INTEGRATED
REPORT
2018

Life HEALTH CARE Group

Contents

About Life Healthcare

Life Healthcare Group Holdings Limited (the Group, Company or Life Healthcare) is an international healthcare service provider and is listed on the Johannesburg Stock Exchange (JSE).

Our primary operations are in **South Africa**, with activities also taking place in Botswana. We refer to our operations in these two countries collectively as our southern Africa business – representing 73.4% of the Group's revenue and including both hospital and healthcare divisions.

Our **international** division includes our operations in western Europe (Alliance Medical) and Poland (Scanmed).

Navigation

For easy navigation and cross referencing, we have included the following icons within this report:

The movements in key performance indicators (KPIs)

Ⓐ	↓↑	↓↑	↔
A non-financial indicator was assured by PricewaterhouseCoopers Inc.	Indicates an increase or decrease that is positive	Indicates a decrease or increase that is not positive	Indicates the KPI remained the same

Indicates our four strategic focus areas and the application of our strategy

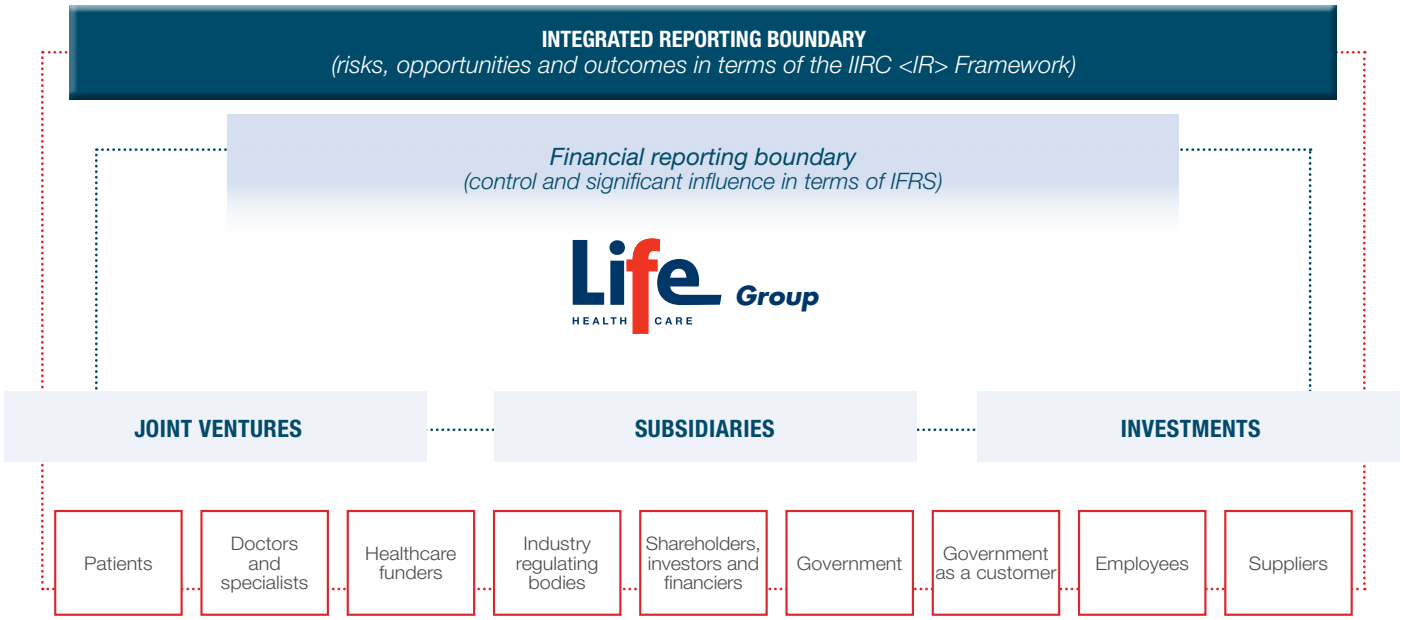
Growth | Efficiency | Quality | Sustainability

This icon indicates further information available online

This icon indicates further information in this report

About this report

SCOPE AND BOUNDARY



Navigating our report

FRAMEWORK AND GUIDELINES APPLIED	ASSURANCE
Integrated report	
Life Healthcare's integrated report is our primary report, prepared for the providers of financial capital. It was compiled with information that the board of directors (the board) and management believe is relevant and material to provide an integrated view of the Group's performance. We recommended that you read this report in conjunction with the Group's annual financial statements. We are guided by local and international guidelines in preparing this report including: ◗ the International Integrated Reporting Council Integrated Reporting Framework (IIRC <IR> Framework); ◗ the reporting principles contained in the King IV Report on Corporate Governance for South Africa 2016 (King IV); ◗ JSE Limited Listings Requirements (JSE Listings Requirements); ◗ the South African Companies Act, 71 of 2008 (as amended) (Companies Act); and ◗ International Financial Reporting Standards (IFRS).	◗ The board, assisted by the audit committee and other sub-committees, oversee the integrated reporting process
Group annual financial statements	
Life Healthcare's audited consolidated and Company financial statements in accordance with IFRS, the Companies Act and the JSE Listings Requirements.	◗ Assurance statement
Notice of annual general meeting (AGM) and abridged shareholder report	
The required statutory information and notice of AGM which are distributed to shareholders to convene the AGM.	◗ Proxies are attached for voting of all the resolutions tabled

Feedback

Life Healthcare seeks to provide accurate, transparent and balanced information to stakeholders.

We welcome feedback and invite you to contact the Group Company Secretary, should you have any questions. Contact information is as follows: +27 11 219 9000 or company.secretary@life.co.za

About this report continued

Who we are

OUR VISION
To be a market-leading, international, diversified healthcare provider

OUR MISSION
We improve the lives of people through the delivery of high-quality, cost-effective care

OUR PURPOSE
Making life better

OUR CORE VALUES

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

SOUTHERN AFRICA

Registered beds

9 055

across all southern African facilities
(2017: 8 983 beds)

Permanent and temporary employees

15 841

across southern Africa
(2017: 15 560 employees)

Special care units

21

in southern Africa
(2017: 20)
(rehabilitation, mental health, specialised maternity)

Healthcare facilities

66

in southern Africa
(2017: 65 facilities)

Specialists and healthcare professionals

2 985

in our network in southern Africa
(2017: 2 934 specialists)

Renal stations

318

at Life Renal Dialysis in southern Africa (2017: 303 stations)

INTERNATIONAL

Registered beds

624

in Poland (2017: 624)

Number of locations served by Alliance Medical

220

(2017: 215)

Permanent and temporary employees

4 941

across Europe and the United Kingdom (2017: 5 000)

FORWARD-LOOKING STATEMENTS

This integrated report contains forward-looking statements that, unless otherwise indicated, reflect the Group's expectations as at 10 December 2018. The actual results may differ materially from our expectations if known or unknown risks or uncertainties affect the business, or if estimates or assumptions prove inaccurate. The Group cannot guarantee that any forward-looking statement will materialise. 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.

ASSURANCE AND RESPONSIBILITY

The Group follows a combined assurance process:

1 **The first line of defence** is our operational employees, who are required to completely understand their roles and responsibilities and carry them out correctly and completely.

FIRST LINE OF DEFENCE

2 **The second line of defence** consists of our oversight functions, including risk and compliance management. These functions define work practices, monitor adherence to policies, and oversee the first line of defence with regards to risk and compliance.

SECOND LINE OF DEFENCE

3 **The third line of defence** comprises the internal and external assurance providers and the board. Internal and external auditors review the first and second lines of defence regularly to ensure that they are carrying out their tasks as required. The board mandates the audit committee to review the information provided by various board committees regarding tasks and business information. The board plays an oversight role and is responsible for approving the information reviewed by the audit committee, among others.

THIRD LINE OF DEFENCE

Our assurance process is applied in the compilation of the integrated report. The board, its committees and management were involved in finalising the report's disclosures. This report builds on the detailed monthly performance reports compiled and reviewed by management, and as such management reviews are integral to its overall assurance.

The summarised financial information included in this report was extracted from the audited Group annual financial statements.

The Group annual financial statements were independently assured by the external auditors, PricewaterhouseCoopers Inc.

A number of non-financial indicators were assured by PricewaterhouseCoopers Inc. For the selection of indicators and the independent assurance report refer to page 149.

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 this report.

After applying its collective mind to the preparation of this report, based on the completeness of the information collected and the assurance thereof, the board concluded that the report materially aligns with the IIRC <IR> Framework, providing a true and material account of the Group's performance and strategic direction.

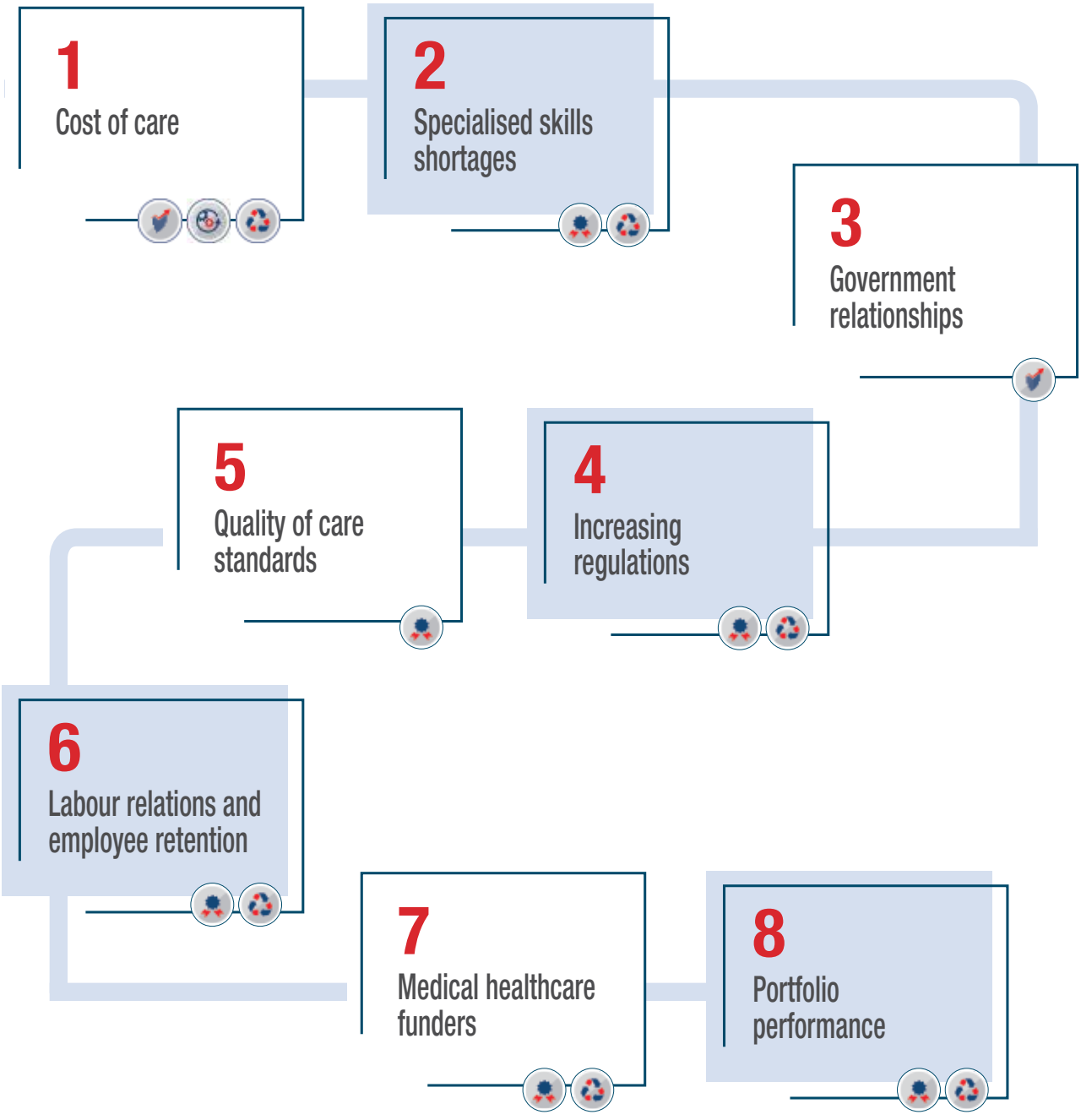
On 10 December 2018, the board approved the 2018 integrated report.

Mustaq Brey	Chairman
Peter Golesworthy	Chairman: audit committee
Dr Shrey Viranna	Group Chief Executive Officer

About this report continued

MATERIALITY

We define a matter as material if it has or could have a direct or indirect impact on our ability to create or preserve value for the Group and our stakeholders. Life Healthcare considers the following matters as material in the short, medium and long-term and strives to report only on those matters material to value creation in this report. For more information on our material matters (page 28).



For more information refer to www.lifehealthcare.co.za

SECTION CONTENT

Group overview

Our geographic footprint

Life Healthcare provides the southern African market with quality healthcare.

Southern Africa[1]

Southern Africa service offering

The southern Africa business activities are organised into two divisions – the hospital division and healthcare services division.

HOSPITAL DIVISION

The hospital division provides healthcare services mainly to the private market. It comprises the acute hospital business and complementary services.

	Facilities		Beds/stations	
Business	**2018**	2017	**2018**	2017
Acute hospitals	**50**	50	**8 224 beds**	8 152 beds
Complementary services				
Acute rehabilitation	**7**	7	**319 beds**	319 beds
Mental health	**8**	8	**512 beds**	512 beds
Renal dialysis	**26**	24	**318 stations**	303 stations
Oncology	**5**	4	**n/a**	n/a

SOUTHERN AFRICA BUSINESS:

South Africa, Botswana
Primary service offering: Hospital and healthcare services (for more information refer to page 59)

Revenue

R17.2bn
(2017: R15.9 billion)

EBITDA

R4.3bn
(2017: R4.0 billion)

ACUTE HOSPITALS

Life Healthcare's acute hospitals are predominantly in the metropolitan areas of seven of South Africa's nine provinces, as well as in Botswana. The hospital facilities include intensive care units (ICUs), high-care units, operating theatres, emergency units, maternity units, cardiac units and paediatric units.

Our facilities include:

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

Approximately 2 985 specialist healthcare professionals (2017: 2 934), as well as various other healthcare professionals, support the delivery of effective and compassionate care through these state-of-the-art facilities.

COMPLEMENTARY SERVICES

Life Healthcare provides specialised healthcare facilities that offer inpatient and outpatient services. These services include acute rehabilitation, mental healthcare, renal dialysis and oncology. Our specialised care model promotes continuity of care and uniquely position Life Healthcare to provide comprehensive therapeutic interventions for chronically ill patients.

ACUTE REHABILITATION[1]

When people suffer disabling injuries, they need assistance and a place where acute physical and cognitive rehabilitation can take place. Life Rehabilitation provides this care for patients disabled by brain or spinal trauma, stroke or other disabling injuries or conditions. The focus is on patient care, restoring better quality of life for patients and their families.

Life Rehabilitation uses the Functional Assessment Measure (FAM) for cognitive, behavioural, communication and community functioning, which provides insight regarding patients with brain injuries. Each patient's clinical outcomes and overall progress are measured objectively to benchmark the performance of rehabilitation units and demonstrate clear patient outcomes. This offers patients, their families and healthcare funders support and insight into their progress.

Life Rehabilitation is International Standards Organisation (ISO) 9001:2008 certified as well as the sole licence holder for the Functional Independence Measure™ (FIM™) in South Africa.

MENTAL HEALTH

Life Mental Health provides multi-disciplinary mental healthcare services to adult and adolescent patients. Means of supporting these patients include liaison psychiatry, general psychiatric conditions and substance dependence. Our facilities are designed for transitionary care, and they support voluntary, assisted and involuntary patients. We further operate theatres with full anaesthetic capability for electroconvulsive therapy where necessary.

Over and above our general psychiatric services, we also have a suite of specialised care services for geriatric patients and persons with adjustment disorders as a result of factors such as post-partum, work stress and divorce.

Life Healthcare has dedicated mental health facilities in the Western Cape, Eastern Cape, KwaZulu-Natal and Gauteng.

[1] An outline of Life Healthcare's southern Africa facilities can be viewed at www.lifehealthcare.co.za.

HEALTHCARE SERVICES DIVISION

Healthcare services relate to specialised care and occupational health services by Life Esidimeni and Life Employee Health Solutions respectively.

	Facilities		Beds	
Business	**2018**	2017	**2018**	2017
Life Esidimeni (public sector contracts)	**10**	11	**3 119**	3 080
	Clinics		**Employees cared for**	
Life Employee Health Solutions	**381**	366	**578 756**	471 699
Life Occupational Health	**301**	288	**211 086**	222 895
Careways	**80**	78	**367 670**	248 804

LIFE ESIDIMENI

Our Life Esidimeni care centres work through public-private partnership (PPP) contracts with the South African provincial health and social development departments.

Through these centres we provide long-term chronic mental healthcare, frail care rehabilitation, step-down care, correctional services, primary healthcare and substance abuse recovery programmes to patients from the public sector.

LIFE EMPLOYEE HEALTH SOLUTIONS

Life Employee Health Solutions is delivered by Life Occupational Health and Careways. Life Occupational Health provides contracted on-site occupational and primary healthcare services to large employer groups in the commercial, industrial, mining and state-owned sectors. Use of Life Occupational Health's clinics is primarily driven by the requirements of the Occupational Health and Safety Act, 85 of 1993 (OHS Act), and the needs of corporate customers. Life Occupational Health has ISO 9001:2008 and BS OHSAS 18001:2007 certifications and operates on-site, off-site and mobile clinics throughout the country.

Careways encourages and supports healthy and balanced living in employees, improving their well-being and promoting maximum productivity for employers. Careways' employee wellness services are provided to companies and institutions across the public and private sectors.

RENAL DIALYSIS

Life Renal Dialysis specialises in treating patients with renal dysfunction who require acute and chronic renal dialysis. Our offering at these units includes peritoneal dialysis, inpatient nocturnal dialysis and mobile renal dialysis services.

ONCOLOGY

Life Healthcare offers technologically advanced diagnostic and interventional oncology services supporting comprehensive cancer management. Our holistic care model focuses on extensive patient counselling and support including chemotherapy, surgery and radiotherapy (comprising brachytherapy and stereotactic radiotherapy).

Our investment in linear accelerators and treatment planning software provides targeted, accurate and effective treatment for a variety of cancers.

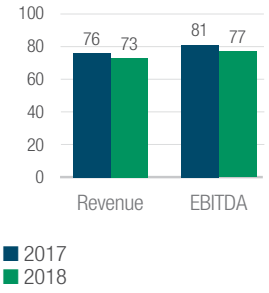
Number of PPDs

2 251 600
(2017: 2 226 337)

Permanent employees

14 725
(2017: 14 466)

Contribution to EBITDA revenue (%)



Our geographic footprint continued

We continue to invest in, and serve, a variety of markets as we move towards being a market leading, international, diversified healthcare provider.

INTERNATIONAL BUSINESS:

Alliance Medical: Western Europe
Primary service offering: Diagnostic and molecular imaging services
(for more information refer to page 84)

100%
shareholding in Alliance Medical
(2017: 93.8%)

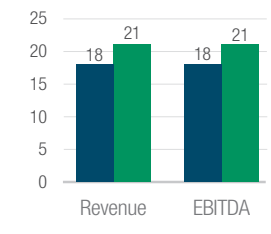
Revenue
R5.0bn
(2017: R3.8 billion)

EBITDA
R1.2bn
(2017: R0.9 billion)

Number of locations served 227 including mobile, static and other

Number of permanent employees
1 847
(2017: 1 655)

Contribution to revenue and EBITDA (%)



International

International service offering
Our international healthcare offering includes our investments in the Alliance Medical Group Limited (Alliance Medical) across western Europe and Poland-based Scanmed S.A. (Scanmed).

ALLIANCE MEDICAL

Geographic segment		Total locations served 2018	2017	Principal service offerings	
UK	DI static sites	33	37	MRI	PET-CT
	PET-CT national contract sites	31	31	CT	Radiopharmacy
	Mobiles	45	45		
	Cyclotrons	4	4		
Italy	Owned clinics	33	25	MRI	PET-CT
	Static sites	10	13	CT	Radiopharmacy
	Cyclotron	1	1		
Ireland	Operating sites	23	20	MRI	PET-CT
				CT	
Spain	Operating sites	10	10	MRI	X-ray
				CT	
Northern Europe	Relocatable buildings	3	3	MRI	PET-CT
	Mobiles	19	18	CT	Radiopharmacy
	Cyclotrons	4	4	Angio-theatre	
Piramal	Operating sites	4	4	Product development	

Alliance Medical is a leading diagnostic imaging services provider in western Europe. We are uniquely positioned through a vertically integrated model to provide services across the imaging value chain. We offer a number of diagnostic imaging services, which focus on magnetic resonance imaging (MRI), computerised tomography (CT) and molecular imaging via positron emission tomography-computerised tomography (PET-CT) services. These services are predominantly supplied to public funders, such as the National Health Service (NHS) in the UK and Azienda Sanitaria Locale (ASL) in Italy, and numerous public and private funders across Europe. Radiopharmacy activities form a part of our service offering. This entails the manufacture of radiopharmaceuticals for PET-CT scanning operations and clinical trials. For more information on these service offerings refer to page 84.

We operate Alliance Medical's primary operations from the UK, with significant operations in Italy and Ireland. Additional activities take place in Spain and in our northern Europe geographic segment (principally in the Netherlands, Germany, Finland, Bulgaria, Austria, Norway, Poland and Finland).

MRI, CT and PET-CT scans are conducted in the UK through contracts with local NHS trusts. These services are facilitated by 79 diagnostic imaging scanners at 65 diagnostic imaging sites, 45 mobile scanners, 36 PET-CT scanners and four cyclotrons.

The PET-CT partnership with the NHS was secured under a 10-year fixed price contract until 2025. We have secured four *PET wave 2* contracts with a seven year term until 2025 with a three year renewal option. The contract secures the provision of all PET-CT scans in England across 31 cancer centres that operate under a national governance framework. Our partner and the largest cancer centre in Europe, the Christie NHS Foundation Trust – also known as "the Christie" – provides clinical leadership for this framework.

In Italy, Alliance Medical has the largest network of community-based diagnostic imaging clinics. These provide MRI, CT and PET-CT services in addition to other, more basic diagnostic services. These clinics provide health solutions to local communities.

During the current year we acquired Piramal Imaging SA (Piramal), a business with research and development facilities in the US and Europe.

SCANMED

Business	2018	2017
Facilities	40	40
Cardiac units	12	12
Beds	624	624

Poland-based Scanmed provides private healthcare and medical services in 40 locations across 23 cities. The cardiology business contributes 40.7% of Scanmed's revenue, and government-related contracts make up 79.9% of revenue. Scanmed offers coordinated healthcare for private and institutional patients through public and private financing. This includes medical consultations, primary healthcare, diagnostics, medical transportation, inpatient hospitalisation, analytical tests and home visits.

INTERNATIONAL BUSINESS:

Scanmed: Poland

Primary service offering: Private healthcare and medical services (for more information refer to page 86)

100%
shareholding

(2017: 100%)

Revenue

R1.3bn
(2017: R1.1 billion)

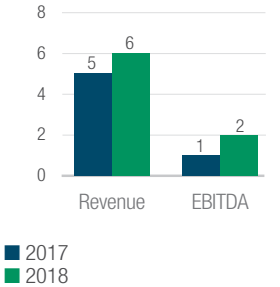
EBITDA

R85m
(2017: R44 million)

Number of permanent employees

1 279
(2017: 1 306)

Contribution revenue and EBITDA (%)



Business model

Our business model details how we create value within the context and constraints of the six capitals to direct our inputs and activities towards sustainable and positive outputs and outcomes.

CAPITALS	INPUTS
FINANCIAL CAPITAL Our pool of funds consists of equity, profits generated, funds re-invested in the Group, and a combination of long- and short-term loans from capital providers.	 • Equity • Loans • Profits • Income from associates and joint ventures • Retained income
MANUFACTURED CAPITAL The facilities, infrastructure and medical equipment that enable us to procure, deliver and provide our services.	 • Acute hospitals, acute rehabilitation and mental health facilities, employee health solutions clinics • Beds and hospital theatres • Oncology and renal dialysis centres • Diagnostic imaging, molecular imaging and radiopharmacy centres • Other specialised hospital equipment
INTELLECTUAL CAPITAL Intangibles comprising service offerings, governance and quality standards that provide the Group's competitive advantage.	 • Background systems (including Information Technology (IT)) and analysis models • Alternative reimbursement pricing models • Legal and statutory compliance understanding and monitoring processes • Quality policies, procedures and standards • Formulary procurement processes • An in-house nursing dashboard in southern Africa • United States (US), Food and Drug Administration (FDA) approved niche isotopes • Our governance framework (for more information refer to page 104)
HUMAN CAPITAL The skills and experience of our employees enable the implementation of our strategy, and the delivery of products and services, thereby creating value for stakeholders.	 • Our leadership (for more information refer to page 120) • Doctors (where employed), nurses, radiologists, pharmacists and other skilled employees • Training • Remuneration practices • Transformation policies • Agency agreements
SOCIAL AND RELATIONSHIP CAPITAL The long-term relationships cultivated with doctors, patients, suppliers, business partners, governments and other key stakeholders, and includes our reputation and brand.	 • The brands and reputation of Life Healthcare, Alliance Medical and Scanmed • Doctor relationships (where work is on an associative basis) • Healthcare funder relationships and network agreements • Community relationships • Government partnerships and relationships • Supplier contracts and agreements • Relationships with shareholders
NATURAL CAPITAL Renewable and non-renewable natural resources used in the delivery of services.	 • Water • Electricity • Gas

ACTIVITIES	OUTPUTS	OUTCOMES

Provision of effective healthcare according to **three general tiers** of healthcare:

PRIMARY CARE

The work of health professionals who act as the first point of consultation for all patients in the healthcare system.

It is the broadest scope of healthcare and includes both patients seeking to maintain optimal health, and patients with all manner of acute and chronic physical, mental and social health issues.

SECONDARY CARE (ACUTE CARE)

Necessary treatment by health professionals for a brief but serious illness, injury or other health condition, for example the care provided by a hospital's emergency department. It includes skilled attendance during childbirth, intensive care and medical imaging services.

TERTIARY CARE

Specialised consultative healthcare, usually for inpatients and those patients referred from a primary or secondary health professional.

Examples include cancer management, neurosurgery, cardiac surgery, and other complex medical and surgical interventions.

The delivery of high quality, cost effective care measured through:

SOUTHERN AFRICA

2 251 600
PPDs

69.7%
occupancy

ALLIANCE MEDICAL

1 492 744
scans

166 614
doses

SCANMED

103%
NFZ contract realisation

68.9%
occupancy

For more information on our Group structure and services refer to pages 6 to 9.

- **R1 914 million profit after tax** (2017: R1 119 million) and R5 535 million EBITDA (2017: R5 001 million)
- **18.0%** growth in cash generated from operations
- **88 cents per share dividends paid** (2017: 80)
- **Appropriate management of debt and equity with a net debt: normalised EBITDA ratio of 2.73 times** (2017: 2.55) and interest cover ratio of 5.7 times (2017: 4.2 times)
- **Accepted an offer for our 49.7% stake in Max Healthcare for approximately R4.3 billion** before costs and based on exchange rates as at 19 September 2018

- **131 hospital beds** and 15 renal stations added in southern Africa
- **5 new diagnostic** molecular imaging and radiopharmacy centres added
- **Improved hospital efficiency** as a result of capital investment and environmentally friendly facility upgrades
- Perceived technological **superiority by patients and markets**, supporting brand strength and differentiation internationally
- The Colchester Integrated Diagnostic Centre opened in March 2018

- New business lines and service offerings developed
- Ability to drive efficiencies throughout the business
- Clinical governance, quality and safety board sub-committee ensures quality standards are maintained and improved
- IT utilised to drive standardisation, reduction in administrative costs and economies of scale
- Knowledge sharing of best practice collaboration among territories

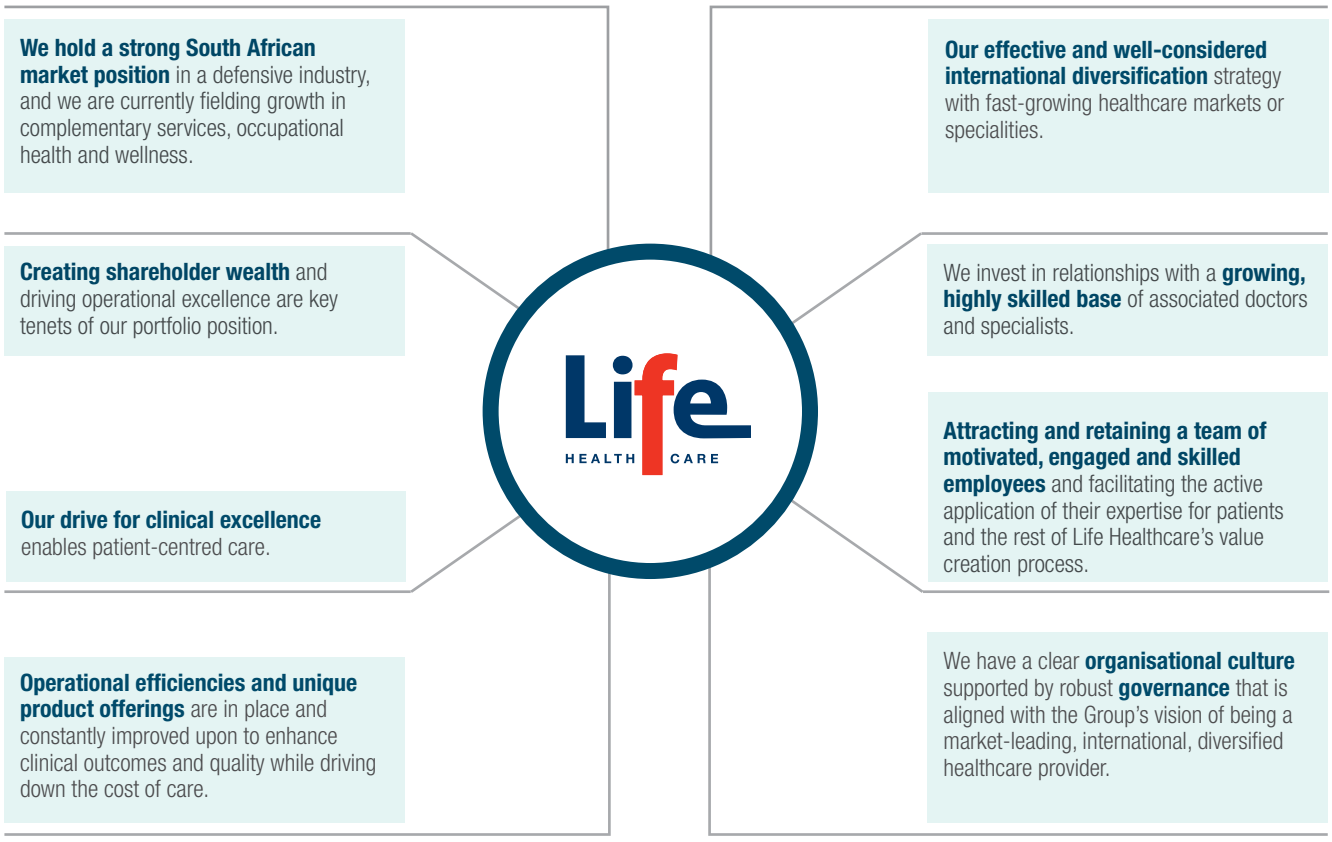
- New Group Chief Executive Officer (CEO) and strengthening of the executive team to drive and implement our strategy
- Qualified, experienced and motivated employees
- **The top 100 senior employees in southern Africa have an average of 11.3 years' experience** (2017: 12.1)
- **Employee share schemes in place for all staff** in southern Africa
- **Integration of Alliance Medical's experienced management team with an average of over 15 years' experience in the healthcare industry** (2017: 15)
- **R177 million invested in training** (2017: R133 million) in southern Africa
- **1 075 nurses enrolled for training** (2017: 1 358) and 454 nurses graduated from the Life College of Learning (2017: 624)
- **722 learnerships provided in southern Africa** (2017: 327)
- **Scanmed employees and contractors reduced to 3 094** (2017: 3 345) people

- **Partnerships developed** and enhanced
- Reputation enhanced through collaboration with partners such as "the Christie"
- **Doctor shareholding**
- Patient experience, recommendation and clinical outcome
- **Improved B-BBEE rating to level 4**

- Creating awareness to reduce water utilisation, installations of more efficient autoclaves and boreholes, as well as the installation of water metering for **improved monitoring of water usage**
- Lowered grid electricity reliance through solar initiatives, heat pumps and light-emitting diode (LED) lighting projects
- Increased initiatives to reduce general waste
- Improved usage of more **environmentally friendly gases**

Our investment proposition

Life Healthcare offers investors exposure to the growing healthcare sector through a diversified and increasingly integrated portfolio of investments across southern Africa and Europe.



For more information on our value creation and how we create value for stakeholders refer to page 14.

Value creation

SECTION CONTENT

The value we create for our stakeholders

Relationships enable our business at each point in the value chain. We believe it is our responsibility to serve the interests, meet the needs and maintain relationships with all of our stakeholders to sustain the value we create. Through these partnerships and our core values, we create continuous value for our stakeholders.

	CONCERNS RAISED	WHAT WE DO
Patients	• Cost of care • Quality and reputation of doctors, specialists and healthcare providers • Caring nursing staff • Clinical pathway experience	• Providing quality, patient-centred healthcare and related medical services to a broad spectrum of patients • Operating with a level of process quality and outcomes efficiency that differentiates Life Healthcare from our competitors
Doctors and specialists	• Clinical efficiency • Insurance • Quality of facilities • Technology	• Forming and developing long-term partnerships with doctors and other healthcare professionals • Working collaboratively with clinicians, healthcare organisations and academic institutes
Healthcare funders	• Clinical efficiency • Quality of care	• Developing and sustaining collaborative relationships with public and private funders
Industry regulatory bodies	• Compliance • Involvement in industry discussions	• Supporting industry-wide initiatives and providing input into proposed legislation and regulations
Shareholders, investors and financiers	• Share value erosion • Increasing regulation • Increasingly difficult sector • Dividends	• Focusing on delivering operational growth and international diversification • Appropriately investing in cost-effective, environmentally friendly and innovative technologies
Government	• Skilled staff	• Providing a pipeline of skilled nurses for South Africa • Ensuring we invest responsibly in community health • Continually striving to be a responsible corporate citizen
Government as a customer	• Efficiency • Quality • Cost of care	• Partnering with government through PPPs
Employees	• Health and safety • Remuneration • Performance evaluation	• Focusing on employee wellness and development • Focusing on fair and transparent remuneration
Suppliers	• B-BBEE ratings • Timely payments	• Prioritising fair and transparent procurement activities • Investing in enterprise development initiatives

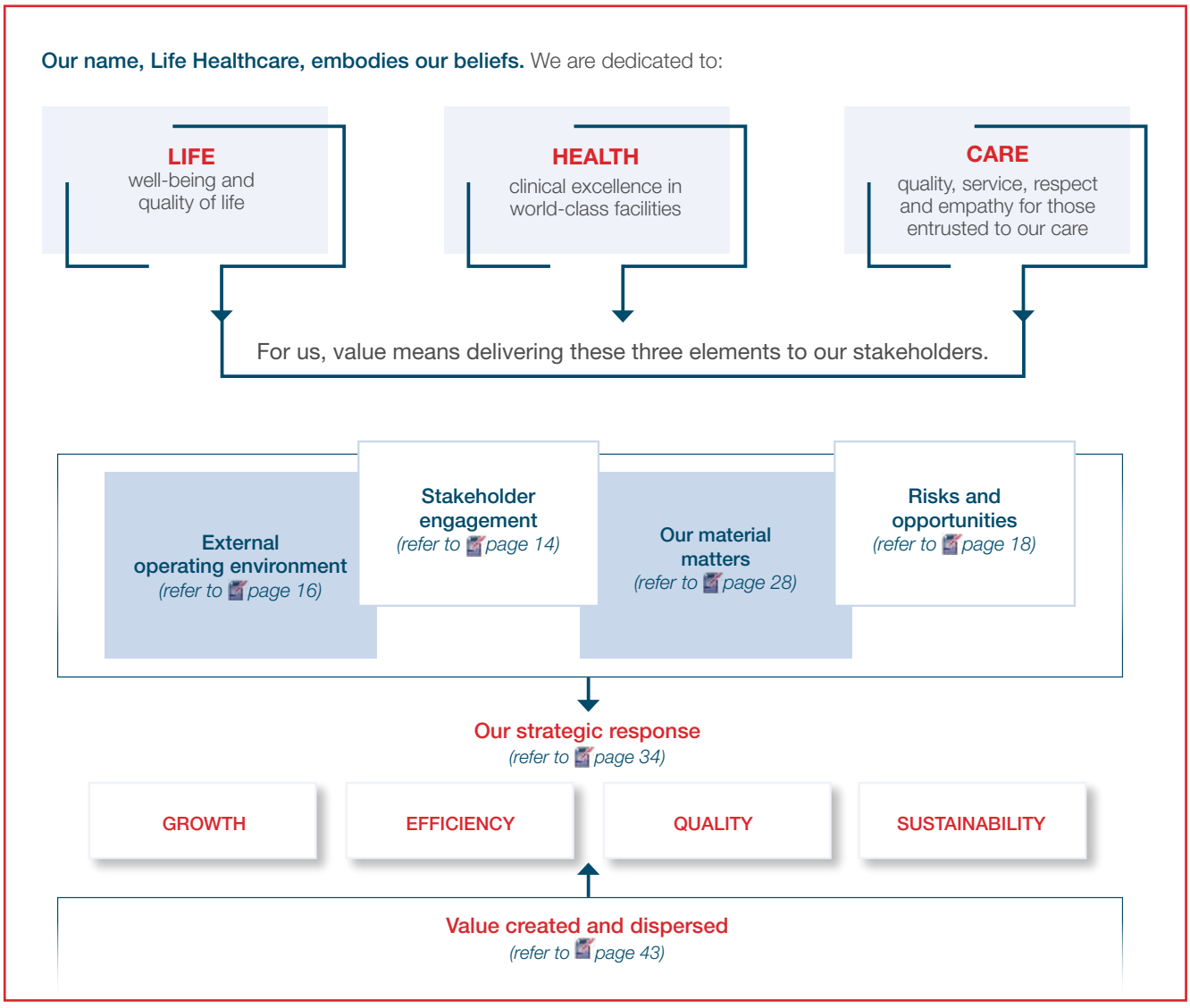
How we create value

We recognise that our external operating environment, including economic conditions, technological change, societal issues and environmental challenges, as well as the quality and nature of our relationships with our stakeholders, set the stage for the value we create.

By analysing these spheres, as well as our internal business context, we are able to formulate an integrated risk and opportunity register from which we derive our material matters.

By evaluating the matters that have the most significant impact on our ability to create value in the short, medium and long term and ensuring we respond strategically to these matters, we position our business to create value well into the future.

This value is delivered to our stakeholders in line with our purpose of making life better.



External operating environment: Global healthcare industry drivers

Operating in the global healthcare market, our operations are influenced by the economic and social context of the patients we serve.

The **five primary drivers** that will influence the global healthcare industry going forward are:

1 Changing demographics

Trend

The healthcare needs of the world are evolving in line with changing demographics globally, including growing populations, which tend to live longer with complex healthcare issues, including a growing number of long-term conditions. Other trends such as the growing prevalence of obesity also play a role in determining relevant healthcare services.

What this means for us

Demand for healthcare is expected to accelerate with an ageing population and increasingly complex treatment needs.

2 Cost of care

Trend

Globally, the cost of care continues to increase and is expected to become increasingly unaffordable, placing pressure on margins for healthcare providers who want to provide quality care while remaining competitive.

What this means for us

Disruptive changes and innovative hospital and healthcare concepts will differentiate healthcare providers. This means that for healthcare providers to remain competitive in tough markets, they need to be part of positive industry change, engagement with regulators, healthcare funders, drive operational cost down while maintaining excellent quality and efficiency.

Growing population[1]

	Now	2030
South Africa	57m	65m
United Kingdom	66m	71m
Italy	59m	59m
Ireland	4m	5m
Poland	38m	37m

Ageing population[2]

	Now	2030
South Africa	8%	11%
United Kingdom	18%	25%
Italy	22%	34%

[1] *Estimations OECD, WHO data; Department of Health South Africa; United Nations, Department of Economic and Social Affairs, Population Division (2017). World Population Prospects: The 2017 Revision, custom data acquired via website, CIA World Factbook.*

[2] *Percentage indicates the population above the age of 60.*

5 Regulation

Trend
A progressively complex and ever-evolving regulatory environment in all jurisdictions.

What this means for us
Governance and compliance with regulations and ethical standards continue to be a critical area of focus and an integral part of the Group's culture. Staying up-to-date with changes in codes, regulations and compliance frameworks is essential to the achievement of our strategy.

We have to be agile with the ability to adapt to an increasingly complex environment, while remaining cost efficient and providing effective care.

4 Growing consumerism

Trend
A growing number of patients expect consistently high-quality care, with value-based healthcare becoming increasingly important.

What this means for us
We must remain ahead of the curve by providing patient-centric care with a focus on experience. This can be delivered through the rigorous measuring of customer experience and by driving employees to instill a patient centric focus.

3 Evolving technology

Trend
New treatments, new technologies and big data are changing how we deliver care.

Patients are increasingly expecting on-demand online services from healthcare in line with the rise in consumerism in other industries.

What this means for us
An increasing number of insights from patient data and health-tracking technology empowers patients and clinicians to make better choices.
Leverage technological advances to increase efficiencies and transform healthcare delivery, patient monitoring and auxiliary services, with a focus on clinical quality to better serve patients.

For more information on the operating context for each operation refer to pages 59 and 83.

