
Life
HEALTH CARE
Group
Integrated annual report 2013
Growth
Sustainability
Efficiency
Making life better

Contents

Scope and boundary

Life Healthcare Group (the Group) integrated annual report 2013 covers the financial year 1 October 2012 to 30 September 2013. Any informative and material information post 30 September 2013 has been included and noted.

The report aims to provide a balanced and succinct view of the Group's financial and non-financial information, and is focused on material issues and developments. This report covers Life Healthcare Group operations in South Africa, Botswana and India, and provides information on key strategies of growth, efficiency, sustainability and the corporate governance and accountability processes of the Group.

The information provided in this integrated annual report has been guided by local and international requirements. Most notably, these include:

- the principles of the Global Reporting Initiative (GRI) (G3.1 guidelines);
- the reporting principles contained in the King III Code of Corporate Practices and Conduct (the King III Code);
- JSE Limited (JSE) Listings Requirements;
- the South African Companies Act 71 of 2008 as amended (Companies Act); and
- the International Integrated Reporting Council's (IIRC) draft framework.

The IIRC's latest prototype report recommends the compilation of integrated reporting content around the six "capitals." The prototype framework recommendations will be introduced during the 2014 reporting year.

Since the release of Life Healthcare Group's 2012 integrated annual report, there has been no material change to the structure, ownership or products and services of the organisation.

Disclosure and assurance

The Group strives to achieve high standards in all disclosures included in this report to provide meaningful, accurate, complete, transparent and balanced information to stakeholders.

The board, its committees and management were involved in finalising disclosures made in this report and assume responsibility for the information contained therein. We recommend that you read this report in conjunction with the audited annual financial statements which are available on the website (www.lifehealthcare.co.za).

The condensed financial information included in this report has been extracted from the audited annual financial statements and have been prepared in accordance with International Financial Reporting Standards (IFRS).

The annual financial statements have been independently assured by PricewaterhouseCoopers Inc. The report in its entirety was not independently assured. However, as part of the Group's external assurance journey, limited internal and external assurance was obtained on selected aspects of this report.

Board responsibility

The board is responsible for the integrity of the integrated annual report. Therefore, the board has applied its mind to the integrated annual report and is of the opinion that the integrated annual report addresses all material issues and fairly presents the integrated performance of the Group and its impacts.

The integrated annual report has been prepared in line with best practice pursuant to the recommendations of the King III Code (principle 9.1)

Mustaq Brey
Chairman

Michael Flemming
Chief executive officer

14 November 2013

Forward-looking statements

This integrated annual report contains forward-looking statements that, unless otherwise indicated, reflect the Group's expectations as at 14 November 2013. Actual results may differ materially from the Group's expectations if known and unknown risks or uncertainties affect its business, or if estimates or assumptions prove inaccurate.

Therefore, the Group cannot guarantee that any forward looking statement will materialise. As such, readers are cautioned not to place undue reliance on these forward-looking statements and the Group disclaims any intention and assumes no obligation to update or revise any forward-looking statement.

Feedback

This report has been compiled with information that the board and management of Life Healthcare believe is relevant to our stakeholders and that will provide them with a comprehensive view of the Group's performance for the financial year.

The integrated reporting process is an ongoing journey in which we continue to strive to improve upon the quality of our reporting. Therefore, we welcome feedback from our stakeholders on this report and invite you to contact Fazila Patel should you have any questions. Her information is as follows: Tel +27 11 219 9000 or fazila.patel@lifehealthcare.co.za.

You may also visit our website www.lifehealthcare.co.za to download or print a feedback form to complete and return to us.

Organisational structure

Life HEALTH CARE Group

Hospitals

- Acute hospitalisation
- Mental healthcare
- Acute rehabilitation
- Renal dialysis

Region	Facilities	Beds
INLAND		
Central	10	1 238
East	10	1 316
North	10	1 482
West	5	784
	35	**4 820**
COAST		
Western Cape	8	750
Port Elizabeth	4	555
Border/Kei	8	751
KwaZulu-Natal	8	1 403
	28	**3 459**

Healthcare services

- Acute and long-term hospitalisation services (public sector)
- Contracted occupational healthcare (private and public employers)

Life Esidimeni (public sector)

12 facilities

4 165 beds

Life Occupational Health

305 clinics serving

200 000 employees

Brief history

1983 Life Healthcare founded as the hospital division of African Oxygen Limited

1994 Established the first non-South African hospital in Gaborone, Botswana

1995 Acquired Afrox Occupational Healthcare and launched the occupational health business

1997 Opened the first acute rehabilitation unit for patients recovering from severe trauma, neurological damage or other disabling conditions

1998 Opened first acute mental healthcare facility

1999 Acquired the Presmed Hospital Group comprising 38 hospitals and healthcare facilities

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

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

2004 50-50 joint venture with Care UK plc resulting in Partnership Health Group (PHG) – obtained contract to operate independent sector treatment centres for the UK National Health Service

2005 The Group was delisted and sold to a private consortium and changed its name from Afrox Healthcare Limited to Life Healthcare Group Holdings Limited

2008 Acquired the remaining 45% stake in Life Esidimeni. Sold its 50% stake in PHG

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

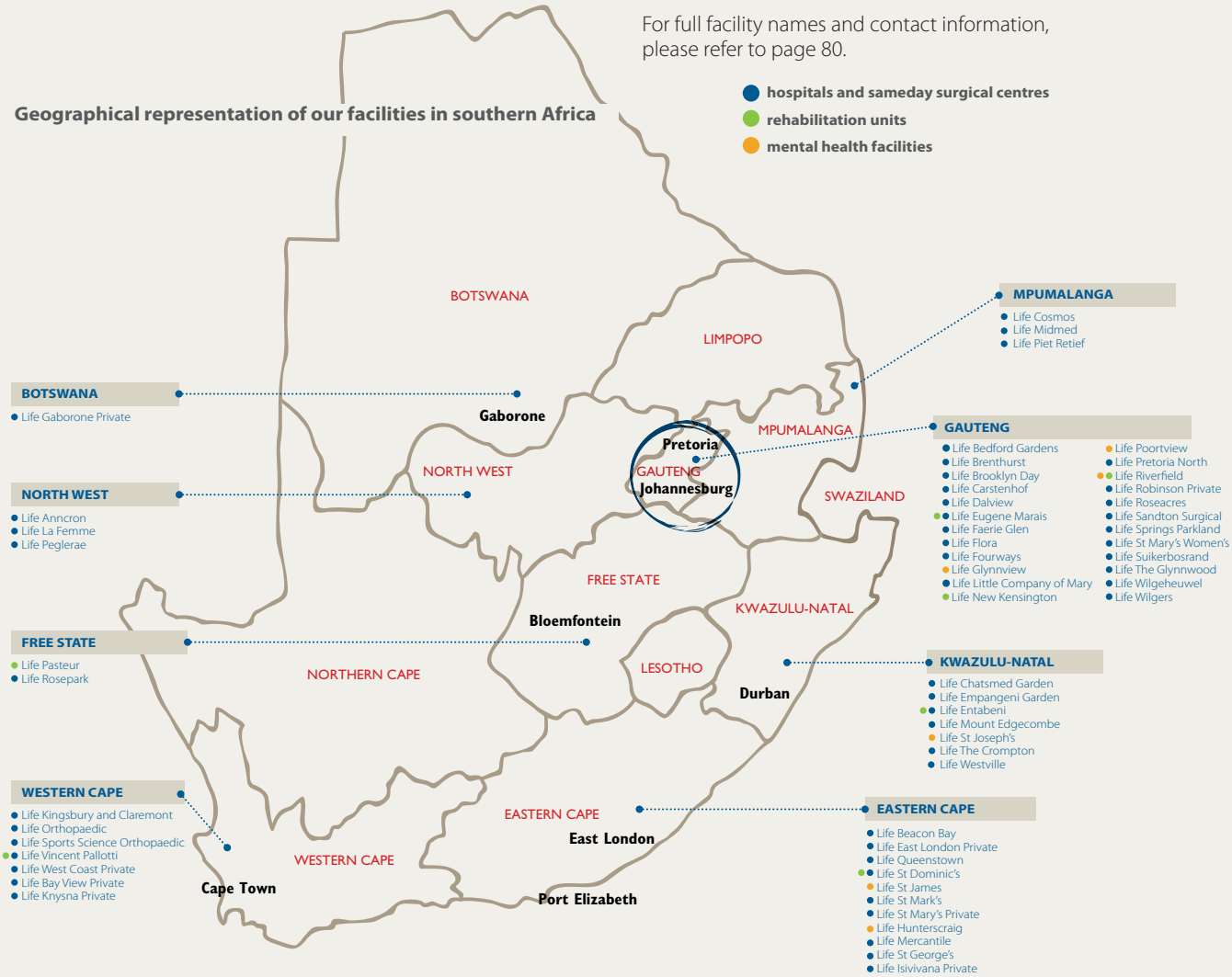
2011 Increased shareholding in Life Midmed Hospital from 45% to 57%

2012 Acquired a 26% shareholding in Max Healthcare, one of the largest private hospital groups in India

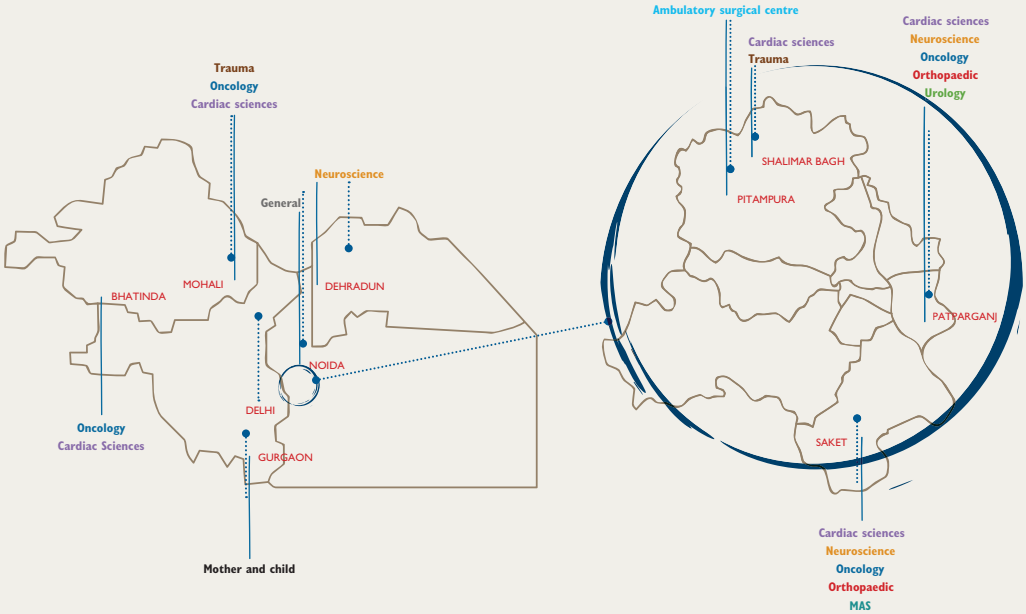
Geographical representation

For full facility names and contact information, please refer to page 80.

Geographical representation of our facilities in southern Africa



Geographical representation of our facilities in India



Head office

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

Business model

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.

Our core business is the provision of acute private hospital care.

Our acute care hospitals are complemented by mental health, acute rehabilitation, renal dialysis, acute hospitalisation and long-term services to government and occupational health.

Diversified healthcare businesses

Hospital division

- Representing 93% of revenue
- Comprising the core hospital care business and services for:
  - acute hospitals in South Africa and Botswana;
  - acute physical rehabilitation;
  - acute mental healthcare; and
  - renal dialysis.

8 279	Registered beds
50	Acute hospitals
7 576	Acute hospital beds
714	ICU beds
343	High-care beds
7	Acute rehabilitation facilities
319	Acute rehabilitation beds
6	Mental healthcare facilities
384	Mental healthcare beds
10	Dedicated renal dialysis units
129	Renal stations

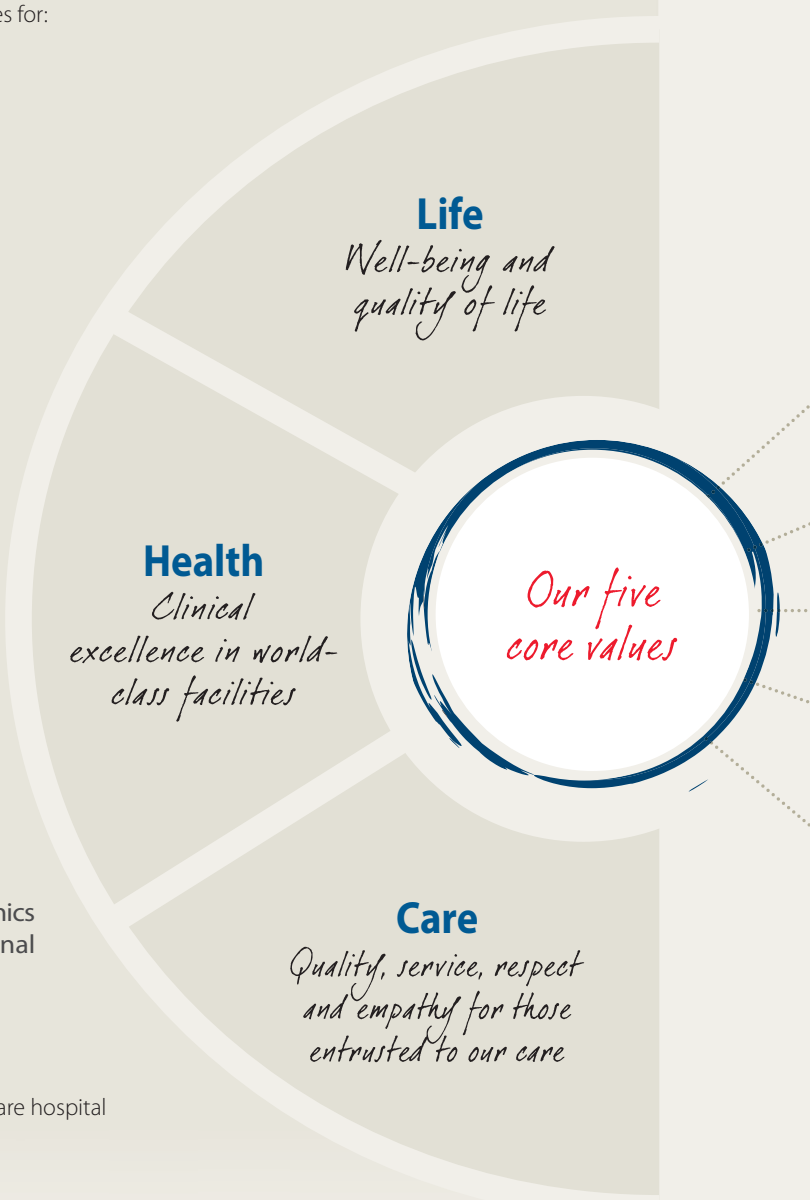
Healthcare services division

- Representing 7% of revenue
- Comprising acute and long-term hospitalisation services to public sector patients (by Life Esidimeni)
- Contracted occupational healthcare (by Life Occupational Health) to private and public employees

12	Life Esidimeni facilities
4 165	Life Esidimeni beds
305	Life Occupational Health on-site clinics
200 000	Workers served by Life Occupational Health

International division

- Comprising 26% interest in Max Healthcare, an acute care hospital business in India



Who we are

Our purpose
Making life better

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

Our culture
We believe that 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.

Passion for people

Qe – quality to the power of e
(ethics, excellence, empowerment, empathy, energy)

Performance pride

Personal care

Lifetime partnerships

Divisions

Hospital division

Acute hospitals
50 facilities/7 576 beds

Life Healthcare's acute hospitals are in seven of South Africa's nine provinces, as well as Botswana. These facilities are located in the country's most populous metropolitan areas.

Facilities range from high-technology, multi-disciplinary hospitals offering highly specialised medical disciplines, to community hospitals, sameday surgical centres and dedicated niche facilities.

The Group has a non-controlling shareholding in five hospitals in South Africa, comprising 554 beds.

Life Healthcare enjoys the support of approximately 2 700 specialists and other healthcare professionals. We try to optimise the use of our hospitals by maintaining excellent working relationships with the supporting doctors and other healthcare professionals providing medical care within our facilities. We do this by supporting them with the latest technology and equipment, quality nursing care, benchmarking our clinical outcomes against international best practice and by meeting the needs of patients with respect and empathy.

Other factors which positively impact the use of Life Healthcare hospitals include an increasing number of privately insured individuals, the high disease burden, our alternative reimbursement pricing model (ARM) and preferred network agreements with private medical insurers.

Renal dialysis
10 facilities/129 stations

Life Renal Dialysis is a specialised service dedicated to treating clients on acute and chronic renal dialysis. The 10 renal dialysis units are located in Gauteng, the Eastern Cape, Western Cape and KwaZulu-Natal with 129 stations. We are currently set to expand our footprint in this niche market to widen access to, and meet the growing demand for, private acute and chronic renal dialysis.

Acute rehabilitation
7 facilities/319 beds

Life rehabilitation:

- provides acute physical and cognitive rehabilitation for adult and paediatric patients disabled by brain or spinal trauma, stroke or other disabling injuries or conditions;
- is the only ISO 9001:2008 certified rehabilitation network and the only official licence holder for Functional Independence Measure™ in South Africa;
- scientifically measures each rehabilitation patient's clinical outcomes and overall progress to benchmark rehabilitation units and improve patient outcomes; and
- uses the Functional Assessment Measure, a specific measure of cognitive, behavioural, communication and community functioning, which is of central importance in brain injured patients.

Mental health
6 facilities/384 beds

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

Life Mental Health uses the Mental Health Questionnaire (MHQ-14) to measure indicators of disability and distress related to specific mental diagnoses. This is used to track unit performance and improve patient outcomes.

Divisions continued

Healthcare services division

Life Esidimeni
12 facilities/4 165 beds

Life Esidimeni (meaning "place of dignity") operates a network of care centres and a community hospital through a public-private partnership (PPP) with the South African government.

It provides services under contract to provincial health and social development departments. Life Esidimeni was established more than 50 years ago and is the largest and longest running PPP in the South African healthcare sector.

The care facilities provide long-term clinical care to chronically ill, mental health and frail care patients in the public sector.

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

Life Occupational Health
305 clinics

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

Life Occupational Health operates in on-site, off-site and mobile customer clinics throughout the country and provides services to approximately 200 000 employees.

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

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

International division

Max Healthcare
9 facilities/1 943 beds

The Group acquired a 26% interest in Max Healthcare (MHC), an acute care hospital business in India. This acquisition supports the Group's strategy to become a pre-eminent hospital operator in selected offshore emerging markets with an initial focus on India and selected countries on the African continent.

Strategic direction

Our three key strategic focus areas

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

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

1 Growth

Continue growing the business through:
- developing the breadth and depth of the existing southern African hospital network;
- expanding our coverage and penetration of the southern African market; and
- continuing to expand our operations in select emerging markets.

2 Efficiency

Continue to focus on the improved management of all hospital costs, including cost of sales, labour and overheads. Our alternative reimbursement model (ARM) and cost-efficiency align our incentives with medical schemes. The Group will continue to explore alternative healthcare delivery models and take advantage of additional patient growth – leveraging our fixed cost base and continue to improve occupancy and margins.

3 Sustainability

Focus on our sustainability goal by:
- maintaining the Life Healthcare Group's commitment to world-class healthcare;
- implementing sustainable human capital strategies and practices that meet the challenges of a dynamic commercial and legislative environment; and
- ongoing partnership with government and engagement in healthcare reform in South Africa.

Strategic direction continued

Life Healthcare as an investment

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Strong South African market positioning in a defensive industry

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

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Good track record of shareholder wealth creation

- Solid track record of operational excellence
- High cash generation – cash generated as a percentage of EBITDA: 103%
- Low gearing – net debt to normalised EBITDA of 0.62
- CAGR of 14.9% for normalised EBITDA over seven years
- CAGR of 26.6% for normalised earnings per share over seven years
- Strong cash distribution

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Focus on improving efficiencies

- Occupancies increased from 69.7% to 71.7% over seven years including the addition of 1 574 beds
- Normalised EBITDA margin has increased from 22.2% to 28.1% over seven years
- An alternative pricing model strategy that enables improvement in margins through cost-efficiencies
- The ability to use the IT system to drive standardisation, reduction in administrative costs and economies of scale

Supported by

Strong governance

- Robust independent board structure
- Compliant with JSE Listings Requirements
- Substantial compliance with the King III Code

Clinical excellence

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

Strategic direction continued

Developing the breadth and depth of the existing southern African hospital network

We have detailed plans to grow the capacity of our existing facilities to meet increased demand and enhance the profitability and competitiveness of these facilities. These plans are centred on:

- expanding facilities within existing hospitals through adding additional beds, wards and/or operating theatres; and
- adding new lines of business to existing hospitals. The Group intends to introduce new services and disciplines at selected hospitals where there is the opportunity to create niches. In particular, the new lines of business will focus on mental healthcare, acute rehabilitation, renal dialysis, oncology, as well as the bloodgas initiative and the maternity product developed during 2013.

Expanding our coverage and penetration of the southern African market

We plan to expand the geographic reach of our cover within southern Africa in the acute hospital care, mental healthcare, acute rehabilitation and renal dialysis sectors. We will do this to meet the increasing demand for private healthcare while also improving our national network and increasing our attractiveness in negotiating preferred network arrangements with medical schemes. This expansion of our geographic footprint will occur through:

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

Continuing to expand our operations in select emerging markets

Our international expansion is focused on selected attractive emerging markets which display the following characteristics:

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

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

Maintaining Life Healthcare's commitment to world-class healthcare

We believe that we deliver world-class, high-quality healthcare comparable to private healthcare available at hospitals in developed economies. The Life Healthcare Group aims to maintain this commitment to world-class healthcare by continued improvements in quality benchmarks, including patient satisfaction, clinical outcomes, patient health and safety and employee health and safety.

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

We acknowledge the need to have a trained and skilled workforce and continue to make a considerable investment in education, training and development to create competent and motivated employees who are able to deliver quality services.

The global shortage of critical skills, particularly in healthcare, makes retention, development and motivation of employees a priority. The training of additional doctors is also needed to meet the growth needs of the Group and the healthcare requirements of the country. As such, we will continue to invest in the training of doctors and other healthcare personnel.

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

We will continue to engage with the South African government in the development of healthcare policy and proposed healthcare reforms particularly as regards increasing access to private healthcare and improving affordability. The Group plans to leverage its position as the largest PPP provider of healthcare to seek future opportunities to provide services to government.

Business performance

Performance indicators

	2013	2012
Business performance and ratios		
Number of healthcare facilities	**63**	63
Number of beds (registered)	**8 279**	8 227
Number of acute facilities	**50**	50
Number of dedicated mental health facilities	**6**	6
Number of dedicated acute rehabilitation facilities	**7**	7
Paid patient days (PPDs)	**2 074 551**	2 020 864
Occupancy (%)	**71.7**	71.2
Length of stay (LOS) (days)	**3.50**	3.45
Number of Life Esidimeni facilities	**12**	12
Number of Life Esidimeni beds	**4 165**	4 165
Number of Life Esidimeni PPDs	**1 500 000**	1 500 000
Number of Life Occupational Health clinics	**305**	314
Number of lives covered through the Life Occupational Health clinics	**200 000**	192 000
Quality metrics		
Patient satisfaction (%)	**98.6**	98.4
Net promoter score (%)	**96.2**	95.7
Clinical indicators		
– Ventilator associated pneumonia (VAP) (per 1 000 ventilated days)	**2.69**	4.02
– Surgical site infections (SSI) (per 1 000 theatre cases)	**0.74**	0.97
– Central line associated bloodstream infections (CLABSI) (per 1 000 central lines)	**0.83**	1.11
– Catheter-related urinary tract infections (CAUTI) (per 1 000 catheter days)	**0.57**	0.68
Healthcare associated infection (HAI)	**0.52**	0.65
FIM™/FAM score (target is greater than 0.9)	**1.14**	1.00
Patient incident rate (per 1 000 PPDs)	**3.24**	3.80
Employee incident rate (per 200 000 labour hours)	**5.64**	6.49
Social performance		
Number of employees	**13 736**	13 705
Number of nurses enrolled in training	**777**	1 250
Black employees (%)	**65.4**	64.3
Environmental		
Electricity usage (kWh)[1]	**160 699 040**	163 846 643
Water usage (kilolitres)[1]	**1 812 425**	1 529 890
Medical waste generation (kilograms – '000)[1]	**3 513**	3 028

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

Business performance continued

Group statements of comprehensive income

	Compound annual growth since 2007 %	2013 R'm	2012 R'm	2011 R'm	2010 R'm	2009 R'm	2008 R'm	2007 R'm
Continuing operations								
Revenue	11.6	**11 843**	10 937	9 812	8 786	7 930	6 943	6 146
Operating profit	19.6	**2 948**	2 542	2 173	1 867	1 555	1 546	1 008
Normalised EBITDA[1]	14.9	**3 332**	2 907	2 548	2 173	1 893	1 734	1 452
Net finance cost	(8.1)	**(202)**	(215)	(199)	(327)	(346)	(320)	(335)
Share of associates' net profit after tax	(1.3)	**65**	85	115	100	101	88	70
Profit before tax	25.0	**2 833**	2 412	2 089	1 640	1 310	1 315	744
Profit after tax from continuing operations	26.4	**2 054**	1 743	1 492	835	937	964	505
Discontinued operations								
Profit/(loss) from discontinued operations		**–**	–	–	–	–	34	31
Profit for the year	25.1	**2 054**	1 743	1 492	835	937	998	536
Attributable to:								
Ordinary equity holders of the parent	27.1	**1 761**	1 495	1 287	664	759	865	418
Non-controlling interest[2]	16.4	**293**	247	205	171	178	133	118
Normalised EBITDA[1]	14.9	**3 332**	2 907	2 548	2 173	1 893	1 734	1 452
Operating profit		**2 948**	2 542	2 173	1 867	1 555	1 614	1 080
Profit on disposal of businesses		**–**	(30)	(5)	(10)	(1)	(153)	(9)
Additional receipt on previously disposed business		**–**	(2)	–	–	–	–	–
Loss on derecognition of finance lease asset		**4**	–	–	–	–	–	–
Gain on bargain purchase		**–**	(2)	–	–	–	–	–
Loss on remeasuring of fair value of equity interest before business combination		**–**	3	(92)	–	–	–	–
Profit on disposal of property		**(4)**	(9)	–	–	–	–	–
Depreciation on property, plant and equipment		**354**	318	299	263	223	239	262
Impairment of intangible assets		**–**	–	65	–	9	–	–
Amortisation of intangible assets[3]		**116**	124	110	122	123	125	119
Employee Trust accelerated charge[4]		**–**	–	–	36	–	–	–
Retirement benefit asset		**(75)**	(42)	(2)	(103)	(9)	(91)	–
Post-retirement medical aid		**(11)**	5	–	(3)	(7)	–	–

Notes

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

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

[3] Amortisation of intangibles arose on the intangible assets recognised during the leverage buy-out business combination in 2005, as well as the Midmed acquisition to subsidiary in 2011.

