INTEGRATED ANNUAL REPORT

2014

Life HEALTH CARE Group

SCOPE AND BOUNDARY

Life Healthcare Group Holdings Limited's (the Group) integrated report covers the financial year 1 October 2013 to 30 September 2014. Any informative and material information post 30 September 2014 has been included and is identified in the report where applicable.

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

The information provided in this integrated report has been guided by local and international requirements. These include:

- the International Integrated Reporting Council's (IIRC) <IR> framework;
- the principles of the Global Reporting Initiative (GRI) (G4 Core 'in accordance' option);
- the reporting principles contained in the King III Code of Corporate Practices and Conduct (the King III Code);
- JSE Limited Listings Requirements;
- the South African Companies Act 71 of 2008 as amended (Companies Act); and
- the International Financial Reporting Standards (IFRS).

Since the release of the Group's 2013 integrated report, there has been no material change to the structure, ownership or products and services of the organisation except for the disposal of the Group's associate investment in Joint Medical Holdings Limited and the international acquisitions. For detail regarding the acquisitions, refer to page 45 to 47.

GRI

Sustainability is one of Life Healthcare's four key strategic focus areas and demonstrates the importance of sustainability to the future. The GRI's revised Sustainability Reporting Guidelines (G4) guided the preparation of the integrated report for the first time. The Group will continue to improve its reporting and is on a journey towards full GRI G4 (Core 'in accordance' option) compliance.

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 integrated report and assume responsibility for the information contained therein. We recommend that you read this report together with the audited annual financial statements which are available online at www.lifehealthcare.co.za.

The summarised financial information included in this report has been extracted from the audited annual financial statements and have been prepared in accordance with IFRS. The annual financial statements have been independently assured by PricewaterhouseCoopers Inc. This report in its entirety was not independently assured.

BOARD RESPONSIBILITY

The board, assisted by its respective committees, is ultimately responsible for overseeing the integrity and completeness of the integrated report. The board has applied its collective mind to the preparation and presentation of the integrated report and has concluded that it is materially presented in accordance with the international integrated reporting framework version 1.0 (IIRC framework). The integrated report has been prepared in line with best practice pursuant to the recommendations of the King III Code (principle 9.1).

On 13 November 2014, the board approved the 2014 integrated report taking into consideration the completeness of the material items it deals with and the reliability of data and information presented, in line with the combined assurance process followed.

Mustaq Brey
Chairman

André Meyer
Chief Executive Officer

FORWARD-LOOKING STATEMENTS

This integrated report contains forward-looking statements that, unless otherwise indicated, reflect the Group's expectations as at 13 November 2014. 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.

INVESTOR TOOLS

To enable easy referencing and show connectivity, we have developed and applied the following icons:

Other sections of the report

Digital channels

GO ONLINE

www.lifehealthcare.co.za

FEEDBACK

This report has been compiled with information that the board and management believe is relevant to 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 the company secretary, Fazila Patel should you have any questions. Her information is as follows:
Telephone +27 11 219 9000 or
fazila.patel@lifehealthcare.co.za.

CONTENTS

GROUP OVERVIEW

OUR VISION, MISSION, CULTURE

Our five core values

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

Our vision

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

Our mission

Making life better.

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.

BUSINESS MODEL

Life Healthcare creates sustainable value through:

- providing quality healthcare and related services to a broad spectrum of customers;
- creating robust partnerships with doctors;
- delivering strong operational growth;
- operating with a level of efficiency that differentiates Life Healthcare from its competitors;
- appropriately investing in cost-effective, innovative technologies – including energy and water efficiency initiatives;

see pages 32 to 41

FINANCIAL CAPITAL

Life Healthcare's pool of funds consists of funds reinvested in the Group, revenue generated, interest income and a combination of long and short-term loans from capital providers

Input

- Revenue, loans, interest income, retained income
- Operational and capital expenditure

Output

- Refer to the statement of value added on page 13

see pages 7 to 11

MANUFACTURED CAPITAL

The hospital facilities and general infrastructure which enable us to procure, deliver and sell our services

Input

- Number of acute hospital buildings
- Number of acute rehabilitation and mental health buildings
- Number of beds
- Number of hospital theatres
- Number of occupational healthcare clinics

Output

- Paid patient days (PPDs)
- Number of hospital buildings added
- Number of beds and renal stations added

see pages 49 to 59

INTELLECTUAL CAPITAL

The intangibles that constitute our product and service offering, our quality standards that provide our competitive advantage

Input

- Background systems and analysis models
- Alternative reimbursement pricing models
- Legal and statutory compliance requirements
- Quality policies, procedures and standards

Output

- Growth in goodwill and intangible assets
- Revenue generated
- New business lines developed
- Ability to drive efficiencies throughout the business
- Quality standards maintained/ improved

- striving towards becoming the employer of choice with a focus on developing employees;
- responsibly investing in community health; and
- providing a pipeline of nurses for the country.

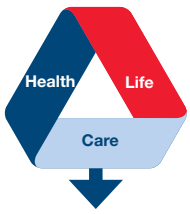
see pages 65 to 71

HUMAN CAPITAL

The skills and experience vested in our employees that enable us to implement our strategy, deliver our products and services and thereby create value for our stakeholders

Input

- Number of people employed
- Training
- Remuneration and transformation policies
- Agency agreements



Output

- Over 900 nurses graduated in 2014
- Number of new jobs created
- Number of persons trained
- Number of learnerships
- Qualified, experienced and motivated employees

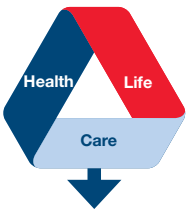
see pages 65 to 71

SOCIAL AND RELATIONSHIP CAPITAL

The key and long-term relationships that we have cultivated with clients, suppliers, business partners and other key stakeholders

Input

- Doctor relationships
- Medical funder relationships
- Community relationships
- Supplier contracts and agreements
- Government partnerships



Output

- B-BBEE level certification
- Third-party certifications
- Development partnerships
- Doctor shareholding
- Patient experience and recommendation

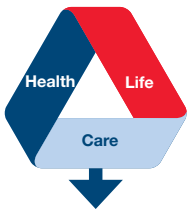
see pages 63 to 64

NATURAL CAPITAL

The natural resources that we use for the delivery of our service

Input

- Water used in running facilities
- Electricity
- Gas



Output

- Scope 1 emissions
- Scope 2 emissions
- Scope 3 emissions
- Waste and water treatment initiatives

The organisational structure on page 7 provides further information about how Life Healthcare creates value through the provision of medical and health services.

CONSIDERATION OF THE SIX CAPITALS

According to the IIRC <IR> framework, organisations depend on various forms of capital for their success. The framework includes six capitals (defined below) that are increased, decreased or transformed through the activities and outputs of an organisation.

Financial capital: The pool of funds that is available to an organisation for use in the production of goods or the provision of services and obtained through various financing methods.

Manufactured capital: Manufactured physical objects (as distinct from natural physical objects) that are available to an organisation for use in the production of services. Manufactured capital is often created by other organisations, but includes assets manufactured by the reporting organisation for sale or when they are retained for its own use.

Intellectual capital: Organisational knowledge-based intangibles.

Human capital: People's competencies, capabilities and experience, and their motivations to innovate.

Social and relationship capital: The organisation's relationships within and between communities, groups of stakeholders and other networks, and the ability to share information to enhance individual and collective well-being.

Natural capital: All renewable and non-renewable environmental resources and processes that provide goods or services that support the past, current or future prosperity of an organisation.

Life Healthcare is cognisant of the fact that these six capitals have an impact on business and that in turn the Group impacts them in various ways.

The table below shows the linkages between Life Healthcare's overarching strategic objectives and these capitals and demonstrates that the Group's strategy is integrated and addresses all aspects of the business to create value over the short, medium and long term.
For further detail on the Group's strategy, refer to page 20.

	Six capitals					
Strategic objectives	**Financial**	**Manufactured**	**Intellectual**	**Human**	**Social and relationship**	**Natural**
Growth: Grow our southern African business and establish a sizeable international business	✓	✓	✓	✓	✓	✓
Efficiency: Deliver cost-effective care through efficient business processes and optimal resource utilisation	✓	✓	✓	✓	✓	✓
Quality: Deliver market-leading quality of care across our service offering	✓	✓	✓	✓	✓	
Sustainability: Effectively engage with our stakeholders and broader operating context to ensure our long-term sustainability • Human capital and relationships • Environmental sustainability • Corporate social investment	✓		✓	✓	✓	✓
Innovative thinking: Leverage the power of innovation across all our objectives						

ORGANISATIONAL STRUCTURE

Hospital division

- Acute hospitals
- Complementary business division
  - Renal dialysis
  - Acute rehabilitation
  - Acute mental health
  - Oncology

Business	Facilities	Beds
HOSPITAL DIVISION		
Acute hospitals	48	7 713
COMPLEMENTARY BUSINESS DIVISION		
Renal dialysis	14	178 stations
Acute rehabilitation	7	319
Acute mental health	6	386
Oncology	1	

Healthcare services division

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

Life Esidimeni (public sector)
12 facilities
3 967 beds

Life Occupational Health
288 clinics serving
240 000 employees cared for

International division

- 26% shareholding in Max Healthcare in India[1]
- 98.56% shareholding in Scanmed Multimedis in Poland

	Max Healthcare	Scanmed
Facilities	10	3
Beds	1 978	160
Medical centres	–	28

A complete list of Life Healthcare's facilities can be viewed on our website at http://www.lifehealthcare.co.za/Hospitals/Default.aspx

[1] *As at 30 September 2014, the shareholding was 26%. The Group concluded the Max equalisation on 10 November 2014 for R1.35 billion and now owns 46.25% of the business.*

HOSPITAL DIVISION

Acute hospitals

48 facilities **7 713 beds**

Life Healthcare's acute hospitals are in seven of South Africa's nine provinces, and Botswana. These facilities are largely located in the country's most populous metropolitan areas. Facilities range from:

- high-technology, multi-disciplinary hospitals offering highly specialised medical disciplines,
- community hospitals,
- same-day surgical centres; and
- dedicated niche facilities.

The Group sold its non-controlling shareholding (49.3%) in Joint Medical Holdings Limited on 24 February 2014, which consisted of five hospitals.

Life Healthcare enjoys the support of approximately 2 700 specialists and other healthcare professionals. We try to optimise the use of hospitals by maintaining excellent working relationships with these professionals. 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 medical funders.

Complementary business division

Renal dialysis

14 renal dialysis facilities **178 stations**

Life Renal Dialysis is a specialised service dedicated to treating clients on acute and chronic renal dialysis. The 14 renal dialysis units are located in Gauteng, the Eastern Cape, Western Cape and KwaZulu-Natal with 178 stations. We are 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™ (FIM) 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 (FAM), a specific measure of cognitive, behavioural, communication and community functioning, which is of importance in brain injured patients.

Acute mental health

6 facilities **386 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 provides multi-disciplinary acute mental health to adult and adolescent patients for general psychiatric conditions and substance dependence or other addictions associated with psychiatric disorders.

The treatments offered include evidence-based drug therapy, individual psychiatric consultations and psychotherapy, group therapy and, where needed, physical therapy treatments. These holistic services are provided by a multi-disciplinary team which, depending on individual patient needs, could comprise medical practitioners such as psychiatrists; other healthcare professionals such as psychologists, occupational therapists, physiotherapists, social workers and counsellors; as well as nursing. 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.

HEALTHCARE SERVICES DIVISION

Life Esidimeni

12 facilities

3 967 beds

Life Esidimeni (meaning "place of dignity") operates a network of care centres 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 from the public sector.

Life Occupational Health

288 clinics

240 000 employees cared for

Life Occupational Health is a provider of contracted on-site occupational and primary healthcare services to large employer groups in the commercial, industrial, mining and parastatal sectors, and 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 240 000 employees.

Use of Life's Occupational Health clinics is largely driven by the 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 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 B-BBEE rating by Empowerlogic.

INTERNATIONAL DIVISION

Max Healthcare

10 facilities

1 978 beds

The Group acquired a 26% interest in Max Healthcare in 2012, an acute care hospital business in India. The Group concluded the Max equalisation on 10 November 2014 for R1.35 billion and now owns 46.25% of the business. This transaction resulted in the shareholding equalisation of both joint venture partners – Life Healthcare and Max India – with the International Finance Corporation holding the balance of the shareholding (7.5%). This acquisition supports the Group's strategy to become a pre-eminent hospital operator in selected offshore markets with an initial focus on India and Poland.

Scanmed Multimedis

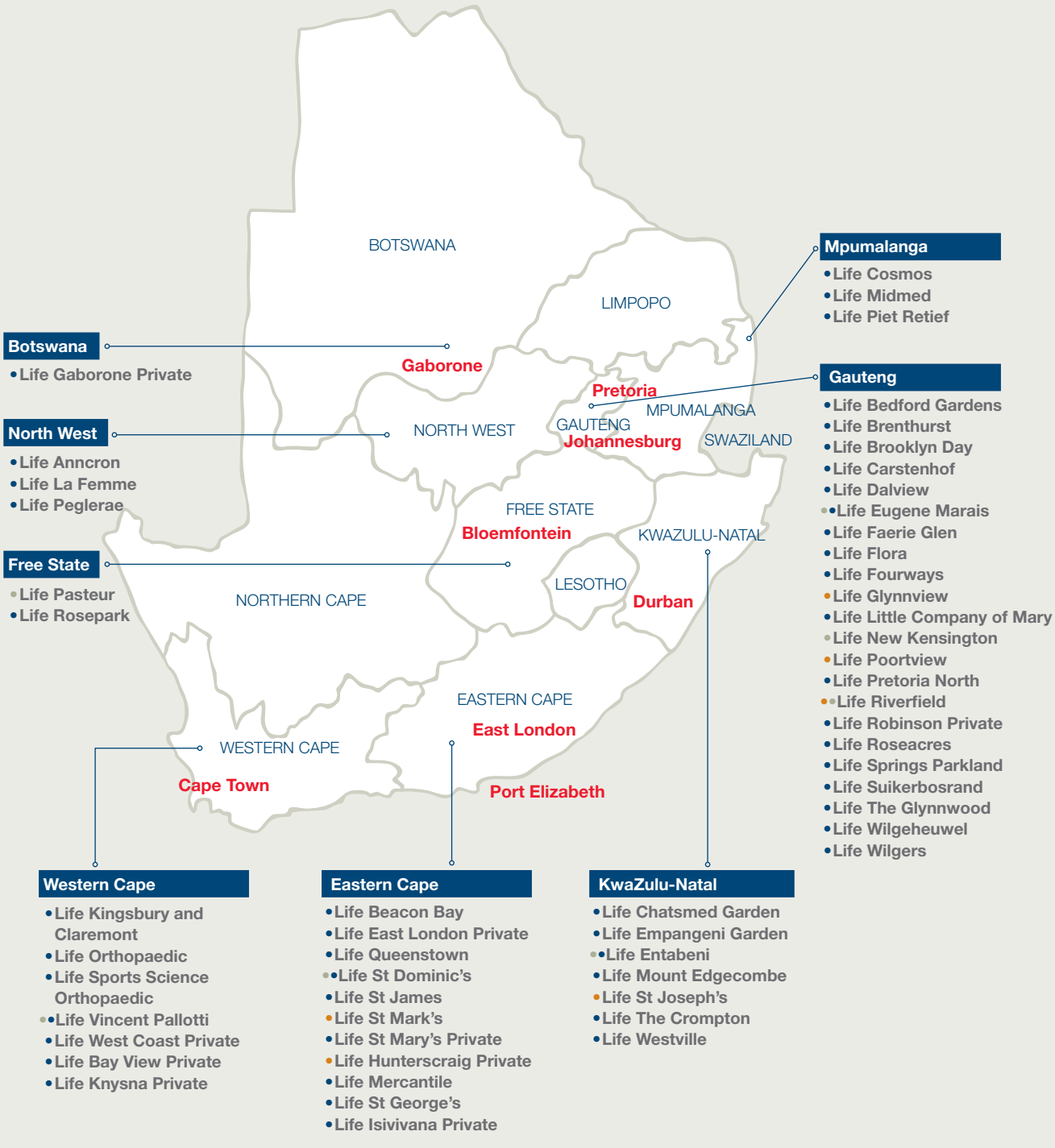
3 hospital facilities

160 beds

28 medical centres

The Group acquired a majority stake (80.7%) in Scanmed Multimedis (Scanmed), a private healthcare service provider in Poland in April 2014, and has over the last five months bought out the remaining minority shareholders, resulting in the Group owning 98.56% as at 30 September 2014. The remaining 1.44% will be acquired before the end of December 2014. This acquisition is also part of Life Healthcare's international expansion growth strategy. The private healthcare industry in Poland is one of the most dynamically developing in the European Union. This industry has grown in recent years, particularly with regulatory reforms encouraging private entities to provide treatment to NHF funded patients.

FACILITIES IN SOUTHERN AFRICA



Botswana
- Life Gaborone Private

North West
- Life Anncron
- Life La Femme
- Life Peglerae

Free State
- Life Pasteur
- Life Rosepark

Mpumalanga
- Life Cosmos
- Life Midmed
- Life Piet Retief

Gauteng
- Life Bedford Gardens
- Life Brenthurst
- Life Brooklyn Day
- Life Carstenhof
- Life Dalview
- Life Eugene Marais
- Life Faerie Glen
- Life Flora
- Life Fourways
- Life Glynnview
- Life Little Company of Mary
- Life New Kensington
- Life Poortview
- Life Pretoria North
- Life Riverfield
- Life Robinson Private
- Life Roseacres
- Life Springs Parkland
- Life Suikerbosrand
- Life The Glynnwood
- Life Wilgeheuwel
- Life Wilgers

Western Cape
- Life Kingsbury and Claremont
- Life Orthopaedic
- Life Sports Science Orthopaedic
- Life Vincent Pallotti
- Life West Coast Private
- Life Bay View Private
- Life Knysna Private

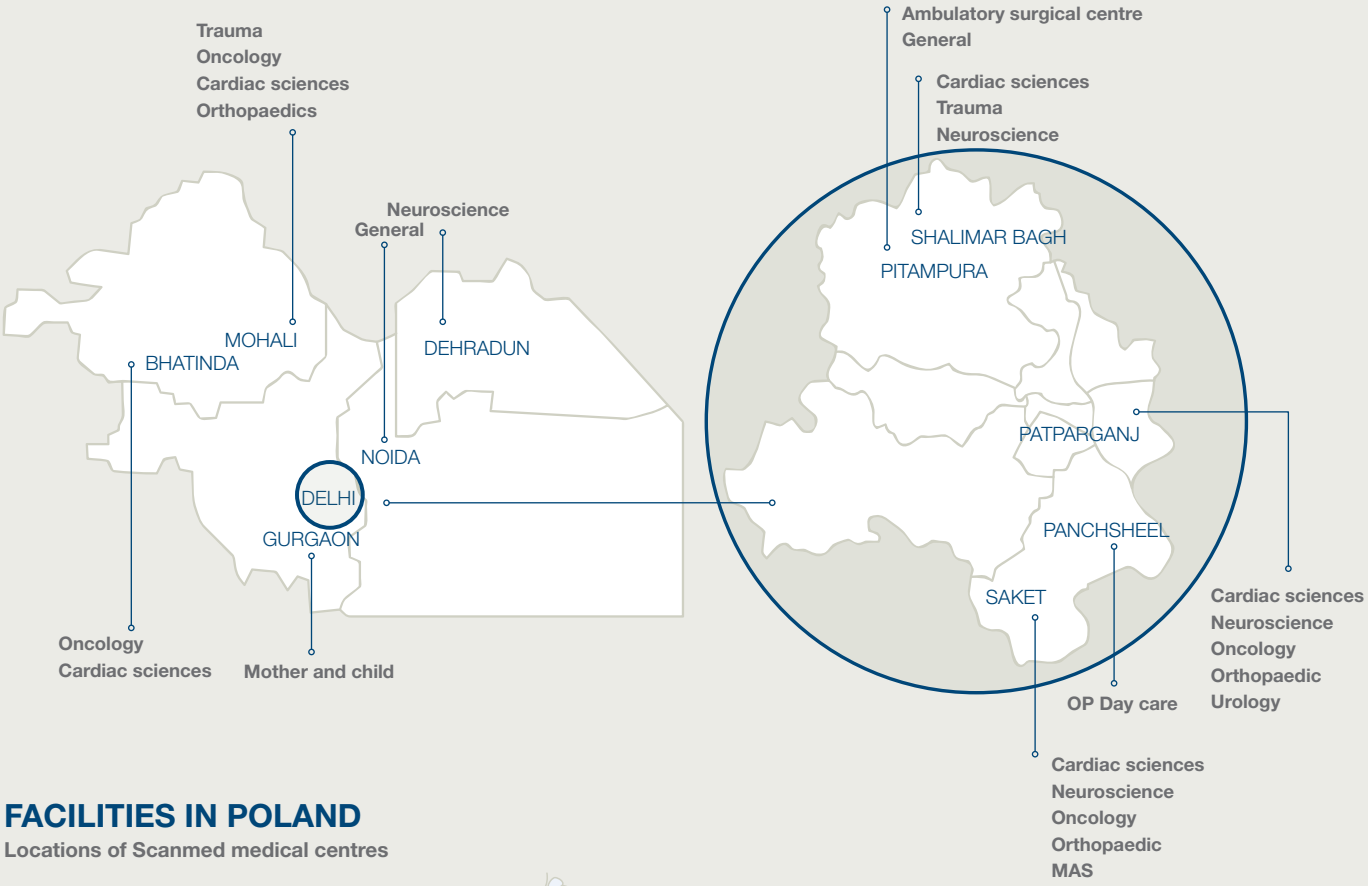
Eastern Cape
- Life Beacon Bay
- Life East London Private
- Life Queenstown
- Life St Dominic's
- Life St James
- Life St Mark's
- Life St Mary's Private
- Life Hunterscraig Private
- Life Mercantile
- Life St George's
- Life Isivivana Private

KwaZulu-Natal
- Life Chatsmed Garden
- Life Empangeni Garden
- Life Entabeni
- Life Mount Edgecombe
- Life St Joseph's
- Life The Crompton
- Life Westville

• Hospitals and sameday surgical centres • Rehabilitation units • Mental health facilities

For full facility names and contact information, please refer to www.lifehealthcare.co.za

FACILITIES IN INDIA



FACILITIES IN POLAND

Locations of Scanmed medical centres

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

PERFORMANCE OVERVIEW

KEY PERFORMANCE INDICATORS AND STATISTICS

The indicators and statistics provided in this table relate to the southern African operations unless indicated otherwise.

	2014	2013	2012
Business performance and ratios			
Paid patient days (PPDs)	**2 115 254**	2 074 551	2 020 864
Occupancy (%)	**71.9**	71.7	71.2
Length of stay (LOS) (days)	**3.57**	3.50	3.45
Number of healthcare facilities	**61**	63	63
Number of registered beds	**8 418**	8 279	8 227
Number of acute facilities	**48**	50	50
Number of dedicated mental health facilities	**6**	6	6
Number of dedicated acute rehabilitation facilities	**7**	7	7
Number of renal stations	**178**	122	87
Number of Life Esidimeni facilities	**12**	13	13
Number of Life Esidimeni beds	**3 967**	4 165	4 165
Number of Life Esidimeni paid patient days (PPDs)	**1 473 893**	1 518 765	1 533 056
Number of Life Occupational Health clinics	**288**	305	314
Number of lives covered through the Life Occupational Health clinics	**240 000**	200 000	192 000
Quality metrics			
Patient experience (85%)[1]	**79.9%**	98.6%	98.4%
Recommend (70%)[1]	**68.2%**	96.2%	95.7%
Clinical indicators			
Ventilator Associated Pneumonia (VAP) (per 1 000 ventilator days)	**1.91**	2.69	4.02
Surgical Site Infections (SSI) (per 1 000 theatre cases)	**0.76**	0.74	0.97
Central Line Associated Bloodstream Infections (CLABSI) (per 1 000 central line days)	**0.85**	0.83	1.11
Catheter Associated Urinary Tract Infections (CAUTI) (per 1 000 catheter days)	**0.40**	0.57	0.68
Healthcare Associated Infections (HAI) (per 1 000 PPDs)	**0.44**	0.52	0.65
FIM™/FAM score (target is greater than 0.9)	**1.14**	1.14	1.00
Patient incident rate (per 1 000 PPDs)	**2.88**	3.24	3.80
Employee incident rate (per 200 000 labour hours)	**4.86**	5.64	6.49
Social performance			
Number of employees (permanent employees excluding Max Healthcare and Scanmed Multimedis)	**14 141**	13 736	13 705
Number of nurses enrolled in training	**934**	1 125	1 250
African, Coloured and Indian (ACI) employees (%)	**69.4**	68.4	66.4
Environmental			
Electricity usage (kWh)[2]	**154 968 932**	160 699 040	163 846 643
Water usage (kilolitres)[2]	**1 916 528**	1 812 425	1 529 890
Medical waste generation (kilograms – '000)[2]	**3 422**	3 513	3 028
Financial ratios for the Group (unless otherwise indicated)			
Revenue per paid patient day (southern Africa)	**6 168**	5 704	5 409
Gross cash flow from operations as percentage of EBITDA (%), target is >95%	**97**	103	103
Capital expenditure as percentage of revenue (%)	**11**	7	13
Net debt: normalised EBITDA (ratio)	**0.84**	0.63	0.73
Interest cover (ratio)	**21.0**	13.4	12.1
Effective tax rate (%)	**22.0**	27.5	27.7
Normalised EBITDA margin (%)	**27.7**	28.2	26.9
Normalised earnings per share (cents per share)	**173.8**	162.1	138.1
Total dividend for the year (cents per share)	**141**[3]	126	105
Poland			
Number of healthcare facilities	**3**	–	–
Number of registered beds	**160**	–	–
Number of medical centres	**28**	–	–
India			
Paid patient days (PPDs)	**436 220**	369 576	–
Occupancy (%)	**77**	72	–
Number of healthcare facilities	**10**	9	–
Number of registered beds	**1 978**	1 943	–
EBITDA margin (%)	**9.9**	7.6	–

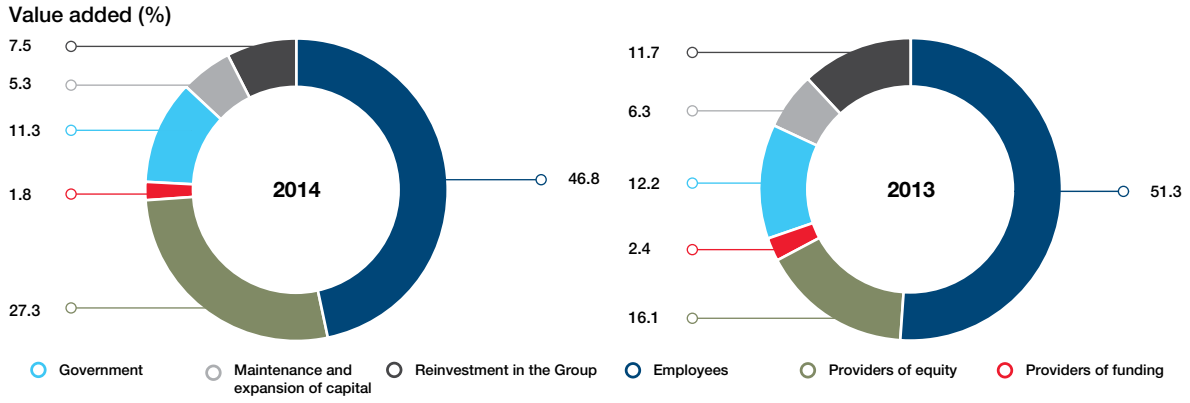
[1] *Patient satisfaction scores changed to patient experience for inpatients in April 2013 and for emergency units in October 2013. The patient experience scores for inpatient population is as documented in the table, but for emergency units it is 76.3%.*
Net promoter is no longer used within Life Healthcare, and "recommend" has been adopted – the score for inpatients is as per the table, and for emergency units is 66.2%. We believe that these scores are more realistic in terms of patients' view of their experience in our hospitals and as to whether they would recommend us, as opposed to the previous Q evaluator.

