Life HEALTH CARE Group

INTEGRATED REPORT

2015

Life
Well-being and quality of life

Health
Clinical excellence in world-class facilities

Care
Quality, service, respect and empathy for those entrusted to our care

Our 5 core values

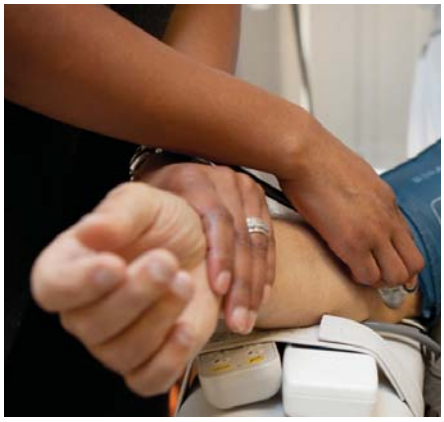
- **Passion for people**
- **Personal care**
- **Q^{e} – quality to the power of e**
  (ethics, excellence, empowerment, empathy, energy)
- **Lifetime partnerships**
- **Performance pride**

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.

Life HEALTH CARE Group



Contents

Feedback

This report was compiled with information that the board and management believe is relevant and material to stakeholders, to provide them with a comprehensive view of the Group's performance. The reporting process is an ongoing journey in which the Group continually strives to improve on the quality of its reporting. Therefore, feedback is welcomed from all stakeholders and the Group invites 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

Scope, boundary and materiality

Life Healthcare Group Holdings Limited (the Group) is listed on the JSE. Its integrated report covers the financial year 1 October 2014 to 30 September 2015. Any informative and material information after 30 September 2015 has been included and is identified in the report where applicable.

The report provides a balanced and succinct view of the Group's performance with a focus on material matters and developments. The material matters are:

- cost of care;
- specialised skills shortages;
- government relationships;
- onerous and increasing regulation;
- quality of care standards;
- labour relations and staff retention; and
- growth through expansion.

The process of determining material matters and their detailed disclosure are on page 40.

This report covers all of the Group's operations in southern Africa[1] and Poland and the joint venture in India. It provides information on the key strategies of growth, efficiency, quality, sustainability and the corporate governance and accountability processes. Unless expressly stated, the information contained herein applies to the southern African operations.

The information in this report was guided by local and international requirements. These include:

- the International Integrated Reporting Council's (IIRC) <IR> Framework;
- the reporting principles contained in the King Report on Governance for South Africa 2009 (King III);
- JSE Limited Listings Requirements;
- the South African Companies Act, 71 of 2008, as amended (Companies Act); and
- the International Financial Reporting Standards (IFRS).

Sustainability is one of the Group's four key strategic focus areas and demonstrates the importance of sustainability in the responsible future of the business. Life Healthcare also considered the GRI's revised Sustainability Reporting Guidelines (G4) in the preparation of the report.

Since the release of the Group's report for the financial year ended 30 September 2014, there has been no material change to the structure, ownership or products and services of the organisation. For information regarding material acquisitions, refer to page 52 and 81.

Forward-looking statements

This integrated report contains forward-looking statements that, unless otherwise indicated, reflect the Group's expectations at 12 November 2015. Actual results may differ materially from the Group's expectations if known/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.

Navigation tools

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

Other sections of the report

Digital channels

Positive increase/decrease

Remains the same

Negative increase/decrease

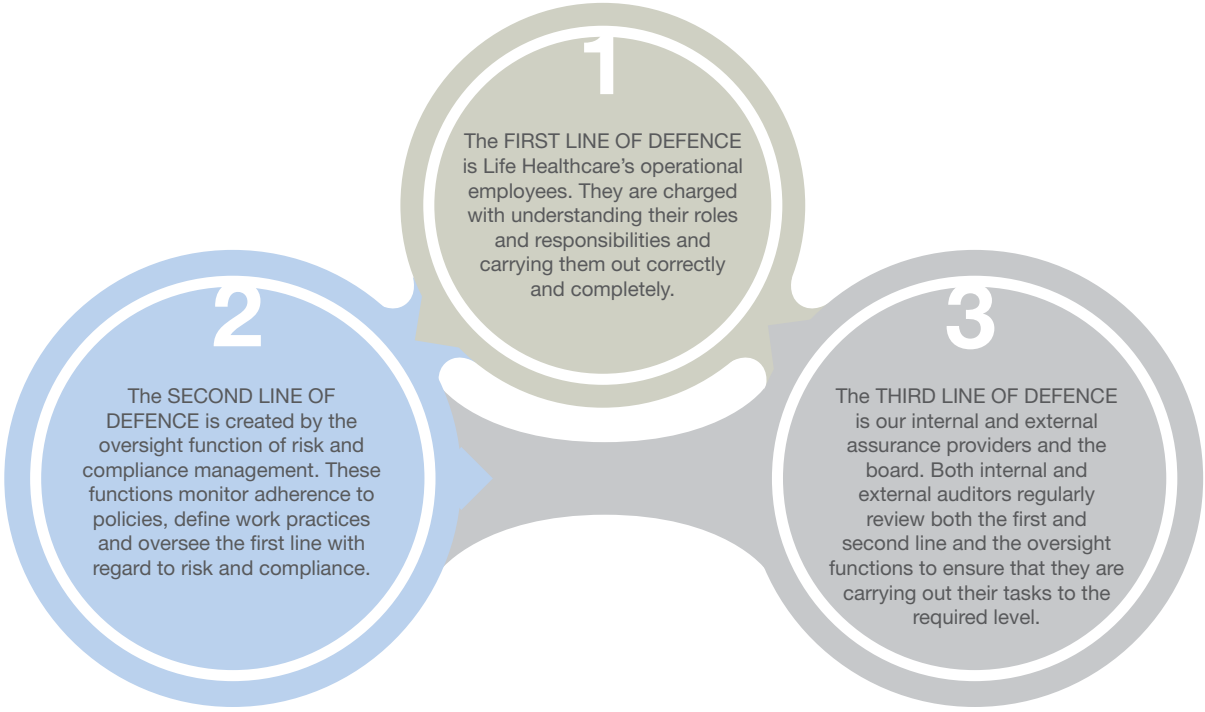
Go online

www.lifehealthcare.co.za

[1] *Reference to southern Africa includes South Africa and Botswana.*

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 Group follows a combined assurance process.



This secures a collaborative and mutually responsible approach for ensuring the accuracy of data presented, while allowing for multiple stages of review and verification. Depending on the nature of the assurance required, internal departments and external entities are involved in the Group's assurance process. Refer to page 61 for information regarding the Group's quality management system and internal audit.

Management reviews form a key part of the report's overall assurance. This activity follows on from detailed monthly reports on performance, which are reviewed by management and incorporated into the Group's strategic actions.

The board, its committees and management were involved in finalising disclosures made in this report and assume responsibility for the information contained therein. It is recommended that this report is read with the audited annual financial statements, which are available online at www.lifehealthcare.co.za.

The summarised financial information included in this report was extracted from the audited annual financial statements and prepared in accordance with IFRS. The annual financial statements were independently assured by the external auditor, PricewaterhouseCoopers Inc.

As Life Healthcare continues on its integrated reporting journey, a number of non-financial indicators were assured by PricewaterhouseCoopers Inc. For the selection of indicators and the audit report, please refer to page 111.

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 report. After applying its collective mind to the preparation and presentation of the report, it concluded that the report materially aligns with the IIRC's <IR> Framework. The report was prepared in line with best practice pursuant to the recommendations of King III (principle 9.1).

On 12 November 2015, the board approved the 2015 integrated report taking into consideration the completeness of the material matters 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

Life Healthcare as an investment

Strong South African market positioning in a defensive industry Refer to pages 52 to 55.	• A leading private hospital operator in an attractive healthcare market. • Market share of approximately 27% private hospital beds. • Extensive geographic network of healthcare facilities. • Owns 75% of the 63 hospital properties from which Life Healthcare operates. • Cost-effective provider of healthcare. • Market leader for preferred provider agreements with medical funders.
Growth in South African complementary services, occupational health and wellness Refer to pages 54 to 55.	• Market leader in private mental healthcare and acute rehabilitation services. • A diversified healthcare service provider with an extensive footprint in renal dialysis, oncology and a growing footprint in employee wellness. • Life Esidimeni is the largest healthcare public-private partnership (PPP). • Largest provider of contracted occupational healthcare. • Acquisition of the employee wellness entity, Careways, in 2015.
Expansion into fast growing international healthcare markets Refer to page 55.	• Diversified into the fast growing Indian healthcare market through a joint venture investment in Max Healthcare. • Expanded into the Polish healthcare market through a 100% investment in Scanmed Multimedis (Scanmed). Diversified portfolio of inpatient facilities including specialised cardiology, orthopaedic and ophthalmology facilities and ambulatory primary care and specialised centres. • Continued acquisitions and growth in Poland and India.
Good track record of shareholder wealth creation Refer to page 18.	• Solid track record of operational excellence. • High cash generation – cash generated as a percentage of earnings before interest, tax, depreciation and amortisation (EBITDA): 95.0% (2014: 97.4%). • Net debt to normalised EBITDA of 1.49 times (2014: 0.84 times). • Compound annual growth rate (CAGR) of 10.1% for normalised EBITDA over three years. • CAGR of 5.7% for normalised earnings per share over three years. • Strong cash distribution – CAGR of 16.2% for cash distribution over three years.
Focus on improving efficiencies Refer to pages 56 to 59.	• Occupancy increased from 71.6% to 71.9% over seven years including the addition of 1 457 beds over the same period. • Contained costs of pharmaceutical products, medical devices and equipment, as well as costs of services. • Most efficient private hospital operator in South Africa measured in terms of EBITDA margin. • Normalised EBITDA margin: – The southern African business has increased from 23.8% to 28.3% over seven years; – Scanmed has increased from 9.1% to 14.0% in a year; and – Max Healthcare has remained consistent at 9.9% over the last two years. • An alternative pricing model strategy that enables improvement in margins through cost-efficiencies. • Annual price increases below medical inflation. • The ability to use the IT system to drive standardisation, reduction in administrative costs and economies of scale. • Environmentally friendly operational upgrades are progressively reducing operational costs.
Supported by	
Robust governance Refer to pages 80 to 94.	• An experienced, independent board structure with commitment to continuous improvement. • Compliance with JSE Listings Requirements. • Substantial compliance with the King Report on Governance for South Africa 2009 (King III). • Good control compliance with internal and external audits yielding no material deviations.
Clinical excellence with a focus on patient-centred care Refer to pages 60 to 66.	• International quality certification and benchmarking of selected practices against global health and safety, clinical and nursing best practices. ISO certification in 2010. • Track record of providing high-quality, cost-effective healthcare. • Patient experience is tracked through multiple avenues and targeted to improve the experience year on year.
High-calibre employees Refer to pages 70 to 75.	• Highly skilled employees who actively apply their expertise in Life Healthcare's value creation process. • Clear organisational culture linked to the Group's vision of being a world-class provider of quality healthcare for all. • Employees have a vested interest in the Group's sustainability through the broad-based employee share plan. • The top 100 senior employees have an average of 11.5 years' experience in the Group.
Doctors Refer to pages 68 and 75.	• A growing and highly skilled base of associated doctors and specialists – 2 700 doctors are associated with Life Healthcare in South Africa. • Attracted 106 doctors in the current year.

GROUP OVERVIEW

Business model

Life Healthcare provides medical and health services, creating sustainable value by:

- providing quality, patient-centred healthcare and related services to a broad spectrum of patients;
- creating robust partnerships with doctors;
- delivering strong operational growth and international diversification;
- operating with a level of process and outcomes efficiency that differentiates Life Healthcare from its competitors;
- appropriately investing in cost-effective, innovative technologies – including energy and water-efficiency initiatives;
- striving towards becoming the employer of choice with a focus on developing employees;
- responsibly investing in community health;
- providing a pipeline of nurses for the country; and
- endeavouring to be a responsible corporate citizen.

External environment

The Group's operating environment is affected by a number of external factors including regulatory requirements and the economic environment.

Regulatory requirements

The Group is bound to the legislative and regulatory environments in which it operates and actively strives to fully comply with these. Some of the key regulations that impact the Group are set out on page 92 and include regulatory requirements regarding quality of care standards as well as labour legislation. Expected changes to legislation, such as the Protection of Personal Information Act, 4 of 2013 (POPI), are monitored and evaluated through governance mechanisms. This will ensure full and timely compliance with regulatory changes.

The issuing of new bed licences by the Department of Health is essential for the growth of the business as these are a requirement for additional bed installations in present facilities and in relation to greenfield projects. It must precede such expansions. The provincial government arm of the department is responsible for issuing bed licences, and influences the Group's rate of expansion. The Group currently has licence applications pending for 852 beds, with an improvement on the turnaround of licence approvals. The Polish business is reliant on obtaining contracts with the National Health Fund (NFZ). The Group is well placed for the 2016 contract renewals.

Doctors cannot be directly employed by the Group in South Africa as per the regulatory limitation in terms of the Ethical Rules of the Health Professions Council of South Africa (HPCSA). Therefore, doctors work on an associative basis within Life Healthcare's structures as valued stakeholders in the value creation process. The Group continues to benefit from our doctors' loyalty and support.

The Competition Commission's market inquiry into private healthcare was launched on 6 January 2014. The panel published an updated timetable on 16 October 2015, indicating that the Commission will publish the inquiry report and recommendations during December 2016. Life Healthcare made detailed information submissions to the market inquiry panel and will continue engaging with the market inquiry technical team, to provide further information and assistance when requested to do so.

Economic environment

Economy in general

The South African economy continues to struggle with slowing economic growth and high unemployment. According to Statistics South Africa, the country experienced an economic growth rate of just above 2% between 2012 and 2013, and 1.5% growth in 2014. The outlook remains similar for 2015.

The South African private healthcare market continues to grow but at a slower rate. The growth in new lives into the private healthcare market in 2014 was 0.4% (2013: 2.0%). The private healthcare market as of 2014 had 8.81 million lives. The collective influence of this component is significant, as 97% of Life Healthcare's revenue is obtained from the privately insured market.

The depreciating exchange rate negatively impacts the southern African operations as it increases the cost of imported products, consumables and equipment. This is being well managed with the Group achieving a below 5% increase in procurement costs despite the increasing costs from the depreciating rand.

Wage increases

Government affects the economic environment by providing the public health sector with above inflation wage increases and other benefits. This creates a competitive employment environment between the public and private sector, for nurses, specialised registered nurses and other skilled personnel. The Group requires these professionals for operations, expansion and providing quality healthcare services in line with its mission of making life better. The Group's attraction and retention plans (refer to page 72) were developed further to address this.

Other factors

Other factors that impact the Group's growth rate include the number of medically insured individuals, high disease burden, ageing of medically insured individuals and preferred network agreements with medical funders. The Group is also affected by the municipal sign-off periods of building plans and rezoning of properties to be developed. The Group has a maintenance plan that is followed to improve its facilities, as well as various environmentally linked projects and initiatives.

Internal enablers

Life Healthcare believes that the provision of world-class healthcare is achieved by working closely with medical professionals to deliver clinical excellence, unparalleled quality, and by caring for the personal needs of patients and their families. The Group is guided by core values as it works towards its vision of being a world-class provider of quality healthcare for all.

Mission	Strategic focus areas	Key enablers
Making life better	**Growth** **Efficiency** **Quality** **Sustainability**	• Market share of approximately 23% of private hospital beds in South Africa. • 253 beds added, 1 109 bed licences approved and 852 bed licence applications pending. • Extensive geographic network of healthcare facilities in South Africa. • Diversified into the Polish and Indian healthcare markets with continued, measured strategic international acquisitions. • Debt capacity for expansions as well as high cash generation. • Alternative pricing model strategy that enables improvement in margins through cost-efficiencies. • Using technology to drive standardisation, improve patient experiences, reduce administrative costs and increase economies of scale. • International quality certification and benchmarking of selected practices against global health and safety, clinical, and nursing best practices. • Experienced management team. • Competitive wages and benefits for employees coupled with comprehensive training, wellness and development programmes. • Participation in and funding of doctor training programmes. • Environmentally conscious facilities and initiatives to lower total cost of operations and benefit the environment. • Upgrading and maintaining existing facilities.

For more detail on Group strategy, refer to page 20.

Value creation process

Life Healthcare is aware that the six capitals defined in the IIRC's <IR> Framework have an impact on business and that the Group, in turn, impacts them in various ways.

	Financial capital	Manufactured capital	Intellectual capital
Capitals	Life Healthcare's pool of funds consists of funds reinvested in the Group, revenue generated, a combination of long and short-term loans from capital providers and equity.	The hospital facilities and general infrastructure that enable the Group to procure, deliver, and sell its services.	The intangibles that constitute products, service offerings and quality standards that provide the Group's competitive advantage.
Inputs	• Revenue, loans and retained income.	• Acute hospitals, acute rehabilitation and mental health buildings and occupational health clinics. • Beds and hospital theatres. • Specialised hospital equipment.	• Background systems and analysis models. • Alternative reimbursement pricing models. • Legal and statutory compliance requirements. • Quality policies, procedures and standards. • Formulary procurement processes. • Inhouse nursing dashboard.
Business activities and processes	**Operations** The Life Healthcare Group is one of three major private healthcare providers in South Africa and primarily serves the privately insured market, representing approximately nine million people, providing acute care and high-technology private hospital services, acute rehabilitation, acute mental health, renal dialysis, oncology, occupational health and employee wellness. The Group also operates in Poland and has a joint venture in India. The southern African healthcare business is organised into two divisions: • **Hospital division:** The hospital division provides services primarily to the private medically insured market. It includes the core acute care hospital business, comprising general hospital facilities of various sizes that include facilities such as intensive care units (ICUs), high care units (HCUs), operating theatres, emergency units, maternity units and cardiac units. It also includes other specialised facilities that provide either inpatient or outpatient services in the areas of acute rehabilitation, renal dialysis, mental health and radiation and chemotherapy oncology. • **Healthcare services division:** The healthcare services include the provision of acute and long-term chronic mental health and frail care services by Life Esidimeni through a partnership with both provincial health and social development departments. Primary, occupational healthcare and employee wellness services are provided to employer groups in commerce, industry, parastatals and mining, through Life Occupational Health and Careways. For detail on the divisions and international operations, refer to page 12. The Group's alternative reimbursement model (ARM) covers approximately 65% of the acute hospitalisation revenue through fixed fees, per diems and diagnosis-related grouper (DRGs). Life Healthcare has more than 12 years of hospital billing information that is used to validate ARMs. Substantial resources have been invested in analysis and reporting to ensure risks taken under the alternative reimbursement contracts are managed appropriately throughout the business and enable operations to take advantage of opportunities offered by these arrangements.		
Outputs and outcomes	• Profit. • Growth in cash and other reserves.	• Provision of quality healthcare to patients. • Number of hospital beds added to the Group. • Number of oncology units and renal stations added. • Improved and more efficient hospitals as a result of capital investment and environmentally focused facility upgrades.	• Growth in goodwill and intangible assets. • New business lines developed. • Ability to drive efficiencies throughout the business. • Quality standards maintained/ improved.
Strategy	Growth, Efficiency, Quality, Sustainability	Growth, Quality, Sustainability	Growth, Efficiency, Quality, Sustainability

The table below shows the links between Life Healthcare's strategic objectives and the capitals – addressing all aspects of the business to create value over the short, medium and long term.

	Human capital	Social and relationship capital	Natural capital	
	The skills and experience of employees that enable the Group to implement its strategy, deliver products and services; thereby creating value for stakeholders.	The long-term relationships cultivated with doctors, customers and patients, suppliers, business partners and other key stakeholders. This includes the Group's reputation.	The natural resources used in the delivery of services.	Capitals
	• Nurses, pharmacists and other skilled employees. • Training. • Remuneration and transformation policies. • Agency agreements.	• Doctor relationships. • Medical funder relationships. • Community relationships. • Government partnerships and relationships. • Supplier contracts and agreements.	• Water used in running facilities. • Electricity (South Africa's electricity is predominately from coal power stations). • Gas.	Inputs
	Quality is one of the Group's core values and a key business strategy. The Group's approach to quality combines the concept of personal care and patient-centricity with excellence in clinical care and service delivery at all levels. This balanced approach to quality is entrenched throughout the Group through its focus on clinical excellence (iQ), to ensure patients receive world-class clinical care, and the patient experience (Q^e), addressing the needs of patients and their families. As part of quality service delivery, the Group is committed to conserving the environment and limiting any harmful impact its business activities might have. Though Life Healthcare has a low impact on the environment, it endorses the need to manage the consumption of natural resources in a sustainable manner, conserve energy and water, and recycle to reduce carbon emissions in line with international best practice. **Employees and doctors** Life Healthcare manages 17 757 permanent and sessional employees, and a number of agency staff in southern Africa and Poland. In South Africa, the growing shortage of critical skills, particularly in the healthcare industry, has prioritised the retention and motivation of employees. The Group aims to develop highly motivated and productive employees by nurturing them and monitoring their career paths. • **Life College of Learning:** The college was established in 1998 and is an accredited private higher education institution which trains more than 1 000 students annually in various nursing and health sciences programmes. Its objective is to create and sustain a resourcing pipeline for nursing and other hospital departments. Our training focuses on the integration of theory and practice to enhance clinical excellence and enable improved patient outcomes. Life Healthcare views the Life College of Learning as a responsible social investment and a strategy for addressing the need for skilled nursing personnel within the Group and the country. Life Healthcare has a network of over 2 700 specialists and other healthcare professionals who use the Group's hospitals to provide clinical treatment across the spectrum of medical disciplines. Doctors in South Africa are not employed by the Group, and are independent clinicians with freedom of choice regarding private practice and the selection of hospitals for patient referral and treatment regimen. Doctors are attracted to Life Healthcare's hospitals because of the modern facilities, new technology, the quality of care provided by the nursing staff, management's understanding of doctors' needs and their focus on fostering lasting professional relationships with them.			Business activities and processes
	• 793 nurses graduated. • Increase of 41 permanent employees and 179 sessional employees. • 1 165 nurses enrolled for training. • 194 learnerships. • Qualified, experienced and motivated employees.	• B-BBEE level 5 contributor. • Third-party certifications. • Partnerships developed/enhanced. • Doctor shareholding. • Patient experience and recommendation. • Reputation.	• Emissions. • Waste and water treatment initiatives.	Outputs and outcomes
	Sustainability	Growth, Efficiency, Quality, Sustainability	Sustainability	Strategy

Organisational structure

Life Healthcare comprises two main organisational parts:

- the southern African business made up of the hospital division (including complementary services) and the healthcare services division; and
- the international business comprising operations in Poland and a joint venture in India.

Each business component is designed to take advantage of the market structures in each country and leverage the unique advantages of those geographies.

Hospital division

- **Acute hospitals**
- **Complementary services**

Revenue:
R13 133 million (2014: R12 007 million)

Operating profit before amortisation, profit/loss on disposals, impairment of intangible assets, transaction costs and surpluses on retirement:
R3 201 million (2014: R2 905 million)

Business	Facilities	Beds
Hospital division		
Acute hospitals	50	7 942
Complementary services		
Renal dialysis	18	245
Acute rehabilitation	7	319
Acute mental health	6	386
Oncology	1	n/a

Healthcare services division

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

Revenue:
R866 million (2014: R864 million)

Operating profit before amortisation, profit/loss on disposals, impairment of intangible assets, transaction costs and surpluses on retirement:
R157 million (2014: R135 million)

Business	Facilities	Beds
Life Esidimeni *(public sector)*		
	12	3 794

Business	Clinics serving	Employees cared for
Life Occupational Health		
	286	232 000

Business	Number of employees under current contract
Careways *(employee wellness)*	
	195 195

International division

- **100% shareholding in Scanmed Multimedis in Poland**
- **46.25% shareholding in Max Healthcare in India**

Scanmed: Revenue:
R648 million (2014: R175 million)

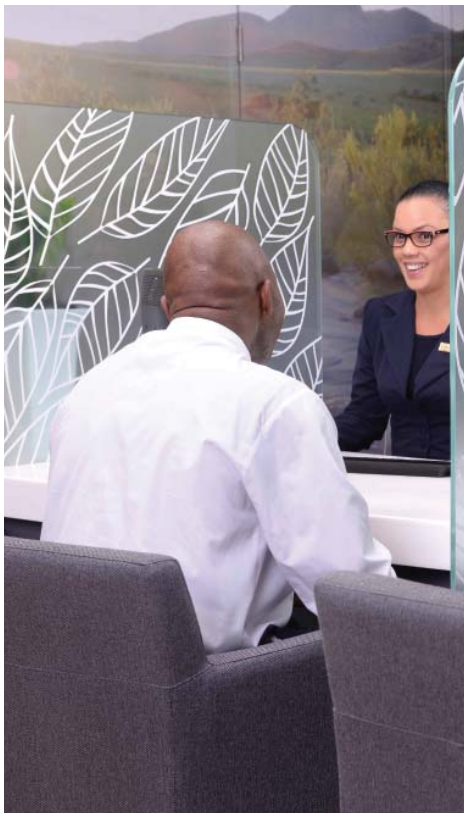
Scanmed: Operating profit before amortisation, profit/loss on disposals, impairment of intangible assets, transaction costs and surpluses on retirement:
R54 million (2014: R3 million)

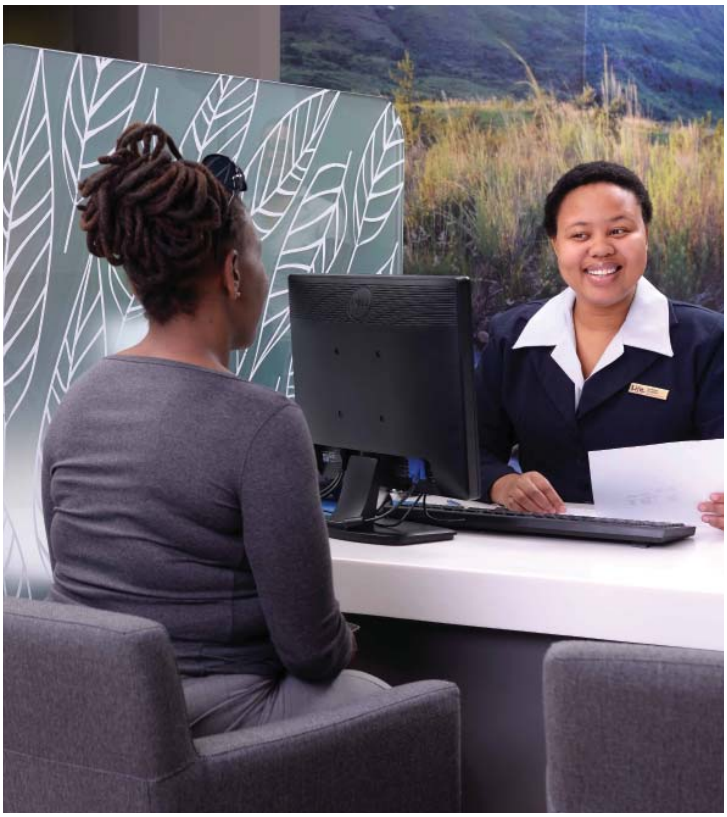
Max Healthcare: Associated income:
R5 million (2014: R11 million loss)

Facilities	Beds	Medical centres
Scanmed		
10	334	36
Max Healthcare		
11	2 322	–

Support functions
Finance: is a centralised function that focuses on financial accounting in compliance with IFRS, treasury as well as management and Group reporting.
Procurement: drives key quality and commercial outcomes, which is made possible by expertise in supply chain management and facilities management.
Human resources: ensures that our hospitals and business units are staffed by suitably qualified and engaged employees in order to deliver superior service to our patients.
Information technology (IT): digitises business-driven processes through introducing new technology solutions, in order to improve patient satisfaction, clinical outcomes and cost efficiency.
Patient services: streamlines business processes that focus on patient centeredness as well as the management of clinical and financial credit risk.
Quality department: focuses on three pillars – accreditation/certification, patient experience and clinical and quality outcomes reporting for the southern African business.

An outline of Life Healthcare's facilities can be viewed at www.lifehealthcare.co.za.





Hospital division

Acute hospitals

50 | **hospitals** **7 942** | **beds**

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

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

Life Healthcare is supported by approximately 2 700 specialists and other healthcare professionals. The Group optimises the use of hospitals by maintaining excellent working relationships with these professionals. This is achieved by installing the appropriate latest technology and equipment, quality nursing care, benchmarking clinical outcomes against international best practice and by meeting the needs of patients with respect and empathy.

Complementary services

Renal dialysis

18 | **units** **245** | **stations**

Life Renal Dialysis is a specialised service dedicated to treating patients on acute and chronic renal dialysis. The Group's 18 renal dialysis units are located in Gauteng, Eastern Cape, Western Cape, KwaZulu-Natal and Mpumalanga with 245 stations. The Group is set to expand its footprint in this niche market to increase access to meet the growing demand for private acute and chronic renal dialysis.




Acute rehabilitation

7 | **units** **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 | **units** **386** | **beds**

Life Healthcare is the leading provider of private acute mental healthcare, with dedicated facilities in the Eastern Cape, KwaZulu-Natal and Gauteng. The project to build a new mental healthcare facility at Life Vincent Pallotti Hospital in the Western Cape and at Life Carstenhof in Gauteng are under way. 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 practitioners such as psychiatrists, psychologists, occupational therapists, physiotherapists, social workers, counsellors and nurses. 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.

Oncology

1 | **unit**

Life Healthcare continues to expand its oncology services. Life Vincent Pallotti Hospital has a technologically advanced oncology centre offering comprehensive cancer management incorporating chemotherapy, radiotherapy (including brachytherapy and stereotactic radiotherapy) together with an extensive counselling programme. The new Life Hilton Private Hospital in KwaZulu-Natal will launch a fully comprehensive oncology suite in 2016 and the project to build an oncology centre at Life Eugene Marais Hospital in Pretoria has commenced.



Healthcare services division

Life Esidimeni

12 | **facilities**

3 794 | **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 over 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

286 | **clinics**

232 000 | **lives covered**

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. Life Occupational Health operates onsite, offsite and mobile clinics throughout the country and provides services to approximately 232 000 employees across 286 clinics.

Use of Life Occupational Health's clinics is largely driven by the Occupational Health and Safety Act, 85 of 1993, requirements and the needs of corporate customers. Life Occupational Health contracts with corporate employers or institutions to provide a tailor-made range of services to suit their needs.

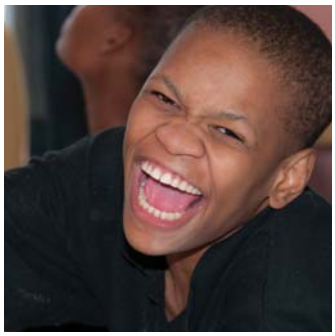
Life Occupational Health was the first South African occupational healthcare organisation to achieve ISO 9001:2000 certification in January 2010, followed by ISO 9001:2008 certification.

Careways

79 | **on-site clinics**

195 195 | **lives covered**

The acquisition of the employee wellness entity, Careways, allows the Group to offer occupational health and employee wellness as an integrated service for corporate customers. Careways was acquired in May 2015 and focuses on supporting healthy and balanced living for maximum productivity. Careways partners with 250 companies and institutions across both the public and private sectors.

International division

Scanmed Multimedis

10 | facilities **334** | beds

Scanmed Multimedis S.A. (Scanmed) is a private healthcare service provider in Poland. In April 2014, the Group acquired an 80.7% stake in the organisation, and bought out the remaining minority shareholders in October 2014. The Group's total investment in the business (including advances capitalised) is R1.4 billion (2014: R510 million). Scanmed consists of 334 beds, seven inpatient cardiology centres and 36 medical centres.