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

Business performance continued

Group statements of financial position

	2013 R'm	2012 R'm	2011 R'm	2010 R'm	2009 R'm	2008 R'm	2007 R'm
ASSETS							
Non-current assets							
Property, plant and equipment	**4 518**	4 010	3 753	3 258	2 905	2 585	2 769
Intangible assets	**2 084**	2 181	2 296	2 220	2 156	2 293	2 299
Retirement benefit asset[5]	**321**	247	205	203	100	89	–
Post-retirement medical aid benefit[5]	**29**	73	77	75	76	1	11
Other non-current assets	**1 391**	1 260	444	438	426	575	362
Total non-current assets	**8 343**	7 771	6 775	6 193	5 664	5 543	5 441
Current assets							
Inventories	**214**	198	193	185	166	144	140
Trade and other receivables	**1 113**	1 041	1 100	1 012	955	839	908
Cash and cash equivalents	**300**	246	400	482	101	412	517
Total current assets	**1 627**	1 485	1 693	1 679	1 223	1 396	1 566
Non-current assets held for sale	**–**	–	–	–	–	–	25
Total assets	**9 970**	9 256	8 468	7 872	6 887	6 939	7 032
EQUITY AND LIABILITIES							
Capital and reserves	**4 525**	3 941	3 518	2 849	2 320	1 813	915
Non-controlling interest	**1 082**	937	866	666	610	536	544
Total shareholders' equity	**5 607**	4 878	4 384	3 515	2 930	2 350	1 459
Non-current liabilities							
Interest-bearing borrowings	**1 657**	1 929	1 565	2 024	1 631	1 997	2 516
Deferred income tax liabilities	**388**	352	368	376	305	568	373
Preference shares	**–**	–	–	–	–	24	76
Post-retirement medical aid liability[5]	**13**	68	67	65	69	–	–
Other non-current liabilities	**92**	96	84	101	68	66	39
Total non-current liabilities	**2 150**	2 445	2 084	2 566	2 074	2 655	3 004
Current liabilities							
Trade and other payables	**1 299**	1 239	1 261	1 154	1 005	906	806
Current portion of interest-bearing borrowings	**452**	460	460	450	723	476	328
Shareholders' loans	**–**	–	–	–	–	313	1 005
Other current liabilities	**229**	234	279	187	155	241	429
Bank overdraft	**233**	–	–	–	–	–	–
Total current liabilities	**2 213**	1 933	2 000	1 790	1 883	1 935	2 568
Total equity and liabilities	**9 970**	9 256	8 468	7 872	6 887	6 939	7 032

Notes

[5] Post-retirement benefits

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

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

The Group offered an alternative benefit to members during the 2013 financial year which was accepted by all except for 17 employees and 55 pensioners and therefore still carries both an asset and liability for post-retirement medical benefits.

Business performance continued

Group statements of cash flows

	2013 R'm	2012 R'm	2011 R'm	2010 R'm	2009 R'm	2008 R'm	2007 R'm
Cash operating profit	**3 504**	3 067	2 567	2 284	2 050	1 861	1 617
Changes in working capital	**(90)**	(25)	(5)	(50)	(154)	4	(52)
Cash generated from operations	**3 414**	3 042	2 562	2 233	1 895	1 865	1 565
Income tax paid	**(804)**	(748)	(617)	(396)	(493)	(341)	(258)
Net cash inflow from operating activities	**2 610**	2 294	1 945	1 837	1 402	1 524	1 308
Net cash outflow from investing activities – investments to expand	**(718)**	(1 312)	(633)	(684)	(480)	(495)	(336)
Net cash outflow from investing activities – investments to maintain	**(111)**	(105)	(144)	(93)	(81)	(81)	(72)
Net cash inflow from investing activities – disposals	**5**	63	8	26	4	260	29
Net cash inflow from investing activities – other	**52**	86	81	55	91	12	22
Net cash outflow from financing activities	**(2 017)**	(1 182)	(1 378)	(788)	(1 249)	(1 296)	(708)
Net (decrease)/increase in cash and cash equivalents	**(179)**	(156)	(121)	354	(312)	(77)	242
Cash and cash equivalents – beginning of the year	**246**	400	482	101	412	517	275
Cash balances disposed of through disposal of joint venture	**–**	_	–	–	–	(28)	–
Cash balances acquired through business combination	**–**	2	39	27	2	–	–
Cash and cash equivalents – end of the year	**67**	246	400	482	101	412	517

Business performance continued

Business performance and metrics

	Compound annual growth since 2007 %	2013 R'm	2012 R'm	2011 R'm	2010 R'm	2009 R'm	2008 R'm	2007 R'm
All the numbers reflected exclude associates								
Number of registered beds[6]	3.6	**8 279**	8 227	7 916	7 669	7 190	7 021	6 705
Paid patient days	4.3	**2 074 551**	2 020 864	1 903 951	1 806 730	1 761 964	1 693 925	1 613 934
Occupancy (%)[7]		**71.7**	71.2	71.0	69.6	71.6	69.8	69.7
Length of stay		**3.50**	3.45	3.34	3.27	3.20	3.12	3.06
Financial ratios								
Normalised EBITDA margin (%)		**28.1**	26.6	26.0	24.7	23.9	23.7	22.2
Tax rate excluding STC (%)		**27.5**	26.7	25.7	27.5	27.3	26.0	29.7
Effective tax rate (%)		**27.5**	27.7	28.6	49.1	28.4	26.9	32.1
Debtors days		**31**	30	31	33	36	34	37
Stock cover (days)		**24.3**	25.5	24.6	24.3	23.7	25.8	27.6
Quick ratio (:1)		**0.92**	1.01	1.10	1.25	1.05	0.96	0.70
Current ratio (:1)		**0.80**	0.87	0.97	1.11	0.91	0.86	0.64
Gearing net of cash (%)		**26.6**	29.4	25.3	33.3	42.6	42.7	54.1
Total debt (R'm)		**2 172**	2 389	2 024	2 475	2 354	2 473	2 844
Net debt (R'm)		**2 105**	2 205	1 624	1 992	2 252	2 061	2 327
Interest-bearing debt (R'm)[8]		**1 578**	1 876	1 478	1 900	1 800	1 911	2 258
Debt related to finance leases raised in terms of IAS 17[9]		**594**	513	546	574	554	563	586
Net debt: normalised EBITDA		**0.62**	0.73	0.64	0.92	1.19	1.19	1.60
Interest cover		**13.4**	12.1	10.9	5.7	4.5	4.8	3.0
Return on net assets (RONA) (%)		**47.1**	45.6	41.3	26.5	32.4	40.2	20.3

Notes

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

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

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

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

Business performance continued

Shareholder returns

	Compound annual growth since 2007 %	2013	2012	2011	2010	2009	2008	2007
Earnings per share (cents)	26.9	**169.7**	143.9	123.6	64.5	73.7	84.0	40.6
Diluted earnings per share (cents)	27.4	**169.5**	143.7	123.6	64.5	72.0	82.0	39.6
Headline earnings per share (cents)	27.4	**169.7**	140.7	119.5	63.5	74.5	71.1	39.6
Diluted headline earnings per share (cents)	28.0	**169.5**	140.5	119.5	63.5	72.7	69.4	38.6
Normalised earnings per share (cents)	26.6	**162.1**	138.1	119.3	92.7	73.5	64.9	39.9
Normalised earnings per share excluding amortisation (cents)	23.6	**170.2**	146.6	126.9	101.2	82.1	73.6	48.1
Weighted average number of shares in issue (million)		**1 038**	1 040	1 042	1 030	1 030	1 030	1 030
Weighted average number of shares for diluted earnings per share (million)		**1 039**	1 041	1 042	1 030	1 055	1 056	1 056
Total number of shares in issue (million)		**1 042**	1 042	1 042	1 042	1 017	1 030	1 030
Distributions per share (cents)		**114.0**	99.0	60.0	50.8	25.6	–	–
Net asset value per share (cents)	30.3	**434.2**	379.4	337.5	273.3	228.2	176.1	88.8
Normalised earnings		**1 683**	1 436	1 243	954	756	668	411
Profit attributable to ordinary equity holders		**1 761**	1 496	1 287	664	759	865	418
Adjustments (net of tax):								
Retirement funds		**(62)**	(27)	(2)	(76)	(12)	(66)	–
STC on listing		**–**	–	–	322	–	–	–
Employee Trust accelerated charge		**–**	–	–	36	–	–	–
Listing cost		**–**	–	–	17	–	–	–
Profit on disposal of property		**(3)**	(7)	–	–	–	–	–
Loss/(gain) on remeasuring of fair value of equity interest before business combination		**–**	3	(92)	–	–	–	–
Gain on bargain purchase		**–**	(2)	–	–	–	–	–
Loss on derecognition of finance lease asset		**3**	–	–	–	–	–	–
Gain on derecognition of finance lease liability		**(16)**	–	–	–	–	–	–
Impairment of intangible assets		**–**	–	54	–	–	–	–
Additional payment on previous disposed business		**–**	(2)	(4)	–	–	–	–
Excess of fair value over the purchase price		**–**	–	–	–	9	–	–
Profit on disposal of businesses		**–**	(25)	–	(9)	(1)	(131)	(8)

Market indicators

	2013	2012	2011	2010	2009	2008	2007
Market price – high (R) per share	**38.55**	35.70	19.30	14.59	n/a	n/a	n/a
– low (R) per share	**29.76**	18.50	14.00	12.83	n/a	n/a	n/a
– year-end (R) per share	**35.74**	31.75	19.30	14.44	n/a	n/a	n/a
Market capitalisation – year-end (R'm)	**37 249**	33 090	20 115	15 050	n/a	n/a	n/a
Number of shares traded (million)[10]	**789**	1 001	1 100	n/a	n/a	n/a	n/a
Value of shares traded (R'm)[10]	**27 025**	26 253	18 130	n/a	n/a	n/a	n/a
Price-earnings ratio	**21.07**	22.08	15.62	22.39	n/a	n/a	n/a

Note

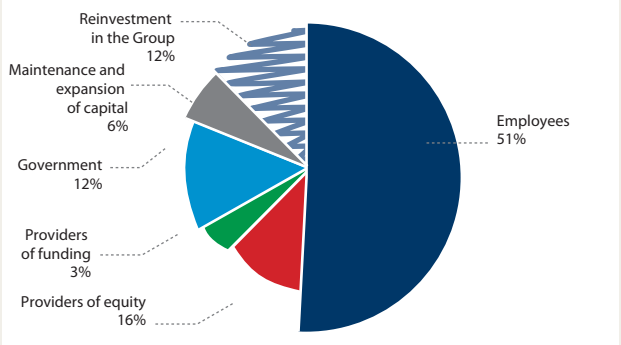
[10] Life listed on the JSE on 10 June 2010 and therefore a full year's volumes and value traded is not available for 2010.

Business performance continued

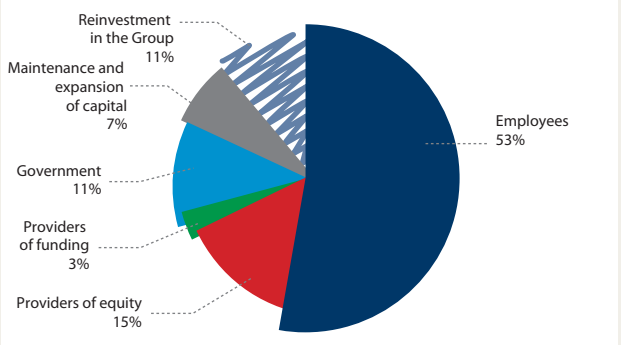
Statement of value added

	%	30 September 2013 R'm	%	30 September 2012 R'm
Revenue		**11 843**		10 937
Less: Purchased cost of goods and services		**(4 644)**		(4 448)
Value added	**97.3**	**7 199**	96.3	6 489
Other income	**2.7**	**200**	3.7	247
Wealth created	**100.0**	**7 399**	100.0	6 736
Employees	**51.3**	**3 794**	52.9	3 562
Providers of equity	**16.0**	**1 187**	15.3	1 031
Providers of funding	**2.4**	**180**	3.2	216
Government	**12.2**	**902**	11.5	772
Maintenance and expansion of capital	**6.3**	**469**	6.6	443
Reinvestment in the Group	**11.7**	**867**	10.6	712
Wealth distributed	**100.0**	**7 399**	100.0	6 736
Average number of employees		**13 736**		13 705
Wealth created per employee (R'000)		**539**		492
Weighted average number of shares (million)		**1 038**		1 040
Wealth created per share (R)		**7.13**		6.48

Distribution of created wealth – 2013



Distribution of created wealth – 2012



Board of directors

1. Prof GJ (Jakes) Gerwel (67) **Passed away**

Chairman

South African – BA (Hons), LicGermPhil, DLitt et Phil

Professor Jakes Gerwel gained his degrees in South Africa and Belgium, and 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 was non-executive chairman of Aurecon Singapore (Pte) Limited, Media 24 and Brimstone. He chaired the boards of trustees of the Nelson Mandela Foundation, the Mandela Rhodes Foundation and was vice-chairman of the Peace Parks Foundation and was appointed to the Life Healthcare board of directors in 2005.

2. MA (Mustaq) Brey (59)

Chairman (non-executive director)

South African – BCompt (Hons), CA(SA)

Mustaq is a founder and chief executive officer of Brimstone. He serves on the boards of Oceana Fishing Group Limited, the Scientific Group, Lion of Africa Insurance Company Limited and Nedbank Limited. He serves on the audit committee of the Mandela Rhodes Foundation and chairs the capital and risk committee for Nedbank. He was appointed to the Life Healthcare board of directors in 2005.

3. CMD (Michael) Flemming (56)

Chief executive officer

South African – BCom, BJur, BProc, AMP (Harvard)

Michael 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. He was appointed managing director of Afrox Healthcare in 2001 which became Life Healthcare in 2005 where he is now chief executive officer.

4. RJ (Roger) Hogarth (59) **Retired**

Chief financial officer

South African – BAcc (Wits), CA(SA)

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

5. PP (Pieter) van der Westhuizen (42)

Chief financial officer

South African – BCom (Acc), CA(SA)

Pieter completed his training contract and qualified in 1996 at PricewaterhouseCoopers Inc. He joined President Medical Investments Limited (Presmed) in 1999 which ultimately became part of Afrox Healthcare Limited. Pieter performed various roles in the finance department of Afrox Healthcare and played a significant role in Afrox Healthcare's delisting in 2005 and its subsequent relisting as Life Healthcare in 2010. He was appointed as chief financial officer on 1 June 2013.

6. Adv F (Fran) du Plessis (58)

Independent non-executive director

South African – BCom, LLB, CA(SA), BCom (Hons) (Taxation)

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

7. PJ (Peter) Golesworthy (55)

Independent non-executive director

British – BA (Hons) (first class), Accountancy Studies, CA

Peter qualified as a chartered accountant with the Institute of Chartered Accountants of Scotland. He 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). He was appointed to the Life Healthcare board of directors in 2010.

8. K (Ketso) Gordhan (52) **Resigned**

Independent non-executive director

South African – BA, MPhil (University of Sussex)

Ketso is currently the chief executive officer at PPC Cement having been appointed on 1 January 2013. He resigned from the Life Healthcare board with effect from 22 February 2013. He consults to the Office of the President. He was head of the private equity division of Rand Merchant Bank. Ketso also 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

Board of directors continued

national election manager. Ketso has held non-executive directorships in the FirstRand Group including the Momentum Group. In an academic role, Ketso is a senior visiting fellow at the Wharton Business School, University of Pennsylvania. He was appointed to the Life Healthcare board of directors in 2010.

9. LM (Louisa) Mojela (57)

Independent non-executive director

South African – National University of Lesotho (NUL) – BCom

Louisa is Group CEO and chairman of WIPHOLD of which she is a founder member. She holds non-executive directorships in Distell Group, Ixia Coal, Sun International and USB-ED United. She previously held positions at the Lesotho National Development Corporation, Development Bank of Southern Africa and Standard Corporate and Merchant Bank. She was appointed to the Life Healthcare board of directors in 2010.

10. TS (Trevor) Munday (64)

Lead independent non-executive director

South African – BCom

Trevor has previously served in several commercial, financial and accounting roles locally and overseas. He was appointed chief executive of Polifin Limited in 1996 and executive director and chief financial officer of Sasol Limited in 2001. He later served as deputy CEO of Sasol prior to his retirement in 2006. He serves as a non-executive director on the boards of several JSE-listed companies including Barclays Africa Group Limited, Reunert Limited and Illovo Sugar Limited. He was appointed to the Life Healthcare board of directors in 2010.

11. JK (Joel) Netshitenzhe (56)

Independent non-executive director

South African – MSC (University of London), Postgraduate Diploma in Economic Principles, Diploma in Political Science

Joel is the executive director and board vice-chairperson of the Mapungubwe Institute for Strategic Reflection (MISTRA), an independent research institute. Joel is a member of the National Planning Commission and the ANC National Executive Committee. He serves as a non-executive director on the boards of Nedbank Group and CEEFAfrica (a section 21 company dealing with tertiary education opportunities). He is also a programme pioneer of the Nelson Mandela Champion Within Programme. Joel has held a number of senior and executive management positions in the ANC government including that of head of Policy Co-ordination and Advisory Services (PCAS) in The Presidency. He was appointed to the Life Healthcare board of directors in 2010.

12. Dr MP (Peter) Ngatane (59)

Independent non-executive director

South African – BSc, MBChB, FCOG

Peter 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 serves on the boards of Boxing South Africa (BSA), the World Boxing Council based in Mexico and is the vice-president of the African Boxing Union based in Tunisia. He also serves as treasurer for the International Planned Parenthood Federation in Nairobi and is a trustee of the Commonwealth Boxing Council based in London. He was appointed to the Life Healthcare board of directors in 2007.

13. GC (Garth) Solomon (47)

Independent non-executive director

South African – BCom, BCompt (Hons), CA(SA)

Garth completed his 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 was appointed head of Private Equity in 2012, and was a member of the Old Mutual Private Equity team until 2013. In this capacity he was involved in numerous investments and served on the boards and sub-committees of a number of large private businesses including Air Liquid, Metro Cash & Carry, the Tourvest Group and Liberty Star Consumer Holdings. Garth is currently the co-owner and a director of Evolve Capital, an investment trust that invests in small and medium-sized businesses. Garth was appointed to the Life Healthcare board of directors in 2005.

Executive management

1. Michael Flemming (56)
Chief executive officer
BCom, BJur, BProc, AMP (Harvard)

Michael joined Afrox in 1985 and transferred to its healthcare division in 1994. He has held several senior finance and line management positions. He was appointed managing director of Afrox Healthcare 2001 which became Life Healthcare in 2005 where he is now CEO.

2. Pieter van der Westhuizen (42)
Chief financial officer
BCom (Acc), CA(SA)

Pieter completed his training contract and qualified in 1996 at PricewaterhouseCoopers Inc. He joined President Medical Investments Limited (Presmed) in 1999 which ultimately became part of Afrox Healthcare Limited. Pieter performed various roles in the finance department of Afrox Healthcare and played a significant role in Afrox Healthcare's delisting in 2005 and its subsequent relisting as Life Healthcare in 2010. He was appointed as chief financial officer on 1 June 2013.

3. Lourens Bekker (54)
Chief operating executive – inland
Hons Industrial Psychology

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

4. Chris Gouws (53)
Group human resources executive
BCom (Hons), DPLR (SBL UNISA)

Chris Gouws held a number of senior human resources management positions in Eskom and joined Afrox in 2001 as compensation and benefits manager. He transferred to Afrox Healthcare in 2004 as compensation and benefits manager and also accepted appointment as the principal officer of the Company's sponsored retirement funds. He was appointed as Group human resources executive on 1 September 2013.

5. Janette Joubert (53)
Group pharmacy and procurement executive
DipPharm

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

6. Jonathan Lowick (43)
Group strategy and development executive
BCom, HDip (Acc), CA(SA), Advanced Cert in Taxation

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

7. Dr Nilesh Patel (44)
Chief operating executive – healthcare services
MBCBh, MPhil (cum laude)

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

Executive management continued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8. Fazila Patel (45)
Company secretary
BA, LLB, Cert Programme in Corporate Governance

Fazila 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.

9. Denis Scheublé (59)
Chief operating executive – coastal
Advanced Diploma in Personnel Management (IPM), Certificate in Labour Relations (Unisa SBL)

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

10. Dr Steve Taylor (56)
Group medical director
MBChB (UCT), FFCH (CMSA), MMed (UCT)

Dr Steve Taylor has a wealth of healthcare experience in the public sector where he worked as a public health specialist, and in medical administration, as a chief medical superintendent. Since joining the Group, he has specialised in hospital management and administration. He was previously general manager: coastal region responsible for 32 hospitals. For the past three years he has held the post of Group medical director.

11. Anton van Loggerenberg (44)
Group information management executive
Msc (Pretoria), MBA (UK)

Anton joined Iscor Mining in 1993 within its technology division. From there he moved to Nedcor then ABSA where he became a GM in 2002. Since then he has operated as a technology executive working within the local as well as global IT industry across multiple countries, serving on various forums and boards. He joined Life Healthcare in 2013 as Group executive for information management.

12. Dr Sharon Vasuthevan (54)
Group nursing executive
BCur, BCur Honours, MSc, PhD

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

13. Colin Davidson (56) **Retired**
Group information management executive

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

14. Roger Hogarth (59) **Retired**
Chief financial officer
BAcc (Wits), CA(SA)

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

15. Peter Scott (49) **Resigned**
Group human resources executive
BA

Peter was appointed head of human resources in 2002. His experience in human resources spanned several years in a corporate and consulting environment with organisations that included Accenture Proprietary Limited, Standard Bank Limited and CNA Limited.

Chairman's review

Mustaq Brey

"I am pleased to present my first review as chairman of Life Healthcare Group. Having been a board member of the Group since 2005, I look forward to the opportunities and challenges facing me as chairman. The board is confident that the Group has strong leadership to see it achieving our key strategic focus areas of growth, efficiency and sustainability."

It was with great sadness that we received news of the passing of our chairman, Professor Jakes Gerwel, in November 2012. Professor Gerwel was chairman of the board since 2005 and made a significant contribution to the Group. I pay tribute to him for his leadership, integrity and contribution to the Company and to society.

Life Healthcare continues to deliver world-class healthcare through our facilities, value creation to our shareholders and continuous engagement with stakeholders. The Group continued to grow in activity and revenue this financial year despite a slowing economy and a slowing in the growth of new medical aid members. Furthermore, strong efficient management resulted in improved cost containment despite the weakening Rand.

Outside of the continued improvement in the business there are two highlights that I would like to mention:

- the introduction of a low-cost maternity offering that will enable more people to access private healthcare; and
- continued improvements in our quality scores in clinical outcomes, and patient and employee health and safety. Our scores are benchmarked against international standards and are reflective of the high quality of care provided.

The soft global economy had an impact on the South African economy and the speed at which jobs are created. In turn, this impacts the number of people joining the private healthcare market. We have seen a slowing in the number of "new lives" entering the market as the Government Employees Medical Scheme starts to reach maturity.

Within the private healthcare market, the trend of consolidation among medical schemes is continuing with the number of schemes decreasing from 143 in 2002 to 92 in 2012. In addition, the average number of options within medical schemes increased over the same period from 5.0 to 6.3 per scheme. This was partly due to the increase in preferred network options whereby members choose a less costly scheme in exchange for less freedom of choice. The number of lives in the private healthcare market increased by 1.8% to 8 679 million by the end of 2012 (2011: 8 526 million).

Increasing returns for shareholders

The Group's financial results were in line with expectations as we continue to deliver on commitments in terms of our three strategic objectives: growth, efficiency and sustainability. Revenue of R11 843 million was up 8.3%, while headline earnings rose 20.4% to R1 761 million. The board declared a final dividend of 72 cents per share bringing the total dividend per share to 126 cents for the year, up 20% on 2012. Our foreign shareholding has remained over 50% reflecting continued confidence in our company and sector.

Progress on 26% interest in Max Healthcare

Our investment in Max Healthcare (MHC) has shown good revenue progress over the last 12 months. This progress included rolling out additional operational beds in the new hospitals. MHC now has 1 476 operational beds compared to 1 318 in 2012. The growth in profitability has been behind expectations. However, measures introduced by management over the last three months of this financial year have made a difference and we look forward to growth in profitability in 2014. Our experience in MHC has taught us that the value proposition that Life Healthcare brings is valid for the Indian healthcare

Chairman's review continued

market, that local partners and management are critical and that it is essential for the partners to buy into the value proposition.

Regulatory environment

Life Healthcare continued to actively engage with the South African government in the development of healthcare policy – in particular, the Department of Health's draft policy paper on the National Health Insurance (NHI) that was released in August 2011. Following our submission of comments to the department, we await the next steps in policy formulation from the Department of Health.

The Competition Commission stated its intention to conduct a market inquiry into the healthcare sector. The inquiry aims to identify factors driving healthcare expenditure and to understand the market dynamics. We welcome a market inquiry that is comprehensive in nature, and seeks to develop objective recommendations based on an in-depth understanding of the multitude of factors that shape the healthcare sector in South Africa. We are encouraged by the commitment to consultation with stakeholders, evidenced by the Commission in the drafting of the terms of reference thus far.

Transformation and community commitment

Life Healthcare continued to make steady transformation progress during the financial year by attracting and developing previously disadvantaged individuals (PDIs). The Group met its transformation targets for the year in that PDIs account for 65.4% of employees as at 30 September 2013, compared to 64.3% in 2012. The Group's employment equity progress is monitored by the social, ethics and transformation committee, which in turn provides feedback to the board. Good progress was made with our employment equity plan and procurement from B-BBEE vendors.

We are pleased to have achieved a Level 4 rating in a seven-level model in accordance with the Codes of Good Practice under the Broad-Based Black Economic Empowerment Act.

Corporate social investment (CSI) is one of our key strategic focus areas under business sustainability. Our CSI continued to focus on health and education, particularly in assisting disadvantaged communities. The Group's CSI spend for the 2013 financial year was R88 million.

Governance

The board strives to provide effective leadership, strategic direction and a productive environment that can sustain the delivery of value to our shareholders and other stakeholders. Our corporate governance structure assists the board in achieving these objectives by ensuring compliance with key requirements of regulations such as the King III Code, the JSE Listings Requirements and the Companies Act of 2008.

Life Healthcare has embraced integrated reporting as part of its reporting process and continues to keep abreast of integrated reporting developments both through the King III Code and, internationally, through the International Integrated Reporting Council's draft framework.

Directorate

Changes to the board of directors during the 2013 financial year included the retirement of Roger Hogarth, an executive director and chief financial officer whose total service to the Group was over 33 years. The board and I extend our thanks to Roger for his significant contribution to the Group.

We also welcomed Pieter van der Westhuizen's appointment as executive director and chief financial officer, effective 1 June 2013, following Roger's retirement. Pieter joined the Group in 1999 as a financial manager and has fulfilled various financial roles in his 14 years of service.

Kean (Ketso) Gordhan resigned as a non-executive director of Life Healthcare Group from 22 February 2013 to enable him to fulfil his extensive work commitments. Ketso was a board member since 2010. We thank him for his contribution during his time with us and we wish him well for the future.

Prospects

Life Healthcare has a positive growth outlook for its South African operation in 2014. This is largely due to the strong pipeline of additional beds that will add to the Group's South African bed capacity. In addition, there is strong growth in our new lines of business, particularly renal dialysis, as we continue to add chronic and acute renal dialysis across our network of hospitals.

Regarding international growth, we see 2014 as the year where we continue to embed our investment in India and to look for opportunities in selected emerging markets such as Africa, Eastern Europe and India.

Challenges going forward include the slow growth in the South African economy – in particular job growth which puts pressure on the growth of new members into private healthcare. Furthermore, the affordability of private healthcare continues to be a major challenge.

Appreciation

I wish to thank my fellow board members for their input and guidance, our CEO, Michael Flemming, his management team, our employees and the doctors who practice at our facilities, whose dedication and hard work throughout has enabled us to deliver a solid set of results. Given the skills and dedication of the Life Healthcare team, I am confident that the Group is well placed to continue to deliver on its strategic objectives.

On behalf of the board, we look forward to a successful 2014 financial year.

Mustaq Brey
Chairman

Chief executive officer's review

Michael Flemming

Operating profit up 16% to R2.9 billion

Increased revenue by 8.3% to R11.8 billion

"Life Healthcare's performance over the past financial year reflects a year of consolidation with improved efficiency management with good growth prospects for the year ahead."

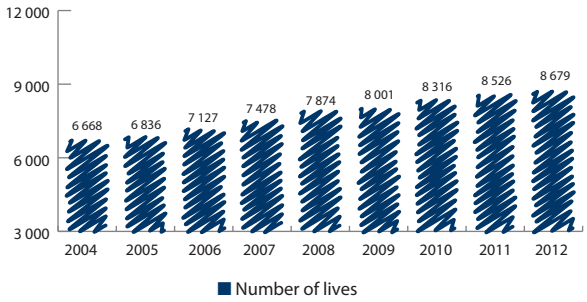
Life Healthcare experienced a good year with strong growth in margins, earning and dividends – with excellent growth prospects for the year ahead. A key highlight was the strong management of costs, in particular salaries and cost of sales. This contributed to EBITDA margins improving from 26.6% in 2012 to 28.1% as at 30 September 2013.

Revenue increased by 8.3% to R11 843 million (2012: R10 937 million) while Group operating profit was up by 16% to R2 948 million (2012: R2 542 million).

Operating environment

Despite the lack of job growth in the country, the medical schemes market continues to grow, albeit at a slower rate. This growth is mainly on the back of the Government Employees Medical Scheme (GEMS) growth. GEMS will be reaching maturity within the next few years so for the market to keep growing requires further job growth in the private sector and the delivery of more affordable private insurance products allowing those currently employed but with no cover to access private healthcare.