Ireland

Now	2030
19%	22%

Poland

Now	2030
16%	32%

8.5% of the world's population are aged 65 and over – projected to grow to 17% by 2050

Increasingly unhealthy population

South Africa

Overweight	Obese
23%	26%

Ireland

Overweight	Obese
39%	14%

United Kingdom

Overweight	Obese
36%	27%

Poland

Overweight	Obese
33%	25%

Italy

Overweight	Obese
19%	9%

Worldwide prevalence of obesity nearly tripled between 1975 and 2016, 39% of adults are overweight, and 13% are obese globally

Risks and opportunities

As a business, we face many risks and related opportunities. How we manage these risks and capitalise on opportunities ensures the ongoing profitability and thus the sustainability of our business.

RISK MANAGEMENT PROCESS

Our board, supported by the risk committee, is ultimately responsible for the governance of risk. The risk committee ensures that an effective risk policy and plan for risk management are in place to enhance our ability to achieve our strategic objectives. Both line management and employees are responsible for implementing risk management policies and processes.

We ensure that risks and opportunities are appropriately identified, assessed and managed by implementing an enterprise risk management strategy and framework, also taking into account King IV and the ISO 31000 international standards on risk management.

The risk management processes are integral components of business processes and align with our core values and strategic focus areas.

Embedding risk management processes into our day-to-day operations ensures that the Group is better equipped to identify events impacting on our objectives and to manage risks in line with our strategy.

The Group Risk Manager engages with key executives and senior management across all territories to identify risks. The Group risk register incorporates risks from southern Africa, Alliance Medical and Scanmed.

ENTERPRISE RISK MANAGEMENT PROCESS

Establishing the context
Our risk assessment context defines the parameters within which risks and opportunities will be assessed. Among other things, we consider our external and internal environments and how these interface with strategic objectives and focus areas – setting the scope of risk management.

Risk identification
We systematically determine what, how, where and when events may happen that could impact the achievement of strategic objectives. It also identifies opportunities to make enhancement across the Group.

Risk analysis
Risk analysis at Life Healthcare involves developing an understanding of the risk, the consideration of the causes and sources of risk, the positive and negative consequences, and the likelihood that those consequences may occur.

Risk evaluation
Risks are evaluated and ranked according to the level of risk exposure, considering their impact and likelihood. For each risk we determine a desired risk ranking by considering the risk appetite and tolerance.

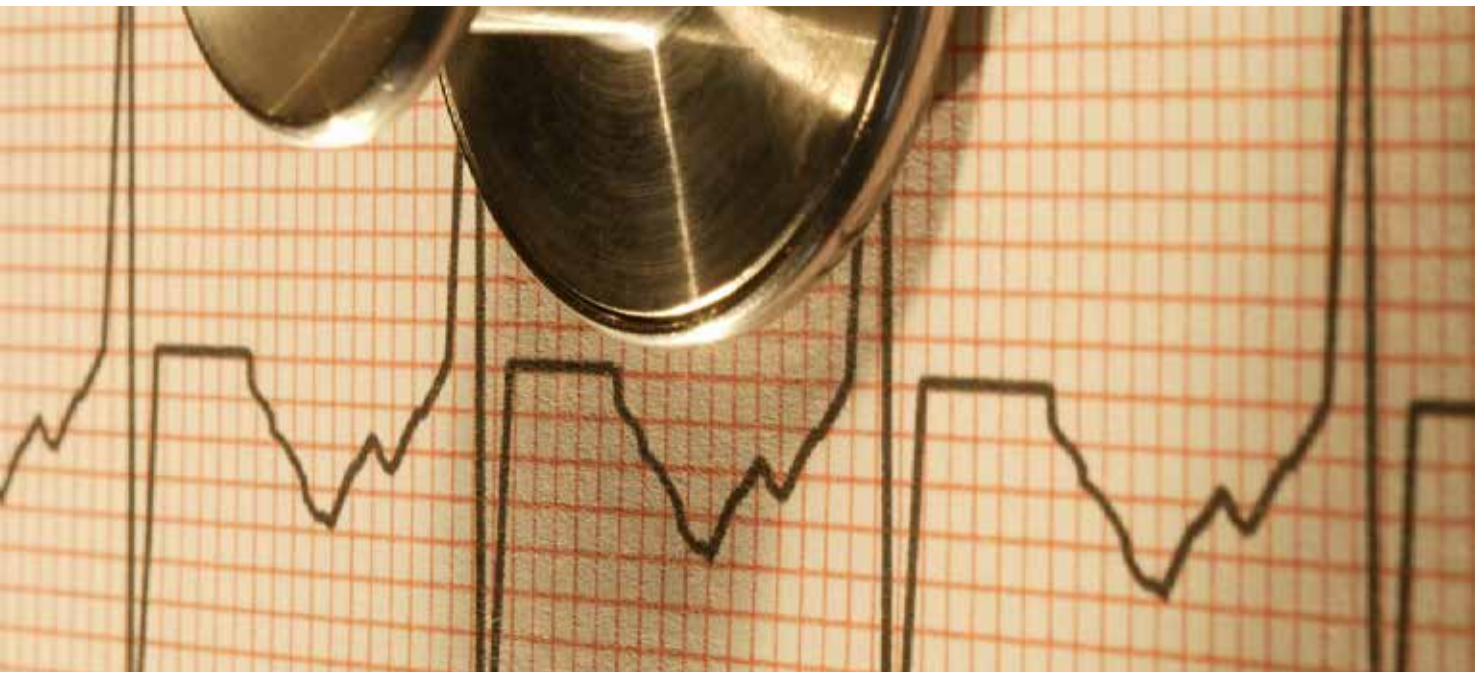
Risk treatment
Risk treatment relates to the policies, procedures, processes and controls we implement to respond to specified risks. Appropriate action plans ensure that significant risks are reduced to acceptable levels.

Reporting, communication and consultation
We communicate and report key risks, along with emerging risks and risk responses, to executive management, audit and risk committees, and to the board.

Monitoring and reviewing
We monitor risks according to their nature, potential impact and likelihood.

Progress on risk treatment provides us with a performance measure that we compare to targets and objectives.

In line with the combined assurance process, our risk committee receives periodic, independent assurance on the effectiveness of risk management from internal audit. The board and risk committee confirm that they are satisfied that there are adequate, ongoing risk management processes in place to provide reasonable assurance that key risks and opportunities are identified, evaluated and managed.



Key risks and opportunities analysis

The analysis below highlights the key risks and related opportunities we face as a Group. These risks are reviewed through internal operational mechanisms.

	DESCRIPTION OF THE RISK AND ITS CONTEXT
1 **Pressure from healthcare funders** *(Ranking 2017: 1)*	In southern Africa, Life Healthcare is under continuous pricing pressure from healthcare funders seeking to manage the overall cost of healthcare. This is primarily driven by a difficult economic environment that has placed pressure on the number of medically insured lives. Furthermore, funders are driven to manage costs by offering more affordable plans with less cover and managing admissions to ensure over servicing does not occur. Beneficiaries face affordability challenges in funding co-payments on reduced health plans. The increase in restricted option networks and our ability to participate in the preferred network agreements remain risks. Competition for network allocations with other healthcare providers is increasing. Alliance Medical operates across a number of markets that provide a portfolio of healthcare services. As with all northern European health economies, funding challenges are prevalent. Alliance Medical has a mix of public and private income streams, with public revenue being 85% of the total revenue in the UK, 63% of revenue in Italy and 39% in Ireland. Scanmed relies on servicing the National Healthcare Fund – Narodowy Fundusz Zdrowia (NFZ) – for a significant portion of its revenue (80%), with limited diversification in its revenue sources, placing revenue at risk when pressure is applied by the NFZ.
2 **Regulatory compliance** *(Ranking 2017: 3)*	In addition to the compliance requirements of all businesses, the healthcare industry worldwide is subject to an increasing number of regulations. The Group is required to comply with applicable laws and regulations in the territories in which we operate. In South Africa, the Competition Commission's Health Market Inquiry (HMI), together with the impact of impending regulation such as the Protection of Personal Information Act (POPIA), 4 of 2013, National Health Insurance (NHI) Bill and Medical Schemes Amendment Bill, continue to present a challenge to our operations. Internationally, the General Data Protection Regulation (GDPR), which applies to the European Union (EU) and the European Economic Area, continues to challenge our operations.

This section should be read in conjunction with the material matters section on page 28. This table further highlights how assurance is leveraged through our combined assurance process.

HOW WE ADDRESS THIS RISK	POTENTIAL OPPORTUNITY	STAKEHOLDERS IMPACTED	RELATED MATERIAL MATTERS AND ASSURANCE
• An appropriate pricing strategy with a focus on input costs is in place • Maintain focus on safeguarding good relations with healthcare funders and engage with them on their specific issues and concerns • Ensure we differentiate our service offering • Model in place with certain healthcare funders to minimise costs and improve tariffs • Recruit doctors who service restricted network patients • Focus on interventions with doctors to increase clinical outcome data and efficiency • Long-term contracts in place with National Health Funds • A strategy is in place to include growth in the private sector volumes	• Through increased engagement, targeted interventions and a differentiated service offering, we can position ourselves as the service provider of choice locally and internationally	• Shareholders, investors and financiers • Patients • Doctors and specialists • Government • Healthcare funders • Employees • Suppliers	• Cost of care • Quality of care standards • Healthcare funders 1 2 3
• Proactively monitor and, where possible, provide input for any new proposed legislation, in the interest of all stakeholders in each of the respective territories • Ensure compliance through our quality standards • Established a multi-disciplinary task team to engage extensively with the Competition Commission and effectively communicate our position on the various issues, to positively influence the potential outcomes of the HMI • Continue to engage throughout the inquiry process our doctors and other stakeholders informed of its status • A gap analysis has been carried out and remediation of the gaps is in progress • Action plans are in place for each territory to address any shortcomings	• Through continued engagement with regulators and relevant bodies, we can assist the industry to develop appropriate solutions. We are committed to compliance to ensure we enhance and protect our reputation • Through transparent engagements, we have the opportunity to enhance our relationship with a variety of stakeholders, including regulatory bodies	• Shareholders, investors and financiers • Patients • Doctors and specialists • Government • Healthcare funders • Employees • Suppliers • Industry regulatory bodies	• Cost of care • Increasing regulations • Quality of care standards 1 2 3

1 1st line of defence 2 2nd line of defence 3 3rd line of defence

Key risks and opportunities analysis continued

	DESCRIPTION OF THE RISK AND ITS CONTEXT
3 **IT infrastructure, disaster recovery and project implementation** *(Ranking 2017: 11)*	We rely on our IT systems to deliver quality service to our patients. There is a risk of failure to maintain reliable information systems for business operations as well as in the event of an IT disaster. Furthermore, there is an implementation risk regarding information management projects which are underway to improve the existing infrastructure and ensure better Group-wide integration, which raised the risk level from the prior year.
4 **Skilled personnel shortages** *(Ranking 2017: 4)*	In southern Africa, Poland and western Europe, skills shortages impact the sustainability of our operations. South Africa has a general shortage of pharmacists, specialised and registered nurses, ICU nurses and other healthcare professionals. This impacts the Group's service delivery and ability to grow. There is also a scarcity of skilled information management resources. Alliance Medical has, for several years, identified clinical staff and specifically radiographers as a scarce resource with intense competition across geographies. Alliance Medical works proactively across its markets to recruit qualified clinical staff, while Poland's shortage of qualified personnel is expected to increase.
5 **Management succession planning** *(Ranking 2017: 5)*	Due to the highly specialised nature of the healthcare industry, certain management employees and executives have a significant impact on the Group's performance as a result of their years of experience within the Group. Losing these key employees over a short time frame could hamper performance.

HOW WE ADDRESS THIS RISK	POTENTIAL OPPORTUNITY	STAKEHOLDERS IMPACTED	RELATED MATERIAL MATTERS AND ASSURANCE
• Regular risk assessments performed, with disaster recovery tests performed annually. Full disaster recovery capability maintained and aligned with business agreed tolerances • Risk registers are kept for all projects and a response plan is in place for each project risk identified • Rigorous project management methodology is followed with strong business sponsor leadership and oversight	• By investing in our IT infrastructure, we are able to offer better and more efficient service to our patients, lowering the cost of care while maintaining quality	• Patients • Doctors and specialists • Government • Employees • Suppliers	• Cost of care 1 2 3
• Enhance employee value propositions, including employee share schemes, remuneration and other benefits to attract and retain employees • Develop employees in all levels of management • Monitor various indicators, such as employee turnover, and develop response strategies to correct any unacceptable trends that emerge • Focus on nurse training for southern Africa (through the Life College of Learning) and training of ICU nurses • Train residents and medical academy students (doctors and nurses) in Poland and provide financing for specialised nurse courses • Recruit graduates by attending career fares at universities and promoting awareness about nursing as a career	• Through an enhanced employee value proposition and strategic training and ongoing monitoring, we continue to strive to position the Group as an employer of choice	• Patients • Employees	• Specialised skills shortages • Labour relations and employee retention 1 2
• Executive succession planning in place • Successors identified and monitored • Internationally, strong focus on bolstering the leadership team	• Through targeted succession planning, we ensure business continuity and are able to attract talented leaders	• Shareholders, investors and financiers • Employees	• Specialised skills shortages • Labour relations and employee retention 1 2 3

Key risks and opportunities analysis continued

	DESCRIPTION OF THE RISK AND ITS CONTEXT
6 **Doctor shortages** *(Ranking 2017: 6)*	There is a general shortage of doctors in the South African and Polish healthcare markets, which may impact the Group's growth prospects. The following disciplines are particularly challenging in South Africa: • Neurosurgeons • Cardiologists • Obstetricians and Gynaecologists • Neurologists
7 **Information security and cybercrime** *(Ranking 2017: 8)*	Due to the widespread use of computers and network-enabled medical devices, and the increase of cybersecurity threats globally, there is a privacy and cybersecurity risk for the Group. This includes the threat of Group data and information being compromised.
8 **Medical malpractice, legal disputes and other reputational risks** *(Ranking 2017: 10)*	Adverse events in the performance of nursing services, doctor services and/or other healthcare professionals could affect patients. These events or legal disputes arising out of medical malpractice claims could affect the Group's reputation and relationships with key stakeholders. Furthermore, events outside of our control can adversely impact our brand.

HOW WE ADDRESS THIS RISK	POTENTIAL OPPORTUNITY	STAKEHOLDERS IMPACTED	RELATED MATERIAL MATTERS AND ASSURANCE
Clear recruitment and retention strategy in place, including: ◗ Provision of bursaries and sponsorship programmes and facilitation of continuous professional development training to specialists ◗ Ongoing engagement ◗ Doctor partnership model and support policy, with regional clinical managers appointed to enhance doctor relationships and implement quality improvement initiatives ◗ Improved infrastructure and equipment at facilities ◗ Enabling reduced professional indemnity premiums through enhanced clinical measures ◗ In Alliance Medical the shortage of radiographers are addressed through investment in a variety of reward, development, recruitment and cultural initiatives ◗ In Poland, we host internships for selected and identified specialisations to secure the ongoing service of specialists ◗ Organising paid internships, vocational practices and apprenticeships in Poland	◗ Through our interventions, we can assist in alleviating critical skills shortages, while also positioning Life Healthcare as a business that supports the doctors we associate with	◗ Doctors and specialists ◗ Patients ◗ Employees	◗ Specialised skills shortages 1 2
◗ Regular risk assessments performed, including annual internal and external security assessments ◗ Information management security strategy in place to improve security, manage residual risk and implement further measures to protect the intellectual property of the Group from hacking and other illegal electronic activities ◗ Logical and physical IT security controls are in place, including advanced email protection, firewalls, end-point protection, cybersecurity enhancements and protection of personal information	◗ Through our investments in IT, we are able to offer better service to our patients	◗ Patients ◗ Employees ◗ Suppliers	◗ Cost of care ◗ Increasing regulations 1 2 3
◗ Quality Management System (QMS) is in place in southern Africa to ensure quality healthcare is provided. Appropriate compliance processes are in place in the international operations ◗ Insurance is in place for medical malpractice claims, and doctors are required to obtain doctor medical malpractice insurance ◗ Analysis of trends in clinical risks and clinical interventions are developed to mitigate the clinical risk going forward ◗ National quality review meetings are held quarterly where new initiatives and the progress of existing initiatives are discussed ◗ A media strategy is in place for dealing with complaints raised through the media, as well as other media-related issues	◗ Through an ongoing focus on quality and a clear communication strategy, we can enhance and protect our reputation	◗ Healthcare funders ◗ Doctors and specialists	◗ Quality of care standards 1 2 3

Key risks and opportunities analysis continued

	DESCRIPTION OF THE RISK AND ITS CONTEXT
9 **Managed admission initiative from healthcare funders (southern Africa specific)** *(Ranking 2017: 9)*	Healthcare funders are clamping down on inappropriate admissions and multi-referrals and have implemented initiatives to curb unnecessary admissions such as additional protocols.
10 **Political uncertainty** *(Ranking 2017: not ranked)*	Political concerns can impact the value and performance of our operations and investments. There is uncertainty around the outcome of Brexit on the UK economy and subsequently the healthcare sector. In western Europe, concerns and uncertainty following the 2018 Italian general election pose a risk. Ongoing uncertainty in South Africa in the lead up to the 2019 local elections continues to dampen growth and investments, impacting the affordability of healthcare.

HOW WE ADDRESS THIS RISK	POTENTIAL OPPORTUNITY	STAKEHOLDERS IMPACTED	RELATED MATERIAL MATTERS AND ASSURANCE
• Focus on maintaining good relations with healthcare funders • Engage regularly with funders to understand specific issues and concerns • Assisting funders to ensure correct coding of admissions • All funder information requests are responded to • Interventions in place with doctors around inappropriate admissions • Doctor quality and efficiency reporting programme assisting doctors in identifying efficiency opportunities	• Through engagement and ongoing training, we can address funder concerns and enhance our relationships to ensure the best outcomes for all parties concerned • The statistical evaluation of positive behaviour change towards clinical efficiency was noted and there is an opportunity to engage further with clinicians and provide updates on their efficiency performance progress	• Patients • Healthcare funders • Doctors and specialists • Shareholders, investors and financiers	• Healthcare funders 1 2
• Active monitoring of political situations in our territories • Ongoing engagement with regulators and governments • Divestment where appropriate	• By actively working with local governments, we can build relationships based on trust, positively impacting the healthcare markets within the countries we operate in	• Shareholders, investors and financiers • Governments	• Healthcare funders 2

Material matters

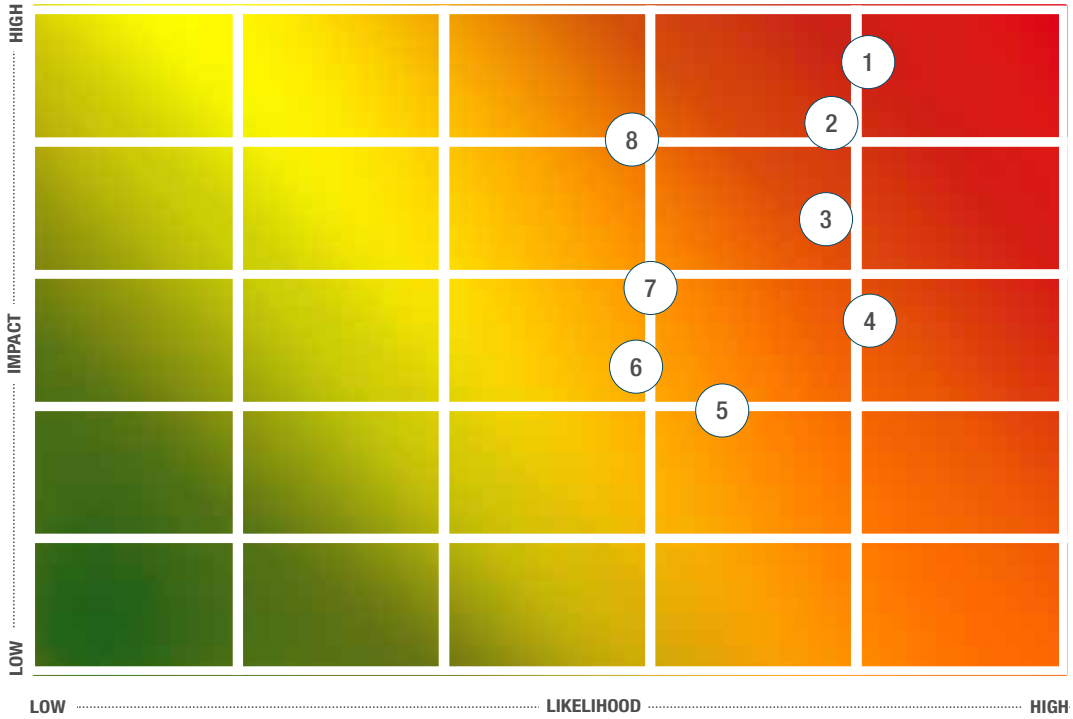
We define a matter as material if it has a direct or indirect impact on our ability to create economic, environmental and social value for the Group and our stakeholders. By managing our material matters strategically, we ensure our ability to create value for our stakeholders now and into the future.

1. IDENTIFY

A range of internal and external influences were considered when distilling these matters. These included strategy, the board's agenda, management reports, external operating environment (for more information refer to page 61 and 87), stakeholder expectations (for more information refer to page 14) and the key risks analysis (for more information refer to page 20).

2. PRIORITISE

All our material matters have the potential to impact our operations in the short, medium and long-term. The material matters were prioritised in terms of their likelihood and potential impact and are plotted on the following heat map.



1 Healthcare funders
2 Cost of care
3 Specialised skills shortage
4 Increasing regulations
5 Quality of care standards
6 Labour relations and employee retention
7 Government relationships
8 Portfolio performance

3. INTEGRATE

Those matters most material to our ability to create value for our business and stakeholders are integrated into our strategy.

Life Healthcare regards the following matters as material in the short, medium and long-term. We engage and respond to these matters through our strategic focus areas.

COST OF CARE

Across all of the geographies we operate in, the cost of care is rising, impacting both our profitability and ability to deliver on our mission of improving the lives through the delivery of high-quality, cost-effective care.

The following factors impact on the cost of care:

- Costs of input materials and services needed to operate with a high level of quality (closely linked to the quality of care standards material matter)
- Fluctuating exchange rates impact the cost of imported necessities such as surgical consumables and medical equipment
- Cost pressures on healthcare funders, who provide access to patients and therefore directly influence our revenue and market share – refer to the Healthcare funders material matter
- Labour costs, which account for approximately 44% of total Group overheads, including wage increases and scarce and critical skills such as specialised and registered nurses, specialist doctors and radiographers
- Ability to adapt nursing staff levels to align with occupancies and to meet the needs of the patients (balancing the mix of fixed and flexible employees levels
- Partnerships with doctors and other medical professionals
- Evolving regulations result in increased costs to achieve compliance, however, new regulations such as the HMI and NHI may place pressure on cost of care in South Africa.

AFFECTED STAKEHOLDER GROUPS

Government, shareholders, investors and financiers, industry and regulatory bodies, patients, healthcare funders, government as a customer, doctors and specialists, and suppliers.

OUR RESPONSE – STRATEGIC FOCUS AREAS

SPECIALISED SKILLS SHORTAGES

The limited availability of doctors, pharmacists, specialist nurses, registered nurses, specialised ICU nurses and other healthcare professionals in South Africa remains problematic, potentially impacting service delivery, cost of care and growth. Our businesses in Poland and western Europe are experiencing skills shortages too, with uncertainties surrounding Brexit compounding problems while the anticipated economic and demographic growth in Poland increases competition for top talent and impacts employment costs.

The following factors impact socialised skills shortages as a material matter:

- A highly competitive employment market with above-inflation wage increases provided by the South African government and other institutions
- Local immigration and labour-related agreements, impacting the ability of people to work across borders
- The limited availability of skills development initiatives, training, bursaries and sponsorships
- Leveraging skills and knowledge transfers from facilities in Alliance Medical and Poland to South Africa, specifically in areas such as oncology and gynaecology and cardiology (Poland)

AFFECTED STAKEHOLDER GROUPS

Government, employees, doctors and specialists.

OUR RESPONSE – STRATEGIC FOCUS AREAS

Material matters continued

GOVERNMENT RELATIONSHIPS

As one of our primary stakeholders, governments impact our business in many ways, from originating laws and regulations to issuing licences to operate. Internationally, the government is the primary source of revenue for Alliance Medical and Scanmed and contributes significantly to southern Africa's revenue.

The following factors impact government relationships as a material matter:

- PPPs directly affect government policies and spending
- Bed licences are required for brownfield and greenfield expansion in southern Africa
- Revenue and profitability are impacted by any healthcare regulatory reforms and tariff changes
- The public sector provides a significant portion of Alliance Medical and Scanmed's revenue, making the reforms, awarding of contracts and reductions or delays in payments, highly significant to profitability
- In addition, Alliance Medical operates across other European countries. Although slightly less material, from a revenue stance, its revenue in these countries can also be impacted by regulation and policies

AFFECTED STAKEHOLDER GROUPS	OUR RESPONSE – STRATEGIC FOCUS AREAS
Government, and government as a customer.	

INCREASING REGULATIONS

We operate in a highly regulated industry. While we believe that this level of regulation is necessary, it impacts the cost of care as well as the growth of the Group. While we fully support the intentions of regulators, the evolving context places a burden on the business as the pace and scale of change remains unprecedented. Non-compliance may lead to penalties or withdrawal of our licence to operate and holds reputational risk for the Group.

The following factors impact increasing regulations as a material matter:

- Regulations relating to matters such as licences, conduct of operations, security of medical records, occupational health and safety, quality standards and certain categories of pricing
- The possible impacts of the HMI, NHI and the Medical Schemes Amendment Bill in South Africa are currently uncertain
- Brexit is expected to have an impact on our in-country operations. However, the degree of this impact is uncertain at this time
- In an increasingly digital world, information security and cybercrimes remain a threat

AFFECTED STAKEHOLDER GROUPS	OUR RESPONSE – STRATEGIC FOCUS AREAS
Government, employees, doctors and specialists.	

QUALITY OF CARE STANDARDS

Maintaining and improving the quality of care in all our territories is integral to the Group's core values and to building strong relationships with key stakeholders such as government, healthcare funders, patients and doctors. The delivery of quality care is also critical to protecting the Group's reputation.

Our quality of care standards material matter is closely linked to the cost of care matter as a balance between effective and profitable service provision is critical. It is guided and impacted by a variety of factors, including:

- Government and other regulators that require adherence to various standards and practices
- The Group's policies, procedures and standards
- Environmental, health and safety requirements
- Shortages in specialised doctors and skilled personnel such as pharmacists, nurses and radiographers
- Innovation in information systems and security

AFFECTED STAKEHOLDER GROUPS	OUR RESPONSE – STRATEGIC FOCUS AREAS
Government, patients, healthcare funders, employees, and doctors and specialists.	

LABOUR RELATIONS AND EMPLOYEE RETENTION

High wage increases affect the affordability of healthcare, and the shortage of skilled employees affects the quality of care.

The following factors impact all our operations:

- Competition for specialised and scarce skills
- South African wage increases that are consistently higher than inflation
- Industrial action could impair the delivery of healthcare
- Talent management, succession planning, development and training

AFFECTED STAKEHOLDER GROUPS	OUR RESPONSE – STRATEGIC FOCUS AREAS
Employees, and doctors and specialists.	

Material matters continued

HEALTHCARE FUNDERS

Healthcare funders directly impact our ability to access patients, influencing revenue and market share.

The following factors impact healthcare funders as a material matter:

- Preferred network agreements and funder-preferred products and services are significant, as healthcare funders reimburse 96% of the hospital division revenue in southern Africa (2017: 95%)
- The Group has significant exposure to Discovery Health Medical Scheme and the Government Employees Medical Scheme (GEMS). In fact, these two funders make up approximately 46% (2017: 47%) of the hospital division turnover in southern Africa
- The consolidation activities of healthcare funders have resulted in increased bargaining power, which could ultimately reduce the prices the Group can charge for services
- Internationally, public funders and our agreements with them influence the viability and sustainability of our businesses
- Affordability of southern African private medical insurance market and existing members buying down their medical insurance options or abstaining from using medical insurance

AFFECTED STAKEHOLDER GROUPS	OUR RESPONSE – STRATEGIC FOCUS AREAS
Shareholders, investors and financiers, patients, and healthcare funders.	

PORTFOLIO PERFORMANCE

Given our global footprint, the performance of each operation is critical to delivering our growth ambitions.

The following factors impact on our portfolio performance as a material matter:

- Local socio-economic and political conditions
- Strength of local management teams
- Investment decisions made locally and at a board level

AFFECTED STAKEHOLDER GROUPS	OUR RESPONSE – STRATEGIC FOCUS AREAS
Shareholders, investors and financiers.	

Responding strategically

STRATEGIC OBJECTIVES

Our strategy is designed to respond to the current and expected future operating environments of the global healthcare industry, our stakeholder engagement processes, the risks and opportunities we face as a business, as well as the resultant material matters.

ACCELERATE

The transition from a South African focused acute care group to a market-leading, international, diversified healthcare provider:

- Increase the share of revenue from international businesses and the share of revenue from non-acute businesses

EVOLVE

The Group's delivery model to target a more diversified offering increasing revenue from non-acute lines of business:

- Target of between 40% and 50% of revenue from non-acute businesses
- Scale up the Group's complementary service offering, including increasing our geographic presence in acute rehabilitation, mental health, renal dialysis, oncology and diagnostics
- Expand our services offering by investigating allied opportunities within the healthcare arena

FOCUS

Concentrate on increasing the performance and health of the Group with the aim of Life Healthcare being the preferred hospital group in terms of efficiency and quality healthcare services:

- Address key enablers including quality standards, nursing efficiency, enabling technology and doctor engagement
- Build capabilities across operational, executive and international teams

STRATEGIC FOCUS AREAS

GROWTH

Continue to grow our southern Africa business while establishing a sizeable international business, and diversify our sources of revenue.

EFFICIENCY

Deliver cost-effective care through efficient, optimal utilisation of processes, information, technology, research, innovation and other resources.

QUALITY

Deliver market-leading quality care

SUSTAINABILITY

Effectively engage with our stakeholders to ensure our long-term sustainability.

The strategic focus areas of growth, efficiency, quality and sustainability feed into the three strategic objectives as outlined below. The table also provides insight into our progress towards achieving these objectives.

WHAT THIS MEANS	RELATED MATERIAL MATTER
The Group seeks to be a market-leading, international, diversified healthcare provider. This is achieved by effectively partnering with healthcare professionals to operate our acute hospital business and complementary services. Life Healthcare employs a range of growth enhancement approaches to expand our footprint and develop new clinical products to diversify our offerings.	• Portfolio performance • Government relationships
We are focused on providing high-quality care while effectively managing all costs, including cost of sales, labour and overheads. This allows the Group to maintain high levels of efficiency while allocating resources optimally. Relationships with our employees, healthcare funders, procurement partners and doctors are included as efficiency-enabling opportunities.	• Cost of care • Healthcare funders
Stringent adherence to protocols and processes, reporting, analysis and action for quality metrics are essential in delivering world-class healthcare. The Group aims to maintain and improve its quality performance through rigorous quality reporting and benchmarking. This includes clinical outcomes, patient satisfaction and stakeholder health and safety.	• Quality of care standards • Healthcare funders • Labour relations and employee retention
Social, environmental and financial stability underpinned by effective stakeholder engagement support our sustainable operation locally and internationally. The Group recognises the importance of our licences to operate in various territories and the stakeholders in each who directly influence our success. Life Healthcare remains focused on its sustainability goals.	• Cost of care • Specialised skills shortages • Government relationships • Increasing regulations • Labour relations and employee retention • Healthcare funders

Responding strategically continued

STRATEGIC FOCUS AREAS	OUR PROGRESS	OUR 2019 PRIORITIES

GROWTH

Southern Africa

- Recruit additional doctors to replace departing and diminishing-activity doctors, and fill critical vacancies
- Focus on increasing existing occupancies
- Adopt a more cautious bed growth strategy focusing on brownfield growth
- Entrench and expand the mental health and acute rehabilitation footprint
- Invest in facilities through upgrades and procurement of appropriate technology equipment

International

- Complete outstanding Narodowy Fundusz Zdrowia (NFZ) contracts in Poland
- Growth in commercial sales
- Complete the roll-out of the PET-CT contract sites
- Continue to develop long-term imaging service partnership solutions
- Continue the molecular imaging growth in Europe and the clinic acquisition in Italy

For more information on our growth performance refer to pages 66 and 91

Southern Africa

- 152 doctor recruits versus 101 departures
- Occupancy rate decreased from 70.0% to 69.7% with 131 extra beds
- Bedding down two new mental health units – Life St Vincent's and Life Carstenview. Construction has started on Life Brackenview
- Key hospitals that have increased their occupancies: Life Anncron Hospital, Life Hilton Private Hospital, Life Westville Hospital and Life Midmed Hospital
- Development of a cathlab in the North West province has commenced which will provide a much-needed service in the area, allowing patients and family currently travelling long distances to receive the necessary medical care
- Several hospitals are benefitting from upgrades such as Life Flora Hospital, Life Midmed Hospital, Life Cosmos Hospital, Life Queenstown Private Hospital and Life The Crompton Hospital
- The oncology offering has also been expanded by the placement of high-end equipment in Pretoria

International

- New four-year NFZ contracts covering 95% of the Scanmed business have been concluded at improved average pricing
- Strong growth in commercial sales in Italy now being 37% of revenue
- Successful with four *PET wave 2* contracts at a fixed price with a seven-year term with a three-year option
- Completion of the first integrated diagnostic centre building in Colchester
- Accelerated acquisition plan of minorities in Alliance Medical to increase shareholding to 100%
- Acquisition of IMED and Centro Alfa in Italy, and Piramal in Northern Europe

Southern Africa

- Doctor recruitment and retention
- Complementary services – focus on growth opportunities
- Continue to expand across the healthcare continuum
- Develop and launch new clinical products
- Continue with upgrades such as Life Entabeni Hospital, Life Eugene Marais Hospital, the oncology equipment replacement in Bloemfontein to provide national coverage in high-end oncology equipment and the new da Vinci surgical robotic system that has been introduced at Life Kingsbury Hospital
- Participate in government tenders to provide medical services within the acute sector
- Focus on growing appropriate preferred network deals with funders
- Engage funders on the introduction of several clinical products to secure market share
- Opening of Life Brackenview in Q2 FY2019
- Grow our Employee Health Service offering

International

- Commercial sales growth
- Organic growth within selected medical specialisations
- PET-CT contract roll-out
- Appoint International CEO
- Additional cathlab to be opened in Poland
- Replicating successful partnerships globally
- Technology enabled support initiatives
- Increase scale in certain existing geographies
- Growth in new geographies which complement existing investment

STRATEGIC FOCUS AREAS	OUR PROGRESS	OUR 2019 PRIORITIES
QUALITY		

Southern Africa

- Improve flow of patients through emergency units, with a focus on enhanced service offering to all patients
- Publish facility patient experience scores online
- Introduce enhanced care plans as part of clinical pathways

International

- Agree on international quality measures for implementation and benchmarking

For more information on our quality performance refer to pages 72 and 94

Southern Africa

- The automated triage process has been introduced and is in pilot
- Additional metrics for 2018 have been defined
- Hand hygiene compliance
- Pharmacy clinical intervention rate
- Cleanliness of high touch areas
- Inpatient and emergency unit patient experience scores are published on the Life Healthcare website with the last 365 days results (updated every 24 hours)
- Major Joints for Life implemented and rolled out to the business

International

- Work in progress of integrating Alliance Medical's governance and risk management framework

Southern Africa

- Refine the flow of patients through emergency units and roll out enhanced service offering to patients
- Report on degree of harm on patient incidents (no harm/none, low harm/mild, moderate harm, severe harm, death)
- Adjusted mortality rates for specific diagnostic groups
- Refinement of quality, clinical outcomes, nursing sensitive and environmental sustainability scorecards
- Begin reporting other relevant patient health and safety metrics on the website
- More focus on clinical outcome measures and report on BetterObs, Major Joints for Life, care of the new-born and stroke
- Global procurement initiative
- Targeting growth in occupancies to improve operational leverage through doctor efficiencies and clinical products
- Publishing of clinical quality and patient experience scores on a per hospital basis

International

- Further investment in governance and internal audit functions
- Comprehensive preparation of hospital units in Scanmed for Minister of Health accreditation
- Preparation for the annual external audit of the ISO 9001:2015 QMS and the information security management system PN-EN ISO/IEC 27001:2017-06
- Implementation of an electronic system for processes monitoring and measuring
- Implement Life Healthcare clinical quality governance framework

Responding strategically continued

STRATEGIC FOCUS AREAS	OUR PROGRESS	OUR 2019 PRIORITIES

EFFICIENCY

Southern Africa

- Develop clinical pathway products which can be implemented
- Enhance the doctor quality and efficiency reporting and continue engaging with clinicians
- Introduce cost optimisation projects including the iShift (advancement through continuous improvement) initiative focused on efficiency and removal of waste in processes
- Commence development of the clinical information system

International

- Margin expansion through cost containment, integration and efficiency initiatives in Scanmed
- Consolidation and organic growth of existing clinics in Italy

For more information on our efficiency performance refer to pages 75 and 96

Southern Africa

- Major Joints for Life Hips and Knees project was launched
- A pilot on coordinated oncology care commenced at Life Vincent Pallotti Hospital with a specific focus on breast cancer
- Stroke product and obstetrics products near completion
- Clinical directorate are continuing to influence doctors on surgical and ethical product utilisation by making use of the clinical reports
- Projects were introduced, that focus on process improvement by removing process waste
- Improved staffing norms were agreed for maternity units as part of the BetterObs programme
- Six regional clinical managers are in place to complement the regional structures. They play a key role in harnessing the following:
  - Relationship building with doctors on a clinical platform
  - Sharing of quality and clinical efficiency data with admitting specialists
  - Research and development of clinical products

International

- Established a centralised procurement function in Poland
- Successful integration of acquisitions in Italy ahead of business case
- Group executive committee (Exco) driving collaboration and shared learnings
- Focus on operational efficiency and cost containment resulted in improved operational performance in Scanmed

Southern Africa

- Creation of an automated iShift project library, with access to share learnings
- Clinical directorate to continue with engagement of doctors
- Engage funders to improve efficiency and reduce cost of delivery
- Global procurement initiative
- Renewed focus on managing our cost of sales as well as our overall procurement

International

- Increase medical margin by improving efficiency in use of consumables and increase effectiveness of medical staff
- Further roll-out of Group integration initiatives
- UK operations to drive switch from short-term solutions to longer-term solutions with hospital trusts
- Integrating Piramal into the broader MI business and accelerating the sale of broader neuro isotopes into our existing and new markets
- Global procurement initiative

STRATEGIC FOCUS AREAS	OUR PROGRESS	OUR 2019 PRIORITIES

SUSTAINABILITY

Southern Africa

- Drive a competitive B-BBEE scorecard and improve our rating to facilitate growth for South Africa
- Identify and recruit undergraduate doctors and provide early orientation to hospital private practice for specialists in training
- Embed integrated talent management and succession strategies
- Continued improvement in our environmental performance including reducing water usage by 2% per annum measured in kilolitres
- Install solar panels at a minimum of one additional facility, with a rollout plan for additional facilities in place
- Maintain HCRW below 2.5kg/PPD
- Obtain ISO 14001 accreditation of medium-sized facilities
- Replace the current billing engine with Impilo

International

- Secure four years of public funding under the new healthcare legislation in Poland
- New team of key managers to be on-boarded
- Integration of acquired businesses followed by mergers of several companies within the Group
- Several important IT, HR, finance system changes to be implemented to secure further growth

For more information on our sustainability performance refer to pages 77 and 97

Southern Africa

- In line with our transformation objectives, pleasing progress was made across several areas of our B-BBEE scorecard, improving our status from a level 7 contributor to a level 4 contributor
- Succession management is entrenched in business processes and group-wide executive succession plans are reviewed at board remuneration and human resources (HR) committees on an annual basis
- We partnered with the Gordon Institute of Business Science (GIBS) to address middle, senior, and executive leadership development. In total 37 managers participated in these programmes. Candidates for these interventions are identified via the succession management review process
- Reduced our electricity consumption by 4.5%, to 64 kWh/PPD in 2018
- Reduced Scope 2 emissions by 7.9% based on a consistent calculation, using the South African factors
- Reduced water usage by 14.3% across the Group to 0.48 kl/PPD

International

- Four-year funding secured with NFZ for 95% of the business
- Key managers on-boarded for Alliance Medical and Scanmed
- Launch of our university partnership model in the UK and Ireland
- Introduced apprentice schemes funded by the government's annual apprenticeship levy
- Completed Alliance Medical management transition

Southern Africa

- Maintain a level 4 with regards to B-BBEE
- Continue to provide early orientation for specialists in training
- Continue to nurture talent and implement succession strategies
- Decrease dependency on grid sources of electricity and water
- Install solar panels at additional facilities
- Continue to manage and reduce healthcare risk waste (HCRW) to below 2.5 kg/PPD
- Continue involvement in community projects

International

- Talent:
  - implement a new remuneration system and salaries grid
  - implement performance management for key managers
  - automate the settlements process for medical staff
- Continue to nurture talent and implement succession strategies
- Continue to grow university partnerships in the UK, Ireland and Europe
- Drive further collaboration and integration across the broader Group – led by the Group executive team
- Global integration initiative

Responding strategically continued

MANAGING TRADE-OFFS THAT INFLUENCE OUR VALUE CREATION

TRADE-OFFS MADE	THE CAPITALS AFFECTED	THE STAKEHOLDERS IMPACTED	HOW THIS LINKS TO OUR STRATEGY
The sale of Max Healthcare Although India is a promising economy with good growth rates, continuous regulatory changes, as well as current business underperformance, has caused the Group to reflect on whether this operation remains in line with our growth strategy and our financial targets. In 2018, a decision was taken by the board to divest our stake in the Max Healthcare business, reducing our current risk while recognising that there is potential for future growth in this market.	• Manufactured capital • Financial capital • Intellectual capital	• Shareholders, investors and funders	• Our growth strategy has evolved from delivering acute hospital care in emerging markets towards a much deeper approach to integrated healthcare that will leverage off the diagnostics capability of Alliance Medical in western Europe • While acute hospital care will remain our core business in our home market for the foreseeable future, our growth going forward will be derived from further expansion into complementary healthcare businesses. This decision will free up capital to invest in our core markets that better align with our overall strategy

TRADE-OFFS MADE	THE CAPITALS AFFECTED	THE STAKEHOLDERS IMPACTED	HOW THIS LINKS TO OUR STRATEGY
Balancing the portfolio Allocating capital and human resources to one part of the business often requires that costs must be cut elsewhere. Expanding to new geographies and thereby diversifying our revenue sources is critical in achieving our growth objectives. However, development and expansion of our existing operations are also necessary for a sustainable business. During the year, the focus in our southern Africa business was on brownfield developments rather than greenfield developments, which are more costly, while we allocated resources to bedding down the integration of Alliance Medical and the turnaround in Scanmed.	◗ Financial capital ◗ Manufactured capital	◗ Shareholders, investors and funders ◗ Governments	◗ Our strategic growth is multi-faceted but making these decisions allows us to grow in different ways depending on what other strategic objectives are top of mind
Group integration Expanding the Group's operations facilitates significant strategic gains. In so doing, we must strike a balance between organisational assimilation and operational and leadership congruency without losing both cultural and intellectual property from any relevant entity. We want to grow an integrated but strong corporate culture with new and old expertise being merged as opposed to one engulfing the other.	◗ Intellectual capital ◗ Human capital	◗ Employees ◗ Shareholders, investors and funders	◗ As part of the expansion process, ensuring that we mine the most beneficial intellectual capital from businesses we purchase while maintaining our cultural distinction is key to ensuring we deliver quality service to our patients

Responding strategically continued

TRADE-OFFS MADE	THE CAPITALS AFFECTED	THE STAKEHOLDERS IMPACTED	HOW THIS LINKS TO OUR STRATEGY
Our procurement choices We seek to select suppliers who provide quality, affordable supplies that meet our requirements while supporting newer, local entrants. Local suppliers support our sustainability goals and may contribute to both our B-BBEE scorecard and local economic growth. However, many of our existing suppliers of technical medical supplies are based outside of South Africa. We remain cognisant of our international presence and seek to balance our transformation goals with cost management drives, particularly when potential local suppliers may add larger mark-ups.	◗ Social and relationship capital	◗ Shareholders, investors and funders ◗ Government ◗ Suppliers	◗ Decisions that support the sustainability of the economies in which we operate, support our business sustainability. However, at times, efficiency and cost take primacy in determining the best procurement decisions for our business
Quality versus efficiency While quality will always be the primary driver and people's lives are the most critical factor to consider, we need to consider aspects of efficiency such as cost and speed of delivery. Without sacrificing on quality, we must continually weigh up the cost and benefit of each decision at a clinical level and on a larger Group level.	◗ Financial capital ◗ Human capital ◗ Social and relationship capital	◗ Patients ◗ Shareholders, investors and funders ◗ Suppliers	◗ While quality will remain a primary driver in making key decisions, we need to make constant trade-off decisions between quality and efficiency, remaining cognisant of the fact that the sustainability of the business depends on our ability to provide both quality and efficiency

Our value creation

The value we create for our stakeholders goes beyond financial returns. We seek to improve lives, we want to improve the quality of life and health of our patients and other stakeholders, while delivering unparalleled care.