Poland is the fastest growing economy in Europe with a strong national health system funding private sector delivery. The fragmented private hospital market provides a consolidation opportunity for effective long-term private sector growth.

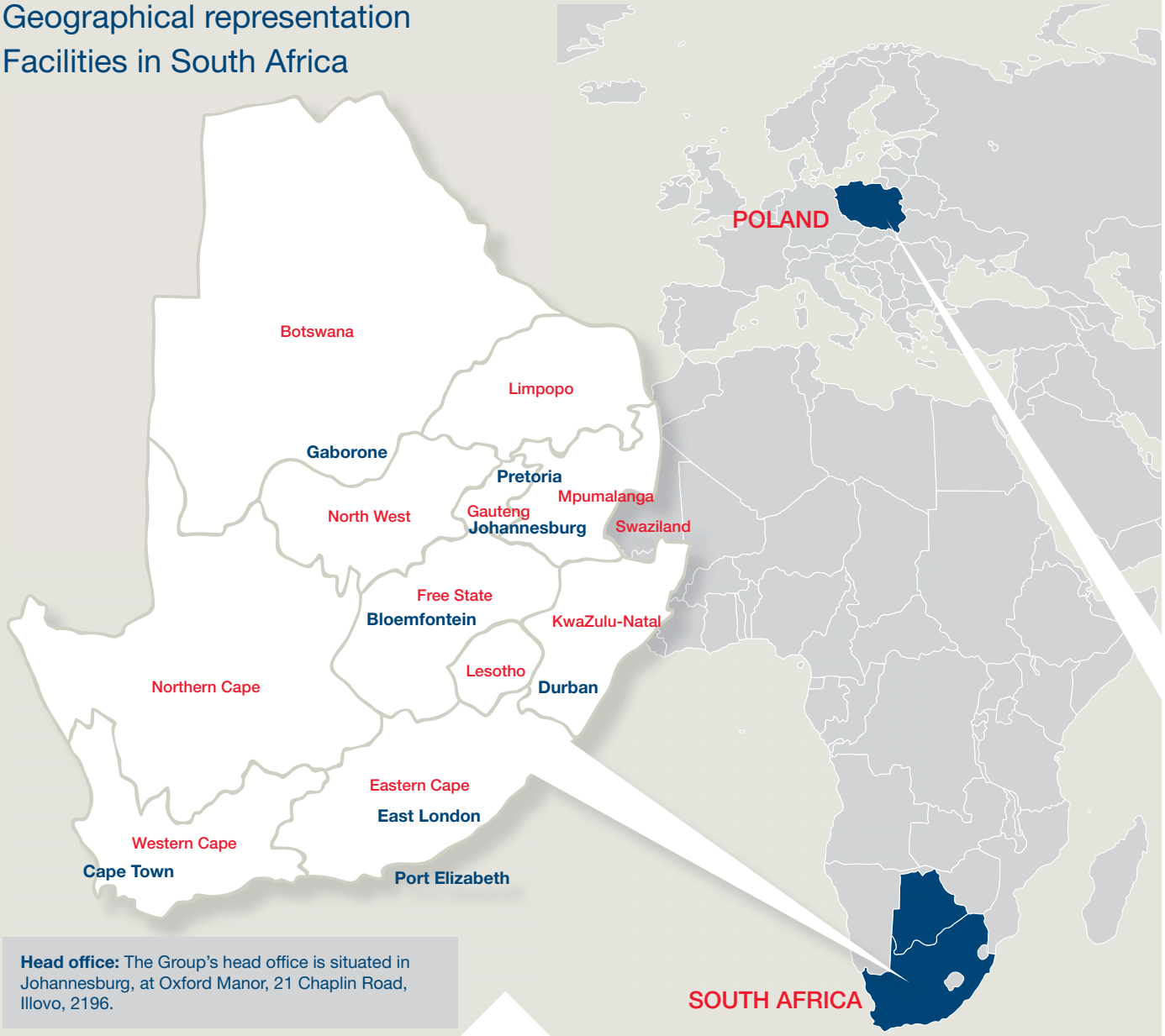
Max Healthcare

11 | facilities **2 322** | beds

The Group has a 46.25% interest in Max Healthcare Institute Limited (Max Healthcare) (2014: 26%), an acute care hospital business in India. The Group acquired additional shares in November 2014, which resulted in the shareholding equalisation of both joint venture partners – Life Healthcare and Max India – with the International Finance Corporation holding the remaining 7.5%. The Group's total investment in Max Healthcare is R2.2 billion. Max Healthcare consists of 11 facilities with 2 322 beds in total.

The expansion into India has a strong economic growth outlook due to the fast growing private healthcare market. This is driven by a growing middle class, increasing disease burden, and limited public sector provision. This fragmented and underdeveloped private hospital market represents an excellent long-term growth opportunity for Life Healthcare.

Geographical representation
Facilities in South Africa



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

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
- Genesis Clinic
- Life Glynnview
- Life Groenkloof (previously 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
- 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 Hilton Private
- Life Mount Edgecombe
- Life St Joseph's
- Life The Crompton
- Life Westville

• Hospitals and sameday surgical centres • Rehabilitation units • Mental health facilities • Specialised maternity unit

Facilities in India

Facilities in Poland

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

Scanmed offers its services in 36 medical centres across 19 cities.

Statement of value added

	%	2015 R'm	%	2014 R'm	%	2013 R'm
Revenue		**14 647**		13 046		11 834
Less: Purchased cost of goods and services		**(6 015)**		(5 179)		(4 644)
Value added	**98.1**	**8 632**	87.6	7 867	97.2	7 190
Other income	**1.9**	**163**	12.4	1 116	2.8	209
Wealth created	**100.0**	**8 795**	100.0	8 983	100.0	7 399
Employees	**52.3**	**4 599**	46.8	4 206	51.3	3 794
Providers of equity	**17.3**	**1 522**	27.3[1]	2 449	16.1	1 187
Providers of funding	**4.6**	**404**	1.8	159	2.4	180
Government	**11.3**	**997**	11.3	1 020	12.2	902
Maintenance and expansion of capital	**6.5**	**572**	5.3	479	6.3	469
Reinvestment in the Group	**8.0**	**701**	7.5	670	11.7	867
Wealth distributed	**100.0**	**8 795**	100.0	8 983	100.0	7 399
Average number of employees		**16 472**		15 773		13 736
Wealth created per employee (R'000)		**534**		570		539
Weighted average number of shares (million)		**1 037**		1 037		1 038
Wealth created per share (R)		**8.48**		8.66		7.13

[1] *Includes the profit from the disinvestment in Joint Medical Holdings Limited in February 2014.*

STRATEGY AND LEADERSHIP REVIEWS

Strategic direction

The Group's vision and values serve as the foundation that informs its strategic choices and related operational decisions. Life Healthcare has distilled overarching strategic objectives to guide its business activities until 2020.

Performance discussions are structured around the four strategic focus areas:

- Growth – page 52
- Efficiency – page 56
- Quality – page 60
- Sustainability – page 68

For a performance overview, refer to page 22.

Growth

Grow the southern African business

Life Healthcare seeks to be a market-leading, innovative provider of cost-effective quality healthcare through the traditional acute hospital business and its growing platform of complementary services including acute rehabilitation, acute mental health, renal dialysis and oncology. The Group also seeks to grow its presence in the uninsured segment of the market through leveraging both its occupational health platform and its public-private partnership, Life Esidimeni.

These plans include:

- expanding facilities within existing hospitals (brownfield expansion) through adding additional beds, wards and/or operating theatres;
- adding complementary services to existing hospitals;
- acquiring select facilities that complement our existing geographic spread of hospitals;
- building new facilities (greenfield expansion) where there is no existing coverage; and
- integrating occupational health and employee wellness.

Establish a sizeable international business footprint

The international expansion is focused on selected attractive markets that display supportive characteristics for the longer-term growth of the private healthcare market.

Poland

Scanmed's growth strategy focuses on building a comprehensive and integrated network of healthcare facilities across key areas in the country primarily through mergers and acquisitions.

India

The growth strategy for Max Healthcare involves a focus on brownfield and greenfield expansion with opportunistic acquisitions. The target for Max Healthcare is to grow to approximately 3 500 beds within the next three to four years.

Efficiency

The Group is focused on improved management of all hospital costs including cost of sales, labour and overheads. To this end, various initiatives have been implemented, such as point-of-care initiatives, environmentally friendly operational upgrades and increased digitised administrative tools. These initiatives continue improving Life Healthcare's relative efficiency.

The alternative reimbursement model (ARM) and cost-efficiency align Group incentives with medical funders. The Group will continue exploring alternative healthcare delivery models and take advantage of additional patient growth through leveraging a fixed cost base and improving occupancy.

The aim is to maintain existing southern African margin at current levels and to expand the margins in Poland and India.

Quality

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

Sustainability

The Group will focus on its 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;
- maintaining and securing new NFZ contracts in Poland;
- 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

Life Healthcare requires a trained and skilled workforce, and therefore, continues making considerable investments in education, training and development. In doing so, the Group creates competent and motivated employees, and a secure pipeline of future professionals who can deliver quality services. The global shortage of critical skills, particularly in healthcare, makes employee retention, development and motivation a priority.

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

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

Maintaining and securing new NFZ contracts in Poland

The Group, through Scanmed, will continue to engage with the NFZ in Poland to develop mutually beneficial relationships and to provide quality multi-disciplinary healthcare services across the country.

Building partnerships with medical funders to ensure network participation

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

Building partnerships with doctors and other healthcare professionals

The Group will continue engaging with doctors and healthcare professionals to develop mutually beneficial relationships, and continue providing quality healthcare facilities and equipment to meet their needs.

Performance overview

The indicators and statistics presented in this table provide a snapshot of the Group's performance over the last three years.

Life Healthcare key performance indicators and statistics

Strategic focus area and indicator	2015	2014	2013
Growth focus area			
Life Healthcare (Group)			
Gross cash flow from operations as percentage of EBITDA, target is >95%	**95**	97	103
Net debt:normalised EBITDA (ratio)	**1.49**	0.84	0.63
Interest cover (ratio)	**9.7**	21.0	13.4
Normalised earnings per share (cents per share)	**177.4**	173.8	162.1
Total dividend for the year (cents per share)	**154**	141[1]	126
Life Healthcare (southern Africa)			
Paid patient days (PPDs)[A]	**2 177 833**	2 115 254	2 074 551
Occupancy (%)	**71.9**	71.9	71.7
Length of stay (LOS) (days)	**3.63**	3.57	3.50
Number of healthcare facilities	**63**	61	63
Number of registered beds	**8 647**	8 418	8 279
Number of acute facilities	**50**	48	50
Number of dedicated mental health facilities	**6**	6	6
Number of dedicated acute rehabilitation facilities	**7**	7	7
Number of renal stations	**245**	178	122
Number of Life Esidimeni facilities	**12**	12	13
Number of Life Esidimeni beds	**3 794**	3 967	4 165
Number of Life Esidimeni PPDs	**1 394 745**	1 473 893	1 518 765
Number of Life Occupational Health clinics	**286**	288	305
Number of lives covered through the Life Occupational Health clinics	**232 000**	240 000	200 000
Number of Careways onsite clinics	**79**	–	–
Number of lives covered by Careways employee wellness	**195 195**	–	–
Scanmed (Poland)			
Occupancy (%)	**57**	50	–
Number of healthcare facilities	**10**	3	–
Number of registered beds	**334**	160	–
Number of medical centres	**36**	28	–
Max Healthcare (India)			
PPDs	**478 746**	436 220	369 576
Occupancy (%)	**73**	77	72
Number of healthcare facilities	**11**	10	9
Number of registered beds	**2 322**	1 978	1 943
Efficiency focus area and financial ratios			
Life Healthcare (Group)			
Capital expenditure as percentage of revenue	**8.1**	7.4	6.4
Effective tax rate (%)	**28.3**	22.0	27.5
Normalised EBITDA margin (%)	**27.6**	27.7	28.2
Life Healthcare (southern Africa)			
Revenue per PPD	**6 013**	5 653	5 289
Normalised EBITDA margin (%)	**28.3**	27.9	28.2
Scanmed (Poland)			
Normalised EBITDA margin (%)	**14.0**	9.1	–
Max Healthcare (India)			
Normalised EBITDA margin (%)	**9.9**	9.9	7.6

Strategic focus area and indicator	2015	2014	2013
Quality focus area			
Life Healthcare (southern Africa)			
Quality metrics			
Patient experience – inpatient (>85%)[2]	**80.30**	80.10	98.60
Patient experience – emergency units (>80%)[2,3]	**75.40**	76.30	
Recommend – inpatient (>70%)[2]	**68.80**	63.70	96.20
Recommend – emergency units (>70%)[2,3]	**64.50**	61.90	
Clinical indicators			
Ventilator associated pneumonia (VAP) (per 1 000 ventilator days)	**1.17**	1.91	2.69
Surgical site infections (SSI) (per 1 000 theatre cases)	**0.58**	0.76	0.74
Central line associated bloodstream infections (CLABSI) (per 1 000 central line days)	**0.55**	0.85	0.83
Catheter associated urinary tract infections (CAUTI) (per 1 000 catheter days)	**0.45**	0.40	0.57
Healthcare associated infections (HAI) (per 1 000 PPDs)[A]	**0.32**	0.44	0.52
FIM™/FAM score (target is greater than 0.9)	**1.18**	1.14	1.14
Patient incident rate (per 1 000 PPDs)[A]	**2.66**	2.88	3.24
Employee incident rate (per 200 000 labour hours)	**4.71**	4.86	5.64
Scanmed (Poland)			
Clinical indicators			
Ventilator associated pneumonia (VAP) *(total number of VAP/total number of hospital admissions x 100%)*	**0.12%**	0.09%	
Surgical site infections (SSI) *(total number of SSI/total number of hospital admissions x 100%)*	**0.16%**	0.30%	
Central line associated bloodstream infections (CLABSI) *(total number of CLABSI/total number of hospital admissions x 100%)*	**0.03%**	0.04%	
Catheter associated urinary tract infections (CAUTI) *(total number of CAUTI/total number of hospital admissions x 100%)*	**0.08%**	0.04%	
Healthcare associated infections (HAI) *(total number of HAI/total number of patients x 100%)*	**0.53%**	0.56%	
Max Healthcare (India)			
Clinical indicators			
Ventilator associated pneumonia (VAP) (per 1 000 ventilator days)	**1.86**	2.74	3.03
Surgical site infections (SSI) (per 1 000 theatre cases)	**0.17**	0.19	0.13
Central line associated bloodstream infections (CLABSI) (per 1 000 central line days)	**1.79**	1.42	1.60
Catheter associated urinary tract infections (CAUTI) (per 1 000 catheter days)	**1.27**	0.93	0.74
Sustainability focus area			
Life Healthcare (southern Africa)			
Social performance			
Number of employees (permanent employees)	**14 182**	14 141	13 736
Number of nurses enrolled in training	**1 165**	934	1 125
African, Coloured and Indian (ACI) employees (%)	**70.6**	69.4	68.4
Scanmed (Poland)			
Number of employees	**2 290**	1 632	–
Max Healthcare (India)			
Number of employees	**7 932**	7 522	6 743
Environmental			
Life Healthcare (southern Africa)			
Life Healthcare (southern Africa)			
Electricity usage (kWh)[4]	**151 315 836**	154 968 932	160 699 040
Water usage (kilolitres)[4]	**1 532 192**	1 916 528	1 812 425
HCRW (kg/PPD)[A]	**1.68**	1.63	–
Scanmed (Poland)			
Electricity usage (kWh)[4]	**442 984**	446 246	–
Water usage (kilolitres)[4]	**24 560**	16 503	–
Max Healthcare (India)			
Electricity usage (kWh)[4]	**52 627 957**	49 513 521	48 725 573
Water usage (kilolitres)[4]	**682 925**	639 251	605 481

[1] *This excludes the special dividend of 100 cents per share in 2014.*
[2] *Patient satisfaction scores changed to patient experience for inpatients in April 2013 and for emergency units in October 2013.*
[3] *Life Healthcare only commenced with measuring emergency units at the start of the 2014 financial year. Significant changes were also made on inpatient questionnaires in 2014, therefore the 2013 results are not comparable.*
[4] *These figures are based on best estimates using available information.*
[A] *The 2015 indicator is externally assured.*

"Life Healthcare's improved interaction, practices and communication channels represent the importance we place on engaging with internal and external stakeholders effectively. To this end, it gives me pleasure to present Life Healthcare's 2015 integrated report. The report is built on principles of transparent, effective and timely communication detailing how we create value."

Mustaq Brey
Chairman

Chairman's review

Overview

Life Healthcare experienced a positive trading year, increasing revenue by 12.3% to R14 647 million (2014: R13 046 million). Life Healthcare increased its investments in Poland and India in line with its long-term target to have 30% of its net market value outside South Africa. These additional investments were funded from debt in South Africa, resulting in an increase on funding costs. Headline earnings per share (HEPS) for the year increased by 1.2%.The Group remains focused on improving quality and driving efficiencies. To this end, the Group improved on its quality measures and its EBITDA margins in both South Africa and Poland.

Strategic focus

The Group maintained the strategic objectives from 2014. Our strategy is composed of four pillars:

- Growth – Grow our South African business and diversify our earnings through international business expansion.
- Efficiency – Deliver cost-effective care through efficient business processes and optimal resource use.
- Quality – Deliver market-leading quality patient care across our service offerings.
- Sustainability – Ensuring our long-term sustainability through strategies that deliver human resources with the necessary capacity and capabilities, implementing an effective environmental plan and through constructive engagement with our stakeholders.

Implementing these strategic pillars has become increasingly apparent in operations throughout the Group. The Chief Executive Officer's forum, among other initiatives, is a prime example of how communication is facilitated as doctors, nurses and various other stakeholders can discuss successes and challenges with the Chief Executive Officer in person.

Operational review

Southern Africa

The slowdown in the South African economy has resulted in low growth in the medical aid population. This led to the Group approaching brownfield or greenfield expansion more cautiously. However, there are still growth opportunities due to the country's disease burden and an ageing medical aid population. In addition, the Group's complementary services – i.e. oncology, renal, mental health and acute rehabilitation – are growing rapidly.

Despite the slowdown in the economy, we still aim to add 210 beds in the 2016 financial year, 108 acute hospital brownfield expansion beds and 102 mental health beds. The complementary services business is expected to grow with 50 renal stations and an oncology unit, while a further oncology unit is under construction and will become operational in the 2017 financial year.

The weakened value of the rand adversely affects the cost of consumables and capital items. However, the Group mitigated these pricing pressures through procurement initiatives and its operating models. Life Healthcare will continue working with its suppliers and doctors to mitigate the impact.

The shortage of specialised medically skilled personnel, particularly doctors, specialised nurses and pharmacists, remains a challenge. In this regard, the Group's doctor strategy has resulted in a net 106 new doctors joining the Group during the year. To mitigate the nursing shortage the Group continues training locally and aims to employ over 200 specialised nurses from India over the next 18 months.

Poland

As a fragmented market, with the government as the biggest healthcare customer, our merger and acquisition strategy is yielding results. The renewal of Polish National Health Fund (NFZ) contracts are due in 2016 and we are well placed in this regard.

India

Prospects in India remain positive with its growing middle-class segment seeking professional private healthcare services. Max Healthcare had 2 053 operational beds as at 30 September 2015. Greenfield and brownfield expansion will continue and we remain well poised to capitalise on opportunities.

Governance

The board strives to provide effective leadership, strategic direction and a productive environment to sustain value creation for its stakeholders. The corporate governance structure assists the board in achieving these objectives, by ensuring compliance with regulations such as King III, the JSE Listings Requirements and the Companies Act. Our full governance report is on pages 84 to 91, and specific details of the governance structures applied at Scanmed Multimedis and Max Healthcare are on page 81.

Board focus areas

Regulatory environment

The healthcare industry in South Africa is a highly regulated market and regulatory changes, such as amendments to B-BBEE policy and POPI, are monitored and attended to by the Group's risk committee to ensure compliance and readiness. Changes to labour legislations and quality core standards are also tracked.

Life Healthcare is committed to supporting the principles of affordable high-quality healthcare for South Africa and welcomes the Competition Commission's market inquiry into private healthcare. The outcome of the inquiry is unclear at present, the Group is actively participating in the process, providing information as requested and will continue monitoring the process. Refer to page 82 for more information.

The impact and consequences of National Health Insurance (NHI) as contemplated by government is unsure, the White Paper was released on 11 December 2015. The principles highlighted in the Green Paper do not sufficiently address the financing mechanisms of the NHI and accordingly there is still significant input that is required before rolling out NHI in South Africa.

Information technology (IT)

The board applied additional focus to the development and improvement of IT systems and processes in 2015. Operational efficiencies, administration costs and some risks are all influenced by the IT systems in place, rationalising the focus to improve this element across the Group's operations. These developments are being used to drive standardisation, enhance quality, reduce costs and improve economies of scale and will be a future focus area.

Quality

We are committed to our main business priority, which is and will always be our patients. An example of this is the CARE programme that will be implemented nationally in 2016, with the aim of improving the patient experience by encouraging patient-centricity among employees. The Group mobilised various other quality management and improvement initiatives, and will, in addition to absolute targets, measure hospitals' improvements in quality metrics during 2016 to drive continuous development in this area.

Directorate and appreciation

The Chief Executive Officer and executive management committee are supported by a team of experienced and committed board members who seek to engage with the business effectively and support Life Healthcare's value creation over the short, medium and long term. After a skills analysis of the board, Life Healthcare established that further human resource expertise was required as the Group employs 17 757 people in southern Africa and Poland who are integral to the value creation process. To that end, Mpho Nkeli was appointed to the board effective 1 October 2015, with 16 years' experience. Advocate Fran du Plessis retired in January 2015.
I extend my appreciation to fellow board members for their focus, input and guidance as the business underwent certain transitions and growth. My thanks and acknowledgement is also directed at the contributions of our dedicated nursing staff, employees and the doctors who practise at our facilities. Their efforts allow us to provide industry-leading healthcare services and realise our mission of making life better.

Mustaq Brey
Chairman

"Life Healthcare's performance can be attributed to a balanced and focused campaign of local and international expansion in a manner that continues to capitalise on innovations and the Group's strengths. By retaining local market focus and leveraging the Group's complementary services, Life Healthcare has differentiated itself from other market players to offer variety and excellence in healthcare."

André Meyer
Chief Executive Officer

Chief Executive Officer's review

Overview

Over the last 12 months, Life Healthcare has performed well in southern Africa against its internal benchmarks and continues to develop a local and international footprint.

Local acquisitions, consolidation and innovation have been partnered with international acquisitions and mergers in line with the Group's strategy of growing a sizeable international business footprint. In doing so, Life Healthcare will be better positioned to capitalise on future opportunities and to offset the impact of various constraints inherent to the local market, such as a maturing market and legislative and economic difficulties. Complementary services such as oncology, renal dialysis, mental health and acute rehabilitation are strongly supporting the Group's acute hospital business.

As a Group, we believe that our strategic focus areas of growth, efficiency, quality and sustainability remain the key to our success.

Operating environment

The external environments in the three geographies in which Life Healthcare operates all experienced different challenges and opportunities.

Operations in Poland and India are currently performing in positive economic environments. Expansion opportunities have been carefully selected to ensure long-term sustainable growth.

The South African medical funder market continues to consolidate with the five major funders representing approximately 71% of our revenue. Funder concentration influences the cost of care that the Group can provide in terms of a reduced fee obtained from funders while cost of service provision increases. The Group will continue to focus on programmes that reduce the total cost of care across the Group.

The country's high disease burden resulting in more patients being admitted to hospital for longer lengths of stay, had a positive impact on the year's results. The increasing number of privately insured individuals and the Group's high quality of care further contributed to the year's results. Procurement synergies within the Group and IT solutions are being explored to mitigate cost increases over the long term and maintain margins. Through operating innovations and preferential procurement, Life Healthcare will be better suited to operate and retain margins.

The availability of specialised nurses and doctors remains a challenge. As such Life Healthcare continues to focus on the training of nurses in South Africa as well as the recruitment of specialised nurses from India. In addition the training, recruitment and retention of doctors is one of our key strategic goals.

Growth

Greenfield and brownfield expansions continue locally and internationally, and this increase in capacity can be measured through the growth of beds across the Group. 771 beds have been added throughout the financial year – 253 in southern Africa, 174 in Poland and 344 in India.

Local bed growth requires the acquisition of bed licences from provincial governments for expansion. Through a structured and focused approach, the Group has managed to improve the rate of bed licences awarded in its coastal areas. The opening of Life Hilton Private Hospital in September 2015 added a further 94 beds to the Group's portfolio, combined with an additional 145 brownfield expansion beds and the acquisition of the 14 bed Genesis Clinic, a specialised maternity unit, in Johannesburg.

In the complementary services segment, 64 renal stations were added while building has commenced on new mental healthcare units at Life Vincent Pallotti Hospital and Life Carstenhof Clinic. The oncology unit at Life Hilton Private Hospital will be opened in 2016 while work has commenced on an oncology unit at Life Eugene Marais Hospital in Pretoria. The Group acquired the employee wellness company Careways in May 2015 and will integrate this company into the Life Occupational Health business to boost its overall product portfolio.

In Poland, our strategy is to build a countrywide network of select facilities and to take advantage of both the growth in the market and the consolidation opportunity. During the last 12 months we have made a number of acquisitions adding 174 new beds along with seven inpatient cardiology centres. The business now consists of 334 beds, seven cardiology centres and 36 medical centres. We will continue to explore acquisition opportunities to grow our healthcare network.

In India, Life Healthcare increased its ownership in Max Healthcare to 46.25% (2014: 26%). Max Healthcare has a focused growth programme consisting of brownfield, greenfield and acquisitive growth. During the year Max Healthcare operationalised 100 beds within its phase 2 hospitals and acquired 76% of Pushpanjali Crosslay Hospital (rebranded Max Vaishali Hospital), a 340 bed hospital in Delhi. Max Healthcare now consists of 11 facilities with 2 322 beds. The growing middle class market of the country has provided the Group with the desired stability for growth and further brownfield, greenfield and selective acquisitions will continue.

An international executive committee comprising the chief executive officers of the different geographies, the Group CFO and the Group Executive for Business Development and International has been established to monitor and engage on identifying synergies and benchmarks across the geographies.

Efficiency

Life Healthcare continues to focus on managing input costs, including drugs, surgical items, labour and overheads, by driving efficiencies across the Group. This is primarily in the form of improved procurement, product switching and driving increased efficiencies through innovation and automation. These include IT innovations such as the Impilo system and the e-ICU, which will use advanced algorithms to predict patient outcomes and assist doctors using a cloud computing platform.

Procurement and supply chain activities remain focus areas to improve levels of efficiency throughout Life Healthcare. Formulary procurement processes have resulted in more effective spending. Formulary procurement relies on a limited list of products where the Group has better buying power to negate the effect of the weakening rand and pursue further opportunities to drive higher levels of efficiency and ultimately focus on reducing the cost of care.

Local centres of excellence across the Group's geographies are being identified, via the international executive committee, and the learnings or best practice of each area are disseminated throughout Life Healthcare to improve operations. Further to this, an experimental programme has been established in the Life Groenkloof Hospital (previously Little Company of Mary Hospital) in Pretoria as a base to pilot efficiency concepts before they are rolled out across the Group. Doctor support and buy-in is a crucial success factor in many of these initiatives.

Quality

Life Healthcare continues improving against its patient and employee health and safety indicators and progress towards the ISO 14001:2004 environmental accreditation is progressing well. A combination of internal and external audits ensure that the Group's ISO 9001:2008 certification is not merely maintained, but applied.

Results from the patient experience survey indicate that overall, patients are satisfied (89% positive card average for 2015) with the quality and services received from our dedicated employees. To ensure the longevity of such sentiment, positive interaction training such as the Group's CARE programme will be leveraged.

During the year a mystery patient initiative was launched and was concluded in May 2015. The purpose of this programme was to improve patient care. It used independent professional monitors who acted as patients and provided feedback to the Group on performance and quality metrics. This programme focused on the admission processes. An online patient focus group was also concluded as part of this programme. We received valuable input on where processes in our pre-admissions, admissions and emergency units can be improved, highlighting the need for the CARE programme.

In addition Life Healthcare continues to improve its clinical quality outcomes with the healthcare associated infection (HAI) rate declining to 0.32 (2014: 0.44) per 1 000 PPDs.

Life Healthcare's quality offering to patients and other stakeholders will remain one of the key strategic drivers of the Group.

Sustainability

The shortage of highly skilled personnel such as doctors, specialised nurses and pharmacists internationally shows little sign of abating. Retention and training remain core focus areas and the Group has various programmes and strategies in place to ease the burden. Nurse exchange programmes between the Group's South African and Indian operations, training of nurses and registered nurses and doctor sponsoring are a few of the initiatives in place to help secure a steady pipeline of skilled employees and doctors throughout Life Healthcare. This year the Life College of Learning trained a total of 1 165 student nurses in various courses.

The Group had an increase in the number of associated doctors this year – a net total of 106 doctors were given full-time or part-time admission privileges. The average age of new doctors was approximately 40 years, well below the average age of doctors that left the Group. As one of the key components in our service offering, this development has greatly assisted the Group's performance.

Internal support given to initiatives such as the iLeap senior hospital management development programme, the national reward and recognition scheme, the employee perception survey and the doctors' forum indicate that our employees and doctors feel heard and respected, and understand their role in making Life Healthcare successful.

The Group has retained focus on driving employment equity forward with 10 409 employees being drawn from previously disadvantaged groups of which 70.6% are black (2014: 69.4%).

Environmentally conscious technologies across Group facilities are aiding the drive for sustainability across the Group through programmes such as the metering project, measuring and monitoring carbon emissions, heat pumps and solar electricity project. Each provides greater efficiencies, lowers the Group's environmental impact and assists in reducing overall operational costs.

Vision for the future

Life Healthcare expects to continue its robust performance locally whilst we focus on becoming a truly international healthcare provider through our measured growth and expansion strategy. While our acute hospitals remain the core of our business, our international expansion will play a significant role in achieving our objective of building an internationally diversified healthcare business.

Southern African operations will target a more diversified offering by further integrating employee wellness services into our pool of expertise and scaling up our complementary services.

With economic conditions and possible regulatory developments considered, Life Healthcare will focus on increasing the performance and operational health of the entire Group, leveraging key enablers – such as our quality standards, nursing efficiency and doctor relationships – and building on our management agility and expertise.

Appreciation

It is a pleasure to be part of a dynamic and excellence-driven Group. From a southern African perspective we faced a number of challenges but the business itself is in a positive transformation phase with tangible cultural changes where more employees are engaging in building the Life Healthcare brand. Internationally, I must thank all of our committed facilities and their equally committed employees for a focused year of growth.

My appreciation to the board and all the executives for their support in ensuring that we progress and develop as an organisation and do so in a sustainable, responsible and profitable manner.

I also specifically want to thank our nurses and doctors for their loyalty to the Group and their commitment to providing the best quality care to our patients. To all employees, please know that without your contributions, we could not have been successful in stating that for another year, we have succeeded in fulfilling our vision of being a world-class provider of quality healthcare.

André Meyer
Chief Executive Officer

Caring for the personal needs of our patients

"The Group performed well during the 2015 financial year with revenue on a Group basis up by 12.3% and normalised EBITDA up by 12.1%. However, the earnings were impacted by the additional interest cost on the funding raised for the international acquisitions."