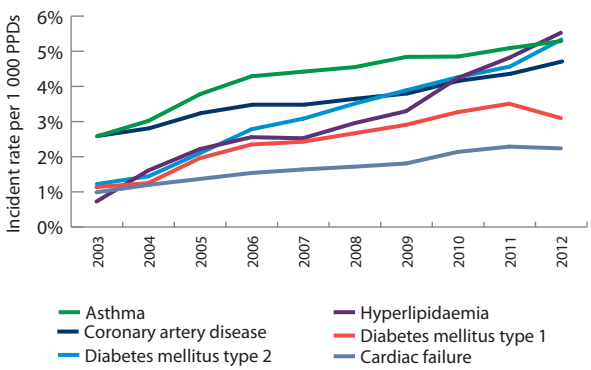
Number of medical scheme lives



The combination of the growth in "western style" diseases, such as heart disease, diabetes and cancer, and communicable diseases such as pneumonia and tuberculosis not only drives hospital utilisation but has also had an impact on the case mix of admissions as we continue to experience a faster growth in medical cases (defined as a hospital admission which does not incur theatre costs) over surgical cases.

The increase in the disease burden of the country is reflected in both the graph below which highlights the growth in incidence of chronic diseases among patients admitted to Life Healthcare hospitals and the Council of Medical Schemes table showing the increase in prevalence of chronic diseases among the medical scheme population.

Incidence of CDL in LHC admissions – **2003 to 2012**



Chief executive officer's review continued

Top 10 chronic conditions in 2006 – 2011

Chronic conditions	Prevalence per 1 000 beneficiaries 2006	2011	% increase
Hypertension	57.6	78.8	36.8
Hyperlipidaemia	23.9	32.9	37.7
Diabetes mellitus type 2	12.0	22.1	84.2
Hypothyroidism	9.7	13.7	41.2
Glaucoma	1.8	2.7	50.0
Rheumatoid arthritis	2.0	2.6	30.0
Bipolar mood disorder (BMD)	0.7	2.3	228.6
Parkinson's disease	0.5	0.8	60.0
Chronic renal disease	0.2	0.3	50.0
Systemic lupus erythematosus (SLE)	0.16	0.22	37.5

In addition to the disease burden we continue to experience an ageing of patients being admitted. This results in longer lengths of stay and more expensive admissions. In 2008, 39% of our PPDs were linked to patients over the age of 50. In 2013 this had increased to 44%.

PPDs by age category

There was an increase in paid patient days (PPDs) of 3.8% during the second half of the financial year resulting in an overall increase of 2.7% for the full year.

The cost pressures within our environment remain, as we continue to experience above inflation increases in health professional salaries and utility costs. In addition, during 2013 we experienced a weighted depreciation of the Rand by over 17% against the US Dollar and the Euro which has a direct impact on the cost of imported goods such as surgicals and equipment.

The delivery of healthcare is enhanced through our relationships with doctors practicing in Group hospitals. The inclusion of doctors as minority shareholders at local (regional or hospital) level is part of aligning interests and forms part of the Group's strategy. At 30 September 2013 doctors held a non-controlling interest in 54% of registered beds, compared with 52% in the previous period.

Focus on growth

Our growth strategy in South Africa involves increasing the capacity of our business primarily through the expansion of beds at existing facilities and through the growth in our new lines of business, acute rehabilitation, mental health and renal dialysis. We continue to look for greenfield opportunities and the Group has started one new 94 bed hospital in Hilton, KwaZulu-Natal, and is considering three other opportunities. Acquisition opportunities in South Africa are relatively limited, although we continue to explore opportunities which will add to our geographic spread of facilities.

We continue to look for ways in which we can attract more people into the private healthcare market. In this regard we developed a comprehensive maternity product for cash patients who cannot afford private healthcare. We have piloted this product at one hospital and have over 50 patients in the system. We are considering expanding the pilot to three other hospitals.

Internationally, we continue with our emerging market strategy and are considering opportunities in India, West Africa and Eastern Europe. Our main international focus though continues to be India where we have our 26% shareholding in MHC. We believe the healthcare sector in India offers a number of additional growth opportunities.

Hospital division

Revenue for this division was up 8.1% to R11 010 million (2012: R10 185 million) as a result of a 5.3% increase in revenue per day and a 2.7% increase in PPDs. The total number of new beds added during 2013 was 95. This brings our registered bed total to 8 279, excluding associate hospitals. Capital expenditure was R829 million of which R68 million was to maintain the 26% shareholding in MHC (2012: R1 433 million of which R840 million was on acquisitions).

Acute hospitals

We added 75 beds to our acute facilities during the 2013 financial year bringing the total number of beds to 7 576. The number of beds which we have added to the business this year has been hampered by delays in receiving municipal approvals. These approvals are necessary before the building process can start. The construction of the 94 bed Life Hilton Private Hospital in KwaZulu-Natal commenced and will be complete in the 2015 financial year.

Chief executive officer's review continued

We received Competition Tribunal approval in July 2012 to proceed with the transaction whereby Life Healthcare would increase its shareholding in Joint Medical Holdings (JMH) from 49% to between 60% and 70%. At this stage no agreement has been reached with JMH shareholders, although discussions are ongoing.

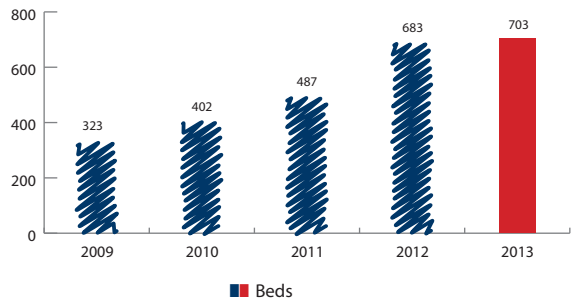
Acute mental healthcare

We continue to experience high demand for mental health services and believe there is an undersupply of mental health beds in the country. During the 2013 financial year we added 20 beds to the Life St Joseph's facility, bringing our total number of mental health beds to 384. We were awarded a licence to open a 35 bed mental health unit on the Life Vincent Pallotti Hospital campus. Construction will start in the 2014 financial year. Licence applications for a further 432 mental health beds have been submitted.

Acute rehabilitation

As a business, acute rehabilitation is well positioned as demand for specialised acute rehabilitation programmes continues to grow. The high disease burden in the country resulted in a significant increase in the number of stroke patients being admitted to the acute rehabilitation centres. We now have 319 beds in dedicated acute rehabilitation units in five provinces.

Mental health/acute rehabilitation bed growth



Renal dialysis

We are currently expanding our footprint in this niche market to widen access to, and meet the growing demand for, private acute and chronic renal dialysis. We added 42 chronic renal stations during 2013 and aim to continue this roll-out in 2014 (totalling 180 stations). We have also expanded our coverage of acute renal dialysis across the Group.

Healthcare services division

Revenue for this division was up 11.1% to R831 million (2012: R748 million).

Life Esidimeni

Life Esidimeni has 1.5 million PPDs annually, offering 4 165 beds and providing services across the fields of chronic mental healthcare, frail care and acute care in five provinces. The Shiluvana Care Centre contract (160 beds with a potential for 40 extra paediatric beds) was renewed for an additional five years. This follows the renewal in 2012 of the Conradie contract.

Life Occupational Health

Life Occupational Health experienced good revenue growth in 2013, increasing the number of lives covered to 200 000 (2012: 192 000). This growth has been driven by acquiring new clients and through the selling of new products within the existing client base.

International expansion

Outside of MHC we have been reviewing growth opportunities in West Africa, Eastern Europe and India. The current growth strategy within MHC focuses on growing occupancies in both existing and new hospitals and by rolling out additional operational beds. Occupancies for the Group continued to improve in the month of September 2013 finishing at 84%. An additional 158 beds were added to the new hospitals and it is pleasing to see the improvement in occupancies within the new facilities. This provides the business with the scope to further increase the number of operational beds.

Extracting efficiencies

To fulfil our strategic objective of improving efficiency across the Group, we continue to focus on managing our input costs, including drugs, surgicals, labour and overheads and by driving efficiencies across the Group, including bed occupancies.

Our ARM pricing model incentivises Life Healthcare to focus on input costs, particularly procurement costs enabling the Group to increase margins while maintaining efficient overall costs for funders. Continued focus on robust procurement, backed by analysis, benchmarking and improved product utilisation resulted in the Group experiencing cost of sales inflation of 2.2%. This was achieved in an environment of an average 5.9% CPI and a weighted Rand depreciation against the US Dollar and Euro of 17.4% over the 12-month period.

We continue to drive administrative efficiencies through our five-year Impilo, patient-centric system focusing on: driving standardisation; reducing administrative costs; building economies of scale; and improving risk management. During 2013 Life Healthcare rolled out the e-dispensing module and going forward, the e-theatre billing module will be going into pilot in 2014. Furthermore, our Impilo IT system and reporting structure enable comprehensive and timeous financial and

Chief executive officer's review continued

business reports to be utilised by the business. The Group has a quality management system based on a factual approach to quality improvement through consistent monitoring, management, measurement and reporting.

We continue to look for innovative ways in which we can reduce healthcare costs and improve overall efficiencies. One such example is the roll-out of our blood gas initiative. This initiative involves the roll-out of standardised blood gas testing equipment Group-wide and the inclusion of these services within the hospital daily rate charges resulting in an overall decrease in costs for the funders. Another example is the building of our own automated central laundry facility which will cater for 30 inland hospitals. This project will result in overall cost containment, improved lifespan of linen and improved infection control.

Bed occupancy increased to 71.7% (2012: 71.2%). There has been a significant improvement in our occupancies over the last six years with beds having an occupancy of 70% or more, increasing from 45% of beds in 2007 to 64% in 2013.

On the international front, improving the efficiency of MHC hospitals is a priority for our investment in India. Although EBITDA margins have improved and MHC finished the year strongly, there are still changes which need to be implemented before margins reach more appropriate levels.

Ensuring sustainability

Quality and clinical governance

In 2013 we experienced an improvement in our patient satisfaction ratings. The net promoter score was 96.2% and 90% of the over 300 000 comment cards were positive. We also experienced an improvement in the:

- overall patient incident rate to 3.24 per 1 000 PPDs (2012: 3.80);
- overall employee incident rate to 5.64 per 200 000 labour hours (2012: 6.49); and
- hospital infection rate to 0.52 per 1 000 PPDs (2012: 0.65).

During 2013 we introduced a new clinical measure called the Patient Reported Outcome Measures programme, which measures quality from the patient perspective (initially covering hip and knee replacements). We also adopted the Anti-microbial Stewardship bundle across our hospitals which aims to preserve the efficacy of existing anti-microbials, and to optimise clinical patient outcomes.

The venous thrombo-embolism programme was implemented in the acute rehabilitation facilities during 2013. It will be rolled out to all acute hospitals during 2014.

Life College of Learning simulation lab used for nurse training.

Human capital and relationships

Clinical resources are essential for the Group to implement its growth plans – as such, the training of these scarce resources is critical. Our focus remains on the training of nurses and the funding of pharmacist and doctor training. Life Healthcare committed R13 million per year for six years for the training of specialists, commencing in 2012.

The Life College of Learning has been in existence for 15 years and over 10 000 nurses have graduated over this time. In 2013 a total of 920 nursing students graduated. The college also opened a learning facility in Delhi in conjunction with MHC. The facility will focus on the training of specialised nurses.

A total of 87 pharmacist assistants are currently in training throughout the country. This number has increased by 23% from 2012 and 68% of these learners are previously disadvantaged individuals.

A total of 107 participants graduated from The Life School of Management, an accredited UK-based Institute of Leadership and Management (ILM) for Front Line Management. A second hospital management programme is under way. The first nursing management programme was completed in the past year with 18 delegates in attendance.

Recognising the importance of education, we provided 122 staff bursaries and 107 bursaries for employees' children to study for a tertiary education.

Chief executive officer's review continued

Our commitment to the environment

Environmental initiatives help reduce electricity costs across the business in addition to the environmental benefits. In 2013 we piloted a real-time, online electrical metering system and initiated the process of converting existing geysers and gas-fired boilers to more efficient heat pump hot water generation systems. The results of these pilots are positive. An environmental policy was introduced with the goal of obtaining an ISO 14001 environmental certification in 2015.

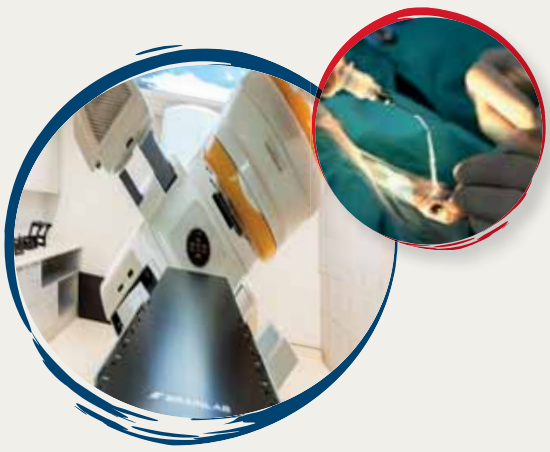
Competition Commission inquiry

As of 30 September 2013 the Competition Commission had not yet released the final terms of reference as regards the proposed market inquiry into the private healthcare sector. The draft terms of reference state that the objective of the inquiry is "to identify the factors that affect competition in the private healthcare market and to provide a factual basis upon which relevant recommendations can be made in the interests of a more affordable, accessible and innovative healthcare market".

Life Healthcare fully supports the goals of a more affordable, accessible and innovative private healthcare system and responded to the draft terms of reference accordingly. The Group believes that if the inquiry is to achieve its objective then it needs to:

- be an independent, factual and impartial inquiry which includes the participation of all major stakeholders;
- cover the entire industry, including the public sector and not just review the hospital, doctor and insurance sectors;
- have detailed analysis of the factors that drive healthcare expenditure; and
- review the structural inefficiencies of the industry and make recommendations to remove them.

The final terms of reference are expected to be released towards the end of 2013 with the inquiry starting in 2014 and lasting two years.



Looking forward

We are optimistic about our growth going forward as our strategy of building a strong pipeline of beds will enable us to add significantly to our South African hospital operation over the next three years.

Category	Work in progress (WIP) beds	Approved beds*	Applications pending#
Capacity expansion at existing facilities	231	374	364
New facilities	94	150	338
Mental health/acute rehabilitation	–	35	432
Total	**325**	**559**	**1 134**

** Approved: beds that have received Department of Health approval, but building has not commenced as municipal approvals are still outstanding.*

 # Pending: applications submitted to the Department of Health and approval is still outstanding.

In addition to our bed growth, we will:

- continue the refurbishment and repositioning of the Life Kingsbury/Claremont Hospital in Cape Town. Life Kingsbury Hospital will be extended to accommodate services currently housed in the Life Claremont Hospital building. This consolidation of the two facilities will lead to improved efficiencies and create new possibilities for Life Claremont Hospital, which will be renamed the Life Eye and Laser Hospital. The relocation of the Life Eye and Laser Hospital will take place from September 2014 to April 2015. The existing Life Kingsbury Hospital building will undergo a simultaneous refurbishment of its ground floor which will include the new accident and emergency facility;
- open the new oncology unit at Life Vincent Pallotti Hospital in Cape Town providing chemotherapy and radiosurgery. Radiosurgery will be supplied through the new R44 million Novalis Radiosurgery machine which provides non-invasive shaped beam radiosurgery;
- complete the roll-out of our chronic and acute renal dialysis initiative.

Total capex committed for 2014 is R1.1 billion of which R835 million is expected to be spent during financial year 2014.

Chief executive officer's review continued

Pressure on salaries will remain for 2014 and we expect to see increased pressure on our cost of sales due to the Rand depreciation in 2013. Our continued focus on driving efficiencies is essential in this environment. Our focus on improving our procurement, labour and administrative costs will continue.

From a sustainability perspective, our focus will continue to be on quality improvements and the introduction of new measures. We should also receive the first cadre of 50 specialised nurses from the College in Delhi. Furthermore, we will continue with our environmental management system implementation plan.

Internationally, we will focus on increasing the revenue and improving the profitability of Max Healthcare. Discussions regarding increasing our shareholding to equality with Max Healthcare have commenced. The window for this is between March 2014 and March 2015. We will continue to investigate opportunities in our selected emerging markets.

The fundamentals of our business remain strong and we believe that our strategy of focusing on growth, efficiency and sustainability will stand us in good stead and enable Life Healthcare to add value for all our stakeholders, and improve the quality of care offered to our patients in the coming year.

Appreciation

Roger Hogarth, the chief financial officer and a board executive director, retired after 33 years of service and Colin Davidson, the group information management executive, retired after 13 years of service. I thank them for their valuable contribution to the Life Healthcare Group.

My thanks also to the board and management team who have shown resilience and dedication during this year of consolidation. I extend my thanks to the doctors and other healthcare professionals for their continued support of our facilities. Our performance is the result of a dedicated team effort involving management, staff and doctors.

Michael Flemming
Chief executive officer

Chief financial officer's review

Pieter van der Westhuizen

Average occupancy was 71.7%

2.7% increase in paid patient days

Overview

Life Healthcare performed well during the financial year and is in a healthy financial position to deliver on its strategic objectives of growth, efficiency and sustainability. Activities as measured by hospital PPDs increased by 2.7% on the back of a stronger second half where PPDs grew by 3.8%. An additional 95 active beds have been added to the business to cater for the additional demand.

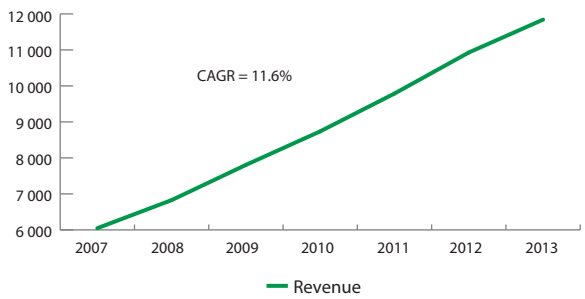
The Group's average occupancy for the year was 71.7% (2012: 71.2%). Driving efficiency improvement is a key strategy for the Group resulting in margins improving despite salary pressures and the depreciation of the Rand. This drive is to ensure services remain affordable and to improve margins. Life Healthcare continued to improve on its quality metrics as evidenced by an improvement in both clinical outcomes and hospital acquired infection rates.

The Group's investment in Max Healthcare India resulted in a negative contribution of 8.0 cents per share for the financial year (2012: 6.1 cents per share for an eight-month period). Revenue for MHC grew 19% if compared to the same period in the prior year. This is as a result of improved occupancies and the roll-out of 158 beds in the new facilities.

Financial performance

Group revenue increased by 8.3% to R11 843 million (2012: R10 937 million). The Hospital division revenue increased by 8.1% to R11 010 million (2012: R10 185 million) driven by the 2.7% increase in PPDs and higher revenue per PPD of 5.3%. Healthcare Services revenue increased by 11.1% to R831 million (2012: R748 million) driven by strong growth in the number of lives covered by Life Occupational Health in new contracts. Life Esidimeni grew in line with inflation.

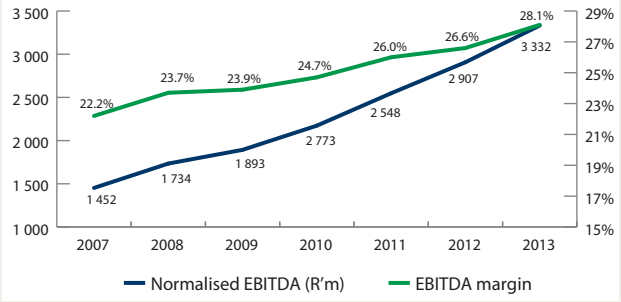
Revenue continuing operations – R'm



Chief financial officer's review continued

The alternative reimbursement model (ARM) provides an incentive to actively manage input costs, which together with higher occupancies and excellent cost of sales management allowed the Group to leverage efficiencies across its fixed cost base resulting in normalised EBITDA increasing by 14.6% to R3 332 million (2012: R2 907 million).

Normalised EBITDA and EBITDA margin

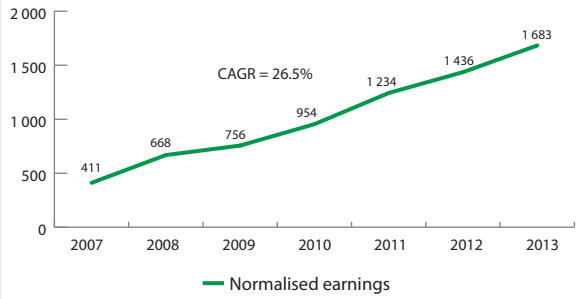


Normalised EBITDA is a non-IFRS measure that is used by the business to measure its operating performance.

	30 Sept 2013 R'm	30 Sept 2012 R'm
Normalised EBITDA		
Operating profit	**2 948**	2 542
Profit on disposal of business	**–**	(30)
Loss on derecognition of finance lease asset	**4**	–
Profit on disposal of property	**(4)**	(9)
Gain on bargain purchase	**–**	(2)
Additional receipt on previous disposed business	**–**	(2)
Loss on remeasuring of fair value of equity interest before business combination	**–**	3
Depreciation on property, plant and equipment	**354**	318
Amortisation of intangible assets	**116**	124
Retirement benefit asset movement	**(75)**	(42)
Post-retirement medical aid movement	**(11)**	5
Normalised EBITDA	**3 332**	2 907
Normalised EBITDA as % of turnover	**28.1**	26.6

Profit after tax increased by 17.8% to R2 054 million (2012: R1 743 million).

Normalised earnings – R'm



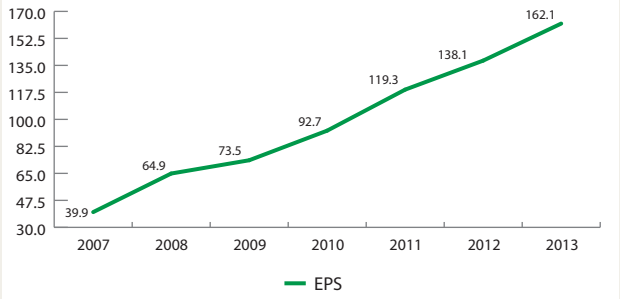
Earnings per share (EPS), headline earnings per share (HEPS) and normalised earnings per share (NEPS)

EPS (169.7 cents) and HEPS (169.7 cents) increased by 17.9% and 20.6% respectively. Earnings per share on a normalised basis, which excludes non-trading-related items, increased by 17.4% to 162.1 cents per share (2012: 138.1 cents per share).

	30 Sept 2013 R'm		30 Sept 2012 R'm
Normalised EBITDA			
Profit attributable to ordinary equity holders	**1 761**		1 496
Adjustments (net of tax):			
Profit on disposal of businesses	**–**		(25)
Loss on derecognition of finance lease asset	**3**		–
Profit on disposal of property, plant and equipment	**(3)**		(7)
Gain on bargain purchase	**–**		(2)
Additional receipt on previous disposed business	**–**		(2)
Loss on remeasuring of fair value of equity interest before business combination	**–**		3
Gain on derecognition of finance lease liability	**(16)**		–
Retirement funds	**(62)**		(27)
Normalised earnings	**1 683**	17.2%	1 436
Amortisation of intangible assets	**84**		89
Normalised earnings excluding amortisation of intangible assets	**1 767**		1 525
Normalised EPS (cents)	**162.1**	17.4%	138.1
Normalised EPS – excluding amortisation (cents)	**170.2**	16.1%	146.6

Chief financial officer's review continued

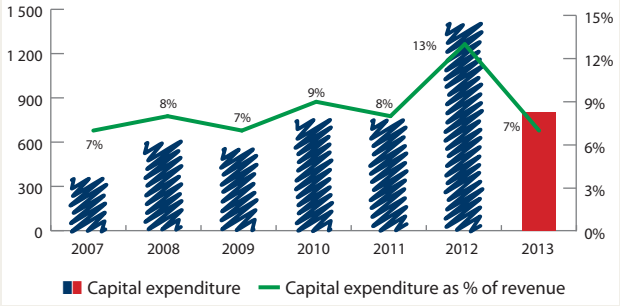
Normalised EPS – Cents per share



Cash flow and capital expenditure

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

Capital expenditure



During the current financial year, Life Healthcare invested R829 million (2012: R1 433 million, of which R840 million was on acquisitions) comprising capital projects of R761 million (2012: R593 million) and R68 million to maintain the 26% shareholding in Max Healthcare. A further R1 112 million has been allocated for capital projects for the 2014 financial year. This investment in the Group's facilities ensures that the demand for services is met and the Group remains abreast of modern technology and standards. The Group's targeted annual capital investment is between 6% and 9% of revenue.

Financing activities for the current year is an outflow of R2 017 million (2012: R1 182 million) which is greater than last year largely due to the raising of funding of R820 million in the prior year to acquire the Group's interest in MHC.

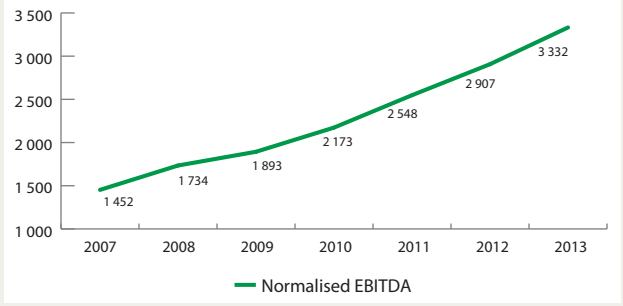
Statement of financial position

The Group is in a strong financial position with gearing at 27% (2012: 30%). Net debt to normalised EBITDA as of 30 September 2013 was 0.62 times (2012: 0.73 times) well within the bank covenants of 3.0 times. This low gearing provides the Group with the financial flexibility to continue to execute on its strategic plans. The Group is considering a funding programme to raise borrowings for specific capital programmes.

The net working capital movement excluding interest-bearing borrowings is negative R90 million (2012: negative R25 million). The Group has a seasonal working capital facility with the maximum of R600 million and an uncommitted revolving credit facility of R1 000 million. This enables the Group to meet its liquidity requirements.

It is the policy of the Group to hedge approximately 60% of its interest-bearing borrowings. At 30 September 72% (2012: 68%) of its borrowings was hedged from variable to fixed interest rates.

Normalised EBITDA – R'm

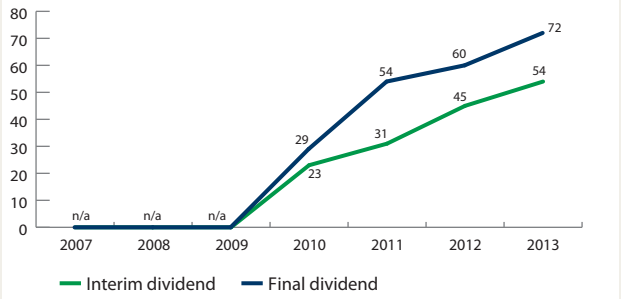


Chief financial officer's review continued

Distributions

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

Dividend – Cents per share



Pieter van der Westhuizen
Chief financial officer

Condensed consolidated annual financial statements

Basis of presentation and accounting policies

The condensed consolidated annual financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* and in the manner required by the Companies Act of South Africa and the JSE Listings Requirements. These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations and the AC 500 Standards issued and effective as at 30 September 2013.

The condensed consolidated annual financial statements should be read in conjunction with the annual financial statements for the year ended 30 September 2013 which have been prepared in accordance with IFRS.

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

These financial results have been prepared under the supervision of PP van der Westhuizen (CA)(SA), the chief financial officer of the Group.