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

[3] *This excludes the special dividend of 100 cents per share.*

STATEMENT OF VALUE ADDED

	%	2014 R'm	%	2013 Restated R'm
Revenue		**13 046**		11 834
Less: Purchased cost of goods and services		**(5 179)**		(4 644)
Value added	**87.6**	**7 867**	97.2	7 190
Other income	**12.4**	**1 116**	2.8	209
Wealth created	**100.0**	**8 983**	100.0	7 399
Employees	**46.8**	**4 206**	51.3	3 794
Providers of equity	**27.3**	**2 449**	16.1	1 187
Providers of funding	**1.8**	**159**	2.4	180
Government	**11.3**	**1 020**	12.2	902
Maintenance and expansion of capital	**5.3**	**479**	6.3	469
Reinvestment in the Group	**7.5**	**670**	11.7	867
Wealth distributed	**100.0**	**8 983**	100.0	7 399
Average number of employees		**15 773**		13 736
Wealth created per employee (R'000)		**570**		539
Weighted average number of shares (million)		**1 037**		1 038
Wealth created per share (R)		**8.66**		7.13



MATERIALITY AND STRATEGY

PROCESS FOR DETERMINING MATERIALITY

Life Healthcare defines a material matter as an item that has a direct or indirect impact on its ability to create, preserve or erode financial, economic, environmental and social value for itself and its stakeholders. The integrated report was prepared on this basis of materiality. In determining its material matters, a variety of internal and external influencers were taken into account including: strategy, the board agenda, management reports, the risk register and stakeholder interests.

As part of Life Healthcare's integrated reporting process, an externally facilitated materiality workshop was conducted with key management to establish the matters most relevant to its business. Participants were requested to list what they believe to be the most material strategic matters and these were then ranked according to *impact on the business and likelihood of occurrence*.

The matters identified have been linked to the Group's risk analysis shown on page 74 where applicable and/or are discussed in this report. These matters can broadly be summarised in the following categories:

STAKEHOLDER ENGAGEMENT

Creating and maintaining stakeholder relations is important to facilitate Life Healthcare's strategy of growing its business. Effective stakeholder management is an important aspect of good governance and can proactively mitigate certain risks within the business, in particular reputational risk. Life Healthcare strives to play a leadership role in shaping regulation through proactive dialogue and participation in various industry and government forums and committees. The board is kept abreast of any material stakeholder issues through its social, ethics and transformation committee which convenes at scheduled times during the financial year as shown on page 123.

Government is a material stakeholder due to the significant influence it has over the pace of growth within the Group, in particular regarding the approval of bed licences. In 2014 a strategic relations and health policy executive was appointed to improve engagement on key industry issues. The new executive's role is twofold:

- To focus on strategic relations with government at a national, provincial and local level; and
- To review and influence policy to the advantage of the healthcare industry as a whole.

Life Healthcare has a range of stakeholders that it actively engages with through various channels. The list of stakeholders, their expectations, engagement channels and the link to the Group's strategic objectives are set out in the following table.

Key expectations	Key strategies
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. • Low infection rates and medication errors. • High technology facilities. • Access to multi-disciplinary health services through a wide geographic spread. • Access to affordable private healthcare through medical funders who have contracted with Life Healthcare in preferred network agreements. • Positive hospital experience. • Sensitivity to cultural and religious requirements.	• Changing the Group's IT system to a more patient centric 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 – a new website channel where patient complaints are directed through to the particular hospital for feedback. • Patient centric approach to facilitate a positive hospital experience. • Enhancement of the measurement of the patient experience.
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 a wellness programme. • Right to freedom of association. • Work environment focused on safety and minimising of occupational risks. • Employee engagement.	• Recruitment and retention of skills. • Ongoing employee training and development. • Accelerating transformation. • Empowering employees and nurturing their career aspirations. • A credible performance management system focusing employees on standards expected of them. • Enhancement of the existing employee retention schemes. • Creating an environment conducive to employee safety and health. • A comprehensive wellness offering to employees. • Tertiary bursary scheme for employees and bursaries for their children. • Non-tolerance to discrimination.
Doctors	
• High-quality support with regard to nursing, hospital facilities, technology and equipment. • Access to patients through preferred network agreements. • Investment opportunities within the Group. • Access to multi-disciplinary health services. • Participation in medical advisory committees. • Access to quality consulting rooms.	• 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. • 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 between 2013 and 2019 through the Colleges of Medicine of South Africa for the training of sub-specialists. • Life Healthcare's clinical directorate keeps abreast of technological healthcare advances.

Communication and engagement	Link to strategic objectives
• Keeping the nurse at the bedside programme. • Paper-based comment cards (275 000 cards received annually). • Post-discharge surveys distributed to patients including to emergency unit and rehabilitation patients. • Customer Services communication channel. • Life Healthcare "Contact Us" website feature, brochures and information leaflets. • Life magazine specifically for patients. • Corporate monitoring of complaints and actions taken through our Customer Relationship Management (CRM) system.	• Efficiency • Quality • Sustainability
• Consultative forums assist in providing open communication and constructive dialogue. • Regular communication and meetings. • Employee specific interim and annual results communications. • Comprehensive induction programme. • Employee climate survey. • Bi-annual staff magazine and regular online newsletter.	• Quality • Sustainability
• 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 medical advisory committees and/or hospital boards. • Engagement with doctors in quality drives and cost of sales project in the interests of sound clinical outcomes and cost efficiency. • Quarterly online newsletters for doctors who work in our facilities to keep them informed and encourage feedback.	• Growth • Efficiency • Quality • Sustainability

Key expectations	Key strategies
Suppliers	
• A reputation for ethics and fairness in dealings with suppliers. • Negotiations with suppliers built on mutual respect and fair pricing structure.	• Well-structured B-BBEE 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.
Medical funders (medical administrators)	
• A reputation for ethics and fairness in dealings with medical funders. • Negotiations with funders built on mutual respect and fair pricing structures. • Reputation for providing clinical excellence to their members. • Implementation of the alternative reimbursing model (ARM) pricing strategies. • Efficient interaction as regards case management, billing and payment. • Provision of cost-efficient medical services.	• Continue to 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. • Innovation in electronic communication regarding case management to assist in driving efficiencies and faster payment. • Implementation of efficiency programmes to drive down costs for funders and patients.
Government	
• Supporting government service delivery. • Assisting in the development of appropriate healthcare regulation. • Compliance with regulations. • Access to affordable healthcare.	• Engaging in information sharing and best clinical and administrative practices. • Contributing to skills training through public-private partnerships. • Increasing access to hospital services through public-private partnerships. • Facilitating and maintaining close interaction with government on healthcare regulatory matters and strategy. • A strategic approach for engaging with government has been developed to facilitate the efficient processing of hospital licences and government business, through promoting a collegial working relationship with government. • Quality long-term healthcare service delivery through Life Esidimeni.
Shareholders/investors/financiers	
• Sustained growth and financial stability. • Succession of management expertise with a record of solid results. • Strong corporate and clinical governance to safeguard business. • Clear and transparent communication of the Group's strategy and results. • Commitment to provision of quality and cost-effective healthcare. • A broad local and international shareholder base. • Environmental sustainability.	• Clear communication to local and international investors of: – our local and international growth strategies; – our efficiency and sustainability strategies; – our business performance; – our financial performance; – the South African, Indian and Polish healthcare environments; and – our clinical quality standards and performance. • Continued interaction with local and international shareholders.

Communication and engagement	Link to strategic objectives
• 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 made available to all employees and suppliers. • Transparent tender process.	• Efficiency • Quality • Sustainability
• 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.	• Growth • Efficiency • Quality • Sustainability
• Ongoing interaction with the national, provincial and local Department of Health at an executive level. • Ongoing communication on private/public sector issues. • Liaison with government health departments through *inter alia* the Hospital Association of South Africa (HASA) and the Social Compact Forum and Public Health Enhancement Fund. • Ongoing interaction on Life Esidimeni PPP matter. • Participation in government forums and priority projects.	• Growth • Efficiency • Quality • Sustainability
• 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.	• Growth • Efficiency • Quality • Sustainability

STRATEGIC DIRECTION

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

These goals are encapsulated in our four key focus areas:

- Growth;
- Efficiency;
- Quality; and
- Sustainability.

Quality was previously included under the sustainability focus area but we considered it more appropriate to have it as a standalone focus area to emphasise the importance of quality. To achieve our goals, the Group seeks to implement the four strategies in the following manner:

GROWTH

Continue growing the business through:

- developing the existing southern African hospital network;
- expanding our coverage and penetration of the southern African market; and
- continuing to expand our operations in select international markets.

Developing the existing southern African hospital network

We have 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. This growth is generally low risk offering higher returns; and
- adding complementary lines of business to existing hospitals. The Group intends to introduce services and disciplines at selected hospitals where there is the opportunity to create niches. In particular, the complementary lines of business will focus on acute mental health, acute rehabilitation, renal dialysis, oncology, the point of care testing initiative and the affordable midwife led maternity product.

Expanding our coverage and penetration of the southern African market

We plan to expand the geographic reach of our cover in acute hospital care and complementary services. We will do this to meet the increasing demand for private healthcare while improving our national network and increasing our attractiveness in negotiating preferred network arrangements with medical funders. This expansion of our geographic footprint will occur through:

- acquiring 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 international markets

Our international expansion is focused on selected attractive markets that display characteristics that are supportive for the longer-term growth of the private healthcare market. The Group believes that there are a number of developing private healthcare markets that offer opportunities for us to leverage our skills, systems and experience.

EFFICIENCY

The Group will continue to focus on the improved management of all hospital costs including cost of sales, labour and overheads – various initiatives in this regard have been implemented. Introducing point-of-care initiatives will lower the cost of healthcare and will improve Life Healthcare's relative efficiency. Our alternative reimbursement model (ARM) and cost-efficiency align our incentives with medical funders. The Group will continue to explore alternative healthcare delivery models and take advantage of additional patient growth through the leveraging of our fixed cost base and improvement in occupancies.

QUALITY

The Group aims to maintain and improve its commitment to world-class healthcare by continued improvements in quality benchmarks, including clinical outcomes, patient satisfaction, patient health and safety as well as employee health and safety.

SUSTAINABILITY

The Group will focus on our sustainability goal by:

- implementing sustainable human capital strategies and practices that meet the challenges of a dynamic commercial and legislative environment;
- ongoing partnership with government and engagement in healthcare reform in South Africa;

- building partnerships with medical funders to ensure network participation; and
- building partnerships with doctors and other healthcare professionals.

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. We do this 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. We will continue to invest in the training and development of employees. The training of additional doctors is also needed to meet the growth needs of the Group and the healthcare requirements of the country.

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 regarding 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.

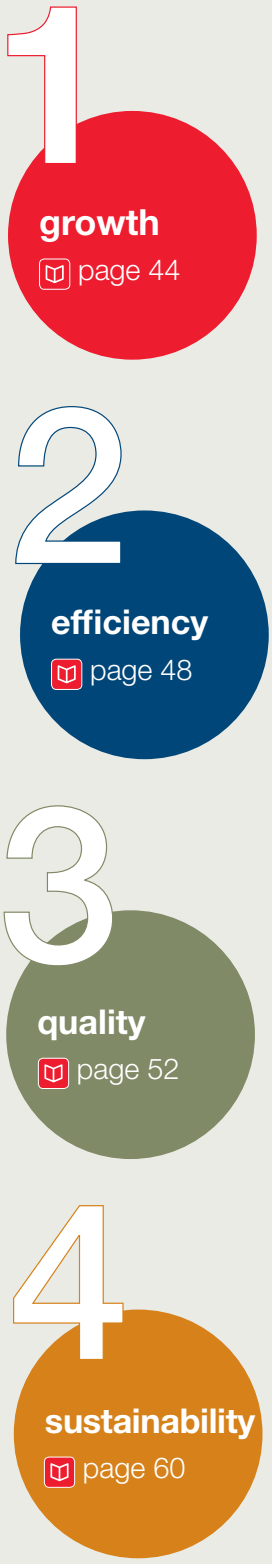
Building partnerships with medical funders to ensure network participation

We will continue to develop mutually beneficial relationships with medical funders. The Group will continue to explore alternative healthcare pricing and delivery models with them to lower the cost of healthcare and to improve Life Healthcare's relative efficiency.

Building partnerships with doctors and other healthcare professionals

We will continue to engage with our doctors and healthcare professionals to develop mutually beneficial relationships. The Group will continue to provide quality healthcare facilities and equipment to meet our doctors and healthcare professionals' needs.

The operational performance of the Group is structured around the four focus areas.



LIFE HEALTHCARE AS AN INVESTMENT

Strong South African market positioning in a defensive industry

see pages 46 to 47

- A leading private hospital operator in an attractive healthcare market.
- Market share of approximately 27% of private hospital beds.
- Extensive geographic network of healthcare facilities.
- Most efficient provider of healthcare.
- Market leader in private mental healthcare and acute rehabilitation services.
- Market leader for preferred provider agreements with medical funders.
- Life Esidimeni is the largest healthcare PPP.
- Largest provider of contracted occupational healthcare.

Expansion into fast growing international healthcare markets

see pages 45 to 46

- Diversified into the fast growing Indian healthcare market through an investment in Max Healthcare (26% as at 30 September 2014, increased to 46.25% on 10 November 2014).
- Diversified into the Polish healthcare market through a controlling investment in Scanmed Multimedis.

Good track record of shareholder wealth creation

see pages 32 to 41

- Solid track record of operational excellence.
- High cash generation – cash generated as a percentage of earnings before interest, tax, depreciation and amortisation (EBITDA): 97.4%.
- Low debt – net debt to normalised EBITDA of 0.84 times.
- Compound annual growth rate (CAGR) of 13.7% for normalised EBITDA over seven years.
- CAGR of 17.3% for normalised earnings per share over seven years.
- Strong cash distribution – CAGR of 40.7% for cash distribution over five years.

Focus on improving efficiencies

see pages 48 to 51

- Occupancies increased from 69.8% to 71.9% over seven years including the addition of 1 397 beds.
- Normalised EBITDA margin for the southern African business has increased from 26.0% to 27.9% 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

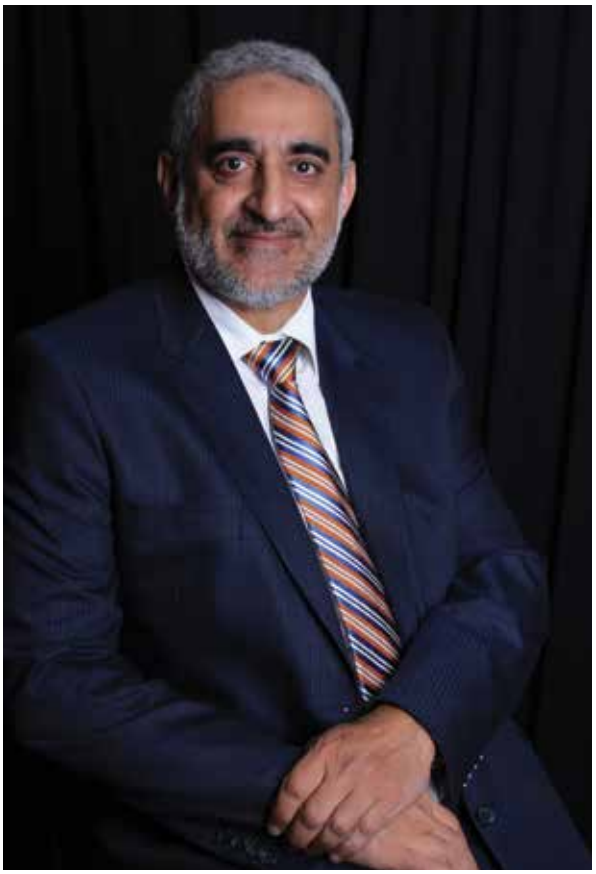
Robust governance

- Robust independent board structure.
- Compliance 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.


Life Healthcare



MUSTAQ BREY

"It gives me pleasure to present Life Healthcare's 2014 integrated report. We continue to believe that integrated reporting is an appropriate way of transparently communicating with our stakeholders, as it encompasses our material financial and non-financial performance. This year we have incorporated the principles of the IIRC's framework, that was released in December 2013, as part of our integrated reporting journey. We look forward to continually improving our reporting and presenting a balanced and materially focused report for our key stakeholders."

CHAIRMAN'S REVIEW

OVERVIEW

The Group underwent leadership changes and reflected on its strategy to develop a clear and compelling view of what we want to achieve in the future. André Meyer was appointed as Chief Executive Officer (CEO) on 1 April 2014, following Michael Flemming's retirement after 13 years as CEO. I congratulate André on his appointment and wish him well.

The board has reviewed the Group's plans and has refined our strategy which is based on four key focus areas:

- Growth;
- Efficiency;
- Quality; and
- Sustainability.

We believe that these strategic focus areas will enable us to focus on providing high-quality, cost-effective healthcare in southern Africa and to be a leading private hospital operator in select international markets. The Group continued on its growth journey with two significant highlights – firstly the acquisition of Scanmed Multimedis in Poland, and secondly, commencing the process of increasing our investment in Max Healthcare in India from 26% to 46.25%. This was concluded on 10 November 2014.

Significant challenges impacted the pace of our growth in a tough trading environment due to industrial action and a weaker economy. These challenges include delays in obtaining approvals for bed licences, proposed regulatory changes and the critical shortage of skilled personnel – specialist doctors, pharmacists and nurses. The Group actively manages these challenges.

OPERATING ENVIRONMENT

The global economy remains weak and emerging markets continue to face challenges such as rising costs, credit constraints and government macro-economic policies that slow down economies. In South Africa the growth outlook remains challenging with labour unrest, inflation and rising unemployment resulting in the South African Reserve Bank revising the 2014 GDP forecast down to 1.5%. Interest rates have increased by a cumulative 75 basis points during 2014 with further increases anticipated and the rand continued to depreciate against major currencies.

FINANCIAL PERFORMANCE

Within this economic environment, the Group produced a solid set of results despite a weaker second half. The impact of weak economic trading and project delays negatively impacted the second half of the year's trading. Revenue of R13 046 million was up 10.2% (R175 million from Poland), while headline earnings rose 7.8% to R1 844 million.

Further details of the Group's financial performance are discussed in the Chief Financial Officer's review on page 32.

REGULATORY ENVIRONMENT

The healthcare industry's regulatory environment continues to evolve with significant inquiries and changes facing the industry now and in the future. Of significant importance is the Competition Commission's Market Inquiry which is aimed at identifying factors driving healthcare expenditure and understanding the market dynamics. The Inquiry plans to commence public hearings in May 2015 with provisional findings targeted for release in October 2015. For further detail, refer to page 100.

A further development relates to the Department of Health's proclamation of a "certificate of need" which aims to ensure an equitable spread of health establishments, doctors and other health professionals across South Africa. This proclamation resulted in confusion in the industry as it was proclaimed without any regulations being published and we await the official withdrawal of the proclamation.

GOVERNANCE

The board strives to provide effective leadership, strategic direction and a productive environment that can sustain the delivery of value to 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.

Max Healthcare and Scanmed Multimedis' governance structures will be evaluated and enhanced where necessary to conform with the Group's processes.

HIGHLIGHTS

Revenue was up

10.2%

Headline earnings was up

7.8%

OUR PRIORITIES FOR 2014

"We acquired Scanmed Multimedis in Poland, and commenced the process of increasing our investment in Max Healthcare in India from 26% to 46.25%. This was concluded on 10 November 2014."

SUSTAINABILITY

Sustainability has been firmly embedded within the organisation. Progress on our environmental initiatives was of particular importance as the Group realised savings – financially and through a reduction in resource usage. As an example, our inland laundry site saved about 42 million litres of water over a period of 12 months. This equates to an annual saving of R0.7 million. We also invested R15.6 million in heat pumps over a two-year period. This resulted in an annual saving of 7.6 GWh in 33 hospitals which equates to an annual saving of about R8 million.

Life Healthcare continued to make steady transformation progress, in particular with our employment equity and procurement initiatives. The Group's transformation progress is monitored by the social, ethics and transformation committee, which in turn provides feedback to the board. We maintained our Level 4 rating in a seven-level model in accordance with the Codes of Good Practice under the Broad-based Black Economic Empowerment (B-BBEE) Act.

Being a good corporate citizen is one of our focus areas. Our corporate social investment (CSI) component continued to focus on health and education. The Group's CSI spend was R80 million (2013: R88 million). An initiative we embarked on was to contribute R7.5 million to the Public Health Enhancement Fund (PHEF). This is an initiative which seeks to provide a platform for the public and private healthcare sectors to collaborate in addressing key gaps in South Africa's public health system, by leveraging funds from the private sector for projects to address issues such as the critical shortage of health professionals.

PROSPECTS

Life Healthcare has a positive growth outlook in 2015. This is largely due to the strong pipeline of additional beds that will add to the bed capacity, notably the opening of the new Life Hilton Private Hospital in the second half of the 2015 financial year. There is also strong growth in complementary lines of business across our network of hospitals, particularly the renal business.

Challenges include the slow growth in the South African economy – in particular job growth which places pressure on the growth of new members into private healthcare. The affordability of private healthcare continues to be a challenge due to increased pressure on consumers to service their debts.

From a regulatory perspective, the Competition Commission Market Inquiry will be a significant focus in 2015 and will involve significant management time.

DIRECTORATE AND APPRECIATION

Changes to the board of directors included the retirement of Michael Flemming effective 31 March 2014. Michael joined African Oxygen Limited (Afrox) in 1985 and transferred to its healthcare division in 1994. In 2002, he was appointed Managing Director of Afrox Healthcare, which became Life Healthcare in 2005. Michael has made a significant contribution to the Group. His business acumen successfully contributed to the growth of Life Healthcare and to its successful listing on the JSE Limited in June 2010. We wish to thank Michael for his immeasurable contribution and dedication and wish him well for the future.

Trevor Munday retired as the lead independent non-executive director of the Group effective 30 January 2014 and the board thanks him for his contribution and wishes him well for the future.

Professor Marian Jacobs and Royden Vice were appointed as independent non-executive directors effective 1 January 2014. Marian has vast academic paediatric and child health experience through her position as a professor at the University of Cape Town, and she chairs the Advisory Committee of the Academy for Leadership and Management in Healthcare in the National Department of Health. Royden has extensive global leadership experience, having lived on three continents – United States of America (New York), Africa (Johannesburg) and Europe (London). We welcome the new directors and look forward to their contribution. Peter Golesworthy was appointed as the lead independent non-executive director from 31 January 2014 upon the retirement of Trevor Munday.

I thank my fellow board members for their continued input and guidance, the executive management team, our dedicated nursing staff, employees and the doctors who practise at our facilities. It is their dedication and hard work that has enabled us to deliver a solid set of results.

Mustaq Brey
Chairman

13 November 2014

Artist's impression of Life Hilton Private Hospital which is currently under construction and due to open in 2015.

ANDRÉ MEYER

"Life Healthcare's performance reflects a year of progress in our international growth strategy and continued efficiency management, without compromising quality standards and business sustainability. We look forward to good growth prospects in South Africa and selected international territories."

CHIEF EXECUTIVE OFFICER'S REVIEW

I joined Life Healthcare in April 2014 and am privileged to be part of such a high-performing group with a dynamic executive management team and knowledgeable board. One of my goals is to develop and empower the Group's employees to promote open debate, encourage innovative thinking and further develop a culture tolerant of diversity as we move towards expansion in South Africa and internationally.

We seek to develop a sizeable international business over the next five years. In South Africa, we will position our business as a market-leading, innovative provider of cost-effective quality healthcare through our traditional acute hospital business and our complementary lines of business including acute rehabilitation, mental health, renal dialysis and oncology. We will pursue the uninsured segment of the market by leveraging our occupational health platform to provide employee health services and care to state-sponsored patients through Life Esidimeni.

OPERATING ENVIRONMENT

The continued slowdown in the South African economy has impacted Life Healthcare's business as private healthcare customers feel the financial pressure; this was particularly evident in the second half of the financial year. Despite this, Life Healthcare navigated this to show good growth in revenue, earnings and dividends. This is discussed in detail in the Chief Financial Officer's review on page 32.

South Africa's "quadruple burden of disease"[1] remains high, with health outcomes remaining sub-optimal despite the relatively high expenditure on healthcare. As such, demand for private healthcare services continues. The burden of disease, coupled with limited accessibility of private hospital services for the majority of the South African population due to affordability constraints, also points to employer-sponsored health services as a potential growth area.

The medical funder market continues to be characterised by a consolidation of schemes. While Life Healthcare's alternative reimbursement model (ARM) has historically given us a competitive advantage with respect to acquiring network agreements in particular, this market has become more competitive. The Group continues to look for ways of leveraging efficiencies to contain costs, while maintaining high quality standards.

Labour unrest has become part of South Africa's business landscape but has intensified in recent times. While a relatively small proportion of our workforce is unionised at present, we continue to engage with our staff to manage expectations.

FOCUS ON STRATEGY: GROWTH, EFFICIENCY, QUALITY AND SUSTAINABILITY

The Group's strategy has been sharpened to elevate quality as a key strategic focus area. Previously, quality formed part of our sustainability strategic pillar. The Group has a short-term (2017) and long-term (2020)

[1] *HIV/Aids, underdevelopment, chronic diseases related to unhealthy lifestyles and injuries.*

horizon against which targets have been set with a view to ensuring that the organisation is:

- focused on creating sustainability; and
- is in a position to deliver against the targets across all four pillars of our strategy.

The executive management team was involved in this process and their key performance indicators (KPIs) have been linked to, and will be measured and remunerated, according to performance against them. This process has been cascaded down all levels of the organisation.

GROWTH

Our strategy in southern Africa remains increasing the capacity of our business, primarily through the expansion of beds at existing facilities and by growing our complementary lines of business including acute rehabilitation, mental health, renal dialysis and oncology. We continue to look for greenfield opportunities and as an example, the new 94 bed hospital in Hilton remains on track to open in the second half of the 2015 financial year. Acquisition opportunities in South Africa are limited; however, there is a continued focus on exploring ways of expanding our local geographic spread of facilities.

We continue to grow our hospital facilities and have added a total of 249 beds (2013: 95 beds) in South Africa in 2014. A challenge impacting the execution of our local growth agenda is the length of time taken to acquire bed licence and local municipal approvals. The Group has appointed a dedicated executive to focus on dealing with these bottlenecks and good progress was made towards securing 313 new bed licences.

A highlight included good traction in terms of the Group's international expansion strategy, firstly with the positive progress on the shareholding equalisation in Max Healthcare in India, from 26% to 46.25% (concluded on 10 November 2014), and secondly the 98.56% investment in Scanmed Multimedis in Poland. The Group is geared towards further expansion opportunities in these markets. It was encouraging that Max Healthcare managed to improve on its disappointing performance in the prior year. Scanmed Multimedis was acquired in April 2014 and has shown good improvement on its prior year results. Life Healthcare's management, together with the Scanmed Multimedis management team, are putting in place plans to expand the footprint and to improve the business' performance.

HIGHLIGHTS

Patient incident rate improved to

2.88

per 1 000 PPDs

249

beds added in South Africa

OUTLOOK FOR 2015

The Group will continue to focus on its growth objectives in southern Africa, India and Poland. Over 250 new beds will be added in 2015 through brownfield expansion. The complementary services line will grow by adding more than 30 renal dialysis stations.

EFFICIENCY

We continue to focus on managing our input costs, including drugs, surgicals, labour and overheads and by driving efficiencies across the Group. This supports our objective of improving efficiencies and differentiating ourselves from our competitors. An area identified as an opportunity to improve efficiencies is through our active engagement with doctors that will reduce the cost of healthcare delivery without compromising on quality of care.

Our alternative reimbursement pricing model incentivises Life Healthcare to focus on input costs, particularly cost of sales, enabling the Group to increase margins while maintaining efficient overall costs for medical funders. The five-year Impilo patient-centric system project focuses on driving standardisation, reducing administrative costs, building economies of scale, and improving risk management and will also contribute to these initiatives.