Pieter van der Westhuizen
Chief Financial Officer

Highlights

- Equalising Max Healthcare.
- Maintaining the southern African EBITDA margin at 28.3%.
- Expanding Polish investments through three acquisitions during the year.
- Adding over 250 beds in southern Africa.

Challenges

- Impact of funding levels on the financial results.
- Volatility of the rand and its impact on cost of sales and capital expenditure.
- Slowdown in the growth of medical aid population.
- Wage expectations.

Chief Financial Officer's review

Financial performance

Group revenue increased by 12.3% to R14 647 million (2014: R13 046 million) comprising mainly an 8.8% increase in southern African revenue to R13 999 million (2014: R12 871 million) and a contribution of R648 million (2014: R175 million) in revenue from Scanmed. The southern Africa hospital division revenue increased by 9.4% to R13 133 million (2014: R12 007 million) driven by the 3% increase in PPDs and a higher revenue per PPD of 6.4%, made up of a 5.9% tariff increase and a 0.5% positive case mix impact. Healthcare services revenue remained flat in the current year.

Life Healthcare uses normalised EBITDA to measure its operating performance. Normalised EBITDA is defined as operating profit plus depreciation, amortisation of intangible assets, impairment of property, plant and equipment, and excluding profit/loss and fair value adjustments on disposal of businesses, fair value adjustments, transaction costs and surpluses/deficits on retirement benefits.

		2015 R'm	2014 R'm	% Change
Revenue		**14 647**	13 046	12.3
Southern Africa	Hospital division	**13 133**	12 007	9.4
	Healthcare services	**866**	864	0.2
	Other	**–**	–	
International	Hospitals	**648**	175	
Operating profit before amortisation, profit/loss on disposals, impairment of intangible assets, transaction costs and surpluses on retirement benefits		**3 603**	3 256	10.7
Southern Africa	Hospital division	**3 201**	2 905	10.2
	Healthcare services	**157**	135	16.3
	Other	**191**	213	(10.3)
International	Hospitals	**54**	3	

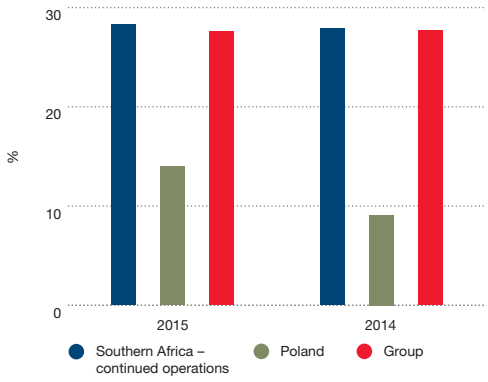
The reconciliation showing the calculation of normalised EBITDA is set out below:

	2015 R'm	2014 R'm	% Change
Operating profit	**3 502**	4 093	
Profit on disposal of investment in associate	**–**	(957)	
Contingent consideration released	**(21)**	–	
Gain on bargain purchase	**–**	(1)	
Impairment of property, plant and equipment	**–**	1	
Profit on disposal of business	**–**	(2)	
Depreciation on property, plant and equipment	**445**	355	
Transaction costs	**15**	16	
Amortisation of intangible assets	**127**	122	
Retirement benefit asset	**(20)**	(15)	
Post-employment medical aid	**–**	(1)	
Normalised EBITDA	**4 048**	3 611	12.1
Discontinued operations[1]	**–**	(14)	
Normalised EBITDA – continued operations	**4 048**	3 597	12.5
Southern Africa	**3 957**	3 581	10.5
Poland	**91**	16	

[1] *Discontinued operations are businesses that for comparative purposes are disclosed separately due to only being included for part of a period. The businesses were disposed of/closed during the prior period and include Matikwana Hospital, where the contract with the government came to an end in March 2014.*

Normalised EBITDA increased by 12.1% to R4 048 million from R3 611 million in 2014 and the normalised EBITDA margin on a Group basis reduced slightly from 27.7% to 27.6%. This decline is due to the increased contribution from the Polish business at a lower margin than the southern African operations. However, both regions improved margins, the southern African operations from 27.9% to 28.3% and the Polish operations from 9.1% to 14.0%. The improvement in southern African operations is attributable to the case mix effect of increased medical cases compared to surgical cases, the growth in complementary services, the impact of efficiency programmes, and the effect of the continued improvement in operational leverage where 69% of hospital beds have more than 70% occupancy. The improvement in Polish operations is largely due to the case mix change from the acquisitions during the current financial year and efficiency programmes.

Normalised EBITDA margin



The operating profit for the year is down by 14.4% from the prior year largely due to the profit on the disinvestment in Joint Medical Holdings Limited (JMH), an associate investment of the Group, of R957 million in the prior year and the release of the contingent consideration relating to the original Scanmed acquisitions of R21 million in the current year.

The Group's net funding cost more than doubled from R208 million to R433 million. This increase is due to the additional debt raised in the current year on the international investments and additional funding for the capital expenditure programme.

The associate income for the year is down by 64.1% largely due to the disinvestment in JMH that was included in the prior year.

	2015 R'm	2014 R'm	% Change
Associates and joint ventures	**14**	39	(64.1)
JMH	**–**	41	
Max Healthcare	**5**	(11)	
Poland	**2**	–	
Other	**7**	9	

The associate investment in India, Max Healthcare, increased both revenue and EBITDA by 31%.

The Group's effective tax rate for the period was 28.3%. The effective tax rate is higher due to the impact of the non-deductibility of preference share interest.

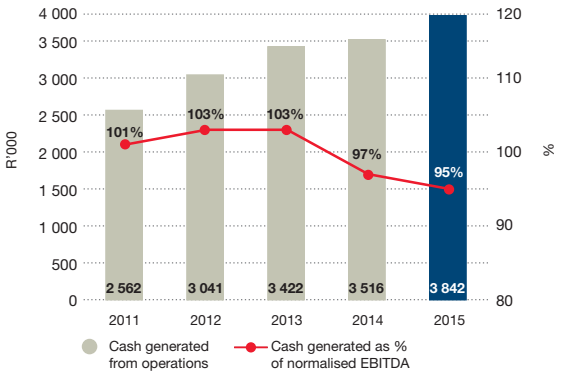
	2015 R'm	2014 R'm	% Change
Attributable profit	**1 866**	2 774	(32.7)
Southern Africa – continued	**2 013**	1 833	9.8
Southern Africa – discontinued	**–**	54	
Profit on disposals	**–**	930	
International	**19**	(23)	
Transaction costs on international acquisitions	**(15)**	(16)	
Funding costs for international acquisitions	**(192)**	(62)	
Other	**41**	58	

Cash flow and capex

The Group's cash generated from operations as a percentage of EBITDA is within targeted range of above 95% at 95% (2014: 97%). The Group's debtor collections were impacted by the low collection from the Government Workman's Compensation Fund. The Group is working with the Fund to improve collections to similar levels as in the past.

The capital expenditure for the year is 22.8% up from the prior year to R1 181 million (2014: R962 million). The Group spent nearly R2 billion on expanding its international investments. Some of the capital expenditure projects and all investments in international assets were financed through debt raised in South Africa.

Cash generated vs normalised EBITDA



Funding

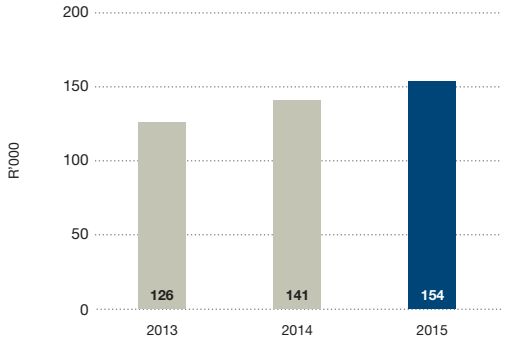
The Group increased debt in line with strategy to fund its international investments and capital expenditure programme. To that end the debt increased from R3.4 million to R6.2 million. The Group's gearing is still relatively low with net debt to EBITDA at 1.49 times up from 0.84 times. Bank covenants for the debt are 2.75 times.

The Group is exploring alternative funding opportunities to finance the international acquisitions. These funding alternatives include the introduction of a scrip distribution programme that offers shareholders the opportunity to elect cash in lieu of scrip. The cash conserved through the programme will be used to fund planned international acquisitions.

Distribution

The board declared a final distribution for the year of 86 cents per share, bringing the total distribution for the year to 154 cents per share, up 9.2% (2014: 141 cents per share). The final distribution takes the form of fully paid Life Healthcare Group Holdings ordinary shares or through a cash alternative. The scrip distribution will be at a discount of 2.5% of the 15-day volume weighted average share price ending on 26 November 2015.

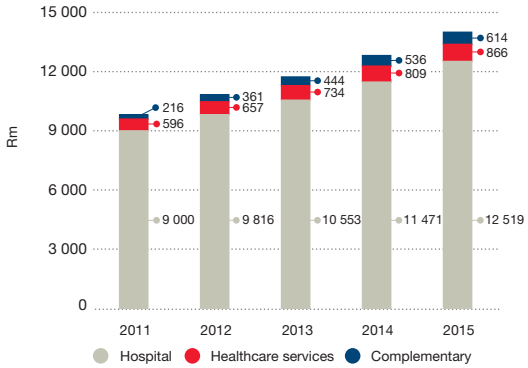
Distribution per share (cents)



Pieter van der Westhuizen
Chief Financial Officer

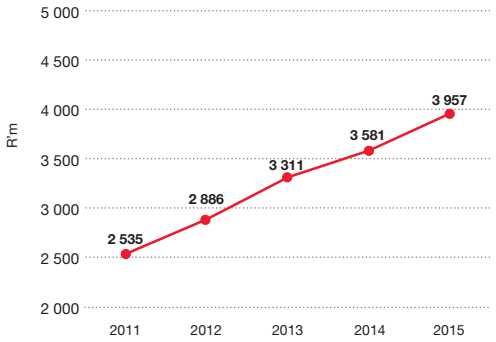
Five year review

Revenue* (R'm)

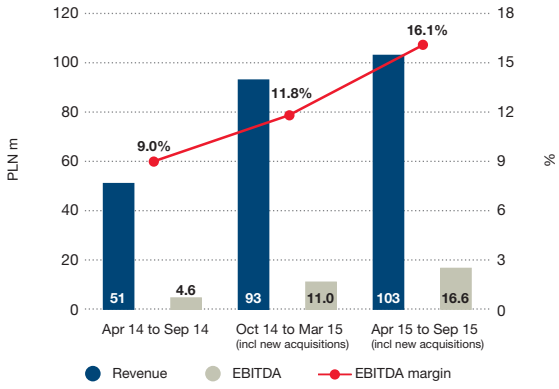


* *Hospital revenue includes other revenue*

Normalised EBITDA (R'm)



Scanmed[1] (PLN million)



[1] *Scanmed was acquired by the Group in April 2014.*

Seven-year performance history

Group statements of comprehensive income

	CAGR since 2009 %	**2015 R'm**	2014 R'm	2013 R'm	2012 R'm	2011 R'm	2010 R'm	2009 R'm
Revenue	10.8	**14 647**	13 046	11 834	10 930	9 805	8 778	7 903
Operating profit	14.7	**3 502**	4 093	2 874	2 517	2 169	1 863	1 539
Normalised EBITDA[1]	13.7	**4 048**	3 611	3 337	2 912	2 544	2 168	1 877
Net finance cost	2.6	**(404)**	(215)	(202)	(215)	(199)	(327)	(346)
Share of associates' net profit after tax	(29.3)	**14**	39	70	90	118	103	112
Profit before tax	15.5	**3 112**	3 973	2 764	2 392	2 089	1 640	1 310
Profit for the year	15.5	**2 228**	3 098	2 004	1 729	1 492	835	937
Ordinary equity holders of the parent	16.2	**1 866**	2 774	1 711	1 482	1 287	664	759
Non-controlling interest	12.6	**362**	324	293	247	205	171	178
Normalised EBITDA[1]	13.7	**4 048**	3 611	3 337	2 912	2 544	2 168	1 877
Operating profit	14.7	**3 502**	4 093	2 874	2 517	2 169	1 863	1 539
Profit on sale of businesses		**–**	(2)	–	(30)	(5)	(10)	(1)
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		**445**	355	354	318	299	263	223
Impairment of property, plant and equipment		**–**	1	–	–	–	–	–
Impairment of intangible assets		**–**	–	–	–	65	–	9
Amortisation on intangible assets[2]		**127**	122	116	124	110	122	123
Transaction costs		**15**	16	–	–	–	–	–
Profit on disposal of investment in associate		**–**	(957)	–	–	–	–	–
Employee Trust accelerated charge[3]		**–**	–	–	–	–	36	–
Retirement benefit asset		**(20)**	(15)	(7)	(19)	(2)	(103)	(9)
Post-retirement medical aid		**–**	(1)	–	12	–	(3)	(7)
Contingent consideration released		**(21)**	–	–	–	–	–	–

[1] *Life Healthcare defines normalised EBITDA as operating profit plus depreciation, amortisation of intangibles, impairment of property, plant and equipment, as well as excluding profit/loss and fair value adjustments on disposal of businesses, fair value adjustments, transaction costs and surpluses/deficits on retirement benefits.*

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

[3] *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

	2015 R'm	2014 R'm	2013 R'm	2012 R'm	2011 R'm	2010 R'm	2009 R'm
ASSETS							
Non-current assets							
Property, plant and equipment	**7 101**	5 901	4 517	4 008	3 753	3 258	2 905
Intangible assets	**2 964**	2 318	2 084	2 181	2 296	2 220	2 156
Retirement benefit asset[4]	**389**	372	321	247	205	203	100
Post-retirement medical aid benefit[4]	**17**	18	29	73	77	75	76
Other non-current assets	**2 693**	1 091	1 398	1 267	444	437	427
Total non-current assets	**13 164**	9 700	8 349	7 776	6 775	6 193	5 664
Current assets							
Inventories	**271**	240	214	198	193	185	166
Trade and other receivables	**1 688**	1 451	1 109	1 038	1 100	1 012	956
Cash and cash equivalents	**812**	422	297	244	400	482	101
Total current assets	**2 771**	2 113	1 620	1 480	1 693	1 679	1 223
Total assets	**15 935**	11 813	9 969	9 256	8 468	7 872	6 887
EQUITY AND LIABILITIES							
Capital and reserves	**5 168**	4 792	4 525	3 941	3 518	2 849	2 320
Non-controlling interest	**1 280**	1 108	1 081	936	866	666	610
Total shareholders' equity	**6 448**	5 900	5 606	4 877	4 384	3 515	2 930
Non-current liabilities							
Interest-bearing borrowings	**5 263**	2 344	1 657	1 929	1 565	2 024	1 631
Deferred income tax liabilities	**520**	438	388	352	368	376	305
Post-retirement medical aid liability[4]	**12**	14	13	68	67	65	69
Other non-current liabilities	**78**	113	92	96	84	101	69
Total non-current liabilities	**5 873**	2 909	2 150	2 445	2 084	2 566	2 074
Current liabilities							
Trade and other payables	**1 922**	1 678	1 299	1 240	1 261	1 154	1 005
Current position of interest-bearing borrowings	**924**	1 007	452	460	460	450	723
Other current liabilities	**211**	164	229	234	279	187	155
Bank overdraft	**557**	155	233	–	–	–	–
Total current liabilities	**3 614**	3 004	2 213	1 934	2 000	1 791	1 883
Total equity and liabilities	**15 935**	11 813	9 969	9 256	8 468	7 872	6 887

[4] *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 previously had the option at inception to elect dual fund membership where their contribution was paid into the provident fund and the Group's contribution was paid into the defined contribution pension fund. The two defined benefit funds are closed to new members. In prior years up to 2008 the Group has disclosed the net assets for the post-retirement medical aid subsidy. This was done as it was the Group's intention to settle the liability with the participants of this benefit. However, due to 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

	2015 R'm	2014 R'm	2013 R'm	2012 R'm	2011 R'm	2010 R'm	2009 R'm
Cash operating profit	**4 198**	3 769	3 514	3 067	2 567	2 284	2 050
Changes in working capital	**(356)**	(253)	(92)	(26)	(5)	(50)	(155)
Cash generated from operations	**3 842**	3 516	3 422	3 041	2 562	2 234	1 895
Income tax paid	**(903)**	(980)	(804)	(748)	(617)	(396)	(493)
Net cash inflow from operating activities	**2 939**	2 536	2 618	2 293	1 945	1 838	1 402
Net cash outflow from investing activities – investments to expand	**(1 574)**	(1 270)	(717)	(1 312)	(633)	(684)	(480)
Net cash outflow from investing activities – investments to maintain	**(234)**	(210)	(111)	(105)	(144)	(93)	(81)
Net cash inflow from investing activities – disposals	**–**	1 369	5	63	8	26	4
Net cash inflow from investing activities – other	**–**	13	42	85	81	55	91
Net cash inflow/(outflow) from financing activities	**234**	(2 266)	(2 017)	(1 182)	(1 378)	(788)	(1 249)
Net (decrease)/increase in cash and cash equivalents	**(45)**	172	(180)	(158)	(121)	354	(313)
Cash and cash equivalents – beginning of the year	**267**	64	244	400	482	101	412
Cash balances acquired through business combination	**20**	23	–	2	39	27	2
Effect of foreign currency movement	**13**	8	–	–	–	–	–
Cash and cash equivalents – end of the year	**255**	267	64	244	400	482	101

Business performance and metrics

	2015	2014	2013	2012	2011	2010	2009
Number of registered beds[5]	**8 647**	8 418	8 279	8 227	7 916	7 669	7 190
Paid patient days[A]	**2 177 833**	2 115 254	2 074 551	2 020 864	1 903 951	1 806 730	1 761 964
Occupancy (%)[6]	**71.9**	71.9	71.7	71.2	71.0	69.6	71.6
Length of stay	**3.63**	3.57	3.50	3.45	3.34	3.27	3.20
Financial ratios							
Normalised EBITDA margin (%)	**27.6**	27.7	28.2	26.7	26.0	24.8	24.2
Tax rate excluding secondary tax on companies (%)	**28.4**	22.0	27.5	26.9	25.7	27.5	27.3
Effective tax rate (%)	**28.3**	22.0	27.5	27.7	28.6	49.1	28.4
Debtors' days	**31**	31	31	30	31	33	36
Stock cover (days)	**24.6**	24.1	24.3	25.5	24.6	24.3	23.7
Quick ratio (:1)	**1.03**	1.06	0.92	1.00	1.10	1.25	1.05
Current ratio (:1)	**0.93**	0.94	0.80	0.87	0.97	1.11	0.91
Gearing net of cash (%)	**46.9**	33.3	26.5	30.3	25.3	33.3	42.6
Total debt (R'm)	**6 187**	3 351	2 109	2 389	2 025	2 474	2 354
Net debt (R'm)	**5 932**	3 084	2 045	2 145	1 625	1 992	2 253
Interest-bearing debt (R'm)[7]	**5 207**	2 490	1 515	1 876	1 478	1 900	1 800
Debt related to finance leases raised in terms of IAS 17[8]	**980**	861	594	513	546	574	554
Net debt:normalised EBITDA	**1.49**	0.84	0.63	0.73	0.66	0.92	1.20
Interest cover	**9.7**	21.0	13.4	12.1	10.9	5.7	4.5
Return on net assets (RONA) (%)	**31.4**	55.0	46.0	45.2	41.3	26.5	32.4

[5] *Life Hilton Private Hospital opened in September 2015 and Genesis Clinic was acquired in March 2015. 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.*

[6] *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.*

[7] *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. Additional debt has been raised in 2014 and 2015 to fund international expansions.*

[8] *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.*

[A] *The 2015 indicator is externally assured.*

Shareholder returns

	2015	2014	2013	2012	2011	2010	2009
Earnings per share (cents)	**179.9**	267.5	164.8	142.5	123.6	64.5	73.7
Diluted earnings per share (cents)	**179.2**	266.7	164.7	142.4	123.6	64.5	72.0
Headline earnings per share (cents)	**179.9**	177.8	164.8	139.5	119.5	63.5	74.5
Diluted headline earnings per share (cents)	**179.2**	177.3	164.7	139.2	119.5	63.5	72.7
Normalised earnings per share from continued operations (cents)	**177.4**	168.6	150.6	131.3	109.7	85.1	66.5
Normalised earnings per share from continued operations excluding amortisation (cents)	**186.2**	176.7	158.7	139.4	117.3	93.7	75.1
Weighted average number of shares in issue (million)	**1 037**	1 037	1 038	1 040	1 042	1 030	1 030
Weighted average number of shares for diluted earnings per share (million)	**1 041**	1 040	1 039	1 041	1 042	1 030	1 055
Total number of shares in issue (million)	**1 042**	1 042	1 042	1 042	1 042	1 042	1 017
Distributions per share (cents)	**154.0**	141.0	126.0	99.0	60.0	50.8	25.6
Net asset value per share (cents)	**495.9**	459.8	434.2	378.2	337.5	273.3	228.2
Normalised earnings	**1 840**	1 748	1 563	1 365	1 143	877	685
Profit attributable to ordinary equity holders	**1 866**	2 774	1 711	1 482	1 287	664	759
Adjustments (net of tax):							
Businesses disposed/closed[2]	**–**	(54)	(120)	(103)	(100)	(77)	(70)
Retirement funds	**(15)**	(11)	(5)	(5)	(2)	(76)	(12)
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/(gain) on derecognition of finance lease asset	**–**	–	3	–	–	–	–
Impairment of intangible assets	**–**	–	–	–	54	–	–
Additional payment on previously disposed business	**–**	–	–	(2)	(4)	–	–
Excess fair value over the purchase price	**–**	–	–	–	–	–	9
Profit on disposal of businesses	**–**	(1)	–	(1)	–	(9)	(1)
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)	**(4)**	(7)	(7)	–	–	–	–
Transaction costs	**15**	16	–	–	–	–	–
Fair value gain on foreign exchange hedge contract	**(1)**	(40)	–	–	–	–	–
Contingent consideration released	**(21)**	–	–	–	–	–	–

Market indicators

	2015	2014	2013	2012	2011	2010	2009
Market price – high (R) per share	**46.67**	47.81	38.55	35.70	19.30	14.59	n/a
Market price – low (R) per share	**34.32**	34.66	29.76	18.50	14.00	12.83	n/a
Market price – year-end (R) per share	**35.00**	44.54	35.74	31.75	19.30	14.44	n/a
Market capitalisation – year-end (R'm)	**36 477**	46 420	37 249	33 090	20 115	15 050	n/a
Number of shares traded (million)[1]	**870**	724	789	1 001	1 100	n/a	n/a
Value of shares traded (R'm)[1]	**34 755**	29 422	27 025	26 253	18 130	n/a	n/a
Price-earnings ratio	**19.46**	16.65	21.07	22.08	15.62	22.39	n/a

[1] *Life Healthcare listed on the JSE on 10 June 2010 and therefore a full years volumes and value traded is not available for 2010.*
[2] *Includes Matikwana and Joint Medical Holdings.*

OVERVIEW OF MATERIAL MATTERS

Material matters

The report was prepared on the basis of 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 the Group and its stakeholders. In determining its material matters, a variety of internal and external influencers were taken into account including: strategy, the board agenda, management reports, stakeholder interests and the risk register.

As part of Life Healthcare's reporting process, an externally facilitated materiality workshop was conducted with key management to establish the matters most relevant to the business. The workshop built on the material matters identified in 2014, focusing on the relevance and completeness of these matters, and the risks and opportunities inherent to each matter. The 'preferred network agreements and slowing growth in private medically insured lives' material matter from 2014 was renamed to 'cost of care', and 'growth through expansion' was added.

These matters can broadly be summarised in the following categories and are all expected to have an impact on the Group until at least 2020:

Material matter
Cost of care

Risks and opportunities associated with the material matter	Strategic objective addressing the material matter	
The cost of care has an impact on the profitability and growth of the Group. The following factors impact the Group's ability to provide affordable cost of care to the patient: • The slow South African economic growth and the resulting slowdown in employment has a negative impact on medical aid membership growth. This impacts on the volume of patients accessing private healthcare. • In addition there is pressure on the affordability of the southern African private medical insurance market and this may result in existing members buying down their medical insurance options resulting in growth of cheaper preferred hospital option networks. As the Group currently has the biggest share of the lower cost networks this has a positive impact on the Group. • The consolidation of funders in South Africa increases the ability of funders to negotiate lower tariff increases. This has a negative impact on the Group in terms of profitability. • Labour cost is one of the key cost drivers as it makes up approximately 60% of the total overheads of the Group. Health professionals are a scarce skill and we compete for this skill with other healthcare providers as well as the public healthcare sector. The public healthcare sector is the biggest employer of nurses and therefore the Group is affected by the wage increases provided by the public healthcare sector, which has historically been above inflation. • The South African rand's deterioration against key foreign currencies impacts on the cost of the imported content of surgicals and consumables the Group uses. • The increase in onerous regulations. • One of the key opportunities to reduce the cost of care is innovation through improved information systems, which enhances the quality of care and the Group's reputation at the same time. The Group pursues select brownfield and greenfield expansion as well as growth in its complementary services in South Africa and continually pursues its international growth strategy to diversify its geographical spread, while increasing its market share.	 Growth  Efficiency  Sustainability	Page 52 Page 56 Page 68

	Risks and opportunities associated with the material matter	Strategic objective addressing the material matter	
Material matter **Specialised skills shortages**	Specialised skills shortages affect a broad range of matters, such as the quality and cost of care, and growth of the Group. There is a general shortage of specialist doctors in South Africa. This shortage is not as acute in the Group's other geographical areas (Poland and India). The Group is exploiting the opportunity to leverage skills and knowledge transfers from facilities in Poland and India to South Africa, specifically in areas such as oncology (India), gynaecology and cardiology (Poland). South Africa has a general shortage of pharmacists, registered nurses and other healthcare professionals that impacts the Group's service delivery and ability to grow. The availability of these skills is a critical factor in greenfield and brownfield expansion in South Africa. Through its Life College of Learning, the Group trains nurses according to its requirements. The supply of registered nurses is further bolstered by exchange programmes with Max Healthcare to bring registered nurses to South Africa. Skills development and training remains a key opportunity for the Group and various initiatives are in place for nurse and other employee improvement. Bursaries and sponsorships to other learning institutions are also available.	Sustainability	Page 68
Material matter **Government relationships**	The government is a key stakeholder for Life Healthcare and its impact ranges from providing laws and regulations to comply with (see regulations material matter), to providing licences to operate in South Africa and being the main source of revenue in Poland. Life Esidimeni, in South Africa, is a public-private partnership (PPP) and is directly affected by government spending, increasing or decreasing the number of beds and ultimately impacts on profitability. The Group maintains a pipeline of approved bed licences by applying for such licences before the construction of new facilities instead of retroactively. This reduces the lead time on implementation. The impact of the Competition Commission's market inquiry into the private healthcare market dynamics in South Africa can only be assessed once its recommendations have been released. Also refer to stakeholder information on page 44.	Growth	Page 52

Material matter	Risks and opportunities associated with the material matter	Strategic objective addressing the material matter	
Onerous and increasing regulations	The healthcare industry in South Africa is subject to a number of regulations, including the National Health Act (including the amendment dealing with core standards), the Labour Relations Act, B-BBEE Act, POPI and a large number of environmental laws. These regulations relate to matters such as licences, conduct of operations, security of medical records, occupational health and safety, quality standards and certain categories of pricing. The impact of National Health Insurance is currently unclear, as government only released its White Paper on this, on 11 December 2015. The regulatory environment affects the cost and quality of care, growth of the Group, and can also have an impact on information systems and security. Non-compliance may lead to penalties or revocation of the licence to operate. It also holds reputational risk for the Group. The onerous and increasing regulatory environment may make market entry and operation more difficult.	Quality Sustainability	Page 60 Page 68
Quality of care standards	Quality of care standards is the cornerstone of Life Healthcare's value creation. The care patients are provided must meet internally set quality standards that compare with international benchmarks. Maintaining and improving the quality of care is integral to the Group's values and to building strong relationships with key stakeholders such as government, funders, patients and doctors. Adverse events could potentially cause harm to patients and affect the Group's reputation. Quality of care is impacted by a variety of factors including: • government required standards and practices; • Life Healthcare's policies, procedures and standards; • skilled personnel shortages (pharmacists and nurses); • specialised doctor shortages; • environmental health and safety requirements; and • innovation in information systems and security. There are various opportunities to improve the quality of care and the Group has initiatives in place to identify and implement these improvements. This includes further integrating automated processes into operations.	Quality	Page 60

	Risks and opportunities associated with the material matter	Strategic objective addressing the material matter	
Material matter **Labour relations and staff retention**	Labour relations and staff retention are important for any entity, more so in an industry that has shortages in key skills needed for a sustainable business. High wage increases affect the affordability of healthcare, and the shortage of skilled staff affects the quality of care. Although Life Healthcare has relatively low levels of unionisation in South Africa, it still competes with the public healthcare sector for these skills and is therefore affected if the public sector receives increases that are much higher than inflation. Various initiatives are in place for staff recruitment and retention, especially for nurses and pharmacists. The Group also continues to explore methods of recognising its employees, over and above remunerated incentives.	 Quality  Sustainability	Page 60 Page 68
Material matter **Growth through expansion**	Life Healthcare's focus on growth is currently through expansion in southern Africa, Poland and India. Recruitment and retention of skilled personnel and doctors is an integral part of this process. The challenge, and opportunity, is to improve the Group's skills and experience in these environments while retaining focus on the operations. Each geographical location has its own set of risks and opportunities and there are prospects for leveraging different areas of skills and experience to enhance the overall standard and success of the Group. Each geographical location has to deliver on its return on investment and contribute positively to the profitability and sustainability of the Group.	 Growth	Page 52

Stakeholder engagement

Strengthening stakeholder relationships is important to facilitate Life Healthcare's strategy of growing its business and working towards its vision of being a world-class provider of quality healthcare for all. Effective stakeholder management is an important aspect of good governance and can 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.

Stakeholder group and key expectations	Material matters page 40
Patients	
• Ease of admission, billing and discharge procedures. • Timeous and efficient service. • Quality nursing and pharmacy care. • Internationally based clinical best practice promoting quality care and improved patient outcomes. • Low infection rates and medication errors. • Positive hospital experience. • Sensitivity to cultural and religious requirements. • 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.	• Cost of care • Quality of care standards
Employees	
• Competitive levels of remuneration and benefits package. • Recognition and reward for quality performance. • Training and personal development. • Equal opportunity in a non-discriminatory culture. • 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.	• Labour relations and staff retention • Quality of care standards • Specialised skills shortages

A formalised stakeholder framework is in place and the board is kept abreast of any material stakeholder issues directly and through its social, ethics and transformation committee. Refer to page 91 for detail regarding this committee.

Life Healthcare has a range of stakeholders with which it actively engages. These stakeholders, their expectations, engagement channels and the link to the Group's strategic objectives are set out in the table below.