We distribute non-financial value to our stakeholders in the following ways:

Patients

Delivering quality healthcare that improves the quality of our patients' lives.

Improved patient satisfaction scores.

For more information refer to page 70 and 94

Doctors and specialists

We deliver value to our doctors and specialists through the quality of the facilities we provide and through a partnership model that enables the services they provide to patients.

We also contributed to the training of doctors through bursaries and training.

For more information refer to page 81 and 97

Employees

Through training and other employee benefits, we deliver value beyond the remuneration we offer our employees.

454 nurses trained.

For more information refer to page 78 and 97

Industry regulatory bodies

We actively engage with regulatory authorities on critical issues to ensure the best outcomes for all parties.

During the year, critical engagement occurred around the HMI and NHI reports in our southern Africa business.

For more information refer to page 63 and 64

Society

Our corporate social investment (CSI) programmes provide value, both financial and non-financial, to the communities in which we operate and in which our employees reside to drive sustainable change through community upliftment, health and education (training and research) projects.

For more information refer to page 99

Our value creation continued

STATEMENT OF FINANCIAL VALUE ADDED

	2018 R'm	2017 R'm	2016 R'm
Revenue	**23 488**	20 797	16 404
Less: Purchased cost of goods and services	**(11 936)**	(10 309)	(6 971)
Financial value added	**11 552**	10 488	9 433
Other income	**104**	110	158
Financial wealth created	**11 656**	10 598	9 591
Employees	**5 976**	5 443	5 094
Providers of equity	**1 209**	1 478	1 662
Providers of funding[1]	**819**	1 216	509
Government	**1 095**	976	972
Maintenance and expansion of capital[2]	**1 704**	1 410	675
Re-investment in the Group[3]	**853**	75	679
Financial wealth distributed	**11 656**	10 598	9 591
Average number of employees	**20 642**	20 499	19 026
Financial wealth created per employee (R'000)	**565**	517	504
Weighted average number of shares (million)	**1 451**	1 310	1 121
Financial wealth created per share (R)	**8.03**	8.09	8.56

The Group has undertaken a strategy of international growth and diversification to support the longer-term growth of the private healthcare market. This has resulted in a number of non-recurring costs in the prior year, including transactions costs and increased acquisition funding costs.

Excluding these non-recurring items the financial wealth created per employee would be R565 468 (2017: R556 905 and 2016: R524 177), and the financial wealth created per share would be R8.04 (2017: R8.72 and 2016: R8.90).

[1] The prior year includes R778 million of funding costs for acquisitions in 2017, of which R427 million is non-recurring due to the settlement of a portion of the bridge funding via the rights offer.

[2] In 2018 the amortisation charge increased by R98 million, as a result of normalisation of amortisation due to the inclusion of its results for the full 12 months (2017: 10.3 months), and the impact of additional acquisitions. The 2017 increase is due to the fair value uplift of intangible assets from the Alliance Medical acquisition.

[3] The current year includes impairment of R34 million, with 2017 and 2016 including the impairment of the investment in Poland of R167 million and R370 million respectively.

SECTION CONTENT

Leadership review

Chairman's review

This year, the Group made pleasing progress, furthering its vision of being a **market leading, international, diversified** healthcare provider

MUSTAQ BREY
Chairman

DELIVERING TOMORROW

A rapidly evolving operating environment is propelling the healthcare industry. In South Africa, the macro-economic environment remained under pressure; lack of medical scheme growth persisted and bed growth over the last few years has outstripped growth in beneficiaries. Increased pressure in this environment is seen by the consolidation in the private health insurance market and persistent above-inflation cost pressures. It is against this backdrop that we recognise the need to position our business to allow for agile change and sustained growth in a shifting context.

While we remain focused on delivering high-quality, cost-effective care on a day-to-day basis, the need to think ahead remains critical, coupled with ensuring that we position ourselves to capture and respond to opportunities that will arise as a result of global trends shaping the future of healthcare. Currently, trends such as changing demographics, financial limitations, evolving technology, increasingly complex regulatory conditions and growing consumerism are already influencing the healthcare sector and are set to dramatically influence its future.

To remain viable in the future, we need to constantly assess our current business model, innovate, create flexibility and leverage key learnings across both the organisation and markets to ensure we remain relevant. In this regard, I believe that increases in the integration of our operations, the quality and spectrum of our offering, particularly as it relates to the implementation of advanced technology, will set Life Healthcare apart from its competitors.

GOVERNANCE TO SUPPORT VALUE CREATION

As we continue to build a strong multinational presence, we understand that robust governance across our organisation is critical to solidifying trust with our stakeholders. To this end, we are increasing our governance and compliance spend, particularly in the international operations. The board strives to provide effective and ethical leadership, strategic direction and enhanced accountability to sustain value creation for its stakeholders.

Our approach to governance goes beyond a compliance mentality. While we meet the requirements of the relevant regulations applicable to our business, including King IV, the JSE Listings Requirements and the Companies Act, we believe that more is required of us – that a mindful approach to governance that calls us above and beyond a compliance mentality is non-negotiable.

Our aim is to ensure that all our subsidiaries are integrated into our governance structures, with effective oversight. I refer readers to our full governance report, on pages 103 to 119, for more information on our approach to corporate governance.

AN EVOLVING REGULATORY CONTEXT

While the healthcare industry faces many changing regulatory headwinds on a global level, 2018 will be recognised as a landmark year for South Africa. On 21 June 2018, South Africa took an important step towards the implementation of the NHI system, with the simultaneous publication of the NHI Bill and the Medical Schemes Amendment Bill.

Life Healthcare is fully committed to providing quality healthcare to all South Africans, and supports the fundamental principle of universal healthcare. As such, we support the NHI – which aims to extend appropriate and affordable healthcare to all South Africans, irrespective of their socio-economic status. The Medical Schemes Amendment Bill is aimed at aligning the medical aid industry to the changes which will come through the NHI implementation.

Improving the nation's health outcomes by addressing the challenges within the public and private healthcare sectors is a massive undertaking and, in this context, Life Healthcare welcomes the opportunity to participate in the public commentary process and continuous engagement with government.

CONTRIBUTING TOWARD BUILDING A BETTER NATION AND DRIVE VALUE CREATION

At Life Healthcare, we drive strategically relevant CSI programmes that complement shortfalls in public healthcare services and training in South Africa.

We offered monetary contributions and continued creating sustainable change through community upliftment, health-related, and education projects.

Pro-bono surgery was provided to patients that could not afford treatment during 2018. We continue to provide cataract surgery and eye-care services to indigent patients in partnership with the South African National Council for the Blind (SANCB). Preventive screenings were performed free of charge to indigent patients.

Our partnership with educational support organisations aimed at medical students in Poland continued this year, resulting in incorporation of additional trainees. We continued our university partnership model in the UK and Ireland with partnerships further developing at multiple universities, which included placement programmes for undergraduate and postgraduate radiography students.

Going forward, we will continue to focus on training learners with disabilities and providing eye-care services for indigent patients.

STRENGTHENING RELATIONSHIPS THAT ENABLE GROWTH

We believe that stakeholder engagement must be pursued systematically, not only to understand risks relevant to our business, but to also inform business strategy and to form part of our innovation arsenal, as open exchange with and between diverse groups holds considerable potential for value creation and new business models.

As an example of our desire to drive patient value, we conduct patient experience surveys at all our hospitals and make the findings readily available on our website. In this way, we allow our patients to make the best possible decisions by supplying them with clear, transparent, unbiased information. The survey also provides us with comprehensive feedback on all aspects of the patient journey – from admission to discharge. Patients are asked a series of questions about the hospital's facilities, staff and their overall patient experience to help each facility determine how they are performing, what they can do better and how to continue to provide first-class care to every patient and visitor.

The information provided through this engagement has assisted us in bettering our patient experience.

STRENGTHENING OUR EXECUTIVE TEAM

Following the resignation of André Meyer as chief executive officer in 2017, the board undertook a rigorous and robust recruitment process to identify a successor to lead the business into the next phase of growth.

As a result of this selection process, Dr Shrey Viranna was appointed to the position of Group CEO effective from 1 February 2018. With a wealth of work experience in healthcare, extensive international exposure and proven leadership capabilities, we believe Shrey to be uniquely placed to drive sustainable growth in the business.

Chairman's review continued

I would like to thank Pieter van der Westhuizen, who acted as interim CEO, as well as our management team for their commitment during the process.

In addition to the appointment of the new CEO, the management team was bolstered with the appointment of Tanya Little, Group Integration and People Executive, and Brett Mill, Group Strategic Planning Executive. Furthermore, I want to thank Adam Pyle for assuming the CEO role in South Africa with Lourens Bekker retiring, and in Alliance Medical, Guy Blomfield and Nick Burley transitioning into non-executive roles. We would like to thank Lourens for his valued contribution, and look forward to Guy and Nick's further support.

Changes to the directorate

During the year, Mpho Nkeli resigned as an independent non-executive director with effect from 31 May 2018. The board wishes to thank Mpho for her valuable contribution and wishes her the very best for the future. Following the resignation of Mpho, Audrey Mothupi was appointed as chairperson of the social, ethics and transformation committee, with effect from 31 May 2018.

I firmly believe that we have the right people in place to enable us to deliver on our vision of being a market leading, international, diversified healthcare provider.

Board focus areas for 2019

Our key focus areas from a board perspective will be the monitoring of the global integration initiative, the Group's delivery against its key strategic objectives, delivery of the strategy that will result in shareholder value accretion, Alliance Medical's delivery against business case and improvement in our B-BBEE performance and score.

CLOSING AND APPRECIATION

I would like to extend my appreciation to my fellow board members for their focus, input and guidance throughout the year.

On behalf of the board, my thanks and acknowledgement go to our dedicated team – our nursing team, employees, service providers and the doctors who practise at our facilities. It is only through your commitment and effort that we are able to provide industry-leading healthcare services. Finally, to our valued stakeholders, thank you for your ongoing support as we work to realise our purpose of making life better.

Mustaq Brey
Chairman

Group Chief Executive Officer's review

Solid performance with increased diversification internationally as well as into non-acute lines of business. **Patient-centred care remains our core deliverable**

Revenue contribution acute versus non-acute

Acute	65%
Non-acute	35%

Group revenue

R23.5bn

Increase of 12.9%
(2017: R20.8 billion)

Group EBITDA

R5.5bn

Increase of 10.7%
(2017: R5.0 billion)

Normalised EPS

110.2 cents

Increase of 17.4%
(2017: 93.9 cents)

DR SHREY VIRANNA
Chief Executive Officer

Group Chief Executive Officer's review continued

It gives me great pleasure to present our integrated report for 2018, my first as Group CEO. Amid a turbulent global and local economic environment, the Group delivered sound results. I am pleased to report that the Group revenue rose by 12.9%, normalised EBITDA increased by 10.7%, and normalised earnings per share were up 17.4%.

MACRO-ECONOMIC OVERVIEW

As a healthcare provider, we are inextricably tied to the people and the countries we serve, with both economic and regulatory factors strongly influencing the Group's operations.

From a macro-economic perspective, the South African economy showed green shoots at the end of 2017, resulting primarily from changes in the political landscape. Historical challenges such as persisting inequality and joblessness have weighed heavily on the economy. However, recent positive developments through increased investment, championed by the President of South Africa, have buoyed economic outlook. The looming regulatory changes, as proposed in the NHI Bill and Medical Schemes Amendment Bill, have signalled change in the future. It is in this context that Life Healthcare has identified exciting opportunities for growth and diversification in our primary market, South Africa.

We have performed well in our European business, despite tariff pressure in the UK, and have recovered from external shocks. The business has and will continue to react swiftly to rising regulatory pressures and costs by adapting the business model.

Despite this evolving global operating context, Life Healthcare delivered solid operational and financial results, underpinned by good growth in both the southern Africa and international business, combined with a pleasing turnaround in our Polish operations. Our outlook remains positive.

REFLECTING ON THE 2018 FINANCIAL YEAR

Southern Africa

Amid shifting industry and market dynamics, operations in southern Africa have performed well, with revenue up by 8.5% to R17.2 billion (2017: R15.9 billion). The hospital division benefitted from an increased contribution from complementary services, as well as positive PPD growth of 1.1% (2017: -1.7%), higher revenue per PPD of 6.1% made up of a 5.6% tariff increase and a 0.5% positive case mix impact. Complementary services continued to reflect good growth across the different business lines and healthcare services benefitted from the acquisition of an occupational health and wellness business in October 2017, as well as the return of many of the Gauteng mental healthcare users.

The overall weighted occupancy for the period remained relatively stable at 69.7% (2017: 70.0%), with 131 brownfield expansion beds being added.

The Group continues to focus on its quality outcomes, with the overall patient experience improving and the patient incident rate declining, reflecting an improvement in the clinical outcomes. Pleasingly, eight of our hospitals were recognised in the Discovery Health Patient Experience 2017 Top 20, a significant improvement from two hospitals in 2016. This is testament to the organisation and employees living up to our core values, along with initiatives such as the CARE programme starting to show results.

We are committed to developing clinical products that offer best-in-class clinical protocols, delivering excellent clinical outcomes and improving overall quality and efficiency. Our Major Joints for Life pathway was launched with support from 90 orthopaedic surgeons. This pathway is a multi-disciplinary approach to healthcare, providing patients with an improved clinical treatment solution. Given its success, we are exploring the development of new pathways going forward.

Alliance Medical

Alliance Medical continued to deliver on its growth strategies in both existing territories and new potential markets. Alliance Medical's revenue on a 12-month basis grew by 8.4% to £283 million compared to 2017. This was on the back of strong PET-CT growth in the UK, good northern Europe growth and a solid performance from Italy and Ireland.

The normalised EBITDA margin on a 12-month basis was 23.7% (2017: 26.4%) The short-term impact of BMI and mobile contracts resulted in a 2.3% reduction in margin. Piramal and Life Radiopharma acquisitions for future growth lessened the margin with 1.1% offset by PET-CT volume growth increasing margin with 0.7%.

Group-wide integration remains a priority and has been accelerated in order to optimise the capabilities of Alliance Medical across the Group. This integration will optimise costs, drive efficiency and will ensure shared expertise across the Group.

During the year, Guy Blomfield transitioned from CEO of Alliance Medical to a non-executive director, as did Nick Burley, the CFO. We believe these transitions will assist us to leverage their knowledge of the business to better integrate and operationalise the strategy.

Scanmed

Management-driven organisational turnaround remained a key priority during the year. In this regard, the focus on competitive medical staff remuneration systems, efficiency and rigorous cost-optimisation initiatives continued to show positive results – with revenue of R1.3 billion, up 15.1% from 2017 and with the EBITDA margin increasing to 6.7% (2017: 4.0%).

Furthermore, the business concluded several new four-year contracts with the Polish National Health Fund at improved average pricing, covering 95% of the Scanmed business.

The leadership team was also bolstered through the successful recruitment of several key managers, positioning the business for further growth.

MAX HEALTHCARE SALE

During the year, the Group started the process of selling the investment in Max Healthcare, enabling the Group to concentrate our efforts in the areas where we see the greatest long-term value. That is, evolving away from delivering acute hospital care towards a much deeper approach to integrated healthcare. This will enable Life Healthcare to focus on its core operations in southern Africa, the UK, Poland, northern and western Europe.

Transaction completion is subject to regulatory approval.

OUTLOOK

The Group's business growth is widely expected to accelerate in 2019, buoyed by new initiatives and increased cost efficiency efficiencies. Our planning assumptions are appropriately conservative, but with a focus on capital light new business development. We will continue to lead improvements across the business to deliver free cash flow and further strengthen the balance sheet. Clinical quality is of paramount importance and we will expand the clinical quality initiatives and continue to benchmark to world-class standards. We will further our vision of becoming a diversified international healthcare provider, continuing our focus on southern African growth, implementation of new initiatives and our strategies across the business.

APPRECIATION

Thank you to the board and executive management team for their warm welcome as well as the dedication they continue to demonstrate. Thank you also to our employees and all healthcare professionals we work with – our performance is the result of your continued commitment to the improvement of life.

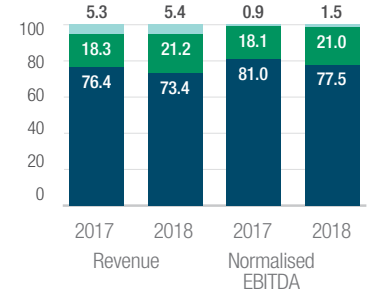
I believe the fundamentals of our business remain strong, and we are well positioned to add value for our stakeholders and improve the quality of care offered to our patients in the coming year.

Dr Shrey Viranna
Group CEO

Group Chief Financial Officer's review

Good performance across all territories with improved performance in H2

Contribution by territory
(%)



Cash generated from operations

R5.5bn

Increase of 18.0%
(2017: R4.7 billion)

Headline earnings per share (HEPS)

108.8 cents

Increase of 40.6%
(2017: 77.4 cents)

Final dividend

50 cents

Increase of 11.1%
(2017: 45 cents)

PIETER VAN DER WESTHUIZEN
Group Chief Financial Officer

In line with our strategic objective to accelerate the transition from a South African focused acute care group to an international, diversified healthcare provider, we advanced this strategy of diversifying across business lines and territories with 35% of our revenue coming from non-acute sources.

In southern Africa, we completed the acquisition of the occupational health and wellness business (EOH) in October 2017, and internationally we completed the acquisitions of the Italian clinics, Imed and Centro Alfa in March 2018 and September 2018 respectively, as well as Piramal in June 2018. In the UK, we opened the first integrated diagnostic centre in March 2018 as well as being successful with four PET Wave 2 contracts with a seven-year term with a three-year option.

Indicator	Year-on-year trend	2018 R'm	2017 R'm
Growth			
Net debt:normalised EBITDA (ratio), debt covenant is <3.5	↑	**2.73**	2.55
Interest cover (ratio), debt covenant is >4.0	↑	**5.71**	4.22
Capital expenditure as percentage of revenue (%)	↑	**9.6**	8.0
Maintenance capital expenditure as percentage of revenue (%)	↓	**3.7**	4.0
Growth capital expenditure as percentage of revenue (%)	↑	**5.8**	4.0
Normalised EPS (cps)	↑	**110.2**	93.9
Normalised EPS excluding amortisation (cps)	↑	**139.3**	120.6
Dividend (cps)	↑	**88.0**	80.0
EBITA	↑	**4 402**	4 030
Free cash flow before transaction costs and non-recurring interest[1]	↑	**2 373**	1 928
Efficiency			
Cash generated from operations as percentage of EBITDA, target is >95%	↑	**99.4**	93.2
Normalised EBITDA margin (%)	↓	**23.6**	24.0

[1] *Non-recurring interest of R427 million is excluded in the prior year as it relates to the settlement of a portion of the bridge loan funding via the rights offer.*

Statement of comprehensive income

Summarised Group statement of comprehensive income

	2018 R'm	2017 R'm	Change %
Revenue	**23 488**	20 797	12.9
Normalised EBITDA[2]	**5 535**	5 001	10.7
EBITA	**4 402**	4 030	9.2
EBIT	**3 865**	3 591	7.6
One-off costs	**(71)**	(442)	(83.9)
Net finance cost	**(962)**	(1 137)	(15.4)
Share of associate's net profit after tax	**(105)**	(15)	
Profit for the year	**1 914**	1 119	71.0
Profit attributable to ordinary equity holders	**1 575**	814	93.5

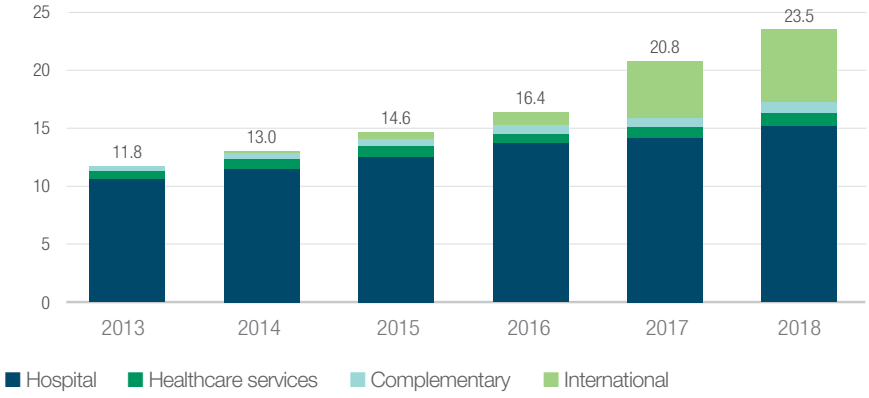
[2] *Life Healthcare defines normalised EBITDA as operating profit before depreciation on property, plant and equipment, amortisation of intangible assets and non-trading related costs and income.*

Group Chief Financial Officer's review continued

Revenue and EBITDA

The Group results reflect a solid performance from the South African operations with a good performance in SA acute business against a challenging 2017 and strong year-on-year growth in complementary and healthcare services. There was excellent turnaround in the Polish operations and a good performance from Alliance Medical, particularly in the Italian and Irish businesses, with strong volume growth in PET-CT in the UK.

Revenue (R'bn)



The Group results for the year ended 30 September 2018 had revenue increase 12.9% to R23.5 billion (2017: R20.8 billion). The Group continues to diversify its revenue streams with 35% of Group revenue (2017: 28%) coming from outside of the acute hospital business, and 27% of Group revenue (2017: 24%) coming from the international business.

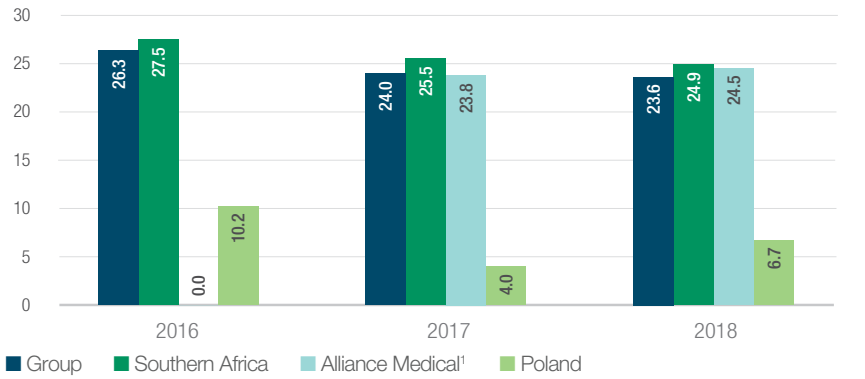
The southern African operations returned to positive paid patient day (PPD) growth and continued to benefit from the strategy of expanding the complementary services business. In the Group's international operations, Scanmed S.A. (Scanmed) continued with its business turnaround and performed in line with H1 2018 and Alliance Medical Group Limited (Alliance Medical) delivered a good performance for the 2018 year. In the Alliance Medical UK business, molecular imaging (PET-CT) continued to experience solid scan volume growth with 2018 volumes increasing by 15.2% over the prior year. The diagnostic imaging business in the UK was impacted by increased mobile competition and a decrease in National Health Service (NHS) prices, and the strategic focus continues to move away from short-term contracts to long-term partnership solutions with hospital trusts. The Irish, Italian and northern Europe diagnostic businesses within Alliance Medical performed well over the year.

In southern Africa normalised EBITDA increased by 5.9% with an EBITDA margin of 24.9% for the year (2017: 25.5%). The EBITDA margin for hospitals and complementary services reflected a marginal improvement on 2017 with the overall margin being impacted by strong healthcare services growth occurring within the context of lower EBITDA margins and increased corporate costs due to the investment in future growth projects.

Alliance Medical EBITDA margin on a 12-month basis was 23.3% (2017: 24.2%). The margin was impacted by Piramal, as well as the lower margin in the Life Radiopharma business (acquired in H2 2017). The margin excluding Piramal and Life Radiopharma is 25.3% (2017: 24.4%). Alliance Medical opened its first integrated diagnostic centre (IDC) in March 2018 and has contracts signed with an additional 12 trusts.

In Poland the EBITDA margin increased to 6.7% (2017: 4.0%) primarily as a result of the business turnaround driven by the management team and the continued integration and efficiency initiatives. In addition, new four-year Narodowy Fundusz Zdrowia (NFZ) contracts covering 95% of the Scanmed business have been concluded at improved average pricing.

Normalised EBITDA margin (%)



[1] *Alliance Medical margin in 2018 excludes product development.*

India

In September 2018, the board accepted an offer from the global investment firm Kohlberg Kravis Roberts and Co LP. (KKR) of 80 rupees per share for the Life Healthcare equity shareholding in Max Healthcare Institute Limited (Max). The offer values the Life Healthcare stake at approximately R4.3 billion before costs and the impact of exchange rate fluctuations (the R4.3 billion is an indicative amount based on the rate of exchange as at 19 September 2018, R1 = INR4.93). The final amount will be determined based on the rate of exchange when the transaction is finalised. The offer is subject to the signing of a sale agreement and regulatory approvals. The Group entered into foreign exchange option contracts to manage exposure to fluctuations in the exchange rates on the proceeds relating to the sale.

The Group ceased equity accounting the investment on 30 June 2018, since the IFRS 5 criteria had been met on 1 July 2018. The results relating to Max for the nine-month period reflect a loss of R118 million (2017: loss of R27 million).

Earnings

Earnings increased by 93.5% to R1.6 billion (2017: R0.8 billion). The Group's earnings were positively impacted by strong performances by all business units, lower once-off costs in the current year offset by higher amortisation of intangibles normalised for the Alliance Medical acquisition. The prior year included transaction costs of R267 million and impairment of the investment in Poland of R167 million. Net finance costs were R175 million lower than the prior year mainly due to the bridge loan funding raised for the acquisition of AMG being repaid with the rights issue proceeds in May 2017.

Earnings per share

	2018	2017	Change %
Weighted average number of shares (million)	**1 451**	1 310	10.8
EPS (cents)	**108.6**	62.2	74.6
Impairments of assets and investments	**2.3**	12.8	
Profit on remeasuring previously held interest in associate to fair value	**–**	(0.4)	
(Profit)/loss on disposal of property, plant and equipment	**(2.1)**	2.8	
HEPS (cents)	**108.8**	77.4	40.6
Fair value adjustment to contingent consideration	**1.2**	(3.3)	
Transaction costs relating to acquisitions	**2.6**	20.4	
Gain on derecognition of lease assets and liabilities	**(4.9)**	–	
Other	**2.5**	(0.6)	
Normalised EPS (cents)	**110.2**	93.9	17.4
Effect of Max	**8.1**	2.1	
Normalised EPS excluding Max (cents)	**118.3**	96.0	23.2
Normalised EPS excluding amortisation (cents)	**139.3**	120.6	15.5

Group Chief Financial Officer's review continued

Financial position

Net debt to normalised EBITDA as at 30 September 2018 was 2.73 times (2017: 2.55 times). The bank covenant for net debt to EBITDA is 3.50 times (2017: 3.50 times).

	2018 R'm	2017 R'm
Non-current assets	**30 558**	31 459
Property, plant and equipment	**12 243**	11 131
Goodwill	**12 991**	12 170
Intangible assets	**4 093**	4 111
Investment in Max (reclassified as held for sale)	**–**	2 960
Other	**1 231**	1 087
Current assets (excluding cash and asset classified as held for sale)	**4 249**	4 004
Asset classified as held for sale	**2 841**	–
Cash and cash equivalents	**1 494**	1 176
Total assets	**39 142**	36 639
Total shareholders' equity	**16 202**	15 551
Non-current liabilities	**14 764**	9 991
Interest-bearing borrowings	**12 870**	7 786
Other non-current liabilities	**1 894**	2 205
Current liabilities (excluding interest-bearing borrowings)	**5 090**	4 796
Interest bearing borrowings	**3 086**	6 301
Total equity and liabilities	**39 142**	36 639
Net debt	**14 950**	13 361
Net debt to normalised EBITDA (covenant 3.5x)	**2.73**	2.55

Capital expenditure and investments

During the current financial period, Life Healthcare invested R3.4 billion (2017: R12.0 billion, including the acquisitions of Alliance Medical), mainly comprising capital projects of R2.1 billion (2017: R1.6 billion), new acquisitions (net of cash acquired) by Alliance Medical of R434 million (2017: R292 million) and settling the B-share liability for R640 million. The Group has approved R2.6 billion for its 2019 capital expenditure programme. The maintenance capex for the year was R878 million (2017: R837 million).

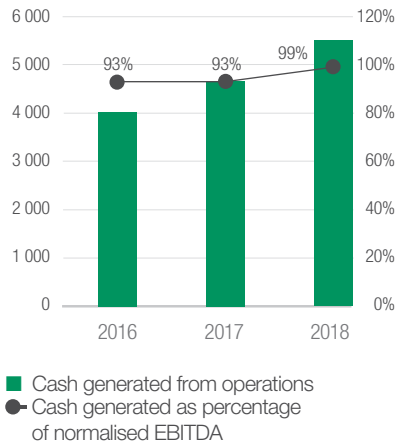
Borrowings

The Group concluded the refinancing of the UK bridge facilities in November 2017 and arranged GBP225 million and EUR302.5 million facilities for general corporate requirements. The increase in net debt is primarily due to acquisitions in Alliance Medical, and settlement of the B-share liability related to the Alliance Medical management's equity holding of 6.22%.

	2018		2017	
Funding	**R'm**	**Weighted average cost of debt (post-tax) %**	R'm	Weighted average cost of debt (post-tax) %
Acquisition funding				
ZAR	**3 551**	**7.31**	4 851	7.32
PLN	**830**	**3.75**	801	3.77
GBP	**1 311**	**2.42**	992	2.26
Capex funding – ZAR	**3 837**	**6.16**	2 498	6.67
Poland	**134**	**3.05**	148	3.05
Alliance Medical	**4 789**	**2.11**	3 157	1.96
Capitalised finance leases				
ZAR	**548**	**8.68**	670	9.22
PLN	**259**	**4.45**	253	4.45
GBP	**697**	**3.53**	717	3.65
Working capital – ZAR	**488**	**5.76**	450	6.12
	16 444	**4.64**	14 537	5.28

The decrease in the weighted average cost of debt is due to additional debt in the UK, as well as improved rates on both longer and short-term funding in SA. Interest rates in the UK and Europe are lower than those in SA and as the Group grows internationally, the debt raised will be aligned to where the earnings are generated which will bring down the Group's weighted average cost of debt.

Cash generated from operations versus normalised EBITDA



Cash flow

The Group produced strong cash flows from operations, increasing by 18.0%, due to improved working capital management and better operational performance.

Group Chief Financial Officer's review continued

Distribution

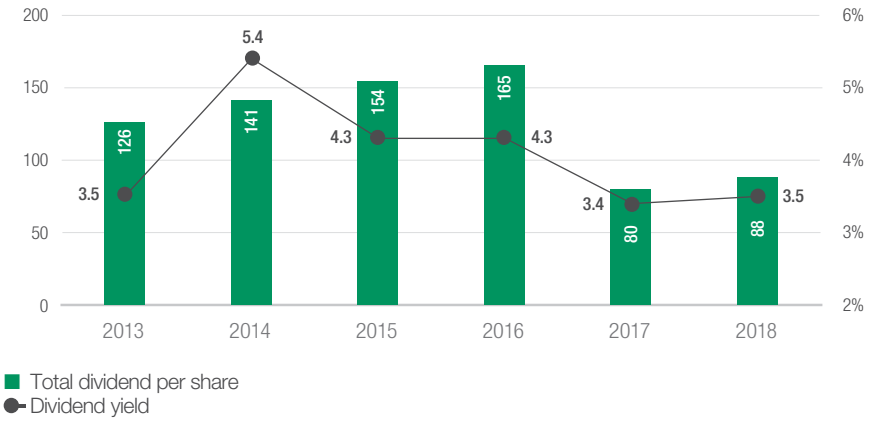
The Group's dividend policy is to pay a progressive dividend that takes into account the underlying earnings and available funding of the Group both in southern Africa and internationally, while retaining sufficient capital to fund ongoing operations and growth projects, as well as manage gearing to acceptable levels.

The board has declared a final distribution for the year of 50 cps (2017: 45 cps) which results in total distribution for the year of 88 cps up 10% from the prior year.

Our return to a cash dividend is reflective of our outlook on the future and we see meaningful potential to deliver improved returns, driving our strategy with a relentless focus on innovation, collaboration and alignment to best operating practises.

Pieter van der Westhuizen
Group Chief Financial Officer

Dividend (cps)



SECTION CONTENT

Southern Africa performance review

Our geographical presence

Primarily based in South Africa, with additional facilities in Botswana, our southern Africa operations are a significant source of revenue, representing 73.4% of the Group (2017: 76.4%).

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
- Genesis Maternity Clinic
- Life Bedford Gardens
- Life Brenthurst
- Life Brooklyn Day
- Life Carstenhof
- Life Carstenview
- Life Dalview
- Life Eugene Marais
- Life Faerie Glen
- Life Flora
- Life Fourways
- Life Glynnview
- Life Groenkloof
- Life New Kensington
- Life Poortview
- Life Pretoria North Surgical
- Life Riverfield Lodge
- Life Robinson Private
- Life Roseacres
- Life Springs Parkland
- Life Suikerbosrand
- Life The Glynnwood
- Life Wilgeheuwel
- Life Wilgers

WESTERN CAPE
- Life Bay View Private
- Life Kingsbury
- Life Knysna Private
- Life Orthopaedic
- Life Peninsula Eye
- Life Sports Science Orthopaedic
- Life St Vincent's
- Life Vincent Pallotti
- Life West Coast Private

EASTERN CAPE
- Life Beacon Bay
- Life East London Private
- Life Eye Hospital East London
- Life Hunterscraig Private
- Life Isivivana Private
- Life Mercantile
- Life Queenstown Private
- Life St Dominic's
- Life St George's
- Life St James
- Life St Mark's
- Life St Mary's Private

KWAZULU-NATAL
- Life Chatsmed Garden
- Life Empangeni Private
- Life Entabeni
- Life Hilton Private
- Life Mount Edgecombe
- Life St Joseph's
- Life The Crompton
- Life Westville

LIFE ESIDIMENI
- Algoa Frail Care Centre
- Baneng Care Centre
- Kirkwood Care Centre
- Life Recovery Centre, Randfontein
- Life Recovery Centre, Witpoort
- Lorraine Frail Care Centre
- Shiluvana Care Centre
- Siyathuthuka Care Centre
- Waverly Care Centre
- Mangaung Correctional Centre

• Hospitals and same-day surgical centres • Rehabilitation units • Mental health facilities • Specialised maternity unit • Life Esidimeni

External environment

PLACING OUR PERFORMANCE IN CONTEXT

The context in which we operate offers both challenges and opportunities, which in turn informs our strategy and performance. In southern Africa broader macro-economic, regulatory and infrastructure challenges continue to impact on our operations.

CHALLENGING MACRO-ECONOMIC FACTORS

- Ongoing political and policy uncertainty in South Africa
- Low levels of business confidence
- Low Gross Domestic Product (GDP) growth rates
- High unemployment with a lack of employment growth
- Volatile exchange rates impact the cost of medical equipment and the medical consumables we purchase

WHAT THIS MEANS FOR US

- Continued focus on ensuring that the business has the correct strategy to effectively adapt to changing market conditions
- Continued delivery of excellent quality care
- Focus on increasing the cost efficiency and improving clinical outcomes in the delivery of the healthcare

USD/ZAR	30 September 2018	30 September 2017	30 September 2016
USD	14.21	13.51	13.70

The table above is based on International Monetary Fund data.

INFRASTRUCTURE ADDS COMPLEXITY

- Ageing infrastructure, together with external factors such as droughts and national shortages of water and electricity, can adversely impact our operations

WHAT THIS MEANS FOR US

- Ensure we have adequate back-up structures
- Focus on reducing consumption

EVOLVING AND INCREASINGLY COMPLEX REGULATORY CONTEXT

Introduction of the NHI

- The NHI Bill was gazetted on 21 June 2018 for public comment
- Commentary period closed on 20 September 2018
- The planned future introduction of an NHI system in South Africa to improve access to quality, affordable healthcare services for all South Africans
- Regulatory implications will materialise as part of this process and investigations are ongoing

The HMI

- The Competition Commission launched the HMI in 2014 and the provisional report was published on 5 July 2018 for commentary
- Commentary period closed on 15 October 2018 with final recommendations expected to be published by 29 March 2019

WHAT THIS MEANS FOR US

- Active engagement with government – Hospital Association of South Africa (HASA) representation on established policy committee through Business Unity South Africa

For more information refer to page 64

- We will continue to engage in robust discussion with the Competition Commission and made a comprehensive submission for the provisional report

For more information refer to page 63

External environment continued

CHALLENGING HEALTHCARE MARKET CONDITIONS	WHAT THIS MEANS FOR US
High levels of competition • Increasing competition within a market which has not grown in terms of medically insured lives covered over the last five years • Changing demands in how patients and funders wish to be reimbursed continues to be a challenge • Skills shortages result in increased competition for doctors, nurses and pharmacists • Continued consolidation of healthcare funders resulting in increased negotiating power • Our competitors include independent hospitals and day clinics, Netcare, Mediclinic International and public hospitals	• Focus on differentiating ourselves through innovative service delivery, improved clinical quality and cost efficiency
High wage increases • Employees are a critical part of the cost of care as well as our highest operating expense • Public healthcare salary increases continue to exceed inflation and place a burden on the private sector to match these increases • In turn, this affects the affordability of healthcare, in a context where there is a shortage of skilled staff	• Continue to engage with labour unions and employees, while striving to enhance our employee value proposition • Make use of technology to enable employees to do their jobs more efficiently, thereby reducing the cost of care
Bed licences • Present and future facilities receive bed licences from the provincial Department of Health (DOH) • Challenges include turnaround speed and efficiency of the application process, as well as the inconsistent application of the regulations by different provinces • These factors impact the Group's growth rate • Annual inspections and legislated changes in compliance requirements may result in alterations to Group facilities with associated costs	• Focus on improving the occupancy of existing facilities as well engaging with the various provincial departments of health on licence applications • Adjust our growth strategy to deal with changes in bed licence allocation • Engage with the DOH regularly to understand their concerns and try to address them where possible
Employing doctors • As a result of Health Professions Council of South Africa (HPCSA) regulations, doctors and other health professionals' work as independent practitioners within our hospitals, which effectively prohibits their employment by the Group* ** In July 2017, an exception was granted to employ medical officers for our ICU, maternity and accident and emergency units subject to strict conditions. The Group plans to make use of this concession in the upcoming financial year.*	• Partner with our doctors to ensure patients receive the best clinical quality with the best clinical efficiency ensuring we are a preferred healthcare provider • Focus on providing excellent nursing in world-class facilities to attract doctors to our hospitals

THE HEALTHCARE MARKET IN GENERAL

The HMI

Since its inception, Life Healthcare has welcomed the opportunity to actively participate in the market inquiry in order to explore the challenges facing the healthcare sector and to consider appropriate solutions. The Group continues to engage extensively with the Commission, with the objective of contributing meaningfully to the issues considered in the inquiry. The HMI published its provisional report on 5 July 2018.