Chief financial officer's review continued

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

	12 months 30 Sept 2013 Audited R'm	Change %	12 months 30 Sept 2012 Audited R'm
Revenue	**11 843**	8.3	10 937
Other income	**121**		114
Operating expenses	**(9 012)**		(8 540)
(Loss)/gain on remeasuring of fair value of equity interest before business combination	**–**		(3)
Additional receipt on previously disposed business	**–**		2
Profit on disposal of business	**–**		30
Loss on derecognition of finance lease asset	**(4)**		–
Gain on bargain purchase	**–**		2
Operating profit	**2 948**	16.0	2 542
Fair value gains/(losses) on derivative financial instruments	**9**		(2)
Gain on derecognition of finance lease liability	**22**		–
Finance income	**15**		22
Finance cost	**(226)**		(235)
Share of associates' net profit after tax	**65**		85
Profit before tax	**2 833**		2 412
Tax expense	**(779)**		(669)
Profit after tax	**2 054**	17.8	1 743
Other comprehensive income, net of tax			
Items that may be reclassified subsequently to profit or loss			
Currency translation differences	**11**		–
Total comprehensive income for the year	**2 065**	18.5	1 743
Profit after tax attributable to:			
Ordinary equity holders of the parent	**1 761**	17.7	1 496
Non-controlling interest	**293**		247
	2 054	17.8	1 743
Total comprehensive income attributable to:			
Ordinary equity holders of the parent	**1 767**		1 496
Non-controlling interest	**298**		247
	2 065		1 743
Weighted average shares in issue (million)	**1 038**		1 040
Earnings per share (cents)	**169.7**	17.9	143.9
Headline earnings per share (cents)	**169.7**	20.6	140.7
Diluted earnings per share (cents)	**169.5**	18.0	143.7
Diluted headline earnings per share (cents)	**169.5**	20.6	140.5
Headline earnings			
Profit attributable to ordinary equity holders	**1 761**		1 496
Headline earnings adjustable items (net of tax)			
Loss on remeasuring of fair value of equity interest before business combination	**–**		3
Additional receipt on previous disposed business	**–**		(2)
Profit on disposal of businesses	**–**		(30)
Gain on bargain purchase	**–**		(2)
Profit on disposal of property, plant and equipment	**(4)**		(9)
Loss on derecognition of finance lease asset	**4**		–
Tax	**–**		7
Headline earnings	**1 761**	20.4	1 463

Chief financial officer's review continued

Condensed consolidated statement of financial position
at 30 September 2013

	30 Sept 2013 R'm	30 Sept 2012 R'm
ASSETS		
Non-current assets	**8 343**	7 771
Property, plant and equipment	**4 518**	4 010
Intangible assets	**2 084**	2 181
Other non-current assets	**1 741**	1 580
Current assets	**1 627**	1 485
Other current assets	**1 327**	1 239
Cash and cash equivalents	**300**	246
TOTAL ASSETS	**9 970**	9 256
EQUITY AND LIABILITIES		
Capital and reserves		
Capital and reserves	**4 525**	3 941
Non-controlling interests	**1 082**	937
TOTAL EQUITY	**5 607**	4 878
LIABILITIES		
Non-current liabilities	**2 150**	2 445
Interest-bearing borrowings	**1 657**	1 929
Other non-current liabilities	**493**	516
Current liabilities	**2 213**	1 933
Other current liabilities	**1 528**	1 473
Current portion of interest-bearing borrowings	**452**	460
Bank overdraft	**233**	–
TOTAL LIABILITIES	**4 363**	4 378
TOTAL EQUITY AND LIABILITIES	**9 970**	9 256

Chief financial officer's review continued

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

	Total capital and reserves R'm	Non-controlling interest R'm	Total equity R'm
Balance at 1 October 2012	3 941	937	4 878
Total comprehensive income for the year	1 767	298	2 065
Profit for the year	1 761	293	2 054
Other comprehensive income	6	5	11
Transactions with non-controlling interests	10	(10)	–
Non-controlling interest arising on business combination	–	–	–
Distribution to shareholders	(1 188)	(143)	(1 331)
Life Healthcare Employee Share Trust	9	–	9
Long-Term Incentive Scheme	28	–	28
Treasury shares	(67)	–	(67)
Profit on disposal of treasury shares	31	–	31
Tax on profit on disposal of treasury shares	(6)	–	(6)
Balance at 30 September 2013	**4 525**	**1 082**	**5 607**
Balance at 1 October 2011	3 518	867	4 385
Total comprehensive income for the year	1 496	247	1 743
Profit for the year	1 496	247	1 743
Other comprehensive income	–	–	–
Transactions with non-controlling interests	5	(5)	–
Non-controlling interest arising on business acquisition	–	2	2
Distribution to shareholders	(1 031)	(174)	(1 205)
Treasury shares	(76)	–	(76)
Long-Term Incentive Scheme charge	26	–	26
Life Healthcare Share Trust charge	3	–	3
Balance at 30 September 2012	3 941	937	4 878

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

	12 months 30 Sept 2013 Audited R'm	12 months 30 Sept 2012 Audited R'm
Cash generated from operations	**3 414**	3 042
Income tax paid	**(804)**	(748)
Net cash inflow from operating activities	**2 610**	2 294
Net cash outflow from investing activities[1]	**(772)**	(1 268)
Net cash outflow from financing activities[2]	**(2 017)**	(1 182)
Net (decrease)/increase in cash and cash equivalents	**(179)**	(156)
Cash and cash equivalents – beginning of the year	**246**	400
Cash balances acquired through business combinations	**–**	2
Cash and cash equivalents – end of the year	**67**	246

[1] *The cash utilised in investing activities includes the investment made in MHC, India, during the prior period.*
[2] *The cash utilised in financing activities includes the new funding regarding the acquisition of MHC, India, during the prior period.*

Chief financial officer's review continued

Segmental report

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

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

There are no inter-segment revenue streams.

	Year ended 30 Sept 2013 Audited R'm	Year ended 30 Sept 2012 Audited R'm
Operating segments		
Revenue		
Southern Africa		
Hospitals	**11 010**	10 185
Healthcare Services	**831**	748
Other	**2**	4
Total	**11 843**	10 937
Profit before items below		
Southern Africa		
Hospitals	**2 694**	2 242
Healthcare Services	**167**	121
Other	**121**	235
Operating profit before amortisation, disposals and impairment of intangible assets	**2 982**	2 598
Amortisation of intangible assets	**(116)**	(124)
Profit on disposal of businesses	**–**	30
Gain on bargain purchase	**–**	2
Retirement benefit asset	**75**	42
Post-retirement medical aid	**11**	(5)
Loss on remeasuring of fair value of equity interest before business combination	**–**	(3)
Additional receipt on previously disposed business	**–**	2
Loss on derecognition of finance lease asset	**(4)**	–
Operating profit	**2 948**	2 542
Fair value gain/(loss) on derivative financial instruments	**9**	(2)
Gain on derecognition of finance lease liability	**22**	–
Finance income	**15**	22
Finance costs	**(226)**	(235)
Share of associates' net profit after tax	**65**	85
Profit before tax	**2 833**	2 412

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

1 Growth

Artist impression of new greenfield expansion in Hilton, KwaZulu-Natal – Life Hilton Private Hospital.

Growth

Highlights

Paid patient days (PPDs) growth of 2.7%

42 chronic renal dialysis stations added during 2013

An additional 75 acute brownfield beds added

20 additional mental health beds added

A new oncology unit at Life Vincent Pallotti Hospital opened providing chemotherapy services

Maternity product developed for patients who cannot afford private healthcare

Life Healthcare has grown from four hospitals in 1983 to our current portfolio of 63 healthcare facilities, comprising 50 acute hospitals, six mental health facilities and seven acute rehabilitation facilities with a total of 8 279 registered beds. The Group owns substantial minority interests in a further five hospitals with 554 beds.

The Group is also the largest healthcare PPP in South Africa through Life Esidimeni with 12 facilities and 4 165 beds and has expanded into occupational health supplying services to 200 000 employees through 305 on-site clinics.

The Group has a 26% shareholding in Max Healthcare (MHC), a leading hospital group in Delhi, India, with nine hospitals and capacity of 1 943 acute care beds.

Expanding acute care services

Our acute care growth strategy in southern Africa is focused on developing Life Healthcare's existing southern African hospital network through:

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

Expanding footprint

Life Healthcare plans to expand its geographic footprint in private healthcare by:

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

Expanding healthcare services range

Life Healthcare plans to expand its product and services range by:

- growing our Life Esidimeni public-private partnership (PPP) contracts, through contract extensions and through new contracts; and
- growing our occupational health business through the growth of additional clients and through the marketing of additional products.

Southern African investment 2013

Capital expenditure for the year amounted to R829 million of which R68 million was to maintain the 26% shareholding in Max Healthcare (2012: R1 433 million of which R840 million was on acquisitions). Major projects included:

- the oncology unit at Life Vincent Pallotti Hospital with the first of its kind in Africa radiosurgery equipment (R44 million);
- centralisation of the laundry servicing Gauteng region (R75 million);
- purchase of land where the building of Life Hilton Private Hospital has commenced (R35 million);
- purchase of property to facilitate the 59 bed planned expansion at Life Peglerae Hospital in Rustenburg (R36 million);
- upgrade and refurbishment of Life Kingsbury and Claremont Hospital to be completed during the next 15 months (R150 million); and
- upgrade of Life Springs Parkland Clinic and relocation of St Mary's maternity to be completed during the 2014 financial year (R150 million).

Growth continued

Capacity expansion within existing facilities

Life Healthcare added an additional 75 brownfield beds at the following hospitals:

Hospital	Additional beds
Life The Glynnwood on the East Rand	25 general beds; 5 ICU beds
Life Eugene Marais Hospital	26 general beds
Life Kingsbury and Claremont hospitals	4 neo-natal ICU beds
Life Carstenhof Clinic	3 ICU/high-care beds
Life West Coast Private Hospital	1 general bed
Life Westville Hospital	4 ICU/high-care beds
Life Wilgers Hospital	7 ICU/high-care beds

New lines of business

The R44 million 80 bed mental health facility at Life St Joseph's in Durban was opened in November 2011. Due to high demand an additional 20 beds were added in December 2012.

Business	Sept 2013	Sept 2012	Sept 2011	Sept 2010
Mental health	**384 beds**	364 beds	223 beds	190 beds

Renal dialysis

A total of 42 chronic stations were added during 2013, bringing the total number of stations across the Group hospitals to 129. In addition, acute renal dialysis services expanded across Group hospitals.

Affordable maternity

We developed a comprehensive maternity product for cash patients who cannot afford private healthcare. This followed market research where we established that there is a significant demand for an affordable maternity service for cash paying patients, whose only real option at present is state services. We estimate that there are about 45 000 births among our target market who are employed but uninsured.

Building of new facilities where we have no existing coverage

Work has started on the 94 bed Life Hilton Private Hospital in Hilton, KwaZulu-Natal. This hospital is due to be completed in the 2015 financial year.

Healthcare services growth

Life Occupational Health increased the number of employees covered to 200 000 (2012: 192 000) despite a small drop in the number of on-site clinics to 305 (2012: 314).

Future capacity expansion within existing facilities

The Group has a strong pipeline of beds to be added over the next three years. Expansions to existing facilities which should be complete within the next 12 to 15 months consist of the following:

Hospital	Bed total	Bed type
Life St George's Hospital	12	7 NICU beds, 5 paediatric beds
Life Chatsmed Garden Hospital	38	38 general beds
Life Knysna Private Hospital	12	12 general beds
Life Rosepark Hospital	16	16 day ward beds
Life Carstenhof Clinic	11	7 ICU/high-care beds, 4 general beds
Life Cosmos Hospital	20	20 day ward beds
Life Robinson Private Hospital	20	20 general beds
Life Flora Clinic	30	20 ICU/high-care beds, 10 general beds
Life Entabeni Hospital	20	20 general beds
Life St Mary's Private Hospital	5	5 maternity beds
Life Beacon Bay Hospital	27	27 general beds
Life Suikerbosrand Clinic	5	2 NICU beds, 3 maternity beds
Life Mount Edgecombe Hospital	13	13 general beds
Life Vincent Pallotti Hospital	2	2 general beds
Total	**231**	

Licence approvals for an additional 374 capacity expansion beds have been received. The process to obtain the appropriate municipal approvals for these beds is under way.

Growth continued

Future new lines of business growth

Approval was received for 35 beds in the mental health unit to be built on the Life Vincent Pallotti Hospital campus. Work will commence in 2014. In addition 432 mental health bed applications have been submitted to the various provincial health departments.

During 2014 an additional 58 chronic renal stations will be rolled out bringing the total to 187. Acute renal dialysis will also be rolled out to increase the footprint to our hospitals.

Life Vincent Pallotti Hospital has provided the medical services it offers through the introduction of an oncology unit, providing chemotherapy and radiosurgery. Radiosurgery will be supplied through the new R44 million Novalis Radiosurgery machine which provides non-invasive shaped beam radiosurgery and is the only such machine in Africa. The chemotherapy unit opened in 2013 and the radiosurgery unit will open in the first quarter of 2014.

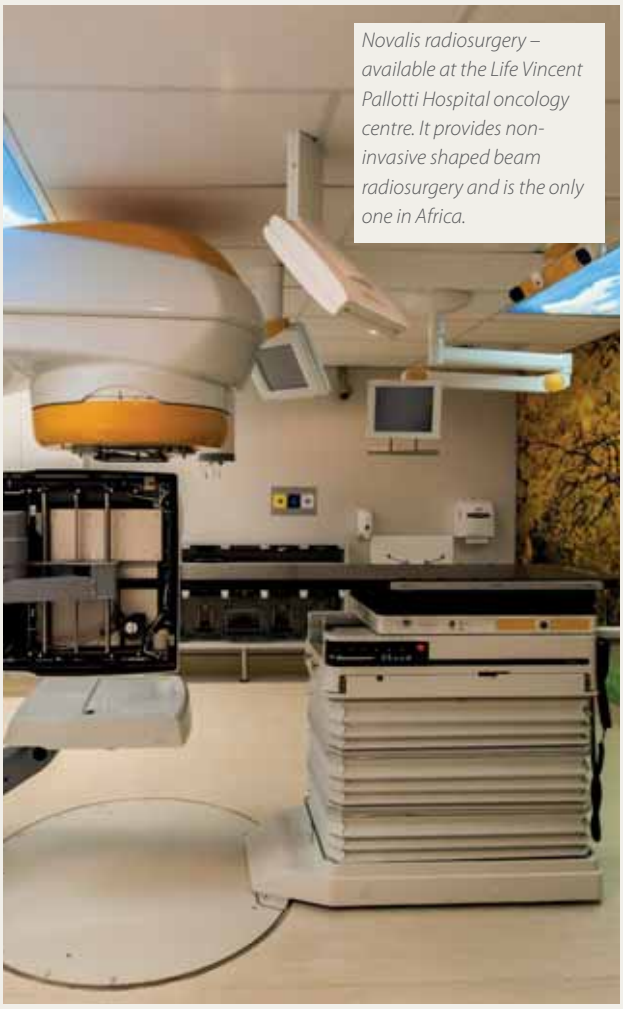
Expansion category	Work in progress (commenced)	Licence application approved (work has not commenced)	Licence applications pending
Brownfield growth	231 beds	374 beds	364 beds
New builds	94 beds	150 beds	338 beds
Mental healthcare/acute rehabilitation	0 beds	35 beds	432 beds
Total	**325 beds**	**559 beds**	**1 134 beds**

Continue to expand our operations in select emerging markets

Life Healthcare Group completed the acquisition of 26% of Max Healthcare in 2012 for R823 million. During 2013 an additional R68 million was invested to maintain the 26% shareholding in Max Healthcare.

Unit	Bed capacity	Operational beds Sept 2013	Operational beds Sept 2012	Occupancy at 30 Sept 2013
Existing hospitals	1 080	**1 040**	1 014	**85%**
New hospitals				
Shalimar Bagh	288	**150**	78	**100%**
Mohali	204	**141**	95	**80%**
Bathinda	205	**56**	83	**55%**
Dehradun	201	**89**	48	**73%**
Total new	898	**436**	304	**82%**
Combined total	1 943	**1 476**	1 318	**84%**

Good occupancies in the hospitals will enable MHC to further increase the number of operational beds. Life Healthcare continues to explore growth opportunities in select emerging markets in Africa, Eastern Europe and India.



Novalis radiosurgery – available at the Life Vincent Pallotti Hospital oncology centre. It provides non-invasive shaped beam radiosurgery and is the only one in Africa.

2 Efficiency

Efficiency

Highlights

Excellent management of cost of sales in a difficult environment

Increase in occupancy to **71.7%**

Impilo e-dispensing module successfully rolled out

Blood gas initiative launched

Increase in EBITDA margin to **28.1%** (2012: 26.6%)

Business efficiency drives

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

The successful centralisation of administrative tasks including confirmations and credit risk were undertaken during the year. The centralisation strategy has provided substantial value through economies of scale and delivered sustainable overhead cost reductions

Alternative reimbursement strategy (ARM)

The Group's ARM continued to cover approximately 65% of the acute hospitalisation revenue through either fixed fees or per diems. This reimbursement structure incentivises Life Healthcare to reduce the utilisation and cost of stock used and it works with its clinicians in this process.

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

Cost of sales management

Life Healthcare's strong commitment to sustainable healthcare drives the focus on management of cost of sales. The pharmaceutical procurement strategy has provided significant business value through:

- product management;
- alternative sourcing strategies; and
- supplier partnerships to substantially reduce costs.

This is of particular importance in light of the devaluation of the Rand (over 17% weighted depreciation against the US Dollar and the Euro) and the subsequent negative impact thereof on the pricing of pharmaceuticals. Despite the current financial pressures, Life Healthcare has managed to curb the year-on-year cost of sales product inflation to an impressive 3.7% below CPI through aggressive price negotiations and formulary product conversions.

During the 2013 financial year, 60 product categories were reviewed and significant cost reduction opportunities identified and realised through the continued support from both our staff and doctors.

The upgrade of Life Healthcare's product management software system, that supports its procurement strategy, has provided the business with greater flexibility and information management capability in terms of product classification, analysis and report generation.

Blood gas initiative

This initiative involves the roll-out of standardised blood gas testing equipment and the inclusion of these services within the hospital daily rate charges resulting in a more efficient process and an overall decrease in costs to the funders. Life Healthcare will provide, maintain and quality control the blood gas machines, and an independent pathologist will oversee the operation. The system capabilities of Life Healthcare enables simplified billing, online utilisation information and the storing of electronic records of results.

Information management

Through the improvement in information technology (IT), our patients, doctors and staff are benefiting from the quality, safety and efficiency of projects that are currently being developed. For this reason Life Healthcare will continue to invest significantly in the improvement of its IT systems. During 2013 an amount of R19 million (2012: R12 million) was invested in IT.

We believe that nurturing a culture of ongoing innovation is critical to the long-term success of our business. Aligned with the business strategies of quality patient care, efficiency and growth, there is continued impetus to put the necessary

Efficiency continued

infrastructure in place and to translate these ideas, innovations and best practices into Project Impilo and other identified IT solutions.

Project Impilo

Project Impilo is a major re-engineering programme comprising five modules and continues to be our focus. The patient administration, case management and accommodation billing modules were completed in 2012.

E-billing dispensing

The roll-out of the new e-billing dispensing module was completed in all the Life Healthcare pharmacies by August 2013. The key goals for the new dispensing module were to facilitate the provision of quality patient care, improved risk management, compliance with current legislation, and to align system functionality to appropriate staff roles and responsibilities.

System enhancements addressed medication safety improvements through proactive medication error management, reporting and management of near misses.

Going forward the following modules will be rolled out in 2014:

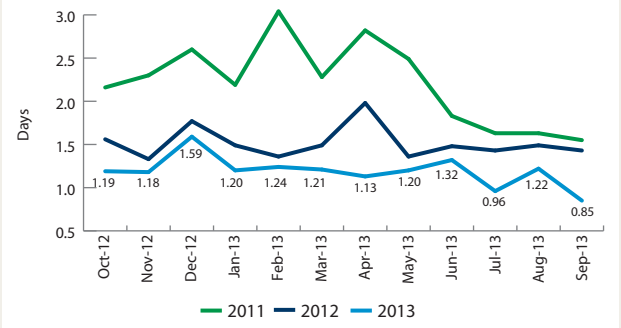
- E-theatre billing
- E-ward billing
- Credit risk management

E-theatre billing

The e-theatre billing module will be ready for piloting at the end of the 2013 calendar year. Using multi-touch technology the hospitals will benefit from a paperless real-time billing process, resulting in the removal of administrative inefficiencies and increased nursing time for patient care.

The benefit of these projects can be seen in the graph below highlighting the continued improvement in the Group's billing cycle days.

Group internal DSOs



Inland central laundry

Life Healthcare undertook to build its own central laundry at a cost of R75 million which is aimed at controlling the washing and delivery process for its inland region, to maximise efficiencies and savings generated by such a model. The central laundry model will provide Life Healthcare with the opportunity to rationalise linen by reducing the line items, standardising material specifications and rationalising vendors. In addition, automated equipment ensures that the necessary infection prevention standards are achieved as well as the elimination of redundant manual processes.

Efficiency continued

Automated ironer installed at the Life Healthcare central laundry.

3 Sustainability

Quality, human capital and relationships and clinical governance

Highlights

Improvements made to our quality scores across clinical outcomes, patient incidents and employee incidents

76% of procurement spend was from B-BBEE vendors

65.4% of our total employees are black

Over **900** nurses graduated from the Life College of Learning in 2013

Extended the Life College of Learning facilities to **MHC in India**

Life College of Learning celebrated its **15th anniversary** with over 10 000 nurses trained

Quality management system

Life Healthcare's integrated quality management system (QMS) drives behaviour and ensures compliance with legal requirements, industry standards and internal Group requirements. Internal quality audits are performed annually at all hospitals to assess compliance with legal requirements from an occupational health and safety, environment and quality perspective.

External certification has been obtained since 2006 against ISO 9001:2008 standards.

Quality scorecard

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

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

Life Healthcare Group scorecard	2013	2012	Life Healthcare goal
Customer excellence			
Net promoter (highly likely to recommend)	**96.2%**	95.7%	All hospitals over 95%
Customer satisfaction	**98.6%**	98.4%	All hospitals over 98%
Written customer feedback cards	**302 232**	284 078	n/a
% positive comment cards	**89.7%**	93.5%	All hospitals over 95%
Internal quality audits			
Overall % attained (all hospitals)	**87%**	85%	All hospitals over 85%
Health and safety			
Patient incident rate (per 1 000 PPDs)	**3.24**	3.80	All hospitals <4.30
– Medication incidents (per 1 000 PPDs)	**1.50**	1.86	All hospitals <2.00
– Falling incidents (per 1 000 PPDs)	**0.72**	0.73	All hospitals <0.70
– Procedure-related incidents (per 1 000 PPDs)	**0.65**	0.71	All hospitals <0.90
Employee incident rate (per 200 000 labour hours)	**5.64**	6.49	All hospitals <7.50
– Needle-sticks (per 200 000 labour hours)	**1.42**	1.54	All hospitals <1.80

Sustainability continued

Quality, human capital and relationships and clinical governance continued

Life Healthcare Group scorecard continued	2013	2012	Group goal
Clinical outcomes			
Patient documentation audit:	**89%**	89%	All hospitals over 80%
Prevention of healthcare associated infections			
– Ventilator associated pneumonias (VAP)	**93%**	96%	All hospitals over 90%
– Surgical site infections (SSI)	**89%**	93%	All hospitals over 85%
– Central line associated blood stream infections (CLABSI)	**91%**	92%	All hospitals over 85%
– Catheter associated urinary tract infections (CAUTI)	**93%**	95%	All hospitals over 90%
– Healthcare associated infections (HAI)	**0.52**	0.65	All hospitals <1.00
– VAP (per 1 000 ventilated days)	**2.69**	4.02	All hospitals <8.00
– SSI (per 1 000 theatre cases)	**0.74**	0.97	All hospitals <1.10
– CLABSI (per 1 000 central line days)	**0.83**	1.11	All hospitals <2.00
– CAUTI (per 1 000 catheter days)	**0.57**	0.68	All hospitals <2.00
Cardiac excellence (only applicable to cathlab hospitals)			
– Aspirin given on arrival	**90%**	90%	All hospitals over 90%
– Beta-blockers given within 24 hours of arrival	**88%**	88%	All hospitals over 80%
– Aspirin given on discharge	**98%**	99%	All hospitals over 95%
– PCI <90 min	**53%**	54%	All hospitals over 60%
– Acute myocardial infarction (AMI) mortality rate	**6.9%**	6.3%	All hospitals <6.5%
Acute rehabilitation			
FIM™/FAM efficiency score	**1.14**	1.00	>0.9

Group quality management system audit results

Quality audit results form part of the performance management of all senior leaders in hospitals.

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

Results from these audits are benchmarked across the Group. These reviews and audits prepare our hospitals for the external audits conducted by PwC which are required as part of the ISO certification and surveillance audits. The surveillance audits review the quality management system compliance yearly and rotate through all the hospitals over a three-year period. On completion of the surveillance audit cycle, a recommendation is made to the ISO regarding continued ISO certification of Life Healthcare. Following our initial certification in 2007, Life Healthcare in 2013 moved into its third surveillance audit cycle.

Qe – patient experience

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

Customer excellence

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

- patient experience;
- net promoter (or recommend); and
- positive comments.

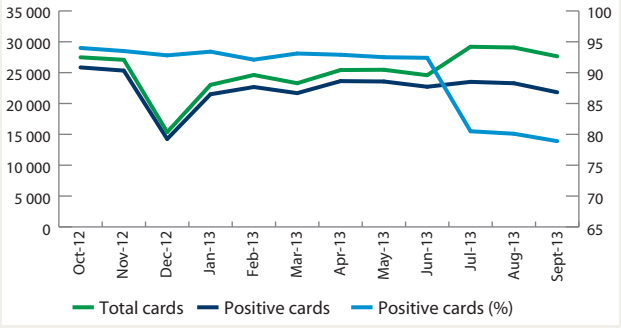
To ensure we obtain information on specific events or aspects of care, comment cards are provided to patients during their stay, enabling written feedback on positive experiences and drawing attention to areas requiring improvement. Aspects of improvement raised by patients are reviewed by the unit managers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

Healthcare, as with any other service industry, is the recipient of customer complaints. In a drive to reduce the number of complaints received by hospitals during the latter part of the financial year, units have focused on addressing any negative comments/concerns from patients while in hospital. This increased the number of negative comments, as can be viewed by the graph on the next page. However, the effect was to reduce the overall number of complaints received post-discharge.

Sustainability continued

To obtain greater insight into patients' hospital stay, Life Healthcare introduced a patient experience survey during the financial year which is distributed to patients post-discharge.

Comment cards – **12-month view**

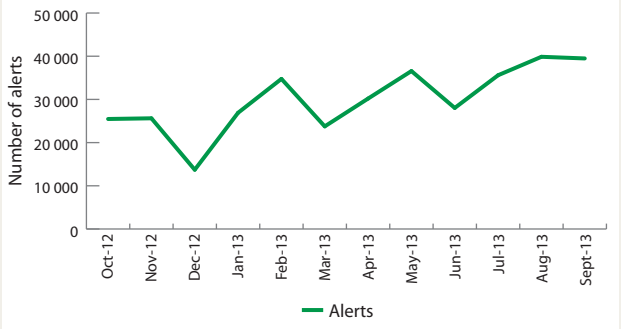


During the survey patients are asked to rate the level of care received from our nurses and doctors; their experience with our admissions and discharge processes; the quality of our facilities; how quickly we respond to their needs; and the information we provide during their stay. We have extended this survey to patients who visit our emergency units as well as those who are discharged from our rehabilitation facilities.

Health and safety measures

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

Alerts – **12-month view**



Patient health and safety

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

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

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

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

Reducing medication errors

The introduction of four medication bundles by Life Healthcare's national nursing department has contributed to the reduction in medication-related incidents. These four bundles relate to:

- legal medical prescription;
- complete medication administration;
- complete medication documentation; and
- effect of medication monitored and recorded.

The objective of these bundles is to provide a tool to all Life Healthcare hospitals to understand and manage the underlying cause of every medication error, to identify trends and agree appropriate action plans.

Sustainability continued

Quality, human capital and relationships and clinical governance continued

Managing patient slips and falls

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

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

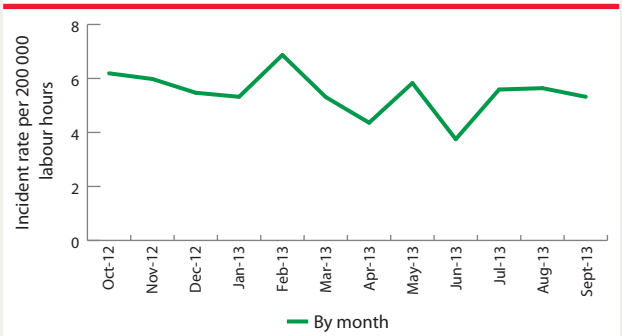
Employee health and safety

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

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

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

Employee incident rate – **12-month view**



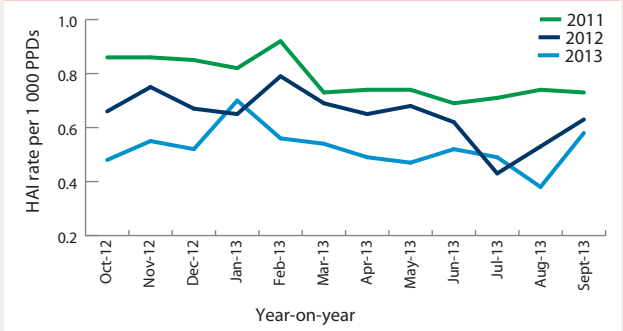
iQ – clinical excellence

Turning our vision of excellence in clinical outcomes into reality at the frontline of care with the key driver being improvement.