QUALITY

In 2014 we experienced an improvement in our overall patient experience ratings: 90% of the 270 000 comment cards were positive. We also experienced an improvement in the:

- overall patient incident rate to 2.88 per 1 000 PPDs (2013: 3.24);
- overall employee incident rate to 4.86 per 200 000 labour hours (2013: 5.64); and
- hospital infection rate to 0.44 per 1 000 PPDs (2013: 0.52).

SUSTAINABILITY

Human capital and relationships

The shortage of skilled healthcare workers remains a significant threat to the sustainability of our business and the realisation of our growth aspirations in the South African market. Specialist doctors remain in short supply and the average age of Life Healthcare's doctors is approximately 53 years. Life Healthcare has embarked on a strategy to recruit more doctor specialists, and in particular, younger doctors. The Group also introduced initiatives to develop pharmacists, which resulted in a decline in pharmacists' turnover rate. The recruitment of foreign nurses from India remains part of our strategy over the short term and consideration is being given to implementing other attraction and retention initiatives to position Life Healthcare as an employer of choice.

Following Life Healthcare's biennial employee climate survey, there will be a greater emphasis on training and development, performance management, succession planning and reward and recognition initiatives Group-wide.

Environment

Positioning Life Healthcare as a responsible corporate citizen regarding environmental issues is becoming an important differentiator for the Group. Various initiatives such as the process of converting existing geysers and gas-fired boilers to more efficient heat pump hot water generation systems realised significant savings from an economic and natural resource perspective.

All building projects (growth and refurbishment projects) were delivered under budget with net savings of about R9.5 million. This was the result of an increased focus

on improving project management. We will embark on solar energy projects in 2015 to drive future efficiency and conservation.

OUTLOOK

The Group will continue to focus on its growth objectives in southern Africa, India and Poland. Over 250 new beds will be added in 2015 through the opening of Life Hilton Private Hospital and through brownfield expansion. The complementary services line will grow by adding more than 30 renal dialysis stations in the next year. The Max Healthcare business will focus on growing revenue and improving operational efficiencies. It will also continue to operationalise the beds not yet active and is in advanced stages of further brownfield expansions. In Poland the Group will continue to execute on its strategy of establishing a comprehensive network of facilities and will explore more acquisition opportunities. The pressure on costs will remain in light of the weakening of the rand exchange rate, wage expectations and other overhead costs but the Group will continue to focus on efficiency programmes to lessen the impact.

The Group concluded the Max Healthcare equalisation on 10 November 2014 and now owns 46.25% of the business. The additional amount invested was R1.35 billion.

The quality management programme of the Group is a comprehensive, consistently applied and measured programme which benchmarks clinical interventions against international best practice with the aim of enhancing patient outcomes. In addition Life Healthcare recognises the shortage of healthcare skills and will continue to invest heavily in the training of doctors, nurses and pharmacists. The Competition Commission Market Inquiry into the healthcare sector will continue into 2015. The Inquiry represents an opportunity to factually demonstrate what the real cost drivers of the healthcare industry are as well as proposing structural changes to make the industry more efficient and affordable and we will participate fully.

APPRECIATION

I extend my appreciation to my predecessor, Michael Flemming, who has led by example in building this organisation. I wish him well in his retirement. Thank you to the board and executive management team who have shown resilience and dedication during this change in leadership. Thank you also to all the healthcare professionals and our staff for their continued support. Our performance is the result of a dedicated team effort involving management, staff and doctors.

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

André Meyer
Chief Executive Officer

13 November 2014

PIETER VAN DER WESTHUIZEN

"The Group is in a strong financial position and the low debt position provides the Group with the financial flexibility to continue to execute on its strategic plans."

CHIEF FINANCIAL OFFICER'S REVIEW

OVERVIEW

Life Healthcare performed satisfactorily in tough trading conditions, particularly in the second half of the financial year. Activities measured by hospital paid patient days (PPDs) increased by 2.0% on the back of a stronger first half where PPDs grew by 2.7%. An additional 249 active beds have been added to the business to cater for demand. The Group's revenue increased by 10.2% to R13 046 million from R11 834 million in 2013. Included in revenue is R175 million from the Poland business for the period since acquisition in April 2014.

Despite the additional beds that were added the Group's weighted average occupancy for the year was still high at 71.9% (2013: 71.7%). EBITDA margins on continuing southern African operations remained relatively flat notwithstanding salary pressures, a depreciating rand and an increase in surgical cases with the margin for the full year at 27.9% slightly down against the 2013 margin of 28.2%. The Group's normalised EBITDA on continuing operations was R3 597 million compared to R3 311 million in 2013 (an 8.6% increase).

The results include significant once-off items relating to the profit on the disinvestment from the Group's associate Joint Medical Holdings Limited (JMH) and transaction costs on the acquisition of its Polish subsidiary. Excluding these items and the effect of the discontinued businesses the Group increased its normalised earnings per share to 168.6 cents (2013:150.6 cents).

The Group concluded the Max Healthcare equalisation on 10 November 2014 for R1.35 billion and now owns 46.25% of the business. Max Healthcare contributed a loss of 1.1 cents per share for the current year compared to a loss of 3.4 cents per share in 2013. The impact of the finance costs relating to the investment, that is not included in the numbers quoted above, is 4.9 cents per share for both years. Revenue for Max Healthcare grew 23.5% mainly due to the ramping up of the phase 2 hospitals. The EBITDA for the hospital operations increased by 60.6% for the year.

Life Healthcare has acquired a controlling stake in Scanmed Multimedis (Scanmed) in Poland in April 2014 and will own 100% of the issued shares in the company by December 2014. Since acquisition, Scanmed contributed a loss of 1.0 cent per share.

The Group declared a special dividend of 100 cents per share in March 2014 from the proceeds of the JMH disinvestment. The total dividend for the period under review is 141 cents per share (2013: 126 cents per share) excluding the special dividend.

FINANCIAL PERFORMANCE

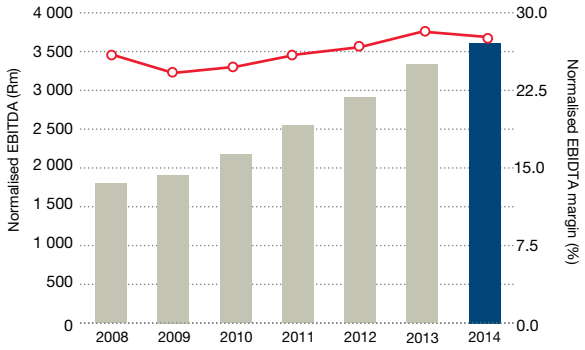
Revenue

		Sep 2014	%	Sep Restated 2013
Revenue		**13 046**	10.2	11 834
Southern Africa	Hospital division	**12 007**	9.1	11 001
	Healthcare Services division	**864**	4.0	831
	Other	**–**	–	2
International	Poland	**175**	–	–
Operating profit before amortisation, profit on disposals and impairment of intangible assets		**3 256**	9.0	2 987
Southern Africa	Hospital division	**2 905**	11.4	2 607
	Healthcare Services division	**135**	(19.2)	167
	Other	**213**	–	213
International	Poland	**3**	–	–

Group revenue increased by 10.2% to R13 046 million (2013: R11 834 million).

- The southern African Hospital division revenue increased by 9.1% to R12 007 million (2013: R11 001 million) as a result of the 2.0% increase in PPDs and higher revenue per PPD of 7.1%.
- Healthcare Services division revenue increased by 10.2% in continuing revenue excluding the impact of the conclusion of the Matikwana contract in Life Esidimeni. This good growth is largely due to the increased number of contracts in the Occupational Health business.
- The Polish business contributed R175 million revenue for the five months since acquisition.

Operating performance



Normalised EBITDA is a non-IFRS measure that is used by the Group to measure its operating performance. The alternative reimbursement model (ARM) provides an incentive to actively manage input costs. Together with higher occupancies and good cost of sales management, ARM allowed the Group to leverage efficiencies across its fixed cost base resulting in normalised EBITDA for the southern African business for the continuing operations increasing by 8.2% to R3 581 million (2013: R3 311 million).

The Polish business EBITDA for the period since acquisition is R16 million.

Calculation of normalised EBITDA

	2014 R'm	%	2013 Restated R'm
Operating profit	**4 093**		2 874
Profit on disposal of investment in associate	**(957)**		–
Loss on derecognition of finance lease asset	**–**		4
Profit on disposal of property	**–**		(4)
Gain on bargain purchase	**(1)**		–
Impairment of property, plant and equipment	**1**		–
Profit on disposal of business	**(2)**		–
Depreciation on property, plant and equipment	**355**		354
Transaction cost	**16**		–
Amortisation of intangible assets	**122**		116
Retirement benefit asset	**(15)**		(7)
Post-retirement medical aid	**(1)**		–
Normalised EBITDA	**3 611**	8.2	3 337
Discontinued operations[1]	**(14)**		(26)
Normalised EBITDA – continued operations	**3 597**	8.6	3 311
Southern Africa	**3 581**	8.2	3 311
Poland	**16**		–

[1] *Discontinued operations include Matikwana Hospital and Life Sandton Surgical Centre.*

The results for the period include the following once-off items (after tax):

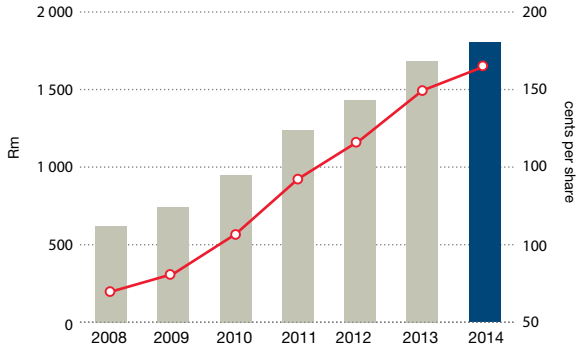
- Profit on disposal/disinvestment of businesses of R929 million;
- Transaction costs on the acquisition of the Polish investment – R16 million;
- Profit impact of defined benefit fund through profit and loss of R18 million (2013: R12 million); and
- Profit on foreign hedge for the acquisition of Max Healthcare – R40 million.

The Group has restated its comparative numbers in line with the revised IAS 19 (post-retirement benefits). This restatement resulted in the earnings per share and headline earnings per share both being revised to 164.8 cents per share for the previous period from 164.8 cents per share as previously reported.

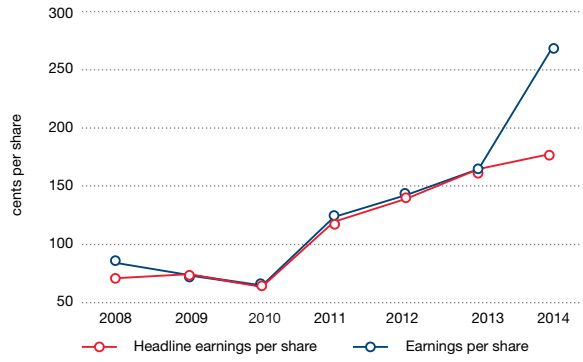
The disinvestment of the investment in JMH resulted in the associate income consisting of the following:

	2014 R'm	2013 Restated R'm
JMH	**41**	98
Max Healthcare	**(11)**	(35)
Joint ventures and other	**9**	7
Total	**39**	70

Normalised earnings



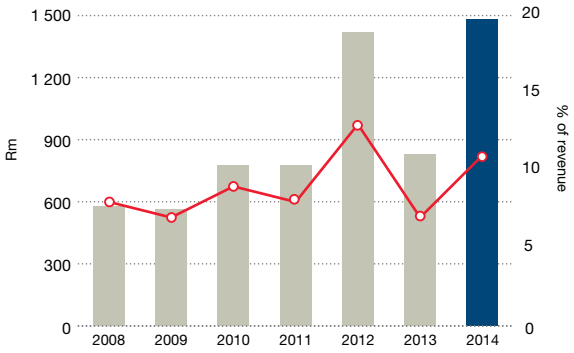
Headline earnings per share and earnings per share



Calculation of normalised earnings

	2014 R'm	2013 Restated R'm
Profit attributable to ordinary equity holders	**2 774**	1 711
Adjustments (net of tax):		
Profit on disposal of investment in associate	**(929)**	–
Profit on disposal of a business	**(1)**	–
Loss on derecognition of finance lease asset	**–**	3
Profit on disposal of property, plant and equipment	**–**	(3)
Gain on bargain purchase	**(1)**	–
Impairment of property, plant and equipment	**1**	–
Gain on derecognition of finance lease liability	**–**	(16)
Retirement funds	**(11)**	(5)
Retirement funds (included in employee benefits expense)	**(7)**	(7)
Transaction cost	**16**	–
Fair value gain on foreign exchange hedge contract	**(40)**	–
Normalised earnings	**1 802**	1 683
Normalised EPS (cents)	**173.8**	162.1

Cash flow and capital expenditure



The Group's cash generated as a percentage of normalised EBITDA is at 97.4% (2013: 102.5%) within its targeted range of above 95%. Major transactions impacting cash flow included:

- the proceeds from the sale of JMH (R1.3 billion);
- the subsequent special dividend of R1 billion distributed to shareholders; and
- new term debt of R1.5 billion with the existing term debt settled for R623 million.

Life Healthcare invested R962 million (2013: R760 million) in maintenance and expansionary capital projects and R510 million for the acquisition of the Polish subsidiary. The Group has allocated R1.9 billion for capital projects in the 2015 financial year. This largely relates to

brownfield expansions, the completion of the Life Hilton Private Hospital and the continued investment in the Group's facilities ensuring 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.

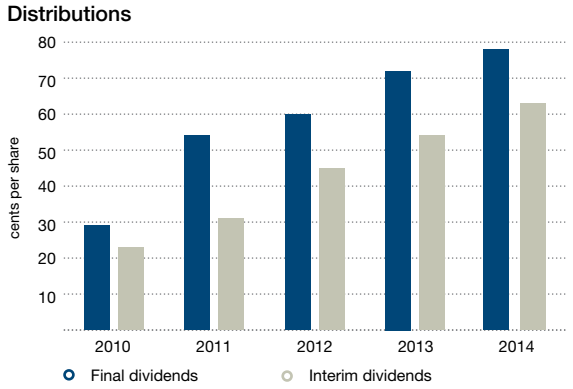
Statement of financial position

The Group is in a strong financial position with net debt to normalised EBITDA at 0.84 times (2013: 0.63 times) – well within the bank covenants of 2.75 times. This low debt position provides the Group with the financial flexibility to continue to execute on its strategic plans.

The Group policy is to hedge approximately 60% of interest-bearing borrowings. At 30 September 2014 71% (2013: 72%) of its borrowings were hedged from variable to fixed interest rates.

The Group has refinanced its existing term facilities at better pricing. The duration of the new facility is on a three-year amortising profile. The new term facilities carry interest at the three-month JIBAR rate plus an average margin of 1.05%, compared to the previous rate of three-month JIBAR plus a margin of 2.4%.

The Group has successfully negotiated a preference share facility of R1.4 billion for the financing of the Max Healthcare equalisation at a rate of 68% of prime and a general revolving credit facility of R2 billion at a rate of the three-month JIBAR plus a margin of 0.75%.



The directors approved a final cash dividend of 78 cents per ordinary share (2013: 72 cents per ordinary share) out of income reserves on 13 November 2014. The dividend will be subject to dividend withholding tax at a rate of 15%, which will result in a net dividend of 66.3 cents per share to those shareholders who are not exempt in terms of section 64F of the Income Tax Act. Together with the interim dividend of 63 cents per ordinary share declared out of income reserves on 12 May 2014, the total dividend declared was 141 cents per share for the year, amounting to R1 470 million.

The Group also declared a special dividend of 100 cents per ordinary share from the proceeds of the sale of JMH on 17 March 2014.

Pieter van der Westhuizen
Chief Financial Officer

13 November 2014

SEVEN-YEAR PERFORMANCE HISTORY

GROUP STATEMENTS OF COMPREHENSIVE INCOME

	CAGR since 2008 %	2014 R'm	Restated 2013 R'm	2012 R'm	2011 R'm	2010 R'm	2009 R'm	2008 R'm
Continuing operations								
Revenue	12.2	**13 046**	11 834	10 930	9 805	8 778	7 903	6 523
Operating profit	18.5	**4 093**	2 874	2 517	2 169	1 863	1 539	1 481
Normalised EBITDA[1]	13.7	**3 611**	3 337	2 912	2 544	2 168	1 877	1 669
Net finance cost	(6.4)	**(215)**	(202)	(215)	(199)	(327)	(346)	(320)
Share of associates' net profit after tax	(18.7)	**39**	70	90	118	103	112	135
Profit before tax	21.0	**3 973**	2 764	2 392	2 089	1 640	1 310	1 268
Profit after tax from continuing operations	21.5	**3 098**	2 004	1 729	1 492	835	937	964
Discontinued operations								
Profit from discontinued operations		**–**	–	–	–	–	–	34
Profit for the year	20.8	**3 098**	2 004	1 729	1 492	835	937	998
Ordinary equity holders of the parent	21.4	**2 774**	1 711	1 482	1 287	664	759	865
Non-controlling interest[2]	16.0	**324**	293	247	205	171	178	133
Normalised EBITDA[1]	13.7	**3 611**	3 337	2 912	2 544	2 168	1 877	1 601
Operating profit		**4 093**	2 874	2 517	2 169	1 863	1 539	1 481
Profit on sale of businesses		**(2)**	–	(30)	(5)	(10)	(1)	(153)
Additional payment on previously disposed business		**–**	–	(2)	–	–	–	–
Loss/(gain) on remeasuring of fair value of equity interest before business combination		**–**	–	3	(92)	–	–	–
Loss on derecognition of finance lease asset		**–**	4	–	–	–	–	–
Gain on bargain purchase		**(1)**	–	(2)	–	–	–	–
Profit on disposal of property, plant and equipment		**–**	(4)	(9)	–	–	–	–
Depreciation on property, plant and equipment		**355**	354	318	299	263	223	239
Impairment of property, plant and equipment		**1**	–	–	–	–	–	–
Impairment of intangible assets		**–**	–	–	65	–	9	–
Amortisation of intangible assets[3]		**122**	116	124	110	122	123	125
Transaction costs		**16**	–	–	–	–	–	–
Profit on disposal of investment in associate		**(957)**	–	–	–	–	–	–
Employee Trust accelerated charge[4]		**–**	–	–	–	36	–	–
Retirement benefit asset		**(15)**	(7)	(19)	(2)	(103)	(9)	(91)
Post-retirement medical aid		**(1)**	–	12	–	(3)	(7)	–

Notes

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

2 *Non-controlling interest represents the shareholders without controlling interests in subsidiaries.*

3 *Amortisation of intangibles arose on the intangible assets recognised during the leverage buy-out business combination in 2005, and the Midmed acquisition to subsidiary.*

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

GROUP STATEMENTS OF FINANCIAL POSITION

	2014 R'm	Restated 2013 R'm	2012 R'm	2011 R'm	2010 R'm	2009 R'm	2008 R'm
ASSETS							
Non-current assets							
Property, plant and equipment	**5 901**	4 517	4 008	3 753	3 258	2 905	2 585
Intangible assets	**2 318**	2 084	2 181	2 296	2 220	2 156	2 293
Retirement benefit asset[5]	**372**	321	247	205	203	100	89
Post-retirement medical aid benefit[5]	**18**	29	73	77	75	76	1
Other non-current assets	**1 091**	1 398	1 267	444	437	427	575
Total non-current assets	**9 700**	8 349	7 776	6 775	6 193	5 664	5 543
Current assets							
Inventories	**240**	214	198	193	185	166	144
Trade and other receivables	**1 451**	1 109	1 038	1 100	1 012	956	840
Cash and cash equivalents	**422**	297	244	400	482	101	412
Total current assets	**2 113**	1 620	1 480	1 693	1 679	1 223	1 396
Total assets	**11 813**	9 969	9 256	8 468	7 872	6 887	6 939
EQUITY AND LIABILITIES							
Capital and reserves	**4 792**	4 525	3 941	3 518	2 849	2 320	1 814
Non-controlling interest	**1 108**	1 081	936	866	666	610	536
Total shareholders' equity	**5 900**	5 606	4 877	4 384	3 515	2 930	2 350
Non-current liabilities							
Interest-bearing borrowings	**2 344**	1 657	1 929	1 565	2 024	1 631	1 997
Deferred income tax liabilities	**438**	388	352	368	376	305	568
Preference shares	**–**	–	–	–	–	–	24
Post-retirement medical aid liability[5]	**14**	13	68	67	65	69	–
Other non-current liabilities	**113**	92	96	84	101	69	66
Total non-current liabilities	**2 909**	2 150	2 445	2 084	2 566	2 074	2 655
Current liabilities							
Trade and other payables	**1 678**	1 299	1 240	1 261	1 154	1 005	906
Current portion of interest-bearing borrowings	**1 007**	452	460	460	450	723	476
Shareholders' loans	**–**	–	–	–	–	–	313
Other current liabilities	**164**	229	234	279	187	155	239
Bank overdraft	**155**	233	–	–	–	–	–
Total current liabilities	**3 004**	2 213	1 934	2 000	1 791	1 883	1 934
Total equity and liabilities	**11 813**	9 969	9 256	8 468	7 872	6 887	6 939

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 Group'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 an asset and liability for post-retirement medical benefits.

GROUP STATEMENTS OF CASH FLOWS

	2014 R'm	Restated 2013 R'm	2012 R'm	2011 R'm	2010 R'm	2009 R'm	2008 R'm
Cash operating profit	**3 769**	3 514	3 067	2 567	2 284	2 050	1 861
Changes in working capital	**(253)**	(92)	(26)	(5)	(50)	(155)	4
Cash generated from operations	**3 516**	3 422	3 041	2 562	2 234	1 895	1 865
Income tax paid	**(980)**	(804)	(748)	(617)	(396)	(493)	(341)
Net cash inflow from operating activities	**2 536**	2 618	2 293	1 945	1 838	1 402	1 524
Net cash outflow from investing activities – investments to expand	**(1 270)**	(717)	(1 312)	(633)	(684)	(480)	(495)
Net cash outflow from investing activities – investments to maintain	**(210)**	(111)	(105)	(144)	(93)	(81)	(81)
Net cash inflow from investing activities – disposals	**1 369**	5	63	8	26	4	260
Net cash inflow from investing activities – other	**13**	42	85	81	55	91	12
Net cash outflow from financing activities	**(2 266)**	(2 017)	(1 182)	(1 378)	(788)	(1 249)	(1 297)
Net increase/(decrease) in cash and cash equivalents	**172**	(180)	(158)	(121)	354	(313)	(77)
Cash and cash equivalents – beginning of the year	**64**	244	400	482	101	412	517
Cash balances disposed of through disposal of joint venture	**–**	–	–	–	–	–	(28)
Cash balances acquired through business combination	**23**	–	2	39	27	2	–
Effect of foreign currency movement	**8**	–	–	–	–	–	–
Cash and cash equivalents – end of the year	**267**	64	244	400	482	101	412

BUSINESS PERFORMANCE AND METRICS

	CAGR 2008 %	2014	Restated 2013	2012	2011	2010	2009	2008
All the numbers reflected exclude associates								
Number of registered beds[6]	3.1	**8 418**	8 279	8 227	7 916	7 669	7 190	7 021
Paid patient days	3.8	**2 115 254**	2 074 551	2 020 864	1 903 951	1 806 730	1 761 964	1 693 925
Occupancy (%)[7]		**71.9**	71.7	71.2	71.0	69.6	71.6	69.8
Length of stay		**3.57**	3.50	3.45	3.34	3.27	3.20	3.12
Financial ratios								
Normalised EBITDA margin (%)		**27.7**	28.2	26.7	26.0	24.8	24.2	26.0
Tax rate excluding secondary tax on companies (%)		**22.0**	27.5	26.9	25.7	27.5	27.3	26.0
Effective tax rate (%)		**22.0**	27.5	27.7	28.6	49.1	28.4	26.9
Debtors days		**31**	31	30	31	33	36	34
Stock cover (days)		**24.1**	24.3	25.5	24.6	24.3	23.7	25.8
Quick ratio (:1)		**1.06**	0.92	1.00	1.10	1.25	1.05	0.96
Current ratio (:1)		**0.94**	0.80	0.87	0.97	1.11	0.91	0.86
Gearing net of cash (%)		**33.3**	26.5	30.3	25.3	33.3	42.6	42.7
Total debt (R'm)		**3 351**	2 109	2 389	2 025	2 474	2 354	2 473
Net debt (R'm)		**3 084**	2 045	2 145	1 625	1 992	2 253	2 061
Interest-bearing debt (R'm)[8]		**2 490**	1 515	1 876	1 478	1 900	1 800	1 911
Debt related to finance leases raised in terms of IAS 17[9] (R'm)		**861**	594	513	546	574	554	563
Net debt: normalised EBITDA		**0.84**	0.63	0.73	0.66	0.92	1.20	1.24
Interest cover		**21.0**	13.4	12.1	10.9	5.7	4.5	4.8
Return on net assets (RONA) (%)		**55.0**	46.0	45.2	41.3	26.5	32.4	40.2

[6] *In March 2014 Life Sandton Surgical Centre closed. Life St Joseph's, 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 Surgical Centre was disposed of in March 2012. Life Healthcare acquired the majority shareholding in Life Midmed Hospital in August 2011. Life Beacon Bay Hospital and Life Orthopaedic Hospital opened in November 2009. Life Healthcare also acquired Life Bay View Private 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 and in March 2014 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.*

SHAREHOLDER RETURNS

	CAGR since 2008 %	2014	Restated 2013	2012	2011	2010	2009	2008
Earnings per share (cents)	21.3	**267.5**	164.8	142.5	123.6	64.5	73.7	84.0
Diluted earnings per share (cents)	21.7	**266.7**	164.7	142.4	123.6	64.5	72.0	82.0
Headline earnings per share (cents)	16.5	**177.8**	164.8	139.5	119.5	63.5	74.5	71.1
Diluted headline earnings per share (cents)	16.9	**177.3**	164.7	139.2	119.5	63.5	72.7	69.4
Normalised earnings per share (cents)	17.3	**168.6**	150.6	141.1	119.3	92.7	73.5	64.9
Normalised earnings per share excluding amortisation (cents)	15.7	**176.7**	158.7	149.7	126.9	101.2	82.1	73.6
Weighted average number of shares in issue (million)		**1 037**	1 038	1 040	1 042	1 030	1 030	1 030
Weighted average number of shares for diluted earnings per share (million)		**1 040**	1 039	1 041	1 042	1 030	1 055	1 056
Total number of shares in issue (million)		**1 042**	1 042	1 042	1 042	1 042	1 017	1 030
Distributions per share (cents)*	40.7	**141**	114.0	99.0	60.0	50.8	25.6	–
Net asset value per share (cents)	17.4	**459.8**	434.2	378.2	337.5	273.3	228.2	176.1
Normalised earnings		**1 802**	1 683	1 468	1 243	954	755	668
Profit attributable to ordinary equity holders		**2 774**	1 711	1 482	1 287	664	759	865
Adjustments (net of tax):								
Retirement funds		**(11)**	(5)	(5)	(2)	(76)	(12)	(66)
STC on listing		**–**	–	–	–	322	–	–
Employee Trust accelerated charge		**–**	–	–	–	36	–	–
Listing cost		**–**	–	–	–	17	–	–
Profit on disposal of property, plant and equipment		**–**	(3)	(7)	–	–	–	–
Loss/(gain)on remeasuring of fair value of equity interest before business combination		**–**	–	3	(92)	–	–	–
Gain on bargain purchase		**(1)**	–	(2)	–	–	–	–
Loss on derecognition of finance lease asset		**–**	3	–	–	–	–	–
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		**(1)**	–	(1)	–	(9)	(1)	(131)
Profit on disposal of investment in associate		**(929)**	–	–	–	–	–	–
Impairment of property, plant and equipment		**1**	–	–	–	–	–	–
Gain on derecognition of finance lease liability		**–**	(16)	–	–	–	–	–
Retirement fund (included in employee benefit expenses)		**(7)**	(7)	–	–	–	–	–
Transaction costs		**16**	–	–	–	–	–	–
Fair value gain on foreign exchange hedge contract		**(40)**	–	–	–	–	–	–

