession and pledge over claims and other assets of Life Healthcare Group (Proprietary) Limited. The senior debt holders had first access to the sureties. The loans carried interest at the three month JIBAR rate plus 4.25%. Interest was settled every quarter. The remaining capital balance in 2009 was repayable in 14 average quarterly instalments of R75 290 000 with the last instalment due on 28 February 2013.

	2010 R'000	2009 R'000
18. INTEREST BEARING BORROWINGS continued		
Mezzanine debt – loans at variable interest rates	–	312 396
Opening balance at 1 October	404 951	483 185
Less: Capital repaid during the year	(404 951)	(78 234)
Closing balance at 30 September	–	404 951
Less: Current portion transferred to current liabilities	–	(92 555)

Repayment terms

These loans were settled in the current financial year as part of a debt refinancing process and were replaced with the term loans as listed above. The debt was refinanced due to more favourable interest rates obtained in terms of the term loans. These loans were secured by a mortgage bond over properties with a carrying value of R1 306 783 000 in 2009, a general notarial bond and a cession and pledge over claims and other assets of Life Healthcare Group (Proprietary) Limited. The mezzanine debt holders had second access to the sureties. The loans carried interest at the three month JIBAR rate plus 9%. Interest was settled every quarter. The remaining capital balance in 2009 was repayable in 14 average quarterly instalments of R28 925 000 with the last instalment due on 28 February 2013.

	2010 R'000	2009 R'000
Debt arrangement fees	–	(23 139)
Opening balance at 1 October	(30 722)	(37 224)
Less: Amounts amortised during the year	30 722	6 502
Closing balance at 30 September	–	(30 722)
Less: Current portion transferred to current liabilities	–	7 583

The debt arrangement fees relate to the costs associated with raising the original senior and mezzanine debt. The costs are amortised based on the effective interest method. The amortised amount is disclosed as part of finance costs. The full amount was expensed in the current financial year when the debt was refinanced in May 2010.

	2010 R'000	2009 R'000
Revolving credit facility	–	–
Opening balance at 1 October	350 000	150 000
Raised	290 000	200 000
Repaid	(640 000)	–
Closing balance at 30 September	–	350 000
Less: Current portion transferred to current liabilities	–	(350 000)

Repayment terms

The revolving credit facility was settled in the current year. At the settlement date, the revolving credit facility carried interest at the three month JIBAR rate plus 2.5% (R150 million) or at the three month JIBAR rate plus 2.75% (R390 million) or at the three month JIBAR rate plus 2.25% (R100 million).

The revolving credit facility carried interest at the three month JIBAR rate plus 2.5% (R150 million) or at the three month JIBAR rate plus 2.75% (R200 million). Interest was settled quarterly in February, May, August and November. The revolving credit facility was repayable at the option of the Group, quarterly with a notice period of three business days with the last settlement date at 28 February 2013. The revolving credit facility was secured in 2009 by a mortgage bond over properties with a carrying value of R1 306 783 000, a general notarial bond and a cession and pledge over claims and other assets of Life Healthcare Group (Proprietary) Limited. The revolving credit facility ranked alongside the senior debt.

In the current year debt was refinanced. The revolving credit facility ranks alongside the term loans. The undrawn facility is R1 000 000 000.

	2010 R'000	2009 R'000
18. INTEREST BEARING BORROWINGS continued		
Mortgage bonds at fixed interest rate	16 271	20 113
Opening balance at 1 October	22 842	24 677
Net loans repaid during the year	(2 729)	(1 835)
Closing balance at 30 September	20 113	22 842
Less: Current portion transferred to current liabilities	(3 842)	(2 729)

Repayment terms

The mortgage bonds bear interest at a fixed rate of 18.2% (2009:18.2%), are repayable in average monthly instalments of R659 000 (2009: R650 000) and secured by properties with a carrying value of R19 826 000 (2009: R20 815 000). The last instalment is due on 31 March 2014.

	2010 R'000	2009 R'000
Mortgage bonds at variable interest rate	9 333	12 284
Opening balance at 1 October	18 296	23 517
Net loans repaid during the year	(6 020)	(5 221)
Closing balance at 30 September	12 276	18 296
Less: Current portion transferred to current liabilities	(2 943)	(6 012)

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 R561 000 (2009: R514 000) over periods ranging between one to ten years. The mortgage bonds are secured by property, plant and equipment with a carrying value of R51 275 000 (2009: R50 646 000). The last instalment is due on 31 March 2019.

	2010 R'000	2009 R'000
Instalment sale agreements	–	300
Opening balance at 1 October	628	1 706
Net loans repaid during the year	(331)	(1 078)
Closing balance at 30 September	297	628
Less: Current portion transferred to current liabilities	(297)	(328)

Repayment terms

These instalment sale agreements bear interest at various rates linked to the prime bank overdraft rate and are repayable in average monthly instalments of R31 000 (2009: R32 000) over the next year (2009: one to two years). The instalment sale agreements are secured by property, plant and equipment with a carrying value of R1 426 000 (2009: R1 228 000). The last instalment is due on 31 July 2011.

	2010 R'000	2009 R'000
Finance leases	939	2 826
Opening balance at 1 October	4 607	9 412
Net loans repaid during the year	(3 150)	(4 805)
Closing balance at 30 September	1 457	4 607
Less: Current portion transferred to current liabilities	(518)	(1 781)

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 R54 000 (2009: R99 000) over periods ranging between one to three years (2009: one to three years). The finance lease agreements are secured by property, plant and equipment with a carrying value of R1 677 000 (2009: R4 587 000).

	2010 R'000	2009 R'000
18. INTEREST BEARING BORROWINGS continued		
Minimum future finance lease payments:		
Not later than one year	647	1 975
Later than one year, not later than five years	1 023	3 038
Later than five years	–	–
	1 670	5 013
Future finance charges on lease payments	(213)	(406)
Present value of finance lease liabilities	1 457	4 607
The present value of future lease liabilities is as follows:		
Not later than one year	518	1 781
Later than one year, not later than five years	939	2 826
Later than five years	–	
	1 457	4 607
Finance leases – property lease agreements capitalised	545 398	508 938
Opening balance at 1 October	528 915	532 438
Net loans raised/(repaid) during the year	43 965	(3 523)
Closing balance at 30 September	572 880	528 915
Less: Current portion transferred to current liabilities	(27 482)	(19 977)

Repayment terms

These finance leases bear interest at various rates ranging from 4.5% to 18% (2009: 4.5% to 18%) and are repayable in average monthly instalments of R5 360 000 (2009: R4 955 000) over periods ranging between 1 to 19 (2009: 1 to 20) years. The finance lease agreements are secured by property, plant and equipment with a carrying value of R247 803 000 (2009: R293 415 000).

	2010 R'000	2009 R'000
Minimum future finance lease payments:		
Not later than one year	99 088	85 214
Later than one year, not later than five years	399 609	373 441
Later than five years	723 441	700 333
	1 222 138	1 158 988
Future finance charges on lease payments	(649 258)	(630 073)
Present value of finance lease liabilities	572 880	528 915
The present value of future lease liabilities is as follows:		
Not later than one year	27 482	19 977
Later than one year, not later than five years	139 903	132 895
Later than five years	405 495	376 043
	572 880	528 915
Borrowing facilities		
The Group has the following borrowing facilities available:		
Available revolving credit facility	1 000 000	460 000
Committed revolving credit facility	–	540 000
Working capital facility	250 000	200 000
Guarantee facility	50 000	64 913
Pre-settlement facility on foreign exchange contracts	67 500	3 000
	1 367 500	1 267 913

	2010 R'000	2009 R'000
19. PREFERENCE SHARES		
Authorised		
Nil (2009: 820) cumulative variable rate redeemable class 'A' preference shares of R0.01 each (Total value = R8.20)	–	–
Nil (2009: 180) cumulative variable rate redeemable class 'B' preference shares of R0.01 each (Total value = R1.80)	–	–
Nil (2009: 3 000) cumulative variable rate redeemable class 'C' preference shares of R0.01 each (Total value = R30)	–	–
Issued and fully paid		
Balance at 1 October	–	23 633
Nil (2009: Nil) cumulative variable rate redeemable class 'A' redeemable preference shares of R0.01 each		
Nil (2009: Nil) cumulative variable rate redeemable class 'B' redeemable preference shares of R0.01 each		
Nil (2009: Nil) cumulative variable rate redeemable class 'C' redeemable preference shares of R0.01 each		
Less capital redeemed during the year:		
Nil (2009: 928) cumulative variable rate class 'C' redeemable preference shares	–	(23 633)
Balance at 30 September	–	–

The preference shares were cancelled during the current financial year in terms of a special resolution dated 29 April 2010. In terms of section 75(h) of the Companies Act, the authorised and unissued preference share capital was cancelled.

The cumulative, variable rate, redeemable class 'A' and 'B' preference shares were redeemed in full during previous financial years at the option of the Company. In terms of the original terms of the preference shares they would have been redeemable by the first business day following on the expiry of eight years from the date of issue, being 22 March 2005. Class 'A' preference shares could only be redeemed after all of the class 'B' preference shares had been redeemed. Dividends were set at 70% of the six month JIBAR rate plus 9.5% applied on a nominal, annual compounded semi-annual basis. Dividends were calculated on a daily basis six months in arrears up to 31 March and 30 September of each year. If the Company was unable to pay a dividend in a given year, the dividend accumulated.

The cumulative, variable rate, redeemable class 'C' preference shares were fully redeemed during previous financial years. In terms of the original terms of the preference shares they would have been redeemable by the first business day following on the expiry date of seven years from the date of issue, being 22 August 2006. Dividends are set at 85% of the prime overdraft rate. The prime rate applicable shall be the rate at 1 April in respect of preference dividends payable 30 September of that year and 1 October in respect of preference dividends payable on 31 March of the following year. Dividends are calculated on a daily basis six months in arrears up to 31 March and 30 September of each year. If the Company was unable to pay a dividend in a given year, the dividend accumulated.