	Key strategies	Communication and engagement
	 Efficiency • To evolve the Group's IT system to be a more patient-centred system focused on automation, speed and process integration. • Leveraging off IT to allow more time for nursing.  Quality • Maintaining excellence in quality and clinical governance. • Facilitating quality nursing and pharmacy standards. • Patient-centred approach to a positive hospital experience which is measured and monitored. • Patient engagement through improved communication – a new website channel where patient complaints are directed to the particular hospital for feedback. • Mystery patient initiative. • CARE programme for improved patient care.  Sustainability • Promoting access to, and affordability of healthcare.	• 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 the customer relationship management (CRM) system.
	 Quality • Creating an environment conducive to employee safety and health.  Sustainability • Recruitment and retention of skills including enhancement of the existing employee retention schemes. • Ongoing employee training and development and nurturing their career aspirations. • Accelerating transformation. • A credible performance management system focusing employees on performance standards. • A comprehensive employee wellness offering. • Tertiary bursary scheme for employees and bursaries for their children. • Non-tolerance for discrimination.	• 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 perception survey conducted every two years. • Monthly staff tabloid, weekly online news updates and news from the CEO's desk. • Recognition and reward programme.

Stakeholder group and key expectations	Material matters page 40
Doctors	
• High-quality support in the form of nurses. • Competitive well maintained hospital facilities. • Latest technology and equipment. • Participation in medical advisory committees. • Access to quality consulting rooms. • Access to patients through preferred network agreements. • Investment opportunities within the Group. • Access to multi-disciplinary health services.	• Specialised skills shortages • Quality of care standards • Labour relations and staff retention • Cost of care
Suppliers	
• Contribute to reducing hospital costs to accommodate affordability of healthcare, on suppliers' results. • A reputation for ethics and fairness in dealings with suppliers. • Negotiations with suppliers built on mutual respect and fair pricing structure.	• Cost of care

	Key strategies	Communication and engagement
	 Growth • Attracting and retaining new doctors to cater for future expansion. A doctor recruitment and retention strategy is in place.  Efficiency • Doctors play a strong consultative role through participation in medical advisory committees and/or hospital boards.  Quality • Ensuring superior doctor support through excellence in nursing, administration and infrastructure. • Clinical directorate supports doctors and managers to safeguard professional conduct. • Offering best healthcare facilities and technology and keeping abreast of technological healthcare advances. • Implementing proven clinical interventions and measuring compliance to international evidence-based best practices.  Sustainability • Maintaining strong doctor relations and minimising doctor turnover. • Supporting the Colleges of Medicine of South Africa (CMSA) for the training of sub-specialists.	• Hospital managers facilitate open communication with doctors on a daily basis. • Periodic Chief Executive Officer forums and doctor surveys conducted. • Engagement with doctors in quality drives and cost of sales projects in the interests of sound clinical outcomes and cost-efficiency. • Quarterly online newsletters for Group doctors to keep them informed and encourage feedback. • Doctor and specialists survey conducted.
	 Efficiency • Well-structured B-BBEE procurement policy with guidelines for transforming the supplier base. • Fair procurement practices based on integrity and timeous delivery and transparent tender processes. • Understanding of, and respect for, suppliers.  Quality • Making well-evaluated product investments and adding value to operations and ultimately to shareholders.	• 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 is made available to all employees and suppliers.

Stakeholder group and key expectations	Material matters page 40
Medical funders (medical administrators)	
• Provision of cost-effective medical services. • A reputation for ethics and fairness in dealings with medical funders. • Negotiations with funders built on mutual respect and fair pricing structures. • Implementation of the alternative reimbursing model (ARM) pricing strategies. • Efficient interaction with case management, billing and payment. • Reputation for providing clinical excellence to their members.	• Cost of care • Quality of care standards
Government	
• Supporting government service delivery. • Skills shortages in the industry. • Assisting in the development of appropriate healthcare regulation. • Compliance with regulations. • Access to cost-effective healthcare.	• Cost of care • Specialised skills shortages • Onerous and increasing regulation • Quality of care standards • Government relationships
Shareholders/investors/financiers	
• Ability to grow the South African market and delivery on Polish and Indian returns – sustained growth and financial stability. • Maintain high dividend payout ratio. • Succession of management expertise with a record of solid results. • Strong corporate and clinical governance to safeguard business. • Commitment to provision of quality and cost-effective healthcare. • Clear and transparent communication of the Group's strategy and results. • Environmental sustainability.	• Cost of care • Growth through expansion

	Key strategies	Communication and engagement
	 Efficiency • Continue developing the ARM pricing strategy to ensure efficient pricing and sharing of savings with funders. • Using the ARM pricing strategy to drive preferred network deals to 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.	• Ongoing interaction and feedback regarding use, pricing, contracts and preferred network agreements. • Communicate clinical and quality excellence and patient satisfaction scores with funders.
	 Growth • Increasing access to hospital services through PPP. • 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 • Engaging in information sharing and best clinical and administrative practices. • Facilitating and maintaining close interaction with government on healthcare regulatory matters and strategy. • Quality long-term healthcare service delivery through Life Esidimeni.  Sustainability • Contributing to skills training through PPP.	• Ongoing interaction with the national, provincial and local Department of Health at an executive level. • Liaising with government health departments directly and through *inter alia* the Hospital Association of South Africa (HASA) and the Social Compact Forum and Public Health Enhancement Fund. • Participation in government forums and priority projects.
	 Growth • Clear communication and continued interaction with local and international investors regarding: – local and international growth strategies and performance; – efficiency, quality and sustainability strategies and performance; – financial performance; and – the southern African, Polish and Indian healthcare environments. • Refer to page 20 for our strategy.  Efficiency  Quality  Sustainability	• Continued interaction with local and foreign shareholders through the interim results and annual results road shows, attending select local and international investor conferences, ad hoc executive meetings and engagements. Investors and interested parties can visit www.lifehealthcare.co.za for a current list of engagement activities and dates. • General communications through channels such as telephonic, web-based, emails, interim and annual reports, and SENS.

Risk summary

The board is ultimately responsible for the governance of risk. The risk committee assists the board in discharging its responsibility by ensuring that the Group implements 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. The risk management processes are fully aligned with the organisation's values and strategic business initiatives and processes and are an integral component of the business process structure.

Life Healthcare has adopted a combined assurance model that 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 executives are responsible for implementing control processes and for providing the necessary assurance, together with internal audit, that the controls are implemented and maintained. Refer to page 3 for the combined assurance model.

The Group's Risk Management Framework provides a proactive, systematic and integrated approach to risk management. By embedding risk management processes in day-to-day operations, the Group is better equipped to identify events affecting its objectives and to manage risks in ways that are consistent with its strategy. The Group Risk Manager engages with key operational executives and senior management both locally and internationally to identify risks. The risks are then analysed, evaluated and 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.

Our key risks are closely aligned with the material matters that are on page 40 and are summarised as follows:

- Funder concentration
- Affordability of healthcare
- Competition Commission's market inquiry
- Regulatory environment
- Specialist doctor shortages
- Growth expansion
- Reputational risk
- Information systems and security availability
- Environmental health and safety
- Poland's political landscape
- Skilled personnel shortages – pharmacists and nurses
- Electricity shortages
- Inadequate water quality or unavailability of water
- India's dependence on institutional business

Refer to page 76 for the detail risk analysis.

STRATEGIC PERFORMANCE REVIEW

1 GROWTH

Growing the southern African business and establishing a sizeable international business footprint.

A key strategic component of Life Healthcare's sustainability is growing its southern African and international businesses footprint sustainably.

Highlights

- Increased bed capacity throughout the Group through the addition of 771 beds.
- Continued acquisitions and expansion internationally.
- Purchase and assimilation of Careways into Life Occupational Health and Genesis Clinic into the Group's acute hospital division.

Challenges

- Slow issuing of bed licences by certain provincial governments.
- South African government's financial constraints negatively impact Life Esidimeni.
- Low tariff increases.
- Mining activity impact on Life Occupational Health.

Key performance indicators and statistics for growth

KPI and statistics	2015	2014	Year-on-year trend
Southern Africa			
Paid patient days (PPDs)[1.A]	**2 177 833**	2 115 254	↑
Occupancy (%)	**71.9**	71.9	↔
Length of stay (LOS) (days)	**3.63**	3.57	↑
Number of healthcare facilities	**63**	61	↑
Number of registered beds	**8 647**	8 418	↑
Number of acute facilities	**50**	48	↑
Number of dedicated mental health facilities	**6**	6	↔
Number of dedicated acute rehabilitation facilities	**7**	7	↔
Number of renal stations	**245**	178	↑
Number of Life Esidimeni facilities	**12**	12	↔
Number of Life Esidimeni beds	**3 794**	3 967	↓
Number of Life Esidimeni PPDs	**1 394 745**	1 473 893	↓
Number of Life Occupational Health clinics	**286**	288	↓
Number of lives covered through the Life Occupational Health clinics	**232 000**	240 000	↓
Number of Careways onsite clinics	**79**	–	–
Number of lives covered by Careways employee wellness	**195 195**	–	–
Capital expenditure as percentage of revenue	**8.1**	7.4	↑
Scanmed			
Occupancy (%)	**57**	50	↑
Number of healthcare facilities	**10**	3	↑
Number of registered beds	**334**	160	↑
Number of medical centres	**36**	28	↑
Max Healthcare			
PPDs	**478 746**	436 220	↑
Occupancy (%)	**73**	77	↓
Number of healthcare facilities	**11**	10	↑
Number of registered beds	**2 322**	1 978	↑

[1] *PPD: A unit in a system of accounting used by healthcare facilities and healthcare planners. Each day represents a unit of time during which the services of the institution or facility are used by a patient.*
[A] *The 2015 indicator is externally assured.*

Detail of the Group's growth performance follows according to Life Healthcare's organisational structure:

Hospital division | Healthcare services division | International division

Hospital division

Acute bed growth

Category	Total 2015
Capacity expansion at existing facilities	**145**
New facilities	**94**
Acquisition	**14**
Total	**253**

- Life Entabeni
- Life Mount Edgecombe
- Life Peglerae
- Life Eugene Marais
- Life Roseacres
- Life Robinson Private
- Life St George's
- Life St Dominic's
- Life Westville
- Life Groenkloof

- Life Hilton Private

- Genesis Clinic

The new Life Hilton Private Hospital, consisting of 94 beds and five theatres, was completed and opened in September 2015. (Refer to page 70 for more information on Life Hilton Private Hospital).

Genesis Clinic

Genesis Clinic was acquired as an acute hospital business in March 2015 for R30 million. The state-of-the-art private maternity and midwife facility is located in Saxonwold, Johannesburg and will provide specialised maternity services and care while adding 14 beds to the Group's portfolio.

Complementary growth

Category	Total 2015
Mental health	–
Acute rehabilitation	–
Renal stations	64
Oncology units	–

- Life Mercantile
- Life St James
- Life Carstenhof
- Life Brenthurst
- Life Midmed
- Life Knysna Private
- Life Groenkloof
- Life Gaborone
- Life Empangeni Garden
- Life Mount Edgecombe
- Life Rosepark

The Group is focusing on growing its complementary business and in 2015 expanded renal dialysis through the addition of 64 renal stations. Work commenced on the new oncology unit at Life Hilton Private Hospital and at Life Eugene Marais Hospital and the two new mental health units at Life Vincent Pallotti Hospital and Life Carstenhof Clinic.

Bed licences

Sound working relationships with local government facilitated the issuing of bed licences for greenfield and brownfield expansions. Overall, 183 beds for the coastal region and 71 for the inland region were approved this year.

Growth business pipeline

Bed growth is integral to the development and growth of the business. Bed forecasts act as an indicator of planned capacity improvements for the Group.

Category	Forecast 2016	Approved beds	Applications pending
Capacity expansion at existing acute facilities	108	484	272
New acute facilities	–	300	88
Acquisition	–	–	–
Mental health	102	270	305
Acute rehabilitation	–	55	187
Total	210	1 109	852
Renal stations	50		
Oncology units	1		

The forecast for 2016 includes:

- Life Bay View Private
- Life St Mary's Private
- Life Kingsbury
- Life The Crompton
- Life Mount Edgecombe
- Life Springs Parkland

The forecast for 2016 includes:

- Life Vincent Pallotti
- Life Carstenhof

The Group has a strong pipeline of beds with approved beds of 1 109 and applications pending of 852 beds. A key focus of this growth is the expansion of brownfield and mental health beds due to the lower cost per bed to build, faster occupancy growth and better returns.

Healthcare services division

Life Occupational Health and Life Esidimeni

The slow current economic climate and government policies have resulted in:

- the closure of 200 beds for Life Esidimeni with a further 200-bed closure expected within the first six months of the new financial year; and
- large tenders coming to an end and policies not to award to the same provider having an impact on year-on-year revenue growth for the occupational health business.

Acquisitions

The Careways business was purchased for R48 million in May 2015 and is being assimilated into the Group. Life Healthcare customers will soon benefit from an integrated offering of occupational health and employee wellness from a single onsite manager as the Careways business becomes further embedded in the Group. Multiple small entrants to the wellness market may be a challenge when viewed in combination with prevailing economic conditions. However, the implementation of this integrated value-added approach to business is key to continued competitiveness.

International division

Scanmed Multimedis (Scanmed)

Our strategy in Poland is to build a countrywide network of select facilities and to take advantage of both the growth in the market and the consolidation opportunity. The growth strategy for Scanmed Multimedis is primarily through mergers and acquisitions in a fragmented market where the government is the biggest healthcare customer.

The following acquisitions were made during the year:

- 100% of Sport Klinika in October 2014;
- 100% of Kliniki Kardioligii Allenort (KKA) in November 2014; and
- 49.93% of Carint Scanmed in June 2015, an inpatient cardiology facility situated in the Scanmed St Raphael hospital.

These acquisitions have significantly strengthened Scanmed's hospital network.

The inpatient facilities consist of:

Facility	Total 2015	Total 2014
St Raphael Hospital – multi-disciplinary acute hospital	**135 beds**	130 beds
Weiss Clinic – specialist ophthalmology hospital	**22 beds**	22 beds
Gastromed – gastroenterology centre	**8 beds**	8 beds
Sport Klinika[1]	**46 beds**	–
Kliniki Kardioligii Allenort (KKA)[1]	**83 beds and 6 inpatient cardiac facilities**	–
Carint[1]	**Inpatient cardiology centre**	–

[1] *Acquired in the 2015 financial year.*

Scanmed provides primary healthcare services to 130 000 (2014: 129 000) registered people and 36 (2014: 28) ambulatory medical centres in 19 (2014: 13) locations.

Max Healthcare

During the last 12 months Max Healthcare has operationalised 100 beds in the phase 2 hospitals. Max Healthcare has now operationalised 90% of its beds, excluding Pushpanjali Crosslay Hospital (rebranded Max Vaishali Hospital). In July 2015 Max Healthcare acquired the 340 bed Pushpanjali Crosslay Hospital.

Unit	Bed capacity	Operational beds 2015	Operational beds 2014	Operational beds 2013	Occupancy (%) 2015	Occupancy (%) 2014
Phase 1 hospitals	1 123	**1 095**	1 079	1 040	**76**	78
Phase 2 hospitals						
Shalimar Bagh	288	**275**	185	150	**77**	79
Mohali	217	**217**	203	141	**66**	71
Bhatinda	186	**70**	80	56	**51**	76
Dehradun	168	**136**	130	89	**70**	73
Total phase 2	859	**698**	598	436	**69**	75
Vaishali	340	**260**	n/a	n/a	**67**	n/a
Combined total	2 322	**2 053**	1 677	1 476	**73**	77

2 EFFICIENCY

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

The Group remains committed to improving efficiency and reducing costs without compromising on the quality of care it provides to patients.

Highlights

- Contained overall southern African cost increases below CPI.
- Managed our southern African procurement costs to a below 5% increase despite the increasing costs from the depreciating rand.
- Completed the replacement of the Impilo front-end systems.
- The new agency billing process was completed whereby administrative process of billing agencies is substantially enhanced.

Challenges

- Continued global scarcity of raw materials has impacted the availability of certain critical product lines.
- Depreciation of the rand.
- Employee costs growing at rates exceeding revenue increases.

Key performance indicators and statistics for efficiency

KPI and statistics[1]	2015	2014	Year-on-year trend
Revenue per PPD (southern Africa) (R)	**6 013**	5 653	↑
Gross cash flow from operations as percentage of EBITDA, target is >95%	**95**	97	↓
Normalised EBITDA margin (%)	**27.6**	27.7	↓

[1] *The indicators and statistics provided in this table relate to the Group unless indicated otherwise.*

Cost management and business efficiency drivers

Procurement and supply chain activities remain focus areas to improve quality standards while containing the cost of pharmaceutical products, medical devices and equipment, as well as the cost of services.

The procurement strategy allowed us to effectively manage stockholding, rationalise suppliers and contain cost of sales and services. Life Healthcare has been using a formulary and standardisation process for over 15 years in which high-calibre suppliers often lower their medical product costs for the Group to become a formulary or preferred supplier and take advantage of the large order volumes associated with the Group's procurement. This allows for cost-effective purchases and when coupled with the efficient management of services, has continued delivering significant savings contributing towards the Group's gross contribution and operating EBITDA achievements.

The procurement strategy provided significant business value through:

- leveraging Group spend, particularly on high-cost capital equipment, to support the Group's growth agenda;
- using the growth in the oncology market to negotiate and realise significant reduction in capital expenditure;
- product and medical equipment management;
- improved quality of outsourced services;
- alternative sourcing strategies where continued global scarcity in raw materials has affected the availability of certain critical product lines;
- supplier partnerships to support the business and reduce costs; and
- the use of quality cost-effective products.

A project team was established to research and identify procurement synergy opportunities across the Group's three geographies to help mitigate the effects of the rand's continued depreciation, which negatively impacts the ability to maximise pricing negotiations.

An increased focus on managing catering and cleaning services has resulted in substantial improvement in patient satisfaction as corroborated by month-on-month progress in patient discharge scores and reduction in alert volumes. To support the management of core outsourced services, benchmark reports measuring financial and quality metrics have been developed.

The increased demands from the labour sector for wage increases presents a challenge for containing input costs of non-healthcare services. For further detail, refer to page 72.

Procurement spend

Life Healthcare has 524 (2014: 637) suppliers from which pharmaceutical and surgical consumable products are purchased. The Group uses 4 365 (2014: 4 400) suppliers for Group procurement and 225 (2014: 250) of these suppliers comprise 80% of spend.

Life Healthcare's total procurement spend was R7.1 billion (2014: R6.7 billion) with R3.6 billion (2014: R3.3 billion) spent on pharmaceutical products and R3.5 billion (2014: R3.4 billion) spent on medical equipment, services and consumables. The top four spend categories include surgical consumables, pharmaceuticals, services and nursing agencies.

Life Healthcare's procurement function has two divisions – pharmaceutical procurement and Group procurement. Pharmaceutical procurement was responsible for surgical consumable and pharmaceutical products and the 2015 cost increase was below CPI. The cost increase for Group procurement (equipment, services and non-pharmaceutical) was 1.2% below CPI.

The higher service costs are largely due to the impact of sectoral determination requirements. Sectoral determination is the salary rate applied per sector for outsourced service providers such as security, cleaning or catering services. Single exit prices (SEP) are set rates for medicine costs set by government, which prevent the sale of medicines at a rate higher than the SEP. The Group negotiated reductions for scheduled medicine to 4% below the Department of Health's approved increase of 7.5%.

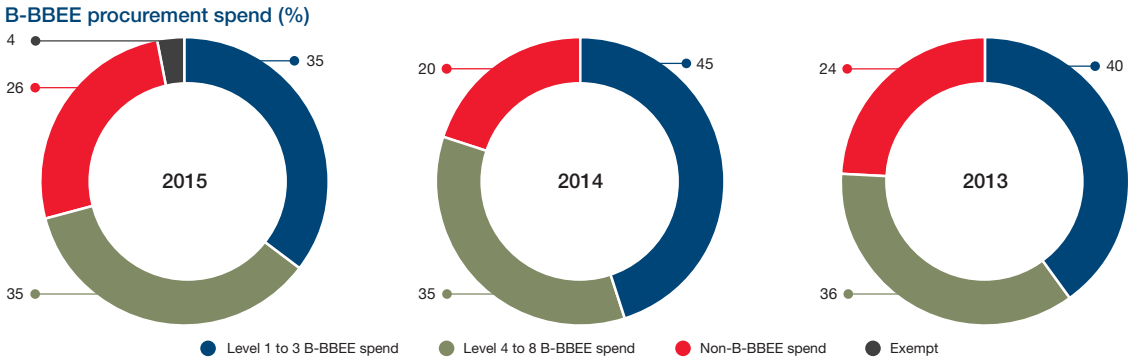
Supplier governance

Life Healthcare follows a tender process to procure quality goods and support services at cost-effective prices. Suppliers are screened for compliance with respect to relevant legislation including environmental and human resourcing 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 Group's support services executive.

The procurement policy and process are reviewed regularly and the procurement tender governance process has been extended to the information technology (IT) and engineering functions.

Broad-Based Black Economic Empowerment (B-BBEE)

B-BBEE procurement spend



The total percentage of procurement provided by B-BBEE accredited vendors for 2015 was 71% (2014: 80%). The decline in B-BBEE accredited vendors was due to non-compliance of construction and IT-related vendors.

It is critical for the future growth plans of Life Healthcare to ensure that there are sufficient consultants and contractors in South Africa who are suitably experienced in healthcare construction. Life Healthcare has therefore embarked on a skills development plan to assist African, coloured and Indian (ACI) professionals who lack healthcare specific construction knowledge by offering them opportunities to partner with more experienced professionals on larger projects. Once these professionals have demonstrated the required skills and expertise, they are considered for smaller projects in their own capacity. This increases the pool of professionals with healthcare experience available for use and promotes the use of B-BBEE suppliers in future.

Information technology (IT)

Through the improvement of the IT function, patients, doctors and employees can benefit from increased quality and efficiency. IT will play an integral role in enabling the strategic objectives of the Group and influences future strategic positioning through efficiency and automation, delivering value to the business and all of its stakeholders. The IT capabilities will evolve past the traditional administrative functions to the clinical domains, allowing the Group to interact with all its stakeholders.

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 year, IT was an agenda item for each board meeting and the risk committee meeting held in September.

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. The Group Information Management Executive's responsibilities have been expanded to include the Scanmed IT function.

Life Healthcare achieved international ISO 27001 Information Security Management System (ISMS) certification in 2006. During 2015, 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 2016. 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.

IT projects

Capital expenditure of R45 million (2014: R49 million) was invested in IT systems and applications. The IT function delivered according to its set targets.

Material IT projects linked to the Group's growth and efficiency strategy include:

Programme	Detail
Project Impilo	A major re-engineering programme to improve IT efficiencies is rolling out the final two modules (module 4 and 5) of the five. These two modules are to be completed between 2015 and 2016. • Module 1: Patient administration • Module 2: Case management • Module 3: Accommodation billing module — completed • Module 4: E-billing dispensing module • Module 5: E-theatre billing module — in progress This technological enhancement will allow real-time and online management of processes, assisting with operational efficiency. Examples include real-time billing process (including pre-planning for pre-booked theatre cases and removal of manual charge sheets, among others) resulting in the removal of administrative inefficiencies and increased nursing time for patient care. Nursing quality and efficiency is high priority within the Group and initiatives such as these form part of the Group's response to ensuring overall efficiency.
ICNet	A web-based tool for improved infection prevention and outbreak control. The project commenced in October 2013 and was completed in December 2014.
Life Healthcare's disaster recovery plan	As part of the strategy to enhance the disaster recovery solution over three years, a recovery plan was created and test runs are conducted twice a year.

The Group believes that nurturing a culture of ongoing innovation is critical to the long-term success of its business and a new global enterprise resource planning (ERP) system for the Group is in the early stages of implementation, to enhance integration and maintain a world-class hospital information system. Ideally, the new system will incorporate synergistic benefits to be realised on a global scale for the business. Enabling a business optimised POPI solution is also under way.

3 QUALITY

Life Healthcare takes pride in identifying its quality as a major long-term differentiating factor between the Group and its competitors where patient service and their families are concerned.

To Life Healthcare, quality is not simply a measurement of performance, but a mark of its commitment towards providing quality management systems that drive compliance to standards and continuous improvement in all aspects of the business, contributing towards its mission of making life better.

Highlights

- Improved infection control and prevention rates.
- Journey towards ISO 14001:2004 environmental accreditation is progressing.
- Improved quality KPIs and quality perception from patients.
- Poor performing hospitals in 2014 have improved remarkably due to hospital-specific interventions, including doctor recruitment, maintenance, etc.

Challenges

- Increasing unaffordability of medical malpractice insurance affects a number of active obstetricians and neurosurgeons.
- Doctors' age profile and the shortage of specialists.
- Increased prevalence of superbugs.
- Increasing demands on quality and environmental reporting requirements to external stakeholders.
- Onerous and changing regulations.

Key performance indicators and statistics for quality

Life Healthcare implemented selected quality objectives in southern Africa that are monitored and measured monthly, quarterly and year-on-year. The majority of these measures have been well established over the Group's ten-year ISO 9001:2008 multisite-certification and the current certification will expire in January 2016. From 2016, the Group will retain absolute targets, but will also measure hospitals against improvements made in their quality metrics. This is in line with the business and clinical outcomes that are the basis of the best hospital award, driving quality performance in a standardised direction and awarding top performers. This will also increase the ease of international performance comparison and benchmarking.

KPI and statistics[1]	2015 Target %	2015 Actual %	2014 %	Year-on-year trend
Quality metrics				
Patient experience – inpatient (>85%)[2]	85.0	**80.30**	80.10	↑
Patient experience – emergency units (>80%)[3]	80.0	**75.40**	76.30	↓
Recommend – inpatient (>70%)[2]	70.0	**68.80**	63.70	↑
Recommend – emergency units (>70%)[3]	70.0	**64.50**	61.90	↑
Clinical indicators				
Ventilator associated pneumonia (VAP) (per 1 000 ventilator days)	1.86	**1.17**	1.91	↓
Surgical site infections (SSI) (per 1 000 theatre cases)	0.74	**0.58**	0.76	↓
Central line associated bloodstream infections (CLABSI) (per 1 000 central line days)	0.82	**0.55**	0.85	↓
Catheter associated urinary tract infections (CAUTI) (per 1 000 catheter days)	0.42	**0.45**	0.40	↑
Healthcare associated infections (HAI)[4] (per 1 000 PPDs)[A]	0.41	**0.32**	0.44	↓
FIM™/FAM score (target is greater than 0.9)	>0.9	**1.18**	1.14	↑
Patient incident[5] rate (per 1 000 PPDs)[A]	2.95	**2.66**	2.88	↓
Employee incident rate (per 200 000 labour hours)	5.13	**4.71**	4.86	↓

[1] *The indicators and statistics provided in this table relate to the southern African operations unless indicated otherwise.*
[2] *Patient satisfaction scores changed to patient experience for inpatients in April 2013 and for emergency units in October 2013.*
[3] *Life Healthcare only commenced with measuring emergency units at the start of the 2014 financial year. Significant changes were also made on inpatient questionnaires in 2014, therefore the 2013 results are not comparable.*
[4] *HAI: Combines all the healthcare associated infections determined according to the CDC guidelines – VAP (ventilator associated pneumonia), SSI (surgical site infection), CLABSI (central line associated bloodstream infection), CAUTI (catheter associated urinary tract infection) and other infections associated with the hospital stay.*
[5] *Patient incidents: Unintended or unexpected events which could have or did result, in harm – this includes medication, falls and procedure-related incidents, behaviour, death due to unnatural causes, burns and other patient incidents and patient absconding.*
[A] *The 2015 indicator is externally assured.*

Life Healthcare continues improving against its patient health and safety indicators and after specific focus, the Group noted a reduction in employee incidents. The Group's combined effort has reduced the number of total patient incidents year-on-year and that of the three prominent risk areas; patient medication incidents, patient slips and falls, and patient procedure-related incidents.

Clinical governance and quality management system

The Group's clinical governance is supported by an integrated clinical governance and quality committee chaired by the Chief Executive Officer. The committee was constituted in August 2015 and its purpose includes:

- providing a focus on clinical governance, quality and patient safety issues;
- overseeing clinical performance; and
- ensuring action is taken on, amongst others, clinical issues, patient feedback and major reportable incidents.

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 quality management processes have a positive impact on employees and patients through improving management processes and patients' hospital experience, their health and safety and clinical outcomes.

As integration between the southern African, Polish and Indian operations develop, quality and other departments will also integrate their roles and responsibilities. However, at present each area operates within its own governance jurisdiction as it relates to quality. In the near future, the Group will analyse the alignment of quality and clinical outcomes measures for reporting and benchmarking purposes.

The highest risks for healthcare internationally are medication incidents, patient falls and hospital-acquired infections. These are monitored and data is collected on an ongoing basis. Objectives are set and performance is measured against these objectives. Outcomes of poor performing hospitals are investigated and solutions implemented jointly between hospitals and head office.

Preventative action is implemented to mitigate risks and remediating actions are monitored every quarter at the hospital quality review meetings. When incidents occur, a root cause analysis is conducted by an incident investigation team and the necessary corrective action implemented. Incident statistics are monitored for trends

on a quarterly basis and should negative trends develop, corrective action reports are raised to identify root causes and to take appropriate corrective action. The Group believes the robustness of the quality management system and its processes contributed to the reduction in patient incidents, among other improvements.

Group internal quality audit results

Approach

The Group's approach to internal quality audits in southern Africa features hospital self-audits, head office verification audits and external audits, such as ISO 9001:2008 audits. The standardised self-audit quality tool allows for measurements against the Group standards, industry standards and legal requirements. This allows Group hospitals to measure their own compliance using the quality management system ahead of the external audit to correct performance where necessary. Criteria for quality deliverables extend across all of the Group's functional areas, including nursing, infection prevention, pharmacy, patient services, engineering, environmental management and so forth. The ISO certification partner audits a selection of hospitals annually to ensure the Group sustains its ISO 9001:2008 certification. To ensure the selected hospitals are adequately prepared for the external audit, an internal team of specialists reviews the sample hospitals' results for management self-audits and high-risk processes prior to the external audit.

ISO 14001:2004

Progress towards the ISO 14001:2004 environmental accreditation is progressing well with our ISO certification partner having conducted stage one and two assessments ahead of potential certification in 2016. The top 12 hospitals in the Group are being groomed to implement and lead the process. These hospitals were selected by size and scope of opportunity to reduce the environmental impact of their activities. A detailed environmental plan was approved by the environmental and climate change management forum, which reports to the social, ethics and environmental committee. The forum provides a platform for information sharing and driving international best practice, ensuring consolidated group internal and external reporting and driving the Group's strategy for managing carbon emissions through sustainability reporting. For further environmental information, refer to page 69.

National Health Amendment Act

The promulgated National Health Amendment Act aims to drive standards across public and private hospital providers using the National Department of Health Core Standards as an assessment tool. Life Healthcare has been involved in an engagement process with the National Department of Health – through the Hospital Association of South Africa (HASA) – since the inception of the National Core Standards, in order to ensure the formulation of applicable and relevant standards that relate to quality of care. Life Healthcare awaits feedback on the revised Core Standards after submitting comments through HASA in May 2015.

The integration of National Department of Health Core Standards, which started in 2014, continued as part of the internal quality management processes. Over the next three years, all acute hospitals will be subject to these standards and a formal audit will be conducted to ensure compliance.

Internal audits

As part of the internal audit process, Life Healthcare conducted an internal review of the processes and systems of certain non-financial indicators, namely:

- total patient incident rate (including patient medication incidents, patient falling incidents and patient procedure-related incidents);
- hospital acquired infections including SSI, CLABSI, CAUTI and VAP infection rates; and
- healthcare risk waste management.

The Group's risk department awarded a green rating (top-level rating) for each of the above audits. Most recently, Life Healthcare engaged with an external provider to conduct an assurance and systems review on selected scorecard non-financial indicators and sustainability data capturing and interface. Refer to page 111.