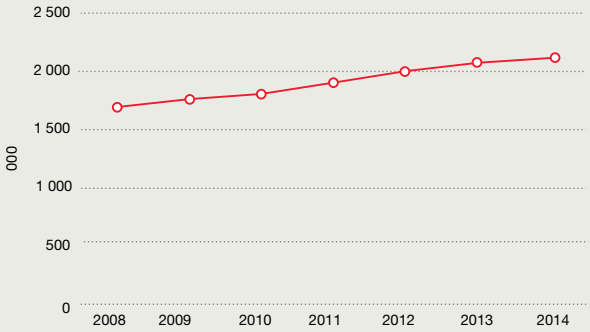
** 5-year CAGR since 2009.*

MARKET INDICATORS

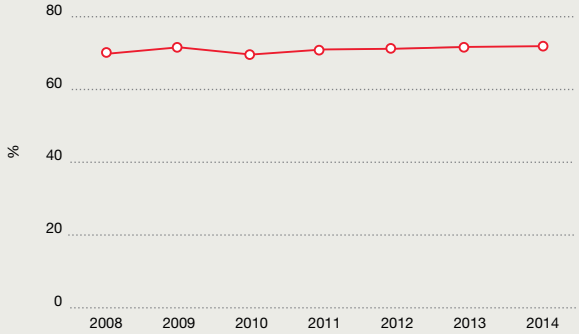
	2014	2013	2012	2011	2010	2009	2008
Market price – high (R) per share	**47.81**	38.55	35.70	19.30	14.59	n/a	n/a
Market price – low (R) per share	**34.66**	29.76	18.50	14.00	12.83	n/a	n/a
Market price – year-end (R) per share	**44.54**	35.74	31.75	19.30	14.44	n/a	n/a
Market capitalisation – year-end (R'm)	**46 420**	37 249	33 090	20 115	15 050	n/a	n/a
Number of shares traded (million)[10]	**724**	789	1 001	1 100	n/a	n/a	n/a
Value of shares traded (R'm)[10]	**29 422**	27 025	26 253	18 130	n/a	n/a	n/a
Price-earnings ratio	**16.65**	21.07	22.08	15.62	22.39	n/a	n/a

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

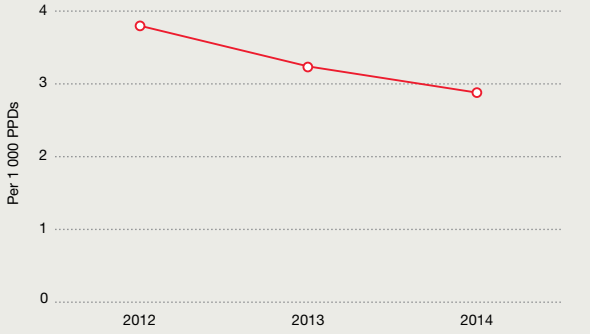
Paid patient days



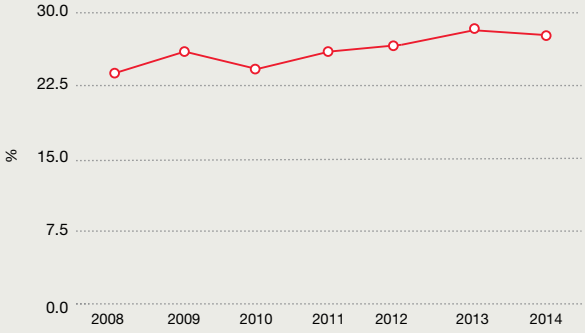
Occupancy



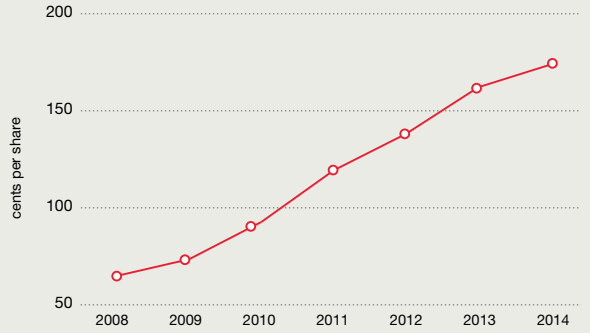
Patient incident rate



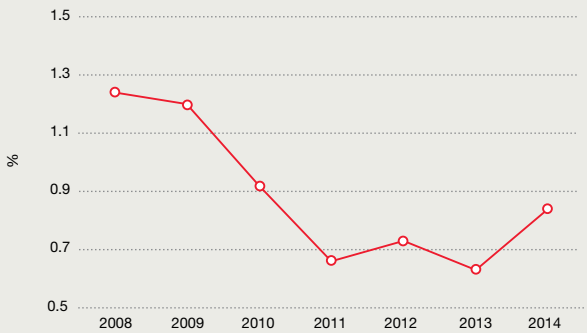
Normalised EBITDA margin



Normalised earnings per share



Net debt: normalised EBITDA



STRATEGIC FOCUS AREAS

1 growth

Continue growing the business through:

- developing the existing southern African hospital network;
- expanding our coverage; and
- continue to expand our operations in selected international markets.

Life Healthcare has grown from four hospitals in 1983 to 61 healthcare facilities, comprising 48 acute hospitals, six mental health facilities and seven acute rehabilitation facilities with a total of 8 418 registered beds and expanded its footprint to India and Poland. The Group is also the largest healthcare PPP in South Africa through Life Esidimeni with 12 facilities and 3 967 beds and has expanded into occupational health supplying services to 240 000 employees through 288 on-site clinics.

INTERNATIONAL GROWTH

Life Healthcare continues to explore growth opportunities in select markets in Europe and India. Capital expenditure relating to international acquisitions for the year amounted to R510 million (2013: R68 million) as a result of the purchase of Scanmed Multimedis.

Max Healthcare (26.0%)[1]

Max Healthcare is a leading hospital group in India with 10 hospitals and a capacity of 1 978 acute care beds. Good occupancies in the hospitals enabled Max Healthcare to increase the number of operational beds to 1 677 from 1 476 in the previous year.

Unit	Bed capacity	Operational beds 2014	Operational beds 2013	Occupancy 2014
Phase 1 hospitals	1 080	**1 079**	1 040	**78%**
Phase 2 hospitals				
Shalimar Bagh	288	**185**	150	**79%**
Mohali	204	**203**	141	**71%**
Bhatinda	205	**80**	56	**76%**
Dehradun	201	**130**	89	**73%**
Total phase 2	**898**	**598**	**436**	**75%**
Combined total	**1 978**	**1 677**	**1 476**	**77%**

The immediate growth focus for Max Healthcare will be to increase the number of operational beds in the phase 2 hospitals. In addition Max Healthcare has brownfield expansion plans in a further three hospitals which will add approximately 400 beds to the business by 2017. Outside of growth the focus will be driving operational efficiency and cost management. The operational board comprising Life Healthcare and Max India will manage monthly performance.

Scanmed Multimedis (Scanmed) (98.56%)

The private healthcare provider in Poland consists of:

- a 130-bed multi-disciplinary acute hospital located in Kraków;
- a 22-bed specialist ophthalmology hospital in Katowice;
- 28 medical centres which provide outpatient care (primary healthcare and specialist consultations) and diagnostic services located in major cities across Poland including Warsaw, Gdansk, Poznan, Wroclaw, Katowice and Kraków; and
- an eight-bed gastroenterology centre in Lublin.

HIGHLIGHTS

- Investment in Scanmed iMultimedis
- PPD growth of 2.0%
- 249 beds added in 2014
- 56 renal stations added
- Capital expenditure of R1.1 billion invested

CHALLENGES

- Stagnating South African economy
- Slowing growth in medical scheme lives
- Bottlenecks in the approval of bed licences
- Shortage of new specialists and ageing of existing specialists
- Labour unrest

[1] *As at 30 September 2014, the shareholding was 26%. The Group concluded the Max equalisation on 10 November for R1.35 billion and now owns 46.25% of the business.*

The Group aims to establish a comprehensive network of facilities covering all major cities and disciplines in Poland. This will be done through select acquisitions. The existing management team will continue to manage Scanmed in association with Life Healthcare's management team. Life Healthcare will leverage off its operational expertise to assist in driving efficiencies through the business.

LOCAL GROWTH

Progress on focus areas

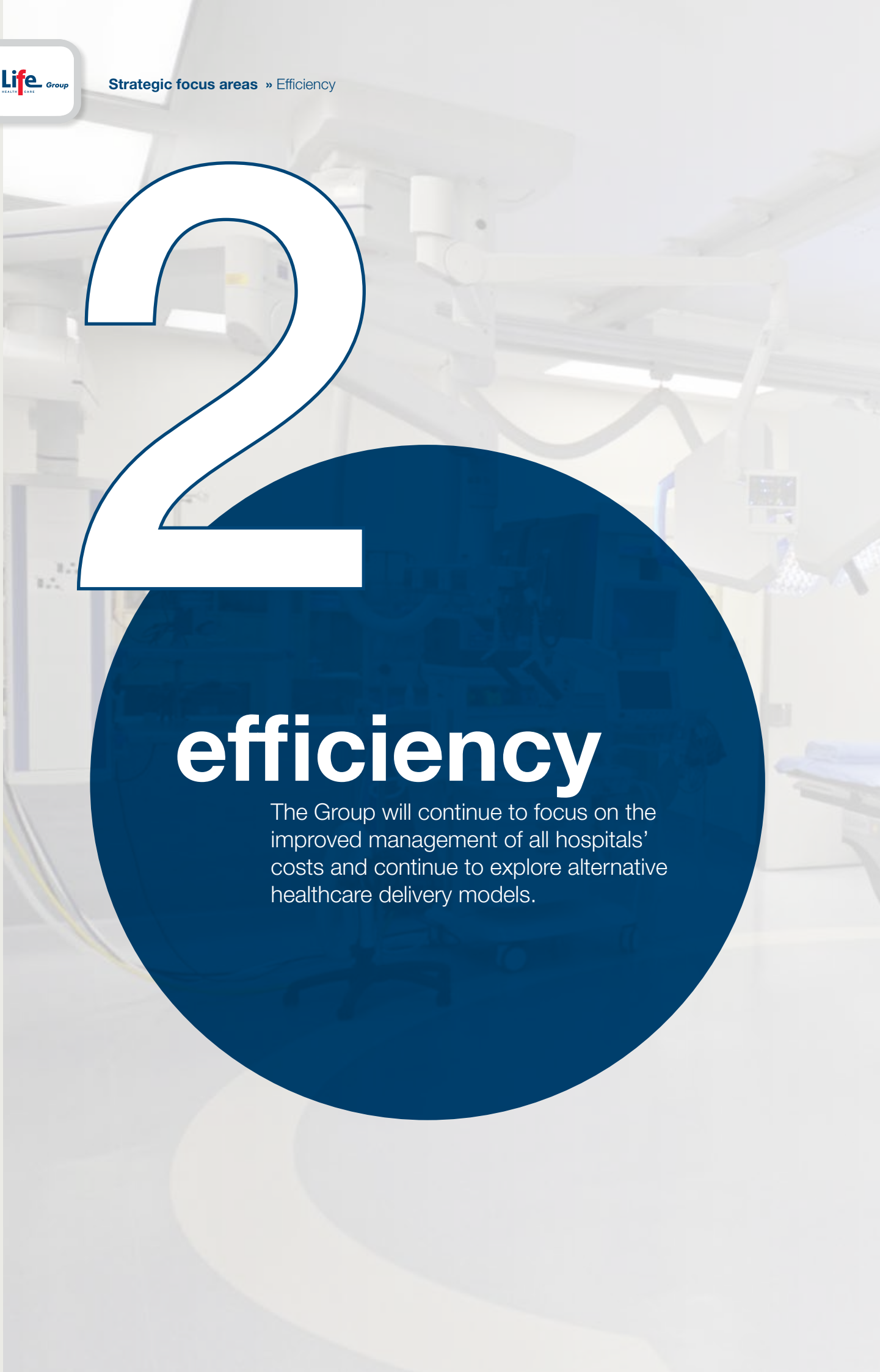
Focus area	Objectives summary	
Developing the existing southern African hospital network	Expanding facilities within existing hospitals through: • adding additional beds, wards and/or operating theatres; and • adding complementary lines of business to existing hospitals.	
Expanding our coverage and penetration of the southern African market	Expand the geographic footprint by: • acquiring select facilities; and • building new facilities.	
Expanding healthcare services range	Growing occupational health business through the growth of additional clients and through the marketing of additional products.	

	2014 progress	
	249 acute beds added. Additional 56 renal dialysis stations added Birth basics successfully piloted at Life St Mary's Women's Clinic.	The detail of beds added are as follows: • Life Kingsbury Hospital: 5 general beds • Life Vincent Pallotti Hospital: 2 ICU beds • Life Mercantile Hospital: 3 ICU beds 9 general beds • Life St George's Hospital: 7 NICU beds 13 general beds • Life Chatsmed Garden Hospital: 38 general beds • Life Beacon Bay Hospital: 28 general and paediatric beds • Life Knysna Private Hospital: 3 ICU beds 8 general beds • Life Cosmos Hospital: 20 day ward beds • Life Suikerbosrand Clinic: 2 NICU beds 3 general beds • Life Carstenhof Clinic: 7 high care beds • Life Flora Clinic: 20 ICU beds • Life Robinson Private Hospital: 30 general beds • Life Rosepark Hospital: 16 general beds • Life Dalview Clinic: 4 NICU beds 17 general beds • Life Springs Parkland Clinic: 14 general beds • 56 renal stations added Added 40 000 occupational health lives with a focus on increasing and strengthening the doctor supplier network.
	Building of Life Hilton Private Hospital commenced. Once completed, it will add: • 11 ICU beds; • 6 high care beds; • 77 general beds; and • 5 theatres.	
	Identified further opportunities to grow our occupational health business.	

Future capacity expansion

The Group has a strong pipeline of beds to be added over the next three years. The 2015 pipeline outlines the proposed bed growth for 2015, and includes approved beds, which are where we have received licence approval but are still to receive all municipal approvals, as well as beds where we have applied for licences.

Expansion category	2015 beds	Approved beds	Licence applications pending
Brownfield bed growth	148	561	339
Greenfield bed growth	94	300	88
Mental healthcare/acute rehabilitation bed growth	–	76	299
Acquisitions	50	–	–
Total	**292**	**937**	**726**



2 efficiency

The Group will continue to focus on the improved management of all hospitals' costs and continue to explore alternative healthcare delivery models.

BUSINESS EFFICIENCY DRIVES

Process redesign has increased the efficiency and efficacy of the business and continues to be a required competency in meeting the fast changing challenges in our healthcare environment. The Group's aspiration is to establish a fully integrated hospital management system. Management and staff remain committed to improving efficiency and reducing costs without compromising on quality of care. The Group will also be exploring synergy opportunities with Max Healthcare in India and Scanmed Multimedics in Poland.

Business efficiency drives include:

Inland central laundry: Life Healthcare built its central laundry in 2013 at a cost of R73 million. It is aimed at controlling the washing and delivery process for its inland region to maximise efficiencies and savings. The main objective of the central laundry is to maintain price increases at acceptable levels, ensure thorough disinfection and cleaning of linen and an improved linen lifespan. The laundry system was fully operational from 28 October 2013. The first 12 months were used to develop the operational processes and to increase the stock levels of linen to acceptable standards. The efficiencies following the rollout to the inland region will only be seen from the 2015 financial year.

Point of care testing initiative: This initiative was successfully rolled out in January 2014 and involves standardised blood gas testing equipment and the inclusion of these services within the hospital daily rate charges. This results in a more efficient process and an overall decrease in costs to medical funders. This initiative resulted in savings of R36 million for the industry on an annualised basis.

ALTERNATIVE REIMBURSEMENT STRATEGY

The Group's alternative reimbursement strategy (ARM) continued to cover approximately 60% of the acute hospitalisation revenue through either fixed fees or per diems.

Life Healthcare has more than 11 years of hospital billing information that is used to validate ARMs. We have 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. A number of the larger schemes which are not on the ARM are considering switching to the ARM and we expect the overall percentage to increase over the next few years.

HIGHLIGHTS

- Contained price increases to below CPI
- Benefited from a cost saving of R52 million due to efficient cost management
- Point of care initiative rolled out to all Life Healthcare facilities – R36 million savings realised for the industry

CHALLENGES

- Continued nursing and pharmacy salary pressure
- Depreciation of the rand impacts the price of surgical consumables and imported equipment
- Electricity price increases above inflation
- Pricing expectation from medical funders
- Impact of labour unrest

INFORMATION TECHNOLOGY

Through the improvement in information technology (IT), our patients, doctors and staff are benefiting from the quality, safety and efficiency of projects that have been and are being developed. The objective is to further evolve the IT function as an operational and strategic asset for the business.

An amount of R49 million (2013: R19 million) was invested in IT systems and applications. Material IT projects linked to the Group's growth and efficiency strategy includes:

- Project Impilo;
- ICNet;
- Life Healthcare's data centre; and
- Life Healthcare's disaster recovery plan.

The Group believes that nurturing a culture of ongoing innovation is critical to the long-term success of its business. All IT operational incidents are prioritised with a severity score ranging from one (most severe) to five (least severe). Most incidents were rated as severity three and the Group experienced seven severity one incidents (2013: eight). Where applications require major improvements or upgrades, Life Healthcare has a robust change management process to ensure a smooth transition for users.

Project Impilo

Project Impilo is a major re-engineering programme comprising five modules and continues to be a business efficiency focus.

Module 1: *Patient administration (completed March 2010)*: Enhances the patient experience by providing a complete patient data-base that is shared across all Life facilities thus eliminating the need for completion of patient administration forms on any repeat visits.

Module 2: *Case management (completed March 2011)*: Simplifies the case management process by grouping and prioritising updates to a pool of resources, thus augmenting patient and medical funder experience and removing previous administrative inefficiencies and reducing non-healthcare costs.

Module 3: *Accommodation billing module (completed September 2012)*: The replacement of ward white boards with multi-touch technology for nurses that enables real-time patient census management, acuity assessment and general patient information capture resulting in improved patient confidentiality and bed management.

Module 4: *E-billing dispensing module*: This will 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.

Module 5: *E-theatre billing module:* Hospitals will benefit from a paperless real-time billing process (including pre-planning for pre-booked theatre cases and removal of manual charge sheets amongst others), resulting in the removal of administrative inefficiencies and increased nursing time for patient care.

The benefits of this project include the continued improvement in the Group's working capital efficiencies, such as debt collection and stock control, and the automation of processes that were previously very manual intensive. Modules 1 to 3 have been rolled out and modules 4 and 5 will both be rolled out during 2015 and 2016.

ICNet

ICNet is a tool for improved infection prevention and outbreak control and will ultimately lead to a decline in patient morbidity and mortality. It is a web-based tool that will provide real-time patient information that can be used to efficiently generate reports for the doctors to use when treating the patient. This project commenced in October 2013 with an anticipated completion date of December 2014.

Data centre and disaster recovery

The data centre was moved to a new supplier and is a more modern and up-to-date data centre. Disaster recovery exercises are ongoing and are being aligned to the data centre move. We are in the process of enhancing our disaster recovery solution which will be implemented over the next three years.

COST MANAGEMENT

Life Healthcare's commitment to sustainable healthcare drives the focus on management of cost of sales and cost of services while upholding and improving its quality standards. The promotion of appropriate and rational product use is aimed at reducing costs and illustrates Life Healthcare's commitment to reducing its environmental impact.

The procurement strategy has provided significant business value through:

- product management;
- alternative sourcing strategies;
- supplier partnerships to substantially reduce costs; and
- reduction of services input costs.

This is of particular importance in light of the global scarcities in raw materials that have impacted certain products, particularly those used in anaesthesia, the continued devaluation of the rand and subsequent negative impact thereof on the pricing of imported products. Despite these financial pressures, Life Healthcare managed to contain price increases to below CPI through price negotiations and formulary product conversions.

The upgrade of Life Healthcare's product management software system supports its procurement strategy. The automated procure-to-pay system includes a catalogue of approved products from which Life Healthcare's hospitals can procure and obtain approval for goods online. Through a review of this system's workflow, Life Healthcare has noted an annual 12% reduction in the volume of purchase orders.

Life Healthcare has 637 suppliers from which pharmaceutical and surgical consumable products are purchased. There are 4 400 suppliers utilised for group procurement with 250 of these suppliers comprising 80% of spend. Life Healthcare's total procurement spend was R6.7 billion (2013: R6.3 billion) with R3.3 billion spent on pharmaceutical products and R3.4 billion spent on medical equipment, services and consumables. The top four spend categories include surgical consumables, pharmaceuticals, services and nursing agencies. The Group will be investigating procurement synergy opportunities with its hospitals in India and Poland.

Geographic region	Percentage of procurement purchases
Botswana	0.57
Border/Kei	7.50
Free State	4.94
Gauteng	45.61
KwaZulu-Natal	13.52
Limpopo	0.08
Mpumalanga	4.36
North West	4.27
Port Elizabeth	7.70
Western Cape	11.45

Supplier governance

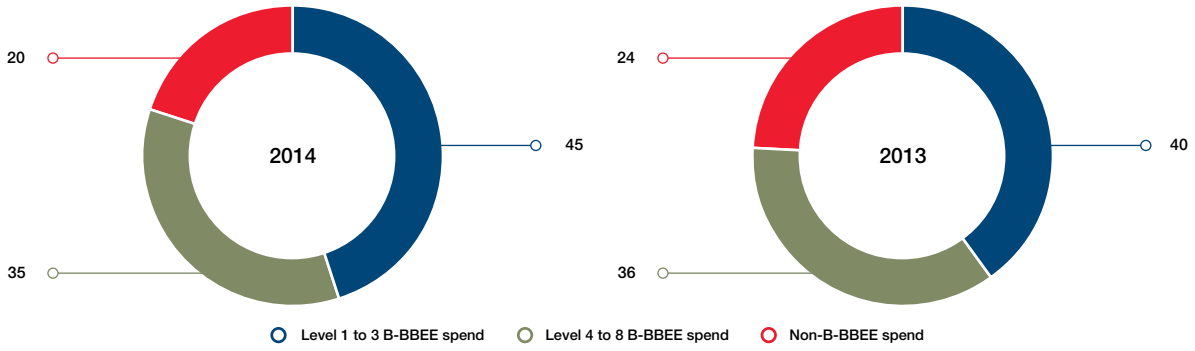
Life Healthcare follows a tender process to provide quality goods and support services at cost-effective prices. Suppliers are screened for compliance with relevant legislation including environmental and human rights legislation. Multi-disciplinary consultative forums and various doctor interactions form the framework for decisions. The process is finalised with approval from senior management and the procurement executive. The procurement policy and process are reviewed regularly and endorsed by the procurement executive.

Broad-based black economic empowerment (B-BBEE)

Group and pharmaceutical procurement has ensured that 80% (2013: 76%) of spend has been provided by B-BBEE accredited vendors. Life Healthcare achieved 18.2 points out of a possible 20 points for its procurement component as per the 2013 Empowerdex rating. As part of its tender process, Life Healthcare requests information on the B-BBEE status of each supplier, including B-BBEE certificates, and proactively engages with suppliers to determine if there are viable methods to improve B-BBEE ratings over time.

Significant focus is placed on increasing the Level 1 to 3 spend, which is 45% (2013: 40%) of the total B-BBEE procurement spend as depicted below. Emerging Micro Enterprise (EME) opportunities for the provision of garden services and nursing agencies have been identified and implemented.

B-BBEE procurement spend (%)



3 quality

The Group aims to maintain and improve its commitment to world-class healthcare.

QUALITY MANAGEMENT SYSTEM

Life Healthcare's integrated quality management system drives behaviour and ensures compliance with legal requirements, industry standards and internal Group requirements. Internal quality audits are performed annually at hospitals to assess compliance with legal requirements from an occupational health and safety, environment and quality perspective. The external ISO 9001:2008 certification was extended for a further three-year cycle until 2016.

Quality scorecard

Environmental measures were added to Life Healthcare's quality scorecard. The six key aspects of quality that are measured across the Group hospitals are:

HIGHLIGHTS

- Improvements realised to our quality scores across clinical outcomes, health and safety including patient incidents and employee incidents
- Environmental measures included in Life Healthcare Group's quality scorecard
- Implementation of Life Healthcare's environmental management system

CHALLENGES

- Turnover of staff
- Prevalence of superbugs
- Patient expectations versus cost of delivery

Life Healthcare Group scorecard

	2014	2013	2014 goal	Goal met
Patient experience				
Recommend[1]	**68.2%**	96.2%	All hospitals over 70%	▲
Patient experience	**79.9%**	98.6%	All hospitals over 85%	▲
Written customer feedback cards	**276 648**	302 232		
% positive comment cards	**89.7%**	89.7%	All hospitals over 91%	▲
Internal quality audits				
Overall % attained (all hospitals)	**88%**	87%	All hospitals over 85%	▲
Health and safety				▲
Patient incident rate (per 1 000 PPDs)	**2.88**	3.24	All hospitals <3.24	▲
– Medication incidents (per 1 000 PPDs)	**1.36**	1.50	All hospitals <1.50	▲
– Falling incidents (per 1 000 PPDs)	**0.67**	0.72	All hospitals <0.70	▲
– Procedure-related incidents (per 1 000 PPDs)	**0.61**	0.65	All hospitals <0.65	▲
Employee incident Rate (per 200 000 labour hours)	**4.86**	5.64	All hospitals <5.64	▲
– Needle-sticks (per 200 000 labour hours)	**1.16**	1.42	All hospitals <1.42	▲
– Falling (per 200 000 labour hours)	**1.14**	1.15	All hospitals <1.15	▲
– Mobility (per 200 000 labour hours)[2]	**0.83**	n/a	All hospitals <1.00	▲
Other incident rate (per 1 000 PPDs – property, environment, stakeholder, multi-disciplinary team members)	**1.13**	1.15	All hospitals <1.15	▲
Clinical outcomes				▲
Patient documentation audit	**90%**	89%	All hospitals over 85%	▲
Prevention of healthcare associated infections:				▲
– Ventilator Associated Pneumonias (VAP)	**95%**	93%	All hospitals over 95%	▲
– Surgical Site infections (SSI)	**90%**	89%	All hospitals over 90%	▲
– Central Line Associated Blood Stream Infections (CLABSI)	**90%**	91%	All hospitals over 90%	▲
– Catheter Associated Urinary Tract Infections (CAUTI)	**95%**	93%	All hospitals over 95%	▲
– Healthcare Associated Infections (HAI) per (1 000 PPDs)	**0.44**	0.52	All hospitals <0.52	▲
– VAP (per 1 000 ventilator days)	**1.91**	2.69	All hospitals <2.70	▲
– SSI (per 1 000 theatre cases)	**0.76**	0.74	All hospitals <0.74	▲
– CLABSI (per 1 000 central line days)	**0.85**	0.83	All hospitals <0.82	▲
– CAUTI (per 1 000 catheter days)	**0.40**	0.57	All hospitals <0.57	▲
Cardiac excellence (only applicable to Cathlab hospitals):				
– Aspirin given on arrival	**91%**	90%	All hospitals over 90%	▲
– Beta-blockers given within 24 hours of arrival	**94%**	88%	All hospitals over 90%	▲
– Thrombolytic within 30 min of arrival	**91%**	n/a	All hospitals over 85%	▲
– Beta-blockers on discharge	**97%**	n/a	All hospitals over 90%	▲
– Aspirin given on discharge	**99%**	98%	All hospitals at 100%	▲
– Statin on discharge	**97%**	n/a	All hospitals over 95%	▲
– PCI <90min	**53%**	53%	All hospitals over 60%	▲
– AMI mortality rate	**7%**	7%	All hospitals <6.0%	▲
Cardiac excellence (only applicable to feeder hospitals):[3]				▲
– Aspirin given on arrival	**64%**	n/a	All hospitals over 80%	▲
– Beta-blockers given within 24 hours of arrival	**50%**	n/a	All hospitals over 50%	▲
– Thrombolytic within 30 min of arrival	**38%**	n/a	All hospitals over 50%	▲
Mental health (only applicable to Mental health facilities):				
MHQ14 efficiency per 1 000 PPDs (average gain over PPDs)[4]	**2.39**	n/a	All hospitals >1.60	▲
Rehabilitation (only applicable to rehabilitation facilities):				
– FIM™/FAM efficiency	**1.14**	1.14	All hospitals >0.9	▲
Environmental				
Healthcare risk waste	**1.63**	n/a	1.25 to 1.47	▲
Electricity usage (kWh)	**154 968 932**	160 699 040	n/a	
Water usage (kilolitres)	**1 916 528**	1 812 425	n/a	

[1] *Patient Satisfaction scores changed to Patient Experience for inpatients in April 2013 and for emergency units in October 2013. The patient experience scores for inpatient population is as documented in the table, but for emergency units it is 76.3%. Net promoter is no longer used within Life Healthcare, and "recommend" has been adopted – the score for inpatients is as per the table, and for emergency units is 66.2%. We believe that these scores are more realistic in terms of patients' view of their experience in our hospitals and as to whether they would recommend us, as opposed to the previous Q evaluator.*

[2] *This focus area was added in 2014 and refers to injuries of employees related to lifting and handling of patients or equipment.*

[3] *The cardiac excellence (AMI) bundle was implemented in 12 feeder hospitals late 2013. It was implemented in a further 18 feeder hospitals in 2014.*

[4] *MHQ 14 Efficiency measure was added for 2014 and is a mental health questionnaire – patient self-reported outcomes.*

Group internal quality audit results

A detailed review and internal audit is conducted annually in each hospital by the quality department to ensure that all hospitals comply with the Group quality standards and procedures. 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, procurement, acute rehabilitation and mental health are also audited. A detailed report on achievements and gaps is provided to all hospitals. In turn, they submit corrective and preventive action plans on non-compliant elements identified in the review. Quality audit results form part of the performance management of all senior leaders in hospitals.