The HMI has made a number of findings in its provisional report regarding Supplier-Induced Demand (SID), market concentration and licensing issues. Notably the provisional report finds that facilities' profits are not excessive.

In considering the provisional findings, the HMI has made a number of provisional recommendations in respect of facilities, including the reporting of quality outcomes, a potential moratorium on the issuing of new licences to the major hospital groups, the enactment of the certificate of need and price determination measures. In addition, the provisional report has requested input from stakeholders regarding a potential recommendation for divestiture by the major hospital groups in order to address concentration concerns.

The Group, together with our appointed experts, have submitted comprehensive inputs on the provisional report.

While Life Healthcare does not agree with all of the provisional findings, there are a number of findings and recommendations that the Group does support, such as the publication of quality outcomes. The Groups view is that a number of the recommendations put forward by the HMI are not appropriately evidence-based, particularly in respect of the concentration analysis and SID. Given the evidentiary deficiencies, the Group is of the view that many of the HMI's recommendations in relation to private healthcare facilities are not warranted.

The publication of the final report has been delayed to 29 March 2019 due to the HMI wanting to consider the substantial input received from the industry and a long process to implement any final recommendations is expected.

External environment continued

NHI

The South African government intends to introduce an NHI system in order to ensure that all South Africans have access to quality, affordable healthcare services, based on their health needs and irrespective of their socio-economic status.

This process may lead to certain regulatory reforms. A White Paper was gazetted on 28 June 2017 through consultation with various government and hospital entities. The NHI Bill was gazetted on 21 June 2018 for public comment. Life Healthcare, through HASA, has actively participated in the public commentary process by engaging with government-established implementation committees.

Life Healthcare fully supports the principle of universal healthcare coverage and believes that the private healthcare system and public healthcare system can operate in a complementary manner and that the strengths of each system can be harnessed to create synergies between the two sectors. However, the Group is concerned at the potential fiscal impact that the introduction of the NHI would have on the country and has raised these concerns in comprehensive input submitted with regards to the NHI Bill.

Key components of the NHI Bill:

NHI Fund

- Establishment of the NHI Fund, which will be the single strategic purchaser and financier of health services

Providers will need to be accredited, certified and contracted

- A five-year accreditation/certification will be undertaken by the Office of Health Standards and Compliance
- Certificate of Need will be enacted
- There will be a national pricing regime

Beneficiary registry

- A person seeking health services must be registered as a beneficiary of the fund

Benefits

- Comprehensive Service Benefits to be introduced, which is a service-based package (not defined in the Bill) and to replace Prescribed Minimum Benefits
- General practitioners are dedicated to being primary care providers with a referral pathway upstream to access NHI benefits
- Only benefits not offered by the fund can be covered by schemes – a provision which the Group does not believe will be implemented due to constitutional challenges and practicalities

Implementation plans

- NHI will be implemented over three phases:
  - Phase 1 was carried out from 2012 to 2017, which included testing of effective health system strengthening initiatives and the provision of specialised services to all under government control
  - Phase 2 encompasses the period from 2017 to 2022 and will consist of:
    - Continued implementation of health system strengthening initiatives
    - Development of NHI legislation and amendments to other legislation
    - Establishing institutions that will be the foundation for a fully functional fund
    - Interim purchasing of personal healthcare services for vulnerable groups
    - Legislative reforms
  - Phase 3 will extend from 2022 to 2026 and will include:
    - Contracting with accredited providers beyond public sector hospitals
    - Mobilisation of additional financial resources for the NHI Fund
    - Selective contracting of health services from private providers

Q & A with our southern African CEO, Adam Pyle

Q As CEO, how would you describe the southern African operating context during 2018?

A There is no doubt that the operating environment remained challenging in the 2018 financial year.

South African GDP growth is sluggish, coupled with low business confidence, stagnant growth in medical aid membership – a key driver of growth in our business, regulatory uncertainties, challenges with affordability and increased competition. This makes for a challenging operating environment.

Q How would you categorise the performance of the southern African business in this context?

A Despite these challenges, the southern African business performed strongly with revenue growth up 8.5% on 2017. All lines of business contributed to the revenue growth on the prior year with the hospital division growing by 6.9%, complementary services growing by 14.0% and healthcare services growing by 28.8%. The revenue growth was driven by a 1.1% increase in PPDs and a higher revenue per PPD of 6.1% made up of a 5.6% tariff increase and a 0.5% positive case mix impact. Complementary services benefitted from the addition of the new units in mental health, renal dialysis and oncology. The significant growth in revenue over prior year for healthcare services is attributable to the return of the Gauteng mental healthcare users in Life Esidimeni, as well as the acquisition of the EOH occupational health and wellness business.

In addition, a focus on managing efficiencies within the business resulted in the stabilisation of acute hospital and complementary EBITDA margins.

Q How has Life Healthcare performed against its quality of care objectives?

A We have had an excellent year improving on our clinical quality outcomes (healthcare associated infections (HAIs) score: 0.41 versus 2017 at 0.42), reducing our employee health and safety incidents to 4.09 (2017: 4.43) and maintaining our overall patient experience scores as 8.4. A highlight was the announcement that eight Life Healthcare hospitals appeared in the Discovery Health Patient Experience 2017 Top 20, a substantial improvement from two during 2016. This result is a testament to our people living up to the five core values, along with initiatives such as the CARE programme. In addition, we continue to develop and implement select clinical pathways and this year we launched Major Joints for Life, a new clinical pathway for hip or knee replacement surgery.

Q Skills shortages have been identified as a risk. How does the business address this?

A It's worth noting that this is a challenge that the industry faces as a whole. From a Life Healthcare perspective, we continue to invest in the training of clinical resources. Through our Life College of Learning we have over 1 000 nurses in training and our pharmacist intern and pharmacist assistant training programmes continue to grow, supporting our capacity in pharmacy. Regarding the training of doctors, we fund the training of 10 specialists at an annual cost of R10 million.

We continue to invest in the development and retention of our management and this year we partnered with GIBS to deliver management learning interventions for both middle and senior management. Although our staff turnover figures increased slightly on 2017 from 10.6% to 11.6% in 2018 this is below the long-term average and is in line with international benchmarks.

Q Looking ahead, what is the forward-looking focus for you and your team?

A Going forward, we remain focused on delivering on our key strategic objectives.

Clinical quality is of paramount importance and we are busy driving improvements in measuring and reporting our clinical outcomes and patient experience. Part of our focus on the improvement of our clinical outcomes is the expansion of our clinical pathways with a number of pathways coming on stream in 2019. Additionally, we remain intent on improving our clinical efficiency and cost effectiveness, thus ensuring the sustainability of Life Healthcare.

The Group has an excellent history and culture of driving operational excellence which we will continue to build on with a number of efficiency projects underway.

In terms of growth, the Group will focus on improving occupancies within existing acute facilities while continuing with the expansion of our complementary services, including the opening of a new 80-bed mental health unit in Q2 2019 to facilitate the growing demand in this business. The Group will continue to look to broaden its service offering outside of the acute spectrum and is currently reviewing a primary care model as well as focusing on diagnostics. We will look to partner with government to assist with the delivery of quality care in the public sector and the training of healthcare professionals.

With regard to training, the Group will continue to invest in the training of healthcare professionals as well as the training and development of management.

I would like to thank our outgoing CEO-SA, Lourens Bekker, who has retired. Lourens had a long and distinguished career at Life Healthcare and I would like to thank him on behalf of the Company for his contribution. I would also like to thank our doctors for their commitment to delivering quality care in our hospitals. To our nurses, pharmacists, staff and management I would like to extend a warm thank you for representing our values to our patients and for simply, making life better.

Growth

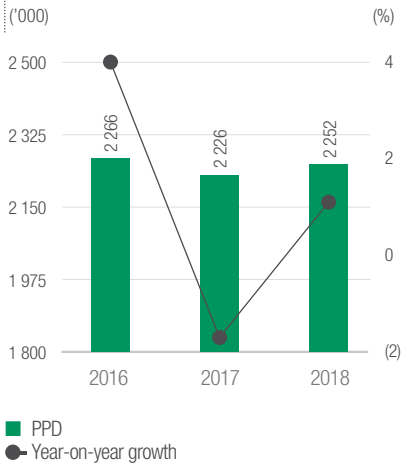
Growth[4] in our southern African complementary services continues to support our strategic drive to further diversify our product offerings.

HOSPITAL DIVISION

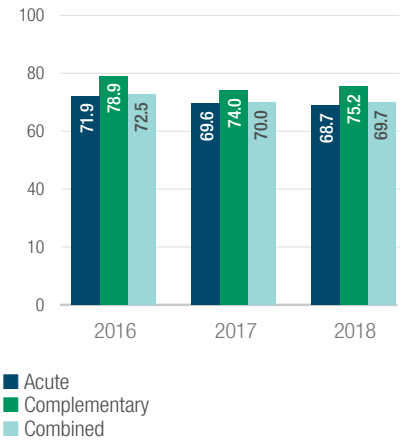
Indicator	Year-on-year trend	2018	2017	2016
PPDs[A, B, C, 1]	↑	**2 251 600**	2 226 337	2 265 653
Occupancy (%)[2]	↓	**69.7**	70.0	72.5
Length of stay (LOS) (days)[3]	↑	**3.72**	3.71	3.68

[A] The 2018 indicator is externally assured. (A)
[B] The 2017 indicator is externally assured. (A)
[C] The 2016 indicator is externally assured. (A)
[1] PPDs refers to a unit of time during which the services of the institution or facility are used by a patient.
[2] Occupancy refers to the number of beds in the Group utilised by patients.
[3] LOS refers to the average amount of time spent in hospital per patient visit.

PPD growth

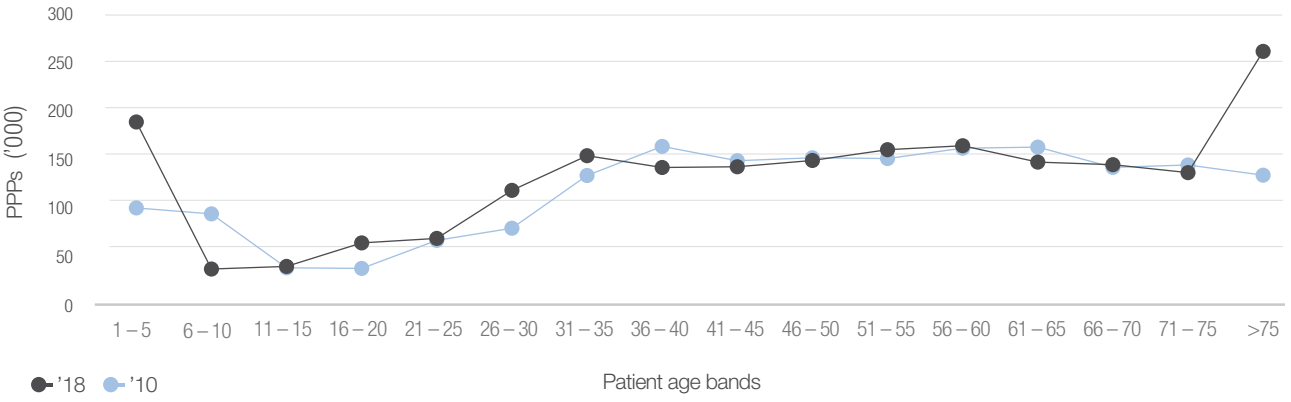


Southern Africa occupancy (%)



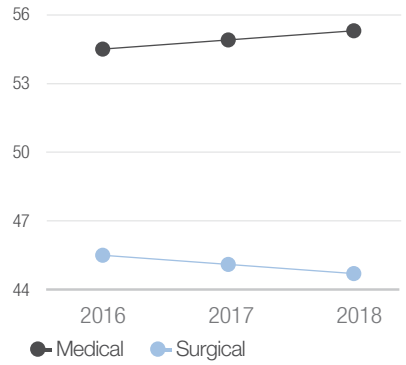
Southern Africa (% of beds)

PPDs by patient age



2018 saw a return to positive PPD growth of 1.1% for the year after the negative growth in 2017 of -1.7%. This growth was achieved despite continued case management by GEMS, resulting in negative PPD growth for this scheme. In the second half of the year the business experienced a lower admission rate for diseases and disorders of the respiratory system. PPDs for this code were down 25.2% on 2017 for the last quarter. The World Health Organization recently released a report showing a sharp decline in influenza cases in South Africa from July 2018. Occupancy levels ended at 69.7% (2017: 70.0%) with an improvement in our complementary services occupancies.

Total medical/surgical split (including complementary services) as a percentage of PPDs (%)



Acute hospital and complementary service growth

The business added 131 beds during the year focusing on brownfield expansion opportunities. In the complementary services division, 15 renal dialysis stations were added and a new oncology centre in the Life Eugene Marais Hospital was opened.

[4] For more information on strategic performance in numbers refer to pages 139 to 141.

Growth continued

Capacity growth

Acute
A limited number of brownfield beds are expected to open in 2019.

Acute rehabilitation
No additional beds were added, the business experienced good growth in occupancies.

Mental health
The two mental health facilities, Life Carstenview in Gauteng and Life St Vincent's in Cape Town, which opened in 2017 showed good occupancy traction during the year. We commenced the construction of the new 80-bed facility at Life Brackenview, which is expected to open in the second quarter of the 2019 financial year.

Renal dialysis
Renal dialysis experienced strong growth in 2018 with the number of chronic-treatments increasing by 15.0%. 15 additional chronic stations were added bringing the total number of chronic stations to 318 (2017: 303).

Oncology
Total oncology treatments were up 20.6% with good overall performance across the different units. Our oncology units, which have been added over the past four years, have shown good growth and are performing in accordance with projections.

Category	Total 2018	Locations
Capacity expansion at existing facilities	131	Life Cosmos Hospital Life Entabeni Hospital Life Midmed Hospital Life Queenstown Private Hospital Life St Mary's Private Hospital Life The Crompton Hospital
Mental health beds	–	
Total beds	131	
Renal dialysis stations	15	Life Entabeni Life Flora Life Kingsburg Life Queenstown Private
Oncology units	1	Life Oncology at Life Eugene Marais Hospital

2019 forecast

The Group will continue to take a cautious approach with regard to bed expansion, adding 80 greenfield mental health beds in Q2 2019 to facilitate the growing demand in this business.

HEALTHCARE SERVICES DIVISION

The healthcare services division delivered a solid performance following the successful implementation of several initiatives to position the business for future growth.

Life Esidimeni

This year, we welcomed back 700 mental healthcare users at our Life Esidimeni care centres in Gauteng from non-governmental organisations. Furthermore, the Waverly Care Centre's licence was increased from 302 beds to 500 beds, and the facility is now at full capacity. The Baneng Care Centre was awarded a tender for 200 adults and an additional 270 beds for children; bringing the total number of beds in Gauteng for our mental health sector to 970.

Outside of Gauteng, we retained the Mpumalanga DOH contract, which consists of 250 beds at Siyathuthuka Care Centre, and the tender for Shiluvana Care Centre in Limpopo was awarded to Life Esidimeni for a further three years.

We have expanded our substance abuse recovery centres, adding 200 beds – 150 at Randfontein and 50 at Witpoort – bringing the total number of beds at these centres to 594.

Life Employee Health Solutions

Life Employee Health Solutions (Life EHS) is the exciting new branding of the combined service offering from Life Occupational Health and Careways, providing wellness, occupational and primary healthcare services to a range of corporate and institutional clients. Life Occupational Health provides contracted on-site occupational and primary healthcare services to large employer groups, while Careways constitutes the wellness arm of the division. Improved brand positioning in the market positively impacted strategic growth prospects with existing clients and new clients.

Our Life Occupational Health business performed well in terms of revenue growth, margins came under pressure as the business continued to face several macro-economic headwinds as a result of the low growth environment in South Africa.

Following the acquisition of the EOH Workplace Health and Wellness business, effective 1 October 2017, an active integration took place. This acquisition has provided enhanced services to Life Occupational Health clients. A new management structure was implemented once the acquisition was finalised, with the business retaining all material EOH Workplace Health and Wellness contracts, and the key anchor clients have entered into new service contracts with Life Occupational Health. Our state-of-the-art call centre technology is a key enabler to this expanded business of Life EHS.

Pleasingly, Careways gained several contracts and clients during the year, resulting in the number of lives under administration increasing by 47.8% to 367 670 (2017: 248 804).

We are increasingly combining the offerings of our Life Employee Health Solutions businesses, and the Careways network of affiliates continues to be strengthened and improved for geographic reach where needed, thereby reducing costs required to service clients in more remote areas.

Quality

The quality of the care we provide our patients is critical to delivering on our mission and serves to differentiate Life Healthcare as a preferred healthcare provider.

We seek to achieve this through our focus on:
- Clinical excellence – providing world-class clinical care
- Improving patient experience – holistically addressing the needs of patients and their families

Our quality commitments
- Continually improving by means of implementing quality standards and international best practice
- Monitoring and improving the effectiveness of our quality management system
- Setting appropriate goals and objectives relating to safety, health and quality for all support functions
- Preventing incidents to patients, customers, employees and the environment by means of proactive risk management
- Complying with relevant regulatory and governing body requirements

For more information refer to www.lifehealthcare.co.za/about-us/clinical-and-support-functions/quality/

CLINICAL EXCELLENCE

Clinical governance and QMS

We manage all quality-related elements using a single QMS. We align all processes and systems that may impact the delivery of quality service with the system. These processes and systems are administered by our quality department with the support of the board's clinical governance, quality and safety sub-committee.

An online reporting system, with standardised categories to allow for effective data management, analysis and reporting, is used to report all quality incidents. Incidents are classified in terms of major or minor incidents, and data trends are identified annually for proactive management.

The clinical governance and quality management hierarchy and activities are as follows:

Clinical governance, quality and safety board sub-committee	• Oversee clinical and quality excellence to deliver safe and effective care • Promote clinical leadership, accountability and engagement through reporting and monitoring objectives • Engagement in the development of clinical strategy • Governance of clinical and quality strategic initiatives
Quality department	• Plan and implement the internal strategy for quality standards • Set targets cross functionally which are reviewed annually • Review and monitor quality and clinical performance outcomes such as minor and major serious reportable events to identify necessary interventions • Identify and mitigate risk factors (patient, customers and employees) • Identify quality training needs, develop training materials and conduct training at Group and regional level
Antimicrobial stewardship (AMS) committee	• Promote the appropriate use of antimicrobials, bundle compliance and micro-organism resistance patterns
Regional clinical managers	• Focus on doctor engagement, particularly around partnership in designing and implementing new care delivery models • Direct admitting specialists with regard to the importance of attaining sustainability in our current private health model. This includes marrying quality of care and cost-efficiency • Complement the regional structures by playing a pivotal role in: – Relationship building with doctors on a clinical platform – Sharing of quality and clinical efficiency data with admitting specialists – Research and development of clinical products

Standards

We are proud to have achieved multi-site ISO 9001:2008 quality management Group certification for our acute hospitals and our Life Occupational Health clinics. We have begun implementing the new ISO high-level structure to comply with the 2015 standards. Life Occupational Health was once again awarded its ISO 45001 Occupational Health and Safety Management System Standard.

The minimum standards for quality in all hospitals were promulgated by the DOH National Core Standards in 2011. Life Healthcare has integrated these standards in our quality management system. The way forward will be to focus on compliance with National Core Standards across all domains and disciplines. The Department of Labour has stipulated statutory requirements in the OHS Act and other related acts. These requirements determine the minimum standard for processes and procedures.

Going forward, other quality outcomes, such as patient safety metrics and mortality rates for certain conditions will be published. We believe that by prioritising this type of proactive reporting, we will promote transparency with our stakeholders, particularly healthcare funders, thereby strengthening these key relationships.

Patient adverse events

Offering our patients quality care is top of mind. We report on and attempt to mitigate all incidents. We place further focus on four key patient risk areas (medication, falls, procedure related and pressure ulcers), as outlined below. All patient incidents are reported, and these are investigated by the responsible managers at hospital and Group level. Through this process, the causes of incidents are identified, enabling us to implement corrective action to avoid similar incidents recurring. Furthermore, to drive preventative measures at hospital level, a proactive alert reporting system is in place for potential incidents. This year, the patient incident rate decreased by 0.4%.

Indicator (per 1 000 PPDs)	Year-on-year trend	2018	2017	2016
Patient safety adverse events[A, B, C]	↓	**2.68**	2.69	2.53
Medication adverse events	↓	**1.10**	1.13	1.12
Falling adverse events	↓	**0.68**	0.71	0.66
Pressure ulcer rate	↓	**0.12**	0.13	0.11
Procedure related adverse events	↑	**0.55**	0.51	0.45

[A] *The 2018 indicator is externally assured.* (A)
[B] *The 2017 indicator is externally assured.* (A)
[C] *The 2016 indicator is externally assured.* (A)

Quality continued

Clinical infections

Clinical indicators[1]	Year-on-year trend	2019 target	2018	2017	2016
Patient safety adverse events[2] (per 1 000 PPDs[A, B, C])	↓	2.60	2.68	2.69	2.53
HAI (per 1 000 PPDs)[A, B, C]	↓	0.40	0.41	0.42	0.37

[1] *For more quality indicators refer to page 140.*
[2] *Patient safety adverse events: Unintended or unexpected events which did, or could have, resulted in harm – this includes falls, behaviour, medication, pressure ulcers, death due to unnatural causes, burns, procedure-related incidents, other patient incidents, patients absconding and other patient information incidents.*
[A] *The 2018 indicator is externally assured.* (A)
[B] *The 2017 indicator is externally assured.* (A)
[C] *The 2016 indicator is externally assured.* (A)

Life Healthcare has several systems to manage and monitor laboratory conformed and clinical infections, including an electronic surveillance system that captures patient data on inpatient admissions, laboratory results, surgical procedures. The new Surgical Site Infection (SSI) module, added in May this year, will provide detailed procedure-related information which will highlight areas for improvement. The electronic surveillance system also functions as a re-admission alert management system and will flag patients with significant organisms such as multi-drug resistant and other infectious organisms.

The internal and external audits and comprehensive work procedures are based on evidence of international best practice. Regular campaigns re-enforce infection prevention and control measures. Campaigns include hand hygiene and outbreak management.

Hand hygiene compliance is monitored on a monthly basis, as this is the cornerstone to proper infection control and critical to AMS.

Cleanliness of high-touch areas in patient care zones are monitored weekly and reported on monthly. This drives environmental cleanliness and is dependent on a multi-disciplinary approach.

HAIs are our primary reporting focus since these metrics are the most material measures to manage infections proactively. HAI measurement combines all the HAIs determined according to the Centre for Disease Control and Prevention (CDC) guidelines. These include:

- Ventilator associated pneumonia
- SSI
- Central line associated bloodstream infections
- Catheter associated urinary tract infections
- Various hospital acquired infections as per the CDC

An increase in SSI reporting can be anticipated as a result of the new SSI module (on ICNet). This alerts the infection prevention specialist (IPS) when a patient is re-admitted post-surgery, as this can be an indication of a possible HAI. This will prompt the IPS-infection prevention specialist to investigate.

Life Healthcare AMS programme

The rapid increase in antimicrobial resistance globally remains a concern. Internationally, AMS programmes have proved that by improving appropriate antimicrobial use, treatment of infections can be elevated, adverse events can be reduced, and antimicrobial resistance addressed.

The Life Healthcare AMS programme is multi-functional and includes pharmacists, nurses, IPSs, microbiologists and our doctors to ensure that antimicrobials are being used responsibly in our hospitals. AMS assessments against key programme principles are captured, reported and trended to drive improvement. This year, we performed 10.3% more assessments than the previous year. The overall percentage of our compliance was 93.0% (2017: 91.4%), above the Group's target of 90%. Interventions are being developed to address non-compliance. The percentage acceptance of interventions suggested was 83.3% (2017: 83.9%), which was again above the Group target of 80%.

Our focus during 2018 was on the responsible use of antimicrobials for surgical prophylaxis through the use of our evidence-based guidelines. Pharmacy led audits have highlighted enhanced compliance again this year. An improvement of 11% (2017: 5%) in the overall compliance with these recommendations was achieved compared to the baseline audit.

Patient reported outcomes measures

Our clinical pharmacy programme focuses on improving patient outcomes. Progress is reflected in the 62.9% increase in the number of interventions over the year, and in the number of ward rounds that pharmacists have conducted with our doctors.

In our Major Joints for Life programme, we have conducted telephonic follow-ups six months post-surgery for hip or knee replacements, using an internationally accepted rating system of the outcome of the surgery to perform the evaluation. In time, we will be able to have a pre-operative and post-operative score to measure pain relief and this will result in improved functionality.

BetterObs

We continued to run our BetterObs programme from our maternity units during 2018. The programme was developed in collaboration with the South African Society of Obstetricians and Gynaecologists and launched in 2017. BetterObs focuses on developing unambiguous practice guidelines and good teamwork that promotes professional integrity in delivering optimal patient care. It has four main pillars: the obstetrician, the paediatrician, the hospital and the patient.

BetterObs was highly successful in 2018. We have seen a drastic reduction in labour ward related adverse events, including fewer morbidity and mortality incidents affecting mother and child.

Collaboration with obstetricians has been positive, as demonstrated by the renewed impetus to offer evidence-based care by adhering to recommended protocols and clinical pathways. Mortality and morbidity meetings are attended by nurses and paediatricians.

Furthermore, we continue to upskill our midwives, through continuing professional development training and periodic drills to simulate obstetric emergencies.

All units are expected to comply, and observational audits are conducted periodically. We continue to work on a sustainable solution to introduce comprehensive after-hours obstetric cover for all units, with the HPCSA offering special dispensation to employ medical officers in this realm.

Quality measures

Quality metrics[1]	Year-on-year trend	2019 target	2018	2017	2016
Definitely recommend (%)	↑	**71.0**	**70.7**	70.0	69.4
Patient experience measure (PXM)	⇔	**8.4**	**8.4**	8.4	7.7

[1] *For more quality indicators refer to page 140.*

Mortality rates, re-admission rates and other quality measures are monitored according to American standards, which are aligned with those used by Medicare in the US.

To enhance transparency and improve outcomes, we now report our quality measures on our website. Refer to www.lifehealthcare.co.za/quality-measures/ for more information.

Quality continued

IMPROVING PATIENT EXPERIENCE

We are committed to providing an excellent patient experience by living our core value of quality to the power of e (ethics, excellence, empowerment, empathy, energy).

Throughout our operations, we strive to improve the experience of our patients through numerous ongoing programmes, as well as transparent measuring and monitoring of patients' experiences. Our transparent disclosures help patients make better decisions and directly supports the delivery of an excellent patient experience.

Measuring and improving patient experience

Independent service providers help us to obtain feedback through patient surveys. After discharging our patients, we communicate electronically, basing the survey touch points and questions on the Hospital Consumer Assessment of Healthcare Providers and Systems (HCAHPS) in the US, with further questions that address the admissions process and food. A manual comment card supports our electronic communication, which helps patients and their families to provide qualitative feedback and comments about their experience. Our acute facilities, emergency units, mental health facilities and acute rehabilitation facilities participate in the electronic post-discharge survey.

Real-time reports provide detailed feedback on a Group, regional and facility level, providing insight for our managers and staff and allowing us to identify deviations, which can then be monitored and improved. We also disclose real-time PXM scores on our website.

Overall patient experience continues to improve. An improvement was noted in the bottom scoring hospitals of 2017, achieving better scores in 2018. There were seven hospitals that scored <8.0 versus eight hospitals in 2017.

Definitely recommend scores (a measure which means that patients would definitely recommend the hospital they were treated at to their friends and family) improved by 0.7% compared to last year. More hospitals appeared in the top scoring section, and fewer hospitals appeared in the bottom section this year. 22 hospitals achieved scores >71% versus 19 in 2017. Six hospitals scored <60% versus seven hospitals in 2017.

The electronic patient survey responses increased by 2.1% year-on-year. The number of comment cards which are completed while the patient is in the hospital increased by 10%.

Eight Life Healthcare hospitals are ranked among the top 20 hospitals that achieved the highest scores in the Discovery Health Patient Experience.

CARE programme

Our CARE programme promotes positive patient and client interaction. Encouraging improved employee engagement, the programme influences patient experience and client feedback.

The programme involved both internal employees and outsourced service providers namely catering, cleaning, security, coffee shop and garden services, understanding the outsourced employees' role in the overall patient experience allowing us to leverage these impacts in offering positive, empathetic care.

We hold monthly CARE sessions for all departments, to promote a functional and straight-forward dialogue that translates into committed actions to better employee and patient experiences.

National training on the programme was conducted and a CARE sustainability programme toolkit was developed to support our employees in implementing the CARE sustainability programme.

Efficiency

We are committed to delivering high-quality, cost-effective care that makes life better. To achieve this, we focus on the mindful allocation and use of our resources.

CLINICAL EFFICIENCY

We remain focused on effectively managing all hospital costs, through a commitment to continuously seeking efficiency improvements to delivering high-quality care.

Given the difficult operating environment, with limited tariff increases, our focus on driving costs down while ensuring quality is improved is critical. We view our relationships with our employees, healthcare funders, procurement partners and doctors as efficiency-enabling opportunities.

We continue to develop and implement select clinical pathways and this year we launched Major Joints for Life, a new clinical pathway for hip or knee replacement surgery. The Major Joints for Life pathway consists of three crucial elements:

- Consultations with the necessary clinicians, such as an orthopaedic surgeon, anaesthetist and physiotherapist
- Hospital admission
- Post-discharge assessments

These integrated pathways allow patients, doctors and the broader treatment team to be kept abreast of relevant information.

We strive to enhance the doctor quality and efficiency by engaging with clinicians. Our doctor efficiency programme has begun to yield dividends, as we work together with our doctors to understand and analyse their performance in relation to industry and peer benchmarks to identify opportunities to improve outcomes.

Regional clinical managers are in place to drive improved efficiencies at hospitals and they play a key role in:

- relationship building with doctors on a clinical platform;
- sharing of quality and clinical efficiency data;
- research and development of clinical products; and
- identify opportunities to improve efficiencies within hospitals.

Our iShift programme drives efficiency in the organisation, by developing a culture of innovation and problem-solving, where employees are empowered to identify problems and also solutions. The programme embodies our approach to continuous improvement, through projects initiated at every level, from a single employee contributing to improve efficiencies in their individual workspace, to as far-reaching as local, regional and national projects, with several projects successfully implemented during the year.

PROCUREMENT

Our approach to procurement is an important part of ensuring we manage costs and drive efficiencies in the business. We ensure, through long-term vendor relationships, that our equipment and technological services remain relevant and that improvements and upgrades are cost-effective without compromising on excellent health and care.

Critical dependencies in our supply chain include:

- The availability of inventory and services as a response to shortages of raw materials
- An increase in demand
- Labour unrest
- Legal compliance
- Exchange rates

To address these issues, we have a comprehensive and rigorous tender process supported by a stringent vendor selection process. This process aligns with our transformation, environmental sustainability, quality and efficiency agenda. Our multi-disciplinary approach engages with all stakeholders, including doctors, during the tender process to ensure that the end-users' requirements are supported.

Life Healthcare's total procurement spend was R9.3 billion (2017: R9.4 billion), with R4.3 billion (2017: R4.1 billion) spent on pharmaceutical products and R3.6 billion (2017: R4.1 billion) on medical equipment, services and consumables. 60% of the Group's procurement spend is exposed to exchange rate volatility.

Prices are contained within Consumer Price Index levels, primarily due to our tender processes, the rationalisation of products, services and equipment, and continued active asset management. Programmes to expand our existing alternative procurement strategies were implemented, and this facilitates the Group's ability to leverage opportunities across an array of products.

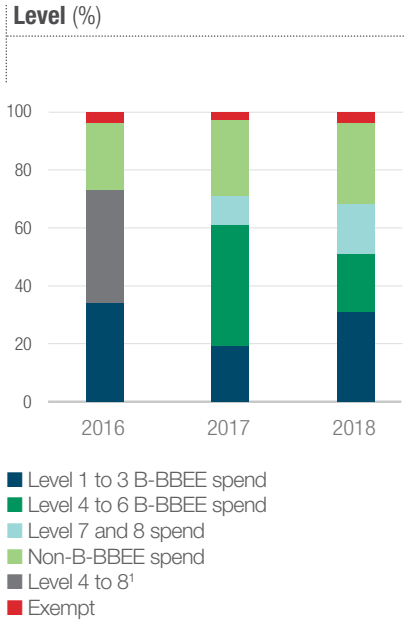
Efficiency continued

2018 saw the procurement function driving several sustainability projects in partnership with strategic vendors. These projects are expected to reduce our environmental footprint as well as the cost of healthcare services.

Preferential procurement

During the year, a number of initiatives were undertaken to improve our preferential procurement. We developed departmental scorecards, which were rolled out in the business to ensure effective monitoring and control. We have begun efforts to address ownership at vendor level while considering the constraints of international suppliers.

Despite these efforts, the preferential procurement component of our B-BBEE scorecard was negatively impacted as a result of the drop in B-BBEE scores of our medical devices and equipment suppliers under the new codes[1].



[1] *Previous B-BBEE code information is based on the old codes.*

INFORMATION TECHNOLOGY (IT)

We understand the increasing relevance of technology to the future of healthcare, and how that is coupled with effective hospital management and improving patient outcomes. The Group continued its IT projects to develop local competencies and effectiveness.

IT governance

We monitor and manage our IT operational performance daily, providing monthly reports which reflect capacity, availability, performance and security. Other reports include IT security, software and infrastructure which help us to manage these accordingly. We prioritise those incidents with the highest business impact and security incidents to be resolved swiftly. These incidents are reported and managed at various risk management forums. Other incidents are addressed and tracked in daily sessions.

IT focus in 2018

Relevant employees completed King IV IT governance training, and our reporting and implementation standards were updated accordingly. The IT steering committee was established and members have been trained on the updated governance requirements.

Our business in South Africa achieved international ISO 27001 information security management system (ISMS) certification with no major non-conformities. We included the findings and recommendations from the review in the risk register, which are monitored by the IT steering committee. The ISO journey facilitates an ongoing analysis of all control processes related to IT security within the business environment.

Cybersecurity threats remain a risk to our operations. We aligned our new systems to embark on a comprehensive cybersecurity project and will continue implementing the project in the year ahead.

Sustainability

Sustainability is an integral part of how we do business, our commitment to responsible citizenship supports our vision.

B-BBEE

We are committed to substantive transformation in South Africa. We strive for an inclusive, broad-based and integrated approach to empowerment.

Our approach to transformation is aligned with the pillars of the amended Code of Good Practice as listed below.

	Available points	2018 score	2017 score	Commentary
Ownership and management control	25.0	**16.7**	12.7	Our black ownership percentage has seen a steady increase in the voting rights and economic rights of black persons and black women, with no significant initiatives underway. Despite this, we continue to review opportunities to increase the shareholding of previously disadvantaged individuals.
Management control	9.0	**6.7**	4.9	From a management control perspective, we continued to drive transformation through careful appointments to the Group board.
Enterprise and supplier development (ESD)	40.0	**29.0**	27.4	We continued to support the following initiatives from an ESD perspective: ◗ Loans to doctors, who are a significant part of our value chain, for equipment and support initiatives ◗ R18 million loan granted to the B-BBEE Life Healthcare Nursing Education Trust in the prior year enabled the purchase of the 25%+1 share of Life Occupational Health ◗ R3 million (2017: R5 million) grant donation to the B-BBEE Life Healthcare Nursing Education Trust Fibon Energy, a level 1 exempt microenterprise, was granted two supplier development loans of R25 million and R39 million over five years for design, commission and installation of renewable energy solutions to various Life Healthcare hospitals. For more information on preferential procurement refer to page 76
Employment equity	10.0	**4.6**	3.4	For information on our internal transformation efforts refer to page 79
Skills development	20.0	**21.1**	11.5	We have a focused approach to skills development, with numerous initiatives underway to ensure learnership opportunities are available, with a robust absorption tracking tool in place to measure the uptake of our operations. A highlight this year was the inclusion of persons with disabilities in our programmes. Developed in partnership with the South African National Council for the Blind (SANCB), we launched a skills development project to support 120 visually impaired learners through a one-year learnership programme this year.
Socio-economic development	5.0	**5.0**	5.0	Our CSI activities are designed to contribute to meaningful sustainable projects in the communities we serve. For more information on the Group's CSI refer to page 99.
Total score	109.0	**83.1**	64.8	
B-BBEE level		**4**	7	

Sustainability continued

HUMAN CAPITAL

Clinical skills such as nurses, doctors and pharmacists remain scarce in South Africa. The shortage of this crucial resource directly impacts our ability to achieve our vision of being a world-class provider of healthcare for all. We remain focused on recruiting and developing talent, enhancing our employee value proposition, investing in robust leadership development and implementing strategies to ensure a highly engaged workforce.

Employee retention

Headcount

Category	2018	2017	2016
Administrative employees	3 006	2 934	2 930
Nursing personnel	9 438	9 332	9 166
Pharmacy employees	349	333	334
Rehabilitation employees	249	241	224
Services employees	1 412	1 366	1 379
Other	271	260	236
Total permanent	14 725	14 466	14 269
Temporary personnel[1]	1 116	1 094	1 106
Total employees	15 841	15 560	15 375

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

We have 14 725 permanent employees (2017: 14 466), and our employee turnover rate was 11.6% compared to 10.6% last year, excluding retrenchments and section 197 transfers.

The primary drivers include:

- A harsh trading environment places increased pressure on the business
- Above-inflation wage increases in the public sector

Employee health and safety

Our employees are our direct line to providing quality care, efficiently. It is crucial that they are both healthy and feel safe in the places they work. We comply with the OHS Act and the Compensation for Occupational Injuries and Diseases Act, and actively encourage a culture of safety within the workplace. All new employees attend induction sessions relating to quality, health and safety, and environment. We encourage employees to be actively involved in health and safety. Our alert process ensures that potentially hazardous conditions are identified and reported on.

Embracing a culture of safety among our employees will improve their safety and position us as a market-leading healthcare provider. Reporting on all employee incidents and identifying trends and key risk areas keep us abreast of safety concerns and help us keep our employees safe. As required by the OHS Act, we conduct a hazardous biological agents risk assessment every second year, which focuses on identifying risks and mitigating the exposures for employees, relevant service providers and other relevant team members.

An improvement was seen in the year-on-year employee incident rate, which helped us focus further on employee safety practices. We have successfully reduced incidents in all categories of employee incidents through internal campaigns. Our attention was placed on employee falling incidents, sharps injuries and mobility-related incidents.

Indicator	Year-on-year trend	2019 target	2018	2017	2016
Employee adverse events (per 200 000 labour hours)	↓	4.20	4.09	4.43	3.71

Our employee wellness programme, Careways, benefits employees extensively across the Group with a usage rate of 17.0% (2017: 17.5%) against an industry benchmark of 9.6%. A Group-wide integrated employee wellness model was finalised, which will provide a holistic wellness offering, enhancing employee productivity by prioritising their wellness.

Nurses

Attracting and retaining registered nurses is critical to the delivery of high-quality patient care. Pleasingly, staff turnover in crucial critical skills, such as registered nurses and experienced specialist nurses, reduced. However, the higher staff attrition of qualified registered nurses, indicative of fierce competition for registered nurses with tertiary qualifications, resulted in an immediate reward review and the development of long-term interventions to retain employees in these categories.

We aim to have a total monthly agency employee count of 25% or less to aid flexible staffing. Through this ratio, we strive to improve quality, culture internalisation, excellent patient care and staff stability. However, due to the increase in patient occupancies, and the higher employee attrition, the average agency utilisation has increased from 22.5% in 2017 to 28.7%.

Pharmacists

Strategic interventions in the pharmacy domain within Life Healthcare have resulted in a further decline in the annual turnover rate of pharmacists for 2018. We offer alternative career opportunities and our pharmacist recruitment and retention initiatives have proven to support the retention of these critical skills.

Our pharmacist intern and pharmacist assistant training programmes continue to grow, supporting our capacity in pharmacy.

Our doctors, specialists and healthcare professionals, although not employed by the Group, are a critical partner in the delivery of quality healthcare. For more information refer to page 81.

Transformation

We are committed to an employee profile that reflects the demographics of the countries we operate in and that we build a culture of inclusivity.

Employment equity representation in the management bands

Management level

	2018 %	2017 %	2016 %
Top management	**39.0**	29.0	33.0
Senior management	**38.0**	36.0	30.0
Middle management	**40.0**	39.0	39.0
Junior management	**61.0**	59.0	58.0
Total African, Coloured and Indian (ACI) employees	**74.0**	72.6	72.2

We continued to shape a culture of inclusivity through various forums, including the national transformation committee, employee forums such as consultative forums at hospital level, as well as numerous employee communication forums.

By providing comprehensive benefits, we continue to strive to attract and retain top talent. The percentage of women in the Group remained high at 82% (2017: 83%). Of the Group's executives and managers (middle management and above), 58% are female (2017: 63%) , and three of the Group's nine non-executive directors are women.

We strive to ensure our workplace is inclusive of people with disabilities, and currently there are 94 employees with disabilities (2017: 102).