Independent market survey by medical funders

The move towards transparent reporting and hospital comparison between quality and clinical outcomes is growing globally. A leading funder in South Africa is moving towards the publication and comparison of patient experience scores across all the major role players in the private hospital sector.

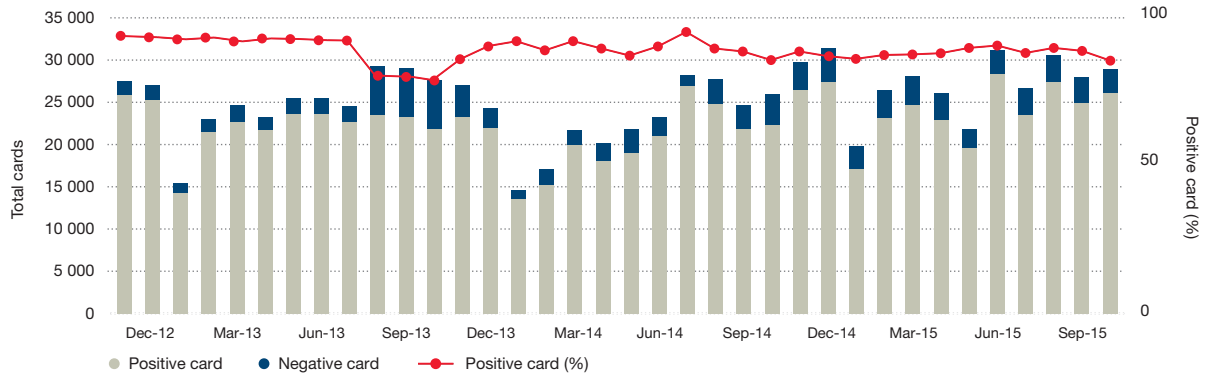
Q^{e} – Patient experience

A patient-centred approach is core to Life Healthcare's quality management system. Life Healthcare recognises that patient perceptions of quality are critical to elevating the Group's care standards. To obtain greater insight into patients' hospital stay, Life Healthcare has a patient experience survey called PXM (patient experience management).

Through this process, post-discharge feedback is obtained from patients after they are discharged from acute hospitals, the emergency units or rehabilitation facilities. The feedback allows patients to rate their hospital stay i.e. their overall hospital experience, the care from nurses and doctors, the management of their pain, medication administration and discharge. The Group also has a manual comment card process, through which it manages the positive and negative comments.

Hospitals receive these patient experience reports monthly. This information provides tangible feedback on the perceived levels of quality in the business from a patient perspective and informs our strategy. The information is reviewed, trends are identified and corrective action implemented to improve service delivery, where required.

Comment cards



The two measures included in the Group scorecard of patients' perceptions of quality are patient experience and recommend scores.

The patient experience and recommendation scores, across the inpatient and emergency unit population have remained fairly static year-on-year. The unit managers of each hospital actively address negative comments or concerns from patients and their families while they are still in hospital. The result is a decrease in post-discharge complaints by dealing with the issues that arise while the patient is still in hospital.

In addition to this, the CARE programme will be implemented in 2016 across the Group's southern African hospitals. The programme's objective is to deliver a superior patient experience across all areas of Life Healthcare's interaction with patients and will focus on creating an interaction approach that is refreshing, thoughtful, considerate and compassionate. Life acute hospitals, Life Rehabilitation units, Life Mental Health facilities, Life Esidimeni facilities as well as Life Occupational Health clinics and regional offices are included in the programme and it will feature interaction and training for management, doctors, students and service providers – an estimated 24 000 people in total. All aspects of the programme application will be aligned with the Group's mission of making life better.

The Group is training 200 champions in the business that will train their hospital/facility employees and management over a 12-month period starting in the 2016 financial year. The programme is expected to improve the quality, care and compassion with which frontline staff handle and cater to patient expectations.

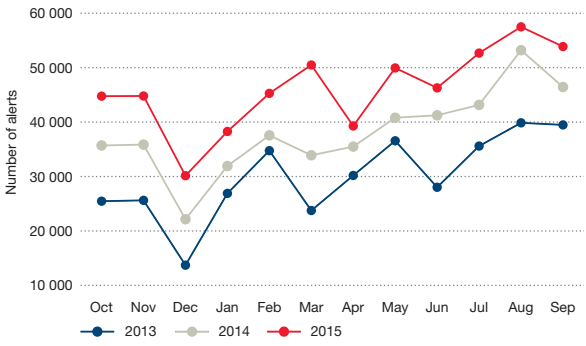
The mystery patient initiative that was concluded in May 2015 provided valuable quality and performance data by obtaining factual feedback on operations. Employees and staff were unaware that they were being assessed by the mystery patient, thus providing a genuine set of results based on actual, rather than modified behaviour. The project highlighted certain gaps across our pre-admissions, admissions and emergency unit processes. In turn, online patient focus groups (which formed part of the mystery patient project) highlighted the need for the CARE programme. The online patient focus groups focused specifically on the patient experience inward (i.e. nursing, ward experience, doctors and discharge process) and were actual patients discharged during the financial year across a number of diagnostic groups.

Life Healthcare believes it is important to provide patients with numerous appropriate feedback channels. With this in mind, the Group has a customer services email, which is monitored from the centre, and a *Contact us* functionality on the Life Healthcare website, giving patients and customers an opportunity to engage with the Group. All customer feedback is monitored and managed through the customer relationship management system.

Health and safety measures

Alerts are an internal preventative measure raised at hospital level and used to raise awareness of possible incidents before they occur, allowing for pre-emptive corrective action.

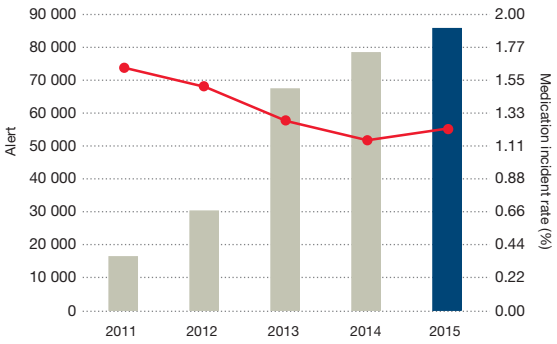
Alerts



The number of alerts raised has grown year-on-year, which indicates increased awareness and subsequently, increased action to reduce health and safety risks throughout the business. The Group believes that this preventative action has contributed to the reduction in the overall incident categories.

The effectiveness of the alert system is evident in the number of medication-related alerts versus the medication incident rate over the past five years.

Alerts and medication incident rate



Clinical infections

The increase of resistant organisms presents a challenge to healthcare systems worldwide. Life Healthcare has developed an outbreak manual with an electronic surveillance system (ICNet). The system provides immediate notification from the laboratory to the infection prevention and control specialist in each hospital. The early identification and notification allows for prompt isolation and management of each patient infected with a significant resistant organism. Intellectual knowledge transfers from Scanmed, which has excelled in this area, have significantly helped to improve infection control and prevention rates throughout the Group.

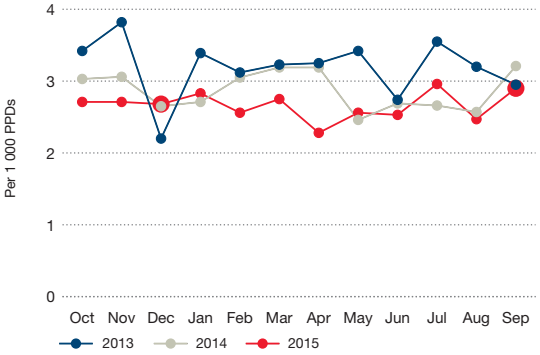
Patient health and safety

Each patient incident is reported and investigations are conducted by the responsible managers to determine the root cause of the incident, and take action to correct or avoid recurrence. Lessons learnt are communicated by means of Q-learnings and steps are taken to prevent similar incidents in other units.

Life Healthcare focuses on the reporting and mitigation of all incidents with additional focus on procedure-related incidents, slips and falls, and medication-related incidents. The latter two are internationally accepted high-risk areas. The overall patient incident rate is measured as a ratio of the number of incidents per 1 000 PPDs.

Life Healthcare continues improving against patient incident rates year-on-year. The number of total patient incidents and high-risk areas has reduced, indicating that the Group's quality management system and preventative action is yielding the desired results.

Patient incident rate

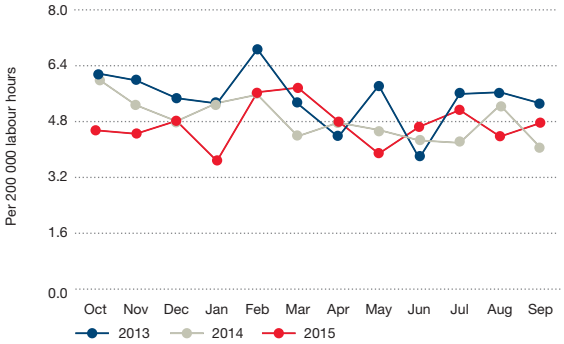


Employee health and safety

Life Healthcare encourages employees to be actively involved 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.

The Group reports on all employee incidents, which include the key risks areas of employee needle-stick injuries, employee falls and employee mobility incidents. The Group has reduced employee incidents year-on-year. Active employee action in reducing these incidents is vital,

Employee incident rate



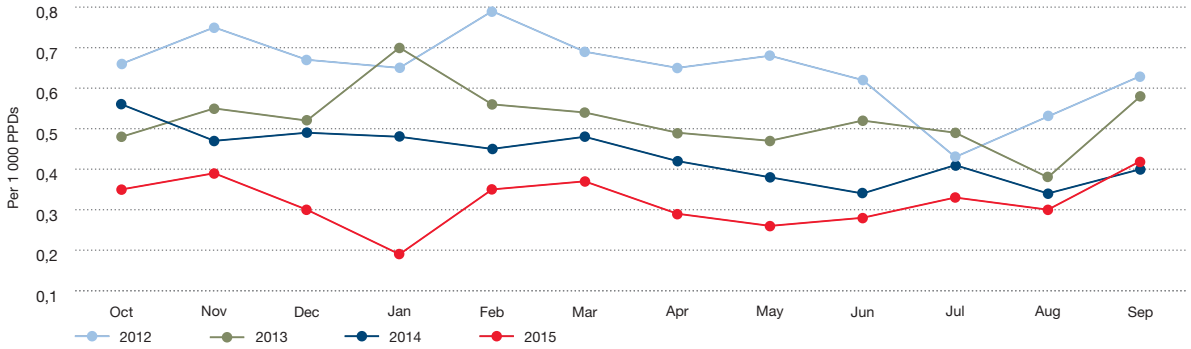
and to that end, continuous, topic-specific awareness campaigns are used to modify unsafe or unhealthy behaviour. For example, campaigns highlighting the importance of safety precautions when handling sharp items or the lifting and moving of patients from beds, address employee needle-stick injuries and the rate of mobility incidents.

IQ – Clinical excellence

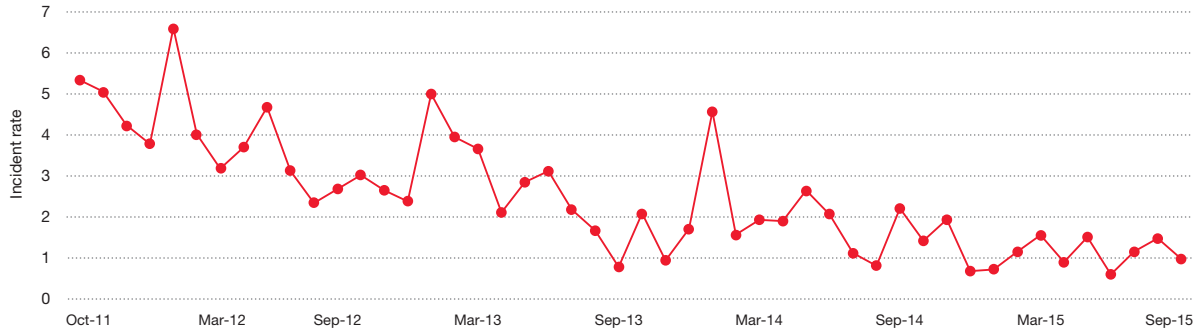
Life Healthcare's infection prevention and risk management system involves all relevant functions within the business in the identification and prevention of healthcare associated infections. Life Healthcare has achieved positive results in reducing healthcare associated infections.

The overall Group infection rate per month shows consistent improvement year-on-year. Infection prevention and control bundles are in place with the aim to reduce infections. The effectiveness of these bundles is evidenced in the steady year-on-year improvements. Workshops, campaigns and continuous professional development (CPD) ensure focus on mitigating and responding to infection and incident risks.

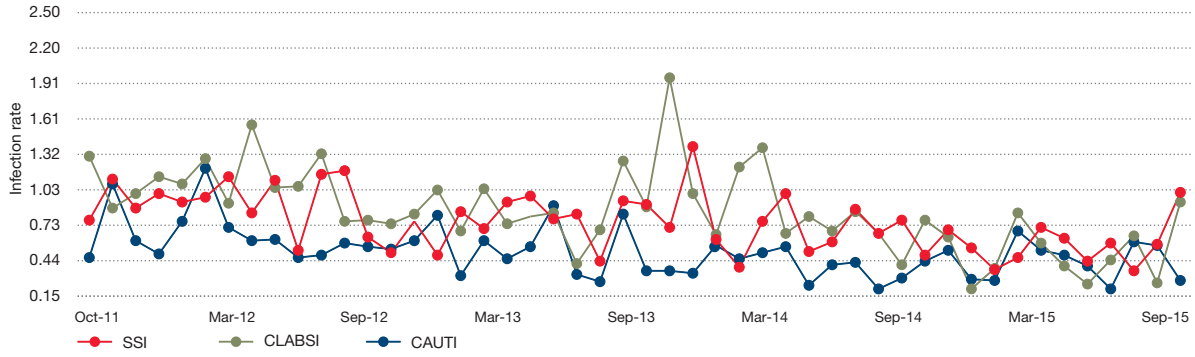
HAI year-on-year



VAP



SSI, CLABSI and CAUTI



Infection prevention and control bundles are a structured way of improving care processes 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);
- surgical site infections (SSI);
- central line associated blood stream infections (CLABSI); and
- catheter associated urinary tract infections (CAUTI).

The Group continues to experience an overall reduction in infection rates each year through the continuous measurement and monitoring of compliance to infection prevention bundle interventions. Workshops, campaigns and CPD focus on these risks to ensure it remains a priority.

Additional clinical outcome initiatives

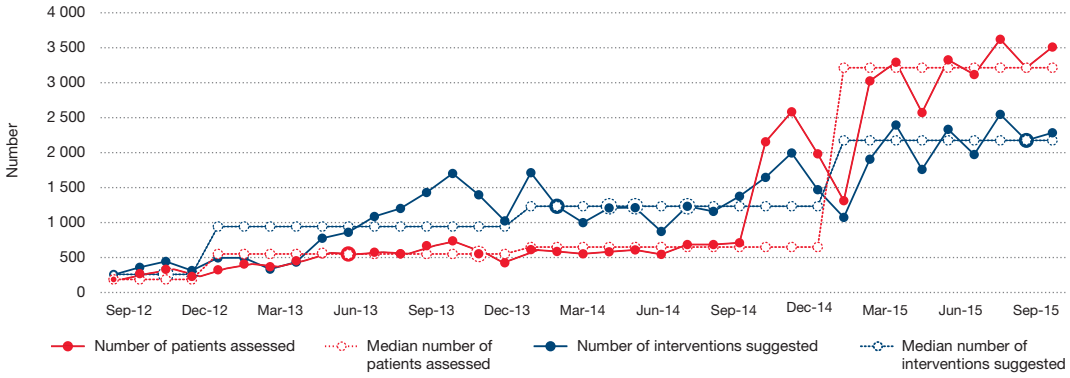
Patient reported outcome measures programme

Progress is being made regarding the patient reported outcome measures programme implemented in 2013. This programme measures quality from the patient perspective for hip and knee replacement surgeries, using the Oxford Hip and Knee score assessment, and has a very high response rate. The feedback and comparative data can be used by surgeons in assessing their performance and establishing perceived levels of quality and performance. This programme has been running successfully in the three pilot hospitals that began the programme, namely Life Westville Hospital, Life Wilgeheuwel Hospital and Life St Dominic's Hospital. In the next year, Life Healthcare will establish if the programme will be rolled out to the remaining hospitals in the Group or consider joining a national joint replacement register for its continuation.

Antimicrobial stewardship

The Life Healthcare antimicrobial stewardship (AMS) programme was launched in 2013 and doctor acceptance of the interventions has been sustained above 80%. Pharmacists and nurses in more than 40 hospitals routinely check the defined-bundle elements. Patient-specific AMS assessments are performed at least once for every ICU patient. The average bundle compliance across hospitals is 86% and the number of patients requiring colimycin has stabilised.

Number of patients assessed and interventions suggested as AMS programme evolves



Venous thromboembolic (VTE) risk and assessment prophylaxis

In recent published guidelines on the prophylaxis and management of VTE, the Southern African Society of Thrombosis and Haemostasis suggests that pulmonary embolism is probably the most common preventable cause of death in hospital patients, contributing up to 10% of all hospital deaths. Detailed analysis of the Group's patient admissions over the past five years indicates that the Group is also experiencing an increase in incidence of VTE and pulmonary embolisms. As a result, the Group is rolling out the VTE disease risk assessment and prophylaxis project.

A number of doctors are already taking steps to prevent VTE in their patients through clinical risk assessment and the use of effective prophylaxis. This project, and its subsequent roll-out to the Life Healthcare facilities, aims to institutionalise what has been, up to now, individual excellence in the prevention of VTE and its associated consequences.

Using peer-reviewed local and international guidelines as well as the input of South African and international individual specialists, the Group has drawn up a simple VTE risk assessment tool which will be used for all admitted patients. The tool will be completed for all admitted patients by the nursing staff, and the patient information obtained will be shared with the attending doctor for decision-making on whether to give prophylaxis or not.

The quality focus for 2016 will remain the management of risks and improvement of Life Healthcare's quality offering to patients and other stakeholders. One of these future focus areas is neonatal and obstetric care.

Focusing on thoughtful and compassionate care

4 SUSTAINABILITY

Life Healthcare takes pride in building lasting partnerships with doctors. The main drivers of sustainability are developing employees through training programmes and implementing environmentally conscious technologies across Group facilities.

The Group considers environmental, human capital and labour relations to be the most material sustainability focal points.

Life Healthcare remains committed to sustainable development as a means to remain a world-class provider of quality healthcare. Despite being classed as a low environmental impact organisation, the Group continues operating various environmentally cognisant pilot programmes. Recruitment and retention remain focus areas, along with the principles of empowerment, positive labour relations practices and diversity.

Highlights

- 106 doctors recruited.
- Returns on investments from environmentally responsible initiatives are beginning to realise (heat pumps, online water meters and LED lighting, for example).
- iLeap senior hospital management development programme, the unit manager programme and the national reward and recognition scheme develop and recognise employees, improve the employee value proposition and in turn, patient experiences.
- Life Healthcare experienced no industrial action due to wage negotiations.

Challenges

- Total staff turnover has increased.
- Attraction and retention of key specialised staff, specifically registered nurses, remains a challenge.
- Shortage of specialist doctors (gynaecology, neurology and oncology).
- Improving employment equity remains a priority.
- An increase in malpractice claims and challenging malpractice affordability.
- Changing labour legislation has significant impacts on operations.
- Unionisation, particularly in KwaZulu-Natal, has increased.

Key performance indicators and statistics for sustainability

KPI and statistics[1]	2015	2014	Year-on-year trend
Social performance			
Life Healthcare (southern Africa)			
Number of employees (permanent employees excluding Max Healthcare and Scanmed Multimedis)	**14 182**	14 141	↑
Number of nurses enrolled in training	**1 165**	934	↑
African, Coloured and Indian (ACI) employees (%)	**70.6**	69.4	↑
Scanmed (Poland)			
Number of employees	**2 290**	1 632	↑
Max Healthcare (India)			
Number of employees	**7 932**	7 522	↑
Environmental			
Life Healthcare (southern Africa)			
Electricity usage (kWh)[2]	**151 315 836**	154 968 932	↓
Water usage (kilolitres)[2]	**1 532 192**	1 916 528	↓
HCRW[3] (kg/PPD)[A]	**1.68**	1.63	↑
Scanmed (Poland)			
Electricity usage (kWh)[2]	**442 984**	446 246	↓
Water usage (kilolitres)[2]	**24 560**	16 503	↑
Max Healthcare (India)			
Electricity usage (kWh)[2]	**52 627 957**	49 513 521	↑
Water usage (kilolitres)[2]	**682 925**	639 251	↑

[1] *The indicators and statistics provided in this table relate to the Group unless indicated otherwise.*
[2] *These figures are based on best estimates with the available information.*
[3] *HCRW: Healthcare risk waste generated by the hospital – includes pharmaceutical waste, anatomical waste, sharps, cytotoxic, infectious non-anatomical waste and radioactive waste.*
[A] *The 2015 indicator is externally assured.*

Environmental sustainability

To operate efficiently, with an environmentally friendly approach and as a responsible corporate citizen, Life Healthcare actively seeks to comply with all applicable environmental legislation such as the Air Quality Act, 39 of 2004 and the National Building Regulations and Standards Act, 103 of 1997. Life Healthcare has an environmental management system that governs the strategic elements of environmental sustainability. The environment and climate change forum reports to the social, ethics and transformation committee on projects and performance in this area. The Group is making progress towards ISO 14001:2004 accreditation, refer to page 62 for more detail.

Overall, Group performance from an environmental sustainability perspective has improved again this year, driven predominantly by energy-efficient initiatives and green building practices. Examples include the solar project, the final phase of heat pump integration programme and converting lighting sources in facilities to LED lighting. The Group's year-on-year water and electricity consumption figures reflect the effectiveness of these initiatives.

The 2015 year-to-date energy intensity measurement is 67kWh/PPD, an 8.56% improvement on 2014. The Group achieved a 9.64% decrease in energy intensity since 2012, equalling R16.5 million in yearly savings at current tariffs.

Sustainability initiatives and improvements

Metering project

All hospitals in southern Africa log real-time water and electricity consumption data, allowing for energy-efficiency comparisons across the Group. The data collected forms benchmarks and goals to drive positive behaviour throughout the Group.

Carbon emissions

The Group has reduced its carbon footprint across all three metrics used to gauge CO_2 efficiency for the last three years. CO_2/Rm is at 150 376 (2014: 154 969), a 2.96% change since 2014. CO_2/FTE (full-time equivalent) is at 10.7992 (2014: 11.1290), and CO_2/PPD is at 7.5605 (2014: 8.0219). A combination of the heat pump projects and solar projects are the main contributors towards the improved performance.

Solar electricity project

After initiating the solar electricity project at Life Anncron Clinic in 2014, the facility has reduced its electricity consumption by 50%, producing a 219 625MWh saving to date. The installation of 1 711 photovoltaic (PV) solar panels was completed in February 2014, totalling 444kWp. This is the second largest hospital PV installation in the world and the planned installation of 3 400 panels at Life Fourways Hospital will make it the new global leader. Through this initiative, the Group has reduced its CO_2 emissions by 223 tons since 2014. The project aims for a target output of 836 215kWh per year, resulting in a saving of approximately R1 million per annum.

Life Hilton Private Hospital

The facility was constructed under the Group's internal growth and construction policy known as Green by design. The policy aims to reduce the $C0_2$ footprint at newly built and expanded facilities.

As a result of multiple environmentally conscious technologies used in the construction of the facility, Life Hilton Private Hospital is 20% more efficient than any of the Group's existing facilities, setting a new benchmark for energy efficiency and carbon intensity per PPD.

A large PV system on the roof will be installed at a later date to generate electricity during the day, significantly reducing peak demand usage. Combined with occupancy sensors on lighting and ventilation systems, LED lighting and heat pumps, the facility uses 890MWh less per year than facilities built before the Green by design policy was implemented. This equates to approximately R1 million in electricity costs savings per year. Architecturally, sun louvres and the positioning of areas that require maximum cooling was incorporated into the design of the hospital and increased thermal insulation was used in the construction. The addition of an oncology facility at the hospital was taken into consideration in its design and construction.

Heat pumps

The Group began the heat pump programme in 2012 with intent to replace traditional geysers in each southern African hospital with heat pumps by 2016. The Group has completed 33 of the 50 site installations resulting in an annual saving of 7.7GWh from 33 hospitals (2013: 3.5GWh from 17 hospitals, 2014: 4.2GWh from 16 additional sites), resulting in a cumulative saving of R16.9 million to date. We are planning to roll out phase three during 2016 and complete another 13 sites. Upon completion, 46 out of 50 southern African hospital sites will be completed.

Occupancy sensors

After a successful pilot programme at the Life Healthcare head office in Illovo where all lights and air-conditioning units are fitted with occupancy sensors, a national roll-out to all southern African hospitals is planned for 2016.

Hydrogen fuel cells

The Group is in the process of investigating hydrogen fuel cells as an added sustainability and efficiency measure. The fuel cells create electricity and the by-products of the electricity-generating reaction (water and air) could be applied to other processes for added efficiencies. Waste heat from the reaction can be used for hot water generation and cooling could be used to supplement air-conditioning. The cells would offer a quieter alternative to diesel generators and have low maintenance requirements and thus lower maintenance costs.

Dealing with resource challenges

Water and electricity are vital to the operation of facilities and the continued fluctuations in supply remain a key challenge for the Group.

Electricity

Load-shedding is expected to persist until at least the end of 2016. All southern African operations are equipped with back-up generators and a fail-safe generator that allows facilities to operate without grid supplied power. Energy-efficient projects underway such as the solar and heat pump programmes assist in reducing consumption levels to further reduce the impact and costs associated with electricity consumption.

Water outages

Shortages are mainly related to government maintained infrastructure issues and as a result, the business is increasing water storage capacity at its facilities nationwide to reduce the impact of water outages on operations and ultimately, on the patient. Typically, a facility can operate for two days in the event of an outage, thereafter water trucks are used to deliver water to facilities.

Human capital and relationships

To provide high-quality care, effective employee relationships are vital. The Group is proud to attract and retain a highly talented and passionate group of people who are experts in their fields. The association and partnership with doctors is another vital element in the Group's successful service provision.

Group facilities in Poland and India operate with independent human resource divisions; however, the board influences these divisions in line with the Group strategy.

The Group complies with all applicable local legislation (for example, in South Africa, the Basic Conditions of Employment Act, Labour Relations Act, Employment Equity Act and Skills Development Act) and is committed to supporting transformation and the enhancement of health professionals.

Headcount[1]

Category	2015	2014	2013
Administrative employees	**2 879**	2 772	2 657
Nursing personnel	**9 180**	9 338	9 245
Pharmacy employees	**323**	317	293
Rehabilitation employees	**258**	278	272
Services employees	**1 316**	1 233	1 068
Other	**226**	203	201
Total permanent	**14 182**	14 141	13 736
Temporary personnel[2]	**1 285**	1 106	886
Total employees	**15 467**	15 247	14 622

[1] *Headcount represents southern Africa.*
[2] *Includes sessional hourly paid staff, and excludes agency staff.*

Permanent headcount remained consistent with a marginal increase of 0.29% as a result of organic growth. The increase in sessional headcount at 16.18% occurred primarily as a result of an increased intake of students (181).

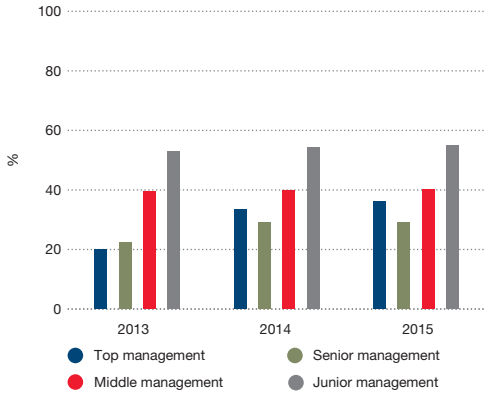
Transformation and cultural diversity

The Group uses an employment equity plan that is determined on a national basis in consultation with executive management, the national transformation committee and consultative forums in the hospitals. This proactive process is overseen by the Life Healthcare board through the social, ethics and transformation committee.

Life Healthcare seeks to treat all employees equitably and with respect. Policies and procedures are in place to ensure that merit is viewed as paramount, regardless of age, gender, race or any other differentiating factors. Providing appropriate tools for development and fair reward for service are pillars of the Group's approach to employment equity.

The Group aligns itself with the B-BBEE Codes of Good Practice 2007, in accordance with the Broad-based Black Economic Empowerment Amendment Act, 53 of 2013 for South African operations. During the year, the ratio of staff drawn from previously disadvantaged groups has increased to 70.6% (2014: 69.4%).

Employment equity in the management bands



Gender equality statistics improved from last year and 84% of the Group's permanent workforce is female (2014: 78.4%). Of the executives and managers (middle management and above) 60.8% are female and two of the seven independent executive board members are women.

There was an increase in the number of people with disabilities to 102 during the year (2014: 95).

The Group's managerial diversity levels reflect a less favourable outcome than the previous year. The main employment equity 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 in clinical staff is being mitigated by a recruitment approach that gives preference to qualified ACI candidates when replacing or recruiting candidates.

Labour relations

Trade union relationships are highly sensitive due to the volatile labour relations environment of the country. Life Healthcare experienced no industrial action as a result of wage negotiations and the overall union relationships are positive. Life Healthcare has regular engagement sessions between employees, trade union shop stewards and communities where these groups proactively address any potential areas of conflict. Unionisation has increased to 19.4% this year (2014: 17.6%). KwaZulu-Natal is the primary driver of the overall increase where trade union membership in the province experienced an increase in unionisation to 38.4% from 31.4% in 2014.

The Group's employee trade union affiliation is as follows:

- National Education, Health and Allied Workers (NEHAWU) – 10.9% (2014: 9.9%)
- Health and Other Service Personnel Trade Union of South Africa (HOSPERSA) – 5.7% (2014: 5.5%)
- Democratic Nursing Organisation of South Africa (DENOSA) – 1.8% (2014: 2.2%)

Employee engagement

Life Healthcare aims to create a healthy environment for all of its employees, acknowledging the benefits this provides to employee well-being, efficiency and productivity. Managers, employees and their families have access to the ICAS wellness service for a range of support services that include group, face-to-face and telephonic counselling. Financial literacy training and grief support services are examples of these programmes. About 27.4% of employees made use of ICAS compared to a sector rate of 21.1%. A total of seven employees received HIV-related counselling and other support.

CARE programme and employee perception survey

The CARE programme initiated by the Group instils a stronger patient-focused orientation in employees by training them using a mapping and interaction programme of each facility. The programme simulates a step-by-step patient experience through hospitals, starting with entry to a facility, until discharge. Throughout the process, employees gain patient's perspectives of their role, and how more value can be added at each interaction.

An employee perception survey (EPS) is conducted every second year by an independent service provider. This survey focuses on dimensions that reflect employee engagement and empowerment. The EPS forms part of the Group's strategic review and action plans set in the 2014 EPS drive the focus of engagement until the next survey, which will be in February 2016.

Recognition

The national reward and recognition scheme (based on the Group's strategic objectives and targets) is improving the employee value proposition and in turn, patient

experiences. The scheme remains successful in showcasing individual and team excellence to peer and Company level every year through a gala award ceremony. The event is in line with the Group's plan to recognise performance over and above remuneration incentives, and support the Group's goal of becoming an employer of choice.