The most common findings from the internal reviews, and the corrective measures taken, include the following:

- hospitals improved their overall quality management system performance from an average of 87% to 88%. However, an area that scored low related to the management of outsourced services. This finding has been addressed through standardised service level agreements and quarterly quality and service meetings with service providers;
- certain hospitals scored below average on reporting and investigation of incidents and customer complaints. An additional module on root cause analysis has been added to the existing incident investigation training material to improve the corrective action process; and
- there were isolated areas where hospitals lacked the required resources and this is being addressed.

Results from the audits are benchmarked across the Group. These reviews and audits prepare the hospitals for the audit conducted by the external auditors which are required as part of the ISO certification and surveillance audits. The Group is also conducting compliance audits against the National Department of Health core standards and these audits have been completed on certain hospitals this year. The target is to have conducted these compliance audits on all hospitals over the next three years.

Q^{e} – PATIENT EXPERIENCE

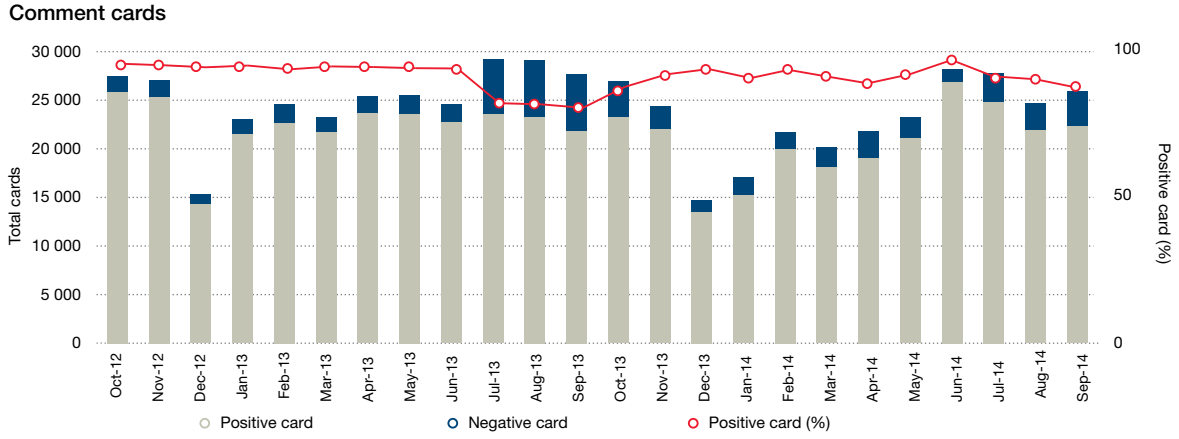
A patient-centred approach is core to Life Healthcare's quality management system.

Customer excellence

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

- patient experience;
- recommend; and
- positive comments.

To reduce the number of complaints received by hospitals, unit managers continue to focus on addressing negative comments or concerns from patients while in hospital. This has increased the number of negative comments as can be viewed by the graph below. However, the effect was to reduce the overall number of complaints received post discharge. Overall there was a 20% reduction in complaints received from customers due to the focus on increasing negative comments and dealing with concerns from patients, and their family members, whilst in hospital.

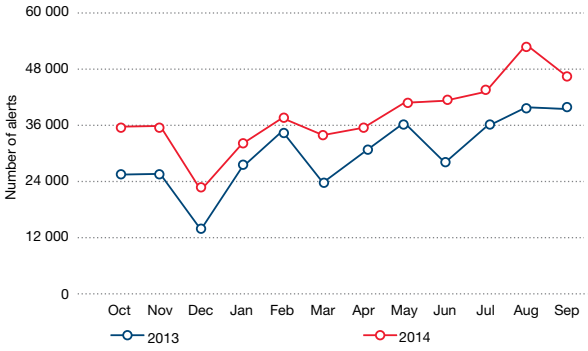


To obtain greater insight into patients' hospital stay, Life Healthcare introduced a patient experience survey during the previous financial year that is distributed to patients post-discharge and has been extended to those patients who visit our emergency units and are discharged from our rehabilitation facilities.

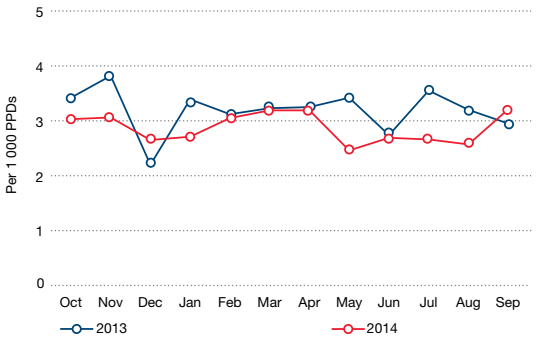
HEALTH AND SAFETY MEASURES

Life Healthcare's alert system, which records the near misses within our service delivery process, has produced positive results and we believe has contributed to the reduction in patient and employee-related incidents. The current year trend on alerts indicates an increase in general reporting and awareness throughout the Group, with the Group alerts increasing by 100 000. The trend lines for both employee and patient incidents show a downward trend confirming our view that preventative action, in the form of our alert system, has positively impacted patient and employee incidents.

Alerts

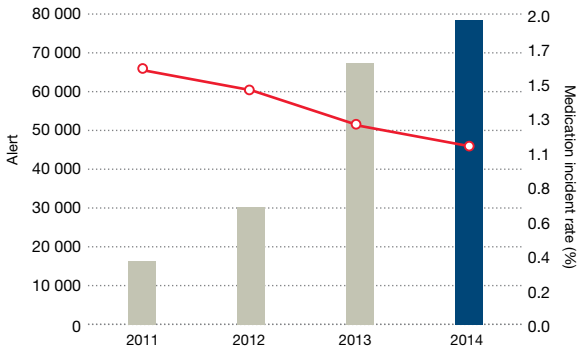


Patient incident rate



An example of this relates to our medication incidents, which are nursing related. From 2011 to 2014 the number of alerts raised with regards to preventing medication incidents (nursing-related) increased and the actual incident rate decreased.

Alerts and medication incident rate



Patient health and safety

All patient incidents are reported and 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 learnt are communicated by means of Q-learnings and steps are taken to prevent similar incidents in other units.

The overall patient incident rate is measured as a ratio of the number of incidents per 1 000 PPDs. Two of the internationally accepted high-risk areas identified as trends in Life Healthcare are slips and falls and medication-related incidents. These trends receive specific and continuous management attention at all hospitals, and special work groups were formed to source and implement international evidence-based practice and appropriate solutions during 2014. These will remain key focus areas. Life Healthcare also focuses on procedure-related incidents.

Reducing medication errors

The four medication bundles by Life Healthcare's national nursing department have contributed to the reduction in medication-related incidents. The objective of these bundles is to provide a tool to hospitals to understand and manage the underlying cause of medication errors, to identify trends and agree appropriate action plans. Since the introduction of these bundles, the Group has seen an improvement in medication incidents.

These four bundles relate to:

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

Managing patient falls

An evidence-based fall prevention programme has been developed following a rigorous scientific evaluation of the available international research. The programme has a multi-factorial approach consisting of, *inter alia*:

- staff and patient education;
- use of a fall risk assessment tool;
- hourly patient rounding;
- appropriate bedrail usage (ie minimal use of bedrails as current evidence concludes that using bedrails irrespectively on all patients is likely to increase rather than decrease the risk of injury); and
- issuing of non-slip socks to patients assessed to be at high risk for a fall.

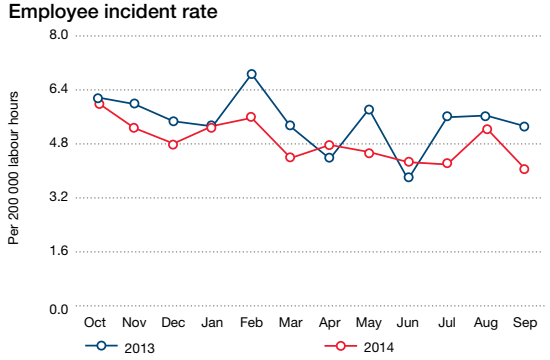
A six-month pilot study of the programme in Life St Dominic's Hospital has resulted in a statistically significant reduction in the number of patient falls.

Employee health and safety

Life Healthcare encourages the active involvement of employees in occupational health and safety. All new employees receive quality, safety, and 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.

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.

Employee incident rate

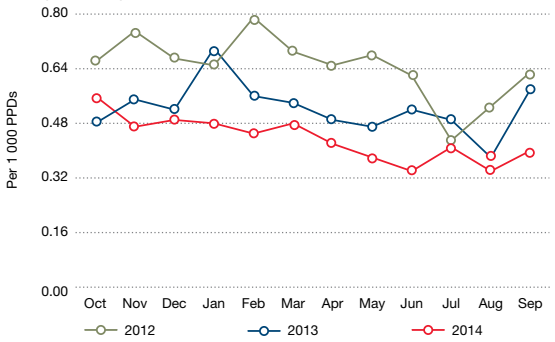


IQ – CLINICAL EXCELLENCE

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 reducing healthcare associated infections.

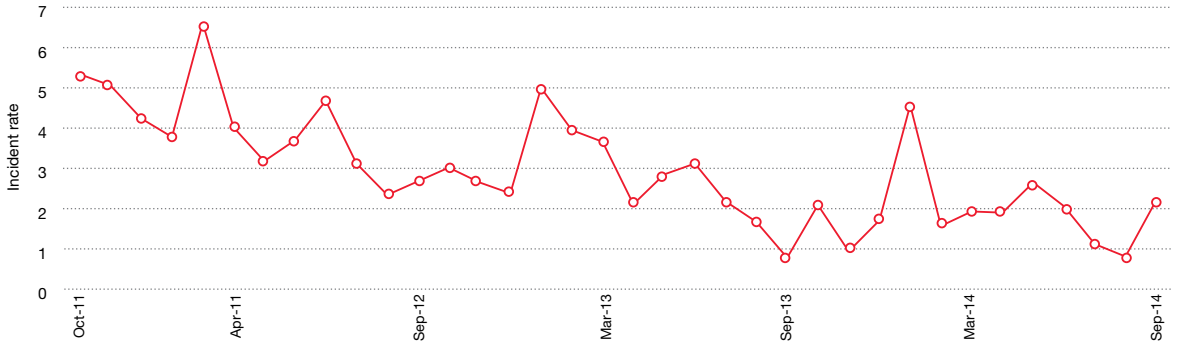
HAI year on year



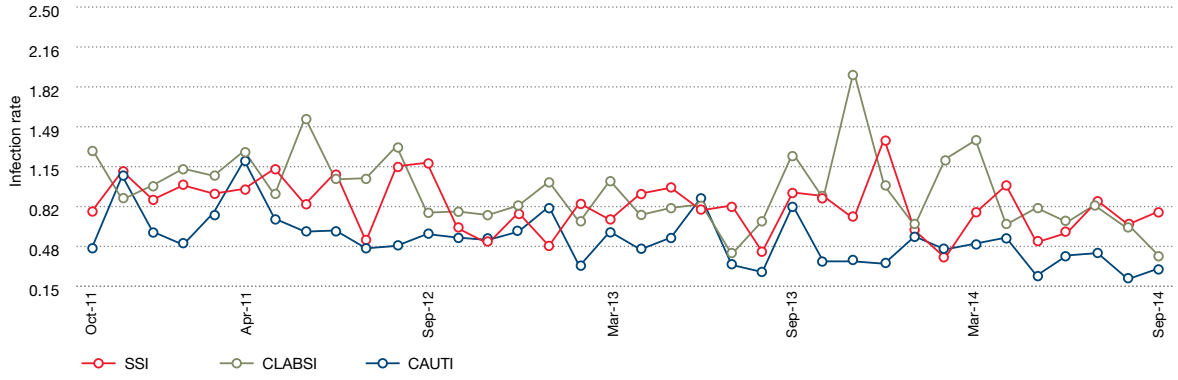
The Group continues to experience a reduction in its infection rates through the continuous measurement and monitoring of compliance to infection prevention bundle interventions. Bundles are a structured way of improving the processes of care and patient outcomes. They comprise a small, straightforward 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); and
- Catheter Associated Urinary Tract Infections (CAUTI).

VAP



SSI, CLABSI and CAUTI



Additional clinical outcome initiatives

Patient reported outcomes measures

The 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 initial pilot findings demonstrate good results with a 90% response rate from patients. Orthopaedic surgeons receive this feedback on each patient they operate on, as well as comparative data, for them to assess their own performance. According to published statistics emanating from the UK National Health Service, 95.7% of hip replacement respondents and 91.5% of knee-replacement respondents recorded joint related improvements following their operation. This programme will be rolled out to the remaining hospitals over the next two years.

Antimicrobial 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 antimicrobials and to optimise clinical patient outcomes while minimising the emergence or progression of resistant pathogens.

The AMS programme focuses primarily on monitoring elements such as duration of therapy and duplication of spectrum, among others. The programme has been well received by various healthcare professionals and has become entrenched in daily practice. Doctor acceptance rate of interventions suggested by professional staff (nurses and pharmacists) remains high at 80%. High success rates are prominent in the hospitals that have doctor led committees focusing on AMS.

AMS will remain a major focus area in Life Healthcare going forward, with more extensive management reporting of bundle compliance and other key components to drive improvement. A significant investment has been made in an electronic infection control management solution that will assist with the AMS programme, and is currently being piloted in two hospitals, with a view to rolling it out to the rest of Life Healthcare's acute care hospitals during 2015.

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 common preventable cause of death in hospital patients, contributing up to 10% of all hospital deaths. Life Healthcare has drawn up a simple VTE risk assessment tool which is used for all admitted patients and the resultant information shared with the attending doctor for decision-making on whether to give prophylaxis or not.

The VTE Risk Assessment and Prophylaxis programme is now fully implemented in the acute rehabilitation facilities. It was successfully piloted and audited in six acute hospitals. The VTE Risk Assessment and Prophylaxis programme has now been rolled out to the remaining acute hospitals. It has been welcomed by the doctors.

Neonatal and obstetric care

Life Healthcare considers its maternal and neonatal care facilities a priority service. The field of obstetrics and newborn care is an important and high-cost area of litigation for hospital groups and individual obstetricians. Therefore, there are sound business reasons for focusing on the care of mother and baby in close collaboration with our doctors.

Life Healthcare has implemented an international measure of quality of neonatal care known as the Vermont Oxford Network (VON) aimed at interventions to improve outcomes in very low birth weight infants. Through the VON perinatal mortality rates and institutional maternity mortality ratios are measured and compared against international benchmarks. VONs are currently available in seven Life Healthcare hospitals and will be rolled out to the remainder of the Group's significant maternity units over the following two years.

4 sustainability

- Implementing sustainable human capital strategies.
- Ongoing partnerships with government.
- Building partnerships with medical funders.

ENVIRONMENTAL SUSTAINABILITY

The Group is committed to being a world-class provider of quality healthcare. As part of this quality service delivery, it is committed to the conservation of the environment and to limit any harmful impact on the environment through its business activities. This is achieved by actively managing the environmental risks and impacts the Group's 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.

Sound environmental management contributes to Life Healthcare's competitive strength and indirectly benefits stakeholders by contributing to the overall well-being and economic health of the communities we serve.

The Group identified the need for central coordination of the various environmental and climate change initiatives across its business units and facilities. As such, an environmental and climate change forum comprising senior executives was constituted and has a responsibility to monitor the Group's sustainability initiatives and impact on the environment by:

- ensuring the effective coordination of sustainability initiatives across the Group;
- providing a platform for information sharing and driving international best practice;
- ensuring consolidated Group internal and external reporting; and
- driving the Group's strategy in terms of the management of our carbon emissions.

Life Healthcare maintains a Group quality scorecard which includes environmental objectives and targets. This scorecard is a management tool providing information for informed decision-making at all levels across the Group. Scorecard targets are reviewed annually in line with the Group's performance and international best practice. The scorecard is shown on page 54.

In order to meet the Group's strategic growth and sustainability objectives, Life Healthcare continues to look for greenfield opportunities that incorporate environmental friendly technologies through design. A challenge encountered with realising these opportunities is the delay in building plans being approved by councils. To mitigate this challenge, Life Healthcare has built in extra lead time for approvals and has increased its engagement with the councils.

ENVIRONMENTAL POLICY

Life Healthcare's environmental policy is available at http://www.lifehealthcare.co.za

HIGHLIGHTS

- New online electricity and water meters installed at every facility to improve monitoring
- Conversion of traditional geysers to heat pumps

CHALLENGES

- Eskom rebate programme closed resulting in project budgets having to be re-evaluated
- Shipping delays on imported goods

Environmental legislation

Certain key environmental legislation, either in force or still to be legislated, is actively monitored by management and the board. These include waste disposal by landfill, air emissions, carbon taxes and the Infrastructure Unit Support Systems. The main environmental legislation impacting Life Healthcare is shown below.

Legislation	Description
Waste disposal by landfill	The South African Department of Water Affairs and Forestry introduced minimum requirements for waste disposal by landfill in 1998 which addresses landfill classification, and the siting, investigation, design operation and monitoring of landfill sites. The aim of these requirements is to minimise the risk waste poses to the environment. Life Healthcare has implemented a hydroclave system to dispose of its medical waste responsibly. The pilot project is due to commence in early 2015 with the aim to roll this out across the Group.
Air Quality Act 39 of 2004	This Act provides a list of activities which result in atmospheric emissions which have or may have a significant detrimental effect on the environment. Life Healthcare monitors its air emissions to ensure it is in compliance with this Act.
National Building Regulations and Standards Act 103 of 1997	The South African National Standard (SANS) 10400-XA and the SANS 204 Regulations regulate energy use and encourage energy efficiency in buildings. This was introduced due to the severe pressure on the national electricity grid and continued electricity demand. Life Healthcare has been proactive in implementing energy-saving initiatives as discussed on page 64.
Carbon tax	South Africa has delayed the introduction of a carbon tax by one year to 2016, tweaking its policies to better protect industry from a proposed tax price of R120 per tonne of carbon equivalent. Expected to be phased in over time, the carbon tax is one of several green initiatives to reduce South Africa's carbon footprint. Further details are provided on page 63.
Infrastructure Unit Support Systems (IUSS)	A structured collaboration between the National Department of Health, the Development Bank of Southern Africa, the Council for Scientific and Industrial Research and other stakeholders with the shared objective of optimising the acquisition and management of South Africa's public healthcare infrastructure throughout the infrastructure's lifecycle. Although IUSS is targeted at the public healthcare infrastructure, Life Healthcare remains cognisant of these developments.

Environmental management system

The Group's environmental management system was implemented within all acute hospitals in a phased approach. The Group is on track to obtain an ISO 14001:2004 environmental certification in 2016. It was agreed by executive management that ISO certification would be sought during 2015 for the 12 high-tech hospitals in the Group, of which a sample will be audited by external auditors. The aspects-impacts assessment, aspects register and action plans will mitigate impacts for all hospitals and will be in place early 2015 in preparation for the external audit.

Progress on Life Healthcare's implementation plan during 2014 included:

- setting targets for intensity measures relating to energy and water consumption per PPD – reduced by 2% per year for five years starting 2015 (10% reduction in total);
- implementing energy-saving projects;
- rolling out ISO 14001:2004 and environmental management system training to relevant staff;
- facilitating regional communication sessions regarding the Group's environmental policy, standards, procedures, roles and responsibilities;
- ongoing review of policy and procedure documentation; and
- integrating the Group quality management system and environmental management system.

Sustainability initiatives and improvements

Carbon footprint

Life Healthcare has committed to reduce its carbon intensity measured as tonnes CO_2 per PPD by 10% over five years (2013-2018).

Carbon emissions

	2014	2013
Scope 2[1]	**139 413**	145 874

[1] *The Group is in the process of verifying scope 1 and 3 data.*

Life Healthcare's carbon footprint is internally verified by internal audit and in future will be externally verified. The carbon footprint is included in Life Healthcare's annual submission to the JSE's Socially Responsible Investment Index and the international Carbon Disclosure Project initiative.

Life Healthcare has identified several key focus areas and is in various stages of implementation and continues to investigate further opportunities. While a 10% reduction target has been set over the current five-year period, we intend to embed a culture of environmental awareness throughout the organisation and continually strive for further efficiencies. The current strategy with all energy efficiency interventions encompasses a Group-wide approach. By raising awareness through efficiency projects at all facilities, all employees become aware and focused on developing energy-saving behaviours.

Metering project

To accurately monitor and trend the overall electricity and water consumption of all hospitals in the Group, new meters have been installed at facilities and connected to the intranet allowing for "real-time" energy and water monitoring. This metering system will allow the accurate reporting and tracking of the Group's carbon intensity and progress towards the 10% reduction target.

The system installed allows for total energy and water consumption to be monitored, and for specific areas to be sub-metered prior to the intervention. Data collected will allow benchmarking of similar sites and quarterly rankings will be circulated within the Group to encourage behaviour changes.

Dedicated energy efficiency resources

Energy efficiency and water conservation remains a primary focus area for the Group. Life Healthcare will continue to drive future efficiency and conservation projects, and monitor the effectiveness of current projects and progress towards various targets. Life Healthcare's first solar electricity project has commenced at Life Anncron Clinic. It is estimated that this system will generate 836 215MWh per annum of solar electricity with an estimated saving of R1 million per annum.

The current strategy is to ensure that there is always a five-year pipeline of efficiency projects so that each year at least one (but ideally two) significant interventions are implemented. This ensures that the focus on reducing the environmental impact is not lost.

Awareness and communication sessions with Group management and staff have unpacked the requirements of the environmental policy and their respective roles and responsibilities. Formal environmental management training has been conducted with key quality and

engineering resources in line with our journey to certification. Environmental KPIs form part of the performance evaluation of the engineering team and the executive in charge of engineering. Environmental targets are included in the Group's quality scorecard which is utilised to monitor performance at all Life Healthcare's hospital facilities.

The following are examples of initiatives that have been implemented to support this approach:

Heat pumps: Life Healthcare began converting its traditional geysers to heat pump installations in 2012 and has to date converted 33 of its 50 acute hospitals and nine out of 12 Life Esidimeni sites to heat pumps. An annual saving of 7.7GWh was measured in 33 hospitals which equates to a saving of about R8 million. A further 12 sites have been identified for conversion to heat pumps in 2015 and the aim is to convert every site by 2016.

LED lighting: A pilot project at Life Healthcare's head office in Illovo, Johannesburg, was undertaken in 2013 to determine the optimum mix of lighting technology to obtain the most effective energy savings while containing the capital costs of the project to ensure it remains viable to roll out across the whole Group. The project surpassed expected energy savings and is currently undergoing further modifications to test further improvements to the lighting technology chosen before finalising a specification to be implemented across the Group. This project will be rolled out in phases with a targeted full implementation of five years beginning in 2015.

Green by design policy: As part of a revised internal growth and construction policy, a *green by design* policy has been developed which further focuses the Group's strategy towards reducing its overall carbon intensity. This policy ensures that all new facilities and ongoing upgrades and expansion of existing facilities are done with concerted focus towards energy efficiency. Particular focus has been given to setting a minimum standard for all mechanical and electrical installations especially the various heating, ventilation and air-conditioning (HVAC) systems which account for up to 60% of total energy consumption at some sites.

Life Hilton Private Hospital: Life Hilton Private Hospital, situated in KwaZulu-Natal, will be the first greenfield hospital within Life Healthcare to be designed according to the new minimum specifications set out in Life Healthcare's *green by design* policy. A target has been set for this facility to be 20% more efficient than any of the existing facilities thereby setting the new standard for future builds and setting a target for all existing facilities in terms of carbon intensity per PPD.

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. Other technologies include occupancy sensors on both lighting and ventilation systems, LED lighting and heat pumps. It has been calculated that Life Hilton Private Hospital will use 890MWh less per year to run than if it had been built utilising the same specifications as other recently built facilities. This translates into about R1 million in electricity costs savings per year. Architecturally, sun louvres and the positioning of areas that require maximum cooling has been incorporated into the design of the hospital and there is increased thermal insulation.

Life Hilton Private Hospital is targeted to be completed in the second half of the 2015 financial year with the extended scope of including an oncology facility.

Future projects: To ensure a pipeline of energy efficiency projects is always maintained. The following projects are under investigation for implementation:

- *Photo-voltaic (PV) installations (solar electricity):* Many hospitals have large open roof space which is available for the installation of PV panels. Initial investigations show that up to 35% of the power requirements at each hospital could be met through solar energy.
- *Heat recovery:* Hospitals require large air-conditioning plants to maintain operating theatres at suitable temperatures. Traditional chillers simply reject this heat into the atmosphere. Through installing heat recovery units this heat can be used to generate "free" hot water in the hospitals and in one pilot site provides 100% of the hot water during summer months.
- *Occupancy sensors:* Controlling lighting and air-conditioning systems through occupancy sensors will ensure that services only operate when required.

HUMAN CAPITAL AND RELATIONSHIPS

A service industry such as Life Healthcare is dependent on people to enhance patients' experience by providing high-quality patient care. Managing the retention, development and level of engagement of employees is a priority, 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 also endeavours to have a performance management system in place to reward appropriately for performance.

To ensure that Life Healthcare's nursing pipeline is adequate to service its hospitals, it uses agencies to supplement the nursing staff when required. The target is to cap utilisation of agency staff at 25% of the total staff complement (including nurses). All agencies go through a rigorous tender process annually to ensure that the staff supplied to Life Healthcare is of a high calibre.

The Group complies with all applicable legislation (the 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.

Headcount

Category	2014	2013	2012
Administrative employees	**2 772**	2 657	2 611
Nursing personnel	**9 338**	9 245	9 240
Pharmacy employees	**317**	293	318
Rehabilitation employees	**278**	272	273
Services employees	**1 233**	1 068	1 161
Other	**203**	201	102
Total permanent	**14 141**	13 736	13 705
Temporary personnel[1]	**1 106**	886	880
Total employees	**15 247**	14 622	14 585

[1] *Includes sessional hourly-paid staff, and excludes agency staff.*

Cultural diversity

Life Healthcare takes pride in the rich cultural diversity of its people and employee diversity is appreciated. We encourage tolerance and sensitivity to all cultures regardless of race, gender or religion 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 policies.

