ELECTRONIC TRANSMISSION DISCLAIMER

IMPORTANT: You must read the following disclaimer before continuing. This electronic transmission applies to the attached rights offer circular (the "**Circular**") and you are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached Circular. In accessing this electronic transmission and the attached Circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access. You acknowledge that the delivery of this electronic transmission and the attached Circular is confidential and intended for you only and you agree you will not forward, reproduce or publish this electronic transmission or the attached Circular to any other person.

The securities referred to in this electronic transmission and the attached Circular (the "**Securities**") may only be distributed in (i) "offshore transactions" in compliance with Regulation S under the US Securities Act of 1933 (the "**US Securities Act**") and (ii) within the United States to qualified institutional buyers ("**QIBs**") as defined in Rule 144A under the US Securities Act ("**Rule 144A**"). Any forwarding, distribution or reproduction of this electronic transmission or the attached Circular in whole or in part is unauthorised. Failure to comply with this notice may result in a violation of the US Securities Act or the applicable laws of other jurisdictions. Nothing in this electronic transmission and the attached Circular constitutes an offer of securities for sale in any jurisdiction where it is unlawful to do so.

The Securities have not been and will not be registered under the US Securities Act or with any securities regulatory authority of any state or jurisdiction of the United States and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within the United States except (i) to a person that the holder and any person acting on its behalf reasonably believes is a QIB as defined in Rule 144A, pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act, or (ii) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the US Securities Act, in each case in accordance with any applicable securities laws of any state or jurisdiction of the United States.

The Securities have also not been and will not be registered under the securities laws of Canada, Australia or Japan and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within such jurisdictions except pursuant to an applicable exemption.

This electronic transmission, the attached Circular and the Rights Offer are only addressed to and directed at persons in member states of the European Economic Area (the "**EEA**") who are "qualified investors" within the meaning of Article 2(1)(e) of the Directive 2003/71/EC (and amendments thereto, including Directive 2010/73/EU, to the extent implemented in the Relevant Member States) (the "**Prospectus Directive**") ("**Qualified Investors**"). In addition, in the United Kingdom, this electronic transmission and the attached Circular is being distributed only to, and is directed only at, (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**"), or (ii) high net worth entities falling within Article 49(2)(a) to (d) of the Order, or (iii) persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as "**relevant persons**"). This electronic transmission and the attached Circular must not be acted on or relied on (i) in the United Kingdom, by persons who are not relevant persons, and (ii) in any member state of the EEA other than the United Kingdom, by persons who are not Qualified Investors. Any investment or investment activity to which this electronic transmission and the attached Circular relates is available only to relevant persons (i) in the United Kingdom and (ii) Qualified Investors in any member state of the EEA other than the United Kingdom, and will be engaged in only with such persons. Accordingly, the information in this electronic transmission and the attached Circular is not intended to be viewed by or distributed or passed on (directly or indirectly) to, and should not be acted upon by any other class of persons, save for such persons or class of persons contemplated herein.

Confirmation of Your Representation: This electronic transmission and the attached Circular are delivered to you on the basis that you are deemed to have represented to Life Healthcare Group Holdings Limited (the "**Company**") and each of Absa Bank Limited (acting through its Corporate and Investment Banking division) and Rand Merchant Bank, a division of FirstRand Bank Limited, (the "**Joint Bookrunners**") that: (i) you are a QIB acquiring such Securities for your own account or for the account of another QIB; (ii) you are acquiring such Securities in offshore transactions in compliance with Regulation S under the US Securities Act; (iii) if you are in the United Kingdom, you are a relevant person, and/or a relevant person who is acting on behalf of, relevant persons, in the United Kingdom and/or Qualified Investors to the extent you are acting on behalf of persons or entities in the United Kingdom or the EEA; (iv) if you are in any member state of the EEA other than the United Kingdom, you are a Qualified Investor and/or a Qualified Investor acting on behalf of, Qualified Investors or relevant persons, to the extent you are acting on behalf of persons or entities in the EEA or the United Kingdom; (v) you are an institutional investor that is eligible to receive this electronic transmission and the attached Circular; and (vi) you are not a resident of, or located in, Canada, Australia or Japan.

These materials are not for distribution, directly or indirectly, in or into the United States (including its territories and dependencies, any state or jurisdiction of the United States and the District of Columbia), Canada, Australia or Japan. There will be no public offer of securities in the United States, Canada, Australia or Japan.

You are reminded that you have received this electronic transmission and the attached Circular on the basis that you are a person into whose possession this electronic transmission and the attached Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this electronic transmission or the attached Circular, electronically or otherwise, to any other person.

The Joint Bookrunners are acting exclusively for the Company and no one else in connection with the Rights Offer. They will not regard any other person (whether or not a recipient of the attached Circular) as their respective clients in relation to the Rights Offer and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients nor for giving advice in relation to the Rights Offer or any transaction or arrangement referred to herein and in the attached Circular. No representation or warranty, express or implied, is made by the Joint Bookrunners as to the accuracy, completeness or verification of the information set forth in this electronic transmission and the attached Circular, and nothing contained in this electronic transmission and the attached Circular is, or shall be relied upon as, a promise or representation in this respect, whether as to the past or the future. The Joint Bookrunners assume no responsibility for its accuracy, completeness or verification and, accordingly, disclaim, to the fullest extent permitted by applicable law, any and all liability which they might otherwise be found to have in respect of this electronic transmission and the attached Circular or any such statement.

The attached Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Joint Bookrunners, any person who controls any of the Joint Bookrunners or the Company, any director, officer, employee or agent of any of them or any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the attached Circular distributed to you in electronic format and the hard copy version of the Circular. If verification is required, please request a hard copy of the Circular.

Life Healthcare Group Holdings Limited

(Incorporated in the Republic of South Africa)
Registration number 2003/002733/06
JSE share code: LHC ISIN: ZAE000145892
("**Life**" or the "**Company**")

34.21659 FOR 100 RIGHTS OFFER OF 367,346,939 NEW LIFE ORDINARY SHARES AT R24.50 PER NEW LIFE ORDINARY SHARE

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

The "*Definitions and Interpretations*" commencing on page 173 of this rights offer circular (the "**Circular**") apply throughout this Circular, including this cover page.

This Circular relates to a renounceable Rights Offer to "**Qualifying Shareholders**", being holders of ordinary shares of R0.00001 each ("**Life Ordinary Shares**") in Life's shareholder register (the "**Register**") at the close of business (SAST) on Friday, 31 March 2017 (the "**Record Date**") who are not Restricted Shareholders (as defined herein). Qualifying Shareholders will receive 34.21659 Rights for every 100 Life Ordinary Shares held on the Record Date. Each Right entitles the holder to subscribe for one new Life Ordinary Share at the subscription price of R24.50 ("**Rights Offer Price**") per new Life Ordinary Share (each a "**Rights Offer Share**").

The Rights are represented by letters of allocation that are negotiable and renounceable ("**Letters of Allocation**").

For Qualifying Certificated Shareholders, this Circular includes a form of instruction in respect of those Letters of Allocation ("**Form of Instruction**"). If a Qualifying Certificated Shareholder wishes to dispose of all or part of his or her Rights under the Letters of Allocation, the Form of Instruction must be completed and returned to Computershare Investor Services Proprietary Limited (the "**Transfer Secretaries**") in accordance with the instructions contained therein.

Qualifying Dematerialised Shareholders will have their Letters of Allocation credited to their accounts at their Central Securities Depository Participant ("**CSDP**") or any person registered as a broking member (equities) ("**Broker**") in terms of the Rules of the JSE Limited (the "**JSE**") made in accordance with the provisions of the Financial Markets Act, 2012 ("**Financial Markets Act**"). These Rights may be traded on the exchange operated by the JSE under Alpha Code LHCN and ISIN ZAE000239976.

Qualifying Shareholders are also referred to page 15 of this Circular, which sets out the detailed actions required of them with regard to the Rights Offer. If you are in any doubt as to the action that you should take, please consult your CSDP, Broker, banker, legal adviser, accountant or other professional adviser immediately.

Excess applications will be permitted, pursuant to which a Qualifying Shareholder may apply to subscribe for additional Rights Offer Shares over and above his or her entitlement to Rights.

Life has entered into an underwriting agreement (the "**Underwriting Agreement**") with Absa Bank Limited (acting through its Corporate and Investment Banking division) ("**Absa**"), and Rand Merchant Bank, a division of FirstRand Bank Limited ("**RMB**" and together, the "**Joint Bookrunners**"), pursuant to which the Joint Bookrunners have severally agreed and not jointly (or jointly and severally), subject to customary conditions, to underwrite the Rights Offer Shares less the 77,851,180 Rights Offer Shares in respect of which certain Qualifying Shareholders have provided irrevocable undertakings to follow their Rights (the "**Irrevocably Committed Shares**" and, the Rights Offer Shares less the Irrevocably Committed Shares, the "**Underwritten Shares**"). See "*Underwriting Arrangements*" commencing on page 147 of this Circular.

In the event that there are unsubscribed Underwritten Shares after the completion of the Rights Offer (the "**Rump Shares**"), the Joint Bookrunners may elect to offer such Rump Shares in an international private placement to institutional investors, otherwise such Rump Shares will be subscribed for by the Joint Bookrunners themselves as principal (or by other subscribers procured by the Joint Bookrunners to subscribe as principal in their stead) (see "*Circular to Qualifying Shareholders—Particulars of the Rights Offer—Rump Shares*").

You are advised to examine all the risks and legal requirements that might be relevant in connection with acquiring the Letter of Allocation or an investment in the Rights Offer Shares. Investing in the Letters of Allocation or the Rights Offer Shares involves risk. See "*Risk Factors*" commencing on page 31 of this Circular for a discussion of the risk factors you should carefully consider before investing in the Letters of Allocation or the Rights Offer Shares.

Subject to the restrictions set out below, if you have disposed of all your Life Ordinary Shares, then this Circular (including the Form of Instruction) should be handed to the purchaser of such shares or to the CSDP, Broker, banker or other agent through whom the disposal was effected. Neither this Circular nor any accompanying Form of Instruction should be distributed in, forwarded to or transmitted in or into or from the United States of America (the "**United States**"), or in, into or from Australia, Canada or Japan (the "**Restricted Territories**"); or any other jurisdiction where to do so might constitute a violation of local securities laws or regulations (except in the absolute discretion of Life pursuant to any exemption from such laws and regulations).

This Circular is issued in compliance with the Listings Requirements of the JSE (the "**Listings Requirements**") for the purpose of providing information to Qualifying Shareholders and is not an invitation to the public to subscribe for shares in the Company.

Life and the Joint Bookrunners do not accept responsibility, and will not be held liable, for any failure on the part of the CSDP or Broker of a Qualifying Dematerialised Shareholder to notify such shareholder of the details of this Circular.

The Rights Offer Shares will be listed and admitted to trading on the exchange operated by the JSE under the trading symbol "LHC". The Issuer Regulation Division of the JSE has approved the listing of the Letters of Allocation in respect of all of the Rights Offer Shares with effect from the commencement of trade on Wednesday, 29 March 2017 (SAST) to the close of trade on Monday, 10 April 2017 (SAST), both days inclusive, and all of the Rights Offer Shares with effect from the commencement of trade on Tuesday, 18 April 2017 (SAST).

Rights Offer opens at 09:00 (SAST) on	Monday, 3 April 2017
Rights Offer closes at 12:00 (SAST) on	Thursday, 13 April 2017

The directors on the Life board of directors (the "**Directors**"), whose names are given on pages 149 to 158 of this Circular, collectively and individually, accept full responsibility for the accuracy of the information given and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made and that this Circular contains all information required by law and the Listings Requirements.

The Letters of Allocation and the Rights Offer Shares have not been and will not be registered under the US Securities Act of 1933 (the "**US Securities Act**"), or under any securities laws of any state or other jurisdiction of the United States and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within the United States except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. There will be no public offer of the Letters of Allocation and the Rights Offer Shares in the United States. The Letters of Allocation and the Rights Offer Shares are being offered and sold in offshore transactions in compliance with Regulation S of the US Securities Act ("**Regulation S**") and within the United States only to qualified institutional buyers ("**QIBs**") as defined in Rule 144A of the US Securities Act ("**Rule 144A**") pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act. Purchasers are hereby notified that sellers of the Rights Offer Shares may be relying on the exemption from Section 5 of the US Securities Act provided by Rule 144A.

The Letters of Allocation and the Rights Offer Shares will also not be registered under the securities laws of any of the Restricted Territories and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within such jurisdictions except pursuant to an applicable exemption. In particular, subject to certain exceptions, this Circular, any accompanying Form of Instruction and any other such documents should not be distributed in, forwarded to or transmitted in or into the United States or any other Restricted Territory.

This Circular is available in English only. Copies of this Circular may be obtained from the registered offices of the Company and the Sponsor at the addresses set out in "*Corporate Information and Advisers*" from Monday, 3 April 2017 to Thursday, 13 April 2017, both days inclusive. This Circular will also be available in electronic form from the Company's website (http://www.life.co.za/) from Tuesday, 28 March 2017. Other than as set forth in "*Incorporation by Reference*", the information contained on the Company's website is not incorporated by reference in this Circular and does not form a part of this Circular.

Joint Bookrunner and Underwriter

ABSA

Member of BARCLAYS

Joint Bookrunner and Underwriter

RMB

A division of FirstRand Bank Limited

Traditional values. Innovative ideas.

Sponsor

RMB

A division of FirstRand Bank Limited

Traditional values. Innovative ideas.

Legal advisers to Life as to US law

ALLEN & OVERY

Legal advisers to Life as to South African law

ALLEN & OVERY

Legal advisers to the Joint Bookrunners as to US law

Linklaters

Legal advisers to the Joint Bookrunners as to South African law

WEBBER WENTZEL

in alliance with > Linklaters

Independent reporting accountants and auditors of Life

pwc

Independent reporting accountants and auditors of Alliance Medical

pwc

Circular dated 28 March 2017.

NOTICE TO INVESTORS

The Rights Offer is being made in accordance with the Companies Act, 2008 (the "**Companies Act**") and is only addressed to persons to whom it may lawfully be made. By subscribing for any Rights Offer Shares or purchasing any Letters of Allocation, you will be deemed to have represented and agreed that: (i) you are not (and any person for whom you are acting is not) a Restricted Shareholder or otherwise (a) a resident in any jurisdiction in which such offer would be unlawful or (b) a person to whom the Rights Offer may not lawfully be made; and (ii) you have received all necessary information required to make an informed investment decision.

This Circular is not an offer of new Life Ordinary Shares, or an invitation to exercise any of the Rights pursuant to the Letters of Allocation, in any jurisdiction in which such offer would be unlawful. In a number of countries, in particular in the United States, Australia, Canada and Japan, the distribution of this Circular, the exercise of Rights pursuant to the Letters of Allocation, the offer of the Rights Offer Shares, as well as the sale of the Rights Offer Shares, are subject to restrictions imposed by law (such as registration, admission or other regulations). No action has been or will be taken by Life or by the Joint Bookrunners to permit the possession or distribution of this Circular (or any Letter of Allocation) in any jurisdiction where such distribution may otherwise lead to a breach of any law or regulatory requirement.

Accordingly, neither this Circular nor any advertisement nor any other offering material may be distributed or published in any jurisdiction except under circumstances that will be in compliance with applicable laws and regulations. Persons into whose possession this Circular may come are required to inform themselves about and comply with such restrictions, in particular not to publish or distribute this Circular in violation of applicable securities regulations. Any failure to comply with such restrictions may result in a violation of applicable securities regulations. This Circular does not constitute an offer to sell the Letters of Allocation or the Rights Offer Shares to any person in any jurisdiction in which it is unlawful to make such offer to such person, or a solicitation of an offer to buy the Letters of Allocation or the Rights Offer Shares from a person in a jurisdiction in which it is unlawful to make such solicitation.

No person is or has been authorised to give information or to make any representation regarding this Rights Offer other than those contained in this Circular and, if given or made, such information or representations shall not be relied upon as having been so authorised. No representation or warranty, express or implied, is made by the Joint Bookrunners as to the accuracy, completeness or verification of the information contained in this Circular, and nothing contained in this Circular is, or shall be relied upon as, a promise or representation by the Joint Bookrunners in this respect, whether as to the past or the future. The Joint Bookrunners assume no responsibility for its accuracy, completeness or verification and, accordingly, disclaim to the fullest extent permitted by applicable law any and all liability whether arising in delict (tort), contract or otherwise which they might otherwise be found to have in respect of this Circular or any such statement. Information given or representations made in connection with this Rights Offer or the subscription or the sale of the Letters of Allocation or the Rights Offer Shares that are inconsistent with those contained in this Circular are invalid.

Investors acknowledge that: (i) they have not relied on the Joint Bookrunners or any person affiliated with the Joint Bookrunners in connection with any investigation of the accuracy of any information contained in this Circular or their investment decision; and (ii) they have relied only on the information contained in this Circular, and that no person has been authorised to give any information or to make any representation concerning Life, Alliance Medical Group Limited ("**AMG**" and, together with its subsidiaries, "**Alliance Medical**") or each of their respective subsidiaries (altogether, the "**Enlarged Group**"), the Letters of Allocation or the Rights Offer Shares (other than as contained in this Circular) and, if given or made, any such other information or representation should not be relied upon as having been authorised by Life or the Joint Bookrunners.

The distribution of this Circular does not mean that the data contained herein is current as of any time after the date of this Circular. In particular, neither the delivery of this Circular nor the offer, sale or delivery of the Letters of Allocation or the Rights Offer Shares means that no adverse changes have occurred or no events have happened which may or could result in an adverse effect on the Enlarged Group's business, financial condition or results of operations.

Nothing contained in this Circular is intended to constitute investment, legal, tax, accounting or other professional advice. This Circular is for your information and nothing in this Circular is intended to endorse or recommend a particular course of action. In making an investment decision, each investor must rely on its own examination, analysis and enquiry of the Enlarged Group and the terms of the Rights Offer, including the merits and risks involved. Neither Life, nor any of the Joint Bookrunners, nor any of their respective representatives, is making any representation to any offeree, subscriber or purchaser of the Letters of Allocation or the Rights Offer Shares regarding the legality of an investment in the Letters of Allocation or the Rights Offer Shares by such offeree, subscriber or purchaser under the laws applicable to such offeree, subscriber or purchaser. Each investor should consult its own advisers before acquiring the Letters of

Allocation or subscribing for or purchasing the Rights Offer Shares. Investors are required to make their independent assessment of the legal, tax, business, financial and other consequences of acquiring the Letters of Allocation or subscribing for or purchasing the Rights or the Rights Offer Shares. They are also required to make their independent assessment of the risks involved in acquiring the Letters of Allocation or subscribing for or purchasing the Rights or the Rights Offer Shares.

The Joint Bookrunners are acting exclusively for Life and no one else in connection with the Rights Offer. They will not regard any other person (whether or not a recipient of this Circular) as their respective client in relation to the Rights Offer and will also not be responsible to anyone other than Life for providing the protections afforded to their clients or for giving advice in relation to the Rights Offer or any transaction or arrangement referred to herein.

In connection with the Rights Offer, each of the Joint Bookrunners and any of their respective affiliates, acting as an investor for its own account, may exercise Rights in terms of the Letters of Allocation in the Rights Offer and in that capacity may retain, purchase or sell for its own account such securities and any Letters of Allocation or Rights Offer Shares or related investments and may offer or sell such shares or other investments otherwise than in connection with the Rights Offer. Accordingly, references in this Circular to shares being offered should be read as including any offering of Letters of Allocation or Rights Offer Shares to any of the Joint Bookrunners or any of their respective affiliates acting in such capacity. None of the Joint Bookrunners intends to disclose the extent of such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

NOTICE TO INVESTORS IN THE UNITED STATES

The Letters of Allocation and the Rights Offer Shares offered hereby have not been and will not be registered under the US Securities Act, or with any securities regulatory authority of any state or other jurisdiction in the United States, and may not be offered, sold, exercised, transferred or delivered, directly or indirectly, in or into the United States at any time except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and applicable state and other securities laws of the United States. The Letters of Allocation will be issued and the Rights Offer Shares are being offered, in the United States only to QIBs in reliance on exemptions from registration under the US Securities Act.

THE LETTERS OF ALLOCATION AND THE RIGHTS OFFER SHARES OFFERED HEREBY HAVE NOT BEEN RECOMMENDED BY ANY US FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT PASSED UPON THE MERITS OF THE OFFERING OR CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

In the United States, this Circular is being furnished on a confidential basis solely for the purpose of enabling a prospective purchaser to consider purchasing the particular securities described herein.

The information contained in this Circular has been provided by Life and the other sources identified herein. Distribution of this Circular to any person other than the offeree specified by Life and those persons, if any, retained to advise such offeree with respect thereto is unauthorised, and any disclosure of its contents, without the prior written consent of Life, is prohibited. Any reproduction or distribution of this Circular in the United States, in whole or in part, and any disclosure of its contents to any other person is prohibited. This Circular is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the securities described herein. Investors agree to the foregoing by accepting delivery of this Circular.

If, at any time, Life is neither subject to Section 13 or 15(d) of the US Securities Exchange Act of 1934 (the "**US Exchange Act**") nor exempt from reporting pursuant to Rule 12g3-2(b) under the US Exchange Act, it will furnish, upon request, to any owner of the Rights Offer Shares, or any prospective purchaser designated by any such owner, the information required to be delivered pursuant to Rule 144A(d)(4) under the US Securities Act. In such cases, Life will also furnish to each such owner all notices of shareholders' meetings and other reports and communications that are made generally available by Life to its shareholders.

NOTICE TO INVESTORS IN SOUTH AFRICA

The Rights Offer will not constitute an "offer to the public", as envisaged in Chapter 4 of the Companies Act and, accordingly, this Circular does not, nor does it intend to, constitute a "registered prospectus", as contemplated in Chapter 4 of the Companies Act. Should any person who is not a Qualifying Shareholder (or its renouncee) receive this Circular, they should not, and will not be entitled to, acquire any Rights Offer Shares or Letters of Allocation or otherwise act thereon.

NOTICE TO INVESTORS IN THE UNITED KINGDOM

This Circular is only being distributed to and is only directed at: (i) persons who are outside the United Kingdom; or (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**"); or (iii) high net worth entities falling within Article 49(2)(a) to (d) of the Order; or (iv) persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons"). The Rights Offer Shares and Letters of Allocation are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Rights Offer Shares or Letters of Allocation will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this Circular or any of its contents.

MEMBER STATES OF THE EEA

In relation to each member state of the EEA which has implemented Directive 2003/71/EC ("**Prospectus Directive**") ("**Relevant Member State**") (other than the United Kingdom), an offer to the public of the Rights Offer Shares or Letters of Allocation contemplated by this Circular may not be made in that Relevant Member State pursuant to the Rights Offer prior to the publication of a prospectus in relation to the Rights Offer Shares or Letters of Allocation which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in the first Relevant Member State, all in accordance with the Prospectus Directive, except that an offer to the public in that Relevant Member State of such Rights Offer Shares or Letters of Allocation may be made at any time under the following exemptions under the Prospectus Directive, if they are implemented in that Relevant Member State:

(a) to any legal entity which is a "qualified investor" within the meaning of Article 2(1)(e) of the Prospectus Directive, as implemented in the Relevant Member State ("**Qualified Investor**"); or

(b) by the Joint Bookrunners to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of Directive 2010/73/EU, 150, natural or legal persons (other than Qualified Investors), subject to obtaining the prior consent of the Joint Bookrunners for any such offer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive subject to obtaining the prior consent of the Joint Bookrunners for any such offer,

provided that no such offer of the Rights Offer Shares or Letters of Allocation shall result in a requirement for the Company or the Joint Bookrunners to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive and each person who initially acquires any Rights Offer Shares or Letters of Allocation or to whom any offer is made will be deemed to have represented, warranted and agreed to and with the Company and the Joint Bookrunners that it is a Qualified Investor.

For the purposes of this provision, the expression "an offer to the public in relation to any Rights Offer Shares or Letters of Allocation in any Relevant Member State" means the communication in any form and by any means of sufficient information on the terms of the Rights Offer, the Rights Offer Shares or Letters of Allocation to be offered so as to enable an investor to decide to subscribe for or purchase any Rights Offer Shares or Letters of Allocation, as the same may be varied for that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

In the case of any Rights Offer Shares or Letters of Allocation being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will also be deemed to have represented, warranted and agreed that it is a Qualified Investor and (a) the Rights Offer Shares or Letters of Allocation acquired by it have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than Qualified Investors, or in circumstances in which the prior consent of the Joint Bookrunners has been obtained to each such proposed offer or resale; or (b) where Rights Offer Shares or Letters of Allocation have been acquired by it on behalf of persons in any Relevant Member State other than Qualified Investors, the offer of those Rights Offer Shares or Letters of Allocation to it is not treated under the Prospectus Directive as having been made to such persons. The Company and the Joint Bookrunners and each of their respective affiliates and others will rely upon the truth and accuracy of the foregoing representation, warranty and agreement.

NOTICE TO INVESTORS IN AUSTRALIA, CANADA, JAPAN AND CERTAIN OTHER JURISDICTIONS

The Rights Offer will not be made to persons who are residents of Australia, Canada or Japan, or in any jurisdiction in which such offering would be unlawful.

NOTICE TO NOMINEES, CUSTODIANS AND FINANCIAL INTERMEDIARIES

Any person, including nominees, custodians and other financial intermediaries who would, or otherwise intends to, or has a contractual or legal obligation to forward this Circular or any information relating to this Rights Offer to any jurisdiction outside of South Africa, should adhere to the restrictions set out above and in the section entitled "*Circular to Qualifying Shareholders–Overseas Shareholders*" commencing on page 50 of this Circular. In connection with any subscriptions for the Rights Offer Shares or any sales or purchases of the Letters of Allocation, nominees, custodians and financial intermediaries will be deemed to have represented and warranted that they have complied with the terms of the Rights Offer.

ENFORCEMENT OF CIVIL LIABILITIES

The ability of a Life Ordinary Shareholder resident in, or a citizen of, a jurisdiction outside South Africa ("**Overseas Shareholder**") to bring an action against Life may be limited under law. The rights of "**Life Shareholders**", being registered holders of Life Ordinary Shares are governed by South African law, the Listings Requirements and by Life's memorandum of incorporation, as amended (the "**MOI**"). An Overseas Shareholder may not be able to enforce a judgment against some or all of the Directors and executive officers. It may not be possible for an Overseas Shareholder to affect service of process upon the Directors and executive officers within the Overseas Shareholder's country of residence or to enforce against the Directors and executive officers judgments of courts of the Overseas Shareholder's country of residence based on civil liabilities under that country's securities laws. There can be no assurances that an Overseas Shareholder will be able to enforce any judgments in civil and commercial matters or any judgments under the securities laws of countries other than South Africa against the Directors or executive officers who are residents of countries other than those in which judgment is made. In addition, South African or other courts may not impose civil liability on the Directors or executive officers in any original action based solely on foreign securities laws brought against Life or its Directors or executive officers in a court of competent jurisdiction in South Africa or other countries.

CERTAIN FORWARD-LOOKING STATEMENTS

This Circular includes certain "forward-looking statements" that reflect the current views or expectations of the Directors with respect to future events and future financial and operational performance. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements, including, without limitation, those concerning: the economic outlook for the industries in which the Enlarged Group operates; use of the proceeds of the Rights Offer; the Enlarged Group's ability to successfully integrate the operations of Alliance Medical and recognise expected synergies; the success of strategic initiatives and investments related to Alliance Medical and its operations; the Enlarged Group's ability to implement its strategy; the competitive environments in which the Enlarged Group operates; trends in the industries and markets in which the Enlarged Group operates; future operating results, growth prospects and outlook for the operations of the Enlarged Group, individually or in the aggregate; and the Enlarged Group's liquidity and available capital resources and expenditure. Such forward-looking statements generally reflect the Enlarged Group's current plans, estimates, projections and expectations concerning future results and events and generally may be identified by the use of forward-looking words or phrases such as "believe", "aim", "expect", "anticipate", "intend", "foresee", "forecast", "likely", "should", "planned", "may", "estimated", "potential" or similar words and phrases. Similarly, statements that describe the Enlarged Group's objectives, plans or goals are or may be forward-looking statements. Forward-looking statements are included in, among other sections, *"Background to and Reasons for the Rights Offer", "Use of Proceeds"*, *"Dividends and Dividend Policy"*, *"Business of Life Group"*, *"Business of Alliance Medical"* and *"Operating and Financial Review"*.

Although the Directors believe that the expectations reflected in these and other forward-looking statements are reasonable, no assurances can be given that such expectations will materialise or prove to be correct. These forward-looking statements are based on various estimates and/or assumptions subject to known and unknown risks, uncertainties and other factors that may cause future events or the Enlarged Group's actual results, performance or achievements to differ materially from those expressed or implied by these forward-looking statements.

These risks, uncertainties and other factors include, among others:

- the Enlarged Group's ability to maintain good relationships with the doctors who provide medical services at its facilities;
- the Enlarged Group's relationships with medical healthcare funders and changes in tariffs that the Enlarged Group is able to agree with the medical healthcare funders;
- the Enlarged Group's ability to identify and acquire new facilities and integrate future acquisitions;
- the Enlarged Group's ability to comply with its existing licences and regulatory requirements and obtain new licences to expand its facilities;
- the impact of new laws, regulations and standards (and the interpretation and application thereof) in healthcare regulation and cost reimbursement, the environment, tax and health and safety;
- the Enlarged Group's ability to attract and retain skilled personnel and employees; and
- competition in the industry in which the Enlarged Group operates and the outcome of the South Africa Competition Commission (the "**Competition Commission**") market inquiry into the private healthcare sector.

Additional factors that could cause the Enlarged Group's actual results, performance or achievements to differ materially from those contained herein include, but are not limited to, those discussed herein and under *"Risk Factors".* Consequently, investors are cautioned not to place undue reliance on the forward-looking statements.

Qualifying Shareholders should carefully review all information included in this Circular, including the historical financial statements and the notes thereto presented in the respective annexures to this Circular. The forward-looking statements included in this Circular are made only as of the date of this Circular. Life undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this Circular or to reflect the occurrence of future events. All subsequent written and oral forward-looking statements attributable to Life or any person acting on its behalf are qualified by the cautionary statements above.

IMPORTANT INFORMATION

CERTAIN DEFINITIONS

References to "**Life**" and the "**Company**" are to Life Healthcare Group Holdings Limited. References to "**Life Group**" are to Life and its subsidiaries prior to the acquisition of Alliance Medical (the "**Acquisition**"). References to the "**Enlarged Group**" are to Life Group following completion of the Acquisition (including Alliance Medical). References to "**Alliance Medical**" are to Alliance Medical Group Limited and its subsidiaries.

PRESENTATION OF FINANCIAL INFORMATION

This Circular incorporates by reference Life Group's audited consolidated financial statements as at and for each of the financial years ended 30 September 2016, 2015 and 2014 (see "*Incorporation by Reference*"). On 21 November 2016, Life Group completed the Acquisition. Therefore, this Circular also includes the historical financial information of Alliance Medical as at and for the financial years ended 31 March 2016 and 2015 and the condensed consolidated interim financial information of Alliance Medical as at and for the six months ended 30 September 2016 and 2015.

Life Group's consolidated financial statements are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("**IFRS**"), the requirements of the Companies Act of South Africa, the South African Institute of Chartered Accountants ("**SAICA**") Financial Reporting Guides as issued by the Accounting Practices Committee and International Financial Reporting Interpretations Committee interpretations issued and effective or issued and early adopted as at 30 September 2016. The consolidated financial statements of Life Group as at and for each of the financial years ended 30 September 2016, 2015 and 2014 incorporated by reference in this Circular have been audited by PricewaterhouseCoopers Inc. ("**PricewaterhouseCoopers**").

Unless otherwise stated, in this Circular, Life Group's financial information as at and for the financial years ended 30 September 2016 and 2015 has been derived, without material adjustment, from Life Group's audited consolidated financial statements as at and for the financial year ended 30 September 2016 (the "**2016 Annual Consolidated Financial Statements for Life Group**") incorporated by reference in this Circular (see "*Incorporation by Reference*"). During the financial year ended 30 September 2016, Life Group made certain immaterial changes to the presentation of its financial statements relating to the aggregation or deletion of immaterial items, the removal of duplicated information and disclosures, an updated sequence of information presented in the financial statements and an updated format of notes and disclosures. As a result, the presentation of the financial information as at and for the financial years ended 30 September 2015 and 2014 herein differs from the presentation of the historical financial information as at and for the financial years ended 30 September 2015 and 2014 incorporated by reference in this Circular from Life Group's audited consolidated financial statements as at and for the financial year ended 30 September 2015 (the "**2015 Annual Consolidated Financial Statements for Life Group**") and Life Group's audited consolidated financial statements as at and for the financial year ended 30 September 2014 (the "**2014 Annual Consolidated Financial Statements for Life Group**") (see "*Incorporation by Reference*"). Life Group's financial information as at and for the financial years ended 30 September 2015 and 2014 has been presented herein on a basis consistent with the 2016 Annual Consolidated Financial Statements for Life Group.

The historical financial information of Alliance Medical as at and for the financial years ended 31 March 2016 and 2015 has been derived, without material adjustment, from Alliance Medical's audited consolidated financial statements for the financial year ended 31 March 2016 (the "**2016 Consolidated Financial Statements for Alliance Medical**") presented in Annexure 5 to this Circular and has been prepared in accordance with IFRS and the JSE Listings Requirements. The consolidated financial statements as at and for the financial years ended 31 March 2016 and 2015 have been audited by PricewaterhouseCoopers.

The interim financial information of Alliance Medical as at, and for the six months ended, 30 September 2016 and 2015 has been derived, without material adjustment, from Alliance Medical's unaudited condensed consolidated interim financial statements for the six months ended 30 September 2016 (the "**2016 Condensed Consolidated Interim Financial Statements for Alliance Medical**") presented in Annexure 7 to this Circular and has been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* and the JSE Listings Requirements. This information should be read in conjunction with the 2016 Consolidated Financial Statements for Alliance Medical. The condensed consolidated interim financial information for the six months ended 30 September 2016 and 2015 has been reviewed by PricewaterhouseCoopers.

As a result of the Acquisition, Alliance Medical has been consolidated as a subsidiary of the Enlarged Group under IFRS since 21 November 2016, the effective date of the Acquisition.

The financial information presented in this Circular, including in tables, has been rounded to the nearest whole number or the nearest decimal place. Therefore, when presented in a table, the sum of the numbers in a column may not conform exactly to the total figure given for that column. In addition, certain percentages presented in the tables in this Circular reflect calculations based upon the underlying information prior to rounding and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

The financial information included in this Circular is not intended to comply with the US Securities Act and US Securities and Exchange Commission ("**SEC**") requirements. Compliance with such requirements would require, among other things, compliance with the requirements of Regulation S-X of the US Exchange Act and the exclusion of certain non-IFRS measures.

PRO FORMA FINANCIAL INFORMATION

This Circular includes *pro forma* financial information (the "***Pro Forma* Financial Information**"), which has been adjusted to reflect:

(a) the acquisition and consolidation of Alliance Medical, which includes any subsequent modifications and addendums to the acquisition related agreements; and

(b) the Rights Offer as contemplated in this Circular (collectively referred to herein as the "**Transactions**"),

as if the Transactions had occurred (a) on 1 October 2015 for purposes of the *pro forma* adjustments made to the *pro forma* statement of comprehensive income and (b) on 30 September 2016 for purposes of the *pro forma* adjustments made to the *pro forma* statement of financial position.

The *Pro Forma* Financial Information is presented for illustrative purposes only. The *pro forma* adjustments and *Pro Forma* Financial Information set out in this Circular are based on available information and certain assumptions and estimates that the Directors believe are reasonable. The *Pro Forma* Financial Information does not necessarily represent what the Enlarged Group's financial position and results of operations actually would have been had the Transactions occurred on such date, or as of the beginning of such period, and is not necessarily indicative of the Enlarged Group's financial position or results of operations for any future date or period or the effect and impact of the Transactions going forward. Specifically, the *Pro Forma* Financial Information does not adjust the historical information for movements in the Pound Sterling to Rand exchange rate.

The *Pro Forma* Financial Information has been prepared using the bases and assumptions outlined in Annexure 3.

The Directors are responsible for the compilation, contents, accuracy and preparation of the *Pro Forma* Financial Information giving effect to the Transactions. Their responsibility includes determining that the *Pro Forma* Financial Information has been properly compiled on the basis stated, that the basis is consistent with the accounting policies of Life Group and that the *pro forma* adjustments are appropriate for the purposes of the *Pro Forma* Financial Information disclosed pursuant to the Listings Requirements. Life Group's audit committee has reviewed and has satisfied themselves with the compilation, contents, accuracy and presentation of the *Pro Forma* Financial Information.

The *Pro Forma* Financial Information should be read in conjunction with the Independent Reporting Accountants' Report presented in Annexure 4, the information included in this Circular under the headings "*Background to and Reasons for the Rights Offer*", "*Selected Financial and Other Information of Life Group*", "*Selected Financial and Other Information of Alliance Medical*" and "*Operating and Financial Review*" and the historical financial statements and the notes thereto incorporated by reference herein or presented in the respective annexures to this Circular.

The Independent Reporting Accountants' Report is included solely to comply with the requirements of the Listings Requirements. Such *pro forma* financial information has not been prepared in accordance with the requirements of Regulation S-X of the US Exchange Act, other SEC requirements or generally accepted accounting practices in the United States. In addition, the rules and regulations related to the preparation of *pro forma* financial information in other jurisdictions may also vary significantly from the requirements applicable in South Africa. The reporting on the *pro forma* financial information by PricewaterhouseCoopers has not been carried out in accordance with the auditing standards generally accepted in the US and, accordingly, should not be relied upon by investors as if it had been carried out in accordance with those standards or any other standards besides the South African requirements discussed above.

NON-IFRS MEASURES

This Circular contains certain measures which are not measures defined by IFRS and which are used by Life Group and Alliance Medical, respectively, to assess the financial performance of their respective businesses. For Life Group, these measures include normalised EBITDA, headline earnings per share and normalised earnings per share. For Alliance Medical, such measures have historically included EBITDA. These measures are defined, and included for the reasons described below; however, these measures should not be considered as alternatives to Life Group's or Alliance Medical's historical financial results based on IFRS. These non-IFRS measures are included because the Directors believe that these measures enhance an investor's understanding of Life Group's and Alliance Medical's results of operations and financial performance as they present additional financial measures regularly used by the management of Life Group and Alliance Medical to assess operating performance. These measures are not uniformly defined by all companies, including those in the healthcare and diagnostics industries. Accordingly, these measures may not be comparable with similarly titled measures and disclosures by other companies.

Life Group

Normalised EBITDA

Life Group defines normalised EBITDA as operating profit before depreciation on property, plant and equipment and amortisation of intangible assets, and excluding retirement benefit asset and post-employment medical aid. Operating profit represents profit before tax, contingent consideration released, transaction costs, impairment of investment, profit on disposal of investment in associate, loss recognised on re-measuring previously held interest in associate to fair value, fair value gains/(losses) on derivative financial instruments, other non-recurring items, finance income, finance cost, and share of associates' and joint ventures' net profit after tax.

The following table presents a reconciliation calculation from operating profit to normalised EBITDA:

	Year ended 30 September		
(Rand, in millions)	**2016**	**2015**	**2014**
Operating profit	3,660	3,496	3,150
Depreciation on property, plant and equipment	530	445	355
Amortisation of intangible assets	147	127	122
Retirement benefit asset and post-employment medical aid	(23)	(20)	(16)
Normalised EBITDA	4,314	4,048	3,611

Headline earnings per share

Life Group defines headline earnings per share in accordance with the SAICA Circular 2/2015, as headline earnings, which consists of profit after tax attributable to ordinary equity holders, adjusted for impairment of investment, loss on remeasuring previously held interest in associate to fair value, profit on disposal of investment in associate and other re-measurement items (all net of related tax and non-controlling interests), divided by the weighted average number of ordinary shares in issue during the year.

The following table presents a reconciliation calculation from profit after tax attributable to ordinary equity holders to headline earnings and headline earnings per share:

	Year ended 30 September		
(Rand, in millions, except shares and per share amounts)	**2016**	**2015**	**2014**
Profit after tax attributable to ordinary equity holders	1,616	1,866	2,774
Adjustments:			
Impairment of investment	370	–	–
Loss on remeasuring previously held interest in associate to fair value	23	–	–
Profit on disposal of investment in associate	–	–	(929)
Other	(1)	–	(1)
Headline earnings	2,008	1,866	1,844
Weighted average number of shares (in thousands)	1,043,180	1,037,366	1,037,247
Headline earnings per share (cents)	192.5	179.9	177.8

Normalised earnings per share

Life Group defines normalised earnings per share as normalised earnings, which consists of profit after tax attributable to ordinary equity holders, adjusted for loss on remeasuring previously held interest in associate to fair value, impairment of investment, contingent consideration released, retirement funds, retirement funds (included in employee-related expenses), profit on disposal of investment in associate, transaction costs, fair value gain on foreign exchange hedge contract and other non-recurring items (all net of related tax and non-controlling interests), divided by the weighted average number of ordinary shares in issue during the year.

The following table presents a reconciliation calculation from profit after tax attributable to ordinary equity holders to normalised earnings and normalised earnings per share:

	Year ended 30 September		
(Rand, in millions, except per share amounts)	**2016**	**2015**	**2014**
Profit after tax attributable to ordinary equity holders	1,616	1,866	2,774
Adjustments (net of tax and non-controlling interests):			
Loss on remeasuring previously held interest in associate to fair value	23	–	(54)
Impairment of investment	370	–	–
Contingent consideration released	(109)	(21)	–
Retirement funds	(16)	(15)	(11)
Retirement funds (included in employee-related expenses)	(3)	(4)	(7)
Profit on disposal of investment in associate	–	–	(929)
Transaction costs	12	15	16
Fair value gain on foreign exchange hedge contract	–	(1)	(40)
Other(1)	6	–	(1)
Normalised earnings	1,899	1,840	1,748
Weighted average number of shares (in thousands)	1,043,180	1,037,366	1,037,247
Normalised earnings per share (cents)	182.1	177.4	168.6

(1) Other comprises profit on disposal of business, impairment of property, plant and equipment and gain on bargain purchase.

Alliance Medical

EBITDA

Alliance Medical historically defined EBITDA as profit before interest, tax, amortisation of acquired intangibles, profit/(loss) on disposal of property, plant and equipment, other administrative expenses and depreciation.

The following table presents a reconciliation calculation from profit before interest and taxation to EBITDA:

	Year ended 31 March		Six months ended 30 September	
(£, in millions)	**2016**	**2015**	**2016**	**2015**
Profit before interest and taxation	19.5	19.1	14.7	10.3
Adjustments:				
Loss on disposal of property, plant and equipment	0.8	0.4	–	0.3
Amortisation	8.9	8.9	4.9	4.3
Other administrative expenses(1)	11.8	6.5	2.5	4.2
Depreciation	19.2	19.2	10.4	9.1
EBITDA	60.2	54.1	32.5	28.2

(1) Other administrative expenses in the year ended 31 March 2016 comprise reorganisation and restructuring costs (£6.7 million), PET contract mobilisation (£3.3 million) and merger and acquisition costs (£1.8 million). Other administrative expenses in the year ended 31 March 2015 comprise reorganisation and restructuring costs (£3.4 million), AMMIL gain on consolidation (£1.5 million) and loss on disposal (£4.6 million).

EXCHANGE RATE INFORMATION

Life Group publishes its financial statements in millions of Rand ("**Rand**", "**R**" or "**cents**"). Alliance Medical publishes its financial statements in millions of Pound Sterling ("**£**" or "**GBP**"). All references in this Circular to "**US dollars**" and "**US$**" are to the lawful currency of the United States. All references in this Circular to "**euro**" and "**€**" are to the currency introduced at the start of the third stage of the Economic and Monetary Union pursuant to the Treaty establishing the European Economic Community, as amended by the Treaty on the European Union. All references in this Circular to "**Złoty**" and "**PLN**" are to the lawful currency of Poland.

The table below sets out period end, average, high and low exchange rates of Rand per US dollar for each period indicated as reported by Bloomberg L.P. ("**Bloomberg**"). The Rand/US$ exchange rate on 16 March 2017 (the "**Last Practicable Date**") was R12.7327 to US$1.00.

	Rand per US$1.00			
	Period End	**Average**	**High**	**Low**
Year ended 31 December				
2012	8.4778	8.2104	8.9608	7.4531
2013	10.5206	9.6459	10.5845	8.4098
2014	11.5510	10.8493	11.8171	10.2690
2015	15.4868	12.7773	16.0778	11.2564
2016	13.7344	14.6967	17.9434	13.1581
2017 (to Last Practicable Date)	12.7327	13.3164	13.7835	12.6759
Month				
January 2017	13.5090	12.5644	13.7835	13.2909
February 2017	13.1122	13.1862	13.5326	12.7896
March 2017 (to Last Practicable Date)	12.7327	13.0677	13.3750	12.6759

The table below sets out period-end, average, high and low exchange rates of GBP per US dollar for each period indicated as reported by Bloomberg. The GBP/US dollar exchange rate on the Last Practicable Date was £0.8096 to US$1.00.

	£ per US$1.00			
	Period End	**Average**	**High**	**Low**
Year ended 31 December				
2012	0.6156	0.6310	0.6537	0.6145
2013	0.6036	0.6395	0.6751	0.6032
2014	0.6418	0.6075	0.6457	0.5816
2015	0.6787	0.6545	0.6866	0.6275
2016	0.8100	0.7407	0.8509	0.6645
2017 (to Last Practicable Date)	0.8096	0.8083	0.8344	0.7870
Month				
January 2017	0.7957	0.8098	0.8285	0.7931
February 2017	0.8053	0.8007	0.8100	0.7870
March 2017 (to Last Practicable Date)	0.8096	0.8179	0.8258	0.8051

Unless otherwise stated, the GBP to Rand exchange rate used in this Circular represents a weighted average exchange rate of £1.00 to R21.03 for the twelve months ended 30 September 2016.

INDUSTRY INFORMATION

Unless otherwise indicated, market data, statistics and information in this Circular constitute the Directors' estimates, using underlying data from independent third parties, each of Life Group's or Alliance Medical's knowledge of the industries in which it operates and Life Group's or Alliance Medical's own calculations based on such information. The Company obtained certain market data and industry forecasts used in this Circular from internal surveys, reports and studies, where appropriate, as well as market research, publicly available information and industry publications compiled by a leading international consulting firm engaged by the Company for the purposes of assessing the market (the "**Market Research**"). The Company confirms that the information sourced from third parties, including the Market Research, has been accurately reproduced, but neither the Company nor the Joint Bookrunners have independently verified such data. The Company cannot give any assurance on the accuracy or completeness of, or take any responsibility for, such data. So far as the Company is aware and has been able to ascertain from information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

TRADEMARKS

The Enlarged Group owns or has the right to use certain trademarks, trade names or service marks that it uses in connection with the operation of its business. The Enlarged Group asserts, to the fullest extent under applicable law, its rights to these trademarks, trade names or service marks. Each trademark, trade name or service mark of any other company appearing in this Circular belongs to its holder. Solely for convenience, the trademarks, trade names and copyrights referred to in this Circular are listed without the ™, ® and © symbols.

TABLE OF CONTENTS

ACTION REQUIRED OF QUALIFYING SHAREHOLDERS

ACTION REQUIRED OF QUALIFYING CERTIFICATED SHAREHOLDERS

If you are a Qualifying Certificated Shareholder, you should complete the Form of Instruction enclosed with this Circular.

If you do not wish to subscribe for all of your Rights under the Letters of Allocation, as reflected in the Form of Instruction, you may either dispose of or renounce all or part of your Rights.

If you wish to dispose of all or part of your Rights under the Letters of Allocation, you must complete Form A in the enclosed Form of Instruction and return it to the Transfer Secretaries so that it is received by no later than 12:00 (SAST) on Monday, 10 April 2017. The Transfer Secretaries will endeavour to procure the sale of your Rights on the JSE on your behalf and to remit the proceeds less any fees paid to the Transfer Secretaries in accordance with your instructions. In this regard, neither the Transfer Secretaries, Life nor the Joint Bookrunners will have any obligation or be responsible for any loss or damage whatsoever in relation to or arising from the timing of such sales, the price obtained or the failure to dispose of such Rights. Please note that the last day to trade Rights is Monday, 10 April 2017.

If you wish to renounce all or part of your Rights under the Letters of Allocation in favour of any named renouncee, you must complete Form B in the enclosed Form of Instruction, and the renouncee must complete Form C in the enclosed Form of Instruction, and return it to the Transfer Secretaries so as to be received by no later than 12:00 (SAST) on Thursday, 13 April 2017.

Payment for the Rights Offer Shares subscribed for: (i) must be made in full by a bank-guaranteed cheque drawn on a South African bank or banker's draft drawn on a registered commercial bank (each of which should be crossed and marked "not transferable", and in the case of a cheque with the words "or bearer" deleted), or electronic funds transfer ("**EFT**") (into the designated bank account, details of which are available from the Transfer Secretaries on request by contacting the Transfer Secretaries' call centre for corporate actions on +27 (0) 86 110 0634) in favour of "Life Healthcare Rights Offer"; (ii) must be paid in Rand; and (iii) if made by bank-guaranteed cheque, banker's draft or proof of payment by EFT, must be lodged, posted, faxed or emailed, as the case may be, together with the completed Form of Instruction, as follows:

By hand to:
Life Healthcare Group Holdings Limited – Rights Offer
c/o Computershare Investor Services
Proprietary Limited
Rosebank Towers
15 Biermann Avenue
Rosebank
2196
South Africa

By post to:
Life Healthcare Group Holdings Limited – Rights Offer
c/o Computershare Investor Services
Proprietary Limited
PO Box 61763
Marshalltown
2107
South Africa

By facsimile to:
+27 (0) 11 688 5210

By email to:
corporate.events@computershare.co.za

The Transfer Secretaries will not be responsible for any loss and/or damage whatsoever in relation to or arising from the late or non-receipt of faxed or emailed Forms of Instruction or owing to Forms of Instruction being forwarded to any other facsimile number or email address other than that provided above. Notwithstanding anything to the contrary, it is the Qualifying Shareholder's responsibility to ensure that their Form of Instruction is received by the Transfer Secretaries.

If you take up your full Rights and you wish to apply for additional Rights Offer Shares, you must complete the enclosed Form of Instruction in accordance with the instructions contained therein and remit sufficient funds to cover your total application.

If the required documentation and payment have not been received in accordance with the instructions contained in the enclosed Form of Instruction, either from the Qualifying Certificated Shareholder or from any person in whose favour the Rights have been renounced, by 12:00 (SAST) on Thursday, 13 April 2017, then the Rights of that Qualifying Certificated Shareholder to those unsubscribed Rights Offer Shares will be deemed to have been declined and the Rights will lapse for such Qualifying Certificated Shareholder.

ACTION REQUIRED OF QUALIFYING DEMATERIALISED SHAREHOLDERS

If you are a Qualifying Dematerialised Shareholder, the printed Form of Instruction is not applicable to you. Your CSDP or Broker will credit your account with the number of Rights to which you are entitled and you should receive notification from your CSDP or Broker in this regard. If your CSDP or Broker does not contact you, you should contact your CSDP or Broker and provide them with your instructions.

If you do not wish to subscribe for all of the Rights allocated to you, you may either dispose of or renounce all or part of your Rights.

If you wish to dispose of all or part of your Rights, you are required to instruct your CSDP or Broker as to the number of Rights of which you wish to dispose. Please note that the last day to trade Rights is Monday, 10 April 2017.

If you wish to renounce all or part of your Rights in favour of any named renouncee, you are required to instruct your CSDP or Broker as to the number of Rights you wish to renounce and in favour of whom you wish to renounce those Rights.

If you wish to subscribe for all or part of your Rights, you are required to instruct your CSDP or Broker as to the number of Rights Offer Shares for which you wish to subscribe.

If you take up your full Rights and you wish to apply for additional Rights Offer Shares, you are required to instruct your CSDP or Broker as to the number of additional Rights Offer Shares for which you wish to subscribe.

CSDPs effect payment on a delivery versus payment basis.

Instructions to your CSDP or Broker must be provided in the manner and time stipulated in the custody agreement governing the relationship between yourself and your CSDP or Broker. If your CSDP or Broker does not obtain instructions from you, they are obliged to act in terms of the mandate granted to them by you or, if the mandate is silent in this regard, the Rights of such Qualifying Dematerialised Shareholder may lapse.

Life does not take responsibility and will not be held liable for any failure on the part of any CSDP or Broker to notify you of the Rights Offer and/or to obtain instructions from you to subscribe for the Rights Offer Shares and/or to dispose of the Rights allocated.

Qualifying Dematerialised Shareholders and Restricted Shareholders are advised to contact their CSDP or Broker as early as possible to establish what the cut-off dates and times are for acceptance of the Rights Offer, as set out in the custody agreement, as this may be earlier than the proposed closing time of the Rights Offer.

OVERSEAS SHAREHOLDERS AND RESTRICTED SHAREHOLDERS

Additional information for Overseas Shareholders and Restricted Shareholders is provided in "*Circular to Qualifying Shareholders–Particulars of the Rights Offer–Overseas Shareholders*" and *"Circular to Qualifying Shareholders–Particulars of the Rights Offer–Representations and warranties*".

ACTION REQUIRED IF YOU HAVE DISPOSED OF YOUR SHARES

If you have disposed of all of your Life Ordinary Shares, this Circular should be forwarded to the purchaser to whom, or the CSDP, Broker, banker or agent through whom, you disposed of such shares, but not if the purchaser or transferee is in the United States or any other jurisdiction where to do so may constitute a violation of local securities laws or regulations.

NOTE:

If you are in any doubt as to what action you should take, you should consult your CSDP, Broker, banker, legal adviser, accountant or other professional adviser immediately.

Life does not accept responsibility and will not be held liable for any failure on the part of the CSDP or Broker of a Qualifying Dematerialised Shareholder to notify such shareholder of the Rights Offer and/or to obtain instructions from you to subscribe for the Rights Offer Shares and/or to dispose of the Rights allocated.

BACKGROUND TO AND REASONS FOR THE RIGHTS OFFER

Life Group is one of three major private healthcare providers in South Africa primarily serving the private medically insured market. Life Group provides acute care and high-technology private hospital services, acute rehabilitation, mental health, renal dialysis, radiation and chemotherapy oncology, occupational health, employee wellness services, acute and long-term chronic mental health and frail care services in South Africa. Life Group also has operations in Poland and a joint venture with a private hospital operator in India.

Life Group's southern African healthcare business represented 93% of Life Group's revenue during the financial year ended 30 September 2016. Life Group's International division represented 7% of Life Group's revenue during the financial year ended 30 September 2016.

Life Group seeks to be a market-leading, international, diversified healthcare provider, improving the lives of people through the delivery of high-quality, cost-effective care provided by its traditional acute hospital business and growing platform of complementary services.

Life Group's strategic objective is to establish a sizeable international business and to accelerate the transition from a South African focused acute care group to an international, diversified healthcare provider. Life Group's international expansion strategy has been focused on selected attractive markets that display supportive characteristics for the longer-term growth of the private healthcare market.

THE ACQUISITION OF ALLIANCE MEDICAL

On 21 November 2016, Life Group completed the acquisition of Alliance Medical for a total initial consideration of £585,900,000 and a contingent earn-out consideration of up to £40 million. Of the total initial consideration, £552,900,000 was settled in cash and 82,087 B ordinary shares in the share capital of AMG held by three members of Alliance Medical management were exchanged for B ordinary shares in the share capital of Life UK Healthcare Limited ("**Bidco**") (the "**Bidco B Shares**"). For a detailed description of the Acquisition see Annexure 10: "*Material Agreements – Alliance Medical Acquisition*".

Alliance Medical is one of Europe's leading providers of complex molecular and diagnostic imaging services, with operations in the United Kingdom, Italy, Ireland, Spain, the Netherlands, Germany, Finland, Bulgaria, France and Norway. Alliance Medical provides complex diagnostic imaging services and molecular imaging services to patients, public health services and independent organisations, through a portfolio of mobile and fixed location scanners. In the United Kingdom, Alliance Medical operates 88 diagnostic imagining scanners at 37 diagnostic imaging sites and 34 mobile scanners and operates 31 PET-CT National Contract sites (including The Christie NHS Foundation Trust ("**The Christie**"), the largest cancer centre in Europe), offering magnetic resonance imaging ("**MRI**"), computerised tomography ("**CT**") and positron emission tomography computerised tomography ("**PET-CT**") services to both the National Health Service ("**NHS**") and private hospitals; manufactures radiopharmaceuticals for its PET-CT scanning operations; and also sells radioisotopes commercially and for use in clinical trials. In Italy, Alliance Medical provides diagnostic imaging services and molecular imaging services at 22 static diagnostic imagining sites and 13 owned clinics, offering MRI, CT and PET-CT services. In Ireland, Alliance Medical provides diagnostic imaging services and molecular imaging services to both public and private hospitals at 19 operating sites, offering MRI, CT and PET-CT services. The geographic split of Alliance Medical's revenue for the twelve months ended 30 September 2016 was: United Kingdom 54%; Italy 29%; Ireland 9%; Northern Europe 5%; and Spain 3%.

On a *pro forma* basis, assuming the Transactions had occurred on 1 October 2015, the Enlarged Group would have had *pro forma* revenue and other income of R21.5 billion and *pro forma* normalised EBITDA of R5.6 billion for the financial year ended 30 September 2016.

The Enlarged Group believes that the Acquisition establishes the Enlarged Group as an international healthcare provider with a shared long-term strategic vision, geographically diversifies its revenue and other income as 29% was generated on a *pro forma* basis outside South Africa (13% and 7% of which was generated on a *pro forma* basis in the United Kingdom and Italy, respectively) during the financial year ended 30 September 2016 and is a continuation of its strategy of growing its complementary services. Life Group sees the entry into diagnostics as a natural part of its growth and diversification strategy given that over the past few years it has expanded into mental health, acute physical rehabilitation, renal dialysis and oncology. In particular, the Acquisition advances the Enlarged Group's strategic objectives in the following ways:

- **Exposure to high growth markets:** There is a strong underlying demand for diagnostic imaging services in the markets in which Alliance Medical operates, which the Enlarged Group expects to lead to medium to high single digit growth over the medium term. Demand is driven by an increasing disease burden incidence, ageing populations, increased focus on early diagnosis, concern over waiting times and advances in medical technology.

- **10-year PET-CT contract with the NHS:** In England, Alliance Medical enjoys an embedded partnership with NHS England for the provision of PET-CT scans. Alliance Medical is the sole provider of PET-CT scans to 50% of the English population under a 10-year, fixed price, unlimited volume contract (the "**PET-CT National Contract**") and provides PET-CT scans to a further 10% of the English population through other historical contracts, which has positioned it as the NHS's strategic development partner for PET-CT. In the United Kingdom, the Enlarged Group expects that the PET-CT market will grow at a rate of 12% to 14% per year over the next four to five years.
- **Chronic shortage of capacity and increased demand:** Public healthcare systems are constrained by the limited availability of public sector capital investment in infrastructure, including imaging equipment, and are struggling to cope with demand, which creates further opportunities for the private sector. Additionally, a shift towards out-of-hospital care due to limited space offers select consolidation opportunities for the community-based model. By providing mobile capacity, Alliance Medical has insight into structural supply constraints in English markets, allowing it to appropriately manage utilisation, as well as capital expenditure spending, replacing mobile units with permanent scanners as volumes grow. Furthermore, England is behind other major European countries in its per capita PET and PET-CT scan rate with approximately 1,451 scans per million people in 2013, compared with Germany at approximately 1,517 scans per million people, Spain at approximately 3,274 scans per million people, France at 4,879 scans per million people and Italy at approximately 5,455 scans per million people (source: Market Research). Consequently, the Enlarged Group believes the PET-CT market will grow rapidly to become more aligned with other European countries.
- **PET-CT becoming the gold standard for oncology**: Scan volumes have grown by approximately 10% per year in recent years due to the rise in cancer incidence. With incidences of cancer expected to increase at a rate of 1.5% per year in the United Kingdom and 1.2% per year in Europe and PET-CT becoming the standard for oncology, diagnostics has been identified as a priority given the positive impact early diagnosis has on treatment outcomes as well as on the overall cost of treatment (source: Market Research).

- **Diversification into complementary service lines/disciplines**: Life Group is growing its complementary service proposition of mental health, acute rehabilitation, renal dialysis and oncology services. Alliance Medical's service lines and products are complementary to those of Life Group and are linked to high-growth treatment areas such as oncology and neuro-disorders.
  - **Gives the Enlarged Group a firm foothold in diagnostics**: The Enlarged Group believes that diagnostics is a strategically important and complementary business with further growth expected to come from underlying market demand and potential consolidation. The Enlarged Group believes it will benefit from Alliance Medical's fully integrated diagnostics platform by increasing the size of its complementary service proposition;
  - **Gives the Enlarged Group the ability to leverage Alliance Medical's networked imaging services proposition**: The Enlarged Group expects that Alliance Medical's understanding of clinical pathways and processes will contribute to the ability of the Enlarged Group to deliver high-quality service. Alliance Medical is an efficient operator in Europe with proprietary technology that will support the seamless delivery of services throughout the Enlarged Group's network;
  - **Allows the Enlarged Group to leverage off Alliance Medical's vertically integrated radiopharmaceutical manufacturing capability**: Alliance Medical has a unique, vertically integrated oncology diagnostic platform in the United Kingdom with radiopharmaceutical manufacturing capability and scanning services. Alliance Medical produces approximately 80% of radiopharmaceuticals for the UK fluoro-deoxy-glucose ("**FDG**") market. Its production of radioactive isotopes allows Alliance Medical to obtain isotopes at low marginal cost, allowing it to operate its facilities cost effectively with highly attractive marginal economics. Its vertically integrated supply chain also ensures isotope supply for its PET-CT scanning operations. The Enlarged Group believes these factors were key to Alliance Medical's transformational win of the PET-CT National Contract and will support its continued work with the NHS in the long-term. Alliance Medical also leverages its vertically integrated molecular imaging offering to improve research and development of new isotopes; and
  - **Oncology presence enhanced through PET-CT services**: The Enlarged Group believes that Alliance Medical's PET-CT services are a key component of cancer care and as such they will support the development of Life Group's oncology services. It also believes that Alliance Medical's vertically integrating radiopharmaceutical manufacturing capability supports the Enlarged Group's ability to deliver oncology services.

- **Increases geographic diversification**: Alliance Medical has a pan-European reach with presence in ten countries, including its headquarters in the United Kingdom. The Acquisition will accelerate the geographic diversification of Life Group's business with 29% of the *pro forma* revenue and other income of the Enlarged Group for the financial year ended 30 September 2016 having been generated outside of South Africa, compared to 7% having been generated by Life Group during the same period. Alliance Medical's revenue is primarily denominated in Pound Sterling and euro, which diversifies the currencies in which the Enlarged Group earns its revenue.

- **Market leadership**: Alliance Medical has strong market positions in core markets in the United Kingdom, Ireland and Italy supported by a 30-year track record of running a high-quality integrated diagnostics platform offering end-to-end services for scanning and interpretation. This track record has helped to secure a number of key local partnerships, including the PET-CT National Contract and its partnership with The Christie, serving approximately 44,000 patients a year, covering 31 sites, with no volume caps and at a fixed price per scan. The partnership with The Christie allows Alliance Medical to investigate molecular imaging uses beyond cancer, and gives Alliance Medical access to internationally recognised radiography and radiology training programmes. The partnership further increases Alliance Medical's brand recognition, reputation and international exposure.
- **Experienced and committed management team**: The Enlarged Group believes that Alliance Medical's senior management team has broad healthcare experience that will support the Enlarged Group's international growth strategy. Alliance Medical's senior management team includes:
  - Guy Blomfield (Alliance Medical CEO) joined Alliance Medical in 2011, having worked as commercial and strategy director at General Healthcare Group and as a board member at Oasis Healthcare;
  - Nick Burley (Alliance Medical CFO) joined Alliance Medical in 2012, having previously worked as CFO for both Tianhe Chemicals Group Limited and The Vita Group; and
  - Dr Charles Niehaus (Alliance Medical CMO) joined Alliance Medical in 2012, having previously worked as business development director at General Healthcare Group and having also led the South African military's surgical reaction force.

  The Alliance Medical senior management team's ongoing commitment to the Enlarged Group is evidenced by their continuing approximately 5% investment in the business.

ACQUISITION FUNDING AND THE RIGHTS OFFER

The Acquisition was completed on 21 November 2016, for a total initial consideration of £585,900,000 and a contingent earn-out consideration of up to £40 million. Of the total initial consideration, £552,900,000 was settled in cash and 82,087 B ordinary shares in the share capital of AMG held by three members of Alliance Medical management were exchanged Bidco B Shares. For a detailed description of the Acquisition see Annexure 10: "*Material Agreements – Alliance Medical Acquisition*".

The Acquisition consideration was funded through drawings under a bridge facility (the "**Bridge Facility**") with, amongst others, Life UK Healthcare Limited and Life Healthcare Group Proprietary Limited (as borrowers) and Absa, RMB and Barclays Bank PLC (as lenders) that was entered into on 16 November 2016. The Bridge Facility provides three separate facilities: (i) £595,000,000, available for draw-down in Pounds Sterling or Rand, of which R10.6 billion was drawn down during November 2016 to fund the acquisition consideration ("**Bridge Facility A**"); (ii) £225,000,000, was drawn down during November 2016 in Pounds Sterling, to refinance certain specified Alliance Medical existing financial indebtedness ("**Bridge Facility B**"); and (iii) a R2,500,000,000 backstop facility ("**Bridge Facility C**"), which is undrawn as of the date of this Circular and which Life has subsequently cancelled. For a detailed description of the Bridge Facility, see Annexure 9: "*Details of Material Borrowings*". The Enlarged Group intends to repay a portion of Bridge Facility A with the net proceeds of the Rights Offer. The Enlarged Group intends to refinance Bridge Facility B with a new senior term facility that is expected to be negotiated following the closing of the Rights Offer.

Following the Acquisition and the drawdowns under Bridge Facility A and Bridge Facility B, the Enlarged Group's *pro forma* net debt position increased to approximately 3.8x the *pro forma* normalised EBITDA of the Enlarged Group for the year ended 30 September 2016.

The board of directors of Life (the "**Board**") has given due consideration to the continued implementation of the Enlarged Group's strategy and to its post-transaction capital structure. In light of these considerations, the Board believes it is in the best interests of the Life Shareholders to raise additional equity capital through a fully underwritten Rights Offer. The Board, therefore, has resolved to raise approximately R9.0 billion through the Rights Offer.

Following the Rights Offer and the repayment of Bridge Facility A, the Company's net debt position will be reduced to a level which the Board considers to be appropriate for the Company to maintain sufficient financial flexibility to pursue its planned capital investment programme and to continue paying dividends.

The Directors are fully supportive of the Rights Offer and have all, as at the date hereof, confirmed their intention to exercise their rights in terms of the Rights Offer. However, the Directors and other members of management retain the discretion to sell sufficient Rights in order to raise funds for the purchase of new Life Ordinary Shares in the context of the Rights Offer. In addition, certain non-Director members of management retain the discretion to sell their Rights or new Life Ordinary Shares during and following the Rights Offer.

USE OF PROCEEDS

The estimated net proceeds receivable by the Company after offering expenses are R8.8 billion. Life intends to use the net proceeds of the Rights Offer to repay in part the R10.6 billion drawn down during November 2016 outstanding under Bridge Facility A as well as associated financing costs.

DIVIDENDS AND DIVIDEND POLICY

DIVIDENDS

For the financial years ended 30 September 2016, 2015 and 2014, Life distributed total ordinary dividends of 165 cents, 154 cents and 141 cents, respectively, per Life Ordinary Share and a special dividend of 100 cents per Life Ordinary Share during the financial year ended 30 September 2014. Dividends will be paid over the total share capital, as enlarged by the Rights Offer, with the Rights Offer Shares first qualifying for the 2017 interim dividend.

DIVIDEND POLICY

Life intends to continue to pay dividends going forward, based on the Enlarged Group's earnings and available free cash flow.

In accordance with Life's MOI, all unclaimed dividends may be invested or otherwise held in trust for the benefit of Life until claimed, provided that dividends unclaimed for a period of three years from the date they were declared may be forfeited by resolution of the Directors for the benefit of Life and may be dealt with by the Directors or their assigns as they deem fit. Dividends shall be declared payable to Life Shareholders as at a date subsequent to the date of declaration or date of confirmation of the dividend, whichever is later. There is no fixed date on which entitlement to dividends arises and the date of payment will be determined by the Board or the Shareholders at the time of declaration, subject to the Listings Requirements. There are no current arrangements under which future dividends are waived or agreed to be waived.

SUMMARY

The following summary information should be read as an introduction to the more detailed information appearing elsewhere in this Circular. Qualifying Shareholders are advised to consider this Circular as a whole before making any investment decision, and such decision should not be based solely on this summarised information.

INTRODUCTION

On 25 January 2017, at Life's annual general meeting, Life's Shareholders approved resolutions authorising Life, among other things, to raise up to R9.0 billion equity capital by way of the Rights Offer to Qualifying Shareholders.

INFORMATION ON THE ENLARGED GROUP

Life Group

Life Group is one of three major private healthcare providers in South Africa primarily serving the private medically insured market. Life Group provides acute care and high-technology private hospital services, acute rehabilitation, mental health, renal dialysis, radiation and chemotherapy oncology, occupational health, employee wellness services, acute and long-term chronic mental health and frail care services in South Africa. Life Group also has operations in Poland and a joint venture with a private hospital operator in India.

Life Group has more than 30 years' experience operating private hospitals in South Africa. Since commencing operations in the early 1980s with four hospitals, it has grown through acquisitions, capacity expansion within existing facilities, the addition of new lines of business and the development and construction of new hospitals.

Life Group's southern African healthcare business, which represented 93% of Life Group's revenue during the financial year ended 30 September 2016, is organised into two divisions:

- *Hospital division*: The Hospital division provides services primarily to the private medically insured market, which represented approximately 8.8 million people in 2015 (source: Council for Medical Schemes). It includes the core acute care hospital business, comprising general hospital facilities of various sizes that include facilities such as intensive care units ("**ICUs**"), high care units ("**HCUs**"), operating theatres, emergency units, maternity units, cardiac units and paediatric units. It also includes other specialised facilities that provide either inpatient or outpatient services in the areas of acute rehabilitation, mental health, renal dialysis and radiation and chemotherapy oncology. For the financial year ended 30 September 2016, the Hospital division generated 88% of Life Group's revenue.
- *Healthcare Services division*: The Healthcare Services division includes the provision of acute and long-term chronic mental health and frail care services to state patients through Life Esidimeni, its public-private partnership ("**PPP**") with provincial health and social development departments, and the provision of primary, occupational healthcare and employee wellness services to employer groups in commerce, industry, state-owned enterprises and mining, through Life Occupational Health and Careways, which are expected to be combined and rebranded as Life Employee Health Solutions in 2017. For the financial year ended 30 September 2016, the Healthcare Services division generated 5% of Life Group's revenue.

Life Group's International division, which represented 7% of Life Group's revenue during the financial year ended 30 September 2016, consists of Scanmed S.A. (together with its subsidiaries, "**Scanmed**"), a private healthcare service provider in Poland, a joint venture interest in Max Healthcare Institute Limited ("**Max Healthcare**"), an acute hospital business in India (which is equity accounted and not consolidated for accounting purposes), and, following the Acquisition, Alliance Medical, a leading diagnostic imaging company based in the United Kingdom with operations across Europe.

Life Group seeks to be a market-leading, international, diversified healthcare provider, improving the lives of people through the delivery of high-quality, cost-effective care provided by its traditional acute hospital business and growing platform of complementary services. Life Group's international expansion strategy has been focused on selected attractive markets that display supportive characteristics for the longer-term growth of the private healthcare market. Life Group aims to continue providing world-class medical care in southern Africa and abroad.

For the financial years ended 30 September 2016, 2015 and 2014, Life Group generated revenue of R16,404 million, R14,647 million and R13,046 million, respectively, and normalised EBITDA of R4,314 million, R4,048 million and R3,611 million, respectively.

Alliance Medical

Alliance Medical is one of Europe's leading independent providers of medical imaging services and is a key complex imaging partner of the NHS. Alliance Medical has operations in the United Kingdom, Italy, Ireland, Spain, the Netherlands, Germany, Finland, Bulgaria, France and Norway, and has leading market positions in complex imaging in the United Kingdom, Italy and Ireland. Alliance Medical provides complex diagnostic imaging services and molecular imaging services to public health authorities, independent organisations and individuals across Europe, through a portfolio of mobile and fixed location scanners. Alliance Medical also manufactures and distributes radiopharmaceuticals. Alliance Medical generates the majority of its revenue from the provision of MRI, CT and PET-CT services.

Alliance Medical organises its business geographically, into its United Kingdom, Italy, Ireland, Spain and Northern Europe segments.

- *United Kingdom*: Alliance Medical provides MRI, CT and PET-CT services to both the NHS and private hospitals through clinics, hospitals and mobile scanners, manufactures radiopharmaceuticals for its PET-CT scanning operations and also sells radioisotopes commercially and for use in clinical trials. For the financial year ended 31 March 2016 and the six months ended 30 September 2016, the United Kingdom represented 53% and 55%, respectively, of Alliance Medical's revenue.
- *Italy*: Alliance Medical provides MRI, CT and PET-CT services across nine regions in Italy, primarily through its leading portfolio of private clinics, and manufactures radiopharmaceuticals for its PET-CT scanning operations in Sardinia. For the financial year ended 31 March 2016 and the six months ended 30 September 2016, Italy represented 31% and 28%, respectively, of Alliance Medical's revenue.
- *Ireland*: Alliance Medical provides MRI, CT and PET-CT services to both public and private hospitals at 19 operating sites across the Republic of Ireland and Northern Ireland. For each of the financial year ended 31 March 2016 and the six months ended 30 September 2016, Ireland represented 9% of Alliance Medical's revenue.
- *Spain*: Alliance Medical provides MRI, CT and PET-CT services in Spain to both public and private hospitals at eight operating sites. For each of the financial year ended 31 March 2016 and the six months ended 30 September 2016, Spain represented 3% of Alliance Medical's revenue.
- *Northern Europe*: Alliance Medical's Northern Europe segment comprises its operations in the Netherlands, Germany, Finland, Bulgaria, France and Norway and it provides MRI, CT and PET-CT services in the region. For the financial year ended 31 March 2016 and the six months ended 30 September 2016, Northern Europe represented 4% and 5%, respectively, of Alliance Medical's revenue.

For the financial years ended 31 March 2016 and 2015, Alliance Medical generated revenue of £218.8 million and £210.7 million, respectively, and EBITDA of £60.2 million and £54.1 million, respectively. For the six months ended 30 September 2016 and 2015, Alliance Medical generated revenue of £119.1 million and £104.5 million, respectively, and EBITDA of £32.5 million and £28.2 million, respectively.

PRINCIPAL TERMS OF THE RIGHTS OFFER

The Rights Offer will be made on the basis of: 34.21659 Rights Offer Shares for every 100 Life Ordinary Shares held by Qualifying Shareholders and/or such proportionate lower number of shares in respect of a holding of less than 100 Life Ordinary Shares ("**Ratio of Entitlement**") on the Record Date, for subscription at a price of R24.50 per Rights Offer Share.