		2010 R'000	2009 R'000
20.	**OPERATING LEASE LIABILITY**		
	The Group is a lessee to various hospital and administration office properties under non-cancellable lease agreements.		
	Opening balance at 1 October	46 389	43 319
	Operating lease expense on a straight line basis	47 404	45 583
	Lease payments to lessors	(43 237)	(42 513)
	Total net liability at 30 September	50 556	46 389
	Add: operating lease asset non-current portion	2 056	3 470
	Add: operating lease asset current portion	1 370	1 370
	Non-current operating lease liability	53 982	51 229
21.	**TRADE AND OTHER PAYABLES**		
	Trade payables	732 535	646 681
	Accruals	6 258	19 008
	Salary related contributions	94 614	74 310
	Value added tax	54 722	33 602
	Other payables	51 376	111 993
	Listing cost payable by shareholders	72 867	–
	Accrued leave pay	141 328	119 485
	Balance at 30 September	1 153 700	1 005 079
22.	**PROVISIONS**		
	Employee benefit provisions	107 298	84 552
	Long term incentive scheme	41 876	39 665
	Restoration provision	–	2 315
	Total provisions	149 174	126 532
	Less: Portion included in non-current liabilities	(24 590)	(16 118)
	Current portion of provisions	124 584	110 414
	Employee benefit provisions		
	Balance at 1 October	84 552	126 330
	Additional provisions raised	133 335	142 705
	Amounts utilised	(110 589)	(139 483)
	Settlement of liability	–	(45 000)
	Balance at 30 September	107 298	84 552
	Employee benefits include bonus provision.		
	The employee benefit provisions represent the pro rata portion of a 13th 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 raised as payment are subject to the employee being in employment at vesting date.		
	Long-term incentive scheme		
	Balance at 1 October	39 665	39 665
	Interest cost	4 690	3 649
	Service cost	23 566	15 268
	Actual benefit payments	(23 547)	(29 875)
	Actuarial (gain)/loss	(2 498)	10 958
	Balance at 30 September	41 876	39 665

If the EBIDTA growth rate was 10% higher then the liability would be 25% higher.

If the EBIDTA growth rate was 10% lower then the liability would be 30% lower.

	2010 R'000	2009 R'000
22. PROVISIONS continued		
Long-term incentive scheme continued		
Summary of assumptions		
Discount rate	7.30%	7.27%
Growth rates		
2006	21.8%	26.0%
2007	21.5%	20.7%
2008	20.7%	17.5%
2009	15.6%	15.9%
2010	12.4%	11.9%
2011	18.1%	16.0%
2012	15.0%	n/a
Adjusted return on assets		
2009	40%	42%
2010	40%	42%
2011	40%	42%
2012	40%	42%
2013	40%	42%
2014	n/a	n/a
Hurdle rate		
Maximum	8%	8%

The scheme is a bonus scheme available for senior employees. The original scheme was adopted in March 2005 and came to an end in 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. A new 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 loses the right if he/she resigns. The final vesting of the old scheme will be January 2011.

Restoration provision	2010 R'000	2009 R'000
Balance at 1 October	2 315	2 100
Additional provisions raised	–	215
Amounts reversed	(2 315)	–
Balance at 30 September	–	2 315

A restoration provision existed to restore a leased facility to offices at the end of the lease period. The lease was extended during the current financial year on more favourable terms and the restoration is not required any more in terms of the extended lease agreement.

23. SHAREHOLDERS' LOANS	2010 R'000	2009 R'000
Balance at 1 October	–	312 577
Loans repaid during the year	–	(312 577)
Balance at 30 September	–	–

The terms of the shareholder loans were set out in the shareholders' agreement. The loans were unsecured and bore interest as agreed by the directors. Repayment terms are at the discretion of the directors of the Company and in terms of various funding agreements. The loans were subordinated to certain debt providers.

The shareholders' loans were repaid in full in the previous financial year.

Fair value of shareholders' loans
The carrying amount approximates fair value because of the short period to maturity of these instruments.

24. DERIVATIVE FINANCIAL INSTRUMENTS

Interest rate swap contracts

The Group entered into two interest rate swap contracts to manage exposure to fluctuations in interest rate 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 each of the outstanding interest rate swap contracts at 30 September 2010 is R750 000 000 and totalled R1 500 000 000. The interest rate swap contracts mature respectively on 28 February 2011 and 29 February 2012. At 30 September 2010 the fixed interest rate for the first interest rate swap varied from 8.18% to 6.61% and the fixed interest rate for the second interest rate swap varied from 7.61% to 6.61%. Gains or losses on 30 September 2010 on the interest rate swap contracts are recognised in the statement of comprehensive income.

Interest rate caps

In the previous financial year the Group had the following interest rate caps:

The Group entered into two forward starting interest rate caps on 24 March 2005 to manage exposure to fluctuations in interest rate on senior and mezzanine debt balances. The instruments were settled quarterly on the last days of February, May, August and November, starting 31 May 2007 and ending on 30 May 2008. The cap rate was 9% and was based on a notional amount of R1 562 775 000 in 2008 on 31 August 2008.

The Group entered into a forward starting interest rate cap on 25 April 2006 to manage exposure to fluctuations in the interest rates on senior and mezzanine debt balances. The instruments were settled quarterly on the last days of February, May, August and November, starting 30 May 2008 and ending 26 February 2010. The cap rate is 8% and based on a notional amount of R1 312 464 000 (2008: R1 618 652 000) on 30 August 2009 (2008: 29 August 2008).

	2010		2009	
	Assets R'000	Liabilities R'000	Assets R'000	Liabilities R'000
Carrying value at 30 September	–	(27 221)	16	–
Cost price of the instruments	–	–	10 682	–
Mark to market valuation at 30 September	–	(27 221)	(10 666)	–
Foreign exchange contracts				
The Group entered into United States dollar exchange contracts to manage exposure in fluctuations in the rand dollar exchange rate on a foreign liability. The notional principal amounts of the outstanding foreign exchange contracts at 30 September 2010 was R123 000 (2009: R1 091 000). These contracts will mature within 12 months.	–	(123)	–	(1 091)
Cost price of the instruments	–	–	–	–
Mark to market valuation at 30 September	–	(123)	–	(1 091)
Total carrying value of derivative financial instruments at 30 September	–	(27 344)	16	(1 091)
Less non-current portion at 30 September	–	(21 938)	–	(1 089)
Interest rate cap	–	(21 938)	–	–
Forward starting interest rate cap	–	–	–	–
Foreign exchange contracts	–	–	–	(1 089)
Net current portion at 30 September	–	(5 406)	16	(2)

	2010 R'000	2009 R'000
24. DERIVATIVE FINANCIAL INSTRUMENTS continued		
The fair value changes charged to the statement of comprehensive income are as follows:		
Forward starting interest rate caps	(16)	(62 148)
Interest rate swap contracts	(27 221)	–
Foreign exchange contracts	968	(1 326)
	(26 269)	(63 474)

25. FINANCIAL INSTRUMENTS BY CATEGORY

30 September 2010 (R'000)	Loans and receivables	Assets at fair value through profit and loss	Assets at amortised cost	Total
Assets per statement of financial position				
Trade and other receivables	964 361	–	–	964 361
Loans and receivables	5 828	–	–	5 828
Loans to associates	11 189	–	–	11 189
Cash and cash equivalents	482 156	–	–	482 156
	1 463 534	–	–	1 463 534

30 September 2010 (R'000)	Liabilities at fair value through profit and loss	Liabilities at amortised cost	Total
Liabilities per statement of financial position			
Trade and other payables	–	1 153 700	1 153 700
Interest bearing borrowings	–	2 474 523	2 474 523
Derivative financial instruments	27 344	–	27 344
	27 344	3 628 223	3 655 567

25. FINANCIAL INSTRUMENTS BY CATEGORY continued

30 September 2009 (R'000)	Loans and receivables	Assets at fair value through profit and loss	Assets at Amortised cost	Total
Assets per statement of financial position				
Trade and other receivables	912 449	–	–	912 449
Loans and receivables	5 794	–	–	5 794
Loans to associates	7 622	–	–	7 622
Cash and cash equivalents	101 417	–	–	101 417
Derivative financial Instruments	–	16	–	16
	1 027 282	16	–	1 027 298

30 September 2009 (R'000)	Liabilities at fair value through profit and loss	Liabilities at amortised cost	Total
Liabilities per statement of financial position			
Trade and other payables	–	1 005 079	1 005 079
Interest bearing borrowings	–	2 353 579	2 353 579
Derivative financial Instruments	1 091	–	1 091
	1 091	3 358 658	3 359 749

	2010 R'000	2009 R'000
26. 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	8 120 247	7 291 632
Government and public healthcare facility services	426 741	430 829
Other healthcare related services	210 123	185 160
Rental income related to auxiliary services	29 223	22 046
	8 786 334	7 929 667
27. OTHER INCOME		
Other income comprises:		
Other rental income	42 609	35 408
Other income	51 832	43 269
	94 441	78 677

	2010 R'000	2009 R'000
28. PROFIT BEFORE TAX		
The following items have been included in arriving at profit before tax:		
Depreciation on property, plant and equipment	263 208	222 556
Fixed property – owned	74 020	57 722
Fixed property – leased	33 728	38 590
Leasehold improvements	11 673	7 205
Medical equipment	113 380	91 291
Other equipment	28 122	25 377
Motor vehicles	2 285	2 371
Excess of the fair value over the purchase price	–	(107)
Amortisation of intangible assets	122 446	122 921
Customer relations	56 502	55 726
Hospital licences	39 804	39 594
Computer software	9 697	11 222
Preferred supplier contracts	15 902	15 902
Restraint of trade payments	407	442
Other intangibles	134	35
Impairment of intangible assets	–	9 351
Profit on disposal of property, plant and equipment	(2 012)	(840)
Profit on disposal of investments in associates	(8 399)	–
Profit on disposal of investments in subsidiaries	–	(809)
Profit on disposal of investment in joint venture	(2 050)	–
Repairs and maintenance expenditure on property, plant and equipment	110 227	102 954
Operating lease rentals	84 204	78 384
Equipment	36 800	32 801
Property	47 404	45 583
Trade receivables – impairment charge for bad and doubtful debts	57 428	51 939
Auditors' remuneration	9 150	6 666
Audit fees	8 685	6 222
Management consulting and other audit-related services	416	424
Taxation services	49	20
Directors' remuneration (Refer note 38)	16 185	11 757
For services as executive director	13 866	10 092
For services as non-executive director	2 319	1 665
Net foreign exchange losses	1 610	1
Professional, legal and secretarial fees	62 989	56 558