Chief Executive Officer and senior executives direct engagement activities

The increased visibility of the Chief Executive Officer and senior executives through site visitations and direct engagement has encouraged more open dialogue between employees and senior management. Managers are being made aware of employee issues while receiving input and proposals from the staff directly. This hands-on approach provides employees with an increased sense of value and connection to the Group.

Healthcare professionals – recruitment, development and retention

The worldwide shortage of skilled medical personnel strongly affects areas such as doctors and nursing.

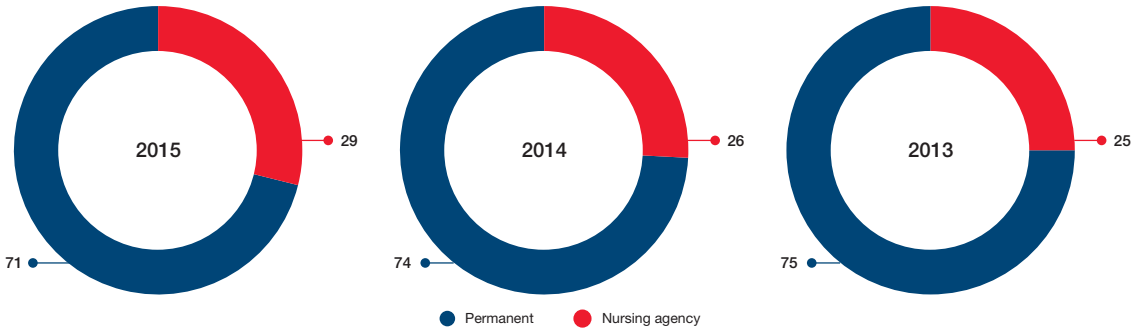
In southern Africa competition for skilled staff, specifically nurses and pharmacists, remains high as a result of, *inter alia*, consistent above inflation wage increases by government. The outcome of recent wage settlements serves as a clear example; state registered nurses received an effective increase of 10.5% and pharmacists 9%. A comprehensive analysis of benefits and offers from competitors (including the state), is constantly being conducted to establish pertinent retention initiatives for staff.

Refer to page 93 for information regarding the Labour Relations Amendment Act.

One of the key challenges was the increase in total staff turnover rate, which increased by 1.9% to 17.5% (2014: 15.6%). The Group regularly performs comprehensive benefit analyses against competitors and reviews retention strategies. An in-depth analysis for the reasons of employees leaving the Group has recently been conducted and mitigation actions have been put in place to address issues within the Group's control.

Refer to page 74 for more information on pharmacists.

Ratio of permanent to agency nursing staff (%)



The hospital nursing staff are permanently employed, with agency nurses making up the deficit required for operations where and when required. The Group continues to explore employment solutions for part-time staff who work through agencies. Extensive legal research is under way to establish the correct use of part-time employees to retain a flexible human resources model for the Group.

Student training

Life College of Learning is a registered higher education institution that has seen 9 590 students complete their training through one of the seven learning centres and four classrooms in South Africa. Currently, 1 339 students are registered with the Life College of Learning. In terms of operating department assistants, 55 students (2014: 33) are studying towards this three-year diploma in health sciences and the first cohort will graduate at the end of 2015.

During the year, 135 employee bursaries were granted to encourage further studies in the scarce skills required, 117 of which are for registered nurses trained at other tertiary institutions, and 18 students are sponsored for basic nursing degrees. For further information on the training of nurses, refer to page 73.

Student education level

	Gender		Race				Total	
	Female	**Male**	**African**	**Indian**	**Coloured**	**White**	**2015**	2014
Basic	1 128	108	675	164	203	194	**1 236**	923
Post-basic	99	4	55	27	12	9	**103**	124

Management development and succession

At management level, various development initiatives promote management retention and alignment with Group objectives, including the:

- unit manager development programme;
- iLeap senior hospital management development programme; and
- succession management programme.

The low levels of turnover in the Group's leadership team coupled with supportive training and succession plans allow Life Healthcare to continuously develop and build on leadership. An example is the iLeap senior hospital management development programme that uses hospital simulations to develop technical and management skills in emerging managers and high potential nurses and pharmacists within the Group.

The Group continues rolling out junior and middle management programmes such as the unit manager development programme, which uses simulations and peer-training to develop key managerial skills in unit managers. The programme features technical and practical learning techniques and concludes at the end of 2015.

Nurses

Nurses are an integral part of the business and a direct representation of the Group to patients, influencing the care the Group provides, its reputation and the functioning of the business. Recruitment and retention of nurses remains high on the agenda especially with the shortage of registered and specialist nurses both in South Africa and globally. A number of initiatives are in place to create a pipeline of nurses available to the business and to lower the turnover rate.

The use of agencies to address the shortage of permanent staff escalates periodically. The flexible staffing component is well managed not to exceed 30%. The eight agencies used by the Group are all accredited and managed regionally especially in terms of quality of care and competency of staff.

Nurses trained

Nurse category	**2015**	2014	2013
Auxiliary nurses	**–**	67	132
Enrolled nurses	**493**	433	298
Enrolled registered nurses	**605**	316	238
Operating department assistant (ODA)	**55**	–	–
Specialist nurses (e.g. ICU, high care, theatre)	**103**	72	109

Most significantly, there has been an increase in the training of specialist nurses and enrolled registered nurses. A total of 253 nurses are in training at the Life College of Learning and local universities, undertaking various post-basic courses. Recruitment and retention define the approach taken to mitigate the worldwide shortage of nurses and the Life College of Learning is an example of the approach taken by the Group. This year the college trained a total of 1 165 student nurses in various courses.

Recruitment from local universities is ongoing, nurse managers and their staff play a role in career days, and we are actively recruiting final year students who will become available after their community service year.

The annualised nurse turnover rate for southern Africa has increased to 19% (2014: 18%). As part of the Group's retention strategy, high-performing staff members in southern Africa will be afforded opportunities to work in some of Life Healthcare's international units where they can internalise best practice. Mitigation of the nurse shortage is being aided by the Group's Max Healthcare partnership where 145 nurses are being seconded to South Africa from India. This number is expected to rise to approximately 250 by the end of 2016 and 400 by the end of 2017. The feedback on the performance of these nurses from doctors and patients is positive.

Nursing leadership remains a focus area due to an ageing nursing leadership group; as such, nurse managers will be involved in managing development training and succession programmes.

Pharmacists

Pharmacists have a commercial and a quality/clinical contribution at Life Healthcare. The number of pharmacy employees has remained fairly static at 323 (2014: 317) with 145 (2014: 149) pharmacists (excluding pharmacy managers). The turnover rate of pharmacists has improved to 19.9% (2014: 21.8%).

As a result of the continued shortage of pharmacists, Life Healthcare maintains a focus of internal development, recruitment, training and retention to ensure an adequate supply of trained and competent pharmacists within the business. This includes:

- the pharmacy manager development programme aimed at identifying high-potential pharmacists within Life Healthcare who are interested in pharmacy management. This programme was subsequently incorporated into the multi-functional iLeap senior hospital management development programme launched in July 2015;
- the clinical practice pharmacist programme developed in association with NMMU has provided an alternative career path for pharmacists with a passion for clinical work, to facilitate recruitment and retention in Life Healthcare; and
- Life Healthcare has reinforced its structured pharmacist intern programme building strong industry visibility. There are currently 21 interns in the Group's hospitals.

The Group has continued to strengthen its professional support staff infrastructure through:

- increasing the intake of pharmacist's assistants in training; and
- introducing the new pharmacy mid-level workers (pharmacy technicians) for their traineeship in identified hospitals.

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 relevant topics and 2 163 (2014: 1 985) training interventions were captured online. Content of the modules supported the standardisation and rationalisation process to reduce cost of care, as well as operational topics underpinning system changes and antimicrobial stewardship.

As part of the structured clinical pharmacy programme, there was a 100% pass rate of pharmacists in the first year of the clinical practice certificate course, and students currently completing the second year are progressing well. There was a 94% candidate retention in year one, and 95.2% for year two, well above the Group's target of 80% retention. A total of 39 clinical practice pharmacists will enter the business as a result of the programme, providing a strong base on which to grow a sustainable clinical pharmacy function.

Scanmed Multimedis: Poland

Scanmed Multimedis was awarded the 2014 Certificate of the Highest Quality in human resources by the Polish Association of Human Resources Management for the implementation of personnel policy based on the highest standards of human capital management. In addition, organisations that support the development of talented young people, including the Lesław Paga 2065 Foundation, are supported.

The human resources function in Scanmed implements similar programmes to its southern African and Indian counterparts such as specialised internships.

Employee retention is strengthened by internal and external training programmes that garner increased momentum each year. In 2015, 288 training sessions were conducted (2014: 229).

There is a multi-level approach to attract employees – cooperating with medical boards, nursing boards, pharmacy boards, professional institutes, job market organisations and foreign medical centres to identify and recruit ideal employees. An additional 442 people were recruited (2014: 74) with a total hospital employee turnover rate of 76% (2014: 3%). Trade union representation is 13.2% (2014: 14%) and a total of 90 people are employed at Scanmed.

Max Healthcare: India

Max Healthcare has initiated several programmes and processes towards strengthening the number and quality of clinical professionals across all its units. These initiatives include succession planning for senior clinicians, the recruitment of specialists with sub-speciality to add depth to facility capabilities, clinical scholarships to encourage clinicians to work towards skill enhancement and the senior resident attrition reduction project. This last project is a study into the factors influencing the attrition rate for this cadre. After diagnostics, the clinical directorate will develop a retention programme for senior residents.

An overall retention plan is also in place for skilled and high-value employees. This programme is driven directly by the Chief Executive Officer and Managing Director along with the human resources department and the clinical directorate. Through the process, employees that build excellence and obtain the best possible organisational performance for the business will be focused on for retention as a matter of priority.

Nursing attrition is being addressed through multiple initiatives such as the exchange programme with Life Healthcare South Africa, a comprehensive training cycle of 24 months, improvements to hostel facilities, recruitment from nursing campuses (with referral pay-outs), regular engagement activities and comprehensive medical benefits to name a few. A total of 7 932 people are employed at Max Healthcare and the Group aims to improve the nurse attrition rate by 10% in 2016.

Doctors

A detailed profiling was conducted on Life Healthcare's doctors that informed a recruitment strategy. The Group currently has an association with approximately 2 700 doctors (2014: 2 700). Shortages in specialist fields such as physicians, general surgeons, gynaecologists, paediatricians, cardiologists and neurologists remain a concern. The HPCSA is experiencing internal difficulties, which has manifested in dysfunctional registration of foreign specialists and, together with regulatory barriers, is a challenge for Life Healthcare.

The environment of legal action throughout the country and current levels of lawsuits for medical malpractice cases is of concern from a quality perspective because of its effect on obstetrics and gynaecology. Due to the high current malpractice insurance for obstetricians (R450 000 per annum on average), more skilled obstetricians are opting to practise only in gynaecology to reduce their exposure and costs, causing a loss of skilled resources where they are required. The Group, through HASA, is engaging with the government in an effort to develop solutions to manage this trend. The Group has also embarked on a collaborative project with its insurers to reduce the cost of insurance.

As an attraction element in the strategy, doctors are assisted in setting up their business with Life Healthcare. Marketing of their business, administration set-up and some equipment assistance are part of this process.

Retention is bolstered through shareholding offers to doctors. The average age of doctors remains a concern, and as such Life Healthcare has focused on the recruitment of younger doctors.

Corporate social responsibility

The Group's corporate social responsibility (CSI) programmes have contributed to meaningful and sustainable projects in communities where employees reside and in communities served, and to align with the strategic objectives. As an example, R26 million was spent over the last two years on sub-specialist bursaries and 11 new sub-specialists were available to work in South Africa from January 2015 onwards. The Group focuses on health (community upliftment and healthcare) and education (training and research) projects.

Life Healthcare has a CSI steering committee that is mandated to allocate funds to approved projects. This committee is represented by eight executives who have three scheduled meetings per annum and convenes on an ad hoc basis, when necessary. Yvonne Motsitsi (Group Marketing and Communications Executive) was appointed as the new chairperson in July 2014. The steering committee reports to the social, ethics and transformation committee.

A total financial contribution of R76.8 million was allocated to CSI (2014: R80.2 million).

Programme	Detail
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. 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 an employee involvement programme that has touched the lives of many disadvantaged children over its 16-year existence. 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 currently 76 projects.
Public Health Enhancement Fund (PHEF)	This initiative 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. The cumulative value contributed is R26 million (2014: R13.5 million).
LIFE/CMSA	Life Healthcare in partnership with the Colleges of Medicine South Africa has awarded twenty-two doctor sub-specialist bursaries for the period 2014 and 2015. Thirty-two doctor sub-specialists are expected to qualify by year six of the project. In addition, R2 million was donated to the CMSA for special research and training projects over the period in terms of the scheme.
Pro deo (reduced or no cost to patient)	Patients receive reduced accounts or free services for those who cannot afford to pay, especially for visits 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 Healthcare employee dependant's tertiary education assistance scheme grants bursaries to employees to finance tertiary education for their dependants. There are currently 121 dependants on bursaries for the 2015 academic year.

Risk analysis

The table below highlights the Group's top 14 risks. The following risks are new in the top 14 classification:

- Growth expansion
- Reputational risk
- Electricity shortages
- Water shortages
- Shift in political landscape (Poland)

Refer to page 50 for the summary on the Group's risk management process.

Rank	Risk description and context	Mitigation
1	**Medical funder concentration** Approximately 71% of the Group's revenue is derived from the top five medical funders. The consolidation of the medical funder market in South Africa impacts the market as it potentially strengthens the bargaining power of these funders placing pricing (i.e. revenue) under undue pressure.	• The Group has 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 service offerings. • Collaboration with medical funders and doctors to ensure optimal resource use to drive cost-efficiency. • Continued development of alternative reimbursement pricing models.
2	**Affordability of care and growth of restricted networks** In southern Africa there is significant pressure on the affordability of private medical insurance and this may result 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 wishing to improve their market share in this segment. The competitors are realising the value of using restricted networks and there is pricing pressure for Life Healthcare to maintain its market share. The Group believes that preferred provider networks will increase in size over the next two to four years.	• Maintaining close relationships with medical funders. • Driving cost-efficiency and optimal resource use to secure preferred network agreements. • Continued focus on cost of sales management and overall cost containment.
3	**Competition Commission's market inquiry** The Competition Commission has initiated an inquiry into the private healthcare industry in South Africa. The aim of the inquiry is to identify factors driving healthcare expenditure, to understand the market dynamics and identify any barriers to competition. The full impact of the inquiry will only be known once the Commission has made its report public.	• Dedicated management team focused on the inquiry. • A firm of attorneys and a firm of economists have been engaged to assist with the process, research and analysis. • Objective and factual submissions to the inquiry.
4	**Regulatory environment** The healthcare industry is subject to a number of regulations, including the National Health Act (including the amendment dealing with core standards), the Labour Relations Act, B-BBEE Act, POPI and a large 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 bed licences are approved, delays are experienced in obtaining approval for plans from the Department of Health and local authorities. Non-compliance may lead to losing the licence to operate or penalties. This can also have a negative impact on the Group's reputation and growth.	• A dedicated team works on health policy-related issues and interacts with industry stakeholders. • The Group proactively monitors and provides input where possible on any new proposed legislation. • Group and industry research and analysis is performed to assist in the debate regarding any proposed legislative initiatives. • The social, ethics and transformation committee monitors the Group's transformation progress from a board governance perspective. • Keeping abreast of all new developments and conducting research into other systems that enable compliance. • Establish a close working relationship with key officials to advocate for the necessity of obtaining timeous approval for beds. To investigate partnerships to leverage approval for additional beds. • Advocate for a consistent, transparent and timeous licensing framework.

Rank	Risk description and context	Mitigation
5	**Specialist 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. The ageing profile of doctors in the country is a risk. There is an insufficient number of doctors 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.	• Hospital management maintains strong relationships with doctors. • The Group strives to provide quality infrastructural and nursing support, and high-technology facilities and equipment, to attract and retain doctors. • Significant increase in funding for specialist training through the CMSA in a R78 million, six-year programme, which commenced in 2012. • Doctor retention and recruitment strategy is in place.
6	**Growth expansion** Local and international growth (expansion) comes with inherent risks such as financial risk, foreign exchange risk, lack of an in-depth understanding of the specific international healthcare market, downturn in the South African economy, etc. There are detailed international risks in Poland and India, and local risks pertaining to new lines of business.	• Different growth strategies are being implemented in each geographical expansion area to increase effectiveness of growth. • Due diligences are performed by the strategy and development team and information is assimilated before acquisitions are finalised. • All growth projects exceeding R3 million are presented to the internal growth committee. The internal growth committee interrogates the proposal and rejects it or recommends it for approval. If the project exceeds R80 million this project is also submitted to the board investment sub-committee for consideration.
7	**Reputational risk** Adverse events could affect the Group's reputation and if quality is not maintained, it could cause potential harm to patients and business could be lost to other service providers.	• Management, through policies and procedures, ensures that all business units comply with their contractual and legal obligations. • Training of staff in respect of quality and Company protocols to follow in performing their work, is in place. • The Quality Management System (QMS) is employed to ensure quality healthcare is provided. • The Group conducts reputation building exercises through its centres of excellence. • A media strategy is in place to deal with matters which could potentially negatively impact the Group's reputation.
8	**Information systems and security availability** Failure to maintain reliable and uninterrupted performance of information systems could disrupt business operations. The IT infrastructure may be inappropriate for the business.	• IT logical and physical security controls are in place. • A formal systems development life cycle as well as an IT strategic plan is in place. • Service level agreements with third parties are in place. • Maintain information security management (ISO 27001) audit certification. • A disaster recovery programme is in place and a permanent third-party disaster recovery site has been established.
9	**Environmental health and safety** Risk that insufficient attention is placed on environmental issues and outbreaks/ineffective infection prevention processes could cause loss of lives, reputational risk and financial risk and have an impact on the sustainability of the Group.	• Alert and incident management reporting is reviewed, trended and escalated. • Service level agreements contain requirements for outsourced services with respect to disposal of waste and needle-stick injuries. • Isolation areas are identified as part of annual outbreak and emergency response planning. • Use of protective clothing in line with World Health Organisation personal protective equipment guidelines.
10	**Political landscape in Poland** A change in the political landscape in Poland during the recent elections may have adverse impacts on the Group's operations.	• A public relations plan is in place to present Scanmed as a loyal citizen and responsible partner to the National Health Fund and public sector and society in general. • Develop and maintain strong relationships with National Health Insurers.

Rank	Risk description and context	Mitigation
11	**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.	• The Group offers competitive pay and employee retention schemes. • The Group has developed an internal clinical pharmacy programme. • 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. • Various initiatives and processes are in place to mitigate loss of skills, for example the employee share trust share allocation each year which vests after five years. • The Group supports staff through various wellness programmes, including ICAS and HIV/Aids support.
12	**Electricity shortages** Electricity shortages have a negative impact on operations.	• Use of generators and increased environmentally friendly power generation and heating options implemented to mitigate the effects of shortages.
13	**Inadequate water quality or unavailability of water** Risk that the quality of water from the local municipalities is inadequate. Risk that there is a shortage of water available from the municipalities due to water restrictions that could have a negative impact on operations.	• Back-up water tanks are available at each hospital should the municipality have water restrictions or marked deterioration in water quality. • Back-up water tankers are available to supply water to the back-up water tanks in the event of prolonged water restrictions by the municipality. • A water consumption management system is in place to monitor water usage and through the metering system ensure that the onsite back-up has minimum water quantities to supply the site for 24-48 hours.
14	**Dependence on institutional business in India** The bargaining power of institutional funders places pricing under pressure. Payments from institutional funders are delayed and may result in write-offs.	• Collaborate with peer hospitals to mobilise support for favourable price contracts with institutional payers. • Bring awareness on institutions, industry forums and media for clinical quality-based costing by healthcare institutions. • Relationship management and regular follow-ups. • Continually assess empanelment with the institutions.

GOVERNANCE AND ACCOUNTABILITY

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

Mustaq Brey
Chairman

Highlights

- The investment committee members visited the Group's Poland investment.
- The introduction of electronic board packs with effect from January 2015.

Challenges

- Rapid changing regulatory environment.
- Competition Commission's market inquiry into private healthcare.
- Integration of Polish businesses.

Message from the board

Overview

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 King III, 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.

At the annual general meeting in January 2015, the Group's remuneration policy was not adopted by shareholders and after consultation, the Group revised the long-term incentive plan in accordance with the comments and expectations of shareholders. The remuneration policy was revised accordingly and approved by the remuneration committee.

Being a highly regulated industry, ongoing challenges for the Group include rapid changes in the regulatory environment and onerous regulations that have a direct impact on its operations, and, in addition, the Competition Commission's market inquiry in respect of the general state of competition in the private sector healthcare industry. Other regulatory changes include POPI, proposed amendments to the National Health Act and proposed amendments to regulations in terms of the Medical Schemes Act.

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

Governance of international businesses

In an effort to better leverage the Group's international presence, drive operational excellence and grow shareholder value across all of Life Healthcare's geographies, an international executive committee (exco) has been established. The international exco comprises the following individuals:

- Life Healthcare
  - André Meyer, Chief Executive Officer (CEO)
  - Pieter van der Westhuizen, Chief Financial Officer (CFO)
  - Jonathan Lowick, Group Executive Business Development and International
- Scanmed Multimedis
  - Joanna Szyman, Chief Executive Officer
- Max Healthcare
  - Rajit Mehta, managing director

The first meeting was held from 9 to 11 July 2015 and future meetings will be convened quarterly.

Scanmed

Scanmed is now a wholly owned subsidiary of the Group and it is in the process of implementing Group governance structure and standards. The supervisory board comprises senior management from the Group and two independent directors. The management board comprises Scanmed's senior management. A separate audit committee has not been established, as part of the supervisory board's responsibilities requires it to consider matters that would ordinarily be considered by an audit committee. Proposals for an internal audit function are currently under consideration.

In February 2015, members of the investment committee visited Poland where they had an opportunity to view the assets and meet with the Scanmed management.

Max Healthcare

Max Healthcare is subject to stringent governance requirements as provided for in India's Companies Act, 2013.The Group CEO, and Group Executive Business Development and International serve on the Max Healthcare board. In addition, the CEO serves as a member of the medical excellence and compliance, and investment and performance review board sub-committees. The Group Executive Business Development and International serves on the scientific projects and technology, nomination and remuneration, audit, and investment and performance review board sub-committees. The minutes of audit committee meetings are tabled at the Life Healthcare audit committee for noting.

Acquisitions

International acquisitions

The acquisition of 100% of Kliniki Kardioligii Allenort (KKA) and Sport Klinika and the acquisition of 49.93% of Carint Scanmed through Scanmed Multimedis, the finalisation of the Max equalisation transaction and the acquisition of Pushpanjali Crosslay Hospital by Max Healthcare followed responsible and robust governance processes. The processes were managed by senior members of the management team and included independent valuations and external advisors. The transactions were reviewed by the investment committee and the following matters, *inter alia*, were considered by the committee prior to making the final recommendations to the board for approving the transactions:

- valuation of the business and expected return on investment;
- funding of the acquisitions and debt capacity;
- due diligence reports;
- Group and country-specific strategies;
- key terms of the revised shareholder arrangements, including the composition of the Max Healthcare board; and
- shareholder affirmative rights with respect to the Max Healthcare acquisition of the Pushpanjali Crosslay Hospital (rebranded Max Vaishali Hospital).

South African acquisitions

In terms of local acquisitions, the Group acquired Genesis Clinic and the Careways wellness business. These acquisitions also followed responsible governance processes. The processes were coordinated by Group strategy and development and supported by legal, financial, human resources and operational staff who conducted the due diligence. The acquisitions were first considered by the internal growth committee which, in considering the acquisitions, reviewed, *inter alia*, the following criteria prior to recommending the acquisitions for approval to the executive committee:

- strategic fit for the businesses;
- expected return on investment;
- due diligence reports;
- sale of business conditions with respect to Careways; and
- preparation of integration plans for integrating these businesses into Life Healthcare's operations.

The value of the transactions fell within the delegated authority of the executive committee.

Competition Commission's market inquiry

Life Healthcare proactively engages and plays a key role in the inquiry process. Life Healthcare established an internal working group, with the support of legal and economic advisors, to engage and adequately prepare for the process of this inquiry.

Life Healthcare tabled a comprehensive submission to the market inquiry panel (the panel) on 31 October 2014 as per the timeline outlined by the panel. The stakeholder public submissions were published by the panel in February 2015. Life Healthcare submitted a response to the public submissions on 3 April 2015. The panel published the responses to the stakeholder submissions and these are being reviewed to prepare for the public hearings. Life Healthcare regularly engages with the technical team to process information requests and provide the team with the necessary data for the inquiry. The panel published an updated timetable on 16 October 2015, indicating that the Commission will publish the inquiry report and recommendations during December 2016.

Going forward

The board's priorities for 2016 are, *inter alia*:

- performance of the southern African business;
- diversifying the earnings through international business expansion; and
- quality improvement to positively impact clinical and quality outcomes.

Mustaq Brey
Chairman

Corporate governance plays a vital role in sustainable growth

Governance structure

The board sets the strategic objectives of the Group, determines investment policy and performance criteria, and delegates the detailed planning and implementation of policies to management 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.

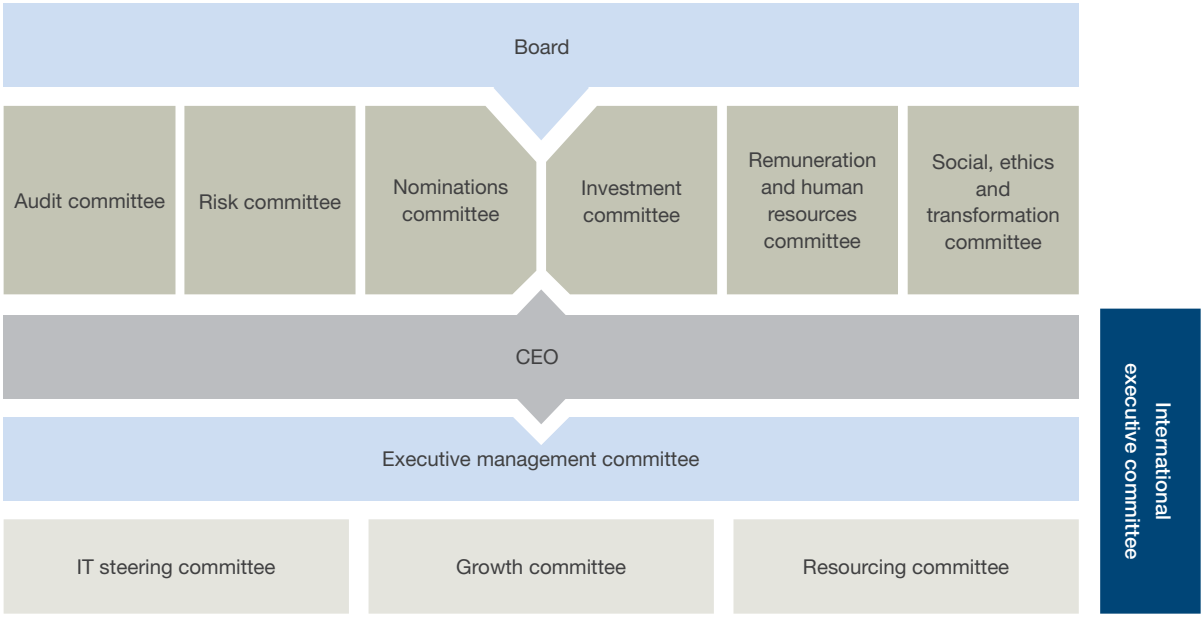
The role of the board is regulated in a formal board charter, which defines its authority and power. In accordance with its charter, the responsibilities of the board include:

- 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 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.

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

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.

Governance structure



The board of directors and executive management team, their qualifications and experience are set out on pages 96 to 99.

Board composition

The board comprised 10 directors as at 30 September 2015. The composition of the board included seven independent non-executive directors; one non-executive director; and two executive directors, reflecting an appropriate balance between the executive and non-executive directors. The names of the directors as at 30 September 2015 and a brief biography are detailed on pages 96 and 97. Mpho Nkeli was appointed to the board effective 1 October 2015.

Mustaq Brey, a non-executive director, is the Chairman of the board. In accordance with King III, Peter Golesworthy is the lead independent non-executive director. André Meyer, an executive director, is the Chief Executive Officer. The roles of Chairman and Chief Executive Officer are separate and there is a clearly outlined division of responsibilities.

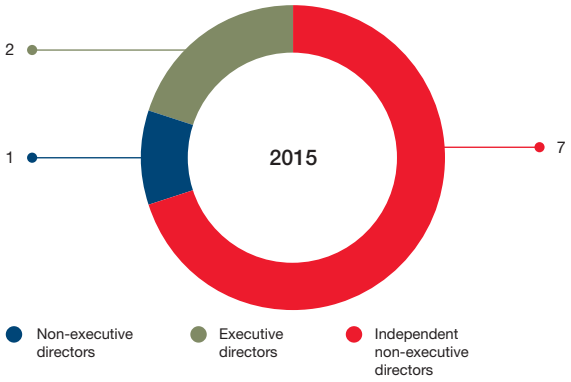
In compliance with JSE Listings Requirements, non-executive directors do not participate in any share incentive or option scheme of the Group.

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 have 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 to further 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.

Board composition (number)



When appointing directors, the board considers its needs regarding expertise, experience, diversity including gender diversity and number of members. Whilst the board does not have a target in place for the number of male and female board members, preference will be given to female candidates of colour who meet the necessary criteria, should a vacancy arise. 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 in office longest since their last election or appointment. The Chief Executive Officer and Chief Financial Officer are included in determining the rotation of retiring 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 communication and cooperation between the directors and executive management.

The board meets quarterly and on an ad hoc basis to consider specific issues as needed. The board and management meet annually to review strategy and agree on focus areas. Where directors are unable to attend board meetings for any reason, every effort is made to communicate their comments regarding the agenda and general items.

Directors' attendance at board and sub-committee meetings

	Board	Audit committee	Risk committee	Nomi-nations committee	Investment committee	Remune-ration and human resources committee	Social, ethics and trans-formation committee
Number of meetings held							
Chairman							
MA Brey[1]	3/5			3/3	7/8		
Independent non-executive directors							
Adv FA du Plessis[2]	3/3	2/2					1/1
PJ Golesworthy[3]	5/5	4/4	3/3	3/3	8/8		
Prof ME Jacobs	5/5		1/3			4/4	
LM Mojela	5/5	4/4		3/3		4/4	3/3
JK Netshitenzhe[4]	5/5		3/3				2/2
Dr MP Ngatane	5/5			3/3			3/3
GC Solomon[5]	4/5	2/2			8/8	4/4	
RT Vice	5/5	4/4			8/8	4/4	
Executive directors							
A Meyer	5/5		3/3		8/8		3/3
PP van der Westhuizen	5/5		3/3		8/8		

[1] *Non-executive director – attends all the board sub-committee meetings as an invitee where he is not a member.*
[2] *Retired 28 January 2015.*
[3] *Lead independent non-executive director appointed chairman of the nominations committee on 13 November 2014.*
[4] *Appointed to the social, ethics and transformation committee on 29 January 2015.*
[5] *Appointed to the audit committee on 29 January 2015.*

Board accountability

Code of ethics

The board is responsible for ensuring that management embeds a culture of ethical conduct and sets the values by which the Group abides. As such, Life Healthcare's code of ethics (the code) commits employees to the highest standards of integrity, ethics and business conduct. In living the values the Group has earned a reputation in the industry for fairness and ethical behaviour in all its business dealings and processes. The code is available at www.lifehealthcare.co.za.