The net proceeds of the Rights Offer after offering expenses are expected to amount to R8.8 billion. The Rights Offer Price represents a discount of 28.3% to the closing share price of Life Ordinary Shares on 17 March 2017.

Brimstone Investment Corporation ("**Brimstone**") and Allan Gray Proprietary Limited, acting for and on behalf of its clients ("**Allan Gray**"), have each entered into irrevocable undertakings in favour of the Company to, subject to certain terms and conditions, subscribe for all of the Rights Offer Shares to which they are entitled pursuant to the Ratio of Entitlement. The balance of the Rights Offer is fully underwritten by the Joint Bookrunners subject to customary terms and conditions.

The Rights Offer will open at 09:00 (SAST) on Monday, 3 April 2017 and will close at 12:00 (SAST) on Thursday, 13 April 2017.

The Rights Offer Shares will, upon allotment and issue, rank *pari passu* with all other existing Life Ordinary Shares and shall be fully paid up and freely transferable.

RIGHTS OFFER STATISTICS

The Rights Offer Price is R24.50.

The number of Life Ordinary Shares in issue, including treasury shares, at the date of this Circular is 1,073,592,935.

The number of Rights Offer Shares to be issued by the Company will be 367,346,939.

The number of Life Ordinary Shares in issue immediately following completion of the Rights Offer is expected to be 1,440,939,874.

The Rights Offer Shares as a percentage of enlarged issued share capital of the Company immediately following completion of the Rights Offer is expected to be 25.5%.

The estimated net proceeds receivable by the Company after offering expenses are R8.8 billion. The Board intends to use the net proceeds of the Rights Offer to repay a portion of the Bridge Facility A together with associated financing costs.

The estimated expenses of the Rights Offer are R191 million.

RIGHTS OFFER TIMETABLE

	2017
Declaration announcement released on SENS	Thursday, 16 March
Finalisation announcement released on SENS on or about	Thursday, 23 March
Last day of dealings to acquire Life Ordinary Shares in order to qualify to participate in the Rights Offer (*cum* Rights)	Tuesday, 28 March
Life Ordinary Shares commence trading ex-Rights on the JSE at 09:00 (SAST) on	Wednesday, 29 March
Listing of and trading in the Letters of Allocation commences under JSE code LHCN and ISIN ZAE000239976 at 09:00 (SAST) on	Wednesday, 29 March
Circular and Form of Instruction (where applicable) posted to Qualifying Certificated Shareholders on	Thursday, 30 March
Record Date for the Rights Offer, at the close of business on	Friday, 31 March
Rights Offer opens at 09:00 (SAST) on	Monday, 3 April
In respect of Qualifying Certificated Shareholders, Letters of Allocation credited to an electronic account held with the Transfer Secretaries at 09:00 (SAST) on	Monday, 3 April
In respect of Qualifying Dematerialised Shareholders, CSDP or Broker accounts credited with Letters of Allocation at 09:00 (SAST) on	Monday, 3 April
Circular posted to Qualifying Dematerialised Shareholders on	Tuesday, 4 April
Last day to trade in Letters of Allocation in order to participate in the Rights Offer on	Monday, 10 April
Listing of Rights Offer Shares on the exchange operated by the JSE commences at 09:00 (SAST) on	Tuesday, 11 April
In respect of Qualifying Certificated Shareholders (or their renouncees) wishing to exercise all or some of their Rights, payment to be made and Form of Instruction to be lodged with the Transfer Secretaries by 12:00 (SAST) on	Thursday, 13 April
Rights Offer closes at 12:00 (SAST) on	Thursday, 13 April
Record date for Letters of Allocation on	Thursday, 13 April
Rights Offer Shares issued on	Tuesday, 18 April
In respect of Qualifying Dematerialised Shareholders (or their renouncees), CSDP or Broker accounts debited with the aggregate Rights Offer Price and updated with Rights Offer Shares at 09:00 (SAST) on	Tuesday, 18 April
In respect of Qualifying Certificated Shareholders (or their renouncees), share certificates posted by registered post on or about	Tuesday, 18 April
Results of the Rights Offer announced on SENS on	Tuesday, 18 April
In respect of successful excess applications (if applicable), Rights Offer Shares issued to Qualifying Dematerialised Shareholders and/or share certificates posted to Qualifying Certificated Shareholders on or about	Thursday, 20 April
In respect of unsuccessful excess applications (if applicable), refund cheques posted to Qualifying Certificated Shareholders on or about	Thursday, 20 April

Notes:

(1) Share certificates in respect of Life Ordinary Shares may not be dematerialised or rematerialised between Wednesday, 29 March 2017 and Friday, 31 March 2017, both days inclusive.

(2) CSDPs effect payment on a delivery versus payment basis in respect of Dematerialised Shares.

(3) Qualifying Dematerialised Shareholders are required to inform their CSDP or Brokers of their instructions in terms of the Rights Offer in the manner and time stipulated in the agreement governing the relationship between the Qualifying Dematerialised Shareholder and their CSDP or Broker. Qualifying Dematerialised Shareholders are advised to contact their CSDP or Broker as early as possible to establish what the cut-off dates and times are for acceptance of the Rights Offer, as set out in the custody agreement, as this may be earlier than the proposed closing time of the Rights Offer.

SUMMARY FINANCIAL INFORMATION OF LIFE GROUP

Unless otherwise stated, in this Circular, Life Group's financial information as at and for the financial years ended 30 September 2016 and 2015 has been derived, without material adjustment, from the 2016 Annual Consolidated Financial Statements for Life Group incorporated by reference in this Circular. During the financial year ended 30 September 2016, Life Group made certain immaterial changes to the presentation of its financial statements relating to the aggregation or deletion of immaterial items, the removal of duplicated information and disclosures, an updated sequence of information presented in the financial statements and an updated format of notes and disclosures. As a result, the presentation of the financial information as at and for the financial years ended 30 September 2015 and 2014 herein differs from the presentation of the historical financial information as at and for the financial years ended 30 September 2015 and 2014 incorporated by reference in this Circular from the 2015 Annual Consolidated Financial Statements for Life Group and the 2014 Annual Consolidated Financial Statements for Life Group. Life Group's financial information as at and for the financial years ended 30 September 2015 and 2014 has been presented herein on a basis consistent with the 2016 Annual Consolidated Financial Statements for Life Group.

The summary financial information set out below includes certain measures that are not defined under IFRS. It should be noted that these measures are not uniformly defined by all companies, including those in the healthcare and diagnostics industries. Accordingly, these measures may not be comparable with similarly titled measures and disclosures by other companies. See "*Important Information—Non-IFRS Measures—Life Group*" for reconciliations of each of these measures to the nearest IFRS measure.

Summary Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Year ended 30 September		
(Rand, in millions)	**2016**	**2015**	**2014**
Revenue and other income	16,567	14,776	13,161
Operating expenses	(12,907)	(11,280)	(10,011)
Operating profit	3,660	3,496	3,150
Contingent consideration released	109	21	–
Transaction costs	(12)	(15)	(16)
Impairment of investment	(370)	–	–
Profit on disposal of investment in associate	–	–	957
Loss recognised on re-measuring previously held interest in associate to fair value	(23)	–	–
Fair value gains/(losses) on derivative financial instruments	(2)	29	49
Other	(6)	–	2
Finance income	12	12	22
Finance cost	(512)	(445)	(230)
Share of associates' and joint ventures' net profit after tax	8	14	39
Profit before tax	2,864	3,112	3,973
Tax expense	(894)	(884)	(875)
Profit after tax	1,970	2,228	3,098

Summary Consolidated Statements of Financial Position

	As at 30 September		
(Rand, in millions)	**2016**	**2015**	**2014**
Non-current assets	14,395	13,152	9,686
Current assets	3,102	2,771	2,113
Total assets	17,497	15,923	11,799
Total equity	6,798	6,448	5,900
Non-current liabilities	6,111	5,852	2,867
Current liabilities	4,588	3,623	3,032
Total liabilities	10,699	9,475	5,899
Total equity and liabilities	17,497	15,923	11,799

Summary Consolidated Statements of Cash Flows

	Year ended 30 September		
(Rand, in millions)	**2016**	**2015**	**2014**
Net cash generated from operating activities	3,055	2,951	2,558
Net cash utilised in investing activities	(2,052)	(3,218)	(98)
Net cash (utilised in)/generated from financing activities	(1,677)	222	(2,288)
Cash balances acquired through business combinations	56	20	23
Effect of foreign exchange rate movement	(63)	13	8
Cash and cash equivalents – beginning of the year	255	267	64
Cash and cash equivalents – end of the year	(426)	255	267

Other Key Figures

	Year ended 30 September		
	2016	**2015**	**2014**
Normalised EBITDA(1) (Rand, in millions)	4,314	4,048	3,611
Headline earnings per share(2) (cents)	192.5	179.9	177.8
Normalised earnings per share(3) (cents)	182.1	177.4	168.6

Notes:

(1) Normalised EBITDA is operating profit before depreciation on property, plant and equipment and amortisation of intangible assets, and excluding retirement benefit asset and post-employment medical aid. Operating profit represents profit before tax, contingent consideration released, transaction costs, impairment of investment, profit on disposal of investment in associate, loss recognised on re-measuring previously held interest in associate to fair value, fair value gains/(losses) on derivative financial instruments, other non-recurring items, finance income, finance cost, and share of associates' and joint ventures' net profit after tax. See "*Important Information—Non-IFRS Measures—Life Group*".

(2) In accordance with the SAICA Circular 2/2015, headline earnings per share is headline earnings, which consists of profit after tax attributable to ordinary equity holders, adjusted for impairment of investment, loss on remeasuring previously held interest in associate to fair value, profit on disposal of investment in associate and other re-measurement items (all net of related tax and non-controlling interests), divided by the weighted average number of ordinary shares in issue during the year. See "*Important Information—Non-IFRS Measures—Life Group*".

(3) Normalised earnings per share is normalised earnings, which consists of profit after tax attributable to ordinary equity holders, adjusted for loss on remeasuring previously held interest in associate to fair value, impairment of investment, contingent consideration released, retirement funds, retirement funds (included in employee-related expenses), profit on disposal of investment in associate, transaction costs, fair value gain on foreign exchange hedge contract and other non-recurring items (all net of related tax and non-controlling interests), divided by the weighted average number of ordinary shares in issue during the year. See "*Important Information—Non-IFRS Measures—Life Group*".

SUMMARY FINANCIAL INFORMATION OF ALLIANCE MEDICAL

The summary financial information set out below has been derived from the 2016 Consolidated Financial Statements for Alliance Medical and the 2016 Condensed Consolidated Interim Financial Statements for Alliance Medical included as annexures to this Circular. The Directors are responsible for the 2016 Consolidated Financial Statements for Alliance Medical and the 2016 Condensed Consolidated Interim Financial Statements for Alliance Medical presented in this Circular.

The summary financial information set out below includes certain measures that are not defined under IFRS. It should be noted that these measures are not uniformly defined by all companies, including those in the healthcare and diagnostics industries. Accordingly, these measures may not be comparable with similarly titled measures and disclosures by other companies. See "*Important Information—Non-IFRS Measures—Alliance Medical*" for reconciliations of each of these measures to the nearest IFRS measure.

Summary Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Year ended 31 March		Six months ended 30 September	
(£, in millions)	**2016**	**2015**	**2016**	**2015**
Revenue	218.8	210.7	119.1	104.5
Cost of sales excluding depreciation	(121.0)	(112.0)	(67.4)	(56.7)
Depreciation	(18.1)	(17.9)	(9.0)	(8.1)
Gross profit	79.7	80.8	42.7	39.7
Overheads	(37.6)	(44.6)	(19.2)	(19.6)
Depreciation	(1.1)	(1.3)	(1.4)	(1.0)
Loss on disposal of property, plant and equipment	(0.8)	(0.4)	–	(0.3)
Amortisation	(8.9)	(8.9)	(4.9)	(4.3)
Other administrative expenses	(11.8)	(6.5)	(2.5)	(4.2)
Profit /(loss) before interest & taxation	19.5	19.1	14.7	10.3
Finance costs	(10.9)	(19.2)	(4.3)	(7.3)
Share of profit of joint ventures	0.3	0.3	0.2	0.2
Profit/(loss) before taxation	8.9	0.2	10.6	3.2
Taxation	0.1	(3.1)	(1.3)	(1.1)
Profit/(loss) for the period	9.0	(2.9)	9.3	2.1

Summary Consolidated Statements of Financial Position

	As at 31 March		As at 30 September	
(£, in millions)	**2016**	**2015**	**2016**	**2015**
Non-current assets	178.0	155.1	189.3	166.9
Current assets	98.0	111.1	92.5	90.4
Total assets	276.0	266.2	281.8	257.3
Non-current liabilities	(33.6)	(194.2)	(34.9)	(174.0)
Current liabilities	(232.8)	(66.0)	(231.5)	(77.7)
Total liabilities	(266.4)	(260.2)	(266.4)	(251.7)
Total equity	9.6	6.0	15.4	5.6

Summary Consolidated Statements of Cash Flows

	Year ended 31 March		Six months ended 30 September	
(£, in millions)	**2016**	**2015**	**2016**	**2015**
Net cash generated from operating activities	30.9	31.9	14.2	8.9
Net cash used in investing activities	(44.5)	(24.7)	(24.2)	(25.6)
Net cash (used in)/generated from financing activities	(8.7)	1.2	0.8	(16.5)
Net (decrease)/increase in cash and cash equivalents	(22.3)	8.4	(9.2)	(33.2)
Cash and cash equivalents at end of period	38.8	60.3	31.8	26.6

Other Key Figures

	Year ended 31 March		Six months ended 30 September	
(£, in millions)	**2016**	**2015**	**2016**	**2015**
EBITDA(1)	60.2	54.1	32.5	28.2

Note:

(1) EBITDA is profit before interest, tax, amortisation of acquired intangibles, profit/(loss) on disposal of property, plant and equipment, other administrative expenses and depreciation. See "*Important Information—Non-IFRS Measures—Alliance Medical*".

SUMMARISED UNAUDITED *PRO FORMA* FINANCIAL INFORMATION

This Circular includes *Pro Forma* Financial Information which has been adjusted to reflect the Transactions as if the Transactions had occurred (a) on 1 October 2015 for purposes of the *pro forma* adjustments made to the *pro forma* statement of profit and loss and other comprehensive income and (b) as at 30 September 2016 for purposes of the *pro forma* adjustments made to the *pro forma* statement of financial position.

The *Pro Forma* Financial Information has been prepared to assist Life Shareholders in assessing the impact of the Transactions on the Company's earnings per share, headline earnings per share, normalised earnings per share, net asset value per share and net tangible asset value per share. The *Pro Forma* Financial Information is presented in a manner consistent with IFRS, the Revised SAICA Guide on *Pro Forma* Financial Information and the accounting policies of Life Group. The Acquisition has been accounted for provisionally in terms of IFRS 3: Business Combinations.

The summarised *Pro Forma* Financial Information presented below is for illustrative purposes only. The *Pro Forma* Financial Information set out in Annexure 3 to this Circular is based on available information and certain assumptions and estimates that the Directors believe are reasonable. The *Pro Forma* Financial Information does not necessarily represent what the Enlarged Group's financial position and results of operations actually would have been had the Transactions occurred on such date, or as of the beginning of such period, and is not necessarily indicative of the Enlarged Group's financial position or results of operations as of any future date or period, or the effect and impact of the Transactions going forward.

The *Pro Forma* Financial Information has been prepared using accounting principles that are consistent with IFRS and with the basis on which the historical financial information has been prepared in terms of the accounting policies adopted by Life Group.

The *Pro Forma* Financial Information is set out in Annexure 3. Please refer to Annexure 3 for a detailed discussion of the *pro forma* adjustments which have been applied as described therein.

Summary *Pro forma* Consolidated Statement of Profit and Loss and Other Comprehensive Income for the period ended 30 September 2016

(Rand, in millions)	Life Group for the financial year ended 30 September 2016	Alliance Medical for the 12 months ended 30 September 2016	Purchase Consideration for the Acquisition	Adjustments relating to the consolidation of Alliance Medical	*Pro forma* after Acquisition	Adjustments relating to the Rights Offer	*Pro forma* after the Rights Offer
Revenue and other income	16,567	4,908			21,475		21,475
Normalised EBITDA[(1)]	4,314	1,356		(43)	5,627	–	5,627
Profit after tax	1,970	341	(1,185)	(209)	917	749	1,666
Weighted average number of shares in issue (million)	1,043				1,043	367	1,410
Earnings per share (cents)	154.9				54.0		93.0
Headline earnings per share[(2)] (cents)	192.5				92.6		121.6
Normalised earnings per share[(3)] (cents)	182.1				127.2		147.0

Notes:

(1) Normalised EBITDA is operating profit before depreciation on property, plant and equipment and amortisation of intangible assets, and excluding retirement benefit asset and post-employment medical aid. Operating profit represents profit before tax, contingent consideration released, transaction costs, impairment of investment, profit on disposal of investment in associate, loss recognised on re-measuring previously held interest in associate to fair value, fair value gains/(losses) on derivative financial instruments, other non-recurring items, finance income, finance cost, and share of associates' and joint ventures' net profit after tax. See "*Important Information—Non-IFRS Measures—Life Group*".

(2) In accordance with the SAICA Circular 2/2015, headline earnings per share is headline earnings, which consists of profit after tax attributable to ordinary equity holders, adjusted for impairment of investment, loss on remeasuring previously held interest in associate to fair value, profit on disposal of investment in associate and other re-measurement items (all net of related tax and non-controlling interests), divided by the weighted average number of ordinary shares in issue during the year. See "*Important Information—Non-IFRS Measures—Life Group*".

(3) Normalised earnings per share is normalised earnings, which consists of profit after tax attributable to ordinary equity holders, adjusted for loss on remeasuring previously held interest in associate to fair value, impairment of investment, contingent consideration released, retirement funds, retirement funds (included in employee-related expenses), profit on disposal of investment in associate, transaction costs, fair value gain on foreign exchange hedge contract and other non-recurring items (and including, in respect of Alliance Medical, certain reorganisation, restructuring and contract mobilisation costs) (all net of related tax and non-controlling interests), divided by the weighted average number of ordinary shares in issue during the year. See "*Important Information—Non-IFRS Measures—Life Group*".

Summary *Pro forma* Consolidated Statement of Financial Position as at 30 September 2016

(Rand, in millions)	Life Group for the financial year ended 30 September 2016	Alliance Medical for the 12 months ended 30 September 2016	Purchase Consideration for the Acquisition	Adjustments relating to the consolidation of Alliance Medical	*Pro forma* after Acquisition	Adjustments relating to the Rights Offer	*Pro forma* after the Rights Offer
Total non-current assets	14,395	3,413	10,925	375	29,108	–	29,108
Total current assets	3,102	1,667	1,826	(249)	6,346	(191)	6,155
Total assets	17,497	5,080	12,751	126	35,454	(191)	35,263
Total equity	6,798	278	(221)	(274)	6,581	8,759	15,340
Total non-current liabilities	6,111	629	653	400	7,793	–	7,793
Total current liabilities	4,588	4,174	12,319	–	21,080	(8,950)	12,130
Total liabilities	10,699	4,803	12,971	400	28,873	(8,950)	19,923
Number of shares in issue (million)	1,058			1,058		367	1,425
Net assets value per share (cents)	518.6			497.8			984.0
Net Tangible assets value per share (cents)	216.5			(980.7)			(113.3)

The Independent Reporting Accountants' Report on the *Pro Forma* Financial Information is set out in Annexure 4. Such report is included solely to comply with the requirements of the Listings Requirements in South Africa. Such *pro forma* financial information has not been prepared in accordance with the requirements of Regulation S-X of the US Exchange Act, other SEC requirements or generally accepted accounting practices in the United States. In addition, the rules and regulations related to the preparation of *pro forma* financial information in other jurisdictions may also vary significantly from the requirements applicable in South Africa. The Independent Reporting Accountant's Report on the *pro forma* financial information by PricewaterhouseCoopers has not been carried out in accordance with the auditing standards generally accepted in the US and accordingly should not be relied upon by investors as if it had been carried out in accordance with those standards or any other standards besides the South African requirements discussed above.

RISK FACTORS

The following risks should be considered carefully by Qualifying Shareholders before making any investment decision.

*This section addresses the existing and future material risks to the business of the Enlarged Group. The risks below are not the only ones that the Enlarged Group will face. Some risks are not yet known and some that are not currently deemed material could later prove to be material. All of these risks could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects. In such cases, the market price of the Life Ordinary Shares or the Letters of Allocation may decline and Qualifying Shareholders could lose all or part of their investment. Qualifying Shareholders should read this section in conjunction with "*Circular to Qualifying Shareholders*", "*Operating and Financial Review*", "*Business of Life Group*" and "*Business of Alliance Medical*".*

RISKS RELATED TO THE ENLARGED GROUP'S BUSINESS AND INDUSTRY

There is a shortage of doctors in South Africa and if the Enlarged Group is unable to successfully attract and retain doctors, its ability to provide quality service, maintain its affordability and successfully implement its business strategy could suffer, which could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

The Enlarged Group depends on doctors and other medical professionals to provide medical services in its facilities. Patients can only be admitted, diagnosed or treated at the Enlarged Group's hospitals on the instruction of an admitting or referring doctor. The reputation, expertise and demeanour of the doctors and other medical professionals who provide medical services at the Enlarged Group's hospitals and facilities are instrumental to the Enlarged Group's ability to attract patients. The success of the Enlarged Group's hospitals and facilities depends, therefore, in part on the number and quality of the doctors on the medical staff of its hospitals, clinics and other facilities, the admitting and referring practices of those doctors and maintaining good relations with those doctors.

There is a general shortage of specialist doctors in the South African healthcare market, and the Enlarged Group is experiencing a particular shortage in the recruitment of neurosurgeons, cardiologists, obstetricians, gynaecologists and orthopaedic surgeons. In addition, the age profile of doctors in South Africa is increasing, and the average age of doctors in the Enlarged Group's hospitals was 51 years as at 30 September 2016. Furthermore, pursuant to the ethical rules of the Health Professions Council of South Africa ("**HPCSA**"), Life Group cannot directly employ doctors in a clinical practice role, except for approximately 61 doctors (at 30 September 2016) in Life Group's Healthcare Services division, who are employed under special dispensations from the HPCSA. Therefore, the majority of doctors are only affiliated with Life Group and may terminate their affiliation with Life Group's hospitals at any time. As a result of both the shortages and ethical rules of the HPCSA, Life Group faces competition from other hospital operators in attracting and retaining doctors. If the Enlarged Group is unable to provide adequate equipment and facilities, supporting personnel, or loses its preferred network arrangements with medical healthcare funders, then it may not be able to effectively attract and retain doctors. If the Enlarged Group is unable to successfully attract and retain doctors, its ability to provide quality service, maintain its affordability and successfully implement its business strategy could suffer, which could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

Life Group depends on payments from medical healthcare funders and further consolidation of medical healthcare funders may reduce the prices Life Group is able to charge for its services, which could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

Life Group receives the vast majority of its revenue from medical healthcare funders, which consist primarily of medical schemes and private health insurance providers. Revenue from the top three South African medical scheme administrators (Discovery, Medscheme, and MMI) and the Government Employees Medical Scheme ("**GEMS**"), which is administered by Medscheme, represented 73.7%, 72.4% and 71.7% of Life Group's revenue in the financial years ended 30 September 2016, 2015 and 2014, respectively. In South Africa, patients are insured by medical schemes, which are in turn either administered by medical aid administrators or are self-administered. South Africa's medical scheme industry has recently undergone significant consolidation. According to the Council for Medical Schemes, the number of registered medical schemes in South Africa decreased from 144 in 2000 to 84 in 2015, representing a decrease of 42%.

This consolidation has resulted in increases in the total number of lives insured by the top three medical scheme administrators and GEMS, which has significantly increased their bargaining power in negotiations concerning tariffs and preferred network arrangements with medical services providers as they have historically sought to negotiate substantially the same terms for each fund they administer. Payments from medical schemes comprised 94% of the revenue from Life Group's Hospitals division in the financial year ended 30 September 2016, while, in the same period, payments received from the top three medical aid administrators and GEMS accounted for 73.7% of Life Group's revenue. In addition, the management of lower-cost restricted network private health insurance plans has increasingly been delegated to medical administrators, who negotiate on a consolidated basis on behalf of the plans they administer.

As a result, Life Group has seen increasing pressure on and reductions in the tariffs it is able to charge for its services and increasing pressure to reduce patient length of stay ("**LOS**") at its acute facilities in order to maintain its preferred network arrangements with medical healthcare funders. In addition, medical scheme administrators have sought to move inpatient treatment to outpatient services (day clinics), which may lead to a reduction in the number of people treated in hospitals and, correspondingly, the Enlarged Group's hospital admissions and occupancy rate. Any further consolidation of medical healthcare funders is expected to further strengthen their bargaining position with respect to the Enlarged Group and may result in less favourable pricing, reduced hospital admissions and other terms for the Enlarged Group, which could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

In addition, a portion of Life Group's revenue is dependent on its preferred network arrangements with medical healthcare funders. Under a preferred network arrangement, medical healthcare funders require or financially incentivise patients to receive treatment at Life Group's facilities as opposed to other healthcare facilities. If a medical healthcare funder with which Life Group has a preferred network arrangement was to consolidate with a medical healthcare funder with which Life Group does not have such an arrangement or if a medical scheme was to enter into a bargaining agreement with a medical aid administrator with which Life Group does not have a preferred network arrangement, Life Group may lose patient volumes and would become less attractive to doctors.

The South African Government proposed amendments to the Medical Schemes Act that would introduce certain limitations on payments in relation to prescribed minimum benefits ("**PMBs**"). The Medical Schemes Act currently provides that medical schemes must pay in full, without co-payment from individual members or the use of deductibles, in respect of the diagnosis, treatment and care of PMB conditions by the healthcare provider who has been selected by the relevant medical scheme as the preferred provider for the diagnosis, treatment and care of one or more PMB conditions. Under the proposed amendments, medical schemes will only be liable to pay for the services rendered by the relevant healthcare provider in relation to PMBs at a rate determined in accordance with the billing rules and tariff codes of the 2006 National Health Reference Price List tariffs or may negotiate alternative tariffs with the relevant healthcare provider where no co-payment or deductible is payable by a member. If implemented as currently proposed, these amendments could affect Life Group's relationships with medical healthcare funders and the tariffs the Life Group is able to negotiate with medical healthcare funders.

The Enlarged Group's success will depend, in part, on its ability to maintain good relationships with medical healthcare funders. If the Enlarged Group's relationships with healthcare funders deteriorate, either as a result of medical healthcare funder consolidation or otherwise, the Enlarged Group may be unable to negotiate favourable tariff arrangements, may lose its preferred network arrangements and may lose market share, all of which could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects. In addition, if any medical healthcare funders are unable to make payments to Life Group as a result of liquidity constraints, insolvency or otherwise, such failure could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

If the Enlarged Group is unable to develop additional facilities or acquire complementary businesses on favourable terms or is unable to manage growth, the Enlarged Group may be unable to execute its growth strategy, which could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

The Enlarged Group must obtain licences from national and provincial departments of health (if applicable) in the jurisdictions in which it operates before it is able to develop new facilities or expand existing facilities. If the Enlarged Group fails to obtain such licences or does not obtain such licences on the requested terms, it will be unable to expand as contemplated. The Enlarged Group may also face delays or incur unexpected costs in connection with construction of new facilities. The facilities the Enlarged Group develops typically incur losses in their initial periods of operation and, until their caseloads or volumes grow, they generally experience lower total revenue and operating margins than established facilities. In addition, the Enlarged Group may not be able to successfully implement Alliance Medical's community diagnostic model in England, which requires close participation with and involvement by local NHS trusts, and, if implemented, it may not realise the expected benefits of this model.

The Enlarged Group's growth strategy also involves taking advantage of acquisition opportunities, and it competes with other healthcare providers for suitable acquisition targets. The Enlarged Group may not be able to successfully implement its strategy, due to a lack of attractive expansion opportunities in South Africa or abroad or an inability to replicate its business model in foreign countries with different healthcare systems and market characteristics. For example, in Italy, the Enlarged Group's ability to deliver Alliance Medical's imaging clinic acquisition and consolidation strategy relies on the continued availability of independently-owned imaging clinics in complementary geographic areas with owners motivated to sell on terms and at prices that are attractive to the Enlarged Group and the absence of competitors undertaking aggressive acquisition programmes. In addition, emerging markets into which the Enlarged Group may seek to expand could expose it to risks inherent to those markets, such as inadequate infrastructure, an uncertain legal and regulatory environment, unstable political and financial institutions, conflict and unrest.

There can be no assurances that the Enlarged Group will be able to successfully integrate the operations of acquired businesses, which may be more complex or time consuming than expected, and the costs to achieve expected synergies may be greater than anticipated. Key suppliers or business partners may also choose to change or terminate their relationship with acquired businesses or the Enlarged Group following any such acquisition. Furthermore, such acquisitions and integration initiatives could result in unfavourable publicity or a loss of confidence in the acquired business. If the Enlarged Group is unable to successfully integrate acquired businesses, it may lead to write-offs of the Enlarged Group's intangible assets, including goodwill. Moreover, to the extent the Enlarged Group incurs additional debt in financing acquisitions, it may adversely affect its liquidity position (see "*—The Enlarged Group has significant borrowings and liabilities, the amount and terms of which may limit its financial and operational flexibility or give rise to an event of default*").

For example, the Acquisition may not yield the expected returns. The benefits of the Acquisition rely in part on the successful execution of its growth strategy, which is subject to a number of risks and uncertainties, including market factors in the jurisdictions in which it operates. As a result, there can be no assurance that the Enlarged Group will be able to successfully implement Alliance Medical's growth strategy or attain the returns identified at the time of the Acquisition. Local and international expansion generally comes with inherent risks, including financial risk, foreign exchange risk and the lack of an in-depth understanding of the specific international healthcare market. The failure of the Enlarged Group to execute its growth strategy, integrate acquired businesses or achieve the expected return on its investments, including Alliance Medical, could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

The Enlarged Group is dependent to a significant degree on licences and regulatory approvals. If government requirements are not met and any of the Enlarged Group's facilities are not allowed to open or are forced to cease operations, it could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

A failure by any of the Enlarged Group's hospitals and other facilities to comply with the numerous governmental regulations to which they are subject, including the regulations discussed under "*Regulatory Matters*", could result in significant penalties and adverse consequences. In South Africa, the Enlarged Group requires state certification in the form of licences for all its hospitals and there are similar certifications and licences required in the other jurisdictions in which the Enlarged Group operates. As governments face increasing budgetary pressure and political pressure to improve the public healthcare sector, the Enlarged Group may face increasing delays in obtaining licences for new beds, hospitals, hospital extensions, clinics and other facilities. For example, the awarding of bed licences by provincial governments in South Africa, which is a precursor to bed growth and therefore business growth, has slowed in recent years. As at 30 September 2016, Life Group had 882 licences for beds pending approval from the South African health department.

The ongoing business activities of the Enlarged Group are also subject to numerous regulatory requirements and reviews. In particular, each of the Enlarged Group's hospitals in South Africa is required to obtain an annual licence from the relevant provincial Department of Health after an inspection of the facility is performed by the Department of Health. If any regulatory requirements are not met, the authorities may impose extensive restrictions. Failure to comply with these requirements may result in a facility not being allowed to accept patients or in the closure of the facility. Non-compliance with any licence requirements or the revocation of any such licences could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

The Enlarged Group conducts business in a regulated industry; changes in or failure to comply with these regulations may result in increased costs or sanctions that could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

The healthcare industry is subject to extensive government regulations relating to licensure and certificate of need requirements (see "*Regulatory Matters*"); conduct of operations; addition of facilities and services; confidentiality, maintenance and security issues associated with medical records; and certain categories of pricing. The regulatory environment affects the cost and quality of care, the growth of the Enlarged Group and can also have an impact on information systems and security. For example, the consolidation of medical healthcare funders has significantly increased their bargaining power in negotiating tariffs and preferential network arrangements as they have historically sought to negotiate substantially the same terms for each fund they administer. See "*—Life Group depends on payments from medical healthcare funders and further consolidation of medical healthcare funders may reduce the prices Life Group is able to charge for its services,* *which could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.*"

These laws and regulations are complex and subject to interpretation. In addition, changes in healthcare policy, legislation or regulations in South Africa and in the other jurisdictions in which the Enlarged Group operates may adversely affect its ability to conduct its business. For example:

- The Government of South Africa (the "**South African Government**") has indicated an intention to implement a National Health Insurance system (the "**NHI**"), which may lower reimbursement rates for Life Group's services and facilities.
- The Competition Commission is conducting a market inquiry into the private healthcare market, which may result in substantial reforms to the delivery of healthcare services in South Africa. See "*—The results of the Competition Commission's market inquiry could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.*"
- As a result of a change in policy, the Gauteng Department of Health elected not to renew a contract for the operation of 1,570 mental health beds by Life Group's mental health division. See "*—A portion of the Enlarged Group's revenue is dependent on contracts with and payments from national and regional governments, and changes in these contracts and reductions or delays in these payments or the implementation of other measures to reduce reimbursements from government may reduce the Enlarged Group's revenue.*"
- Recently introduced reforms to the Narodowy Fundusz Zdrowia (the "**NFZ**") tariff schedule were introduced in 2016 and 2017, which are expected to have a significant impact on the prices Life Group is able to charge for neurosurgery, orthopaedics and cardiology services. See "*—A portion of the Enlarged Group's revenue is dependent on contracts with and payments from national and regional governments, and changes in these contracts and reductions or delays in these payments or the implementation of other measures to reduce reimbursements from government may reduce the Enlarged Group's revenue.*"
- The Protection of Personal Information Act, 2013 ("**POPI**"), the commencement date of which is still to be identified, imposes a rigorous privacy and data protection regime, which imposes monetary penalties and criminal sanctions for non-compliance. See "*—The failure of the Enlarged Group's information systems could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.*" In addition, the General Data Protection Regulation (the "**GDPR**") is expected to come into force in all European Union ("**EU**") countries on 25 May 2018 and will impose stricter data protection regulations and liabilities than the current UK Data Protection Act 1998 (the "**Data Protection Act**").

The Enlarged Group cannot predict what healthcare legislation or regulations, if any, will be implemented, or the effect any such legislation or regulation will have on it. Compliance with these regulations imposes a significant cost on the Enlarged Group that the Enlarged Group may not be able to effectively pass on through the tariffs paid by the medical healthcare funders in South Africa or the relevant payors. In addition, the Enlarged Group may be subject to liability to the extent there is a change in law or interpretation of law applicable to past practices. Any such changes in legislation, regulations or healthcare policies in South Africa or in the other jurisdictions in which the Enlarged Group operates, the imposition of further requirements or restrictions on the Enlarged Group's operations or a material violation by the Enlarged Group of the laws, rules or regulations to which it is subject, could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

In addition, the cost of healthcare services has generally increased faster than growth in the consumer price index ("**CPI**") in recent years in many of the jurisdictions in which the Enlarged Group operates. This has made and may continue to make private healthcare or private health insurance unaffordable to certain groups of patients in the longer term and could lead to further attempts by regulators to regulate the private healthcare industry (both in terms of utilisation and price). In December 2015, the South African Government released a White Paper on the NHI for comment. Life Group cannot be certain as to what effect the implementation of the NHI would have on South Africa's private health insurance system or private healthcare providers. The South African Minister of Finance indicated in the budget speech on 23 February 2017 that the South African Government is revising its NHI White Paper and that the establishment of the NHI is imminent, and although there is currently no specific date for implementation, a material expansion of the South African Government's role in the South African healthcare industry could lower reimbursement rates for the Enlarged Group's services and facilities, which could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

The Enlarged Group faces shortages of skilled personnel and a highly competitive employment market and may not be successful in attracting and retaining a sufficient number of healthcare professionals, which could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

In the financial year ended 30 September 2016, labour costs accounted for 43% of Life Group's total costs. The Enlarged Group's operations are dependent on the efforts, ability and experience of the healthcare professionals it employs, in particular, nurses and pharmacists. South Africa and certain of the other jurisdictions in which the Enlarged Group operates, including Poland, have an increasing shortage of nurses, pharmacists, specialised ICU employees and other healthcare personnel. These shortages may impact the quality and cost of care the Enlarged Group can provide and limit the Enlarged Group's ability to maintain or expand its operations. The shortage of skilled personnel is a substantial risk to the Enlarged Group's plans for expansion in South Africa and in other jurisdictions, and the Enlarged Group expects such shortages to remain a concern for the foreseeable future.

Demand for personnel with the range of capabilities and experience that the Enlarged Group requires is high, and there is no assurance that the Enlarged Group will be successful in attracting and retaining these employees. The Enlarged Group competes with other healthcare providers in recruiting and retaining these professionals. Furthermore, social and economic factors in South Africa have led, and continue to lead, numerous qualified individuals to leave the country, thus depleting the availability of skilled personnel, including healthcare professionals, in South Africa. In addition, a large portion of South Africa's healthcare professionals, including a large number of Life Group's skilled personnel, are nearing retirement age (see "*—There is a shortage of doctors in South Africa and if the Enlarged Group is unable to successfully attract and retain doctors, its ability to provide quality service, maintain its affordability and successfully implement its business strategy could suffer, which could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects*").

As competition increases to hire qualified healthcare professionals, South Africa has historically been unable to produce such skilled personnel at a rate sufficient to meet demand and Life Group's labour costs could therefore increase in the future. In addition, Life Group has and may in future be required to increase its wages in line with above inflation wage increases paid to public sector healthcare workers, particularly nurses, ICU employees and semi-skilled labour by government. If Life Group's labour costs increase, Life Group may not be able to increase its revenue to offset these increased personnel costs.

Furthermore, approximately 15% of Alliance Medical's clinical workforce in the United Kingdom consists of non-UK nationals. Following the vote in favour of leaving the EU, there is the potential that the UK government will adopt a more restrictive immigration policy. Any such changes to the United Kingdom's immigration policy could increase competition for existing skilled healthcare personnel in the United Kingdom, which could have a negative impact on the Enlarged Group's ability to hire qualified healthcare personnel in the United Kingdom and could result in an increase in the Enlarged Group's labour costs.

Any failure by the Enlarged Group to recruit and retain qualified management, nurses and other medical support personnel could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

The failure of the Enlarged Group's information systems could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

Failure to maintain reliable and uninterrupted performance of information systems could have an adverse effect on the Enlarged Group's business. The Enlarged Group's servers could suffer from computer viruses, break-ins and similar disruptions from unauthorised access and tampering. The Enlarged Group is currently in the process of implementing re-engineering programmes to improve its information systems, including online management of certain processes and the implementation of an enterprise resource planning ("**ERP**") system. Improving the Enlarged Group's information systems carries significant potential risks, including, amongst others, failure to operate as intended or designed, potential loss or corruption of data, cost overruns, implementation delays, disruption of operations and the potential inability to meet business requirements. There can be no assurance that these technology initiatives will be deployed as envisioned or that they will be timely implemented without disruption to the Enlarged Group's operations. The occurrence of any of these events could result in interruptions, delays, the loss or corruption of data, the unauthorised release of private patient data or cessations in the availability of systems, which could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

In addition, if the Enlarged Group fails to comply with the privacy and data protection regime under POPI, which is expected to come into effect on a future date yet to be determined, or the privacy and data protection regime under the GDPR, which is expected to come into force on 25 May 2018, the Enlarged Group could become subject to claims for damages and its reputation may be adversely affected.

The Enlarged Group could be subject to litigation for actions by third parties or may be found liable for damages which may subject the Enlarged Group to significant liability, which could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

Healthcare companies are regularly subject to actions alleging negligence, malpractice and other legal claims that may involve large potential damages and significant defence costs, whether or not the defendant is ultimately found liable. The Enlarged Group could be exposed to claims for negligence in the operation of its hospitals and other facilities or patient treatment, for example claims relating to hospital-based infectious diseases (such as methicillin-resistant staphylococcus aureus ("**MRSA**") and patient deaths) (see "*—Because* *of the risks typically associated with the operation of medical care facilities, people may contract serious communicable infections or diseases at the Enlarged Group's inpatient facilities*").

The Enlarged Group may also incur liability in respect of claims made by or on behalf of patients under product liability or sale of goods law when supplying prostheses and other medical products to patients. If these products are subsequently found to have been defective at the time of supply, the Enlarged Group may be held strictly liable in certain circumstances. There can be no assurance that significant claims will not be asserted against the Enlarged Group or that adverse verdicts will not be reached as a result of such actual or potential litigation.

While the extent of malpractice lawsuits is less prevalent in South Africa than in other more litigious countries, and the Enlarged Group does not employ doctors directly in South Africa, the number of claims is growing and liability for claims facing hospital operators in South Africa may increase. For example, one of the Enlarged Group's hospitals is currently the subject of two medical malpractice claims relating to infection control (see "*—Because of the risks typically associated with the operation of medical care facilities, people may contract serious communicable infections or diseases at the Enlarged Group's inpatient facilities*"). Patients are increasingly well-informed of their rights and more critical in their judgement of the treatment provided. Thus, the potential for lawsuits always exists. Regardless of the outcome, lawsuits consume resources, may involve claims for significant damages and costs for legal defence and may lead to a loss of reputation, which could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

Because of the risks typically associated with the operation of medical care facilities, people may contract serious communicable infections or diseases at the Enlarged Group's inpatient facilities.

Patients may contract serious communicable diseases, such as the so called "hospital germ" (e.g. influenza, novo viruses, salmonella, etc.), in connection with their stay at the Enlarged Group's inpatient facilities. This could result in significant claims for damages against the Enlarged Group and, as a result of reports and press coverage, to a corresponding loss of reputation. A similar risk exists in relation to MRSA and legionella bacteria, a water-borne bacteria that represents a potential risk to human health, and to a lesser extent, HIV/AIDS and extensively drug-resistant tuberculosis in South Africa.

In addition, these germs or infections could also infect employees and thus significantly reduce the treatment and care capacity in the Enlarged Group's medical facilities, both in the short- and long-term. In addition to claims for damages, any of these events may lead directly to limitations on the activities of Life Group's hospitals as a result of regulatory restrictions on, or the withdrawal of, permits and authorisations, and it may indirectly result, through a loss of reputation, in reduced utilisation of Life Group's hospitals. If insufficient attention is placed on health and safety, it could result in loss of lives, reputational risk and financial risk, which could have an impact on the sustainability of the Enlarged Group. Any of these factors could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

The Enlarged Group's key management team is critical to its continued performance and the loss of any members of its key management team could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

The success of the Enlarged Group's strategy depends on the continuing services of its senior management team (whose names are given on pages 158 to 164 of this Circular, "**Senior Management**") and of Alliance Medical's senior management team. The Enlarged Group has implemented policies and remuneration designed to retain and incentivise its key management team; however, there can be no assurance that the Enlarged Group will be able to retain the key members of its management team or to find suitable replacements should one or more key members of its management team leave. The departure of one or more key members of the Enlarged Group's management team could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

The Enlarged Group faces competition from other healthcare providers and failure to successfully compete in the Enlarged Group's industry could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

The Enlarged Group competes for patients with other providers of medical services. In South Africa, the Enlarged Group competes with the major national hospital operators for preferred network arrangements with medical healthcare funders on the basis of pricing, number and geographic spread of facilities in the market, quality of care and the breadth and depth of specialist services offered at its various facilities within the geographic area. Competition from other medical service providers has impacted and may in the future impact the Enlarged Group's ability to negotiate tariffs or other favourable terms from medical healthcare funders. On a hospital-by-hospital basis, the Enlarged Group competes with other healthcare facilities for patients based on factors such as relationships with medical healthcare funders (in particular preferred network arrangements), reputation, network of supporting personnel and facilities, quality of care and geographical convenience.

Should the Enlarged Group fail to successfully compete with other healthcare providers, prospective patients could elect to seek treatment at other healthcare service providers and the loss of patient volumes could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

Recently, increased competition in the healthcare services industry has caused healthcare providers to discount their tariffs and focus on medical healthcare funder-preferred services. This has created a pricing pressure in the industry. Should such downward pressure continue, it could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

A portion of the Enlarged Group's revenue is dependent on contracts with and payments from national and regional governments, and changes in these contracts and reductions or delays in these payments or the implementation of other measures to reduce reimbursements from government may reduce the Enlarged Group's revenue.

A significant portion of the Enlarged Group's revenue following the Acquisition is expected to be dependent on payments from national and regional public healthcare bodies.

Life Group has experienced delayed payments in the past and may continue to experience significant delays in receiving payments, in particular, from the South African workman's compensation fund. In addition, South African Government departments may be unable to pay for services in the event of budget deficits or failure to receive funding from the South African Government. For example, effective 30 June 2016, due to a change in health policy, the Gauteng Department of Health elected not to renew 1,570 mental health beds and transferred approximately 1,500 mental health patients to non-governmental organisations ("**NGOs**"), which resulted in a loss of revenue and downsizing in Life Group's Healthcare Services division. In future periods, as a result of healthcare reforms in South Africa, including the potential establishment of the NHI, the South African Government may play an increasing role in making payment for healthcare services, and a greater portion of Life Group's revenue may be dependent on the South African Government. Any delays or failures by the South African Government to reimburse the Enlarged Group for services could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

In Poland, the government is the primary source of Life Group's revenue and Life Group relies on obtaining contracts with the NFZ to continue its operations. Recently introduced reforms to NFZ's tariffs effective from 1 July 2016 have been introduced in the fields of neurosurgery, orthopaedics and cardiology, with additional reforms to NFZ's cardiology tariffs effective from 1 January 2017. These tariff reforms have had and are expected to continue to have a significant impact on the prices Life Group is able to charge for such services in Poland, particularly cardiology services. In addition, the Polish government is in the process of developing an extensive reform of contracting hospital services. Certain contract renewals and extensions with the NFZ are expected to be negotiated in June 2017, and the loss of any existing arrangements or failure by Life Group to secure any new agreements important for its growth could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

In addition, Alliance Medical's operations in Europe are also reliant upon contracts with national and regional public healthcare bodies. Any change in the volume of imaging or other services obtained from private healthcare providers, or reduction in the tariffs paid by healthcare authorities for such services, could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

The Enlarged Group's insurance may be inadequate, premiums may increase and, if there is a significant deterioration in its claims experience, insurance may not be available on acceptable terms.

The Enlarged Group maintains liability insurance intended to cover patient, third-party and employee personal injury claims. Because the Enlarged Group is partially self-insured up to pre-determined levels, there may be claims in respect of which the liability for damages and costs falls to the Enlarged Group before being met or reimbursed by any insurance underwriter. There may also be claims in excess of the Enlarged Group's insurance cover or claims which are not covered by the Enlarged Group's insurance due to other policy limitations or exclusions or where it has failed to comply with the terms of the policy. Furthermore, there can be no assurance that the Enlarged Group will be able to obtain liability insurance cover in the future on acceptable terms, or without substantial premium increases or at all, particularly if there is deterioration in the Enlarged Group's claims experience history. For example, a new law has been proposed in Italy, which, if adopted, would impose medical malpractice liability on the Enlarged Group for claims made against the self-employed doctors that work at its medical imaging facilities in Italy. If adopted, this law is expected to have an adverse impact on the availability, price and terms of medical malpractice insurance for the Enlarged Group's operations in Italy. A successful claim against the Enlarged Group not covered by or in excess of its insurance cover could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

In addition, the Enlarged Group is exposed to the risk of fires and related risks (such as flooding, earthquakes, storm damage and power interruptions) at any of its facilities. These events may result in the total or partial destruction of, or prevent or restrict access to, a facility. While the Enlarged Group maintains insurance policies that may cover many of these risks, there can be no assurance that, should these risks materialise, its insurance policies would cover some or all of the relevant damages. Any shortfall in coverage could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

Quality deficiencies could adversely impact the Enlarged Group's reputation and ability to market its services effectively, which could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

The Enlarged Group's future growth will partly depend on its ability to maintain its reputation for high-quality services by meeting its quality goals. Factors such as poor clinical outcomes, health and safety incidents, negligence, medical malpractice and problems at the Enlarged Group's hospitals or other facilities, negative press, or patient or doctor dissatisfaction could lead to a deterioration in the level of the Enlarged Group's quality ratings or the public perception of the quality of its services, which in turn could lead to a loss of patients. Any impairment of the Enlarged Group's reputation, loss of goodwill or damage to the value of its brand names could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

Many of the Enlarged Group's patients have complex medical conditions, are considered vulnerable and often require a substantial level of care and supervision. There is a risk that one or more patients could be harmed by one or more of the Enlarged Group's employees or doctors, either intentionally, through negligence or by accident. A serious incident or series of incidents involving harm to one or more patients could result in negative publicity. Furthermore, the damage to the Enlarged Group's reputation or to the reputation of the relevant facility from any such incident or series of incidents could be exacerbated by any failure on its part to respond effectively. There can be no assurance that the Enlarged Group's clinical, educational and other governance procedures will enable it to prevent an event giving rise to significant negative publicity.

Such incidents or the negative publicity surrounding them could have a material adverse effect on the Enlarged Group's brand, reputation and the utilisation of its services, which could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects. In addition, the Enlarged Group may not be able to adequately implement recommendations for future procedures to prevent similar instances from happening in the future.

Environmental regulations and penalties for violations of environmental regulations, as well as damages resulting therefrom, could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

Waste generated in the ongoing business activities of the Enlarged Group's operations, in particular hospitals, medical imaging facilities and radiopharmaceutical production sites, poses certain environmental and health hazards. These include infectious waste, drug waste resulting from cancer treatments, waste resulting from usage of X-rays and other medical imaging techniques, radioactive waste from radiopharmaceutical production, cleaning concentrates which have corrosive effects, flammable alcoholic disinfectants, technical operations materials such as diesel fuel or motor oil, which represent a danger to the soil and groundwater, chemicals such as those used in sanitary facilities or in cooling towers, and inhalation anaesthetics. Despite adherence to safety standards, employees may be harmed, environmental damage may occur or fines may be incurred. The Enlarged Group is subject to legal provisions regarding the proper disposal of such special waste. While the Enlarged Group has strict procedures in place to process medical waste, waste in some hospitals may not be properly disposed of because of misconduct or mistakes by employees or contracted individuals or businesses and costly damages may be incurred as a result. Certain third-party contractors used by the Enlarged Group have in the past been alleged to have engaged in illegal dumping of medical waste. The Enlarged Group may incur costs or be subject to civil or criminal penalties due to an obligation by one of its facilities to dispose of waste, contamination or other hazardous substances as well as contamination on the properties of third parties, which could impair operational processes and could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

If the Enlarged Group does not continually enhance its facilities with the most recent technological advances in diagnostic and surgical equipment, or if there are any major failures or defects of the existing medical equipment in the Enlarged Group's facilities, it could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

Technological advances in the medical field continue to evolve. In order to compete with other healthcare providers for doctors and patients, the Enlarged Group must continually assess its equipment needs at its facilities and upgrade equipment as a result of technological improvements. Such equipment costs represent significant capital expenditure and, in the case of the Enlarged Group's operations in South Africa, must be obtained from abroad. Any inability of the Enlarged Group to purchase new technology, such that medical practitioners are unable to provide required services and either do not provide the relevant treatment or elect to leave Life Group's hospitals, could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

The Enlarged Group has significant borrowings and liabilities, the amount and terms of which may limit its financial and operational flexibility or give rise to an event of default.

Life Group financed the consideration for the Acquisition through drawings under Bridge Facility A and Bridge Facility B. The Enlarged Group intends to repay a portion of Bridge Facility A with the net proceeds of the Rights Offer, although there can be no assurance that the Rights Offer will be successful (see "*—Risks Related to the Rights Offer and the Rights Offer Shares—If the Rights Offer is unsuccessful, the Enlarged Group may need to raise additional capital and may operate with increased leverage*"). Life Group intends to refinance Bridge Facility B with a new senior term facility that is expected to be negotiated following the closing of the Rights Offer. As part of the Acquisition, the Enlarged Group's indebtedness has increased further because it has taken on a portion of Alliance Medical's existing indebtedness, including a master lease purchase agreement, a receivables finance facility and a revolving credit facility. For more information, see "*Operating and Financial Review—Liquidity and Capital Resources—Borrowings*" and Annexure 9: "*Details of Material Borrowings*". Following the Acquisition and the drawdowns under the Bridge Facility, the Company's net debt position has temporarily increased to approximately 3.8x the *pro forma* normalised EBITDA of the Enlarged Group for the year ended 30 September 2016.

As a result of the Enlarged Group's significant level of indebtedness, an inability to repay or refinance all or a substantial amount of the Enlarged Group's debt obligations when they become due could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects. The Enlarged Group may be negatively impacted by higher interest rates, which would adversely affect the Enlarged Group's profitability. Furthermore, the Enlarged Group will be required to comply with any restrictive terms of its debt, including covenants which may limit its ability to incur additional indebtedness, pay dividends or make other distributions, limiting its flexibility in planning for, or reacting to, changes in its business and the markets in which it operates. Such actions could impair the Enlarged Group's ability to obtain additional financing in the future and place it at a competitive disadvantage compared to those competitors that have less debt, all of which could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

The Enlarged Group's ability to effectively provide the services it offers or manage its margins could be negatively affected by increases in costs or disruptions in the availability of supplies.

If the Enlarged Group is not able to access high-quality pharmaceuticals, surgical supplies and medical equipment on a cost-effective basis or if suppliers are not able to fulfil the Enlarged Group's requirements for such products, the Enlarged Group could face a decline in patient volumes or disruption in its relationships with doctors. In addition, the Enlarged Group may face increases in its cost of supplies that it is not able to fully pass through to increases in its tariffs. In particular, a significant portion of the Enlarged Group's revenue is derived from services provided on the basis of alternative reimbursement model ("**ARM**") tariffs, under which arrangements the Enlarged Group is not able to pass through costs from consumables used in the provision of care. If the Enlarged Group is not able to obtain adequate quantities or manage the costs of its supplies, this could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

The growth of uninsured patient accounts and deterioration in the collectability of these accounts could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

The primary collection risks of Life Group's accounts receivables relate to uninsured patient accounts and patient accounts for which the primary insurance carrier has paid the amounts covered by the applicable agreement, but patient responsibility amounts (deductibles and co-payments) remain outstanding. The provision for doubtful accounts relates primarily to amounts due directly from patients. For the financial year ended 30 September 2016, Life Group's trade receivables impairment loss represented 0.6% of revenue.

The amount of the provision for doubtful accounts is based upon management's assessment of historical write-offs and expected net collections, business and economic conditions, trends in healthcare coverage, the rate of growth in uninsured patient admissions and other collection indicators. Due to a number of factors, including the recent economic downturn and increase in unemployment, Life Group may experience growth in bad debts and care provided to patients free of charge. A continuation of the trends that have resulted in an increasing proportion of accounts receivable being comprised of uninsured accounts and deterioration in the collectability of these accounts could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

Significant fluctuations in the value of the Rand against other currencies could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

Consumables used in Life Group's hospitals (pharmaceuticals and surgical supplies) are generally imported from outside of South Africa. Although the prices for these products are denominated in Rand, the cost of such goods may increase or decrease reflecting movements in the Rand compared to other currencies, in particular, the euro. A significant portion of Life Group's capital expenditures relates to the purchase of medical equipment from manufacturers outside of South Africa through local distributors. Although the prices of such equipment are denominated in Rand, the Rand prices are linked to euro prices. Thus, any depreciation in the value of the Rand against the euro could cause a significant increase in Life Group's capital expenditures.

In addition, Life Group's exposure to the effects of foreign currency movements against the Rand has increased in connection with Life Group's expansion internationally. The Enlarged Group's reporting currency is the Rand. However, the Enlarged Group is exposed to significant fluctuations in exchange rates when converting non-Rand amounts into Rand for reporting purposes. A fluctuation in the value of Pound Sterling, euro or Złoty against the Rand will affect the Enlarged Group's revenue and costs in a given reporting period, regardless of the operational performance of the Enlarged Group or its margins for that period. The Enlarged Group's exposure to the effects of foreign currency movements against the Rand is expected to increase in connection with any expansion by the Enlarged Group internationally, including as a result of the Acquisition.

Strikes or other industrial action could impair the Enlarged Group's business activities.

As at 30 September 2016, approximately 17.9% of the Enlarged Group's employees were members of trade unions. The Enlarged Group and its facilities have in the past and may in future be subject to strike or industrial action. Any such strikes or industrial action at the Enlarged Group's facilities in the future could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

The results of the Competition Commission's market inquiry could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

Life Group is subject to competition and antitrust laws in South Africa. The Competition Commission initiated on 6 January 2014 a market inquiry in the private healthcare sector in terms of Chapter 4A of the Competition Commission Act, 1998 (the "**Competition Act**") and in keeping with the purpose and functions of the Competition Commission set out in section 2 and section 21 of the Act, respectively. A market inquiry is a general investigation into the state, nature and form of competition in a market, rather than a narrow investigation of a specific conduct by any particular firm. The objective of the inquiry is to identify the factors that affect competition in the private healthcare market and to provide a factual basis upon which relevant recommendations can be made in the interest of a more affordable, accessible and innovative private healthcare market. The Competition Commission further believes that conducting this inquiry will assist in understanding how it may promote competition in the healthcare sector, in furtherance of the purpose of the Competition Act.

Public hearings commenced in February 2016 and the revised administrative timetable contemplates a final report and recommendations being published on 15 December 2017.

The Enlarged Group has a dedicated management team focused on the inquiry, which is assisted in the research and analysis by a firm of attorneys and a firm of economists. However, the Enlarged Group cannot be certain as to what effect the report of the Competition Commission will have on South Africa's private health insurance system or private healthcare providers. Any reforms or regulations resulting from the Competition Commission's findings could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

If Life Group is subject to any investigation by or sanctions from the Competition Commission under current or any future competition legislation, or investigation by or sanctions from the competition authorities in other jurisdictions, such investigations or sanctions could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

The Enlarged Group may have exposure to greater than anticipated tax liabilities, which could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

Determining the Enlarged Group's provision for corporation and other tax liabilities, and the application and calculation of any tax relief, requires significant judgements and estimates, and there are many transactions and calculations where the ultimate tax determination is uncertain. Although the Enlarged Group believes its estimates are reasonable, the ultimate tax outcome may differ from the amounts recorded in its financial statements and may materially affect Life Group's financial results in the period or periods for which such determination is made. Any adverse tax determination may require the Enlarged Group to pay material amounts in taxes and penalties or materially reduce the Enlarged Group's existing tax assets, which could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

RISKS RELATED TO ALLIANCE MEDICAL'S BUSINESS

A shift in Alliance Medical's patient volumes from privately insured patients and self-pay patients to publicly funded patients could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects. In addition, prices for privately insured patients may be subject to downward price pressure, reducing the Enlarged Group's margins and revenue.

In the financial year ended 31 March 2016 and the six months ended 30 September 2016, approximately 24% and 23% of Alliance Medical's revenue, respectively, was generated from payments received from private insurance or self-pay patients. Services from these private insurance payors generally have a higher tariff price and margin than the services Alliance Medical performs for the National Health Service (the "**NHS**"). If the private insurance payors reduce their use of Alliance Medical's services, the Enlarged Group's margins could decline.

In addition, whether as a result of increased competition, adverse economic conditions, governmental reform, regulatory activity or other industry-wide factors, reimbursement from private insurance payors may be subject to downward pressure in the coming years. In the last twelve months, volumes of work performed for NHS patients increased at a faster rate than for private patients. Any reduction in the Enlarged Group's ability to attract private patients to use its services relative to historical levels or at levels with comparable profitability could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

Alliance Medical relies on the NHS and the Servizio Sanitario Nazionale for a significant proportion of its revenue and the loss of such revenue could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

Payments for Alliance Medical's services by publicly-funded entities such as the NHS in the United Kingdom and the *Servizio Sanitario Nazionale* (the "**SSN**") in Italy, which accounted for approximately 76% and 77% of Alliance Medical's revenue in the financial year ended 31 March 2016 and the six months ended 30 September 2016, respectively. Most of the NHS complex imaging work undertaken in England by Alliance Medical is priced at the NHS tariff level. In Italy, publicly-funded services provided at Alliance Medical's private clinics are subject to annual budget allocations by the regional health authorities (the "**RHAs**"). There is a risk that budget constraints, public spending cuts or other financial pressures could cause a reduction in tariffs or cause publicly-funded entities to spend less money on the complex imaging services that Alliance Medical provides. Similarly, government policy changes could result in a decline in the volume of complex imaging services purchased by publicly-funded entities from private companies such as Alliance Medical. For example, the NHS could reduce outsourcing expenditures in general or direct resources to alternative service models. Private complex imaging companies may, as a result of such changes in policy, be excluded from working with the NHS in the future or the conditions for working with the NHS may become more restrictive. In addition, the NHS could change regulatory requirements, including the channel through which NHS work is routed to private complex imaging companies, or contractual provisions between consultants and the NHS, which could limit radiologists' ability to work with private complex imaging companies. Any such reduction in spending or emergence of alternative service models could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

If an Alliance Medical facility fails to comply with NHS information governance or other standards or requirements, that facility could lose NHS accreditation. Furthermore, the provision of NHS services in England is dependent on the Enlarged Group holding provider licences issued by Monitor and the Care Quality Commission ("**CQC**"), the sector regulators for healthcare in England. In Italy, private clinics are required to hold separate accreditations for each service provided to public patients and to private patients. If the Enlarged Group fails to comply with the core requirements of the applicable regulatory regime, the applicable regulator may revoke or restrict the licence or accreditation, which could adversely affect the Enlarged Group's ability to generate revenue in that jurisdiction and which could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

The failure to comply with contracted performance standards could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

The majority of contracts entered into by Alliance Medical with public and private sector organisations include key performance indicators ("**KPIs**") designed to ensure a minimum level of service delivery. These standards may include the time taken from the point of patient referral for a diagnostic scan to the delivery of the image with a diagnostic report, or the hours of availability of the scanning equipment during scheduled operational hours at a facility. The failure to deliver a contracted KPI usually results in the customer having the opportunity to require remedial action by Alliance Medical, whether by way of an action plan to address the reasons for the failure, a monetary penalty or, in certain cases, contract termination. While Alliance Medical seeks to negotiate KPIs that are expected to be achievable in its experience of normal operating conditions at its facilities, abnormal circumstances, such as repeated or extended equipment breakdown, can result in the breach of a KPI. In extreme cases, poor performance can give rise to a contract termination event, which could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

RISKS RELATED TO CERTAIN JURISDICTIONS IN WHICH THE ENLARGED GROUP OPERATES

Political, social and economic conditions in South Africa may reduce demand for Life Group's services or could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

Political, social and economic conditions in South Africa have had and may continue to have a significant effect on Life Group, which generated 93% of its revenue in South Africa during the financial year ended 30 September 2016. South Africa is affected by persistent socio-economic challenges, including in relation to access to adequate education, healthcare, housing and other services, including water and electricity. South Africa also has one of the highest HIV/AIDS infection rates in the world. The exact impact of increased mortality rates due to HIV/AIDS-related deaths and increases in employee-related costs (in terms of increased absenteeism, depressed morale and reduced productivity, in addition to increased recruitment and replacement costs, insurance premiums, benefits payments and other costs of providing treatment) on the cost of doing business in South Africa and the potential growth in the economy is uncertain. Furthermore, in recent years, South Africa has experienced high levels of poverty and unemployment as well as prolonged industrial action.

The South African economy has experienced a slowdown in growth in recent years as a result of weaker global demand, and has also experienced domestic issues such as rising fuel prices, food inflation and a decline in job creation and government spending. In January 2017, the South Africa Reserve Bank (the "**SARB**") revised its economic growth forecast for South Africa to 1.1% from 0.4% in September 2016. Sustained depreciation of the Rand has resulted in and could further result in the cost of imported goods (including oil and food) steadily increasing. The overall impact of this on the South African economy and the increased prices of goods and services in the other areas of the economy could indirectly impact the Enlarged Group adversely through a general increase in prices and a decline in consumer spending on private healthcare services.

Although it is difficult to predict the effect of these problems on South African businesses or the South African Government's efforts to solve them, these problems, or the solutions proposed, could impact South African consumer confidence or reduce consumer spending. Furthermore, slow growth in the South African economy and the resulting slowdown in employment have had and continue to have a negative impact on medical healthcare funder membership growth. This slowdown in membership growth has influenced the number of patients accessing private healthcare, with the total number of patients potentially reaching a plateau, which is expected to lead to increased competition among healthcare providers for the limited market of medically insured patients, often through product variations or tariff discounting. Any of these factors may reduce the number of patients accessing private healthcare, and therefore Life Group's addressable patient population, or the margins the Enlarged Group earns on the provision of its services, either of which could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

In addition, South Africa is currently rated BBB- with a negative outlook by Standard & Poor's Credit Market Services Europe Limited ("**S&P**") and Baa2 with a negative outlook by Moody's Investors Service ("**Moody's**"). If the rating agencies downgrade South Africa's credit rating to speculative grade, it could have an impact on the availability of and access to debt financing.

There are risks associated with investing in emerging markets such as South Africa and political, economic, social and other developments in South Africa could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

South Africa is generally considered to be an emerging market by international investors. Emerging markets are typically thought to have certain characteristics and be subject to many risks, including:

- adverse changes in economic and governmental policy;
- abrupt changes in currency values;
- high levels of inflation;
- relatively low levels of disposable consumer income;
- relatively high levels of crime;
- volatility in capital markets;
- relatively unstable institutions;
- unpredictable changes in the legal and regulatory environment;
- inconsistent application of existing laws and regulations; and
- slow or insufficient legal remedies.

Life Group cannot assure investors that political, economic, social and other developments in South Africa will not have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

South African exchange control regulations may restrict the Enlarged Group's ability to make foreign investments and procure foreign-denominated finance.

As a South African resident company Life Group is subject to South Africa's exchange control regulations ("**Exchange Control Regulations**") which effectively place limitations on the export of capital from the common monetary area of South Africa, the Republic of Namibia and the Kingdoms of Lesotho and Swaziland (the "**Common Monetary Area**"). Although there has been ongoing relaxation of exchange controls in recent years, these regulations could hinder the ability of the Enlarged Group to make foreign currency denominated investments and procure foreign currency denominated financing in future, which could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

The Enlarged Group's operations in South Africa may face increased costs due to electricity tariff increases and may experience disruptions resulting from electricity shutdowns and fuel shortages.

South Africa has experienced national electricity shortages with intermittent, seasonal power outages and Eskom, the South African electricity provider, has occasionally implemented electricity rationing and planned blackouts, although there have not been any planned blackouts in the last year. Eskom, has advised that the national power grid may remain under strain for a number of years until new power stations come on-line, and regular power cuts remain a possibility during this time. Any extended period of planned or unplanned electrical power supply interruptions could result in significantly increased energy or other utility costs, associated with operating back-up power generators. Electricity tariffs charged by Eskom have significantly increased in recent years. In addition, the costs of power may be volatile due to increased market fluctuations in gas and electricity prices. If the Enlarged Group is unable to implement measures to mitigate any future increases in its energy or other utility costs or power shortages, it could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

Non-compliance with black economic empowerment initiatives in South Africa could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

Under the laws, codes and regulations promulgated by the South African Government to promote broad-based black economic empowerment ("**B-BBEE**"), the South African Government awards procurement contracts, quotas, licences, permits and other rights based on numerous factors including the B-BBEE status of applicants. Life Group is required or encouraged to comply with procurement, employment equity, ownership and other requirements, which are designed to redress historical social and economic inequalities and ensure socio-economic stability in South Africa. New codes adopted under the Broad-Based Black Economic Empowerment Act, 2013 (the "**B-BBEE Act**") have resulted in a significant drop in Life Group's rating relating to B-BBEE and, as of the date of this Circular, Life Group is not fully compliant with the B-BBEE Act, in particular, in relation to skills development and enterprise and supplier development. In addition, the shareholding levels of Life Group's B-BBEE shareholders may decrease following the implementation of the Rights Offer.

A company's B-BBEE status is an important factor considered by the South African Government and other public bodies in awarding contracts, and may influence relationships with customers or suppliers as it has an effect on the B-BBEE status of those customers or suppliers. If Life Group fails to improve its B-BBEE status, its ability to obtain public contracts and licences could be adversely affected, particularly in obtaining new occupational health contracts and for new contracts through Life Esidimeni, and customers and suppliers might also be less likely to procure products from Life Group. Failure to comply with B-BBEE laws, codes and regulations could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

Deteriorating economic conditions in Europe could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

The Enlarged Group is subject to a number of risks as a result of operating in the United Kingdom, Italy, Ireland and Poland and other countries in the EU. An adverse market event or deteriorating economic conditions in Europe may have a significant impact on its overall sales and could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects. Alliance Medical's primary markets are in the United Kingdom, Italy and Ireland, which altogether comprised 93% of Alliance Medical's revenue for both the financial year ended 31 March 2016 and the six months ended 30 September 2016. If the Enlarged Group's EU sales were significantly impacted by either material changes to reimbursement regulations or private payor reimbursement in the European jurisdictions in which it operates, other regulatory developments, competition or other factors, this impact could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

RISKS RELATED TO THE RIGHTS OFFER AND THE RIGHTS OFFER SHARES

If the Rights Offer is unsuccessful, the Enlarged Group may need to raise additional capital and may operate with increased leverage.

The Joint Bookrunners have agreed to procure subscribers for, or failing which to subscribe and pay for, the Rights Offer Shares. However, the Underwriting Agreement grants the Joint Bookrunners customary rights to terminate the Underwriting Agreement in certain limited circumstances. In the event that the Rights Offer is unsuccessful as a result of the termination of the Underwriting Agreement (in accordance with its terms), the Enlarged Group would likely need to seek to raise additional funds to repay Bridge Facility A by other means, including by way of additional debt financing, the issuance of equity securities or asset sales or disposals. There can be no assurances that Life Group will be able to do so on favourable economic terms, or at all, and Life Group's ability to raise additional capital may be influenced by factors beyond its control, including the macroeconomic environment. If additional funding is not available on commercially attractive terms, or at all, the Enlarged Group could breach a covenant and trigger an event of default under the Bridge Facility, which could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects. In addition, the Enlarged Group may be required to significantly alter its strategy or curtail its future capital expenditure and investment plans and its liquidity position could be materially adversely affected, all of which could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

In the future, the Enlarged Group may not pay dividends at current levels or at all.

The Enlarged Group pays dividends to its shareholders only if funds are available for that purpose. Whether funds are available depends on a variety of factors, including the amount of cash available and other cash requirements existing at the time. Under South African law, the Enlarged Group is entitled to pay a dividend to its shareholders only if it meets the solvency and liquidity tests set out in the Companies Act. Given these factors and the Board's discretion to declare a cash dividend, in the future the Enlarged Group may not pay dividends at current levels or at all.

An active trading market in the Letters of Allocation may not develop.

An active trading market in the Letters of Allocation may not develop on the JSE during the trading period. In addition, because the trading price of the Letters of Allocation depends on the trading price of Life Ordinary Shares, the Letter of Allocation prices may be volatile and subject to the same risks as noted below in "—*The market price of the Life Ordinary Shares may prove to be volatile and subject to fluctuations, including significant decreases*".

The market price of the Life Ordinary Shares may prove to be volatile and subject to fluctuations, including significant decreases.

The market price of the Life Ordinary Shares could be volatile and subject to significant fluctuations due to a variety of factors, some of which do not relate to the Enlarged Group's financial performance, including changes in general market conditions, the general performance of the exchange operated by the JSE, changes in sentiment in the market regarding the Life Ordinary Shares (or securities similar to them), regulatory changes affecting the Enlarged Group's operations, variations in the Enlarged Group's operating results, business developments for the Enlarged Group or its competitors, the operating and share price performance of other companies in the industries and markets in which the Enlarged Group operates, speculation about the Enlarged Group's business in the press, media or the investment community, or changes in the political, social or economic conditions in southern Africa. Furthermore, the Enlarged Group's operating results and prospects may from time to time be below the expectations of market analysts and investors. Any of these events could result in a decline in the market price of the Life Ordinary Shares, and the Enlarged Group cannot ensure that the public trading market prices of the Life Ordinary Shares will not decline below the Rights Offer Price.

Qualifying Shareholders who do not acquire Rights Offer Shares will experience dilution in their ownership of Life.

The Rights Offer Shares may only be taken up by Qualifying Shareholders. If registered holders of Life Ordinary Shares ("**Life Ordinary Shareholders**") do not take up the offer of Rights Offer Shares, their proportionate ownership and voting interests in Life will be reduced and the percentage that their Life Ordinary Shares will represent of the total share capital of Life will be reduced accordingly. Even if a Life Ordinary Shareholder elects to sell his or her unexercised Letter of Allocation, or if such Letter of Allocation is sold on his or her behalf, the consideration he or she receives may not be sufficient to compensate him or her fully for the dilution of his or her percentage ownership of Life's share capital that may be caused as a result of the Rights Offer.

Any future issues of Life Ordinary Shares will further dilute the holdings of current Life Shareholders and could adversely affect the market price of Life Ordinary Shares.

Other than the proposed issue of Life Ordinary Shares under the Rights Offer or as part of its employee share incentive schemes, Life has no current plans for an offering of shares. However, Life may decide to offer additional shares in the future either to raise capital or for other purposes. If Life Shareholders do not take up such offer of Life Ordinary Shares or are not eligible to participate in such offering, their proportionate ownership and voting interests in Life will be reduced and the percentage that their Life Ordinary Shares would represent of Life's total share capital would be reduced accordingly. An additional offering, or significant sales of Life Ordinary Shares by major Life Shareholders, could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects, or on the market price of Life Ordinary Shares as a whole.

Shareholders outside South Africa may not be able to receive the Rights Offer Shares and may be diluted.

Securities laws of certain jurisdictions may restrict Life's ability to allow participation by Life Shareholders in the Rights Offer. In particular, Life Ordinary Shareholders who are located in the United States may not be able to exercise their Rights unless a registration statement under the US Securities Act is effective with respect to such rights or an exemption from the registration requirements is available thereunder. The Letter of Allocation and the Rights Offer Shares will not be registered under the US Securities Act. Securities laws of certain other jurisdictions may restrict Life's ability to allow participation by Life Ordinary Shareholders in such jurisdictions in any future issue of shares carried out by Life. Qualifying Shareholders who have a registered address in, who are resident in or who are citizens of countries other than South Africa should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to receive the Letter of Allocation and the Rights Offer Shares.

Life Healthcare Group Holdings Limited

(Incorporated in the Republic of South Africa)
Registration number 2003/002733/06
JSE Share Code: LHC ISIN: ZAE000145892
("**Life**" or the "**Company**")

CIRCULAR TO QUALIFYING SHAREHOLDERS

INTRODUCTION

On 25 January 2017, at Life's annual general meeting, Life's Shareholders approved, among other things, the following resolutions:

- Ordinary resolution number 5 placing such number of the unissued authorised Life Ordinary Shares in the Company under the control of the Directors as may be required for purposes of implementing the Rights Offer;
- Special resolution number 1 approving the issue, to the extent required in terms of the provisions of section 41(3) of the Companies Act, of such number of Life Ordinary Shares in the authorised but unissued share capital of the Company as are required pursuant to and for the purposes of implementing the Rights Offer, even if the voting power of such Life Ordinary Shares exceeds 30% of the voting power of all Life Ordinary Shares held by Life Ordinary Shareholders immediately before the Rights Offer;
- Special resolution number 6 approving the issue and/or allotment of Life Ordinary Shares to a person falling within the ambit of section 41(1) of the Companies Act for the purposes of implementing the Rights Offer.