Employee relations

Life Healthcare balances the interests, needs and challenges of relevant stakeholders to make sustainable decisions surrounding wage negotiations with organised labour. This remains challenging in an environment characterised by high wage settlements. We continue to maintain healthy relations with organised labour and therefore experienced no industrial action in the year.

Overall unionisation levels increased to 22.7% (2017: 20.7%), primarily due to many unions' drive to increase membership.

Trade union affiliation

Trade union	2018 %	2017 %	2016 %
NEHAWU[1]	**13.2**	12.6	9.4
HOSPERSA[2]	**5.3**	5.6	5.8
DENOSA[3]	**1.3**	1.4	1.6
Other[4]	**2.9**	1.1	1.1

[1] National Education, Health and Allied Workers.
[2] Health and Other Service Personnel Trade Union of South Africa.
[3] Democratic Nursing Organisation of South Africa.
[4] Includes Botswana Private Medical and Health Services Workers Union (BPMHSW), General Industrial Workers Union of South Africa and National Union of Public Service and Allied Workers (NUPSAW).

Sustainability continued

Training and development

During 2018, we invested R177 million (2017: R133 million) on training and development, with 722 (2017: 327) learners enrolled in nursing, pharmacy and technical and vocational education training learnerships. Bursaries were granted to 310 employees (2017: 300) to encourage further studies toward the scarce skills required, 114 (2017: 119) of which are for registered nurses trained at other tertiary institutions, and 113 students (2017: 80) are sponsored for basic nursing degrees.

Nurses in training

Nurse category	2018	2017	2016
Enrolled nurses[1]	–	44	236
Bridging programme leading to registration as a nurse	836	820	604
Specialist nurses (ICU, high care, theatre)	101	271	89
Total number of nurses registered in training	1 075	1 358	1 052

[1] Programme phased out.

Life Healthcare operates a registered higher education institution called the Life College of Learning, which comprises seven learning centres. Of the 1 075 students (2017: 1 358) registered in the Life College of Learning, 90.2% (2017: 91.5%) are female and 91.5% (2017: 90.4%) are ACI candidates.

For more information refer to www.lifehealthcare.co.za/careers/life-college-of-learning/

The South African Nursing Council is busy phasing out the current nursing qualifications. This is expected to be completed by 31 December 2019. The new nursing qualifications are late in being phased in, and given the business need for registered nurses, the Life College of Learning has focused on maintaining the number of learners in the basic nursing programme for now. This scenario will ultimately lead to no new nurse graduates available to meet the needs of the business and industry in 2020.

We develop our nursing leaders and middle management, by identifying talented individuals and creating a pipeline from which to draw on. A management development programme supports the development of specific leadership and management skills, especially for individuals who fulfil employment equity criteria. This year, 37 candidates were selected for the programme, 54% of whom are ACI candidates.

Student level education

	2018	2017	2016
Basic	836	864	840
Post-basic diplomas	101	221	67
Operating department assistant[1]	40	66	37
Midwifery	31	50	22
Short learning programme	67	157	–
Total	1 075	1 358	966

[1] Three-year operating department assistant diploma in health sciences.

Talent and succession management

Succession management is entrenched in our business processes, and Group-wide executive succession plans are reviewed at the board remuneration and human resources committee annually.

Newly identified successors are required to complete a psychometric assessment as part of the review process. The feedback from the review and assessments inform each individual's development plans, leadership and mentorship programmes.

Leadership development programmes are in place at all levels of management, and we partnered with various providers, such as GIBS, in delivering these programmes.

We partnered with GIBS to deliver management learning interventions, namely the GIBS Middle Management Programme and Senior Management Programme. The programmes facilitate the improvement of functional management and leadership at middle and senior management level. In total, 37 managers participated in this programme. High-performance individuals are identified and developed to enhance leadership bench strength.

Reward and recognition

Remuneration and recognition are an important part of the value proposition we offer our employees and a key component of how we attract and retain talented employees.

We assess the individual and their role to ensure equitable, market-related reward and recognition. A comprehensive recognition programme is in place, which seeks to recognise those employees who exemplify the Life Healthcare values. Such employees are recognised on a quarterly basis across the business, and are then eligible for an award at the annual Life Achiever Awards. Furthermore, we perform regular market benchmarking of remuneration to ensure our packages remain competitive.

For more information refer to the remuneration report on page 124.

DOCTORS

Doctor recruitment and retention

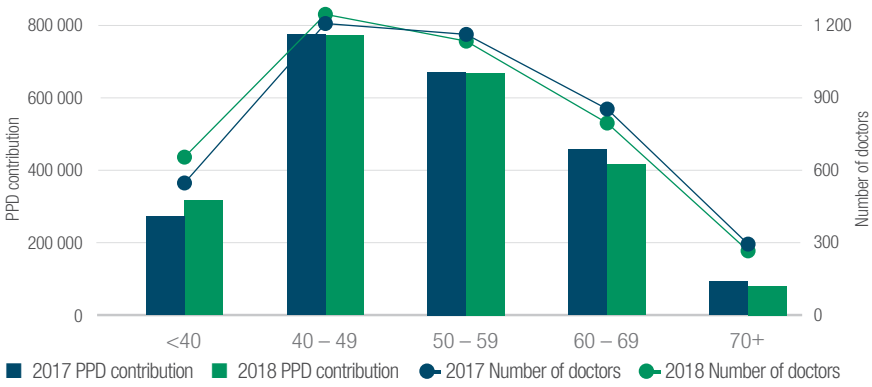
To ensure the sustainability of our hospital businesses we must maintain a stable base of doctors that support accessible and comprehensive healthcare services in the communities we serve. To this end, we associate with approximately 2 985 (2017: 2 934) doctors and specialists as well as other healthcare professionals.

While new doctors do not immediately generate a comparable level of activities and revenue as the doctors they replace, they are critical to the sustainability of the healthcare industry. We value and strive for long-term relationships with doctors to sustain our operations.

Life Healthcare's attempts to associate with doctors were successful with 152 (2017: 148) new doctors replacing the 101 (2017: 64) who left to pursue alternative opportunities, relocate or have reached retirement age. We monitor activities and trends among specialists and doctors at hospital, regional and national levels. This approach allows us to identify recruitment needs or other necessary interventions.

Maintaining relationships with our doctors is critical and we continue to build a portfolio in order to engage with the hospitals, medical associations, tertiary institutions and doctors to establish a pipeline of specialists for the future. In addition, Life Healthcare assists with training in specific sub-specialities aligned with current and expected needs.

Doctors' age profile



The average age of our doctors is 51.5 years (2017: 51.5 years), which has increased marginally over time, while the average age of new doctors in 2018 was 45 years.

Additional measures to attract and retain doctors include clinical efficiency and enhanced clinical governance.

Risk and insurance

The increasing cost of obstetric and neurology insurance continues to be a top-of-mind challenge for our doctors, and the rising incidence of medical malpractice claims continues to impact the industry significantly.

During the year, we engaged with aligned brokers who viewed our efforts to reduce clinical risks favourably and therefore offer competitive premiums for doctors. In addition, the ongoing efforts to ensure all doctors have medical insurance cover has been favourably received by all doctors and has reduced our financial exposure in this regard.

Sustainability continued

ELECTRICITY, WATER AND WASTE

Indicator	Year-on-year trend	2018	2017	2016
Electricity usage (kWh)[1]	↓	**142 934 448**	148 560 938	154 022 258
Water usage (kl)	↓	**1 089 999**	1 246 804	1 289 002
HCRW (kg/PPD)[A, B, C]	↑	**1.88**	1.81	1.73

[1] These figures are based on best estimates using available information.
[A] The 2018 indicator is externally assured. (A)
[B] The 2017 indicator is externally assured. (A)
[C] The 2016 indicator is externally assured. (A)

Life Healthcare uses an ISO 14001 approved environmental management system (EMS) across our southern Africa operations. Our environment and climate change forum provides the structure to drive environmental sustainability. The forum gives direction to the quality and engineering departments on EMS-related matters, and reports on environmental issues to the board, through the board social, ethics and transformation committee.

Our 2018 projects were aimed at driving sustainability through efficiency, reducing our water and electricity usage as well as our carbon emissions. A variety of teams from across the business engaged with each other to investigate matters of environmental importance within the business and all products and services were evaluated through appropriate tests or site visits.

Electricity

We reduced our electricity consumption by 4.5%, to 64 kWh/PPD in 2018, driven by energy efficient projects such as LED lighting projects at a further eight of our large hospitals and the completion of solar projects. This brings our total number of hospitals with LED lighting installed to 13. The projects seek to address electricity tariff hikes and erratic supply. Our reduction targets will be further reviewed for the following financial year.

Carbon emissions

In 2012, we committed to reducing our Scope 2 carbon emissions at acute hospitals in southern Africa by 2% annually, with a cumulative reduction in emissions of 10% over five years from 2013 to 2017. We achieved a 7.9% reduction in Scope 2 emissions for the first four years.

We reduced our energy utilisation by a further 3.6%, with a total reduction of Eskom energy of 11.5%. The direct result of this reduction is reflected as 11.5% carbon savings in metric tonnes of CO_2 based on the Eskom emissions factor.

Water

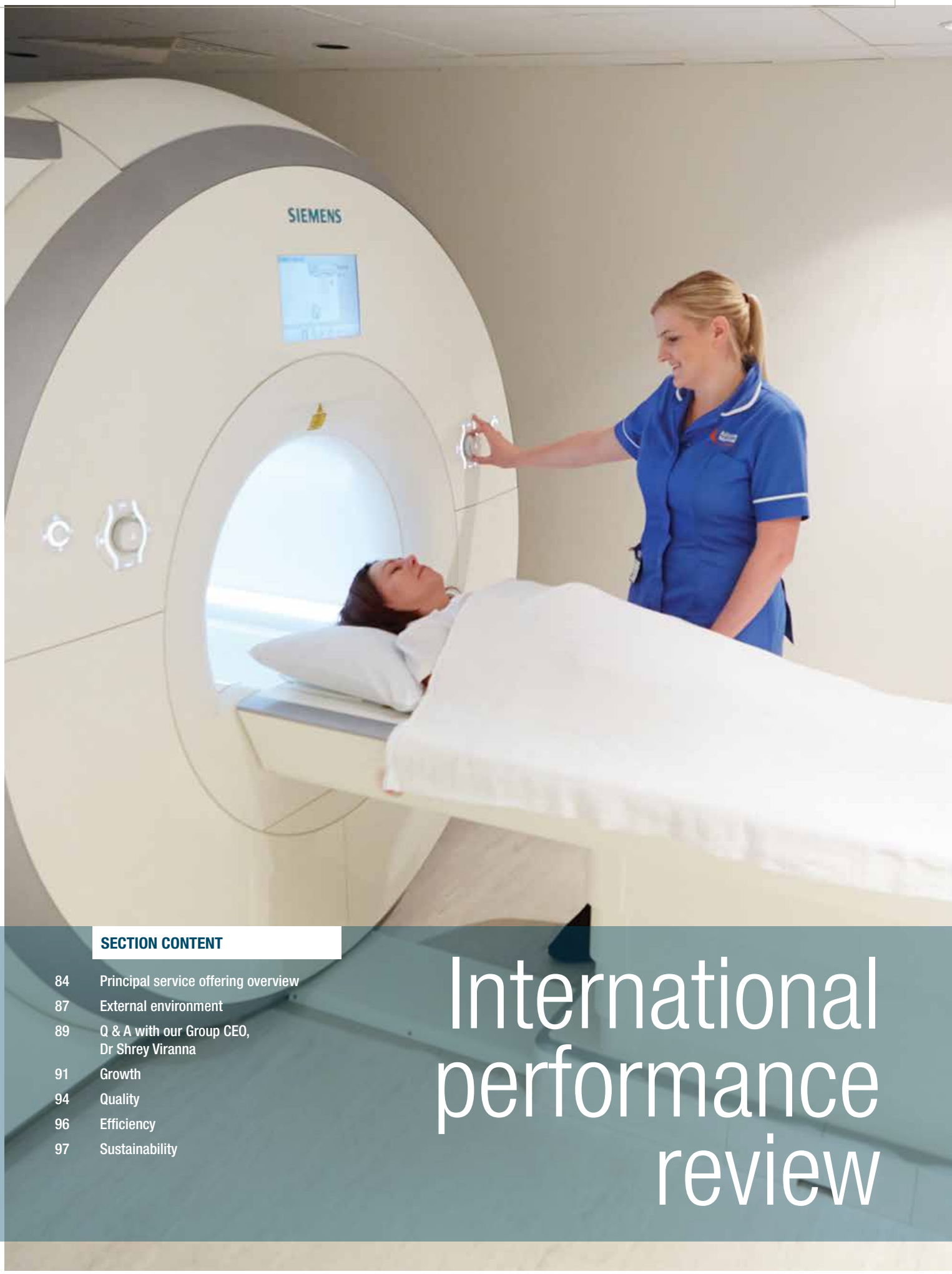
Our reduced water usage was a highlight, with a further 14.3% (2017: 2%) reduction across the Group to 0.48 kl/PPD (2017: 0.56 kl/PPD). This was a result of two borehole projects being completed in the Western Cape and staff awareness drives which focused on water saving techniques. Pleasingly, our employees have embraced water conservation. The replacement of evaporative cooling, chilled water systems with air-cooled chilled water systems also contributed to the reduced consumption. We continue to make use of installation of more efficient autoclaves and the re-use of grey water and run-off water for landscaping. The autoclaves save approximately 82% of water per sterilisation cycle.

Due to water scarcity as a result of the ongoing drought in the Western Cape and infrastructure challenges throughout the country, and in line with international trends, Life Healthcare has 24-hour water back-up installed at all acute facilities and each hospital has an emergency plan with a list of approved vendors to call in emergencies, with details readily available on the Life Healthcare intranet. This ensures adequate water storage to reduce the impact of water outages on operations.

Waste

Our hospitals are encouraged to investigate opportunities to minimise waste. Different patient profiles, for example, medical and renal patients, will generate different levels of waste which can affect waste totals, depending on the case mix for the year.

Healthcare risk waste (HCRW) is the only measurable waste stream reported throughout the Group. The volume increased to 1.88 kg/PPD (2017: 1.81 kg/PPD), primarily due to the increase in renal dialysis treatments which generate more medical waste. A project to recycle Life Vincent Pallotti Hospital (LVPs) has commenced and is currently in pilot phase, which will contribute to further reductions in HCRW in the future.



International performance review

SECTION CONTENT

Principal service offering overview

ALLIANCE MEDICAL
Alliance Medical is Europe's leading independent provider of medical imaging services. We combine service excellence and innovative imaging technologies to improve patient care and support public and private healthcare organisations with their imaging requirements.

We work collaboratively with clinicians, healthcare organisations and academic institutions to provide high-quality and cost-effective imaging for our customers and better services for our patients.

The majority of our revenue originates from the provision of intelligent imaging, consisting of MRI, CT, PET-CT, and radiopharmaceutical services through the provision of mobile, relocatable, modular, in-house static and integrated diagnostic clinics and reporting services. We provide complex diagnostic imaging services and integrated molecular imaging services to public health authorities as well as some independent organisations across Europe, through a portfolio of mobile and fixed location scanners as well as fully operational

United Kingdom

Territorial coverage

DI static sites: 33	Mobile sites: 45
PET-CT national contract sites: 31	Cyclotrons: 4

Service offering

- MRI
- CT
- PET-CT
- Radiopharmacy

Italy

Territorial coverage

- Owned clinics: 33
- Static sites: 10
- Cyclotrons: 1

Service offering

- MRI
- CT
- PET-CT
- Radiopharmacy
- X-ray
- OPT
- Mammogram
- Mammo-tomosynthesis
- Cone beam
- Ultrasound
- Dexa
- Lab
- Physiotherapy

Ireland

Territorial coverage

- Operating sites: 23

Service offering

- MRI
- CT
- PET-CT

Other Geographies

Territorial coverage

Spain	Bulgaria
The Netherlands	Norway
Germany	Austria
Finland	Poland
United States	Switzerland

Service offering

- MRI
- CT
- PET-CT
- X-ray
- Anglo-theatre
- Radiopharmacy
- Product development

imaging departments. Alliance Medical further manufactures and distributes radiopharmaceuticals.

By uniting patient care, technical excellence and efficient service in a flexible integrated business model that delivers value for money, Alliance Medical has enjoyed consistent growth and have become an integral part of the European public services, including the UK NHS, over the past 25 years. Alliance Medical has a proven record of service delivery across both publicly and privately funded healthcare markets in Europe with an emphasis on delivery, mobilisation, quality and sustainability.

The increased use of diagnostics is propelled by technology changes to higher and more accurate modalities, increased disease burden, an ageing population and public targets to diagnose and treat cancer patients faster. These are some of the key drivers of growth in the imaging market. Our public and private customers are experiencing higher healthcare delivery costs and pressure on capital investment along with a shortage of clinical resources. This has driven customers to look for more affordable but still world-class, high-quality imaging services. The increase in activity across academic institutions is complicating research and Alliance Medical is able, with the vertically integrated supply chain, to support molecular imaging studies and isotope development, as well as diagnostic imaging developments such as artificial intelligence (AI).

Our key focus areas are providing integrated solutions to our customers, enabling both parties to use resources more effectively in a budget-constrained environment while improving the quality of care and patient experience.

WHAT WE OFFER	WHAT THIS IS	HOW THESE SERVICES CREATE VALUE
MRI **Alliance Medical operates MRI scanners in clinics, static hospital installations as well as mobile scanners, with a focus on outpatient procedures.**	MRI uses spatially varying magnetic fields and radio waves to produce cross-sectional, two-dimensional and three-dimensional images of organs and internal body structures.	Unlike X-rays and CT scans, which offer images of the anatomical structure, molecular imaging allows physicians to determine the manner in which the body is functioning and measure its chemical and biological processes.
CT **Alliance Medical operates CT scanners in clinics, static hospital installations and mobile scanners.**	CT scans emit several simultaneous X-ray beams from varying angles to produce two-dimensional or three-dimensional images of body structures. Tomography is the process of generating a two-dimensional representation of a slice or section through a three-dimensional object. Multiple two-dimensional parts can be combined using tomography to produce three-dimensional images of body structures.	A key advantage of CT technology is that it has a smaller installed base and a shorter scanning time than MRI scanning equipment, which makes it ideal as an emergency assessment tool. CT scans are most often used in neurology and oncology applications and are also used by accident and emergency departments to assess injuries and acute medical conditions.
PET-CT **By employing mobile and fixed location scanners throughout Europe, Alliance Medical's molecular imaging services provide PET-CT scans to public health services and independent organisations. Our services include manufacturing of certain radiopharmaceuticals for use in PET-CT scanning applications.**	During PET-CT procedures, a radiopharmaceutical (a pharmaceutical drug with radioactivity) is injected into a patient and localises in a specific organ or system within the body. Radiopharmaceuticals emit minuscule amounts of measurable positron radiation. These are captured by a PET camera which generates an image of the specific organ or system for the clinician to assess. Doctors use the image results to identify small changes in body tissues at a cellular level by highlighting physiological processes rather than anatomical structures.	The PET-CT technology is in widespread use in the rest of Europe, and the UK is developing a multiple lot procurement programme through the NHS that will specifically address the lack of PET-CT availability in the UK. The NHS provides the majority of all PET-CT scans in the UK. The PET-CT level of molecular imaging allows physicians to identify cancer and other degenerative conditions such as cardiac and neurological diseases, as well as the stage to which the cancer or condition has developed – facilitating early diagnosis and staging of cancer.
Radiopharmacy **Alliance Medical owns and operates four cyclotrons in the UK, one in Italy and four in northern Europe.**	During radiopharmacy, we manufacture radioactive chemicals used in molecular imaging procedures. Radioisotopes are usually manufactured in a cyclotron – a type of particle accelerator.	Radiopharmacy supports the high demand for molecular imaging services we perform. Alliance Medical also sells radioisotopes commercially to other PET operators and for use in clinical trials.

Principal service offering overview continued

POLAND

Scanmed has been offering broad spectrum healthcare in Poland for nearly 15 years. We offer a wide range of medical services to our patients – from primary care, through outpatient specialist care, to hospital care and rehabilitation, including cardiology, orthopaedics, paediatrics, dermatology, gynaecology, obstetrics, diagnostics and more. This allows a holistic care and service approach to our patients.

We provide access to comprehensive treatment methods, excellent medical equipment and experienced specialists who collaborate to ensure our patients recover rapidly.

Through our commitment to safety and quality, we have seen consistent growth in patient numbers, with more than 350 000 individual patients and nearly 40 000 corporate clients selecting Scanmed as their preferred medical services provider.

The Scanmed Group operates in the following major Polish cities – Kraków, Warsaw, Wroclaw, Poznan, Gdansk, Lublin and more, offering services in 40 multi-specialist medical units (among them two hospitals, 12 catheter-labs, nine outpatient centres and three clinics).

SCANMED GROUP PLC	Operates a network of 12 cardiology centres, two multi-specialist hospitals (St Raphael's Hospital in Kraków and a hospital in Blachownia), a gastroenterology clinic in Lublin and an ophthalmology clinic in Chórzow, and provides outpatient care services, diagnostic imaging and medical transport in the major Polish cities of Warsaw, Kraków, Poznan, Wroclaw, Gdansk and more.
ENDOSCOPIC SURGERY CLINIC LIMITED	Operates a sports clinic in Żory.
PRO-MED MEDICAL CENTRE LIMITED	Operates a medical centre in Pabianice.
AKAMEDIK SERVICES	Provides services in primary care in Warsaw.
SCANRENT LIMITED	Manages outpatient clinics buildings belonging to the Scanmed Group.
SCAN DEVELOPMENT LIMITED	Operates the hospital building belonging to the Scanmed Group.

External environment

CONTEXTUALISING A YEAR OF INTERNATIONAL INTEGRATION

MACRO-ECONOMIC CONTEXT

WHAT THIS MEANS FOR US

GDP growth rates vary across our operations

- Varied, but positive growth in the geographies we operate.

Western Europe	Eastern Europe
2.3%	**2.8%**
United Kingdom	**Poland**
1.6%	**4.1%**

- Continued focus on patient care, technical excellence in a flexible business model that provides outstanding value for money.

Growth rates were sourced from http://www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WEOWORLD/WEQ/GBR/POL

Impending Brexit implications

- Uncertainty regarding the implications of Brexit continues to impact the macro-economic environment.

- Proactively engage with a range of organisations impacted by Brexit to understand and mitigate any potential negative consequences and maximise positive outcomes.

Exchange rates

- As a multinational group, exchange rates impact both our cost of sales, specifically for the procurement of medical equipment and consumables from different geographies, as well as the contribution of our operations translated into rand, our reporting currency.

For a breakdown of our material exchange rates over time refer to the table below.

- Manage adverse impacts through increased efficiencies and proactive portfolio management.
- Procured goods and services largely sourced in the currency where the business operates.

	30 September 2018	31 March 2018	30 September 2017
USD/ZAR	14.21	11.87	13.51
GBP/EURO	1.13	1.14	1.13
GBP/ZAR	18.46	16.58	18.18
PLN/ZAR	3.83	3.45	3.70

External environment continued

HEALTHCARE MARKET CONDITIONS	WHAT THIS MEANS FOR US
High levels of competition	
◗ Consistent competition in the markets we operate in for patients and technology, particularly in the mobile market in the UK.	◗ Implement strategies to counter mobile market competition. ◗ Focus on differentiating ourselves through quality service delivery and standards, cost efficiency as well as long-term stakeholder relationships.
Skills challenges	
◗ Continued competition for skills across geographies. ◗ Challenges in relation to Brexit has resulted in fewer UK nationals applying to the NHS for placements, ultimately reducing the available workforce.	◗ Proactively working with global partners and academic institutions in developing a variety of training schemes to support new graduates. ◗ Differentiating ourselves as an employer of choice by investing in a variety of reward, development, recruitment and cultural initiatives.
Continued demand presents opportunities	
◗ Consistent population growth, an ageing population and increased disease burden that require more healthcare interventions.	◗ Continued investment in long-term, cost-effective solutions while improving the quality of care and patient experience.
Price pressures	
◗ Continued pressure on tariffs from both public and private funders.	◗ Optimise efficiencies and focus on integrated solutions and effective use of resources across the Group.
Increasing regulatory burden	
◗ Evolving and increasing regulatory compliance burden impacts operations across geographies that we operate. ◗ The introduction of the GDPR.	◗ Active engagement with regulatory compliance authorities. ◗ Regulations are clearly understood and proactive compliance to legislative changes is encouraged and continuously assessed across our geographies. ◗ Legal, processes and IT requirements are consistently assessed to ensure GDPR compliance. ◗ GDPR and Administration of Radioactive Substances Advisory Committee, which the Group must comply with is seen as a barrier to entry.

Q & A with our Group CEO, Dr Shrey Viranna

Q The operating context for Life Healthcare's international operations seemed to be varied across operations, how would you describe the year that's past?

A From a Scanmed perspective, macro-economic indicators were generally positive. In Poland, GDP growth was around 4%, with falling levels of unemployment reflecting the growth in the economy, which in turn fuelled the demand for high-quality healthcare services.

With operations throughout northern Europe, Alliance Medical has a diversified portfolio offering. While northern Europe experienced positive growth of 2.3%, certain countries faced more localised issues. For instance, in the United Kingdom, the recent Brexit proposal published by the government is expected to have implications for the healthcare industry, with suggestions to streamline the recruitment and migration process for specialist professional skills, a positive move for the industry as a whole.

Q How did the Alliance Group perform from a financial and operational perspective?

A From a financial perspective, revenue at a consolidated Alliance Group level on a 12-month basis improved with 8.4% from the prior year. Despite revenue growth, margins remained under pressure, resulting in an EBITDA of GBP 67.0 million.

We had strong growth in our PET-CT volumes as well as solid underlying performance in Italy and Ireland, and these factors, together with the acquisition of IMED in Italy, positively influenced our performance.

However, despite this, increased competition in the UK mobile market, the loss of the BMI contract in the UK and the impact of the Piramal and Life Radiopharma acquisitions, for future growth, negatively impacted our EBITDA. This was offset by strong PET-CT volume growth in the UK of 15.2%, as well as 14.7% volume growth in MRI and CT private clinics in Italy. We are optimistic that our strategy supports and underpins our longer-term outlook for growth.

Within the sector, Alliance Medicals' strengths is flexible delivery at consistently high standards. This is evidenced in the PET-CT which has seen the delivery of a large-scale investment programme of building and operating 31 national contract centres across the UK, integrated cyclotrons and improved operational delivery have seen throughputs increase throughout the year while improving the marginal economics, and integrating an IT solution across the UK in a networked approach for reporters, NHS trusts and users of our services.

Q Could you please unpack Scanmed's performance in the year under review?

A Compared to other private healthcare service providers, Scanmed is a significant beneficiary in publicly financed healthcare reform. We managed to secure long-term funding under the new public healthcare system. Pleasingly, we also won several tenders for services financed outside the hospital network.

All turnaround actions applied have focused on operational efficiency and business integration which have begun making an impact on improving our profitability. Good financial results were achieved with revenue up to PLN 344.1 million and EBITDA of PLN 23.2 million achieved during the year.

Furthermore, we strengthened our leadership team through successful recruitment and on-boarding of key managers. I believe we have built a consolidated and engaged team of passionate professionals, who are capable of realising strategy and driving growth of the Scanmed Group. Ongoing integration into the larger Life Healthcare will further enhance performance.

Q Alliance Medical continues to be at the forefront of innovation in imagery. How did the Group enhance its capabilities in this regard?

A In addition to our in-house research and development and our partnership models with universities across Europe, we have acquired Piramal Imaging which owns and develops niche isotope products. Certain products already have full FDA approval, while others form part of a pipeline that is being developed in collaboration with international partners to demonstrate their clinical applications in addressing other areas of the disease burden – including neurological diseases – with our molecular imaging network.

This important vertical capability is now part of the Life radiopharmaceutical capability. The positive market sentiment, as a result of the transaction, is encouraging. We are focused on integrating Piramal Imaging into the broader molecular imaging business and accelerating the broader neuro-isotopes into our existing and new markets.

Q There seem to be many positives, and things are on the up, but have there been any challenges that you consider when making strategic decisions?

A In Poland key challenges remain top-of-mind, and the most significant of these is a qualified workforce shortage. This is especially relevant for the frontline caregivers, placing upward pressure on employee costs. The regulatory environment remains uncertain with ongoing reform of the public healthcare system and new requirements for all providers.

Q & A with our Group CEO, Dr Shrey Viranna continued

Challenges and key focus areas for the Alliance Medical team are the competitive environments in the UK, especially in the mobile business, increasing healthcare costs as well as addressing the delay in technology going through validation for clinical use. Furthermore, most public markets continue to have budgetary constraints and the potential impact of Brexit remains challenging.

Q Looking ahead, what will your focus for the 2019 financial year be?

A The focus going forward will be to develop a vertically integrated business model in Poland and the larger international business within the Life Healthcare Group through quality healthcare and diversified revenue generators.

We also continue to search for growth potential in the markets we operate in and are always investigating further international collaboration and growth opportunities.

The execution of our strategy through the delivery of the highest quality of service will continue to provide long-term growth. A significant driver of success going forward will be the reinforcing of our passionate business culture and further collaboration led by the Group executive team across the broader Life Healthcare Group. Alliance Medical's integration into Life Healthcare has progressed well to date, and, we believe, provides both Life Healthcare and Alliance Medical with improved stability and growth opportunities with skill and knowledge-sharing taking place.

Q Finally, what are your closing thoughts?

A To all our employees across all geographies, a sincere thank you. It is encouraging to see your passion and dedication to providing quality and efficient healthcare at every level.

Finally, to all our stakeholders, we thank you for your support and look forward to serving you in the year ahead.

Growth

Our international growth strategy focuses on selected attractive markets that display supportive characteristics for the longer-term growth of the private healthcare market and maintain our strategic imperative to grow revenue from international operations' non-acute revenue sources.

ALLIANCE MEDICAL

The Colchester integrated diagnostics centre opened in the second quarter of 2018. This is a long-term evergreen partnership with an NHS trust and is a model example of a PPP. A number of NHS trusts have visited, and the NHS is engaging with us to discuss similar partnerships.

Alliance Medical was successful in four PET Wave 2 contracts, with one contract in London and three contracts at existing PET-CT sites. The contracts are fixed price contracts with a seven-year term with a three-year option.

Alliance Medical acquired the IMED group during the year which consists of six diagnostic clinics operating in the Veneto region of Italy, as well as Centro Alfa clinic located in Modena. The clinics' acquisitions support our strategy to increase scale in our existing geographies.

The acquisition of Piramal Imaging in September 2018, which has since been rebranded to Life Molecular Imaging, was a highlight for the year. Life Molecular Imaging is dedicated to the development and global commercialisation of innovative molecular imaging agents addressing major unmet clinical needs in neurological, oncological and cardiovascular diseases. Life Molecular Imaging's Neuraceq (florbetaben F18) is a globally approved and commercialised product for assisting in the diagnosis of Alzheimer's disease.

Life Molecular Imaging is now an integrated part of our imaging business, which having cyclotrons, radiopharmacies and imaging allowing physicians greater access to novel imaging agents will efficiently serve the research community and pharma industry by providing integrated biomarkers and imaging facilities in their clinical trials. In addition, preclinical and clinical contract radiopharmaceutical research activities are provided which will offer ready access of new tracers into clinics through the Group's growing network.

UK	Indicator	Year-on-year trend	2018	2017
Diagnostic imaging	Statics (scans)	↓	**281 020**	292 875
	Mobile (days)	↓	**10 051**	10 089
Molecular imaging	PET-CT (scans)	↑	**83 892**	72 807
	Radiopharmacy (doses)	↑	**106 123**	98 464
	Mobile utilisation	↑	**85%**	81%
Italy				
Diagnostic imaging	MRI and CT (scans)	↑	**237 915**	228 565
Molecular imaging[1]	PET-CT (scans)	↓	**2 704**	2 745
Diagnostic imaging	Other diagnostic imaging (scans)[2]	↑	**521 801**	499 118
Other[3]		↑	**1 673 361**	1 621 854
Ireland				
Diagnostic imaging	MRI and CT (scans)	↑	**189 070**	160 678
	Other[4]	↑	**43 396**	35 039
Molecular imaging	PET-CT (scans)	↑	**1 740**	1 544
Northern Europe				
Molecular imaging	PET-CT (scans)	↑	**2 632**	2 209
	Radiopharmacy (doses)	↑	**60 071**	52 823
Diagnostic imaging	Other	↓	**22 627**	27 590
	Urology and other[5]	↓	**4 455**	4 866
Spain				
Molecular imaging	PET-CT	↑	**3 406**	1 431
Diagnostic imaging	Other	↑	**102 541**	101 192

[1] PET-CT scans performed at two clinics.
[2] Other diagnostic imaging scans include x-ray, mammograms, ultrasound, mammo-tomosynthesis among others.
[3] Other include number of patients for physio examinations, number of laboratory blood tests, and doctor patient examinations.
[4] Other include x-ray, ultrasound and other diagnostic imaging scans.
[5] Urology and other refers to the number of patients treated.

Growth continued

POLAND

The key focus for 2018 was to ensure we were prepared for a fundamental change in the public funding of healthcare services, following the introduction of lump sum financing under four-year contracts. Through our high-quality medical services and reporting, we have secured a majority of public contracts to sustain revenue for the next four years at improved average pricing.

Revenue source (PLN million)

	2018	2017	2016
NFZ	**274.8**	238.6	229.1
Private	**69.3**	79.5	81.3
Total revenue	**344.1**	318.1	310.4

Given the constraints on public funding, we will look to increase commercial services in the year ahead. The dynamic growth of private healthcare will create opportunities for further development, which Scanmed aims to benefit from in the future.

Beds, units and facilities

While Scanmed added no additional beds, cardiac units or facilities in the year, our focus has primarily remained on securing long-term public financing under the new funding system. The business integrated its portfolio acquired between 2014 and 2016 and increased operational efficiency, ultimately impacting capacity and profitability.

Category	2018	2017	2016
Beds	**624**	624	624
Cardiac units	**12**	12	12
Medical facilities	**40**	40	40

Poland operational info Scanmed	Year-on-year trend	2018	2017
Number of procedures ('000)			
Blachownia	↓	**6 334**	6 373
St Raphael	↑	**13 180**	13 009
Weiss	↑	**26 453**	25 695
Gastromed	↑	**14 496**	14 179
Sport Klinika	↓	**10 411**	11 472
Cardiology[1]	↑	**18 851**	16 884

[1] *Cardiology includes procedures performed in Scanmed Kardiologia, Polska Grupa Medyczne (PGM) and Carint.*

ACQUISITION TIMELINE

APRIL 2014
80.7%
of **Scanmed**
(including Webolit)

JUNE 2014
100%
of **Gastromed**

OCTOBER 2014
Increased investment in **Scanmed** to
100%

OCTOBER 2014
100%
of **Sport Klinika**

NOVEMBER 2014
100%
of **Kliniki Kardioligii Allenort** (KKA)

JUNE 2015
49.93%
of **Carint Scanmed**

OCTOBER 2015
100%
of **Gastromed REM**

OCTOBER 2015 & JANUARY 2016
100%
of **Polska Grupa Medyczne** (PGM) and **Raciborskie Centrum Medyczne** (RCM)

NOVEMBER 2015
100%
of **Multimedycyna**

APRIL 2016
50.07%
of **Carint Scanmed**

NOVEMBER 2016
acquisition of
Alliance Medical

DECEMBER 2016
acquisition of
Albaro Group in Italy

MAY 2017
acquisition of
Life Radiopharma

AUGUST 2017
Direct Medical Imaging (UK)

MARCH 2018
acquisition of **IMED**

JUNE 2018
acquisition of
Piramal Imaging

SEPTEMBER 2018
acquisition of
Centro Alfa

Quality

CLINICAL GOVERNANCE

Alliance Medical

Alliance Medical operates throughout western Europe, with each geography responsible for determining and monitoring local regulatory and country or contract specific indicators relevant to their operations and is reinforced by the Life Healthcare Group clinical governance and quality framework. The business-wide clinical governance framework is utilised and based on the five dimensions of quality:

- Safety
- Effectiveness
- Patient satisfaction
- Access and equity
- Efficiency

We measure patient satisfaction levels and complaints across all Alliance Medical geographies. We generate reports required for reportable incidents in the respective countries. Our geographies record contract or customer-specific metrics as required and operational metrics for efficiency analysis.

- *Patient satisfaction rates:* We are committed to providing the highest quality of service to our patients. All feedback is welcomed and is used actively to improve what we do and the way in which we do it.
- *Propensity to recommend our services to friends and family:* 95% of patients would recommend us to their friends and family.
- *Patient complaints:* We recognise that at times, we might fail to meet patients' individual expectations. Patients may experience a standard of care lower than they expected and may wish to raise their concerns to help to improve our service. We are committed to listen to their concerns and provide a full and appropriate response.
- Image quality audit.
- *Turnaround times:* We are committed to continually reviewing and improving our turnaround times, striving to be efficient while maintaining patient choice and convenience.
- *Radiology clinical audit:* A clinical audit of radiology reports is performed, with a 10% random sample submitted to audit with quarterly reports sent to individual radiologists comparing their results to the national mean.

Alliance Medical is being integrated into the Group governance and risk management framework. The framework aims to uphold the quality of services we provide by continuously improving them, safeguarding the highest standards of care, and creating an environment in which clinical excellence is continuously promoted. We strive to maintain the mechanisms to support this, including:

Standard setting

Standard operating procedures and comprehensive policies exist at unit level as well as on a broader, corporate level.

Audit

A comprehensive audit (internal and external) programme ensures that all units have standard operating procedures that follow key policy directions and meet legislative and regulatory requirements.

Licensing and registration

We maintain and develop strategies to monitor and ensure ongoing compliance with the legal, statutory and regulatory requirements.

Incident reporting

We record all incidents, follow their trends and review these at a national and regional level, and we report all serious incidents within 24 hours, analysing their root causes.

Risk register

Maintenance of an integrated corporate risk register which identifies critical risks at a national, regional and local level and complements the other existing systems.

Clinical and other quality indicators

We collect a comprehensive range of clinical and other quality indicators and, monitor trends and analyse these closely, sharing the best practice.

For our full quality report for our operations in the UK refer to www.alliancemedical.co.uk

POLAND

Our main objective is to guarantee optimal achievable clinical outcomes while meeting the needs, values and preferences of individual patients.

Our key segment's Medical Directors are responsible for the overall clinical outcome and patients' experience. The main areas of their activities include the sanitary and epidemiological state of all facilities, the implementation of clinical standard operating procedures and guidelines, oversight of patient's records and medical data reporting, management of complaints, as well as and medical staff postgraduate training.

A separate team is assigned to manage internal and external audit and accreditation standards implementation. Scanmed adopted the methodology implemented by the Life Healthcare Group clinical governance and quality framework based on a disciplined and systematic approach to assessing and improving the efficiency of the organisation's processes, risk management and internal controls.

We are focused on ensuring the effectiveness of critical activities and processes of which potential occurrence could disrupt the continuity of services provided, thereby jeopardising the achievement of the strategic, financial and operational objectives. The scope of collected and measurable data contains quality, cost-effectiveness, delivery and flexibility measures.

Our QMS in the Scanmed Group is certified according to the requirements of the following international standards:

- ISO 9001:2008 quality management system
- ISO 27001:2014 information security management system
- ISO 31000:2009 risk management

The QMS is verified by the results of cyclical internal and external audits and continuous monitoring and measurement of processes. During 2017, Scanmed began the process to adapt the QMS to changes in the requirements of ISO 9001:2015 – quality management systems. In December 2017, we underwent a comprehensive external audit by an international certification body and received a positive recommendation and renewal of our ISO 9001:2015 certificate.

The introduction of an electronic system for monitoring and measuring processes throughout the business is planned for the year ahead. We continue to set levels for individual measurement areas to ensure accurate and effective detection is ongoing across our operations.

Furthermore, we continue to prepare our hospital units for the accreditation by the Minister of Health for narrow-profile hospitals. These new accreditation standards are dedicated to smaller, mono-specialist hospitals in Poland. These standards present a challenge to our operations, who view the change as an opportunity to enhance our quality standards.

Clinical indicators

Scanmed's medical units use a monitoring system, as well as process measurement and benchmarking. Monitored results are analysed and addressed with the management of individual medical units. We continue to set thresholds for individual measurement areas to ensure preventative and effective detection in the case of unacceptable results. The indicators are adapted to the requirements set by the Minister of Health and the Centre for Quality Monitoring in Health Care.

During 2018, a decrease in the rates of re-operation and re-hospitalisation were experienced mainly due to intensive and ongoing training conducted for medical and nursing staff.

The increase in rates of pressure ulcers is associated with the development of the Department of Anaesthesiology and Intensive Care at the hospital in Blachownia. This is a highly specialised ward, where there are patients with severe conditions, where more than one infection is common. Furthermore, increased awareness has resulted in improved reporting among medical employees.

Indicator	Year-on-year trend	2018 %	2017 %	2016 %
Re-operations	↓	**0.51**	0.54	0.40
Re-admission	↓	**1.21**	1.24	1.34
HAI	↓	**0.83**	0.85	0.58
Pressure ulcers	↑	**0.25**	0.22	0.13

Efficiency

ALLIANCE MEDICAL

Procurement

Assessment of procurement opportunities is ongoing to extract economies of scale or other benefits that could be delivered. Centrally procured products and services include scanners, insurance, finance, banking and IT services.

Group-wide knowledge is leveraged to disrupt the traditional market approaches to obtain efficiencies. This approach was most apparent for scanner maintenance where equipment manufacturers were encouraged to revisit their service offerings in the market with resultant efficiencies and cost benefits.

Human Resources

The past year has seen the introduction of a global human resources (HR) committee with representation from all of the Life Healthcare geographies. Along with facilitating the exchange of ideas and initiatives, this approach supports the introduction of a global approach to resourcing which takes advantage of local knowledge in all of the regions in which we operate. The HR integration activity has identified multiple priority workstreams on which the global HR teams will focus in the coming 12 to 18 months. These workstreams include reward, resourcing, HR reporting, diversity and global code of conduct. Plans are being developed to implement each of these activities to an agreed plan.