Allegiance to the code is the starting point from which employees draw guidance for behaviour within the Group. The code sets out policies and procedures to be followed in all aspects of 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 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 fraud. Executives and line management are responsible for implementing procedures against fraud and corruption.

In tandem with the code, individuals from Life Healthcare are represented on the South African Nursing Council, and the Professional Conduct committee that monitors professional misconduct within the nursing profession. Professional employees are encouraged to become members of their professional associations.

The ethical standards of the Group, as stipulated in the code, are monitored to track achievement. In the case of non-compliance, appropriate disciplinary action is taken as Life Healthcare responds to offences and aims to prevent recurrence. New employees are familiarised with the guiding principles contained in 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 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. The board delegates responsibility for the adequacy and operation of these systems to the Chief Executive Officer. These records and systems are designed to safeguard assets and minimise fraud. The 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 board 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 and 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 can 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.

Induction and training of directors

It is important that directors are kept up to date with their duties and changes in the organisation. On appointment, new directors are briefed on their fiduciary duties and responsibilities by executive management. New directors receive information on JSE Limited Listings Requirements, King III, Companies Act and obligations 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.

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 with the current board composition.

Independence and conflicts of interest

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 King III, 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 its independence criteria for the 2015 financial year.

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. Directors present an updated list of their directorships and interests to the Company Secretary on an annual basis, or when a change has occurred.

Board evaluation

Following the 2014 external evaluation by Pricewaterhouse-Coopers of the board, sub-committees, directors and the Chairman, the nominations committee agreed that an external evaluation will be conducted every three years. The internal 2015 evaluation was conducted through questionnaire-based assessments under the auspices of the nominations committee. Overall the board and sub-committees were found to be operating effectively. The following issues were highlighted:

- the role of the board in stakeholder engagement needs to be more clearly defined;
- the board's desire to interact more broadly across the organisation to gain a better understanding of the operations; and
- the implementation of succession planning for the board going forward.

The prior year external assessment identified two key focus areas – stakeholder framework and performance metrics for the board and Chief Executive Officer:

- A formalised stakeholder framework was developed particularly in relation to the establishment of doctors' forums and engagement with doctors and employees.
- Performance metrics were developed for the Chief Executive Officer and approved by the board.

Company Secretary

The role of Fazila Patel as Company Secretary is to guide the board in 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 King III.

She plays an active role in the Group's corporate governance process and ensures that the proceedings and affairs of the directorate, the Group 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 Limited Listings Requirements.

In line with King III and paragraph 3.84(i) and (j) of the JSE Limited Listings Requirements, the board assessed the competence, qualifications and experience of the Company Secretary through a formal evaluation process conducted under the auspices of the nominations committee. Following the assessment, the board is of the view that she has the requisite qualifications and expertise to effectively discharge her duties. Fazila Patel's qualifications and biography are on page 99.

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 that could result in a conflict of interest.

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 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 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 role of the board sub-committees is formalised by terms of reference which define their authority and scope. All sub-committee terms of reference were reviewed and amended where relevant. The amendments are highlighted in the table on pages 89 to 91.

Committee	Members	Roles and responsibilities	Key changes to terms of reference
Audit committee	*Chairman* • Peter Golesworthy *Members* • Adv Fran du Plessis[1] • Louisa Mojela • Royden Vice • Garth Solomon[2]	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.	No amendments were required.
Risk committee	*Chairman* • Joel Netshitenzhe *Members* • Peter Golesworthy • Prof Marian Jacobs • Pieter van der Westhuizen • André Meyer	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 is managing the risks appropriately. Furthermore, management had action plans in place to mitigate the risks.	As part of the annual review of the risk committee's terms of reference, the terms were amended to provide for the following: • oversee the implementation of IT processes and governance mechanisms, IT frameworks, policies, procedures and standards; • ensuring IT governance alignment with corporate governance; and • review and approve annually the insurance renewal for the Group.

Committee	Members	Roles and responsibilities	Key changes to terms of reference
Nominations committee	*Chairman* • Peter Golesworthy[3] *Members* • Mustaq Brey • Louisa Mojela • Dr Malefetsane Ngatane	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.	As part of the annual review of the nominations committee's terms of reference, the committee was of the view that succession of the CEO and CFO should fall under the remit of the remuneration and human resources committee as this committee is responsible for senior management succession. Therefore, it was agreed that this be removed from the terms of reference of the nominations committee.
Investment committee	*Chairman* • Garth Solomon *Members* • Mustaq Brey • Peter Golesworthy • André Meyer • Pieter van der Westhuizen • Royden Vice	The committee evaluates investment proposals and makes appropriate recommendations to the board on annual budget parameters and capital expenditure for the Group.	As part of the annual review of the investment committee's terms of reference, it was amended to provide for the following: • The transaction approvals framework in relation to potential acquisitions was expanded to include any new lines of business or acquisitions in new geographies; • Material was defined to mean the amount of R80 million in accordance with the delegation of authority document, this amount will be reviewed annually by the investment committee; • Investment into any foreign geography greater than R40 million, this amount will be reviewed annually by the investment committee; and • Any equity injection into a foreign territory/operation would be subject to review by the investment committee.

Committee	Members	Roles and responsibilities	Key changes to terms of reference
Remuneration and human resources committee	*Chairman* • Royden Vice *Members* • Prof Marian Jacobs • Louisa Mojela • Garth Solomon	Assists the board to ensure that the Group has a clearly articulated remuneration philosophy and that: • the design and implementation of remuneration structures are consistent, fair, legally compliant and equitable; • employees and executives are fairly remunerated; and • the disclosure of non-executive director and executive director remuneration is accurate and transparent.	As part of the annual review of the remuneration and human resources committee, the views of the nominations committee were taken into account and the terms of reference were amended to ensure that formal succession plans for the CEO and CFO are developed and implemented.
Social, ethics and transformation committee	*Chairman* • Louisa Mojela *Members* • Adv Fran du Plessis[1] • André Meyer • Dr Malefetsane Ngatane • Joel Netshitenzhe[4] • Dr Nilesh Patel[5]	The social, ethics and transformation 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. The report from this committee is detailed on pages 123 and 124.	No amendments were required.

[1] *Retired 28 January 2015.*
[2] *Appointed to the committee 29 January 2015.*
[3] *Appointed 13 November 2014.*
[4] *Appointed to the committee 29 January 2015.*
[5] *Chief Operating Executive – Healthcare Services.*

Codes, regulations and compliance

The board is responsible for the Group's compliance with applicable laws, rules, codes and standards. Compliance is an integral part of the Group's culture in 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 Limited Listings Requirements and King III.

Statement of compliance with King III

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

- The two main areas of non-compliance for the period under review relate to:

  Not all sustainability reporting and disclosures are independently assured, which is an area where the Group does not fully apply King III. The board is satisfied that the combined assurance process followed provides sufficient assurance over the accuracy and completeness of the integrated report.

  The board will periodically assess whether additional external assurance is required. Refer to page 3 for disclosure and assurance approach relating to the integrated report.

- The Chairman of the board is not an independent non-executive director. In accordance with King III, a lead independent non-executive director has been appointed.

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

Key regulations

The table below lists the key regulations that impact 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 84 of the annual financial statements.
National Health Act's Certificate of Need	The proclamation effecting these provisions was set aside by the Constitutional Court during the year.
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 relating to the premature inclusion of the National Health Act section 36 criteria (certificate of need), and certain inappropriate anomalies and conditions that exist within this Act. Final regulations were published in September 2014 with no major changes to the draft regulations. This resulted in Life Healthcare challenging the Department, through HASA, in the Free State High Court and this matter is currently ongoing.
National Health Act's Office of Health Standards Compliance	The Minister of Health intends to set norms and standards for quality, in terms of the National Health Act, 61 of 2003. These norms and standards will be aligned with the norms and standards for health establishments as published by the Office of Health Standards Compliance. The draft norms and standards were published for comment in March 2015. Life Healthcare has reviewed the documents and presented its comments to HASA. HASA attorneys have prepared the consolidated version incorporating the various groups' feedback for submission to the Minister. HASA has submitted collective comments on the Regulations and these highlight the many issues contained in the regulations. Feedback is awaited from the department.
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 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 which the Minister indicated during the Parliamentary Health committee, would be available shortly. This has subsequently been released on 11 December 2015. 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)	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 POPI requirements, how they will impact the business unit and actions required to ensure compliance going forward. The executive management committee approved the appointment of a project manager who will be responsible for the management and implementation of POPI within the Group. Following a request for proposal process, Deloitte has been appointed with effect from 1 October 2015 to assist in the implementation of POPI.
Labour Relations Amendment Act	The Labour Relations Amendment Act, 2014 came into effect on 1 January 2015. The amendment introduced significant changes to the regulation of non-standard forms of employment (part-time), namely temporary employment services (agency staff), employees on fixed term employment contracts and sessional employees. In this regard, a part-time employee that works continuously for more than three months, averaging 24 hours per month, will be deemed to be an employee and should not be treated less favourably than his/her permanent counterparts. These regulations are applicable to employees who earn an amount equal to or less than the earnings threshold determined by the Minister of Labour from time to time (currently R205 433.30 per annum). Life Healthcare obtained an opinion from its legal advisors on the practical implications for the Group and the following steps are being taken: • We are creating a permanent on-demand employment contract. This will be a contract for all non-permanent, below threshold employees who work for the Group on an ad hoc basis for periods exceeding three months (not necessarily consecutively). Such employees will be employed permanently, but will only be paid for hours worked. The hourly pay rate for such employees will include the value of perquisite benefits. • Analysing below threshold non-permanent and agency staff employees and migrating to contracts of employment based on their working patterns with the Group.
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, 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, 2013	The Employment Equity Amendment Act, 47 of 2013 came into effect on 1 August 2014. Section 6(4) of the Act introduced the principle of equal pay for work of equal value. The Group has gathered personal information on all staff in terms of experience, qualifications, special skills, etc. to deal with any apparent salary disparity issues. Interrogation of the data submitted has revealed shortcomings in the accuracy of the data submitted by employees. Steps have been taken to address the aforementioned issue.
Proposed amendments to the Medical Schemes Act (MSA)	The proposed amendments attempt to introduce certain limitations on prescribed minimum benefits which is not currently the case under the MSA. In addition the section also attempts to make prices charged by medical professionals dependent on a 2006 NHRPL tariff that was ruled unlawful by the courts during previous HASA litigation. Life Healthcare have submitted comments on these proposed amendments, through HASA, wherein it challenges the basis of the proposed amendments as unlawful.

Other reporting requirements

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 or director 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, the Group was not involved in any material litigation or arbitration proceedings nor are the directors aware of any pending or threatened legal issues, which may have a material impact 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 (2014: nil).
IT governance	Refer to page 59.

Compliance is an integral part of the Group's culture

Board of directors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1. MA (Mustaq) Brey (61)
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 and Lion of Africa Insurance Company Limited. He serves on the audit committee of the Mandela Rhodes Foundation and is an independent director and chairman of finance committee of Western Province Cricket Association. He was appointed to the Life Healthcare board of directors in 2005 and appointed as Chairman in February 2013.

2. A (André) Meyer (49)
Chief Executive Officer

South African

André has over 29 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 healthcare consultants division. A year later, 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.

3. PP (Pieter) van der Westhuizen (44)
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.

4. Adv F (Fran) du Plessis (60)
Retired 28 January 2015, independent non-executive director

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

Fran is an advocate of the High Court of South Africa. Fran has previously held non-executive directorships at Naspers Limited, Standard Bank Group Limited, ArcelorMittal South Africa Limited, Sanlam Limited and SA and Industrial Development Corporation of South Africa Limited. She is 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. She retired from the Board in January 2015.

5. PJ (Peter) Golesworthy (57)
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.

6. Prof ME (Marian) Jacobs (67)
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 at the National Department of Health and serves several global health organisations, including the World Health Organisation. Previous positions held include Professor and Head of Department of Paediatrics and Child Health, and founding director of the Children's Institute in the Faculty of Health Sciences at the University of Cape Town. Marian was appointed to the Life Healthcare board of directors in 2014.

7. LM (Louisa) Mojela (59)
Independent non-executive director

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

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.

8. JK (Joel) Netshitenzhe (58)
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. He is a member of the ANC national executive committee and was a member of the first National Planning Commission (2010 – 2015). Joel serves as a non-executive director on the boards of Nedbank Group, the Council for Scientific and Industrial Research (CSIR) and CEEF Africa (a section 21 company dealing with tertiary education opportunities). He is also a programme pioneer of the Nelson Mandela Champion Within Programme. He 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.

9. Dr MP (Malefetsane) Ngatane (61)
Independent non-executive director

South African – BSc, MBChB, FCOG

Malefetsane 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. Malefetsane 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. He is also the vice-president of the African Boxing Union based in Tunisia and previously served as treasurer for the International Planned Parenthood Federation in Nairobi. He was appointed to the Life Healthcare board of directors in 2007.

10. 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.

11. RT (Royden) Vice (68)
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

Back left to right: Rajit Mehta, Denis Scheublé, Jonathan Lowick, Fazila Patel, Lourens Bekker, Dr Steve Taylor, Dr Nilesh Patel, Joanna Szyman, Anton van Loggerenberg, Adam Pyle (Strategy Funder and Investor Relations Executive) *Middle:* Dr Sharon Vasuthevan *Front left to right:* Janette Joubert, André Meyer, Yvonne Motsisi, Pieter van der Westhuizen

1. André Meyer (49)
Chief Executive Officer

Refer board of directors.

2. Pieter van der Westhuizen (44)
Chief Financial Officer

BCom (Acc), CA(SA)

Refer board of directors.

3. Lourens Bekker (56)
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 industrial relations manager, integration manager and regional hospital manager. He was appointed Chief Operating Executive (COE) inland region in 2011.

4. Janette Joubert (55)
Group Support Services 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 the executive in 2010 with responsibilities for pharmacy operations and professional and legal practice, Group procurement and pharmaceutical procurement. In 2015 she took on the additional responsibility for engineering and laundry.

5. Jonathan Lowick (45)
Group Executive: Business Development and International

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 growth and international investments.

6. Rajit Mehta (53)
Max Healthcare, Managing Director

MBA (Personnel Management and Industrial Relations)

Rajit is a non-executive director at Max Life Insurance and is a trustee of the Max India Foundation. Prior to Max Life Insurance, he was the Director – Personnel at Bank of America and has also worked with HCL. His total experience spans nearly three decades. Rajit is a graduate in Commerce, post graduate in Human Resources and has also attended an Advanced Management Programme at INSEAD – France.

7. Yvonne Motsisi (52)
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.

8. Dr Nilesh Patel (46)
Chief Operating Executive – Healthcare Services

MBChB, MPhil *(cum laude)*

Nilesh is a medical doctor. He started his career 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 South Africa 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 of Managing Director of Life Esidimeni until appointment to his current position in 2009. He is responsible for the Healthcare Services portfolio including the Life Esidimeni, Life Occupational Health and Careways business units and also for the Group's quality and clinical product (acute rehabilitation, mental health and renal dialysis) support functions.

9. Denis Scheublé (61)
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.

10. Joanna Szyman (38)
Scanmed Multimedis, Chief Executive Officer

MA (business ethics), PGDip (commercial law; personnel and organisational management; healthcare management)

Joanna is a management and healthcare specialist, with MA in personnel and organisational advisory and postgraduate diplomas in commercial law, and in healthcare management. Joanna has eight years' experience in the private healthcare sector as the CEO of one of the largest private medical groups in Poland. In the period 2002 – 2008 she worked in the banking and insurance sector, where she developed a high level of competence in risk management. In her everyday work she concentrates on promoting highest quality standards in medicine and corporate social responsibility. She received numerous rewards for outstanding achievements in healthcare facilities management and social involvement.

11. Dr Steve Taylor (58)
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. Since October 2010 he has held the post of Group Medical Director. He serves on the boards of the HASA, COHSASA and the Frere Hospital.

12. Anton van Loggerenberg (46)
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 Information Management Executive.

13. Dr Sharon Vasuthevan (57)
Group Nursing and Quality Executive

BCur, BCur Honours, MSc, PhD

Sharon joined the Group in 2001 as national training and development manager. She is currently responsible for Quality, Nursing practice, Infection prevention and control and the Life College of Learning. Sharon serves on various committees and societies, is president of the Nursing Education Association (NEA) and vice-president of the Academy of Nursing in South Africa. 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.

14. Dr Kamy Chetty (55)
Resigned 30 June 2015, 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' experience in the public health sector in senior management positions. She was Deputy Director General of 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. After leaving government, she was appointed as head of strategic relations at Medscheme, a medical aid administrator. Kamy was appointed as Strategic Relations and Health Policy Executive on 1 May 2014 where she was responsible for stakeholder and government relations, and health policy.

15. Chris Gouws (55)
Resigned from exco 31 October 2014, Group Human Resources Executive

BCom (Hons), DPLR (SBL Unisa)

Chris held a number of senior human resources management positions at Eskom and joined Afrox in 2001 as compensation and benefits manager. He transferred to Afrox Healthcare in 2004 as compensation and benefits manager and principal officer of the company's sponsored retirement funds. He was appointed as Group Human Resources Executive in 2013. He continues to serve the Group as the general manager HR Services.

16. Peter Scott (51)
Resigned 31 May 2015, Group Human Resources Executive

BA

Peter re-joined the Company on a contract as Head of Human Resources in November 2014. He previously held this position from 2002 to March 2013. His experience in human resources has spanned several years in a corporate and consulting environment with organisations that included Accenture Proprietary Limited, Standard Bank Limited and CNA Limited.

17. Fazila Patel (47)
Company Secretary

BA, LLB, Cert Programme in Corporate Governance

Fazila gained extensive experience as legal advisor 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 Group risk, the Group's legal department and the insurance division. She is a trustee of the Life Healthcare Foundation Trust.

Remuneration report

The objective of the Group's remuneration strategy is to enable Life Healthcare to attract and retain key talent and to motivate and reward employees appropriately to ensure the achievement of key organisational objectives.

Business objectives, market competitiveness, employee growth and development, the retention of scarce and specialised skills, and legislative compliance all inform the remuneration philosophy. Our remuneration strategy aims to:

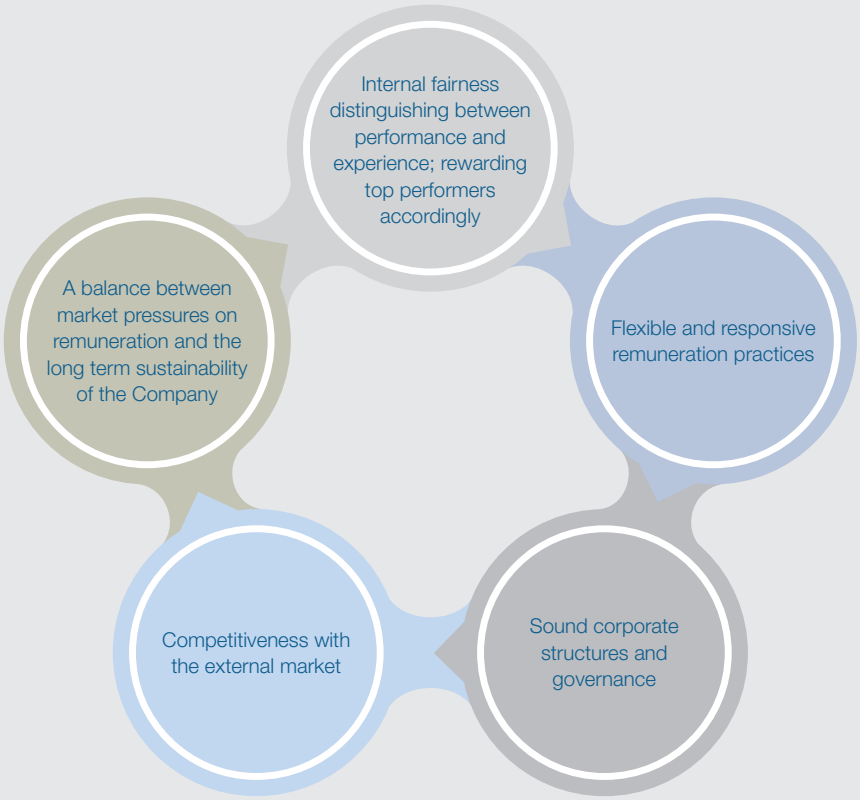
- align management interests with those of shareholders;
- encourage innovation and progress;
- offer organisational support aligned to the vision and direction of the Company goals and strategy;
- be flexible to adapt and change as the business responds to market forces; and
- continually monitor its efficacy to ensure that the unique needs of the employee and the Company are being met.

Life Healthcare 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, the remuneration strategy aims to attract and retain the talent that is required to give effect to these objectives. The Group targets a mix of remuneration elements to align reward strategy to its stated objectives.

The following aspects are considered in the delivery of a compelling value proposition to employees:

- job evaluation/job sizing;
- design and implementation of remuneration structures based on a unique mix of remuneration elements specific to Life Healthcare;
- development of integrated performance management systems;
- bonus, incentive, and employee ownership plans;
- non-monetary rewards; and
- software/administrative systems to support remuneration strategy.

At a practical level, the Group strives for:

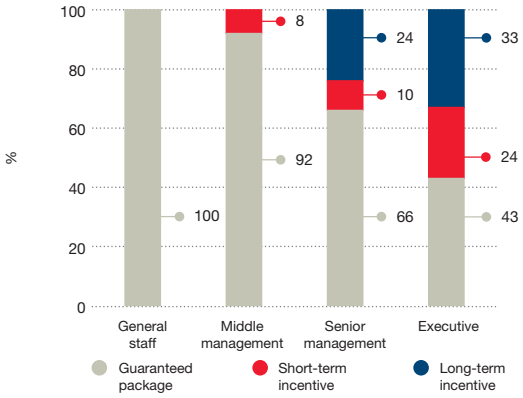


Total cost to company (remuneration) is communicated to staff when they start their employment at the Group and annually during the salary review process. High performance and quality are key drivers in the Company. We incentivise our management at every level through a rigorous goal setting process that aligns the need for consistent improvement in profitability with the longer-term ambition of achieving sustainable best practice.

To ensure a pay for performance link, short-term and long-term incentives compose a high percentage (29% to 52%) of total remuneration for senior management which are directly linked to these drivers, whilst junior categories of staff receive performance-linked increases.

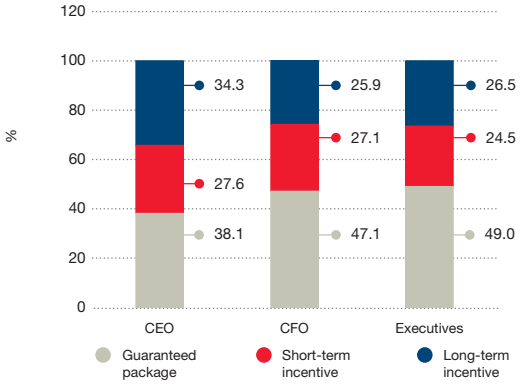
Remuneration mix

Annual reward and recognition awards



The Group offers more senior employees a combination of guaranteed package (GP), short-term incentives (STI) and long-term incentives (LTI). 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, which was revised in 2015.

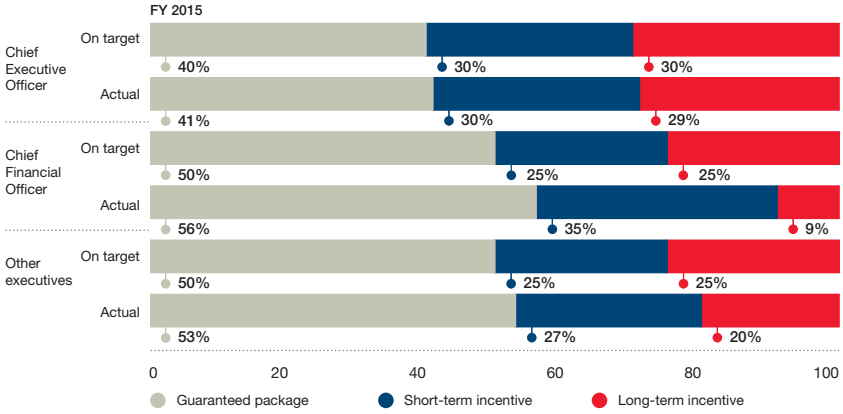
Source of remuneration for executives



Scanmed Multimedis, a wholly owned subsidiary in Poland, has a similar remuneration offering to Life Healthcare, i.e. guaranteed package, and short-term and long-term incentive plans. The Group subscribed to an international survey house to obtain benchmark management salaries for similar sized companies in the Polish market. The combined remuneration offering creates strong alignment to the Scanmed company financial performance and serves as a retention mechanism for key personnel. The management board presently comprises four individuals, namely the CEO, CFO, Medical Director and Commercial Director.

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

The remuneration mix for executives versus on-target performance is illustrated below



NOTES:

LTIP actual payments are based on 2012 vested allocations, except for the Chief Executive Officer whose date of appointment was only 1 March 2014, thus "on-target" figures are reflected for illustrative purposes.

LTIP actual payment for the Chief Financial Officer was low due to allocations made prior to his promotion to this position.

Guaranteed remuneration

The Group conducts appropriate peer group benchmarking of remuneration. The Group participates in a number of salary surveys to substantiate its remuneration data. Our pay line is benchmarked at the market median, but adjusted where market imperfections distort the slope on the pay line. Individual pay rates per job are influenced by market rates for such roles and current pay rates in the Group. 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.

Base salary

- Attraction and retention of key employees.
- Internal and external equity (market link).
- Rewarding individual performance.

Benefits

- External market competitiveness.
- Integrated approach towards wellness, driving employee effectiveness and engagement.

Allowances

- Compliance with legislation.
- Key focus on attraction and retention of clinical skills.
- Specialist allowances are paid for specialised staff to recognise skills and incentivise and retain staff[1].
- Other variable allowances are paid for additional services rendered.

Guaranteed package

- Salaries are benchmarked against healthcare market data.

[1] *Allowances*
The Group rewards skills by granting higher specialist allowances to employees who have attained specific additional qualifications to enhance their knowledge, skill and quality of care to the patient/client. A differential between qualified and experienced specialist allowances exists to encourage staff to further their education and thus heighten the professionalism and excellence of the Group.

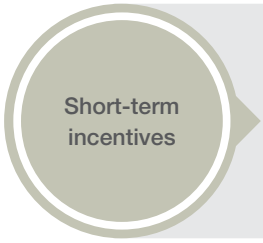
An average increase of 6.5% in guaranteed package was granted to the executives in the 2015 salary review. A higher percentage increase (22.7%) was granted to the Chief Financial Officer due to a low comparative ratio to market. The Chief Executive Officer was granted a 6% increase.

Employee benefits

The benefits that form part of total cost to company include the following:

Retirement funds	The Company operates two defined contribution retirement funds: • The Life Healthcare Provident Fund (LHC Provident Fund) • The Life Healthcare DC Pension Fund (LHC DC Pension Fund) All new employees become members of the LHC Provident Fund. 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 149 active members and 262 pensioners, whilst the Lifecare Group Holdings Pension Fund provides benefits to 17 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. The Company offers the full range of Bonitas options in addition to Discovery Health medical scheme options. In addition, medical aid membership is voluntary for employees who earn below a certain salary level. However, the Company will, in instances where employees opt not to join a medical aid, procure a primary health benefit for such employees. This benefit covers, via a bespoke network, doctors' consultations, medication and a certain number of prescribed minimum benefits.
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.

Short-term incentives



- Alignment with Group and business unit performance.
- Individual performance which includes transformation and quality.
- Rewards performance against targets.

The Group 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 Group'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.

We recognise the importance of measuring progress to ensure that programmes implemented are valuable and progressive and to highlight areas of weakness that need special focus.

Life Healthcare variable compensation plan

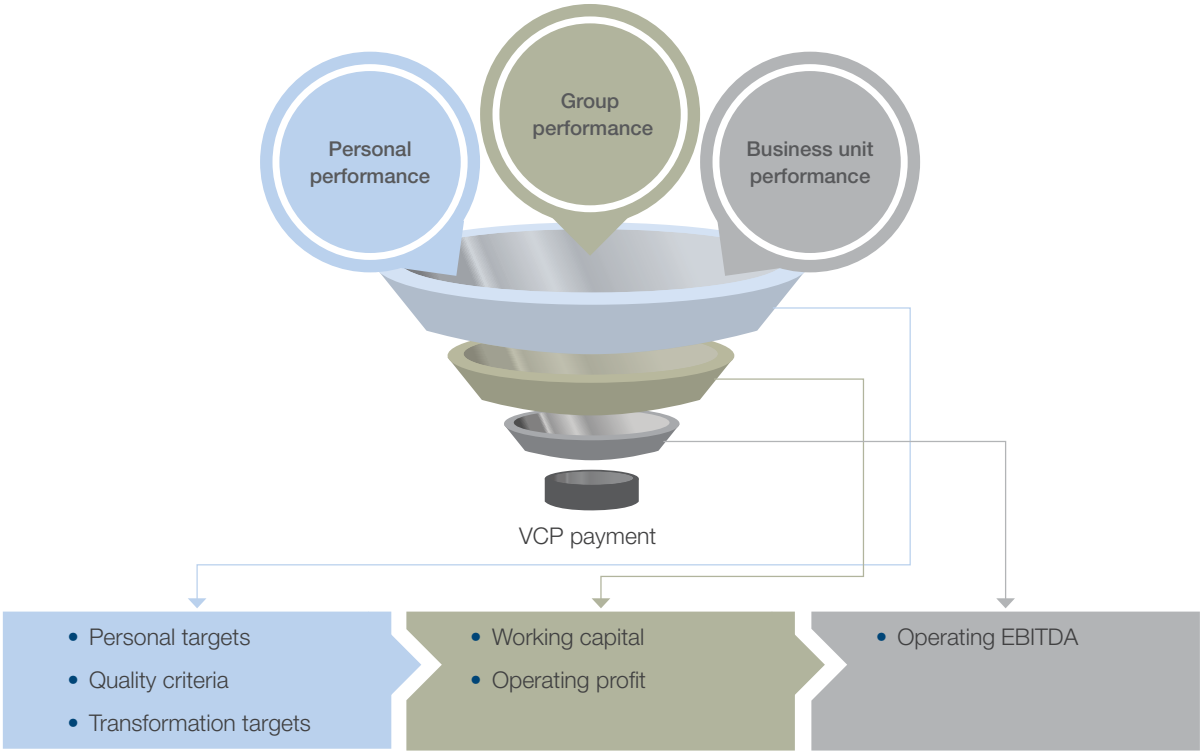
The following improvements have been made to the scheme to enhance the line of sight of operational and enabling managers:

- targeted reward payments based on organisational level were improved to increase the performance element of the remuneration mix. Managers forfeited a portion of their annual salary increase to accommodate this improvement; and
- the percentage weightings ascribed to the measures were adjusted to ensure greater focus on line of sight measures.