HIGHLIGHTS

- Employee engagement survey indicates an overall improvement since the prior survey in 2012
- 280 junior leaders trained in management skills
- A total of 888 nurses graduated in 2014 and 1 382 students are planned for enrolment in 2015
- 94 specialist nurses from India have been recruited on two-year contracts
- Pharmacist turnover has reduced to 20.4% from 27% in 2013
- Introduced a clinical pharmacy certificate programme in association with Nelson Mandela Metropolitan University (NMMU)
- Biometric time and attendance system now fully rolled out to all employees, including agency staff

CHALLENGES

- Specialised skills shortages – doctors, nurses and pharmacists
- A number of key doctors lost in the year due to death, retirement or transfers
- New minimum requirements to qualify for certain nurse training effective 2016
- Limited ACI individuals available with healthcare experience
- Average age of the Group's doctors is approximately 53 years
- High levels of wage settlements in the market
- Unionisation

Transformation

The Group aligns itself with the B-BBEE Codes of Good Practice 2007, in accordance with the Broad-based Black Economic Empowerment Amendment Act of 2013 (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.

Ownership

The shareholder profile is contained in Annexure C of the annual financial statements on pages 100 and 101 of the annual financial statements.

Employment equity

The employment equity plan is determined 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.

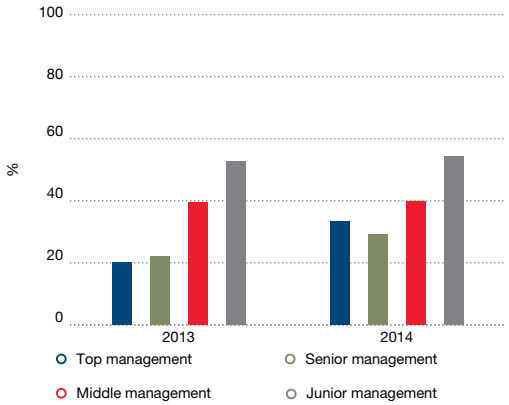
Progress in each hospital or business unit is monitored against targets as per Life Healthcare's employment equity plan. Life Healthcare's staff profile (South Africa) reflects our transformation drive:

- 11 612 female personnel (2013: 11 459) accounting for 76.2% of employees (2013: 78.4%); and
- 10 242 black personnel (2013: 9 496) accounting for 69.4% of employees (2013: 68.4%).

Life Healthcare made positive strides towards improving its employment equity in the management bands, especially at top and senior levels as shown in the graph below. Employment equity targets are included in all executives' and line managers' KPIs to ensure transformation remains a focus within the organisation. There was an increase in the number of people with disabilities to 95 in 2014 from 75 in 2013.

The challenge remains the limited pool of African, Coloured and Indian (ACI) individuals in key skill positions such as pharmacy, nursing, engineering and information management, both within the organisation and from the market. The high turnover of clinical staff and failure to replace with ACI candidates, due to shortages, further hampers employment equity.

Employment equity in the management bands



Labour relations

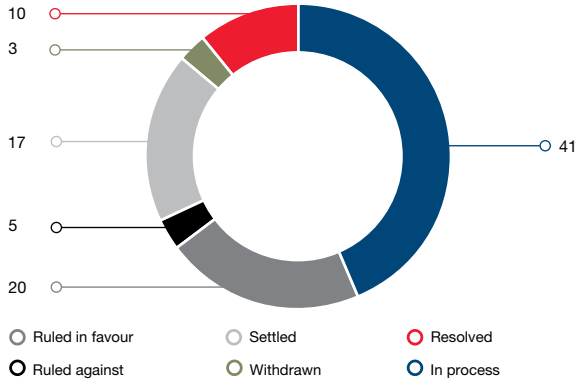
Life Healthcare continued to build sound labour relations and has a good relationship with its recognised trade unions:

- National Education, Health and Allied Workers (NEHAWU – 9.9% representation);
- Health and Other Service Personnel Trade Union of South Africa (HOSPERSA – 5.5% representation); and
- Democratic Nursing Organisation of South Africa (DENOSA – 2.2% representation).

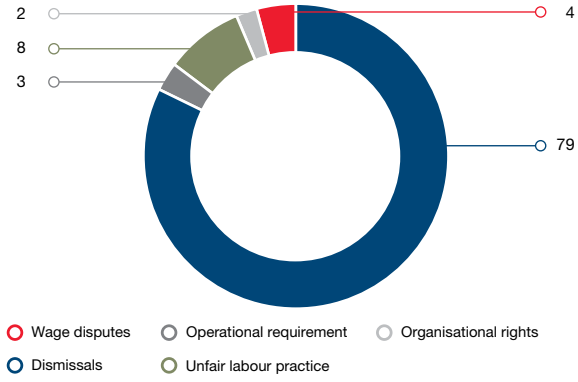
The total unionised staff was 17.6% (2013: 17.0%).

Disciplinary and grievance procedures form part of all basic industrial relations training, shop stewards training and human resources induction programmes. Dispute resolution procedures are included in the recognition agreement concluded with unions where such unions enjoy majority membership status. The amended Labour Relations Act, 2014 also regulates dispute resolution. Regular evaluation of the Group's policies and procedures ensures fairness and a safe working environment.

Breakdown of the outcomes of disputes referred to the CCMA for FY2014 (%)



Breakdown of the type of disputes dealt with by the CCMA for FY2014 (%)



Employee engagement

An employee climate survey is conducted every second year. This survey focuses on dimensions that reflect employee engagement and empowerment. The 2014 results indicated an overall improvement since the 2012 survey with the dimension *Clear and promising direction* receiving the highest score of 82%.

There was an overall improvement in the pay and benefits dimension since the previous survey. However, the Group continues to relook at reward structures within the constrained economic environment in its efforts to improve this dimension. The Group is also addressing the physical presence of senior leadership at hospitals. The CEO commerced visiting various hospitals two days per month where he actively engages with staff to better understand their concerns. In addition, senior managers visit sites to engage with employees and managers on a quarterly basis and the executive have name badges to improve their visibility.

The Group is exploring methods of recognising its employees over and above remuneration incentives and all the areas of improvement identified will remain focus areas for the Group's executive. This continued focus will support the Group's goal of becoming an employer of choice.

Further detail regarding employee benefits and support

Employee empowerment and skills development	The Group continues to make a considerable investment in education, training and development to create employees who are able to deliver a quality service. An amount of R40 million was invested in training (2013: R34 million). The executive management team conducts monthly reviews of the training plans within the business. Education forms an important part of career and succession planning to provide individuals with career progression opportunities.
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 102 to 107.
Leave policy	Life Healthcare offers new employees 20 days annual leave; this entitlement increases with length of service up to a maximum of 25 days leave per annum after 10 years' service. The Company offers four months maternity leave to all female employees. Life Healthcare employees who have nine months or more service will receive four months paid maternity leave at 25% of basic salary or three months paid maternity leave at 33% of basic salary. All employees are entitled to three days family responsibility leave per annum. Employees who are furthering their education may apply for up to 10 days study leave per annum.
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. 24.7% of employees made use of the ICAS wellness service compared to the sector rate of 19%.
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.
Financial literacy programme	Given the tough economic environment, employees continue to face financial pressures. Life Healthcare has instituted a financial literacy programme for its employees that upskills them on various financial products and how to manage their finances. 1 087 employees have gone through this programme during 2014.
Succession planning	Robust succession planning is a priority and a new division within the human resource department was created during 2014. This organisation capacity division's initial focus is the development and establishment of the methodology for talent management to support the succession plan. The Group is currently busy with a needs analysis to ensure the right areas are addressed.
Staff turnover	Staff turnover was negatively affected by the closure of the Life Sandton Surgical Centre (seven employees) and the Matikwana Hospital that was provincialised by the government (159 employees). Turnover in nursing (18.3% [17% excluding closures]) and pharmacy (20.1% [18.3% excluding closures]) remains high due to the competition for scarce skills. Turnover for administration staff has decreased. Life Healthcare is focusing on improving its employee engagement to address the staff turnover.

Healthcare professionals – recruitment and retention

The global shortage of health professionals (doctors, nurses and pharmacists) continues to be a 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 Medicine 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 offered equity in select local operating subsidiaries and have an interest in 33 Group hospitals (2013: 33 Group hospitals).

Doctor shortages in specialist fields such as physicians, general surgeons, gynaecologists, paediatricians, cardiologists and neurologists remain a concern. In addition, the average age of the Group's doctors is approximately 53 years which is a risk to the future sustainability of the organisation. To address this risk, Life Healthcare has established a doctor recruitment strategy that will focus on initiatives to attract and retain doctors going forward. This will be particularly focused on younger doctors to ensure an adequate pipeline exists. A detailed profiling was conducted on Life Healthcare's doctors that informed this recruitment strategy.

Life Healthcare's clinical directorate (consisting of doctors) responsibilities include:

- attending medical advisory council meetings;
- being responsible for clinical quality in their region – currently managed by Quality Systems Specialist (QSS);
- providing clinical direction for the lines of business in the region;
- being responsible for infection control – currently managed by Infection Prevention Specialist (IPS);
- being responsible for doctor recruitment and communication with doctors in the region;
- being responsible for risk management with respect to medico-legal issues;
- focusing on a specific clinical area to remain abreast of key developments; ans
- driving strategic projects led by the clinical directorate.

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

Nurses

Life College of Learning

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, and the Council of Quality Assurance in General and Further Education (Umalusi). The college has established itself as an educational institution of excellence in South Africa, and in India. The college continues to attain a national pass rate of 97% in the South African Nursing Council examinations and in the post-basic programmes.

Over 16 years of existence, the Life College of Learning is proud that more than 10 000 qualified nurses passed 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 continues to have an impact in the wider healthcare arena by training nurses for the public sector and offering learnerships to school leavers from previously disadvantaged communities.

The following nurse programmes are offered:

- One-year certificate – Auxiliary nurse;
- Two-year certificate – Enrolled nurse;
- Two-year diploma – Bridging course to become a registered nurse; and
- One-year programme – Specialising in trauma/ICU/high care (this course has an option to be completed over two years).

The Life College of Learning has extended its reach to India with a 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 Max Healthcare in India when they visit Delhi every two months for three weeks. We received 37 specialised nurses in May 2014. Professional nurses are now on the Department of Labour's scarce skills list which makes the recruitment of foreign nurses easier.

Nurses trained

Nurse category	2014	2013
Auxiliary nurses	**67**	132
Enrolled nurses	**433**	298
Enrolled registered nurses	**316**	238
Specialist nurses (eg ICU, high care, theatre)	**72**	109

Student education level

	Gender		Race				Total	
	Female	Male	African	Indian	Coloured	White	2014	2013
Basic	769	154	163	168	299	293	**923**	1 071
Post-basic	112	12	54	34	15	21	**124**	109

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 Max Healthcare to assist with the recruitment of Indian nurses. The Group has a two-year exchange programme where nurses from Max Healthcare work in Life Healthcare's hospitals in South Africa. In 2014, 37 Indian nurses were on this exchange programme.

Other initiatives

Nursing college centres	Life Healthcare is a registered higher education institution with seven learning centres across the country. There are 857 students studying towards professional nursing qualifications and a further 1 382 students are planned for enrolment in 2015.
Continued professional development (CPD)	Nurses are required to do 20 CPD hours per annum. Life Healthcare tracks these CPD hours on a quarterly basis through its workplace skills plan. Nurses recruited from agencies are also required to do 20 CPD hours per annum.
Health science programme	The aim is to train operating department assistants. There are 33 students studying towards this diploma.
Bursaries	During the reporting period bursaries were granted to employees to encourage further studies in the scarce skills categories. A total of 81 bursaries were granted in nursing.

Pharmacists

There is a national shortage of pharmacists and competition in this under-resourced environment is strong. This is worsened by the aggressive growth strategies of retail chains, and the introduction of occupation-specific dispensation (OSDs) by the Department of Health that has resulted in government becoming a strong competitor.

Life Healthcare employs 149 permanent pharmacists and turnover has reduced from 27% in September 2013 to 20% (excluding closures) in September 2014. The vacancy rate also declined from 28% to 17% although recruitment remains a challenge.

In light of this shortage, and the growing business requirement for enhanced clinical competency and to build skills within pharmacy, Life Healthcare introduced a structured clinical pharmacy programme in 2013. This offers an alternative career path for pharmacists with a more clinical interest, and enhances our recruitment and retention potential to position Life Healthcare as an employer of choice. Eighteen pharmacists were enrolled on the Life Healthcare Clinical Practice certificate course launched in collaboration with Nelson Mandela Metropolitan University (NMMU) in 2013 with 100% pass rate, and in July this year a further 20 pharmacists started in the second intake.

Life Healthcare has also introduced and targeted several other initiatives and improved existing programmes to mitigate this business risk. These include:

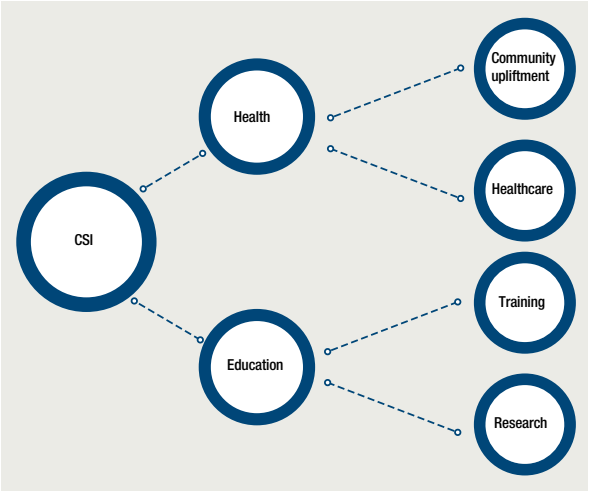
- *a pharmacy manager development programme* aimed at identifying high-potential pharmacists within Life Healthcare who are interested in pharmacy management, and to accelerate readiness of candidates for management positions. This programme is scheduled to launch early in 2015;
- *a pharmacist internship programme:* aimed at the provision of a positive internship experience for pharmacist graduates to market Life Healthcare and attract them to return after community service. Life Healthcare currently has 24 interns in its hospitals and is placing another 24 for 2015;
- *a structured pharmacist's assistant training programme* aimed at growing our pharmacy support infrastructure. There are currently 80 learners enrolled on the programme. This programme has been enhanced by the introduction of a work readiness programme to assist previously unemployed learners to effectively integrate into the workplace;
- *engagement with relevant academic stakeholders* regarding the provision of a pharmacy technician certificate course using a work integrated learning approach for the upskilling of our existing pharmacist's assistants, incorporating recognition of prior learning; and
- *engagement with NMMU* to introduce the new cadre of pharmacy technicians into Life Healthcare for their traineeship in identified hospitals in 2015.

The Group continues to provide pharmacy professional staff with opportunities to ensure continuous education and training. Online continuous education modules are made available to all pharmacy staff members on topics relevant in our hospitals, and there have been 1 985 training interventions in 2014 which represents a 73% increase from 2013.

CORPORATE SOCIAL RESPONSIBILITY

The Group's corporate social responsibility programmes have contributed to meaningful and sustainable projects in communities where our employees reside and in communities we serve. Life Healthcare has a CSI steering committee that is mandated to allocate funds to approved projects. This committee is represented by eight executives and chaired by the Chief Operating Executive of Healthcare Services. The steering committee has three scheduled meetings per annum and convenes on an ad hoc basis when necessary. During the financial year, the committee held six meetings. The steering committee reports into the social, ethics and transformation committee.

Total contribution for the financial year was R80.2 million (2013: R88.5 million) and the allocation of the corporate social responsibility funding is shown in the table below.



The Life/South African Council for the Blind Mobile Eye Clinics

In partnership with the South African Council for the Blind, two mobile clinics with fully fitted mobile ophthalmic equipment were donated. These vehicles access the more remote areas of the country. To date:

• Patients screened	37 778
• Cataract surgery	9 753
• Spectacles issued	9 008
• Glaucomas	1 449
• Other eye conditions	7 220

Corporate social responsibility spend

CSI (foundation spend)	The Group established the Life Healthcare Foundation in 2007 to channel and expand the Group's CSI, focusing on registered non-governmental organisations (NGOs) and not-for-profit organisations (NPOs). The foundation's focus reflects the Group's mission of making life better for all. There are a number of NGOs, supporting specialists, suppliers, academic institutions and the Department of Health with whom the Group has built relationships or partnered to add impetus to the foundation's various initiatives.
Sizanani	Life Sizanani is a Life Employee involvement programme which has been in existence for 15 years and has touched the lives of many disadvantaged children over the years. Each business unit adopts and supports a children's organisation in a bid to improve their lives in some way or another. The focus of the project is to encourage ongoing involvement of employees and their respective communities. There are 69 projects currently ongoing.
PHEF	This initiative also aims to leverage funds within the private sector to maximise benefits for priority projects.
LIFE/CMSA	Life Healthcare in partnership with the Colleges of Medicine South Africa has awarded 11 doctor sub-specialist bursaries for the period 2013 and 2014. Thirty-two doctor sub-specialists are expected to qualify by year six of the project.
Pro deo (reduced or no cost to patient)	Patients receive reduced accounts or free services for those who cannot afford to pay, especially in the event of a visit to the accident and emergency units. Patients are treated irrespective of the ability to pay and referred for further management thereafter.
Dependant's tertiary education bursaries	The Life dependant's tertiary education assistance scheme affords bursary assistance to employees to finance tertiary education for their dependants. There are currently 166 dependants on bursary assistance for the 2014 academic year.

Public Health Enhancement Fund (PHEF)

Two structures have been created to ensure proactive dialogue and delivery of projects. The first is a Social Compact Forum, which will interact with the Minister of Health and includes representation from participating companies, one of which is Life Healthcare. The second is the PHEF which has its own board and is responsible for the overall direction and stewardship of the fund. Collection and disbursement of funds will be for the benefit of transformative healthcare projects, to be jointly agreed between the Minister of Health and the private sector.

The Minister of Health established the Social Compact Forum and the PHEF (the fund) in 2013. This initiative also aims to leverage funds within the private sector to maximise benefits for priority projects. Ultimately it is envisaged that this institutional engagement will assist in shaping a better future healthcare system for South Africa.

The funding formula for the PHEF requires 0.75% for participation in the fund and it links the contribution to the Social Economic Development pillar of the B-BBEE Act.

Projects to date include:

- training of 100 additional medical students per year (R20 million);
- training of PhD and Masters students (R10 million); and
- Academy for Leadership and Management in Healthcare (R10 million).

RISK ANALYSIS

RISK ANALYSIS

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 policy and plan for risk management to enhance the Group's ability to achieve its strategic objectives. 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.

Life Healthcare has adopted a combined assurance model which serves as a formal platform to facilitate the identification, prioritisation, assessment, mitigation and monitoring of operating, financial and business risks. The combined assurance model aims to embrace the tasks of internal audit, risk and management reviews and specialised audits that test and validate the internal control environment. The executive, 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.

The Group's risks are ranked according to the level of risk exposure. For each risk the Group determines a desired risk ranking by considering the risk appetite and risk tolerance. Appropriate action plans ensure that significant risks are reduced to acceptable levels.

The risks identified and detailed specifically related to conducting business in southern Africa and to a lesser extent India and Poland. These key risks together with the plans and processes in place to mitigate have also been linked to Life Healthcare's strategic objectives.

The risks can broadly be summarised in the following categories:

- Market risk;
- Human resources risk;
- Operational risk;
- Compliance risk;
- Technology risk; and
- International risk.

SOUTHERN AFRICA RISKS

Risk	Description
MARKET RISK	
Funder concentration	Approximately 65% of the Group's revenue is derived from five funders excluding COID. The consolidation of funders impacts the market position making the funders dominant. The bargaining power of funders places pricing under pressure.
Affordability of healthcare	The significant pressure on the affordability of the private medical insurance market results in existing members buying down their medical insurance options resulting in the growth of cheaper preferred hospital option networks. The Group is under threat from competitors that wish to improve their market share in this segment. The Group believes that preferred provider networks will double in size over the next three to five years.
Economic environment	Downturn in South Africa's economy impacting on the Group's southern Africa operations including the impact on customers, stakeholders, suppliers and the general industry. Both the Polish and Indian economies are looking more positive.
Doctor shortages	There is a general shortage of specialist doctors in the market. Doctors are not employed by the Group and may terminate their association with the Group at any time. Ageing profile of doctors in the country and an insufficient number of doctors are being trained to address the health needs of the population in South Africa. In the other two geographies the doctor shortage is not as critical as in South Africa.
HUMAN RESOURCES RISK	
Skilled personnel shortages – pharmacists and nurses	South Africa has a general shortage of pharmacists, competent nurses and other healthcare professionals which impacts on the Group's service delivery and ability to grow.

Mitigation	Strategic objective
• Implemented a tariff committee that meets monthly to address this risk. The committee comprises executive management. • Negotiation of tariff structures for new technology with funders. • Provide market leading quality care across our service offerings. • Work with funders and doctors to ensure optimal resource utilisation to drive cost efficiency.	Growth Efficiency Quality Sustainability
• Maintaining close relationships with medical funders. • Driving cost-efficiency and optimal resource utilisation to secure preferred network agreements. • Continued focus on cost of sales management and overall cost containment.	Growth Efficiency Sustainability
• The three geographies all monitor their local economies to plan actions and strategies accordingly.	Growth Sustainability
• Hospital management maintains strong relationships with doctors. • Strive to provide quality infrastructural and nursing support, high-technology facilities and equipment, to attract and retain doctors. • Significant increase in funding for the training of specialists through the Colleges of Medicine in a R78 million, six-year programme, which commenced in 2012. • Doctor retention and recruitment strategy.	Growth Quality Sustainability
• The Group has competitive pay and employee retention schemes. • Opportunities for career advancement and ongoing training through the Life College of Learning. • In conjunction with Max Healthcare, the Group is facilitating the training of specialised nurses in India to address the shortage of specialised nurses in South Africa. • The following is performed to mitigate loss of pharmacist skills: – introduction of career paths for pharmacists in Life Healthcare; – strengthening professional support staff infrastructure; – pharmacist intern programme; and – benchmarking of remuneration and benefits. • The Group supports staff through various wellness programmes, including ICAS and HIV/Aids support.	Growth Quality Sustainability

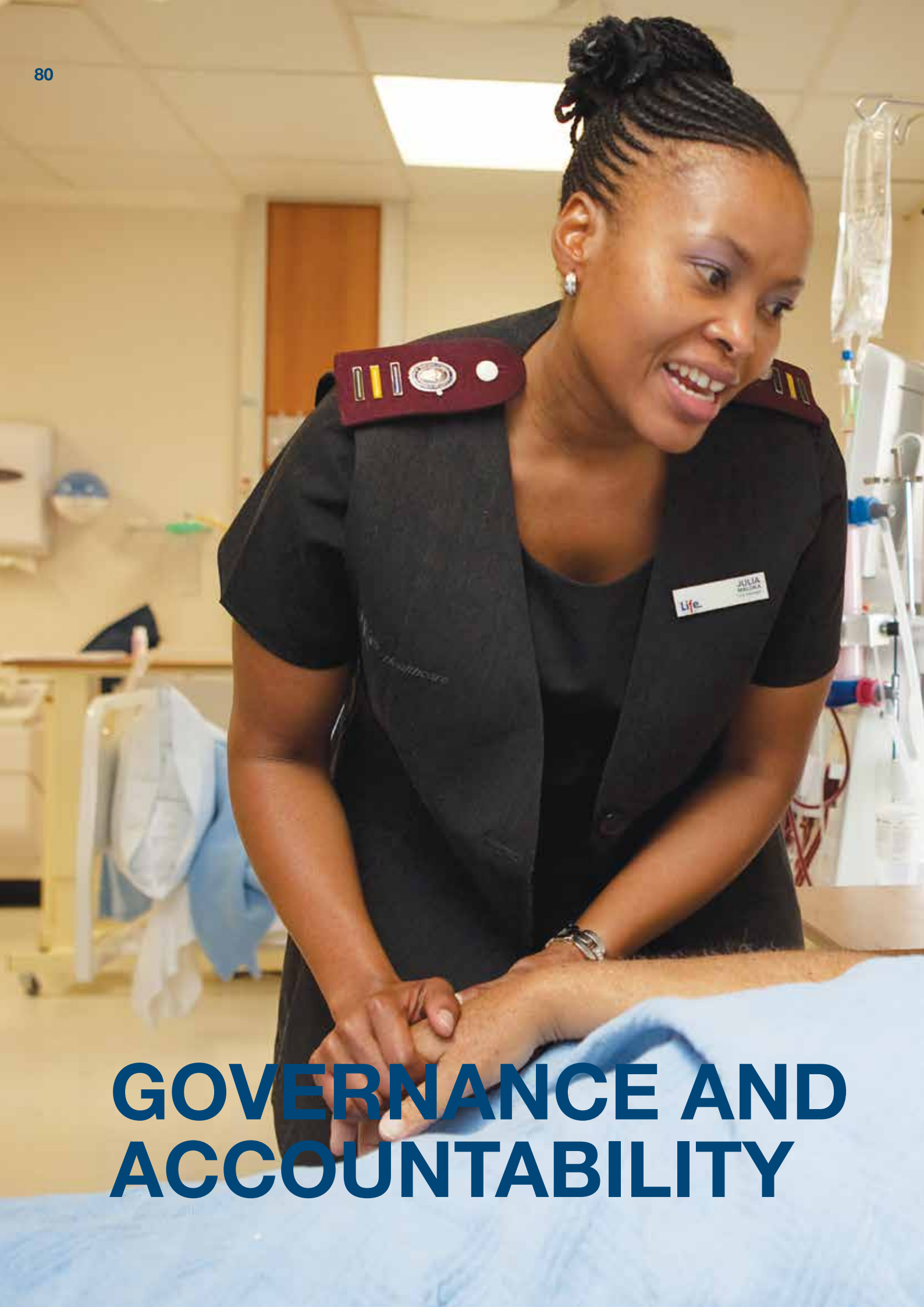
Risk	Description
OPERATIONAL RISK	
Quality of care	The care provided to patients does not meet the quality standards and therefore causing potential harm to patients resulting in potential lawsuits.
Environmental health and safety	There is a risk that if insufficient attention is placed on environmental, health and safety issues impacting sustainability of the Group may result in harm and reputational issues.
Exposure to hazardous biological agents	A pandemic or infectious disease outbreak that may result in high mortality rates affecting the patients and healthcare professionals.
COMPLIANCE RISK	
Regulatory environment	The healthcare industry is subject to a number of regulations, including the Labour Relations Act, B-BBEE Act, Protection of Personal Information Act (POPI), the National Health Act (including the amendment dealing with core standards) and a vast number of environmental laws. The impact of the National Health Insurance is currently unknown. There are government regulations relating to licences, conduct of operations, security of medical records, occupational health and safety, certificate of need, quality standards and certain categories of pricing. Once licences are approved, delays are experienced in obtaining approvals of plans from the Department of Health and local authorities. Non-compliance may lead to losing the licence to operate or penalties. It can also have a negative impact on the Group's reputation and growth.
Competition Commission Market Inquiry into private healthcare costs	The Competition Commission has announced an inquiry into the private healthcare industry. The aim of the Inquiry is to identify factors driving healthcare expenditure, to understand the market dynamics and identify any barriers to competition.
TECHNOLOGY RISK	
Information systems security and availability	Risk relates to the failure of information systems to provide reliable and stable information systems platform. In the event of a disaster, there is a risk of cross reference difficulty between integrated systems.