Pursuant to the terms of the Rights Offer, 367,346,939 Rights Offer Shares will be offered for subscription to Qualifying Shareholders, being holders of Life Ordinary Shares recorded in the Register on the Record Date. Qualifying Shareholders will receive Rights to subscribe for Rights Offer Shares on the basis of 34.21659 Rights Offer Shares for every 100 Life Ordinary Shares held, at a subscription price of R24.50 per Rights Offer Share.

The JSE has agreed to the listing of the Rights Offer Shares and the Letters of Allocation. The purpose of this Circular is to furnish Qualifying Shareholders with relevant information relating to the Rights Offer, the action required of Qualifying Shareholders and the implications of the Rights Offer, in accordance with the Companies Act and the Listings Requirements.

RATIONALE FOR THE RIGHTS OFFER AND USE OF PROCEEDS

Details of Life's rationale for the Rights Offer and use of proceeds are set out under "*Background to and reasons for the Rights Offer*" and "*Use of Proceeds*".

PARTICULARS OF THE RIGHTS OFFER

Terms of the Rights Offer

Life hereby offers a total of 367,346,939 Rights Offer Shares for subscription, upon the terms and conditions set out in this Circular and, insofar as Qualifying Certificated Shareholders are concerned, also as set out in the Form of Instruction. The Rights Offer is made by way of renounceable rights, at a subscription price of R24.50 per Rights Offer Share on the basis of 34.21659 Rights Offer Shares for every 100 Life Ordinary Shares held by Qualifying Shareholders.

The Underwritten Shares are underwritten, subject to customary conditions, as detailed in *"–Underwriting" and "Underwriting Arrangements*".

Excess applications will be allowed as detailed in "*–Excess applications*".

The Rights Offer Shares will, upon allotment and issue, rank *pari passu* with all other existing Life Ordinary Shares and shall be fully paid up and freely transferable.

Rights Offer period

The Rights Offer will open at 09:00 (SAST) on Monday, 3 April 2017 and will close at 12:00 (SAST) on Thursday, 13 April 2017. The Letters of Allocation will be listed on the JSE from 09:00 (SAST) on Wednesday, 29 March 2017 until close of business (SAST) on Monday, 10 April 2017 under Alpha Code LHCN and ISIN ZAE000239976.

Rights

The Rights of each Qualifying Certificated Shareholder are reflected in the appropriate block in the Form of Instruction, which is enclosed with this Circular.

Qualifying Dematerialised Shareholders will not receive a printed Form of Instruction. Their CSDP or Broker accounts will be automatically credited with their Rights.

Fractional rights

Only whole numbers of Rights Offer Shares will be issued and Qualifying Shareholders will be entitled to subscribe for rounded numbers of Rights Offer Shares once the Ratio of Entitlement has been applied. The allocation of Rights Offer Shares will be such that Qualifying Shareholders will not be allocated a fraction of a Rights Offer Share and as such any entitlement to receive a fraction of a Rights Offer Share which (i) is less than one-half of a Rights Offer Share, will be rounded down to the nearest whole number; and (ii) is equal to or greater than one-half of a Rights Offer Share but less than a whole Rights Offer Share, will be rounded up to the nearest whole number.

Holdings of odd lots in multiples other than 100 shares

Qualifying Shareholders holding less than 100 Life Ordinary Shares (if any), or not a whole multiple of 100 Life Ordinary Shares, will be entitled, in respect of such holdings, to participate in the Rights Offer in the Ratio of Entitlements in accordance with the Table of Entitlement in Annexure 1.

Underwriting

Life has entered into the Underwriting Agreement with the Joint Bookrunners pursuant to which the Joint Bookrunners have agreed that, if and to the extent that any Rump Shares have not been placed by them in the market on Life's behalf, to subscribe, severally and not jointly (or jointly and severally), for the Rump Shares as principal (or to procure other subscribers to do so in their stead) in the agreed proportions. The obligations of the Joint Bookrunners are subject to customary conditions and termination events.

The Directors have made due and careful enquiry to confirm that the Joint Bookrunners are able to meet their commitments in terms of the Rights Offer. Further particulars of the Joint Bookrunners are set out in Annexure 2.

Pursuant to the terms of the Underwriting Agreement, an underwriting fee equal to 2.0% of R7,092,646,096 (the value of the Underwritten Shares) is payable by Life to the Joint Bookrunners. The underwriting fee is, in the opinion of the Board, not greater than the current market rate charged by underwriters.

For additional information on the Underwriting Agreement, see "*Underwriting Arrangements*".

Irrevocable Undertakings

As at the Last Practicable Date, the following Qualifying Shareholders have each irrevocably undertaken, to the extent that they are legally able to do so and subject to certain terms and conditions, to follow their rights in terms of the Rights Offer, as set out below:

Qualifying Shareholder	Number of Ordinary Shares	Number of Rights Offer Shares	% of Rights Offer Shares
Allan Gray[(1)]	177,365,847	60,688,552	16.5%
Brimstone	50,158,786	17,162,628	4.7%
Total	**227,524,633**	**77,851,180**	**21.2%**

Note:

(1) Allan Gray's clients are the beneficial owners of, or otherwise directly or indirectly control, the Life Ordinary Shares, and Allan Gray would therefore be following its clients' rights on their behalf.

In terms of the irrevocable letters of undertaking the irrevocable undertakings will lapse if (i) the Rights Offer closes after 14 April 2017, (ii) Life announces that it is withdrawing from or is unable to proceed with the Rights Offer, or, (iii) in relation to Brimstone only, on written notice following a termination of the Joint Bookrunners' underwriting obligations in accordance with the provisions of the Underwriting Agreement.

In terms of the irrevocable letters of undertaking, a fee equal to 1.0% of the value of the Irrevocably Committed Shares actually subscribed for will be payable by the Company to each of Allan Gray and Brimstone.

Excess applications

All Rights Offer Shares not taken up pursuant to the terms of the Rights Offer will be available for allocation to Qualifying Shareholders who wish to apply for a greater number of Rights Offer Shares than those offered to them in terms of the Rights Offer. Accordingly, Qualifying Shareholders may also apply for additional Rights Offer Shares in excess of the Rights Offer Shares allocated to that Qualifying Shareholder in terms of the Rights Offer on the same terms and conditions as those applicable to the Rights. The right to apply for additional Rights Offer Shares is transferable on renunciation.

Qualifying Certificated Shareholders wishing to apply for excess Rights Offer Shares should complete the enclosed Form of Instruction in accordance with the instructions contained therein and return it to the Transfer Secretaries at the addresses set out under "*Action Required of Qualifying Shareholders—Action Required of Qualifying Certificated Shareholders*" so as to be received by the Transfer Secretaries by no later than 12:00 (SAST) on Thursday, 13 April 2017.

Qualifying Dematerialised Shareholders wishing to apply for excess Rights Offer Shares should instruct their CSDP or Broker, in terms of the custody agreement entered into between themselves and their CSDP or Broker, as to the number of excess Rights Offer Shares for which they wish to apply.

An announcement will be released on SENS on Tuesday, 18 April 2017 stating the results of the Rights Offer and the basis of allocation of any excess Rights Offer Shares for which application is made.

The pool of Rights Offer Shares available to meet excess applications will be dealt with as set out below:

- if all the Rights Offer Shares are taken up in the Rights Offer, then no additional Rights Offer Shares will be made available for allocation to applicants;
- if the Rights Offer Shares taken up in the Rights Offer and the excess applications together are less than or equal to 100% of the number of Rights Offer Shares available, the Directors will allocate any or all excess applications in full; or
- if the Rights Offer Shares taken up in the Rights Offer and the excess applications together exceed 100% of the number of Rights Offer Shares available, the pool of the excess Rights Offer Shares will be allocated equitably, taking cognisance of the number of Life Ordinary Shares held by each applicant on the Record Date, the number taken up as a result of the Rights Offer and the number of excess applications applied for by such applicant. Rights Offer Shares in respect of successful excess applications will be issued on or about Thursday, 20 April 2017.

Non-equitable allocations of excess Rights Offer Shares will only be allowed in instances where they are used to round holdings up to the nearest multiple of 100 shares.

Cheques and/or refunding of moneys in respect of unsuccessful applications for additional Rights Offer Shares by Qualifying Certificated Shareholders will be posted to the relevant applicants, at their risk, on or about Thursday, 20 April 2017. No interest will be paid on moneys received in respect of unsuccessful applications.

Procedures for acceptance of Rights

If you are a Qualifying Certificated Shareholder and/or have had Rights renounced in your favour in certificated form, and you wish to subscribe for all or part of your Rights in terms of the enclosed Form of Instruction, you must complete the enclosed Form of Instruction in accordance with the instructions contained therein and return it to the Transfer Secretaries at the addresses set out under "*Action Required of Qualifying Shareholders*" so as to be received by the Transfer Secretaries by no later than 12:00 (SAST) on Thursday, 13 April 2017. Once received by the Transfer Secretaries, the acceptance is irrevocable and may not be withdrawn.

If payment is not received on or before 12:00 (SAST) on Thursday, 13 April 2017, the day of the closing of the Rights Offer, the Qualifying Certificated Shareholder or renouncee concerned will be deemed to have declined the offer to acquire Rights Offer Shares pursuant to the Rights Offer and the Rights will lapse for such Qualifying Certificated Shareholder or renouncee.

Qualifying Certificated Shareholders are advised to take into consideration postal delivery times when posting their Forms of Instruction, as no late postal deliveries will be accepted. Qualifying Certificated Shareholders are advised to, where possible, deliver their completed Forms of Instruction, together with their bank-guaranteed cheques or banker's drafts or proof of payment if by EFT, by hand or by courier.

If you are a Qualifying Dematerialised Shareholder, you will not receive a printed Form of Instruction. You should receive notification from your CSDP or Broker regarding your Rights.

If you wish to follow your Rights, you are required to notify your duly appointed CSDP or Broker of your acceptance of the Rights Offer in the manner and time stipulated in the custody agreement governing the relationship between yourself and your CSDP or Broker.

Life does not take responsibility and will not be held liable for any failure on the part of any CSDP or Broker to notify you of the Rights Offer and/or to obtain instructions from you to subscribe for the Rights Offer Shares and/or to dispose of your Rights.

Procedures for sale or renunciation of Rights

If you are a Qualifying Certificated Shareholder and do not wish to subscribe for all or part of your Rights as reflected in the Form of Instruction, you may either dispose of or renounce all or part of your Rights.

If you wish to dispose of all or part of your Rights, you must complete Form A in the enclosed Form of Instruction and return it to the Transfer Secretaries to be received by no later than 12:00 (SAST) on Monday, 10 April 2017. The Transfer Secretaries will endeavour to procure the sale of your Rights on the JSE on your behalf and to remit the net proceeds thereof in accordance with your instructions. In this regard, neither the Transfer Secretaries nor Life will have any obligation or be responsible for any loss or damage whatsoever in relation to or arising from the timing of such sales, the price obtained or the failure to dispose of such Rights.

If you wish to renounce all or part of your Rights in favour of any named renouncee, you must complete Form B in the enclosed Form of Instruction, and the renouncee must complete Form C in the enclosed Form of Instruction and return it to the Transfer Secretaries, to be received by no later than 12:00 (SAST) on Thursday, 13 April 2017.

If you are a Qualifying Dematerialised Shareholder and wish to dispose of or renounce some or all of your Rights, you should make the necessary arrangements with your CSDP or Broker in the manner and time stipulated in the custody agreement governing the relationship between yourself and your CSDP or Broker.

Lapse of Rights

Qualifying Shareholders

The Rights of Qualifying Certificated Shareholders who fail to instruct the Transfer Secretaries as to what action they intend to take or fail to comply with the procedures set out in this section entitled "*Particulars of the Rights Offer and Use of Proceeds*" within the timelines stipulated, will lapse and such Qualifying Shareholders will not be entitled to any payment under the terms of the Rights Offer.

Qualifying Dematerialised Shareholders who do not subscribe for, sell or renounce their Rights risk their Rights lapsing if they fail to act in terms of the instructions received from their CSDP or Broker. Should such Rights lapse, they will not be entitled to any payment under the terms of the Rights Offer.

None of the Enlarged Group, the Joint Bookrunners, the Transfer Secretaries or any Broker appointed by them will be responsible for any loss or damage whatsoever suffered by such Qualifying Shareholders in relation to the lapsing of their Rights.

Restricted Shareholders

Letters of Allocation credited to Life Ordinary Shareholders with a registered address or who are resident or located in the United States (subject to certain exceptions) or in any Restricted Territory on the Record Date ("**Restricted Shareholders**") will lapse unless the Life Ordinary Shareholder validly transfers their Letters of Allocation outside the United States in accordance with Rule 903 or Rule 904 of Regulation S prior to 10 April 2017, which, for the avoidance of doubt, includes transfers over the exchange operated by the JSE.

Payment

The amount due on acceptance of the Rights Offer is payable in Rand.

Payment by Qualifying Certificated Shareholders (i) must be made in full by a bank-guaranteed cheque drawn on a South African bank or banker's draft drawn on a registered commercial bank (each of which should be crossed and marked "not transferable" and, in the case of a cheque, with the words "or bearer" deleted), or EFT (into the designated bank account, details of which are available from the Transfer Secretaries on request by contacting the Transfer Secretaries' call centre for corporate actions on +27 (0) 86 110 0634) in favour of "Life Healthcare Rights Offer"; (ii) must be paid in Rand; and (iii) if made by bank-guaranteed cheque, banker's draft or proof of payment by EFT, must be lodged, posted, faxed or emailed, as the case may be, together with the completed Form of Instruction, as follows:

By hand to:	***By post to:***
Life Healthcare Group Holdings Limited – Rights Offer	**Life Healthcare Group Holdings Limited – Rights Offer**
c/o Computershare Investor Services Proprietary Limited	c/o Computershare Investor Services Proprietary Limited
Rosebank Towers	PO Box 61763
15 Biermann Avenue	Marshalltown
Rosebank	2107
2196	South Africa
South Africa	
By facsimile to:	***By email to:***
+27 (0) 11 688 5210	corporate.events@computershare.co.za

Payment must be received by no later than 12:00 (SAST) on Thursday, 13 April 2017.

The Transfer Secretaries will not be responsible for any loss and/or damage whatsoever in relation to or arising from the late or non-receipt of faxed or emailed Forms of Instruction or owing to Forms of Instruction being forwarded to any other facsimile number or email address other than that provided above. Notwithstanding anything to the contrary, it is the Qualifying Shareholder's responsibility to ensure that their Form of Instruction is received by the Transfer Secretaries.

All bank-guaranteed cheques or banker's drafts received by the Transfer Secretaries will be deposited immediately for payment. The payment will constitute an irrevocable acceptance by the shareholder or renouncee of the Rights Offer upon the terms and conditions set out in this Circular and in the enclosed Form of Instruction. In the event that any bank-guaranteed cheque or banker's draft is dishonoured, Life, in its sole discretion, may treat the relevant acceptance as void or may tender delivery of the relevant Rights Offer Shares to which it relates against payment in cash of the issue price for such shares.

Money received in respect of an application that is rejected, or which is otherwise not validly received in accordance with the terms stipulated, will be posted by registered post by way of a cheque drawn, without interest, in Rand to the applicant concerned, at the applicant's risk, on or about Thursday, 20 April 2017. If the applicant concerned is not a Qualifying Shareholder and gives no address in the enclosed Form of Instruction, then the relevant refund will be held by Life until collected by the applicant and no interest will accrue to the applicant in respect thereof.

Payment by Qualifying Dematerialised Shareholders will be effected on the Qualifying Shareholders' behalf by the CSDP or Broker. The CSDP or Broker will effect payment on a delivery versus payment basis.

Overseas Shareholders

General

The making or acceptance of the proposed offer of the Letters of Allocation and/or Rights Offer Shares to persons who have registered addresses outside South Africa, or who are resident, or located, in, or citizens of, countries other than South Africa, may be affected by the laws of the relevant jurisdiction. Those persons should consult their professional advisers as to whether they require any governmental or other consent or need to observe any other formalities to enable them to take up their Rights.

It is the responsibility of any person (including, without limitation, custodians, nominees and trustees) outside South Africa wishing to take up Rights under the Rights Offer or to transfer their Rights to satisfy himself as to the full observance of the laws of any relevant territory in connection therewith, including the obtainment of any governmental or other consents which may be required, the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such territories. This section is intended as a general guide only and any Overseas Shareholder who is in doubt as to his or her position should consult his or her professional adviser without delay.

Receipt of this Circular or the crediting of the Letter of Allocation to a CSDP or Broker account will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this Circular must be treated as sent for information purposes only and should not be copied or redistributed.

Letters of Allocation will be provisionally allotted to all Life Ordinary Shareholders on the Register at the Record Date. However, this Circular and the Form of Instruction will not be sent to Restricted Shareholders, except where Life is satisfied that such action would not result in contravention of any registration or other legal requirement in any jurisdiction.

No person receiving a copy of this Circular and/or Form of Instruction and/or receiving a credit of a Letter of Allocation to a CSDP or Broker account may treat the same as constituting an invitation or offer to him or her, nor should either he or she in any event use the Form of Instruction unless he or she is a Qualifying Shareholder, in the relevant territory, unless such an invitation or offer could lawfully be made to him or her or the Letter of Allocation or Form of Instruction could lawfully be used or dealt with without contravention of any registration or other legal requirements. In such circumstances, this Circular and the Form of Instruction are to be treated as sent for information purposes only and should not be copied or redistributed. Persons (including, without limitation, custodians, nominees and trustees) receiving a copy of this Circular and/or a Form of Instruction or whose CSDP or Broker account is credited with Letters of Allocation should not, in connection with the Rights Offer, distribute or send the same or transfer Letters of Allocation in or into any jurisdiction where to do so would or might contravene local securities laws or regulations, including, but not limited to, the United States and the other Restricted Territories. If a Form of Instruction is received by any person or a credit of a Letter of Allocation is received by any person in his or her CSDP or Broker account, in each case in any such territory, or by his or her agent or nominee, he or she must not seek to take up the Rights referred to in the Form of Instruction or in this Circular or renounce the Form of Instruction or transfer the Letter of Allocation unless Life determines that such actions would not violate applicable legal or regulatory requirements. Any person (including, without limitation, custodians, nominees and trustees) who does forward this Circular or a Form of Instruction or transfer a Letter of Allocation into any such territories (whether pursuant to a contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this paragraph and "*–Representations and warranties*".

The Company reserves the right to treat as invalid and will not be bound to allot or issue a Letter of Allocation or any Rights Offer Shares in respect of any acceptance or purported acceptance of the offer of Rights Offer Shares which:

- appears to the Company or its agents to have been executed, effected or dispatched from the United States or any other Restricted Territory;
- in the case of a Form of Instruction, provides an address for delivery of share certificates in, or, in the case of a credit of Rights Offer Shares in Strate Proprietary Limited ("**Strate**"), to a person with a CSDP or Broker account in Strate who is a Restricted Shareholder or Life Ordinary Shareholder whose registered address is in the United States or any other Restricted Territory or any other jurisdiction outside South Africa in which it would be unlawful to deliver such Form of Instruction or make such a credit; or
- purports to exclude the warranties required by "*–Representations and warranties*".

The attention of Overseas Shareholders who are Restricted Shareholders is drawn to this paragraph and to "*–Representations and warranties*".

Subject to certain limited exceptions, the Letters of Allocation and the Rights Offer Shares may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within the United States.

United Kingdom

This Circular is only being distributed to and is only directed at: (i) persons who are outside the United Kingdom; or (ii) investment professionals falling within Article 19(5) of the Order; or (iii) high net worth entities falling within Article 49(2)(a) to (d) of the Order; or (iv) persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons"). The Rights Offer Shares and Letters of Allocation are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Rights Offer Shares or Letters of Allocation will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this Circular or any of its contents.

Member States of the EEA

In relation to each Relevant Member State (other than the United Kingdom) an offer to the public of any Rights Offer Shares or Letters of Allocation contemplated by this Circular may not be made in that Relevant Member State prior to the publication of a prospectus in relation to the Rights Offer Shares or Letters of Allocation which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in the Relevant Member State, all in accordance with the Prospectus Directive, except that an offer to the public in that Relevant Member State may be made at any time under the following exemptions under the Prospectus Directive, if they are implemented in that Relevant Member State:

- to any legal entity which is a Qualified Investor;
- to fewer than 100, or, if the Relevant Member State has implemented the relevant provisions of Directive 2010/73/EU, 150, natural or legal persons (other than Qualified Investors), subject to obtaining the prior written consent of the Joint Bookrunners; and
- in any other circumstances falling within Article 3(2) of the Prospectus Directive, subject to obtaining the prior consent of the Joint Bookrunners,

provided that no such offer of Rights Offer Shares or Letters of Allocation shall result in a requirement for the publication by the Company or any Joint Bookrunner of a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive and each person who initially acquires any Rights Offer Shares or Letters of Allocation or to whom any offer is made will be deemed to have represented, warranted and agreed to and with the Company and the Joint Bookrunners that it is a qualified investor within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public" in relation to any Rights Offer Shares or Letters of Allocation in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Rights Offer, the Rights Offer Shares and Letters of Allocation to be offered so as to enable an investor to decide to subscribe for or purchase any Rights Offer Shares or Letters of Allocation, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

In the case of any Rights Offer Shares or Letters of Allocation being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will also be deemed to have represented, warranted and agreed that it is a Qualified Investor and (a) the Rights Offer Shares or Letters of Allocation acquired by it have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than Qualified Investors, or in circumstances in which the prior consent of the Joint Bookrunners has been obtained to each such proposed offer or resale; or (b) where Rights Offer Shares or Letters of Allocation have been acquired by it on behalf of persons in any Relevant Member State other than Qualified Investors, the offer of those Rights Offer Shares or Letters of Allocation to it is not treated under the Prospectus Directive as having been made to such persons. The Company and the Joint Bookrunners and each of their respective affiliates and others will rely upon the truth and accuracy of the foregoing representation, warranty and agreement.

United States

The Letters of Allocation and the Rights Offer Shares have not been and will not be registered under the US Securities Act or under any securities laws of any state or other jurisdiction of the United States and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within the United States, except to QIBs pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States.

Accordingly, Life is not extending the Rights Offer into the United States unless an exemption from the registration requirements of the US Securities Act is available and, subject to certain exceptions, neither this Circular nor the Form of Instruction constitutes nor will constitute an offer or an invitation to apply for, or an offer or an invitation to acquire, any Letters of Allocation or Rights Offer Shares in the United States. Subject to certain exceptions, this Circular and the Form of Instruction will not be sent to any Overseas Shareholder in, or with a registered address in, the United States.

Subject to certain exceptions, any person who acquires Letters of Allocation or the Rights Offer Shares will be required to declare, warrant and agree that it is not, and that at the time of acquiring the Letters of Allocation or the Rights Offer Shares it will not be, in the United States or acting on behalf of, or for the account or benefit of, a person on a non-discretionary basis in the United States or any state of the United States prior to taking up or transferring Rights in the Rights Offer or acquiring Rights Offer Shares.

In addition, until 40 days after the commencement of the Rights Offer, an offer, sale or transfer of the Rights Offer Shares or the Letters of Allocation within the United States by a dealer (whether or not participating in the Rights Offer) may violate the registration requirements of the US Securities Act.

Subject to certain exceptions, Letters of Allocation credited to Life Ordinary Shareholders with a registered address or who are resident or located in the United States on the Record Date will lapse unless the Life Ordinary Shareholder validly transfers their Letters of Allocation outside the United States in accordance with Rule 903 or Rule 904 of Regulation S prior to 10 April 2017, which, for the avoidance of doubt, includes transfers over the exchange operated by the JSE.

Although Letters of Allocation may be credited to the CSDP or Broker accounts of Qualifying Dematerialised Shareholders (i) in the United States or (ii) with a registered address, or who hold on behalf of persons located in the United States, or who hold on behalf of any person on a non- discretionary basis who is in the United States, or any state of the United States, such crediting of Letters of Allocation does not constitute an offer to Restricted Shareholders and such Restricted Shareholders will not be entitled to take up or transfer Rights in the Rights Offer or acquire Rights Offer Shares in the Rights Offer unless such action would not result in the contravention of any registration or other legal requirement in any jurisdiction.

Other Restricted Territories

Subject to certain exceptions, the Letters of Allocation and the Rights Offer Shares may not be transferred or sold to, or renounced or delivered in, the Restricted Territories. No offer of Rights Offer Shares is being made by virtue of this Circular into the Restricted Territories.

Although Letters of Allocation may be credited to the CSDP or Broker accounts of Qualifying Dematerialised Shareholders with a registered address, or resident, in one of the Restricted Territories, such crediting of Letters of Allocation does not constitute an offer to Restricted Shareholders and such Restricted Shareholders will not be entitled to take up or transfer Rights in the Rights Offer or acquire Rights Offer Shares in the Rights Offer unless such action would not result in the contravention of any registration or other legal requirement in any jurisdiction.

Letters of Allocation credited to Life Ordinary Shareholders with a registered address or who are resident or located in a Restricted Territory on the Record Date will lapse unless the Life Ordinary Shareholder validly transfers their Letters of Allocation outside the United States in accordance with Rule 903 or Rule 904 of Regulation S prior to 10 April 2017, which, for the avoidance of doubt, includes transfers over the exchange operated by the JSE.

Rump Shares

Rump Shares (if any) shall be allocated to subscribers procured by the Joint Bookrunners in the market by way of private placement if and to the extent the Joint Bookrunners elect to do so, or otherwise to the Joint Bookrunners themselves as principal (or such other subscribers procured by them to subscribe as principal). The Rump Shares have not been and will not be registered under the US Securities Act and, subject to certain exceptions, may not be offered or sold within the United States.

This Circular does not constitute or form a part of any offer or solicitation or advertisement to purchase and/or subscribe for Rump Shares in South Africa, including an offer to the public for the sale of, or subscription for, or the solicitation of an offer to buy and/or subscribe for, shares as defined in the Companies Act and will not be distributed to any person in South Africa in any manner that could be construed as an offer to the public in terms of the Companies Act. Accordingly, in South Africa, Rump Shares will only be offered to (i) persons falling within the exemptions set out in section 96(1)(a) or (ii) persons who subscribe, as principal, for shares at a minimum aggregate subscription price of R1,000,000, as envisaged in section 96(1)(b), of the Companies Act (all such persons in (i) and (ii) being referred to as "relevant persons"). Any investment activity relating to the Rump Shares to which this Circular relates will only be available to, and will only be engaged with, relevant persons. Any person who is not a relevant person should not act on this Circular or any of its contents. This abridged Circular does not, nor does it intend to, constitute a "registered prospectus", as contemplated by the Companies Act.

Any Rump Shares offered and sold outside of the United States shall be done in compliance with Regulation S. The Underwriting Agreement provides that the Joint Bookrunners may, directly or through their respective US broker-dealer affiliates, arrange for the offer and resale of the Rump Shares within the United States only to QIBs in reliance on Rule 144A.

In addition, until 40 days after the commencement of the offering of Rump Shares, an offer or sale of the Rump Shares within the United States by any dealer may violate the registration requirements of the US Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

Each purchaser of the Rump Shares within the United States pursuant to Rule 144A, by accepting delivery of this Circular, will be deemed to have represented, agreed and acknowledged that:

- it is: (i) a QIB; (ii) acquiring such Rump Shares for its own account or for the account of a QIB; (iii) acquiring the Rump Shares for investment purposes, and not with a view to further distribution; and (iv) aware, and each beneficial owner of such Rump Shares has been advised, that the sale of such Rump Shares to it is being made in reliance on Rule 144A or in reliance on another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act;
- it understands that the Rump Shares have not been and will not be registered under the US Securities Act and may not be offered, sold, pledged or otherwise transferred except: (i) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of a QIB; (ii) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S; or (iii) pursuant to an exemption from registration under the US Securities Act provided by Rule 144 thereunder (if available), in each case in accordance with any applicable securities laws of any state of the United States;
- it (i) understands that the Rump Shares may not be deposited into any unrestricted depositary receipt facility in respect of Rump Shares established or maintained by a depositary bank; (ii) acknowledges that the Rump Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the US Securities Act and that no representation is made as to the availability of the exemption provided by Rule 144 under the US Securities Act or any other exemption for any reoffer, resale, pledge or other transfer of the Rump Shares; and (iii) understands that the Company may not recognise any offer, sale, resale pledge or other transfer of the Rump Shares other than in compliance with the above-stated restrictions; and
- Life, the Transfer Secretaries, the Joint Bookrunners and their respective affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any Rump Shares for the account of one or more QIBs, it represents that it has sole

investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

The Company and the Joint Bookrunners and their affiliates will rely on the truth and accuracy of the foregoing representations, agreements and acknowledgements. Prospective purchasers are hereby notified that sellers of the Rump Shares may be relying on the exemption from the provisions of Section 5 of the US Securities Act provided by Rule 144A.

Representations and warranties

Qualifying Certificated Shareholders

Any person taking up and/or renouncing their Rights by completing the Form of Instruction represents and warrants to the Company and the Joint Bookrunners that, except where proof has been provided to the Company's satisfaction that such person's use of the Form of Instruction, the Letters of Allocation or the Rights Offer Shares, as the case may be, will not result in the contravention of any applicable legal requirement in any jurisdiction: (i) such person is not accepting and/or renouncing their Rights from within the United States or the any other Restricted Territory; (ii) such person is not in any jurisdiction in which it is unlawful to make or accept an offer to subscribe for Rights Offer Shares or transfer the Letters of Allocation; (iii) such person is not accepting or renouncing for the account of a person located within the United States unless (a) the instruction to accept or renounce was received from a person outside the United States and (b) the instructing person has advised such person that it has the authority to give such instruction and that either it (x) has investment discretion or authority over such account or (y) otherwise is acquiring the Rights Offer Shares in an offshore transaction within the meaning of Regulation S; and (iv) such person is not acquiring Rights Offer Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Rights Offer Shares into the United States or any other Restricted Territory. The Company may treat as invalid any acceptance or purported acceptance of the allotment of Rights Offer Shares comprised in the Form of Instruction or renunciation or purported renunciation of the Rights if it: (i) appears to the Company to have been executed in or dispatched from the United States or any other Restricted Territory or otherwise in a manner which may involve a breach of the laws of any jurisdiction or if it believes the same may violate any applicable legal or regulatory requirement; (ii) provides an address in the United States or any other Restricted Territory for delivery of definitive share certificates for Rights Offer Shares (or any jurisdiction outside South Africa in which it would be unlawful to deliver such certificates); or (iii) purports to exclude the warranty required by this paragraph.

Qualifying Dematerialised Shareholders

Any person who makes a valid acceptance in accordance with the procedures set out in this section represents and warrants to the Company and the Joint Bookrunners that, except where proof has been provided to the Company's satisfaction that such person's use of the Letters of Allocation or the Rights Offer Shares, as the case may be, will not result in the contravention of any applicable legal requirement in any jurisdiction: (i) such person is not accepting and/or renouncing their Rights from within the United States or any other Restricted Territory; (ii) such person is not in any jurisdiction in which it is unlawful to make or accept an offer to subscribe for Rights Offer Shares; (iii) such person is not accepting for the account of a person located within the United States unless (a) the instruction to accept was received from a person outside the United States and (b) the instructing person has advised such person that it has the authority to give such instruction and that either it (x) has investment discretion or authority over such account or (y) otherwise is acquiring the Rights Offer Shares in an offshore transaction within the meaning of Regulation S; and (iv) such person is not acquiring Rights Offer Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Rights Offer Shares into the United States or any other Restricted Territory.

Exchange Control Regulations

The following summary is intended only as a guide and is, therefore, not comprehensive. If Qualifying Shareholders are in any doubt as to the appropriate course of action, they are advised to consult their professional advisers.

Pursuant to the Exchange Control Regulations of South Africa, non-residents, excluding former residents, of the Common Monetary Area will be allowed to:

- take up Rights in terms of the Rights Offer;
- purchase Letters of Allocation on the JSE;
- subscribe for the Rights Offer Shares arising in respect of the Letters of Allocation purchased on the JSE; and
- purchase excess shares that have been applied for in terms of the offer (if applicable),

provided payment is received through normal banking channels in foreign currency, or in Rand from a non-resident Rand account conducted in the books of an Authorised Dealer.

All applications by non-residents of the Common Monetary Area for the above purposes must be made through an authorised dealer in foreign exchange appointed by the SARB (“**Authorised Dealer**”). Shares subsequently re-materialised and issued in certificated form will be endorsed “Non-Resident”.

Where a Right in terms of the offer falls due to a former resident of the Common Monetary Area, which Right is based on shares controlled in terms of the Exchange Control Regulations, only funds in the emigrant’s capital account may be used to take up this right. In addition, such funds may also be used to:

- purchase Letters of Allocation on the exchange operated by the JSE;
- subscribe for the Rights Offer Shares arising in respect of the Letters of Allocation purchased on the exchange operated by the JSE; and
- purchase excess shares that have been applied for in terms of the offer (if applicable).

All applications by emigrants to use funds in their capital account for the above purposes must be made through the Authorised Dealer in South Africa controlling their remaining assets. Any Rights Offer Shares issued pursuant to the use of funds in the emigrant capital account will be credited to their share accounts at the CSDP controlling their remaining portfolios. The sale proceeds of Letters of Allocation, if applicable, will be returned to the Authorised Dealer for credit to such emigrants’ capital accounts.

Share certificates issued to such emigrants will be endorsed “non-resident” and placed under the control of the Authorised Dealer in foreign exchange controlling their remaining assets. The proceeds due to emigrants from the sale of the Letters of Allocation, if applicable, will be returned to the Authorised Dealer in foreign exchange for credit to such emigrants’ blocked accounts. Electronic statements issued in terms of Strate and any Rights Offer Share certificates issued pursuant to blocked Rand transactions will be endorsed “non-resident” and placed under the control of the Authorised Dealer controlling their remaining assets. The proceeds arising from the sale of Letters of Allocation or arising from the sale of blocked shares will be credited to the blocked accounts of the emigrants concerned.

Any Qualifying Shareholder resident outside the Common Monetary Area who receives this Circular and Form of Instruction should obtain advice as to whether any governmental and/or other legal consent is required and/or any other formality must be observed to enable a subscription to be made in terms of such Form of Instruction.

New share certificates issued pursuant to the Rights Offer to an emigrant will be endorsed “non- resident” and forwarded to the address of the relevant Authorised Dealer controlling such emigrant’s blocked assets for control in terms of the Exchange Control Regulations of South Africa. Where the emigrant’s shares are in dematerialised form with a CSDP or Broker, the electronic statement issued in terms of Strate will be dispatched by the CSDP or Broker to the address of the emigrant in the records of the CSDP or Broker.

The Rights Offer does not constitute an offer in any jurisdiction in which it is illegal to make such an offer and this Circular and Form of Instruction should not be forwarded or transmitted by you to any person in any territory other than where it is lawful to make such an offer.

Restricted Shareholders should consult their professional advisers to determine whether any governmental or other consent are required or other formalities need to be observed to allow them to take up the Rights Offer or trade their Rights.

Qualifying Shareholders holding Life Ordinary Shares on behalf of persons who are Restricted Shareholders are responsible for ensuring that taking up the Rights Offer, or trading in their Rights under the Rights Offer, does not breach regulations in the relevant overseas jurisdictions.

The use of proceeds for investments outside the Common Monetary Area requires the prior approval of the Financial Surveillance Department.

South African law

No Life Shareholder should construe the contents of this Circular and the documentation accompanying it as legal or other advice. Each Life Shareholder should make its own enquiries and consult its own professional advisers as to the content of this Circular and the documentation accompanying it regarding the acceptance and exercise of their Rights in terms of the Rights Offer.

All transactions arising from the provisions of this Circular and the documentation accompanying it will be governed by and be subject to the laws of South Africa.

Tax consequences

The purchase, holding and disposal of the Letters of Allocation or Rights Offer Shares should, for taxation purposes, be treated according to usual rues relating to the categorisation of an asset and its return as capital or revenue. The tax treatment of the purchase, holding and disposal of the Letters of Allocation or Rights Offer Shares in the hands of Life Shareholders is dependent on their individual circumstances and the tax jurisdiction applicable to those Life Shareholders. No Life Shareholder should construe the contents of this Circular and the documentation accompanying it as tax or other advice.

Life Shareholders are advised to consult their tax and financial advisers regarding any taxation implications pertaining to them regarding the acceptance of their Rights in terms of the Rights Offer. Additional information is provided in the section entitled "*Taxation*".

Documents of title

New share certificates to be issued to Qualifying Certificated Shareholders in respect of those Rights Offer Shares to which they were entitled and for which they have subscribed will be posted to persons entitled thereto, by registered post, at the risk of the shareholders concerned, on or about Tuesday, 18 April 2017. Such certificated shares are not good for delivery in respect of trades concluded on the JSE until they have been dematerialised.

Qualifying Dematerialised Shareholders will have their accounts at their CSDP or Broker updated with the Rights Offer Shares to which they were entitled and for which they have subscribed on Tuesday, 18 April 2017.

JSE listings

The Issuer Regulation Division of the JSE has approved the listings of:

- the 367,346,939 Letters of Allocation in respect of all of the Rights Offer Shares with effect from the commencement of trade (SAST) on Wednesday, 29 March 2017 to the close of trade (SAST) on Monday, 10 April 2017, both days inclusive; and
- 367,346,939 Rights Offer Shares with effect from the commencement of trade (SAST) on Tuesday, 11 April 2017.

CORPORATE INFORMATION AND ADVISERS

Directors of Life

Executive

André Meyer *(Group Chief Executive Officer)*
Pieter van der Westhuizen (*Group Chief Financial Officer*)

Non-executive

Mustaq Brey *(Chairman)*
Peter Golesworthy*
Marian Jacobs*
Joel K. Netshitenzhe*
Malefetsane Ngatane*
Mpho Nkeli*
Garth Solomon*
Royden Vice*

**Independent*

Company secretary

Fazila Patel

Registered office

Oxford Manor
21 Chaplin Road
Illovo
Johannesburg 2196
South Africa

Transfer Secretaries

Computershare Investor Services Proprietary Limited
Rosebank Towers
15 Biermann Avenue
Rosebank, 2196
(PO Box 61051, Marshalltown 2107)
South Africa

Joint Bookrunner and Underwriter

Absa Bank Limited (acting through its Corporate and Investment Banking division)
(Registration number 1986/004794/06)
15 Alice Lane
Sandton, 2196
PO Box 7735, Johannesburg, 2000
South Africa

Sponsor

Rand Merchant Bank, a division of FirstRand Bank Limited

Joint Bookrunner and Underwriter

Rand Merchant Bank, a division of FirstRand Bank Limited
(Registration number 1929/001225/06)
1 Merchant Place
Cnr Fredman Drive & Rivonia Road
Sandton, 2146
(PO Box 786273, Sandton, 2196)
South Africa

Independent reporting accountants and auditors to Life

PricewaterhouseCoopers Inc.
2 Eglin Road
Sunninghill 2157
South Africa

Independent reporting accountants and auditors to Alliance Medical

PricewaterhouseCoopers Inc.
2 Eglin Road
Sunninghill 2157
South Africa

Legal advisers to Life as to US and English law

Allen & Overy LLP
One Bishops Square
London E1 6AD
United Kingdom

Legal advisers to the Joint Bookrunners as to US and English law

Linklaters LLP
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United Kingdom

Legal advisers to Life as to South African law

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6th Floor, 90 Grayston
90 Grayston Drive
Sandton 2196
South Africa

Legal advisers to the Joint Bookrunners as to South African law

Webber Wentzel Attorneys
90 Rivonia Road
Sandton
Johannesburg 2196
(PO Box 61771, Marshalltown 2107)
South Africa

Date of incorporation of Life

7 February 2003

Place of incorporation of Life

South Africa

SELECTED FINANCIAL AND OTHER INFORMATION OF LIFE GROUP

*The following selected financial information is derived, unless expressly stated otherwise, from the 2016 Annual Consolidated Financial Statements for Life Group and the 2015 Annual Consolidated Financial Statements for Life Group, which are incorporated by reference in this Circular, and should be read in accordance with such financial statements (see "*Incorporation by Reference*"). The consolidated financial statements of Life Group for the financial years ended 30 September 2014, 2015 and 2016 were prepared in accordance with IFRS and have been audited by PricewaterhouseCoopers, independent reporting accountants, as stated in their reports incorporated by reference in this Circular (see "*Incorporation by Reference*").*

During the financial year ended 30 September 2016, Life Group made certain immaterial changes to the presentation of its financial statements relating to the aggregation or deletion of immaterial items, the removal of duplicated information and disclosures, an updated sequence of information presented in the financial statements and an updated format of notes and disclosures. As a result, the presentation of the financial information as at and for the financial years ended 30 September 2015 and 2014 herein differs from the presentation of the historical financial information as at and for the financial years ended 30 September 2015 and 2014 incorporated by reference in this Circular from the 2015 Annual Consolidated Financial Statements for Life Group and the 2014 Annual Consolidated Financial Statements for Life Group. Life Group's financial information as at and for the financial years ended 30 September 2015 and 2014 has been presented herein on a basis consistent with the 2016 Annual Consolidated Financial Statements for Life Group.

*The selected consolidated financial and other information presented below includes certain measures that are not defined under IFRS. It should be noted that these measures are not uniformly defined by all companies, including those in the healthcare and diagnostics industries. Accordingly, these measures may not be comparable with similarly titled measures and disclosures by other companies. See "*Important Information—Non-IFRS Measures—Life Group*" for reconciliations of each of these measures to the nearest IFRS measure.*

*The selected consolidated financial and other information presented below should be read in conjunction with "*Operating and Financial Review*" and the consolidated financial statements incorporated by reference in this rights issue circular.*

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 30 September		
(Rand, in millions)	**2016**	**2015**	**2014**
Revenue and other income	16,567	14,776	13,161
Drugs and surgicals consumed	(4,048)	(3,651)	(3,286)
Employee benefits expense	(5,598)	(4,975)	(4,394)
Retirement benefit asset and post-employment medical aid expenses	23	20	16
Depreciation on property, plant and equipment	(530)	(445)	(355)
Amortisation of intangible assets	(147)	(127)	(122)
Repairs and maintenance expenditure on property, plant and equipment	(197)	(172)	(174)
Occupational expenses	(553)	(435)	(425)
Hospital service expenses	(710)	(625)	(545)
Communication expenses	(181)	(154)	(135)
Other expenses	(966)	(716)	(591)
Operating profit	3,660	3,496	3,150
Contingent consideration released	109	21	–
Transaction costs	(12)	(15)	(16)
Impairment of investment	(370)	–	–
Profit on disposal of investment in associate	–	–	957
Loss recognised on re-measuring previously held interest in associate to fair value	(23)	–	–
Fair value gains/(losses) on derivative financial instruments	(2)	29	49
Other	(6)	–	2
Finance income	12	12	22
Finance cost	(512)	(445)	(230)
Share of associates' and joint ventures' net profit after tax	8	14	39
Profit before tax	2,864	3,112	3,973
Tax expense	(894)	(884)	(875)
Profit after tax	1,970	2,228	3,098
Other comprehensive income, net of tax			
Items that may be reclassified subsequently to profit or loss			
Movement in foreign currency translation reserve	(30)	158	(1)
Items that may not be reclassified to profit or loss			
Retirement benefit asset and post-employment medical aid	8	(5)	21
Total comprehensive income for the year	1,948	2,381	3,118
Profit after tax attributable to:			
Ordinary equity holders of the parent	1,616	1,866	2,774
Non-controlling interest	354	362	324
	1,970	2,228	3,098
Total comprehensive income attributable to:			
Ordinary equity holders of the parent	1,596	2,010	2,796
Non-controlling interest	352	371	322
	1,948	2,381	3,118
Earnings per share (cents)	154.9	179.9	267.5
Diluted earnings per share (cents)	154.4	179.2	266.7
Headline earnings (Rand, in millions)			
Profit attributable to ordinary equity holders	1,616	1,866	2,774
Headline earnings adjustable items			
Profit on disposal of investment in associate	–	–	(929)
Impairment of investment	370	–	–
Loss on re-measuring previously held interest in associate to fair value	23	–	–
Other	(1)	–	(1)
Headline earnings	2,008	1,866	1,844

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 30 September		
(Rand, in millions)	**2016**	**2015**	**2014**
ASSETS			
Non-current assets	14,395	13,152	9,686
Property, plant and equipment	7,752	7,101	5,901
Intangible assets	3,196	2,964	2,318
Investment in associates and joint ventures	2,548	2,311	828
Employee benefit asset	433	394	376
Deferred tax assets	426	341	253
Other Assets	40	41	10
Current assets	3,102	2,771	2,113
Cash and cash equivalents	604	812	422
Trade and other receivables	2,133	1,640	1,330
Inventories	318	271	240
Income tax receivable	39	36	49
Other assets	8	12	72
TOTAL ASSETS	17,497	15,923	11,799
EQUITY AND LIABILITIES			
Capital and reserves			
Stated capital	3,666	3,111	3,203
Reserves	1,820	2,057	1,589
Non-controlling interest	1,312	1,280	1,108
TOTAL EQUITY	6,798	6,448	5,900
LIABILITIES			
Non-current liabilities	6,111	5,852	2,867
Interest-bearing borrowings	5,469	5,263	2,344
Deferred tax liabilities	547	520	438
Other liabilities	95	69	85
Current liabilities	4,588	3,623	3,032
Bank overdraft	1,030	557	155
Trade and other payables	2,217	2,125	1,866
Interest-bearing borrowings	1,312	924	1,007
Income tax payable	13	3	–
Other liabilities	16	14	4
TOTAL LIABILITIES	10,699	9,475	5,899
TOTAL EQUITY AND LIABILITIES	17,497	15,923	11,799

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 30 September		
(Rand, in millions)	**2016**	**2015**	**2014**
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	4,024	3,842	3,516
Interest received	12	12	22
Tax paid	(981)	(903)	(980)
Net cash generated from operating activities	3,055	2,951	2,558
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment – expansion	(560)	(817)	(688)
Purchase of property, plant and equipment – property acquisitions	(6)	(83)	(29)
Purchase of property, plant and equipment – maintenance	(366)	(234)	(210)
Proceeds on disposal of property, plant and equipment	9	–	1
Business combinations	(748)	(627)	(518)
Increase in investment in joint venture/associate	(320)	(1,410)	–
Disposal of business	–	–	3
Disposal of investments in associates	6	–	1,365
Dividends and profit distributions from associates and joint ventures	8	6	6
Movement in loans to associates and joint ventures	4	–	(3)
Purchase of intangible assets	(81)	(47)	(35)
Cash movement in other investing activities	2	(6)	10
Net cash utilised in investing activities	(2,052)	(3,218)	(98)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest-bearing borrowings raised	1,961	4,268	1,661
Interest-bearing borrowings repaid	(1,117)	(1,814)	(919)
Preference shares repaid	(320)	–	–
Loan and dividend payments to non-controlling interest	(289)	(217)	(254)
Cash flow on increases in ownership interests	(257)	(11)	(155)
Proceeds on decreases in ownership interests	21	40	13
Finance cost paid	(453)	(359)	(167)
Treasury shares acquired for delivery to staff trust and long-term incentive scheme	(61)	(119)	(21)
Dividends paid	(1,087)	(1,520)	(2,446)
Cash movement in other financing activities	(75)	(46)	–
Net cash (utilised in)/generated from financing activities	(1,677)	222	(2,288)
Net (decrease)/increase in cash and cash equivalents	(674)	(45)	172
Cash and cash equivalents – beginning of the year	255	267	64
Cash balances acquired through business combinations	56	20	23
Effect of foreign exchange rate movements	(63)	13	8
Cash and cash equivalents – end of the year	(426)	255	267

OTHER KEY FIGURES

	Year ended 30 September		
	2016	**2015**	**2014**
Normalised EBITDA[(1)] (Rand, in millions)	4,314	4,048	3,611
Headline earnings per share[(2)] (cents)	192.5	179.9	177.8
Normalised earnings per share[(3)] (cents)	182.1	177.4	168.6

Notes:

(1) Normalised EBITDA is operating profit before depreciation on property, plant and equipment and amortisation of intangible assets, and excluding retirement benefit asset and post-employment medical aid. Operating profit represents profit before tax, contingent consideration released, transaction costs, impairment of investment, profit on disposal of investment in associate, loss recognised on re-measuring previously held interest in associate to fair value, fair value gains/(losses) on derivative financial instruments, other non-recurring items, finance income, finance cost, and share of associates' and joint ventures' net profit after tax. See "*Important Information—Non-IFRS Measures—Life Group*".

(2) In accordance with the SAICA Circular 2/2015, headline earnings per share is headline earnings, which consists of profit after tax attributable to ordinary equity holders, adjusted for impairment of investment, loss on remeasuring previously held interest in associate to fair value, profit on disposal of investment in associate and other re-measurement items (all net of related tax and non-controlling interests), divided by the weighted average number of ordinary shares in issue during the year. See "*Important Information—Non-IFRS Measures—Life Group*".

(3) Normalised earnings per share is normalised earnings, which consists of profit after tax attributable to ordinary equity holders, adjusted for loss on remeasuring previously held interest in associate to fair value, impairment of investment, contingent consideration released, retirement funds, retirement funds (included in employee-related expenses), profit on disposal of investment in associate, transaction costs, fair value gain on foreign exchange hedge contract and other non-recurring items (all net of related tax and non-controlling interests), divided by the weighted average number of ordinary shares in issue during the year. See "*Important Information—Non-IFRS Measures—Life Group*".

SELECTED FINANCIAL AND OTHER INFORMATION OF ALLIANCE MEDICAL

The following selected financial information is derived from the 2016 Consolidated Financial Statements for Alliance Medical and the 2016 Condensed Consolidated Interim Financial Statements for Alliance Medical, all of which were prepared in accordance with IFRS.

The consolidated financial information of Alliance Medical for the financial years ended 31 March 2015 and 2016 presented in Annexure 5 to this Circular has been audited by PricewaterhouseCoopers, independent reporting accountants, as stated in their report presented in Annexure 6 to this Circular.

The condensed consolidated interim financial information of Alliance Medical for the six months ended 30 September 2015 and 2016, presented in Annexure 7 to this Circular has been reviewed by PricewaterhouseCoopers, independent reporting accountants, as stated in their report presented in Annexure 8 to this Circular.

The selected consolidated financial and other information presented below includes certain measures that are not defined under IFRS. It should be noted that these measures are not uniformly defined by all companies, including those in the healthcare and diagnostics industries. Accordingly, these measures may not be comparable with similarly titled measures and disclosures by other companies. See "Important Information—Non-IFRS Measures—Alliance Medical" *for reconciliations of each of these measures to the nearest IFRS measure. The selected consolidated financial and other information presented below should be read in conjunction with* "Operating and Financial Review"*, and the consolidated financial statements included elsewhere in this Circular.*

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31 March		Six months ended 30 September	
(£, in millions)	**2016**	**2015**	**2016**	**2015**
Revenue	218.8	210.7	119.1	104.5
Cost of sales excluding depreciation	(121.0)	(112.0)	(67.4)	(56.7)
Depreciation	(18.1)	(17.9)	(9.0)	(8.1)
Cost of sales	(139.1)	(129.9)	(76.4)	(64.8)
Gross profit	79.7	80.8	42.7	39.7
Administrative expenses				
Overheads	(37.6)	(44.6)	(19.2)	(19.6)
Depreciation	(1.1)	(1.3)	(1.4)	(1.0)
Loss on disposal of property, plant and equipment	(0.8)	(0.4)	–	(0.3)
Amortisation	(8.9)	(8.9)	(4.9)	(4.3)
Other administrative expenses	(11.8)	(6.5)	(2.5)	(4.2)
	(60.2)	(61.7)	(28.0)	(29.4)
Profit/(loss) before interest & taxation	19.5	19.1	14.7	10.3
Finance costs	(10.9)	(19.2)	(4.3)	(7.3)
Share of profit of joint ventures	0.3	0.3	0.2	0.2
Profit/(loss) before taxation	8.9	0.2	10.6	3.2
Taxation	0.1	(3.1)	(1.3)	(1.1)
Profit/(loss) for the period	9.0	(2.9)	9.3	2.1
Profit/(loss) for the period attributable to:				
The equity shareholders of the Company	9.0	(2.9)	9.3	2.1
Non-controlling interests	–	–	–	–
Profit/(loss) for the period	9.0	(2.9)	9.3	2.1
Items that may subsequently reclassified to profit or loss:				
Exchange differences on translation of foreign operations	(3.2)	5.4	(3.5)	(0.5)
Actuarial losses on defined benefit pension	–	(0.3)	–	–
Total other comprehensive (expense)/ income	(3.2)	5.1	(3.5)	(0.5)
Profit/(loss) in the period	9.0	(2.9)	9.3	2.1
Total comprehensive income in the period	5.8	2.2	5.8	1.6
Attributable to:				
Owners of the parent	5.8	2.2	5.8	1.6
Non-controlling interests	–	–	–	–
Total comprehensive income in the period	5.8	2.2	5.8	1.6

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 31 March		As at 30 September	
(£, in millions)	**2016**	**2015**	**2016**	**2015**
ASSETS				
Non-current assets				
Property, plant and equipment	110.1	84.8	122.9	99.5
Goodwill and other intangible assets	65.5	69.3	63.4	65.4
Investment in joint ventures	0.7	0.8	1.0	0.8
Deferred tax assets	1.7	0.2	2.0	1.2
	178.0	155.1	189.3	166.9
Current assets				
Inventories	0.3	0.2	0.4	0.1
Trade and other receivables	58.6	50.6	60.3	63.7
Current income tax receivable	0.3	–	–	–
Cash and cash equivalents	38.8	60.3	31.8	26.6
	98.0	111.1	92.5	90.4
TOTAL ASSETS	276.0	266.2	281.8	257.3
LIABILITIES				
Non-current liabilities				
Trade and other payables	(2.2)	(2.0)	(2.9)	(2.7)
Borrowings	(22.9)	(181.5)	(23.8)	(160.5)
Deferred tax liabilities	(3.0)	(5.2)	(2.7)	(5.6)
Retirement benefit obligations	(3.6)	(3.3)	(3.6)	(3.0)
Provisions	(1.9)	(2.2)	(1.9)	(2.2)
	(33.6)	(194.2)	(34.9)	(174.0)
Current liabilities				
Trade and other payables	(63.4)	(54.5)	(55.4)	(58.6)
Borrowings	(168.3)	(9.2)	(174.2)	(17.2)
Current income tax payable	–	(1.8)	(1.5)	(1.6)
Provisions	(1.1)	(0.5)	(0.4)	(0.3)
	(232.8)	(66.0)	(231.5)	(77.7)
TOTAL LIABILITIES	(266.4)	(260.2)	(266.4)	(251.7)
NET ASSETS	9.6	6.0	15.4	5.6
EQUITY				
Share capital	–	–	–	–
Share premium account	127.4	126.6	127.4	126.6
Translation reserve	4.8	8.0	1.3	7.5
Other reserves	(126.6)	(126.6)	(126.6)	(126.6)
Retained earnings	3.8	(2.1)	13.1	(2.0)
Equity attributable to shareholders of the Company	9.4	5.9	15.2	5.5
Non-controlling interests	0.2	0.1	0.2	0.1
TOTAL EQUITY	9.6	6.0	15.4	5.6

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 March		Six months ended 30 September	
(£, in millions)	**2016**	**2015**	**2016**	**2015**
Cash generated from operations	47.0	47.3	19.8	16.4
Interest paid	(10.3)	(11.3)	(5.6)	(5.8)
Income tax paid	(5.8)	(4.1)	–	(1.7)
Net cash generated from operating activities	30.9	31.9	14.2	8.9
Cash flows from investing activities				
Net cash paid for acquisitions	(1.4)	(1.9)	–	–
Net cash paid for purchase of non-controlling interest	–	(2.1)	–	–
Purchase of property, plant and equipment	(41.9)	(19.1)	(23.4)	(25.4)
Purchase of intangible assets	(2.4)	(1.9)	(0.8)	(0.1)
Proceeds from sale of property, plant and equipment	1.2	0.3	–	(0.1)
Net cash used in investing activities	(44.5)	(24.7)	(24.2)	(25.6)
Cash flows from financing activities				
Repayment of borrowings	(39.6)	(1.4)	(1.1)	(39.6)
Drawdown of borrowings	11.3	1.0	–	6.0
Repayment of finance leases	(6.3)	(0.4)	(2.2)	(1.5)
Drawdown of finance leases	29.0	2.0	4.1	20.6
Payment of dividends	(3.1)	–	–	(2.0)
Net cash (used in)/generated from financing activities	(8.7)	1.2	0.8	(16.5)
Net (decrease)/increase in cash and cash equivalents	(22.3)	8.4	(9.2)	(33.2)
Cash and cash equivalents at the beginning of the period	60.3	56.2	38.8	60.3
Exchange differences	0.8	(4.3)	2.2	(0.5)
Cash and cash equivalents at end of period	38.8	60.3	31.8	26.6
Net cash and cash equivalents comprises:				
Cash at bank	38.8	60.3	31.8	26.6

OTHER KEY FIGURES

	Year ended 31 March		Six months ended 30 September	
(£, in millions)	**2016**	**2015**	**2016**	**2015**
EBITDA[1]	60.2	54.1	32.5	28.2

Note:

(1) EBITDA is profit before interest, tax, amortisation of acquired intangibles, depreciation, profit/(loss) on disposal of property, plant and equipment, other administrative expenses and depreciation. See "*Important Information—Non-IFRS Measures—Alliance Medical*".

OPERATING AND FINANCIAL REVIEW

*The following review of the financial condition and results of operations of Life Group is derived, unless expressly stated otherwise, from the 2016 Annual Consolidated Financial Statements for Life Group and the 2015 Annual Consolidated Financial Statements for Life Group, which are incorporated by reference in this Circular, and should be read together with such financial statements (see "*Incorporation by Reference*"). The consolidated financial statements of Life Group for the financial years ended 30 September 2014, 2015 and 2016 were prepared in accordance with IFRS and have been audited by PricewaterhouseCoopers, independent reporting accountants, as stated in their reports incorporated by reference in this Circular (see "*Incorporation by Reference*").*

Unless otherwise stated, in this Circular, Life Group's financial information as at and for the financial years ended 30 September 2016 and 2015 has been derived, without material adjustment, from the 2016 Annual Consolidated Financial Statements for Life Group incorporated by reference in this Circular. During the financial year ended 30 September 2016, Life Group made certain immaterial changes to the presentation of its financial statements relating to the aggregation or deletion of immaterial items, the removal of duplicated information and disclosures, an updated sequence of information presented in the financial statements and an updated format of notes and disclosures. As a result, the presentation of the financial information as at and for the financial years ended 30 September 2015 and 2014 herein differs from the presentation of the historical financial information as at and for the financial years ended 30 September 2015 and 2014 incorporated by reference in this Circular from the 2015 Annual Consolidated Financial Statements for Life Group and the 2014 Annual Consolidated Financial Statements for Life Group. Life Group's financial information as at and for the financial years ended 30 September 2015 and 2014 has been presented herein on a basis consistent with the 2016 Annual Consolidated Financial Statements for Life Group.

The following review of the financial condition and results of operations of Alliance Medical is derived, unless expressly stated otherwise, from the 2016 Consolidated Financial Statements for Alliance Medical and the 2016 Condensed Consolidated Interim Financial Statements for Alliance Medical, all of which were prepared in accordance with IFRS. The consolidated financial information of Alliance Medical for the financial years ended 31 March 2015 and 2016 has been audited by PricewaterhouseCoopers, independent reporting accountants, as stated in their report presented in Annexure 6 to this Circular. The consolidated interim financial information of Alliance Medical for the six months ended 30 September 2015 and 2016 has been reviewed by PricewaterhouseCoopers, independent reporting accountants, as stated in their report presented in Annexure 8 to this Circular.

*The following review contains forward-looking statements based on current expectations and assumptions about the Enlarged Group's future business. The actual results of the Enlarged Group may differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below and elsewhere in this Circular, including under "*Risk Factors*" and "*Certain Forward-looking Statements*".*

OVERVIEW

Life Group

Life Group is one of three major private healthcare providers in South Africa primarily serving the private medically insured market. Life Group provides acute care and high-technology private hospital services, acute rehabilitation, mental health, renal dialysis, radiation and chemotherapy oncology, occupational health, employee wellness services, acute and long-term chronic mental health and frail care services in South Africa. Life Group also has operations in Poland and a joint venture with a private hospital operator in India.

Life Group has more than 30 years' experience operating private hospitals in South Africa. Since commencing operations in the early 1980s with four hospitals, it has grown through acquisitions, capacity expansion within existing facilities, the addition of new lines of business and the development and construction of new hospitals.

Life Group's southern African healthcare business, which represented 93% of Life Group's revenue during the financial year ended 30 September 2016, is organised into two divisions:

- *Hospital division*: The Hospital division provides services primarily to the private medically insured market, which represented approximately 8.8 million people in 2015 (source: Council for Medical Schemes). It includes the core acute care hospital business, comprising general hospital facilities of various sizes that include facilities such as ICUs, HCUs, operating theatres, emergency units, maternity units, cardiac units and paediatric units. It also includes other specialised facilities that provide either inpatient or outpatient services in the areas of acute rehabilitation, mental health, renal dialysis and radiation and chemotherapy oncology. For the financial year ended 30 September 2016, the Hospital division generated 88% of Life Group's revenue.

- *Healthcare Services division*: The Healthcare Services division includes the provision of acute and long-term chronic mental health and frail care services to state patients through Life Esidimeni, its PPP with provincial health and social development departments, and the provision of primary, occupational healthcare and employee wellness services to employer groups in commerce, industry, state owned enterprises and mining, through Life Occupational Health and Careways, which are expected to be combined and rebranded as Life Employee Health Solutions in 2017. For the financial year ended 30 September 2016, the Healthcare Services division generated 5% of Life Group's revenue.

Life Group's International division, which represented 7% of Life Group's revenue during the financial year ended 30 September 2016, consists of Scanmed, a private healthcare service provider in Poland, a joint venture interest in Max Healthcare, an acute hospital business in India, which is equity accounted for accounting purposes and is not consolidated in Life Group's consolidated statement of profit or loss and other comprehensive income, and, following the Acquisition, Alliance Medical, a leading diagnostic imaging company based in the United Kingdom with operations across Europe (see "—*Alliance Medical*").

For the financial years ended 30 September 2016, 2015 and 2014, Life Group generated revenue of R16,404 million, R14,647 million and R13,046 million, respectively, and normalised EBITDA of R4,314 million, R4,048 million and R3,611 million, respectively.

Alliance Medical

Alliance Medical is one of Europe's leading independent providers of medical imaging services and is a key complex imaging partner of the NHS. Alliance Medical has operations in the United Kingdom, Italy, Ireland, Spain, the Netherlands, Germany, Finland, Bulgaria, France and Norway, and has leading market positions in complex imaging in the United Kingdom, Italy and Ireland. Alliance Medical provides complex diagnostic imaging services and molecular imaging services to public health authorities, independent organisations and individuals across Europe, through a portfolio of mobile and fixed location scanners. Alliance Medical also manufactures and distributes radiopharmaceuticals. Alliance Medical generates the majority of its revenue from the provision of MRI, CT and PET-CT services.

Alliance Medical organises its business geographically, into its United Kingdom, Italy, Ireland, Spain and Northern Europe segments.

- *United Kingdom*: Alliance Medical provides MRI, CT and PET-CT services to both the NHS and private hospitals through clinics, hospitals and mobile scanners, manufacturers radiopharmaceuticals for its PET-CT scanning operations and also sells radioisotopes commercially and for use in clinical trials. For the financial year ended 31 March 2016 and the six months ended 30 September 2016, the United Kingdom represented 53% and 55%, respectively, of Alliance Medical's revenue.
- *Italy*: Alliance Medical provides MRI, CT and PET-CT services across nine regions in Italy, primarily through its leading portfolio of private clinics, and manufacturers radiopharmaceuticals for its PET-CT scanning operations. For the financial year ended 31 March 2016 and the six months ended 30 September 2016, Italy represented 31% and 28%, respectively, of Alliance Medical's revenue.
- *Ireland*: Alliance Medical provides MRI, CT and PET-CT services to both public and private hospitals at 19 operating sites across the Republic of Ireland and Northern Ireland. For each of the financial year ended 31 March 2016 and the six months ended 30 September 2016, Ireland represented 9%, of Alliance Medical's revenue.
- *Spain*: Alliance Medical provides MRI, CT and PET-CT services in Spain to both public and private hospitals at eight operating sites. For each of the financial year ended 31 March 2016 and the six months ended 30 September 2016, Spain represented 3% of Alliance Medical's revenue.
- *Northern Europe*: Alliance Medical's Northern Europe segment comprises its operations in the Netherlands, Germany, Finland, Bulgaria, France and Norway and it provides MRI, CT and PET-CT services in the region. For the financial year ended 31 March 2016 and the six months ended 30 September 2016, Northern Europe represented 4% and 5%, respectively, of Alliance Medical's revenue.

For the financial years ended 31 March 2016 and 2015, Alliance Medical generated revenue of £218.8 million and £210.7 million, respectively, and EBITDA of £60.2 million and £54.1 million, respectively. For the six months ended 30 September 2016 and 2015, Alliance Medical generated revenue of £119.1 million and £104.5 million, respectively, and EBITDA of £32.5 million and £28.2 million, respectively.

SIGNIFICANT FACTORS AFFECTING THE ENLARGED GROUP'S RESULTS OF OPERATIONS

The following factors have had a significant effect on Life Group's and Alliance Medical's results of operations during the periods under review and may continue to have a significant effect on the Enlarged Group's results of operations. In addition, following the Acquisition, the International division is expected to represent a more significant part of the Enlarged Group's business in future periods.

Demand for healthcare

The number of patients treated depends on the general demand for medical treatment and the Enlarged Group's ability to compete for patients. In South Africa, there are significant long-term trends that indicate increasing demand for private medical treatment, including:

- a high and increasing disease burden, including infectious diseases and chronic non-communicable conditions;
- an ageing middle class, resulting in an increased need for medical care;
- increasing affluence, resulting in increased demand for and affordability of private healthcare; and
- constraints on the public healthcare system.

There are similar long-term trends that indicate increasing demand for private medical treatment in Europe and India.

Demand for private healthcare services may be affected by general economic conditions and is likely to be adversely affected in an economic downturn, particularly if employers become unable to employ additional workers or provide health insurance coverage for their current employees or if there is a decline in the number of people with sufficient income or capital to pay for insurance coverage or self-pay for treatment. To the extent that medical healthcare funders are negatively impacted by deterioration in general macroeconomic conditions, the Enlarged Group may experience further tariff pressure from medical healthcare funders, less demand for its services as medical healthcare funders reduce the number or type of services they are able to fund and a reduction in the amounts the Enlarged Group expects to collect from medical healthcare funders. Furthermore, increases in the level of unemployment in the economy may mean that people lose access to private medical insurance. Demand for private healthcare services in South Africa is also driven by factors affecting medical scheme memberships, including the growth of lower-cost restricted network private health insurance plans. The popularity of these restricted network plans has increased in recent periods as a result of the significant price increases that medical schemes have imposed on their subscribers due to the increasing risk profile of their subscriber pools. The management of these restricted network plans has increasingly been delegated to medical administrators, who negotiate on a consolidated basis on behalf of the plans they administer, which has resulted in additional pressure on the tariffs the Enlarged Group charges for its services.

Demand at acute care hospitals, such as those operated by Life Group, may be affected by trends to move inpatient treatment to outpatient services (day clinics), thereby leading to a reduction in the number of people treated in hospitals. Notwithstanding this trend, the average LOS in Life Group's hospitals has increased during the period under review from 3.57 days, to 3.63 days and to 3.68 days in the financial years ended 30 September 2014, 2015 and 2016, respectively, due to the increasing disease profile in South Africa, the ageing of medical scheme members and the increase in number of medical paid patient days ("**PPDs**") as a percentage of all PPDs. The Enlarged Group believes that this trend and efforts by medical schemes to move more cases to outpatient facilities, and thereby reduce the number of hospital admissions, is mitigated by the limited number of outpatient facilities available in South Africa and the limited number of physicians willing to practice in outpatient facilities.

Demand for medical imaging services is driven by underlying demand factors that overlap with the factors driving demand for private healthcare services and include an ageing population, an increasing disease burden, advances in medical imaging technology and a focus on early-state diagnosis of chronic health conditions. During the period under review, the use of complex diagnostic and molecular imaging techniques, has grown rapidly as healthcare providers have recognised the benefits of diagnostic imaging in the early-stage diagnosis of disease. However, European public healthcare systems have struggled to cope with the increased demand for medical imaging, in particular, as a result of capacity constraints which, together with limited public sector capital expenditure budgets and limited capacity to expand existing facilities, has created opportunities for private sector medical imaging companies to provide medical imaging services on behalf of these public healthcare systems. During the period under review, Alliance Medical's revenue from the NHS increased from £76.1 million in the financial year ended 31 March 2015 to £87.5 million in the financial year ended 31 March 2016 as the NHS continued to increase its reliance on the private sector for the provision of medical imaging services.

Demand for services at the Enlarged Group's facilities is also affected by competition with other healthcare providers. The Enlarged Group competes with other healthcare facilities for patients based on factors such as relationships with medical healthcare funders (in particular preferred network arrangements), relationships with public healthcare systems, reputation, network of supporting personnel and facilities, quality of care and geographical convenience.

Utilisation of the Enlarged Group's hospitals

The Enlarged Group's revenue and its variable cost items, including consumables, are driven in part by hospital utilisation, or occupancy rate, and affected by the extent to which the Enlarged Group is able to generate patient volumes at its facilities. Occupancy refers to the number of registered beds utilised by patients, while LOS refers to the average amount of time spent in the hospital per patient visit. Life Group determines occupancy rate by recording the number of PPDs per bed rather than by using the census method (the census method of determining occupancy involves conducting an actual count of patients in beds at a certain point in a 24-hour period) based on the weighted number of available beds during the period and takes acquisitions and expansions during the financial year on a proportionate basis into account. The occupancy rate at Life Group's hospitals increased from 71.9% in the financial year ended 30 September 2014 to 72.5% in the financial year ended 30 September 2016 despite an increase in the number of registered beds from 8,418 as at 30 September 2014 to 8,768 as at 30 September 2016 and a decreasing pool of medically insured persons. Similarly, LOS increased from 3.57 days, to 3.63 days and to 3.68 days in the financial years ended 30 September 2014, 2015 and 2016, respectively. The increase in LOS suggests a slowing recovery rate for hospitalised patients during the period under review.

Life Group measures PPDs by recording one half-PPD for each period (or part thereof) between noon and midnight, or midnight and noon, for which a patient is admitted to hospital. Life Group then accumulates these half-PPDs to determine the number of aggregate PPDs. PPDs at Life Group's hospitals increased from 2,115,254 in the financial year ended 30 September 2014 to 2,265,653 in the financial year ended 30 September 2016.

PPDs are driven by admissions, which depend on the extent to which Life Group receives patients through its relationships with medical schemes or from admitting doctors. Life Group currently benefits from a number of preferred network arrangements, under which members of medical schemes are encouraged to use certain facilities or in some cases restricted in their choice of facilities. Increasing numbers of preferred network arrangements increase Life Group's admissions and PPDs. Admissions at Life Group's hospitals increased from 592,786 in the financial year ended 30 September 2014 to 615,661 in the financial year ended 30 September 2016.

The number of PPDs (and the occupancy rate) is also affected by the number of beds and facilities available at Life Group's hospitals. The number of beds is affected by the expansion of capacity at Life Group's facilities, including additions and capacity upgrades, as well as the acquisition or development of new hospitals. Life Group increased the number of beds at its hospitals from 8,418 registered beds as at 30 September 2014 to 8,768 registered beds as at 30 September 2016.

Tariffs

The Enlarged Group's revenue is dependent on the tariffs it charges for its services, in particular, the payments received by Life Group from medical schemes and other payors, including public healthcare systems in Poland, and the payments received by Alliance Medical from public healthcare systems.

In the financial year ended 30 September 2016, payments received from medical schemes represented 94.2% of Life Group's Hospital division revenue. The remaining 5.8% of Life Group's Hospital division revenue comprises 1.7% from the Compensation for Occupational Injuries and Diseases Fund ("**COID**") and 4.1% from private patients. In South Africa, private health insurance is provided by medical schemes, which are funds managed by medical aid administrators such as Discovery, Medscheme, and MMI. Life Group generally negotiates annually with each medical aid administrator or medical scheme to agree the tariffs to be charged over the subsequent twelve-month period, but in some cases longer-term contracts have been negotiated. Life Group has ARM tariffs in its payment arrangements with the medical schemes, which involve Life Group committing to manage and contain its costs, and pass on a portion of the savings from such cost containment to the medical schemes. See "*Business of Life Group—Description of Life Group's Business Divisions—Hospitals division—Alternative reimbursement model*". The tariffs charged by Life Group reflect increases in inflation, pass through increases in the costs of treatment, as well as increases in costs as a result of innovation and new technology.

South Africa's medical scheme industry has recently undergone significant consolidation. This consolidation has resulted in increases in the total number of lives insured by the top three medical aid administrators (Discovery, Medscheme, and MMI) and GEMS, which has significantly increased their bargaining power in negotiations concerning tariffs and preferred network arrangements with medical services providers. As a result, Life Group has seen increased pressure on the tariffs it is able to charge for its services in order to maintain its preferred network arrangements with medical healthcare funders. During the period under review, the increased tariff pressure has resulted, in some cases, in below CPI annual tariff increases, although the impact on Life Group's revenue has generally been mitigated by increased patient volumes from medical healthcare funders. In addition, Life Group competes with other hospital operators for preferred network arrangements with medical schemes on the basis of pricing, number and geographic spread of facilities in the market, quality of care and the breadth and depth of specialist services offered at its facilities within the geographic area. The tariffs negotiated by Life Group with medical schemes, and Life Group's ability to ensure that increases in the costs of treatment are accounted for in setting tariffs, are significant factors affecting Life Group's results of operations and are expected to be a significant factor affecting the Enlarged Group in future periods. Scanmed's operations are largely dependent on payments from the NFZ and the tariffs Scanmed is able to negotiate with the NFZ for the provision of healthcare services (see "*—Government Policy*").

Payments for Alliance Medical's services from public healthcare systems accounted for approximately 76% and 77%, respectively, of Alliance Medical's revenue in the financial year ended 31 March 2016 and the six months ended 30 September 2016. As a result, Alliance Medical's revenue during the period under review has depended to a significant degree on the tariffs paid by public healthcare systems in the regions in which it operates. Most of the NHS complex imaging work undertaken in England by Alliance Medical is priced at the NHS tariff level. In the case of PET-CT scans, there is no NHS tariff amount and Alliance Medical receives the PET-CT National Contract amount for sites named in the contract, which is fixed for the duration of the contract. In Italy, publicly-funded services provided at Alliance Medical's private clinics are subject to annual budget allocations by RHAs, which set tariffs based on such allocations. Tariffs set by public healthcare systems are generally subject to periodic review and may be reduced as a result of budget constraints, public spending cuts or other financial pressures on such public healthcare systems. In addition, budget constraints, public spending cuts or other financial pressures could force public healthcare systems to de-fund certain complex imaging services, which would result in reduced patient volumes directed at private sector providers. The tariffs for medical imaging services have had a significant impact on Alliance Medical's revenue and are expected to continue to have a significant impact on the Enlarged Group's results of operations in future periods.