	2010 R'000	2009 R'000
29. EMPLOYEE BENEFITS EXPENSE		
Salaries*	2 590 505	2 343 180
Long term incentive scheme	30 002	19 093
Share based payment – performance equity scheme	13 454	26 921
Share based payment – employee trust	60 903	24 716
Termination benefits	176	174
Medical aid contributions	129 208	109 440
Skills development	18 048	15 515
UIF	12 959	11 839
Pension fund costs – defined benefit and contribution plans	17 180	15 320
Provident fund costs – defined contribution plans	94 570	84 781
	2 967 005	2 650 979
Average number of permanent employees	12 911	12 684
** Salaries include executive directors' remuneration*		
30. FINANCE INCOME AND COST		
Finance cost	342 152	336 644
Interest bearing borrowings and bank overdrafts	306 216	317 086
Amortisation of debt arrangement fee	30 722	6 502
Dividend on redeemable preference shares (Refer note 19)	–	1 549
Net foreign exchange losses	1 610	1
Other	3 604	11 506
Finance income	(41 307)	(54 108)
Bank and deposits	(36 165)	(33 202)
Other	(5 142)	(20 906)
Net finance cost	300 845	282 536

	2010 R'000	2009 R'000
31. TAX EXPENSE		
Normal tax		
Current year	368 363	420 393
Prior years – under provision	998	3 216
Deferred tax		
Current year	79 404	(56 337)
Prior years – under/(over) provision	1 826	(9 343)
Secondary tax on companies		
Current year	32 440	14 316
Share repurchase	321 736	–
	804 767	372 245
Reconciliation of the tax rate	%	%
South African normal tax rate	28.00	28.00
Adjusted for:		
Secondary tax on companies	21.08	1.09
Prior year under/(over) provision	0.17	(0.47)
Assessed losses not utilised	(0.37)	(0.22)
Permanent differences – income not taxable	(2.46)	(4.33)
Permanent differences – expenses not deductible	3.85	4.36
Effective rate	50.27	28.43
The Group has estimated tax losses of R1 182 000 (2009: R31 160 000) available to offset against future taxable income. Tax losses of R7 394 000 (2009: R2 474 000) were utilised during the period.		
Amount of unutilised tax credits on STC	–	206 948

	2010 R'000	2009 R'000
32. EARNINGS PER SHARE		
Basic earnings per share		
Basic earnings per share are 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. The Company did a share split during December 2009 and the comparative information has been adjusted as no change in corresponding resource took place.		
Profit from operations attributable to equity holders	664 321	759 376
Weighted average number of shares in issue ('000)	1 029 883	1 029 747
Earnings per share	64.50	73.74
Diluted earnings per share		
The diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company had a performance equity scheme which vested on 23 March 2010.		
Profit attributable to ordinary equity holders	664 321	759 376
Less: undeclared cumulative preference share dividends and related tax	–	–
	664 321	759 376
Number of shares for diluted earnings per share ('000)	1 029 883	1 055 167
Adjustment for performance equity shares	–	25 420
Weighted average number of shares in issue ('000)	1 029 883	1 029 747
Diluted earnings per share (cents)	64.50	71.97
Headline earnings per share		
Profit attributable to ordinary equity holders	664 321	759 376
Adjustments:		
Impairment of intangible assets	–	9 351
Excess of fair value over the purchase price	–	(107)
Profit on disposal of investment in subsidiaries (net of tax)	–	(696)
Profit on disposal of investment in joint venture (net of tax)	(1 763)	–
Profit on disposal of investment in associate (net of tax)	(7 223)	–
Profit on disposal of property, plant and equipment (net of tax)	(1 449)	(605)
Loss on disposal of property, plant and equipment included in equity accounted earnings	(298)	–
Headline earnings	653 588	767 319
Weighted average number of shares in issue ('000)	1 029 883	1 029 747
Headline earnings per share (cents)	63.46	74.52
Diluted headline earnings per share		
Diluted headline earnings per share are calculated on the same basis used for calculating diluted earnings per share, other than headline earnings being the numerator:		
Headline earnings	653 588	767 319
Less: undeclared cumulative preference share dividends and related tax	–	–
Adjusted headline earnings	653 588	767 319
Number of shares for diluted headline earnings per share ('000)	1 029 883	1 055 167
Adjustment for performance equity shares ('000)	–	25 420
Weighted average number of shares in issue ('000)	1 029 883	1 029 747
Diluted headline earnings per share (cents)	63.46	72.72

	2010	2009
33. DIVIDENDS PER SHARE		
Dividends per share (cents)	50.83	25.25
Final (previous financial year) (cents)	27.83	–
Interim (cents)	23.00	25.25
Ordinary dividends were declared on 4 November 2009 of R290 000 000 and on 21 July 2010 of R239 708 000.		
During 2009 ordinary dividends were declared on 30 June 2009 of R160 000 000 and 30 September 2009 of R100 000 000.		

	2010 R'000	2009 R'000
34. CASH GENERATED FROM OPERATIONS		
Reconciliation of profit before tax to cash generated from operations		
Net profit before tax	1 639 979	1 309 557
Adjusted for:		
Foreign exchange loss	1 610	1
Income from associates	(99 862)	(100 595)
Depreciation on property, plant and equipment	263 208	222 556
Impairment of goodwill and amortisation of intangible assets	122 446	132 272
Finance costs excluding amortisation of debt arrangement fees and foreign exchange profit (net) (Refer note 30)	268 513	276 034
Fair value gains	26 269	63 474
Profit on disposal of property, plant and equipment	(2 012)	(840)
Profit on disposal of investments	(10 449)	(809)
Share based payment reserve charge	74 357	51 638
Non-cash rental charges	47 404	45 583
Post-retirement benefit asset movement	(105 349)	(15 982)
Trade receivable impairment charge	57 428	51 939
Other non-cash flow items	–	15 000
Operating profit before working capital changes	2 283 542	2 049 828
Working capital changes:		
Inventories	(12 431)	(21 889)
Trade and other receivables	(94 098)	(174 989)
Trade and other payables	56 304	42 449
Cash generated from operations	2 233 317	1 895 399
35. 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	5 389	3 344
Profit on sale of property, plant and equipment	2 012	840
Proceeds from sale of property, plant and equipment	7 401	4 184
36. ORDINARY SHARES REPURCHASED		
In the statement of cash flows, ordinary shares repurchased comprise the following:		
Shareholders repaid	(3 882 027)	(99 944)
Costs settled after year end	72 867	–
Costs recovered from shareholders	(137 121)	–
Secondary tax on companies on shares repurchased from retained earnings	(321 736)	–
	(4 268 017)	(99 944)

	2010 R'000	2009 R'000
37. 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 shareholding in Flohoc Investments (Proprietary) Limited, The New Kensington Clinic (Proprietary) Limited, and Wilgeheuwel Hospital (Proprietary) Limited.		
During the 2009 financial year, the Group had marginal increases in its shareholding in Flohoc Investments (Proprietary) Limited, The New Kensington Clinic (Proprietary) Limited and Little Company of Mary Trust, as well as indirectly buying out the remaining non-controlling interest in Wilgers Hospital Limited.		
Increase in ownership interest:		
Value of increase ownership interest in subsidiary	(13 682)	(27 849)
Transactions with non-controlling interest reserve	(23 215)	–
Goodwill	–	(15 028)
Cash outflow on increase of ownership interest in subsidiaries	(36 897)	(42 877)
Decrease of ownership interest in subsidiaries as a result of non-controlling interest transactions		
The Group disposed of a marginal percentage of its holding in Little Company of Mary Trust and Flohoc Investments (Proprietary) Limited to non-controlling interests.		
During 2009 the Group disposed of a marginal percentage of its holding in Little Company of Mary Trust and Flohoc Investments (Proprietary) Limited to non-controlling interests.		
The Group still maintained control over the subsidiary entities after the decrease in ownership interest.		
Decrease in ownership interest:		
Goodwill	–	1 073
Value of decrease in ownership interest in subsidiary	2 776	3 777
Total value of decrease in ownership interest in subsidiary	2 776	4 850
Transactions with non-controlling interest reserve	3 246	–
Profit on disposal of investments	–	809
Proceeds on disposal of investments	6 022	5 659
Cash proceeds on decrease of ownership interest in subsidiaries	6 022	5 659

	2010 R'000	2009 R'000
37. ACQUISITION AND DISPOSAL OF INVESTMENTS continued		
Disposal of investments in subsidiaries, associates and joint ventures		
The Group disposed of its investment in Vincent Pallotti Oncology Joint Venture for R4 500 000 on 31 May 2010.		
The Group disposed of its investment in Joint Radiotherapy (Proprietary) Limited for R14 400 000 on 30 November 2009.		
Value of investments disposed:		
Property, plant and equipment	1 810	–
Trade and other receivables	4 571	–
Trade and other payables	(2 219)	–
Borrowings	(1 712)	–
Investment in associates	6 001	–
Value of interests disposed	8 451	–
Profit on disposal of investments	10 449	–
Proceeds on disposal of investments	18 900	–
Cash proceeds on disposal of investments	18 900	–
Non-cash proceeds	–	–
Business combinations		
During June 2010, the Group acquired 100% of Amabubesi Hospitals (Proprietary) Limited (Bayview Hospital) and Amabubesi Healthcare Properties (Proprietary) Limited.		
The Group acquired 100% of the Bayview Pharmacy business at Bayview Hospital on 31 August 2010.		
Due to change in shareholders' agreements, the Group has gained control of LCM Oncology (Proprietary) Limited and Wilgers Cathlab Trust from 1 October 2009.		
During financial year 2009, on 1 October 2008, the Group acquired the remaining 80% of the equity in Ekurhuleni Sub-Acute (Proprietary) Limited. On 30 April 2009 the Group acquired the business operations of LCM Oncology (Proprietary) Limited.		
The impact on income and expenses if these acquisitions were done on 1 October of each year were:		
Revenue	228 959	14 392
Net profits	20 584	3 752
Details of the net assets acquired and goodwill are as follows:		
Purchase consideration		
Total purchase consideration	267 437	8 945
Cash portion	260 180	8 945
Non-cash portion	7 257	–
Fair value of net assets acquired		
Fair value of net assets acquired	(97 709)	(1 436)
Non-controlling interest recognised	3 161	–
Fair value of intangible assets acquired	(92 679)	(2 576)
Goodwill	80 210	4 933

37. ACQUISITION AND DISPOSAL OF INVESTMENTS continued

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

	Provisional fair value 2010 R'000	Acquiree's carrying amount 2010 R'000
Cash and cash equivalents	27 111	27 111
Inventories	6 219	6 219
Trade and other receivables	25 108	25 108
Property, plant and equipment	117 858	76 858
Trade and other payables	(25 914)	(25 914)
Contingent liabilities	(8 576)	–
Current income tax liability	(13 231)	(12 701)
Deferred tax	(31 110)	–
Intangible assets	244	244
	97 709	96 925

The contingent liability relates to liabilities identified during the due diligence process of acquiring the businesses being potential tax related liabilities which 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.