Healthcare associated infections

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

HAI **year-on-year rate**

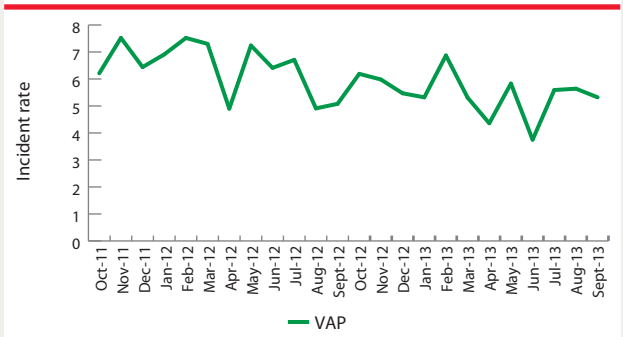


The excellent results we continue to experience in the reduction of healthcare associated infections is largely due to the implementation of a bundle approach. These bundles are a structured way of improving the processes of care and patient outcomes. They comprise a small, straightforward set of evidence-based practices that, when performed collectively and reliably, improve patient outcomes and reduce infections in fields such as:

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

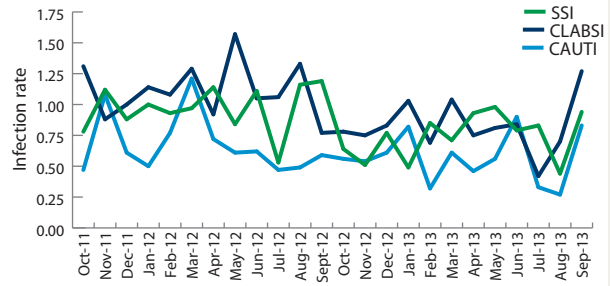
Our Group continues to experience a reduction in its infection rates through the continuous measurement and monitoring of compliance to infection prevention bundle interventions.

VAP – **24-month view**



Sustainability continued

SSI/CLABSI/CAUTI – 24-month view



Additional clinical outcome initiatives

Patient reported outcomes measures

A new clinical measure called the Patient Reported Outcome Measures programme was introduced in 2013. This measures quality from the patient perspective, initially covering hip and knee replacements. The pilot at four hospitals has produced very encouraging results whereby surgeons are notified of the patient's outcome as reported by the patient. The initial findings demonstrate good results with a 90% response rate from patients. It is intended to expand this programme to all hospitals where the surgeon gives consent – to date all surgeons have agreed to the programme.

Anti-microbial Stewardship (AMS)

Life Healthcare enhanced its AMS programme through the implementation of a multi-disciplinary approach to AMS in all acute care hospitals. The goal is to preserve the efficacy of existing anti-microbials and to optimise clinical patient outcomes while minimising the emergence or progression of resistant pathogens.

VTE risk assessment and prophylaxis

Venous thromboembolic disease (VTE) has two clinically important manifestations: deep venous thrombosis (DVT) and pulmonary embolism (PE). Both share the same predisposing factors, and in most cases, PE is a result of DVT. Research indicates that PE is probably the commonest preventable cause of death in hospital patients, contributing up to 10% of all hospital deaths. Using peer-reviewed local and international guidelines as well as the input of South African and international individual specialists, Life Healthcare has drawn up a simple VTE risk assessment tool which is to be used for all admitted patients, completed by the nursing staff and the resultant information shared with the attending doctor for decision-making on whether to give prophylaxis or not.

National core standards

The National Department of Health has now established the Office of Health Standards Compliance. A set of "core standards" has been developed for hospitals, both public and private. Life Healthcare, together with other private hospital groups, has been actively engaging with the National Department of Health with a view to determine standards that would measure quality and patient safety within all hospitals and which could appropriately be included in a regulatory framework. Indications are that these standards would be used with a view to accrediting hospitals and services for contracting with the envisaged national health insurance. Life Healthcare aims to exceed the minimum standards that hospitals will be measured against.

Neonatal and obstetric care

Life Healthcare considers its maternal and neonatal care facilities of high importance. Apart from the very positive experience that mothers would wish to enjoy in delivering their babies safely with optimal outcomes, it is an important millennium development goal for the country which we would want to help improve on. The field of obstetrics and newborn care has also become an important and high-cost area of litigation both for hospital groups and individual obstetricians, so there are also sound business reasons for focusing on the care of mother and baby in close collaboration with our doctors.

Sustainability continued

Environmental sustainability

Environmental management system (EMS)

The next step in Life Healthcare's quality journey is to implement an EMS. This implementation will be actioned in a phased approach with the ultimate goal of obtaining an ISO 14001 environmental certification in 2015. Progress on Life Healthcare's implementation plan during 2013 included:

- the approval and implementation of Life Healthcare's environmental policy;
- a review and update of all relevant policies and procedures;
- an assessment of the Group's environmental aspects; and
- an update of Life Healthcare's existing legal register to include the identified environmental aspects.

Going forward, Life Healthcare aims to action the following steps as part of its EMS implementation plan:

- setting targets for energy consumption;
- implementing energy-saving projects;
- rolling out ISO 14001 training to relevant staff;
- facilitating regional communication sessions regarding the Group's environmental policy, standards, procedures, roles and responsibilities; and
- ongoing review of policy and procedure documentation.

Life Healthcare acknowledges its responsibility to actively manage the environmental risks and impacts its services and products have on the natural environment. The Group is classified as a low environmental impact organisation, due to the nature of its business.

However, managing and striving to reduce the consumption of natural resources such as energy, water, medical waste and paper in a sustainable manner remains important to reduce our carbon footprint.

Our environmental obligations are managed through regular safety, health, environmental and quality audits.

Life Hilton Private Hospital

Life Hilton Private Hospital will be the first greenfield hospital within Life Healthcare to be designed according to the new minimum specifications set out in the "Green by Design" policy. We anticipate that this hospital will be 20% more efficient than any other hospital within the Group.

Several technologies were incorporated into the design, including a large photovoltaic system that will use the available roof space to generate electricity during the day, which will significantly reduce the hospital's demand on resources during peak hours.

Water

Through a Group-wide online metering system, statistics are now available to enable benchmarking of water consumption across similar facilities. This process has helped identify several major leaks and inefficient practices at various hospitals.

Medical waste

Life Healthcare has been investigating the hydroclave model as a solution to its medical waste management to reduce the risk of improper disposal by a third party.

A hydroclave is used to treat medical waste, excluding anatomical waste, so that it is safe to be disposed of in general landfill. The technology and process is similar to that of conventional autoclaves used for sterilising surgical instruments.

Benefits of this model include:

- 95% of our existing waste stream can be treated in the hydroclave;
- a 70% volume reduction is achieved;
- there are zero emissions unlike incineration where dioxins and furans are created; and
- full control of waste steam, thereby removing the risk of improper disposal by a third party.

The Environmental Impact Assessment has been approved for a hydroclave pilot to be installed at Life Wilgeheuwel Hospital.

Energy efficiency projects in 2013

Metering

A real-time, online electrical metering system has been installed that provides data to hospitals, so that energy consumption can be monitored on a daily and annual basis to better manage peak demands and verify the impact of growth projects, changes in practice, and energy efficiency projects.

Heat pumps

The Group is converting existing geysers and gas-fired boilers to more efficient heat pump hot water generation systems in all its hospitals. On average heat pumps use about 3.5 times less electricity than the existing systems. To date, this project has resulted in a reduction of over 3 million kg of CO_2 emissions. A second phase comprising a further 16 hospitals is in progress and will save a further 4 million kg of CO_2 emissions per year.

Heat ventilation and air-conditioning (HVAC)

Life Healthcare's "Green by Design" policy requires that a minimum specification be applied to all ventilation and air-conditioning systems. This resulted in significant energy savings at several building projects during 2013.

Human capital and relationships

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

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

Year ended 30 September	2013	2012	2011
Administrative employees	**2 657**	2 611	2 738
Nursing personnel	**9 245**	9 240	9 181
Pharmacy employees	**293**	318	274
Rehabilitation employees	**272**	273	244
Services employees	**1 068**	1 161	1 061
Other	**201**	102	274
Total permanent	**13 736**	13 705	13 772
Temporary personnel[1]	**886**	880	
Total employees	**14 622**	14 585	

[1] *Includes sessional hourly-paid staff. The 2011 figures do not include sessional staff.*

Transformation

Life Healthcare aligns itself with the Codes of Practice under section 9(1) of the Broad-Based Black Economic Employment Act (53 of 2003). Transformation and sound corporate responsibility strategies underpin our business ethos as a responsible corporate citizen and we promote and actively manage the business to achieve a non-discriminatory culture.

Life Healthcare's Employment Equity Plan is set on a national basis in consultation with executive management, the national transformation committee and consultative forums in the hospitals. This process is overseen by the Life Healthcare board through the social, ethics and transformation committee.

Progress in each hospital or business unit is monitored against measurable targets as per Life Healthcare's Employment Equity Plan. Life Healthcare's staff profile reflects our transformation drive:

- 11 667 female personnel (2012: 11 738)
- 9 564 black personnel (2012: 9 382) accounting for 65.4% of employees (2012: 64.3%)

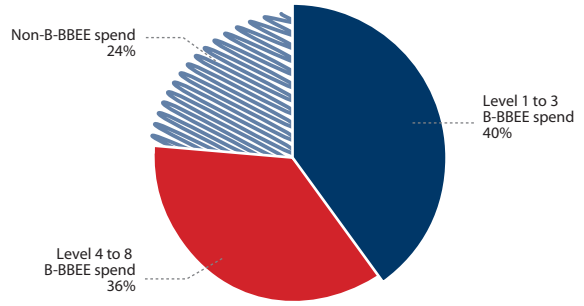
Ownership

The shareholder profile is contained in Annexure C of the annual financial statements book on pages 86 and 87.

B-BBEE procurement

Group and pharmaceutical procurement has ensured that 76% (2012: 74%) of the Group's spend has been provided by B-BBEE accredited vendors. Significant focus was placed on increasing the Level 1 to 3 spend, which is now 40% (2012: 34%) of the total B-BBEE procurement spend as depicted in the graph below.

B-BBEE procurement spend – **FY 2013**



Employee empowerment and skills development

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

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

Sustainability continued

Human capital and relationships continued

Training of nurses

Student education level	Gender		Race				Total	
	Female	Male	African	Indian	Coloured	White	2013	2012
Basic	621	47	400	27	63	178	**668**	1 154
Post-basic	104	5	48	15	4	42	**109**	96

Life College of Learning turns 15

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

The Life College of Learning has extended its reach to India with the launch of the first 12-month specialist certificate training in critical care and theatre nursing. Experienced nurse educators from South Africa's Life College of Learning facilitate the programmes at MHC in India when they visit Delhi every two months for three weeks. We expect to receive 47 specialised nurses in May 2014.

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

In celebrating its 15th anniversary this year, the Life College of Learning can proudly look back on having established itself as an educational institution of excellence in South Africa, and now just recently in India.

Other programmes introduced by the college in recent years include the operating department assistant, a new cadre of healthcare worker, who will be responsible for managing the latest equipment in theatres, giving nurses the time to fully care for patients.

Over 15 years of existence, the Life College of Learning is proud to have seen more than 10 000 qualified nurses pass through its doors in basic and specialised nursing programmes, actively contributing to the alleviation of the nursing skills shortage in South Africa. The Life College of Learning has had an impact in the wider healthcare arena by training nurses for the public sector and offering learnerships to school leavers from previously disadvantaged communities.

Training of pharmacy professionals

The Group recognises the need to invest in pharmacy professionals to build capacity and maintain a skilled workforce. This is particularly important in light of the critical pharmacy skills shortage in the broader healthcare industry.

In June 2013, Life Healthcare launched the Clinical Pharmacy Practice certificate course in collaboration with Nelson Mandela Metropolitan University (NMMU). This course was developed exclusively for Life Healthcare by the School of Pharmacy at NMMU and is aimed at pharmacists with a passion for clinical pharmacy.

The objective of the course is to provide Life Healthcare pharmacists with the knowledge and practical skills required to provide clinical pharmacy services in a private hospital setting.

Training of pharmacist assistants and pharmacist interns remains a focus in our hospitals. A total of 87 pharmacist assistants (46 basic level, three in the preparatory course and 38 post-basic level) are currently in training in Life Healthcare hospitals throughout South Africa. The number of pharmacist assistants in training has increased by 23% from 2012, with 68% of these learners being historically disadvantaged individuals (HDIs). Thirty-seven (43%) of the learners were unemployed prior to commencement of their training. The intake into our structured pharmacist intern programme increased once again in 2013, and we have 19 interns placed in our pharmacies, with 63% of them being HDIs. They will qualify at the end of 2013 and move into their community service year, during which time we will maintain communication with them through our In Touch programme.

The Group continues to provide pharmacy professional staff with opportunities to ensure continuous education and training. Online continuous education (CE) modules are made available to all pharmacy staff members on topics relevant in our hospitals, and there have been 1 147 training interventions in 2013 which represents a 54% increase from 2012.

Sustainability continued

Employee benefits
Details of our employment benefits including short and long-term incentives, retirement funds, medical aid and the employee share plan can be found in the remuneration report on pages 69 to 72.

Employee wellness
The Life Healthcare Wellness programme operates in partnership with ICAS. It encourages and assists employees to manage their physical, mental and financial well-being, along with assisting managers and employees in times of grief and trauma. It extends to family members and is highly and effectively utilised.

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

Life Healthcare has partnered with the Colleges of Medicines of South Africa (CMSA) to support them in the education of sub-specialists. Since 2012, Life Healthcare has committed R13 million per annum to fund sub-specialist training for six years. We currently sponsor the study costs of 11 sub-specialists.

Doctors
Doctors have a consultative role in the operation of Life Healthcare's hospitals, participating in the medical advisory committees and/or hospital boards. Doctors are also encouraged to hold equity in local operating subsidiaries and have an interest in 33 Group hospitals (2012: 29 Group hospitals).

Doctors who provide clinical services in Life Healthcare's rehabilitation units, Life Occupational Health clinics and Life Esidimeni hospitals are employed by Life Healthcare through a special dispensation from the Health Professions Council of South Africa.

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

Employee engagement and labour relations
Life Healthcare continued to build sound labour relations and has a good relationship with recognised trade unions. We had a strike at our Life Mercantile Hospital in Port Elizabeth which was our first strike in the last three years. The strike was resolved with the nurses accepting the Company increase. Formal and informal communication channels were developed to ensure interactions at national and local level. Regular evaluation of our policies and procedures ensures fairness and a safe working environment.

To assist this process of engagement, an employee climate survey is conducted every second year and more information on this can be found on our website.

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

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

Sustainability continued

Corporate social investment

Life Healthcare Group corporate social investment (CSI) programmes have contributed to meaningful and sustainable projects in communities where our employees live and in communities which we serve. Total contribution for the financial year is R88 million.

Project	Partnered with	Project detail
Prevention of blindness project	South African Council for the Blind	Two mobile vehicles with fully fitted ophthalmic equipment access the more remote areas of the country. To date 33 195 patients were screened, over 8 126 cataract operations performed and 8 735 spectacles issued. A further 8 527 other eye conditions were detected.
Build a Home	Habitat for Humanity	Three houses built by employees in Orange Farm, south of Johannesburg.
Operation Thembakazi	Life Vincent Pallotti Hospital	Committed to provide free surgery and hospitalisation for one talented athlete per month (provincial or national level) who would not otherwise be able to afford private healthcare.
Life Sizanani	Various NGOs and children's homes	Business units adopt and supports children's organisations in a bid to improve their lives. There are 78 projects currently under way.
Training	Colleges of Medicine SA	13 doctor sub-specialist bursaries were awarded and Life Healthcare committed to spending R13 million over six years (a total of R78 million) to pay for the training of 32 doctor sub-specialists. A donation of college fees, uniforms and books were granted to two students in foster care.
Indigent patient surgery	Government hospitals	93 cataract surgeries performed at various hospitals during the year. To date ±11 000 free surgeries have been performed. Hip and knee surgery for state indigent patients were performed at Life Entabeni Hospital.
Mandela Day 2013	Radio Lotus FM	670 shoes and 670 raincoats were donated to rural school children via a local radio telethon.
Mobile libraries	Masixhasane	Five mobile libraries have been donated to disadvantaged schools.
Tertiary bursaries for children of employees	Employees	107 bursaries were granted for tertiary education at various universities for children of employees.
Pro deo	Patients	Patient discounts at hospital management discretion.
Employee wellness	ICAS	Programmes that support the promotion of health and well-being of employees and their families.
Play pumps	Play Pump International and Round About Water Solutions	Eight play pumps have been sponsored to date in schools and communities without running water in the Eastern Cape, Mpumalanga, KZN, Northern Cape and Free State.

Stakeholders

Effective, transparent and sustainable communication with all our stakeholders is important to our brand and reputation, and is done according to our values and business principles. Our key stakeholders are identified in the table below and no major issues have occurred during the financial year:

Key outcomes	Key strategies	Communication and engagement
Patients		
○ Ease of admission, billing and discharge procedures. ○ Quality nursing and pharmacy care. ○ Internationally based clinical best practice promoting quality care and improved patient outcomes. ○ Well-controlled infection rates. ○ High-technology facilities. ○ Access to multi-disciplinary health services through a wide geographic spread. ○ Access to affordable private healthcare through funders who have contracted with Life Healthcare in preferred network agreements. ○ Positive hospital experience.	○ Changing the Group's IT system to a more patient-centric and focused system. ○ Promoting access to, and affordability of healthcare. ○ Facilitating quality nursing and pharmacy standards. ○ Maintaining excellence in quality and clinical governance. ○ Patient engagement through improved communications channels. ○ Patient-centric approach to facilitate a positive hospital experience.	○ Keeping the nurse at the bedside programme. ○ Paper-based comment cards (300 000 received annually). ○ Q-evaluator (electronic-based patient satisfaction measuring system). ○ Post-discharge telephone interviews. ○ Life Healthcare website, brochures and information leaflets. ○ Life magazine specifically for patients. ○ Corporate monitoring of complaints and actions taken.
Employees		
○ Recognition and reward for quality performance. ○ Training and personal development. ○ Equal opportunity in non-discriminatory culture. ○ Competitive remuneration and benefits package. ○ Structured ethical working environment. ○ Access to wellness programme. ○ Right to freedom of association. ○ Work environment focused on safety and minimising of occupational risks.	○ Recruitment and retention of skills. ○ Ongoing employee training and development. ○ Accelerating transformation. ○ Empowering employees and nurturing their career aspirations. ○ Code of conduct focusing employees on standards expected of them. ○ Introduction of an employee share plan. ○ Creating an environment conducive to employee safety and health. ○ Tertiary bursary scheme for employees and bursaries for their children.	○ Consultative forums assist in providing open communication and constructive dialogue. ○ Regular communication and meetings. ○ Employee specific interim and annual results communications. ○ Comprehensive induction programme. ○ Conducting an employee climate survey. ○ Bi-annual staff magazine and regular online newsletter.

Sustainability continued

Stakeholders continued

Key outcomes	Key strategies	Communication and engagement
Doctors		
○ High-quality support with regard to nursing, hospital facilities, technology and equipment. ○ Access to patients through preferred network agreements. ○ Affordable hospital care through Life Healthcare's alternative reimbursement models. ○ Investment opportunities within the Group. ○ Access to multi-disciplinary health services. ○ Participation in medical advisory committees. ○ Life Healthcare's clinical directorate keeps abreast of technological healthcare advance.	○ Offering best healthcare facilities and technology. ○ Ensuring superior doctor support through excellence in nursing, administration and infrastructure. ○ Maintaining strong doctor relations and minimising doctor turnover. ○ Providing shareholding opportunities for doctors in a number of hospitals across the Group. ○ Attracting and retaining new doctors to cater for future expansion. ○ Implementing proven clinical interventions and measuring compliance to international evidence-based best practices. Committed R78 million over a six-year period through the Colleges of Medicine for the training of specialists.	○ Hospital managers facilitate open communication with doctors on a daily basis. ○ Clinical directorate supports doctors and managers to safeguard professional conduct. ○ Doctors play a strong consultative role through participation in our medical advisory committees and/or hospital boards. ○ Engagement with doctors in our quality drives and cost of sales project to our mutual benefit. ○ Quarterly online newsletter for doctors who work in our facilities to keep them informed and encourage feedback.
Suppliers		
○ A reputation for ethics and fairness in dealings with suppliers. ○ Negotiations with suppliers built on mutual respect and fair pricing structure.	○ 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. ○ Regular meetings and negotiations with strategic supply partners. ○ Life Healthcare's code of conduct and ethics made available to all employees and suppliers.	○ Ongoing interaction with suppliers in reviewing and renewing contracts and procurement initiatives. ○ Regular meetings and negotiations with strategic supply partners. ○ Life Healthcare's code of conduct and ethics applied to all employees and suppliers.

Sustainability continued

Key outcomes	Key strategies	Communication and engagement
Funders (medical scheme)		
❍ A reputation for ethics and fairness in dealings with funders. ❍ Negotiations with funders built on mutual respect and fair pricing structures. ❍ Reputation for providing clinical excellence to their members. ❍ Implementation of our ARM pricing strategies. ❍ Largest market share with funders with regard to preferred network agreements. ❍ Efficient interaction as regards case management and payment.	❍ Develop our ARM pricing strategy to ensure efficient pricing and sharing of savings with funders. ❍ Utilise the ARM pricing strategy to drive preferred network deals which enhance hospital occupancies. ❍ Implement electronic communication regarding case management to assist in driving efficiencies and faster payment.	❍ Ongoing interaction and feedback regarding utilisation, pricing, contracts and preferred network agreements. ❍ Communicate our clinical and quality excellence and patient satisfaction scores with the funders.
Government		
❍ Supporting government service delivery through quality long-term healthcare services rendered by Life Esidimeni. ❍ Assisting in the development of appropriate healthcare regulation.	❍ Engagement on the National Health Insurance plan. ❍ Engaging in information sharing and best clinical and administrative practices. ❍ Contributing to skills training through public-private partnerships. ❍ Increasing access to hospital services through PPPs. ❍ Facilitating and maintaining close interaction with government on healthcare regulatory matters and strategy.	❍ Ongoing interaction with the National Department of Health at an executive level. ❍ Ongoing communication on private/public sector issues. ❍ Liaison with government health departments through HASA. ❍ Ongoing interaction on Life Esidimeni PPP matter.
Shareholders/investors		
❍ Sustained growth and financial stability. ❍ Depth of management expertise with record of solid results. ❍ Strong corporate and clinical governance to safeguard business. ❍ Commitment to provision of quality, cost-effective healthcare. ❍ Track record in transformation and BEE. ❍ A broad local and international shareholder base.	❍ Clear communication to local and international investors. ❍ Continued interaction with local and international shareholders.	❍ Continued interaction with shareholders locally and offshore via the interim results and annual results road shows, attending select local and international investor conferences, ad hoc executive meetings and engagements. ❍ General communications such as telephonic, web-based, emails, interim and annual reports, and through SENS.

Corporate governance report

Message from the board

We are pleased to present Life Healthcare Group's corporate governance report for 2013. This report provides an update on our corporate governance progress, highlights and challenges faced during 2013.

Life Healthcare Group is governed by the board of directors (the board) which provides robust leadership, strategic direction and control, and a productive environment that can sustain the delivery of value to the Group's shareholders. This governance is based on an ethical foundation.

The board is committed to the principles and practice of corporate governance, as recommended in the King III Code of Corporate Practices and Conduct (the King III Code), and is cognisant of the role that corporate governance plays in the delivery of sustainable growth to all stakeholders.

Furthermore, the board regards good corporate governance as fundamental to discharging its stewardship responsibilities. The directors and executive management are committed to applying the principles necessary to ensure that the highest standards of governance and accountability are practised in the conduct of Life Healthcare's business. These principles include honesty, transparency, integrity, discipline and accountability.

Key highlights during the 2013 financial year included a board strategy session held in March and an investment committee strategy session that was held in July. The investment committee session was dedicated to the review of the Group's growth strategy.

Some of the challenges facing the Group included the proposed new memorandum of incorporation not being passed at the annual general meeting on 31 January 2013 as the memorandum of incorporation did not include executive directors in the retirement of directors by rotation. The board considered the matter and the proposed new memorandum of incorporation has been amended to include executive directors in the retirement of directors by rotation. The proposed new memorandum of incorporation will be tabled at the 2014 annual general meeting for adoption.

Looking forward, the board will continue to uphold the highest standards of good corporate governance and accountability.

Board of directors

Life Healthcare has a unitary board of directors and various board sub-committees. The Group conducts its business as a responsible corporate citizen through the development and implementation of strategies and policies that are integrated into every area of its operations.

Board accountability

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

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

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

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

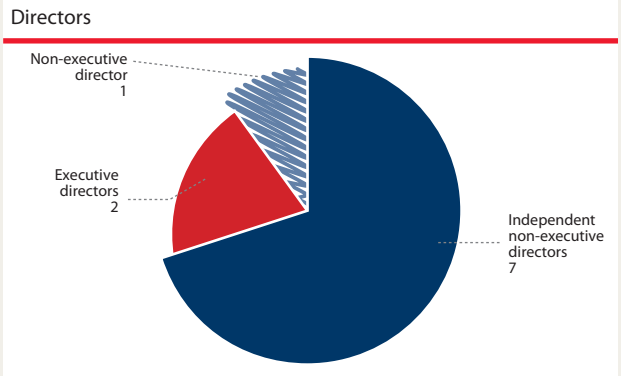
- acting as a focal point for and custodian of corporate governance;
- identifying key performance and risk areas;
- ensuring the Group's strategy will result in sustainable outcomes;
- considering sustainability as a business opportunity that guides strategy formulation;
- approving the Group's strategy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

Corporate governance report continued

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

Board composition

The board comprised 10 directors as at 30 September 2013. The composition of the board included seven independent non-executive directors; one non-executive director; and two executive directors reflecting an appropriate balance between the executive and non-executive directors.



Following the passing of the chairman of the board, Professor Jakes Gerwel, on 28 November 2012, Mustaq Brey, a non-executive director, was appointed as acting chairman on 12 December 2012, and then as permanent chairman of the board, effective 13 February 2013. In accordance with the King III Code, Trevor Munday is the lead independent non-executive director. Michael Flemming, an executive director, is the CEO.

- The roles of chairman and CEO are not vested in the same person and there is a clearly outlined division of responsibilities.
- The names of the directors as at 30 September 2013 and their biographical details are detailed on pages 18 and 19 of this integrated annual report.
- In compliance with JSE Listings Requirements, non-executive directors do not participate in any share incentive or option scheme of the Group.

The board ensures that no individual has unfettered powers of decision-making and authority, and that shareholder interests are protected. The board considers that there is an appropriate balance of knowledge, expertise and collective experience among the independent 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 memorandum of incorporation stipulates 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 CEO and the CFO are not currently subject to retirement by rotation or taken into account in determining the rotation of retirement of directors but this will be proposed in the replacement MOI.