Changes in mix of cases and treatments

Life Group's results of operations have been and the Enlarged Group's results of operations may continue to be affected by changes in the mix of patients and treatments provided at Life Group's hospitals. In recent periods, Life Group has experienced an increase in the number of medical cases involving treatment for diseases, as opposed to surgical cases. During the financial years ended 30 September 2014, 2015 and 2016, medical cases as a proportion of hospital PPDs were 52.8%, 53.4% and 54.5%, respectively. This increasing trend has resulted from the increasing disease burden and aging of medical scheme members in South Africa. In addition, South Africa and Poland have seen an increasing incidence of non-infectious diseases, including heart disease and cancer.

Revenue from surgical cases is generally higher than revenue from medical cases, as Life Group can charge higher fees for surgical procedures, which are more complex and technology and equipment intensive, in contrast to medical treatment, which involves ongoing care and provision of medication. However, Life Group generally obtains higher percentage margins on its medical cases, where it is more able to manage its costs of treatment, as opposed to surgical cases, which contain a higher proportion of pass through costs (such as prosthesis items for joint replacements). The change in patient mix has resulted in an increase in costs due to greater use of consumables as well as in an increase in the average length of patient stay, as medical cases generally require a longer stay in hospital beds than surgical cases, resulting in higher utilisation of Life Group's facilities.

In addition, innovation, continuous advances in medical technology and increasing demand for elective treatments cause changes in the range of treatments provided at the Enlarged Group's facilities. The expansion of the range of services offered at the Enlarged Group's facilities, for example the addition of cardiac, oncology or renal treatment facilities, also impacts the range of cases and treatments offered and, accordingly, the revenue profile for patient days at that facility.

Costs of consumables

Approximately 55% of Life Group's costs in the financial year ended 30 September 2016 were variable. Life Group's variable costs are a function of the volume, in terms of PPDs, at Life Group's hospitals. The cost of consumables used in the services provided at Life Group's hospitals in South Africa is a significant component of Life Group's variable costs. The cost of consumables, namely pharmaceuticals and surgical supplies, has increased due to factors including inflation and fluctuations in the Rand and a shift in cost mix toward medical equipment, services and consumables. In South Africa, average CPI inflation was 6.13%, 4.51% and 6.56% in the calendar years 2014, 2015 and 2016. As a result, Life Group has experienced increases in the cost of supplies. The cost of provision of medical care and consumables is also affected by innovation and advances in medical technology.

Life Group has focused, and the Enlarged Group continues to focus, on managing input costs such as drugs and surgical consumable items to improve efficiency. This has resulted in savings, as well as the containment of prices to within CPI levels despite a difficult economic climate. Life Group's total procurement spend (including information technology ("**IT**") projects) was R10.4 billion, R7.1 billion and R6.7 billion, respectively, of which R3.8 billion, R3.6 billion and R3.3 billion, respectively, was spent on pharmaceutical products and R4.1 billion, R3.5 billion and R3.4 billion, respectively, was spent on medical equipment, services and consumables in the financial years ended 30 September 2016, 2015 and 2014. As of 30 September 2016, Life Group had 1,200 suppliers as compared to 524 as of 30 September 2015, and the top four supply categories included surgical consumables, pharmaceuticals, services and nursing agencies.

Life Group uses a procurement strategy to effectively manage stockholding and contain cost of sales and services. Life Group's procurement function has two divisions, pharmaceutical procurement and group procurement. Pharmaceutical procurement is responsible for medical consumable and pharmaceutical products, and in the financial year ended 30 September 2016, the cost increase in pharmaceutical procurement was within CPI levels. The cost increase in the financial year ended 30 September 2016 for group procurement (equipment, services and non-pharmaceutical) was also within CPI levels, despite the devaluation of the Rand, which negatively impacted Life Group's ability to maximise pricing negotiations (see "*—Exchange rate fluctuations*"). The Enlarged Group aims to maintain its margins by generating cost efficiencies through supplier and product diversification and limiting supply cost increases in southern Africa.

In South Africa, the prices of pharmaceuticals are set based on the Single Exit Pricing Regulations ("**SEP Regulations**"). However, Life Group seeks to manage the costs of its pharmaceuticals and surgical supplies by maintaining an ongoing centralised formulary, containing a list of preferred pharmaceuticals and surgical supplies to be used in Life Group's hospitals. This list is determined in light of doctor preferences and medical scheme requirements, and allows Life Group to select lower cost products and encourage pricing discipline amongst suppliers. Life Group also attempts, where possible, to negotiate annual contracts for the purchase of some pharmaceuticals and medical supplies, and in turn, negotiates its annual tariff increases with medical schemes taking into account expected price increases in supplies. Life Group manages the cost of medical supplies by using centralised purchasing across both its southern African and its Polish network to maximise its bargaining power and obtain favourable pricing. The Enlarged Group is supplied by a range of companies and therefore is not unduly dependent on any particular supplier and is supplied by a range of companies. The Enlarged Group expects similar supply arrangements to continue to exist in and does not expect to be unduly dependent on any particular supplier.

In addition, Alliance Medical manufactures radioisotopes for its PET-CT scanning operations, and also sells radioisotopes commercially to other PET operators and for use in clinical trials. Alliance Medical benefits from significant economies of scale as the marginal cost of radiopharmaceuticals per scan is low once minimum production volumes are attained due to the batch production nature of radiopharmaceutical production. This has had a significant impact on Alliance Medical's EBITDA from PET-CT services during the period under review and is expect to continue to have an impact on the Enlarged Group's results of operations as the number of PET-CT scans is expected to increase over the medium term.

Personnel costs

In the financial years ended 30 September 2016, 2015 and 2014, labour costs represented 43%, 44% and 44%, respectively, of Life Group's total operating expenses. In the financial years ended 31 March 2016 and 2015 and the six months ended 30 September 2016 and 2015, personnel cost represented 29%, 29%, 28% and 33%, respectively, of Alliance Medical's total operating expenses.

Life Group has experienced increases in personnel costs in South Africa, as a result of shortages of healthcare professionals and in response to salary increases for public sector healthcare workers. South Africa faces significant shortages of skilled workers in, amongst others, the public sector. In particular, the shortage of nurses has and may in future result in cost pressures on Life Group's personnel costs. In addition, Life Group has and may in future be required to increase its wages in line with comparable wage increases paid to public sector healthcare workers by the South African Government. In recent years, the South African Government has introduced a series of above-inflation wage increases to its workers, including doctors and nurses in the healthcare sectors. The implementation of such wage increases resulted in significant increases in average public sector nursing wages in South Africa. As a result, Life Group's personnel costs have increased correspondingly in recent periods.

In order to manage its needs for skilled personnel, Life Group has implemented programmes to recruit and retain staff. Life Group has increased targeted recruitment of specialised and experienced nursing and pharmaceutical professionals, and has renewed its focus on training interventions, succession planning, career development, and retention strategies. Life Group also employs a competitive compensation model and pays scarce skills allowances in order to retain professional skills at certain hospitals. In South Africa, Life Group has invested heavily in the training of nursing staff through the Life College of Learning ("**Life College**"), and also invests in pharmacy and therapy internship programmes.

The Enlarged Group seeks to manage its personnel costs through its skills allocation management system. This system assesses the number of patients in a ward, and the acuity of the condition of these patients, then ascertains the correct number and type of staff required. Through this skills allocation management system, the Enlarged Group strives to ensure the most efficient use of its healthcare professionals.

Other overhead costs

Life Group's overhead costs are affected by factors including inflation, electricity price increases and rates and taxes levied by local governments in South Africa. During recent years, electricity prices have increased significantly in South Africa due to pressures from Eskom, the electricity utility, to increase tariffs to support its financial position and capital expenditure programme. These costs are expected to continue to increase at rates significantly above inflation. In the financial year ended 30 September 2016, electricity costs were 1.82% of revenue.

Seasonality

Life Group's South African results of operations are affected by seasonality within the financial year. The first half of Life Group's financial year (October through March) typically provides less revenue than the second half (April through September, which includes the winter months in South Africa). In the financial year ended 30 September 2016, 48% of Life Group's revenue was generated in the first half of the financial year and 52% was generated in the second half of the financial year. Cash flows from operating activities are also lower in the first half of Life Group's financial year than in the second half.

Due to the nature of the rules governing the majority of medical aid schemes in South Africa, patients may have exhausted their benefits, or utilised the funds in their discretionary allowance (or medical savings account) towards the end of the calendar year. As a result, the demand for medical treatment may also be lower in these periods at the end of the calendar year.

The South African summer and holiday season falls during the first half of Life Group's financial year. Demand for medical procedures is lower, as people are less likely to seek medical treatment except where necessary during holiday periods and a large number of doctors take holidays. Life Group's results of operations may also be affected by seasonality during the Easter holiday period (in March or April). The annual tariff increases for Life Group's services are implemented in January of each calendar year, resulting in a positive impact on revenue.

Government policy

Healthcare is a regulated sector. The Enlarged Group's results of operations have been and may in future be affected by changes in government policies. In South Africa, the South African Government is the largest customer of the Healthcare Services division, through the Life Esidimeni PPP. As such, the business and results of that division may be affected by government policy, including its decision as to what services to contract for with Life Group and the rates at which it pays for those services. For example, in 2016, the Gauteng Department of Health elected not to renew 1,570 mental health beds, and transferred approximately 1,500 mental health patients to NGOs.

Government regulations regarding licensing of hospitals may also affect new entrants into the marketplace, as well as the expansion plans (including the issuance of bed licences) of existing operators including the Enlarged Group. The awarding of bed licences by provincial governments has slowed during the period under review, particularly in the Gauteng region. As a result, Life Group added 253 beds in the financial year ended 30 September 2015, but only 176 beds in the financial year ended 30 September 2016. Approximately 882 bed licence applications were pending as at 30 September 2016 across Life Group's hospital network.

Scanmed is reliant on obtaining contracts with the NFZ, which is an agency of the Polish government. The Polish government recently announced reforms to certain tariffs effective 1 July 2016, with additional reforms effective from 1 January 2017, in particular, in respect of the treatment of neurosurgery, orthopaedics and cardiology. The largest tariff impact on Scanmed is in the field of cardiology, in which Scanmed has significant operations in Poland. The tariff reductions resulted in a 17.4% price reduction in the cardiology business, which has necessitated a temporary hold on Scanmed's expansion activities. As a result of these regulatory changes, Life Group recognised an impairment charge of R370 million during the financial year ended 30 September 2016 on its investment in Scanmed.

Alliance Medical is also reliant upon contracts with national and regional public healthcare bodies. Any future reduction in the tariffs paid by the NHS for such services could affect Alliance Medical's operations in the United Kingdom.

South Africa's National Department of Health released the White Paper on National Health Insurance on 10 December 2015. The South African Minister of Finance indicated in the budget speech on 23 February 2017 that the South African Government is revising its NHI White Paper and that the establishment of the NHI is imminent, and although there is currently no date for implementation, a material expansion of the South African Government's role in the South African healthcare industry could lower reimbursement rates for the Enlarged Group's services and facilities, thus affecting the Enlarged Group's profitability. Although this proposal has not affected Life Group during the periods under review, it may have an effect on the Enlarged Group in future periods.

Acquisitions

During the period under review, certain acquisitions have had an effect on Life Group's results of operations. These acquisitions have included a total investment of R2.3 billion as at 30 September 2016 in Poland through the acquisition of Scanmed in April 2014 and further complementary acquisitions in Poland since acquisition, including Sport Klinika (Klinika Chirurgii Endoskopowej Sp. z o.o.) in December 2014, Kliniki Kardiologii Allenort in December 2014, Carint Scanmed ("**Carint**") in March 2016 (which was merged into Scanmed in October 2016) and Polska Grupa Medyczna ("**PGM**") in December 2015. Life Group has invested a total of R2.5 billion in India for a 45.95% joint venture interest in Max Healthcare since 2012. During the financial years ended 30 September 2016, 2015 and 2014, revenue from the International division, which consists primarily of revenue from Scanmed, was R1.2 billion, R648 million and R175 million, respectively, and share of associates' and joint ventures' net profit after tax, consisting primarily of the associated income from the Max Healthcare joint venture, was a profit of R8 million, R14 million and R39 million, respectively.

In addition, following the Acquisition, the International division is expected to represent a more significant part of the Enlarged Group's results of operations in future periods. The former shareholders of Alliance Medical are entitled to earn-out consideration of up to £40 million in March 2017 in the event that certain financial and operational performance criteria are satisfied.

Exchange rate fluctuations

Consumables used in Life Group's hospitals (pharmaceuticals and surgical supplies) are generally imported from outside of South Africa and Poland. Although the prices for these products are denominated in Rand and Złoty in the case of Poland, the cost of such goods has increased as a result of adverse movements in the Rand and Złoty compared to other currencies. In addition, a significant portion of Life Group's capital expenditures relates to the purchase of medical equipment from manufacturers outside of South Africa through local distributors. Although the prices of such equipment are denominated in Rand, the Rand prices are linked to euro prices and, as a result, depreciation in the value of the Rand has cause an increase in Life Group's capital expenditures.

Life Group's exposure to the effects of foreign currency movements against the Rand have increased in connection with Life Group's expansion internationally. Life Group's reporting currency is Rand. However, the revenue and costs of Scanmed are denominated in Złoty. Therefore, the Group is exposed to significant fluctuations in exchange rates when converting non-Rand amounts into Rand for reporting purposes. A fluctuation in the value of Złoty against Rand will affect Life Group's revenue and costs in a given reporting period, regardless of the operational performance of Life Group or its margins for that period. During the financial years ended 30 September 2014, 2015 and 2016, the average exchange rate of Złoty was R3.43, R3.30 and R3.78, respectively.

A 10% movement against the Rand in the average Złoty exchange rate over one year's trading would have had a R32 million impact on Life Group's profit before tax in the financial year ended 30 September 2016.

In future periods, following the Acquisition, a greater proportion of the Enlarged Group's revenue and operating expenses will be denominated in Pound Sterling and euro. As a result, the Enlarged Group expects currency translation risk to have a greater impact on its results of operations in future periods.

KEY INCOME STATEMENT ITEMS

Life Group

Revenue and other income

Revenue from the Hospitals division is comprised of:

- ARM tariffs, comprising a mix of fixed fees and per diems, which represented approximately 65% of the Hospitals division's revenue in the financial year ended 30 September 2016:
  - fixed fees are a flat rate for a course of treatment, where Life Group bears the risk of managing the underlying costs of care; and
  - per diems are a daily rate charged for the facilities used, where Life Group bears the risk of managing costs of care except for the LOS;
- fees for service, under which Life Group passes on the costs of care, which represented approximately 35% of the Hospitals division's revenue in the financial year ended 30 September 2016; and
- rental income related to auxiliary services provided at the hospitals, e.g. pathology, radiology, oncology and coffee shops, which represented 0.5% of the Hospitals division's revenue in the financial year ended 30 September 2016.

Revenue generated through the Healthcare Services division is comprised of:

- income from Life Esidimeni, which is based on a fixed rate per day for patient stays at Life Group's facilities;
- income from Life Occupational Health, which is based on a rate per life covered, negotiated with each of the corporate or institutional clients, reflecting a rate for the range of occupational and primary healthcare services offered by Life Group; and
- income from Careways, which is based on contracts with customers.

Revenue from the International division comprises the amounts derived from the provision of private healthcare services in Poland, after deducting trade discounts and value added tax.

Other income includes rental income received by Life Group from consulting room space, as well as income from other miscellaneous sources.

Drugs and surgicals consumed

Cost of drugs and surgicals consumed reflects the cost of surgical supplies and pharmaceuticals used in providing services at Life Group's facilities.

Employee benefits expense

Employee benefits expense reflects salaries and benefits payable to Life Group's employees, including nursing and administrative staff at its hospitals and head office. Life Group does not employ doctors in South Africa, except through the Life Esidimeni, Life Occupational Health and Careways facilities in its Healthcare Services division.

Depreciation on property, plant and equipment

Depreciation on property, plant and equipment is charged on tangible fixed assets on a straight-line basis over the useful life of each part of Life Group's hospital facilities and equipment. Land is not depreciated.

Amortisation of intangible assets

Amortisation is charged on customer relations, hospital licences, computer software, preferred supplier contracts and other intangible assets (arising from acquisitions).

Repairs and maintenance expenditure on property, plant and equipment

Replacement and maintenance expenditure on property, plant and equipment reflects the recurring costs of maintaining the useful life of Life Group's hospital facilities and equipment.

Occupational expenses

Occupational expenses include the cost of operating leases for certain of Life Group's facilities, as well as local rates and taxes, electricity, water and waste removal.

Hospital service expenses

Hospital service expenses include the cost of catering, cleaning and laundry.

Communication expenses

Communication expenses include costs of information technology, telecommunications and postage.

Other expenses

Other expenses include other miscellaneous expenses.

Other items

Other items include items that are material in size or are unusual or infrequent in nature and are disclosed separately. The separate reporting of other items helps provide an indication of Life Group's underlying business performance. Other items include contingent consideration released in accordance with Life Group's contractual obligations and impairment in the carrying value of certain investments.

Finance cost

Finance cost consists primarily of interest paid on Life Group's outstanding borrowings.

Tax expense

Tax expense consists primarily of taxes levied on Life Group's profits. Life Group's South African operations are subject to South African corporate tax, which was 28% of taxable profit in the financial years ended 30 September 2014, 2015 and 2016. Polish operations are subject to Polish corporate tax, which was 19% of taxable profit in the financial years ended 30 September 2014, 2015 and 2016. Income tax expense also reflects movements in Life Group's deferred tax assets and liabilities. Life Group's effective tax rates during the period under review were 31.2%, 28.3% and 22.0% for the financial years ended 30 September 2016, 2015 and 2014, respectively.

Alliance Medical

Revenue

Revenue represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes. Revenue is recognised principally on a 'per scan' basis, a 'day rate' basis or a 'dose' basis for diagnostic imaging services, molecular imaging services and patient services, respectively, depending upon the terms of the contract.

Cost of sales

Cost of sales principally comprises salaries and other costs of clinical staff, consultant and clinical fees, medical services and inventories, including drugs and consumables.

Overheads

Overheads represent non-clinical staff costs, rent costs, maintenance, insurance and running costs of properties and equipment, administrative expenses, IT and other administrative costs.

Other items

Other items represent certain expense or revenue items recorded in a given period that are significant by their size or incidence. Examples of other items include refinancing costs, reorganisation and restructuring costs and other items not in the normal course of day-to-day business.

Finance costs

Finance costs represent the difference between the net proceeds and the total amount of payments made in respect of financial borrowings.

Tax expense

Tax expense represents the sum of tax payable on Alliance Medical's profits.

CURRENT TRADING AND PROSPECTS

Trading since 30 September 2016 has been below the Enlarged Group's expectations and below last year's trading for the Group, excluding the impact of Alliance Medical, during the corresponding period.

- Trading in the southern African Hospital division has been below the Enlarged Group's expectations primarily due to a reduction in PPDs. The PPDs to end February 2017 was lower than the corresponding period by 2.7%. This was due to limited or no growth in the private healthcare market, a greater than expected slowdown in the South African economy, an increase in active case management by medical aids away from hospital admissions and doctors taking more and longer leave than anticipated. These factors have resulted in a reduction in admissions for elective procedures.
- Trading in the Healthcare Services division has been in line with the Enlarged Group's expectations but below last year due to the termination of the Life Esidimeni Gauteng mental health contracts in June 2016.
- Trading in the International Division has been in line with the Enlarged Group's expectations for both Alliance Medical and Scanmed. The Enlarged Group is currently reviewing the impact of further cardiology tariff reductions that became effective on 1 January 2017 in Poland.

The Enlarged Group's results have been negatively impacted by the additional financing cost related to the acquisition of Alliance Medical and the related transaction costs.

The financing and transaction costs mentioned above are expected to have the greatest impact on the financial results. There are further exceptional items which are subject to greater volatility than the trading conditions and Life expects to have better clarity on the impact of both on the results when the March 2017 numbers are finalised.

PricewaterhouseCoopers has not audited, reviewed, compiled or performed any procedures with the respect to the current trading and prospects. Accordingly, PricewaterhouseCoopers does not express an opinion or any other form of assurance with respect thereto.

RESULTS OF OPERATIONS OF LIFE GROUP

The following table presents selected consolidated financial information of Life Group for the periods indicated.

	Year ended 30 September		
(Rand, in millions)	**2016**	**2015**	**2014**
Revenue and other income	16,567	14,776	13,161
Drugs and surgicals consumed	(4,048)	(3,651)	(3,286)
Employee benefits expense	(5,598)	(4,975)	(4,394)
Retirement benefit asset and post-employment medical aid expenses	23	20	16
Depreciation on property, plant and equipment	(530)	(445)	(355)
Amortisation of intangible assets	(147)	(127)	(122)
Repairs and maintenance expenditure on property, plant and equipment	(197)	(172)	(174)
Occupational expenses	(553)	(435)	(425)
Hospital service expenses	(710)	(625)	(545)
Communication expenses	(181)	(154)	(135)
Other expenses	(966)	(716)	(591)
Operating profit	3,660	3,496	3,150
Contingent consideration released	109	21	–
Transaction costs	(12)	(15)	(16)
Profit on disposal of associate investment	–	–	957
Impairment of investment	(370)	–	–
Loss recognised on re-measuring previously held interest in associate to fair value	(23)	–	–
Fair value gains/(losses) on derivative financial instruments	(2)	29	49
Other	(6)	–	2
Finance income	12	12	22
Finance cost	(512)	(445)	(230)
Share of associates' and joint ventures' net profit after tax	8	14	39
Profit before tax	2,864	3,112	3,973
Tax expense	(894)	(884)	(875)
Profit after tax	1,970	2,228	3,098

Segmental information

The following table presents revenue and normalised EBITDA by reportable segment for Life Group for the periods indicated.

	Year ended 30 September		
(Rand, in millions, unless otherwise indicated)	**2016**	**2015**	**2014**
Revenue by reportable segments			
Southern Africa			
Hospitals division	14,381	13,133	12,007
Healthcare Services division	849	866	864
International division	1,174	648	175
Total	16,404	14,647	13,046
Normalised EBITDA by reportable segments			
Southern Africa			
Hospitals division	3,819	3,575	3,304
Healthcare Services division	120	168	144
Other	255	214	147
International division	120	91	16
Total	4,314	4,048	3,611

Presentation and Explanation of Life Group's Results of Operations in the financial years ended 30 September 2016, 2015 and 2014

Comparison of results of the financial years ended 30 September 2015 and 2016

Revenue and other income

Revenue and other income increased from R14,776 million in the financial year ended 30 September 2015 to R16,567 million in the financial year ended 30 September 2016, an increase of 12.1%. This was primarily the result of an 8.8% growth in Southern African revenue and an 81.2% growth in revenue in the International division.

Revenue in the Hospitals division increased by 9.5%, driven primarily by a 4.0% increase in the number of PPDs as a result of the investment in additional beds, price inflation, tariff increases and an increase in the LOS. The mix of cases indicated higher growth in medical cases than in surgical cases, with medical PPDs as a percentage of all PPDs increasing from 53.4% in the financial year ended 30 September 2015 to 54.5% in the financial year ended 30 September 2016.

Revenue in the Healthcare Services division decreased by 2.0%, primarily as a result of the non-renewal of certain government contracts in the Life Esidimeni business and tariff pressure on occupational health as a result of a slowdown in the South African economy.

Revenue in the International division increased by 81.2%, primarily as a result of an expansion of Scanmed's network of facilities through the acquisitions of PGM and Carint in the financial year ended 30 September 2016.

Drugs and surgicals consumed

The cost of drugs and surgicals consumed increased from R3,651 million in the financial year ended 30 September 2015 to R4,048 million in the financial year ended 30 September 2016, an increase of 10.9%. This increase reflected increased usage linked to higher patient volumes and theatre cases, in part, as a result of the acquisition of PGM and Carint in Poland, changes in case mix, product selection and inflationary increases in the costs of consumables and changes in the rate of exchange of the Rand in respect of imported items.

Employee benefits expense

Employee benefits expenses increased from R4,975 million in the financial year ended 30 September 2015 to R5,598 million in the financial year ended 30 September 2016, an increase of 12.5%. This increase was primarily due to higher patient volumes, wage increases in South Africa, the impact of the acquisition of PGM and Carint in Poland and the opening of Life Hilton Private Hospital.

Repairs and maintenance expenditure on property, plant and equipment

Repairs and maintenance expenditures on property, plant and equipment increased from R172 million in the financial year ended 30 September 2015 to R197 million in the financial year ended 30 September 2016, an increase of 14.5%. This increase was primarily due to increased maintenance expenditure on hospital medical equipment and facilities and the impact of the acquisitions of PGM and Carint in Poland.

Occupational expenses

Occupational expenses increased from R435 million in the financial year ended 30 September 2015 to R553 million in the financial year ended 30 September 2016, an increase of 27.1%. This increase was primarily due to the absence in the financial year ended 30 September 2016 of R18 million utility rate credits that had been received in the financial year ended 30 September 2015, increased utility usage linked to higher patient volumes, an increase in electricity tariffs in South Africa, and the impact of the acquisitions of PGM and Carint in Poland.

Hospital service expenses

Hospital service expenses increased from R625 million in the financial year ended 30 September 2015 to R710 million in the financial year ended 30 September 2016, an increase of 13.6%. This increase was primarily due to an increase in PPDs which resulted in increased cleaning and canteen costs, as well as the opening of the Life Hilton Private Hospital and the impact of the acquisitions of PGM and Carint in Poland.

Communication expenses

Communication expenses increased from R154 million in the financial year ended 30 September 2015 to R181 million in the financial year ended 30 September 2016, an increase of 17.5%. This increase was primarily due to an increase in spending on contractors to support various information management projects.

Other expenses

Other expenses increased from R716 million in the financial year ended 30 September 2015 to R966 million in the financial year ended 30 September 2016, an increase of 34.9%. This increase was primarily due to retrenchment costs in connection with the loss of the Life Esidimeni Gauteng mental health contracts, the impact of the acquisitions of PGM and Carint in Poland and expenses incurred in connection with the Competition Commission market inquiry and increased medical malpractice related costs.

Other items

Other items for the financial year ended 30 September 2016 included:

- contingent consideration released of R109 million in relation to certain acquisitions in Poland;
- an impairment charge of R370 million in respect of the investment in Poland due to certain regulatory changes which negatively impacted the profitability of certain cardiology procedures; and
- a R23 million loss realised on the step up acquisition of Carint.

Other items for the financial year ended 30 September 2015 included contingent consideration released of R21 million in respect of the investment in Poland.

Finance cost

Finance cost increased from R445 million in the financial year ended 30 September 2015 to R512 million in the financial year ended 30 September 2016, an increase of 15.1%. The increase in finance cost was primarily as a result of the additional debt incurred to fund the acquisition of PGM and interest rate increases in respect of Life Group's floating rate indebtedness.

Tax expense

Tax expense of R894 million in the financial year ended 30 September 2016 represented an effective tax rate of 31.2%. Tax expense of R884 million in the financial year ended 30 September 2015 represented an effective tax rate of 28.3%. This difference in the effective tax rate is largely attributed to the impairment on goodwill from certain of Life Group's Polish investments, which is not tax deductible.

Comparison of results of the financial years ended 30 September 2014 and 2015

Revenue and other income

Revenue and other income increased from R13,161 million in the financial year ended 30 September 2014 to R14,776 million in the financial year ended 30 September 2015, an increase of 12.3%. This was primarily the result of revenue growth in the Hospitals division and the International division.

Revenue in the Hospitals division increased by 9.4%, driven by a 3.0% increase in PPDs, a higher revenue per PPD of 6.4%, made up of a 5.9% tariff increase and a 0.5% positive case mix impact, and price inflation. The mix of cases indicated higher growth in medical cases as medical PPDs as a percentage of all PPDs increased from 52.8% in the financial year ended 30 September 2014 to 53.4% in the financial year ended 30 September 2015.

Revenue in the Healthcare Services division remained largely flat, primarily as a result of slow current economic climate and government policies, which led to the closure of 200 beds of Life Esidimeni, and large tenders coming to an end and not awarded to the same provider due to a policy of rotation.

Revenue in the International division increased by 270%, primarily due to the revenue impact of a number of significant acquisitions by Scanmed in Poland, including the acquisition of Sport Klinika in October 2014, Kliniki Kardiologii Allenort in November 2014 and 49.93% of Carint in June 2015.

Drugs and surgicals consumed

The cost of drugs and surgicals consumed increased from R3,286 million in the financial year ended 30 September 2014 to R3,651 million in the financial year ended 30 September 2015, an increase of 11.1%. This increase was primarily due to volume growth, in particular, in acute hospital ICUs as well as the full year impact of the Scanmed acquisition.

Employee benefits expense

Employee benefits expenses increased from R4,394 million in the financial year ended 30 September 2014 to R4,975 million in the financial year ended 30 September 2015, an increase of 13.2%. This increase was primarily due to the full year impact of the acquisition of Scanmed during the financial year ended 30 September 2014 as well as the acquisitions of Sport Klinika, Kliniki Kardiologii and Carint during the financial year ended 30 September 2015.

Repairs and maintenance expenditure on property, plant and equipment

Repairs and maintenance expenditures on property, plant and equipment decreased from R174 million in the financial year ended 30 September 2014 to R172 million in the financial year ended 30 September 2015, a decrease of 1.1%. This decrease was primarily due to a hospital maintenance campaign which provided hospitals with the opportunity to carry out additional maintenance during the financial year ended 30 September 2014.

Occupational expenses

Occupational expenses increased from R425 million in the financial year ended 30 September 2014 to R435 million in the financial year ended 30 September 2015, an increase of 2.4%. This increase was primarily due to the full year impact of the Scanmed acquisition, partially offset by certain rental cost savings in the Healthcare services business and by the impact of R18 million utility rate credits received in the financial year ended 30 September 2015.

Hospital service expenses

Hospital service expenses increased from R545 million in the financial year ended 30 September 2014 to R625 million in the financial year ended 30 September 2015, an increase of 14.7%. This increase was primarily due to an increase in PPDs and the full year effect of the Scanmed acquisition and the impact of the acquisitions Sport Klinika, Kliniki Kardiologii and Carint during the financial year ended 30 September 2015.

Communication expenses

Communication expenses increased from R135 million in the financial year ended 30 September 2014 to R154 million in the financial year ended 30 September 2015, an increase of 14.1%. This increase was primarily due to increases in software licence expenses, which are US dollar denominated and were negatively impacted by the Rand to US dollar exchange rate, as well as the increased use of external contractors to support information management projects.

Other expenses

Other expenses increased from R591 million in the financial year ended 30 September 2014 to R716 million in the financial year ended 30 September 2015, an increase of 21.2%. This increase was primarily due to the full year effect of the Scanmed acquisition and the impact of the acquisitions Sport Klinika, Kliniki Kardiologii and Carint during the financial year ended 30 September 2015, additional insurance costs in respect of medical malpractice cover and professional services fees for certain performed consulting work.

Finance costs

Finance costs increased from R230 million in the financial year ended 30 September 2014 to R445 million in the financial year ended 30 September 2015, an increase of 93.5%. This increase was largely as a result of additional debt incurred to fund acquisitions in Poland as well as to fund an increase in Life Group's investment in Max Healthcare.

Tax expense

Tax expense of R884 million in the financial year ended 30 September 2015 represented an effective tax rate of 28.3%. Tax expense of R875 million in the financial year ended 30 September 2014 represented an effective tax rate of 22.0%. This difference in effective tax rate is largely attributed to the gain on the disposal of an investment in an associate not being taxable.

RESULTS OF OPERATIONS OF ALLIANCE MEDICAL

The following table presents selected consolidated financial information of Alliance Medical for the periods indicated.

	Year ended 31 March		Six months ended 30 September	
(£, in millions)	**2016**	**2015**	**2016**	**2015**
Revenue	218.8	210.7	119.1	104.5
Cost of sales excluding depreciation	(121.0)	(112.0)	(67.4)	(56.7)
Depreciation	(18.1)	(17.9)	(9.0)	(8.1)
Cost of sales	(139.1)	(129.9)	(76.4)	(64.8)
Gross profit	79.7	80.8	42.7	39.7
Administrative expenses				
Overheads	(37.6)	(44.6)	(19.2)	(19.6)
Depreciation	(1.1)	(1.3)	(1.4)	(1.0)
Loss on disposal of property, plant and equipment	(0.8)	(0.4)	–	(0.3)
Amortisation	(8.9)	(8.9)	(4.9)	(4.3)
Other administrative expenses	(11.8)	(6.5)	(2.5)	(4.2)
	(60.2)	(61.7)	(28.0)	(29.4)
Profit /(loss) before interest & taxation	19.5	19.1	14.7	10.3
Finance costs	(10.9)	(19.2)	(4.3)	(7.3)
Share of profit of joint ventures	0.3	0.3	0.2	0.2
Profit/(loss) before taxation	8.9	0.2	10.6	3.2
Taxation	0.1	(3.1)	(1.3)	(1.1)
Profit/(loss) for the period	9.0	(2.9)	9.3	2.1

Segmental information

The following table presents revenue and EBITDA by reportable segment for Alliance Medical for the periods indicated.

	Year ended 31 March		Six months ended 30 September	
(£, in millions)	**2016**	**2015**	**2016**	**2015**
Revenue				
United Kingdom	116.0	102.0	65.8	55.0
Italy	68.2	76.5	33.7	33.5
Spain	5.9	7.5	3.1	2.8
Northern Europe	9.5	9.0	5.8	4.6
Ireland	19.2	15.7	10.7	8.6
Total	218.8	210.7	119.1	104.5
EBITDA				
United Kingdom	35.4	30.1	19.9	15.6
Italy	19.2	20.7	8.8	9.7
Spain	3.1	2.2	1.3	1.8
Northern Europe	2.0	1.8	1.4	1.2
Ireland	4.9	3.7	3.0	2.4
Other	(4.4)	(4.4)	(1.9)	(2.5)
Total	60.2	54.1	32.5	28.2

Presentation and Explanation of Alliance Medical's Results of Operations in the six months ended 30 September 2015 and 2016 and the financial years ended 31 March 2015 and 2016

Comparison of results of the six months ended 30 September 2015 and 2016

Revenue

Revenue increased from £104.5 million in the six months ended 30 September 2015 to £119.1 million in the six months ended 30 September 2016, an increase of 14.0%. This was primarily the result of revenue growth in the United Kingdom due to an increase in the number of PET-CT scans conducted pursuant to the PET-CT National Contract and in Ireland due to the revenue impact of newly acquired clinics.

Revenue in the United Kingdom increased by 19.6% from the six months ended 30 September 2015 to the six months ended 30 September 2016, primarily as a result of an increase in the number of PET-CT scans conducted after Alliance Medical was awarded the PET-CT National Contract.

Revenue in Italy remained relatively flat during the six months ended 30 September 2015 when compared to the six months ended 30 September 2016. Euro-denominated revenue declined due to Alliance Medical refocusing its portfolio of outsourced contracts and not pursuing renewal of certain lower margin contracts. This decline was offset by positive foreign exchange movements in the euro against the Pound Sterling.

Revenue in Spain increased by 10.7% from the six months ended 30 September 2015 to the six months ended 30 September 2016, primarily as a result of a mix shift toward higher tariff complex diagnostic scans.

Revenue in Northern Europe increased by 26.0% from the six months ended 30 September 2015 to the six months ended 30 September 2016, primarily as a result of an increase in the number of scans conducted pursuant to new screening programmes for migrants in Germany.

Revenue in Ireland increased by 24.4% from the six months ended 30 September 2015 to the six months ended 30 September 2016, primarily as a result of the revenue impact of acquisitions.

Cost of sales

Cost of sales increased from £64.8 million in the six months ended 30 September 2015 to £76.4 million in the six months ended 30 September 2016, an increase of 17.9%. This increase was primarily as a result of increased costs associated with generating increased revenue.

Overheads

Overheads decreased from £19.6 million in the six months ended 30 September 2015 to £19.2 million in the six months ended 30 September 2016, a decrease of 2.0%. This decrease was primarily as a result of savings from Alliance Medical's restructuring programme.

Other administrative expenses

Other administrative expenses of £4.2 million in the six months ended 30 September 2015 comprised reorganisation and restructuring costs of £2.6 million, mobilisation of the PET-CT National Contract of £1.5 million and other costs of £0.1 million. Other administrative expenses of £2.5 million in the six months ended 30 September 2016 comprised costs already incurred in respect of the sale of Alliance Medical to Life UK Healthcare Limited of £1.3 million, reorganisation and restructuring costs of £0.5 million, mobilisation of the PET-CT National Contract in the United Kingdom of £0.4 million and other costs of £0.3 million.

Finance costs

Finance costs decreased from £7.3 million in the six months ended 30 September 2015 to £4.3 million in the six months ended 30 September 2016, a decrease of 41.1%. This decrease was primarily due to lower interest payments following the repayment of £38.0 million of Alliance Medical's senior indebtedness during the six months ended 30 September 2015, which was replaced in part by drawdowns of funds under lease facilities, together with exchange differences recognised in Euro denominated loans.

Comparison of results of the financial years ended 31 March 2015 and 2016

Revenue

Revenue increased from £210.7 million in the financial year ended 31 March 2015 to £218.8 million in the financial year ended 31 March 2016, an increase of 3.8%. This increase was primarily due to revenue growth in Alliance Medical's United Kingdom and Ireland operating segments, partially offset by declines in the Italy, Spain and Northern Europe segments.

Revenue in the United Kingdom increased by 13.7% from the financial year ended 31 March 2015 to the financial year ended 31 March 2016, driven by volume growth at diagnostic imaging sites that commenced operations during the financial year as well as growth in PET-CT scanning volume under the PET-CT National Contract.

Revenue in Italy decreased by 10.8% from the financial year ended 31 March 2015 to the financial year ended 31 March 2016, driven by a reduction in scanning volumes due to a reduction in RHA budget allocations for medical imaging and the revenue impact of the disposal of certain imaging facilities during the financial year.

Revenue in Spain decreased by 21.3% from the financial year ended 31 March 2015 to the financial year ended 31 March 2016, primarily as a result of the revenue impact of the sale of the mobile scanning business during the year ended 31 March 2015.

Revenue in Northern Europe increased by 5.6% from the financial year ended 31 March 2015 to the financial year ended 31 March 2016, primarily as a result of an increase in the number of scans conducted pursuant to new screening programmes for migrants in Germany.

Revenue in Ireland increased by 22.3% from the financial year ended 31 March 2015 to the financial year ended 31 March 2016, driven by volume growth and by the revenue impact of certain acquisitions made during the financial year and volume growth at imaging sites that commenced operations during the period.

Cost of sales

Cost of sales increased from £129.9 million in the financial year ended 31 March 2015 to £139.1 million in the financial year ended 31 March 2016, an increase of 7.1%. The increase was primarily as a result of increased costs associated with generating increased revenue as well as mobilisation costs incurred in connection with the PET-CT National Contract.

Overheads

Overheads decreased from £44.6 million in the financial year ended 31 March 2015 to £37.6 million in the financial year ended 31 March 2016, a decrease of 15.7%. The decrease was primarily as a result of savings from Alliance Medical's restructuring programme.

Other administrative expenses

In the financial year ended 31 March 2016 other administrative expenses was £11.8 million, comprised of £6.7 million for reorganisation and restructuring costs, £3.3 million for the PET-CT National Contract mobilisation in the United Kingdom, and £1.8 million related to professional fees. In the financial year ended 31 March 2015, other administrative expenses was £6.5 million and consisted of £3.4 million for reorganising and restructuring costs, a gain of £1.5 million on consolidation of Alliance Medical Molecular Imaging Limited, following approval by the Competition and Markets Authority in August 2014, and a £4.6 million loss on disposal of the Spanish mobile scanning business.

Finance costs

Finance costs decreased from £19.2 million in the financial year ended 31 March 2015 to £10.9 million in the financial year ended 31 March 2016, a decrease of 43.2%. The decrease was mainly as a result of lower interest payments following the repayment of £38.0 million of Alliance Medical's senior indebtedness during the financial year ended 31 March 2016, which was replaced in part by drawdowns of funds under lease facilities, together with exchange rate differences recognised on Euro denominated loans.

Liquidity and capital resources

Life Group's liquidity requirements arise primarily to fund its capital expenditures and working capital requirements and to meet its debt service obligations in respect of its outstanding debt. For a description of Life Group's existing debt facilities, see Annexure 9: "Details of Material Borrowings." Life Group's principal sources of liquidity are cash flow from operations and amounts available under its revolving credit facilities and general banking facilities.

Working capital

The Directors are of the opinion that in the ordinary course of business, the working capital available to the Enlarged Group is sufficient for the Enlarged Group's present requirements, that is, for at least twelve months following the date of this Circular.

Cash flows

The following table presents Life Group's consolidated cash flow information for the periods indicated.

	Year ended 30 September		
(Rand, in millions)	**2016**	**2015**	**2014**
Net cash generated from operating activities	3,055	2,951	2,558
Net cash utilised in investing activities	(2,052)	(3,218)	(98)
Net cash (utilised in)/generated from financing activities	(1,677)	222	(2,288)
Cash balances acquired through business combinations	56	20	23
Effect of foreign exchange rate movement	(63)	13	8
Cash and cash equivalents – beginning of the year	255	267	64
Cash and cash equivalents – end of the year	(426)	255	267

Net cash generated from operating activities

Net cash flow from operating activities increased from R2,951 million in the financial year ended 30 September 2015 to R3,055 million in the financial year ended 30 September 2016, an increase of 3.5%. This increase was primarily a result of increased cash profits generated during the financial year.

Net cash flow from operating activities increased from R2,558 million in the financial year ended 30 September 2014 to R2,951 million in the financial year ended 30 September 2015, an increase of 15.4%. This increase was primarily a result of increased cash profits generated during the financial year.

Net cash utilised in investing activities

Net cash utilised in investing activities decreased from R3,218 million in the financial year ended 30 September 2015 to R2,052 million in the financial year ended 30 September 2016, a decrease of 36%. This decrease was due to a reduction in the number of acquisitions in the International division during the financial year ended 30 September 2016.

Net cash utilised in investing activities increased from R98 million in the financial year ended 30 September 2014 to R3,218 million in the financial year ended 30 September 2015. This increase was primarily a result of the acquisitions of Sport Klinika in October 2014 and Kliniki Kardiologii Allenort in November 2014, and the purchase of additional shares in Max Healthcare.

Net cash (utilised in)/generated from financing activities

Net cash utilised in financing activities increased from an inflow of R222 million in the financial year ended 30 September 2015 to an outflow of R1,677 million in the financial year ended 30 September 2016. This was primarily a result of additional debt incurred in the financial year ended 30 September 2015 to fund acquisition of Sport Klinika and Kliniki Kardiologii Allenort as well as the purchase of additional shares in Max Healthcare.

Net cash utilised in financing activities decreased from an outflow of R2,288 million in the financial year ended 30 September 2014 to an inflow of R222 million in the financial year ended 30 September 2015. This was primarily a result of additional debt being raised in 2015 to fund acquisition of Sport Klinika and Kliniki Kardiologii Allenort as well as the purchase of additional shares in Max Healthcare.

The following table presents Alliance Medical's consolidated cash flow information for the periods indicated

	Year ended 31 March		Six months ended 30 September	
(£, in millions)	**2016**	**2015**	**2016**	**2015**
Net cash generated from operating activities	30.9	31.9	14.2	8.9
Net cash utilised in investing activities	(44.5)	(24.7)	(24.2)	(25.6)
Net cash generated from/(utilised in) financing activities	(8.7)	1.2	0.8	(16.5)
Effect of foreign exchange rate movement	0.8	(4.3)	2.2	(0.5)
Cash and cash equivalents – beginning of the year	60.3	56.2	38.8	60.3
Cash and cash equivalents – end of the year	38.8	60.3	31.8	26.6

Cash flow from operating activities was £8.9 million in the six months ended 30 September 2015 and £14.2 million in the six months ended 30 September 2016. This increase was primarily a result of growth in profitability during the period. Cash flow from operating activities was £31.9 million in the financial year ended 31 March 2015 and £30.9 million in the financial year ended 31 March 2016. This decrease was primarily a result of an increase in tax payments during the financial year ended 31 March 2016.

Net cash utilised in investing activities was from £25.6 million in the six months ended 30 September 2015 and £24.2 million in the six months ended 30 September 2016. This decrease was primarily a result of reduced capital expenditure during the period. Net cash utilised in investing activities was £24.7 million in the financial year ended 31 March 2015 and £44.5 million in the financial year ended 31 March 2016. This increase was primarily as a result of increased capital expenditure in connection with mobilisation for the PET-CT National Contract.

Net cash utilised in financing activities was £16.5 million in the six months ended 30 September 2015 and net cash generated from financing activities was £0.8 million in the six months ended 30 September 2016. This increase was primarily a result of the repayment of £38 million of Alliance Medical's senior indebtedness, offset by drawdowns of funds under finance lease facilities, during the six months ended 30 September 2015. Net cash generated from financing activities was £1.2 million in the financial year ended 31 March 2015 and net cash utilised in financing activities was £8.7 million in the financial year ended 31 March 2016. This decrease was primarily a result of the repayment of £38 million of Alliance Medical's senior indebtedness, offset by drawdowns of funds under finance lease facilities and other borrowing facilities during the year ended 31 March 2016.

Capital expenditures

The table below presents a breakdown of Life Group's capital expenditure for the periods indicated.

	As at 30 September		
(Rand, in millions)	**2016**	**2015**	**2014**
Maintenance capital expenditure	447	281	245
Growth capital expenditure	566	900	717
Total capital expenditure	1,013	1,181	962

The most significant element of Life Group's capital expenditure during the period under review has been the opening of new hospitals and the maintenance of existing hospitals.

As part of its strategy, Life Group makes significant capital expenditures to maintain and increase the capacity of its existing facilities and to commission new hospital facilities. Life Group has approved a budget for capital expenditure, including projects approved by its board of directors, for the financial year ending 30 September 2017 of R1.7 billion. Of this amount, R64 million comprises capital expenditures for new developments, R704 million comprises capital expenditure for organic growth projects and R924 million comprises maintenance capital expenditures.

During the financial year ended 31 March 2016, Alliance Medical invested £41.9 million in capital expenditure, which included expenditure on scanners for the PET-CT National Contract in the United Kingdom.

Borrowings

The table below presents a breakdown of Life Group's interest-bearing loans as at the dates indicated.

	As at 30 September		
(Rand, in millions)	**2016**	**2015**	**2014**
Non-current liabilities			
Interest-bearing borrowings	5,469	5,263	2,344
Current liabilities			
Bank overdraft	1,030	557	155
Interest-bearing borrowings	1,312	924	1,007

Life Group has a R1,500 million revolving credit facility agreement with RMB; R2,140 million in term loans with Nedbank Limited, Absa, FirstRand Bank Limited, The Standard Bank of South Africa Limited and Investec Bank Limited; PLN240 million in term loans with Absa; R10.6 billion drawn down under Bridge Facility A during November 2016; £225 million drawn down under Bridge Facility B during November 2016; and R2,500 million in different classes of preference shares issued by Life Healthcare Finance (RF) Proprietary Limited in separate transactions during 2014 and 2015 to RMB, Depfin Investments and The Standard Bank of South Africa. In connection with Acquisition and the entry into the Bridge Facility, Life has obtained consents and/or waivers from Absa, RMB, Nedbank, Standard Bank and Investec in respect of facilities and term loans outstanding before the Acquisition.

Life intends to repay a portion of the R10.6 billion drawn down during November 2016 outstanding under Bridge Facility A with the net proceeds of the Rights Offer. The £225 million drawn down during November 2016 outstanding under Bridge Facility B is intended to be replaced by a senior term facility that is expected to be negotiated following the closing of the Rights Offer.

Life Group's principal financing instruments with banks and significant borrowings are described in further detail in **Annexure 9** to this Circular.

Alliance Medical has a £5 million revolving credit facility with National Westminster Bank PLC, acting through its agent The Royal Bank of Scotland plc and a £13 million receivables financing facility with RBS Invoice Finance Limited. These facilities contain customary terms and events of default. In connection with the Acquisition, certain of Alliance Medical's outstanding senior indebtedness was refinanced through Bridge Facility B, which is expected to be replaced by a senior term facility that is expected to be negotiated following the closing of the Rights Offer.

Contractual obligations and commercial commitments

Set out below is a summary of Life Group's total contractual obligations and commercial commitments to make future payments at 30 September 2016:

(Rand, in millions)	**Less than one year**	**One to five years**	**After five years**	**Total**
Operating lease commitments	102	405	501	1,008
Finance lease liabilities	145	599	1,078	1,822
Total	247	1,004	1,579	2,830

Operating lease commitments consist of leases of certain of Life Group's hospital and administration office properties as well as medical and office equipment under non-cancellable lease agreements. The leases have varying terms, escalation clauses and renewal rights.

Finance leases relate to leases of various hospital properties, as well as medical and other equipment that meet the definition of a finance lease.

Set out below is a summary of Alliance Medical's total contractual obligations and commercial commitments to make future payments at 31 March 2016:

(£, in millions)	**Less than one year**	**One to five years**	**After five years**	**Total**
Operating lease commitments	3.9	13.3	5.6	22.8
Finance lease liabilities	6.1	22.2	0.7	29.0
Total	10.0	35.5	6.3	51.8

Operating lease commitments consist of property leases for office buildings and clinic sites as well as building leases that relate to customer contracts and which are coterminous with the customer contract end date. Finance lease liabilities are related to finance leases for scanning units.

Off-balance sheet arrangements

The Enlarged Group has no off-balance sheet arrangements.

Contingent liabilities

Life Group stands as guarantor in respect of certain operating leases, instalment sale agreements and mortgage bonds concluded by subsidiaries and also *pro rata* in relation to Life Group's interest in joint ventures. Life Group has issued guarantees to the value of R54 million as at 30 September 2016 as security to various local municipal councils, sellers in property transactions, lessors for leases and government institutions. Certain subsidiary companies have issued letters of support for certain other fellow subsidiary companies.

Alliance Medical is party to an ongoing dispute with *Ente Nazionale di Previdenza e Assistenza Medici* ("**ENPAM**"), which is the institution dedicated to the doctors' welfare in Italy and which pays the doctors' leaving indemnity and pension after retirement, relating to amounts to be paid to ENPAM for doctors' social contributions. The maximum potential liability is €1.4m before any penalties and interest which may be payable.

QUALITATIVE AND QUANTITATIVE DETAILS ON MARKET RISK

Life Group

Life Group's overall risk financial management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on Life Group's financial performance. Life Group uses derivative financial instruments to hedge interest and foreign currency risk exposures. Financial risk management is carried out by a central treasury department under policies approved by the audit committee. Life Group's treasury identifies, evaluates and hedges financial risks in close cooperation with Life Group's operating units. The audit committee approves written principles for overall financial risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Credit risk

Life Group's credit risk management mainly addresses receivables for services provided at Life Group's hospitals. Life Group's trade receivables comprise a widespread customer base. If customers are independently rated, these ratings are used. If there is no such rating, Life Group's risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Patients treated at Life Group's facilities are primarily liable for the payment of any invoices. However, the vast majority of payments are made by the medical schemes to which these patients belong. In the financial year ended 30 September 2016, the top three medical scheme administrators and GEMS provided approximately 73.7% of Life Group's revenue. In South Africa, medical schemes are subject to regulation by the Council for Medical Schemes, and are required to maintain reserves of 25%. Many medical schemes also retain independent credit ratings. Life Group employs a range of systems and procedures to verify medical scheme coverage and prevent fraud or the incurrence of costs not authorised for payments by the medical schemes.

Other than payments from medical schemes, Life Group's counterparties include COID, which is a governmental insurance fund; national and provincial Departments of Health, through contracts in the Life Esidimeni business; and a range of corporate employers under contracts in the occupational health business. A small portion of services are rendered to patients on a self-pay basis and individual risk limits are set for patients without medical insurance. In the case of self-pay patients, Life Group endeavours to obtain upfront deposits or credit card authorisations in advance of rendering treatment. Otherwise, services to customers without medical aid insurance are settled in cash or using major credit cards on the discharge date as far as possible.

Life Group manages its credit risk on cash by depositing cash with major banks with high quality credit standing and maintaining an appropriate spread of cash deposits between various financial institutions to limit the exposure to any one counterparty.

For the financial year ended 30 September 2016, Life Group's trade receivables impairment loss represented 0.6% of revenue. The Enlarged Group does not expect any significant loss from non-performance by counterparties on credit granted during the periods under review that has not been provided for.

Liquidity risk

Life Group's liquidity risk is the risk that Life Group will not be able to meet its obligations as they become due. Life Group manages liquidity risk through an ongoing review of future commitments and credit facilities. The Enlarged Group believes that it maintains sufficient cash and marketable securities, and also has sufficient available committed credit facilities. Life Group prepares cash flow forecasts and monitors utilised borrowing facilities on a daily basis. Life Group's longer-term cash flow forecasts are updated monthly.

Interest rate risk

Life Group's interest rate risk primarily relates to Life Group's long-term borrowings. In addition, Life Group's revolving credit facility bears interest at a variable rate. Borrowings issued at variable rates expose Life Group to cash flow interest rate risk. Borrowings issued at fixed rates economically expose Life Group to fair value interest rate risk. During the periods under review, Life Group's borrowings at variable rates were denominated in South African Rand and Polish Złoty.

Life Group's policy is to hedge approximately 60% of its borrowings to fixed interest rates, or if there is 1% interest rate movement impact greater than R50 million. Life Group hedges such cash flow interest rate risks using interest rate collars, caps and swaps. Such interest rate hedges have the economic effect of capping the exposure to floating rates to a maximum rate. Generally, Life Group raises long-term borrowings at floating rates and then hedges floating rates to a known maximum exposure. Under the interest rate collars, caps and swaps, Life Group agrees with other parties to exchange, at specified intervals (primarily quarterly), the difference between the hedge and the floating rate interest amounts calculated by reference to the agreed notional amounts. Swaps are entered into to fix interest rates from floating rates. As at 30 September 2016, the carrying value of interest rate swaps was R17 million and the notional amount of debt covered by interest rate swap contract hedges was approximately R3 billion.

Life Group analyses its interest rate exposure on a dynamic basis, taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, Life Group estimates that, in the financial year ended 30 September 2016, the impact on post-tax profit of a 1.0% increase or decrease in interest rates would have been a maximum decrease of R26 million or increase of R50 million, respectively.

Foreign exchange risk

Consumables used in Life Group's southern African hospitals (pharmaceuticals and surgical supplies) are generally imported from outside of South Africa. Although the prices for these products are denominated in Rand, as Life Group's suppliers import such consumables into South Africa, the cost of such goods may increase or decrease reflecting movements in the Rand compared to other currencies, in particular the euro and the US dollar. A significant portion of Life Group's southern African capital expenditures relates to the purchase of medical equipment from manufacturers outside of South Africa through their local distributors. Although the prices of such equipment are denominated in Rand, the Rand prices are linked to euro or US dollar prices. Thus, any depreciation in the value of the Rand against the euro or US dollar could cause a significant increase in Life Group's operating costs and capital expenditures.

Life Group operates facilities outside of South Africa, including in Botswana and Poland, and has a joint venture in India. Life Group's presentation currency is Rand, but as it operates internationally with investments in foreign operations, it is exposed to a number of currencies, of which the exposure to the Botswana pula, Indian rupee and Polish Złoty are the most significant.

Life Group's policy is that group companies are required to manage their foreign exchange risk against their functional currency, and that cash flows should be hedged where the local cash flow impact is in excess of five million functional currency denomination. To manage foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, group companies use forward contracts transacted with commercial banks on an all-inclusive price in the functional currency. Currency exposures arising from the net assets of Life Group's foreign operations are managed primarily through borrowings denominated in the relevant foreign currencies, as and when required. Life Group reviews its foreign currency exposure, including commitments, on an ongoing basis.

In future periods, following the Acquisition, a greater proportion of the Enlarged Group's revenue and operating expenses will be denominated in Pound Sterling and euro. As a result, the Enlarged Group expects currency translation risk to have a greater impact on its results of operations in future periods.

Alliance Medical

Alliance Medical's main financial risks are credit risk, funding and liquidity risk and foreign currency risk.

Credit risk is the risk of financial loss to Alliance Medical if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises primarily from receivables from customers and short-term investment securities. It is Alliance Medical's policy that all customers who wish to trade on credit terms are subject to verification procedures. Alliance Medical has a broad base of customers with no concentration of credit quality within trade receivables at 31 March 2016 or 31 March 2015. Therefore, the maximum exposure to credit risk is the carrying amount. Counterparty credit risk is managed through the monitoring and active management of counterparty deposit balances with a maximum exposure equal to the carrying amount of these instruments.

Alliance Medical monitors its risk to a shortage of funds using a long-term business plan that considers the maturity of all of its financial liabilities and the projected cash flows from operations. Alliance Medical aims to have sufficient committed borrowing facilities and operating cash flows to cover the core long-term requirements of Alliance Medical.

On 23 June 2016 the United Kingdom voted in the EU referendum to exit the EU. The outcome of this referendum has caused instability in the Pound Sterling-euro exchange rate. During the financial year ended 31 March 2015 a 5% change was considered a reasonable possible change in the Pound Sterling against euro exchange rate; this has been increased to 15% for the financial year ended 31 March 2016 results to reflect the instability created by the referendum result. The main exposure to Alliance Medical is translation risk due to its operations both within the United Kingdom and the EU.

CRITICAL ACCOUNTING POLICIES AND USE OF ESTIMATES

Life Group

Preparing consolidated financial statements in accordance with IFRS requires the use of critical accounting estimates and requires management to exercise judgements in the process of applying Life Group's accounting policies. All estimates and judgements are continually evaluated and are based on past experience and other factors, including expectations with respect to future events which appear reasonable under the circumstances. Actual results may differ from these estimates. Life Group's critical accounting estimates, judgements and assumptions are set out in Note 1.2 of the 2016 Annual Financial Statements of Life Group incorporated by reference in this Circular (see "*Incorporation by Reference*").

Alliance Medical

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions in the application of accounting policies that affect reported amounts of assets, liabilities, income and expense. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, include the goodwill and other intangible assets valuation, fair value adjustments, asset impairments and decommissioning costs. Further information about these judgements may be found in Note 2 of Alliance Medical's consolidated financial statements for the financial year ended 31 March 2016 included elsewhere in this Circular (see Annexure 5: "*Historical Financial Information of Alliance Medical*"). Actual results may differ from estimates.

CAPITALISATION AND INDEBTEDNESS

CAPITALISATION AND INDEBTEDNESS

The table below sets out the capitalisation and indebtedness of Life Group as at 30 September 2016.

The information has been derived without material adjustment from the 2016 Annual Consolidated Financial Statements for Life Group which are incorporated by reference in this Circular (see "*Incorporation by Reference*").

(Rand, in millions)	**As at 30 September 2016**
Total cash and cash equivalents	604
Equity	
Share capital	575
Share premium	3,373
Treasury shares	(282)
Total capitalisation	3,666
Total current indebtedness	
Guaranteed	1,208
Secured	104
Unguaranteed/unsecured	–
Bank overdraft	1,030
Total current indebtedness	2,342
Total non-current indebtedness	
Guaranteed	4,413
Secured	1,056
Unguaranteed/unsecured	–
Total non-current indebtedness	5,469
Total indebtedness[(1)]	7,811

Notes:

(1) Total indebtedness is defined as interest-bearing borrowings and bank overdraft.

During November 2016, Life Group incurred R10.6 billion of additional indebtedness pursuant to Bridge Facility A and £225 million of additional indebtedness pursuant to Bridge Facility B in connection with the Acquisition. Bridge Facility C remains undrawn as of the date of this Circular and Life is in the process of cancelling Bridge Facility C.

During March 2017, the Enlarged Group incurred R1.5 billion of additional indebtedness pursuant to the Term Loan Agreement. The amounts drawn under the Term Loan Agreement will be utilised by no later than 31 March 2017 to refinance existing indebtedness of the Enlarged Group.

Save for the above, there has been no other material change to Life Group's total capitalisation since 30 September 2016.

The following table sets out the net indebtedness of Life Group as at 30 September 2016 which has been derived without material adjustment from the 2016 Annual Consolidated Financial Statements for Life Group which are incorporated by reference in this Circular (see "*Incorporation by Reference*").

(Rand, in millions)	**As at 30 September 2016**
Net financial indebtedness analysis	
Cash and cash equivalents	604
Current indebtedness	(2,342)
Non-current indebtedness	(5,469)
Total	(7,207)

Other than as described in "*Operating and Financial Review—Contingent Liabilities*", Life Group did not have any contingent or indirect indebtedness as at 30 September 2016.

BUSINESS OF LIFE GROUP

OVERVIEW

Life Group is one of three major private healthcare providers in South Africa primarily serving the private medically insured market. Life Group provides acute care and high-technology private hospital services, acute rehabilitation, mental health, renal dialysis, radiation and chemotherapy oncology, occupational health, employee wellness services, acute and long-term chronic mental health and frail care services in South Africa. Life Group also has operations in Poland and a joint venture with a private hospital operator in India.

Life Group has more than 30 years' experience operating private hospitals in South Africa. Since commencing operations in the early 1980s with four hospitals, it has grown through acquisitions, capacity expansion within existing facilities, the addition of new lines of business and the development and construction of new hospitals.

Life Group's southern African healthcare business, which represented 93% of Life Group's revenue during the financial year ended 30 September 2016, is organised into two divisions:

- *Hospital division*: The Hospital division provides services primarily to the private medically insured market, which represented approximately 8.8 million people in 2015 (source: Council for Medical Schemes). It includes the core acute care hospital business, comprising general hospital facilities of various sizes that include facilities such as ICUs, HCUs, operating theatres, emergency units, maternity units, cardiac units and paediatric units. It also includes other specialised facilities that provide either inpatient or outpatient services in the areas of acute rehabilitation, mental health, renal dialysis and radiation and chemotherapy oncology. For the financial year ended 30 September 2016, the Hospital division generated 88% of Life Group's revenue.
- *Healthcare Services division*: The Healthcare Services division includes the provision of acute and long-term chronic mental health and frail care services to state patients through Life Esidimeni, its PPP with provincial health and social development departments, and the provision of primary, occupational healthcare and employee wellness services to employer groups in commerce, industry, state-owned enterprises and mining, through Life Occupational Health and Careways, which are expected to be combined and rebranded as Life Employee Health Solutions in 2017. For the financial year ended 30 September 2016, the Healthcare Services division generated 5% of Life Group's revenue.

Life Group's International division, which represented 7% of Life Group's revenue during the financial year ended 30 September 2016, consists of Scanmed, a private healthcare service provider in Poland, a joint venture interest in Max Healthcare, an acute hospital business in India (which is not consolidated, but equity accounted for accounting purposes), and, following the Acquisition, Alliance Medical, a leading diagnostic imaging company based in the United Kingdom with operations across Europe.

Life Group seeks to be a market-leading, international, diversified healthcare provider, improving the lives of people through the delivery of high-quality, cost-effective care provided by its traditional acute hospital business and growing platform of complementary services. Life Group's international expansion strategy has been focused on selected attractive markets that display supportive characteristics for the longer-term growth of the private healthcare market. Life Group aims to continue providing world-class medical care in southern Africa and abroad.

For the financial years ended 30 September 2016, 2015 and 2014, Life Group generated revenue of R16,404 million, R14,647 million and R13,046 million, respectively, and normalised EBITDA of R4,314 million, R4,048 million and R3,611 million, respectively.

MISSION AND CORE VALUES

Life Group's mission is to improve the lives of people through the delivery of high-quality, cost-effective care with the vision of being a market-leading, international, diversified healthcare provider. Life Group pursues this mission on the basis of five core values:

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

KEY STRENGTHS

Life Group operates within the attractive South African private healthcare market, as well as attractive international markets. The Enlarged Group believes that Life Group is well positioned in these markets as a result of the following key strengths:

Strong South African market positioning in a defensive industry

Life Group is a leading private hospital operator in an attractive healthcare market. As at 30 September 2016, Life Group estimates that it had a market share of approximately 24% of the private hospital beds in South Africa. Life Group also operates from an extensive geographic network of healthcare facilities, including 63 hospital properties (of which 79% are owned by Life Group). Life Group is a cost-effective provider of healthcare and has long-standing preferred provider agreements with medical healthcare funders.

Growth in South African complementary services, occupational health and wellness

Life Group is a diversified healthcare service provider with extensive and growing operations in renal dialysis, oncology and an expanding employee wellness business. In addition, Life Group is a prominent provider of private mental healthcare and acute rehabilitation services, and is the largest provider of contracted occupational healthcare in South Africa. Life Group also operates Life Esidimeni, a longstanding healthcare PPP.

Expansion into growing international healthcare markets

Life Group has international operations in growing healthcare markets. In Poland, Scanmed maintains a diversified portfolio of inpatient facilities including specialised cardiology, orthopaedic and ophthalmology facilities and ambulatory primary care and specialised centres. Life Group is also present in the fast-growing Indian healthcare market through its joint venture investment in Max Healthcare. Finally, through Alliance Medical, the Enlarged Group is one of Europe's leading independent providers of medical imaging services and is a key complex imaging partner of the NHS.

Attractive operational performance

Life Group has a solid track record of operational performance. Over the last three financial years, revenue has increased at a compound annual growth rate ("**CAGR**") of 12.1%, normalised EBITDA has increased at a CAGR of 9.3% and normalised earnings per share has increased at a CAGR of 3.9%. In the financial year ended 30 September 2016, Life Group had a net debt to normalised EBITDA ratio of 1.67 times (2015: 1.49 times) and cash generated from operations as a percentage of normalised EBITDA of 93.3% (2015: 94.9%). For the financial years ended 30 September 2016, 2015 and 2014, Life distributed total ordinary dividends of 165 cents, 154 cents and 141 cents, respectively, per Life Ordinary Share, and a special dividend of 100 cents per Life Ordinary Share during the financial year ended 30 September 2014.

Relationships with doctors

Life Group has a growing, highly skilled base of associated doctors and specialists, including 2,850 specialists and other healthcare professionals associated with Life Group in South Africa as at 30 September 2016. In the financial year ended 30 September 2016, Life Group had a net gain of 65 doctors across its South African network of facilities.

Focus on improving efficiencies

Life Group's occupancy has increased from 69.6% to 72.5% over the last seven years, including the addition of 1,064 beds over the same period. Life Group has developed a proactive internal approach to cost management which has successfully limited cost increases of certain pharmaceutical products, medical devices and equipment, as well as the costs of services, in challenging economic conditions.

Life Group has demonstrated its ability to use IT systems to drive standardisation, reduce administrative costs and benefit from economies of scale and has developed an alternative pricing model strategy that promotes improvement in margins through cost-efficiencies. Life Group continues to make environmentally friendly operational upgrades which are intended to progressively reduce operational costs.

As a result, Life Group has achieved normalised EBITDA margins that demonstrate its efficiency. Life Group's southern Africa normalised EBITDA margin was 27.5% for the financial year ended 30 September 2016.

Clinical excellence with a focus on patient-centred care

Life Group has a strong track record of providing high-quality, cost-effective healthcare. Life Group maintains international quality certification and benchmarking of selected practices against global health and safety, clinical and nursing best practices. In addition, Life Group's patient experience is tracked and frequently reviewed to improve experience year-on-year.

Robust governance

Life Group has an experienced, independent board structure which is committed to continuous improvement. Life Group maintains separate southern African and overall group executive committees which enables it to continue to focus on southern African operations while managing growth in the international business. Life Group is in compliance with the Listings Requirements and the Companies Act and maintains substantial compliance with the King Report on Corporate Governance for 2009 ("**King III**") (see Annexure 13: "*Corporate Governance*").

Life Group maintains robust control compliance, with internal and external audits that have not yielded any material deviations from Life Group policies and has held ISO 27001 Information Security Management System certification since 2006.

High-calibre employees

Life Group has managed to successfully recruit and retain highly skilled employees who actively participate in Life Group's value creation process. Life Group has a clear organisational culture linked to its vision of being a market-leading, international, diversified healthcare provider. Life Group's employees and senior management have a vested interest in Life Group's sustainability through a broad-based employee share plan, in the case of South African staff employees, and a long-term incentive scheme, in the case of senior management. In addition, Life Group's top 100 senior employees have an average of 12.2 years' experience with Life Group.

STRATEGY

Life Group aims to continue providing high quality, cost effective healthcare in South Africa, and to become a market-leading, international, diversified healthcare provider. In order to achieve these goals, Life Group seeks to implement the following key strategies to support Life Group's 2020 strategic objectives: (i) transition from a South African-focused acute care group to an international, diversified healthcare provider; (ii) enhance Life Group's delivery model in South Africa to achieve a more diversified offering by scaling up Life Group's complementary services offering; and (iii) become the preferred hospital group in South Africa in terms of efficiency and quality of healthcare services.

Continue to grow the southern African business while establishing a sizeable international business to diversify sources of revenue

Life Group is focused on continuing to be a market-leading, innovative provider of cost-effective quality healthcare in southern Africa through its traditional acute hospital business and its growing platform of complementary services including acute rehabilitation, mental health, renal dialysis and oncology. Life Group aims to enhance its operational range by expanding facilities within existing hospitals (brownfield expansion) by adding additional beds, wards and/or operating theatres in hospitals where occupancies are high and where projects are expected to deliver good returns. Life Group also aims to acquire select facilities that complement the existing geographic spread of hospitals. Life Group may build new facilities (greenfield expansion) where there is no existing coverage, provided that Life Group's analysis has demonstrated a proven need for private hospital services, desired occupancy levels and available doctor commitment. In addition, Life Group plans to grow its complementary services business and develop new clinical products to diversity its service offering.

Life Group's international expansion strategy aims to identify attractive markets that display supportive characteristics for the longer-term growth of the private healthcare market, such as a rapidly growing middle class, increasing disease burden, an expanding private health insurance market, a growing but fragmented private hospital sector and a suitable supply of medical professionals and personnel. The focus of Life Group's international expansion will be the acute hospital business and the complementary services business, including mental health, acute physical rehabilitation, renal dialysis, oncology, pathology and diagnostics. The Acquisition is part of Life Group's expansion of its international operations in other attractive markets. See "*Background to and Reasons for the Rights Offer*".

In Poland, Scanmed's growth strategy is focused on building a comprehensive and integrated network of healthcare facilities across key areas in the country, primarily through mergers and acquisitions. Although the reduction in cardiology tariffs and the uncertainty over future changes to the public healthcare system has resulted in future acquisitions being put on hold, Scanmed expects to focus on business integration and improving efficiencies over the medium term. In India, Max Healthcare's growth strategy is focused on its vision to become an institution known for service excellence, medical excellence, scientific research and medical education. Its strategy is focused on creating additional bed capacity with the aim of having over 3,100 operational beds by 2021 and implementing new lines of business such as pathology and oncology feeder centres.

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

Life Group is focused on improved management of all hospital costs including cost of sales, labour and overheads. Providing superior service and quality requires operational efficiency and, to this end, various initiatives have been implemented, such as point-of-care approaches, environmentally friendly operational upgrades and increased digitised administrative tools. Life Group leverages its information systems, advanced facilities and skilled employees to obtain and maintain high levels of efficiency while allocating resources as optimally as possible.

Deliver market-leading quality care

Life Group aims to maintain and improve its commitment to world-class healthcare through rigorous quality reporting and benchmarking, including clinical outcomes, patient satisfaction, patient health and safety, and employee health and safety. In 2017, Life Group expects to prioritise its goal of enhancing its patient experiences in certain key areas such as maternity, surgical wards, paediatrics and neo-natal. Life Group's approach to quality remains stringent, as service quality is directly related to both sustainability and efficiency.

Effectively engage with stakeholders to ensure long-term sustainability

In order to achieve sustainable operations internationally and locally, Life Group pursues social, environmental and financial stability and active stakeholder engagement. Life Group recognises the importance of its licence to operate in various geographies and the stakeholders in each jurisdiction that directly influence its success. Life Group remains focused on its sustainability goals by implementing sustainable human capital strategies and practices that meet the challenges of a dynamic commercial and legislative environment, partnering with the South African Government and engaging in healthcare reform in South Africa, building partnerships with medical healthcare funders to ensure network participation and providing preferred network products and services to meet patient and medical healthcare funder needs. To retain its overall share of the healthcare market (as measured by PPDs), Life Group aims to build on partnerships with admitting doctors and other healthcare professionals, as well as maintain and secure positive relationships with local governments. In addition, Life Group seeks to sustain its human capital needs by identifying undergraduate doctors who may wish to practise at its hospitals, providing early orientation to hospital practice for specialists-in-training and increasing its nurse bridging course enrolment prior to the introduction of new nurse qualification criteria.

HISTORY

Life Group has more than 30 years' experience operating private hospitals in South Africa. During this time, Life Group has grown through the acquisition and construction of new hospitals beginning in the 1980s and early 1990s, a period during which the South African private hospital industry was characterised by expansion and fragmentation. Life Group's next growth phase in the late 1990s and early 2000s coincided with a period of consolidation in the South African private hospital industry.

Important events in the history of Life Group include:

- In 1983, Life Group was founded as the hospitals division of African Oxygen Limited, with the acquisition from the Ammed Group of Life Group's first four hospitals.
- In 1994, Life Group began its first operation outside of South Africa, with the purchase of the Gaborone Hospital in Botswana.
- In 1995, Life Group acquired Afrox Occupational Healthcare. Life Group also launched its occupational health business.
- In 1997, Life Group opened its first acute rehabilitation unit for patients recovering from severe traumas and neurological damage, and continued to expand its acute rehabilitation business over the next decade through the establishment of additional acute rehabilitation units at hospitals in Johannesburg, Bloemfontein, Durban, Pretoria and East London.
- In 1998, Life Group expanded into chronic mental healthcare with a facility in Port Elizabeth, and subsequently established mental health treatment facilities in East London, Johannesburg and Durban.
- In 1999, Life Group acquired the Presmed hospital group, comprising 38 hospitals and healthcare facilities, in a transaction structured as a merger and reverse listing on the exchange operated by the JSE.
- In 2000, Life Group launched its chronic renal dialysis business, and has continued to expand its offering of such renal dialysis facilities through the establishment of renal units across Johannesburg and in East London.
- In 2001, Life Group acquired a 55% stake in Life Esidimeni.
- In 2002, Life Group acquired the Amahosp group, comprising four hospitals and healthcare facilities in Durban.
- From 2004 until 2008, Life Group operated its UK business, Partnership Health Group ("**PHG**"), a company established as a 50-50 joint venture with Care UK Plc, a healthcare services company in the United Kingdom

listed on the London Stock Exchange. PHG successfully obtained contracts to construct and operate a number of independent sector treatment centres on behalf of the UK National Health Service. Life Group sold its share in PHG to its partner, Care UK Plc, in 2009.