The provisional fair value adjustments represent management's current best estimate of the adjustments required to restate the acquiree's carrying values to fair value at acquisition. The principal provisional fair value adjustments in respect of intangibles, which comprise hospital licences and customer relations, have been internally valued using the royalty method. Property, plant and equipment have been internally valued with reference to current market values. Providing for contingent liabilities relating to potential tax claims. The goodwill of R80 210 000 arising on the acquisition represents a strategic premium to acquire untapped markets in the relevant areas where the acquirees are situated.

	Fair value 2009 R'000	Acquiree's carrying amount 2009 R'000
In the 2009 financial year the assets and liabilities arising from the acquisitions were as follows:		
Property, plant and equipment	185	185
Deferred tax	44	44
Trade and other receivables	657	657
Cash and cash equivalents	1 650	1 650
Inventories	1	1
Trade and other payables	(1 022)	(1 022)
Provisions	(79)	(79)
Net assets acquired and cash outflow on acquisition	1 436	1 436

	2010 R'000	2009 R'000
Total purchase consideration		
Transactions with non-controlling interest reserve	36 897	42 877
Business combination	267 437	8 945
	304 334	51 822

38. DIRECTORS' EMOLUMENTS

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

2010 (R'000)	Directors' fees	Salaries	Bonus and per-formance-related payments	Other allowances*	Gains on long term incentive scheme	Medical aid contri-butions	Pension fund costs – defined benefit plan	Total
Executive directors								
CMD Flemming	–	1 967	3 780	676	2 850	21	565	9 859
RJ Hogarth	–	1 011	1 213	339	1 088	14	342	4 007
	–	2 978	4 993	1 015	3 938	35	907	13 866
Non-executive directors								
MA Brey	206	–	–	–	–	–	–	206
YZ Cuba	123	–	–	–	–	–	–	123
CWJ Lyons	173	–	–	–	–	–	–	173
Dr JPF Dalmeyer	126	–	–	–	–	–	–	126
Prof GJ Gerwel	320	–	–	–	–	–	–	320
EW Mbuthia	282	–	–	–	–	–	–	282
LZ Brozin	157	–	–	–	–	–	–	157
Dr MP Ngatane	105	–	–	–	–	–	–	105
RCM Laubscher	90	–	–	–	–	–	–	90
GC Solomon	433	–	–	–	–	–	–	433
NV Mokhesi	69	–	–	–	–	–	–	69
LM Mojela	85	–	–	–	–	–	–	85
PJ Golesworthy	123	–	–	–	–	–	–	123
TS Munday	27	–	–	–	–	–	–	27
	2 319	–	–	–	–	–	–	2 319

**Other allowances include travel allowances and other company contributions.*

38. DIRECTORS' EMOLUMENTS continued

2009 (R'000)	Directors' fees	Salaries	Bonus and performance-related payments	Other allowances*	Gains on long term incentive scheme	Medical aid contributions	Pension fund costs – defined benefit plan	Total
Executive directors								
CMD Flemming	–	1 580	2 285	654	2 126	20	383	7 048
RJ Hogarth	–	890	515	327	1 037	14	261	3 044
	–	2 470	2 800	981	3 163	34	644	10 092
Non-executive directors								
MA Brey	192	–	–	–	–	–	–	192
YZ Cuba	74	–	–	–	–	–	–	74
CWJ Lyons	40	–	–	–	–	–	–	40
Dr JPF Dalmeyer	105	–	–	–	–	–	–	105
Prof GJ Gerwel	210	–	–	–	–	–	–	210
VJ Archer	67	–	–	–	–	–	–	67
EW Mbuthia	217	–	–	–	–	–	–	217
LZ Brozin	111	–	–	–	–	–	–	111
Dr MP Ngatane	85	–	–	–	–	–	–	85
RCM Laubscher	115	–	–	–	–	–	–	115
T Matiwaza	121	–	–	–	–	–	–	121
GC Solomon	267	–	–	–	–	–	–	267
NV Mokhesi	61	–	–	–	–	–	–	61
	1 665	–	–	–	–	–	–	1 665

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

Performance equity scheme

The performance equity scheme's restriction was lifted during the current year when the Company listed on the JSE during June 2010.

The directors were awarded the following number of shares in terms of the performance equity scheme:

CMD Flemming	3 739 255
RJ Hogarth	1 370 108

These shares were awarded at a strike price of R15.54. Refer note 15.

**Other allowances include travel allowances and other company contributions.*

39. RELATED PARTIES

Subsidiary companies – refer Annexure A

Associate companies – refer 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 2010 and 2009 for the loans made to associates.

Joint ventures – refer note 8

Directors and director-related entities

Details of directors are disclosed in the administration section to the financial statements on page 66. No direct loans were made to or received from any director and no other transactions were entered into with any director. Refer to note 38 for details on directors' emoluments. No executive director has a notice period of more than six months. No executive 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.

	2010 R'000	2009 R'000
Key management remuneration		
Salaries	183 760	179 878
Performance equity scheme*	395 122	–
Medical aid contributions	3 148	2 966
Pension fund costs – defined benefit and contribution plans	4 242	4 004
Provident fund costs – defined contribution plans	7 213	6 718
	593 485	193 566

**The performance equity scheme was settled during the current financial year and the full amount that accrued over a five year period from 2005 has been included.*

Other related parties

In terms of an agreement the Group provides a loan facility to the Ammed Management Trust where certain managers hold beneficial shares. The loan balance is R3 000 (2009: R266 000).

Post-retirement medical aid plan exists for the benefit of certain past and current employees. Refer note 10.

	2010 R'000	2009 R'000
40. 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	547 115	417 172
Capital expenditure contracted for and not provided in the financial statements is as follows:		
– Property, plant and equipment	147 293	125 547
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	52 346	51 217
Later than one year and not later than five years	136 273	132 450
Later than five years	164 759	172 619
	353 378	356 286

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 R43 304 000 (2009: R13 490 000).

Certain subsidiary companies have issued letters of support for certain other fellow subsidiary companies.

A subsidiary reached and paid a settlement in 2009 in respect of the matter which has been approved by the Financial Services Board (FSB). This related to a legal matter that arose prior to the company becoming a subsidiary to the Group.

41. 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:

> On 1 October 2010 the Group disposed of a non-controlling interest in the Cosmos Hospital in Emalahleni and Faerie Glen Hospital in Pretoria. Both these disposals have an immaterial impact on attributable earnings.

> The Group concluded an agreement with a doctor grouping in Mkhondo (Piet Retief) to build a private hospital.

> A dividend of 29 cents per issued ordinary share has been declared by the board on 30 November 2010 payable to shareholders registered in the Company's records.

SUBSIDIARIES

	2010 Effective interest %	2009 Effective interest %
Life Healthcare Group (Proprietary) Limited	100	100
Indirectly held through Life Healthcare Group (Proprietary) Limited		
Amabubesi Hospitals (Proprietary) Limited	100	–
Amabubesi Healthcare Properties (Proprietary) Limited	100	–
Amahosp Medical Rescue (Proprietary) Limited*¥	100	100
Ammed Properties (Proprietary) Limited*	100	100
Bendoc (Proprietary) Limited*¥	100	100
Birchmed Sameday Surgical Centre Partnership#	30	30
Border Hospitals (Proprietary) Limited	63	63
Bridoon Trade and Invest 23 (Proprietary) Limited*	100	–
Brooklyn Hospital (Proprietary) Limited	65	100
Brooklyn Sameday Surgical Centre Partnership	65	67
Casmed (Proprietary) Limited*¥	100	100
Century Ways Trading (Proprietary) Limited*	100	–
Chaldean Trading 107 (Proprietary) Limited*	80	–
Claremont Hospital (Proprietary) Limited*¥	100	100
Cosmos Hospital Properties (Proprietary) Limited*	100	100
Cream Magenta 357 (Proprietary) Limited*	100	–
E M H Operating Company (Proprietary) Limited	79	79
Faerie Glen Eiendoms Trust*	100	100
Faerie Glen Eiendoms Trust 2*	100	100
Faranani Life Health Solutions (Proprietary) Limited	49	49
Flohoc Investments (Proprietary) Limited	70	74
Garbanzo Property Investments (Proprietary) Limited	100	100
Glynnwood Hospital Operating Company (Proprietary) Limited	87	87
H-Doc Investments (Proprietary) Limited*¥	100	100
Hollyberry Props 136 (Proprietary) Limited*	60	100
Healthcare Management Services (Proprietary) Limited (incorporated in Botswana)^	51	51
Hentique 1889 (Proprietary) Limited*	100	100
Jorum Property Investments (Proprietary) Limited	100	100
Kingsbury Hospital Limited*¥	100	100
Kingsbury Hospital Property (Proprietary) Limited*	100	100
Life Claremont Ophthalmology (Proprietary) Limited	51	51
Life Esidimeni Group Holdings (Proprietary) Limited	100	100
Life Impilo (Proprietary) Limited*	100	100
Life Occupational Health (Proprietary) Limited*¥	100	100
Life Pharmacy Management Services (Proprietary) Limited*	100	100
Life Vincent Pallotti Orthopeadic Centre (Proprietary) Limited	100	100

** Dormant*
¥ In voluntary liquidation
^ The functional currency is pula
 # Consolidated as the Group controls the entity through managing contract
• Previously equity accounted for as associate
† Due to indirect shareholding