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

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

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

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

Corporate governance report continued

Directors' attendance at board and sub-committee meetings

	Board	Board strategy	Audit committee	Remuneration and human resources committee	Nominations committee	Risk committee	Social, ethics and transformation committee	Investment committee	Investment strategy
Number of meetings held	**5**	**1**	**5**	**3**	**2**	**3**	**2**	**5**	**1**
Chairman									
MA Brey[1]	5/5	1/1			2/2	2/3		4/5	1/1
Professor GJ Gerwel[2]	1/2						1/1		
Independent non-executive directors									
Adv FA du Plessis	5/5	1/1	1/1				2/2		
PJ Golesworthy	5/5	1/1	5/5		2/2			5/5	1/1
KM Gordhan[3]	1/3					2/2			
LM Mojela	5/5	1/1	5/5	3/3	2/2		2/2		
TS Munday[4]	5/5	1/1	5/5	3/3	1/1	3/3			
JK Netshitenzhe	4/5	1/1				2/3			
Dr MP Ngatane	4/5	1/1			2/2		2/2		
GC Solomon	5/5	1/1		3/3				5/5	1/1
Executive directors									
CMD Flemming	5/5	1/1				3/3	1/1	4/5	1/1
RJ Hogarth[5]	4/4	1/1				2/2		4/4	
PP van der Westhuizen[6]	1/1					1/1		1/1	1/1
N Patel[7]							1/1		

[1] *Non-executive director.*
[2] *Passed away on 28 November 2012.*
[3] *Resigned 22 February 2013.*
[4] *Lead independent director.*
[5] *Retired 31 May 2013.*
[6] *Appointed 1 June 2013.*
[7] *Chief operating executive – healthcare services (non-voting member).*

Conflict of interests

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

Induction of directors

On appointment, new directors are briefed on their fiduciary duties and responsibilities by executive management.

New directors receive information on the JSE Listings Requirements and the obligations that they have to comply with. Directors are informed of relevant new legislation and changing commercial risks that affect the Group. The company secretary assists the chairman with the induction of directors and visits to select Group hospitals.

Succession planning

Succession planning is important in ensuring continuity and maintaining the correct mix of expertise on the board. The nominations committee continually assesses the board and its sub-committees' composition. The board is satisfied that the current leadership pipeline provides adequate succession depth to lead the Group.

Independent non-executive directors

The Group's nominations committee is responsible for assessing the independence of the Group's directors on an annual basis. Independence is determined according to the definitions in the King III Code, which takes into account the number of years a director has served on the board. The board also determines whether directors are independent in terms of character and judgement. The board was satisfied that all its independent non-executive directors met the independence criteria for the 2013 financial year.

Corporate governance report continued

Board self-evaluation

The board and sub-committee assessments and director and chairman evaluations were undertaken in 2013 through questionnaire-based assessments under the auspices of the nominations committee. The overall results of these assessments indicate that the board and sub-committees were effective. Areas of improvement include the requirement by directors to gain a more detailed understanding of the Group's business. This will be focused on in the ensuing year and monitored by the nominations committee.

Board sub-committees

The board sub-committees consist of the:

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

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

The role of the board sub-committees is formalised by terms of reference which define their authority and scope. During the 2013 financial year, all sub-committee terms of reference were reviewed and amended where relevant.

The responsibilities of the sub-committees are summarised as follows:

Committee	Members	Roles and responsibilities	Terms of reference
Audit committee	*Chairman* Peter Golesworthy *Members* Trevor Munday Louisa Mojela Adv Fran du Plessis[1] [1] *Appointed to the committee on 1 July 2013.*	Constituted as a statutory committee in terms of section 94 of the Companies Act. It 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; ❍ ensure that the preparation of the integrated annual report and fairly presented financial statements are in compliance with all applicable legal and regulatory requirements and accounting standards; ❍ discharge statutory duties for all subsidiaries of the Group which do not have their own audit committee; and ❍ monitor the activities of the other audit and/or governance committees within the Group. The audit committee is satisfied that the external auditors are independent of the Group and that the CFO has appropriate experience and expertise.	❍ monitors the integrity of the annual and interim financial statements; ❍ oversees relations with the external auditors; ❍ considers and recommends the internal audit charter for approval to the board; ❍ evaluates the findings of internal and external audits and the actions taken by management; ❍ evaluates the adequacy of the systems of internal financial and operational control; ❍ reviews accounting policies and financial information; ❍ recommends to the board the selection of the Group's external auditors; ❍ approves the terms of engagement and the remuneration of the external auditors; ❍ considers and pre-approves non-audit services and monitors the external auditors' independence and effectiveness; ❍ reviews the integrated annual report; and ❍ has the authority to seek information it requires from any employee.

Corporate governance report continued

Committee	Members	Roles and responsibilities	Terms of reference
Remuneration and human resources committee	*Chairman* Trevor Munday *Members* Louisa Mojela Garth Solomon	Assists the board to ensure that the Group has a clearly articulated remuneration philosophy and that: ❍ the design and implementation of remuneration structures are consistent, fair, legally compliant and equitable; ❍ employees and executives are fairly remunerated; and ❍ the disclosure of non-executive director and executive director remuneration is accurate and transparent.	❍ oversees the establishment and implementation of remuneration policies; ❍ assesses and reviews employee short-term and long-term incentive schemes and performance bonuses; ❍ reviews the salary mandate on an annual basis; ❍ considers management proposals in respect of fees for non-executive directors; ❍ determines executive and staff participation in the long-term incentive schemes; and ❍ considers and makes recommendations to the board in respect of retirement fund matters.
Nominations committee	*Chairman* Mustaq Brey *Members* Peter Golesworthy Louisa Mojela Trevor Munday[1] Dr Peter Ngatane *[1] Appointed to the committee on 13 February 2013.*	Assists the board to ensure that: ❍ the board has the appropriate composition for it to execute its duties effectively; ❍ directors are appointed through a formal process; ❍ induction and ongoing training and development of directors take place; and ❍ formal succession plans for the board, chairman of the board, CEO and CFO appointments are in place. While devising criteria for board membership and board positions, the nominations committee determines and recommends changes to the board and any adjustments required regarding the Group's governance policies and practices. The committee identifies, evaluates and nominates candidates to fill vacancies for executive, non-executive and independent directors of the Group for approval by the board, and also recommends the number of directors on the board and the various committee structures. The committee holds a minimum of one meeting a year. The committee met twice during the period under review. The record of attendance is detailed on page 62.	❍ ensures the establishment of a formal process for the appointment of directors; ❍ oversees the development of a formal induction programme for new directors; ❍ seeks to ensure that the board has an appropriate balance of skills, experience and diversity; ❍ coordinates the board, individual director and committee appraisal process; ❍ develops effective succession planning for the board, chairman of the board, CEO and the CFO; and ❍ reviews the board sub-committees and committee membership.

Corporate governance report continued

Committee	Members	Roles and responsibilities	Terms of reference
Risk committee	*Chairman* Joel Netshitenzhe[3] *Members* Trevor Munday Mustaq Brey Michael Flemming Roger Hogarth[1] Pieter van der Westhuizen[2] [1] *Retired 31 May 2013.* [2] *Appointed 1 June 2013.* [3] *Appointed as chairman of the committee on 23 April 2013.*	The role of the committee is to assist the board to ensure that: ❍ the Group has implemented an effective policy and plan for risk management that will enhance the Group's ability to achieve its strategic objectives; and ❍ the disclosure regarding risk is comprehensive, timely and relevant.	❍ oversees the development and annual review of a risk management policy; ❍ makes recommendations to the board concerning the levels of tolerance and appetite; ❍ ensures that risk management assessments are performed on a continual basis; ❍ ensures that continual risk monitoring by management takes place; and ❍ expresses the committee's formal opinion to the board on the effectiveness of the system and process of risk management.
Social, ethics and transformation committee	*Chairman* Louisa Mojela[1] *Members* Adv Fran du Plessis Michael Flemming Louisa Mojela Dr Peter Ngatane Dr Nilesh Patel[2] [1] *Appointed as chairman of the committee on 13 February 2013.* [2] *Chief operating executive – healthcare services.*	The social and ethics committee is constituted as a statutory committee in terms of section 72(4)(a) of the Companies Act. The main purpose of this committee is to recognise the responsibility of the group's actions and impacts on the environment, consumers, employees, communities and other stakeholders. The committee will report, through one of its members, to the shareholders at the Group's annual general meeting on matters falling within the committee's mandate.	❍ the functions contemplated in section 72(4)(a) of the Companies Act 71 of 2008 for the social and ethics committee, read with regulation 43 are carried out; ❍ the Company's transformation objectives are accomplished; ❍ the employment equity plan is monitored; ❍ the annual training report and workplace skills plan is monitored; ❍ reports are received in respect of the Company's corporate social responsibility initiatives; ❍ the Company's sustainable initiatives and impact on the environment are monitored; and ❍ legal and ethical compliance by the Company is monitored.
Investment committee	*Chairman* Garth Solomon *Members* Mustaq Brey Peter Golesworthy Michael Flemming Roger Hogarth[1] Pieter van der Westhuizen[2] [1] *Retired 31 May 2013.* [2] *Appointed 1 June 2013.*	The committee evaluates investment proposals and makes appropriate recommendations to the board on annual budget parameters, and capital expenditure for the Group.	The committee was established to assist the Group to facilitate strategic investments. In this regard the committee considers: ❍ the investment strategy of the Group; ❍ recommendations from management in relation to material projects, acquisitions and the disposal of assets, and capital expenditure related to any material acquisitions not within the mandate of management; and ❍ the incurring and refinancing of debt.

Corporate governance report continued

Company secretary

The role of Fazila Patel as company secretary is to guide the board on its duties and responsibilities, keeping directors abreast of relevant changes in legislation and governance best practices and working with the board to ensure compliance with Group policies and procedures, applicable statutes, regulations and the King III Code.

She plays an active role in the Group's corporate governance process and ensures that the proceedings and affairs of the directorate, the Group itself and, where appropriate, shareholders are properly administered. The company secretary also oversees the induction of new directors. She is kept apprised of directors' dealings in Life Healthcare's shares and ensures that the appropriate disclosures are made in accordance with the JSE Listings Requirements.

Fazila Patel's qualifications and biography are detailed on page 21.

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

Code of ethics

The board is responsible to ensure that management embeds a culture of ethical conduct and sets the values to which the Group abides by. As such, Life Healthcare's code of ethics (the code) commits employees to the highest standards of integrity, ethics and business conduct. In living our values we have earned a reputation in the industry for fairness and ethical behaviour in all our business dealings and processes.

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

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

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

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

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

Codes, regulations and compliance

The board is responsible for the Group's compliance with applicable laws, rules, codes and standards. Compliance is an integral part of the Group's culture to ensuring the achievement of its strategy. Life Healthcare Group's board has delegated the implementation of an effective compliance framework to management. The Group complies with various codes and regulations such as the Companies Act, the JSE Listings Requirements and the King III Code.

Companies Act

Memorandum of incorporation

The Group's proposed memorandum of incorporation will be tabled for shareholder approval at the annual general meeting to be held on 30 January 2014. Following this approval, the memorandum of incorporation will be filed with the Companies and Intellectual Properties Commission office.

Corporate governance report continued

Prescribed officers

In accordance with the requirements of the Companies Act, the Group discloses the remuneration paid to prescribed officers who are defined as the CEO and CFO. The remuneration disclosure is detailed on page 78 of the annual financial statements.

Statement of compliance with the King III Code

The JSE Listings Requirements obligates listed companies to comply with specific recommendations contained in the King III Code. Where there is non-compliance, the King III Code adopts an "apply or explain" principle. The board was satisfied that Life Healthcare complied with the majority of the recommendations in the King III Code.

Sustainability reporting and disclosures are not independently assured. This is an area where the Group does not fully apply the recommendation contained in the King III Code. The board is of the view that as the measures and targets are still being developed, it would be premature to have these independently assured.

The King III compliance register can be found on the Group's online website www.lifehealthcare.co.za.

Labour Law Amendment Bills

The proposed Labour Law Amendment Bills will have a significant effect on labour broking and fixed-term contracts. This will influence the flexible staffing component of the Group's hospitals which is dependent on the utilisation of agencies for nursing. The Group's legal department is working with the human resources department on key issues surrounding the Bills.

Protection of Personal Information Bill (POPI)

This Bill seeks to support the right to privacy of personal information of South African citizens and to bring South Africa in line with international data protection laws. The Bill protects the personal information collected and processed by organisations and companies. The Bill will impact how personal information held by the Group in relation to employees, patients, doctors and suppliers is dealt with.

The Group's legal department held workshops to inform relevant stakeholders of the impact of the Bill on the Group.

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 by the board to the CEO. These records and systems are designed to safeguard assets and minimise fraud. Our systems of internal control are based on established organisational structures, such as written policies and procedures, which include budgeting and forecasting disciplines and the comparison of actual results against these budgets and forecasts.

The Group has a key operational processes checklist, and has assigned responsibilities for controls in the processes to relevant employees. Compliance is tested by internal audit and external audit reviews.

Internal audit

Internal audit is an independent appraisal function. It examines and evaluates the Group's activities and the appropriateness, adequacy and efficiency of the systems of internal control and resultant business risks. In terms of the audit committee terms of reference, the Group audit manager reports to the audit committee and has unrestricted access to its chairman, the chairman of the Group and the CEO.

Audit plans are formulated based on the assessment of the Group's 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, doctors and suppliers are able to report suspected irregularities anonymously to an independent service provider. The internal audit department is responsible for managing the investigation of reported incidents and informing the audit committee of the results.

Corporate governance report continued

IT governance

The board is responsible for overseeing the Group's IT governance and management is responsible for implementing the structures, processes and mechanisms to execute the IT governance framework. Life Healthcare has a dedicated IT management executive who is responsible for the Group's information management strategy. Executive feedback on strategic IT issues is provided monthly to the executive meeting. Furthermore, an executive IT steering committee meets quarterly to review significant IT expenditure and projects.

Life Healthcare achieved international ISO 27001 Information Security Management System (ISMS) certification in 2006. Following its annual independent review, Life Healthcare retained its ISO certification. The ISO journey facilitates ongoing review of all control processes related to IT security within the business environment.

Within the ISMS framework, the following IT governance issues are managed:

- Information security, management and privacy;
- IT risk management;
- Disaster recovery;
- IT legislation; and
- IT audit.

Sustainability

Sustainability is one of Life Healthcare's three key strategic focus areas, demonstrating the importance sustainability is to the future of the Group. The Group's sustainability information is detailed on pages 46 to 59 of this integrated annual report.

It aims to provide a balanced overview of the Group's sustainability performance, focusing on issues that are material to the Group. The Global Reporting Initiative's (GRI) G3.1 Sustainability Reporting Guidelines informed the preparation of the sustainability report. The GRI table can be viewed on the Group's website at www.lifehealthcare.co.za.

Insider trading

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

Going concern

The board considers and assesses the Group's going concern basis in the preparation of the annual and interim financial statements. In addition, the solvency and liquidity requirements per the Companies Act are considered. The board is satisfied that the Group will continue as a going concern into the foreseeable future.

Material litigation

During the financial year ended 30 September 2013, the Group was not involved in any material litigation or arbitration proceedings nor are the directors aware of any legal issues which are pending or threatened, which may impact materially on the Group's financial position. Institutions in the healthcare sector are subject to patient lawsuits and the directors are of the opinion that the Group has sufficient insurance to mitigate financial risk.

Political party contributions

In line with the code of ethics, employees may not make any direct or indirect political contribution on behalf of the Group unless authorised by the legal department in writing. This includes contributions to candidates, office holders and political parties. For the period under review, no political party contributions were made.

Remuneration report

Introduction

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

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

There is increasing pressure on the cost of private healthcare in South Africa. This requires participants in this industry to manage labour costs prudently as this represents its single biggest input cost.

Remuneration

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

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

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

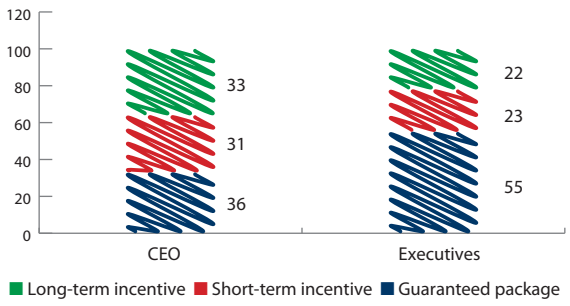
High performance and quality are key drivers in Life Healthcare. Short-term and long-term incentives compose a high percentage (32% to 63%) of remuneration for senior management which are directly linked to these drivers, while junior categories of staff receive performance linked increases.

The Group offers more senior employees a combination of guaranteed remuneration, short-term incentives as well as long-term incentives. Short-term incentives are paid to employees at middle management and higher grades who have line of sight to business objectives. Targets are stretched to ensure higher performance before the full payment of benefit is achieved. Senior managers with strategic and/or tactical roles participate in the Company's Long-Term Incentive Scheme.

Executive employment contracts are subject to a three-month notice period and a subsequent six-month restraint of trade.

The source of remuneration for executives can be illustrated as follows:

Remuneration for executives – %



Guaranteed remuneration

The Company conducts appropriate peer group benchmarking of remuneration. The Company participates in a number of salary surveys to substantiate its remuneration data. Our pay line is benchmarked at the market median, but adjusted where market imperfections distort the slope on the pay line. Individual pay rates per job are influenced by our pay line, market rates for such roles and current pay rates in the Company. In instances where specific roles are difficult to retain or attract, a premium is applied. Individual salaries are benchmarked internally and externally to ensure fairness. The salary structure is reviewed during October and adjusted with effect from 1 January each year. The performance level of employees is a key factor in determining employees' respective increases.

The attraction and retention of clinical skills is a key focus area. Salaries are benchmarked against healthcare market pay data. Specific areas of concern are addressed via a bespoke specialist allowance structure. Such allowances are offered in addition to basic salaries and provide significant retention value. The Company rewards skills by granting higher specialist allowances to employees who have attained specific additional qualifications to enhance their knowledge, skill and quality of care to the patient/client. The large differential between qualified and experienced specialist allowances is aimed to promote staff to further education and thus heighten the professionalism and excellence of the Company.

Short-term incentives

The Life Healthcare Group believes in the value that appropriate performance-driven awards can add to its successful operation.

Remuneration report continued

We subscribe to the philosophy that substantial benefit can be derived from defining appropriately weighted quantitative and qualitative measures, linked to variable compensation. The Company's Variable Compensation Plan (VCP) is a short-term reward and retains senior managers who have line of sight and contribute to the bottom line of the business.

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

- Company performance,
- Business unit performance, and
- Personal performance criteria.

The level of potential reward has been industry benchmarked and directly influences total remuneration. A targeted percentage, ranging from 7.5% to 70% of salary, represents a theoretical 100% reward, should all set criteria be met, which escalates as responsibility increases. However, actual reward may exceed this percentage if targets are exceeded, but maximum rewards are set per key performance area, as follows:

Company performance	Cash flow capped at 150% of on-target remuneration for the first six months, readjusted in second half of year.
Business unit performance	Capped at 225% of on-target remuneration.
Personal criteria.	Capped at 120% of on-target remuneration.

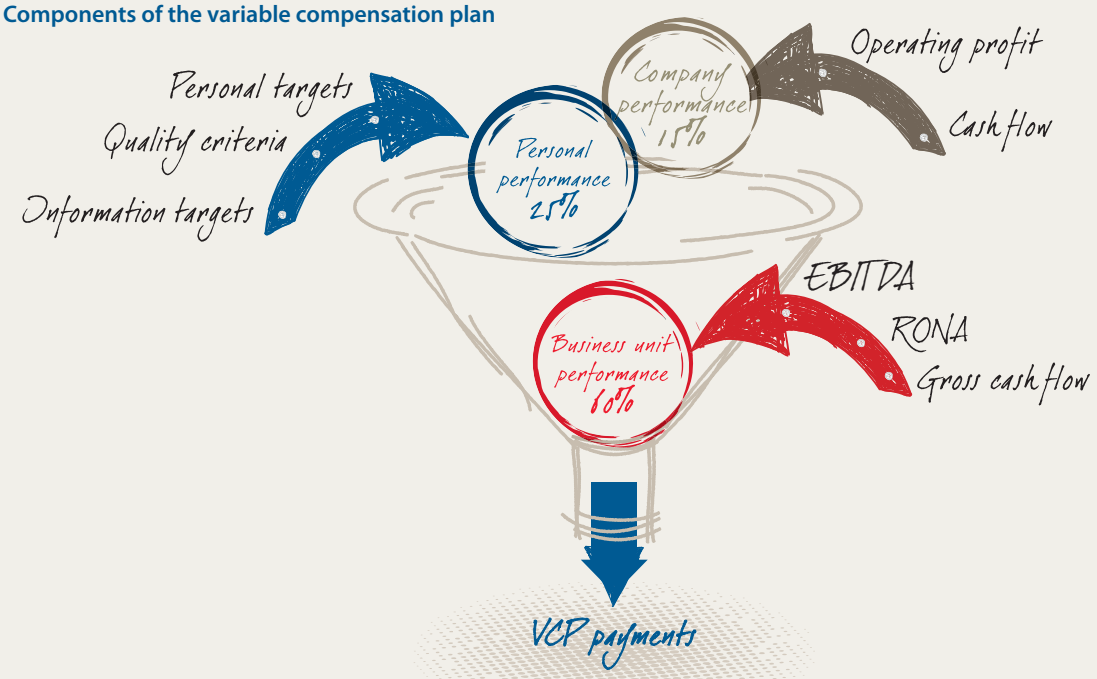
The maximum reward that can be earned is therefore 187.5% of on-target reward (which is 7.5% to 70% of salary). Targets are continuously assessed to ensure that they remain relevant, appropriate and drive the correct behaviour. (Note: in respect of the CEO measurement takes place exclusively on Company performance.)

These criteria are consistently applied to all participants of the scheme. Both Company and unit financial scores are quantitative and prescriptive in nature, while the personal rating is more qualitative and discretionary and has the CEO's final input for governance purposes.

- Company performance is measured against operating profit and cash flow targets and carries a 15% weighting.
- Business unit performance (60% weighting) is the financial performance of the manager's specific business unit/s that he/she is responsible for. This target has a higher weighting than the other two criteria because managers have greater individual influence on these results. This measure is apportioned into varying weighted criteria that are measured against agreed targets. The criteria include operating EBITDA, gross cash flow and RONA.
- Personal performance (25% weighting) is more subjective and includes overall performance of the individual in carrying out his/her job requirements, transformation and quality outputs.

The weighting of criteria is uniformly applied to all eligible managers to allow for fairness and equity and the scheme is measurable and defendable. Targets are reasonably set to stretch performance without being unattainable. The Company emphasises pay for performance and business and/or personal performance below a set threshold will result in non-payment of incentives.

Components of the variable compensation plan



Remuneration report continued

Long-Term Incentive Plan (LTIP)

Purpose

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

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

The Long-Term Incentive Scheme is a hybrid scheme that combines a pure unit appreciation component and a performance share component.

The scheme is cash settled and pays out after three years.

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

The determinants of reward are:

EBITDA growth	• Affects **unit appreciation component** • **Performance share component**
RONA (return on net assets)	• Affects **performance share component** where vesting occurs on a sliding scale as follows: – RONA less than **35%**: **0%** vesting – RONA = **38%**: **100%** vesting – RONA = **44%** plus **300%** vesting

As a means of enhancing the alignment between manager and shareholder interests, as well as creating an opportunity for wealth creation for participants, managers are also given the opportunity to invest payment from the Long-Term Incentive Scheme in Company shares. This investment results in a co-investment by the company on the basis that a higher manager commitment attracts a more generous co-investment from the Company.

The matching ratio is as follows:

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

In respect of allocations made from January 2012 onwards, the co-investment option is a once-off opportunity which needs to be decided upon at the date of allocation of awards. (In respect of the 2010 and 2011 allocations the co-investment choice is made prior to initial vesting.)

These shares are then restricted for a further two or three-year period (dependent on year of allocation) from time of vesting. The co-investment shares, whether deferred or matched, will be purchased in the market and transferred to participants when vesting and settlement occurs.

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

Remuneration report continued

Employee benefits

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

Retirement funds

Life Healthcare operates two defined contribution retirement funds:

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

All new employees join the LHC Provident Fund or may opt for dual fund membership, which channels employee contributions to the LHC DC Pension Fund and employer contributions to the LHC Provident Fund. This arrangement is beneficial to employees from a tax perspective.

In addition, the Company operates two defined benefit funds which are closed to new membership since 1996. The Life Healthcare DB Pension Fund provides retirement benefits for approximately 184 active members and 272 pensioners, while the Lifecare Group Holdings Pension Fund provides benefits to 26 active members and approximately 156 pensioners.

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

The Company has, as a result of historical acquisitions, been required to rationalise and consolidate a large number of retirement funds. This process is largely complete, but the liquidation and/or deregistration of the outstanding funds will take some time to finalise.

Medical aid

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

Membership of a principal member, spouse and two children is subsidised by the Company. The Company participates in the open medical scheme market, currently Discovery Health, and in addition offers certain Bonitas options to supplement its offering at the lower end of the income scale.

Post-retirement medical aid liability

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

Other benefits

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

Employee share plan (ESP)

Life Healthcare has implemented an employee share ownership scheme via a trust that has been established to facilitate employees' direct equity ownership in the Company.

During July 2012 and again in July 2013, the Company funded, via a trust, the purchase of shares to the value of R50 million each year for the benefit of employees. The trust holds the shares and confers "rights" to shares to employees. Permanent employees belonging to the Company's retirement fund and with one year's service as at date of grant are eligible to rights. The rights have been equally distributed to all qualifying employees.

The objectives of the scheme are to incentivise and retain staff. Certain conditions, to fulfil these objectives, need to be attained by the employees to transfer these rights into actual shares:

- Employees need to remain in the employ of Life Healthcare for seven years to obtain the full quota of their rights; and
- Employees need to continue to perform to acceptable standards.

Dividends start to flow to employees from the onset of the scheme. Shares are transferred from the trust to the employee after five years as follows:

- 25% of the allocated rights transfer to the employee in year five;
- 25% of the allocated rights transfer to the employee in year six; and
- 50% of the allocated rights transfer to the employee in year seven.

Employees who resign or are dismissed during the duration of the scheme will lose their rights to any shares and their rights will be distributed equally among the remaining employees. Thus, the number of rights will increase by the time of transfer of shares to remaining employees. Good leavers, for example those who are retrenched or retire, will have the proportionate number of shares they hold at the time of termination transferred into their name and paid out to them, less tax and costs. They will no longer participate in the ESP scheme.

Once the shares are transferred into the employee's name, the employee will have the choice to either retain share ownership or sell shares. The value will then be dependent on the share price and the number of shares held at the time.

Risk management report

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

Non-executive director remuneration

The fees in respect of non-executive directors are reviewed on an annual basis and independent survey house data is utilised for benchmarking purposes. Fees are paid as a combination of a retainer and a fee per meeting to ensure alignment with the emerging market practice and Company culture. The fees are disclosed on page 78 of the annual financial statements.The board has ultimate responsibility for the governance of risk. The risk committee assists the board in discharging its responsibility by ensuring that the Group has implemented an effective risk management framework.

Life Healthcare's assurance model serves as a formal platform to facilitate the identification, prioritisation, assessment, mitigation and monitoring of operating, financial and business risks. The business unit managers, the Group risk manager and internal audit manager are responsible for implementing control processes and for providing the necessary assurance that the controls are implemented and maintained. Appropriate action plans ensure that significant risks are reduced to acceptable levels.