- In January 2005, following the implementation of transactions commenced in November 2003, Life Group was delisted and sold to a private consortium led by Brimstone and Mvelaphanda and changed its name from Afrox Healthcare Limited to Life Healthcare Group Holdings Limited.
- In 2006, Life Group built the Life Fourways Hospital.
- In 2007, Life Group built the Life Cosmos Hospital in Emalahleni, Mpumalanga.
- In 2008, Life Group acquired the remaining 45% stake in Life Esidimeni.
- In 2009, Life Group built the Life Orthopaedic Hospital in Cape Town and the Life Beacon Bay Hospital in East London.
- In 2010, Life listed on the JSE Limited main board and acquired Life Bay View Private Hospital in Mossel Bay.
- In 2011, Life Group opened Life Glynnview mental healthcare unit in Benoni and a new renal unit at Life Vincent Pallotti Hospital in Cape Town. In addition, Life Group increased its shareholding in Life Midmed from 45% to 57%.
- In 2012, Life Group opened two mental health units, Life St Josephs in Durban and Life Poortview in Johannesburg. Life Group also acquired a 26% interest in Max Healthcare in India.
- In 2013, Life Group opened a new oncology unit at Life Vincent Pallotti in Cape Town providing chemotherapy and radio-surgery.
- In 2014, Life Group acquired the Scanmed Group in Poland. The Polish operations have acquired a number of businesses since 2014 and the total investment in Poland was R2.4 billion as at 30 September 2016. Life Group increased its interest in Max Healthcare to 46% and has joint control with its joint venture partner in the business, Max India Limited ("**Max India**"). Also in 2014, Life Group disposed of its 49% investment in Joint Medical Holdings Limited and distributed R1 billion as a special dividend to its shareholders.
- In 2015, Life Group opened Life Hilton Private Hospital, finishing the year with occupancies reaching 68% in the three months ended 30 September 2016.
- In 2016, Life Group advanced its mental health services by completing construction of Life St Vincent's mental health facility and commencing construction on Life Carstenview mental health facility.
- In November 2016, Life Group acquired Alliance Medical and through it entered the diagnostic imaging and molecular imaging market in the United Kingdom and Europe.

INDUSTRY

As at 30 September 2016, Life Group operated in South Africa, Poland and India. The table below sets out the key economic indicators in those territories.

	Gross Domestic Product, Current Prices (US dollars)(1)			Exchange rate to US dollar (local currency units)(2)			Inflation, Average Consumer Prices(1)		
Territory	**2015**	**2016**	**% Change**	**2015**	**2016**	**% Change**	**2015**	**2016**	**Change**
South Africa	313.0 billion	266.2 billion	–14.9%	12.8	14.7	+14.8%	4.6%	6.5%	+1.9%
Poland	474.9 billion	473.5 billion	–0.3%	3.8	3.9	+2.6%	–0.9%	–0.2%	+0.7%
India	2.1 trillion	2.3 trillion	+9.5%	64.2	67.2	+4.7%	5.9%	5.3%	–0.6%

Notes:

(1) Source: International Monetary Fund ("**IMF**") (World Economic Outlook Database, April 2016). Note that 2016 data represents IMF staff estimates.

(2) Source: Bloomberg. Yearly average.

South African Healthcare Industry

Overview

The South African healthcare system comprises both a public sector and a growing private sector. There is an unequal distribution of resources between these two sectors, with the public sector substantially under-funded and under-resourced in comparison to the private sector.

The healthcare industry is governed by the National Health Act, 2003 ("**NHA**"). In addition, the various segments of the healthcare industry are subject to further legislation and regulations, including:

- medical schemes are governed by the Medical Schemes Act, 1998 ("**Medical Schemes Act**"), which provides for the establishment of the Council for Medical Schemes and rules governing Prescribed Minimum Benefits;
- doctors are regulated by the HPCSA;
- the SEP Regulations which govern the prices of pharmaceuticals. Single exit prices ("**SEPs**") are prescribed rates for medicines set by the South African Government, which prevent the sale of medicines at a rate higher than the applicable SEP; and
- mental healthcare facilities are regulated under the Mental Health Care Act, 2002 ("**Mental Health Act**").

For further discussion of the regulations governing the business of Life Group in South Africa, see "*Regulatory Matters*".

Healthcare Expenditure

According to the World Health Organization ("**WHO**"), South Africa's total health spending in 2014, including public and private sectors, was equal to 8.79% of gross domestic product ("**GDP**"). The country's spending as a percentage of GDP is among the highest in the African region and is comparable to rates found in EU countries such as the United Kingdom. However, average expenditure per capita is much lower than in the EU at US$570 in 2014 as compared to US$3,613 for the EU in the same period (source: WHO).

Public Healthcare Sector

The public healthcare sector is funded out of general taxation and provides healthcare to people who do not have private medical insurance. The Department of Health formulates health policy for South Africa, which is implemented at a provincial level across the nine provinces. The public health system is characterised by:

- health outcomes below the targets outlined in the National Development Plan, in particular with regard to maternal mortality, infant mortality, HIV and tuberculosis;
- shortages of clinical staff; and
- funding constraints, particularly for hospitals.

These factors have resulted in a deterioration in the quality of care provided at public sector facilities. This is exacerbated by the country's high disease burden and the corresponding high demand for treatment.

Private Healthcare Sector

The private healthcare sector consists of:

- privately insured individuals who belong to medical schemes;
- individuals who do not belong to medical schemes yet access private healthcare (largely on a self-pay basis); and
- social insurance consisting of the Road Accident Fund and COID.

According to the Council for Medical Schemes, membership of medical schemes has increased over the last five years from 8.3 million in 2010 to 8.8 million in 2015, although year-on-year membership growth has declined in recent periods. The increase in membership has been driven by:

- growth in the GEMS, which has increased private health insurance membership amongst employees of the South African Government;
- an increase in the number of more affordable medical scheme options targeting people earning above the tax threshold; and
- a perceived widening gap in quality between the public and private sectors.

This membership growth has been offset in part by the continuing slowdown in the South African economy and a corresponding slowdown in job growth which has resulted in a year-on-year decline in medical scheme membership from 2014 to 2015.

Medical schemes are regulated by the Medical Schemes Act and are required to maintain solvency levels of at least 25% of annual premiums. As at 31 December 2015, the industry average was 32.6% (source: Council for Medical Schemes). Medical schemes (either themselves or through their contracted administrator) contract with private providers, such as Life Group, on behalf of their members.

Polish Healthcare Industry

Poland is the largest country in central and eastern Europe, and it has been a full member of the EU since 2004. Nevertheless, Poland's per capita healthcare spend is lower than that of many of its European peers. According to the WHO, Poland's per capital healthcare expenditure as a percentage of GDP was 6.3% in 2014, as compared to the EU average of 10.3% in the same year. The Enlarged Group expects Poland's healthcare expenditure to increase and converge over time with the more mature Western European markets, given Poland's broader economic growth, ageing population and disease burden.

Almost all Polish citizens are guaranteed access to health services, delivered through the NFZ. Polish citizens can be insured through their employers, who contribute to the public fund, as a dependant of an insured citizen, or by constitutional right, in the case of the most vulnerable demographics.

The NFZ contracts health services with both public and private providers. As such, the NFZ is the primary source of Life Group's revenue in Poland. However, due to limited financial resources at the regional and national levels, citizens have sought healthcare services from private healthcare providers, in particular for shorter waiting times. While only a small percentage of the Polish population pays for private insurance, many citizens pay for out-of-pocket private treatments on a stand-alone basis.

The ruling Law and Justice party announced significant reforms to NFZ tariffs effective from 1 July 2016, with additional reforms effective from 1 January 2017, particularly in respect of neurosurgery, orthopaedics and cardiology. As a result of these tariff reforms, Life Group has put a temporary hold on its expansion activities in the region. Certain contract renewals and extensions with NFZ are expected to be negotiated in June 2017.

The Polish Ministry of Health is in the process of developing new contracting rules for hospital services. According to a draft of this reform, the majority of funds will be distributed to strategic hospitals, a list of which will be prepared on the basis of criteria set by the Polish Ministry of Health. Hospitals that are not included on that list would be able apply for contracts for hospital services in a tender process. Moreover, the liquidation of the NFZ and the transfer of its prerogatives/services to the Polish Ministry of Health is also under discussion.

Indian Healthcare Industry

In India, there are three main mechanisms for delivery of healthcare services: public, private and PPP. The public healthcare system consists of hospitals, primary health centres, clinics, community health centres and other healthcare facilities run by government or semi-government organisations who offer healthcare services for free or at a minimal price.

Private healthcare providers, comprising privately owned hospital chains, standalone hospitals, clinics and health centres are the primary providers of healthcare in India. Private healthcare providers own and operate a majority of the secondary and tertiary facilities. Over the last few years, the majority of investment in building new healthcare infrastructure has been in this area, with a significant proportion incurred by private hospital chains building multi-disciplinary speciality and super-speciality centres.

The government of India is also encouraging the PPP model to improve availability of healthcare services and provide healthcare financing.

According to the WHO, India's per capita expenditure on healthcare of US$75 in 2014 is low compared to other developing countries and the South East Asia region in general. India's total expenditure on healthcare as a percentage of GDP was also amongst the lowest at 4.7% in 2014, as compared to 9.9% globally (source: WHO). Despite significant investments in the sector, India had just 0.7 hospital beds per 1,000 people in 2012 and 0.7 doctors per 1,000 people in 2011.

The Enlarged Group expects that the Indian healthcare market will continue to grow due to the fast-growing middle class, growth in medical tourism and the increasing popularity of medical insurance in the market.

The Indian healthcare market remains an attractive market with strong growth expected over the medium term. This is expected to be driven by strong growth in the middle class and private health insurance, an ageing population, a growing disease burden and growth in medical tourism.

DESCRIPTION OF LIFE GROUP'S BUSINESS DIVISIONS

Life Group is comprised of: (i) the southern African healthcare business made up of the Hospital division (including complementary services) and the Healthcare Services division, and (ii) the International division comprising Scanmed's operations in Poland, a joint venture in India (Max Healthcare), and, following the Acquisition, Alliance Medical's operations across Europe. Each business is designed to take advantage of the market structures in each country and leverage the unique advantages of those geographies.

Hospitals division

Overview

The Hospitals division represented 88% of Life Group's revenue and admitted over 615,000 patients in the financial year ended 30 September 2016, and is comprised of acute hospitals and complementary services. The Hospitals division provides services primarily to the private medically insured market. The Hospitals division owns and operates 50 acute hospitals and also provides specialised care at Life Group's acute rehabilitation, mental health, renal dialysis and radiation and chemotherapy oncology facilities.

The table below provides a summary of registered beds and units in facilities owned by Life Group as at 30 September 2016, 2015 and 2014:

	As at 30 September		
	2016	**2015**	**2014**
Total facilities	64	63	61
Total registered beds(1)	8,768	8,647	8,418
Acute hospitals(2)	50	50	48
Acute hospital beds:			
Total(3)	8,067	7,942	7,713
ICU	844	784	703
HCU	351	365	347
Operating theatres	303	295	293
Cardiac units	13	13	12
Acute rehabilitation			
Facilities	7	7	7
Beds	319	319	319
Mental health			
Facilities	7	6	6
Beds	437	386	386
Renal dialysis			
Facilities	22	18	14
Stations	281	245	178
Oncology			
Facilities	2	1	1
Accident and emergency units	43	42	42

Notes:

(1) Life Group has 1,363 approved unbuilt beds in South Africa as at 30 September 2016.

(2) Acute hospitals exclude Life Group's acute rehabilitation and mental health facilities.

(3) The acute hospital total beds include Life Group's ICU beds and HCU beds, but excludes acute rehabilitation and mental health beds. This table presents registered beds, which are the beds allocated to Life Group's facilities in terms of the relevant licence.

Life Group operates a total of 50 acute hospital facilities in seven of South Africa's nine provinces and one acute hospital facility in Botswana. These facilities are generally located in metropolitan areas and consist of high-technology, multi-disciplinary hospitals offering highly specialised medical disciplines, community hospitals, same day surgical centres and dedicated niche facilities.

Life Group's hospitals provide both elective and emergency care. Life Group's hospitals generally provide treatment on an inpatient basis only. The average inpatient LOS at Life Group's hospitals in the financial years ended 30 September 2016, 2015 and 2014 was 3.68 days, 3.63 and 3.57 days, respectively. Although some doctors provide limited outpatient care at consulting rooms located at Life Group's hospitals, Life Group does not receive revenue for treatment provided on an outpatient basis, for which doctors generally charge patients directly.

The principal driver of revenue for Life Group's hospitals division is the number of PPDs. Life Group records one half-PPD for each period (or part thereof) between noon and midnight, or midnight and noon, for which a patient is admitted to hospital. Life Group then accumulates these half-PPDs to determine its aggregate PPDs. Life Group divides these PPDs across the number of registered beds in Life Group's facilities to obtain the occupancy rate. See "—*Utilisation*" below.

Once patients have been admitted, Life Group charges fees based on the beds, equipment, operating theatres, pharmaceuticals and surgical supplies used in connection with the treatment provided to the patient, in accordance with tariffs agreed with medical schemes. As Life Group does not employ the doctors who practise at its acute care hospitals, Life Group's revenue does not include the fees charged by the doctors for their services. See "—*Relationships with Doctors*" below.

Life Group was supported by approximately 2,850 specialists and other healthcare professionals as at 30 September 2016. Life Group seeks to optimise the use of its hospitals by maintaining excellent working relationships with these professionals, which it seeks to achieve by investing in the latest technology and equipment, having continuing engagement, providing quality nursing care, benchmarking clinical outcomes against international best practice and by meeting the needs of patients with respect and empathy.

Alternative Reimbursement Model

Life Group's Hospitals division receives payments primarily from medical schemes, which provide private health insurance cover in South Africa. See "*—Relationships with Medical Schemes*" below. Life Group generally agrees tariffs, or pricing arrangements, on an annual basis with the medical schemes, but in some cases longer-term contracts have been negotiated. These tariffs then apply to care received by patients insured by such medical schemes.

As a feature of its business model, Life Group has introduced an ARM in its payment arrangements with medical schemes. Life Group's ARM covered approximately 65% of its acute hospitalisation revenue through fixed fees and per diems in the financial year ended 30 September 2016. Life Group has more than 13 years of hospital billing information that it analyses while negotiating, establishing and validating ARMs. Substantial resources have been invested in analysis and reporting to seek to ensure risks arising under the alternative reimbursement contracts are managed appropriately throughout the business and enable operations to take advantage of opportunities offered by these arrangements. Life Group continues to develop its ARM pricing strategy with the objective of ensuring efficient pricing and sharing of cost savings with medical healthcare funders.

The ARM comprises:

- fixed fees: a flat rate for a course of treatment, usually charged for procedures where the expected course of treatment is highly predictable (e.g. removal of tonsils). In a fixed fee tariff, Life Group bears the risk of cost overruns related to treatment, including the level of care, LOS, quantity of pharmaceuticals and surgical supplies utilised and the price of surgical supplies. Life Group does not bear risk on the price of pharmaceuticals, which is governed by the SEP Regulations; and
- per diems: a daily rate charged for the facilities used. Through a per diem, Life Group bears the risk of certain costs related to treatment, including the quantity of pharmaceuticals and the price and quantity of surgical supplies utilised. Life Group does not bear risk on the LOS or the price of pharmaceuticals, which is governed by the SEP Regulations.

Life Group's operating margins depend in part on its ability to manage costs (including pharmaceuticals and surgical supplies). The prices of pharmaceuticals are governed by the SEP Regulations, but Life Group seeks to manage its costs by selecting cost efficient drugs, centralising procurement and by maintaining a centralised list of preferred medications. Life Group also manages its personnel and overhead costs.

Revenue from ARM tariffs constituted 65% of revenue for the Hospitals division in the financial year ended 30 September 2016. The remaining 32% of revenue was charged on a fee-for-service basis. Under fee-for-service tariffs, Life Group does not take risk on the level of care and LOS, and charges the patient for the total cost of care, and all charges relating to tariff items (i.e. wards, operating theatre and equipment use, pharmaceuticals and surgical supplies) are passed on to the patient.

Utilisation

Hospital utilisation is driven by the quantity, quality and mix of specialist services, the quality of management and nursing services, the condition of the facilities and equipment, location and geographic convenience for privately insured patients relative to the local competition in the area. Life Group aims to maximise its hospital utilisation by maintaining a high number of quality doctors and other healthcare professionals providing patient care within the facility, as well as offering a breadth of services, high level of technology and emphasis on quality of care and convenience for patients and doctors. Other factors that impact utilisation include the growth of the privately insured population in South Africa, the increasing disease burden, the ageing of the privately insured population, local economic conditions and preferred network agreements with medical schemes.

The following table sets forth certain operating statistics for the Hospitals division. Hospital admissions are subject to seasonal fluctuations, including decreases in patient utilisation during holiday periods and increases during the cold weather months. Life Group experiences lower patient volumes in the first half of its financial year (October through March) than in the second half of its financial year (April through September), largely due to the summer and holiday period in South Africa.

	Year ended 30 September		
	2016	**2015**	**2014**
Number of facilities at end of period	64	63	61
Number of registered beds at end of period[1)]	8,768	8,647	8,418
PPDs	2,265,653	2,177,833	2,115,254
Occupancy[(2)] (%)	72.5	71.9	71.9
of which			
Acute hospital occupancy (%)	71.9	71.5	71.5
Complementary services occupancy[(3)] (%)	78.9	76.3	76.7
Average LOS (days)	3.68	3.63	3.57

Notes:

(1) Registered beds are the beds allocated to Life Group's facilities in terms of the relevant hospital licence.

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

(3) Complementary services occupancy includes mental health and acute rehabilitation in the occupancy calculation.

In terms of LOS, Life Group continues to experience a change in the composition of the services it provides as medical PPDs are growing faster than surgical PPDs. For the financial year ended 30 September 2016, medical PPDs made up 54.5% of all PPDs (up from 53.4% for the financial year ended 30 September 2015). This directly impacted the average LOS statistic, despite Life Group's expectation that efficient technology and medication available in the sector would continue to aid healthcare providers in reducing the LOS required for surgical cases year-on-year.

Facilities

Life Group's acute hospitals consist of large, comprehensive hospitals offering an extensive range of medical disciplines and smaller general community facilities offering a basic range of medical disciplines. The Hospitals division also includes the complementary services provided at Life Group's acute rehabilitation, mental health, renal dialysis and radiation and chemotherapy oncology facilities, which may be provided either at standalone facilities or at facilities within Life Group's acute care hospitals.

Life Group owns the property and facilities used in connection with most of the hospitals it operates. Because Life Group owns rather than leases most of these properties, it has been able to mitigate growth in its fixed cost base. Life Group has benefited from the historical, low cost base of these assets in its efforts to maintain and improve its margins over time. Life Group's ownership of the majority of its hospitals portfolio permits Life Group, in many cases, to make long-term investment plans to extend its capacity on the surrounding land and Life Group has and continues to acquire land in close proximity to its hospitals to provide for future expansion. Of the remaining properties, Life Group occupies many of these under long-term lease arrangements.

Life Group does not own the auxiliary professional service facilities or equipment at its hospitals, such as radiology and pathology services. Life Group leases space to the professionals who operate those facilities, who in turn then provide a supporting service that is available to the doctors practising at Life Group's hospitals. Patients are billed directly by the radiology or pathology practices, and Life Group does not receive any revenue from such fees.

During the financial year ended 30 September 2016, Life Group added 176 beds (125 beds at existing acute facilities and 51 mental health beds), compared to 253 beds during the financial year ended 30 September 2015. This decrease in the number of beds added is a result of the increased difficulty in obtaining bed licences in line with Life Group's expansion plans. Life Group plans to add 115 beds at existing acute facilities and 81 mental health beds in the year ending 30 September 2017. As at 30 September 2016, Life Group had 1,363 approved beds for which the relevant health department licence had been received but building had not yet commenced and 882 licences for beds pending approval from the health department. Life Group had 254 bed licences approved in each of the financial years ended 30 September 2016 and 2015.

Patients

As a private sector healthcare provider, the Hospitals division primarily provides services to patients who belong to medical schemes. To a lesser extent, the Hospitals division receives payment from patients on a self-pay basis or through reimbursements from COID.

The table below provides a breakdown, as a percentage of the Hospitals division's revenue, of the patients and payment method for each of the last three financial years.

	Year ended 30 September		
	2016	**2015**	**2014**
Medical Scheme	94.2%	93.6%	93.6%
Self-pay	4.1%	4.4%	4.1%
COID	1.7%	2.0%	2.3%
Total	**100.0%**	**100.0%**	**100.0%**

Relationships with Doctors

Life Group's relationship with admitting and treating doctors is an essential aspect of its ability to obtain patient admissions. Life Group does not employ the doctors who practise at its facilities, and the fees charged by these doctors for services are not included in Life Group's revenue but are payable by patients directly to the doctors. However, at its acute rehabilitation units, Life Group has received a special dispensation from the HPCSA to employ a small number of doctors.

Patients are generally admitted to the hospital facilities by the treating doctor who then supervises the treatment and care of the patient during their stay. Most doctors are based at a single hospital, although certain doctors may practise from two or more hospitals. Each hospital manager is responsible for the recruitment and approval of admission rights of the doctors who work at Life Group's hospitals. Doctors who practise at Life Group's hospitals are certified to practise in their particular areas of speciality by the HPCSA.

Life Group competes for and attracts doctors to its facilities on the basis of factors such as flow of patients, the location and reputation of its hospitals, the quality of equipment and facilities, personal and professional fit, i.e. mix of complementary disciplines as well as personal and professional relationships with other admitting and referring doctors. Doctors practising at Life Group's facilities, in particular doctors practising at Life Group's acute care hospitals, benefit from the use of operating theatres, equipment, access to pathology and radiology services, patient referrals from and to other complementary services and the patient referrals that come through preferred network deals agreed to by Life Group and medical schemes.

Because the Hospitals division does not generally employ the doctors who practise at its facilities, doctors have the ability to terminate their relationship with Life Group's hospitals at any time. See "*Risk Factors—Risks Related to the Enlarged Group's Business and Industry—There is a shortage of doctors in South Africa and if the Enlarged Group is unable to successfully attract and retain doctors, its ability to provide quality service, maintain its affordability and successfully implement its business strategy could suffer, which could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects*". Doctors may have rental agreements in place where they practise, but do not otherwise work under contracts with Life Group. In order to assist with the retention and motivation of doctors, Life Group allows doctors to make equity investments in some of the operating companies where they practise. Life Group also maintains a medical advisory committee at each of its hospitals, which provides an opportunity for doctors to be involved with the management and monitoring of the quality of care at the respective hospital. Life Group has historically experienced low rates of turnover of doctors at its facilities.

Relationships with Medical Schemes

In South Africa, patients are insured by medical schemes, which are in turn either administered by medical aid administrators or are self-administered. Life Group generally negotiates on an annual basis with the medical scheme administrators and self-administered schemes to determine the tariffs to be charged for its services, but in some cases longer-term contracts have been negotiated. In the financial years ended 30 September 2016, 2015 and 2014, payments received from the top three medical aid administrators (Discovery, Medscheme, and MMI) and GEMS accounted for approximately 73.7%, 72.4% and 71.7% of Life Group's revenue, respectively.

Life Group's funder and health policy department is responsible for all engagement with medical healthcare funders, administrators and managed healthcare organisations. This department manages pricing, pricing models and preferred provider networks. In addition, it is responsible for Life Group's responses to regulatory initiatives and representing the Group's interests at the Hospital Association of South Africa ("**HASA**").

Life Group has a number of preferred network arrangements with medical schemes. Under a preferred network arrangement, the medical schemes require or financially incentivise patients to receive treatment at Life Group's facilities as opposed to other healthcare facilities. As a result of these preferred network arrangements, Life Group receives increased patient volumes, which in turn, provides increased revenue and also makes Life Group's hospitals more attractive for doctors. Examples of Life Group's preferred network arrangements include the Discovery Key Care Network, the Discovery Delta Range, and network arrangements with Momentum and GEMS. Life Group's preferred network arrangements covered approximately 108,000 people (approximately 18% of admissions and 16% of revenue in Life Group's Hospitals division) in the financial year ended 30 September 2016.

Complementary Services

In addition to acute hospitals, Life Group offers a range of complementary services, both in its acute care hospitals and in separate stand-alone facilities. Life Group is focused on expanding the range of services it offers. Life Group's complementary services currently offered include:

- *Acute rehabilitation*: Life Group's acute rehabilitation service provides acute physical and cognitive rehabilitation for adult and paediatric patients disabled by brain or spinal trauma, stroke or other disabling injuries or conditions. It scientifically measures each rehabilitation patient's clinical outcomes and overall progress to benchmark rehabilitation units and improve patient outcomes and uses the functional assessment measure, a specific measure of cognitive, behavioural, communication and community functioning, which is of importance in brain injured patients. Life Group's main challenge in the provision of acute rehabilitation services is to address medical healthcare funder pressure to reduce LOS and the referral of patients to sub-acute facilities, while maintaining high and appropriate treatment quality for patients. Growth in this service has been impacted by the low rate of approvals of bed licences and has also been impacted by great competition from sub-acute facilities, referral patterns from doctors and a slowdown in COID work. As at 30 September 2016, Life Group had seven acute rehabilitation facilities with 319 beds.
- *Mental health*: Life Group is a leading provider of private mental healthcare, with dedicated facilities in the Western Cape, Eastern Cape, KwaZulu-Natal and Gauteng. In the financial year ended 30 September 2016, Life Group completed the construction of Life St. Vincent's mental health facility in the Western Cape and commenced construction of the Life Carstenview mental health facility in Gauteng. The Life Carstenview facility is expected to be completed early in the 2017 financial year. Life Group's mental health service provides multi-disciplinary mental healthcare to adult and adolescent patients for general psychiatric conditions and substance dependence, or other addictions associated with psychiatric disorders. The treatments offered include evidence-based drug therapy, individual psychiatric consultations and psychotherapy, group therapy and, where needed, physical therapy treatments. These holistic services are provided by a multidisciplinary team which, depending on individual patient needs, could comprise practitioners such as psychiatrists, psychologists, occupational therapists, physiotherapists, social workers, counsellors and nurses. Life Group's mental health facilities experienced a 2.6% increase in occupancy during the financial year ended 30 September 2016 as more people seek treatment because the stigma associated with the diagnosis and treatment of mental health issues has decreased in recent years. However, a shortage of psychiatrists in South Africa and the lack of bed licence approvals have adversely affected Life Group's expansion plans in this area. As at 30 September 2016, Life Group had seven mental facilities with 437 beds. Life Group's objective is to add a further 60 mental health beds in 2017.
- *Renal dialysis:* Life Group's renal dialysis service is a specialised service dedicated to treating patients on acute and chronic renal dialysis. Life Group's 22 renal dialysis units are located in all the provinces in which Life Group operates and comprised 281 stations as at 30 September 2016. Life Group is set to expand its operations in this area to increase access to meet the growing demand for private acute and chronic renal dialysis. Life Group's renal dialysis service has experienced pricing pressures from medical healthcare funders and as a result Life Group is actively negotiating tariffs with the medical healthcare funders. Life Group's renal division added 36 new dialysis stations across the southern African business in the financial year ended 30 September 2016, despite an initial forecast of 50 stations.
- *Oncology*: Life Group continues to expand its radiation and chemotherapy oncology services. Life Vincent Pallotti Hospital has a technologically advanced oncology centre offering comprehensive cancer management incorporating chemotherapy, radiotherapy (including brachytherapy and stereotactic radiotherapy) together with an extensive counselling programme. Life Hilton Private Hospital radiotherapy unit in KwaZulu-Natal launched in 2016, and a project to build an oncology centre at Life Eugene Marais Hospital in Pretoria has commenced with completion expected in April 2017. Life Group plans to extend this service offering to other major centres in South Africa. Pricing remains a key area of concern for oncology as the specialised nature of treatment is perceived to be offered at a premium to patients and medical healthcare funders, leading to increased use of competitors. The development of cancer treatment facilities at certain of its hospitals has allowed Life Group to enhance its competitive advantage in this field, but the challenge remains the construction of facilities at a rate that is fast enough to take advantage of current and expected demand levels. The market demand for stereotactic radiation therapy, such as the technology available at all of Life Group's oncology centres, was high in the financial year ended 30 September 2016 and the Enlarged Group expects that this high level of demand will continue.

Healthcare Services division

Overview

The Healthcare Services division represented 5% of Life Group's revenue in the financial year ended 30 September 2016. The performance of the Healthcare Services division relative to the financial year ended 30 September 2015 and as compared to its budget for the financial year ended 30 September 2016 was negatively impacted by the loss of the Life Esidimeni Gauteng mental health contract (see "—*Life Esidimeni*") and the impact of the slowdown in the South African economy on the occupational health business.

The Healthcare Services division comprises the provision of acute and long-term chronic mental health and frail care services to state patients through Life Esidimeni and the primary, occupational healthcare and employee wellness services to employer groups in commerce, industry, state-owned entities, mining and correctional services through Life Occupational Health and Careways, which are expected to be combined and rebranded as Life Employee Health Solutions in 2017. Over 1,000,000 patient days were billed in the Esidimeni division in the financial year ended 30 September 2016, and more than 400,000 employees were covered by Life Employee Health Solutions.

Unlike Life Group's Hospitals division, Life Group's Healthcare Services division employs the doctors practising at its facilities under special dispensations from the HPCSA.

The following table sets out certain operating statistics for the Healthcare Services division:

	Year ended 30 September		
	2016	**2015**	**2014**
Number of Life Esidimeni facilities	9	12	12
Number of Life Esidimeni operational beds(1)	2,424	3,794	3,967
Number of Life Esidimeni PPDs	1,122,878	1,394,745	1,473,893
Number of Life Occupational Health clinics	297	286	288
Number of lives covered through the Life Occupational Health clinics	159,685	232,000	240,000
Number of Careways on-site clinics	74	79	–
Number of lives covered by Careways employee wellness	259,974	195,195	–

Note:

(1) Information regarding beds in the Hospital Services division is presented in relation to registered beds.

Life Esidimeni

Life Esidimeni (meaning "place of dignity") operates a network of care centres through a PPP with the South African Government. It provides services under contract to provincial health and social development departments through its "Life Recovery Centres". Life Esidimeni was established over 50 years ago and is a large and longstanding healthcare PPP. As at 30 September 2016, Life Esidimeni operated nine facilities and had 2,424 beds. The care facilities provide long-term clinical care to chronically ill, mental health and frail care patients from the public sector.

Through Life Esidimeni, Life Group provides clinical services to patients in support of the South African Government's objective of providing care to those who do not have access to private facilities. Life Esidimeni provides its services under contract to provincial government health departments. Payments are generally based on a per day rate for care at Life Esidimeni facilities. Utilisation rates for Life Esidimeni are limited by capacity constraints at government-operated facilities, governmental decisions to outsource care, cost of delivery of care and the quantity, quality and geographic reach of facilities available.

In October 2015, the Gauteng Life Esidimeni mental health contract was not renewed (with effect from 30 June 2016), although Life Group continues to engage positively with the Gauteng Department of Health. The contract loss stems from a change in the health policy of the Gauteng Department of Health. This development equates to a loss of approximately 83% of Life Group's Gauteng mental health beds and has led to the downsizing of approximately 450 staff.

Life Employee Health Solutions

Life Employee Health Solutions consists of Life Occupational Health and Careways, which are expected to be combined and rebranded as Life Employee Health Solutions in 2017. Life Employee Health Solutions consists of contracted occupational and primary healthcare services to large employee groups in commercial, industrial, mining and state-owned entities through onsite, offsite and mobile clinics throughout the country. As at 30 September 2016, Life Occupational Health and Careways provided services to approximately 420,000 employees across 371 clinics.

Use of Life Occupational Health's clinics is largely driven by the Occupational Health and Safety Act, 85 of 1993 ("**OHSA**") requirements and the needs of corporate customers. Life Group contracts with corporate employers or institutions to provide a range of services to suit the needs of their employees. Life Occupational Health was the first South African occupational healthcare organisation to achieve ISO 9001:2000 certification in January 2010, followed by ISO 9001:2008 certification. Life Occupational Health was negatively affected by challenging economic trading conditions in the financial year ended 30 September 2016 with the loss of a number of contracts due to the liquidation or closure of client sites. This affected both the market size and Life Occupational Health's margins. Approximately 30% of the lives covered by Life Occupational Health are in the mining sector, which experienced minimal growth in a difficult market. The South African Department of Mineral Resource's Mining Charter requires occupational healthcare providers to maintain a 26% black-ownership level, which Life Group does not currently satisfy, but which the Enlarged Group expects to address as part of a future restructuring. Life Group is introducing a B-BBEE trust that is funded by Life Group to award training bursaries for nurses, the majority of which will be black. Life Occupational Health's clinics in regions not dependent on mining performed well and the Enlarged Group expects further growth in the financial year ending 30 September 2017.

Careways was acquired in May 2015 and has enhanced Life Group's service offering to include employee wellness as a service for corporate customers. It focuses on supporting healthy and balanced living for maximum productivity among employees and partners, providing service to companies and institutions across both the public and private sectors. Careways experienced a positive financial year ended 30 September 2016 due to improved management and increased demand. The number of lives covered increased by 8.8% in the financial year ended 30 September 2016 (compared to 3.1% in the financial year ended 30 September 2015); however, this new growth was experienced at lower margins. The Enlarged Group expects to focus on increasing access to Careways' supplier and customer bases to further develop the business.

Life Group's employee health business receives payment under contracts with corporate employers or institutions on a fixed rate per persons covered, based on the range of services to be provided at each site. Life Group provides services under agreements with a large number of customers. There is no significant exposure to one single customer; however, demand for employee wellness services is affected by general economic conditions because employers may cut such employee benefits in the event of an economic downturn and tightened budgets.

International division

Overview

The International division represented 7% of Life Group's revenue in the financial year ended 30 September 2016 and consisted of Life Group's Scanmed operations in Poland and its joint venture interest in Max Healthcare in India (which is equity accounted and not consolidated for accounting purposes). Following the Acquisition, the International division is expected to represent a more significant part of Life Group's business and result of operations in future periods. For more information on Alliance Medical's business and industry, see "*Business of Alliance Medical*".

Scanmed

Scanmed is a private healthcare service provider in Poland that provides coordinated healthcare services, including primary healthcare, medical consultations, diagnostics, analytical tests, medical transportation and home visits. It specialises in providing medical care for private and institutional patients using public and private sources of financing. In the financial year ended 30 September 2016, Life Group concluded the acquisition of PGM in Poland, which consists of five cardiac centres equipped with 125 beds and one hospital with 167 beds. As at 30 September 2016, Scanmed had 624 beds, 12 inpatient cardiology centres and 40 medical facilities and offered its services at 43 locations in 25 cities in Poland.

Scanmed is reliant on obtaining contracts with the NFZ, which is operated by the Polish government. The Polish government recently announced reforms to certain tariffs effective 1 July 2016, with additional reforms effective from 1 January 2017, in particular, in respect of the treatment of neurosurgery, orthopaedics and cardiology. The largest tariff impact on Scanmed is in the field of cardiology, in which Scanmed has significant operations in Poland. The tariff reductions resulted in a 17.4% price reduction in the cardiology business. Certain contract renewals and extensions with NFZ are expected to be negotiated in 2017. Due to the changes in contracting and uncertainty, Life Group has placed its acquisition strategy in Poland on hold and Scanmed expects to focus on business integration and improving efficiencies over the medium term.

During the financial year ended 30 September 2016, Life Group also acquired the remaining 25% of Raciborskie Centrum Medyczne, 100% shares in Multimedycyna and a hospital property in Lublin. These acquisitions drove the bed increases and were supported by the Scanmed cardiology business increasing its bed base from 85 to 108 and Sport Klinika adding an additional 14 beds during the financial year.

Life Group's total investment in Scanmed and complementary acquisitions in Poland, including Sport Klinika in December 2014, Kliniki Kardiologii Allenort in December 2014, 49.93% of Carint in June 2015 and the remaining 50.07% in March 2016 and PGM in December 2015, (including advances capitalised) was R2.3 billion as at 30 September 2016. Revenue from Scanmed was R1,174 million in the financial year ended 30 September 2016.

Life Group impaired its investment in Scanmed in the financial year ended 30 September 2016 by R370 million due to the impact of changes in the tariffs announced by the government on cardiology tariffs.

The following table sets out certain operating statistics for Scanmed:

	Year ended 30 September		
	2016	**2015**	**2014**
Occupancy (%)	63	57	50
Number of medical facilities	40	36	28
Number of registered beds	624	334	163
Number of cardiac facilities	12	7	–

Max Healthcare

Life Group has a 45.95% interest in Max Healthcare, an acute care hospital business in India, through a joint venture with Max India. Max Healthcare is one of the leading hospital chains in India. Through its network of hospitals, Max Healthcare provides a broad range of specialties, including advanced cardiac care, orthopaedics, oncology, renal sciences, neurosciences and metabolic and bariatric surgery (specialties for which Centres of Excellence have been created in the Max Healthcare network hospitals). Max Healthcare also provides other services, including obstetrics and gynaecology, paediatrics, nephrology, and general surgery, as well as diagnostic and emergency services. In the financial year ended 30 September 2016, Max Healthcare completed the acquisition of the Max Smart Super Specialty Hospital, adding an additional 225 beds in India. As at 30 September 2016, Max Healthcare had 2,384 operational beds and 12 hospitals in Delhi-NCR, Punjab and Uttarakhand. Max India listed on the Mumbai Stock Exchange in June 2016.

Life Group does not manage Max Healthcare, but is an active shareholder. Life Group's total investment in Max Healthcare was R2.5 billion as at 30 September 2016. This includes R320 million invested by Life Group in the financial year ended 30 September 2016 to enable Max Healthcare to complete the Max Smart acquisition. Of the 331 operational beds added in the year, 225 beds were from the Max Smart acquisition. Max Healthcare is equity accounted for accounting purposes and is not consolidated in Life Group's consolidated statement of profit or loss and other comprehensive income. In the financial year ended 30 September 2016, the share of associates' and joint ventures' net profit after tax from Max Healthcare was a loss of R4 million.

The following table sets out certain operating statistics for Max Healthcare:

	Year ended 30 September		
	2016	**2015**	**2014**
PPDs	602,004	478,746	436,220
Occupancy (%)	75	73	77
Number of healthcare facilities	12	11	10
Number of operational beds	2,384	2,053	1,677

Max Healthcare's future focus will be on increasing revenue through increasing its number of operational beds and increasing occupancy while improving operational efficiencies and margins.

CLINICAL GOVERNANCE AND QUALITY MANAGEMENT

Quality is one of Life Group's strategic focus areas. Life Group's quality department focuses on accreditation/certification, patient experience and clinical and quality outcomes. Life Group is the first healthcare organisation in South Africa to have achieved multi-site certification for ISO 9001:2000, which was accomplished in October 2007. Life Group emphasises a patient-centred approach and has strengthened its clinical care through defined interventions and measurement of outcomes.

Life Group's clinical governance framework is supported by a clinical governance and quality committee chaired by Life Group's chief executive officer. The committee was formed in August 2015 with the purpose of (i) providing a focus on clinical governance, quality and patient safety issues; (ii) overseeing clinical performance; and (iii) ensuring action is taken on, among others, clinical issues, patient feedback and major reportable incidents.

Life Group's clinical governance and quality committee is focused on:

- *Clinical effectiveness*: to improve quality in a measurable and cost-effective manner.
- *People management*: appropriate staffing, employee engagement, retention, training and development as well as reward and recognition.
- *Risk management*: transparency, accountability, governance structures, planning and objectives.
- *Patient experience*: providing a superior patient experience across all acute hospitals and business units to ensure that Life Group remains competitive in the healthcare sector.

Life Group's integrated quality management system is based on a factual assessment through ongoing management and measurement. Hospitals are assessed on overall quality management, leadership responsibilities, and the quality aspects in the nursing, pharmacy, patient services and engineering departments. Results are benchmarked across Life Group and form part of the performance management criteria for hospital managers.

Quality Management System

Life Group's quality management system is designed to ensure compliance with legal requirements, industry standards and Life Group'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. The quality management processes have a positive impact on employees and patients through improving management processes and patients' hospital experience, their health and safety and clinical outcomes. Life Group's key quality management focus areas are (i) the health and safety of its employees and patients and (ii) positive clinical outcomes.

Currently, each geographic region operates independently with respect to quality management. However, in the near future, the Enlarged Group expects to analyse the alignment of quality and clinical outcomes methodology and strategy for reporting and benchmarking purposes. Preventative actions are implemented at each Life Group hospital to mitigate risks and remediating actions are monitored every quarter at hospital quality review meetings. When incidents occur, a root cause analysis is conducted by an incident investigation team at the hospital level and the necessary corrective action implemented. Incident statistics are monitored for trends on a quarterly basis and should negative trends develop, corrective action reports are raised to identify root causes and to take appropriate corrective action. The Enlarged Group believes the robustness of the quality management system and its processes contribute to the reduction in patient incidents, among other improvements.

Patient Satisfaction

A patient-centred approach is core to Life Group's quality management system. To obtain greater insight into patients' hospital stay, Life Group has a patient experience survey called "patient experience management" ("**PXM**") in South Africa.

Through the PXM process, post-discharge feedback is sought from patients after they are discharged from acute hospitals, emergency units or complementary services facilities. The feedback allows patients to rate their hospital stay and overall hospital experience, the care received from nurses and doctors, the management of their pain, medication administration and discharge. Life Group also has a manual comment card process, to elicit feedback from patients.

Life Group's hospitals receive patient experience reports monthly. This information provides tangible feedback on the perceived levels of quality in the business from a patient perspective and informs Life Group's strategy. The information is reviewed, trends are identified and corrective action implemented as needed to improve service delivery. Life Group received an average of 89.9% of positive comment cards during the financial years ended 30 September 2016, 2015 and 2014. Life Group's overall patient satisfaction score based on the PXM system for the financial year ended 30 September 2016 was 80.3% for inpatients. All customer feedback is monitored and managed through the customer relationship management system.

In addition, Life Group implemented phase one of the CARE programme in 2016 across Life Group's southern African hospitals. The CARE programme's objective is to deliver a superior patient experience across all areas of Life Group's interaction with patients and is focused on creating an interaction approach that is refreshing, thoughtful, considerate and compassionate. Life Group's acute hospitals, complementary services facilities and Life Esidimeni facilities as well as Life Group's occupational health clinics and regional offices are included in the programme, which provides interaction and training for management, doctors, students and service providers, an estimated 14,777 people in total. The programme was implemented in October 2015 and phase one trained approximately 14,300 permanent employees. The Enlarged Group believes that evidence of the effectiveness of CARE is reflected in the improvement of Life Group's PXM scores, improved funder member experience scores, reduction in the overall number of complaints received and an improvement in positive comments received in the financial year 30 September 2016, as well as anecdotal patient feedback. Priority complaints, the most serious complaints, decreased by 45% in the financial year ended 30 September 2016.

Clinical Excellence

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

Geographical location and indicator	Year ended 30 September 2016	2015	2014
Life Group (southern Africa)			
Quality metrics			
Patient experience – inpatient (%) (target >85%)	80.30	80.30	80.10
Patient experience – emergency units (%) (target >80%)	77.0	75.40	76.30
Recommend – inpatient (%) (target >70%)	69.40	68.80	63.70
Recommend – emergency units (%) (target >70%)	66.60	64.50	61.90
Clinical indicators			
Patient incident(1) rate (per 1,000 PPDs)	2.53	2.66	2.88
Employee incident rate (per 200,000 labour hours)	3.71	4.71	4.86
Ventilator associated pneumonia (per 1,000 ventilator days)	1.50	1.17	1.91
Surgical site infection (per 1,000 theatre cases)	0.89	0.58	0.76
Central line associated bloodstream infection (per 1,000 central lines)	0.73	0.55	0.85
Catheter associated urinary tract infection (per 1,000 catheter days on one line)	0.35	0.45	0.40
HAIs(2) (per 1,000 PPDs)	0.37	0.32	0.44
Functional Independence Measure/functional assessment measure score (target is greater than 0.9)	1.13	1.18	1.14
Scanmed (Poland)			
Clinical indicators			
HAIs(3) (%)	0.58	0.62	0.86
Reoperations (%)	0.40	0.73	0.99
Patient incidents(1)(4) (%)	0.40	0.46	–

Notes:

(1) Includes unintended or unexpected events which could have resulted, or did result, in harm – this includes medication, falls and procedure-related incidents, behaviour, death due to unnatural causes, burns and other patient incidents and patient absconding.

(2) Combines all the HAIs determined according to the Centre for Disease Control ("**CDC**") guidelines – ventilator associated pneumonia, surgical site infection, central line associated bloodstream infection, catheter associated urinary tract infection and other infections associated with the hospital stay.

(3) In Poland, the total number of HAIs is expressed as a percentage of the total number of patients.

(4) No patient incident data is available for Scanmed for the year ended 30 September 2014.

Health and Safety Measures

Clinical Infections

The increase of resistant organisms presents a challenge to healthcare systems worldwide. Life Group has implemented policies and procedures to prevent and mitigate the outbreak of communicable diseases at its facilities, such as the so-called "hospital germ" (e.g. influenza, novo viruses and salmonella, among others), as well as diseases such as MRSA and legionella bacteria, HIV/AIDS and extensively drug-resistant tuberculosis. Life Group has developed an outbreak manual with an electronic surveillance system. The system provides immediate notification from the laboratory to the infection prevention and control specialist in each hospital. The early identification and notification allows for prompt isolation and management of each patient infected with a significant resistant organism. Intellectual knowledge transfers from Scanmed, which has expertise in this area, have significantly helped to improve infection control and prevention rates throughout Life Group.

Infection prevention and control strategies are used to reduce infections, and are a structured way of improving care processes. They comprise a small, straightforward set of evidenced-based practices that, when performed collectively and reliably, improve patient outcomes and reduce HAIs.

HAIs, as determined by the CDC, consist of ventilator associated pneumonia, surgical site infections, central line associated blood stream infections, catheter associated urinary tract infections and a number of other hospital acquired infections. For Life Group, HAIs are considered the most material measure as proactive management of infections in this area reduces the highest risks in ICUs. During the financial years ended 30 September 2016, 2015 and 2014, the rate of surgical site infections at Life Group's southern Africa hospitals was 0.89, 0.58 and 0.76 per 1,000 theatre cases, respectively. During the financial years ended 30 September 2016, 2015 and 2014, the rate of central line associated blood stream infections at Life Group's southern Africa hospitals was 0.73, 0.55 and 0.85 per 1,000 central lines, respectively. During the financial years ended 30 September 2016, 2015 and 2014, the rate of ventilator associated pneumonias at Life Group's southern Africa hospitals was 1.50, 1.17 and 1.91 per 1,000 ventilator days, respectively.

Overall, in Life Group's southern Africa hospitals, HAIs have increased to 0.37 per 1,000 PPDs in the financial year ended 30 September 2016 compared to 0.32 in the financial year ended 30 September 2015 and 0.44 in the financial year ended 30 September 2014, which is within its goal of no more than 0.41 per 1,000 PPDs. The increase in HAIs in the financial year ended 30 September 2016 is due to the application of a new electronic surveillance system which identifies previously undetected infections, an increased focus on zero-reporting hospitals, enhanced training on infection criteria, the introduction of monthly tracking and reporting on all surgical site infection readmissions and heightened awareness and improved reporting across Life Group.

Patient Health and Safety

Each patient incident is reported and investigations are conducted by trained incident investigators to determine the root cause of the incident, and take action to correct or avoid recurrence. Life Group focuses on the reporting and mitigation of all incidents with additional focus on four key patient risk areas, which include procedure-related incidents, patient falling incidents, patients acquiring pressure ulcers while in Life Group's care and medication-related incidents. The latter two are internationally accepted high-risk areas for hospitals.

Life Group has continued improving against patient incident rates year-on-year. The overall patient incident rate at Life Group's southern Africa hospitals was 2.53, 2.66 and 2.88 per 1,000 PPDs, respectively, during the financial years ended 30 September 2016, 2015 and 2014. The rate of medication incidents at Life Group's southern Africa hospitals was 1.12, 1.23 and 1.15 per 1,000 PPDs, respectively, during the financial years ended 30 September 2016, 2015 and 2014. The rate of slips and falls at Life Group's southern Africa hospitals was 0.66, 0.66 and 0.67 per 1,000 PPDs, respectively, during the financial years ended 30 September 2016, 2015 and 2014.

Employee Health and Safety

Life Group encourages employees to be actively involved in occupational health and safety. All new employees receive quality, safety, and health and environment induction. In addition, employees participate as health and safety representatives and are involved in monthly health and safety committee meetings. Potential hazardous conditions are identified and reported on continuously through the alert process, to help ensure that potential hazards are immediately addressed while trends highlight possible new risks that require remedy.

Life Group reports on all employee incidents, which include the key risks areas of employee needle-stick injuries, employee falls, employee mobility incidents, occupational health-related incidents (injury-on-duty), infection-related incidents and exposure to bodily fluids. Life Group has reduced employee incidents year-on-year. Active employee action in reducing these incidents is vital and, to that end, continuous, topic-specific awareness campaigns are used to modify unsafe or unhealthy behaviour. For example, campaigns highlighting the importance of safety precautions when handling sharp items or the lifting and moving of patients from beds, address employee needle-stick injuries and the rate of mobility incidents.

The overall employee incident rate at Life Group's southern Africa hospitals was 3.71, 4.71 and 4.86 per 200,000 labour hours during the financial years ended 30 September 2016, 2015 and 2014, respectively.

STAKEHOLDER ENGAGEMENT

Life Group actively engages with a range of stakeholders through a formalised stakeholder framework. The Board is kept informed of any material stakeholder issues directly and through its social, ethics and transformation committee.

Key elements of stakeholder engagement include:

- *Government*: ongoing interaction with all tiers of the Department of Health and Department of Social Development at an executive level. Liaising with government health departments directly and through, among others, HASA and the Social Compact Forum and Public Health Enhancement Fund.
- *Industry and regulatory bodies*: primary interactions occur through HASA and engagement takes the form of regulatory inputs, litigation, and stakeholder engagement on general health policy matters.
- *Shareholders, investors and financiers*: Continued interaction with local and foreign shareholders through interim results and annual results road shows, attending select local and international investor conferences, ad hoc meetings and engagements.
- *Employees*: consultative forums assist in providing open communication and constructive dialogue. Life Group also runs a comprehensive induction programme and conducts employee perception surveys and employee engagement sessions to provide employees the opportunity to engage with management and raise issues.
- *Doctors*: Life Group's hospital managers facilitate open communication with doctors on a daily basis. Life Group engages with doctors in quality drives, cost of sales projects and development of clinical pathways in the interests of sound clinical outcomes and cost-efficiency.
- *Suppliers*: ongoing interaction with suppliers in reviewing and renewing contracts and procurement initiatives. Life Group meets regularly with its strategic supply partners.

- *Patients*: paper-based comment cards (275,000 cards received in the financial year ended 30 September 2016) and various measurement tools such as PXM and post-discharge surveys, including to emergency unit and acute rehabilitation patients.
- *Medical healthcare funders*: ongoing interaction and feedback regarding use, pricing, contracts and preferred network agreements.

SUPPLIERS

In South Africa, Life Group manages the costs of surgical supplies by using centralised purchasing across its network to maximise its bargaining power and obtain favourable pricing. The prices of pharmaceuticals used at Life Group's South African hospitals are generally set based on the SEP Regulations. However, Life Group follows a tender process to procure quality goods and support services at cost-effective prices. The Polish operations have recently embarked on a project to implement the same procedures as in South Africa.

Life Group manages the costs of its pharmaceuticals and surgical supplies by maintaining an ongoing centralised formulary, containing a list of pharmaceuticals and surgical supplies to be used in Life Group's hospitals. The formulary and standardisation process has provided efficiency advantages as a result of Life Group's ability to leverage its significant spending on supplies with its suppliers. This list is determined in light of doctor preferences and medical scheme requirements, and allows Life Group to select lower cost products and encourage pricing discipline amongst suppliers. Life Group partnered with a third party to use web-based technology to streamline and improve the tender process. Life Group also negotiates annual contracts for the purchase of pharmaceuticals and surgical supplies, and in turn, negotiates its tariff increases with medical schemes in light of expected price increases from suppliers. Life Group is not dependent on any particular suppliers and is supplied by a range of companies.

Suppliers are screened for compliance with respect to relevant legislation including environmental and human resources legislation. Multi-disciplinary consultative forums and various doctor interactions form the framework for decisions. The process is finalised with approval from Senior Management and Life Group's support services executive. The procurement policy and process are reviewed regularly and the procurement tender governance process has been extended to the IT and engineering functions.

As at 30 September 2016, Life Group had 1,200 suppliers (up from 524 as at 30 September 2015) and the top four supply categories include surgical consumables, pharmaceuticals, services and nursing agencies.

COMPETITION

Life Group, Mediclinic and Netcare are the three largest healthcare service providers in South Africa and represent the majority of the private healthcare services market in South Africa although, in most regions, there is also competition from independent healthcare service providers.

Life Group competes nationally with Mediclinic, Netcare and independent hospitals for patients, doctors, nurses and pharmacists and for preferred network contracts with medical schemes. Competition for contracts with medical schemes is focused on the pricing, number and geographic spread of facilities in the market, quality of care and the breadth and depth of specialist services offered at its various facilities within the geographic area.

Life Group competes locally with other facilities based on factors such as relationships with medical schemes, reputation, the quality and range of practising doctors, quality of care and geographical convenience.

In Poland and India, Life Group competes with other private hospitals, clinics and hospitals owned or operated by non-profit and charitable organisations for patients, doctors, nurses and strategic expansion opportunities.

EMPLOYEES AND MEDICAL STAFF

The Enlarged Group believes that the provision of world-class healthcare is achieved by working closely with medical professionals to deliver clinical excellence, unparalleled quality, and by caring for the personal needs of patients and their families. The association and partnership with doctors is another vital element in Life Group's service provision. Life Group's facilities in Poland operate with independent human resource functions, which are managed in line with Life Group's overall strategy.

Other than as described under "*—Government Regulation and Industry Standards—Black Economic Empowerment*" below, Life Group complies with applicable local legislation (for example, in South Africa, the Basic Conditions of Employment Act, the Labour Relations Act, 1995 ("**LRA**"), the Employment Equity Act, 1998 (**"Employment Equity Act**") and the Skills Development Act, 1998 ("**Skills Development Act**")) and is committed to supporting transformation and the enhancement of health professionals.

As at 30 September 2016, Life Group manages 19,026 permanent and sessional employees, and a number of agency staff in southern Africa and Poland. In South Africa, the growing shortage of critical skills, particularly in the healthcare industry, has prioritised the retention and motivation of employees. Life Group has a network of over 2,850 specialists and other healthcare professionals who use Life Group's hospitals in South Africa to provide clinical treatment across the spectrum of medical disciplines. With the exception of Life Group's acute rehabilitation units which employ approximately 61 doctors (at 30 September 2016), doctors in South Africa are independent clinicians, not employed by Life Group, with freedom of choice regarding private practice and the selection of hospitals for patient referral and treatment regimen. The Enlarged Group believes that doctors are attracted to Life Group's hospitals because of the modern facilities, new technology, the quality of care provided by the nursing staff, management's understanding of doctors' needs and their focus on fostering lasting professional relationships with them. In Poland, doctors are employed under different arrangements.

In the financial years ended 30 September 2014, 2015 and 2016, respectively, Life Group employed on average the following numbers of staff in the positions specified below in South Africa and in Poland, respectively:

	Year ended 30 September		
South Africa	**2016**	**2015**	**2014**
Administrative employees	2,930	2,879	2,772
Nursing employees	9,166	9,180	9,338
Pharmacy employees	334	323	317
Rehabilitation employees	224	258	278
Healthcare Services division employees	1,379	1,316	1,233
Other	236	226	203
Temporary personnel	1,106	1,285	1,106
Total	**15,375**	**15,467**	**15,247**

	Year ended 30 September		
Poland	**2016**	**2015**	**2014**
Permanent employees	2,789	1,076	1,189
Temporary personnel	862	1,214	425
Total	**3,651**	**2,290**	1,614

Life Group employs a competitive compensation model, monitors and responds to developments in the industry, including public sector wage increases. Life Group's remuneration structure is benchmarked to the market median, but adjusted by management where management is aware of market imperfections. Life Group also pays higher compensation for certain categories of personnel in order to retain professional skills at certain hospitals. Life Group provides allowances to specialised nursing staff, in order both to retain such personnel and to incentivise other nursing personnel to continue their studies and specialisation to obtain scarce skills, such as ICU, operating theatre and trauma nursing skills.

Life Group provides its employees with medical aid cover, and offers a subsidy to employees who are members of a medical scheme supported by Life Group. Life Group operates four main retirement funds: two defined benefit pension funds, which are closed to new members; a defined contribution pension fund; and a defined contribution provident fund. Life Group's employees contribute a portion of their salary to the relevant retirement fund, which is then supplemented by a contribution from Life Group on behalf of the employee. All of Life Group's pension funds were fully funded as at 30 September 2016.

Life Group also provides incentive-based compensation and equity ownership opportunities to members of management, including management teams across the network of Life Group's hospitals, which are an important component of Life Group's personnel retention and motivation strategy. For further discussion of management incentive schemes and compensation, see "—*Quality Management*".

Transformation and Cultural Diversity

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

As at 30 September 2016, 83% of Life Group's permanent workforce was female. Of the executives and managers (middle management and above) 58% were female and three of the nine independent executive board members were women. There was a decrease in the number of people with disabilities to 101 from 102 during the financial year ended 30 September 2016.

The main employment equity challenge remains the limited pool of African, Coloured and Indian ("**ACI**") individuals in key skill positions such as pharmacy, nursing, engineering and information management, both within the organisation and from the market. The turnover in clinical staff is being mitigated by a recruitment approach that gives preference to qualified ACI candidates when replacing or recruiting candidates.

Labour Relations

Life Group believes it has a good overall relationship with the respective labour organisations at its facilities, and has not experienced significant industrial action during the periods under review. Life Group seeks to have regular engagement sessions with its employees, trade union shop stewards and community stakeholders where these groups proactively address any potential areas of conflict. For the financial years ended 30 September 2016, 2015 and 2014, approximately 17.9%, 19.7% and 17.6%, respectively, of Life Group's employees were members of trade unions.

Life Group's employee trade union affiliation as at 30 September 2016 is as follows:

- National Education, Health and Allied Workers: 9.4%
- Health and Other Service Personnel Trade Union of South Africa: 5.8%
- Democratic Nursing Organisation of South Africa: 1.6%

Employee Engagement and Retention

Life Group aims to create a healthy environment for all of its employees, acknowledging the benefits this provides to employee well-being, efficiency and productivity. Managers, employees and their families have access to the Careways wellness service for a range of support services that include group, face-to-face and telephonic counselling. Financial literacy training and grief support services are examples of these programmes. Approximately 17.9% of employees made use of Careways in the financial year ended 30 September 2016 compared to a South African sector rate of 9.4%.

An employee perception survey ("**EPS**") is conducted every second year by an independent service provider. This survey focuses on dimensions that reflect employee engagement and empowerment and cultural assessment. The EPS forms part of Life Group's strategic review and action plans set in the 2016 EPS will drive the focus of engagement until the next survey, which will be during 2018.

During the financial year ended 30 September 2016, Life Group has focused on improving doctor relationships and engagement. Life Group views doctors and specialists as key stakeholders whose support is essential for its success. In the financial year ended 30 September 2016, it implemented a doctor partnership model that includes specialist-specific consultative forums for admitting doctors. Life Group has appointed a doctor stakeholder manager to support the attraction and retention of good quality specialists. In the financial year ended 30 September 2016, Life Group attracted a net growth of 65 doctors.

As of 30 September 2016, Life Group was associated with approximately 2,850 specialists and other healthcare professionals. The average age of Life Group's doctors was 51 years, which presents mixed opportunities and challenges ranging from lowered productivity in some cases to security of income based on the practitioner's positive reputational influence in others. Life Group's approach remains focused on the retention of key skilled specialists and doctors while recruiting and supporting the introduction of new and younger doctors to reduce the average age of Life Group's doctors.

Nurses are an integral part of Life Group's business and directly represent Life Group to patients, influencing the care the Group provides, its reputation and the functioning of its business. Hospital nursing employees are permanently employed, with agency nurses supporting operations where and when there is an insufficient number of permanent employees.

The annualised nurse turnover rate for southern Africa was 19% in the financial year ended 30 September 2016 (27% in the financial year ended 30 September 2015) for registered nurses and 20% in the financial year ended 30 September 2016 (24% in the financial year ended 30 September 2015) for qualified specialist nurses. The Enlarged Group expects this turnover to improve in future periods through training, recruitment and retention strategies, including:

- bursaries for nursing employees to upgrade their qualifications;
- continuing professional development programmes for all nurses;
- research opportunities for graduate nurses; and
- presentation opportunities at conferences and through professional engagement.

The attraction, retention and development of qualified registered nurses remains a priority for Life Group.

Education and Training

Skills development and training are a key priority for Life Group. To maintain a pipeline of skilled people for various operational needs, Life Group both hires experienced personnel and trains personnel internally. Life Group also offers bursaries and sponsorships to enrich and train potential employees.

Life College is a registered higher education institution that, as at 30 September 2016, had seen 10,000 students complete their training through one of the seven learning centres and four classrooms in South Africa. The college was established in 1998 and is an accredited private higher education institution which trains more than 1,000 students annually in various nursing and health sciences programmes. As at 30 September 2016, 1,060 students were registered with the Life College, of which 1,052 were nurses. Life College's objective is to create and sustain a resourcing pipeline for nursing and other hospital departments. The training focuses on the integration of theory and practice to enhance clinical excellence and enable improved patient outcomes. Life Group views the Life College as a responsible social investment and a strategy for addressing the need for skilled nursing personnel within Life Group and South Africa generally. In the financial year ended 30 September 2016, 347 graduates from the Life College took up positions of employment with Life Group.

Life Group is also exploring the opportunity to leverage skills and knowledge transfers from its facilities in Poland and India to South Africa, specifically in areas such as oncology (India), gynaecology and cardiology (Poland).

GOVERNMENT REGULATION AND INDUSTRY STANDARDS

The healthcare industry in South Africa is subject to a number of national and provincial regulations, including the NHA (including the amendment dealing with core standards), the LRA, B-BBEE Act, POPI and a large number of environmental laws. These regulations relate to matters such as licences, conduct of operations, security of medical records, occupational health and safety, quality standards and certain categories of pricing. Life Group is bound to the legislative and regulatory environments in which it operates and actively strives to fully comply with these. See "*Regulatory Matters*".

Black Economic Empowerment

The South African Government has adopted a series of policies aimed at transformation of the economy and redressing historical inequalities. These policies include the B-BBEE Act and the Codes of Practice promulgated thereunder (the "**Codes**"). Compliance with these Codes is not obligatory but is regarded as good corporate practice in South Africa. A company's B-BBEE status is an important factor considered by government and other public bodies in awarding contracts, and may influence relationships with customers or suppliers as it has an effect on the B-BBEE status of those customers or suppliers.

Life Group is committed to compliance with the Codes and guidelines relating to B-BBEE in South Africa; however, as a result of new Codes adopted under the B-BBEE Act, Life Group is not fully compliant as of the date of this Circular, in particular, in relation to skills development and enterprise and supplier development. Life Group continues to review opportunities for advancing preferential procurement in line with its approach to improving its B-BBEE scorecard. Life Group is also in the process of establishing a B-BBEE trust with 25.1% ownership in Life Occupational Health for the sole purpose of funding the training of nurses.

Life Group's B-BBEE procurement spending is set out below for the periods indicated.

	Year ended 30 September		
	2016 %	**2015** %	**2014** %
Level 1 to 3 B-BBEE	34	35	45
Level 4 to 8 B-BEE	39	35	35
Non-B-BBEE spend	23	26	20
Exempt	4	4	–

The trend in procurement spend has remained largely unchanged during the financial years ended 30 September 2014, 2015 and 2016. International suppliers have begun to provide products directly, and not through agencies as in the past, which has further impacted Life Group's B-BBEE scorecard.
Although a limited pool of suppliers for medical equipment and surgical consumables remains the main challenge, Life Group continues to review opportunities for advancing preferential procurement. Identified B-BBEE and EME suppliers are supported and coached on Life Group's tender process.

As at 30 September 2016, historically disadvantaged South Africans represented approximately 72% of Life Group's workforce. Life Group's progress is reviewed at monthly executive management meetings and to help ensure that legislative compliance and numerical target levels are set in consultation with the employment equity and training and development steering committee and the consultative forums on a national basis. Life Group's objective is to restore its B-BBEE scorecard to Level 5 by 2020.

Sustainability and the Environment

Life Group is committed to conserving the environment and limiting the harmful impacts of operations. Despite Life Group's low environmental impact status, it recognises the need to manage the consumption of natural resources in a sustainable manner, conserve energy and water and recycle to reduce carbon emissions in line with international best practice via its environmental management system and quality management system.

Life Group's environmental policy focuses on reducing its impact on the environment. Life Group's environmental and climate change forum decides on matters related to external reporting and certification requirements and reviews progress on mitigating Life Group's environmental impact and implements sustainability data reporting. The forum reports to the social, ethics and transformation committee biannually for decision-making.

Overall, Life Group performance from an environmental sustainability perspective continues to improve, predominantly as a result of energy-efficient initiatives and green building practices.

Life Group actively seeks to comply with all applicable environmental legislation such as the Air Quality Act, 39 of 2004 and the National Building Regulations and Standards Act, 103 of 1997. Life Group has an environmental management system that governs the strategic elements of environmental sustainability.

SOCIAL INVESTMENT INITIATIVES

Life Group's corporate social responsibility ("**CSI**") programmes have contributed to meaningful and sustainable projects in communities where employees reside and in communities served, and align with the strategic objectives. Life Group focuses on health (community upliftment and healthcare) and education (training and research) projects.

A total financial contribution of R68.9 million was allocated to CSI in the financial year ended 30 September 2016. Life Group's CSI programmes include:

- *Life Healthcare Foundation*: Life Group established the Life Healthcare Foundation in 2007 to channel and expand Life Group's CSI, focusing on registered NGOs and not-for-profit organisations. The foundation's focus reflects Life Group's mission of making life better. There are a number of NGOs, supporting specialists, suppliers, academic institutions and the Department of Health with whom Life Group has built relationships or partnered to add impetus to the foundation's various initiatives.
- *Public Health Enhancement Fund* ("**PHEF**"): The PHEF aims to leverage funds within the private sector to maximise benefits for priority projects. Ultimately it is envisaged that this institutional engagement will assist in shaping a better future healthcare system for South Africa. The funding formula for the PHEF requires 0.75% of net profit after tax for participation in the fund and it links the contribution to the social economic development pillar of the B-BBEE Act. The cumulative value contributed was R26 million as at 30 September 2016.
- *Life/Colleges of Medicine South Africa* ("**CMSA**") *sub-specialist bursaries*: Life Group in partnership with the CMSA has committed R78 million over six years (2013-2019) in order to sponsor doctor sub-specialist training, which takes between two and three years to complete. Since 2013, a total of 20 sub-specialists have benefited from the bursary. Life Group aims to actively recruit CMSA sub-specialist bursars to take up opportunities within the company.
- *Pro deo* (reduced or no cost to patient): Patients receive reduced accounts or free services for those who cannot afford to pay their medical bills, especially for visits to the accident and emergency units. Patients are treated irrespective of the amount contributed and referred for further management thereafter.

INFORMATION SYSTEMS

Life Group employs an industry-standard systems platform that provides synergies across Life Group and enhances reporting capability. IT plays an integral role in enabling the strategic objectives of Life Group, and influences future strategic positioning through efficiency and automation.

The Board is responsible for overseeing Life Group's IT governance and management, and for implementing the structures, processes and mechanisms to execute the IT governance framework. IT risks are managed by the Board risk committee, while the Board is responsible for matters of IT security and strategy. Life Group achieved international ISO 27001 ISMS certification after an internal and external audit to verify its level of compliance. The ISO journey facilitates ongoing review of all control processes related to IT security within the business environment.

Life Group is developing its IT capabilities beyond traditional administrative functions and into the clinical domains through the following projects:

- *Project Impilo*: Project Impilo is a re-engineering programme to improve IT efficiencies. Life Group is in the process of implementing Module 5 (e-theatre billing module) as well as the additional module 6 (e-ward billing module). This technological enhancement will allow real-time and online management of processes, assisting with operational efficiency. Examples include real-time billing process (including pre-planning for pre-booked theatre cases and removal of manual charge sheets, among others) resulting in the removal of administrative inefficiencies and increased nursing time for patient care. Development processes and quality assurance for the project are complete. The final phase is the replacement of Life Group's legacy billing engine, which is in progress and is expected to be completed by the end of the 2017 calendar year.

- *Global ERP system*: Life Group's ERP system is designed to enhance the integration of Life Group's global operations and synergistic abilities while maintaining a world-class hospital information system. After launching the project in 2015, progress continues on track for first release during the course of 2017.
- *Business optimised POPI solution*: All requirements for the solution have been finalised, and Life Group is in the process of assessing the integration required in its systems. These requirements are substantial, touching on all aspects of Life Group's IT systems. The role of information regulator (the "**Information Regulator**") is a new position that has been created by POPI and was filled at the end of the financial year ended 30 September 2016.
- *e-ICU*: The pilot programme for Life Group's e-ICU commenced in May 2016, at Life Group's The Glynnwood Hospital, and Life Group hopes to extend the e-ICU pilot to more beds in 2017. The programme is designed to improve efficiency by using advanced algorithms to predict patient outcomes and assist doctors using a cloud computing platform. Further integration may be pursued after testing, with hopes to implement the programme at two hospitals by the end of 2017, if the testing meets the business case requirements.
- *Employee Health Solutions clinic management*: Life Group is developing an Occupational Health clinic management system (an automated paperless system for the clinics) and replacing the Careways iCare management system.
- *Express check-in*: Express check-in is a shared vision between Life Group and Discovery to create a differentiated patient experience. There are two aspects to the project: Patient Portal (online pre-admission) and Express check-in (kiosk). The pilot was launched at Life Group's Life Fourways Hospital in September 2016, and is currently only available to Discovery Health members. The Patient Portal provides a Discovery member/patient with the ability to complete an online pre-admission via the Internet at their own convenience. Once the pre-admission is successfully completed, a one-time pin will be provided to the patient, which will be used to admit the patient at the kiosk situated in the hospitals' admissions area. A dedicated concierge will complete the admissions process by collecting the patient, finalising the relevant paperwork and directing the patient to the ward. Once the pilot has been approved, rollouts to further hospitals will be planned.

INTELLECTUAL PROPERTY

Life Group owns various word and image trademarks registered in South Africa and Poland, including the trademark "Life Healthcare". The Enlarged Group owns various word and image trademarks registered in the United Kingdom and Europe, including the trademark "Alliance Medical". Save for these trademarks, Life Group is not dependent on any patents or licences for its operations. Life Group has commissioned the registration of, among others, the internet domain www.lifehealthcare.co.za as well as a number of further internet domain names for individual hospitals. Information contained on Life Group's website is not incorporated into and does not form part of this document, except as set out in "*Incorporation by Reference*" in this Circular.

INSURANCE

Life Group carries insurance policies customary for its industry to cover certain risks. The principal risks covered by Life Group's insurance policies are for property damage/business interruption and medical malpractice/professional indemnity and public liability. In addition, Life Group has taken out cover for contractors' all risk and public liability, corporate travel, motor third party liability, cyber liability, trustees' liability, directors' and officers' liability and a fidelity guarantee policy.

MATERIAL LITIGATION

As at the Last Practicable Date, Life Group is not involved in any material litigation or arbitration proceedings, nor are the Directors aware of any pending or threatened legal issues, which may have or have had, in the twelve-month period preceding the date of this Circular, a material effect on the Enlarged Group's financial position.

OTHER MATTERS

As part of new management incentive arrangements entered into with certain members of Alliance Medical's management team (the "**Management Incentive Arrangements**") in connection with the Acquisition, Life initially granted put options (the "**Put Options**") over the Bidco B Shares and the Bidco C1 Shares in order to provide these members of Alliance Medical's management team with a liquidity mechanism to realise value from the incentive arrangements at certain future dates.

At the time the transaction agreements were entered into, Life believed that the Put Options represented management incentive arrangements, entered into in the ordinary course of business, rather than part of the Acquisition consideration and Life was not advised to the contrary. The Put Options were accordingly not taken into account when determining the categorisation of the Acquisition. Following completion of the Acquisition and in the course of structuring the Rights Offer, it came to the knowledge of Life and the Sponsor that the granting of the Put Options should have been taken into account when determining the categorisation of the Acquisition under Section 9 of the Listings Requirements, which would have resulted in the Acquisition having been categorised as a Category 1 transaction. Following proactive engagements with the JSE on this matter, the JSE concluded that the granting of the Put Options should have resulted in the Acquisition being treated as a Category 1 transaction, and that consequently Life had not complied with Section 9 of the Listings Requirements. As a result of its finding, the JSE issued a private censure of Life on 24 February 2017, subject to the remedial action referred to below.

In order to remedy the breach of the Listings Requirements, Life has restructured the Management Incentive Arrangements by, among other things, removing the Put Options, while retaining call options over the Bidco B Shares and the Bidco C1 Shares. Alliance Medical's management team will instead be incentivised through the payment of cash incentive bonus payments, payable by Alliance Medical. Any payment to be made pursuant to the exercise of a call option or cash incentive bonus payment under the Management Incentive Arrangements will be required to be categorised under Section 9 of the Listings Requirements at the time that such payment is to be made.

Accordingly, this matter has been concluded and resolved with the JSE on the basis that as a result of the aforementioned restructuring the Put Options have been removed, and, if the Management Incentive Arrangements had been structured in this manner initially, would not have impacted, the categorisation of the Acquisition under Section 9 of the Listings Requirements. The JSE will take no further action against Life.

BUSINESS OF ALLIANCE MEDICAL

OVERVIEW

Alliance Medical is one of Europe's leading independent providers of medical imaging services and is a key complex imaging partner of the NHS. Alliance Medical has operations in the United Kingdom, Italy, Ireland, Spain, the Netherlands, Germany, Finland, Bulgaria, France and Norway, and has leading market positions in complex imaging in the United Kingdom, Italy and Ireland. Alliance Medical provides complex diagnostic imaging services and molecular imaging services to public health authorities, independent organisations and individuals across Europe, through a portfolio of mobile and fixed location scanners. Alliance Medical also manufactures and distributes radiopharmaceuticals. Alliance Medical generates the majority of its revenue from the provision of MRI, CT and PET-CT services.

Alliance Medical organises its business geographically, into its United Kingdom, Italy, Ireland, Spain and Northern Europe segments.

- *United Kingdom*: Alliance Medical provides MRI, CT and PET-CT services to both the NHS and private hospitals through clinics, hospitals and mobile scanners, manufactures radiopharmaceuticals for its PET-CT scanning operations and also sells radioisotopes commercially and for use in clinical trials. For the financial year ended 31 March 2016 and the six months ended 30 September 2016, the United Kingdom represented 53% and 55%, respectively, of Alliance Medical's revenue.
- *Italy*: Alliance Medical provides MRI, CT and PET-CT services across nine regions in Italy, primarily through its leading portfolio of private clinics, and manufactures radiopharmaceuticals for its PET-CT scanning operations in Sardinia. For the financial year ended 31 March 2016 and the six months ended 30 September 2016, Italy represented 31% and 28%, respectively, of Alliance Medical's revenue.
- *Ireland*: Alliance Medical provides MRI, CT and PET-CT services to both public and private hospitals at 19 operating sites across the Republic of Ireland and Northern Ireland. For each of the financial year ended 31 March 2016 and the six months ended 30 September 2016, Ireland represented 9% of Alliance Medical's revenue.
- *Spain*: Alliance Medical provides MRI, CT and PET-CT services in Spain to both public and private hospitals at eight operating sites. For each of the financial year ended 31 March 2016 and the six months ended 30 September 2016, Spain represented 3% of Alliance Medical's revenue.
- *Northern Europe*: Alliance Medical's Northern Europe segment comprises its operations in the Netherlands, Germany, Finland, Bulgaria, France and Norway and it provides MRI, CT and PET-CT services in the region. For the financial year ended 31 March 2016 and the six months ended 30 September 2016, Northern Europe represented 4% and 5%, respectively, of Alliance Medical's revenue.