SUBSIDIARIES continued

	2010 effective interest %	2009 effective interest %
Indirectly held through Life Healthcare Group (Proprietary) Limited continued		
Ligitprops 109 (Proprietary) Limited	100	100
Little Company of Mary Trust	78	71
Medicine Management Services (Proprietary) Limited	100	100
Metropol Hospitals (Proprietary) Limited	60	60
Micawber 384 (Proprietary) Limited*	100	–
The New Kensington Clinic (Proprietary) Limited*	91	91
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	51	51
Prop Robin (Proprietary) Limited*¥	100	100
Robinson Hospital Holdings (Proprietary) Limited	82	82
Roseacres Clinic (Proprietary) Limited*	100	100
Rustenburg Hospital Properties (Proprietary) Limited	51	51
Stonebridge Trading 29 (Proprietary) Limited*	100	–
St Mary's Private Hospital (Proprietary) Limited	55	55
UK Health Management Services (Proprietary) Limited*¥	100	100
Walk Tall Distribution 3 (Proprietary) Limited*	100	–
Vredenburg Hospital (Proprietary) Limited	100	100
Wilgeheuwel Hospital (Proprietary) Limited	86	74
Zandfontein Clinic (Proprietary) Limited*	100	100
Indirectly held through Life Hospitals Limited		
Entabeni Investment Company (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†	46	46
Spittal Drau Investments (Proprietary) Limited	60	60

** Dormant*
¥ In voluntary liquidation
^ The functional currency is pula
 # Consolidated as the Group controls the entity through managing contract
• Previously equity accounted for as associate
† Due to indirect shareholding

SUBSIDIARIES continued

	2010 effective interest %	2009 effective interest %
Indirectly held through Healthcare Management Services (Proprietary) Limited (incorporated in Botswana)		
Gaborone Private Hospital Pathology (Proprietary) Limited (Incorporated in Botswana)^†	38	38
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
Indirectly held through Life Impilo (Proprietary) Limited		
Wilgers Hospital Limited	100	100
Indirectly held through Wilgers Hospitaal Beperk		
Abrakor (Proprietary) Limited	100	100
Wilgers Cathlab Trust	55	55
Indirectly held through Peglerae Investment Company (Proprietary) Limited		
Peglerae Hospital (Proprietary) Limited†	36	36
Indirectly held through Border Hospitals (Proprietary) Limited		
Border Hospitals Cardiac Equipment (Proprietary) Limited*	100	100
Ringmaster Trade and Invest 3 (Proprietary) Limited†	42	100
Indirectly held through Glynnwood Hospital Operating Company (Proprietary) Limited		
Ekurhuleni Sub-Acute Hospital (Proprietary) Limited*¥	100	100
Indirectly held through Little Company of Mary Trust		
LCM Oncology (Proprietary) Limited•	60	60

* *Dormant*
¥ *In voluntary liquidation*
^ *The functional currency is pula*
# *Consolidated as the Group controls the entity through managing contract*
• *Previously equity accounted for as associate*
† *Due to indirect shareholding*

All investments are unlisted and are incorporated in the Republic of South Africa, except for two subsidiaries that are incorporated in Botswana as indicated. The voting power and percentage shareholding are the same for all subsidiaries.

The profit after tax earned by subsidiaries before non-controlling interest attributable to shareholders of the Group amounted to R835 742 000 (2009: R938 316 000), while losses amounted to R4 490 000 (2009: R8 846 000).

ASSOCIATES

Name of associate	Issued share capital 2010 R	Issued share capital 2009 R	Interest in share capital 2010 %	Interest in share capital 2009 %	Book value of the shares 2010 R'000	Book value of the shares 2009 R'000	Amounts owing by associates 2010 R'000	Amounts owing by associates 2009 R'000
Unlisted investments								
Joint Medical Holdings Limited*	5 471	5 471	49	49	18 864	18 864	331	39
Bloemfontein Ophthalmology Trust	–	–	50	50	–	–	2 503	3 073
Gaborone Private Hospital Radiology (Proprietary) Limited (Pula)**	200	200	50	50	2 025	2 025	(970)	(988)
LCM Oncology (Proprietary) Limited^	–	–	–	60	–	–	–	(968)
Mafikeng Hospital (Proprietary) Limited	8 799	8 799	42	42	4	4	–	–
Middelburg Hospitaal Beperk	100 000	100 000	45	45	208	208	5 251	4 450
Middelburg Privaat Hospitaal (Eiendoms) Beperk	100 000	100 000	45	45	529	529	–	–
Occulli Trust	–	–	50	50	–	–	3 938	3 201
Sandton Eye Laser Centre Partnership	–	–	25	25	–	–	(15)	(15)
Vrystaat Onkologie Trust	–	–	23	23	–	–	164	197
Wilgers Cathlab Trust^	–	–	–	55	–	–	–	1 758
Wilgers Oncology Trusts	–	–	25	25	–	–	765	(3 125)
Consolidated Aone Trade and Invest 12 (Proprietary) Limited	100	–	30	0	1 980	–	(778)	0
					23 610	21 630	11 189	7 622

All the associates provide medical and surgical services through private hospitals and/or sameday surgical centres.

Associates with February financial year ends
** *The company is incorporated in Botswana*
^ *Consolidated from 1 October 2009*

1. ANALYSIS OF REGISTERED SHAREHOLDERS AND COMPANY SCHEMES

Registered shareholder spread

In accordance with the JSE Listing Requirements, the following table confirms the spread of registered shareholders as detailed in the annual report and accounts dated 30 September 2010 was:

	Number of holders	% of total shareholders	Number of shares	% of issued capital
Shareholder spread				
1 – 1 000 shares	730	27.2	345 807	0.03
1 001 – 10 000 shares	1 266	47.17	4 596 346	0.44
10 001 – 100 000 shares	444	16.54	13 441 054	1.29
100 001 – 1 000 000 shares	179	6.67	59 712 817	5.73
1 000 001 shares and above	65	2.42	964 113 726	92.51
Total	2 684	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:

Public and non-public shareholdings

	Number of holders	% of total shareholders	Number of shares	% of issued capital
Shareholder type				
Non-public shareholders	10	0.38	364 591 653	34.98
Ammed Management Trust	1	0.04	49 414 598	4.74
Healthcare Strategic Investments	1	0.04	277 213 378	26.60
Life Healthcare employees trust	1	0.04	12 958 500	1.24
Life Healthcare 2005 performance equity scheme	1	0.04	7 876 216	0.76
Directors	6	0.22	17 128 961	1.64
Public shareholders	2 674	99.62	677 618 097	65.02
Total	2 684	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 140a 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 1 October 2010.

Investment management shareholdings

Investment manager	Total shareholding	%
Health Strategic Investment Ltd	277 213 378	26.60
Old Mutual Investment Group SA	203 638 868	19.54
Life Doctor Investments Ltd	61 875 000	5.94
International Finance Corporation	53 000 000	5.09
Industrial Development Corporation of SA	52 056 137	4.99
STANLIB Asset Management	42 547 186	4.08
Mvelaphanda Strategic Investment (Pty) Ltd	34 385 280	3.30
Total	724 715 849	69.54

2. SUBSTANTIAL INVESTMENT MANAGEMENT AND BENEFICIAL INTERESTS continued

Beneficial shareholdings

Beneficial shareholdings	Total shareholding	%
Health Strategic Investments Ltd	277 213 378	26.60
Old Mutual Life Assurance Co	151 449 620	14.53
Life Doctor Investments Ltd	61 875 00	5.94
International Finance Corporation	53 000 000	5.09
Government Employees Pension Fund (PIC)	52 678 402	5.05
Industrial Development Corporation of SA	52 056 137	4.99
Mvelaphanda Strategic Investment (Pty) Ltd	34 385 280	3.30
Total	682 657 817	65.50

3. GEOGRAPHIC SPLIT OF SHAREHOLDERS

Geographic split of investment managers and company related holdings

Region	Total shareholding	% of issued capital
South Africa	884 419 426	84.86
United States of America and Canada	100 821 430	9.67
United Kingdom	37 915 840	3.64
Rest of Europe	7 679 580	0.74
Rest of world[1]	11 373 474	1.09
Total	1 042 209 750	100.00

Geographic split of beneficial shareholders

Region	Total shareholding	% of issued capital
South Africa	887 987 428	85.2
United States of America and Canada	99 793 559	9.58
United Kingdom	37 320 721	3.58
Rest of Europe	9 914 513	0.95
Rest of world[1]	7 193 529	0.69
Total	1 042 209 750	100.00

4. SHAREHOLDERS CATEGORIES

An analysis of beneficial shareholdings, supported by the section 140a enquiry process, confirmed the following beneficial shareholder types:

Category	Total shareholding	% of issued capital
Retail Investor	349 965 236	33.58
Insurance companies	184 965 999	17.75
Other	162 875 687	15.63
Pension funds	93 688 624	8.99
Black economic empowerment	60 177 076	5.77
Unit trusts	55 730 495	5.35
Government of South Africa	52 056 137	4.99
Employees	20 834 716	2.00
Foreign government	802 327	0.08
University	600 290	0.06
Charity	250 570	0.02
Remainder	60 262 593	5.78
Total	1 042 209 750	100.00

COMPANY STATEMENT OF FINANCIAL POSITION
at 30 September 2010

	Notes	2010 R'000	2009 R'000
ASSETS			
Non-current assets		107 533	107 533
Interest in subsidiary	1	107 533	107 533
Current assets		457 348	4 574
Loan to subsidiary	1	457 348	4 574
TOTAL ASSETS		564 881	112 107
EQUITY AND LIABILITIES			
Capital and reserves		495 125	108 095
Share capital	2	1	1
Share premium	3	3 956 346	23 350
Retained earnings		(3 461 222)	(36 401)
Other reserves	4	–	121 145
Non-current liabilities		–	–
Preference shares	6	–	–
Current liabilities		69 756	4 012
Shareholders' loans	5	–	–
Trade and other payables	7	69 756	1 062
Shareholders for dividend		–	2 950
TOTAL EQUITY AND LIABILITIES		564 881	112 107

	Notes	2010 R'000	2009 R'000
Revenue	8	529 708	433 120
Employee benefits expense		(13 454)	–
Other expenses		(8 092)	(5)
Operating profit		508 162	433 115
Finance cost	9	–	(1 549)
Profit before tax	11	508 162	431 566
Tax expense	10	(321 736)	–
Profit after tax		186 426	431 566
Other comprehensive income		–	–
Total comprehensive income for the year		186 426	431 566