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

Risk	Description of risk	Risk mitigation	Responsible committee
Regulatory environment	❍ The healthcare industry is subject to a number of new/proposed regulations to the Labour Relations Act (eg restrictions on the use of labour brokers) and the amendment to the National Health Act dealing with core standards. ❍ The healthcare industry is subject to government regulations relating to licences, conduct of operations, security of medical records, quality standards and certain categories of pricing.	❍ The Group closely monitors and provides input where possible in any new proposed legislation. ❍ The Group has a team of individuals working on health policy-related issues and interacting with industry stakeholders. ❍ The Group does pertinent company and industry research and analysis to assist in the debate regarding any proposed legislative initiatives.	Risk committee
National Health Insurance (NHI)	❍ The government released a green paper on NHI in August 2011. The green paper provided a high-level strategic direction of the NHI. It did not, however, provide sufficient detail of how the NHI would be implemented. ❍ A number of NHI pilots were introduced in 2012 and 2013 as part of the process to gradually introduce the NHI. A white paper on NHI is still to be released.	❍ The Group continues to monitor developments and will engage with stakeholders where appropriate. ❍ The Group responded to the green paper, both as an individual organisation as well as through the Hospital Association of South Africa (HASA). The Group will respond to the white paper once it is released.	Risk committee

Risk management report continued

Risk	Description of risk	Risk mitigation	Responsible committee
Proposed competition inquiry into private healthcare costs	❍ The Competition Commission announced that it will be launching an inquiry into the private healthcare industry. The aim of the inquiry is to identify factors driving healthcare expenditure as well as to understand the market dynamics. ❍ A draft terms of reference has been circulated to the industry for comment and we await the final terms of reference. The inquiry is expected to start in late 2013/early 2014 and take between 18 and 24 months.	❍ The Group has set up a management team to focus on the inquiry. In addition a firm of attorneys and a firm of economists have been contracted to assist with the process, research and analysis. ❍ The Group has embarked on a number of research and analysis initiatives focusing on the key issues raised in the draft terms of reference. ❍ The Group submitted comments on the draft terms of reference and engaged the Competition Commission in this process. ❍ Careful analysis is being undertaken on the UK Competition Commission inquiry into healthcare. The Commission has published a draft version of findings. The final draft will be published in April 2014.	Risk committee
Doctor shortages	❍ Doctors are not employed by the Group and may terminate their association with the Group at any time. ❍ An insufficient number of doctors are being trained to address the health needs of, and general shortage in, South Africa.	❍ The Group maintains strong relationships with its doctors. It strives to provide quality infrastructural and nursing support, high-technology facilities and equipment, to attract and retain doctors. ❍ The Group is significantly increasing its funding for the training of specialists through the College of Medicines in a R78 million, six-year programme which started in 2012. ❍ The Group's doctor shareholding model results in increased doctor involvement.	Risk committee

Risk management report continued

Risk	Description of risk	Risk mitigation	Responsible committee
Skilled personnel shortages	❍ South Africa has an increasing shortage of nurses, pharmacists and other healthcare professionals. ❍ The effect of HIV/Aids on staff.	❍ The Group offers competitive pay, an ESP, opportunities for career advancement and ongoing training through the Life College of Learning. These benefits have assisted in employee retention. ❍ 920 nursing students enrolled at the Life College of Learning in 2013. ❍ In conjunction with Max Healthcare, the Group is facilitating the training of specialised nurses in Delhi, India. The aim is to help address, in the short term, the shortage of specialised nurses in South Africa. ❍ A total of 87 pharmacist assistants are training with the Group and there are 19 pharmacist interns in Group pharmacies. ❍ The Group supports staff via a variety of wellness programmes, including HIV/Aids education and support.	Remuneration and human resources committee
Succession planning	❍ Succession planning processes need to take cognisance of the availability of candidates in line with demographic imperatives.	❍ The Group has hospital, nursing and admin manager training programmes in place.	Remuneration and human resources committee
Poor investment decisions	❍ Poor investment decisions (local and offshore) may impact the Group's growth and/or financial stability. ❍ Offshore investments have additional uncertainty and unknown risk factors.	❍ The Group's strategy and development team manages all investments, including due diligence reviews, review by the executive committee, approval of material investments by the board investment committee and professional legal and tax advice is obtained. ❍ Post-investment reviews for all material investments are undertaken.	Investment committee

Risk management report continued

Risk	Description of risk	Risk mitigation	Responsible committee
Competition from other healthcare providers	❍ The Group competes with other providers of medical services for patients.	❍ The Group competes successfully by maintaining close relationships with medical schemes and by driving cost-efficiency to secure preferred network agreements ❍ The Group continues to: – improve its geographical coverage of hospitals and creates new lines of business such as mental health, acute rehabilitation, renal dialysis and oncology; – invest in facilities and equipment to support the delivery of world-class healthcare; and – build on its quality programme and benchmark against international best practices.	Risk committee
Operations under government contract and COID	❍ 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 (approximately 3%) of the Group's hospital revenue comes from compensation for occupational injuries and diseases (COID).	❍ Government contracts are monitored carefully and payment targets are set. ❍ The Group has a centralised COID office. Payments are monitored on a monthly basis and regular meetings are conducted with representatives of COID. The Group has, on occasion, had to resort to legal processes to speed up payments from COID.	Audit committee
Equipment and facilities	❍ The Group must remain abreast of advancements in medical technology and equipment needs or it will lag in healthcare delivery.	❍ The Group continues to ensure that there are facilities, technology and equipment to attract doctors, nurses and patients in order to achieve the Group's growth, efficiency and sustainability strategies. A total of R1.1 billion has been allocated for capital expenditure in 2014.	Risk committee

Risk management report continued

Risk	Description of risk	Risk mitigation	Responsible committee
Industrial action	❍ Strikes or industrial action could impair the Group's business activities.	❍ Negotiations with unions occur at six acute facilities out of 63. There was one strike during 2013 that impacted one Life Healthcare facility. ❍ The Group has established consultative forums and open channels of communication, including conducting employee climate surveys to maintain good relations with employees.	Remuneration and human resources committee
Information technology	❍ Information management could be compromised by viruses or data corruption, posing a threat to the business. ❍ The Group's operations are dependent on uninterrupted performance of information systems; their failure could disrupt business operations.	❍ The Group has the international ISO 27001 information security management system certification. External agencies conduct annual ISO audits to maintain the certification, the last being in July 2013. ❍ The Group regularly reviews its information management technology and upgrades are carried out where necessary to ensure optimal business efficiencies. ❍ The Group has pursued a strategy of using only "mainstream" products.	Risk committee

Risk management report continued

Risk	Description of risk	Risk mitigation	Responsible committee
Operational risks	❍ Risks related to dependence on suppliers of essential services, eg laundry, medical waste, water, electricity and environmental issues.	❍ Preferred suppliers are selected, screened and regularly monitored and reviewed. ❍ Back-up and alternative response plans are in place to mitigate outages. ❍ The Group invested in its own laundry to cover the majority of inland hospitals. ❍ An Environmental Management System (EMS) has been introduced within the Group which will ensure better compliance as well as improve health and safety practices. ❍ The Group has also recently introduced an online water and electricity metering system which will assist in measuring and managing the actual consumption of water and electricity.	Risk committee
Patient lawsuits	❍ The Group is subjected to lawsuits resulting from negligence, treatment errors and other claims.	❍ The Group has extensive quality programmes measuring clinical outcomes, infections and patient satisfaction including ISO 9001 quality certification and an Anti-microbial Stewardship Framework, to mitigate the risk of lawsuits. ❍ The Group is adequately insured to cover potential losses.	Risk committee
Quality	❍ If the Group does not maintain and continuously improve the quality of the healthcare provided, business operations may be affected.	❍ Systems are in place to manage the quality of care provided to patients including international benchmarking. ❍ The Group achieved multi-site ISO 9001:2008 certification and developed a quality scorecard (Patient Experience Management System) which measures: – patient satisfaction; – quality audit results; – patient health and safety; – employee health and safety; and – clinical outcomes improvement.	Risk committee

Risk management report continued

Risk	Description of risk	Risk mitigation	Responsible committee
Real estate management	❍ If the real estate of the Group is not well managed, it may lead to adverse financial implications.	❍ The Group's property is managed using appropriate property software and processes involving the Group risk, engineering and legal departments.	Risk committee
Reputational risk	❍ Adverse events and incidents may lead to a decline in confidence as a trusted health service provider by patients and supporting doctors.	❍ There is a policy and plan to deal with incidents and adverse events. ❍ Staff are trained in respect of quality and Company protocols to ensure these are followed in the provision of services to patients and supporting doctors. ❍ A strong communications team manages reputational risks in terms of perceptions in the media and among patients.	Risk committee
Credit risk	❍ The majority of hospital bills are paid by medical schemes to which the Group's patients belong. In South Africa, medical schemes are subject to regulation by the Council of Medical Schemes and are required to maintain reserves of 25%. ❍ A range of corporate employers under contracts in the occupational health business.	❍ The Group has a well-established and protocol-driven case management system in each hospital to manage all medical scheme patients and interaction with the private medical insurer. ❍ The Group verifies patients' medical scheme coverage to confirm if accounts will be paid. ❍ Management makes provision for potential losses during the year. ❍ Private (self-funding) patients pay deposits upfront or make payment arrangements prior to admission.	Audit committee

Life Healthcare Group facilities

Life Healthcare hospitals

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

Life Healthcare Group facilities continued

Life Healthcare hospitals continued

KwaZulu-Natal		
Life Chatsmed Garden Hospital	80 Woodhurst Drive, Woodhurst, Chatsworth 4092	031 459 8000
Life Empangeni Garden Clinic	Cnr Biyela and Ukula Streets, Empangeni 3880	035 902 8000
Life Entabeni Hospital	148 Mazisi Kunene (South Ridge) Road, Berea, Durban 4001	031 204 1300
Life Mount Edgecombe Hospital	163 to 179 Redberry Road, Rockford, Phoenix 4068	031 537 4000
Life The Crompton Hospital	102 Crompton Street, Pinetown 3610	031 737 3000
Life Westville Hospital	7 Spine Road, Westville 3630	031 251 6911
Mpumalanga		
Life Cosmos Hospital	Cnr OR Tambo and Beatty Avenues, eMalahleni 1035	013 653 8000
Life Midmed Hospital	Cnr OR Tambo and Joubert Streets, Middelburg, Mpumalanga 1050	013 283 8700
Life Piet Retief Hospital	Mansoor Street, Kempville, Piet Retief, Mkhondo 2380	017 826 9200
North West		
Life Anncron Clinic	Cnr Dr Yusuf Dadoo Avenue and Hartley Street, Wilkoppies, Klerksdorp 2571	018 468 0000
Life La Femme Clinic	Cnr Kerk and Heystek Streets, Rustenburg 0299	014 594 9500
Life Peglerae Hospital	173 Beyers Naude Drive, Rustenburg 0299	014 597 7200
Western Cape		
Life Bay View Private Hospital	Cnr Alhof and Ryk Tulbach Streets, Mossel Bay 6506	044 691 3718
Life Claremont Hospital	Main Road, Claremont 7700	021 670 4300
Life Kingsbury Hospital	Wilderness Road, Claremont 7700	021 670 4000
Life Knysna Private Hospital	Hunters Estate Drive, Hunters Home, Knysna 6570	044 384 1083
Life Orthopaedic Hospital	Alexandra Road, Pinelands, Cape Town 7405	021 506 5400
Life Sports Science Orthopaedic Surgical Day Centre	Mariendahl Terrace, Off Sports Pienaar Road, Newlands, Cape Town 7700	021 670 9920
Life Vincent Pallotti Hospital	Alexandra Road, Pinelands, Cape Town 7405	021 506 5111
Life West Coast Private Hospital	22 Voortrekker Street, Vredenburg 7380	022 719 1030
Associate hospitals		
Ascot Park Hospital	1st Floor, 3 Ascot Road, Durban 4001	031 374 8000
City Hospital	83 Lorne Street, Durban 4001	031 314 3000
Durdoc Hospital	5th Floor, Durdoc Centre, 460 Smith Street, Durban 4001	031 327 5100
Isipingo Hospital	162 Old Main Road, Isipingo 4110	031 913 7000
Maxwell Clinic	79 Lorne Street, Durban 4001	031 314 3000

Life Healthcare Group facilities continued

Life Mental Health facilities

Eastern Cape		
Life Hunterscraig Private Hospital	22 Park Drive, Central, Port Elizabeth 6001	041 586 2664
Life St Mark's Clinic	16 St Andrews Road, Southernwood, East London 5201	043 707 4400
Gauteng		
Life Glynnview	129 to 131 Howard Avenue, Benoni 1501	011 741 5460
Life Poortview	18 Malcolm Road, Roodepoort 1724	011 952 3000
Life Riverfield Lodge	Portion 32, 34 Southernwoods Road, Nietgedacht, Randburg 2194	086 074 8373
KwaZulu-Natal		
Life St Joseph's	82 Mazisi Kunene (South Ridge) Road (entrance off Tighard Avenue), Berea, Durban 4001	031 204 1470

Life Rehabilitation units

Eastern Cape		
Life St Dominic's Hospital	45 St Mark's Road, Southernwood, East London 5201	043 742 0723
Free State		
Life Pasteur Hospital	54 Pasteur Drive, Hospitaalpark, Bloemfontein 9301	051 522 1230
Gauteng		
Life Eugene Marais Hospital	696, 5th Avenue, Les Marais, Pretoria 0084	012 334 2603
Life New Kensington Clinic	23 Roberts Avenue, Kensington, Johannesburg 2094	011 538 4700
Life Riverfield Lodge	Portion 32, 34 Southernwoods Road, Nietgedacht, Randburg 2194	086 074 8373
KwaZulu-Natal		
Life Entabeni Hospital	148 Mazisi Kunene (South Ridge) Road, Berea, Durban 4001	031 204 1300
Western Cape		
Life Vincent Pallotti Hospital	Ground Floor, The Park, Park Lane (off Alexandra Road), Pinelands, Cape Town 7405	021 506 5372

Life Renal Dialysis units

Eastern Cape		
Life East London Private Hospital	32 Albany Street, East London 5201	043 722 3128
Life Mercantile Hospital	Cnr Kempston and Durban Roads, Korsten, Port Elizabeth 6020	041 404 0400
Free State		
Life Rosepark Hospital	57 Gustav Crescent, Fichardt Park, Bloemfontein 9301	051 505 5111
Gauteng		
Life Bedford Gardens Hospital	7 Leicester Road, Bedford Gardens, Bedfordview 2008	011 677 8500
Life Carstenhof Clinic	21 Dane Road, Glen Austin, Midrand 1685	011 655 5500
Life Fourways Hospital	Cnr Cedar Road and Cedar Avenue West, Fourways 2055	011 875 1000
Life The Glynnwood	33 to 35 Harrison Street, Benoni 1501	011 741 5000

Life Healthcare Group facilities continued

Life Renal Dialysis units continued

KwaZulu-Natal		
Life Entabeni Hospital	148 Mazisi Kunene (South Ridge) Road, Berea, Durban 4001	031 204 1300
Life Mount Edgecombe Hospital	163 to 179 Redberry Road, Rockford, Phoenix 4068	031 537 4000
Western Cape		
Life Vincent Pallotti Hospital	Alexandra Road, Pinelands, Cape Town 7405	021 506 5111

Life Occupational Health regional offices

Eastern Cape		
Eastern Cape regional office	Transnet Building, 85 Burman Road, Deal Party, Port Elizabeth 6210	041 486 1741
Gauteng		
Pretoria regional office	Tomkordale Building, 438 Dekgras Road, Silverton, Pretoria 0184	011 219 9209
South Gauteng regional office	91 Newton Street, Meadowdale 1614	011 923 6522
Free State		
Outland regional office	Park 62A Calliope Street, Pentagon, Bloemfontein 9301	011 219 9137
Correctional Services – Bloemfontein	c/o the G4S Mangaung Correctional Centre, along route R702 towards Dewetsdorp, Kagisanong, Bloemfontein 9323	051 406 5319
KwaZulu-Natal		
KwaZulu-Natal regional office	Suite 7, Three Peaks House, 22 Underwood Road, 2nd Floor, Pinetown 3600	031 709 2525
Mpumalanga		
Mpumalanga regional office	31a Botha Avenue, Ext 1, eMalahleni 1035	013 656 3936
Western Cape		
Western Cape regional office	Shop 4, 42 Voortrekker Road, Goodwood 7460	021 591 7050

Life Esidimeni facilities

Eastern Cape		
Algoa Frail Care Centre	Mission Road, Bethelsdorp, Port Elizabeth 6001	041 372 8012/3
Kirkwood Care Centre	Sonop Street, Kirkwood, Eastern Cape 6120	042 230 0333
Lorraine Frail Care Centre	3 Sedan Avenue, Lorraine, Port Elizabeth 6070	041 379 1213
Gauteng		
Baneng Care Centre	91 Leader Road, Robertville, Roodepoort 1709	011 474 0400
Randfontein Care Centre	Old South Compound, Randfontein Estate Gold Mine, 28 Maugham Street, Randfontein 1759	011 693 3615
Randwest Care Centre	Old South Compound, Randfontein Estate Gold Mine, 28 Maugham Street, Randfontein 1759	011 693 3615
Waverley Care Centre	Main Reef Road, Knights, Germiston 1413	011 776 8600
Witpoort Care Centre	185 Lemmer Road, Vulcania, Brakpan 1541	011 817 6901/2

Life Healthcare Group facilities continued

Life Esidimeni facilities continued

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, eMakhazeni, (Belfast) 1102	013 255 0391
Western Cape		
Intermediate Care Facility (formerly Conradie Care Centre)	Ward 94, Lentegeur Hospital, 103 Highlands Drive, Mitchells Plain 7789	021 370 9800

Life College of Learning centres

Eastern Cape		
East London Learning Centre	Life St Dominic's Hospital, 45 St Mark's Road, Southernwood, East London 5201	043 742 4438
Port Elizabeth Learning Centre	Ground Floor, Oasim North Building, Havelock Street, Central, Port Elizabeth 6001	041 501 1851
Gauteng		
East Rand Learning Centre	18 Lakeview Crescent, Kleinfontein Lake, Benoni 1501	011 744 8600
Pretoria Learning Centre	Room 8, Denneboom Office Park, Cnr Lynnwood and Simon Vermooten Roads, Die Wilgers Ext 14, Pretoria 0041	012 807 6140/1/2
West Rand Learning Centre	91 Leader Road, Robertville, Roodepoort 1709	011 474 0400/2
KwaZulu-Natal		
KwaZulu-Natal Learning Centre	Life St Joseph's, Nazareth House, 82 Mazisi Kunene (South Ridge) Road, Berea, Durban 4001	031 204 1445
Western Cape		
Cape Town Learning Centre	First Floor, The Park, Park Lane Pinelands, Cape Town 7405	021 506 5340

International division – India

Max Healthcare facilities:

- Saket
- Patparganj
- Gurgaon
- Pitampura
- Noida
- Shalimar Bagh
- Mohali
- Bathinda
- Dehradun

Notice of annual general meeting

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 Life Healthcare's offices in the St George's meeting room, Oxford Manor, 21 Chaplin Road, Illovo, Johannesburg, on **Thursday, 30 January 2014** at 15:30.

The following business will be transacted and resolutions proposed, with or without modification:

Ordinary business

1. Ordinary resolution number 1: Approval of annual financial statements

Resolved that the audited annual financial statements, including the directors' report, auditor's report and the report by the audit committee, of the Company and the Group for the year ended 30 September 2013 be accepted and approved.

Additional information in respect of ordinary resolution number 1

The complete audited annual financial statements, including the directors' report, auditor's report and the report by the audit committee, of the Company and the Group for the year ended 30 September 2013 are published on the Company's website at www.lifehealthcare.co.za. The condensed consolidated financial statements are included as Annexure E to this notice.

2. Ordinary resolution numbers 2.1 to 2.4: Re-election of directors

Directors retiring by rotation:

2.1 Ordinary resolution number 2.1

Resolved that Advocate FA du Plessis who retires by rotation in terms of clause 24 of the Company's memorandum of incorporation and who, being eligible, offers herself for re-election be hereby re-elected as an independent non-executive director of the Company;

2.2 Ordinary resolution number 2.2

Resolved that JK Netshitenzhe who retires by rotation in terms of clause 24 of the Company's memorandum of incorporation and who, being eligible, offers himself for re-election be hereby re-elected as an independent non-executive director of the Company;

Directors appointed during the year:

2.3 Ordinary resolution number 2.3

Resolved that Professor ME Jacobs who was appointed by the board as an independent non-executive director of the Company with effect from 1 January 2014, who retires in terms of clause 20.2 of the Company's memorandum of incorporation and who, being eligible, offers herself for re-election be hereby re-elected as a director of the Company; and

Notice of annual general meeting continued

2.4 Ordinary resolution number 2.4

Resolved that RT Vice, who was appointed by the board as an independent non-executive director of the Company with effect from 1 January 2014, who retires in terms of clause 20.2 of the Company's memorandum of incorporation and who, being eligible, offers himself for re-election be hereby re-elected as a director of the Company.

An abbreviated curriculum vitae in respect of each of the current directors offering themselves for re-election is contained in the explanatory notes forming part of this notice.

Director not offering himself for re-election:

2.5 Mr TS Munday who retires by rotation in terms of clause 24 of the Company's memorandum of incorporation and who, being eligible, does not offer himself for re-election.

3. Ordinary resolution number 3: Reappointment of external auditors

Resolved that the reappointment of the auditors, PricewaterhouseCoopers Inc., as nominated by the Company's audit committee as independent auditors of the Company and the Group; and FJ Lombard as the designated audit partner, for the financial year ending 30 September 2014 be approved.

4. Ordinary resolution numbers 4.1 to 4.4: Appointment of Group audit committee members subject, where necessary, to their reappointment as directors of the Company in terms of the resolutions in paragraph 2 above

Resolved that an audit committee comprising independent non-executive directors in terms of section 94(4) of the Companies Act, as set out below, be and is hereby appointed by way of separate resolutions to hold office until the next annual general meeting:

4.1 PJ Golesworthy (chairman);
4.2 FA du Plessis;
4.3 LM Mojela; and
4.4 RT Vice (with effect from 1 February 2014).

An abbreviated curriculum vitae in respect of each of the independent directors proposed to be appointed to the audit committee is contained in the explanatory notes forming part of this notice.

5. Ordinary resolution number 5: Approval of remuneration policy

Resolved that the Group remuneration policy, as described in the remuneration report included as Annexure A to the notice convening the annual general meeting, is hereby approved by way of a non-binding advisory vote, as recommended in the King Code of Governance for South Africa 2009.

6. Ordinary resolution number 6: Remuneration of auditors

Resolved that the directors of the Company be authorised to determine the remuneration of the auditors.

7. Ordinary resolution number 7: Placement of authorised, but unissued shares under the control of the 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 of the directors of the Company and, further, that the directors be and are hereby authorised and empowered to allot and issue all or any of these shares upon such terms and conditions as they may determine and deem fit, subject to the provisions of the Companies Act (No 71 of 2008), as amended (Companies Act) and the Listings Requirements of JSE Limited (JSE) and provided that this authority shall not extend beyond the next annual general meeting or 15 (fifteen) months from the date of this annual general meeting, whichever date is earlier.

Notice of annual general meeting continued

8. Ordinary resolution number 8: Authority for a director to sign necessary documents

Resolved that any one director be authorised to sign all such documents and do all such things as may be necessary for or incidental to the implementation of the resolutions to be proposed at the annual general meeting.

Special business

Shareholders are requested to consider and, if deemed fit, pass the following special resolutions with or without amendment:

9. Special resolution number 1: General authority to repurchase Company shares

Resolved that the board of directors of the Company be hereby authorised, by way of a renewable general authority, to approve the purchase of its own ordinary shares by the Company, or to approve the purchase of ordinary shares in the Company by any subsidiary of the Company, upon such terms and conditions as the board of directors of the Company may from time to time determine, provided that:

- This general authority shall be valid until the Company's next annual general meeting or for 15 (fifteen) months from the date of passing of this resolution, whichever period is shorter;
- The ordinary shares be purchased through the order book of the trading system of the JSE and done without any prior understanding or arrangement between the Company and/or the relevant subsidiary and the counterparty;
- An announcement complying with the JSE Listings Requirements be published by the Company (i) when the Company and/or its subsidiaries have cumulatively repurchased 3% of the ordinary shares in issue as at the time when the general authority was given (the initial number) and (ii) for each 3% in the aggregate of the initial number of the ordinary shares acquired thereafter by the Company and/or its subsidiaries;
- The repurchase by the Company of its own ordinary shares shall not in the aggregate in any one financial year exceed 5% (five percent) of the Company's issued ordinary share capital, provided that the acquisition of ordinary shares as treasury shares by a subsidiary of the Company shall not be effected to the extent that in aggregate more than 10% of the number of issued ordinary shares of the Company at the relevant times are held by or for the benefit of the subsidiaries of the Company taken together;
- Repurchases must not be made at a price more than 10% above the weighted average of the market value of the ordinary shares for the five business days immediately preceding the date on which the transaction is effected;
- At any point in time the Company may only appoint one agent to effect any repurchase on the Company's behalf or on behalf of any subsidiary of the Company;
- Subject to the exceptions contained in the JSE Listings Requirements, the Company and the Group will not repurchase ordinary shares during a prohibited period (as defined in the Listings Requirements) unless they have in place a repurchase programme where the dates and quantities of shares to be traded during the relevant period are fixed (not subject to any variation) and full details of the programme have been disclosed in an announcement over SENS prior to the commencement of the prohibited period;
- Prior to the repurchase, a resolution has been passed by the board of directors of the Company confirming that the board has authorised the repurchase, that the Company satisfies the solvency and liquidity test contemplated in the Companies Act, and that since the test was done there have been no material changes to the financial position of the Group; and
- Such repurchases will be subject to the applicable provisions of the Companies Act (including sections 114 and 115 to the extent that section 48(8) is applicable in relation to the particular repurchase), the Company's memorandum of incorporation, the JSE Listings Requirements and the Exchange Control Regulations 1961. It is the intention of the board of directors to use this general authority should prevailing circumstances (including the tax dispensation and market conditions) warrant it, in their opinion.

The Company's directors undertake that they will not implement any such repurchases while this general authority is valid, unless:

- The Company and the Group will be able, in the ordinary course of business, to pay its debts for a period of 12 (twelve) months after the date of the general repurchase;
- The assets of the Company and the Group will exceed their liabilities for a period of 12 (twelve) months after the date of the general repurchase. For this purpose, the assets and liabilities are recognised and measured in accordance with the accounting policies used in the Company's latest Group audited annual financial statements;

Notice of annual general meeting continued

- The Company and the Group will have adequate share capital and reserves for ordinary business purposes for a period of 12 (twelve) months after the date of the general repurchase;
- The working capital of the Company and the Group will be adequate for ordinary business purposes for a period of 12 (twelve) months after the date of the general repurchase; and
- Upon entering the market to proceed with the repurchase, the Company's sponsor has confirmed the adequacy of the Company's working capital for the purposes of undertaking a repurchase of shares in writing to the JSE.

Reason for and effect of special resolution number 1

The reason for and the effect of special resolution number 1 is to grant the Company's board of directors a general authority to approve the Company's repurchase of its own ordinary shares and to permit a subsidiary of the Company to purchase ordinary shares in the Company.

For the purposes of considering special resolution number 1 and in compliance with the Listings Requirements, the JSE Listings Requirements require the following disclosures which are disclosed in the annexures attached to this notice:

- Directors and management (Annexure B);
- Major shareholders of the Company (Annexure C);
- Directors' interests in securities (Annexure D); and
- Share capital of the Company (Annexure D).

- Directors' responsibility statement

The directors, whose names appear in Annexure B attached to this notice, collectively and individually accept full responsibility for the accuracy of the information contained in this special resolution number 1 and certify, to the best of their knowledge and belief, that there are no other facts, the omission of which would make any statement false or misleading and that they have made all reasonable enquiries in this regard and that this resolution contains all information required by law and the Listings Requirements.

- Litigation statement

There are no legal or arbitration proceedings (including any such proceedings that are pending or threatened of which the Company is aware), which may have or have had a material effect on the Company and the Group's financial position over the last 12-month period.

- Material change

Other than the facts and developments reported on in the integrated 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.

Notice of annual general meeting continued

10. Special resolution number 2: Approval of non-executive directors' remuneration

Resolved that the determination of the non-executive directors' fees for the financial year ending 30 September 2014 on the basis set out below be hereby approved by way of a special resolution of the shareholders in terms of section 66(9) of the Companies Act:

	Number of meetings			2013			2014			
Committee	2013	2014	Entity	Retainer per annum	Total meeting fees per annum	Current annual cost	Proposed retainer per annum	Proposed fees per annum	Proposed annual cost	% increase
Directors' fees	**4**	4	Chairperson	385 200	256 800	**642 000**	450 000	300 000	**750 000**	16.82
			Board member	96 300	64 200	**160 500**	102 840	68 540	**171 380**	6.78
Audit	**4**	4	Chairperson	117 120	78 060	**195 180**	125 040	83 320	**208 360**	6.75
			Board member	68 820	45 880	**114 700**	73 500	48 980	**122 480**	6.78
Remuneration	**3**	3	Chairperson	89 580	59 700	**149 280**	95 640	63 735	**159 375**	6.76
			Board member	44 880	29 925	**74 805**	47 880	31 950	**79 830**	6.72
Nominations	**2**	2	Chairperson	59 700	39 800	**99 500**	63 720	42 490	**106 210**	6.74
			Board member	29 940	19 950	**49 890**	31 980	21 300	**53 280**	6.79
Risk	**2**	2	Chairperson	59 700	39 800	**99 500**	63 720	42 490	**106 210**	6.74
			Board member	29 940	19 950	**49 890**	31 980	21 300	**53 280**	6.79
Investment	**3**	3	Chairperson	89 580	59 700	**149 280**	95 640	63 735	**159 375**	6.76
			Board member	44 880	29 925	**74 805**	47 880	31 950	**79 830**	6.72
Social, ethics and transformation	**2**	2	Chairperson	59 700	39 800	**99 500**	63 720	42 490	**106 210**	6.74
			Board member	29 940	19 950	**49 890**	31 980	21 300	**53 280**	6.79
	20	**20**				**2 008 720**			**2 209 100**	**9.98**

Annual fee: 60/40 split proposed between retainer and attendance fee per meeting.