For the financial years ended 31 March 2016 and 2015, Alliance Medical generated revenue of £218.8 million and £210.7 million, respectively, and EBITDA of £60.2 million and £54.1 million, respectively. For the six months ended 30 September 2016 and 2015, Alliance Medical generated revenue of £119.1 million and £104.5 million, respectively, and EBITDA of £32.5 million and £28.2 million, respectively.

HISTORY

Alliance Medical was incorporated in England and Wales in 1989 and has grown to become one of Europe's leading independent providers of medical imaging services.

Important events in the history of Alliance Medical include:

- In 1994, Alliance Medical opened its first independent static MRI unit.
- In 2001, Alliance Medical began operating the first private PET-CT scanner in London at the Royal Marsden.
- In 2004, Alliance Medical entered into its first contract with the NHS for the provision of PET-CT services and opened its first diagnostic centre.
- Alliance Medical commenced operations in Italy and Spain in 2004, the Netherlands in 2005, Germany in 2006 and Ireland in 2007 (through the acquisition of Sequence Medical Group in Ireland).
- In 2008, Alliance Medical entered into a contract with the NHS for the provision of PET-CT scans.
- In 2012, Alliance Medical appointed its current management team.
- In August 2013, Alliance Medical acquired a 100% interest in the United Kingdom radiopharmaceutical manufacturing operations of a former joint venture partnership (Erigal Ltd). The former joint venture partner acquired the radiopharmaceutical manufacturing operations in Ireland.
- In September 2013, Alliance Medical acquired further radiopharmaceutical manufacturing capacity through the acquisition of FDG manufacturing facilities from IBA Molecular UK Ltd ("**IBA Molecular**"). Alliance Medical also sold its Italian mobile scanning business.

- In April 2014, Alliance Medical restructured its Northern European business. Alliance Medical became the exclusive UK distributor for IBA Molecular's single-photon emission computed tomography ("**SPECT**") radiopharmaceuticals.
- In September 2014, Alliance Medical disposed of its Spanish mobile scanning business (with the exception of its mobile PET-CT scanner) and restructured its Spanish operations following the disposal.
- In September 2015, Alliance Medical entered into the Norwegian complex imaging market through the provision of mobile PET-CT services.
- In February 2015, Alliance Medical was awarded the PET-CT National Contract.
- In April 2015, Alliance Medical acquired two static sites and one clinic in Ireland.
- In April 2016, Alliance Medical entered into its first contract to construct and operate a community diagnostic centre (see "*—Description of Alliance Medical's Business Segments—United Kingdom—Community Diagnostic Model*").
- In November 2016, Alliance Medical became a subsidiary of Life Group.

INDUSTRY

Demand for Medical Imaging

Medical imaging plays a central role in the diagnosis and treatment of injuries and other acute health conditions, including cancer, in Europe and many other developed regions. Medical imaging comprises both traditional imaging techniques, such as X-ray and ultrasound, and complex imaging techniques, which may be further divided into complex diagnostic imaging techniques, such as MRI and CT, and molecular imaging techniques, such as PET-CT and SPECT. Alliance Medical focuses on complex imaging techniques, primarily MRI, CT and PET-CT. Due to growth in demand for such techniques, public sector providers face a number of capacity and economic challenges, such as, limited space in hospital diagnostic facilities, limited resources to expand diagnostic facilities and limited financial capacity to purchase and operate new equipment. As a result, public sector providers will need to find innovative solutions to address the additional demand pressure for complex imaging that is expected due to an ageing population and increasing disease burden of chronic conditions such as cancer.

Complex Diagnostic Imaging

The demand for complex diagnostic imaging services has been driven by underlying demand factors that include an ageing population, an increasing disease burden and advances in medical imaging technology. According to the United Nations, the percentage of the European population over the age of 60 is expected to increase from 23.9% in 2015 to 29.6% in 2030 and to 34.2% by 2050. Over the last 10 years, the use of complex diagnostic imaging, including MRI and CT, has grown rapidly as healthcare providers have recognised the benefits of diagnostic imaging in the early-stage diagnosis of disease. This growth in demand for complex diagnostic imaging is expected to continue. The Enlarged Group estimates that the number of scans in the United Kingdom should double over the next seven to 10 years. The other European complex imaging markets in which Alliance Medical operates are generally more mature than the United Kingdom. The Enlarged Group expects that growth in the number of scans per capita in those other European markets in absolute terms will be consistent with growth in the United Kingdom as a result of the same fundamental growth drivers. The growing demand for complex diagnostic imaging is expected to outpace scanning capacity, which will present challenges for public healthcare bodies to meet.

In the United Kingdom, 88% of MRI scans and 97% of CT scans in 2016 were delivered in an acute hospital setting by public health authorities, with the remainder provided by private sector operators (source: Market Research). According to NHS England, the volume of MRI scans and CT scans delivered publicly grew at a CAGR of 9.5% and 10.1%, respectively, between 2013 and 2016. The Enlarged Group believes that approximately 20% of the predicted growth in demand is expected to be provided by the public sector, due to the constraints described under "*—European Healthcare Markets—United Kingdom*" below, with the remaining approximately 80% to be provided by private sector operators such as Alliance Medical.

Molecular Imaging

Molecular imaging is a technique that is directed at the identification of cancer and the identification of the stage to which that cancer has developed. The demand for molecular imaging services has grown at a faster rate than growth in demand for complex diagnostic imaging as a result of an ageing population and the increasing incidence of cancer in the general population, together with a focus on early-stage diagnosis and advances in molecular imaging technologies (source: Market Research). Early diagnosis of cancer using technologies such as PET-CT allows for faster, more successful and cost effective overall treatment and as such is a priority for many public health authorities. In cancer treatment, the cost of the diagnosis is a relatively small part of the total cancer pathway treatment cost.

In many parts of Europe, PET-CT is already an established diagnostic tool for the early diagnosis and treatment of cancer. In the United Kingdom, PET-CT is a relatively new modality, and the per capita scan rate in the United Kingdom is below that of almost all other Organisation for Economic Co-operation and Development

("**OECD**") countries. However, the NHS recently completed a multiple lot procurement programme that was designed to specifically address the lack of PET-CT availability in the United Kingdom. Alliance Medical won all four of the lots tendered by the NHS and it is expected that the creation of new PET-CT scanning capacity in the United Kingdom will accelerate the closing of the access gap. Alliance Medical is targeting, with the support of the NHS, an improvement of the current 54% five-year cancer survivorship rate to 67% by 2020.

In England, the majority of all PET-CT scans are provided by the NHS and fewer than 5% of scans are privately funded (source: Market Research). Alliance Medical provides approximately 50% of these scans through the PET-CT National Contract with a further 10% as a result of other historic contracts. The remaining scans are provided by individual NHS trusts. In addition, Alliance Medical produces approximately 80% of the radiopharmaceuticals used for PET-CT scanning in England, including Alliance Medical's own internal requirements through the only integrated supply chain operating in the PET-CT market. The NHS trusts that currently provide PET-CT scans have similar space, resource and financial constraints that exist for the provision of complex diagnostic imaging services generally and, as a result, the Enlarged Group believes Alliance Medical is well placed to partner with those trusts to meet demand for PET-CT in the coming years.

European Healthcare Markets

European healthcare markets are categorised by capacity constraints in public hospitals, which has led to a shift in some markets towards out-of-hospital community-based care due to limited hospital space, a general shortage of radiologists and concerns over waiting times in the public hospital system. In general, European public healthcare systems have struggled to cope with the increased demand for medical imaging, which, together with limited public sector capital expenditure budgets and limited capacity to expand existing facilities, has created opportunities for private sector medical imaging companies such as Alliance Medical.

United Kingdom

In 2013, the United Kingdom had a lower rate of MRI scans per capita than most other OECD countries at 40 scans per thousand people as compared to the OECD-28 average of 52 scans per thousand people. The per capita PET and PET-CT scan rate in England in 2013 was approximately 1,451 scans per million people, compared to Germany at approximately 1,517 scans per million people, Spain at approximately 3,274 scans per million people, France at 4,879 scans per million people and Italy at approximately 5,455 scans per million people (source: Market Research). At 54%, five-year cancer survivorship in the United Kingdom currently lags behind the European average of 67% according to Cancer Research UK, and the Enlarged Group expects demand for PET-CT scans to grow quickly as awareness of its functionality improves and new local capacity is created. If scan volumes continue growing in line with the past, the Enlarged Group expects it will take the United Kingdom approximately 12 years to reach the same per capita number of PET-CT scans as other European countries.

While the Enlarged Group expects growth in diagnostic imaging overall to be in line with GDP, they expect that the molecular imaging market will grow at a rate of 12% to 14% per year over the next four to five years as a result of population growth, accelerated growth of the ageing population (the population over the age of 65 is predicted to grow at a CAGR of 2.1% from 2012 to 2030 (source: Market Research)), an industry shift from basic to more complex diagnostic techniques, the increased incidence of cancer in the general population and advances in medical technology.

The Enlarged Group believes that the NHS will face significant challenges in keeping pace with the growth in demand as a result of the following factors:

- *Budgeting*: the budgets of NHS trusts have in real terms remained flat since 2011/2012, with capital expenditure budgets significantly reduced from prior periods. As a result of this reduction, hospitals have generally been limited to using their capital allocations to replace existing diagnostic scanners rather than acquiring new diagnostic scanners to increase capacity. The Enlarged Group estimates that approximately 35% of NHS hospitals have been unable to acquire replacement diagnostic scanners due to funding shortfalls.
- *Asset base*: without adequate capital allocations to replace old equipment, NHS trusts are lengthening the life cycles of their diagnostic scanners, and approximately 50% of diagnostic scanners in the United Kingdom are operating beyond their recommended useful life. According to the Market Research, NHS England's average MRI scanner and CT scanner age is 6.2 years and 4.9 years, respectively, and the recommended life for MRI and CT scanners is typically around 7 years. The NHS estimates that more than £200 million is required to replace these ageing scanners (source: HM Treasury Statement 2015).
- *Radiologist shortage*: there is a chronic shortage of radiologists and radiographers in the United Kingdom and England has the lowest number of radiologists per capita in Europe at 4.6 per 100,000 (source: The Royal College of Radiologists, 2010 Census). The minimum per capita threshold of radiologists recommended by the Royal College of Radiologists is 8 per 100,000 and this shortage of trained personnel constrains NHS England's ability to increase scanner utilisation.
- *Utilisation*: the limited growth in the number of scanners has been outpaced by the increase in demand for scans, leading to high asset utilisation, with double shifts in many hospitals. The majority of trusts

have already maximised the utilisation of their existing scanners, leaving little space for future capacity growth. In addition, a significant number of NHS hospitals face space constraints which make it difficult to install additional scanners.

- *Growth in demand PET-CT*: the United Kingdom lags behind Europe in terms of access to PET-CT scanning. The per capita PET and PET-CT scan rate in England in 2013 was approximately 1,451 scans per million people, compared to Germany at approximately 1,517 scans per million people, Spain at approximately 3,274 scans per million people, France at 4,879 scans per million people and Italy at approximately 5,455 scans per million people (source: Market Research). The Enlarged Group believes that the PET-CT market will grow rapidly to become more aligned with other European countries as the UK government, and NHS England, have a stated policy of closing this access gap.
- *New disease categories and diagnostics*: while PET-CT is used almost exclusively for the identification and staging of cancer, isotopes have been developed for other disease indications, most notably dementia, which has received significant investment in recent years. While disease modification and control drugs are not yet fully developed, novel diagnostic techniques have gained some measure of clinical acceptance.

As a result of the above factors, the Enlarged Group believes it is unlikely that the NHS will be able to sufficiently increase scanning capacity to meet expected demand levels, which creates a significant opportunity for private sector operators. The Enlarged Group believes Alliance Medical is uniquely positioned to develop molecular imaging services for the United Kingdom and other geographies given its market expertise and leading position.

Italy

Public healthcare in Italy is decentralised among 20 RHAs that manage budget allocations from the SSN, the national healthcare authority, at a regional level to address specific healthcare needs within a particular region. The local health units, or *Azienda Sanitaria Locale* ("**ASLs**"), are primarily responsible for delivering care and commissioning services, including medical imaging. The ASLs allocate approximately one-half of publicly funded scans to directly contracted accredited private clinics. The private provision of medical imaging is embedded into the public healthcare system and receives budgetary allocations from regional governments.

The majority of diagnostic imaging in Italy is publicly funded, with a significant proportion privately delivered through outsourcing arrangements with the local ASLs. In 2015, approximately 52% of diagnostic imaging scans were publicly funded and delivered, 33% of diagnostic imaging scans were publicly funded and privately delivered and the remaining 15% of diagnostic imaging scans were privately funded and delivered (source: Market Research).

In recent years, the RHAs in most regions have increased co-pay levels on diagnostics as a result of rising costs and budget pressures, which has resulted in increased demand for privately funded diagnostics. The privately funded and delivered market is estimated to have grown from approximately 10% in 2010 to 15% in 2015 and is predicted to continue growing in the 3% to 5% range per year until 2020 (source: Market Research). In some RHAs, prices for public co-payments are approaching full private sector prices, which encourages patients to seek privately funded diagnostics for, among other factors, reduced waiting times and flexibility in appointment times.

In 2014 approximately 57% of diagnostic imaging scanners were located in public hospitals with the remaining 43% in private outpatient clinics (source: Market Research). Scanning equipment in the Italian public sector is older than the European average with approximately 25% of MRI scanners in Italy more than 10 years old in 2014 (compared to a European average of 19% of MRI scanners), and scanners are not immediately replaced when they have exceeded their recommended life span due to budget constraints on the RHAs.

The incidence of cancer increases with an ageing population. Above the age of 60, the incidence of cancer is approximately 1,000 per 100,000, which is 10 times the incidence of cancer above the age of 35 (approximately 100 per 100,000), and the population of Italy over the age of 60 is expected to grow at a CAGR of 2.4% between 2015 and 2030 (source: Market Research). The Italian health authorities have emphasised early detection through diagnostic and molecular imaging to improve patient outcomes and, as a result, complex diagnostic and molecular imaging techniques are mature techniques in Italy. The Enlarged Group estimates that approximately 30% to 50% more scans are carried out in Italy than the European average. The percentage growth rates in Italy for complex diagnostic imaging and molecular imaging techniques are lower than in the United Kingdom, with the volume of MRI scans and CT scans growing at a CAGR of 3.2% and 4.5%, respectively, between 2010 and 2015, and the volume of PET and PET-CT scans growing at a CAGR of 7.4% between 2010 and 2014 (source: Market Research). However, given the relative size of the Italian market, the Enlarged Group estimates that the absolute level of growth in demand is similar to the United Kingdom, which provides similar capacity challenges to the RHAs and the ASLs.

Ireland

Public healthcare in the Republic of Ireland ("**Ireland**") is provided by the Health Service Executive (the "**HSE**") and approximately 66% of total healthcare expenditure is publicly funded (source: Market Research).

In Ireland, the provision of diagnostic imaging services is largely publicly funded by the HSE, although there is a significant private medical insurance market. Approximately 60% of MRI and 70% of CT scans in Ireland in 2015 were publicly funded (including publicly funded and privately delivered), with the remainder funded through private medical insurance (source: Market Research). The HSE has indicated that it will prioritise the installation of diagnostic scanning capabilities at general practitioner clinics to reduce waiting times at public hospitals.

Publicly funded and privately delivered diagnostic scans have become more prevalent in Ireland. While there are currently few private sector operators of complex imaging services, recent trends, such as those driving the growth in the imaging market in the United Kingdom and Italy, suggest there is room for growth in the private sector. In addition, hospital budget shortages and labour unions opposing evening and weekend work have contributed to under-utilisation of public MRI and CT equipment, which the Enlarged Group expects should provide an opportunity for private sector operators to capture a significant proportion of the available market growth potential because of their extended hours of operations and higher utilisation rates. As in other European countries, an ageing population is a key contributor to growth in demand for diagnostic imaging services and the Irish population over the age of 65 is expected to grow at a rate of between 3% and 4% for the next 20 years (source: Market Research).

MEDICAL IMAGING SERVICES

During the financial year ended 31 March 2016 and the six months ended 30 September 2016, Alliance Medical generated 74% and 69%, respectively, of its revenue from diagnostic imaging services and 26% and 31%, respectively, of its revenue from molecular imaging services (including its radiopharmaceutical manufacturing operations).

Diagnostic Imaging

Alliance Medical's diagnostic imaging services consist of the provision of MRI and CT scans to public health services and other independent organisations through mobile and fixed location scanners across Europe.

Magnetic Resonance Imaging

MRI is a widely practised imaging technique that uses spatially varying magnetic fields and radio waves to produce cross-sectional two-dimensional and three-dimensional images of organs and internal body structures. Hydrogen nuclei, present in molecules throughout the body, are slightly magnetic. When placed in large external magnetic fields, they can be induced to emit or resonate radio frequency signals. These radio frequency signals are used to construct cross sectional two-dimensional and three-dimensional images of human anatomy, including high resolution images of soft tissue.

MRI has important and advantageous properties that differentiate it from other traditional imaging methods. MRI scans can provide images of any part of the body, in any plane of view, and offer more detailed information than other modalities, such as X-ray, fluoroscopy and computed tomography.

Some advantages of MRI include:

- soft tissue imaging that enables superior tissue visualisation and enhanced differentiation between healthy and diseased tissues;
- unlimited orientation and positioning of the imaging plane;
- the ability to directly acquire volumetric (three-dimensional) data sets;
- the ability to evaluate both the structure and certain functions of internal organs; and
- no harmful ionizing radiation exposure for either the patient or the physician.

MRI scans are used most frequently in neurology, orthopaedic and oncology applications.

Alliance Medical operates MRI scanners in clinics, static hospital installations and mobile scanners, generally focused on outpatient procedures. As at 30 September 2016, Alliance Medical operated 143 MRI scanners, of which 73 were in the United Kingdom, 34 were in Italy, 21 were in Ireland, four were in Spain and 11 were in Northern Europe.

Computed Tomography

A CT scan sends several X-ray beams simultaneously from different angles to produce two-dimensional or three-dimensional images of body structures. Tomography is the process of generating a two-dimensional image of a slice or section through a three-dimensional object. Multiple two-dimensional sections can be combined together 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 facilitates its use 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.

Alliance Medical operates CT scanners in clinics, static hospital installations and mobile scanners. As at 30 September 2016, Alliance Medical operated 49 CT scanners, of which 15 were in the United Kingdom, 17 were in Italy, six were in Ireland, three were in Spain and eight were in Northern Europe.

Molecular Imaging

Alliance Medical's molecular imaging services consist of the provision of PET-CT scans to public health services and other independent organisations through mobile and fixed location scanners across Europe and the manufacture of certain radiopharmaceuticals for use in PET-CT scanning applications.

Positron Emission Tomography – Computerised Tomography

PET-CT is one of the most powerful imaging tools available to clinicians today in the diagnosis and staging of cancer and increasingly other conditions such as cardiac and neurological diseases.

In PET-CT procedures, a radiopharmaceutical is injected into a patient, which localises in a specific organ or system within the body. The radiopharmaceutical emits small amounts of measurable positron radiation that are captured by a PET camera that generates an image of the specific organ or system for the clinician to read.

A key advantage of PET-CT is that it enables doctors to identify small changes in body tissues at the cellular level by highlighting physiological processes rather than anatomical structure, which permits the early diagnosis and staging of cancer and other degenerative conditions.

As at 30 September 2016, Alliance Medical operated 35 PET-CT scanners, of which 19 were in the United Kingdom, five were in Italy, one was in Ireland, one was in Spain and nine were in Northern Europe.

Radiopharmaceutical Manufacturing

Radiopharmaceuticals are radioactive chemicals used by clinicians to perform molecular imaging procedures, including PET-CT. In certain circumstances, a radioisotope is attached to a chemical compound to form the radiopharmaceutical. This act of attaching the radioisotope to the chemical compound is called radiolabeling.

Alliance Medical's products consist of radioisotopes and chemical compounds that are radiolabeled. Radioisotopes are most commonly manufactured in a cyclotron, which is a type of particle accelerator that creates radioisotopes. Alliance Medical manufactures radiopharmaceuticals for its PET-CT scanning operations, and also sells radioisotopes commercially to other PET operators and for use in clinical trials. Alliance Medical owns and operates four cyclotrons in the United Kingdom and one in Italy.

DESCRIPTION OF ALLIANCE MEDICAL'S BUSINESS SEGMENTS

Alliance Medical's operations are divided into five geographic reporting segments: United Kingdom, Italy, Ireland, Spain and Northern Europe. Alliance Medical derives the majority of its revenue from its operations in the United Kingdom and Italy, accounting for 53% and 31%, respectively, of total revenue for the financial year ended 31 March 2016 and 55% and 28%, respectively, of total revenue for the six months ended 30 September 2016.

United Kingdom

Overview

Alliance Medical offers MRI, CT and PET-CT services and manufactures radiopharmaceuticals in the United Kingdom. It also provides limited non-complex diagnostic services as a complement to its core complex diagnostic services at certain sites. As at 30 September 2016, Alliance Medical provided diagnostic imaging services and molecular imaging services to both the NHS and private hospitals through 88 diagnostic imagining scanners at 37 diagnostic imaging sites and 34 mobile scanners and operated 31 PET-CT National Contract sites supported by 45 mobile scanners. In the financial year ended 31 March 2016, Alliance Medical generated revenue of £116.0 million and EBITDA of £35.4 million in the United Kingdom. In the six months ended 30 September 2016, Alliance Medical generated revenue of £65.8 million and EBITDA of £19.9 million in the United Kingdom.

The table below provides a summary presentation of the scanners owned by Alliance Medical in the United Kingdom as at 30 September 2016:

Type	**Number of units**
MRI	
• Hospital	40
• Clinic	4
• Mobile	29
CT	
• Hospital	9
• Clinic	1
• Mobile	5
PET-CT	
• Hospital	7
• Clinic	1
• Mobile	11

NHS Partnership

Alliance Medical is an established partner to numerous NHS trusts in the United Kingdom. As part of its partnership approach, Alliance provides end-to-end services to NHS trusts, including the design, construction and operation of facilities for static scanners:

- *Facility design*: if requested by the particular trust to address capacity or space issues, Alliance Medical finances, designs and builds facilities for static scanners. Alliance Medical has developed a range of innovative and scalable designs for outpatient scanning facilities.
- *Equipment provision and maintenance*: Alliance Medical finances, sources and maintains scanners on behalf of its NHS partners, including both static hospital installations and community-based diagnostic centres (see "—*Community Diagnostic Model*" below).
- *Contract management*: includes the provision of administrative and booking services for hospitals and general practitioner referrals to manage outpatient visits.
- *Radioisotope production and delivery (for PET-CT applications)*: through its radiopharmaceutical business, Alliance Medical provides a fully-integrated supply chain for manufacturing and delivering radioisotopes for PET-CT scanning, which eliminates the need for the trust to source radioisotopes from other manufacturers.
- *Radiography and interpretation*: comprises the operation of MRI, CT and PET-CT scanners and the interpretation of the results using Alliance Medical's radiologists. Alliance Medical utilises a cloud-based IT platform which matches radiologist demand to capacity across the United Kingdom (see "—*Information Systems*").
- *Staffing, training and reporting*: there is a chronic shortage of radiologists and radiographers in the United Kingdom and Alliance Medical recruits and trains consultant radiologists, radiographers and clinical assistants, leveraging its international network to attract radiologists and radiographers to the United Kingdom.
- *Contract governance and management*: Alliance Medical maintains a fully integrated clinical governance structure that includes detailed reporting key-performance indicators to the governing body of the NHS trust.
- *IT integration*: Alliance Medical's IT platform is designed to provide seamless image and reporting transfers from its clinics to its customers utilising its proprietary cloud-based platform.
- *Interim flexible capacity support*: Alliance Medical maintains a large fleet of mobile scanners that can be used on both an interim basis and to provide backup capacity during service outages.

For every diagnostic scan performed on behalf of its NHS partner trust, Alliance Medical receives a contractual amount, typically based on the prevailing tariff at the time of the contract, which is set by the NHS. A small proportion of Alliance Medical's contracts are set at a "tariff" that varies with the prevailing tariff at the time of the scan. Alliance Medical bears all costs and expenses for the design, maintenance and operation of its diagnostic facilities, including maintenance of its scanners.

In the case of PET-CT scans, there is no NHS tariff amount and Alliance Medical receives the PET-CT National Contract amount for sites within the contract, which is fixed for the duration of the contract. Outside of the PET-CT National Contract, tariffs for scans vary by site, with scans costing slightly more in London.

During the financial year ended 31 March 2016, Alliance Medical performed approximately 435,000 complex imaging scans on behalf of NHS partner trusts. NHS scans accounted for 75% and 84%, respectively, of Alliance Medical's revenue for the financial year ended 31 March 2016 and the six months ended 30 September 2016.

Private insurance and self-pay

Alliance Medical's outpatient clinics may be accessed through the NHS or privately, and Alliance Medical has historically been able to maintain higher utilisation rates for its diagnostic scanners by providing scans to both NHS and private patients. The private healthcare industry has seen a similar increase in demand and diagnostic imaging is expected to remain a growth area for private hospitals because of the potential to provide earlier diagnosis and improve treatment outcomes.

Alliance Medical charges private insurers and self-payors on a fee-per-scan basis. Alliance Medical negotiates on an annual basis with the private insurance companies to determine the tariffs to be charged for its scans and these tariffs vary by insurer with some adjustment for London-based services. Private insurers typically maintain a list of approved providers and Alliance Medical has a large number of preferred network arrangements with private insurers. As a result of these preferred network arrangements, Alliance Medical receives increased scan volumes, which in turn provides increased revenue. Examples of Alliance Medical's preferred network arrangements include BUPA and Vitality Health. Alliance Medical has experienced downward pricing pressure in recent years as scan volumes have increased and private medical insurers have sought to benefit from higher equipment utilisation rates.

Self-pay patients pay fees per scan that are set by the individual Alliance Medical clinic, and may vary by region. Unlike privately-insured patients, self-pay patients are free to use any clinic and Alliance Medical competes for such patients on the basis of price, convenience and quality of facilities.

During the financial year ended 31 March 2016, Alliance Medical performed approximately 122,000 diagnostic imaging scans for private patients in the United Kingdom (including both privately insured and self-pay). Private scans accounted for 25% and 16%, respectively, of Alliance Medical's revenue for the financial year ended 31 March 2016 and the six months ended 30 September 2016.

Community Diagnostic Model

Alliance Medical has developed a community diagnostic model, the objective of which is to provide additional non-urgent outpatient diagnostic capacity to ease the burden on diagnostic units in NHS hospitals. Under this model, Alliance Medical designs, builds and operates a community-based diagnostics centre for out-patient scans. The hospital-based diagnostic units retain their lead role, but the community facilities are available for both hospitals and general practitioner referrals and operate in coordination with existing hospital services. In addition, when capacity is not required for NHS scans, Alliance Medical's community-based facilities are available for private referrals, which leads to increased scanner utilisation and higher revenue. Community-based diagnostic facilities may be located on hospital grounds or within the community and are designed to be in close proximity to transportation links and/or sufficient parking capacity for patients. These facilities are designed to accommodate a range of diagnostic services, to fulfil the growth requirements of the commissioning NHS trust. The benefit of this model is that Alliance Medical is effectively contracting to provide the incremental future diagnostic needs for a geographic population set, rather than competing for individual scanner arrangements.

In April 2016, Alliance Medical entered into an agreement to construct and operate its first community diagnostic facility in the United Kingdom.

PET-CT National Contract

In 2015, Alliance Medical won all four lots of a series of public tenders issued by the NHS, resulting in a single contract with the NHS to be the sole provider of PET-CT scans, covering 50% of the English population. Under the contract, Alliance Medical has agreed to provide PET-CT scans on a fixed-price per scan, unlimited volume basis until 2025, at which time the contract will be subject to renewal. While Alliance Medical bears limited inflation risk, the NHS has committed to price adjustments if inflation is above a certain level. The tender proposals require Alliance Medical to provide 25 static PET-CT scanners during the first three years of the contract and, as at 30 September 2016, Alliance Medical had purchased 10. The PET-CT National Contract has a staged implementation under which Alliance Medical was required to provide approximately 33,000 scans during the financial year ended 31 March 2016, and is required to provide 48,000 scans in the financial year ended 31 March 2017, growing to 200,000 scans in the financial year ended 31 March 2020.

Prior to the PET-CT National Contract, the majority of PET-CT scans were provided as a mobile service. However, under the new contract, Alliance Medical has and will invest in static scanning facilities, many of which are and will be purpose-built in regional, targeted cancer centres which are intended to increase patient access and provide capacity to satisfy the expected unfulfilled demand.

As the PET-CT National Contract is geographically defined, Alliance Medical is required to determine the optimal location for its scanning facilities within the contractually designated regions, which will typically, though not necessarily, be within or in close proximity to an existing NHS facility. The Enlarged Group expects that the development of community-based diagnostic facilities and mobile scanning capacity will provide the most efficient means of providing the required scanning capacity.

Molecular Imaging Collaborative Network

The Molecular Imaging Collaborative Network ("**MICN**") is a partnership with Alliance Medical, The Christie (the largest cancer centre in Europe), other NHS hospitals, patient representatives, academic centres, charities and commissioners to develop a strong governance framework for molecular imaging in the United Kingdom. Through MICN, Alliance Medical has agreed to collaborate with certain other PET-CT facilities in the United Kingdom to develop and achieve quality standards for PET-CT and to develop industry protocols. The key objective of MICN is to build a world-leading research base in the United Kingdom through common protocols being developed and applied across the 31 cancer centres that are a part of the PET-CT National Contract and two others that are supported by Alliance Medical. This is expected to create the largest distributed research network with common protocols and integrated radiopharmaceutical production capability in the world.

Radiopharmaceutical Manufacturing

Alliance Medical manufactures radioisotopes for its PET-CT scanning operations, and also sells radioisotopes commercially to other PET operators and for use in clinical trials. As the only vertically integrated PET-CT operator and radiopharmaceutical manufacturer in the United Kingdom, Alliance Medical benefits from supply chain certainty for its PET-CT scans and significant economies of scale as the marginal cost of radiopharmaceuticals per scan is low once minimum production volumes are attained due to the batch production nature of radiopharmaceutical production.

Manufacturing and distribution of radiopharmaceuticals consists of the following steps:

- Isotope production: the first stage is the production of the radioactive fluorine-18 isotope. Fluorine-18 is created in a cyclotron, which is a particle accelerator that creates radioactive atoms through bombardment of oxygen atoms with hydrogen ions.
- Radiopharmaceutical production: the second stage is the production of the radioactive tracer that is used to create the image. FDG is created in a synthesis module where the fluorine-18 isotope is attached to a glucose molecule that the body can metabolise.
- Distribution: fluorine-18 has a half-life of 110 minutes, and transportation should take no more than two hours to the PET-CT site with dosing occurring shortly after FDG is delivered. FDG expires within 12 hours of preparation.

As the largest multi-site manufacturer of radiopharmaceuticals in the United Kingdom, Alliance Medical has minimised supply chain risk with its integrated manufacturing operations. The short half-life of fluorine-18 radioisotopes means they cannot be stored and accordingly are manufactured for same-day use. The failure to supply required FDG means that scheduled scans are not performed. As the operator of four of the six commercial cyclotrons operating in the United Kingdom, Alliance Medical's manufacturing network has built in redundancy to ensure stability of its supply. The Enlarged Group believes that Alliance Medical has sufficient capacity to expand FDG production as demand for PET-CT increases in the medium term.

The manufacture of radiopharmaceuticals for other PET operators accounted for 5% of Alliance Medical's revenue for the financial year ended 31 March 2016 and the six months ended 30 September 2016.

Italy

Overview

Alliance Medical commenced operations in Italy in 2004 through the acquisition of an established diagnostic imaging business. It offers MRI, CT and PET-CT services, as well as a broad range of other diagnostic and treatment services through its network of private clinics. As at 30 September 2016, Alliance Medical provides diagnostic imaging services and molecular imaging services at 22 static diagnostic imagining sites and 13 owned clinics across Italy. In the financial year ended 31 March 2016, Alliance Medical generated revenue of £68.2 million and EBITDA of £19.2 million in Italy. In the six months ended 30 September 2016, Alliance Medical generated revenue of £33.7 million and EBITDA of £8.8 million in Italy.

The table below provides a summary presentation of the scanners owned by Alliance Medical in Italy as at 30 September 2016:

Type	Number of units
MRI	
• Hospital	7
• Clinic	27
CT	
• Hospital	6
• Clinic	11
PET-CT	
• Hospital	3
• Clinic	2

Geographic distribution

Alliance Medical operates imaging clinics at static sites across Italy with geographic concentrations in the Lombardy, Piedmont and Lazio regions of Italy and is the only medical imaging operator with a nationwide presence. As a result, Alliance Medical is not reliant on any one particular region or RHA, although Alliance Medical has focused on the more affluent northern regions of Italy.

Italy's regional private sector diagnostic imaging market is highly fragmented and estimated to consist of more than 1,200 providers, many of which are owner/manager single-site clinics (source: Market Research), providing a significant market consolidation opportunity for a scale operator such as Alliance Medical.

Private clinic model

In Italy, the private provision of medical imaging is embedded into the public healthcare system and receives budgetary allocations from regional governments. Approximately 33% of all publicly funded scans in Italy are allocated to accredited private outpatient clinics. Alliance Medical has a strong relationship with the RHAs in the provinces in which it operates.

Unlike in the United Kingdom where the community diagnostic approach is still being developed (see "—*United Kingdom—Community Diagnostic Model*"), the majority of outpatient imaging in Italy occurs through private community clinics, such as those operated by Alliance Medical. The community clinic model is well established and the SSN has demonstrated increasing reliance on private operators. While historically this has been provided as an alternative to hospital-led services, the Enlarged Group believes the partnership elements of the community-based diagnostic model developed in the United Kingdom may prove successful if implemented in Italy and other markets.

As at 30 September 2016, Alliance Medical operated 13 community clinics in Italy.

Patients

Alliance Medical has a diversified patient base in Italy, consisting of publicly-funded, privately-insured and self-pay patients.

Whilst a national tariff is set centrally by the SSN, RHAs are permitted to, and do, vary this tariff at a provincial level. This has led to variability in public tariffs for diagnostic services between RHAs, with a higher average value in the north of Italy. Public tariffs have recently been subject to price decreases in accordance with the national tariff system, which, although not binding on the RHAs, has historically guided regional pricing strategies. While there have been increases on tariffs in recent years, RHAs have generally increased the level of co-payments, which are the payments the patients themselves are required to pay for publicly provided medical services, to limit the impact on the amount paid for diagnostics by the public sector. Publicly funded scans in Italy accounted for 66% and 64%, respectively, of Alliance Medical's revenue for the financial year ended 31 March 2016 and the six months ended 30 September 2016. This decrease was due in part to a refocusing and non-renewal of certain lower-margin contracts as well as increased patient co-pay amounts.

PET-CT

The majority of PET-CT scanners are located in northern Italy. Growth in volume of PET-CT scans has been driven by favourable tariffs which reflect the clinical efficacy of PET-CT as a diagnostic tool. In Italy, PET-CT is increasingly being used for other applications, such as neurology. While the growth in volume of PET-CT scans is expected to continue, the lack of public sector infrastructure is expected to lead to a significant opportunity for private sector operators, such as Alliance Medical.

As at 30 September 2016, Alliance Medical operated five PET-CT scanners facilities in Italy and a cyclotron in Sardinia for the manufacture of FDG.

Ireland

The Ireland division comprises Alliance Medical's operations in the Republic of Ireland and Northern Ireland and offers MRI, CT, and PET-CT services. As at 30 September 2016, Alliance Medical provided diagnostic imaging services and molecular imaging services to both public and private hospitals at 19 operating sites across Ireland. In the financial year ended 31 March 2016, Alliance Medical generated revenue of £19.2 million and EBITDA of £4.9 million in Ireland. In the six months ended 30 September 2016, Alliance Medical generated revenue of £10.7 million and EBITDA of £3.0 million in Ireland.

The table below provides a summary presentation of the scanners owned by Alliance Medical in Ireland as at 30 September 2016:

Type	Number of units
MRI	
• Hospital	19
• Clinic	2
CT	
• Hospital	4
• Clinic	1
• Mobile	1
PET-CT	
• Hospital	1

Alliance Medical is a leader in the development of the private provision of complex diagnostic imaging services in the Republic of Ireland, having developed the first PPP in Ireland providing complex diagnostic imaging and molecular imaging services to Cork University Hospital. Alliance Medical operates one of the four PET-CT scanners in Ireland (and the only private PET-CT scanner in the country). Alliance Medical has gained market share in Ireland in recent years, notably in MRI where it now has a significant share of the market.

In Ireland, public hospital tenders for private diagnostic imaging services are centralised and run by the HSE, although the particular hospital makes the final decision following an evaluation process. The HSE has historically preferred to resolve capacity issues within the public sector rather than going through a private tender process, although because of the capacity constraints facing the HSE, the Enlarged Group expects there will be significant opportunities for private sector operators to meet demand in the future. For private hospitals, the tender process and the final decision are made by the hospital itself and the HSE is not involved.

Spain

Alliance Medical has offered complex diagnostic imaging and molecular imaging services in Spain since 2004. In the financial year ended 31 March 2016, Alliance Medical generated revenue of £5.9 million and EBITDA of £3.1 million in Spain. In the six months ended 30 September 2016, Alliance Medical generated revenue of £3.1 million and EBITDA of £1.3 million in Spain.

The table below provides a summary presentation of the scanners owned by Alliance Medical in Spain as at 30 September 2016:

Type	Number of units
MRI	
• Hospital	2
• Clinic	2
CT	
• Hospital	2
• Clinic	1
PET-CT	
• Mobile	1

Northern Europe

Alliance Medical's Northern Europe business segment comprises operations in the Netherlands, Germany, Finland, Bulgaria, France and Norway. It offers complex diagnostic imaging and molecular imaging services across the region. In the financial year ended 31 March 2016, Alliance Medical generated revenue of £9.5 million and EBITDA of £2.0 million in its Northern Europe segment. In the six months ended 30 September 2016, Alliance Medical generated revenue of £5.8 million and EBITDA of £1.4 million in its Northern Europe segment.

The table below provides a summary presentation of the scanners owned by Alliance Medical in Northern Europe as at 30 September 2016:

Type	Number of units
MRI	
• Mobile	11
CT	
• Mobile	8
PET-CT	
• Hospital	2
• Mobile	7

SUPPLIERS

Alliance Medical purchases the majority of its scanners from manufacturers, including GE, Philips and Siemens, according to need and with no contractual or purchase obligations with any manufacturer. Alliance Medical has been able to use its relative scale in the complex imaging market to negotiate discounts on both equipment and maintenance with manufacturers, and the Enlarged Group believes that Alliance Medical generally pays less for equipment and maintenance than public health services purchasing similar equipment. Alliance Medical does not enter into long-term supply contracts for its scanners and is not exposed to risks relating to supplier concentration.

In addition to scanner manufacturers, Alliance Medical engages with a range of suppliers in the operation of its business and maintenance of its scanners, including the supply and maintenance of buildings and facilities, the supply of consumables and other maintenance items for scanners, the supply of surgical items, the supply of IT infrastructure and hosting, fit out design and construction and other professional services.

Alliance Medical's procurement is managed at a country level other than in respect of scanner purchases and maintenance arrangements, which are centrally managed for economies of scale. The Enlarged Group believes that Alliance Medical has very good relationships with its suppliers.

COMPETITION

In its primary markets, Alliance Medical competes with InHealth in the United Kingdom, Medipass and Affidea in Italy and Affidea in Ireland. Alliance Medical competes within each region for patients, radiologists, radiographers and other healthcare professionals. In addition, Alliance Medical competes for contracts with national health authorities and preferred service arrangements with private insurance companies. Alliance Medical competes primarily based upon the quality of its services and price at a local market level.

EMPLOYEES AND MEDICAL STAFF

During the year ended 31 March 2016, Alliance Medical employed on average the following numbers of staff in the positions specified below:

	Year ended 31 March 2016
Non-employed clinical[(1)]	900
Clinical	603
Non-clinical (front-end)	676
Overhead	231
Total	**2,410**

Note:

(1) The radiologists who are affiliated with Alliance Medical are self-employed independent contractors and are not employed by Alliance Medical.

Alliance Medical employs a competitive compensation model, and monitors and responds to developments in the industry. During the period under review, staff turnover rates have remained relatively constant across the United Kingdom and Italy.

Alliance Medical seeks to continuously invest in its staff base through regular training sessions for both clinical and non-clinical staff. Alliance Medical offers specific training for radiologists, technologists and radiographers, which is provided through The Christie's School of Oncology (through MICN).

INFORMATION SYSTEMS

Alliance Medical utilises a single core accounting system which is used across all of its operating segments. This system is supported by a radiography information system picture archiving and communications service and other systems that are shared across the Alliance Medical group.

In the United Kingdom, Alliance Medical operates a radiography information system picture archiving and communications service ("**Imogen**"), which was developed for Alliance Medical and provides a cloud-based platform for storage and sharing of scan results. Alliance Medical utilises its Imogen system to match demand for radiologist services to capacity across its UK network.

HEALTH AND SAFETY

Alliance Medical recognises that the health and safety of its employees, patients and associates is of paramount importance and accordingly has adopted health and safety policies that comply with applicable health and safety legislation, including the UK Health & Safety at Work etc Act of 1974 ("**Health & Safety Act**") and the UK Health and Social Care Act of 2008 ("**HSCA**"). To ensure compliance with these laws, Alliance Medical maintains a Health and Safety committee. In addition, Alliance Medical employs a third-party consultant, where appropriate, to provide advice and guidance to Alliance Medical's management team, including independent advice regarding health and safety laws and ways to improve Alliance Medical's health and safety policies and procedures.

ENVIRONMENTAL

Alliance Medical aims to comply with all applicable environmental legislation, including those imposed by the Environment Agency and the Administration of Radioactive Substances Advisory Committee. One of Alliance Medical's primary environmental obligations is the proper handling of radioactive substances in its production and use of radiopharmaceuticals and, as at the Last Practicable Date, Alliance Medical maintains all necessary licences and permits. Alliance Medical monitors each division to ensure compliance with its regulatory obligations.

INSURANCE

Alliance Medical holds a number of insurance policies which are adjusted on an ongoing basis according to current circumstances. The Enlarged Group believes that Alliance Medical's insurance coverage, including the maximum coverage amounts and terms and conditions of the insurance policies, are both standard for its industry and appropriate.

MATERIAL LITIGATION

As at the Last Practicable Date, Alliance Medical is not involved in any material litigation or arbitration proceedings, nor are the Directors aware of any pending or threatened legal issues, which may have or have had, in the twelve-month period preceding the date of this Circular, a material effect on the Enlarged Group's financial position.

REGULATORY MATTERS

OVERVIEW

The Enlarged Group is subject to numerous supranational, national and local laws and regulations relating to licences, conduct of operations, security of medical records, occupational health and safety, quality standards and certain categories of pricing, competition, health and safety, privacy of personal information, export control, employment equity, skills development and employment regulations.

The regulatory environment affects the cost and quality of care, growth of the Enlarged Group, and can also have an impact on information systems and security. Non-compliance may lead to penalties or withdrawal of the licence to operate, and holds reputational risk for the Enlarged Group.

These laws and regulations change frequently, as do the priorities of those who enforce them, and the Enlarged Group could incur additional costs complying with future laws and regulations.

SOUTH AFRICA

Introduction

The business of Life Group in South Africa is subject to a number of laws, including the NHA, the Medicines and Related Substances Act, 1965 (the "**Medicines Act**"), the Mental Health Act, OHSA, the LRA, the B-BBEE Act, POPI and a number of environmental laws.

Private healthcare establishments are required to comply with a range of overlapping national and provincial legislation.

The primary areas of regulation in the private sector include medicine prices, licensing for the construction and operation of private hospitals and day clinics, inspections of private hospitals and ethical regulations applicable to health professionals.

No government protections or investment-encouraging laws affect the Enlarged Group's business.

The South African Government's Strategic Plan 2014/15–2018/19 includes a number of proposals aimed at reforming regulation enforced by the National Department of Health. These include:

- the promulgation into law of a National Health Insurance Bill by 2018/19, which will introduce a national health insurance system;
- the implementation of a functional National Pricing Commission to regulate private healthcare by 2017;
- adjustments to the prices of original and generic medicines; and
- the regulation of all complementary and alternative medicines, medical devices and in vitro diagnostics by 2018/19.

The release of the White Paper on National Health Insurance in December 2015 and Presidential assent to the Medicines and Related Substances Amendment Act (14 of 2015) are the first steps in the implementation of these proposals.

The National Health Act

The NHA provides a framework for a uniform health system in South Africa. It outlines the laws that govern national, provincial and local government with regard to the provision of health services. The NHA establishes that healthcare is a right and that the South African Government has a duty to do what it can to provide its citizens with the right to have access to healthcare services. It recognises that no person may be refused emergency medical treatment and that everyone has the right to an environment that is not harmful to their health. The aim of the NHA is to make sure that everyone has access to equal healthcare services by building a national health system that governs both public and private health services. It sets out the rights and duties of all health practitioners, and protects the right of children to basic nutrition and healthcare, as well as the rights of vulnerable groups (e.g. women, older persons, and people with disabilities).

During the course of 2009, the South African Government announced that it intended to introduce a system of national health insurance by April 2010. However, as at the Last Practicable Date the South African Government has not published any proposals detailing what the NHI may entail.

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

The expectation was that the document would provide a clear way forward, and in particular include clear guidance, backed by the Treasury, on how public healthcare could be financed. The White Paper does not address a number of these expectations. The NHI addresses the current fragmentation in the healthcare system between the public and private sectors. The ultimate goal of the NHI is universal health coverage.

The principal features of the NHI are summarised as "universal access", "mandatory prepayment of health care", "comprehensive services", financial risk protection", a "single fund", using a "strategic purchaser" and a "single payer". The White Paper describes a three-phase process of implementation over a 14-year period:

- Phase 1 (five years; 2012/2013 to 2016/2017), focused on strengthening the public health sector, but also implementing key enablers such as the Office of Health Standards Compliance.
- Phase 2 (five years; 2017/2018 to 2020/2121), focused on the registration of the population and the creation of a transitional NHI Fund to purchase non-specialist primary healthcare services from "certified and accredited public and private providers", but also with some amendments to the Medical Schemes Act.
- Phase 3 (four years; 2021/2022 to 2024/2025), focused on bringing the NHI Fund into full operation as a strategic purchaser and single payer of comprehensive health services, including specialist services, which will require wide-ranging legislative reforms.

Life Group submitted its response to the NHI White Paper in May 2016. Life Group fundamentally supports the principle that all South Africans should have access to affordable, comprehensive quality healthcare services, but questions the approach of the NHI policy in its current form. Life Group's view is that the NHI fails to address the critical issues required to ensure universal health coverage, namely, developing a well-run and functioning public sector, improving management skills and addressing the shortage of healthcare professionals. Additionally, even with a conservative funding estimate of R110 billion a year, in 2010 prices, the Enlarged Group believes that the NHI proposal is unaffordable (by 2010 prices, it is estimated that the level of public spending would need to increase to approximately 6.2% of GDP by 2025/2026, compared to 4% of GDP in 2015/2016) and is unlikely to be implemented by 2025 as scheduled. Life Group 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 more broadly.

The South African Minister of Finance indicated in the budget speech on 23 February 2017 that the South African Government is revising its NHI White Paper and that the establishment of the NHI is imminent, although there is currently no date for implementation. It was further noted that more information on how the NHI fund will be set up and funded will be provided in the interim government budget in October 2017.

The Minister of Health intends to set quality norms and standards under the NHA. These norms and standards will be aligned with the norms and standards for health establishments as published by the Office of Health Standards Compliance.

The draft norms and standards were published for comment in March 2015. Life Group has reviewed the documents and presented its comments to HASA. HASA has submitted consolidated public comments on the regulations to the Minister of Health that highlight many issues in the regulations that relate to the fact that the regulations apply equally to public and private facilities despite the significant differences between the two in operating practices and regulatory frameworks.

The NHA empowers the Minister of Health (after consultation with the National Health Council) to make regulations regarding the procedures to be implemented by the Director General of the National Department of Health ("**DG**") in order to obtain information from stakeholders, such as private hospital groups, regarding, amongst other things, the price of health services and the business practices of private hospitals. Further, the Minister of Health is empowered to publish regulations regarding the process for determination of a reference price list ("**RPL**") by the DG for services rendered, procedures performed and consumable and disposable items utilised by various health establishments, healthcare providers or health workers in the private sector. The RPL is intended to be used by medical schemes as a reference to determine their own benefits and by private hospitals to determine their own fees. Although the RPL is not mandatory, because reimbursement by medical schemes makes up of large portion of private hospitals' revenue, the level at which the RPL is set remains significant. Currently, as a result of various court challenges to the 2009 RPL, there is no RPL in place.

The National Health Act authorises the Minister of Health (the "**Minister**") to prescribe regulations regarding applications for, and the granting of, certificates of need. The National Health Act further criminalises the provision of health services without holding a certificate of need.

The certificate of need provisions requires healthcare professionals to obtain a certificate of need in order to establish, construct, modify or acquire a health establishment (including a practice, a clinic, a hospital etc., whether public or private). A decision on whether to grant a certificate of need would take into account the equitable distribution of health services in a geographic area or to a particular population, among many other factors. The purpose of issuing certificates of need is to better and more equitably use all of the health resources available in the country to fulfil the rights of everyone to access healthcare services. Possession of a certificate of need would allow a healthcare facility to be accredited to provide services at state cost under NHI. Finally, it would signify compliance with a set of standards to be met by public and private healthcare providers.

As at the Last Practicable Date, the relevant sections giving effect to the criminalisation as aforementioned are not yet operational, following the setting aside of the Proclamation of the President purporting to do so, by the Constitutional Court on 27 January 2015, and the regulations regarding the procedures applicable to certificates of need are not yet in place.

The Medicines Act

The Medicines Act empowers the Minister of Health, amongst other things, to make regulations regarding the introduction of a transparent pricing system for all medicines and scheduled substances (referred to collectively as "**medicines**") sold in South Africa. The SEP Regulations promulgated by the Minister on 11 November 2005 introduced a form of price control for the supply of medicines in South Africa.

Generally, manufacturers, distributors, wholesalers and retailers of medicines are required to sell medicines at the single exit price, although distributors and wholesalers retain a logistics fee (as compensation for the logistical services they offer). Pharmacists are entitled to charge a dispensing fee which is to be prescribed by the Minister (on the recommendation of the Pricing Committee).

The Medicines Act controls additional aspects of medicine pricing. No person may supply medicine according to a bonus system, a rebate system or any other incentive scheme. Further, the Medicines Act prohibits the free supply of medicines from manufacturers or wholesalers to, *inter alia*, pharmacists.

The Medicines and Related Substances Amendment Act, 2015 ("**2015 Amendment Act**") was passed by Parliament after an extensive series of public hearings in the provinces, and assented to by the President in December 2015. However, the next steps are complex. The 2015 Amendment Act comes into effect as soon as the previous Medicines and Related Substances Amendment Act, 2008 ("**2008 Amendment Act**") is promulgated. It is unclear how this provision will operate if, as is expected, the 2008 Amendment Act is brought into effect in phases. The promulgation must be co-ordinated with the development of extensive new regulations and guidelines. In addition, the creation of a new South African Health Products Regulatory Authority ("**SAHPRA**") will require careful attention to labour law issues such as provisions relating to the transfer of staff from the National Department of Health to the new authority, and to the appropriate financing and initial capitalisation of the structure. Together, the 2008 Amendment Act and 2015 Amendment Act will replace the existing Medicines Control Council ("**MCC**") with SAHPRA.

The 2008 Amendment Act and the 2015 Amendment Act will need careful promulgation, once the necessary secondary (regulations) and tertiary (guidelines) legislation have been developed. The new SAHPRA is not expected to come into operation before 2017, and will have to address the backlog in registration applications for medicines that is the legacy of the MCC and complete and entrench the effective regulation of complementary medicines and medical devices.

The Mental Health Act

Mental healthcare clinics are licensed under a separate, but parallel, legal regime to that governing private hospitals and unattached operating-theatre units.

An application for a licence to operate a private hospital providing mental health services must be made in accordance with the Private Hospital Regulations (see regulation 42(1) of the General Regulations (published under GNR 1467 in Government Gazette 27117, 15 December 2004 and corrected by GNR 98 in Government Gazette 27236, 11 February 2005 ("**Mental Health Regulations**")). In addition, a private hospital which intends to admit assisted or involuntary mental healthcare users (patients) must also apply in writing to the National Department of Health for a licence (regulation 42(2) of the Mental Health Regulations). The application for this licence is required to indicate that the mental healthcare practitioners (who will examine patients) will not be employed by the private hospital and will have no material or financial interest in the private hospital. Additionally, the written application must indicate that the private hospital has been inspected and audited by designated officials of the provincial Department of Health and found to be suitable to accommodate patients.

The Mental Health Regulations further provide for a range of conditions which may apply to a licence to admit patients to a private mental health hospital, including the duration of the licence, that the licence is not transferable and that the renewal of the licence by the province must be based on an inspection. A licence may be withdrawn if there is non-compliance with one of the compulsory licence conditions.

A service which provides residential or day-care facilities for five or more people with mental disorders (which is not directly run under the auspices of an organ of state and which is not a designated hospital) must also obtain a licence from the provincial Department of Health in order to operate and is subject to an annual audit by designated officials of the provincial Department of Health.

The provincial regulation of private hospitals

Because health is a functional area of concurrent national and provincial legislative competence in Schedule 4 of the Constitution of the Republic of South Africa, 1996, a number of provinces have passed their own legislation governing the provision of healthcare. In relation to private hospitals, a number of the provinces provide for the licensing of private hospitals at a provincial level (in other words, a private hospital cannot be established or operated without certain permissions from the provincial Department of Health). Additionally, there is often provision for the award of grants-in-aid to private hospitals which may for example, pay for the free treatment of state patients in private hospitals or the maintenance of buildings and equipment. Generally, if a grant-in-aid is awarded there will be a concomitant obligation on the private hospital to the relevant provincial department.

Competition Law

The Competition Act regulates competition and uncompetitive behaviour in South Africa. Broadly speaking, the Competition Act deals with both prohibited practices and merger control. Prohibited practices include anti-competitive agreements and practices between competitors, as well as decisions by associations of competitors, such as price fixing. Dominant firms are also prohibited from abusing their position of dominance in terms of the Competition Act.

With regard to merger control, qualifying mergers and acquisitions must be approved by the relevant competition authorities. Any future merger or acquisitions by Life Group may require approval by the relevant competition authorities.

The Competition Commission is conducting a market inquiry into the private healthcare sector in terms of Chapter 4A of the Competition Act. Section 21 of the Competition Act instructs the Competition Commission to, amongst other things, "implement measures to increase market transparency" and "advise, and receive advice from, any regulatory authority". In order to fulfil these functions, and in line with the purpose of the Competition Act, Chapter 4A of the Act enables the Competition Commission to conduct market inquiries in respect of the "general state of competition in a market for particular goods and services, without necessarily referring to the conduct or activities of any particular name firm". A market inquiry is therefore a general investigation into the state, nature and form of competition in a market, rather than a narrow investigation of a specific conduct by any particular firm. The Competition Commission has initiated an inquiry into the private healthcare sector because it has reason to believe that there are features of the sector that prevent, distort or restrict competition.

Environmental Laws

The framework of South Africa's environmental management legislation is prescribed by the National Environmental Management Act, 1998 ("**NEMA**"). Other environmental management acts have been enacted to regulate specific environmental aspects, including the National Environmental Management: Waste Act, 2008 ("**Waste Act**"), which regulates the management of waste and which must be read with NEMA and, specifically, the national environmental management principles set out in section 2 of NEMA.

One of the national environmental management principles is the "cradle to grave" principle, namely that the responsibility for environmental health and safety exists throughout the life cycle of any specific product or business line. The effect of this principle is that private hospitals generally bear responsibility for the environmental, health and safety consequences of its medical services (which include medical waste generation, management and disposal) throughout their life cycle.

The Waste Act was enacted, amongst others, to reform the law regulating waste management in order to protect health and the environment by providing reasonable measures for the prevention of pollution and ecological degradation and for securing ecologically sustainable development. The Waste Act defines a "holder of waste" as "any person who imports, generates, stores, accumulates, transports, processes, treats, or exports waste or disposes of waste". The Waste Act also defines "storage" as the "accumulation of waste in a manner that does not constitute treatment or disposal of that waste". Facilities that generate medical waste may store this waste for short periods of time. Generally medical waste is then collected by waste management service providers for treatment and disposal. The Group must ensure that all waste management service providers are appropriately authorised to engage in these services. The application of the 'cradle to grave' principle means that the Group could be held liable for any non-compliance caused by such waste management service providers.

The Waste Act defines "hazardous waste" as "any waste that contains organic or inorganic elements or compounds that may, owing to the inherent physical, chemical or toxicological characteristics of that waste, have a detrimental impact on health and the environment". Medical waste falls within this definition.

A holder of waste must take all reasonable measures within its power to avoid the generation of waste and, where such generation cannot be avoided, to minimise the toxicity and amounts of waste that are generated; reduce, re-use, recycle and recover waste; where waste must be disposed of, ensure that the waste is treated and disposed of in an environmentally sound manner; manage the waste in such a manner that it does not endanger health or the environment or cause a nuisance through noise, odour or visual impacts; prevent any employee or any person under his or her supervision from contravening the Waste Act; and prevent the waste from being used for an unauthorised purpose.

The Group actively seeks to comply with all applicable environmental legislation, including:

- National Building Regulations and Building Standards Act, 1997;
- NEMA;
- Air Quality Act, 2004 (especially in respect of the operation of any incinerators at any of the hospitals operated by the Group);
- the Waste Act;

- National Water Act, 1998;
- Hazardous Substances Act, 1973 (especially in respect of owning and operating certain x-ray and other equipment that emits radiation); and
- National Energy Act, 2008.

Progress has been made with the Group's ISO 14001:2004 certification after the award of 12 large high-tech hospitals in 2015 – it has now identified 15 medium-sized hospitals for certification in 2017, based on the revised ISO 14001:2015 standard. ISO 14001 certification offers a level of comfort that workable environmental management systems have been implemented at the hospitals. However, such systems are not a strict legal requirement and merely assist in ensuring that a hospital complies with applicable environmental laws.

Protection of Personal Information Act

POPI provides for general personal information protection rules applicable to organisations in both the public and private sectors. POPI was enacted on 26 November 2013. Certain sections of POPI came into force on 11 April 2014, including those establishing the office of the Information Regulator. The date of commencement of the remainder of POPI's provisions has not yet been proclaimed. Once in force, POPI will allow a transitional period of one year during which data controllers (being entities which collect and hold certain types of personal information relating to individuals (including customers and employees) and in, certain cases, legal entities) will have the opportunity to put measures in place to comply with the law. The provisions of POPI will apply to (1) all South African members of the Enlarged Group (referred to as the "Responsible Party" in POPI) and (2) any member of the Enlarged Group who processes personal information in South Africa, and will impact how personal information held by the Group is dealt with, including, for example, information relating to employees, patients, doctors and suppliers. It is important to note that POPI will apply to the personal information of both natural persons and juristic persons (such as companies and trusts). The transitional period may, in due course, be extended by the Minister of Justice and Constitutional Development.

The general protection that POPI provides may also be supplemented by industry-specific codes of conduct. POPI provides an open-ended definition of "personal information". The definition includes information relating to both individuals and companies, and provides a detailed list of examples. A person's race, age, sexual orientation, marital status, correspondence and identifying symbols are all included as types of personal information protected under POPI.

POPI subjects the processing of "special personal information" to more stringent conditions than the ordinary requirements that apply to the protection of personal information. Special personal information includes a person's religious or philosophical beliefs, race or ethnic origin, trade union membership, political persuasion, health, sex life or biometric information, and information regarding alleged criminal behaviour.

The eight data protection conditions which inform the lawful processing of personal information lie at the heart of POPI: accountability; specification of the purpose of processing; limitation on processing; limitation on further processing; information quality; openness; security safeguards; and data subject participation. These conditions ensure that the person to whom personal information relates ("**Data Subject**") is aware and in control of the processing, that the processing is limited to the extent necessary, without unjustifiably infringing on the privacy of the individual, and that it is subject to processes that are secure. A data controller will generally be held strictly liable for compliance with the data protection principles.

The Data Subject's rights under POPI include the right to request, free of charge, to be informed as to whether or not the Responsible Party holds personal information about them, as well as a description of the personal information held. Additionally, in the event of a security breach, the Responsible Party must notify both the Information Regulator and the Data Subject.

The Information Regulator must investigate complaints lodged concerning any breaches of the conditions for lawful processing, non-compliance with the requirements of notification of security compromises, breaches of the direct marketing, directories and automated decision-making provisions of POPI and breaches of the provisions governing the transfers of personal information outside of South Africa.

The Information Regulator must attempt to settle the complaints between the parties concerned, if possible. Once a complaint has been investigated, the Information Regulator may refer it to an enforcement committee which will hear both parties, consider the complaint and make recommendations. The Information Regulator can then, after considering the recommendation of the enforcement committee, issue an enforcement notice compelling the Responsible Party to take certain steps or to stop processing the personal information. An appeal against an enforcement notice can be made to the High Court of South Africa.

POPI imposes criminal penalties for offences that include the unlawful obstruction, interference with or influence of the Information Regulator, the failure to assist a person executing a warrant in accordance with a search and seizure operation without reasonable excuse and the failure to comply with an enforcement notice. In general, a person convicted of an offence under POPI will be liable to a fine or imprisonment for a period not exceeding 10 years, or both. The Information Regulator may seek to impose an administrative fine on a Responsible Party who has committed an offence (but who has not been criminally charged for such an offence), in an amount not exceeding R10 million. The Responsible Party may elect to pay the administrative fine or to be tried in court on a charge of having committed the alleged offence.

POPI requires every public and private body to make provision for the designation of such a number of persons, if any, as deputy information officers as is necessary to perform the duties and responsibilities of an Information Officer under POPI and to exercise the powers of an Information Officer. The appointment of a privacy officer for the Enlarged Group is underway.

Life Group has formed a working group that conducted a gap analysis to highlight areas where additional controls and actions were required to ensure full compliance with POPI. The results were presented to the executive committee in October 2014.

Deloitte was appointed to perform a verification of the gap analysis and assisted in the development of an implementation road map which was presented to the POPI Steering Committee on 1 June 2016. Workshops with each business area, including executives and teams, were held to discuss the actions proposed for implementation. These actions are monitored on an ongoing basis. The Group will approve and budget for POPI initiatives on a business area basis.

The appointment of a privacy officer for the Group is underway.

Broad-Based Black Economic Empowerment Act

B-BBEE is a process driven by the South African Government through legislation and policy that aims to remedy historical racial imbalances and achieve economic transformation, by increasing the number of black people who participate in the mainstream South African economy.

The B-BBEE Act was promulgated in April 2004 to promote the South African Government's strategy of measuring B-BBEE initiatives across a broad range of indicators, including employment equity, skills development of black people, enterprise and supplier development (including procurement from empowered entities), and corporate social investment rather than only on the basis of the ownership and management of a measured enterprise.

The B-BBEE Act does not specifically impose any obligations on South African enterprises in relation to empowerment, but rather provides for the Minister of Trade and Industry to promulgate codes of good practice, under which South African enterprises would be "rated" according to the success of their empowerment initiatives. In the absence of a sector-specific charter or code, the B-BBEE Act provides for B-BBEE initiatives to be measured under the Codes. The Codes were first published in 2007 (the "**2007 Codes**").

Each element of the Codes has its own scorecard and a measured enterprise's performance in relation to a particular element is scored in terms of the scorecard and formulae specifically created for that element. Measured entities that do not fall within a sector regulated by a charter, such as the healthcare industry, are measured under the Codes' generic scorecard ("**Generic Scorecard**").

Under the Generic Scorecard, a measured entity may be scored as a level 1 (135% B-BBEE procurement recognition) to level 8 contributor (10% B-BBEE procurement recognition). An entity which scores below a relevant threshold on the Generic Scorecard is considered to be a non- compliant contributor (0% B-BBEE procurement recognition).

The revised Codes ("**Revised Codes**"), which will replace the 2007 Codes, were issued on 11 October 2013. Under the Revised Codes, measured entities have been afforded a transitional period from 11 October 2013 to 30 April 2015 to align their affairs with the requirements of the Revised Codes. Under the Revised Codes, entities which achieve an annual turnover in excess of R50 million must comply with certain sub-minimum requirements for all three priority elements (ownership, skills development and enterprise and supplier development). The B-BBEE status of such entities will be downgraded by one level in the event that such requirements for each priority element are not met.

As at the Last Practicable Date, Life Group had a consolidated rating as a non-compliant contributor.

Labour-related legislation

Employment and Labour relations are regulated in South Africa by legislation, including the LRA, the Basic Conditions of Employment Act, 1997, the Employment Equity Act, the Skills Development Act, the Skills Development Levies Act, 1999, the Unemployment Insurance Act, 2001, the Unemployment Insurance Contributions Act, 2002, OHSA, and the Compensation for Occupational Injuries and Diseases Act, 1993.

Employment Equity

The Employment Equity Act, together with its regulations and published codes, was drafted to provide for employment equity in the workplace. Its purpose is to achieve equity by promoting equal opportunity and fair treatment in employment through elimination of unfair discrimination and implementation of affirmative action measures to redress the disadvantages in employment experienced by designated groups. The provisions for affirmative action apply to employers with 50 or more workers, or whose annual income is more than R15 million (for the "personal services" sector).

Employers are required to draw up employment equity plans, setting out the steps they intend taking to achieve employment equity. In doing this, employers need to analyse their workforce profile, as well as their employment practices and policies. Recent case law also provides that both national and regional demographics must be taken into account when drawing up employment equity plans and assessing a company's workforce profile. Employers must also consult with unions and employees to attempt to reach a consensus. Employment equity plans must be provided regularly to the Department of Labour, which monitors implementation.

Recently, the Employment Equity Amendment Act was passed into law and new Employment Act regulations were published thereunder. The Employment Equity Amendment Act introduced important changes, including expanding the basis of discrimination to any arbitrary ground and not only a listed ground, dealing explicitly with unfair discrimination by an employer in respect of the terms and conditions of employment of employees doing the same or similar work or work of equal value, as well as an increase of the fines applicable for non-compliance.

Skills Development

The Skills Development Act as amended, aims to develop the skills of the South African workforce while improving quality of life and prospects for work. The Skills Development Act also aims to improve productivity in the workplace and the competitiveness of employers while promoting self-employment. It governs various bodies, which encourage partnerships between the public and private sectors of the economy and help new entrants to the labour market in finding work.

Employment

The primary legislation governing South African labour law is the LRA. The Labour Relations Amendment Act was signed into law on 17 August 2014 and 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. In order to align with emerging precedent, the Group has made some amendments to the way in which it contracts with temporary employees.

Importantly, the LRA now provides that fixed-term employees who are employed for a period of more than three months are deemed to be permanent employees, unless the reason for fixed term employment constitutes one of the legislated exceptions. With regard to temporary employment services, temporary employment service employees will be deemed to be permanent employees of the client unless one of the legislated exceptions applies.

Furthermore, and also in relation to atypical employment, the LRA now provides that, for the purposes of granting organisational rights to trade unions, the composition of the workforce at a workplace must also include fixed term and temporary employment service employees.

The LRA also regulates the transfer of employees in the context of a transfer of a business or service as a going concern. Importantly, the automatic transfer provisions are applicable to outsourcing arrangements and second generation outsourcing. Accordingly, employees who are dedicated to an outsourced service contract must, on termination of the contract, automatically transfer either to the new service provider or to the client, if the client in-sources the service.

Occupational Health and Safety

South African common law requires that employees must be able to perform their work in a safe environment. Minimum standards and obligations are placed upon employers in South Africa by OHSA. OHSA places an overarching obligation on employers (except those specifically exempt from this act, such as mines, which are governed by separate legislation) to ensure that they provide and maintain a work environment that is not harmful to the health or safety of employees.

Employers are required to take reasonable and practical measures to discharge their obligations under OHSA. These measures must include, at a minimum: an identification and assessment of risk, implementation of appropriate control mechanisms (such as safe work procedures), provision of training and information, ensuring that work is performed under proper supervision and ensuring the use of appropriate personal protective equipment. The chief executive officer (or the person in control of the management and/or direction of the company) is personally liable under OHSA for ensuring compliance by the employer.

OHSA is enforced by the Department of Labour. Inspectors from the Department of Labour have the power to enter any site, inspect any workplace and inspect or seize any document or article in relation to compliance with OHSA. A failure to comply with OHSA or any of its regulations is an offence for which the employer or responsible persons (including any employee) may be charged by the state. If one is found guilty of a breach of OHSA, a Magistrate may impose a sentence of either a fine or a period of imprisonment. Importantly, where an employer engages a third party to perform work (including contractors and agents), that employer may also be prosecuted for the conduct of such third party unless appropriate agreements limiting vicarious criminal liability have been implemented.

UNITED KINGDOM

Overview

Alliance Medical's business operates within a highly regulated sector subject to extensive regulation and frequent regulatory change, especially in England where the majority of Alliance Medical's operations are based. Different national regulators operate in England, Wales, Scotland and Northern Ireland. While regulation differs in these jurisdictions, it typically relates to the quality and auditing of care delivered, staffing, physical design, required services and the nature of the client group cared for. While the UK Care Standards Act of 2000 ("**CSA**") was replaced by the HSCA in relation to independent hospitals in October 2010 in England, it is still in force in Wales.

In addition to specific sector related regulations described hereunder, Alliance Medical's facilities are also subject to a variety of laws and regulations of general applicability. Examples include various competition laws, planning law restrictions, building regulations and other regulations, such as fire, health and safety regulations and the requirements of the Data Protection Act in relation to all personal data of patients at its clinics and hospitals. There are particular regulations relating to health records, subject access requests (rights to access are modified in respect of health records) and sensitive personal data. The Freedom of Information Act 2000 applies to information held by providers on behalf of a public authority and data disclosed by providers to public authorities.

As stated above, the health care sector is subject to frequent regulatory change, with the current registration and regulatory body for adult health and social care in England being the CQC. The CQC took over control from the previous health regulators, the Commission for Social Care Inspection and the Healthcare Commission, following the implementation of the HSCA.

The Health and Social Care Act 2008

The HSCA established the CQC as the current registration and regulatory body for healthcare in England. The CQC and its equivalent bodies in Scotland, Wales and Northern Ireland are empowered to (i) register healthcare providers to ensure they are meeting essential common quality standards, (ii) monitor and inspect all registered health care services, (iii) utilise enforcement powers, such as warning notices, conditions on registration, fines or suspension or revocation of registration, if standards are not being met, (iv) undertake regular reviews of how well those who arrange and provide services locally are performing and special reviews on particular care services, pathways of care or themes where there are particular concerns about quality and (v) report the outcomes of the CQC's work so that people who use the services have information about the quality of their local health care services.

The HSCA empowers the Secretary of State for Health in England to issue regulations containing legally binding obligations on care providers. To date, the most important regulations under the HSCA are the UK Health and Social Care Act 2008 (Regulated Activities) Regulations 2010 ("**Regulated Activities Regulations**"), which set out which activities are registrable and the requirements relating to persons carrying on or managing a regulated activity; and the UK Care Quality Commission (Registration) Regulations 2009 ("**Registration Regulations**"), which impose further legal requirements on Registered Providers, including the requirement for providers to consider their current and continued financial viability. The CQC can take civil or criminal enforcement action under HSCA. Failure to comply with specified regulations is an offence for which registered providers can be prosecuted. There are different regimes relating to offences under the two regulations. Currently, registered providers can only be prosecuted for breaches of the Regulated Activities Regulations if they fail to remedy the breach following service of a warning notice by the CQC. Breach of specified regulations constitutes a criminal offence punishable by (at the choice of the CQC) a simple caution or fixed penalty notice (as an alternative to prosecution) or prosecution may result upon conviction in a fine for the care provider of up to £50,000 for each offence.

The HSCA requires that where the care provider is a company it must have a registered manager at each of the locations where it is registered to carry out regulated activities. Registered managers are subject to regulation similar to care providers under the HSCA. Registered managers must pass a fit and proper person test. Failure to have a registered manager might result in regulatory action, including suspension or cancellation of registration.

In order to assist providers in complying with the Regulated Activities Regulations, the CQC has produced guidance on compliance titled "Essential Standards of Quality and Safety" ("**ESQS**"). The ESQS consist of the CQC's interpretation of the Regulated Activities Regulations and the Registration Regulations. The ESQS indicate an associated outcome for each regulation representing the experience that the CQC expect people using the service to have and indicate what a care provider should be doing to comply with the Regulations.

A certificate of registration has been issued to Alliance Medical by the CQC in respect of the provision of diagnostic and healthcare screening services. Each site is registered separately with the CQC and has an approved registered manager. As at the date of this Circular, Alliance Medical is in compliance with the CQC certificate and all registered manager conditions.

Vetting

Anyone who applies to register with the CQC as a registered provider or as a registered manager of a CQC regulated service is required to have an enhanced Disclosure and Barring Service check (formerly a Criminal Record Bureau check) countersigned by the CQC. Service providers must also obtain a Disclosure and Barring Service check (formerly a Criminal Record Bureau check) for everyone who is employed to carry out a regulated activity under the HSCA. Relatively recent changes to the vetting and barring regime have the effect that employees whose work does not necessarily involve direct conduct with people in vulnerable circumstances may no longer be required to undergo these checks. The CQC has the authority to request evidence that a service provider has carried out the necessary Disclosure and Barring Service checks on its employees and can take enforcement action if this has not been done.

Civil Enforcement Powers

The HSCA contains broad civil enforcement powers. In addition to powers to issue warning notices requiring specified action to be taken within a set timescale (or risk prosecution), powers to impose conditions of registration and powers to cancel registration (all of which were contained in the CSA), the HSCA now gives the CQC the new power of suspending registration in the face of repeated and persistent failure to address safety and quality concerns. Suspension of registration may be in respect of one or more locations of the care provider's operations. This power is potentially very dangerous for a care provider because the CQC can effectively render the care provider's operations unlawful, by immediately serving a notice on the care provider to discontinue trading at the whole or part of any location or locations. In practice this would mean the suspension of a line of services or the complete closure of one or more of Alliance Medical's facilities. All criminal and civil enforcement powers may have a serious effect on the reputation and the profits of the care provider.

Inspection Reports

The CQC's role is currently evolving in the wake of regulatory changes. In principle however, the CQC retains a critical role in driving through patient safety and quality of care in England's health and social care provider bodies. They set the standards, inspect against the standards, issue recommendations and compliance requirements where necessary and have significant enforcement powers. Enforcement adopts an escalation approach, with warning notices before conditions are imposed, escalating to action for breach of regulation (both civil and criminal breaches apply), with fines imposed against serious and/or persistent breaches. The ultimate sanction for any provider is revocation of the licence and deregistration by the CQC, which has taken place in extreme cases where the CQC conclude that a service is irretrievably unsafe or non-compliant.