Mitigation	Strategic objective
• Reinforcement of standard operating procedures. • Training and development of staff. • Maintain ISO certifications. • Monitoring and measuring customer satisfaction. • Monitoring and measuring clinical outcomes. • Maintenance plans for equipment. • Maintenance plans for facilities.	Quality Sustainability
• Alert and incident management reporting reviewed, trended and escalated. • Service level agreements contain requirements for outsourced services with respect to disposal of waste and needle stick injuries.	Sustainability
Infection prevention and control procedures and staff training are in place that include the following: • Isolation areas identified as part of annual outbreak and emergency response planning; • Use of protective clothing in line with World Health Organisation protective personal equipment guidelines; • Supplying of equipment to the isolation areas; • Isolation and disposal of waste; and • Decontamination.	Quality Sustainability
• A dedicated team works on health policy-related issues and interacts with industry stakeholders. • Proactively monitor and provide input where possible in any new proposed legislation. • Group and industry research and analysis to assist in the debate regarding any proposed legislative initiatives. • Established a transformation forum to monitor B-BBEE status. • Social, ethics and transformation committee monitors the Group's transformation progress from a board governance perspective. • Keeping abreast with all new developments and conducting research into other systems that enable compliance.	Growth Quality Sustainability
• Dedicated management team focused on the Inquiry. • A firm of attorneys and a firm of economists have been contracted to assist with the process, research and analysis.	Growth Sustainability
• IT security controls are in place (logical and physical). • Formal systems development life cycle in place. • IT strategic plan is in place. • Service level agreements with third parties. • Maintain Information Security Management (ISO 27001) audit certification. • Information management has a disaster recovery programme in place. • A permanent disaster recovery site has been established at a third party.	Efficiency Quality Sustainability

INTERNATIONAL RISKS

Risk	Description
INDIA	
Dependence on institutional business	The bargaining power of institutional funders places pricing under pressure. Payments from institutional funders are delayed and may result in write offs.
Customer satisfaction	Customer service may not be in line with customer expectations at all touch points.
Nursing attrition	Nursing staff may terminate their association and leave the organisation at any time due to better employment opportunities.
Doctor retention	Doctors and specialists may terminate their association and leave the organisation at any time.
Real estate scarcity and price	Real estate is scarce (Delhi NCR) and expensive. Land is owned through complex trust systems. Obtaining suitable land for growth and expansion is difficult.
POLAND	
Increased competition	Increase in competition in the market of private healthcare in Poland. Polish law requires local authorities to settle any hospital deficits at the end of each year. Previously deficits were allowed to accumulate before being subsidised by the national health fund.
Loss of key personnel	Doctors, specialists and nurses may terminate their association and leave the organisation at any time.
Dependence on government funding through NFZ contracts	Government awards contracts for services by areas. Contracts awarded through a competitive process where all participants (private and public) compete.

Mitigation	Strategic objective
• Collaborate with peer hospitals to mobilise support for favourable price contracts with institutional players. • Bring awareness to institutions/industry forums/media for clinical quality-based costing by healthcare institutions. • Relationship management and regular follow ups.	Growth Efficiency Quality Sustainability
• Mapped out a *Journey of a Patient* to identify *Moments of Truth* within each touch point which assisted in identifying competent, satisfactory and incompetent processes. • Redesigned the customer feedback form – Max CAPS and calculation criteria to make it more actionable and scientific. • Developed and implemented a standardised improvement framework – 3D STEP (Service Transformation and Excellence Plan) to enhance customer satisfaction within areas identified for improvement through Max CAPS.	Quality Sustainability Growth
• Retention programmes being developed. • Talent exchange programme with Life Healthcare to South Africa. • Improved medical benefits. • A nursing transformation programme being developed.	Quality Sustainability Growth
• Build and maintain strong relationships with all clinicians and specialists. • Ensure remuneration is aligned to market and incentivised where appropriate. • Provide appropriate training. • Ensure facilities maintain high standard of modern technological equipment. • Develop exchange programmes with international colleagues.	Quality Sustainability Growth
• Maximise coverage and bulk of current premises. • Develop master plans for existing facilities. • Identify additional real estate well in advance of requirement and analyse purchase options. • Develop and maintain strong relationships and engage with owners.	Sustainability Growth
• Increasing capacity at existing hospitals through expansion. • Invest in additional hospitals through acquisition. • Develop and maintain strong relationships with National Health Insurers and other funders.	Sustainability Growth
• Maintain strong relationships with doctors, specialists and key personnel. • Strive to provide quality infrastructural and nursing support, high-technology facilities and equipment, to attract and retain key personnel.	Quality Sustainability Growth
• Maintain strong relationships with authorities in all provinces. • Ensure high quality standards of clinical care. • Ensure facilities meet infrastructure requirements. • Ensure we are competing in each round of the process.	Quality Sustainability Growth



GOVERNANCE AND ACCOUNTABILITY

BOARD OF DIRECTORS

MA (MUSTAQ) BREY (60), *Chairman (non-executive director)*

South African – BCompt (Hons), CA(SA)

Mustaq is a founder and Chief Executive Officer of Brimstone Investment Corporation Limited. 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 and appointed as Chairman in February 2013.

CMD (MICHAEL) FLEMMING (57) *Retired 31 March 2014, 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 2002 which became Life Healthcare in 2005 where he held the position of Chief Executive Officer until his retirement on 31 March 2014. Michael was retained by the Company in a consulting capacity until 30 September 2014.

A (ANDRÉ) MEYER (48), *Chief Executive Officer*

South African

André has over 28 years' experience at executive level in the financial and healthcare sectors. He joined Alexander Forbes Financial Services Limited as a financial consultant and later headed up the firm's Negotiated Benefits Division, before being appointed as the Divisional Director and subsequently, Managing Director of the Health Care Consultants Division. A year later, the responsibility for the Health Management Solutions Division was added to his portfolio. André also represented Alexander Forbes on the board of FIHRST Management Services, South Africa, a joint venture with Standard Bank Limited. On 1 April 2003, André was appointed the Chief Executive Officer of Medscheme Limited and later also served on the board of AfroCentric Health Limited as an executive, following its acquisition of Medscheme. André became Chief Executive Officer of Life Healthcare on 1 April 2014.

PP (PIETER) VAN DER WESTHUIZEN (43), *Chief Financial Officer*

South African – BCom (Acc), CA(SA)

Pieter completed his training contract and qualified as a chartered accountant in 1996 at PricewaterhouseCoopers Inc. He joined President Medical Investments Limited (Presmed) in 1999 which 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 in 2013.

ADV F (FRAN) DU PLESSIS (59), *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 Limited, Standard Bank Group Limited and ArcelorMittal South Africa Limited. Fran has previously held non-executive directorships at Sanlam Limited, 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.

PJ (PETER) GOLESWORTHY (56), *Lead 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.

PROF ME (MARIAN) JACOBS (66), *Independent non-executive director*

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

Marian 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 lecturer and specialist in public health and community paediatrics, Professor and Head of Department of Paediatrics and Child Health, and founding Director of both the Children's Institute in the Faculty of Health Sciences at the University of Cape Town and its partner, the Western Cape Department of Health. Marian was appointed to the Life Healthcare board of directors in 2014.

LM (LOUISA) MOJELA (58), *Independent non-executive director*

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

Louisa is Group Chief Executive Officer and Chairman of WIPHOLD of which she is a founder member. She holds non-executive directorships in Distell Group Limited, Ixia Coal, Sun International Limited and USB-ED Limited. 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.

TS (TREVOR) MUNDAY (64), *Retired 30 January 2014, 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 Officer of Polifin Limited in 1996 and executive director and Chief Financial Officer of Sasol Limited in 2001. He later served as deputy Chief Executive Officer 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.

JK (JOEL) NETSHITENZHE (57), *Independent non-executive director*

South African – MSc (University of London, School of Oriental and African Studies, (SOAS), 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.

DR MP (PETER) NGATANE (60), ***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, and superintendent of the Chris Hani Baragwanath Hospital. He also served as the head of obstetrics and gynaecology at Natalspruit Hospital. He is currently in private practice. Peter is the President of the Commonwealth Boxing Council (CBC), based in London, and serves on the boards of Boxing South Africa (BSA) and the World Boxing Council based in Mexico and is the vice-president of the African Boxing Union based in Tunisia. He previously served as treasurer for the International Planned Parenthood Federation in Nairobi. He was appointed to the Life Healthcare board of directors in 2007.

GC (GARTH) SOLOMON (48), ***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.

RT (ROYDEN) VICE (66), ***Independent non-executive director***

South African – BCom, CA(SA)

Royden is the Chairman of the board of Waco International Holdings Proprietary Limited since retiring in July 2011 after 10 years as the company's Chief Executive Officer. The Waco group of companies has subsidiaries in the UK, USA, Australia, New Zealand, Chile and southern Africa. Prior to this, Royden was Chief Executive Officer 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). Royden was appointed to the Life Healthcare board of directors in 2014.

EXECUTIVE MANAGEMENT

MICHAEL FLEMMING (57), ***Retired, Chief Executive Officer***

BCom, BJur, BProc, AMP (Harvard)

See board of directors.

ANDRÉ MEYER (48), ***Chief Executive Officer***

See board of directors.

PIETER VAN DER WESTHUIZEN (43), ***Chief Financial Officer***

BCom (Acc), CA(SA)

See board of directors.

LOURENS BEKKER (55), ***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 Human Resources Manager, Integration Manager and Regional Hospital Manager. He was appointed Chief Operating Executive (COE) inland region in 2011 and is also responsible for the Group's engineering division.

CHRIS GOUWS (54), ***Group Human Resources Executive***

BCom (Hons), DPLR (SBL Unisa)

Chris 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 in 2013.

JANETTE JOUBERT (54), ***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.

JONATHAN LOWICK (44), ***Group Strategy and Development Executive***

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

Jonathan has been with the Group since 1997 and has extensive experience of the Company and the business through the various positions he has held at head office and in operations. In his current position, Jonathan is responsible for the Group's strategy, product development and medical funders. In addition he is also responsible for the international investments that Life Healthcare has made in India and Poland.

DR NILESH PATEL (45), ***Chief Operating Executive – Healthcare Services***

MBChB, MPhil (cum laude)

Nilesh is a medical doctor. His career began investigating and restructuring stroke services at an academic tertiary hospital, work which led to the establishment of the first stroke unit in South Africa at Groote Schuur Hospital. He then continued this work in the private sector focusing on acute rehabilitation and in 1997 established the first outcomes driven acute rehabilitation unit in SA at the Life Brenthurst Clinic. In 1999 he joined the Group as national rehabilitation manager and coordinated the establishment of a network of acute rehabilitation units. In 2007 he took on the role as the Managing Director of Life Esidimeni until appointment to his current position in 2009. He is responsible for the Healthcare Services portfolio which includes the Life Esidimeni and Life Occupational Health business units and also for the Group's quality and clinical product (rehabilitation, mental health and renal dialysis) support functions.

FAZILA PATEL (46), ***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. Fazila is also responsible for the Group's legal department as well as the insurance division and is a trustee of the Life Healthcare Foundation Trust.

DENIS SCHEUBLÉ (60), ***Chief Operating Executive – Coastal***

Advanced Diploma in Personnel Management (IPM), DPLR (SBL Unisa)

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.

DR STEVE TAYLOR (57), ***Group Medical Director***

MBChB (UCT), FFCH (CMSA), MMed (UCT)

Steve is a medical doctor. He 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 in 1993, 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.

ANTON VAN LOGGERENBERG (45), ***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 General Manager in 2002. Since then he has operated as a technology executive working within the local and global IT industry across multiple countries, serving on various forums and boards. He joined Life Healthcare in 2013 as Group Executive for Information Management.

DR SHARON VASUTHEVAN (56), ***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 nursing practice, infection prevention and control and the Life College of Learning. Sharon serves on various committees and societies and is president of the Nursing Education Association (NEA); member of the Advisory Council for Monash University, School of Health Sciences. She also serves on the South African Nursing Council (SANC) as the Vice Chairperson and is a Trustee of the Nursing Foundation of South Africa.

YVONNE MOTSISI (51), ***Group Marketing and Communications Executive***

BA (Social Sciences) University of Lesotho, BA (Honours) University of Zimbabwe, Masters in Industrial Relations (University of Sydney), MBA (University of Canberra)

Yvonne joined Medscheme as the Corporate Service Executive, she was responsible for managing a portfolio of medical schemes before being promoted to the Executive Committee as Divisional Director of the Consulting Division. Yvonne was later appointed Executive Director: Branding, Communication and Transformation responsible for the formulation and implementation of the branding, communications and Broad-based Black Economic Empowerment strategies across the AfroCentric Group. Active in a number of organisations involved in the transformation of the healthcare industry, Yvonne served as Chairperson of Aid for Aids (a leader in HIV/Aids disease management), a Trustee for the Financial Services Board's National Education Foundation and is past director of the Board of Healthcare Funders. She currently chairs Sasol Inzalo Employee Scheme Trust and serves as a director of FEDHA (a women's empowerment group with interest in healthcare) and Mohau Women Investments. Yvonne was appointed as Group Marketing and Communications Executive on 1 July 2014. She is responsible for driving the Group's marketing, branding and communications strategies.

DR KAMY CHETTY (54), ***Strategic Relations and Health Policy Executive***

MBChB, MSc (URP), FFPH

Kamy is a medical doctor, with a Master of Science in Urban and Regional Planning (MSc URP) and a specialist degree in Public Health. Kamy has over 15 years of experience in the public health sector in senior management positions. She was Deputy Director General in the National Department of Health and led some of the key reforms of the department. She has acted as Director General for Health on a number of occasions. More recently she was Head of the Gauteng Department of Health and Social Development and after leaving government, she was appointed as Head of Strategic Relations at Medscheme, a medical aid administrator. Kamy was appointed as Executive: Strategic Relations and Health Policy on 1 May 2014 where she is responsible for stakeholder and government relations, and health policy.

CORPORATE GOVERNANCE

MESSAGE FROM THE BOARD

We are pleased to present feedback on Life Healthcare's corporate governance for 2014. This chapter provides an update on our corporate governance progress, highlights and challenges faced during 2014.

The Group is governed by the board of directors (the board), which provides leadership, strategic direction and control, and a productive and ethical environment that can sustain the delivery of value to the Group's shareholders and other stakeholders. The board is committed to the principles and practice of corporate governance, as recommended in the King III Code, and is cognisant of the role that corporate governance plays in the delivery of sustainable growth to all stakeholders.

The board regards good corporate governance as fundamental to discharging its stewardship responsibilities. 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.

The board welcomed a new Chief Executive Officer and two additional board members who all bring a wealth of knowledge and experience that will positively impact on the robustness of the board going forward. Further highlights during the 2014 financial year included an externally facilitated board evaluation process, as previously all board evaluations were conducted internally. This externally facilitated process brought a more objective approach to the evaluations.

The adoption of the Group's memorandum of incorporation was passed at the annual general meeting in January 2014 and has been lodged with the Companies and Intellectual Property Commission. The adopted memorandum of incorporation includes the executive directors in the retirement of directors by rotation.

Ongoing challenges include rapid change in the regulatory environment that has a direct impact on Life Healthcare. These include the Competition Commission Market Inquiry in respect of the general state of competition in the private sector's healthcare industry. Other regulatory changes include the Protection of Personal Information (POPI) Act, the introduction of a certificate of need and the proposed NHI.

These topics remain key focus areas for the board and are regularly discussed, debated and monitored.

The three significant transactions for the year, being the disinvestment in Joint Medical Holdings Limited, acquisition of Scanmed Multimedis and the commencement of the increased investment in Max Healthcare followed responsible and robust governance processes. The processes were managed by senior members of the management team and the process included independent valuations as well as the use of external advisors. The transactions were reviewed by the investment committee and the following was *inter alia* considered by the committee prior to making the final recommendations to the board to approve the transactions:

- Funding of the acquisitions;
- Debt capacity;
- The results of the due diligence for Scanmed;
- The key terms of the revised shareholder arrangements, including the composition of the Max Healthcare board;
- Poland strategy; and
- International strategy.

Scanmed Multimedis will adopt the same governance structure and standards as Life Healthcare and an audit committee has been proposed which will be represented by members from Life Healthcare and Scanmed Multimedis. Max Healthcare, being a public company, is subject to stringent governance requirements as provided for in India's Companies Act, 2013. Max Healthcare has an audit committee; the minutes of the meetings of the audit committee are tabled at the Life Healthcare audit committee for noting. Max Healthcare also has a nominations and remuneration committee in place in addition to other governance committees.

The board will continue to uphold the highest standards of good corporate governance and accountability.

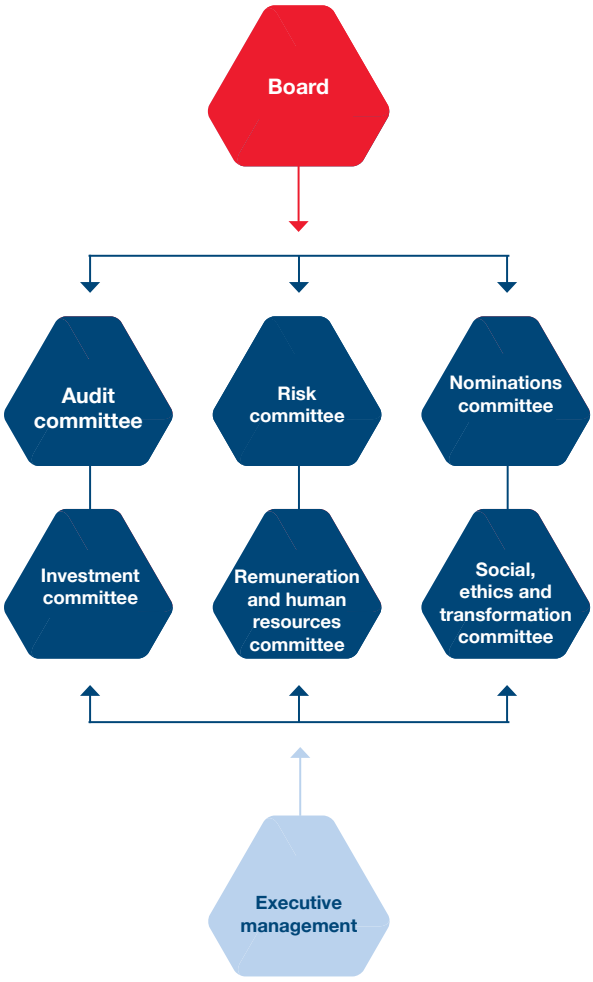
Mustaq Brey
Chairman

13 November 2014

BOARD OF DIRECTORS

Life Healthcare has a unitary board of directors and various board sub-committees as shown in the diagram below. 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.

Governance structure



HIGHLIGHTS

- New Chief Executive Officer and two additional board members appointed
- Externally facilitated board evaluation process

CHALLENGES

- Rapid changing regulatory environment
- Competition Commission Inquiry into private healthcare
- International integration

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, significant acquisitions and disposals, and approves major capital expenditure, financial statements and matters having a material effect. 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
- approving and adopting Group policies, programmes and procedures in relation to safety, health, economic, social and environmental impacts, and remuneration and benefits.

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 Chief Executive Officer is supported by the executive management committee. 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 11 directors as at 30 September 2014. The composition of the board included eight independent non-executive directors; one non-executive director; and two executive directors reflecting an appropriate balance between the executive and non-executive directors. The names of the directors as at 30 September 2014 and their biographical details are detailed on pages 82 and 84 of this integrated report.

Mustaq Brey, a non-executive director, is the Chairman of the board. In accordance with the King III Code, Peter Golesworthy is the lead independent non-executive director. André Meyer, an executive director, was appointed as Chief Executive Officer effective 1 April 2014 following Michael Flemming's retirement at the end of March 2014. The roles of Chairman and Chief Executive Officer are not vested in the same person and there is a clearly outlined division of responsibilities.

In compliance with JSE Listings Requirements, non-executive directors do not participate in any share incentive or option scheme of the 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 non-executive directors. 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.

At the Group's expense, directors are entitled to seek independent professional advice 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.

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. In terms of the newly adopted memorandum of incorporation, the Chief Executive Officer and Chief Financial Officer are taken into account in determining the rotation of retirement of directors.

Effective control is exercised through the Chief Executive Officer, who is accountable to the board through regular reports. 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 interaction, 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. 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.

Following the appointment of the new Chief Executive Officer, one-on-one engagements with individual executive management were held with the Chief Executive Officer around their respective areas of responsibilities and KPIs were developed. Following these engagements, an executive management strategy presentation was held to discuss Life Healthcare's strategy. This strategy was presented to the board in October 2014.

Directors' attendance at board and sub-committee meetings

	Board	Audit committee	Remuneration and human resources committee	Nominations committee	Risk committee	Social, ethics and transformation committee	Investment committee
Number of meetings held	**5**	**4**	**3**	**3**	**2**	**3**	**9**
Chairman							
MA Brey[1]	5/5			3/3	1/1		8/9
Independent non-executive directors							
Adv FA du Plessis	5/5	3/4				3/3	
PJ Golesworthy[2]	5/5	4/4		3/3	1/1		8/9
Prof ME Jacobs[3]	3/3		1/2		2/2		
LM Mojela	5/5	4/4	3/3	3/3		3/3	
TS Munday[4]	2/3	1/1	1/1	2/2			
JK Netshitenzhe	5/5				2/2		
Dr MP Ngatane	5/5			3/3		3/3	
GC Solomon	5/5		3/3				9/9
RT Vice[3]	3/3	2/2	2/2				1/1
Executive directors							
CMD Flemming[5]	2/3				1/1	1/1	3/4
A Meyer[6]	2/2				1/1	1/1	5/5
PP van der Westhuizen	5/5				2/2		9/9

[1] *Non-executive director – attends all the board sub-committee meetings as an invitee where he is not a member. He resigned from the risk committee on 12 May 2014.*
[2] *Lead independent non-executive director. He was appointed to the risk committee on 12 May 2014.*
[3] *Appointed 1 January 2014*
[4] *Retired 30 January 2014*
[5] *Retired 31 March 2014*
[6] *Appointed 1 April 2014*

Conflicts of interest

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 is included in the code of conduct and 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 and training of directors

It is important that directors are kept up to date regarding their duties and with changes occurring in the organisation. On appointment, new directors are briefed on their fiduciary duties and responsibilities by executive management. New directors receive information on the JSE Listings Requirements, the King III Code, Companies Act and the obligations that they have to comply with. The Company Secretary assists the Chairman with the induction of directors.

Directors are informed of relevant new legislation and changing commercial risks that affect the Group. Board training sessions are linked to board meetings. During 2014, an externally facilitated risk workshop was held with the directors to provide further insight into Life Healthcare's risk register and identification of the key risks. All members of the social, ethics and transformation committee received a social and ethics handbook that elaborated on the roles and responsibilities of directors of a social and ethics committee in terms of the Companies Act.

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 2014 financial year.

Board evaluation

Life Healthcare engaged PricewaterhouseCoopers to conduct its annual evaluation of the board, sub-committees, directors and Chairman. The assessments were questionnaire-based and an overall score was provided for each committee assessed. These results were presented to the nominations committee and board in November 2014 and action plans will be put in place where needed. A number of issues were identified for improvement with a key issue considered to be the development of a more formalised stakeholder framework and the importance of further developing the performance metrics for the board and the Chief Executive Officer so that there is a clear link to the strategy. Overall the board and sub-committees were found to be operating effectively during the 2014 assessment.

The prior year assessment identified understanding the business as a key area of focus. In the current year, the following was done to address this area:

- two presentations were held after the board meetings covering areas of the business that were specifically identified by board members; and
- the strategy session in March 2014 also covered areas of the business identified by board members.

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 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 2014 financial year, all sub-committee terms of reference were reviewed and amended where relevant. The sub-committees report back to the board at every board meeting and the minutes of the sub-committee meetings are tabled for noting. Where the minutes are not available, the Chairman of the sub-committee provides verbal feedback and the minutes are then tabled for noting at a subsequent board meeting.

The responsibilities of the sub-committees are summarised and shown in the table below.

Committee	Members	Roles and responsibilities	Summarised terms of reference
Audit committee	*Chairman* Peter Golesworthy *Members* Adv Fran du Plessis Trevor Munday[1] Louisa Mojela Royden Vice[2] [1] *Retired 30 January 2014.* [2] *Appointed to the committee 1 February 2014.*	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 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. The committee is satisfied that the expertise, resources and experience of the Group's finance function is appropriate to meet the requirements of the Group.	• 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 report. • Has the authority to seek information it requires from any employee.

Committee	Members	Roles and responsibilities	Summarised terms of reference
Remuneration and human resources committee	*Chairman* Royden Vice[1] Trevor Munday[2] *Members* Prof Marian Jacobs[3] Louisa Mojela Garth Solomon [1] *Appointed to the committee 1 February 2014.* [2] *Retired 30 January 2014.* [3] *Appointed to the committee 1 January 2014.*	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. • 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] *Retired 30 January 2014.*	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, Chief Executive Officer and Chief Financial Officer 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.	• 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, independence, experience and diversity. • Coordinates the board, individual director and committee appraisal process. • Develops effective succession planning for the board, Chairman of the board, Chief Executive Officer and the Chief Financial Officer. • Reviews the board sub-committees and committee membership.

Committee	Members	Roles and responsibilities	Summarised terms of reference
Risk committee	*Chairman* Joel Netshitenzhe *Members* Mustaq Brey[1] Michael Flemming[2] Peter Golesworthy[3] Prof Marian Jacobs[4] Trevor Munday[5] Pieter van der Westhuizen André Meyer[6] [1] *Resigned as a member of the committee on 12 May 2014.* [2] *Retired 31 March 2014.* [3] *Appointed to the committee on 12 May 2014.* [4] *Appointed to the committee on 1 January 2014.* [5] *Retired 30 January 2014.* [6] *Appointed to the committee on 1 April 2014.*	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 objective; and • the disclosure regarding risk is comprehensive, timely and relevant. Following the risk workshop the committee was satisfied that the top risks were properly identified and categorised and that management are managing the risks appropriately. Furthermore, management had action plans in place to mitigate the risks.	• Oversees the development and annual review of a risk management policy. • Makes recommendations to the board concerning the levels of risk tolerance and appetite. • Ensures that risk management assessments are performed on a continual basis. • Ensures that continual risk monitoring by management takes place. • 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 *Members* Adv Fran du Plessis Michael Flemming[1] André Meyer[2] Dr Peter Ngatane Dr Nilesh Patel[3] [1] *Retired 31 March 2014.* [2] *Appointed to the committee 1 April 2014.* [3] *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 monitoring the Group's actions and impacts on the environment, consumers, employees, communities and other stakeholders whilst maintaining the highest level of good corporate citizenship. Refer to page 123 for the report from this committee.	• 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 Group'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 Group's corporate social responsibility initiatives. • The Group's sustainable initiatives and impact on the environment are monitored. • Legal and ethical compliance by the Group is monitored.

Committee	Members	Roles and responsibilities	Summarised terms of reference
Investment committee	*Chairman* Garth Solomon *Members* Mustaq Brey Peter Golesworthy Michael Flemming[1] André Meyer[2] Pieter van der Westhuizen Royden Vice[3] [1] *Retired 31 March 2014.* [2] *Appointed to the committee 1 April 2014.* [3] *Appointed to the committee 24 July 2014.*	The committee evaluates investment proposals and makes appropriate recommendations to the board on annual budget parameters, and capital expenditure for the Group.	The committee assists 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; • the incurring and refinancing of debt; and • the annual budget for recommendation to the board.

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. She works 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.

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. Fazila Patel's qualifications and biography are detailed on page 86. 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.

The Company Secretary was also subjected to an externally facilitated assessment as part of the board evaluation process. It was concluded that the Company Secretary continues to be effective in her duties to the Group.

CODE OF ETHICS

The board is responsible to ensure that management embeds a culture of ethical conduct and sets the values 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. The code is available at http://www.lifehealthcare.co.za.

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, conflicts of interest, environmental issues and human rights.

While common sense, good judgement and conscience apply in managing a difficult or uncertain situation, the code assists in detailing the standards and priorities within the 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 professional 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.

The code is presented to the social, ethics and transformation committee annually where relevant updates are discussed and submitted to the board for approval. No material changes to the code were made in 2014.

CODES, REGULATIONS, COMPLIANCE AND CONTROLS

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. The 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.

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 is 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.