Information management

Options are being evaluated to use new technology to enhance the service both from a quality and efficiency perspective and we are working with leading organisations to ensure that the application of the technology is evidence-based and validated.

Combined data feeds will provide more insightful business intelligence that will drive better management and real-time reporting. AI will support improved reporting times going forward and Alliance Medical continues to assess this area for future benefits.

POLAND

Procurement

Scanmed has established a centralised procurement function to maximise efficiencies. Our tender process is guided by best-in-class standards and includes specialists such as doctors and heads of medical specialisations across the Group to ensure we derive the best value for our consumables and equipment purchases.

Our procurement team continually monitors savings, efficiency opportunities and supplier relationships. Reviews and tenders are regularly conducted to obtain the best available pricing, with adequate diversification of suppliers to mitigate against risk.

Human Resources

We are in the process of redesigning our remuneration and reward scheme to incentivise entrepreneurial spirit, drive better quality and improve cost efficiency while ensuring we remain attractive to top-talented and skilled medical and non-medical personnel. These activities are included as part of the HR integration activities.

This year we completed the recruitment process for key high and mid-level management positions, attracting top talent from leading blue chip or consulting companies in Poland. We welcomed our new leadership team, including a Chief Financial Officer, Chief Information Officer, a new managing director at Sport Klinika, as well as a new head of marketing.

Information management

A turnaround assessment and gap-analysis assessment were conducted which identified key areas of improvement needed to support the business and optimise specific key administrative processes inclusive of GDPR. Following this, a restructuring programme which will improve management information systems is underway and has built the foundation for future growth and support. We improved our document process flows through the use of optical character recognition software for paper invoice scanning and digital recognition. Furthermore, our servers have been migrated to a cloud-based environment and are currently in a testing phase. Our procure-to-pay process was the first process to be optimised and automated. Other processes of re-engineering and automation are in the pipeline such as automated doctor settlement, payroll and revenue recording projects.

Sustainability

ALLIANCE MEDICAL

Human capital

Alliance Medical operates in accordance with the relevant local employment law requirements and the local employment market conditions. Collectively, Alliance Medical employs 1 847 colleagues (2017: 1 655), 657 (2017: 632) of whom are clinical and 1 190 (2017: 1 083) non-clinical. In addition, Alliance Medical engages with 737 (2017: 735) self-employed clinical colleagues mainly in Italy where a different clinical delivery model is in operation.

While our operations stretch across multiple geographies, we manage our human capital from a local perspective in accordance with local factors and requirements, such as legislation, the local market conditions and local employment needs. Alliance Medical offers mandatory and non-mandatory training programmes in line with regulatory requirements for each region. Employee retention, training and ongoing development are employed throughout. We have a comprehensive approach to continuous professional development, which includes knowledge development in different modalities as well as secondment and project opportunities.

We record diversity statistics according to local legislation. In the UK and Ireland for example, legislation requires relevant diversity information to be reported annually. Allied Medical's workforce consists of more females than males with 65% proportion being female staff.

We continued our university partnership model in the UK and Ireland with partnerships further developing at multiple universities. The content of each partnership is tailored to each university and includes placement programmes for undergraduate and postgraduate radiography students, the provision of lecturing support, interview skills training and graduate radiographer opportunities.

Our apprenticeship programme in the UK continues with colleagues undertaking apprenticeships ranging from degree level management qualifications through to clinical administration qualifications.

In the UK and Ireland, radiographers have been identified as a scarce resource for several years with intense competition for suitably qualified radiography colleagues, resulting in a persistent retention challenge. We address this challenge through investment in a variety of reward, development, recruitment and cultural initiatives.

Clinical recruitment from within the EU reduced dramatically following the UK's decision to exit the EU. This has placed greater pressure on recruitment activity in the UK that is being addressed through an integrated resourcing strategy and focuses on attracting radiographers at all stages in their careers. We launched apprenticeship schemes from clinical assistants to master level radiographers, with 20 colleagues enrolled into the programme in 2018. Partnerships with 11 universities are in place to provide elective and structured placements in the UK. Alliance Medical has also launched its clinical graduate programme in the UK.

Health and safety

We collaborate with employees at all levels to ensure our employees are healthy and can perform their roles in a safe working environment. The health and safety of our employees are of paramount importance. We ensure this through mandatory training; ongoing investment in modern, safe imaging facilities with appropriate equipment; the operation of structured governance models covering clinical quality, risk, health and safety and training; and through the provision of HR policies and procedures which promote a positive and supportive working environment.

We embrace a culture of safety within the organisation and our health and safety policies adhere to applicable health and safety legislation, including the UK Health and Safety at Work Act of 1974, and the UK Health and Social Care Act of 2008. Alliance Medical's health and safety committee ensures each operation complies with these laws. Third-party consultants assist us, where appropriate, to provide advice and guidance to the business. We consider independent advice regarding health and safety laws and seek methods to improve Alliance Medical's health and safety policies and procedures.

In the UK, we must participate in mandatory online training for certain aspects of health and safety including manual handling and fire risk. We adhere to legislation that covers video display usage, eye tests and radiation exposure monitoring for radiopharmacy employees.

Stakeholder engagement

Relationships are the foundation of our business. We maintain our relationships at a local level where our in-country teams manage their relevant stakeholder engagement. Group-wide relationships are managed where necessary. An example of this more centralised approach is the Molecular Imaging Collaborative Network, a partnership between Alliance Medical, *the Christie*, NHS hospitals, patient representatives, academic centres, charities and commissioners. The partnership combines the purpose of improving cancer survival rates while remaining widely acknowledged as an exemplar of the manner in which the independent sector offers support for the future of the NHS.

Sustainability continued

We consider the top concerns and expectations of our external stakeholders and make every effort to address these. Our stakeholders have brought the following matters to our attention:

- Alliance Medical must continue to provide service excellence and innovative imaging techniques to improve patient care
- Operations should be in line with the legal and regulatory requirements of the countries in which we operate
- The delivery of these services should be cost-effective for customers and provided in line with contracts
- Alliance Medical must provide rapid access to scanning services, at a time that suits the patient
- We must continue to provide good levels of care

For more information on our stakeholder relationships refer to page 14.

Electricity, water and waste

We consider renewable and non-renewable natural resources used in the delivery of services as we know natural capital has an impact on the greater health of society. Electricity, water and waste efficiency measures are recorded on a country-by-country basis as required by local regulation.

We manage the control and disposal of the following types of medical waste:

- General medical waste
- Infectious medical waste
- Hazardous medical waste
- Radioactive medical waste

Particularly relevant to Alliance Medical is radioactive waste, which we take great care to contain. Waste is managed in line with international waste disposal guidelines and according to local legislation in each of our markets.

POLAND

Human capital

We believe that our people are the key differentiators that will influence our present and future success. Scanmed employs 3 094 (2017: 3 345) employees and contractors, 1 279 (2017: 1 306) of whom are on permanent contracts. Scanmed employs 1 182 (2017: 1 110) physicians. Treating our employees equally and promoting diversity is of fundamental importance.

Scanmed aims to provide the highest quality of healthcare in cooperation with top medical specialists. The current economic and demographic circumstances in Poland increase competition for top talent and impact employment costs.

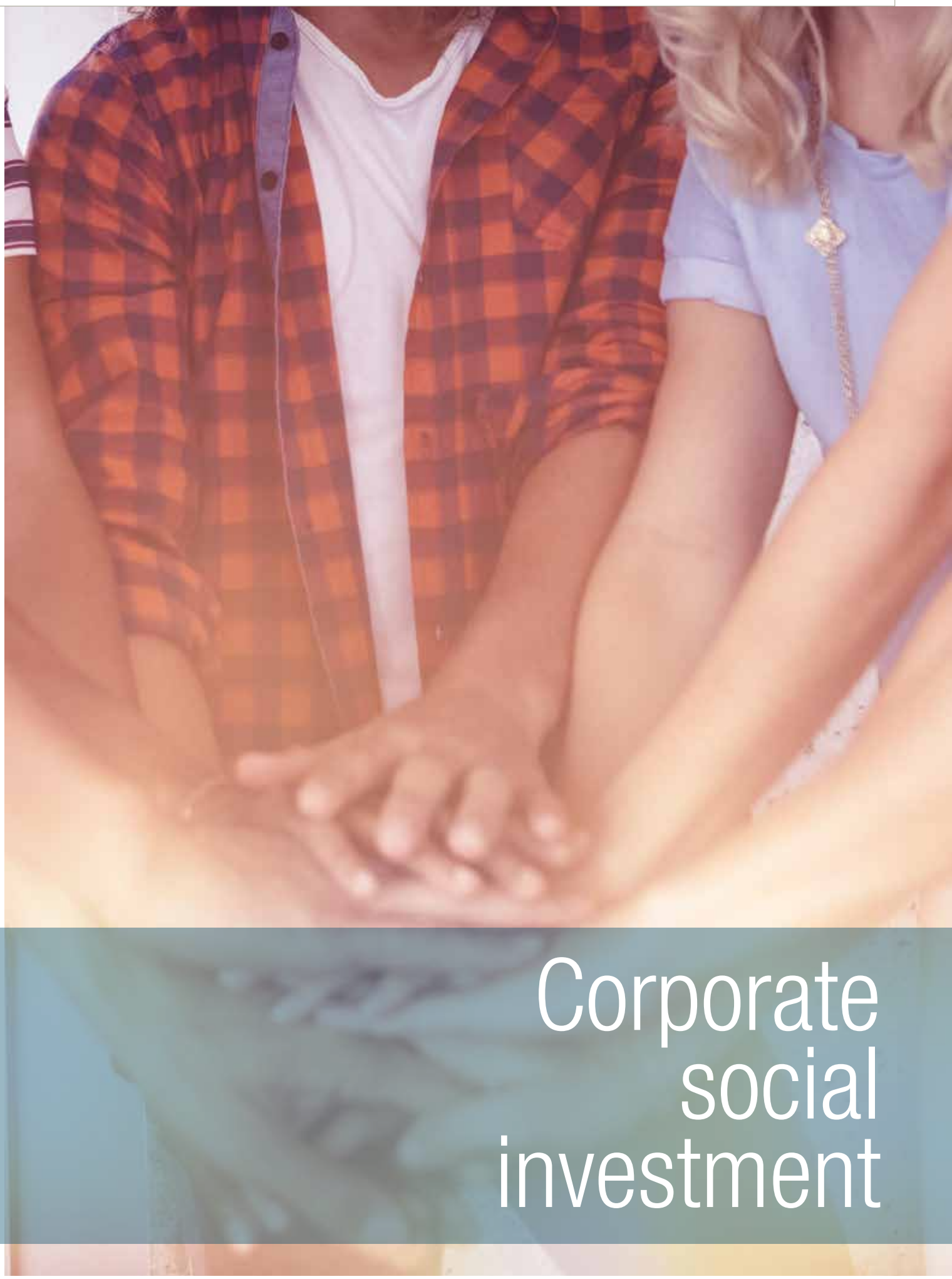
Employment conditions and the working environment is continuously monitored to position us as an employer of choice. We support the professional development of our employees, ensuring we have a qualified, professional pool of staff.

A general trend and a significant challenge is the lack of critical skills, especially specialists and nurses. The number of doctors in Poland per 1 000 inhabitants in the EU is 2.3, compared to the European average of 3.5. The average age of nurses in Poland is approximately 51. Qualified medical staff continuously emigrate to the west of Europe, where, apart from opportunities for professional development, they are often provided with better terms of employment. Simultaneously, the need for medical services is steadily increasing with the ageing population. In Poland, the average life expectancy is currently 78.2 years.

To combat these challenges, we must source and attract the right people to run a successful business. We are building a strong management team to face challenges across the board. To further develop a skills pool, we facilitate the education of specialist doctors. We host internships for selected and identified specialisations to secure the ongoing service of specialists.

It is our aim to create possibilities for young talent to gain practical knowledge by organising paid internships and vocational practices and apprenticeships. We supply a strong base of training through didactic work-based experience in cooperation with the academic environment.

Therefore, the leading HR focus area in 2018 was to offer competitive working conditions for medical staff. The current economic, demographic and legal situation in Poland has constrained available resources and places pressure on the cost of maintaining skilled employees.



Corporate social investment

Our corporate social investment

OUR APPROACH TO CSI

At Life Healthcare, we believe that we can make people's lives better through projects that enhance their life experience and by facilitating brighter futures in an enabling fashion. We drive strategically relevant CSI programmes that complement shortfalls in public healthcare services and training in South Africa, both at a national level and with community involvement at a grassroots level.

OUR CSI GOVERNANCE

A CSI steering committee in southern Africa, comprising five executives, makes recommendations to the Life Healthcare Foundation Trust for project approval. The steering committee, chaired by the marketing and communications executive, allocates funds to approved projects. We report on CSI activities monthly at the executive management meetings, and quarterly to the board social, ethics and transformation committee.

CSI INVESTMENT

	2018	2017	2016
CSI spend	R71.0 million	R43.0 million	R68.9 million

OUR FOCUS AREAS

The areas we focus on when considering programmes to support are:

- Community upliftment
- Health
- Education

These focus areas align with our purpose of making life better. Life Healthcare's CSI programmes continue to provide value to the communities in which we operate, as well as those communities in which our employees reside. We offer monetary contributions and drive sustainable change through community upliftment, health-related, and education projects.

Community upliftment

The Life Sizanani employee involvement programme is one of our most inspiring corporate social responsibility (CSR) projects and has been in existence for over 15 years. Each support function within Life Healthcare adopts and supports a disadvantaged community in an effort to improve their lives in various ways.

Employees and their supporting organisations jointly decide on CSR projects. The 70 ongoing projects have touched the lives of many disadvantaged children.

Health

Our supporting specialists have shown their desire to improve the lives of indigent patients. Pro-bono surgery was provided to patients that could not afford treatment during 2018, following the increased requests from supporting specialists. In total, 42 709 patients were assisted in 2018 at no cost or reduced cost to the patient.

We continued to provide cataract surgery and eye-care services to indigent patients this year. This resulted in a significant outcome from our partnership with the SANCB. An additional mobile clinic and two cataract tours (screening and cataract surgeries) were sponsored during 2018 to increase the reach of eye-care services to peri-urban and rural areas in Limpopo and Mpumalanga.

Education

At Life Healthcare we know that building skills changes lives. In addition to our usual focus on educational initiatives, we have increased our focus on the training of sub-specialists, and therefore included more persons with disabilities in these training initiatives.

Life Healthcare has partnered with the SANCB Optima College, which provides vocational and life skills training for visually impaired students. The college is accredited by the Services Seta at a National Qualifications Framework (NQF) level 2 in the following courses:

- Introduction to computers
- Contact Centre and Support
- Business Administration Services and Braille Literacy


MOBILE EYE
Life Foundation
www.lifehealthcare.co.za
MOBILE
EYE CARE UNI
sponsored by
Life Foundation
IVECO

Life Healthcare is funding the Optima College for a period of at least one year with an option to renew annually.

A second area we have identified in the realm of education that actively addresses our skills shortage concerns, is the intense need for bursaries to support students studying towards becoming doctors – in particular, specialists and sub-specialists. We have partnered with the Specialist and Sub-Specialist fund, previously called the Colleges of Medicine of South Africa, to provide bursaries to a number of medical students at South African universities.

We continue with the Public Health Enhancement Fund (PHEF) projects which aim to build human capital to address the challenge of HIV/Aids, and to develop leadership capacity within the public health system. These include:

- The national health scholars programme which offers two-year scholarships for South African Master's and PhD students pursuing research in clinical health systems and biomedical sciences in the fields of HIV/Aids and tuberculosis. 32 students (2017: 32) are currently supported by the programme
- Support for medical students is offered, with 75 (2017: 74) undergraduate medical students supported by PHEF
- A knowledge-management hub which is a web-based teaching and learning platform that offers learning resources to hospital managers

Wheelchair Tennis South Africa (WTSA)

Although Life Healthcare is a large organisation with the ability to contribute on a large scale, we also acknowledge the difference we make to the lives of individuals, and the impact that these individuals can have on the nation as a whole.

Life Healthcare is proud to be associated with WTSA, an NPO which was established to develop wheelchair tennis in our country. South Africa is one of only three nations globally to have wheelchair tennis players in the top 15 of the sport's five categories. Life Healthcare offered support in the form of wheelchairs and wheelchair accessories for some of South Africa's top athletes.

International projects and initiatives

Community involvement

Through Scanmed, we support the Mam Marzenie Foundation. This non-governmental organisation assists children and young people with severe and life-limiting conditions to fulfil their personal dreams.

Health

Preventative screenings were performed free of charge at 33 (2017: 33) locations for more than 540 (2017: 540) indigent patients. The screenings include tests relating to prostate disease, lung and eye disease, orthopaedics, gynaecology and urology, dietetics, and diabetology.

Education

We provide support to the AGH University of Science and Technology in Poland, through an adaptation programme and various cost-free preventative medical interventions for students and university staff.

Our partnership with the fifth edition of the Leadership Programme for Health Care continues this year. This programme is organised by the Lesław A. Paga Foundation, an educational support organisation, and is aimed at medical students in Poland. This year's programme was attended by more than 600 (2017: 600) students, with three ultimately incorporated as trainees.

In Alliance Medical, we have a university partnership model in the UK and Ireland with partnerships further developing at multiple universities. This includes placement programmes for undergraduate and postgraduate radiography students, the provision of lecturing support, interview skills training and graduate radiographer opportunities.

In the UK 20 colleagues enrolled in apprenticeship programmes. Partnership with 11 universities in place, with 23 undergraduates completing elective placements, with 26 graduates appointed during 2018.

Our apprenticeship programme in the UK continues with colleagues undertaking apprenticeships ranging from degree level management qualifications through to clinical administration qualifications.

Governance and remuneration

SECTION CONTENT

Corporate governance overview

The board is accountable for the sustainable and ethical operations of Life Healthcare through sound governance practices.

GOVERNANCE STRUCTURE AND BOARD COMPOSITION

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 performance against objectives by holding management accountable for its activities through quarterly performance reporting and budget updates.

The board considers matters of strategic direction, significant acquisitions and disposals, and approves major capital expenditure, financial statements and other material matters. Board members are encouraged to debate and challenge matters 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 and cybersecurity;
- assessing the impact of the Group's business operations on the environment; and
- approving and adopting Group policies, programmes and procedures in relation to health, safety, economic, social and environmental impacts, and remuneration and benefits.

The board is satisfied that it has fulfilled its responsibilities in accordance with its charter for the reporting period.

Life Healthcare has a unitary board of directors and various board sub-committees as shown in the diagram that follows. The board 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. While retaining overall accountability, the board has delegated authority to the Group Chief Executive Officer to manage the day-to-day affairs of the Group. The Group Chief Executive Officer is supported by the Group executive committee.

The following governance structure and decision-making processes are in place to manage and oversee all the businesses in the Group and to ensure that the interests of its stakeholders are protected.

Group delegation of authority which includes elements such as:

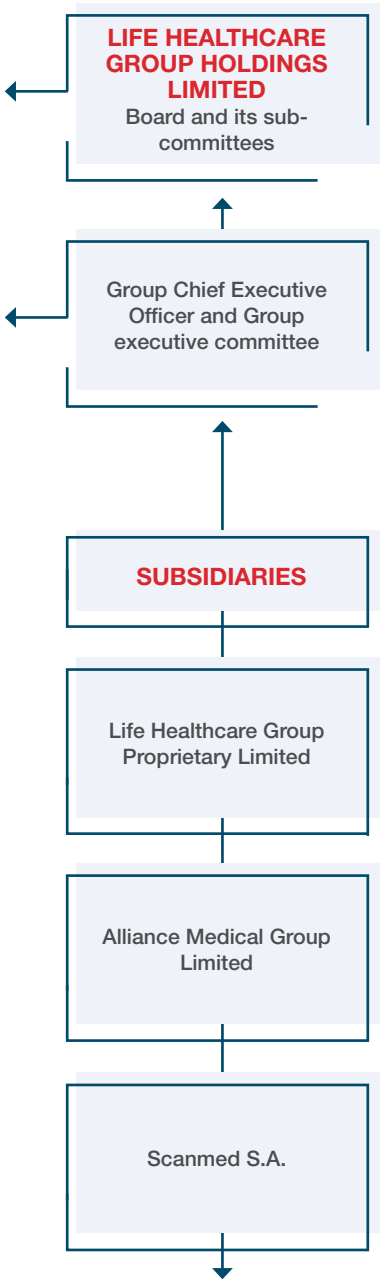
- Authority matrix for the board, Group Chief Executive Officer and management in the different territories
- Corporate, finance and human resource matters reserved for the board
- Processes for the approval or amendment of the Group's business plan and annual budget

We are aligning and implementing selected Group policies. The following were finalised:

- Group tax policy
- Group anti-money laundering policy

The following policies are being finalised:

- A Group-wide code of conduct
- Group compliance policy
- Clinical governance framework
- Risk management strategy and framework
- Governance framework



The Chief Executive Officers of southern Africa, Alliance Medical[1] and Scanmed provide input into the strategy prior to the annual board strategy session.

Feedback on each of the territories' performance is provided at all the board meetings by the Group Chief Executive Officer.

[1] Following the settlement of the B-shares in June 2018, the Chief Executive Officer of Alliance Medical transitioned to a non-executive director role in Life UK Healthcare

The Group is developing the ERM process to apply across the Group. It will ensure that risk management is embedded in the culture of the Group and provides assurance of the effectiveness of risk management to the board and the executive management. The Group's combined assurance model would be improved to support the implementation of this process throughout the business.

Joint venture: Max Healthcare Institute Limited:

- The Group Chief Executive Officer, Group Chief Financial Officer and the Chief Executive Officer – South Africa and the Investor Relations Executive serve on the board and on the various sub-committees.

- Individual delegation of authorities supplementing the Group delegation of authority are in place
- Where there are no Group policies, individual policies are in place
- Internal governance committees were established with formal terms of reference

The following Group executives serve on the subsidiary boards:

- **Alliance Medical:** Group Chief Executive Officer, Group Chief Financial Officer, Chief Executive Officer – South Africa, Chief Medical Officer – Alliance Medical
- **Scanmed:** Group Chief Executive Officer, Group Chief Financial Officer, Chief Executive Officer – Scanmed, the Group Strategic Planning Executive and the Group Integration of People Executive
- **Southern Africa:** Group Chief Executive Officer, Group Chief Financial Officer, Chief Executive Officer – South Africa, Chief Financial Officer – South Africa and both Business Operations executives: South Africa

Corporate governance overview continued

BOARD COMMITTEES

Board
As the highest decision-making body of the Group, the board is accountable for the sustainable and ethical operations of Life Healthcare through sound governance practices in line with the principles of King IV.

Risk committee
Assists the board to ensure that:
- the Group has implemented an effective policy and plan for risk management that will enhance the Group's ability to achieve its strategic objectives; and
- the disclosure regarding risk is comprehensive, timely and relevant.

Investment committee
Assists the board to ensure that material matters that may affect the Group's strategy, financial health or shareholder value are identified and discussed, and, where appropriate or required, recommendations on these matters are made to the board.

Clinical governance, quality and safety committee
Assists the board to ensure that:
- external oversight of the Group's clinical governance arrangements and country-specific regulatory compliance is in place. Its role is also to provide assurance that there are appropriate measures in place to monitor clinical quality, patient safety and patient experience throughout the Group;
- the quality of services provided to patients is continuously improved, the highest standards of care are safeguarded, and an environment is created in which clinical efficiency and excellence is promoted, and innovation and research rewarded; and
- an accurate reflection of existing clinical risks, key controls, assurances, and action plans to deliver against gaps in assurance exist.

Remuneration and human resources committee
Assists the board to ensure that the Group has a clearly articulated remuneration philosophy and human resource strategy that supports the strategic objectives of the Group.

Nominations committee
Assists the board to ensure that:
- the board has the appropriate composition to execute its duties effectively;
- directors are appointed through a formal process;
- induction and ongoing training and development of directors takes place; and
- formal succession plans for the board, Chairman of the board, Group Chief Executive Officer and Group Chief Financial Officer are in place.

Audit committee
Constituted as a statutory committee in terms of section 94 of the Companies Act. It has an independent role and is accountable to the board and shareholders.

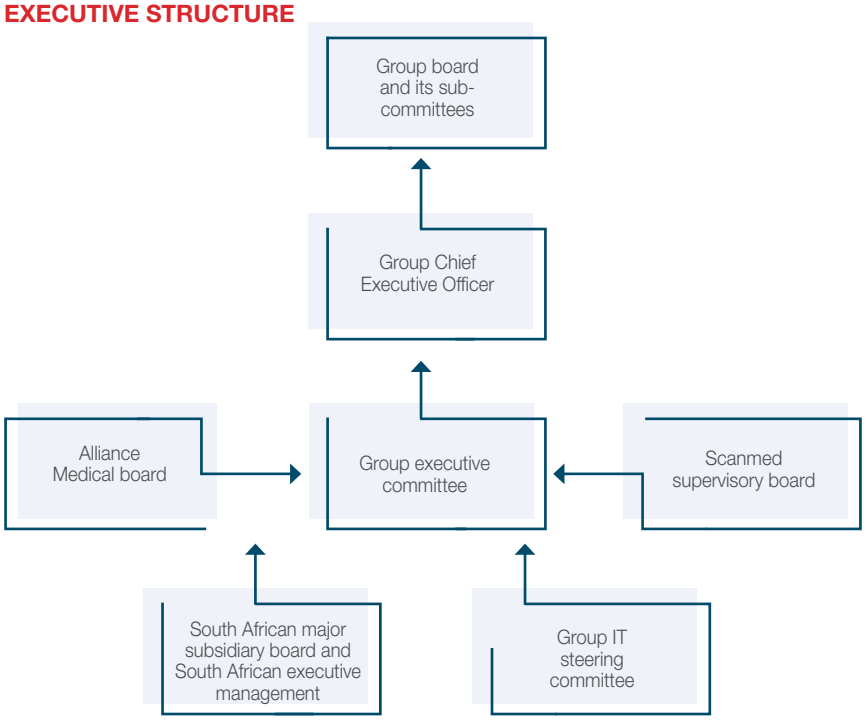
The overall functions of the committee are to:
- assist the directors in discharging their responsibilities relating to the safeguarding of assets, the operation of adequate and effective systems and control processes;
- ensure that the preparation of both the integrated annual report and fairly presented financial statements are in compliance with all applicable legal and regulatory requirements and accounting standards;
- discharge statutory duties for all subsidiaries of the Group which do not have their own audit committee; and
- monitor the activities of the other audit and/or governance committees within the Group.

The report from this committee is on pages 4 to 7 of the annual financial statements.

Social, ethics and transformation committee
The social, ethics and transformation committee is constituted as a statutory committee in terms of section 72(4)(a) of the Companies Act, and its main purpose is to ensure that the Group is and remains a good and responsible corporate citizen.

The committee ensures that Life Healthcare's reputation is safeguarded by monitoring the Group's actions and impacts on the environment, consumers, employees, communities and other stakeholders. The report from this committee is on page 147.

EXECUTIVE STRUCTURE



Group executive committee

The Group Chief Executive Officer and Group Chief Financial Officer have monthly performance reviews with all territories' chief executive officers and the relevant executives to obtain feedback relating to key initiatives and agreed KPIs. The Group executive committee meets bi-monthly to discuss the overall performance of the business (financial and quality/clinical), progress on strategic initiatives and top risks by territory. Governance matters and investment committee-related items are also dealt with.

A Group IT steering committee, as a sub-committee of the Group executive committee, is in place to deal with IT-specific operational, risk and investment matters from a Group perspective.

Southern African executive management

The South African operations are managed by the southern Africa executive management team.

They report to the Chief Executive Officer – South Africa who serves on the Group executive committee.

The South Africa executive management meets monthly to consider progress relating to key strategic initiatives, performance of the territory (financial and quality/clinical), governance matters in accordance with the delegation of authority, and key operational initiatives and challenges.

Alliance Medical

The Chief Medical Officer – Alliance Medical reports to the Group Chief Executive Officer and attends the Group executive meetings. Alliance Medical is operationally managed through individual countries' management teams with the appropriate oversight. Monthly country board meetings are held where the operational and financial performance is discussed.

The Alliance Medical board of directors is chaired by the Group Chief Executive Officer and includes the Group Chief Financial Officer, Chief Executive Officer SA and Investor Relations Executive, the Chief Medical Officer – Alliance Medical, the former Chief Executive Officer and the former Chief Financial Officer – Alliance Medical serve as non-executive directors on the board. The Alliance Medical board operates within the ambit of the articles of association, and normally meets quarterly in the UK. These meetings focus on progress relating to key strategic initiatives, the performance of each territory (financial and quality/clinical), governance matters and key operational initiatives and challenges.

Scanmed

The Chief Executive Officer – Scanmed reports to the Group Chief Executive Officer and attends the Group executive committee meetings. In accordance with the Polish Commercial Code, the Scanmed business is managed by the management board chaired by the Chief Executive Officer – Scanmed. The managing board reports to the supervisory board comprising the Group Chief Executive Officer (chairman), Group Chief Financial Officer, Group Integration and People Executive and the Group Strategic Planning Executive. The supervisory board meets quarterly in Poland, and an annual general meeting takes place in accordance with the Companies Act (Poland).

The managing board operates within the delegation of authority framework approved by the board.

Corporate governance overview continued

Board composition as at 30 September 2018

EXPERIENCE	SKILLS	EQUITY DIVERSITY	GENDER DIVERSITY	TENURE ON THE GROUP'S BOARD
Healthcare sector Mergers and acquisitions Leadership roles Human resources Governance of risk management International business experience Procurement	Finance General business Strategy Medical IT	ACI 67% White 33%	Male 67% Female 33%	< 3 years: 2 3 – 5 years: 2 5 – 9 years: 2 9 years +

Power, control, support and appointments

MA Brey, a non-executive director, is the Chairman of the board. In accordance with King IV, PJ Golesworthy is the lead independent non-executive director. The lead independent non-executive director's role includes acting as a sounding board for the Chairman, chairing board meetings in the absence of the Chairman and leading the performance appraisal of the Chairman.

Dr Shrey Viranna appointed with effect from 1 February 2018 is the Group Chief Executive Officer.

The roles of Chairman and Group Chief Executive Officer are separate, and there is a clearly outlined division of responsibilities.

Effective control is exercised through the Group Chief Executive Officer, who is accountable to the board through regular reports. Senior executives may attend 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 ensures that no individual has unfettered powers of decision making and authority, and that shareholder interests are protected. The board considers whether 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 required skills and experience to have objective judgement on matters 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 Group Company Secretary, who is responsible for ensuring Group compliance with applicable legislation and procedures.

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

Appointments and diversity

Any new appointment to the board involves a formal and transparent process and is a matter of consideration for the full board, assisted by the nominations committee.

The board diversity policy applies to the appointment of new directors and has been taken into account for purposes of succession planning for the board. The nominations committee will make the board appointment recommendations on merit and will consider candidates against objective criteria with due regard to the benefits of diversity, including gender, and the contribution that the candidate will bring to the board. There is an ongoing commitment from the board to strengthen female representation, and preference will be given to female candidates who meet the criteria.

The nominations committee has commenced the process and has appointed an external agent to assist in identifying independent non-executive directors, one, to replace Mpho Nkeli and the other to provide for succession planning and to enhance the skills on the board.

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 who were appointed during the year. The Group Chief Executive Officer and Group Chief Financial Officer are included in determining the rotation of retiring directors.

Delegation of authority

Life Healthcare has an international, capital intensive business. The strategy, capital and investment budget and plans are approved by the board. In order to control trading activities, it is the board's philosophy that authority and responsibility be delegated to the lowest prudent level, and management is expected to always act in accordance with the Group values formally and informally.

The delegation of authority was revised to provide for the authority levels in all the territories. The board's oversight of Alliance Medical is evolving to ensure continued good governance. Despite these transitions, Life Healthcare is satisfied that the existing framework contributes to role clarity and the effective exercise of authority and responsibilities.

Directors' attendance at board and sub-committee meetings

The board meets quarterly and on an ad hoc basis to consider specific matters 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.

Committee	Board	Audit	Remuneration and human resources	Nominations	Risk	Social, ethics and transformation	Investment	Clinical governance, quality and safety	Director to be elected or re-elected
Number of meetings held	4 scheduled meetings and 2 special meetings called on short notice	5	3	2	2	4	10	2	
Chairman									
MA Brey[1]	6/6			2/2			10/10		
Independent non-executive directors									
PJ Golesworthy	5/6	5/5		2/2	2/2	4/4	10/10		X
Prof ME Jacobs	4/6				2/2			2/2	
AM Mothupi[2]	6/6	5/5			2/2	2/2			
JK Netshitenzhe	6/6				2/2				X
Dr MP Ngatane	6/6			2/2		4/4		2/2	X
ME Nkeli[3]	3/4		2/2			2/2			
Adv M Sello	6/6		2/3		1/2				
GC Solomon	6/6	5/5	3/3				10/10		
RT Vice	6/6	5/5	3/3				10/10		
Executive directors									
Dr SB Viranna[4]	4/4				1/1	3/3	5/5	1/1	X
PP van der Westhuizen[5]	6/6				2/2	1/1	10/10	1/1	

[1] Non-executive director: attends all the board sub-committee meetings as an invitee where he is not a member.
[2] Appointed to the social, ethics and transformation committee effective 31 May 2018.
[3] Resigned effective 31 May 2018.
[4] Appointed as Group Chief Executive Officer and executive director effective 1 February 2018, appointed as a member of the risk, investment, social, ethics and transformation and clinical governance, quality and safety committees with effect from 27 February 2018.
[5] Appointed as a member of the social, ethics and transformation committee and the clinical governance, quality and safety committee in his capacity as acting Chief Executive Officer and stepped down as a member of these committees with effect from 27 February 2018.

Corporate governance overview continued

BOARD ACCOUNTABILITY

Code of ethics

In living our values, the Group has earned a reputation for fairness and ethical behaviour in all its business dealings and processes.

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, a code of ethics adopted by the SA business (the code) commits employees to the highest standards of integrity, ethics and business conduct.

Guidance for appropriate behaviour throughout the Group is based on the code. 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 matters 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.

New employees are familiarised with 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 were made to the code in 2018.

A confidential guidance and support hotline, operated by an international auditing firm, provides an independent facility for employees and suppliers 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.

2019 focus areas

A Group-wide code of conduct to be implemented for the Group.

Monitoring ethics

The ethics standards, 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 their recurrence.

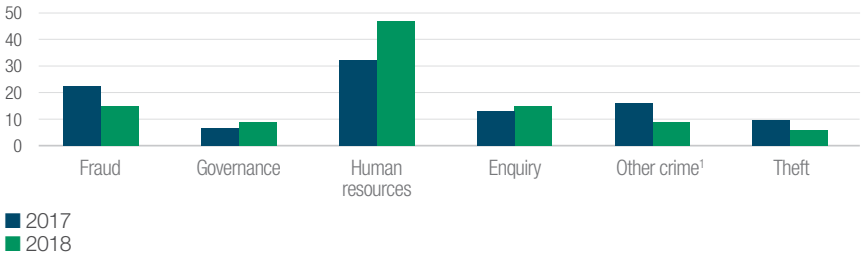
Maturity assessment and ethics survey

As part of the 2017 SA internal audits, a control framework and maturity assessment and ethics survey was conducted. The objective of the survey was to understand the maturity of the control environment and ethics in relation to the desired future state and to highlight potential gaps. While the control and ethics environment was assessed as "established", participants highlighted a gap between the current state and the future state which indicated a need for improvement given that the desired state was assessed to be "leading". The majority of respondents believed that the ethics culture within Life Healthcare is clear to ensure that ethical behaviour is effectively encouraged and that actions are taken when ethics or the code of ethics is breached.

Tip offs anonymous

Employees, doctors and suppliers can report suspected irregularities anonymously to an independent service provider. Reported incidents are independently assessed, and where relevant, independently investigated. These incidents are also reported to the audit committee and the social, ethics and transformation committee. Of all the tip-offs received in the year, the majority were deemed to be unfounded and only nine matters remain under investigation.

Tip offs anonymous number of reports per category (%)



[1] Other crime includes violent crime, procurement irregularities, fleet management irregularities and corruption.

2019 focus areas

Proactive communication on ethics will be continued through print and digital media, including our international businesses.

INTERNAL CONTROLS

We maintain accounting records, and 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 Group 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 process 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, objective assurance and consulting function designed to add value and improve the operations of the Group. It assists the Group with accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Internal audit reports administratively to the Group Chief Financial Officer and functionally to the audit committee, and has unrestricted access to its chairman, the Chairman of the board and the Group Chief Executive Officer. A Chief Internal Audit Executive was appointed with effect from 1 December 2017 to provide strategic direction and oversight of all our operations. Life Healthcare has adopted and implemented an outsourcing model for its internal audit services. All outsourced internal audit services are now functional and managed by the Chief Internal Audit Executive. In September 2018, we appointed Bïnder Dijker Otte (BDO) to provide outsourced internal audit services for Alliance Medical Group. In South Africa and Poland, internal audit services are outsourced to EY and Deloitte respectively.

Risk-based internal audit plans are developed and approved by management and the audit committee. Every internal audit 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 auditor.

INDUCTION AND TRAINING OF DIRECTORS

It is important that directors are kept up to date with their duties as well as changes in the Group. On appointment, new directors are briefed on their fiduciary duties and responsibilities by executive management. The nominations committee approved an induction policy which includes the requisite reading material and the required exposure to the business. The policy is reviewed annually by the nominations committee. In addition, new directors receive information on JSE Listings Requirements, King IV, the Companies Act and obligations they have to comply with. The Group 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. Presentations relating to, inter alia; innovation in healthcare, NHI, the HMI, and amendments to the JSE Listings Requirements, took place during the year.

Directors have full and unrestricted access to management and information when required. Directors are entitled to seek independent professional advice in support of their duties at the Group's expense.

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 Companies Act, JSE Listings Requirements and the recommendations in King IV, which takes into account, among others, the number of years a director has served on the board.

The board was satisfied that all its independent non-executive directors met its independence criteria for the 2018 financial year.

The following non-executive directors have served on the board for longer than nine years, which includes the period prior to the listing of Life Healthcare in 2010.

NON-EXECUTIVE DIRECTOR	DIRECTORS' EXTERNAL INTERESTS
Mustaq Brey	Mustaq owns shares in the Company, the value of which is material to his personal wealth, he can thus not be considered to be an independent non-executive director. However, the nominations committee board is satisfied that Mustaq displays objective, unfettered judgement in decision making and that his objectivity has not been compromised by virtue of his shareholding. Mustaq has served on the board for 14 years and four months.
Dr Malefetsane Ngatane	Despite serving on the board for longer than nine years, the board is satisfied that Malefetsane continues to exercise objective judgement in decision making. In its assessment, the nominations committee confirmed that Malefetsane has no interest, position, association or relationship which is likely to influence unduly or cause bias in decision making. Malefetsane has served on the board for 11 years and two months.
Garth Solomon	Despite serving on the board for longer than nine years, the board is satisfied that Garth continues to exercise objective judgement in decision making. In its assessment, the nomination committee confirmed that Garth has no position, association, or relationship which is likely to influence unduly or cause bias in decision making. Garth has served on the board for 13 years and six months.

Corporate governance overview continued

Directors are required to avoid a situation where they may have a direct or indirect interest that conflicts with the Group's interests. 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 Group Company Secretary annually, the comprehensive list is tabled at the board meeting in July.

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. This year the nominations committee, in considering the skills set of the board, was of the view that a board member with significant international experience, was required given the Group's increased global presence and given Mpho Nkeli's resignation, an independent non-executive director with similar skill sets to that of Mpho was also required. The nominations committee reviewed the board diversity policy and it was recommended to the board that no changes be made to the policy.

The board is satisfied with the current board composition for 2018.

Group executive committee succession planning

In July 2018, the remuneration and human resources committee meeting reviewed the succession planning of the Group executive and other key positions in the Group. The succession plan identified emergency successors. Development plans are being put in place for successors where readiness levels of three to five years were indicated. The committee will continue to monitor progress in this regard.

BOARD EVALUATION

An internal evaluation was conducted for the 2018 performance evaluation under the auspices of the nominations committee. Based on the results of the appraisal, the board had performed well overall. The assessment identified two key focus areas for 2019:

- Increased focus on the IT strategy and governance
- Tightening and bedding down Group governance

The prior year's external board assessment identified three focus areas:

FOCUS AREA	2018 PROGRESS
• The recruitment, appointment and onboarding of the new Group Chief Executive Officer and management of the transition and integration of the Group Chief Executive Officer.	• Following a rigorous recruitment and assessment process, Dr Shrey Viranna was appointed as the Group Chief Executive Officer with effect from 1 February 2018 • Comprehensive induction sessions with board members and senior management took place in the first month of Dr Viranna's appointment • The Chairman holds regular feedback sessions with the Group Chief Executive Officer
• Ensuring that the Alliance Medical Group is well managed from a governance perspective and properly integrated.	• An integration project with key workstreams is well under way. The project has defined deliverables and timeframes for delivery as well as identifying value-creation opportunities. • The legal and governance workstream address the Group governance framework • Following management changes in Alliance Medical, the country executives report to the Group Chief Executive Officer. The Group Chief Executive Officer, the Group Chief Financial Officer, Chief Executive Officer – South Africa are represented on the country boards.

Group Company Secretary

Fazila Patel's role as Group 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 the roll-out of King IV.

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 Group Company Secretary oversees the induction of new directors. She is kept apprised of directors' dealings in Life Healthcare's shares and ensures that the appropriate disclosures are made in accordance with the JSE Listings Requirements.