One of the CQC's main powers is the power to issue warning notices as a result of an organisation's non-compliance with particular quality standards, on a standard by standard basis. On the basis of amendments to their powers introduced via the Care Act which received Royal Assent on 15 May 2014, the CQC will be able to issue a new warning notice where it considers that an organisation needs "significant improvements in quality". Also introduced in the Care Act is a new criminal offence linked to the provision of inaccurate or misleading information on performance, where the provider works within NHS patient services (including the independent sector with NHS contracts). Penalties include fines and publication orders.

Monitor

Monitor is the sector regulator for healthcare in England. As of 1 April 2014, subject to certain exemptions, any healthcare provider, including those within the independent sector, must hold a provider licence from Monitor in order to provide NHS commissioned services. Each licence will be subject to standard conditions, which are published on Monitor's website. The conditions relate to (among other things) the provision of data and information and prohibit providers from doing anything that would reasonably be regarded as being against the interests of people who use health care services by being detrimental to the integration of, or cooperation between, providers. A separate, more onerous category of conditions designed to ensure the continuity of essential NHS services will also apply to independent sector licensees to the extent that they provide services which are designated as "Commissioner Requested Services".

Monitor will police compliance with these conditions, and take enforcement action where conditions are breached. Where breaches are persistent, or extreme, Monitor can revoke a licence or impose a financial penalty (currently indicated as up to 10% of the provider's turnover from applicable NHS services in England).

To be eligible for a Monitor licence, the service provider must also be registered with the CQC and must confirm that, from the outset, and on an ongoing basis, its directors and/or governors satisfy a prescribed fit and proper person test. To be a fit and proper person, an individual must not (among other things) have recent criminal convictions, director disqualifications or be an undischarged bankrupt.

Alliance Medical Limited is the only UK member of the Alliance Medical group which meets the threshold for the purposes of requiring a Monitor licence, and it was granted a licence dated 1 April 2014 in respect of the provision of NHS healthcare services pursuant to the Health and Social Care Act 2012.

Other licensing and registration regimes

In addition to the licensing and registration regimes imposed by the CQC and Monitor, in the ordinary course of business Alliance Medical and/or its personnel are required to hold a variety of clinical and non-clinical licences and registrations in respect of various premises, facilities and activities. These include (with an indication of the relevant licensing authority or subject matter where necessary):

- Manufacturing licences and authorisations (Medicines and Healthcare products Regulatory Agency, pursuant to the Human Medicines Regulations 2012);
- Good Manufacturing Practice certificates;
- Radioactive substances permit (Environment Agency);
- Administration of Radioactive Substances Advisory Committee Licence; and
- Data Protection Act registration.

Health & Safety Legislation

Alliance Medical is subject to laws or regulations relating to health and safety, both directly and indirectly. These laws are enforced mainly at the national level, with one material exception being fire safety laws, which are enforced by local fire inspectors. The most significant occupational health and safety laws are the Health and Safety Act and the Management of Health & Safety at Work Regulations 1999.

The Health & Safety Act imposes a duty of care upon members of Alliance Medical not only in regards to its employees but also to its patients and other third parties. Alliance Medical is required to take care to prevent serious accidents and to remove from or minimise within its facilities risks and conditions that could lead to such accidents.

To ensure that Alliance Medical remains in compliance with these laws, it maintains a Health and Safety committee and, where appropriate, employs independent health and safety specialists to provide support and guidance to Alliance Medical's management team and to advise it with regard to its policies and procedures.

In the last five years, Alliance Medical has not been subject to any prosecutions for a violation of any health and safety legislation, nor has it been fined for failure to comply with any such law or regulation.

Additional significant recent and future developments

The GDPR is expected to come into force in all EU countries on 25 May 2018 and will replace the existing Data Protection Act in the United Kingdom. Its commencement will not be affected by the United Kingdom's decision to leave the EU. The GDPR will impose further legal obligations on Alliance Medical with regard to data protection and may impose greater legal liability if Alliance Medical is responsible for a breach. Further, the GDPR's definition of "personal data" is more detailed and more expansive than the definition under the Data Protection Act. Consequently, Alliance Medical may incur additional costs to comply with the new legislation.

POLAND

Regulation of healthcare provision

The healthcare sector in Poland is highly regulated, with supervision of healthcare providers exercised by the Minister of Health, local governments and the NFZ. The healthcare sector is regulated in respect of the conditions in which health services are delivered to patients, operation of healthcare service providers, health care investment, health care financing, training of medical personnel, availability of healthcare services and medicines and patient's rights. While the Ministry of Health pays for some treatments directly, the NFZ is the sole public payer and operates on a non-profit basis. The NFZ is prohibited from directly providing healthcare services and instead contracts directly with state-owned, local government-owned and private healthcare providers, usually by means of competitive tenders. The Ministry of Health regulations specify the healthcare services that are financed from public sources and such regulations include the price limits and conditions in which these services are required to be rendered.

Drug reimbursement, including the list of reimbursed drugs and level of reimbursement, is regulated by the 2011 Law on the Reimbursement of Pharmaceuticals, Foodstuffs for Special Nutritional Use and Medical Devices.

The 2011 Therapeutic Activities Act (the "**Therapeutic Activities Act**") provides umbrella legislation for issues related to quality of care, such as key technical and sanitary requirements for healthcare facilities and equipment, with detailed requirements set out in separate regulations issued by the Ministry of Health and in separate laws. The Therapeutic Activities Act establishes certain responsibilities of the NFZ in relation to quality of healthcare provision and requires that quality of care be taken into account in the tendering and contracting process. In addition, contracts between the NFZ and private healthcare providers are required to include provisions on the principles of quality control, adequacy and accessibility of services and the NFZ is responsible for monitoring the quality of healthcare provision.

In 1998, the Ministry of Health implemented a national accreditation programme for hospitals through its Quality Monitoring Centre (*Centrum Monitorowania Jakości*, the "**CMJ**"), which was codified and enhanced through the 2008 Law on Accreditation in Health Care, which defines accreditation rules and procedures. The purpose of accreditation, although voluntary, is to ensure that a healthcare provider meets certain standards developed by the CMJ with respect to its functioning and provision of healthcare. The Minister of Health grants accreditation to health care institutions on the recommendation of the CMJ, in the form of accreditation certificates, which are valid for three years. Currently the CMJ is developing standards for outpatient care, addiction treatment, long-term care and mental health care. In addition, Poland participates in European Union projects related to ensuring quality of care.

Regulation of healthcare professionals

Medical professionals are regulated in terms of certification requirements and specifications concerning specialist training and continuing education. There are five statutory organisations responsible for registering and licensing qualified medical personnel in Poland: the Chamber of Physicians and Dentists, the Chamber of Nurses and Midwives, the Pharmaceutical Chamber, the Chamber of Laboratory Diagnosticians and the Chamber of Physiotherapists. Membership is compulsory for all practising medical professionals, and both regional and national chambers maintain registries of all professionals who have the right to practise or hold a specialist title. Registers of physicians and dentists undergoing specialisation training are maintained by the centres for medical personnel training at the local government public health centres.

Regulation of pharmaceuticals

The Ministry of Health has legislative and supervisory powers over the pharmaceutical market. The Ministry of Health decides on drug and medical devices reimbursement, including cost-sharing with patients, and official sale prices. In making reimbursement decisions, the Ministry of Health is supported by the Agency for Health Technology Assessment and Pricing (*Agencja Oceny Technologii Medycznych i Taryfikacji*, the "**AOTM**") and by the Economic Commission, which is an advisory board established by the Ministry. The final decisions on reimbursement are based on the assessment of the Economic Commission and the recommendation of AOTM, considering clinical efficacy, cost-effectiveness and safety of the drug, as well as its budget impact and the availability of clinical alternatives. The lists of reimbursed drugs and medical devices is published by the Ministry and updated every two months. Hospitals purchase drugs at prices negotiated with wholesalers or drug producers or at statutory prices, if applicable.

Additional significant recent and future developments

The Government is in the process of implementing certain changes in the healthcare system that could potentially affect the Enlarged Group, including:

- Recent reforms to the NFZ tariff schedule were introduced in June 2016, with the objective of shifting funds from therapeutic areas with high margins to underfunded areas. Tariffs in the following areas were revised according to the new schedule: cardiology (endovascular procedures, acute coronary procedures and conservative cardiology and therapy with an automated system for cardioversion or defibrillation), psychiatry, orthopaedics (arthroplasty), palliative care and hospice, neurosurgery (major treatments in the spinal cord and in the spinal canal), ophthalmology (vitrectomy, cataract surgery), outpatient haemodialysis, stereotactic teleradiotherapy, gynaecology (incontinence treatment, treatments for pelvic organ disorders), otolaryngology (treatment of hearing disorders using an implantable hearing prosthesis). In addition, the tariff structure for long-term nursing and care services was revised in September 2016. In December 2016, the Ministry of Health introduced a comprehensive care programme (including tariffs) following myocardial infarction. Further changes to tariffs are expected.
- The Ministry of Health introduced restrictions on the commercialisation of public hospitals in June 2016. These restrictions specify a minimum level of state or local government ownership of publicly-owned hospitals and also impose restrictions on the transfer of shares in such entities. The restrictions also include prohibitions on certain dividend payments.
- The Ministry of Health is in the process of developing a comprehensive reform of the healthcare system, which is expected to include the liquidation of the national health fund, changes in to primary healthcare system and the national medical rescue system and the introduction of a minimum wage for health care employees.
- The Ministry of Health is in the process of developing new contracting rules for hospital services. According to a draft of this reform, the majority of funds will be distributed to strategic hospitals, a list of which will be prepared on the basis of criteria set by the Ministry of Health. Hospitals that are not included on that list would be able apply for contracts for hospital services in a tender process. Moreover, the liquidation of the NFZ and the transfer of its prerogatives/services to the Ministry of Health is also under discussion.

TAXATION

The following summary describes certain tax consequences of the purchase, ownership and disposition of the Rights Offer Shares. It is not a complete description of all the possible tax consequences of such purchase, ownership or disposition. This summary is based on the laws as in force and as applied in practice on the date of this Circular and is subject to changes to those laws and practices subsequent to the date of this Circular. In the case of persons who are non-residents of South Africa for income tax purposes, it should be read in conjunction with the provisions of any applicable double tax agreement between South Africa and their country of tax residence. Investors should consult their own advisers as to the tax consequences of the purchase, ownership and disposal of Rights Offer Shares in light of their particular circumstances, including, in particular, the effect of any state, regional, local or other tax laws.

SOUTH AFRICA

This summary of certain material South African tax consequences only deals with Life Shareholders that are SA Holders, as defined below, and that will hold the Rights Offer Shares as capital assets. As used herein, the term "**SA Holder**" means a shareholder who is: (i) a natural person ordinarily resident in South Africa; (ii) a natural person not ordinarily resident in South Africa but whose physical presence in South Africa exceeds certain thresholds; or (iii) a person, other than a natural person, which is incorporated, established or formed in South Africa or which has its place of effective management in South Africa. The term does not include a non-natural person incorporated, established or formed in South Africa, if that person is deemed to be exclusively the resident of another country for purposes of the application of any agreement entered into between South Africa and that other country for the avoidance of double taxation. In general, a "shareholder" means the registered shareholder in respect of a share or, where some person other than the registered shareholder is entitled to all or part of the benefit of the rights of participation in the profits, income or capital attaching to that share, that other person to the extent of that entitlement. Life Shareholders with questions regarding their status as either South African residents or shareholders should consult their tax advisers.

The summary of South African tax consequences set out below is for general information only. All Qualifying Shareholders and the Joint Bookrunners should consult their tax advisers as to the particular tax consequences to them of owning the Rights Offer Shares, including the applicability and effect of other tax laws and possible changes in tax law.

Dividends

Currently, any amount transferred or applied by a South African resident company for the benefit of or on behalf of any person in respect of any share in that company constitutes a dividend for tax purposes. However, dividends specifically exclude any amount so transferred or applied by the company to the extent that the amount so transferred or applied, inter alia: (i) results in a reduction of Contributed Tax Capital ("**CTC**") (see "*–Distributions of CTC*"); (ii) constitutes a capitalisation award; or (iii) constitutes a general open market purchase by a listed company of its own shares on the exchange operated by the JSE.

CTC essentially comprises a company's share capital and premium immediately before 1 January 2011 (excluding any portion thereof representing capitalised reserves), plus the consideration received by the company for the issue of shares on or after 1 January 2011.

In general, dividends paid by Life to SA Holders and non-SA Holders will be exempt from South African income tax in their hands.

Dividends tax

Under current law, Life Shareholders will be subject to a tax known as Dividends Tax ("**DT**").

DT is imposed in respect of any dividend paid by a company, and is levied at a rate of 20%. This rate may be reduced or eliminated under the provisions of relevant double taxation agreements. In addition, the DT legislation includes a number of exemptions, including exemptions for intercompany dividends paid to South African corporates and dividends paid to certain exempt entities such as pension funds.

Distributions of CTC

A distribution by a company of stated capital, share capital or share premium (to the extent that it forms part of the CTC of the Company) does not/will not constitute a dividend for DT purposes. It will, instead, constitute a return of capital. The treatment of distributions of CTC has undergone various amendments for South African tax purposes and its tax consequences depend on the dates upon which the transaction(s) take place and on whether the shares in respect of which the distributions are received or accrued were acquired before or after 1 October 2001 (the date on which capital gains tax ("**CGT**") was introduced in South Africa). In its current form, the legislation provides that a return of capital taking place on or after 1 April 2012 in respect of shares acquired on or after 1 October 2001, and before the disposal of shares will firstly serve to reduce the base cost of the shares in respect of which the distribution is made, and only when the base cost of the shares has been exhausted will any excess amount distributed result in a capital gain for the SA Holder. The company which makes the distribution is obliged to notify the person to whom the distribution is made, in writing and by the time the distribution is made, of the extent to which the distribution constitutes a return of capital.

The CTC provisions are, however, complex and the exact dates of application need to be properly considered.

Taxation of capital gains and losses

South African resident shareholders – individuals

A disposal or deemed part disposal of Rights Offer Shares where such Rights Offer Shares are held on capital account by an individual shareholder who is resident in South Africa for tax purposes may give rise to a gain (or loss) for the purposes of CGT. In certain circumstances, gains realised on shares disposed of after being held for at least three years are deemed to be subject to CGT. The capital gain (or loss) on disposal of the Rights Offer Shares is equal to the difference between the disposal proceeds and the base cost. A shareholder's base cost in the Rights Offer Shares will generally be the consideration paid for those Rights Offer Shares. The base cost in the Rights Offer Shares may be increased by one-third of any interest incurred to finance the cost of acquiring the Rights Offer Shares, and other direct costs incurred in, inter alia, acquiring the Rights Offer Shares, to the extent that such amounts are not otherwise allowable for deduction in the determination of taxable income. A gain on a disposal of the Rights Offer Shares, together with other capital gains, less allowable capital losses in a year of assessment, is subject to tax at the individual's marginal tax rate (maximum 45%) to the extent that it exceeds the annual exclusion (R40,000 for the year of assessment ending 28 February 2018). Currently, 40% of the net capital gain is included in taxable income, resulting in a maximum effective tax rate on capital gains of 18%. On the death of a taxpayer, there is a deemed disposal of the Rights Offer Shares at market value, unless the Rights Offer Shares are bequeathed to or in favour of a surviving spouse. Deemed disposals to a surviving spouse who is a South African resident are treated, in practical effect, as taking place at base cost. The annual exclusion where death occurs during the year of assessment ending 28 February 2018 is R300,000. Where a taxpayer emigrates (i.e. gives up South African tax residence), there will also be a deemed disposal of the Rights Offer Shares at market value and this may trigger CGT.

South African resident shareholders – corporates

A disposal or deemed part disposal of the Rights Offer Shares where such Rights Offer Shares are held on capital account by a South African resident corporate shareholder may give rise to a capital gain (or loss) for the purposes of CGT. In certain circumstances, gains realised on shares disposed of after being held for at least three years are deemed to be subject to CGT. The capital gain (or loss) on disposal of the Rights Offer Shares is equal to the difference between the disposal proceeds and the base cost. A shareholder's base cost in the Rights Offer Shares will generally be the consideration paid for the Rights Offer Shares. The base cost in the Rights Offer Shares may be increased by one-third of any interest incurred to finance the cost of acquiring the Rights Offer Shares, and other direct costs incurred in, *inter alia*, acquiring the Rights Offer Shares, to the extent that such amounts are not otherwise allowable for deduction in the determination of taxable income. A capital gain on a disposal of the Rights Offer Shares by a corporate shareholder, together with other capital gains, less allowable losses in a year of assessment, is subject to tax at the normal tax rate for companies (currently 28%). Currently, only 80% of the net capital gain is included in taxable income, resulting in a maximum effective tax rate on capital gains of 22.4%.

Non-South African resident shareholders – individuals and corporates

A disposal of the Rights Offer Shares by a non-South African resident may give rise to a gain (or loss) for the purposes of taxation of CGT to the extent that the gains are realised pursuant to the disposal of any interest in or right to immovable property situated in South Africa or the disposal of assets which are attributable to South African permanent establishment. An interest in immovable property situated in South Africa includes the Rights Offer Shares if:

- 80% or more of the market value of the Rights Offer Shares, at the time of disposal, is attributable directly or indirectly to immovable property held otherwise than as trading stock; and
- the shareholder (alone or together with any connected person in relation to that shareholder), directly or indirectly, holds at least 20% of the shares in the company.

Currently, not more than 80% of the market value of the Rights Offer Shares is attributable to immovable property and, consequently, the shares will not fall within the ambit of the South African CGT tax legislation.

However, where the Rights Offer Shares are attributable to a permanent establishment of the non-South African resident shareholder in South Africa, a disposal or deemed part disposal of the Rights Offer Shares by such shareholder may give rise to a capital gain (or loss) for the purposes of CGT.

Estate duty

Where a person who is ordinarily resident in South Africa holds the Rights Offer Shares at the date of his or her death, the market value of such Rights Offer Shares will be included in the estate. Estate duty is levied at a flat rate of 20% on the dutiable amount of the deceased estate to the extent that it exceeds R3.5 million per estate. In determining the dutiable amount of an estate, deductions are, inter alia, allowed for the value of bequests and property left to a surviving spouse, and estate liabilities, including CGT paid on the deemed disposal of the Rights Offer Shares on date of death.

Securities transfer tax

Securities transfer tax ("**STT**") of 0.25% of the applicable taxable amount is levied and is payable in respect of every "transfer" of securities issued by a company incorporated in South Africa. "Transfer" as a general rule includes any cancellation or redemption of a security, but does not include the issue of a security or any event that does not result in a change in beneficial ownership of a security. A purchase of the Rights Offer Shares from or through the agency of a JSE-registered Broker is subject to STT of 0.25% of the purchase consideration. The STT is payable by the Broker which may recover it from the transferee. Where the Rights Offer Shares are not purchased from or through the agency of a Broker, but the change in beneficial ownership is effected by a participant, STT of 0.25 per cent of the greater of the declared purchase consideration or the JSE closing price of the Rights Offer Shares on the date of the transaction is payable by the participant, who may recover it from the transferee.

In any other case of a change in beneficial ownership of the Rights Offer Shares, as a general rule, STT of 0.25% of the greater of the declared purchase consideration or the JSE closing price of the Rights Offer Shares is payable by the transferee through the Broker or participant, which holds the Rights Offer Shares in custody.

UNITED STATES

The following is a summary of certain US federal income tax consequences of the receipt, exercise and disposition of the Rights pursuant to the Rights Offer, as well as the acquisition, ownership and disposition of Rights Offer Shares acquired by exercise of Rights by a US Holder or non-US Holder (each as defined below). This summary deals only with US Holders and non-US Holders that receive Rights in the Rights Offer and will hold the Rights and Rights Offer Shares as capital assets. The discussion does not cover all aspects of US federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the receipt, exercise or disposition of Rights or the acquisition, ownership or disposition of Rights Offer Shares acquired by exercise of Rights by particular investors (including consequences under the alternative minimum tax or the net investment income tax), and does not address state, local, non-US or other US tax laws (such as the estate or gift tax). This summary also does not address tax considerations applicable to investors that own (directly or indirectly) 10% or more of the voting stock of the Company, nor does this summary discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the US federal income tax laws (such as financial institutions, insurance companies, individual retirement accounts and other tax-deferred accounts, tax-exempt organisations, dealers in stocks, securities, currencies or notional principal contracts, investors that will hold the Rights or Rights Offer Shares as part of straddles, entities or arrangements treated as partnerships for US federal income tax purposes, pass-through entities, or investors that will hold the Rights Offer Shares through pass-through entities, regulated investment companies, real estate investment trusts, hedging transactions or conversion transactions for US federal income tax purposes or US Holders whose functional currency is not the US dollar).

As used herein, the term "**US Holder**" means a beneficial owner of Rights or Rights Offer Shares that is, for US federal income tax purposes: (i) an individual citizen or resident of the United States; (ii) a corporation that is created or organised under the laws of the United States or any state thereof; (iii) an estate, the income of which is subject to US federal income tax without regard to its source; or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more US persons have the authority to control all substantial decisions of the trust, or the trust has validly elected to be treated as a domestic trust for US federal income tax purposes. The term "**non-US Holder**" means a beneficial owner of Rights or Rights Offer Shares that is neither a US Holder nor an entity or arrangement treated as a partnership for US federal income tax purposes.

The US federal income tax treatment of a partner in an entity or arrangement treated as a partnership for US federal income tax purposes that holds Rights or Rights Offer Shares will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are entities or arrangements treated as partnerships for US federal income tax purposes should consult their tax advisers concerning the US federal income tax consequences to them and their partners of the receipt, exercise and disposition of Rights by the partnership pursuant to the Rights Offer and the acquisition, ownership and disposition of Rights Offer Shares acquired by exercise of Rights by the partnership.

Except as otherwise noted, this summary assumes that the Company is not a passive foreign investment company ("**PFIC**") for US federal income tax purposes, which the Company believes to be the case. The

Company's possible status as a PFIC must be determined annually and therefore may be subject to change. If the Company were to be a PFIC in any year, materially adverse consequences could result for US Holders. See "*United States—Passive Foreign Investment Company Considerations*" below.

This summary is based on the tax laws of the United States, including the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, as well as on the income tax treaty between the United States and South Africa (the "**Tax Treaty**"), all as of the date hereof and all subject to change at any time, possibly with retroactive effect.

THE SUMMARY OF US FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF RECEIVING, EXERCISING AND DISPOSING OF RIGHTS AND ACQUIRING, OWNING AND DISPOSING OF RIGHTS OFFER SHARES, INCLUDING THEIR ELIGIBILITY FOR THE BENEFITS OF THE TAX TREATY AND THE APPLICABILITY AND EFFECT OF STATE, LOCAL, NON-US AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

Taxation in Respect of Rights

Receipt of Rights

The tax consequences of the receipt of Rights by a US Holder are uncertain. In particular, it is not clear whether the sale of Rights by the Transfer Secretaries, and the remittance of the proceeds from that sale to certain holders whose Rights were sold, should be treated as a sale and distribution by the Company, or as a distribution of Rights by the Company and a subsequent sale of those Rights by the relevant holders.

Subject to the PFIC rules discussed below, if a distribution of property were considered to be made by the Company, a US Holder would generally be required to include in income as foreign source ordinary dividend income, as described below under "Taxation in Respect of Rights Offer Shares", an amount equal to the fair market value of the Rights on the date of their distribution. In such a case, a US Holder would have a tax basis in the Rights equal to the amount treated as a dividend, and a US Holder's holding period in the Rights would begin on the date the Rights were received.

The Company believes that the issuance of Rights and any subsequent remittance of proceeds from the sale by the Transfer Secretaries of such Rights should not be treated as a distribution of property by the Company. Therefore, a US Holder should not be required to include any amount in income for US federal income tax purposes as a result of the issuance of Rights. It is possible that the US Internal Revenue Service (the "**IRS**") will take a contrary view. US Holders are urged to consult their tax advisors as to the proper characterisation of the issuance of Rights and any subsequent remittance of proceeds from the sale by the Transfer Secretaries of such Rights. The remainder of this discussion assumes that the issuance and sale of Rights and any subsequent remittance of proceeds from the sale by the Transfer Secretaries of such Rights will not be a distribution of property for US federal income tax purposes.

If, on the date of receipt, the fair market value of Rights is less than 15% of the fair market value of the Life Ordinary Shares with respect to which Rights are received, such Rights will be allocated a zero tax basis unless the US Holder affirmatively elects to allocate its tax basis in the Life Ordinary Shares with respect to which Rights are received between such Life Ordinary Shares and Rights in proportion to the relative fair market values determined on the date of receipt. This election must be made in the US Holder's timely filed US federal income tax return for the taxable year in which Rights are received, in respect of all Rights received by the US Holder, and is irrevocable. If, on the date of receipt, the fair market value of Rights is 15% or more of the fair market value of the Life Ordinary Shares with respect to which the Rights are received, then, except as discussed below under "—*Lapse of Rights*", the basis in the US Holder's Life Ordinary Shares with respect to which such Rights were received must be allocated between the Life Ordinary Shares and Rights received in proportion to their relative fair market values determined on the date of receipt.

Sale or other disposition of Rights

Upon a sale or other disposition of Rights, a US Holder will generally recognise capital gain or loss equal to the difference, if any, between the US dollar value of the amount realised (as determined on the date of the sale or other disposition) and the US Holder's adjusted tax basis in the Rights. Any gain or loss will generally be US source, and will be long-term capital gain or loss if the US Holder's holding period in the Rights exceeds one year. A US Holder's holding period in the Rights will include the holding period in the Life Ordinary Shares with respect to which the Rights were distributed if the receipt of Rights is not treated as a distribution taxable as a dividend for US federal income tax purposes.

Lapse of Rights

If a US Holder allows Rights to lapse without selling or exercising them or does not receive any proceeds with respect to the sale of Rights by the Transfer Secretaries, the holder will not recognise any loss upon the lapse of the Rights, and any basis previously allocated to such Rights will revert back to the Life Ordinary Shares with respect to which the Rights were distributed and are still held by the holder.

Exercise of Rights

A US Holder will not recognise taxable income upon the receipt of Rights Offer Shares pursuant to the exercise of Rights. A US Holder's basis in the Rights Offer Shares will equal the sum of the US dollar value of the Rights Offer share price determined at the spot rate on the date of exercise and the US Holder's basis, if any, in the Rights exercised to obtain the Rights Offer Shares. A US Holder's holding period in each Rights Offer Share acquired through the exercise of a Right will begin with and include the date of exercise.

Taxation in Respect of Rights Offer Shares

Dividends

General

Subject to the PFIC rules discussed below, distributions paid by the Company out of current or accumulated earnings and profits (as determined for US federal income tax purposes), before reduction for any South African withholding tax paid by the Company with respect thereto, will generally be taxable to a US Holder as foreign source dividend income, and will not be eligible for the dividends received deduction allowed to corporations. Distributions in excess of current and accumulated earnings and profits will be treated as a non-taxable return of capital to the extent of the US Holder's basis in the Rights Offer Shares and thereafter as capital gain. However, the Company does not expect to maintain calculations of its earnings and profits in accordance with US federal income tax accounting principles. US Holders should therefore assume that any distribution by the Company with respect to Rights Offer Shares will be reported as ordinary dividend income. US Holders should consult their own tax advisers with respect to the appropriate US federal income tax treatment of any distribution received from the Company.

Dividends paid by the Company will generally be taxable to a non-corporate US Holder at preferential rates, provided the Company qualifies for the benefits of the Tax Treaty, which the Company believes to be the case, and certain other requirements are met. A US Holder will be eligible for this reduced rate only if it has held the Rights Offer Shares for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date.

Foreign currency dividends

Dividends paid in Rand will be included in income in a US dollar amount calculated by reference to the exchange rate in effect on the day the dividends are received by the US Holder, regardless of whether the Rand are converted into US dollars at that time. If dividends received in Rand are converted into US dollars on the day they are received, the US Holder generally will not be required to recognise foreign currency gain or loss in respect of the dividend income. If the US Holder converts the Rand into US dollars on a later date, the US Holder must include in income any gain or loss resulting from any exchange rate fluctuations during the period from the date the US Holder included the dividend in income to the date such holder converts the currency into US dollars (or otherwise disposes of the currency). Generally, any gain or loss resulting from currency exchange rate fluctuations will be ordinary income or loss and will be treated as from sources within the United States for foreign tax credit limitation purposes.

Effect of South African withholding taxes

As discussed in "*Taxation—South Africa*", under the South African DT, payments of dividends by the Company to foreign investors will be subject to a 15% South African withholding tax. For US federal income tax purposes, US Holders will be treated as having received the amount of South African taxes withheld, and as then having paid over the withheld taxes to the South African taxing authorities. As a result of this rule, the amount of dividend income included in gross income for US federal income tax purposes by a US Holder with respect to a payment of dividends may be greater than the amount of cash actually received (or receivable) by the US Holder with respect to the payment.

A US Holder will generally be entitled, subject to certain limitations, to a credit against its US federal income tax liability, or a deduction in computing its US federal taxable income, for South African income taxes withheld by the Company.

For purposes of the foreign tax credit limitation, foreign source income is classified in one of two "baskets", and the credit for foreign taxes on income in any basket is limited to US federal income tax allocable to the income in that basket.

Dividends paid by the Company generally will constitute foreign source income in the "passive category income" basket. The rules regarding foreign tax credits are complex. Prospective purchasers should consult their tax advisers concerning the foreign tax credit implications of the payment of South African taxes.

Sale or Other Disposition

Subject to the PFIC rules discussed below, upon a sale or other disposition of Rights Offer Shares, a US Holder generally will recognise capital gain or loss for US federal income tax purposes equal to the difference, if any, between the amount realised on the sale or other disposition and the US Holder's adjusted tax basis in the

Rights Offer Shares. This capital gain or loss will be long-term capital gain or loss if the US Holder's holding period in the Rights Offer Shares exceeds one year. The deductibility of capital loss is subject to significant limitations. Such gain or loss realised generally will be treated as derived from US sources.

A US Holder's tax basis in a Rights Offer Share will generally be determined as described above under "—*Taxation in Respect of Rights—Exercise of Rights*".

The amount realised on a sale or other disposition of Rights Offer Shares for an amount in foreign currency will be the US dollar value of this amount on the date of sale or disposition. On the settlement date, the US Holder will recognise US source foreign currency gain or loss (taxable as ordinary income or loss) equal to the difference (if any) between the US dollar value of the amount received based on the exchange rates in effect on the date of sale or other disposition and the settlement date. However, in the case of Rights Offer Shares traded on an established securities market that are sold by a cash basis US Holder (or an accrual basis US Holder that so elects), the amount realised will be based on the exchange rate in effect on the settlement date for the sale, and no exchange gain or loss will be recognised at that time.

Disposition of Foreign Currency

Foreign currency received on the sale or other disposition of a Rights Offer Share will have a tax basis equal to the US dollar value on the settlement date of the amount realised on such sale or other disposition. Foreign currency that is purchased will generally have a tax basis equal to the US dollar value of the foreign currency on the date of purchase. Any gain or loss recognised on a sale or other disposition of a foreign currency (including its use to purchase Rights Offer Shares or upon exchange for US dollars) will be US source ordinary income or loss.

Passive Foreign Investment Company Considerations

A foreign corporation will be a PFIC in any taxable year in which, after taking into account the income and assets of the corporation and certain subsidiaries pursuant to applicable "look-through rules", either: (i) at least 75% of its gross income is "passive income" or (ii) at least 50% of the average value of its assets is attributable to assets which produce passive income or are held for the production of passive income. The Company does not believe that it was a PFIC for its 2016 taxable year and does not believe it should be treated as a PFIC for US federal income tax purposes for its current taxable year or in the foreseeable future. However, the Company's possible status as a PFIC must be determined annually and therefore may be subject to change. This determination will depend in part on whether the Company continues to earn substantial amounts of operating income, as well as on the market valuation of the Company's assets and the Company's spending schedule for its cash balances and the proceeds of the Rights Offer. If the Company were to be treated as a PFIC, US Holders of Rights Offer Shares generally would be required: (i) to pay a special US addition to tax on certain distributions and gains on sale; (ii) to pay tax on any gain from the sale of Rights Offer Shares at ordinary income (rather than capital gains) rates in addition to paying the special addition to tax on this gain; and (iii) to comply with certain annual reporting requirements. Additionally, dividends paid by the Company would not be eligible for the special reduced rate of tax described above under "—*Taxation in Respect of Rights Offer Shares—Dividends*". Prospective purchasers should consult their tax advisers regarding the potential application of the PFIC regime.

Transfer Reporting Requirements

A US Holder that exercises its Rights may be required to file Form 926 (or similar form) with the IRS in certain circumstances. A US Holder who fails to file any such required form could be required to pay a penalty equal to 10% of the gross amount paid for the Rights Offer Shares (subject to a maximum penalty of US$100,000, except in cases of intentional disregard). US Holders should consult their tax advisers with respect to this or any other reporting requirement that may apply to an acquisition of the Rights Offer Shares.

Foreign Financial Asset Reporting

Certain US Holders that own certain specified foreign financial assets, including equity of foreign entities, with an aggregate value in excess of US$50,000 at the end of the taxable year or US$75,000 at any time during the taxable year (or, for certain individuals living outside the United States and married individuals filing joint returns, certain higher thresholds) may be required to file an information report with respect to such assets with their tax returns. The Rights Offer Shares are expected to constitute foreign financial assets subject to these requirements unless the Rights Offer Shares are held in an account at a financial institution (in which case, the account may be reportable if maintained by a foreign financial institution). US Holders should consult their tax advisers regarding the application of the rules relating to foreign financial asset reporting.

Non-US Holders

Subject to the discussion of below under "—*Backup Withholding and Information Reporting*", a non-US Holder generally should not be subject to US federal income or withholding tax on any distributions made on the Rights Offer Shares or gain from the sale, redemption or other disposition of the Rights or Rights Offer Shares unless: (i) that distribution and/or gain is effectively connected with the conduct by that non-US Holder of a trade or business in the United States, and, if required by an applicable income tax treaty as a condition for subjecting the holder to US taxation on a net income basis, such payment and/or gain is attributable to a permanent establishment that the non-US Holder maintains in the United States; or (ii) in the case of any gain realised on the sale or exchange of Rights or Rights Offer Shares by a non-US Holder who is an individual, that non-US Holder is present in the United States for 183 days or more in the taxable year of the sale, exchange or retirement and certain other conditions are met.

Backup Withholding and Information Reporting

Payments of dividends and other proceeds with respect to Rights Offer Shares, or proceeds with respect to the sale or exchange of Rights by a US paying agent or other US intermediary will be reported to the IRS and to the US Holder as may be required under applicable regulations. Backup withholding may apply to these payments if the US Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to comply with applicable certification requirements. Non-US Holders may be required to comply with applicable certification procedures to establish that they are not US Holders in order to avoid the application of such information reporting requirements and backup withholding. Certain US Holders are not subject to backup withholding. US Holders should consult their tax advisers as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption. Backup withholding is not an additional tax. Amounts withheld under the backup withholding rules are available to be credited against a US Holder's US federal income tax liability and may be refunded to the extent they exceed such liability, provided the required information is timely provided to the IRS.

Life has entered into the Underwriting Agreement with the Joint Bookrunners, dated 22 March 2017, with respect to the Rights Offer Shares. Pursuant to the terms of the Underwriting Agreement, if there are any Rump Shares the Joint Bookrunners may elect to offer such Rump Shares in an international private placement to institutional investors on the Company's behalf, otherwise such Rump Shares will be subscribed for by the Joint Bookrunners themselves as principal (or by other subscribers procured by the Joint Bookrunners to do so in their stead) severally but not jointly (or jointly and severally) in the following proportions:

- RMB: 50% of the Rump Shares; and
- Absa: 50% of the Rump Shares.

If and to the extent that the Joint Bookrunners have not procured any subscribers for the Rump Shares by way of a private placement in the market, the purchase and any resale, or the procurement of any sub-underwriter or persons to take up any Rump Shares, by the Joint Bookrunners will be for their own account and not on behalf of Life or on behalf of any Qualifying Shareholder who does not exercise its subscription rights. Any transaction carried out by the Joint Bookrunners pursuant to the Underwriting Agreement in relation to the issue of Letters of Allocation or Rights Offer Shares will constitute a transaction carried out in the capacity of agent at the request of the Company and not in respect of the Joint Bookrunners' own accounts.

The obligations of the Joint Bookrunners pursuant to the Underwriting Agreement are subject to certain conditions that are typical for an agreement of this nature. These conditions include, among others, the accuracy of the representations and warranties in the Underwriting Agreement, the receipt of opinions on certain legal matters from counsel and other conditions customary in international capital markets transactions.

Life has agreed to indemnify the Joint Bookrunners and their affiliates against certain losses and liabilities arising out of or in connection with the Rights Offer, including liabilities under the US Securities Act and the US Exchange Act. In addition, Life has agreed to reimburse the Joint Bookrunners for their costs and expenses incurred in connection with the Rights Offer and the purchase and sale of any Rights Offer Shares.

Life has agreed that it will not, for a period of 180 days following the execution of the Underwriting Agreement, without the prior written consent of the Joint Bookrunners, issue, offer, sell, contract to sell, pledge or otherwise dispose of (or publicly announce any such issuance, offer, sale or disposal of): (i) any shares of the Company or securities convertible, or exchangeable into, or exercisable for, shares of the Company or (ii) warrants or other rights to purchase shares of the Company or (iii) any security or financial product whose value is determined directly or indirectly by reference to the price of the underlying securities, including equity swaps, forward sales and options. This restriction does not apply to: (i) the issuance of Rights Offer Shares to be issued in the context of the Rights Offer; and (ii) issuances from time to time pursuant to existing share option plans or other employee or management incentive plans of Life.

In addition, any offer and sale of the Rump Shares within the United States will be made by affiliates of the Joint Bookrunners that are broker-dealers registered under the US Exchange Act. Until the expiration of 40 days after the commencement of the Rights Offer, an offer or sale of Rump Shares within the United States by a dealer, whether or not participating in the underwritten offering, may violate the registration requirements of the US Securities Act if such offer or sale is made other than pursuant to an available exemption from such registration requirement.

The Underwriting Agreement provides that, until the final closing of the Rights Offer, the Joint Bookrunners may terminate their several commitments under the Underwriting Agreement up until the date of settlement of the Rights Offer and demand payment of costs and expenses incurred to date in connection with the Rights Offer upon the occurrence of any of the following customary termination events:

- any of the conditions to the Underwriting Agreement has not been satisfied or (to the extent capable of being waived) waived;
- breach by the Company of any representation or warranty under the Underwriting Agreement;
- notification of the need to prepare and issue an amendment or supplement to this Circular to correct a material misstatement or omission in this Circular;
- a material adverse change in relation to the Group, which makes it, in the opinion of the Joint Bookrunners (acting in good faith and following consultation with the Company) impracticable or inadvisable to proceed with the Rights Offer or the underwriting of the Rights Offer Shares; or
- there has occurred or, in the opinion of the Joint Bookrunners, acting in good faith, it is likely that there will occur a force majeure event or a change in the market which is material in the context of the Rights Offer, which the Joint Bookrunners consider, acting in good faith and following consultation with the Company, is such as to make it impracticable or inadvisable to proceed with the Rights Offer or the underwriting of the Rights Offer Shares.

As is customary with offerings of this type, an underwriting fee equal to 2.0% of R7.1 billion (the value of the Underwritten Shares will be payable by the Company to the Joint Bookrunners). The Underwriting Agreement provides that the underwriting fees will not be paid until the underwriting commitments have been met.

The Joint Bookrunners and their affiliates have from time to time engaged in, and may in the future engage in, various commercial banking, investment banking and financial advisory transactions and services in the ordinary course of their business with Life. The Joint Bookrunners have received and will receive customary fees and commissions for these transactions and services.

The Underwriting Agreement is subject to certain conditions precedent and is terminable by the Joint Bookrunners in certain circumstances. Notwithstanding these conditions precedent and termination rights, the Underwriting Agreement will not be capable of being unilaterally revoked by the Joint Bookrunners and consequently the Underwriting Agreement will become irrevocable not later than 16:30 on 22 March 2017 (being the day prior to the finalisation date as determined by the relevant timetable in Schedule 18 of the JSE Listings Requirements).

The Directors of the Company have made due and careful enquiry to confirm that at the date of signing the Underwriting Agreement the Joint Bookrunners can meet their obligations and commitments in terms of the Rights Offer, subject to and in accordance with the terms of the Underwriting Agreement, and are in a position to meet their underwriting commitments in terms of the Underwriting Agreement in conjunction with any other underwriting or similar agreements running concurrently with the present commitment.

INFORMATION ON THE DIRECTORS AND SENIOR MANAGEMENT OF LIFE

Board of Directors

- The full names, positions, ages as at the Last Practicable Date, nationalities and qualifications of the Directors are set out below.
- LM (Louisa) Mojela resigned with effect from 25 January 2016.
- The business address of each Director is Oxford Manor, 21 Chaplin Road, Johannesburg, Illovo, 2196, South Africa.
- There will be no changes to the Directors and management of Life or their roles and functions as consequence of the Rights Offer.
- There will be no variation in the remuneration payable to Directors of Life as a consequence of the Rights Offer.

MA (Mustaq) Brey

Position	Chairman (non-executive director)
Appointed	2005, Chairman since 2013
Age	62
Nationality	South African
Qualifications	BCompt (Hons), CA(SA)
Experience	Mustaq is a founder and chief executive officer of Brimstone. He serves on the boards of Oceana Fishing Group Limited and Lion of Africa Insurance Company Limited. He serves on the audit committee of the Mandela Rhodes Foundation and is an independent director and chairman of the finance committee of Western Province Cricket Association. He was appointed to the Life board of directors in 2005 and appointed as Chairman in February 2013.
Current Directorships	51 Wale Street (Pty) Ltd African Monarch 710 Investment Holdings (Pty) Ltd Aon Re Africa (Pty) Ltd Blik Investments (Pty) Ltd Brainfin Financial Services (Pty) Ltd Breyfin (Pty) Ltd Brim Tiger SPV (Pty) Ltd Brimbrands (Pty) Ltd Brimstone Investment Corporation Ltd Brimstone Management Company (Pty) Ltd Brimstone Properties (Pty) Ltd Brimsure (Pty) Ltd Business Venture Investments No 813 (Pty) Ltd Business Venture Investments No 871 (Pty) Ltd Business Venture Investments No 931 (Pty) Ltd Business Venture Investments No 933 (Pty) Ltd Cape Monarch Investments (Pty) Ltd (RF) Commlife Claremont Consortium (Pty) Ltd Equities Property Fund (Pty) Ltd FPG Investments (Pty) Ltd Friedshelf 1534 (Pty) Ltd Friedshelf 1535 (RF) (Pty) Ltd Greenford Legacy PS (Pty) Ltd H Investments No 157 (Pty) Ltd H Investments No 219 (Pty) Ltd H Investments No 237 (Pty) Ltd House of Monatic (Pty) Ltd International Frontier Technologies SOC Ltd Jasmynweg Beleggings (Pty) Ltd Kalab Investments (Pty) Ltd Life Healthcare Group Holdings Ltd

	Lion of Africa Holdings Company (Pty) Ltd Lion of Africa Insurance Company Ltd Masibambane Consultants (Pty) Ltd My Domain (Pty) Ltd My Domain Rentals (Pty) Ltd Newshelf 1062 (Pty) Ltd Newshelf 1063 (Pty) Ltd Newshelf 1064 (Pty) Ltd Newshelf 1168 (Pty) Ltd Newshelf 1169 (Pty) Ltd Newshelf 831 (RF) (Pty) Ltd Newshelf 1269 (RF) (Pty) Ltd Newshelf 1279 (RF) (Pty) Ltd Newshelf 1331 (RF) (Pty) Ltd Newshelf 1354 (Pty) Ltd Oceana Group Ltd Oceana Spv (Pty) Ltd Old Mutual Real Estate Holding Company (Pty) Ltd Pro-One Investments (Pty) Ltd Resource And Education Association For The Blind NPC Roselane Investments (Pty) Ltd Septen Investments (Pty) Ltd Western Province Cricket Association Zibiset (Pty) Ltd
Directorships in the past five years	Business Venture Investments No 948 (Pty) Ltd Claremont Library Development Company (Pty) Ltd Health Strategic Investments (Pty) Ltd Lexshell 834 Investments (Pty) Ltd Life Healthcare Group (Pty) Ltd Lion of Africa Life Assurance Company Ltd Lion of Africa Underwriting Management Company (Pty) Ltd Nedbank Group Ltd Nedbank Ltd Newshelf 1055 (Pty) Ltd Newshelf 778 (Pty) Ltd Swish Property Seven (Pty) Ltd The Scientific Group (Pty) Ltd

A (André) Meyer

Position	Group Chief Executive Officer
Appointed	1 April 2014
Age	51
Nationality	South African
Experience	André has over 29 years' experience at executive level in the financial and healthcare sectors. He joined Alexander Forbes Financial Services Limited as a financial consultant and later headed up the firm's negotiated benefits division, before being appointed as the divisional director and subsequently, managing director of the healthcare consultants division. A year later, the health management solutions division was added to his portfolio. André also represented Alexander Forbes on the board of FIHRST Management Services, South Africa, a joint venture with Standard Bank Limited. On 1 April 2003, André was appointed the chief executive officer of Medscheme Limited and later also served on the board of AfroCentric Health Limited as an executive, following its acquisition of Medscheme.
Current Directorships	Alliance Medical Group Ltd Gamka Wildlife Breeders (Pty) Ltd Life Esidimeni Group Holdings (Pty) Ltd Life Healthcare Finance (Pty) Ltd (RF) Life Healthcare Group (Pty) Ltd Life Healthcare Group Holdings Ltd Life Healthcare International (Pty) Ltd Life Healthcare Investments plc Life Healthcare UK Ltd Life Management (Pty) Ltd Life UK Bidco Ltd Max Healthcare Institute Ltd Oudehoutkloof Boerdery (Pty) Ltd Scanmed S.A.
Directorships in the past five years	Afrocentric Health (RF) (Pty) Ltd Agraz Foods (Pty) Ltd Agraz Holdings (Pty) Ltd Agraz Properties (Pty) Ltd Agraz Properties Gauteng (Pty) Ltd Aid For AIDS Management (Pty) Ltd Blockbuster Trading 8 (Pty) Ltd Fortuna Trade 108 (Pty) Ltd Golden Nuts Invest 10 (Pty) Ltd Hospital Association of South Africa NPO I E Business Insight Strategic Consulting (Pty) Ltd Life Pharmacy Management Services (Pty) Ltd Medscheme Holdings (Pty) Ltd Medscheme Ltd Riverdene Trading 5 (Pty) Ltd Sigma Health Fund Managers (Pty) Ltd Tradebridge (Pty) Ltd Wellworx (Pty) Ltd

PP (Pieter) van der Westhuizen

Position	Group Chief Financial Officer
Appointed	1 June 2013
Age	45
Nationality	South African
Qualifications	BCom (Acc), CA(SA)
Experience	Pieter completed his training contract and qualified as a chartered accountant in 1996 at PricewaterhouseCoopers Inc. He joined President Medical Investments Limited (Presmed) in 1999, which became part of Afrox Healthcare Limited. Pieter performed various roles in the finance department of Afrox Healthcare and played a significant role in Afrox Healthcare's delisting in 2005 and its subsequent relisting as Life in 2010.
Current Directorships	Alliance Medical Group Ltd Ama Casa Props 78 (Pty) Ltd Ammed Properties (Pty) Ltd Dazzle Ways Trading (Pty) Ltd EMH Oncology (Pty) Ltd Hentiq 1889 (Pty) Ltd L C M Oncology Life Doctor Investments (Pty) Ltd Life Healthcare Finance (Pty) Ltd Life Healthcare Group (Pty) Ltd Life Healthcare Group Holdings Ltd Life Healthcare International (Pty) Ltd Life Healthcare Investments plc Life Healthcare Multi Issuer Programme (RF) (Pty) Ltd Life Healthcare UK Ltd Life Impilo (Pty) Ltd Life Management (Pty) Ltd Life Pharmacy Management Services (Pty) Ltd Life UK Bidco Ltd Lorraine Nel Inc. Lukhanji Health Services (Pty) Ltd Mafikeng Hospital (Pty) Ltd Max Healthcare Institute Ltd Medicine Management Services (Pty) Ltd New Kensington Clinic (Pty) Ltd Newshelf 779 (Pty) Ltd PE Medical Group Investments No 3 (Pty) Ltd Presmed Hospitals (Pty) Ltd Roseacres Clinic (Pty) Ltd Rustenburg Hospital Properties (Pty) Ltd Scanmed S.A. Simco 5 (Pty) Ltd Stream Clear Five Props (Pty) Ltd The Retreat Sky Trading (Pty) Ltd Zandfontein Clinic (Pty) Ltd

Directorships in the past five years	Abracor (Pty) Ltd Amaraka Investments No 37 (Pty) Ltd Boewest Share Block Company No 1 (Pty) Ltd Boewest Share Block Company No 2 (Pty) Ltd Careways Wellness (Pty) Ltd Cosmos Hospital Properties (Pty) Ltd Dusty Gold Properties (Pty) Ltd E M H Operating Co (Pty) Ltd Eastern Cape Frail Care (Pty) Ltd Faranani Life Health Solutions (Pty) Ltd FHCM Projects (Pty) Ltd Franwein Properties (Pty) Ltd Garbanzo Property Investments (Pty) Ltd Hewu Hospital (Pty) Ltd How Avenue Clinic (Pty) Ltd Jorum Property Investments (Pty) Ltd Kingsbury Hospital Property (Pty) Ltd Life Bayview Hospital (Pty) Ltd Life Carstenhof Docco (RF) (Pty) Ltd Life Carstenhof Hospital (Pty) Ltd Life Cosmos Hospital (Pty) Ltd Life East London Private Hospital (Pty) Ltd Life Esidimeni (Pty) Ltd Life Esidimeni Group Holdings (Pty) Ltd Life Faerie Glen Hospital (Pty) Ltd Life Flora Docco (Pty) Ltd Life Hilton Docco (Pty) Ltd Life Hilton Oncology (Pty) Ltd Life Hilton Private Hospital (Pty) Ltd Life Kingsbury Docco (RF) (Pty) Ltd Life Kingsbury Hospital (Pty) Ltd Life Mosselbay Properties (Pty) Ltd Life Occupational Health (Pty) Ltd Life Occupational Health Finch Diamond Mine (Pty) Ltd Life Pretoria North Day Clinic (Pty) Ltd Life Pretoria North Docco (RF) (Pty) Ltd Life Vincent Pallotti Docco (RF) (Pty) Ltd Life Vincent Pallotti Hospital (Pty) Ltd Life Vincent Pallotti Oncology (Pty) Ltd Life VP Oncology Docco (RF) (Pty) Ltd Life Wilgers Hospital (Pty) Ltd Lifecare Properties (Pty) Ltd Ligitprops 109 (Pty) Ltd Matikwana Hospital (Pty) Ltd Micawber 248 (Pty) Ltd Micawber 249 (Pty) Ltd Oude Werf (Pty) Ltd Peglerae Hospital (Pty) Ltd Peglerae Investments (Pty) Ltd Red Mind Trade And Invest (Pty) Ltd Siyathuthuka Care Centre (Pty) Ltd Spittal Drau Investments (Pty) Ltd Vredenburg Hospital (Pty) Ltd Wilgers Hospitaal Ltd Windway Properties (Pty) Ltd Witpoort Treatment Centre NPC

PJ (Peter) Golesworthy

Position	Lead independent non-executive director
Appointed	2010
Age	58
Nationality	British
Qualifications	BA (Hons) (first class), Accountancy Studies, CA
Experience	Peter qualified as a chartered accountant with the Institute of Chartered Accountants of Scotland. He serves as a director of a number of private companies and as a member of various investment committees of certain Old Mutual businesses. He was previously the finance director of Old Mutual (South Africa).
Current Directorships	Life Healthcare Group Holdings Ltd Masisizane Fund NPC Old Mutual Emerging Markets Limited Old Mutual Finance (RF) (Pty) Ltd
Directorships in the past five years	Afriglass (Pty) Ltd Idwala Industrial Holdings Ltd

Prof ME (Marian) Jacobs

Position	Independent non-executive director
Appointed	2014
Age	69
Nationality	South African
Qualifications	MBChB (UCT), Diploma in Community Medicine (UCT), Fellowship of the College of South Africa (with paediatrics)
Experience	Marian is a public health paediatrician who retired as dean of the Faculty of Health Sciences at the University of Cape Town in 2012. She currently holds the position of Emeritus Professor, Paediatrics and Child Health, University of Cape Town, where she was formerly head of the Department, as well as founding director of the Children's Institute. In South Africa, she chairs the Advisory Committee of the Academy for Leadership and Management in Healthcare at the National Department of Health and has headed the boards of the South African Medical Research Council, as well as national non-governmental organisations such as the Health Systems Trust. She is also currently a Trustee of the Discovery Foundation and serves KhetImpilo, a health focussed non-governmental organisation. On the African continent, she has led the Board of the African Population and Health Research Centre in Kenya, served as the Interim President of the African Medical Schools Association, and at present, advises the Doris Duke Foundation on their Africa Health Initiative.

Globally, she headed the Board of the Bangladesh-based Centre for Health Research, and the Geneva-based Council for Health Research and Development. She has completed a term on the Technical Committee for Maternal, Newborn, Child and Adolescent Health of the World Health Organisation, where she also served the Commission of Ending Childhood Obesity and the Advisory Committee on Health Research, as well as five years of service to the Gulbenkian Foundation's Global Mental Health Platform in Portugal. She is currently a director of the Board of AERAS, a US-based non-profit biotechnical organisation which is involved in the development of vaccines for tuberculosis and other infectious diseases, and provides strategic advice to the Boston-based Institute for Health Improvement.

Her research and development interests and publications are in the fields of paediatrics, child health, public health, human resources for health, global health and health systems strengthening.

Current Directorships	Aeras Life Healthcare Group Holding Limited
Directorships in the past five years	None

JK (Joel) Netshitenzhe

Position	Independent non-executive director
Appointed	2010
Age	60
Nationality	South African
Qualifications	MSc (University of London, School of Oriental and African Studies (SOAS)), Postgraduate Diploma in Economic Principles, Diploma in Political Science
Experience	Joel is the executive director and board vice-chairperson of the Mapungubwe Institute for Strategic Reflection (MISTRA), an independent research institute. He is a member of the ANC national executive committee and was a member of the first National Planning Commission (2010 – 2015). Joel serves as a non-executive director on the boards of Nedbank Group, the Council for Scientific and Industrial Research (CSIR) and CEEF Africa (a section 21 company dealing with tertiary education opportunities). He is also a programme pioneer of the Nelson Mandela Champion Within Programme. He has held a number of senior and executive management positions in the ANC government including that of head of Policy Co-ordination and Advisory Services (PCAS) in The Presidency.
Current Directorships	Camel Rock Trading 434 CC Council For Scientific and Industrial Research Life Healthcare Group Holdings Ltd Mapungubwe Institute For Strategic Reflection NPC Nedbank Group Ltd Nedbank Ltd
Directorships in the past five years	Betascape (Pty) Ltd Lushote Trading (Pty) Ltd Topaz Sky Trading 316 (Pty) Ltd Centre For Education In Economics And Finance Africa NPO

Dr MP (Malefetsane) Ngatane

Position	Independent non-executive director
Appointed	2007
Age	62
Nationality	South African
Qualifications	BSc, MBChB, FCOG
Experience	Malefetsane is a specialist obstetrician and gynaecologist. He has served as a consultant obstetrician and gynaecologist, and superintendent of the Chris Hani Baragwanath Hospital. He also served as the head of obstetrics and gynaecology at Natalspruit Hospital. He is currently in private practice. Malefetsane is the President of the Commonwealth Boxing Council (CBC), based in London, and serves on the boards of Boxing South Africa (BSA) and the World Boxing Council based in Mexico. He is also the vice-president of the African Boxing Union based in Tunisia and previously served as treasurer for the International Planned Parenthood Federation in Nairobi.
Current Directorships	Boxing South Africa World Boxing Council Artpac Financial Services NPC Business Venture Investments No 813 (Pty) Ltd Dr Mp Ngatane Inc. Life Healthcare Group Holdings Ltd Ngatane Farming (Pty) Ltd Ngatane Trading (Pty) Ltd Pabala Wellness And Beauty (Pty) Ltd The Gauteng Boxing Veterans Association Npc
Directorships in the past five years	Life Healthcare Group (Pty) Ltd Thamal Medical Consultancy

Mpho Elizabeth Nkeli

Position	Independent non-executive director
Appointed	2015
Age	52
Nationality	South African
Qualifications	BSc Environmental Science, MBA
Experience	Mpho currently serves on the board of Impala Platinum. She previously served as executive director on various boards within the Alexander Forbes Group and Vodacom South Africa. Mpho was a member of the Commission of Employment Equity before being appointed chairman from 2009 to 2012. She has executive experience spanning 15 years in diverse functions. She trained as an environmental scientist, before moving into marketing, communications, social investment and enterprise development. Mpho later focused on human resources and transformation and was responsible for human resources at Alexander Forbes, whereafter she joined Vodacom in 2011 for three years as the chief human resources officer. She has also contributed to changes in legislation relating to B-BBEE. Mpho received the Laureate Award from the University of Pretoria in 2009.

Current Directorships	2pointB (Pty) Ltd Alizay Properties 5 (Pty) Ltd Disability Investment (Pty) Ltd Huvest Foundation NPC Impala Platinum Holdings Ltd Jerry And Mpho (Pty) Ltd Life Healthcare Group Holdings Limited Mxn Consulting (Pty) Ltd Sasol Limited Search Partners International (Pty) Ltd Spi Operations (Pty) Ltd
Directorships in the past five years	Bagale Bahale Projects (Pty) Ltd Hlumisa Investment Holdings (RF) Ltd Residual Debt Services Ltd Vodacom (Pty) Ltd

GC (Garth) Solomon

Position	Independent non-executive director
Appointed	2005
Age	50
Nationality	South African
Qualifications	BCom, BCompt (Hons), CA(SA)
Experience	Garth completed his articles with Deloitte & Touche; thereafter he served in various commercial and corporate finance roles with the South African Revenue Service, Group Five Properties and African Harvest Limited before joining Old Mutual Private Equity in 2003. He was appointed head of private equity in 2012, and was a member of the Old Mutual Private Equity team until 2013. In this capacity he was involved in numerous investments and served on the boards and sub-committees of a number of large private businesses including Air Liquid, Metro Cash & Carry, the Tourvest Group and Liberty Star Consumer Holdings. Garth is currently the co-owner and a director of Evolve Capital, an investment trust that invests in small and medium-sized businesses.
Current Directorships	Evolution Retail Solutions (Pty) Ltd Evolve Capital (Pty) Ltd Life Healthcare Group Holdings Ltd Michael Oak NPC Oryx Desert Salt (Pty) Ltd Zang Chocolate (Pty) Ltd
Directorships in the past five years	Liberty Star Consumer Holdings (Pty) Ltd Metcash Trading Africa (Pty) Ltd Primetime Trading 6 (Pty) Ltd Randburg International Real Estate (Pty) Ltd Tourvest Group (Pty) Ltd Tourvest Holdings (Pty) Ltd

RT (Royden) Vice

Position	Independent non-executive director
Appointed	2014
Age	70
Nationality	South African
Qualifications	BCom, CA(SA)
Experience	Royden is the chairman of the board of Waco International Holdings Proprietary Limited since retiring in July 2011 after 10 years as the company's chief executive officer. The Waco group of companies has subsidiaries in the UK, USA, Australia, New Zealand, Chile and southern Africa. Prior to this, Royden was chief executive officer of Industrial and Special Products of the UK-based BOC Group, responsible for operations in over 50 countries and revenue of US$4 billion. He was also chairman of African Oxygen Limited (Afrox) from 1994 to 2001 and Afrox Healthcare, which successfully listed in 1999. He serves as a non-executive director on the boards of Hudaco Industries Limited where he is the chairman, and Murray and Roberts Holdings. Royden is a governor of Rhodes University. He has extensive global leadership experience, having lived on three continents – North America (New York), Europe (London) and Africa (Johannesburg).
Current Directorships	Hudaco Industries Ltd Life Healthcare Group Holdings Ltd Integrated Managed Investments (Pty) Ltd Puregas (Pty) Ltd Waco International Holdings (Pty) Ltd
Directorships in the past five years	Murray & Roberts Holdings Ltd

All of the Directors have completed Directors' declarations in terms of Schedule 13 of the Listings Requirements.

Group secretary

Fazila Patel

Position	Group company secretary
Appointed	1 August 2006
Age	48
Nationality	South African
Qualifications	BA, LLB, Cert Programme in Corporate Governance

Senior Management

- The full names, positions, ages as at the Last Practicable Date, nationalities and qualifications of the Company's Senior Management are set out below.
- The business address of each member of Senior Management, other than Hubert Bojdo and Rajiht Mehta, is Oxford Manor, 21 Chaplin Road, Johannesburg, Illovo, 2196, South Africa. The business address of Hubert Bojdo is Ul. Amii Krajowej 18, 30-150 Kraków, Poland and the business address of Rajiht Mehta is Max House, 1, Dr. Jha Marg, Okhla, New Delhi – 1100 20.
- There will be no changes to the Senior Management of Life or their roles and functions as consequence of the Rights Offer.

André Meyer

Position	Group Chief Executive Officer

Refer to details of directors above

Pieter van der Westhuizen

Position	Group Chief Financial Officer

Refer to details of directors above

Lourens Bekker

Position	Chief Operating Officer – SA
Appointed	1 December 2011
Age	57
Nationality	South African
Qualifications	Hons Industrial Psychology
Experience	Lourens has been with the Group since 1994 and has held various positions at hospital level and national level including group industrial relations manager, integration manager and regional hospital manager. He was appointed Chief Operating Executive Inland Region in 2011 and assumed the duties as Chief Operating Officer – South Africa in June 2016.

Juliet Mhango

Position	Group Human Resources Executive
Appointed	16 November 2015
Age	42
Nationality	South African
Qualifications	BA (Wits University), Master of Business Leadership (UNISA SBL)
Experience	Juliet joined Life in November 2015 as Group Human Resources Executive. She started her career in the human resources (HR) field in 1998, as an HR Consultant at MTN. Her experience in HR includes both specialist and general HR management roles, primarily within the financial services industry, with organisations including Standard Bank and Sanlam Capital Markets. Prior to joining Life, Juliet held the position of HR executive at Momentum Retail (MMI Holdings) for six years.

Adam Pyle

Position	Group Strategy and Investor Relations Executive
Appointed	5 February 2003
Age	51
Nationality	British
Qualifications	BCom, LLB
Experience	Adam's responsibilities include strategy, investor relations and health policy. He joined Life in 2003, and has had a number of executive roles, including marketing and funder relations. Adam serves on the boards of Max Healthcare and Scanmed S.A. He was previously marketing director at HealthBridge.

Dr Steve Taylor

Position	Group Medical Executive
Appointed	1 March 2014
Age	59
Nationality	South African
Qualifications	MBChB (UCT), FFCH (CMSA), MMed (UCT)
Experience	Steve is a medical doctor. He has a wealth of healthcare experience in the public sector, where he worked as a public health specialist, and in medical administration, as a chief medical superintendent. Since joining the Group in 1993, he has specialised in hospital management and administration. He was previously General Manager: Coastal Region, responsible for 32 hospitals. Since October 2010, he has held the position of Group Medical Executive. He serves on the boards of the HASA, COHSASA and the Frere Hospital.

Anton van Loggereneberg

Position	Group Chief Information Officer
Appointed	1 August 2013
Age	47
Nationality	South African
Qualifications	MSc (Pretoria), MBA (UK)
Experience	Anton joined Iscor Mining in 1993 within its technology division. From there he moved to Nedcor, then Absa where he became a general manager in 2002. Since then, he has operated as a technology executive working within the local and global IT industry across multiple countries, serving on various forums and boards.

Hubert Bojdo

Position	Chief Executive Officer: Scanmed S.A.
Appointed	1 July 2016
Age	43
Nationality	Polish
Qualifications	Masters in Economics, PhD studies, Licensed stock exchange broker and licensed tax advisor
Experience	Hubert started his career in 1995 as a stock broker at Warsaw Stock Exchange. He worked for Arthur Andersen (1997 – 2002) focusing on advisory for international investment banks. In 2002 – 2006, Hubert worked for Deloitte as head of the international tax department. In 2008, he co-founded Rubicon Partners – a WSE listed investment company, where he was managing partner specialising in cross border IPOs, M&A and proprietary investments. Hubert was involved (both as investment manager and investor) in several private healthcare sector projects (diagnostic imaging, cardiology, private hospitals, cross border medical staff outsourcing and other) from start-up to exit stages, both in private and public companies. Hubert supervised those investments and was closely involved in operations, finance/tax/accounting, equity/debt raising, reporting and investor relations and exits.

Rajit Mehta

Position	Max Healthcare, Managing Director
Appointed	1 April 2015
Age	54
Nationality	Indian
Qualifications	MBA (Personnel Management and Industrial Relations)
Experience	Rajit is the Managing Director and Chief Executive Officer of Max Healthcare Institute Limited, a leading private healthcare company in India, and is a member of the board of directors of the Company. As the Managing Director and Chief Executive Officer, he provides strong leadership in helping the Company in achieving its vision of being the most admired healthcare company in India, known for clinical and service excellence. He is also a non-executive director at Max Life Insurance Limited and Max Skill First Limited and is a trustee of the Max India Foundation – the CSR arm for the Max Group of Companies. He was a founder member of Max Life Insurance and has been instrumental in helping Max Life become an admired, profitable and well-run company. He has played a strategic role in helping Max Life expand its distribution footprint across India, including facilitating a project to 'Revamp Sales processes'. He is the recipient of the Chairman's Award for Excellence at Max Life Insurance. Prior to Max Life Insurance, he was the director – personnel, at Bank of America and has also worked with HCL. His total experience spans three decades. Rajit is a graduate in Commerce, postgraduate in Human Resources and has also attended an Advanced Management Program at INSEAD – France.

Francois Theron

Position	Chief Financial Officer – SA
Appointed	1 July 2016
Age	45
Nationality	South African
Qualifications	CA (SA)
Experience	Francois held various financial positions at BMW (SA) and Afrox Limited, after qualifying as a chartered accountant in 1996. In 2003, he joined the Group as Regional Financial Manager and, in 2011, moved to Strategy and Business Development. In 2015, he was appointed as Group Business Development Manager where his responsibilities were extended to include international businesses in India and Poland. During his 13 years at Life, he also served as a board member on various subsidiary and associate companies of the Group, both locally and internationally.

Janette Joubert

Position	Support Services Executive – SA
Appointed	1 October 2010
Age	56
Nationality	South African
Qualifications	DipPharm
Experience	Janette joined the Group in 1984 and has gained a wealth of knowledge and wide experience in the healthcare industry through the various positions she has held including that of operations manager, national operations manager and national pharmacy practice manager. She was appointed to the executive in 2010 with responsibilities for pharmacy operations and professional and legal practice, Group procurement and pharmaceutical procurement. In 2015, she took on the additional responsibility for engineering and laundry.

Yvonne Motsisi

Position	Marketing and Communications Executive – SA
Appointed	1 July 2014
Age	53
Nationality	South African
Qualifications	BA (Social Sciences) (University of Lesotho), BA (Honours) (University of Zimbabwe), MA (Industrial Relations) (University of Sydney), MBA (University of Canberra)
Experience	Yvonne joined Medscheme as the corporate service executive. She was responsible for managing a portfolio of medical schemes, before being promoted to the executive committee as divisional director of the consulting division. Yvonne was later appointed executive director: branding, communication and transformation responsible for the formulation and implementation of the branding, communications and broad-based black economic empowerment strategies across the AfroCentric Group. Active in a number of organisations involved in the transformation of the healthcare industry, Yvonne served as chairperson of Aid for Aids (a leader in HIV/Aids disease management), a trustee for the Financial Services Board's National Education Foundation and is past director of the board of Healthcare Funders. She currently chairs Sasol Inzalo Employee Scheme Trust and serves as a director of FEDHA (a women's empowerment group with interest in healthcare) and Mohau Women Investments. Yvonne was appointed as Group Marketing and Communications Executive on 1 July 2014. She is responsible for driving the Group's marketing, branding and communications strategies.

Matthew Prior

Position	Funder Relations and Health Policy Executive – SA
Appointed	1 July 2016
Age	46
Nationality	South African
Qualifications	CA(SA)
Experience	After holding various positions in the UK and US, Matthew joined the Group in 2002 in the information management division, where he was responsible for the development of the data warehouse, business intelligence and pricing models. He moved across to the funder division in 2007, and was recently appointed to his current position where he is responsible for funder relations and health policy. As part of these responsibilities he also serves on the board of HASA.

Dr Paul Soko

Position	Clinical Directorate and Quality Executive – SA
Appointed	1 July 2016
Age	45
Nationality	South African
Qualifications	MBChB (UKZN), FC Paed (SA), MPhil Economic Policy (Stellenbosch)
Experience	Paul is a qualified paediatrician from the University of Cape Town. He graduated with a medical degree from University of KwaZulu-Natal in 1995. He was appointed general manager of clinical services by Mediclinic Proprietary Limited in 2008. He joined Discovery Health as divisional manager in strategic risk management in 2013.

Elzette van Dyk

Position	Strategy and Business Development Executive – SA
Appointed	1 July 2016
Age	41
Nationality	South African
Qualifications	CA(SA)
Experience	Elzette joined Life in 2002 after completing articles and serving as an audit manager at the audit firm. She has held various financial positions within the organisation, including Group Reporting Manager and Regional Financial Manager. She was recently seconded to Poland for a short period, to provide guidance to the local operations on financial integration.

Dr Sharon Vasuthevan

Position	Nursing Executive – SA
Appointed	1 October 2010
Age	58
Nationality	South African
Qualifications	BCur, BCur Honours, MSc, PhD
Experience	Sharon joined the Group in 2001 as National Training and Development Manager. She is currently responsible for quality, nursing practice, infection prevention and control and the Life College of Learning. Sharon serves on various committees and societies, is president of the Nursing Education Association (NEA) and vice-chairperson of the South African Nursing Council (SANC). She is also a trustee of the Nursing Foundation of South Africa.

Kurt Wylie

Position	Business Operations Executive – SA
Appointed	1 July 2016
Age	43
Nationality	South African
Qualifications	BCompt Hons, CA(SA)
Experience	Kurt has been with the Group since 2006. Although, having served in regional and hospital operations for part of his tenure, he has held the primary position of Regional Financial Manager of the coastal division. In this role, he has served on many of the Group's subsidiary and associate boards.

DIRECTORS' EMOLUMENTS

The total remuneration, benefits and fees received by Directors for the financial years ended 30 September 2016 and 2015 were as follows:

Executive Directors

	Salaries R'000	Bonus and performance related payments R'000	Other allowances R'000	Gains on long-term incentive scheme R'000	Medical aid contributions R'000	Pension Fund contribution R'000	Total Remuneration
2016							
Executive Directors							
A Meyer	3,680	4,230	923	–	31	307	9,171
PP van der Westhuizen	1,962	1,777	459	1,043	31	159	5,431
	5,642	6,007	1,382	1,043	62	466	14,602

	Salaries R'000	Bonus and performance related payments R'000	Other allowances R'000	Gains on long-term incentive scheme R'000	Medical aid contributions R'000	Pension Fund contribution R'000	Total Remuneration
2015							
Executive Directors							
A Meyer	3,352	3,029	1,056	–	30	327	7,794
PP van der Westhuizen	1,586	1,285	532	1,914	30	155	5,502
	4,938	4,314	1,588	1,914	60	482	13,296

New long-term incentive scheme	Opening balance at 1 October 2015 Number of Life Ordinary Shares	Issue price R/Life Ordinary Share	Awards made during 2016 Number of Life Ordinary Shares	Date of issue/inception	Issue price R/Life Ordinary Share
PP van der Westhuizen					
2010 allocation	29,701	32.72	–	–	–
2011 allocation	23,156	38.72	–	–	–
2012 allocation	16,261	42.66	–	–	–
2013 allocation	–	–	18,947	Jan 2016	31.66
	69,118		18,947		

New long-term incentive scheme	Awards vested/forfeited during 2016 Number of Life Ordinary Shares vested	Market price at vesting R/Life Ordinary Share	Value gained on vesting R	Dividends Value of dividends paid in respect of all plans
PP van der Westhuizen				
2010 allocation	(29,701)	34.93	666,067	25,534
2011 allocation	–	–	–	36,818
2012 allocation	–	–	–	25,855
2013 allocation	–	–	–	13,831
	(29,701)		666,067	102,047

	Closing Balance at 30 September 2016	
New long-term incentive scheme	**Number of Life Ordinary Shares**	**Final vesting date**
PP van der Westhuizen		
2010 allocation	–	Jan 2016
2011 allocation	23,156	Jan 2017
2012 allocation	16,261	Jan 2017
2013 allocation	18,947	Jan 2018
	58,364	

Non-Executive Directors

	Directors' fees	
R'000	**2016**	**2015**
Non-Executive Directors		
MA Brey	996	886
Dr MP Ngatane	279	334
GC Solomon	694	670
LM Mojela[(1)]	601	629
PJ Golesworthy	730	879
FA du Plessis	–	162
JK Netshitenzhe	323	376
MEK Nkeli	343	–
RT Vice	639	663
ME Jacobs	341	335
	4,946	**4,934**

(1) LM (Louisa) Mojela resigned with effect from 25 January 2016.

The Directors' fees are paid by a subsidiary of Life.

No Director has a notice period of more than six months. No Directors' service contract included pre-determined compensation as a result of termination that would exceed one year's salary and benefits.

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

Directors' interests in securities

The interests (both direct and indirect) in Life Ordinary Shares held by all the Directors (including their associates) as at the Last Practicable Date are set out below.

	As at the Last Practicable Date			
	Direct	**Indirect**		
	Number of Shares	**Percentage (%)**	**Number of Shares**	**Percentage (%)**
Executive Directors				
A Meyer	3,222	–	–	–
PP van der Westhuizen	62,615	0.005	64,733	0.006
Non-executive Directors				
MA Brey	716,356	0.068	5,624,518	0.52
Dr MP Ngatane	–	–	–	–
GC Solomon	107,000	0.009	–	–
PJ Golesworthy	22,959	0.002	–	–
FA du Plessis	–	–	–	–
JK Netshintenzhe	–	–	–	–
MEK Nkeli	–	–	–	–
RT Vice	–	–	–	–
ME Jacobs	–	–	–	–
Total	**912,152**	**0.084**	**5,689,251**	**0.53**

All of the Directors having an interest in Life Ordinary Shares intend on following their rights in terms of the Rights Offer to the extent practicable.

Trading history of Life Ordinary Shares on the JSE

A table setting out the trading history of Life Ordinary Shares on the JSE has been included in **Annexure 11**.