COMPANY STATEMENT OF CHANGES IN EQUITY
for the year ended 30 September 2010

	Notes	Ordinary share capital R'000	Share premium R'000	Other reserves	Retained earnings R'000	Total R'000
Balance at 1 October 2008		1	23 350	–	13 122	36 473
Total comprehensive income for the year		–	–	–	431 566	431 566
Share based payment reserve movement	4	–	–	121 145	–	121 145
Deferred tax on share based payment reserve modification	4	–	–	–	(121 145)	(121 145)
Share repurchase	2	–	–	–	(99 944)	(99 944)
Ordinary dividends paid		–	–	–	(260 000)	(260 000)
Balance at 30 September 2009		1	23 350	121 145	(36 401)	108 095
Balance at 1 October 2009		1	23 350	121 145	(36 401)	108 095
Total comprehensive income for the year		–	–	–	186 426	186 426
Share based payment reserve movement		–	–	13 454	–	13 454
Share based payment reserve realised	4	–	–	(134 599)	134 599	–
Ordinary dividends paid		–	–	–	(529 708)	(529 708)
Issue of shares in terms of the performance equity scheme		–	395 122	–	–	395 122
Issue of shares at listing		–	4 340 884	–	–	4 340 884
Share repurchase	2	–	(803 010)	–	(3 216 138)	(4 019 148)
Balance at 30 September 2010		1	3 956 346	–	(3 461 222)	495 125
Note		2	3	4		

	Note	2010 R'000	2009 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	12	517 443	432 313
Tax paid		–	–
Net cash generated from operating activities		517 443	432 313
CASH FLOWS FROM INVESTING ACTIVITIES			
Loans (granted)/received to subsidiary		(452 774)	262 440
Net cash utilised from investing activities		(452 774)	262 440
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of shareholders' loans		–	(312 577)
Issue of shares		4 736 006	–
Share repurchase		(4 268 017)	(99 944)
Preference shares redeemed		–	(23 633)
Preference dividend paid		–	(1 549)
Ordinary dividend paid		(532 658)	(257 050)
Net cash utilised from financing activities		(64 669)	(694 753)
Net increase/(decrease) in cash and cash equivalents		–	–
Cash and cash equivalents – beginning of the year		–	–
Cash and cash equivalents – end of the year		–	–

		2010 R'000	2009 R'000
1.	**INTERESTS IN SUBSIDIARIES**		
	Unlisted investment in Life Healthcare Group (Proprietary) Limited		
	Shares at cost		
	Balance at 30 September	107 533	107 533
	Amounts owing by subsidiaries		
	Balance at 1 October	4 574	267 014
	Net amount advanced/(recovered)	452 774	(262 440)
	Balance at 30 September	457 348	4 574
	Directors' valuation of shares at 30 September	14 554 387	12 939 000
	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.	**SHARE CAPITAL**		
	Authorised		
	Ordinary shares		
	4 149 980 000 (2009: 4 000 000 000) Ordinary shares of R0.000001 each (Total value = R4 149 (2009: R4 000))	4	4
	Nil (2009: 200 000 000) Ordinary 'N' shares of R0.000001 each (Total value = R Nil (2009: R200))	–	–
	During 2009 the 'N' shares carried one 1 000th of the voting rights of the ordinary shares. The ordinary 'N' shares were converted into ordinary shares during the current financial year in terms of a special resolution dated 29 April 2010. The 'N' shares were converted on a one for one basis. Upon conversion, the 'N' shares ranked *pari passu* with the ordinary shares.		

	2010 R'000	2009 R'000
2. SHARE CAPITAL continued		
Issued and fully paid		
Ordinary shares		
Balance at 30 September	1	1
1 042 209 750 (2009: 866 810 000) Ordinary shares of R0.000001 each (Total value = R1 042 (2009: R867))	1	1
Nil (2009: 149 980 000) Ordinary 'N' shares of R0.000001 each (Total value = Rnil (2009: R150))	–	–
Reconciliation of number of shares issued		
Balance at 1 October	101 679	103 000
Share split (December 2009)	1 016 688 321	–
Issue of shares at listing	346 966 756	–
Share repurchase	(321 547 006)	(1 321)
	1 042 209 750	101 679

During the year the Company split its authorised and issued share capital into 10 000 shares for each ordinary and 'N' share.

The Company issued additional 25 419 750 ordinary shares at an issue price of R15.54 in terms of the performance equity scheme which became fully vested based on the achievement of a non-market based performance condition. These shares were issued at a value of R395 122 000 to the performance equity scheme and settled by a subsidiary of the Group.

The Company listed on the Johannesburg Stock Exchange Limited (JSE) on 10 June 2010 and issued 321 547 006 ordinary shares on this date at an issue price of R13.50. On the same date, the Company repurchased 321 547 006 of its ordinary shares at a total price of R13.50 per share. R3 216 138 000 was paid from retained earnings and the balance of R803 010 000 was paid from share premium.

During 2009 the Company acquired 13 210 000 of its own shares through purchases from its current shareholders. The total amount paid to acquire the shares was R99 945 000 and was paid from retained earnings. The Company has the right to re-issue these shares at a later date. All shares issued by Company were fully paid.

	2010 R'000	2009 R'000
3. SHARE PREMIUM		
Balance at 1 October	23 350	23 350
Share repurchase	(803 010)	–
Issue of shares in terms of the performance equity scheme	395 122	–
Issue of shares at listing	4 340 884	–
	3 956 346	23 350
4. OTHER RESERVES		
Share based payment reserve		
Balance at 1 October	121 145	–
Charge for the year	13 454	121 145
Settlement of share based payment reserve	(134 599)	–
Balance at 30 September	–	121 145

The share based payment reserve consisted of two equity settled schemes, namely the performance equity scheme and the employee trust scheme. In the prior financial year, the employee trust had an indirect interest of 4.2% in the Company. All permanent employees that are members of a South African retirement fund were beneficiaries of the employee trust. In terms of the trust deed the employees became entitled to a surplus in the event of the trust selling its indirect interest in Life Healthcare Group Holdings Limited at the 'liquidity event'. The equity settled scheme was settled during the current financial period and therefore the full equity value was accounted for during the period. The performance equity scheme entitled certain members of senior management to a maximum of 2.5% of the equity value of Life Healthcare Group Holdings Limited. This allocation was conditional upon certain performance criteria being met. The scheme was settled at the option of the subsidiary company by way of delivery of shares of the Company.

Refer note 3 for the critical accounting estimates and judgements used to calculate the values of these schemes.

	2010 R'000	2009 R'000
5. SHAREHOLDERS' LOANS		
Balance at 1 October	–	312 577
Loans repaid during the year	–	(312 577)
Balance at 30 September	–	–

The terms of the shareholder loans are set out in the shareholders' agreement. The loans were unsecured and carried interest as agreed by the directors. Repayment terms are at the discretion of the directors of the Company and in terms of various funding agreements. The loans were subordinated to certain debt providers.

The shareholders' loans were repaid in full in the previous financial year.

Fair value of shareholders' loans

The carrying amount approximates fair value because of the short period to maturity of these instruments.

	2010 R'000	2009 R'000
6. PREFERENCE SHARES		
Authorised		
Nil (2009: 820) Cumulative variable rate redeemable class 'A' preference shares of R0.01 each (Total value = R8.20)	–	–
Nil (2009: 180) Cumulative variable rate redeemable class 'B' preference shares of R0.01 each (Total value = R1.80)	–	–
Nil (2009: 3 000) Cumulative variable rate redeemable class 'C' preference shares of R0.01 each (Total value = R30)	–	–
Issued and fully paid		
Balance at 1 October	–	23 633
Nil (2009: Nil) Cumulative variable rate redeemable class 'A' redeemable preference shares of R0.01 each		
Nil (2009: Nil) Cumulative variable rate redeemable class 'B' redeemable preference shares of R0.01 each		
Nil (2009: Nil) Cumulative variable rate redeemable class 'C' redeemable preference shares of R0.01 each		
Less capital redeemed during the year:		
Nil (2009: 928) Cumulative variable rate class 'C' redeemable preference shares	–	(23 633)
Balance at 30 September	–	–

The preference shares were cancelled during the current financial year in terms of a special resolution dated 29 April 2010. In terms of section 75(h) of the Companies Act, the authorised and unissued preference share capital was cancelled.

The cumulative, variable rate, redeemable class 'A' and 'B' preference shares were redeemed in full during the previous financial years at the option of the Company. In terms of the original terms of the preference shares they would have been redeemable by the first business day following on the expiry of eight years from the date of issue, being 22 March 2005. Class 'A' preference shares could only be redeemed after all of the class 'B' preference shares had been redeemed. Dividends were set at 70% of the six month JIBAR rate plus 9.5% applied on a nominal, annual compounded semi-annual basis. Dividends were calculated on a daily basis six months in arrears up to 31 March and 30 September of each year. If the Company was unable to pay a dividend in a given year, the dividend accumulated.

The cumulative, variable rate, redeemable class 'C' preference shares were fully redeemed during the previous financial years. In terms of the original terms of the preference shares they would have been redeemable by the first business day following on the expiry date of seven years from the date of issue, being 22 August 2006. Dividends are set at 85% of the prime overdraft rate. The prime rate applicable shall be the rate at 1 April in respect of preference dividends payable 30 September of that year and 1 October in respect of preference dividends payable on 31 March of the following year. Dividends are calculated on a daily basis six months in arrears up to 31 March and 30 September of each year. If the Company was unable to pay a dividend in a given year, the dividend accumulated.