Key regulations

The table below lists the key new regulations impacting Life Healthcare, and the Group's response:

Companies Act: 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 Chief Executive Officer and Chief Financial Officer. The remuneration disclosure is detailed on page 91 of the annual financial statements.
National Health Act's Certificate of Need	Sections 36 to 40 of the National Health Act have existed for 10 years but were not signed into law until April 2014. Health providers have two years in which to acquire the certificate of need. All health providers, including professionals who wish to open a private practice, hospital or clinic will have to apply to the Department of Health for a certificate of need to give them permission to work in their chosen suburb. According to the National Health Act, the aim is to ensure an equitable spread of health facilities and practices across the country. The certificate will be compulsory from April 2016. However, this section was proclaimed without any regulations being published. HASA and the doctor groups have been engaging extensively with the National Department of Health, following which the Director General submitted a letter to all stakeholders stating that the State Law Advisor has advised that the proclamation should be withdrawn until such time that the regulations are finalised. We are awaiting the official withdrawal of the proclamation.
Free State Licensing Regulations	The Free State Department of Health published regulations in August 2014 on the licensing framework for private hospitals. Life Healthcare submitted comments related to the inclusion of the National Health Act section 36 criteria (certificate of need), as this is currently being debated and certain anomalies exist within the content of this Act. Final regulations were published in September 2014 with no major changes to the draft regulations. This matter is being discussed at HASA to assess implications of the regulations and how the healthcare industry intends to address this going forward.
National Health Act's Office of Health Standards Compliance	This legislation provides a regulatory framework for the establishment of the Office of Health Standards Compliance (OHSC) to serve as the custodian of quality of care across the national health system. The OHSC will comprise an inspectorate, responsible for the inspection of healthcare facilities and issuance of compliance certificates, and an Ombud, responsible for the management of complaints with respect to quality of care. The OHSC will be overseen by a board represented by various candidates from industry. Life Healthcare welcomed the increased focus on quality of care and has been proactive in engaging with the OHSC to define the norms and standards to be measured.
Pharmacy Regulations	The Pharmacy Council proposed regulations introducing the requirement of 24-hour pharmacists. Life Healthcare has been engaging the Pharmacy Council and through these engagements there are indications that the Council will revise these requirements.

National Health Insurance (NHI)	The Policy on NHI (Green Paper) was released in August 2011 and envisaged fundamental reform to the healthcare industry in South Africa. Life Healthcare provided commentary on the proposal in its individual capacity and through the Hospital Association of South Africa (HASA), highlighting key issues from a hospital sector perspective. Life Healthcare also participated in the Public Health Enhancement Fund, a new initiative that seeks to provide a platform for the Department of Health and the private healthcare sector to collaborate in addressing key gaps in the public health system. The industry awaits the White Paper from the Department of Health. Internally Life Healthcare has established a working group to develop proposals on how it could leverage its operating platform to contract services to the state in keeping with the reform agenda.
Protection of Personal Information Act (POPI)	The POPI was promulgated in November 2013 with the commencement date still to be promulgated. Organisations will have one year to demonstrate compliance with the Act from the commencement date. This Act 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 Act protects the personal information collected and processed by organisations and companies. The Act will impact how personal information held by the Group in relation to employees, patients, doctors and suppliers is dealt with. The Group's working group, represented by champions from each executive area together with legal services, conducted a gap analysis to highlight areas where additional controls and actions were required to ensure full compliance with POPI. This gap analysis was presented to the executive committee in October 2014 with actions being monitored on an ongoing basis. In addition, legal services conducted one-on-one interviews with each business unit to discuss the POPI requirements, how they will impact the business unit and actions required to ensure compliance going forward.
Labour Law Amendment Bill	The proposed Labour Law Amendment Bill 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. A steering committee was established comprising human resources, finance, legal, line management and nursing representatives to ensure compliance with the legislation.
Consumer Protection Act (CPA)	The Act applies to the healthcare industry but must be read in conjunction with other laws that apply, viz the Constitution, National Health Act, the Mental Health Care Act, Health Professions Act, Medicines and Related Substances Control Act and Pharmacy Act. Hospital documentation has been amended to comply with the Act.
Employment Equity Amendment Act of 2013	The Act came into effect on 1 August 2014. Section 6(4) of the Act which introduces equal pay for work of equal value could result in Life Healthcare having to pay higher salaries. The Group is currently gathering information in respect of all employees, as differences in pay may arise on the basis of experience, qualifications, performance level or the existence of specialised skills.

Competition Commission Market Inquiry

The Competition Commission released draft Terms of Reference in April 2013 following the granting of formal powers to conduct market inquiries with mandatory participation to the Commission. Due to the nature of this compulsory participation, which is uncharted territory in the South African context, it is imperative that Life Healthcare proactively engage and play a key role in the Inquiry process. As such, Life Healthcare established an internal working group, headed by its strategic relations and health policy executive, with the support of legal and economic advisors, to keep abreast of developments around this inquiry.

To date, Life Healthcare has made written and oral submissions to the Commission on key recommendations with respect to the draft Terms of Reference and was encouraged to note that some of our recommendations were reflected in the final Terms of Reference. The Commission announced the members of the panel and published its draft statement of issues and administrative guidelines in May 2014. Life Healthcare provided input into the draft statement. The final statement of issues was published on 1 August 2014, and the panel called for written submissions by the end of October 2014. Life Healthcare has lodged its submission with the panel. Oral hearings will start in May 2015, and the panel's provisional findings will be published in October 2015.

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 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 internal audit manager reports to the audit committee and has unrestricted access to its Chairman, the Chairman of the Group and the Chief Executive Officer.

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, and is approved by, the audit committee.

The internal audit department is responsible for managing the investigation of reported incidents and informing the audit committee of the results. Employees, doctors and suppliers are able to report suspected irregularities anonymously to an independent service provider. These reports are also investigated by internal audit and reported on at the audit committee and the social, ethics and transformation committee.

Information technology (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. Quarterly feedback on IT is provided to the board and during the current reporting period, IT was a focus at the board strategy meeting held in March 2014.

Life Healthcare has a dedicated Group Information Management Executive who is responsible for the Group's information management strategy. Executive feedback on strategic IT issues is provided monthly to the executive. An executive IT steering committee meets quarterly to review significant IT expenditure and projects and to monitor material IT risks. This steering committee includes the Chief Executive Officer, Group Information Management Executive and the chief operating executives for inland, coastal and healthcare services.

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 implementation findings and recommendations from the review have been included on the risk register and will be monitored by the IT steering committee. 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.

During 2014, Life Healthcare was subject to an internal and external audit to verify its level of compliance against the international ISMS standards and was certified as compliant until June 2015.

Other required reporting

Insider trading	Life Healthcare observes a closed period from just before the end of the accounting period to the announcement of the interim or annual results. During this 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 2014, 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 board. This includes contributions to candidates, office holders and political parties. No political party contributions were made in the 2014 financial year (2013: nil).

REMUNERATION REPORT

INTRODUCTION

The objective of the Company's remuneration strategy is to enable the Group to attract and retain key talent and to influence the behaviour of employees and to ensure the alignment of shareholder and employee interests.

The Company competes for clinical skills in a competitive labour market and the Company constantly seeks creative ways to attract and retain skills. This occurs within the context of an increasing demand for healthcare without a corresponding increase in the talent pool. The cost of labour represents approximately 44% of the Company's total costs, which necessitates careful management of this valuable resource.

The business objectives, market competitiveness, employee growth and development, the retention of scarce and specialised skills, and legislative compliance inform the remuneration philosophy.

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, the Company strives for:

- internal fairness by setting salary ranges per job category which are broad enough to distinguish between performance and experience and that rewards 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 whilst the modern trend is to base remuneration on a cost to company package, the healthcare industry has largely retained the traditional approach of basic salary plus benefits. 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.

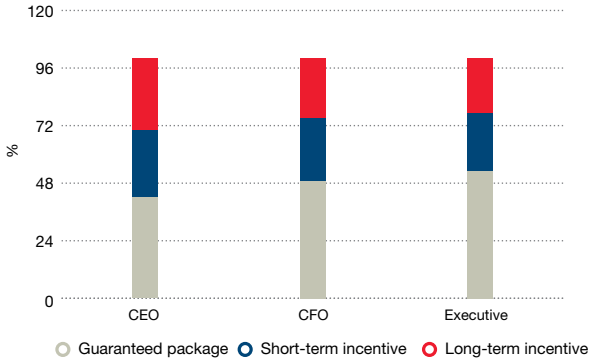
High performance and quality are key drivers in the Company. Short-term and long-term incentives compose a high percentage (20% to 58%) of remuneration for senior management which are directly linked to these drivers, whilst junior categories of staff receive performance linked increases.

The Company offers 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 targeted reward is achieved. Senior managers participate in the Company's long-term incentive scheme.

Executive employment contracts are generally 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 (on-target performance):

Executive remuneration



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 of 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 or client. The significant differential between qualified and experienced specialist allowances is aimed to encourage staff to further their education and thus heighten the professionalism and excellence of the Company.

SHORT-TERM INCENTIVES

The Company believes in the value that appropriate performance driven awards can add to its successful operation. 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 scheme, assessed and paid on a bi-annual basis, to reward and retain senior managers who have line of sight and contribute to the bottom line of the business.

Eligible managers have two or three weighted key performance areas that they are evaluated against, based on whether managers are profit responsible or not. These key performance areas contribute to the overall strategy and business objectives of the Company, namely:

Company performance

- Profit responsible managers: **15%** weighting
- Non-profit responsible managers: **70%** weighting

Business unit performance

- Profit responsible managers: **60%** weighting
- Non-profit responsible managers: Not applicable

Personal performance criteria

- Profit responsible managers: **25%** weighting
- Non-profit responsible managers: **30%** weighting

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 the second half of the year

Business unit performance – Capped at **225%** of on-target remuneration

Personal performance criteria – Capped at **120%** of on-target remuneration

The maximum reward that can be earned is therefore 199% of *on target* reward (which is 7.5% to 70% of salary). This means that the Chief Executive Officer can earn up to R6.5 million and the Chief Financial Officer can earn up to R2.2 million in short-term bonus (based on current remuneration). Targets are continuously assessed to ensure that they remain relevant, appropriate and drive the correct behaviour. The Chief Executive Officer's reward is split 70% business performance and 30% personal KPIs, while the Chief Financial Officer split is 75% business performance and 25% personal KPIs.

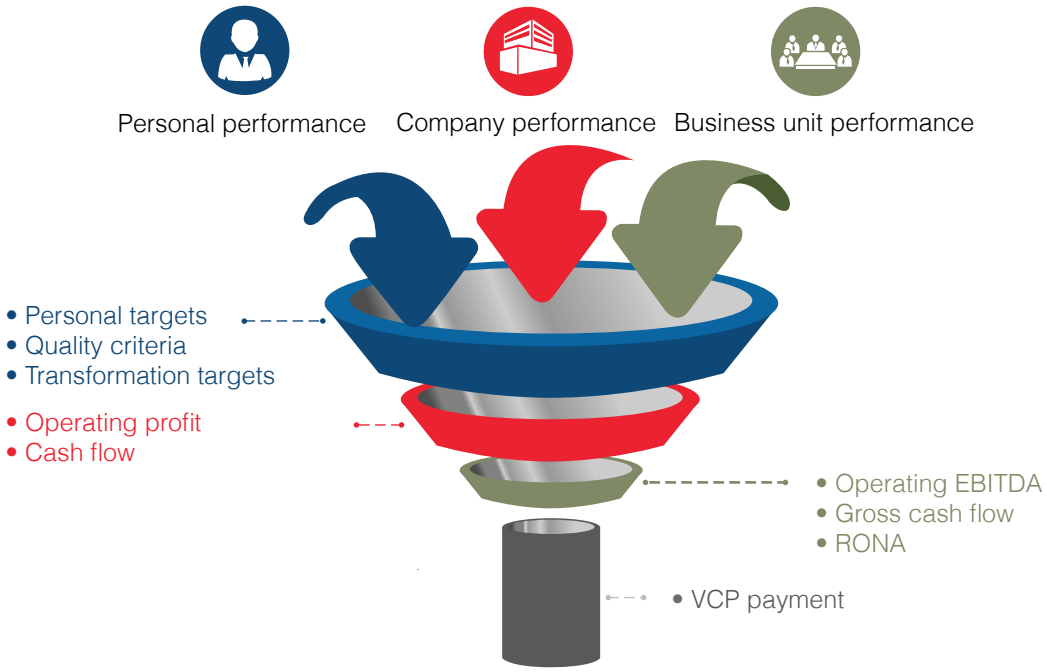
These criteria are consistently applied to all participants of the scheme. Both Company and business unit financial scores are quantitative and prescriptive in nature, whilst the personal rating is more qualitative and discretionary and has the Chief Executive Officer's final input for governance purposes.

Company performance is measured against operating profit and cash flow targets

Business unit performance 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 is more subjective and includes overall performance of the individual in carrying out his/her job requirements, transformation and quality outputs.

Components of the variable compensation plan



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.

LONG-TERM INCENTIVE PLAN (LTIP)

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 the Company. 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; and
- 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.

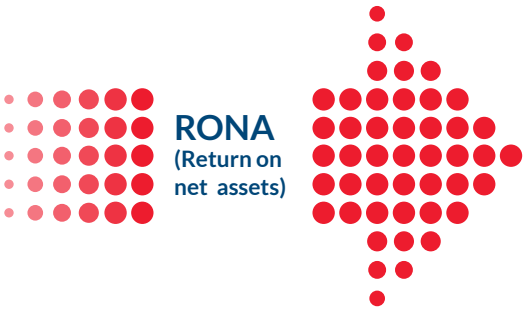
The scheme is cash settled and pays out after three years.

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:

- Affects unit appreciation component and performance share component

- Affects performance share component where vesting occurs on a sliding scale as follows:
  - RONA < lower threshold: 0% vesting
  - RONA = target threshold: 100% vesting
  - RONA > upper threshold: 300% vesting



The target thresholds are set at date of allocation of units.

The LTIP awards are based on a predictive model that will deliver a certain percentage of guaranteed package after the three-year vesting period. For example, 70% of guaranteed package for the Chief Executive Officer, provided that the respective financial targets are met. Since the scheme contains an appreciation component and is subject to certain performance criteria, there is no value to the participant at allocation date.

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 will be 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 Company 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 or reward with the Company's shareholders.

EMPLOYEE BENEFITS

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

Retirement funds

The Company operates two defined contribution retirement funds:

- the Life Healthcare Provident Fund (LHC Provident Fund); and
- the Life Healthcare DC Pension Fund (LHC DC Pension Fund).

All new employees become members of 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 171 active members and 269 pensioners, whilst the Lifecare Group Holdings Pension Fund provides benefits to 21 active members and approximately 130 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.

Medical aid

It is a condition of employment for permanent 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 68 employees and pensioners 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)

The Company 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 July 2013, the Company funded, via a trust, the purchase of shares to the value of R50 million per 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 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 the Company 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 amongst 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.

The Company 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.

Following feedback from employees obtained via a number of focus groups, the structure of the scheme is being reconsidered and a final decision will be made by the end of 2014.

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.

For detailed director remuneration disclosure, refer to the annual financial statements at www.lifehealthcare.co.za or on page 91 of the annual financial statements.

SHAREHOLDER INFORMATION

Life Healthcare Group Holdings Limited
Registration number: 2003/002733/06
Share code: LHC
ISIN: ZAE000145892
("Life Healthcare" or "the Company")

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting of shareholders of Life Healthcare Group Holdings Limited will be held at The Wanderers Club, 21 North Street, Illovo, Johannesburg, on Wednesday, 28 January 2015 at 15:30.

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

ORDINARY BUSINESS

1. *Annual financial statements*

Presentation of the consolidated audited annual financial statements as approved by the board of directors of the Company, including the directors' report, external auditor's report and the report by the audit committee, of the Company and the Group for the financial year ended 30 September 2014, all of which are included in the 2014 annual integrated report of which this notice forms part.

2. *Social, ethics and transformation committee*

Life Healthcare Group Holdings social, ethics and transformation committee report is set out on page 123 of the annual integrated report. The committee will report, through one of its members, on matters within its mandate as required in terms of Regulation 43(5)(c) of the Companies Act.

3. *Ordinary resolution numbers 1.1 to 1.3: Re-election of directors*

Directors retiring by rotation:

3.1 Ordinary resolution number 1.1
Resolved that MA Brey who retires by rotation in terms of clause 28.7.1 of the Company's memorandum of incorporation and who, being eligible, offers himself for re-election be hereby re-elected as a non-executive director of the Company;

3.2 Ordinary resolution number 1.2
Resolved that GC Solomon who retires by rotation in terms of clause 28.7.1 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; and

Director appointed during the year:

3.3 Ordinary resolution number 1.3
Resolved that A Meyer who was appointed by the board as an executive director of the Company with effect from 1 April 2014, who retires in terms of clause 28.7.2 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.

Director not offering herself for re-election:

3.4 FA du Plessis who retires by rotation in terms of clause 28.7.1 of the Company's memorandum of incorporation and who, being eligible does not offer herself for re-election.

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

4. *Ordinary resolution number 2: 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 2015 be approved.

5. *Ordinary resolution numbers 3.1 to 3.3: Appointment of Group audit committee members subject where necessary, to their reappointment as directors of the Company in terms of the resolutions in paragraph 3 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:

3.1 PJ Golesworthy (Chairman);
3.2 LM Mojela; and
3.3 RT Vice.

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 note forming part of this notice.

6. *Ordinary resolution number 4: Approval of remuneration policy*

Resolved that the Group Remuneration Policy, as described in the remuneration report included on pages 102 to 107 of the annual integrated report, is hereby approved by way of a non-binding advisory vote, as recommended in the King Code of Governance for South Africa 2009.

7. *Ordinary resolution number 5: Placement of authorised, but unissued shares under the control of the directors*

Resolved that 5% 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 the 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.

SPECIAL BUSINESS

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

8. *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 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% 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 to the JSE 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 their debts for a period of 12 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 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;
- the Company and the Group will have adequate share capital and reserves for ordinary business purposes for a period of 12 months after the date of the general repurchase; and
- the working capital of the Company and the Group will be adequate for ordinary business purposes for a period of 12 months after the date of the general repurchase.

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:

- Major shareholders of the Company (page 100 to 101 of the annual financial statements); and
- Share capital of the Company (page 68 of the annual financial statements).
- Directors' responsibility statement
  The directors, whose names appear on pages 82 to 84 of the annual integrated report, 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.
- Material change
  Other than the facts and developments reported on in the integrated annual report, there have been no material changes in the affairs or financial position of the Company and its subsidiaries since the date of signature of the audit report and up to the date of this notice

9. *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 2015 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			2014			2015			
Committee	**2014**	2015		Retainer per annum R	Total meeting fees per annum R	Current annual cost R	Proposed retainer per annum R	Proposed meeting fee per annum R	Proposed annual cost R	% increase in rate
Directors' fees	**4**	4	Chairperson	450 000	300 000	**750 000**	480 000	320 000	**800 000**	6.67
			Board member	102 840	68 540	**171 380**	110 000	73 000	**183 000**	6.96
Audit	**4**	4	Chairperson	125 040	83 320	**208 360**	133 260	88 740	**222 000**	6.57
			Board member	73 500	48 980	**122 480**	78 340	52 160	**130 500**	6.59
Remuneration	**3**	3	Chairperson	95 640	63 735	**159 375**	101 990	68 010	**170 000**	6.64
			Board member	47 880	31 950	**79 830**	51 065	34 035	**85 100**	6.65
Nominations	**2**	2	Chairperson	63 720	42 490	**106 210**	67 850	45 250	**113 100**	6.48
			Board member	31 980	21 300	**53 280**	34 310	22 690	**57 000**	7.29
Risk	**2**	3	Chairperson	63 720	42 490	**106 210**	67 875	67 875	**135 750**	6.52
			Board member	31 980	21 300	**53 280**	34 165	34 035	**68 200**	6.83
Investment	**3**	4	Chairperson	95 640	63 735	**159 375**	102 000	90 500	**192 500**	6.65
			Board member	47 880	31 950	**79 830**	51 120	45 380	**96 500**	6.77
Social, ethics and transformation	**2**	3	Chairperson	63 720	42 490	**106 210**	67 875	67 875	**135 750**	6.52
			Board member	31 980	21 300	**53 280**	34 165	34 035	**68 200**	6.83
	20	23				**2 209 100**			**2 457 600**	**6.71**

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

In instances where the number of scheduled board and committee meetings are changed, an adjustment of 6.75% 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 ended 30 September 2015.

10. 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 inter-group 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 recognised by the Company;
  - within 10 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 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.

11. 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, 5 December 2014. 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, 23 January 2015, 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, 16 January 2015.

APPROVALS REQUIRED FOR RESOLUTIONS

Ordinary resolutions numbers 1 to 5 contained in this notice of annual general meeting require the approval by more than 50% 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 3 contained in this notice of annual general meeting require the approval by at least 75% 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. Proxy forms 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 Monday, 26 January 2015, at 15:30 (South African time). Any forms of proxy not lodged by this time must be handed to the Chairman of the meeting.

Proxy forms 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 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 driver's 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

13 November 2014

EXPLANATORY NOTES TO THE NOTICE OF THE ANNUAL GENERAL MEETING

ORDINARY RESOLUTIONS

Ordinary resolution numbers 1.1 to 1.3

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:

MA Brey
Chairman – Non-executive director
South African – BCompt (Hons), CA(SA)

Mustaq is a founder and Chief Executive Officer of Brimstone Investment Corporation Limited. 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.

GC Solomon
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.

Director 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 *curriculum vitae* of the director offering himself for re-election appears on page 118.

A Meyer
Executive Director (Chief Executive Officer)
South African

André has over 28 years' experience at executive level in the financial and healthcare sectors. He joined Alexander Forbes Financial Services Limited as a financial consultant and later headed up the firm's Negotiated Benefits Division, before being appointed as the Divisional Director and subsequently, Managing Director of the Health Care Consultants Division. A year later, the responsibility for the Health Management Solutions Division was added to his portfolio. André also represented Alexander Forbes on the board of FIHRST Management Services, South Africa, a joint venture with Standard Bank Limited. On 1 April 2003, André was appointed the Chief Executive Officer of Medscheme Limited and later also served on the board of AfroCentric Health Limited as an executive, following its acquisition of Medscheme. André became Chief Executive Officer of Life Healthcare on 1 April 2014.

Ordinary resolution number 2

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 3.1 to 3.3

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, they all have academic qualifications and experience in one or more of the following areas, ie finance, accounting, commerce or industry.

PJ (Peter) Golesworthy
Lead 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.

LM (Louisa) Mojela
Independent non-executive director
South African – National University of Lesotho (NUL) – BCom

Louisa is Group Chief Executive Officer and Chairman of WIPHOLD of which she is a founder member. She holds non-executive directorships in Distell Group, Ixia Coal, Sun International Limited and USB-ED Limited. 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
Independent non-executive director
South African – BCom, CA(SA)

Royden is the Chairman of the board of Waco International Holdings Proprietary Limited since retiring in July 2011 after 10 years as the company's Chief Executive Officer. The Waco group of companies has subsidiaries in the UK, USA, Australia, New Zealand, Chile and southern Africa. Prior to this, Royden was Chief Executive Officer 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). Royden was appointed to the Life Healthcare board of directors in 2014.

Ordinary resolution number 4

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 5

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.

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.

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 number
2003/002733/06

Place of incorporation
Illovo

JSE code
LHC

ISIN
ZAE000145892

Attorneys
Bowman Gilfillan Inc.

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

Life Healthcare Group Holdings Limited
Registration No. 2003/002733/06
JSE code: LHC ISIN: ZAE000145892

I/We (please print name in full)

of (address)

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

or, failing him/her, the chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the annual general meeting of the Company to be held at The Wanderers Club, 21 North Street, Illovo, Johannesburg, on Wednesday, 28 January 2015 at 15:30 or any adjournment thereof.

I/We desire to vote as follows:

Voting instructions		**For**	**Against**	**Abstain**
Ordinary business				
1.	Re-election of directors:			
1.1	MA Brey			
1.2	GC Solomon			
1.3	A Meyer			
2.	Reappointment of external auditors			
3.	Appointment of Group audit committee members:			
3.1	PJ Golesworthy (Chairman)			
3.2	LM Mojela			
3.3	RT Vice			
4.	Approval of remuneration policy			
5.	Placement of authorised but unissued shares under the control of the directors			
Special resolutions				
6.	General authority to repurchase Company shares			
7.	Approval of non-executive directors' remuneration			
8.	General authority to provide financial assistance to related and inter-related companies			

Signed this day of 2015

Signature

NOTES

1. A shareholder entitled to attend and vote at the annual general meeting is entitled to appoint one or more proxies to attend, speak and vote in his/her stead. A proxy need not be a 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 Monday, 26 January 2015, 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.

REPORT OF THE SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE

The social, ethics and transformation committee assists the board with monitoring the Group's actions and impact on the environment, consumers, employees, communities and other stakeholders whilst maintaining the highest level of good corporate citizenship.

The Chairman of the committee presents the following report to shareholders for the 2014 financial year, in accordance with the requirements of the Companies Act.

Committee composition

The committee comprises five members:

- LM Mojela (chairman – independent non-executive director);
- Adv FA du Plessis (independent non-executive director);
- Dr MP Ngatane (independent non-executive director);
- CMD Flemming (Chief Executive Officer – executive director) – CMD Flemming retired on 31 March 2014 and was replaced by A Meyer on 1 April 2014 (Chief Executive Officer – executive director). A Meyer was appointed to the committee by the board on 12 March 2014; and
- Dr NK Patel (Chief Operating Executive – Healthcare Services – a non-voting member).

Invitees at committee meetings were relevant members of management who are experts on each of the disciplines or areas falling within the mandate of the committee specified in regulation 43(5) of the Companies Act. The Chairman of the board and the Company Secretary are standing invitees.

The committee operates in accordance with formal terms of reference which are reviewed annually by the board and in terms of the annual workplan approved by the committee.

The committee met three times during the period under review and the proceedings of each meeting were reported to the board.

Responsibilities

The committee has a duty to:

- monitor the social, economic, governance and environmental activities of the Group;
- bring matters relating to these activities to the attention of the board as appropriate; and
- report annually to shareholders on the matters within the scope of its responsibilities.

Functioning

Key issues addressed by the committee included the following:

- The Group's strategy with regard to the submission to the Panel in the Competition Commission Market Inquiry into Private Healthcare;
- Energy saving initiatives undertaken at the hospitals to ensure sustainability and cost saving;
- Implementation of an environmental management system to reduce environmental risks and impacts;
- Reviewed developments in the areas of ethics management which includes a dedicated anonymous hotline for tip-offs;
- Regulatory developments relating to the B-BBEE Act and the monitoring of management's efforts to improve the Group's B-BBEE rating;
- Monitoring the impact of the Group's corporate social investment spend;
- Reviewed the Group's compliance with the Competition Act, National Health Act and the Consumer Protection Act;
- Reviewing the Group's plans with regard to compliance with the Labour Relations Amendment Act, Protection of Personal Information Act and the Employment Equity Act;
- Reviewing the Group's transformation strategy;
- Reviewing EIRIS's assessment of Life Healthcare 2013 for purposes of the JSE SRI Index and gaps identified as well as actions to address the gaps;
- Establishing the environment and climate change forum;
- Reviewing the Group's transformation initiatives and employment equity; and
- Reviewing the Group's procurement policies including preferential procurement.

Conclusion

The committee is satisfied that it has fulfilled its duties during the year under review.

LM Mojela
Chairman

13 November 2014

APPENDICES

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 Associated 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	Healthcare 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
IDSO	Internal days sales outstanding as a measure of time it takes from patient discharge to having the final bill ready
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
IPO	Initial Public Offering
ISO	International Standards Organisation
JIBAR	Johannesburg Interbank Agreed Rate
LOC	Level of Care
LOS	Length of Stay
LTIP	Long-term incentive plan
MHC	Max Healthcare
NFZ	National Health Fund (Poland)
NHI	National Health Insurance
Normalised EBITDA	Earnings before interest, taxation, depreciation and amortisation (defined as operating profit plus depreciation, amortisation of intangibles, impairment of goodwill and 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 Group) 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
WIBOR	Warsaw Interbank Offered Rate


Life
HEALTHCARE
Group