In line with King IV and paragraph 3.84(h) of the JSE Listings Requirements, the board assessed the competence, qualifications and experience of the Group Company Secretary through a formal external evaluation process. The board is satisfied that the Company Secretary has the requisite qualifications and experience to effectively discharge her duties and maintains an arm's length relationship with the board and directors.

BOARD SUB-COMMITTEES OVERVIEW

Each sub-committee is chaired by an independent non-executive director. Certain executives are required to attend sub-committee meetings by invitation. The 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. There were no changes in key terms of reference for board sub-committees in 2018 unless otherwise stated.

Audit committee

COMPOSITION	KEY FOCUS AREAS IN 2018
Chairman • Peter Golesworthy ***Members*** • Audrey Mothupi • Garth Solomon • Royden Vice	• Impairment considerations • Accounting for acquisitions and disposals • Mandatory audit firm rotation • Continued focus on reporting processes and financial controls • Material judgements from a financial perspective • Group-wide approach to internal audit and combined assurance • Key initiatives – Group finance function The committee was satisfied that it had executed its duties during the financial year in accordance with its terms of reference.

Key changes to terms of reference

- To provide for the annual assessment of the appropriateness of the audit firm and individual auditor and the disclosure of the assessment in the audit committee report.

Risk committee

COMPOSITION	KEY FOCUS AREAS IN 2018
Chairman • Joel Netshitenzhe ***Members*** • Peter Golesworthy • Prof Marian Jacobs • Dr Shrey Viranna[1] • Audrey Mothupi • Adv Mahlape Sello • Pieter van der Westhuizen	• Group-wide focus on risk management • Risk appetite/risk tolerance policy statement on risk • GDPR compliance • IT risk assessment The committee was satisfied that it had executed its duties during the financial year in accordance with its long-term reference.

[1] *Appointed as a member of the committee with effect from 27 February 2018.*

Corporate governance overview continued

Key changes to terms of reference

- To provide for inter alia; the integration of risk management into the business activities of the Group and the potential opportunity presented by the risks.

Nominations committee

COMPOSITION	KEY FOCUS AREAS IN 2018
Chairman • Peter Golesworthy **Members** • Mustaq Brey • Dr Malefetsane Ngatane	• Board skills analysis • Succession planning • Process to identify independent non-executive directors in line with the diversity policy The committee was satisfied that it had executed its duties during the financial year in accordance with its terms of reference.

Investment committee

COMPOSITION	KEY FOCUS AREAS IN 2018
Chairman • Garth Solomon **Members** • Mustaq Brey • Peter Golesworthy • Royden Vice • Dr Shrey Viranna[2] • Pieter van der Westhuizen	• Consideration of the Group's budget for 2019 • Funding strategy • Investment strategy • Acquisitions in South Africa and Alliance Medical • India strategy and the disposal of Life Healthcare's interest in Max Healthcare Institute Limited • Distribution policy • AMG post-investment review The committee was satisfied that it had executed its duties during the reporting period in accordance with its term of reference.

[2] Appointed as a member of the committee with effect from 27 February 2018.

Remuneration and human resources committee

COMPOSITION	KEY FOCUS AREAS IN 2018
Chairman • Royden Vice **Members** • Mpho Nkeli[3] • Adv Mahlape Sello • Garth Solomon	• Consideration of the Group's remuneration policy and implementation report • Review of the long-term and short-term incentive plans as a retention mechanism • Succession planning for executive management throughout the Group • Approval of the Group-wide salary mandate • Retirement fund matters The committee was satisfied that it had executed its duties during the reporting period in accordance with its term of reference.

[3] Resigned with effect from 31 May 2018.

Social, ethics and transformation committee

COMPOSITION	KEY FOCUS AREAS IN 2018
Chairman • Mpho Nkeli[4] • Audrey Mothupi[5] ***Members*** • Peter Golesworthy • Dr Malefetsane Ngatane • Dr Shrey Viranna[6] • Pieter van der Westhuizen[7]	• Review of the committee's purpose with a focus for the Group on "what is the right thing to do" • Social, ethics and transformation committee framework to provide for a global integrated view • Consideration of the Group's B-BBEE strategy and progress against the B-BBEE scorecard • Environmental initiatives and progress against targets • Code of ethics view and implementation including whistle blowing arrangements • Health policy and related legislation • GDPR compliance • Skills development and progress against plan • Plan to roll out code of ethics • CSI and environmental reporting throughout the Group The committee was satisfied that it had executed its duties during the reporting period in accordance with its term of reference.

[4] Resigned with effect from 31 May 2018.
[5] Appointed as a member of the committee and chairman of the committee with effect from 31 May 2018.
[6] Appointed as a member of the committee with effect from 27 February 2018.
[7] Stepped down as a member of the committee with effect from 27 February 2018.

Clinical governance, quality and safety committee

COMPOSITION	KEY FOCUS AREAS IN 2018
Chairman • Prof Marian Jacobs ***Members*** • Dr Malefatsane Ngatane • Shrey Viranna[8] • Pieter van der Westhuizen[9]	• The development of a Group Clinical Governance framework • Mapping out clinical governance processes by geography • Review of quality accreditation systems The committee was satisfied that it had executed its duties during the reporting period in accordance with its terms of reference

[8] Appointed as a member of the committee with effect from 27 February 2018.
[9] Stepped down as a member of the committee with effect from 27 February 2018.

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. Supervision of compliance risk management is delegated to the risk committee, which reviews and approves the arrangements in place to monitor compliance. The Group complies with various codes and regulations such as the Companies Act, the JSE Listings Requirements and King IV.

In respect of the southern Africa business, a QMS is in place which is designed to ensure compliance with legal requirements, industry standards and the Company's internal Group requirements across all aspects of its business and operations. Internal quality audits are performed annually at hospitals to assess compliance with legal and industry requirements from an occupational health and safety, environment, quality, and human capital perspective.

In respect of Alliance Medical and Scanmed, there are dedicated legal and compliance resources that actively support business monitoring and provide advice on relevant new laws and dealing with regulators and enforcement action.

There were no material or repeated regulatory penalties, sanctions or fines for contraventions of, or non-compliance with, statutory obligations or environmental laws.

KING IV™

Life Healthcare endorses and endeavours to adhere to the guidelines and principles of King IV™. A King IV™ implementation report and a gap analysis is available on the Group's website.

Corporate governance overview continued

2018 FOCUS AREAS	2019 FOCUS AREAS
◗ Commencement of the roll-out of compliance metric throughout the Group in line with the compliance framework	◗ As part of the integration project, an assessment is underway as to whether a centralised compliance function is required for the Group to better coordinate and monitor compliance

Key southern Africa regulations

These are the key changes/concerns/pending regulations that can have material impact on the southern Africa operations.

National Health Act's Office of Health Standards Compliance

The draft norms and standards were published for comment on 4 January 2017 in terms of section 90(1)A of the National Health Act No 61 of 2003.

The stated purposes of the regulations are to promote and protect the health and safety of users and healthcare personnel.

While Life Healthcare fully supports the underlying intention of the regulations, there are a number of provisions that Life Healthcare believe are potentially problematic from a legal and public policy perspective, generally, and provisions which create specific challenges and risks for private health establishments.

Life Healthcare submitted comprehensive commentary independently and via HASA, which consolidated the various groups' concerns on 4 April 2017.

The four overarching issues raised by Life Healthcare were: the application of the draft regulations bearing in mind the nature of private establishments; the inclusion of absolute obligations on private establishments in instances where this is not appropriate; that certain of the provisions in the draft regulations being too vague to be commented upon meaningfully; and that certain provisions of the draft regulations do not cater for the fact that private establishments should be in a position to adapt their healthcare services offering basket to cater for the needs of their specific target markets.

On 2 February 2018 the norms and standards were published, as final, in the *Government Gazette*. This publication did not take into account any concerns that Life Healthcare put forward independently and via HASA. A legal letter from HASA was sent to the DoH on 7 March 2018 to raise HASA members concerns.

The regulations are set to come into effect on 2 February 2019. There have been ongoing engagements between HASA and DOH's legal teams with no resolution as yet.

National Health Insurance (NHI)

South Africa's National Department of Health released the White Paper on NHI on 10 December 2015.

The NHI Bill was gazetted on 21 June 2018. The proposed NHI will be implemented over three phases. SA is currently in phase two which will continue until 2022. Phase two consists of continued implementation of health system strengthening initiatives, development of NHI legislation, establishing institutions that will be the foundation for a fully functional fund and interim purchasing for health services for vulnerable groups.

Our view is that for the NHI to be successful, the following critical issues need to be addressed:

- developing a well run and functioning public sector;
- improving management skills;
- addressing the shortage of healthcare professionals; and
- developing a sound and sustainable financial model.

Life Healthcare remains supportive of the government's desire to ensure a stronger healthcare system and looks forward to continued engagement on ways to collaborate and provide constructive input into the direction of the reform agenda in a broader manner.

Corporate governance overview continued

Protection of Personal Information Act (POPIA)

Certain sections of the POPI Act relating to the establishment of an information regulator were promulgated in November 2013 with the remaining sections and the effective date still to be determined and announced. A company will have a year to implement the regulations once the final sections are promulgated. The Act protects the personal information collected and processed by organisations and will impact how personal information held by the Group is dealt with – in relation to employees, patients, doctors and suppliers.

Life Healthcare formed a working group that conducted a gap analysis to highlight areas where additional controls and actions were required to ensure full compliance with POPIA.

Deloitte was appointed to perform a verification of the gap analysis and assisted in the development of an implementation road map to ensure compliance with POPIA.

Training and awareness is being rolled out to relevant stakeholders and a team of POPIA champions reporting to responsible executives are accountable to ensure closure of identified gaps.

An accredited Privacy Officer was appointed effective 1 November 2016.

Labour Relations Amendment Act

Changes to the Labour Relations Act became effective on 1 January 2015, and the impact of the changes in legislation is being addressed as legal precedent develops. 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.

The Constitutional Court handed down judgment in relation to the interpretation of section 198A(3)(b) of the Act in relation to temporary employment services in the matter between Assign Services Proprietary and National Union of Metal Workers South Africa. The case introduced a sole employment relationship which existed after three months of service. In other words employers will be fully responsible for these employees in terms of obligations and rights after three months of service.

In order to align with emerging precedent, we made amendments to the way in which we contract with temporary employees.

Proposed amendments to the Medical Schemes Act (MSA)

The proposed amendments form part of the ongoing process towards the implementation of the NHI.

Key amendments include:

- The establishment of the comprehensive service benefits (which are not defined), where co-payments for this benefit will be abolished.
- Medical schemes will require approval of the Registrar of the Council for Medical Schemes before they are able to implement benefit options. In addition to benefits offered cannot be duplicative of what is offered as part of the NHI.
- All beneficiaries and providers are to be registered with the Council for Medical Schemes.

Life Healthcare has made comprehensive submissions independently as well as via HASA on certain provisions.

General Data Protection Regulation (GDPR)	The current regulation which can have a material impact on the AMG and Scanmed operations is the General Data Protection Regulation. The GDPR came into effect on 25 May 2018 and replaced the European Union's Data Protection Directive. The GDPR introduced changes to the data protection legislation and imposed greater obligations on both data controllers and data processors in relation to the processing of personal data. It also increased fines up to 4% of global revenue which may be imposed for non-compliance. Prior to the GDPR implementation date. AMG undertook a review of the GDPR and its principles and prepared an action plan, a GDPR project team was also set up which was tasked with reviewing and dealing with the actions identified. AMG continues to focus on its data security environment and continues to make progress in relation to the actions identified on the GDPR action plan. Data Protection Officers have been appointed in the UK, Ireland and Italy. Scanmed was audited for GDPR readiness by Deloitte and found to be compliant.

OTHER REPORTING REQUIREMENTS

Insider trading

Life Healthcare observes a closed period from the end of the accounting period to the announcement of the interim or annual results, and when otherwise required in terms of the JSE Listings Requirements. During this time, no employee or director who might be in possession of unpublished price-sensitive information may deal, either directly or indirectly, in the shares of the Company. Comprehensive guidelines on how to comply with insider-trading restrictions and how to deal with analysts are provided in the insider-trading policy.

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 were 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 in the current financial year.

Board of directors

BOARD COMPOSITION

The composition of the board reflects an appropriate balance between executive and non-executive directors. The board and executive management members' biographies supplementary report includes a brief biography of each director and is available online at www.lifehealthcare.co.za/investor-relations/our-directors/.

	Mustaq Brey[Δ]	Dr Shrey Viranna[Δ]	Pieter van der Westhuizen[Δ]	Prof Marian Jacobs[Δ]	Peter Golesworthy[‡]	
AGE	64	43	47	70	60	
QUALIFICATION	*CA(SA)*	*MBChB*	*CA(SA)*	*MBChB (UCT), Diploma in Community Medicine (UCT), Fellowship of the College of South Africa (with paediatrics)*	*BA (Hons) (first class), Accountancy Studies, CA*	
APPOINTED TO THE BOARD	28 November 2003 Appointed Chairman – February 2013	1 February 2018	1 June 2013	1 January 2014	10 June 2010	
ROLE	Non-executive – Chairman	Executive director – Group Chief Executive Officer	Executive director – Group Chief Financial Officer	Independent non-executive director	Lead independent non-executive director	

Board members who resigned during the year

Mpho Nkeli (52), Resigned effective 31 May 2018, South African, BSc (Environmental Science), MBA
Mpho resigned from the board due to her other non-executive director responsibilities and increased work load.

[Δ] *South African*
[‡] *British*

	Audrey Mothupi[Δ]	Joel Netshitenzhe[Δ]	Dr Malefetsane Ngatane[Δ]	Adv Mahlape Sello[Δ]	Garth Solomon[Δ]	Royden Vice[Δ]
	48	61	64	56	51	71
	BA (Hons), (PolSci), Trent University, Canada	*MSc (University of London, School of Oriental and African Studies), PGDip (Economic Principles), Dip (PolSci)*	*BSc, MBChB, FCOG*	*Master of Arts and Law (Russia), LLB (Wits)*	*CA(SA)*	*CA(SA)*
	3 July 2017	30 November 2010	25 July 2007	3 July 2017	23 March 2005	1 January 2014
	Independent non-executive director	Independent non-executive director	Independent non-executive director	Independent non-executive director	Independent non-executive director	Independent non-executive director

Group executive committee

GROUP EXECUTIVE COMMITTEE COMPOSITION

The Group executive committee is responsible for the operational delivery across the Group and the delivery of the combination of benefits of southern Africa, Alliance Medical and Scanmed.

	Dr Shrey Viranna[Δ]	Pieter van der Westhuizen[Δ]	Adam Pyle[Δ]	Brett Mill[Δ]	
AGE	43	47	51	44	
QUALIFICATION	*MBChB*	*CA(SA)*	*BCom, LLB*	*BEconSC*	
ROLE	Group Chief Executive Officer	Group Chief Financial Officer	Chief Executive Officer – South Africa	Group Strategic Planning Executive	

[Δ] *South African*
[‡] *Polish*

The board and the Group executive committee's biographies, contained in the supplementary report, include a brief biography of each executive and are available online at www.lifehealthcare.co.za/investor-relations/group-executives/.

	Tanya Little[Δ]	Hubert Bojdo[‡]	Dr Charles Niehaus[Δ]	Fazila Patel[Δ]
	36	45	48	50
	BCom Hons (Economics) cum laude (UCT); MSc (Economics) cum laude (London School of Economics)	*MEC, PhD studies, Licensed stock exchange broker and licensed tax adviser*	*MBChB*	*BA, LLB, Certificate in Corporate Governance*
	Group Integration and People Executive	Chief Executive Officer – Scanmed S.A.	Chief Medical Officer – Alliance Medical	Group Company Secretary

Remuneration report

Driving high performance through competitive remuneration.

DEAR SHAREHOLDER,

I am pleased to present the key aspects covered by the Group remuneration and human resources committee (the committee), as well as the accompanying remuneration report for Life Healthcare.

The committee recognises the increased need for stakeholder engagement, and we will continue to engage with major shareholders in this regard.

During the year, the committee dealt with a number of key issues which include:

- the recruitment and appointment of Dr Shrey Viranna as CEO of the Group;
- the retirement of the Chief Executive Officer – SA and appointing a suitable replacement;
- consideration of the most appropriate European organisational structure to achieve the growth and efficiencies required from this major part of the Group, following the resignation of AMG's CEO and CFO;
- integrating remuneration practices across all geographies to ensure Group cohesion and best practice is applied (refer to "Group Remuneration Practice" in this report); and
- improving the senior management value proposition to encourage their commitment and continued alignment to Company objectives (refer to outperformance incentive scheme and the long-term incentive alternative).

The global labour market has become increasingly competitive. Many of the skills we compete for are in full employment status. Continued slow economic growth has been a challenge in South Africa, and global mobility has resulted in the loss of key skills. The Group continues to seek creative ways to attract and retain skilled individuals to address the slow growth of the talent pool, especially regarding clinical skills. Over the past two years, market sentiment has negatively impacted our long-term incentive plan (LTIP) and this has placed pressure on our ability to retain key talent.

It is imperative for us to ensure we address the loss of key skills. The committee, in collaboration with the Group as a whole, strives to address challenges faced to ensure future success.

The Life Healthcare share price, coupled with the extended delay in being able to make offers in terms of the LTIP, as the Company was under a prolonged cautionary in 2018, has resulted in a situation in which the Company is vulnerable to the loss of key management talent. Accordingly, the Company has made an alternative once-off long-term restricted cash offer, which will be described further in this report. The on-target variable reward for Hospital Managers has also been improved to align better with competitor practice.

We endeavour to design and continue calibrating our executive remuneration, in a manner that promotes the achievement of key business objectives in order to qualify for variable remuneration. The major change for FY2018 has been to improve the long-term incentive scheme for 2019. Key changes to the scheme include the removal of TSR as a performance measure as the movement in share price is already embedded in scheme design, the introduction of ROCE versus a WACC hurdle and the introduction of patient centric measures for all participants. We are pleased to inform shareholders that the new CEO has acquired Life Healthcare shares to the value of R3 million. These shares were matched on the basis as described in the implementation report. We believe this shows strong commitment and personal alignment to the future growth and profitability of the Group.

The committee is of the opinion that the Group's HR strategy delivered a sound value proposition to employees in the past year, and industry leading employee retention rates support this. Our employee reward and recognition initiative was developed to ensure a broader application of recognition at all levels in the Company. It recognises when individual and Group performance goes beyond expectation and continues to drive the correct behaviour.

I personally wish to thank my fellow remuneration committee members, Adv Mahlape Sello, Mpho Nkeli and Garth Solomon, who have assisted me this year with addressing the challenges we have faced. The committee meets formally three times per year, but I am grateful for the many additional hours they spent deliberating and preparing for our formal meetings.

Royden Vice
Chairman: Remuneration and human resources committee

Please note
Life Healthcare Group Holdings Limited and its subsidiaries are defined as the Group, while Company refers to the southern Africa business.

REMUNERATION POLICY REPORT

Introduction

In embracing positive governance and effective disclosure, our remuneration policy and implementation are explained in compliance with King IV and draft guidelines and practice notes of IoDSA. The remuneration policy report and the accompanying remuneration implementation report (implementation report) are to be tabled at the upcoming annual general meeting and are to be subject to separate non-binding advisory votes by shareholders.

Through these non-binding advisory votes, the shareholders express their views separately on the remuneration policy and the implementation thereof as disclosed in the implementation report.

We will continue to engage with shareholders as well as other stakeholders regarding our remuneration policy and in particular, be sensitive to our employees' needs and the requirements of the Company to retain our talented and skilled people.

Remuneration philosophy

The Group's remuneration strategy's objective is to attract and retain key talent and to motivate and reward employees appropriately to ensure they achieve key organisational objectives.

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

Our remuneration strategy aims to:

- support the Group's business and human resource strategy, and provide a platform for the provision and articulation of the remuneration policy;
- provide a platform for fair, responsible and transparent remuneration throughout the Group;
- align management's interests with those of shareholders;
- encourage innovation and progress;
  - promote an ethical culture and responsible corporate citizenship;
  - offer support aligned to the vision and direction of the Group's goals and strategy;
- be flexible in order to adapt and change as the business responds to market forces; and
- continually monitor its efficacy to ensure that the unique needs of the employees and Group are being met.

The Group acknowledges that focused management and employee attention to business objectives are critical success factors for sustained long-term value creation for stakeholders. To this end, its remuneration strategy aims to attract and retain the talent required to give effect to these objectives.

Therefore, the Group will periodically solicit a number of market survey providers for an indication of the guaranteed remuneration and annual cash incentive payments, made generally and sectorally. This is undertaken in order to assess our positioning compared to the market in terms of key talent, and to assess our own performance in delivering a value proposition to all employees of fair and equitable remuneration.

The committee has a systematic agenda to review the remuneration strategy and overall policy (including higher-level strategic reward principles). It oversees, without interfering in areas where management ordinarily have discretion, the implementation of policy over an annual cycle. At least annually, formal feedback is provided to the board on how the policy objectives are being achieved, and this feedback forms part of the process of obtaining approval of the remuneration report.

In the annual review of the benefits offered by the Group, the committee considers whether they are appropriate and competitive given the industry, the Group's financial position, legislative requirements, and market benchmarks and trends, and if the costs relating to the administration of the benefits/schemes are justified.

The committee reviews the policy and objectively assesses the appropriateness of the fixed to variable remuneration mix for the Group, to ensure that it reflects the remuneration strategy, and:

- serves the Group's operational needs and objectives;
- is competitive;
- is sustainable; and
- serves the achievement of strategic objectives and promotes positive outcomes.

At the same time, it ensures that the tenets of fair and equitable remuneration are addressed, by assessing:

- how the benefits are perceived and understood by participants;
- if the benefits/schemes/trusts are soundly governed;
- whether the benefits/schemes meet the needs of employees and are fair towards all employees; and
- whether benefits that are offered to executives are similarly offered to employees and if not, what the justification is.

Life Healthcare remuneration

The Group targets a mix of remuneration elements to align reward strategy to its stated objective of providing fair, responsible and transparent remuneration throughout the Group, in order to:

- attract, motivate, reward and retain human capital;
- promote the achievement of strategic objectives within the Group's risk appetite;
- promote positive outcomes;
- promote an ethical culture and responsible corporate citizenship; and
- provide a balanced remuneration mix within the Group's financial constraints.

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

Remuneration report continued

All elements of remuneration that are offered in the Group are set out in the detailed remuneration policy that follows, including:

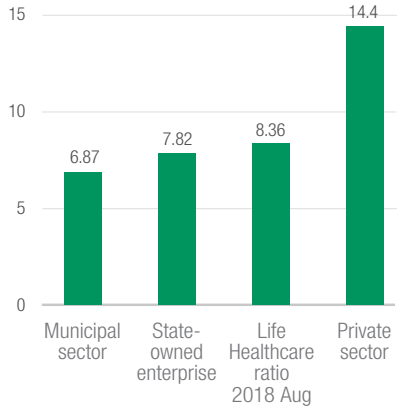
- **Fixed remuneration:** Salary and benefits and how these are determined, including contributions to retirement, risk funds and medical benefits, leave entitlements, allowances and flexible work conditions.
- **Variable remuneration:**
  - **Short-term performance incentives –** Annual or shorter incentives and (generally) cash performance-based payments. This is paid to employees at middle management and higher who have line of sight to business objectives. Targets are stretched to encourage superior performance.
  - **Long-term incentives –** share-orientated awards that are performance and retention based. Senior managers who have a more strategic focus participate in the Group's long-term incentive scheme to ensure long-term sustainability of the Group and alignment with shareholders' interests.
- **Retention of key clinical and managerial skills.**
- **All other types of payments** including, for example, loss of office or termination payments and restraint payments.
- **Non-executive directors' fee structures and the principles for setting of fees.**

Wage gap

Research suggests that the so-called 10:10 ratio provides an insightful view on the top versus bottom earnings comparison in organisations.

This methodology analyses the average guaranteed remuneration of the highest earning 10% of employees against the lowest earning 10% of employees. The Company's 10:10 ratio reflects a more equal distribution of income between higher and lower income earners compared to the private sector in general, as depicted below.

10:10 ratio August 2018



Source: African Journal of Reward – Edition 2 (Bryden Morton and Chris Blair) – March 2017.

Non-binding advisory votes on the remuneration policy and remuneration implementation report

In the event that less than 75% support for the remuneration policy and remuneration implementation report are achieved at the annual general meeting, Life Healthcare will invite dissenting shareholders to send reasons for such votes in writing whereafter further engagements may be scheduled.

Global remuneration practice

Significant progress has been made in FY2018 to align reward practices per geography as part of a broader integration initiative to drive value creation across the Group. This includes Scanmed in Poland and AMG with operations in Italy, Ireland, the UK and Northern Europe.

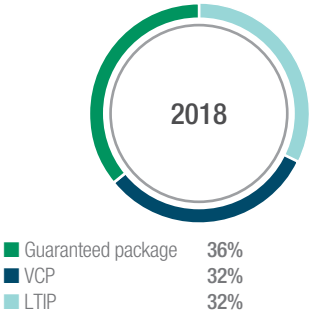
- All international senior management jobs have been graded utilising the Hay Grading system to ensure consistency and alignment across the Group and appropriate benchmarking in the market.
- All short and long-term incentives are in the process of being aligned and this will be a key focus area for FY2019.

Group executive remuneration pay mix

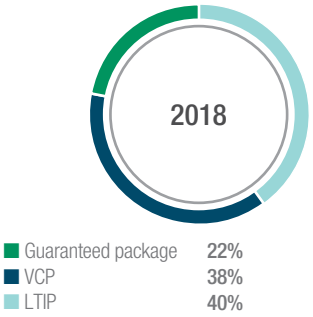
The on-target pay mix apportionment for a number of executive positions in Life Healthcare is shown in more detail in the graph below.

The potential consequences of the remuneration policy on the total remuneration for executive management are illustrated below. The on-target and maximum expected reward mix for executives is depicted. Actual remuneration in the year under review will be reflected in the implementation report that follows.

Pay mix Group CEO (on target)



Pay mix Group CEO (max reward)



Pay mix Group CFO (on target)

Guaranteed package	44%
VCP	25%
LTIP	31%

Pay mix Group CFO (max reward)

Guaranteed package	28%
VCP	32%
LTIP	40%

Pay mix other Group executives (on target)

Guaranteed package	47%
VCP	26%
LTIP	27%

Pay mix other Group executives (max reward)

Guaranteed package	31%
VCP	34%
LTIP	35%

Life Healthcare guaranteed remuneration

Base pay	◗ Attraction and retention of key employees ◗ Internal and external equity ◗ 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 to recognise skills, incentivise and retain employees ◗ Other variable allowances are paid for additional services rendered
Guaranteed package	◗ Salaries are benchmarked against general market surveys and specific healthcare market data

The Company benchmarks remuneration against the market median which is derived from representative salary surveys. Increases to Group Executives will be reflected under the implementation report.

Life Healthcare employee benefit structure

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
- The Life Healthcare DC Pension Fund

In addition, the Company operates two defined benefit funds that have been closed to new membership since 1996. The Life Healthcare DB Pension Fund provides retirement benefits for 105 active members and 246 pensioners.

The Lifecare Group Holdings (LGH) Pension Fund no longer has active members. The fund has purchased an annuity policy which covers the liability to pay pensions.

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

Medical aid

It is a condition of employment for permanent employees earning above R7 000 per month (with effect from 1 January 2018) 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 up to two children is subsidised by the Company.

The Company participates in the open medical scheme market and offers Medshield and Discovery Health as options to employees. In addition, medical aid membership is voluntary for employees who earn below the threshold level referred to above.

Remuneration report continued

However, the Company has procured a primary health benefit for employees earning below R7 000 per month who opt not to join a medical aid. 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

Short-term incentives	
	◗ Alignment with Group and business unit performance ◗ Individual performance, which includes transformation and quality ◗ Rewards performance against stretch targets

The Group's variable compensation plan (VCP) is a short-term reward scheme based on balanced scorecard methodology and is offered to managers who have line of sight and contribute to the profitability of the business.

Balanced scorecard measures are weighted differently at each level of the organisation in line with the accountability of employees and the behaviour that needs to be encouraged. Both modifiers and gatekeepers are applicable where appropriate, where the gatekeeper acts as a penalty, and a modifier may enhance or decrease incentives for performance relative to targets.

In setting targets, the committee is mindful that external factors, some of which are unpredictable, can mitigate performance, but it strongly believes that overall sustainable performance should still be carefully considered and then targeted, within a mix of financial and non-financial measures that are directly controllable, but still in the context of overall affordability and alignment with shareholder outcomes.

The board may apply its discretion on all payments, to mitigate against unintended consequences, but this discretion is reluctantly applied, and only used in extreme and exceptional circumstances. Such discretion for executives is fully disclosed in the implementation report.

For each performance measure or scorecard element, a weighting is set reflecting its overall importance for that year, as well as levels for threshold, target and stretch performance. Individual and corporate performance targets are reviewed annually in advance.

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

A review of the variable compensation plan was undertaken during the year and line of sight to objectives was improved. In addition, team-based objective setting was implemented and accountability for certain strategic objectives was extended to all scheme participants.

The Life Healthcare short-term incentive scheme will also be extended to senior management in Scanmed and AMG in the new financial year as part of the integration of incentive schemes, as this scheme is perceived as a suitable vehicle to drive the achievement of key business goals.

The Group CEO has a bespoke balanced scorecard which, for the financial year under review, comprised the following measures; the outcomes of which will be discussed in the implementation report:

Group CEO[1]	
	◗ ***Personal (weighting 50%)***
	◗ Realign the long-term Group strategy based on global market trends and context ◗ Revise the Group organisation structure to support the strategy ◗ Conclude the Max India transaction ◗ Implement the integration of AMG structure ◗ Establish and deliver on media and external stakeholder engagement plan
	◗ ***Financial (weighting 50%)***
	◗ Working capital management (cash generated from operations) ◗ Operating profit against budget

[1] *This arrangement was implemented for FY2018 only in view of the fact that the CEO joined in February 2018 and had limited opportunity to influence the financial outcomes during the remainder of the current financial year. Future financial ratings will typically comprise at least 70% of KPIs.*

Scanmed (Poland) short-term incentive scheme

STI payment is made annually and is based on the following measures:

Measures	Weighting
Financial goals	75%
Personal performance	25%

Alliance Medical short-term incentive scheme

Short-term variable compensation is paid to the management board of Alliance Medical and targeted reward is based on seniority. Payment is made annually and is based on the following measures:

Measures	Weighting
Financial goals	67%
Personal performance	33%

Life Healthcare variable compensation plan (VCP) (southern Africa)

(a) Balanced scorecard measures

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

VCP payment

- ***Personal performance***
  - Personal targets
  - Quality criteria
  - Transformation targets
- ***Group performance***
  - Working capital
  - Operating profit
- ***Business unit performance (UFT)***
  - Working capital
  - Operating EBITDA

(b) Balanced scorecard measures

The level of potential reward has been industry benchmarked and directly influences total remuneration. A targeted percentage, ranging from 10% to 90% of remuneration, 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 as a percentage of on-target performance for all employees are as follows:

Group performance:	capped at 225%
Business unit performance:	capped at 225%
Personal performance:	25%

The maximum potential reward based on the above criteria ranges from 8% to 173% of guaranteed salary, depending on the management level.

Outperformance incentive scheme

A short-term outperformance (or kicker) scheme has been introduced and will run annually for the next two years only, to secure the Company's key talent in the extraordinary circumstances of the extended period of corporate activity in the healthcare sector.

Its intention is to incentivise superior business and personal performance and further retain the loyalty and commitment of key management, and to ensure that true outperformance is rewarded.

Actual bonuses generated as outcomes in the VCP are to be matched with a further 40% component, which matching component will be subject to a modifier between 50% and 150%, based on an assessment of a scorecard of critical sustainability measures.

Remuneration report continued

Long-term incentive plan

Long-term incentives

- Direct alignment with shareholders' interests by making the award conditional upon achievement of targets
- Awards are made annually to eligible senior managers
- Scheme reviewed annually to ensure its continuous alignment to strategic goals and long-term sustainability of the Company
- To be extended to senior management across all geographies

Purpose

The purpose of the long-term incentive plan (LTIP) is to motivate and reward executives and senior managers who are able to influence the long-term performance and sustainability of the Group. This is done by rewarding participants based on Group performance against long-term measures.

The aims of the plan are:

- 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;
- to assist with the recruitment and motivation of managers of the Group;
- to reward executives for sustained out-performance; and
- in terms of newly adopted policy to encourage unencumbered share ownership, an element of retention, but still governed by performance criteria.

Historical LTI scheme (2014 allocation)

The last allocation in terms of this scheme was made in 2014. All allocations have vested, however, there are still employee purchased shares and Company matched shares held in Trust until restrictions are lifted at the end of January 2019.

LTI scheme (introduced from 2015 to 2017)

The LTI scheme is a notional performance share scheme for all senior managers and executives. Allocations are made annually and the first allocation was made in September 2015. The notional value of the performance shares is linked to the Company's share price.

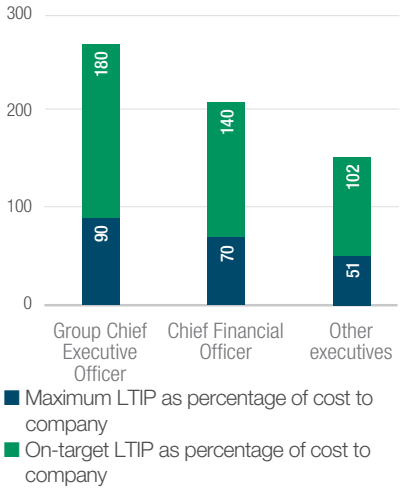
The performance measures and allocation methodology are detailed below:

(a) Allocation levels and maximum vesting

The value of the award is set to realise a targeted percentage payment of guaranteed package when vesting, assuming targeted performance levels are achieved. The quantum of reward increases with seniority and is market benchmarked.

The on-target and maximum vesting for the Group Chief Executive Officer, Group Financial Officer, executive directors and prescribed officers are as follows:

LTIP allocations and maximum vesting (%)



The value of the performance shares is determined by the Company's listed share price, using a 30-day volume weighted average traded price (VWAP).

(b) Sustained performance/retention modifier

The allocation of performance shares can be enhanced via a performance/retention modifier to retain key high-performing individuals.

(c) Vesting and settlement

All units vest at the end of the third year, and the cash value is determined. The after-tax value is used to purchase Life Healthcare shares on the open market, which are delivered to participants.

The first vesting occurring at the end of August 2018. There are two equally weighted performance measures, namely:

- Actual TSR is compared to a comparator group of companies;
- Actual EBIT growth is compared to a composite inflation rate plus a hurdle rate.

MEASURE	VESTING CRITERIA	
Actual TSR	◗ Below 50th percentile ◗ 60th percentile ◗ 80th percentile	No payment On-target payment 200% award
Actual EBIT growth	◗ Below CPI + 1% ◗ CPI + 4% ◗ CPI + 8%	No payment On-target payment 200% award

Performance against both measures did not meet threshold levels and thus yielded no payment to participants.

MEASURE	OUTCOME	RESULT
Actual TSR	Not achieved	No payment
Actual EBIT growth	Not achieved	No payment

LTIP 2018 and 2019 allocations

(a) Once-off alternative LTI scheme 2018

The 2018 offer in terms of the 2015 LTIP scheme was not made as a result of the Company being in an extended closed period since November 2017. In order to provide a consistent pattern of long-term incentive awards, an alternative once-off long-term bonus scheme was approved by the board to cover this period.

The once-off alternative offering is based on an additional third of the FY2018, FY2019 and FY2020 short-term bonus outcomes which will be banked and payment will be made in January 2021 to coincide with the date when the normal LTIP 2018 allocation would have vested.

(b) LTIP 2015 scheme – 2019 allocation

For FY2019 the Company will revert to the 2015 LTIP scheme and allocations will be made in February 2019.

(i) Performance measures

Scheme performance measures have been restated based on the following considerations:

- Better line of sight via country EBIT measure
- Core purpose measures namely patient satisfaction and patient incident rate
- ROCE versus WACC introduced to address capital allocation efficiency

The performance measures are tabled below:

Measure	ROCE	Normalised Group HEPS	Normalised country EBIT	Life core purpose outcomes
Group CEO and CFO	40%	40%	–	20%
Group executives	30%	–	35%**	35%
Other executives	30%	–	30%	40%

*** Group executives measured on Group EBIT*

Employment contracts

Executive employment contracts for management are generally subject to a three-month notice period and a subsequent six-month restraint of trade. These conditions also apply to the Group CEO.

The letters of appointment for executive directors specify that he/she "be required to tender his/her resignation as an executive director on the board with effect from the third anniversary date of the date of commencement of the contract and on the anniversary date of each subsequent 3 (three) year period for the duration of the contract".

They are entitled, but not obliged, to offer themselves up for re-election as executive directors on the Life Healthcare board.

If their re-election is supported by the board, but they are not re-elected, the executive director will resign and the notice period will apply, or alternatively, an appropriate payment in lieu of the notice period may be agreed upon between the parties.

On expiry of the notice period, Life Healthcare will make the following payments:
An amount equivalent to 12 (twelve) months guaranteed remuneration and the amount of the 13th cheque payment (if applicable).

An amount equivalent to 12 (twelve) months of the variable compensation plan payment, based on the amount paid to the executive director during the immediately preceding 12-month period, to be escalated by the CPI increase over the same period.

They would be granted good leaver status with all benefits as provided for in the Life Healthcare LTIP.

Remuneration report continued

Employee share plan

An employee share ownership plan was implemented via a trust. Commencing in 2012, the Company funded, via the trust, the purchase of shares to the value of R50 million or more per annum for the benefit of employees. This year an increased contribution of R62.75 million was approved by the board to purchase shares on behalf of employees.

The trust holds the shares and confers "rights" or units to shares to employees. Permanent employees who belong to specified Company retirement funds and have one year's service at the date of grant are eligible for an allocation. The rights have been equally distributed to all qualifying employees.

The objectives of the plan are to incentivise and retain employees. To fulfil these objectives, certain conditions 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 the rights of each allocation made.

Dividends start to flow to employees from the onset of the plan.

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

Shares, or the after tax equivalent in cash, 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.
- 50% of the allocated rights transfer to the employee in year seven.

The second vesting and first vesting of 25% of the 2012 and 2013 allocations have taken place in the current year. This means that next year the scheme will be fully ramped up to provide a 100% vesting to each employee who received their first allocation in 2012.

The Company will continue to acquire 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 employee turnover for the qualifying participants has reduced substantially.

Non-executive directors' remuneration

The fees in respect of non-executive directors are reviewed on an annual basis, and independent survey house data is used 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.

An average increase of 11.8% was effective to non-executive directors' fees in 2018. This was done to address instances where non-executive directors' remuneration lagged the market; this market lag was caused by below market adjustments in prior years.

Implementation report

REMUNERATION POLICY REPORT

INTRODUCTION

Remuneration offered in year under review

This implementation report discloses the remuneration outcomes on a named individual basis, for each executive director and identified prescribed officer.

Additional tables provide details of all awards made under various remuneration incentive schemes:

- In schemes that have not yet vested, including the number of LTIP allocations; the values at date of allocation; their allocation and vesting dates; and an estimated fair value at the end of this reporting period.
- The cash value of all awards made under variable remuneration incentive schemes that were settled under the reporting period.
- The performance measures used with their relative weighting, as a result of which variable compensation plan (VCP) incentive awards, and long-term incentive plan allocations were made, including: the targets set for the performance measures and the corresponding value of the award opportunity; and for each performance measure, how the Group and executive managers, individually, performed against the set targets.

All individuals are subject to the Company's standard terms and conditions of employment, specifically as they relate to the employment contract and conditions relating to termination.

In order to align executive interest with that of shareholders, the directors of Life Healthcare (the board) agreed with the Group Chief Executive Officer (the CEO) on his appointment, that subject to the CEO investing R3 million in the Company's securities (direct investment), the Company would match this investment with the purchase of shares to the value of R9 million (matching investment).

The Company matched shares will be restricted and will vest in tranches of one-third on 1 February 2019, 1 February 2020 and 1 February 2021, respectively.

Remuneration outcomes – total remuneration

2017/2018 total remuneration outcomes are provided on a name and role basis for the current and prior financial years, with explanatory footnotes identifying, where appropriate, the above positions.

As the appointment of Group CEO and CEO – SA were recent, no comparison to prior year can be made.

Remuneration outcomes – single figure

2017/2018 total remuneration outcomes are compared to the 2018 target pay mix and a single figure derivation on a name and role basis for the previous year and the year under review.

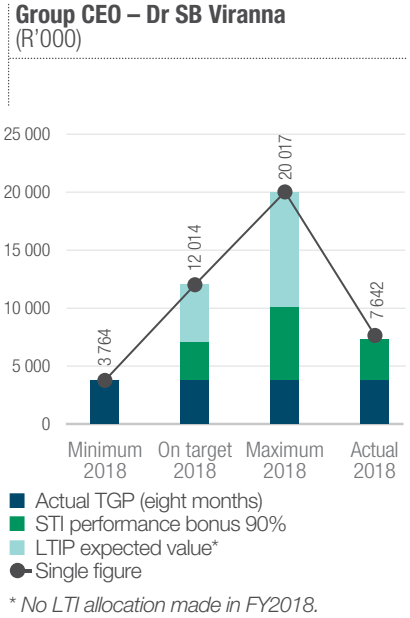
ACTUALS ACHIEVED 2017 AND 2018 IN RELATION TO 2018 PAY MIX TARGETS

GROUP CEO – Dr SB Viranna

Commenced employment as Group CEO: 1 February 2018
Not full year of assessment

R'000	Annual TCTC	Actual TGP (8 months)	STI performance bonus	Total annual compensation	LTIP expected value	Total remuneration
			90%		90%	
Min 2018	5 500	3 764		3 764		3 764
On-target 2018	4 950	3 764	3 300	7 064	4 950	12 014
Max 2018	9 529	3 764	6 353	10 117	9 900	20 017
Actual 2018		3 764	3 878	7 642	–	7 642

Group CEO purchased R3 million worth of LHC shares after the restrictions of the closed period lifted. The Company matched with a purchase of R9 million restricted shares (337 096 shares at an issue price of R26.46). These will vest to the Group CEO in three tranches over a period of three years.