		2010 R'000	2009 R'000
7.	**TRADE AND OTHER PAYABLES**		
	Listing cost payable by shareholders	69 756	–
	Other payables	–	1 062
	Balance at 30 September	69 756	1 062
8.	**REVENUE**		
	Revenue comprises dividends received from the subsidiary company.		
9.	**FINANCE COSTS**		
	Finance cost	–	1 549
	Preference share dividends	–	1 549
	Finance costs	–	1 549
10.	**INCOME TAX EXPENSE**		
	Secondary tax on companies	321 736	–
	Reconciliation of the tax rate	%	%
	South African normal tax rate	28.00	–
	Adjusted for:		
	Secondary tax on companies	35.31	–
		63.31	–
		R'000	R'000
11.	**PROFIT BEFORE TAX**		
	Income from subsidiaries:		
	Dividends received	529 708	433 120
	Auditors' remuneration – audit fees	111	55
	Professional fees	5 848	–
12.	**CASH GENERATED FROM OPERATIONS**		
	Reconciliation of profit before tax to cash generated from operations		
	Profit before tax	508 162	431 566
	Adjusted for:		
	Finance costs	–	1 549
	Share based payment reserve charge	13 454	–
	Operating profit before working capital changes	521 616	433 115
	Trade and other payables	(4 173)	(802)
	Cash generated from operations	517 443	432 313

		2010 R'000	2009 R'000
13.	**ORDINARY SHARES REPURCHASED**		
	In the statement of cash flows, ordinary shares repurchased comprise the following:		
	Shareholders repaid	(3 882 027)	(99 944)
	Cash settled after year end	72 867	–
	Costs recovered from shareholders	(137 121)	–
	Secondary tax on companies on shares repurchased from retained earnings	(321 736)	–
		(4 268 017)	(99 944)

14. ACCOUNTING POLICIES, EVENTS AFTER REPORTING PERIOD, CONTINGENCIES AND RELATED PARTY TRANSACTIONS

The items above are the same for the Group and Company. Refer to the relevant notes in the Group 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, 27 January 2011 at 13:30.

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

To receive and adopt the annual financial statements of the Company and of the Group for the year ended 30 September 2010.

2. Ordinary resolution number 2

Re-election of directors

To elect, by way of separate resolutions, directors in the place of those retiring in accordance with the Company's articles of association.

Directors who have been appointed after the previous annual general meeting who, in accordance with article 20.2 of the Company's articles of association, have to retire, but may offer themselves for re-election are:

2.1 Mr TS Munday
2.2 Mr PJ Golesworthy
2.3 Ms LM Mojela
2.4 Mr K Gordhan
2.5 Mr JK Netshitenzhe, and
2.6 Ms F du Plessis.

In addition to the above, the following directors will retire in terms of Article 24 of the Company's articles of association, all of whom are eligible for re-election and have all offered themselves for re-election:

2.7 Mr GC Solomon
2.8 Dr MP Ngatane
2.9 Mr MA Brey, and
2.10 Prof GJ Gerwel.

An abbreviated curriculum vitae in respect of each of the current directors offering himself/herself for re-election is contained on pages 4 to 6 of the annual report. In respect of the newly appointed directors offering themselves for re-election, abbreviated curricula vitae are contained in the explanatory notes forming part of this notice.

The following directors who are eligible for re-election will retire in terms of article 24 of the Company's articles of association, and have not offered themselves for re-election:

2.11 Dr JPF Dalmeyer, and
2.12 Ms YZ Cuba.

3. Ordinary resolution number 3

Re-appointment of external auditors

To re-appoint the auditors, PricewaterhouseCoopers Inc., as independent auditors of the Company and the Group; and Mr FJ Lombard as the designated audit partner, for the ensuing year.

4. **Ordinary resolution number 4**

Remuneration of non-executive directors

4.1 To ratify the remuneration of non-executive directors for the year ended 30 September 2010 on the basis set out below.

4.2 To approve the remuneration of non-executive directors for the year ending 30 September 2011 on the following basis:

Type of fee	Existing fee for the year ended 30 September 2010 R	Proposed fee for the year ending 30 September 2011 R
Group board		
Chairman	*188 652	***300 000
Member	*94 328	***140 000
Audit (fee per meeting)		
Chairman	**26 950	***170 000
Member	**13 478	***100 000
Remuneration and human resources committee		
Chairman	**22 234	***130 000
Member	**11 120	***65 000
Other board committees (nominations, risk, transformation and investment		
Chairman	**22 234	***86 700
Member	**11 120	***43 300

**Annual fee for four meetings per annum. Meetings outside of the planned schedule paid an additional R47 163 (chairman) and R23 582 (member) per meeting. Five meetings were held in 2010*

***Fee per meeting*

****Annual fee: 60/40 split proposed between retainer and fee per meeting based on a set number of meetings*

Any additional meeting called will be remunerated as follows: R25 000 (chairman) and R12 500 (member)

5. **Ordinary resolution number 5**

Renewal of the authority that the unissued shares be placed under the control of directors

"Resolved that 5 (five) percent of the authorised but unissued shares in the capital of the Company be and are hereby placed under the control and authority of the directors of the Company until the next annual general meeting of the Company, and that the directors be authorised and empowered, subject to the provisions of the Companies Act, Act 61 of 1973, as amended (the Act), and the Listings Requirements of the JSE, to allot, issue and otherwise dispose of such shares to such person/s on such terms and conditions and at such times as the directors may from time to time in their discretion deem fit."

6. **Ordinary resolution number 6**

General authority to distribute to shareholders part of the Company's share premium

"Resolved that the directors of the Company be authorised, by way of a general authority, to distribute to shareholders of the Company any share capital and reserves of the Company ('general distribution') in terms of section 90 of the Companies Act, Act 61 of 1973 as amended, article 43 of the Company's articles of association and in terms of the Listings Requirements of the JSE Limited (JSE), provided that:

> the general distribution will be made pro rata to all ordinary shareholders

> the general authority will be valid until the next annual general meeting of the Company or for 15 months from the passing of this ordinary resolution (whichever period is the shorter)

> any general distribution of the share premium by the Company does not exceed 20% of the Company's issued share capital and reserves, excluding minority interests and revaluations of assets that are not supported by a valuation by an independent expert acceptable to the JSE prepared within the last six months, in any one financial year, measured as at the beginning of such financial year

> announcements will be published on SENS and in the press setting out the financial effects of the general distribution prior to such distribution being effected and complying with Section 11.31 and Schedule 24 of the JSE Listings Requirements, and

> any such payments are subject to exchange control regulations and approval at that point in time.

7. Ordinary resolution number 7

Authorisation for an executive director to sign necessary documents

"Resolved that any one executive 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 resolution with or without amendment:

8. Special resolution number 1

General authority to repurchase Company shares

"Resolved as a special resolution that the Company or any of its subsidiaries, be and is hereby authorised by way of a general authority, to acquire up to 10% of the Company's ordinary issued share capital ('general repurchase') (subject to the proviso that a subsidiary may not hold more than 10% of the Company's issued share capital), in terms of sections 85(2) and 85(3) of the Companies Act, Act 61 of 1973, as amended and of the Listings Requirements of the JSE. Such general approval will be valid until the next annual general meeting of the Company, provided that it will not extend beyond 15 months from the date of passing of this special resolution. Such authority is subject to the following conditions:

> Any such acquisition of ordinary shares will be implemented through the order book operated by the JSE's trading system and done without any prior understanding or arrangement between the Company or its subsidiary and the counter-party.

> Acquisitions in the aggregate in any one financial year may not exceed 10% of the Company's issued share capital as at the date of passing of this special resolution.

> An announcement is published as soon as the Company or any of its subsidiaries has acquired shares constituting, on a cumulative basis, 3% of the number of the ordinary shares in issue at the time the authority is granted and for each 3% in aggregate of the initial number of that class purchased thereafter, containing full details of such acquisition.

> In determining the price at which Life Healthcare shares are acquired by the Company or its subsidiaries, the maximum premium at which such shares may be purchased will be 10% of the weighted average of the market value of the shares for the five business days immediately preceding the date of the relevant transaction.

> The Company or its subsidiary has been given authority by its articles of association.

> At any point in time, the Company or its subsidiary may only appoint one agent to effect any repurchase on the Company's behalf.

> The Company and/or its subsidiaries may not repurchase any shares during a prohibited period as defined by the JSE Listings Requirements, unless a repurchase programme is in place, where dates and quantities of shares to be traded during the prohibited period are fixed and full details of the programme have been disclosed in an announcement on SENS prior to the commencement of the prohibited period.

Statement of board's intention

Should the authority be granted at the Company's annual general meeting, it will provide the directors with the flexibility to repurchase such shares as and when the best interests of the Company require them to do so.

Working capital statement

The directors undertake that they will not effect a general repurchase of Life Healthcare shares or make a general distribution as contemplated above unless for a period of 12 months after the date of the general repurchase/general distribution, the following can be met:

> The Company and the Group are in a position to repay their debts as they become due in the ordinary course of business.

> The assets of the Company and the Group, fairly valued in accordance with International Financial Reporting Standards, are in excess of the liabilities of the Company and the Group.

> The issued share capital and reserves of the Company and the Group are adequate for ordinary business purposes.

- The working capital available to the Company and the Group will be adequate for ordinary business purposes.
- The Company's sponsor has confirmed the adequacy of the Company's working capital for purposes of undertaking the general repurchase/general distribution in writing to the JSE before entering the market to proceed with the general repurchase/general distribution.

The reasons and effect of the ordinary resolutions and the special resolutions are set out in the explanatory notes that form part of this notice.

9. Other

To transact such other business as may be transacted at an annual general meeting of shareholders.

VOTINGS AND PROXIES

A form of proxy is attached for the convenience of any certified shareholder and 'own name' registered dematerialised shareholder who cannot attend the annual general meeting, but who wishes to be represented thereat.

CERTIFIED SHAREHOLDERS AND DEMATERIALISED SHAREHOLDERS WITH 'OWN NAME' REGISTRATION

A shareholder entitled to attend and vote at the annual general meeting may appoint a proxy or proxies to attend, speak and on a poll to vote in his/her stead. A proxy need not be a shareholder of the Company. In order to be valid, completed forms of proxy must be lodged at the Company's transfer secretaries, Computershare Investor Services (Proprietary) Limited by no later than 13:30 on Tuesday, 25 January 2011.

Shareholders who have dematerialised their shares, other than with 'own name' registration, and who wish to attend the annual general meeting must instruct their Central Securities Depository Participant (CSDP) or broker to issue them with the necessary letter of representation to attend.

Shareholders who have dematerialised their shares, other than with 'own name' registration, and who wish to vote by way of proxy, must provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between them and their CSDP or broker.

PROXIES

On a poll every shareholder of the Company present in person or represented by proxy shall have one vote for every share held in the Company by the shareholder.