In instances where the number of scheduled board committee meetings are changed, an appropriate adjustment will be made to the fees.

Reason for and effect of special resolution number 2

The reason for and the effect of special resolution number 2 is to approve the remuneration payable by the Company to its directors for their services as directors of the Company for the financial year ending 30 September 2014.

11. Special resolution number 3: General authority to provide financial assistance to related and inter-related companies

Resolved that, to the extent required in terms of, and subject to the provisions of, sections 44 and 45 of the Companies Act, the shareholders of the Company hereby approve of the Company providing, at any time and from time to time during the period of 2 (two) years commencing on the date of this special resolution, any direct or indirect financial assistance as contemplated in such sections of the Companies Act to any 1 (one) or more related or inter-related companies or corporations of the Company and/or to any 1 (one) or more members of any such related or inter-related Company or corporation and/or to any 1 (one) or more persons related to any such Company or corporation, on such terms and conditions as the board of directors of the Company, or any one or more persons authorised by the board of directors of the Company from time to time for such purpose, deems fit.

The main purpose for this authority is to grant the board of directors the authority to authorise the Company to provide intergroup loans and other financial assistance for purposes of funding the activities of the Group. The board undertakes that:

- It will not adopt a resolution to authorise such financial assistance, unless the board is satisfied that:
  - immediately after providing the financial assistance, the Company would satisfy the solvency and liquidity test as contemplated in the Companies Act; and
  - the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company; and
- Written notice of any such resolution by the board shall be given to all shareholders of the Company and any trade union representing its employees:

Notice of annual general meeting continued

- within 10 (ten) business days after the board adopted the resolution, if the total value of the financial assistance contemplated in that resolution, together with any previous such resolution during the financial year, exceeds 0.1% of the Company's net worth at the time of the resolution; or
- within 30 (thirty) business days after the end of the financial year, in any other case.

Reason for and effect of special resolution number 3
The reason for and the effect of special resolution number 3 is to provide a general authority to the board of directors of the Company for the Company to grant direct or indirect financial assistance to any company forming part of the Group, including in the form of loans or the guaranteeing of their debts.

12. Special resolution number 4: Replacement of the memorandum of incorporation
Resolved to approve a new memorandum of incorporation, which has been harmonised with the Companies Act and Schedule 10 of the JSE Listings Requirements.

A summary of the new memorandum of incorporation is attached to this notice of the annual general meeting as Annexure F.

13. Other business
Report of the social, ethics and transformation committee
A member of the social, ethics and transformation committee will provide feedback report to the Company's shareholders on the matters within its mandate at the annual general meeting.

14. And to transact any other business that may be transacted at an annual general meeting

Record dates
The record date in terms of section 59 of the Companies Act for shareholders to be recorded on the securities register of the Company in order to receive notice of the annual general meeting is Friday, 6 December 2013. The record date in terms of section 59 of the Companies Act for shareholders to be recorded on the securities register of the Company in order to be able to attend, participate and vote at the annual general meeting is Friday, 24 January 2014, and the last day to trade in the Company's shares in order to be recorded on the securities register of the Company in order to be able to attend, participate and vote at the annual general meeting is Friday, 17 January 2014.

Approvals required for resolutions
Ordinary resolutions numbers 1 to 8 contained in this notice of annual general meeting require the approval by more than 50% (fifty percent) of the votes exercised on the resolutions by shareholders present or represented by proxy at the annual general meeting, subject to the provisions of the Companies Act, the memorandum of incorporation of the Company and the JSE Listings Requirements.

Special resolutions numbers 1 to 4 contained in this notice of annual general meeting require the approval by at least 75% (seventy-five percent) of the votes exercised on the resolutions by shareholders present or represented by proxy at the annual general meeting, subject to the provisions of the Companies Act, the memorandum of incorporation of the Company and the JSE Listings Requirements.

Attendance and voting by shareholders or proxies
Shareholders who have not dematerialised their shares or who have dematerialised their shares with "own name" registration are entitled to attend and vote at the annual general meeting and are entitled to appoint a proxy or proxies (for which purpose a form of proxy is attached hereto) to attend, speak and vote in their stead. The person so appointed as proxy need not be a shareholder of the Company. Forms of proxy must be lodged with the transfer secretaries of the Company, Computershare Investor Services Proprietary Limited, 70 Marshall Street, Johannesburg, 2001, South Africa, or posted to the transfer secretaries at PO Box 61051, Marshalltown, 2107, South Africa, to be received by them not later than Tuesday, 28 January 2014, at 15:30 (South African time). Any forms of proxy not lodged by this time must be handed to the chairman of the meeting.

Forms of proxy must only be completed by shareholders who have not dematerialised their shares or who have dematerialised their shares with "own name" registration.

On a show of hands, every shareholder of the Company present in person or represented by proxy shall have one vote only. On a poll, every shareholder shall be entitled to that proportion of the total votes in the Company which the aggregate amount of the

Notice of annual general meeting continued

nominal value of the shares held by such shareholder bears to the aggregate amount of the nominal value of all the shares issued by the Company.

Shareholders who have dematerialised their shares, other than those shareholders who have dematerialised their shares with "own name" registration, should contact their Central Securities Depository Participant (CSDP) or broker in the manner and time stipulated in their agreement:

- To furnish them with their voting instructions; or
- In the event that they wish to attend the meeting, to obtain the necessary letter of representation to do so.

In compliance with section 58(8)(b)(i) of the Companies Act, a summary of the rights of a shareholder to be represented by proxy is set out immediately below:

An ordinary shareholder entitled to attend and vote at the AGM may appoint any individual (or individuals) as a proxy/ies to attend, participate in and vote at the AGM in place of the shareholder. A proxy need not be a shareholder of the Company.

A proxy appointment must be in writing, dated and signed by the shareholder appointing a proxy and, subject to the rights of a shareholder to revoke such appointment (as set out below), remains valid only until the end of the AGM.

A proxy may delegate its authority to act on behalf of a shareholder to another person, subject to any restrictions set out in the instrument appointing the proxy.

The appointment of a proxy is suspended at any time and to the extent that the shareholder who appointed such proxy chooses to act directly and in person in exercising any rights as a shareholder.

The appointment of a proxy is revocable by the shareholder cancelling this in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and to the Company. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of (a) the date stated in the revocation instrument, if any; and (b) the date on which the revocation instrument is delivered to the Company as required in the first sentence of this paragraph.

If the instrument appointing the proxy or proxies has been delivered to the Company, as long as that appointment remains in effect, any notice required by the Act or the Company's memorandum of incorporation to be delivered by the Company to the shareholder, must be delivered by the Company to (a) the shareholder, or (b) the proxy or proxies, if the shareholder has (i) directed the Company to do so in writing; and (ii) paid any reasonable fee charged by the Company for doing so.

Attention is also drawn to the notes to the form of proxy.

Completing a form of proxy does not preclude any shareholder from attending the annual general meeting.

Proof of identification required

In terms of the Companies Act, any shareholder or proxy who intends to attend or participate at the annual general meeting must be able to present reasonably satisfactory identification at the meeting for such shareholder or proxy to attend and participate at the annual general meeting. A green bar-coded identification document issued by the South African Department of Home Affairs, a driving licence or a valid passport will be accepted at the annual general meeting as sufficient identification.

By order of the board of directors

Fazila Patel
Company secretary

Johannesburg

14 November 2013

Explanatory notes to the notice of annual general meeting

Ordinary resolutions

Ordinary resolution number 1

Approval of annual financial statements

In terms of clause 17.1 of the Company's memorandum of incorporation, the audited annual financial statements of the Company and the Group shall be received and considered by the shareholders at the annual general meeting.

Ordinary resolution numbers 2.1 to 2.4
Re-election of directors

Directors retiring by rotation

In accordance with the Company's memorandum of incorporation, one-third of directors are required to retire at each annual general meeting and may offer themselves for re-election. The abbreviated curricula vitae of the directors offering themselves for re-election appear below:

Adv FA (Fran) du Plessis

Independent non-executive director

South African – BCom, LLB, CA(SA), BCom (Hons) (Taxation)

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

JK (Joel) Netshitenzhe

Independent non-executive director

South African – MSC (University of London), Postgraduate Diploma in Economic Principles, Diploma in Political Science

Joel is the executive director and board vice-chairperson of the Mapungubwe Institute for Strategic Reflection (MISTRA), an independent research institute. Joel is a member of the National Planning Commission and the ANC National Executive Committee. He serves as a non-executive director on the boards of Nedbank Group and CEEFAfrica (a section 21 company dealing with tertiary education opportunities). He is also a programme pioneer of the Nelson Mandela Champion Within Programme. Joel has held a number of senior and executive management positions in the ANC government including that of head of Policy Co-ordination and Advisory Services (PCAS) in The Presidency. He was appointed to the Life Healthcare board of directors in 2010.

Directors appointed during the year

In accordance with the Company's memorandum of incorporation, directors appointed since the last annual general meeting to fill any vacancy and serve as a director of the Company are required to retire at the first annual general meeting following their appointment and may offer themselves for re-election. The abbreviated curricula vitae of the directors offering themselves for re-election appear below:

Prof ME (Marian) Jacobs (55)

Independent non-executive director

South African – MB, ChB (UCT), Diploma in Community Medicine (UCT), Fellowship of the College of South Africa (with paediatrics)

Marian Jacobs retired as Dean of the Faculty of Health Sciences at the University of Cape Town in 2012 and currently holds the position of Emeritus Professor, Paediatrics and Child Health, University of Cape Town. She chairs the Advisory Committee of the Academy for Leadership and Management in Healthcare in the National Department of Health. Previous positions held include: Professor of Child Health, University of Cape Town; community paediatrician, Department of Paediatrics and Child Health (UCT) and the provincial health department; lecturer and specialist (Community Health), Department of Community Health (UCT) and GSH; Registrar (Community

Explanatory notes to the notice of annual general meeting continued

Medicine), Department of Community Medicine (UCT) and the Divisional Council of the Cape; Registrar (Paediatrics), Department of Paediatrics and Child Health (UCT) and Somerset Hospital; Registrar (Microbiology), Department of Pathology (UCT) and GSH/Red Cross Children's Hospital; and intern at Somerset Hospital, Cape Town. Marian has served as convenor and a member of the scientific committee of national and international congresses, which focuses on strengthening knowledge and health development nationally. She has also co-authored a number of key publications in the past ten years.

RT (Royden) Vice (65)
Independent non-executive director
South African – BCom, CA(SA)
Royden is the chairman of the board of Waco International Holdings (Pty) Limited since retiring in July 2011 after ten years as the company's CEO. The Waco group of companies has subsidiaries in the UK, USA, Australia, New Zealand, Chile and southern Africa. Prior to this, Royden was CEO of Industrial and Special Products of the UK-based BOC Group, responsible for operations in over 50 countries and revenue of US$4 billion. He was also chairman of African Oxygen Limited (Afrox) from 1994 to 2001 and Afrox Healthcare, which successfully listed in 1999. He serves as a non-executive director on the boards of Hudaco Industries Limited where he is the chairman and Murray and Roberts Holdings. Royden is a governor of Rhodes University. He has extensive global leadership experience, having lived on three continents – America (New York), Africa (Johannesburg) and Europe (London).

Ordinary resolution number 3
Reappointment of external auditors

In terms of section 90(1) of the Companies Act, a public company must at each annual general meeting appoint an auditor.

Ordinary resolution numbers 4.1 to 4.4
Appointment of Group audit committee

In terms of section 94(2) of the Companies Act, a public company must at each annual general meeting elect an audit committee comprising at least three members who are directors and who meet the criteria of section 94(4) of the Companies Act. The abbreviated curricula vitae of each of the independent non-executive directors proposed to be appointed to the audit committee appears below. As is evident from the curricula vitae of these directors, all of them have academic qualifications and experience in one or more of the following areas, ie law, finance, accounting, commerce or industry.

PJ (Peter) Golesworthy
Independent non-executive director
British – BA (Hons) (first class), Accountancy Studies, CA
Peter qualified as a chartered accountant with the Institute of Chartered Accountants of Scotland. He 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). He was appointed to the Life Healthcare board of directors in 2010.

Adv FA (Fran) du Plessis
Independent non-executive director
South African – BCom, LLB, CA(SA), BCom (Hons) (Taxation)
Fran is an advocate of the High Court of South Africa. She holds a number of board positions at Naspers and ArcelorMittal. Fran has previously held non-executive directorships at Sanlam, SAA and Industrial Development Corporation of South Africa Limited. She is a director of the auditing firm LDP Incorporated in Stellenbosch and an ad hoc lecturer in the department of accounting at the University of Stellenbosch, where she lectures the Masters degree in Taxation. She was appointed to the Life Healthcare board of directors in 2010.

Explanatory notes to the notice of annual general meeting continued

LM (Louisa) Mojela
Independent non-executive director
South African – National University of Lesotho (NUL) – BCom
Louisa is Group CEO and chairman of WIPHOLD of which she is a founder member. She holds non-executive directorships in Distell Group, Ixia Coal, Sun International and USB-ED United. She previously held positions at the Lesotho National Development Corporation, Development Bank of Southern Africa and Standard Corporate and Merchant Bank. She was appointed to the Life Healthcare board of directors in 2010.

RT (Royden) Vice (65)
Independent non-executive director
South African – BCom, CA(SA)
Royden is the chairman of the board of Waco International Holdings (Pty) Limited since retiring in July 2011 after ten years as the company's CEO. The Waco group of companies has subsidiaries in the UK, USA, Australia, New Zealand, Chile and southern Africa. Prior to this, Royden was CEO of Industrial and Special Products of the UK-based BOC Group, responsible for operations in over 50 countries and revenue of US$4 billion. He was also chairman of African Oxygen Limited (Afrox) from 1994 to 2001 and Afrox Healthcare, which successfully listed in 1999. He serves as a non-executive director on the boards of Hudaco Industries Limited where he is the chairman and Murray and Roberts Holdings. Royden is a governor of Rhodes University. He has extensive global leadership experience, having lived on three continents – America (New York), Africa (Johannesburg) and Europe (London).

Ordinary resolution number 5
Approval of remuneration policy

The King Report on Corporate Governance for South Africa, 2009 (King III) recommends that the remuneration policy of the Company be submitted to shareholders for consideration and for an advisory, non-binding vote to give shareholders an opportunity to indicate their support for or opposition to the material provisions of the remuneration strategy.

Ordinary resolution number 6
Remuneration of auditors

In terms of the articles of the memorandum of incorporation of the Company, the board of directors is required to obtain the approval of the shareholders to determine the remuneration of the auditors.

Ordinary resolution number 7
Placement of authorised, but unissued shares under the control of the directors

The reason for proposing this resolution is to seek a general authority and approval for the directors to allot and issue ordinary shares, up to a maximum of 5% of the ordinary shares of the Company in issue from time to time, in order to enable the Company to take advantage of business opportunities which might arise in the future.

Ordinary resolution number 8
Authority for a director to sign necessary documents

It is necessary to confer upon a director of the Company an authority to sign all documents as may be necessary to implement the resolutions to be proposed at the annual general meeting.

Explanatory notes to the notice of annual general meeting continued

Special resolutions

Special resolution number 1
General authority to repurchase shares

The annual renewal of this authority is required in terms of the provisions of the Listings Requirements of the exchange operated by the JSE Listings Requirements. The existing authority to the directors is due to expire at the forthcoming annual general meeting, unless renewed.

Special resolution number 2
Approval of non-executive directors' remuneration

In terms of the provisions of section 66(9) of the Companies Act, remuneration may only be paid to the directors for their services as directors in accordance with a special resolution approved by the shareholders.

Special resolution number 3
General authority to provide financial assistance to related and inter-related companies

The general authority is given to the directors to enable them, subject to the provisions of sections 44 and 45 of the Companies Act, to authorise the Company to provide financial assistance to related and inter-related companies of the Company.

Special resolution number 4
Replacement of the memorandum of incorporation

The Company proposes to adopt a new MOI, in substitution for its current memorandum of incorporation, in order to ensure that the Company's constitutional documents are in harmony with the Companies Act and Schedule 10 of the JSE Listings Requirements.

The salient features of the Company's proposed new memorandum of incorporation (MOI) are summarised in Annexure F to this notice of annual general meeting. This summary is not exhaustive and the new MOI should be read in its entirety for a full appreciation of its contents. The full text of the proposed new MOI, as well as a copy of the existing MOI, is available for inspection at the registered office of the Company at Oxford Manor, 21 Chaplin Road, Illovo, 2196, during normal office hours from the date of issue of this notice of annual general meeting up to and including the date of the annual general meeting or any adjourned meeting.

Other business

Report of the social, ethics and transformation committee

At the annual general meeting, the social and ethics committee must report, through one of its members, on matters within its mandate as required in terms of Regulation 43(5)(c) of the Companies Act.

Administration

Secretary
Fazila Patel

Registered office and postal address
Oxford Manor, 21 Chaplin Road, Illovo, 2196
Private Bag X13, Northlands, 2116
Telephone 011 219 9000
Facsimile 011 219 9001

Registration
2003/002733/06
Place of incorporation: Illovo
JSE code: LHC
ISIN: ZAE000145892

Attorneys
DLA Cliffe Dekker Hofmeyr

Auditors
PricewaterhouseCoopers Inc.

Transactional bankers
First National Bank

Sponsors
Rand Merchant Bank (A division of FirstRand Bank Limited)

Transfer secretaries
Computershare Investor Services Proprietary Limited
Transfer office
70 Marshall Street, Johannesburg
PO Box 61051, Marshalltown, 2107
Telephone 011 370 5000
Facsimile 011 370 5271

Website address
www.lifehealthcare.co.za

Form of proxy

This form of proxy is not for completion by those shareholders who have dematerialised their shares (other than those whose shareholding is recorded in their own name in the sub-register maintained by their CSDP or broker). Such shareholders should provide their CSDP or broker with their voting instructions.

Life Healthcare Group Holdings Limited
Registration number 2003/002733/06
JSE code: LHC ISIN: ZAE000145892

I/We (please print name in full) _____

of (address) _____

being the holder(s) of _____ ordinary shares in the Company, do hereby appoint

_____

or, failing him/her, the chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the annual general meeting of the Company to be held at Life Healthcare's offices in the St George's meeting room, Oxford Manor, 21 Chaplin Road, Illovo, Johannesburg, on **Thursday, 30 January 2014** at 15:30 or any adjournment thereof.

I/We desire to vote as follows:

Voting instructions		For	Against	Abstain
Ordinary business				
1.	Approval of the annual financial statements for the year ended 30 September 2013			
2.	Re-election of director: 2.1 FA du Plessis			
	2.2 JK Netshitenzhe			
	2.3 ME Jacobs			
	2.4 RT Vice			
3.	Reappointment of external auditors			
4.	Appointment of Group audit committee members subject, where necessary, to their reappointment as directors of the Company in terms of the resolutions in paragraph 2 above: 4.1 PJ Golesworthy (chairman)			
	4.2 FA du Plessis			
	4.3 LM Mojela			
	4.4 RT Vice (with effect from 1 February 2014)			
5.	Approval of remuneration policy			
6.	Remuneration of auditors			
7.	Placement of authorised but unissued shares under the control of the directors			
8.	Authority for a director to sign necessary documents			
Special resolutions				
9.	General authority to repurchase Company shares			
10.	Approval of non-executive directors' remuneration			
11.	General authority to provide financial assistance to related and inter-related companies			
12.	Replacement of the memorandum of incorporation			

Signed this _____ day of _____ 2014

Signature _____

Notes to the form of proxy

Notes

1. A shareholder entitled to attend and vote at the annual general meeting is entitled to appoint one or more proxies to attend, speak and vote in his/her stead. A proxy need not be a registered shareholder of the Company.

2. Every shareholder present in person or by proxy and entitled to vote at the annual general meeting of the Company shall, on a show of hands, have one vote only, irrespective of the number of shares such shareholder holds. In the event of a poll, every shareholder shall be entitled to that proportion of the total votes in the Company which the aggregate amount of the nominal value of the shares held by such shareholder bears to the aggregate amount of the nominal value of all the shares issued by the Company.

3. Shareholders registered in their own name are shareholders who elected not to participate in the Issuer-Sponsored Nominee Programme and who appointed Computershare Limited as their Central Securities Depository Participant (CSDP) with the express instruction that their uncertificated shares are to be registered in the electronic uncertificated securities register in their own names.

Instructions on signing and lodging the form of proxy

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space/s provided, with or without deleting "the chairman of the annual general meeting", but any such deletion must be initialled by the shareholder. Should this space/s be left blank, the proxy will be exercised by the chairman of the annual general meeting. The person whose name appears first on the form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.

2. A shareholder's voting instructions to the proxy must be indicated by the insertion of an "X", or the number of votes which that shareholder wishes to exercise, in the appropriate spaces provided. Failure to do so will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she thinks fit in respect of all the shareholder's exercisable votes. A shareholder or his/her proxy is not obliged to use all the votes exercisable by him/her or by his/her proxy, but the total number of votes cast, or those in respect of which abstention is recorded, may not exceed the total number of votes exercisable by the shareholder or by his/her proxy.

3. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries.

4. To be valid, the completed forms of proxy must be lodged with the transfer secretaries of the Company, Computershare Investor Services Proprietary Limited at 70 Marshall Street, Johannesburg, 2001, South Africa, or posted to the transfer secretaries at PO Box 61051, Marshalltown, 2107, South Africa, to be received by them not later than Tuesday, 28 January 2014, at 15:30 (South African time).

5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the transfer secretaries or waived by the chairman of the annual general meeting.

6. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.

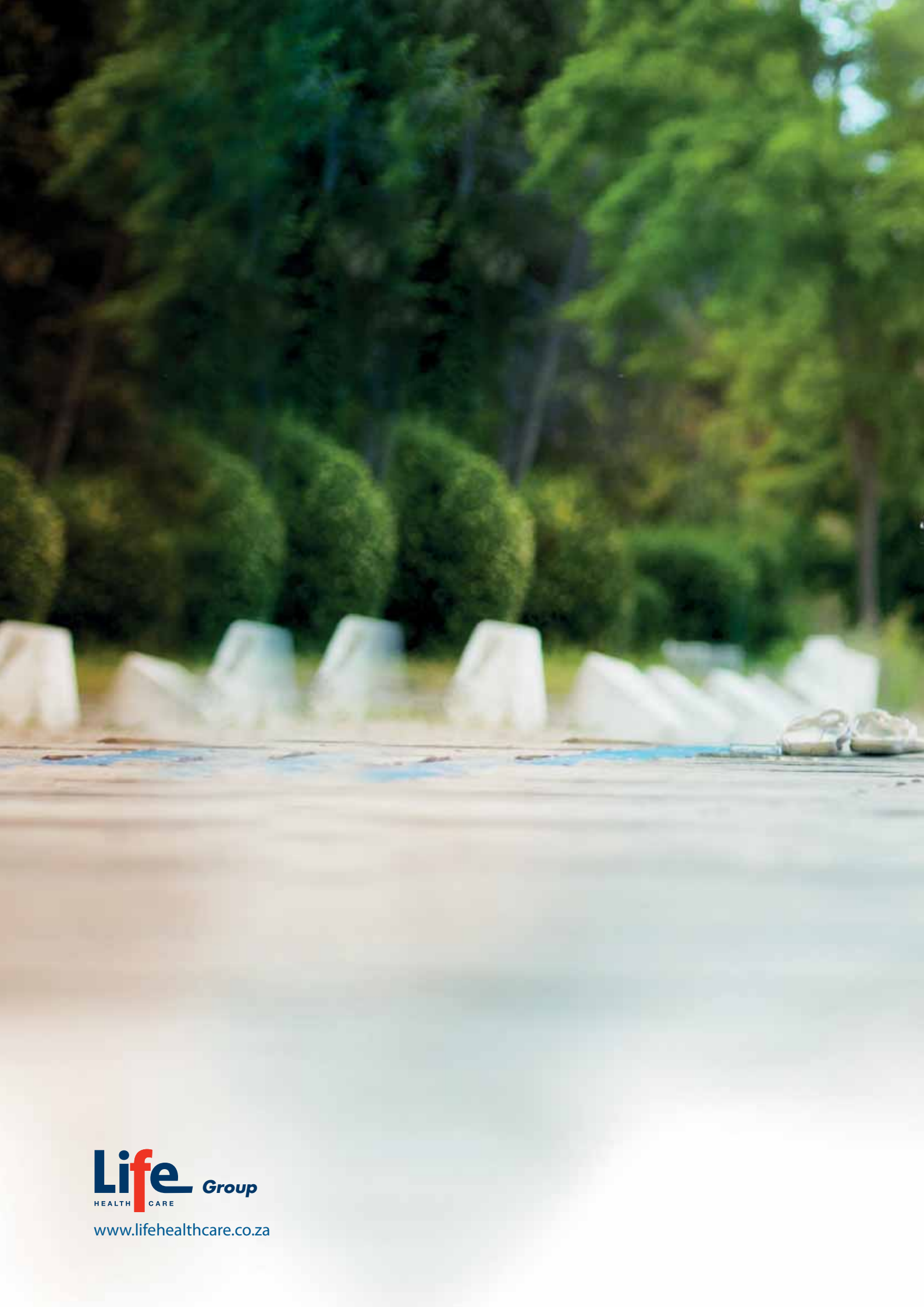
7. The appointment of a proxy in terms of this form of proxy is revocable in terms of the provisions of section 58(4)(c) read with section 58(5) of the Companies Act, and accordingly a shareholder may revoke the proxy appointment by cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and to the Company.

8. The completion of any blank spaces need not be initialled. Any alterations or corrections to this form of proxy must be initialled by the signatory/ies.

9. The chairman of the annual general meeting may accept any form of proxy which is completed other than in accordance with these instructions provided that he is satisfied as to the manner in which a shareholder wishes to vote.

Glossary of terms

AMI	Acute myocardial infarction
AMS	Antimicrobial stewardship
ARM	Alternative reimbursement model
B-BBEE	Broad-Based Black Economic Empowerment
BSE	Bombay Stock Exchange
CAGR	Compound annual growth rate
CAUTI	Catheter-related urinary tract infections
CLABSI	Central line associated bloodstream infections
CMSA	Colleges of Medicine South Africa
COID	Compensation for occupational injuries and diseases
CPI	Consumer Price Index
CSI	Corporate Social Investment
Current ratio	Current assets/current liabilities
DoH	Department of Health
DSO	Days sales outstanding
EPS	Earnings per share
ESP	Employee share plan
Gearing net of cash	(Total liabilities – cash and cash equivalents) (shareholders' equity + total liabilities)
GHG	Greenhouse gas
GRI	Global Reporting Initiative
HAI	Health associated infections
HDIs	Historically disadvantaged individuals
HEPS	Headline earnings per share
HPCSA	Health Professions Council of South Africa
HWSETA	Health and Welfare Sector Education and Training Authority
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
IPO	Initial public offering
ISO	International Standards Organisation
IDSO	Internal days sales outstanding as a measure of time it takes from patient discharge to having the final bill ready
LOC	Level of care
LOS	Length of stay
LTIP	Long-term incentive plan
MHC	Max Healthcare
NHI	National Health Insurance
Normalised EBITDA	Earnings before interest, depreciation and amortisation (defined as operating profit plus depreciation, amortisation of intangibles, impairment of goodwill as well as excluding profit/loss on disposal of business/property and surpluses/ deficits on retirement benefits)
NPS	Net promoter score is a client satisfaction measurement tool. (It's calculated by asking one question to patients: "How likely are you to recommend (our company) to a colleague or friend?" Respondents use a scale from 0 to 10 and they are reclassified as Detractors, Passives and Promoters. Calculation: NPS = % of Promoters – % of Detractors
NSE	National Stock Exchange
PCI	Percutaneous coronary intervention
PIR	Patient incident rate
PPD	Paid patient days
PPE	Property, plant and equipment
PPP	Public private partnerships
PROMS	Patient reported outcomes measures
Quick ratio	Current assets – Inventories/current liabilities
RHD	Rheumatic heart disease
RONA	Return on net assets Profit after tax/(PPE + net working capital)
SSI	Surgical site infections
STC	Secondary tax on companies
VAP	Ventilator associated pneumonia
VTE	Venous thromboembolism



Life HEALTH CARE Group

www.lifehealthcare.co.za