** No LTI allocation made in FY2018.*

Implementation report continued

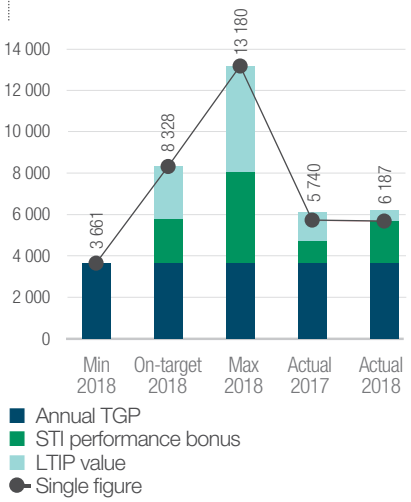
CEO SA – CLW Bekker

Retired end October 2018

R'000	Annual TGP	STI performance bonus	Total annual compensation	LTIP value	Total remuneration
		57.5%		70.0%	
Min 2018	3 661		3 661		3 661
On-target 2018	3 661	2 105	5 766	2 563	8 328
Max 2018	3 661	4 394	8 055	5 125	13 180
Actual 2017	3 275	1 049	4 324	1 416	5 740
Actual 2018	3 661	2 026	5 687	500	6 187
Year-on-year growth	11.8%	93%	32%	(100%)	(1%)

An additional bonus of R335 000 was awarded in FY2017 for the successful rights offer and bedding down of the AMG acquisition. Significant improvement in financial results resulted in the high STI performance bonus in FY2018. Details reflected under STI (VCP) outcomes.

CEO SA – CLW Bekker
(R'000)

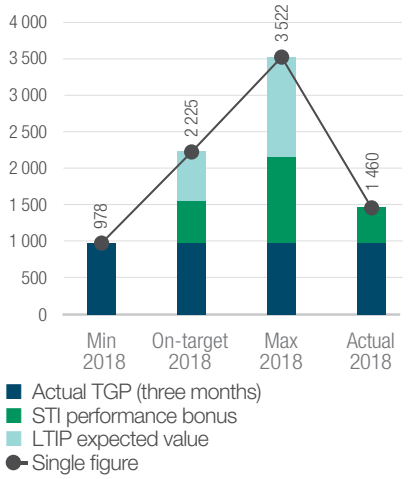


CEO SA – AM Pyle

Commenced on an interim handover period 1 July 2018
Only period as interim CEO SA reflected

R'000	Annual TCTC	Actual TGP (3 months)	STI performance bonus	Total annual compensation	LTIP expected value	Total remuneration
			57.5%		70.0%	
Min 2018	3 250	978		978		978
On-target 2018	1 869	978	563	1 540	685	2 225
Max 2018	2 275	978	1 175	2 152	1 370	3 522
Actual 2018		978	482	1 460	–	1 460

CEO SA – AM Pyle
(R'000)



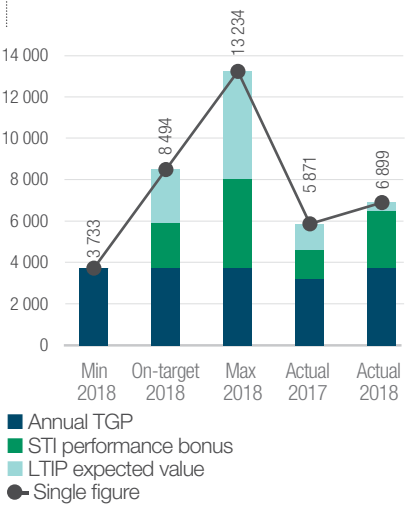
Group CFO – PP van der Westhuizen

R'000	Annual TGP	STI performance bonus	Total annual compensation	LTIP expected value	Total remuneration
		57.5%		70.0%	
Min 2018	3 733		3 733		3 733
On-target 2018	3 733	2 147	5 880	2 614	8 494
Max 2018	3 733	4 273	8 006	5 228	13 234
Actual 2017	3 219	1 375	4 594	1 277	5 871
Actual 2018	3 733	2 748	6 482	418	6 899
Year-on-year growth	16.0%	100%	41%	(67%)	18%

An additional allowance of R2.5 million was paid in his capacity as acting Group Chief Executive Officer from 1 July 2017 to 31 January 2018.

An additional bonus of R400 000 was awarded in FY2017 for the successful rights offer and bedding down of the AMG acquisition. Significant improvement in financial results resulted in the high STI performance bonus in FY2018. Details reflected under STI (VCP) outcomes.

Group CFO – PP van der Westhuizen
(R'000)



Remuneration outcomes – 2017/2018 variable compensation plan (VCP) outcomes in detail

The results of performance against all measures in the corporate and individual scorecards are disclosed below in such a way that the stakeholder can reasonably assess whether the incentive is in line with the performance measures and the policy.

SHORT-TERM INCENTIVE OUTCOME

FY2017 VS FY2018

Group CEO – Dr SB Viranna

Commenced February 2018
Period of review – 8 months

	FY2018		
	Weighting %	Achievement %	Total payment R'000
Group financial rating	50	115	1 898
Personal performance rating	50	120	1 980
Grand total (8 months)			3 878

Group CFO – PP van der Westhuizen

	FY2017			FY2018		
	Weighting %	Achievement %	Total Payment R'000	Weighting %	Achievement %	Total payment R'000
Group financial rating	60	–	–	60	115	1 517
Personal performance rating	40	130	975	40	140	1 231
Grand total			975			2 748
An additional bonus was awarded in FY2017 for the successful rights offer and bedding down of the AMG acquisition.			400			

Implementation report continued

CEO SA – CLW Bekker

	FY2017			FY2018		
	Weighting %	Achievement %	Total payment R'000	Weighting %	Achievement %	Total payment R'000
Group financial rating	15			**15**	**113**	**314**
Unit financial rating	60	25	245	**60**	**108**	**1 201**
Personal performance rating	25	110	470	**25**	**110**	**512**
Grand total			715			**2 027**
An additional bonus was awarded in FY2017 for the successful rights offer and bedding down of the AMG acquisition.			335			

CEO SA – AM Pyle

Period of review – 3 months

	FY2018		
	Weighting %	Achievement %	Total payment R'000
Group financial rating	**15**	**115**	**81**
Personal performance rating	**60**	**85**	**238**
	25	**140**	**163**
Grand total (3 months)			**482**

Remuneration outcomes – history of recently vested and unvested shares

There are currently unvested shares resulting from one legacy long-term incentive plan scheme and from the current (2015) long-term incentive plan.

- From the Life Healthcare 2013 long-term incentive plan, individuals were allowed to elect at the time of the 2013 and 2014 allocations to defer the vesting of their shares for a further two years (from three to five) and have those shares matched with additional restricted shares. The 2013 co-investment and matched shares vested in January 2018, while the 2014 shares will vest at the end of January 2019.
- From the Life Healthcare 2015 long-term incentive plan, performance shares were offered in 2015, 2016 and 2017. A three-year vesting period resulted in the first vesting occurring at the end of August 2018. Performance against both TSR and EBIT measures did not meet threshold levels and thus yielded no payment to participants (refer to remuneration report for performance criteria). The next vesting of the 2016 allocation occurs at the end of December 2018.
- The 2018 offer in terms of the 2015 long-term incentive plan was unable to be made as a result of the Company being in an extended closed period since November 2017. Accordingly, the Company has made an alternative once-off long-term restricted cash offer, the details of which are described in the remuneration report.

Summaries of the current situation for executive directors and prescribed officers are shown below:

Executives and prescribed officers

Life Healthcare long-term incentive schemes

		1 October 2017				Rights offer			Vested 1 February 2018		Balance 30 September 2018		
	LTIP scheme	Share allocation	Offer price R	Co-investment shares	Matched shares	Offer price R	Additional co-investment Shares purchased by executive	Adjustment co-matched shares R	Number of shares	Price at exercise date R	Number of shares	Allocation value R	Value based on 30 September 2018 share price R
PP van der Westhuizen	LTIP 2009 scheme	1 Jan 13	31.66	7 031	11 916	24.50	2 406	4 077	**25 430**	**R25.90**	**–**	**–**	**–**
		1 Jan 14	35.05	7 381	12 509	24.50	2 526	4 280			**26 696**	**935 695**	**655 654**
	LTIP scheme	Share allocation	Offer price R	Performance shares			Adjustment to performance shares				**Total number of shares**	**Allocation value R**	**Value based on 30 September 2018 share price R**
	LTIP 2015 scheme	1 Sept 15	37.14	43 126			9 215		**52 341**		**–**	**–**	**–**
		1 Jan 16	34.58	40 620			8 679				**49 299**	**1 704 759**	**1 210 783**
		1 Jan 17	31.59	65 380			13 970				**79 350**	**2 506 667**	**1 948 836**

		1 October 2017				Rights offer			Vested 1 February 2018		Balance 30 September 2018		
	LTIP scheme	Share allocation	Offer price R	Co-investment shares	Matched shares	Offer price R	Additional co-investment shares purchased by executive	Adjustment co-matched shares R	Number of shares	Price at exercise date R	Number of shares	Allocation value R	Value based on 30 September 2018 share price R
CLW Bekker	LTIP 2009 scheme	1 Jan 13	31.66	8 521	14 442	24.50	2 916	4 942	**30 821**	**25.90**	**–**	**–**	**–**
		1 Jan 14	35.05	6 941	11 765	24.50	2 376	4 027			**25 109**	**812 519**	**616 677**
	LTIP scheme	Share allocation	Offer price R	Performance shares			Adjustment to performance shares				**Total number of shares**	**Allocation value R**	**Value based on 30 September 2018 share price R**
	LTIP 2015 scheme	1 Sept 15	37.14	29 226			6 245		**35 471**		**–**	**–**	**–**
		1 Jan 16	34.58	33 104			7 073				**40 177**	**1 389 321**	**986 747**
		1 Jan 17	31.59	54 784			11 706				**66 490**	**2 100 419**	**1 632 994**

		1 October 2017			Rights offer		Vested 1 February 2018	Balance 30 September 2018		
	LTIP scheme	Share allocation	Offer price R	Performance shares		Adjustment to performance shares		**Total number of shares**	**Allocation value R**	**Value based on 30 September 2018 share price R**
AM Pyle	LTIP 2015 scheme	1 Jan 17	31.59	34 126		7 292		**41 418**	**1 308 395**	**1 017 226**

Adjusted allocations as a results of the rights process, according to the rules of the LTIP schemes to ensure "that participants are in the same economic position that they were in prior to the happening of the relevant event". This was approved by the board, confirmed by Deloitte as fair and practical and PwC confirmed that it resulted in no adverse accounting interventions.

Appendices

SECTION CONTENT

Strategic performance in numbers

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

GROWTH FOCUS AREA AND FINANCIAL RATIOS

Geographical location and indicator	2018	2017	2016
Life Healthcare (Group)			
Net debt:normalised earnings before interest, tax, depreciation and amortisation (EBITDA), (ratio), debt covenant is <3.5 (2017: 3.5)	**2.73**	2.55	1.67
Interest cover (ratio), debt covenant is >4.0 (2017: >5.0)	**5.7**	4.2[1]	8.2
Capital expenditure as percentage of revenue (%)	**9.6**	8.0	6.2
Maintenance capital expenditure as percentage of revenue (%)	**3.7**	4.1	2.2
Growth capital expenditure as percentage of revenue (%)	**5.8**	3.9	4.0
Normalised earnings per share (EPS) (cents per share (cps))	**110.2**	93.9	169.4[2]
Normalised EPS excluding amortisation (cps)	**139.3**	120.6	179.0[2]
Headline earnings per share (HEPS) (cps)	**108.8**	77.4	179.1[2]
Earnings before interest and tax (EBIT)	**3 865**	3 591	3 637
Free cash flow	**2 335**	1 283	1 655
Life Healthcare (southern Africa)			
Paid patient days (PPDs)[A, B, C]	**2 251 600**	2 226 337	2 265 653
Occupancy (%)	**69.7**	70.0	72.5
Length of stay (LOS) (days)	**3.72**	3.71	3.68
Number of healthcare facilities	**66**	65	64
Number of registered beds	**9 055**	8 983	8 823
Number of acute facilities	**50**	50	50
Number of dedicated acute rehabilitation facilities	**7**	7	7
Number of dedicated mental health facilities	**8**	8	7
Number of specialised maternity units	**1**	1	1
Number of renal stations	**318**	303	281
Number of oncology units	**5**	4	2
Number of Life Esidimeni facilities	**10**	11	9
Number of Life Esidimeni operational beds	**3 119**	3 080	2 424
Number of Life Esidimeni PPDs	**1 006 717**	873 954	1 122 878
Number of Life Employee Health Solutions clinics (Life Occupational Health)	**301**	288	297
Number of lives covered through the Life Occupational Health	**211 086**	222 895	159 685
Number of Life Employee Health Solutions on-site clinics (Careways)	**80**	78	74
Number of lives covered by Careways	**367 670**	248 804	259 974
Scanmed (Poland)			
Occupancy (%)	**69**	69	63
Number of medical facilities	**40**	40	40
Number of registered beds	**624**	624	624
Number of cardiac facilities	**12**	12	12

Strategic performance in numbers continued

EFFICIENCY FOCUS AREA AND FINANCIAL RATIOS

Geographical location and indicator	2018	2017	2016
Life Healthcare (Group)			
Cash generated from operations as percentage of EBITDA, target is>95%	**99.4**	93.2	93.3
Normalised EBITDA margin (%)	**23.6**	24.0	26.3
Life Healthcare (southern Africa)			
Normalised EBITDA margin (%)	**24.9**	25.5	27.5
Alliance Medical (western Europe)			
Normalised EBITDA margin (%)	**23.6**	23.8	n/a
Scanmed (Poland)			
Normalised EBITDA margin (%)	**6.7**	4.0	10.2

QUALITY FOCUS AREA

Geographical location and indicator	2018	2017	2016
Life Healthcare (southern Africa)			
Quality metrics			
Definitely recommend – inpatient (%)	**70.70**	70.00	69.40
Definitely recommend – emergency units (%)	**67.30**	67.20	66.60
Patient experience – inpatient (target >8.0)	**8.4**	8.1	8.0
Patient experience – emergency units (target >7.5)	**8.1**	8.1	7.7
Complaint rate (per 1 000 PPDs)	**0.83**	0.71	0.74
Clinical indicators			
Patient safety adverse events[3] (per 1 000 PPDs)[A, B, C]	**2.68**	2.69	2.53
Healthcare associated infections (HAI)[4] (per 1 000 PPDs)[A, B, C]	**0.41**	0.42	0.37
Ventilator associated pneumonia (VAP) (per 1 000 ventilator days)	**1.09**	1.48	1.50
Surgical site infections (SSI) (per 1 000 theatre cases)	**0.99**	0.96	0.89
Central line associated bloodstream infections (CLABSI) (per 1 000 central lines)	**0.99**	0.85	0.73
Catheter associated urinary tract infections (CAUTI) (per 1 000 catheter days on one line)	**0.31**	0.40	0.35
FIM™/FAM score[5] (target >0.9)	**0.90**	1.00	1.13
MHQ14 efficiency[6] (average gain/PPD) (target >2.25)	**2.20**	2.50	2.84
Employee adverse events (per 200 000 labour hours)	**4.09**	4.43	3.71
Scanmed (Poland)			
Clinical indicators			
HAI (%)[7]	**0.84**	0.85	0.58
Surgical site infections (SSI) (%)	**0.16**	0.17	0.15
Ventilator associated pneumonia (VAP) (%)	**0.17**	0.15	0.10
Central line associated bloodstream infections (CLABSI) (%)	**0.02**	0.05	0.04
Catheter associated urinary tract infections (CAUTI) (%)	**0.08**	0.12	0.09

SUSTAINABILITY FOCUS AREA

Geographical location and indicator	2018	2017	2016
Human capital			
Life Healthcare (southern Africa)			
Number of permanent employees	**14 725**	14 466	14 269
Number of nurses enrolled in training	**1 075**	1 358	1 052
African, Coloured and Indian (ACI) employees (%)	**74.0**	72.6	72.2
Alliance Medical (western Europe)			
Number of employees	**1 847**	1 715	n/a
Scanmed (Poland)			
Number of employees	**3 094**	3 345	3 651
Number of residents specialists	**28**	27	23
Environmental			
Life Healthcare (southern Africa)			
Electricity usage (kWh)[8]	**142 934 448**	148 560 938	154 022 258
Water usage (kℓ)[8]	**1 089 999**	1 246 804	1 289 002
Healthcare risk waste (HCRW) (kg/PPD)[A, B, C]	**1.88**	1.81	1.73
Scanmed (Poland)			
Electricity usage (kWh)[8]	**4 787 302**	4 478 604	2 895 291
Water usage (kℓ)[8]	**32 124**	33 853	28 734

[1] Waiver consent letters were received from the relevant banks accepting the breach of covenants for a period of 13 months from the Alliance Medical acquisition date.
[2] Adjusted as required by IFRS due to the rights offer to take into account the bonus element due to these shares having been issued at a discount.
[3] Patient safety adverse events: Unintended or unexpected events which could have, or did, result in harm – this includes medication, falls, pressure ulcers, procedure-related incidents, behaviour, death due to unnatural causes, burns, other patient incidents, patients absconding and other patient information incidents.
[4] HAI: Combines all the healthcare associated infections determined according to the Centre for Disease Control (CDC) guidelines – VAP, SSI, CLABSI, CAUTI and other infections associated with the hospital stay.
[5] FIM™/FAM: Weekly assessment of patients' function, while in an acute rehabilitation facility.
[6] MHQ14 efficiency: Patient reported feedback in a mental health facility.
[7] The calculations differ from the other areas:
– HAI: total number of HAI/total number of patients x 100%.
[8] These figures are based on best estimates using available information.
[A] The 2018 indicator is externally assured. (A)
[B] The 2017 indicator is externally assured. (A)
[C] The 2016 indicator is externally assured. (A)

Seven-year performance history

GROUP STATEMENT OF COMPREHENSIVE INCOME

	CAGR since 2012 %	2018 R'm	2017 R'm	2016 R'm	2015 R'm	2014 R'm	2013 R'm	2012 R'm
Revenue	13.6	**23 488**	20 797	16 404	14 647	13 046	11 834	10 930
Normalised EBITDA[1]	11.3	**5 535**	5 001	4 314	4 048	3 611	3 337	2 912
Operating profit	7.6	**3 848**	3 620	3 660	3 496	3 150	2 878	2 486
Net finance cost	29.2	**(962)**	(1 229)	(502)	(404)	(215)	(202)	(215)
Share of associate' net profit after tax		**(105)**	(15)	8	14	39	70	90
Profit before tax	2.9	**2 837**	1 934	2 864	3 112	3 973	2 764	2 392
Profit for the year	1.7	**1 914**	1 119	1 970	2 228	3 098	2 004	1 729
Ordinary equity holders of the parent	1.0	**1 575**	814	1 616	1 866	2 774	1 711	1 482
Non-controlling interest	5.4	**339**	305	354	362	324	293	247
Normalised EBITDA[1]	11.3	**5 535**	5 001	4 314	4 048	3 611	3 337	2 912
Operating profit	7.6	**3 848**	3 620	3 660	3 496	3 150	2 878	2 486
Profit on disposal of property, plant and equipment		**–**	–	–	–	–	(4)	(9)
Depreciation on property, plan and equipment		**1 133**	971	530	445	355	354	318
Amortisation on intangible assets		**537**	439	147	127	122	116	124
Severance payments		**51**	–	–	–	–	–	–
Retirement benefit asset and post–employment medical aid income		**(34)**	(29)	(23)	(20)	(16)	(7)	(7)

[1] *Normalised EBITDA – operating profit before depreciation on property, plant and equipment, amortisation of intangible assets and non-trading related costs or income.*

GROUP STATEMENT OF FINANCIAL POSITION

	2018 R'm	2017 R'm	2016 R'm	2015 R'm	2014 R'm	2013 R'm	2012 R'm
ASSETS							
Non-current assets							
Property, plant and equipment	**12 243**	11 131	7 752	7 101	5 901	4 517	4 008
Intangible assets	**17 084**	16 281	3 196	2 964	2 318	2 084	2 181
Investment in associates and joint ventures	**35**	2 976	2 548	2 311	828	1 178	1 098
Employee benefit assets	**401**	399	433	394	376	337	252
Other non-current assets	**795**	672	466	382	263	220	169
Total non-current assets	**30 558**	31 459	14 395	13 152	9 686	8 336	7 708
Current assets							
Cash and cash equivalents	**1 494**	1 176	604	812	422	297	244
Trade and other receivables	**3 761**	3 602	2 133	1 640	1 330	1 098	1 034
Inventories	**360**	357	318	271	240	214	198
Other current assets	**128**	45	47	48	121	11	4
Asset classified as held for sale	**2 841**	–	–	–	–	–	–
Total current assets	**8 584**	5 180	3 102	2 771	2 113	1 620	1 480
Total assets	**39 142**	36 639	17 497	15 923	11 799	9 956	9 188
EQUITY AND LIABILITIES							
Capital and reserves	**14 916**	14 380	5 486	5 168	4 792	4 525	3 941
Non-controlling interest	**1 286**	1 171	1 312	1 280	1 108	1 081	936
Total shareholders' equity	**16 202**	15 551	6 798	6 448	5 900	5 606	4 877
Non-current liabilities							
Interest-bearing borrowings	**12 870**	7 786	5 469	5 263	2 344	1 657	1 929
Derivative financial instruments	**6**	749	–	–	9	–	11
Deferred tax liabilities	**1 226**	1 203	547	520	438	388	352
Other non-current liabilities	**662**	253	95	69	76	66	64
Total non-current liabilities	**14 764**	9 991	6 111	5 852	2 867	2 111	2 356
Current liabilities							
Bank overdraft	**488**	450	1 030	557	155	233	–
Trade and other payables	**4 409**	4 174	2 217	2 125	1 866	1 501	1 440
Interest-bearing borrowings	**3 086**	6 301	1 312	924	1 007	452	460
Other current liabilities	**193**	172	29	17	4	53	55
Total current liabilities	**8 176**	11 097	4 588	3 623	3 032	2 239	1 955
Total equity and liabilities	**39 142**	36 639	17 497	15 923	11 799	9 956	9 188

Seven-year performance history continued

GROUP STATEMENT OF CASH FLOWS

	2018 R'm	2017 R'm	2016 R'm	2015 R'm	2014 R'm	2013 R'm	2012 R'm
Cash operating profit	**5 707**	5 302	4 556	4 213	3 785	3 514	3 067
Changes in working capital	**(204)**	(639)	(520)	(356)	(253)	(92)	(26)
Cash generated from operations	**5 503**	4 663	4 036	3 857	3 532	3 422	3 041
Transaction costs paid	**(38)**	(210)	(12)	(15)	(16)	–	–
Interest received	**40**	162	12	12	22	14	22
Tax paid	**(1 065)**	(891)	(981)	(903)	(980)	(804)	(748)
Net cash from operating activities	**4 440**	3 724	3 055	2 951	2 558	2 632	2 315
Net cash utilised in investing activities – investments to expand	**(3 375)**	(11 957)	(2 025)	(3 198)	(1 457)	(828)	(1 415)
Net cash generated from investing activities – disposals	**61**	73	15	–	1 369	5	63
Net cash (utilised)/generated from investing activities – other	**(50)**	(1)	14	–	13	42	85
Net cash (utilised in)/generated from financing activities	**(826)**	9 298	(1 677)	222	(2 288)	(2 031)	(1 204)
Net increase/(decrease) in cash and cash equivalents	**250**	1 137	(618)	(25)	195	(180)	(156)
Cash and cash equivalents – beginning of the year	**726**	(426)	255	267	64	244	400
Effect of foreign exchange rate movements	**30**	15	(63)	13	8	–	–
Cash and cash equivalents – end of the year	**1 006**	726	(426)	255	267	64	244

BUSINESS PERFORMANCE AND METRICS

	2018	2017	2016	2015	2014	2013	2012
Number of registered beds[2]	**9 055**	8 983	8 768	8 647	8 418	8 279	8 227
Paid patient days[3]	**2 251 600**	2 226 337	2 265 653	2 177 833	2 115 254	2 074 551	2 020 864
Occupancy (%)[3,4]	**69.7**	70.0	72.5	71.9	71.9	71.7	71.2
Length of stay[3]	**3.72**	3.71	3.68	3.63	3.57	3.50	3.45
Number of scans	**1 492 744**	1 425 794	n/a	n/a	n/a	n/a	n/a
Number of machines:							
MRI	**148**	137	n/a	n/a	n/a	n/a	n/a
CT	**49**	41	n/a	n/a	n/a	n/a	n/a
PET-CT	**49**	46	n/a	n/a	n/a	n/a	n/a
Cyclotrons	**9**	9	n/a	n/a	n/a	n/a	n/a
Financial ratios							
Normalised EBITDA margin (%)	**23.6**	24.0	26.3	27.6	27.7	28.2	26.7
Tax rate excluding secondary tax on companies (%)	**32.5**	42.1	31.2	28.3	22.0	27.5	26.9
Effective tax rate (%)	**32.5**	42.1	31.2	28.3	22.0	27.5	27.7
Debtors' days	**45**	49	37	31	31	31	30
Stock cover (days)[2]	**24.8**	24.5	25.6	24.6	24.1	24.3	25.5
Quick ratio (:1)	**1.13**	1.08	0.95	1.03	1.04	0.91	0.99
Current ratio (:1)	**1.06**	1.01	0.85	0.93	0.92	0.79	0.86
Gearing net of cash (%)	**46.5**	45.1	53.1	46.9	33.3	26.5	30.3
Total debt (R'm)	**15 956**	14 087	6 781	6 187	3 351	2 109	2 389
Net debt (R'm)	**14 950**	13 361	7 207	5 932	3 084	2 045	2 145
Interest bearing debt (R'm)[5]	**14 452**	12 447	5 830	5 207	2 490	1 515	1 876
Debt related to finance leases raised in terms of IAS 17[6]	**1 504**	1 640	951	980	861	594	513
Net Debt: normalised EBITDA	**2.73**	2.55	1.67	1.49	0.84	0.63	0.73
Interest cover	**5.7**	4.2	8.2	9.7	21.0	13.4	12.1
Return on Net Assets (RONA) (%)	**16.4**	10.5	25.9	31.4	55.0	46.0	45.2

[2] Life St Vincent's and Life Carstenview opened during October 2016 and January 2017 respectively. Life Hilton Private Hospital opened in September 2015 and Genesis Maternity Clinic was acquired in March 2015. In March 2014 Life Sandton Surgical Centre closed. Life St Josephs, Life Piet Retief Hospital and Life Poortview opened in November 2011, December 2011 and May 2012 respectively. Life Grey Monument management agreement concluded during October 2011 and Life Birchmed was disposed of in March 2012.

[3] Metrics for southern African operations.

[4] 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.

[5] The initial investment in Max Healthcare in 2012 was funded through the issue of preference shares to the value of R820 million. In 2015 preference shares to the value of R2 050 million were issued to fund the additional investment in Max Healthcare, to equalise our shareholding, and for further acquisitions within the Scanmed Group. The acquisition of Alliance Medical in 2017 was funded by way of a bridge facility of R14 601 million, during the 2017 financial year R8 770 million was repaid via the funds raised through the rights offer.

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

Seven-year performance history continued

SHAREHOLDER RETURNS

	2018	2017	2016	2015	2014	2013	2012
Earnings per share (cents)	**108.6**	62.2	144.1	167.3	248.7	153.3	132.5
Diluted earnings per share (cents)	**108.1**	62.0	143.7	166.7	248.1	153.1	132.5
Headline earnings per share (cents)	**108.8**	77.4	179.1	167.3	165.3	153.3	129.6
Diluted headline earnings per share (cents)	**108.3**	77.2	178.5	166.7	164.9	153.1	129.5
Normalised earnings per share from continued operations (cents)	**110.2**	93.9	169.4	165.0	156.7	140.1	122.1
Normalised earnings per share from continued operations excluding amortisation (cents)	**139.3**	120.6	179.0	173.2	164.6	147.5	130.0
Weighted average number of shares in issue ('m)	**1 451**	1 310	1 121	1 115	1 115	1 116	1 118
Weighted average number of shares for diluted earnings per share ('m)	**1 457**	1 314	1 125	1 119	1 118	1 117	1 119
Total number of shares in issue ('m)	**1 467**	1 449	1 058	1 042	1 042	1 042	1 042
Distributions per share (cents)	**88.0**	80.0	165.0	154.0	141.0	126.0	105.0
Net asset value per share (cents)	**1 016.8**	992.4	518.5	495.9	459.8	434.2	378.2
Normalised earnings	**1 598**	1 230	1 899	1 840	1748	1 563	1 365
Profit attributable to ordinary equity holders	**1 575**	814	1 616	1 866	2 774	1 711	1 482
Adjustments (net of tax):							
Businesses disposed/closed	**–**	–	–	–	(54)	(120)	(103)
(Gain)/loss on remeasuring of fair value of equity interest before business combination	**–**	(4)	23	–	–	–	3
Profit on disposal of investment in associate	**–**	–	–	–	(929)	–	–
(Profit)/loss on disposal of property, plant and equipment	**(30)**	37	(1)	–	–	(3)	(7)
Impairments	**34**	167	370	–	–	–	–
Gain on derecognition of lease assets and liabilities	**(71)**	–	–	–	–	(16)	–
Retirement funds	**(24)**	(21)	(16)	(15)	(11)	(5)	(5)
Retirement fund (included in employee benefit expenses)	**–**	–	(3)	(4)	(7)	(7)	–
Transaction costs	**38**	267	12	15	16	–	–
Fair value gain on foreign exchange hedge	**(17)**	(7)	–	(1)	(40)	–	–
Fair value adjustment to contingent consideration	**18**	(43)	(109)	(21)	–	–	–
Other	**75**	20	7	–	(1)	3	(5)

MARKET INDICATORS

	2018	2017	2016	2015	2014	2013	2012
Market price – high (R) per share	**30.52**	39.02	40.48	46.67	47.81	38.55	35.70
Market price – low (R) per share	**23.00**	23.05	29.53	34.32	34.66	29.76	18.50
Market price – year end (R) per share	**24.56**	23.70	37.87	35.00	44.54	35.74	31.75
Market capitalisation – year end (R'm)	**36 030**	34 341	40 066	36 477	46 420	37 249	33 090
Number of shares traded ('m)	**1 241**	1 326	1 047	870	724	789	1 001
Value of shares traded (R'm)	**32 510**	39 142	38 433	34 755	29 422	27 025	26 253
Price-earnings ratio	**22.62**	38.10	26.27	20.92	17.91	21.07	22.08

Social, ethics and transformation committee report

The social, ethics and transformation committee is pleased to present its report to shareholders for the financial year ended 30 September 2018 in accordance with the requirements of the Companies Act.

The purpose of the report is to share with shareholders and other stakeholders how the committee discharged its responsibilities in accordance with its mandate. The mandate of the committee is contained in formal terms of reference, which are amended as necessary. The committee's terms of reference are approved by the committee and thereafter reviewed and approved by the board annually. The terms of reference guide the committee to perform its oversight role to ensure that the Group, as a responsible corporate citizen, conducts sustainable and ethical business and that its reputation is safeguarded.

COMPOSITION OF THE COMMITTEE

The members of the committee for the period under review were as follows:

- MEK Nkeli (chairman – independent non-executive director) *(resigned as a non-executive director effective 31 May 2018)*
- AM Mothupi (chairman – *independent non-executive director – appointed as a member of the committee with effect from 31 May 2018)*
- Dr MP Ngatane *(independent non-executive director)*
- PJ Golesworthy *(independent non-executive director)*
- Dr SB Viranna *(Group Chief Executive Officer – executive director appointed as a member of the committee with effect from 27 February 2018)*
- PP van der Westhuizen *(Group Chief Financial Officer and acting Group Executive Officer till 31 January 2018 – executive director – stepped down as a member of the committee with effect from 27 February 2018)*

Senior executives and functional heads attend meetings of the committee as appropriate. All members of management who present on various matters 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 is a standing invitee.

The committee met three times during the year, and the proceedings of each meeting were reported to the board. Presentations that are made at the committee are also included in the board packs.

RESPONSIBILITIES

The committee has a statutory responsibility to monitor the Group's activities in terms of the Companies Act with regard to matters relating to:

- social and economic development;
- good corporate citizenship;
- environment, health and public safety;
- consumer relationships; and
- labour and employment practices.

The committee has the responsibility to draw matters within its mandate to the attention of the board and to shareholders.

Social, ethics and transformation committee report continued

FUNCTIONING

In terms of its mandate, the committee takes a forward looking, global, integrated view when exercising its duties. The committee's aim is to build an ethical organisation which will naturally allow for regulatory compliance.

During the financial year ended 30 September 2018, the committee undertook an exercise aimed at aligning the committee's mandate and focus areas with the Group's values and strategic focus areas.

The committee believes that as social and ethical principles develop, the Group's approach to such issues should also evolve, while remaining aligned to Life Healthcare's mission of improving the lives of people by means of the delivery of high-quality, cost-effective care.

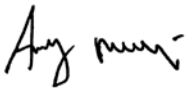
The key issues addressed by the committee during the year included the following:

- The Group's ethics and the prevention of fraud, bribery and corrupt practices
- The arrangements related to Tip Offs Anonymous and the resolution of tip-offs reported
- The environment, health and public safety and compliance to relevant legislation
- Pending legislation or recently enacted legislation that may have a potentially material impact on the Group ie POPI, and labour and employment equity legislation
- The Group's transformation strategy and review of the Group's transformation initiatives
- Employment equity targets for the southern Africa business
- Performance with regard to the B-BBEE scorecard, procurement and enterprise development, and effective and ethical leadership
- Skills and other development programmes aimed at employees' education
- Labour and employment practices and policies
- Corporate social initiatives including the Company's role in society
- Consumer relationships and reputation management, including the Group's advertising, public relations and compliance with consumer protection laws

CONCLUSION

The committee was pleased to note that the Group retained its position as a constituent of the FTSE/JSE Responsible Index based on the FTSE environmental, social and governance (ESG) rating. This achievement reinforces the committee's view that ESG responsibilities are imperative to the Group.

Based on its monitoring activities for the year, no substantive non-compliance with legislation and regulations relevant to the committee's mandate was raised. The committee is satisfied that it has discharged its responsibilities in accordance with its mandate for the year ended 30 September 2018.



Audrey Mothupi
Chairman: Social, ethics and transformation committee

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 (the Company or Life Healthcare) to perform an independent limited assurance engagement in respect of Selected Sustainability Information reported in the Company's Integrated Report for the year ending 30 September 2018 (the Report). This report is produced in accordance with the terms of our contract with the Company dated 22 October 2018.

INDEPENDENCE, QUALITY CONTROL AND EXPERTISE

We have complied with the independence and other ethical requirements of the Code of Professional Conduct for Registered Auditors issued by the Independent Regulatory Board for Auditors (IRBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Part A and B).

The firm applies International Standard on Quality Control 1 and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our engagement was conducted by a multidisciplinary team of health, safety, environmental and assurance specialists with extensive experience in sustainability reporting.

SCOPE AND SUBJECT MATTER

The following subject matter in the Report for southern Africa was selected for an expression of limited assurance:

(a) Healthcare risk waste generated – HCRW kg/PPD (page 141)
(b) Patient safety adverse events – per 1 000 PPDs (page 140)
(c) Healthcare associated infection rate – per 1 000 PPDs (page 140)
(d) Paid patient days – PPDs (page 139)

We refer to this information as the Selected Sustainability Information.

We have carried out work on the data reported for 30 September 2018 only and have not performed any procedures with respect to earlier periods, except where specifically indicated, or any other elements included in the 2018 Integrated Report and, therefore, do not express any conclusion thereon. We have not performed work in respect of future projections and targets.

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 set out on pages 66, 72 and 141 of the Report referred to as the reporting criteria. The directors are also responsible for designing, implementing and maintaining internal controls as the directors determine are necessary to enable the preparation of the Selected Sustainability Information that is 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 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 2018, 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 (ISAE) 3000 (Revised): Assurance Engagements other than Audits and Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board. This standard requires 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 Life Healthcare's offices;
- applying the assurance criteria in evaluating the data generation and reporting processes;
- performing walkthroughs;

Independent assurance report to the directors of Life Healthcare Group Holdings Limited continued

- testing the accuracy of data reported on a sample basis for limited assurance;
- reviewing the consolidation of the data at Life Healthcare's offices to obtain an understanding of the consistency of the reporting;
- analysing and obtaining explanations for deviations in performance trends; and
- reviewing the consistency between the Selected Sustainability Information and related statements in Life Healthcare's Integrated Report.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement under ISAE 3000 (Revised). 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 on pages 66, 72 and 141.

CONCLUSION

Based on the results of our limited assurance procedures nothing has come to our attention that causes us to believe that the Selected Sustainability Information for the year ended 30 September 2018, has not been prepared, in all material respects, in accordance with the reporting criteria.

OTHER MATTERS

The maintenance and integrity of Life Healthcare's website is the responsibility of Life Healthcare'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 Life Healthcare's website.

PricewaterhouseCoopers Inc.
Registered Auditor
Director: Jayne Mammatt

4 Lisbon Lane Waterfall City,
Jukskei View, 2090

18 December 2018

Glossary of terms

ACI	African, Coloured and Indian
AI	Artificial intelligence
Alliance Medical	Medical Alliance Medical Group Limited
AMS	Antimicrobial stewardship
ASL	Azienda Sanitaria Locale
B-BBEE	Broad-Based Black Economic Empowerment
BPMHSW	Botswana Private Medical and Health Services Workers Union
BWP	Botswana pula
CAUTI	Catheter associated urinary tract infections
CDC	Centre of Disease Control
CGU	Cash-generating unit
CLABSI	Central line associated bloodstream infections
CODM	Chief operating decision maker
COID	Compensation for Occupational Injuries and Diseases Act
Companies Act	South African Companies Act, 71 of 2008, (as amended)
CPI	Consumer price inflation
cps	Cents per share
CSI	Corporate social investment
CT	Computerised tomography
DI	Diagnostic imaging
DOH	National Department of Health
DPS	Distribution per share
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
ECL	Expected credit loss
ED	Enterprise development
EHS	Life Employee Health Solutions
EMS	Environmental management system
EOH WHW	EOH Workplace Health and Wellness division EOH Abantu Proprietary Limited
EPS	Earnings per share
ERP	Enterprise resource planning
ESD	Enterprise and supplier development
ESG	Environmental, social and governance
EU	European Union
EUR	Euro
EY	Ernst & Young
FAM	Functional Assessment Measure
FDA	Food and Drug Administration
FIM™	Functional Independence Measure™
Free State Oncology	Free State Oncology Trust
FSB	Financial Services Board
GBP	Pound sterling

Glossary of terms continued

GDP	Gross domestic product
GDPR	General Data Protection Regulation
GEMS	Government Employees Medical Scheme
HAI	Healthcare associated infections
HASA	Hospital Association of South Africa
HCRW	Healthcare risk waste
HEPS	Headline earnings per share
HMI	Healthcare Market Inquiry
HPCSA	Health Professions Council of South Africa
HR	Human resources
IASB	International Accounting Standards Board
ICNet	Life Healthcare's electronic surveillance system
ICU	Intensive care unit
IFC	International Finance Corporation
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
IMF	International Monetary Fund
INR/Rs	Indian rupee
IoDSA	Institute of Directors in Southern Africa
IRBA Code	Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors
ISAE	International Standard on Assurance Engagements
ISMS	Information security management system
JIBAR	Johannesburg interbank agreed rate
JSE	Johannesburg Stock Exchange Limited
JSE Listings Requirements	JSE Limited Listings Requirements
King IV	King IV Report on Corporate Governance for South Africa 2016
KKA	Kliniki Kardioligii Allenort
kℓ	Kilolitre
KPI	Key performance indicator
kWh	Kilowatt hour
LGH	Lifecare Group Holdings
LHC	Life Healthcare Group Proprietary Limited
LIBOR	London interbank offered rate
LOS	Length of stay
LTIP	Long-term incentive plan
Max or Max Healthcare	Max Healthcare Institute Limited
MEEM	Multi-period earnings excess method
MI	Molecular imaging
MOI	Memorandum of Incorporation

MRI	Magnetic resonance imaging
MSA	Medical Schemes Act
NFZ	Narodowy Fundusz Zdrowia
NGO	Non-governmental organisation
NHI	National Health Insurance
NHS	National Health Service
NPO	Not-for-profit organisation
OHSA	Occupational Health and Safety Act, 85 of 1993
PET-CT	Positron emission tomography-computerised tomography
PGM	Polska Grupa Medyczne
PHEF	Public Health Enhancement Fund
PIC	Government Employees Pension Fund
PLC	Public limited company
PLN	Polish zloty
PoPI	Protection of Personal Information Act
PPD	Paid patient day
PPP	Public-private partnership
PV	Photovoltaic (solar)
PwC	PricewaterhouseCoopers Inc.
PXM	Patient experience management
QMS	Quality Management System
RCM	Raciborskie Centrum Medyczne
ROCE	Return on capital employed
RONA	Return on net assets
Scanmed	Scanmed S.A.
SENS	Stock Exchange News Service
SEP	Single exit price
SSI	Surgical site infections
TFR	Trattamento di Fine Rapporto
TSR	Total shareholder return
UFT	Business unit performance
UK	United Kingdom
VAP	Ventilator associated pneumonia
VCP	Variable compensation plan
VWAP	Volume weighted average traded price
WACC	Weighted average cost of capital
WHO	World Health Organization
WIBOR	Warsaw interbank offered rate
ZAR	South African rands

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