By order of the board

Fazila Patel

Company secretary
Johannesburg

30 November 2010

EXPLANATORY NOTES TO RESOLUTIONS FOR CONSIDERATION AT THE ANNUAL GENERAL MEETING

ORDINARY BUSINESS

Ordinary resolution number 1: Approval of annual financial statements

The directors must present to shareholders at the annual general meeting the annual financial statements incorporating the directors' report and the report of the independent auditors for the year ended 30 September 2010. These are contained within the annual report.

Ordinary resolution number 2: Re-election of directors

In accordance with the Company's articles of association, the directors will have the power to appoint any person as an additional director. Any person appointed as an additional director will retain office only until the next following annual general meeting of the Company, and his appointment will be subject to confirmation at such annual general meeting.

The Company's articles of association further provides that one third of the directors are required to retire at each annual general meeting and may offer themselves for re-election. In addition, if at the date of the annual general meeting, any director will have held office for a period of three years since appointment, the director will retire at such meeting and may offer him/herself for re-election.

The abbreviated curricula vitae of the newly appointed directors offering themselves for re-election appear below:

K Gordhan (49)

BA, MPhil (University of Sussex)
Non-executive director – appointed on 30 November 2010

Ketan (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.

F du Plessis (55)

B.Com LLB, CA(SA), B.Com Taxation
Non-executive director – appointed on 30 November 2010

Francine-Anne (Fran) is an advocate of the High Court of South Africa. She holds a number of current board positions namely KWV Holdings Limited, Pulca (Proprietary) Limited t/a Mango Airlines and Kaap Agri Limited. 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 having been a partner at Bellingham & Partners and a senior lecturer in the accounting and commercial law departments at the University of Stellenbosch.

JK Netshitenzhe (54)

MSc (University of London), Post-graduate Diploma in Economic Principles, Diploma in Political Science
Non-executive director – appointed on 30 November 2010

Joel left South Africa to join the ANC in exile. 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 has been a member of the National Executive Committee (NEC) of the ANC since 1991. Post-1994, Joel was head of communication in President Nelson Mandela's office, and then joined the Government Communication and Information System (GCIS) as CEO in 1998. In addition to being GCIS CEO, he was in 2001 appointed head of the Policy Co-ordination and Advisory Services (PCAS) in the Presidency. He headed the PCAS on a full time basis from 2006 until his retirement in 2009. He now works as an independent researcher, and is the executive director of the Mapungubwe Institute for Strategic Reflection (MISTRA). He is a member of the National Planning Commission of the South African government, the advisory board of the Nelson Mandela Trust and the board of CEEF.Africa (a section 21 company dealing with tertiary education opportunities).

Ordinary resolution number 3: Re-appointment of external auditors

The reason for proposing ordinary resolution number 3 is to confirm the appointment of PricewaterhouseCoopers Inc., and the designated audit partner, as the external independent auditors of the Company and the Group.

Ordinary resolution number 4: Remuneration of non-executive directors

The Company, in general meeting, as per the articles of association, will from time to time determine the remuneration of non-executive directors, subject to shareholders' approval.

Ordinary resolution number 5: Directors' control of unissued ordinary shares

It is considered advantageous to grant the directors authority to enable the Company to take advantage of business opportunities which may arise in the future. This authority is due to expire at the next annual general meeting.

Ordinary resolution number 6: General authority to distribute to shareholders part of the Company's share premium

The reason for and effect of this ordinary resolution is to grant the board of directors of the Company a general authority in terms of the Companies Act and the JSE Listings Requirements for the distribution of share capital and share premium by the Company to its shareholders. The intention behind such general authority is, subject to the requirements of the Act, and the JSE, to provide the board with the flexibility to distribute any surplus capital of the Company to its shareholders.

Ordinary resolution number 7: Authorisation for an executive director to sign necessary documents

It is necessary to confer upon an executive director of the Company an authority to sign all documents as may be necessary for or incidental to the resolutions to be proposed at the annual general meeting.

SPECIAL BUSINESS

Special resolution number 1: General authority to repurchase Company shares

The reason for proposing the special resolution is to permit and authorise the Company and/or any subsidiaries to acquire the Company's own shares. The effect will be to grant the directors a general authority to purchase shares in Life Healthcare. Such general authority will provide the board with the flexibility, subject to the requirements of the Act and the JSE, to repurchase the Company's shares should it be in the interests of the Company while the general authority exists.

ADDITIONAL INFORMATION

The following additional information, some of which may appear elsewhere in the annual report of which this notice forms part, is provided in terms of the JSE Listings Requirements for purposes of the general authority to make a distribution to shareholders and repurchase the Company's shares:

> Directors and management — pages 4 – 7
> Major beneficial shareholders — pages 166 – 167
> Directors' interests in ordinary shares — page 73
> Share capital of the Company — page 136
> Directors' report — pages 71 – 75

LITIGATION STATEMENT

In terms of sections 11.26 and 11.30 of the JSE Listings Requirements, the directors, whose names appear in the directorate of the annual report of which this notice forms part, are not aware of any legal or arbitration 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.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors, whose names appear in the directorate of the annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to the resolutions 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 the resolutions contain all information required by law and the JSE Listings Requirements.

MATERIAL CHANGES

Other than the facts and developments reported on in the 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.

The Company undertakes to advise the sponsor before embarking on a general repurchase or capital distribution, in order to enable the sponsor to furnish the JSE with written confirmation of the adequacy of the Company's working capital.

ADMINISTRATION

Secretary

Fazila Patel
BA LLB, Cert Programme in Corporate Governance

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

Attorneys

Bowman Gilfillan

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

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 No. 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, 27 January 2011, at 13:30 or any adjournment thereof.

I/We desire to vote as follows:

Voting instructions		For	Against	Abstain
Ordinary business				
1.	To adopt the Company and Group annual financial statements for the year ended 30 September 2010			
2.	(i) to re-elect Mr TS Munday as a director of the Company			
	(ii) to re-elect Mr PJ Golesworthy as a director of the Company			
	(iii) to re-elect Ms LM Mojela as a director of the Company			
	(iv) to re-elect Mr KK Gordhan as a director of the Company			
	(v) to re-elect Mr JK Netshitenzhe as a director of the Company			
	(vi) to re-elect Ms F du Plessis as a director of the Company			
	(vii) to re-elect Mr GC Solomon as a director of the Company			
	(viii) to re-elect Dr MP Ngatane as a director of the Company			
	(ix) to re-elect Mr MA Brey as a director of the Company			
	(x) to re-elect Professor GJ Gerwel as a director of the Company			
3.	To re-appoint the auditors, PricewaterhouseCoopers Inc.			
4.	Remuneration of non-executive directors: 4.1 To ratify the remuneration of non-executive directors for the year ended 30 September 2010 as set out in the notice of the annual general meeting 4.2 To approve the remuneration of the non-executive directors for the year ended 30 September 2011 as set out in the notice of the annual general meeting			
5.	Directors' control of unissued ordinary shares			
6.	To give general authority to distribute to shareholders part of the Company's share premium			
7.	To authorise an executive director to sign documents necessary for or incidental to the resolutions proposed at the annual general meeting			
Special business				
Special resolution to:				
1.	To give general authority until the next annual general meeting for the Company or any of its subsidiaries to repurchase the Company's shares			

Signed ____________ this ________ day of ____________________ 20 ______

Signature ____________________

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 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, but in the event of a poll, every ordinary share in the Company shall have one vote.
3. Shareholders who have dematerialised their shares in the Company and are registered in their own names are shareholders who appointed Computershare Custodial Services as their Central Securities Depository Participant (CSDP) with the express instruction that their uncertificated shares are to be registered in the electronic sub-register of shareholders in their own names.

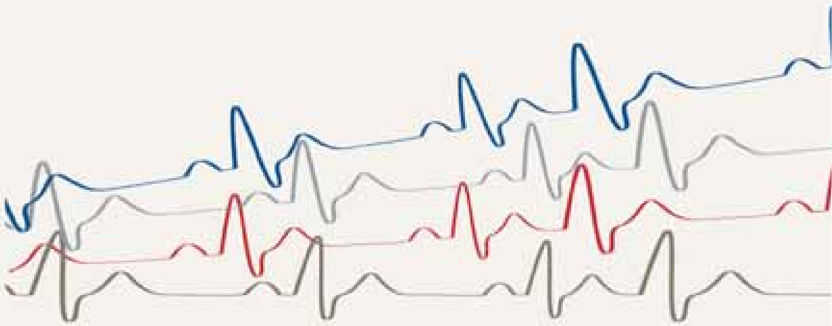
Instructions on signing and lodging the proxy form:

1. Mark with an X whichever is applicable. Unless otherwise directed, the proxy will vote as he/she thinks fit.
2. 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, with or without deleting 'the chairman of the annual general meeting', but any such deletion must be initialled by shareholder. Should this space be left blank, the chairman of the annual general meeting will exercise the proxy. The person whose name appears first on the proxy form and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those who names follow.
3. A shareholder's voting instructions to the proxy must be indicated by the insertion of the number of votes exercisable by that shareholder in the appropriate spaces provided. Failure to do so shall 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 shareholder's exercisable votes. A shareholder or his/her proxy is not obliged to use all the votes exercisable 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.
4. 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.
5. Documentary evidence establishing the authority of a person signing this proxy form in a representative capacity must be attached to this proxy form unless previously recorded by the transfer secretaries or waived by the chairman of the annual general meeting.
6. The completion and lodging of this proxy form shall 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 completion of any blank spaces need not be initialled. Any alterations or corrections to this proxy form must be initialled by the signatory/ies.
8. The chairman of the annual general meeting may reject or accept any proxy form 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.
9. To be valid, proxy forms should be forwarded to the transfer secretaries of the Company, Computershare Investor Services (Proprietary) Limited to be received by them not later than Tuesday, 25 January 2011 at 13:30 (South African time).

To be completed and lodged with: Computershare Investor Services (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001, South Africa or posted to PO Box 61051, Marshalltown, 2107, South Africa.

BASTION GRAPHICS

www.lifehealthcare.co.za



Life Healthcare Group
Oxford Manor
21 Chaplin Road
Illovo 2196
Private Bag X13
Northlands 2116

Life HEALTH CARE Group

Making life better