Components of the Variable Compensation Plan (VCP)

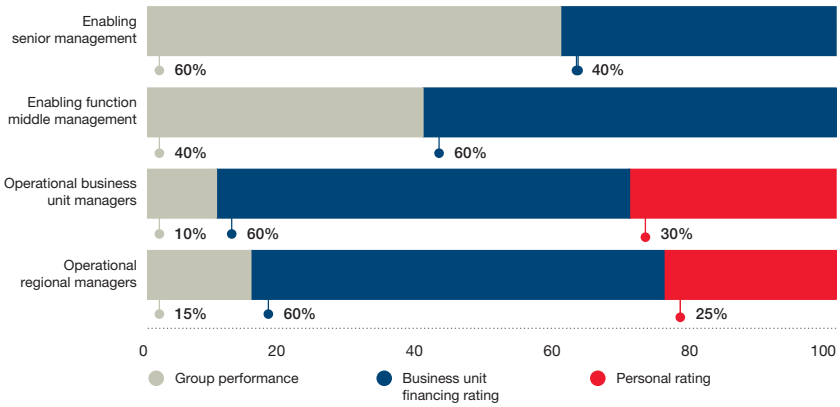
Payments under the VCP are based on personal and financial performance (which is either business unit performance, or a combination of Group and business unit performance).

Both Group and business unit financial scores are quantitative and prescriptive in nature, whilst the personal rating is more qualitative and discretionary and has the CEO's final input for governance purposes.



- **Group performance** is measured against operating profit and working capital targets.
- **Business unit performance** is the financial performance of the operational manager's specific business unit(s) for which he/she is responsible. This target has a higher weighting than the other two criteria because managers have greater line of sight on these results. This measure is apportioned into varying weighted criteria that are measured against agreed targets. The criteria include operating EBITDA and working capital.
- **Personal performance** is a more subjective measurement and includes overall performance of the individual in carrying out his/her job requirements, transformation and quality outputs.

VCP measures



Enabling senior management: Management in a supportive role with financial/group responsibility.

Enabling function middle management: Management fulfil a supportive role to business results.

Operational business unit managers: Management has greater line of sight to their business unit's financial results.

Operational regional managers: Management has regional responsibility with greater influence on Group financial results.

On-target and maximum payments

The level of potential reward has been industry benchmarked and directly influences total remuneration. A targeted percentage, ranging from **10%** to **72.5%** of salary (maximum reward **18.5%** to **149.4%** of salary), represents a theoretical on-target reward, should the targeted objectives be met, which escalates as responsibility increases. However, actual reward may exceed this percentage if targets are exceeded. Maximum rewards are as follows:

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

This means that the Chief Executive Officer can earn up to **R7.3 million** and the Chief Financial Officer can earn up to **R2.9 million** in short-term bonus (based on current remuneration). This figure assumes maximum outperformance in all measures.

The Company results for the 2015 financial year resulted in the following payments to the executive directors:

ACTUAL REWARD TO EXECUTIVE DIRECTORS

Chief Executive Officer

The CEO achieved a weighted performance of **101%** against personal and financial targets resulting in payment of **R3.7 million.**

Chief Financial Officer

The CFO achieved a weighted performance of **109%** against personal and financial targets resulting in payment of **R1.6 million.**

The Group emphasises pay for performance and business and/or personal performance below a set threshold will result in non-payment of incentives.

Performance conditions and targets

Targets are reasonably set to stretch performance without being unattainable.

Scanmed Short-Term Incentive Scheme (Poland)

A short-term variable scheme (VCP) is paid to the management board of the Scanmed company and allocations are based on seniority. Payment is made every six months and is based on the following:

	Weighting	
Measures	**CFO**	**Management team**
Financial performance	70%	50%
Personal performance	30%	50%

Long-term incentive plan (LTIP)

Long-term incentives

- Direct alignment with shareholders' interests by making the award conditional upon the achievement of targets.
- Awards are made annually to eligible managers.
- Scheme is reviewed annually to ensure its continuous alignment to strategic goals.
- Recently extended to senior management of Scanmed.

The purpose of the LTIP is to 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 plan is:

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

Life Healthcare decided to make no further allocations in terms of the 2012 long-term incentive plan. The services of consultants were procured to advise the Group on the design of a revised long-term incentive plan. The final design was peer reviewed by an independent expert and allocations in terms of the new scheme were made effective 1 September 2015.

Allocations made to participants in terms of the previous plan will vest according to the scheme criteria and the last allocations made in terms of the plan (2014 allocations) will vest in January 2017.

Historical Life Healthcare LTIPs

The historical LTIPs, with active allocations, in Life Healthcare are as follows:

<table>
<tr><th>2010 to 2011 LTIP</th><th>2012 to 2014 LTIP</th></tr>
<tr><td colspan="2">The long-term incentive scheme is a hybrid plan that combines a
• pure unit appreciation component; and
• a performance share component.
The scheme is cash settled and pays out after three years.</td></tr>
<tr><td colspan="2">Performance levels of participants in this plan influence the quantum of initial allocations. The quantum of reward increases with seniority and is industry benchmarked.</td></tr>
<tr><td colspan="2">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.</td></tr>
<tr><td colspan="2">The determinants of reward (average growth over three years) are:
• EBITDA (average growth)
• RONA
– (2010 to 2013 – 35% threshold – 38% on target – 44% + maximum award)
– (2004 only – 45% threshold – 47% on target – 54% + maximum award)</td></tr>
<tr><td colspan="2">Managers may invest payment from the LTIP 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.</td></tr>
<tr><td>The election to co-invest is made at the end of the initial three-year holding period and the co-invested shares then remain restricted for a further period of three years.</td><td>The election to co-invest is made at allocation date and the co-invested shares then remain restricted for a further period of two years.</td></tr>
<tr><td colspan="2">The co-investment shares, whether deferred or matched, will be purchased in the market and transferred to participants when vesting and settlement occurs.</td></tr>
<tr><td>The 2011 plan was settled in year 2014, and is subject to a three-year co-investment period.</td><td>The 2014 LTIP plan will be settled in year 2017, plus a two-year co-investment period.</td></tr>
<tr><td colspan="2">The plan was terminated during 2015 and no further allocations will be made. Historical allocations will vest and be paid out as per the agreed criteria.</td></tr>
</table>

2015 LTIP

The long-term incentive plan for 2015 has been revised to align with emerging market practice and to enhance alignment with shareholder interests.

The long-term incentive plan is a **notional performance share plan** for all senior managers and executives. The notional value of the performance shares is linked to the Company's share price. Allocations are made annually.

Allocation levels and maximum vesting

The value of the award is set to realise a targeted percentage of guaranteed package when vesting, assuming targeted performance levels are achieved. The quantum of reward increases with seniority and is market benchmarked. The maximum vesting for the CEO, CFO, executive directors and prescribed officers is as follows:

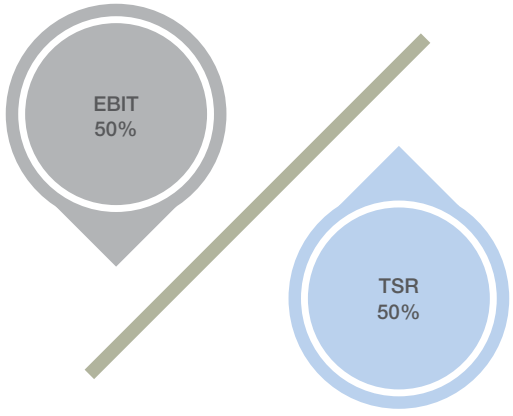
- CEO: 180% of total cost to company
- CFO: 120% of total cost to company
- Other executive directors/prescribed officers: 104% of total cost to company

Performance retention modifier

The allocation of units can be enhanced via a performance/retention modifier to retain key high-performing individuals, with no allocation for poor performance whilst the allocation for top performance may be enhanced up to 130%.

Vesting and settlement

All units vest at the end of the third year and the cash value is determined. The after-tax value is utilised to purchase Life Healthcare Group Holdings Limited shares on the open market, which are delivered to participants. The value of the performance shares will be determined by the listed share price of the Company using a 30-day volume weighted average price (VWAP).



Total shareholder return (TSR)

$$\text{TSR \%} = \frac{\text{Ending share price minus initial share price (plus all dividends received)}}{\text{Initial share price}}$$

Performance measures

For the 2015 allocations, two performance measures apply, namely total shareholder return (TSR) and earnings before interest and taxation (EBIT). These performance measures are also intended to be used for 2016 allocations.

The target TSR is set as relative to a comparator group of 27 listed companies, which are similar in size and investor profile. The comparator group excludes banks, telecommunications and resources but includes direct competitors in the private healthcare market. On vesting the actual TSR will be compared to the TSR of the comparator group. This determines the modifier for the number of performance shares vesting.

The reward hurdles relative to the comparator group are set as follows:

The target thresholds are set at date of allocation of units and vesting only occurs, starting at median performance. The multiplier for the performance shares will be on a sliding scale from 0% to 200% for each performance measure, thus complete outperformance in comparison to the comparator group results in 200% award.

Earnings before interest and tax (EBIT)
The internal financial measure of EBIT is the absolute performance measure that will be used to modify the value of the performance shares vesting. This measure will be set relative to inflation (CPI).

The reward hurdles are set as follows:

The target thresholds are set at date of allocation of units and no vesting occurs under CPI + 1%.

Allocations made to the executive prescribed officers for 2015 are as follows:

	Value of performance shares at allocation	Number of TSR performance shares (50%)	Number of EBIT performance shares (50%)	Total number of performance shares
CEO	R4 018 183	54 090	54 090	108 180
CFO	R1 601 859	21 563	21 563	43 126

Allocations date
The initial allocation was made on 1 September 2015 and will vest on 31 August 2018. All subsequent allocations will be made on 1 February and will vest on 31 January, three years after allocation.

LTIP Scanmed

The board approved the allocation of notional shares to the senior management team to ensure retention of key local skills for the continued success of the business by providing vested interest in the company.

- Two grants of notional shares were offered in the first year of allocation to enhance the initial retention value; the first grant will vest after two years (2016) and the second grant after three years (2017).
- The number of shares issued will target a pay-out of an agreed percentage of the guaranteed package based on seniority as benchmarked against the Polish market. This target pay-out is based on certain financial targets being met. If it grows below this level the award will be less and if it grows above this level, the award will be more.
- An annual valuation of the notional shares will be done based on agreed parameters which will inform the pay-out amount as well as the price at which the next year's allocation is made.
- On vesting management can either be paid out in cash (net of tax) or can utilise the proceeds to acquire actual shares in the company. This would be limited to a maximum of 2% of the company. The amount paid out will be the value of the shares at vesting less the issue price of those shares multiplied by the number of shares vesting. The maximum pay-out is limited to 300% of the targeted pay-out which would be achieved with a 30% p.a. increase in notional share price.

The supervisory board of Scanmed (Life Healthcare and independent executives) will review the valuation methodology on an annual basis to assess its efficacy as the company expands.

Employee share plan (ESP)

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

Commencing in 2012, the Company funded, via a trust, the purchase of shares to the value of R50 million per annum 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 for rights. The rights have been equally distributed to all qualifying employees.

The objectives of the plan 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 plan.

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.

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 plan are continuously achieved. Each allocation will be managed separately and will vest according to the same criteria.

The efficacy of the plan is proving advantageous as staff turnover for the qualifying participants has reduced substantially. A participant from the onset thus has 582.55 rights to shares as at 1 July 2015.

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.

Delivering innovative technology

Independent Assurance Report to the Directors of Life Healthcare Group Holdings Limited

We have been engaged by the directors of Life Healthcare Group Holdings Limited ("LHC" or the "Company") to perform an independent limited assurance engagement in respect of Selected Sustainability Information reported in the LHC's Integrated Report for the year ending 30 September 2015 (the "Report"). This report is produced in accordance with the terms of our contract with the Company dated 1 September 2015.

Independence and Expertise

We have complied with the International Federation of Accountants' (IFAC) Code of Ethics for Professional Accountants, which includes comprehensive independence and other requirements founded on fundamental principles of integrity, objectivity, and professional competence and due care, confidentiality and professional behaviour. Our engagement was conducted by a multi-disciplinary team of health, safety, environmental and assurance specialists with extensive experience in sustainability reporting.

Scope and Subject Matter

The following information in the Report was selected for an expression of limited assurance:

- Medical waste generated (kilograms per PPD) (page 23 and 69)
- Total patient incident rate (per 1 000 PPDs) (page 23 and 61)
- Total healthcare associated infections (per 1 000 PPDs) (page 23 and 61)
- Paid patient days (page 22, 37 and 53)

We refer to this information as the "Selected Sustainability Information".

We have not carried out any work on data reported for prior reporting periods, nor have we performed work in respect of future projections and targets. We have not conducted any work outside of the agreed scope and therefore restrict our opinion to the Selected Sustainability Information.

Respective responsibilities of the Directors and PricewaterhouseCoopers Inc.

The directors are responsible for the selection, preparation and presentation of the Selected Sustainability Information in accordance with the criteria set out in the Company's internally defined procedures presented throughout the Integrated Report (page 53, 61 and 69) and which have been marked by the symbol "A" of the Integrated Report referred to as the "Reporting Criteria". The directors are also responsible for designing, implementing and maintaining of internal controls as the directors determine is necessary to enable the preparation of the Selected Sustainability Information that are free from material misstatements, whether due to fraud or error.

Our responsibility is to form an independent conclusion, based on our limited assurance procedures, on whether anything has come to our attention to indicate that the Selected Sustainability Information has not been prepared, in all material respects, in accordance with the Reporting Criteria.

This report, including the conclusion, has been prepared solely for the directors of the Company as a body, to assist the directors in reporting on the Company's sustainable development performance and activities. We permit the disclosure of this report within the Report for the year ended 30 September 2015, to enable the directors to demonstrate they have discharged their governance responsibilities by commissioning an independent assurance report in connection with the Report. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the directors as a body and the Company for our work or this report save where terms are expressly agreed and with our prior consent in writing.

Assurance work performed

We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements 3000: Assurance Engagements other than Audits and Reviews of Historical Financial Information (ISAE 3000) issued by the International Auditing and Assurance Standards. These standards require that we comply with ethical requirements and that we plan and perform the assurance engagement to obtain limited assurance on the Selected Sustainability Information as per the terms of our engagement.

Our work included examination, on a test basis, of evidence relevant to the Selected Sustainability Information. It also included an assessment of the significant estimates and judgements made by the directors in the preparation of the Selected Sustainability Information. We planned and performed our work so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence on which to base our conclusion in respect of the Selected Sustainability Information.

Our limited assurance procedures primarily comprised:

- obtaining an understanding of the systems used to generate, aggregate and report the Selected Sustainability Information;
- conducting interviews with management at LHC's offices;
- applying the assurance criteria in evaluating the data generation and reporting processes;
- performing walkthroughs;
- testing the accuracy of data reported on a sample basis for limited assurance;
- reviewing the consolidation of the data at LHC's offices to obtain an understanding of the consistency of the reporting processes compared with prior years and to obtain explanations for deviations in performance trends; and
- reviewing the consistency between the Selected Sustainability Information and related statements in LHC's Integrated Report.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement under ISAE 3000. Consequently, the nature, timing and extent of procedures for gathering sufficient appropriate evidence are deliberately limited relative to a reasonable assurance engagement, and therefore less assurance is obtained with a limited assurance engagement than for a reasonable assurance engagement.

The procedures selected depend on our judgement, including the assessment of the risk of material misstatement of the Selected Sustainability Information, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation of the Selected Sustainability Information in order to design procedures that are appropriate in the circumstances.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Inherent limitations

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the subject matter and the methods used for determining, calculating, sampling and estimating such information. The absence of a significant body of established practice on which to draw allows for the selection of different but acceptable measurement techniques which can result in materially different measurements and can impact comparability. Qualitative interpretations of relevance, materiality and the accuracy of data are subject to individual assumptions and judgements. The precision of different measurement techniques may also vary. Furthermore, the nature and methods used to determine such information, as well as the measurement criteria and the precision thereof, may change over time. It is important to read the Report in the context of the internally defined procedures set out in the Report on pages 53, 61 and 69.

Conclusion

Based on the results of our limited assurance procedures performed, nothing has come to our attention that causes us to believe that the Selected Sustainability Information for the year ended 30 September 2015, has not been prepared, in all material respects, in accordance with the Reporting Criteria.

Other Matters

The maintenance and integrity of LHC's website is the responsibility of LHC's Directors. Our procedures did not involve consideration of these matters and, accordingly we accept no responsibility for any changes to either the information in the Report or our independent assurance report that may have occurred since the initial date of presentation on the website.

PricewaterhouseCoopers Inc.
Registered Auditor
Director: Jayne Mammatt

Johannesburg
12 November 2015

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, 27 January 2016, 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 audited consolidated 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 2015, as published on the Company's website at www.lifehealthcare.co.za.

2. *Social, ethics and transformation committee*

Life Healthcare's social, ethics and transformation committee report is set out on page 123 of the integrated report, which is published on the Company's website at www.lifehealthcare.co.za. 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, 71 of 2008 (Companies Act).

3. *Ordinary resolutions number 1.1 to 1.5: Re-election of directors*

Directors retiring by rotation:

3.1 Ordinary resolution number 1.1
Resolved that MP Ngatane 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;

3.2 Ordinary resolution number 1.2
Resolved that LM Mojela who retires by rotation in terms of clause 28.7.1 of the Company's memorandum of incorporation and who, being eligible, offers herself for re-election be hereby re-elected as an independent non-executive director of the Company;

3.3 Ordinary resolution number 1.3
Resolved that PJ Golesworthy 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;

3.4 Ordinary resolution number 1.4
Resolved that PP van der Westhuizen 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 director of the Company;

Director appointed during the year:

3.5 Ordinary resolution number 1.5
Resolved that ME Nkeli who was appointed by the board as an independent non-executive director of the Company with effect from 1 October 2015, who retires in terms of clause 28.8.1 of the Company's memorandum of incorporation and who, being eligible, offers herself for re-election be hereby re-elected as an independent non-executive director of the Company.

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 M Naidoo as the designated audit partner, for the financial year ending 30 September 2016 be approved.

5. *Ordinary resolutions number 3.1 to 3.4: Appointment of Group audit committee members*

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:

5.1 PJ Golesworthy (Chairman);
5.2 LM Mojela;
5.3 RT Vice; and
5.4 GC Solomon

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 100 to 109 of the integrated report, is hereby approved by way of a non-binding advisory vote, as recommended in the King Report on Corporate Governance for South Africa, 2009 (King III).

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

Resolved that 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, limited to 2% of the authorised shares 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, the Company's memorandum of incorporation 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 resolution, whichever date is earlier.

8. *Ordinary resolution number 6: General authority to issue ordinary shares for cash*

Resolved that the board of directors of the Company be and are hereby authorised, by way of a renewable general authority, to issue those ordinary shares in the share capital of the Company under the control of the directors for cash as and when they in their discretion deem fit, subject to the Companies Act, the Company's memorandum of incorporation and the JSE Listings Requirements, when applicable, and provided that:

- this authority shall be valid until the Company's next annual general meeting or for 15 (fifteen) months from the date of this resolution, whichever period is shorter;
- the ordinary shares must be issued to public shareholders as defined by the JSE Listings Requirements and not to related parties;
- the securities which are the subject of the general issue of shares for cash may not exceed 78 634 607 shares, being 7.5% (per cent) of the number of listed equity securities of the Company as at the date of this notice of annual general meeting, provided that:
  - any equity securities issued under this authority during the period must be deducted from the number above;
  - in the event of a sub-division or consolidation of issued equity securities during the period contemplated above, the existing authority must be adjusted accordingly to represent the same allocation ratio; and
  - the calculation of the listed equity securities is a factual assessment of the listed equity securities as at the date of the notice of annual general meeting;
- in determining the price at which an issue of shares may be made in terms of this authority, the maximum discount at which the ordinary shares may be issued is 10% of the weighted average traded price of the Company's ordinary shares measured over 30 business days prior to the date that the price of the issue is determined or agreed by the directors of the Company and the party subscribing for the securities;
- a paid press announcement giving full details will be published at the time of any issue representing, on a cumulative basis within the period of this authority, 5% or more of the number of ordinary shares in issue prior to that issue, in terms of the JSE Listings Requirements; and
- any such general issue is subject to exchange control regulations and approval at that time.

Additional information in respect of ordinary resolution number 6

Approval for this ordinary resolution is obtained by achieving a 75% majority of the votes cast in favour of this resolution at the annual general meeting by all equity security holders entitled to vote thereon and present or represented by proxy.

Special business

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

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

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

- this general authority shall be valid until the Company's next annual general meeting or for 15 (fifteen) months from the date of passing of this resolution, whichever period is shorter;
- the ordinary shares be purchased through the order book of the trading system of the JSE and done without any prior understanding or arrangement between the Company and/or the relevant subsidiary and the counterparty;
- an announcement complying with the JSE Listings Requirements be published by the Company (i) when the Company and/or its subsidiaries have cumulatively repurchased 3% of the ordinary shares in issue as at the time when the general authority was given (the initial number) and (ii) for each 3% in the aggregate of the initial number of the ordinary shares acquired thereafter by the Company and/or its subsidiaries;
- the repurchase by the Company of its own ordinary shares shall not in the aggregate in any one financial year exceed 5% of the Company's issued ordinary share capital as at the beginning of the financial year, provided that the acquisition of ordinary shares as treasury shares by a subsidiary of the Company shall not be effected to the extent that in aggregate more than 10% of the number of issued ordinary shares of the Company at the relevant times are held by or for the benefit of the subsidiaries of the Company taken together;
- repurchases must not be made at a price more than 10% above the weighted average of the market value of the ordinary shares for the five business days immediately preceding the date on which the transaction is effected;
- at any point in time the Company may only appoint one agent to effect any repurchase on the Company's behalf or on behalf of any subsidiary of the Company;
- subject to the exceptions contained in the JSE Listings Requirements, the Company and the Group will not repurchase ordinary shares during a prohibited period (as defined in the Listings Requirements) unless they have in place a repurchase programme where the dates and quantities of shares to be traded during the relevant period are fixed (not subject to any variation) and full details of the programme have been disclosed in writing 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 its debts for a period of 12 (twelve) months after the date of the general repurchase;
- the assets of the Company and the Group will exceed their liabilities for a period of 12 (twelve) months after the date of the general repurchase. For this purpose, the assets and liabilities are recognised and measured in accordance with the accounting policies used in the Company's latest Group audited annual financial statements;
- the Company and the Group will have adequate share capital and reserves for ordinary business purposes for a period of 12 (twelve) months after the date of the general repurchase; and
- the working capital of the Company and the Group will be adequate for ordinary business purposes for a period of 12 (twelve) months after the date of the general repurchase.

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 JSE Listings Requirements, the JSE Listings Requirements require the following disclosures which are disclosed in the annual financial statements:

Major shareholders of the Company (Pages 91– 92 of the annual financial statements);

Share capital of the Company (Page 62 of the annual financial statements); and

- Directors' responsibility statement
  The directors, whose names appear on pages 96 to 97 of the 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, that they have made all reasonable enquiries in this regard and that this resolution contains all information required by law and the JSE Listings Requirements.
- Litigation statement
  There are no legal or arbitration proceedings (including any such proceedings that are pending or threatened of which the Company is aware), which may have or have had a material effect on the Company and the Group's financial position over the last 12-month period.
- Material change
  Other than the facts and developments reported on in the integrated annual report, there have been no material changes in the trading 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.

10. *Special resolution number 2: General authority to provide financial assistance to related and inter-related companies*

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

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

- it will not adopt a resolution to authorise such financial assistance, unless the board is satisfied that:
  - immediately after providing the financial assistance, the Company would satisfy the solvency and liquidity test as contemplated in the Companies Act; and
  - the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company; and
- written notice of any such resolution by the board shall be given to all shareholders of the Company and any trade union 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 2

The reason for and the effect of Special Resolution Number 2 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 annual general meeting is Friday, 11 December 2015.
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, 22 January 2016, 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, 15 January 2016.

Approval required for resolutions

Ordinary resolutions number 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.

Ordinary resolution number 6 and special resolutions number 1 to 2 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, 25 January 2016, 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 annual general meeting may appoint any individual (or individuals) as a proxy/ies to attend, participate in and vote at the annual general meeting 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 annual general meeting.

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

12 November 2015

Explanatory notes to the notice of annual general meeting

Ordinary resolutions

Ordinary resolutions number 1.1 to 1.5

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:

Dr MP (Malefetsane) Ngatane (61)
Independent non-executive director
South African – BSc, MBChB, FCOG

Malefetsane 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. Malefetsane 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. He is also the vice-president of the African Boxing Union based in Tunisia and previously served as treasurer for the International Planned Parenthood Federation in Nairobi. He was appointed to the Life Healthcare board of directors in 2007.

LM (Louisa) Mojela (59)
Independent non-executive director
South African – BCom (National University of Lesotho (NUL))

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.

PJ (Peter) Golesworthy (57)
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.

PP (Pieter) van der Westhuizen (44)
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.

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 herself for re-election appears below.

MEK (Mpho) Nkeli (50)
Independent non-executive director
South African – BSc (Environmental Science), MAP, MBA

Mpho Nkeli currently serves on the board of Impala Platinum. She has previously served on the board of Johannesburg City Parks and as executive director on the boards of Alexander Forbes Group and Vodacom South Africa. She was a member of the Commission of Employment Equity before being appointed chairman from 2009 to 2012. She has executive experience spanning 15 years in diverse functions. She trained as an environmental scientist; then moved to marketing,

communications, social investment and enterprise development. Mpho later focused on human resources and transformation and was responsible for human resources at Alexander Forbes, whereafter she joined Vodacom in 2011 for three years as the chief human resources officer. She has also contributed to changes in legislation relating to B-BBEE. She received the Laureate Award from the University of Pretoria in 2009. She recently joined Search Partners International (SPi), the oldest executive search and board practice firm, as an associate director. She was appointed to the Life Healthcare board of directors in 2015.

Ordinary resolution number 2

Re-appointment 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 resolutions number 3.1 to 3.4

Appointment of Group audit committee

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

PJ (Peter) Golesworthy (57)

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 (59)

Independent non-executive director

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

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.

RT (Royden) Vice (68)

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.

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.

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 2% of the authorised shares of the Company, in order to enable the Company to take advantage of business opportunities which might arise in the future.

Ordinary resolution number 6

General authority to issue ordinary shares for cash

A general authority to issue ordinary shares for cash is requested. The aggregate number of ordinary shares able to be allotted and issued in terms of this resolution will be limited to 78 634 607 ordinary shares, representing approximately 7.5% of the ordinary shares in issue as at the date of the annual general meeting in order to fund future potential acquisitions.

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. The existing authority to the directors is due to expire at the forthcoming annual general meeting, unless renewed.

Special resolution number 2

General authority to provide financial assistance to related and inter-related companies

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.

Social, ethics and transformation committee report

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

The chairman of the committee presents the following report to shareholders for the 2015 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) retired on 28 January 2015;
- Dr MP Ngatane (independent non-executive director);
- JK Netshitenzhe (independent non-executive director) appointed on 29 January 2015;
- A Meyer (CEO – executive director); 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 a formal terms of reference, which are reviewed annually by the board and in terms of the annual work plan 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 submission to the Panel in the Competition Commission 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;
- Reviewing 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;

- Feedback from 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

12 November 2015

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, 27 January 2016, 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	MP Ngatane			
1.2	LM Mojela			
1.3	PJ Golesworthy			
1.4	PP van der Westhuizen			
1.5	ME Nkeli			
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			
3.4	GC Solomon			
4.	Approval of remuneration policy			
5.	Placement of authorised but unissued shares under the control of the directors			
6.	General authority to issue shares for cash			
Special resolutions				
7.	General authority to repurchase Company shares			
8.	General authority to provide financial assistance to related and inter-related companies			

Signed this day of 2016

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, 25 January 2016, at 15:30 (South African time).
5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the transfer secretaries or waived by the Chairman of the annual general meeting.
6. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.
7. The appointment of a proxy in terms of this form of proxy is revocable in terms of the provisions of section 58(4)(c) read with section 58(5) of the Companies Act, and accordingly a shareholder may revoke the proxy appointment by cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and to the Company.
8. The completion of any blank spaces need not be initialled. Any alterations or corrections to this form of proxy must be initialled by the signatory/ies.
9. The Chairman of the annual general meeting may accept any form of proxy which is completed other than in accordance with these instructions provided that he is satisfied as to the manner in which a shareholder wishes to vote.

Glossary of terms

ACI	African, Coloured and Indian
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
CGU	Cash-generating unit
CLABSI	Central line associated bloodstream infections
CMSA	Colleges of Medicine South Africa
CO_2	Carbon dioxide
COID	Compensation for Occupational Injuries and Diseases
CPA	Consumer Protection Act
CPD	Continuous professional development
CPI	Consumer Price Index
CRM	Customer relationship management
CSI	Corporate social investment
CSIR	Council for Scientific and Industrial Research
Current ratio	Current assets/current liabilities
DENOSA	Democratic Nursing Organisation of South Africa
DoH	Department of Health
DRG	A Diagnosis-Related Group (DRG) is a statistical system of classifying any inpatient stay into groups for the purposes of payment. The DRG classification system divides possible diagnoses into more than 20 major body systems and subdivides them into almost 500 groups for the purpose of Medicare reimbursement
DSO	Days sales outstanding
EBITDA	Earnings before interest taxation depreciation and amortisation
EPS	Earnings per share/ employee perception survey
ERP	Enterprise resource planning
ESP	Employee share plan
FAM	Functional assessment measure
FIM™	Functional independent measure
Gearing net of cash	Total liabilities – cash and cash (equivalents)/(shareholders' equity + total liabilities)
GHG	Greenhouse gas
GP	Guaranteed package
GRI	Global Reporting Initiative
HAI	Healthcare associated infections
HASA	Hospital Association of South Africa
HCU	High care unit
HCRW	Healthcare risk waste
HDIs	Historically disadvantaged individuals
HEPS	Headline earnings per share
HIV	Human immunodeficiency virus
HOSPERSA	Health and Other Service Personnel Trade Union of South Africa
HPCSA	Health Professions Council of South Africa
HWSETA	Health and Welfare Sector Education and Training Authority
ICU	Intensive care unit
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
IIRC	International integrated Reporting Council
IPO	Initial Public Offering
ISMS	Information Security Management System
ISO	International Standards Organisation
IT	Information Technology
JIBAR	Johannesburg Interbank Agreed Rate
JMH	Joint Medical Holdings
JSE	Johannesburg Stock Exchange
KKA	Kliniki Kardioligii Allenort
LED	Light emitting diodes
LOC	Level of care
LOS	Length of stay
LTI	Long-term incentive
LTIP	Long-term incentive plan
LTM	Last twelve-months
MEEM	Multi-period Earnings Excess Method
MHC	Max Healthcare
MHQ	Mental Health Questionnaire
MSA	Medical Schemes Act
NAV	Net asset value
NEA	Nursing Education Association
NEHAWU	National Education, Health and Allied Workers Union
NFZ	National Health Fund (Poland)
NGO	Non-governmental organisation
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)
NPO	Not-for-profit organisation
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
ODA	Operating department assistant
PCI	Percutaneous coronary intervention
PHEF	Public Health Enhancement Fund
PIR	Patient incident rate
POPI	Protection of Personal Information Act
PPD	Paid patient day
PPE	Property, plant and equipment
PPP	Public-private partnerships
PROMS	Patient reported outcomes measures
PV	Photovoltaic
PXM	Patient experience management
Quick ratio	Current assets – inventories/current liabilities
QMS	Quality management system
RHD	Rheumatic heart disease
RONA	Return on net assets = Profit after tax/ (PPE + net working capital)
SANC	South African Nursing Council
SEP	Single exit prices
SSI	Surgical site infection
STI	Short-term incentive
STIP	Short-term incentive plan
TSR	Total shareholder return
VAP	Ventilator associated pneumonia
VCP	Variable compensation plan
VTE	Venous thromboembolism
VWAP	Volume Weighted Average Price
WIBOR	Warsaw Interbank Offered Rate

Corporate information

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