AUTHORISED AND ISSUED SHARE CAPITAL

The authorised and issued share capital of Life, at the Last Practicable Date and after giving effect to the Rights Offer, is set out below:

	(Rand, in millions)
As at the Last Practicable Date	
Authorised share capital	
4,149,980,000 authorised Life Ordinary Shares of R0.000001	4,149.98
100,000,000 authorised cumulative redeemable no par value preference shares	–
100,000,000 authorised cumulative non-redeemable no par value preference shares	–
Total authorised share capital	**4,149.98**
Issued share capital	
1,066,227,935 Life Ordinary Shares of R0.000001 (excluding treasury shares)	1,066.22
7,365,000 Treasury Shares	7.37
Total issued share capital	**1,073.6**
Stated capital	
Share capital	575
Share premium	3,373
Treasury shares	(282)
Total stated capital	**3,666**

Assuming that all of the Rights Offer Shares will be subscribed for, the authorised and issued share capital of Life after the Rights Offer will be:

	(Rand, in millions)
After the Rights Offer	
Authorised share capital	
4,149,980,000 authorised Life Ordinary Shares of R0.000001	4,149.98
100,000,000 authorised cumulative redeemable no par value preference shares	–
100,000,000 authorised cumulative non-redeemable no par value preference shares	–
Total authorised share capital	**4,149.98**
Issued share capital	
1,431,054,822 Life Ordinary Shares of R0.000001	1,431.05
7,482,738 Treasury Shares	7.48
Total issued share capital	**1,438.53**
Stated capital	
Share capital	9,384
Share premium	3,373
Treasury shares	(282)
Total stated capital	**12,475**

There are no other classes of securities listed and no securities of the Company are listed on any stock exchanges, other than the JSE.

ESTIMATED EXPENSES IN RELATION TO THE RIGHTS OFFER

It is estimated that Life's expenses relating to the Rights Offer will amount to approximately R191 million. These expenses will be paid from the proceeds of the Rights Offer. The expenses (including VAT) relating to the Rights Offer are detailed below:

Nature of expense	Paid/payable to	Amount (R'000)
JSE documentation inspection fee	JSE	29
JSE listing fee	JSE	772
Transfer Secretaries	Computershare Investor Services Proprietary Limited	215
Printing and posting costs	Ince Proprietary Limited	550
Independent reporting accountants	PricewaterhouseCoopers	12,700
International and South Africa legal advisers to Life	Allen & Overy LLP	8,800
South Africa legal advisers to the Joint Bookrunners	Webber Wentzel	2,400
International legal advisers to the Joint Bookrunners	Linklaters	4,900
Fee payable for irrevocable undertaking	Allan Gray's clients	14,869
Fee payable for irrevocable undertaking	Brimstone	4,205
Underwriting fee	Absa	70,926
Underwriting fee	RMB	70,926
Total		**191,292**

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors, whose names are given beginning on page 149 of this Circular, collectively and individually accept full responsibility for the accuracy of the information given and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made and that this Circular contains all information required by law and the Listings Requirements.

CONFLICTS OF INTEREST

The Company has in place a Bridge Facility with Absa and RMB, acting through its Leveraged Finance division ("**RMB Leveraged Finance**"), arising from the Acquisition. The Bridge Facility accounts for more than 10% of the Acquisition value and the proceeds of the Rights Offer will be used to repay a portion of the Bridge Facility. Notwithstanding the above, RMB believes this does not in any manner compromise its independence to act as joint bookrunner, underwriter and sponsor to Life Healthcare for the following reasons:

- RMB's Corporate Finance division ("**RMB Corporate Finance**") is an entirely separate division from RMB Leveraged Finance, with strict Chinese walls maintained;
- the funding provided is within RMB Leveraged Finance's ordinary course prudential limits and is not material to RMB; and
- the Bridge Facility is a 12-month facility, payable in November 2017. In the event that the Rights Offer does not proceed, the Bridge Facility may be refinanced, through a combination of debt, alternative equity capital raisings or cash from operations or asset disposals. Accordingly, Absa and RMB are not reliant on the Rights Offer proceeding in order to repay the Bridge Facility.

RMB and Absa are the joint underwriters to the Rights Offer. This does not compromise RMB Corporate Finance's independence to act as joint bookrunner, underwriter and sponsor to Life Healthcare for the following reasons:

- the underwriting fee is not material in the context of RMB's revenues or profits;
- the underwriting fee earned as stated in the Circular, is market-related; and
- as underwriter, RMB's interests are aligned to ensure full compliance with the Listings Requirements and full and accurate disclosures.

CONSENTS

PricewaterhouseCoopers, whose audit reports and independent reporting accountants' reports are incorporated by reference and included as annexures to this Circular, respectively, has given and has not, prior to publication, withdrawn its written consent to the inclusion of its reports in the form and context in which they appear. A written consent in accordance with the Listings Requirements is different from a consent filed with the US Securities and Exchange Commission under Section 7 of the US Securities Act, which is applicable only to transactions involving securities registered under the US Securities Act. As the Offering Shares have not and will not be registered under the US Securities Act, PricewaterhouseCoopers has not filed a consent under Section 7 of the US Securities Act.

Each of the sponsors and advisers, including the independent reporting accountants, whose names appear in this Circular have consented to, and have not, prior to the Last Practicable Date, withdrawn their written consent to the inclusion of their names and, where applicable, reports in the form and context in which they appear in this Circular.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the registered offices of Life and the Sponsor during normal business hours (excluding Saturdays, Sundays and official South African public holidays) from Monday, 3 April 2017 to Thursday, 13 April 2017, both days inclusive:

- a signed copy of this Circular and the Form of Instruction;
- the MOI of Life and the memorandum of incorporation of each of its material subsidiaries listed in **Annexure 12**;
- Life Group's audited consolidated financial statements for the financial years ended 30 September 2016, 2015 and 2014;
- Alliance Medical's audited consolidated financial statements for the financial years ended 31 March 2016 and 2015 and Alliance Medical's unaudited condensed consolidated interim financial statements for the six months ended 30 September 2016 and 2015;
- the letters of consent referred to in "– *Consents*";
- the signed Independent Reporting Accountants' Report on the *Pro Forma* Financial Information;
- the signed Independent Reporting Accountants' Report on the historical financial information of Alliance Medical;
- the irrevocable undertakings;
- the Underwriting Agreement; and
- the material agreements detailed in **Annexure 10**.

Signed at Illovo, Johannesburg on behalf of Life in terms of a resolution by the Directors.

By order of the Board

28 March 2017

André Meyer
(Group Chief Executive Officer)

INCORPORATION BY REFERENCE

The following documents, which are available for inspection in accordance with the *"Additional Information"* section of this Circular, contain information about Life Group which is relevant to this Circular:

- 2016 Annual Consolidated Financial Statements for Life Group;
- 2015 Annual Consolidated Financial Statements for Life Group; and
- 2014 Annual Consolidated Financial Statements for Life Group.

The table below sets out the sections of these documents which are incorporated by reference in, and form part of, this Circular, and only the parts of the documents identified in the table below are incorporated by reference in, and form part of, this Circular. The parts of these documents which are not incorporated by reference are either not relevant for investors or are covered elsewhere in this Circular. To the extent that any part of any information referred to below itself contains information which is incorporated by reference, such information shall not form part of this Circular.

The information contained in each document incorporated by reference herein is given as of the date of such document. Such information shall be deemed to be incorporated in, and form part of, this Circular, save that any statement contained in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this document to the extent that a statement contained or incorporated herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Circular.

You may also obtain a copy of these documents from Life's website at http://www.life.co.za/IR/Financial_Information.aspx/. The information on Life's website or any other website referenced in this Circular is not incorporated by reference and should not be considered a part of this Circular. You should rely only upon the information provided in this Circular or incorporated by reference herein. Life has not authorised anyone to provide you with different information. You should not assume that the information in this Circular or any document incorporated by reference is accurate as of any date other than that on the front cover of the document.

Reference document	*Information incorporated by reference in this Circular*	*Page number(s) in reference document*
2016 Annual Consolidated Financial Statements for Life Group		
	Independent auditors' report	9
	Consolidated statement of profit or loss and other comprehensive income	10
	Consolidated statement of financial position	11
	Consolidated statement of changes in equity	12
	Consolidated statement of cash flows	13
	Notes to the Group annual financial statements	14 – 48
	Annexure A: Significant accounting policies	49 – 59
	Annexure B: Reclassified consolidated statement of financial position	60
	Annexure C: Simplified Group structure	61
	Annexure D: Associate undertakings	62
2015 Annual Consolidated Financial Statements for Life Group		
	Independent auditors' report	9
	Consolidated statement of financial position	10
	Consolidated statement of profit or loss and other comprehensive income	11
	Consolidated statement of changes in equity	12
	Consolidated statement of cash flows	13
	Notes to the Group annual financial statements – accounting policies	14 – 34
	Notes to the Group annual financial statements	35 – 86
	Annexure A: Subsidiary undertakings	87 – 89
	Annexure B: Associate undertakings	90

Reference document	*Information incorporated by reference in this Circular*	*Page number(s) in reference document*
2014 Annual Consolidated Financial Statements for Life Group		
	Independent auditors' report	9
	Consolidated statement of financial position	10
	Consolidated statement of profit or loss and other comprehensive income	11
	Consolidated statement of changes in equity	12
	Consolidated statement of cash flows	13
	Notes to the Group annual financial statements – accounting policies	14 – 34
	Notes to the Group annual financial statements	35 – 95
	Annexure A: Subsidiary undertakings	96 – 98
	Annexure B: Associate undertakings	99 – 100

DEFINITIONS AND INTERPRETATIONS

Throughout this Circular and the annexures hereto, unless the context indicates otherwise, the words in the column on the left below shall have the meanings stated opposite them in the column on the right below, reference to the singular shall include the plural and *vice versa*, words denoting one gender include the other and words and expressions denoting natural persons include juristic persons and associations of persons:

"**2007 Codes**"	means the Codes first published in 2007;
"**2008 Amendment Act**"	means the Medicines and Related Substances Amendment Act, 2008;
"**2015 Amendment Act**"	means the Medicines and Related Substances Amendment Act, 2015;
"**2014 Annual Consolidated Financial Statements for Life Group**"	means Life Group's audited consolidated financial statements as at and for the financial year ended 30 September 2014;
"**2015 Annual Consolidated Financial Statements for Life Group**"	means Life Group's audited consolidated financial statements as at and for the financial year ended 30 September 2015;
"**2016 Consolidated Financial Statements for Alliance Medical**"	means Alliance Medical's audited consolidated financial statements as at and for the financial year ended 31 March 2016;
"**2016 Annual Consolidated Financial Statements for Life Group**"	means Life Group's audited consolidated financial statements as at and for the financial year ended 30 September 2016;
"**2016 Condensed Consolidated Interim Financial Statements for Alliance Medical**"	means Alliance Medical's unaudited condensed consolidated interim financial statements as at and for the six months ended 30 September 2016;
"**Absa**"	means Absa Bank Limited (acting through its Corporate and Investment Banking division);
"**ACI**"	means the African, Coloured and Indian population;
"**Acquisition**"	means the acquisition of the issued share capital of Alliance Medical completed on 21 November 2016;
"**Allan Gray**"	means Allan Gray Proprietary Limited, acting for and on behalf of its clients;
"**Alliance Medical**"	means AMG and its subsidiaries;
"**AMG**"	means Alliance Medical Group Limited;
"**AOTM**"	means the Polish *Agencja Oceny Technologii Medycznych i Taryfikacji*;
"**ARM**"	means the alternative reimbursement model Life Group has introduced in its payment arrangements with certain medical schemes;
"**ASLs**"	means *Azienda Sanitaria Locale*, or local health units in Italy;
"**Authorised Dealer**"	means certain South African banks that have been appointed by the SARB to act as authorised dealers in foreign exchange;
"**B-BBEE Act**"	means the Broad-Based Black Economic Empowerment Act, 2003;
"**B-BBEE**"	means broad-based black economic empowerment;
"**Bidco**"	means Life UK Healthcare Limited;
"**Bidco B Shares**"	means the B ordinary shares in the capital of Bidco allotted and issued to the Key Management as part of the initial consideration for the Acquisition;
"**Bloomberg**"	means the Bloomberg L.P.;
"**Board**"	means the board of directors of Life as at the date of this Circular;

"**Bridge Facility**"	means the bridge facility with Absa Bank Limited (acting through its Corporate and Investment Banking division) and Rand Merchant Bank, a division of FirstRand Bank Limited, that Life took out on 16 November 2016;
"**Bridge Facility A**"	means the £595,000,000, available for draw-down in Pounds Sterling or Rand under the Bridge Facility, of which R10.6 billion was drawn down during November 2016 to fund the Acquisition consideration;
"**Bridge Facility B**"	means the £225,000,000, available for draw-down in Pounds Sterling under the Bridge Facility, of which £225 million was drawn down during November 2016 to refinance certain specified Alliance Medical existing financial indebtedness;
"**Bridge Facility C**"	means the R2,500,000,000 backstop facility under the Bridge Facility, which Life is in the process of cancelling;
"**Bridge Facility Agreement**"	means the credit agreement entered into by Life on 16 November 2016 with, amongst others, Bidco and Life Healthcare Group Proprietary Limited (as borrowers) and Absa, RMB and Barclays Bank PLC (as arrangers and lenders);
"**Brimstone**"	means Brimstone Investment Corporation Limited;
"**Broker**"	means any person registered as a broking member (equities) in terms of the rules of the JSE made in accordance with the provisions of the Financial Markets Act;
"**CAGR**"	means compound annual growth rate;
"**Carint**"	means Carint Scanmed Sp. z o.o. (merged into Scanmed S.A. in 2016);
"**CDC**"	means the Centre for Disease Control;
"**Circular**"	means this bound document, dated 28 March 2017, incorporating a Form of Instruction, where applicable;
"**CMJ**"	means the Polish *Centrum Monitorowania Jakości*;
"**CMSA**"	means Colleges of Medicine South Africa;
"**Codes**"	means the Codes of Good Practice on Broad-Based Black Economic Empowerment as promulgated in terms of section 9(1) of the B-BBEE Act;
"**COID**"	means the Compensation for Occupational Injuries and Diseases;
"**Common Monetary Area**"	means, collectively, South Africa, the Republic of Namibia and the Kingdoms of Lesotho and Swaziland;
"**Companies Act**"	means the Companies Act, 2008;
"**Company**"	means Life Healthcare Group Holdings Limited (Registration number 2003/002733/06), a public company duly incorporated in accordance with the laws of South Africa and listed on the JSE;
"**Competition Act**"	means the Competition Act, 1998;
"**Competition Commission**"	means the South Africa Competition Commission established under the Competition Act, 89 of 1998 (as amended);
"**CPI**"	means consumer price index;
"**CQC**"	means the Care Quality Commission;
"**CSA**"	means the UK Care Standards Act of 2000;
"**CSDP**"	means a Central Securities Depository Participant, being a "participant" as defined in section 1 of the Financial Markets Act and appointed by individual shareholders for the purposes of, and in regard to, dematerialisation in terms of such Act;
"**CSI**"	means Life Group's corporate social responsibility programmes;
"**CT**"	means computerised tomography;
"**CTC**"	means the Contributed Tax Capital;

"**Data Protection Act**"	means the UK Data Protection Act of 1998;
"**Data Subject**"	means the person to whom personal information relates under POPI;
"**DG**"	means the Director General of the National Department of Health;
"**Directors**"	means those individuals whose names are given on pages 149 to 158 of this Circular;
"**DT**"	means Dividends Tax, under South African law;
"**EEA**"	means the European Economic Area;
"**EFT**"	means electronic funds transfer;
"**Employment Equity Act**"	means the Employment Equity Act,1998;
"**Enlarged Group**"	means Life Group, including Alliance Medical and each of their respective subsidiaries;
"**ENPAM**"	means *Ente Nazionale di Previdenza e Assistenza Medici*;
"**EPS**"	means employee perception survey;
"**ERP**"	means enterprise resource planning;
"**ESQS**"	means the guidance on compliance titled "Essential Standards of Quality and Safety";
"**EU**"	means the European Union;
"**Euro**" **or** "**€**"	means the euro, the currency introduced at the start of the third stage of the Economic and Monetary Union pursuant to the Treaty establishing the European Economic Community, as amended by the Treaty on the European Union;
"**Exchange Control Regulations**"	means the Exchange Control Regulations, 1961, as amended, promulgated in terms of section 9 of the South African Currency and Exchanges Act,1933;
"**FDG**"	means fluoro-deoxy-glucose;
"**Financial Markets Act**"	means the Financial Markets Act, 2012;
"**Form of Instruction**"	means the form of instruction included in this Circular which a Qualifying Certificate Shareholder is required to complete and return to the Transfer Secretaries;
"**GDP**"	means gross domestic product;
"**GDPR**"	means the General Data Protection Regulation;
"**GEMS**"	means the Government Employee Medical Scheme;
"**Generic Scorecard**"	means the generic scorecard in terms of which measured entities that do not fall within a sector regulated by a charter, such as the healthcare industry, are measured under the Codes;
"**HASA**"	means the Hospital Association of South Africa;
"**HAIs**"	means healthcare associated infections;
"**HCU**"	means high care unit;
"**Health & Safety Act**"	means the UK Health & Safety at Work etc Act of 1974;
"**HPCSA**"	means the Health Professions Council of South Africa;
"**HSCA**"	means the UK Health and Social Care Act;
"**HSE**"	means the Health Service Executive in Ireland;
"**IBA Molecular**"	means IBA Molecular UK Ltd;
"**ICU**"	means the intensive care unit;
"**IFRS**"	means the International Financial Reporting Standards and Interpretations as issued by the International Accounting Standards Board;

"**Imogen**"	means Alliance Medical's radiography information system picture archiving and communications service;
"**Information Regulator**"	means the information regulator, established by POPI;
"**Ireland**"	means the Republic of Ireland;
"**Irrevocably Committed Shares**"	means the 77,851,180 Rights Offer Shares in respect of which irrevocable undertakings have each been provided by Brimstone and Allan Gray, undertaking to follow their rights, subject to certain terms and conditions. In the case of Allan Gray, it is following its clients' rights on their behalf. The holdings represented by these undertakings equate to 227,524,633 Life Ordinary Shares, and in respect of which Brimstone on the one hand controls 50,158,786 Life Ordinary Shares and Allan Gray's clients on the other hand, are the beneficial owners of, or otherwise directly or indirectly control, 177,365,847 Life Ordinary Shares;
"**IRS**"	means the Internal Revenue Service of the United States;
"**IT**"	means information technology;
"**JIBAR**"	means the Johannesburg Interbank Agreed Rate;
"**Joint Bookrunners**"	means Absa Bank Limited (acting through its Corporate and Investment Banking division) and Rand Merchant Bank, a division of FirstRand Bank Limited;
"**JSE**"	means the JSE Limited, registration number 2005/022939/06, a public company incorporated in South Africa and licensed as an exchange under the Financial Markets Act;
"**Key Management**"	means, collectively, Guy Edward Blomfield, Charles Jacobus Gysbertus Niehaus and Nicholas James Burley;
"**King III**"	means the King Report on Corporate Governance for 2009;
"**KPI**"	means key performance indicator;
"**Last Practicable Date**"	means 16 March 2017, the last practicable date prior to the finalisation of this Circular;
"**Letters of Allocation**"	means a renounceable (nil paid) letter of allocation to be issued to Qualifying Shareholders in electronic form relating to the Rights Offer;
"**Life**"	means Life Healthcare Group Holdings Limited;
"**Life College**"	means the Life College of Learning, Life Group's registered higher education institution;
"**Life Group**"	means Life and its subsidiaries prior to the Acquisition;
"**Life Ordinary Shareholder**"	means a registered holder of Life Ordinary Shares;
"**Life Ordinary Shares**"	means par value ordinary shares of R0.00001 each in the authorised and issued share capital of Life;
"**Life Shareholder**"	means a registered holder of Life Ordinary Shares;
"**Listings Requirements**"	means the Listings Requirements of the JSE;
"**LOS**"	means length of stay;
"**LRA**"	means the Labour Relations Act,1995;
"**Management Incentive Arrangements**"	means the new management incentive arrangements entered into with certain members of Alliance Medical's management team in connection with the Acquisition;
"**Max Healthcare**"	means Max Healthcare Institute Limited;
"**Max Healthcare Shares**"	means 56,766,451 ordinary shares having a par value of INR10 per share in Max Healthcare;
"**Maximum Deferred Earn-out Consideration**"	means £40,000,000;

"**Max India**"	means Max India Limited;
"**MCC**"	means the Medicines Control Council;
"**Medical Schemes Act**"	means the Medical Schemes Act,1998;
"**Medicines Act**"	means the Medicines and Related Substances Act,1965;
"**Mental Health Act**"	means the Mental Health Care Act, 2002;
"**Mental Health Regulations**"	means regulation 42(1) of the General Regulations published under GNR 1467 in Government Gazette 27117, 15 December 2004, and corrected by GNR 98 in Government Gazette 27236, 11 February 2005;
"**MICN**"	means the Molecular Imaging Collaborative Network;
"**MRI**"	means magnetic resonance imaging;
"**MRSA**"	means methicillin-resistant staphylococcus aureus;
"**Moody's**"	means Moody's Investors Service;
"**MOI**"	means the memorandum of incorporation of Life;
"**NEMA**"	means the National Environmental Management Act,1998;
"**NFZ**"	means Narodowy Fundusz Zdrowia, the national health fund of Poland;
"**NGOs**"	means registered non-governmental organisations;
"**NHA**"	means the National Health Act, 2003;
"**NHI**"	means the National Health Insurance;
"**NHS**"	means National Health Service England;
"**Non-US Holder**"	means a beneficial owner of Rights or Rights Offer Shares that is neither a US Holder nor a partnership;
"**OECD**"	means the Organisation for Economic Co-operation and Development;
"**OHSA**"	means the Occupational Health and Safety Act,1993;
"**Order**"	means Article 19(5) of the UK Financial Services and Markets Act 2000 (Financial Promotion) Order 2005;
"**Overseas Shareholder**"	means a Life Ordinary Shareholder resident in, or a citizen of, jurisdictions outside South Africa;
"**PET-CT**"	means positron emission tomography computerised tomography;
"**PET-CT National Contract**"	means Alliance Medical's 10-year fixed price, unlimited volume PET-CT contract with the NHS;
"**PFIC**"	means a passive foreign investment company;
"**PGM**"	means *Polska Grupa Medyczna Sp.z o.o.*;
"**PHEF**"	means Public Health Enhancement Fund;
"**PHG**"	means Partnership Health Group;
"**PMB**"	means prescribed minimum benefits under the Medical Schemes Act;
"**POPI**"	means the Protection of Personal Information Act,2013;
"**Pound Sterling**", "**GBP**" or "**£**"	means Pound Sterling, the lawful currency of the United Kingdom;
"**PPDs**"	means paid patient days;
"**PPP**"	means public-private partnership;
"**PricewaterhouseCoopers**"	means PricewaterhouseCoopers Inc.;
"***Pro Forma* Financial Information**"	means the *pro forma* financial information set forth in **Annexure 3**;

"**Prospectus Directive**"	means Directives 2003/71/EC (and any amendments thereto including Directive 2010/73/EU, to the extent implemented by the Relevant Member State) and includes any relevant implementing measure in each Relevant Member State;
"**Put Options**"	means the put options over the Bidco B Shares and the Bidco C1 Shares granted by Life to certain members of Alliance Medical's management team pursuant to the Management Incentive Arrangements;
"**PXM**"	means patient experience management;
"**QIB**"	means qualified institutional buyer as defined in Rule 144A;
"**Qualified Investors**"	means persons in member states of the EEA who are "qualified investors" within the meaning of Article 2(l)(e) of Directive 2003/71/EC (and amendments thereto including Directive 2010/73/EU);
"**Qualifying Certificated Shareholder**"	means a Qualifying Shareholder holding certificated Life Ordinary Shares;
"**Qualifying Dematerialised Shareholder**"	means a Qualifying Shareholder holding dematerialised Life Ordinary Shares;
"**Qualifying Shareholder**"	means a registered Life Ordinary Shareholder on the Record Date who is not a Restricted Shareholder;
"**Rand**", "**R**" or "**Cents**"	means the Rand, the lawful currency of South Africa;
"**Ratio of Entitlement**"	means the ratio on the basis of which the Rights Offer will be made: 34.21659 Rights Offer Shares for every 100 Life Ordinary Shares held by Qualifying Shareholders and/or such proportionate lower number of shares in respect of a holding of less than 100 Life Ordinary Shares;
"**RCF Agreement**"	means the R1,500,000,000 revolving credit agreement entered into between, Life, as guarantor, and Life Healthcare Group Proprietary Limited, as borrower, amongst others, with FirstRand Bank Limited (acting through its Rand Merchant Bank division) (as mandated lead arranger and lender) on or about 29 September 2016;
"**Record Date**"	means the last time and date for Life Ordinary Shareholders to be recorded in the Register in order to participate in the Rights Offer, being the close of business (SAST) on Friday, 31 March 2017;
"**Register**"	means the register of Life Shareholders;
"**Registration Regulations**"	means the UK Care Quality Commission (Registration) Regulations of 2009;
"**Regulated Activities Regulations**"	means the UK Health and Social Care Act 2008 (Regulated Activities) Regulations of 2010;
"**Regulation S**"	means Regulation S under the US Securities Act;
"**Regulation S-X**"	means Regulation S-X under the US Exchange Act;
"**Relevant Member State**"	means each member state of the EEA which has implemented the Prospectus Directive;
"**Restricted Shareholders**"	means a registered Life Ordinary Shareholder on the Record Date with a registered address or who is resident or located in the United States (subject to certain exceptions) or in any other Restricted Territory;
"**Restricted Territories**"	means the United States, Australia, Canada and Japan;
"**Revised Codes**"	means the revised Codes, which will replace the 2007 Codes, issued on 11 October 2013;
"**RHAs**"	means regional health authorities in Italy;
"**Rights Offer**"	means the offer by Life to Qualifying Shareholders of Rights Offer Shares at the Rights Offer Price in the Ratio of Entitlement;
"**Rights Offer Price**"	means the price per new Rights Offer Share to be offered to Qualifying Shareholders in terms of the Rights Offer being R24.50 per Rights Offer Share;

"**Rights Offer Shares**"	means the 367 346 939 Life Ordinary Shares, which are the subject of the Rights Offer;
"**Rights**"	means the entitlement to subscribe for Rights Offer Shares in terms of a Letter of Allocation issued pursuant to the Rights Offer;
"**RMB**"	means Rand Merchant Bank, a division of FirstRand Bank Limited;
"**RMB Corporate Finance**"	means RMB, acting through its Corporate Finance division;
"**RMB Leveraged Finance**"	means RMB, acting through its Leveraged Finance division;
"**RPL**"	means the Reference Price List;
"**Rule 144A**"	means Rule 144A of the US Securities Act of 1933;
"**Rump Shares**"	means any Underwritten Shares not subscribed for pursuant to Rights in the Rights Offer;
"**S&P**"	means Standard & Poor's Credit Market Services Europe Limited;
"**SA Holder**"	means a shareholder who is: (i) a natural person ordinarily resident in South Africa; (ii) a natural person not ordinarily resident in South Africa but whose physical presence in South Africa exceeds certain thresholds; or (iii) a person, other than a natural person, which is incorporated, established or formed in South Africa or which has its place of effective management in South Africa;
"**SAHPRA**"	means the new South African Health Products Regulatory Authority;
"**SAICA**"	means the South African Institute of Chartered Accountants;
"**Sale and Purchase Agreement**"	means the sale and purchase agreement entered into between Bidco and Life with the Selling Shareholders, relating to the Acquisition, on or about 16 November 2016;
"**SARB**"	means the South Africa Reserve Bank;
"**SAST**"	means South African Standard Time;
"**Scanmed**"	means Scanmed S.A. together with its subsidiaries;
"**SEC**"	means the US Securities and Exchange Commission;
"**Selling Shareholders**"	means, for purposes of the Sale of Purchase Agreement, entities and funds managed by M&G Investment Management Limited and M&G Alternatives Investment Management Limited, Talbot Hughes McKillop LLP and the management shareholders of AMG;
"**Senior Management**"	means those individuals whose names are given on pages 158 to 164 of this Circular;
"**SENS**"	means the Stock Exchange News Service of the JSE;
"**SEP**"	means single exit prices;
"**SEP Regulations**"	means the Regulations relating to a Transparent Pricing System for Medicines and Scheduled Substances promulgated by the Minister on 11 November 2005;
"**Skills Development Act**"	means the Skills Development Act, 1998;
"**South Africa**"	means the Republic of South Africa;
"**South African Government**"	means the government of South Africa;
"**SPECT**"	means single-photon emission computed tomography;
"**Sponsor**"	means RMB;
"**SSN**"	means the *Servizio Sanitario Nazionale*, the national health authority in Italy;

"**Strate**"	means Strate Proprietary Limited, registration number 1998/022242/07, a private company incorporated in accordance with the laws of South Africa and a registered central securities depositary in terms of the Financial Markets Act and responsible for the electronic custody and settlement system used by the JSE;
"**STT**"	means the securities transfer tax;
"**Tax Treaty**"	means the income tax treaty between the United States and South Africa;
"**Term Loan Agreement**"	means the R1,500,000,000 term loan and capital expenditure term facilities agreement entered into between, Life, as guarantor, amongst others, and Life Healthcare Group Proprietary Limited, as borrower, with The Standard Bank of South Africa Limited (acting through its Corporate and Investment Banking division) (as mandated lead arranger and lender) on or about 16 March 2017;
"**The Christie**"	means The Christie NHS Foundation Trust;
"**Therapeutic Activities Act**"	means the Polish Therapeutic Activities Act, 2011;
"**Transactions**"	means the acquisition and consolidation of Alliance Medical, which includes the subsequent modifications and addendums to the Acquisition related agreements, and the Rights Offer as contemplated in this Circular;
"**Transfer Secretaries**"	means Computershare Investor Services Proprietary Limited, registration number 2004/003647/07, a private company incorporated in accordance with the laws of South Africa;
"**Underwriting Agreement**"	means the agreement entered into between Life and the Joint Bookrunners dated 22 March 2017, pursuant to which the Joint Bookrunners have agreed, subject to certain conditions, acting severally and not jointly (or jointly and severally) to underwrite the Underwritten Shares;
"**Underwritten Shares**"	means the Rights Offer Shares less the Irrevocably Committed Shares;
"**United Kingdom**" or "**UK**"	means the United Kingdom of Great Britain and Northern Ireland;
"**United States**" or "**US**"	means the United States of America, its territories and possessions, any state of the United States and the District of Columbia;
"**US Exchange Act**"	means the US Securities Exchange Act of 1934;
"**US Holder**"	means a beneficial owner of Rights or Rights Offer Shares that is, for US federal income tax purposes: (i) an individual citizen or resident of the United States; (ii) a corporation that is created or organised under the laws of the United States or any state thereof; (iii) an estate, the income of which is subject to US federal income tax without regard to its source; or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more US persons have the authority to control all substantial decisions of the trust, or the trust has validly elected to be treated as a domestic trust for US federal income tax purposes;
"**US Securities Act**"	means the US Securities Act of 1933;
"**VAT**"	means value-added tax;
"**Waste Act**"	means the National Environmental Management: Waste Act, 2008;
"**WHO**"	means the World Health Organization; and
"**Złoty**" **or** "**PLN**"	means the Złoty, the lawful currency of Poland.

TABLE OF ENTITLEMENT

Qualifying Shareholders will be entitled to 34.21659 Rights Offer Shares for every 100 Life Ordinary Shares held. Qualifying Shareholders holding less than 100 Life Ordinary Shares, or not a whole multiple of 100 Life Ordinary Shares, will be entitled, in respect of such holdings, to participate in the Rights Offer in accordance with the table of entitlement set out below. Qualifying Shareholders' Rights (i) less than one-half of a Rights Offer Share, will be rounded down to the nearest whole number; and (ii) equal to or greater than one-half of a Rights Offer Share but less than a whole Rights Offer Share, will be rounded up to the nearest whole number, in accordance with the Listings Requirements.

Number of Life Ordinary Shares held	Number of Rights entitlement	Number of Life Ordinary Shares held	Number of Rights entitlement	Number of Life Ordinary Shares held	Number of Rights entitlement
1	–	37	13	73	25
2	1	38	13	74	25
3	1	39	13	75	26
4	1	40	14	76	26
5	2	41	14	77	26
6	2	42	14	78	27
7	2	43	15	79	27
8	3	44	15	80	27
9	3	45	15	81	28
10	3	46	16	82	28
11	4	47	16	83	28
12	4	48	16	84	29
13	4	49	17	85	29
14	5	50	17	86	29
15	5	51	17	87	30
16	5	52	18	88	30
17	6	53	18	89	30
18	6	54	18	90	31
19	7	55	19	91	31
20	7	56	19	92	31
21	7	57	20	93	32
22	8	58	20	94	32
23	8	59	20	95	33
24	8	60	21	96	33
25	9	61	21	97	33
26	9	62	21	98	34
27	9	63	22	99	34
28	10	64	22	100	34
29	10	65	22	1,000	342
30	10	66	23	10,000	3,422
31	11	67	23	100,000	34,217
32	11	68	23	1,000,000	342,166
33	11	69	24	10,000,000	3,421,659
34	12	70	24	100,000,000	34,216,594
35	12	71	24		
36	12	72	25		

INFORMATION ON THE UNDERWRITERS

The Rights Offer is underwritten by the Joint Bookrunners.

Details pertaining to the Joint Bookrunners as required by the Listings Requirements are set out below:

Full legal entity name	Absa Bank Limited (acting through its Corporate and Investment Banking division)
Nature of business	Authorised financial services and registered credit provider
Directors	Colin Beggs Thembisa Skweyiya David Wayne Preston Hodnett Mohamed Junaid Husain Wendy Elizabeth Lucas-Bull Thoko Martha Mokgosi-Mwantembe Trevor Stewart Munday Paul Sean O'Flaherty Jason Patrick Quinn Maria Da Conceicao Das Neves Calha Ramos Tasneem Abdool-Samad Rene van Wyk
Company secretary	Nadine Rochelle Drutman
Date and place of incorporation	06/11/1986 (South Africa)
Registration number	1986/004794/06
Registered office	Barclays Towers West 7th Floor 15 Troye Street Johannesburg, 2001 (PO Box 7735, Johannesburg, 2000)
Auditors	PricewaterhouseCoopers (outgoing) and Ernst and Young jointly. KPMG are the incoming joint auditors with Ernst and Young.
Bankers	Absa Bank Limited
Authorised share capital	320,000,000 ordinary shares of R1.00 each; 250,000,000 'A' ordinary shares of R0.01 each; and 30,000,000 non-cumulative non-redeemable listed preference shares of R0.01 each.
Issued share capital	302,609,359 ordinary shares of R1.00 each; 128,708,264 'A' ordinary shares of R0.01 each; and 4,944,839 non-cumulative non-redeemable listed preference shares of R0.01 each.

Full legal entity name	Rand Merchant Bank, a division of FirstRand Bank Limited
Nature of business	Authorised financial services and registered credit provider
Directors	Vivian Wade Bartlett Mary Sina Bomela Johan Petrus Burger Peter Cooper Lauritz Lanser Dippenaar Jan Jonathan Durand Grant Glenn Gelink Patrick Maguire Goss Nolulamo Nobumbiswano Gwagwa Paul Kenneth Harris William Rodger Jardine Hetash Surendrakumar Kellan Francois Knoetze Russell Mark Loubser Paballo Joel Makosholo Ethel Gothatamodimo Matenge-Sebesho Amanda Tandiwe Nzimande Deepak Premnarayen Alan Patrick Pullinger Benedict James Van Der Ross Jan Hendrik Van Greuning
Company secretary	Carnita Low
Date and place of incorporation	11/01/1929 (South Africa)
Registration number	1929/001225/06
Registered office	4 Merchant Place Cnr Fredman Drive and Rivonia Road Sandton 2146
Auditors	PricewaterhouseCoopers
Bankers	First National Bank
Authorised share capital	4,000,000 ordinary shares
Issued share capital	3,733,672 ordinary shares

PRO FORMA STATEMENTS OF COMPREHENSIVE INCOME AND FINANCIAL POSITION OF THE ENLARGED GROUP

The *Pro Forma* Financial Information has been prepared to illustrate the effect of (i) the acquisition and consolidation of Alliance Medical, which includes any subsequent modifications and addendums to the acquisition related agreements and (ii) the Rights Offer as contemplated in this Circular (collectively referred to herein as the "**Transactions**").

The *pro forma* statement of profit or loss and comprehensive income gives effect to the Transactions as if they had occurred on 1 October 2015 and the *pro forma* statement of financial position gives effect to the Transactions as if they had occurred on 30 September 2016.

The *Pro Forma* Financial Information is presented for illustrative purposes only. The *pro forma* adjustments and *Pro Forma* Financial Information set out in this Circular are based on available information and certain assumptions and estimates that the Directors believe are reasonable. The *Pro Forma* Financial Information does not necessarily represent what the Enlarged Group's financial position and results of operations actually would have been had the Transactions occurred on such date, or as of the beginning of such period, and is not necessarily indicative of the Enlarged Group's financial position or results of operations for any future date or period or the effect and impact of the Transactions going forward.

Specifically, the *Pro Forma* Financial Information does not adjust the historical information for movements in the Pound Sterling to Rand exchange rate.

The *Pro Forma* Financial Information is presented in a manner consistent with IFRS, the Revised SAICA Guide on *Pro Forma* Financial Information and the accounting policies of Life Group. The Acquisition has been accounted for provisionally in terms of IFRS 3: Business Combinations.

The Directors are responsible for the compilation, contents, accuracy and preparation of the *Pro Forma* Financial Information giving effect to the Transactions. Their responsibility includes determining that the *Pro Forma* Financial Information has been properly compiled on the basis stated, that the basis is consistent with the accounting policies of Life Group and that the *pro forma* adjustments are appropriate for the purposes of the *Pro Forma* Financial Information disclosed pursuant to the Listings Requirements. Life Group's audit committee has reviewed and has satisfied itself with the compilation, contents, accuracy and presentation of the *Pro Forma* Financial Information.

The *Pro Forma* Financial Information should be read in conjunction with the Independent Reporting Accountants' Report presented in **Annexure 4**, the information included in this Circular under the headings "*Background to and Reasons for the Rights Offer*", "*Selected Financial and Other Information of Life Group*", "*Selected Financial and Other Information of Alliance Medical*" and "*Operating and Financial Review*" and the historical financial statements and the notes thereto incorporated by reference herein or presented in the respective annexures to this Circular.

The Independent Reporting Accountants' Report is included solely to comply with the requirements of the Listings Requirements. Such *pro forma* financial information has not been prepared in accordance with the requirements of Regulation S-X of the SEC or generally accepted accounting practices in the United States. In addition, the rules and regulations related to the preparation of *pro forma* financial information in other jurisdictions may also vary significantly from the requirements applicable in South Africa. The Independent Reporting Accountant's Report on the *pro forma* financial information by PricewaterhouseCoopers has not been carried out in accordance with the auditing standards generally accepted in the US and accordingly should not be relied upon by investors as if it had been carried out in accordance with those standards or any other standards besides the South African requirements discussed above.

PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE 12 MONTHS ENDED 30 SEPTEMBER 2016

(Rand, in millions)	Life Group for the financial year ended 30 September 2016	Alliance Medical for the 12 months ended 30 September 2016	Purchase consideration for the Acquisition	Adjustments relating to the consolidation of Alliance Medical	*Pro forma* after Acquisition	Adjustments relating to the Rights Offer	*Pro forma* after the Rights Offer and the Acquisition
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 6*	*Note 7*	*Note 8*
Revenue and other income	16,567	4,908			21,475		21,475
Drugs and surgicals consumed	(4,048)	–			(4,048)		(4,048)
Employee benefits expense	(5,598)	(1,371)		(43)[4.1]	(7,012)		(7,012)
Retirement benefit asset and post-employment medical aid expenses	23	–			23		23
Depreciation on property, plant and equipment	(530)	(431)			(961)		(961)
Amortisation of intangible assets	(147)	(200)		(206)[4.2]	(553)		(553)
Repairs and maintenance expenditure on property, plant and equipment	(197)	(351)			(548)		(548)
Occupational expenses	(553)	(397)			(950)		(950)
Hospital service expenses	(710)	–			(710)		(710)
Communication expenses	(181)	–			(181)		(181)
Radiology service costs	–	(667)			(667)		(667)
Other expenses	(966)	(769)			(1,735)		(1,735)
Operating profit	**3,660**	**722**		**(249)**	**4,133**		**4,133**
Contingent consideration released	109	–			109		109
Transaction costs	(12)	(65)			(77)		(77)
Transaction costs relating to the Alliance Medical acquisition	–	–	(257)[3.1, 3.2]		(257)		(257)
Impairment of investment	(370)	–			(370)		(370)
Loss recognised on re-measuring previously held interest in associate to fair value	(23)	–			(23)		(23)
Fair value losses on derivative financial instruments	(2)	–			(2)		(2)
Other	(6)	(11)			(6)		(6)
Reorganisation and contract mobilisation costs	–	(143)	–		(143)		(143)
Finance income	12	–	59[3.3]		71	(13)	58
Finance cost	(512)	(166)	(970)[3.3]		(1,648)	758	(890)
Share of associates' and joint ventures' net profit after tax	8	6			14		14
Profit before tax	**2,864**	**343**	**(1,168)**	**(249)**	**1,790**	**745**	**2,535**
Tax expense	(894)	(2)	(17)[3.4]	40[4.3]	(873)	4	(869)
Profit after tax (loss)/income	1,970	341	(1,185)	(209)	917	749	1,666
Other comprehensive income, net of tax							
Items that may be reclassified to profit or loss							
Movement in foreign currency translation reserve	(30)	(130)			(160)	–	(160)
Items that will not be reclassified to profit or loss							
Retirement benefit asset and post-employment medical aid	8	–			8	–	8
Total comprehensive income for the year	1,948	211	(1,185)	(209)	765	749	1,514
Profit after tax attributable to:							
Ordinary equity holders of the parent	1,616	341	(1,185)	(209)	563	749	1,312
Non-controlling interest	354	–	–	–	354	–	354
	1,970	**341**	**(1,185)**	**(209)**	**917**	**749**	**1,666**

(Rand, in millions)	Life Group for the financial year ended 30 September 2016 Note 1	Alliance Medical for the 12 months ended 30 September 2016 Note 2	Purchase consideration for the Acquisition Note 3	Adjustments relating to the consolidation of Alliance Medical Note 4	*Pro forma* after Acquisition Note 6	Adjustments relating to the Rights Offer Note 7	*Pro forma* after the Rights Offer and the Acquisition Note 8
Total comprehensive income attributable to:							
Ordinary equity holders of the parent	1,596	211	(1,185)	(209)	413	749	1,162
Non-controlling interest	352	–	–	–	352	–	352
	1,948	**211**	**(1,185)**	**(209)**	**765**	**749**	**1,514**
Headline earnings (Rand, in million)							
Profit attributable to ordinary equity holders of the parent	1,616	341	(1,185)	(209)	563	749	1,312
Headline earnings adjustable items							
Impairment of investment	370				370		370
Loss on re-measuring previously held interest in associate to fair value	23				23		23
Other	(1)	11			10		10
Headline earnings	**2,008**	**352**	**(1,185)**	**(209)**	**966**	**749**	**1,715**
Weighted average number of shares in issue (million)	1,043				1,043	367	1,410
Weighted average diluted number of shares in issue (million)	1,047				1,047	367	1,414
Earnings per share (cents)	154.9				54.0		93.0
Headline earnings per share (cents)	192.5				96.2		121.6
Diluted earnings per share (cents)	154.4				53.8		92.8
Diluted headline earnings per share (cents)	191.9				92.3		121.3
Normalised earnings per share (cents)	182.1				127.2		147.0

Notes to the *Pro Forma* Consolidated Statement of Profit or Loss and Other Comprehensive Income of the Enlarged Group:

(1) Extracted from the audited annual financial statements of Life Group for the year ended 30 September 2016.

(2) The financial information of Alliance Medical for the 12 months ended 30 September 2016 has been calculated by adding the audited annual consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2016, presented in **Annexure 5** to this Circular, and the reviewed interim condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 September 2016, presented in **Annexure 7** to this Circular, and deducting the reviewed interim condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 September 2015, presented in **Annexure 7** to this Circular. Please refer to **Annexure 3.1** for further details.

All Pound Sterling denominated adjustments have been converted to Rand at the average exchange rate for the year ended 30 September 2016 of £1: R21.03.

(3) ***Purchase consideration for the Acquisition***:

The Acquisition has been accounted for in terms of IFRS 3: Business Combinations. The Acquisition, including the restructured post-completion incentive arrangements, is assumed to be effective 1 October 2015.

(3.1) The Bidco B Shares were issued to Key Management in exchange for a portion of their B shares held in Alliance Medical. The difference between the fair value of the Bidco B Shares on the date of acquisition, amounting to £36.2 million (R761 million), and the cost of the B ordinary shares acquired in Alliance Medical, amounting to £33 million (R694 million), does not form part of the business combination and is recognised as a once-off post-combination expense of R67 million.

(3.2) Once-off transaction costs relating to the Acquisition, excluding debt raising fees, are estimated at R190 million payable by Bidco and have been expensed.

(3.3) Net finance costs are calculated as follows:

	Value (million)	Interest rate	Average interest rate	Interest amount (Rand, in million)
Bridge Facility A	R10,579	1-month JIBAR plus 1.75%	8.4%	(891)
Bridge Facility B	£225	3-month LIBOR plus 1.75%	2.3%	(110)
Debt raising fees capitalised and amortised over the period of the bridge loans, using the effective interest method	£5			(101)
Interest saving on settlement of the existing senior facility debt between Alliance Medical and Commerzbank International S.A.				132
Finance costs				**(970)**

	Value (million)	Interest rate	Average interest rate	Interest amount (Rand, in million)
Interest assumed on surplus cash raised from the Bridge Facility	R857 (R1,105 minus R249) Refer notes 3.2 and 4.3 to the *Pro forma* consolidated statement of financial position	Call account interest rate	6.9%	59
Finance income				59

(3.4) Represents the net tax expense as a result of the adjustments to finance income in note (3.3) above.

(4) ***Consolidation adjustments***

(4.1) The Bidco C1 Shares are accounted for as a cash settled share option scheme in accordance with IFRS 2: *Share-Based Payments*. The assumed liability is based on a Monte Carlo valuation model. This liability will be charged to the statement of profit or loss and other comprehensive income over the vesting period of Bidco C1 Share options. A charge of R43 million is recognised for the year ending 30 September 2016.

(4.2) In addition to the R200 million amortisation already recognised in Alliance Medical, R206 million amortisation is recognised on the identified intangible assets based on the provisional fair value allocation exercise. The amortisation was calculated on the straight-line method over the estimated useful life of the identifiable intangible assets of approximately 10 years. The intangible assets and related amortisation are denominated in Pound Sterling.

(4.3) Represents the deferred tax benefit in respect of the additional amortisation of the fair value uplift on identified intangible assets recognised on Acquisition.

(5) **Earn-out consideration for the Acquisition:**

To the extent that the actual earn out consideration differs from the current assumed fair value of this liability of £20 million (refer to note 3.1 of the *Pro Forma* Consolidated Statement of Financial Position as at 30 September 2016), the difference in consideration will be recognised in profit or loss. It is assumed, for purposes of the *Pro Forma* Consolidated Statement of Profit and Loss and Other Comprehensive Income, that there has been no change in the assumed fair value of the liability.

(6) The *Pro forma* statement of profit or loss and other comprehensive income presents the Enlarged Group after the Acquisition and before the Rights Offer.

(7) ***The adjustments relating to the Rights Offer***

- The R9.0 billion gross proceeds of the Rights Offer are used to repay a portion of the Bridge Facility A (net of debt raising fees).
- The once-off costs directly attributable to the Rights Offer are settled with cash on hand amounting to approximately R191 million. Finance income of R13 million is no longer earned on the R191 million cash paid for the Rights Offer transaction costs. The related tax expense of R4 million on the interest income earned is reversed.
- Following the Rights Offer, a portion of the finance costs relating to Bridge Facility A amounting to R758 million will no longer be incurred as a portion of the facilities will not be drawn down following the Rights Offer.

(8) The *Pro forma* Consolidated Statement of profit or loss and other comprehensive income for the period ending 30 September 2016 after the Acquisition and the Rights Offer.

(9) All adjustments are of a recurring nature except where otherwise stated.

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2016

(Rand, in millions)	Life Group as at 30 September 2016 *Note 1*	Alliance Medical as at 30 September 2016 *Note 2*	Purchase Consideration for the Acquisition *Note 3*	Adjustments relating to the consolidation of Alliance Medical *Note 4*	*Pro forma* after Acquisition *Note 5*	Adjustments relating to the Rights Offer *Note 6*	*Pro forma* after the Rights Offer *Note 7*
Property, plant and equipment	7,752	2,216			9,968		9,968
Intangible assets	3,196	1,143		11,300[4.1]	15,639		15,639
Investment in Alliance Medical	–	–	10,925[3.1]	(10,925)[4.2]	–		–
Investment in associates and joint ventures	2,548	18			2,566		2,566
Employee benefit asset	433	–			433		433
Deferred tax assets	426	36			462		462
Other assets	40	–			40		40
Total non-current assets	**14,395**	**3,413**	**10,925**	**375**	**29,108**	**–**	**29,108**
Cash and cash equivalents	604	573	1,105[3.2]	(249)[4.3]	2,033	(191)	1,842
Restricted cash	–	–	721[3.2]	–	721		721
Trade and other receivables	2,133	1,087			3,220		3,220
Inventories	318	7			325		325
Income tax receivable	39	–			39		39
Other assets	8	–			8		8
Total current assets	**3,102**	**1,667**	**1,826**	**(249)**	**6,346**	**(191)**	**6,155**
Total assets	**17,497**	**5,080**	**12,751**	**126**	**35,454**	**(191)**	**35,263**
Stated capital	3,666	2,297	–	(2,297)[4.4]	3,666	8,809	12,475
Reserves	1,820	(2,023)	(221)[3.4]	2,023[4.4]	1,599	(50)	1,549
Total equity attributable to ordinary shareholders	5,486	274	(221)	(274)	5,265	8,759	14,024
Non-controlling interest	1,312	4			1,316		1,316
Total equity	**6,798**	**278**	**(221)**	**(274)**	**6,581**	**8,759**	**15,340**
B Share consideration liability	–	–	653[3.5]		653		653
Interest-bearing borrowings	5,469	429			5,898		5,898
Other long-term liabilities	547	151			698		698
Deferred tax liabilities	95	49		400[4.5]	544		544
Total non-current liabilities	**6,111**	**629**	**653**	**400**	**7,793**		**7,793**
Bank overdraft	1,030	–			1,030		1,030
Trade and other payables	2,217	1,005	524[3.3]	–	3,746		3,746
Interest-bearing borrowings	1,312	3,141	11,795[3.2]		16,248	(8,950)	7,298
Income tax payable	13	27			40		40
Deferred tax liabilities	–	–			–		–
Other liabilities	16	–			16		16
Total current liabilities	**4,588**	**4,174**	**12,319**	**–**	**21,080**	**(8,950)**	**12,130**
Total liabilities	**10,699**	**4,803**	**12,971**	**400**	**28,873**	**(8,950)**	**19,923**
Total equity and liabilities	**17,497**	**5,080**	**12,751**	**126**	**35,054**	**(191)**	**35,263**
Number of shares in issue (million)	1,058			1,058		367	1,425
Net assets value per share (cents)	518.6			497.8			984.0
Net Tangible assets value per share (cents)	216.5			(980.7)			(113.3)

Notes to the Consolidated *Pro Forma* Statement of Financial Position of the Enlarged Group:

(1) Extracted from the audited annual financial statements of Life Group for the year ended 30 September 2016.

(2) Extracted from the interim condensed consolidated statement of financial position of Alliance Medical as at 30 September 2016 presented in **Annexure 7**, converted to Rand at the closing exchange rate at 30 September 2016 of £1: R18.03. Please refer to **Annexure 3.1** for further details.

(3) ***Purchase consideration for the Acquisition***:

The Acquisition has been accounted for in terms of IFRS 3: Business Combinations. The Acquisition is assumed to be effective 30 September 2016 and all Pound Sterling denominated adjustments have been converted to Rand at the closing exchange rate at 30 September 2016 of £1: R18.03.

(3.1) The purchase consideration for the Acquisition consists of the initial cash consideration of £553 million, the estimated fair value of the earn out consideration of £20 million at the acquisition date (representing contingent consideration up to a maximum of £40 million) and the B share contingent consideration liability assumed of £33 million.

	£, in millions	**R, in millions**
Cash consideration	553	9,969
Earn-out consideration (refer to note 3.3 below)	20	361
B Share Liability assumed	33	595
	606	10,925

The Bidco B Shares were issued to Key Management in exchange for a portion of their B shares held in Alliance Medical. The B share liability at the Acquisition Date amounted to £36.2 million, of which £33 million is considered part of the business combination and £3.2 million recognised as a post-Acquisition expense (refer to note 3.5 below).

(3.2) As part of the Acquisition, the following debt was raised:

	£, in millions	**R, in millions**
Bridge Facility A		10,579
Bridge Facility B	225	4,057
		14,636

The debt raised was utilised as follows:

	£, in millions	**R, in millions**
Total debt raised		14,636
Settlement of the existing senior facility debt between Alliance Medical and Commerzbank International S.A.	(153)	(2,755)
Bridge Facility debt raising fees capitalised	(5)	(86)
		11,795
Settlement of initial consideration	(553)	(9,969)
Paid into Escrow, in respect of the maximum contingent consideration (£40 million)	(40)	(721)
Cash and cash equivalents		1,105

(3.3) Trade and other payables adjustment consists of:

	R, in millions
Fair value of earn out consideration payable	361
Acquisition transaction costs payable by Life	163
	524

(3.4) The Reserves adjustment relates to the following:

	R, in millions
Transaction costs payable for the Acquisition (refer to note 3.3)	(163)
Post-Acquisition expense of £3.2 million (refer to note 3.5)	(58)
	(221)

(3.5) The B share consideration is represented by a financial liability in the consolidated financial statements of Alliance Medical as there is an unavoidable obligation to settle the incentive bonus that is not linked to the continued employment of the B shareholders. Life may settle the liability on behalf of Alliance Medical by exercising the call options on the B shares. The call options provide Life with the ability to settle the liability at a lower amount than if Alliance Medical were to settle the obligation directly. The liability is recognised at the fair value of the minimum unavoidable obligation of the Enlarged Group, which is the amount as per the call option. As the B share consideration represents a financial liability of Alliance Medical, it does not result in non-controlling interests in the consolidated financial statements of the Enlarged Group.

	£, in millions	**R, in millions**
Considered as part of consideration (refer to Note 3.1 above)	33	595
Post-Acquisition expense	3.2	58
		653

The B share contingent consideration liability will be subsequently measured at fair value through profit and loss.

(4) ***Consolidation adjustments***

(4.1) Based on a provisional fair value allocation exercise in terms of IFRS 3: Business Combinations, which is denominated in Pound Sterling, the surplus of the fair value of the tangible and identifiable intangible assets and liabilities of Alliance Medical is attributed to goodwill as follows:

		R, in millions
Purchase consideration (refer to Note 3.1 above)		10,925
Identifiable assets acquired:		
Net asset value acquired at 30 September 2016 of R274 million, adjusted for costs associated with sale of Alliance Medical of R249 million		25
Reversal of Alliance Medical goodwill included in net asset value acquired at 30 September 2016		(847)
Fair value uplift of identified intangible assets recognised according to the provisional purchase price allocation:		3,187
Customer relations	3,274	
Brands	130	
Technology licenses	79	
Intangibles already recognised in the statement of financial position of Alliance Medical	(296)	
Related deferred tax on the fair value uplift of identified intangible assets		(400)
Net identifiable assets acquired (provisional)		**1,965**
Goodwill arising on Acquisition (excess of purchase consideration over net identifiable assets acquired) (provisional)		**8,960**
Reconciliation of intangible assets *pro forma* adjustment:		
Fair value uplift of identified intangible assets		3,187
Goodwill arising on Acquisition		8,960
Less: Alliance Medical goodwill included in net asset value acquired		(847)
		11,300

Life's accounting policies for goodwill and intangible assets are as follows:

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of the non-controlling interest over the net identifiable assets acquired, liabilities and contingent liabilities assumed. After initial recognition, the goodwill is measured at cost less any accumulated impairment losses and is not amortised as it has an indefinite useful life. Intangible assets are measured at cost less any accumulated amortisation and impairment losses. The intangible assets are amortised on the straight-line method over their estimated useful life. Both goodwill and intangible assets are tested for impairment annually or when there is an indication of impairment.

A deferred tax liability is recognised on the fair value uplift of identified intangible assets of R542 million, partially offset by the recognition of previously unrecognised deferred tax assets of R142 million in Alliance Medical at 30 September 2016.

The fair values identified on Acquisition, together with the associated deferred tax impacts resulting from fair value adjustments and utilisation of unrecognised deferred tax assets, will remain provisional and subject to further review for a period of up to one year from the Acquisition date.

(4.2) The investment in Alliance Medical is eliminated upon consolidation.

(4.3) The payment of pre-acquisition selling costs by Alliance Medical, reducing the net asset value of Alliance Medical acquired.

(4.4) The at-Acquisition net asset value (equity) of Alliance Medical is eliminated upon consolidation.

(4.5) A deferred tax liability is recognised on the fair value uplift of identified intangible assets of R542 million, partially offset by the recognition of previously unrecognised deferred tax assets of R142 million in Alliance Medical at 30 September 2016.

(5) The *pro forma* statement of financial position, as at 30 September 2016, for the Enlarged Group after the Acquisition, and before the Rights Offer.

(6) ***The adjustments relating to the Rights Offer***

- In terms of the Rights Offer, 367,346,939 new ordinary shares are issued at R24.50 per share to raise gross proceeds of R9.0 billion. Costs directly attributable to the Rights Offer amount to approximately R191 million.
- The R9.0 billion gross proceeds of the Rights Offer are used to repay a portion of the Bridge Facility A (net of debt raising fees).
- The costs directly attributable to the Rights Offer is settled with cash on hand amounting to R191 million.
- A portion of the capitalised debt raising fees relating to Bridge Facility A of R50 million that has been repaid is expensed.
- Costs directly attributable to the Rights Offer are capitalised against stated capital.

(7) The *Pro forma* consolidated statement of financial position as at 30 September 2016 after the Acquisition and the Rights Offer.

PRO FORMA TRANSLATION AND RECLASSIFICATION ADJUSTMENTS

Certain *pro forma* reclassification adjustments have been made to Alliance Medical's financial statements to conform to Life Group's financial statement presentation. These *pro forma* adjustments set forth in the table below, reflecting Life Group's best estimates based upon the information currently available to Life Group.

Alliance Medical* Pro Forma *Statement of Profit or Loss and Other Comprehensive Income of the Enlarged Group for the twelve months ended 30 September 2016

	Year ended 31 March 2016[1]	Six months ended 30 September 2016[2]	Six months ended 30 September 2015[3]	Total[4]	Exchange rate	Combined 12 months ended 30 September 2016[5]	*Pro forma* reclassi-fication adjustments[6]	Adjusted 12 months ended 30 September 2016
	(£, in millions)	*(£, in millions)*	*(£, in millions)*	*(£, in millions)*		*(Rand, in millions)*	*(Rand, in millions)*	*(Rand, in millions)*
Revenue and other income	218.8	119.1	104.5	233.4	21.03	4 908	–	4 908
Cost of sales	(139.1)	(76.4)	(64.8)	(150.7)	21.03	(3 169)	3 169	–
Drugs and surgicals consumed	–	–	–	–	21.03	–	–	–
Employee benefits expense	–	–	–	–	21.03	–	(1 371)	(1 371)
Retirement benefit asset and post-employment medical aid expenses	–	–	–	–	21.03	–	–	–
Overheads	(37.6)	(19.2)	(19.6)	(37.2)	21.03	(782)	782	–
Profit/(loss) on disposal of property and equipment	(0.8)	–	(0.3)	(0.5)	21.03	(11)	11	–
Other administrative expenses	(11.8)	(2.5)	(4.2)	(10.1)	21.03	(212)	212	–
Depreciation on property, plant and equipment	(1.1)	(1.4)	(1.0)	(1.5)	21.03	(31)	–	(31)
Depreciation on property, plant and equipment	–	–	–	–	21.03	–	(400)	(400)
Amortisation of intangible assets	(8.9)	(4.9)	(4.3)	(9.5)	21.03	(200)	–	(200)
Repairs and maintenance expenditure on property, plant and equipment	–	–	–	–	21.03	–	(351)	(351)
Occupational expenses	–	–	–	–	21.03	–	(397)	(397)
Hospital service expenses	–	–	–	–	21.03	–	–	–
Communication expenses	–	–	–	–	21.03	–	–	–
Radiology service costs (Reporting fees)				–	21.03	–	(667)	(667)
Other expenses	–	–	–	–	21.03	–	(769)	(769)
Operating profit	19.5	14.7	10.3	23.9	21.03	503	219	722
Contingent consideration released	–	–	–	–	21.03	–	–	–
Transaction costs	–	–	–	–	21.03	–	(65)	(65)
Impairment of investment	–	–	–	–	21.03	–	–	–
Loss recognised on re-measuring previously held interest in associate to fair value	–	–	–	–	21.03	–	–	–
Fair value gains/(losses) on derivative financial instruments	–	–	–	–	21.03	–	–	–
Other	–	–	–	–	21.03	–	(11)	(11)

	Year ended 31 March 2016[1]	Six months ended 30 September 2016[2]	Six months ended 30 September 2015[3]	Total[4]	Exchange rate	Combined 12 months ended 30 September 2016[5]	*Pro forma* reclassi-fication adjustments[6]	Adjusted 12 months ended 30 September 2016
	(£, in millions)	*(£, in millions)*	*(£, in millions)*	*(£, in millions)*		*(Rand, in millions)*	*(Rand, in millions)*	*(Rand, in millions)*
Re-organisation and contract mobilisation costs	–	–	–	–	21.03	–	(143)	(143)
Finance income	–	–	–	–	21.03	–	–	–
Finance cost	(10.9)	(4.3)	(7.3)	(7.9)	21.03	(166)	–	(166)
Share of associates' and joint ventures' net profit after tax	0.3	0.2	0.2	0.3	21.03	6	–	6
Profit before tax	8.9	10.6	3.2	16.3	21.03	343	(0)	343
Tax expense	0.1	(1.3)	(1.1)	(0.1)	21.03	(2)	–	(2)
Profit after tax	9.0	9.3	2.1	16.2	21.03	341	(0)	341
Other comprehensive income, net of tax					21.03			
Items that may be reclassified to profit or loss					21.03			
Movement in foreign currency translation reserve	(3.2)	(3.5)	(0.5)	(6.2)	21.03	(130)	–	(130)
Items that will not be reclassified to profit or loss					21.03			
Retirement benefit asset and post-employment medical aid	–	–	–	–	21.03	–	–	–
	5.8	**5.8**	**1.6**	**10.0**	**21.03**	**211**	**(0)**	211

(1) Extracted from the audited annual statement of profit or loss and other comprehensive income for the year ended 31 March 2016 for Alliance Medical, presented in Annexure 5 to this Circular.

(2) Extracted from the reviewed interim condensed consolidated statement of profit and loss for the six months ended 30 September 2016, presented in Annexure 7 to this Circular.

(3) Extracted from the reviewed interim condensed consolidated statement of profit and loss for the six months ended 30 September 2015, presented in Annexure 7 to this Circular.

(4) Addition of column 1 and 2 and subtraction of column 3 to derive the financial information of Alliance Medical for the 12 months ended 30 September 2016.

(5) Converted to Rand at the average exchange rate for the year ended 30 September 2016 of £1: R21.03.

(6) Life Group presents its expenses by nature in its consolidated statements of profit or loss, whereas Alliance Medical's historical consolidated statements of profit or loss and other comprehensive income are presented by function (cost of sales and administrative expenses). The *pro forma* adjustments reclassify in total Alliance Medical's expenses by nature rather than function in order to present them on a consistent basis with Life Group.

Alliance Medical* Pro Forma *Statement of Financial Position of the Enlarged Group as at 30 September 2016

	As at 30 September 2016		
	£, in millions[(1)]	**Exchange rate**	**Rand, in millions[(2)]**
Property, plant and equipment	122.9	18.03	2,216
Intangible assets	63.4	18.03	1,143
Investment in associates and joint ventures	1.0	18.03	18
Employee benefit asset	–	18.03	–
Deferred tax assets	2.0	18.03	36
Other assets	–	18.03	–
Total non-current assets	**189.3**	**18.03**	**3,413**
Cash and cash equivalents	31.8	18.03	573
Restricted cash	–	18.03	–
Trade and other receivables	60.3	18.03	1,087
Inventories	0.4	18.03	7
Income tax receivable	–	18.03	–
Other assets	–	18.03	–
Total current assets	**92.5**	**18.03**	**1,667**
Total assets	**281.8**	**18.03**	**5,080**
Stated capital	127.4	18.03	2,297
Reserves	(112.2)	18.03	(2,023)
Non-controlling interest	0.2	18.03	4
Total equity	**15.4**	**18.03**	**278**
Interest-bearing borrowings	23.8	18.03	429
Other long-term liabilities	8.4	18.03	151
Deferred tax liabilities	2.7	18.03	49
Total non-current liabilities	**34.9**	**18.03**	**629**
Bank overdraft	–	18.03	–
Trade and other payables	55.8	18.03	1,005
Interest-bearing borrowings	174.2	18.03	3,141
Income tax payable	1.5	18.03	27
Deferred tax liabilities	0	18.03	–
Other liabilities	0	18.03	–
Total current liabilities	**231.5**	**18.03**	**4,173**
Total liabilities	**266.4**	**18.03**	**4,802**
Total equity and liabilities	**281.8**	**18.03**	**5,080**

(1) Extracted from the condensed consolidated interim financial information of Alliance Medical for the six-month period ended 30 September 2016 presented in Annexure 7 to this Circular.

(2) Converted to Rand at the closing exchange rate at 30 September 2016 of £1: R18.03.

INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE *PRO FORMA* FINANCIAL INFORMATION OF THE ENLARGED GROUP

The Board of Directors
Life Healthcare Group Holdings Limited
Oxford Manor
21 Chaplin Road
Illovo
2196

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF *PRO FORMA* FINANCIAL INFORMATION OF LIFE HEALTHCARE GROUP HOLDINGS LIMITED ("LIFE HEALTHCARE" OR "THE COMPANY")

Introduction

Life Healthcare is issuing a circular to its shareholders ("**the Circular**") for a fully underwritten rights offer to qualifying shareholders ("**the Rights Offer**"). Life Healthcare is seeking to refinance their bridge facility, used to fund the acquisition of Alliance Medical Group Limited ("**Alliance Medical**"), in part through the Rights Offer.

At your request and for the purposes of the Circular to be dated on or about 28 March 2017, we present our assurance report on the compilation of the *pro forma* financial information of Life Healthcare by the directors. The *pro forma* financial information, presented in **Annexure 3** to the Circular, consists of the *pro forma* statement of financial position as at 30 September 2016, the *pro forma* statement of profit or loss and other comprehensive income for the 12 months ended 30 September 2016 and the *pro forma* financial effects ("*the Pro Forma Financial Information*"). The *Pro Forma* Financial Information has been compiled on the basis of the applicable criteria specified in the JSE Limited (JSE) Listings Requirements.

The *Pro Forma* Financial Information has been compiled by the directors to illustrate the impact of the Rights Offer on the Company's reported financial position as at 30 September 2016, and the Company's financial performance for the period then ended, as if the Rights Offer had taken place at 30 September 2016 and 1 October 2015, respectively. As part of this process, information about the Company's financial position and financial performance has been extracted by the directors from the Company's financial statements for the year ended 30 September 2016, on which an audit report has been published.

Directors' responsibility

The directors of Life Healthcare are responsible for the compilation, contents and presentation of the *Pro Forma* Financial Information on the basis of the applicable criteria specified in the JSE Listings Requirements and described in and **Annexure 3**. The directors of Life Healthcare are also responsible for the financial information from which it has been prepared.

Our independence and quality control

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.

Reporting accountant's responsibility

Our responsibility is to express an opinion about whether the *Pro Forma* Financial Information has been compiled, in all material respects, by the directors on the basis specified in the JSE Listings Requirements based on our procedures performed. We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, Assurance Engagements to Report on the Compilation of

Pro Forma Financial Information Included in a Prospectus. This standard requires that we plan and perform our procedures to obtain reasonable assurance about whether the *Pro Forma* Financial Information has been compiled, in all material respects, on the basis specified in the JSE Listings Requirements.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the *Pro Forma* Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the *Pro Forma* Financial Information.

As the purpose of *Pro Forma* Financial Information included in a circular is solely to illustrate the impact of a significant corporate action or event on unadjusted financial information of the entity as if the corporate action or event had occurred or had been undertaken at an earlier date selected for purposes of the illustration, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the *Pro Forma* Financial Information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used in the compilation of the *Pro Forma* Financial Information provides a reasonable basis for presenting the significant effects directly attributable to the corporate action or event, and to obtain sufficient appropriate evidence about whether:

- The related *pro forma* adjustments give appropriate effect to those criteria; and
- The *Pro Forma* Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

Our procedures selected depend on our judgment, having regard to our understanding of the nature of the company, the corporate action or event in respect of which the *Pro Forma* Financial Information has been compiled, and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the *Pro Forma* Financial Information.

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

Opinion

In our opinion, the *Pro Forma* Financial Information has been compiled, in all material respects, on the basis of the applicable criteria specified by the JSE Listings Requirements and described in **Annexure 3** of the Circular.

Purpose of this report

This report has been prepared for the purpose of the Circular and for no other purpose.

PricewaterhouseCoopers Inc.
Director: Megandra Naidoo
Registered Auditor

Sunninghill
20 March 2017

HISTORICAL FINANCIAL INFORMATION OF ALLIANCE MEDICAL

The Report of Historical Financial Information of Alliance Medical is the responsibility of the directors of Life Healthcare Group Holdings Limited.

The Report of Historical Financial Information of Alliance Medical has been prepared in accordance with IFRS and the JSE Listings Requirements.

The independent reporting accountants' report on the Report of Historical Financial Information of Alliance Medical is contained in **Annexure 6**: "*Independent Reporting Accountants' Report on the Historical Financial Information of Alliance Medical*".

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the years ended 31 March 2016 and 2015

	Notes	**Year to 31 March 2016**	**Year to 31 March 2015**
		£m	**£m**
Revenue	4	218.8	210.7
Cost of sales excluding depreciation		(121.0)	(112.0)
Depreciation		(18.1)	(17.9)
Cost of sales		(139.1)	(129.9)
Gross profit		**79.7**	**80.8**
Administrative expenses			
Overheads		(37.6)	(44.6)
Depreciation		(1.1)	(1.3)
Loss on disposal of property, plant and equipment		(0.8)	(0.4)
Amortisation		(8.9)	(8.9)
Other administrative expenses	6	(11.8)	(6.5)
		(60.2)	(61.7)
Profit/(loss) before interest & taxation	7	19.5	19.1
Finance costs	11	(10.9)	(19.2)
Share of profit of joint ventures	15	0.3	0.3
Profit/(loss) before taxation		8.9	0.2
Taxation	12	0.1	(3.1)
Profit/(loss) for the period		9.0	(2.9)
Profit/(loss) for the period attributable to:			
The equity shareholders of the Company		9.0	(2.9)
Non-controlling interests		–	–
Profit/(loss) for the period		**9.0**	**(2.9)**

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended 31 March 2016 and 2015

	Year to 31 March 2016	Year to 31 March 2015
	£m	£m
Items that may subsequently reclassified to profit or loss:		
Exchange differences on translation of foreign operations	(3.2)	5.4
Actuarial losses on defined benefit pension	–	(0.3)
Total other comprehensive (expense)/income	(3.2)	5.1
Profit/(loss) in the period	9.0	(2.9)
Total comprehensive income in the period	**5.8**	**2.2**
Attributable to:		
Owners of the parent	5.8	2.2
Non-controlling interests	–	–
Total comprehensive income in the period	**5.8**	**2.2**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at 31 March 2016 and 2015

	Notes	2016	2015
		£m	**£m**
ASSETS			
Non-current assets			
Property, plant and equipment	13	110.1	84.8
Goodwill and other intangible assets	14	65.5	69.3
Investment in joint ventures	15	0.7	0.8
Deferred tax assets	23	1.7	0.2
		178.0	155.1
Current assets			
Inventories	16	0.3	0.2
Trade and other receivables	17	58.6	50.6
Current income tax receivable		0.3	–
Cash and cash equivalents	18	38.8	60.3
		98.0	111.1
TOTAL ASSETS		**276.0**	**266.2**
LIABILITIES			
Non-current liabilities			
Trade and other payables	19	(2.2)	(2.0)
Borrowings	20	(22.9)	(181.5)
Deferred tax liabilities	23	(3.0)	(5.2)
Retirement benefit obligations	24	(3.6)	(3.3)
Provisions	25	(1.9)	(2.2)
		(33.6)	(194.2)
Current liabilities			
Trade and other payables	19	(63.4)	(54.5)
Borrowings	20	(168.3)	(9.2)
Current income tax payable		–	(1.8)
Provisions	25	(1.1)	(0.5)
		(232.8)	(66.0)
TOTAL LIABILITIES		**(266.4)**	**(260.2)**
NET ASSETS		**9.6**	**6.0**
EQUITY			
Share capital	26	–	–
Share premium account		127.4	126.6
Translation reserve		4.8	8.0
Other reserves		(126.6)	(126.6)
Retained earnings		3.8	(2.1)
Equity attributable to shareholders of the Company		9.4	5.9
Non-controlling interests		0.2	0.1
TOTAL EQUITY		**9.6**	**6.0**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
for the years ended 31 March 2016 and 2015

	Share capital	Share premium account	Translation reserve	Other reserves	Retained earnings	Equity shareholder	Non-controlling interests	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m
At 31 March 2014	–	126.6	2.6	(126.6)	3.0	5.6	0.3	5.9
Purchase of non-controlling interest	–	–	–	–	(1.9)	(1.9)	(0.2)	(2.1)
Actuarial losses on defined benefit pension	–	–	–	–	(0.3)	(0.3)	–	(0.3)
Loss for the year	–	–	–	–	(2.9)	(2.9)	–	(2.9)
Foreign exchange gains in the year	–	–	5.4	–	–	5.4	–	5.4
At 31 March 2015	–	126.6	8.0	(126.6)	(2.1)	5.9	0.1	6.0
Issue of shares	–	0.8	–	–	–	0.8	–	0.8
Profit for the year	–	–	–	–	9.0	9.0	–	9.0
Dividends	–	–	–	–	(3.1)	(3.1)	–	(3.1)
Foreign exchange loss in the year	–	–	(3.2)	–	–	(3.2)	0.1	(3.1)
At 31 March 2016	**–**	**127.4**	**4.8**	**(126.6)**	**3.8**	**9.4**	**0.2**	**9.6**

The Dividend has been paid to all B Shareholders, and will reduce the amounts received by these shareholders if and when shares are sold for fair market value in the future. Therefore the payment is also treated as a modification of a management equity scheme in accordance with IFRS 2, although the reassessment of the fair value did not lead to any significant changes required to be recognised in these financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
for the years ended 31 March 2016 and 2015

	Notes	**Year to 31 March 2016**	**Year to 31 March 2015**
		£m	**£m**
Cash generated from operations	27	47.0	47.3
Interest paid		(10.3)	(11.3)
Income tax paid		(5.8)	(4.1)
Net cash generated from operating activities		**30.9**	**31.9**
Cash flows from investing activities			
Net cash paid for acquisitions		(1.4)	(1.9)
Net cash paid for purchase of non-controlling interest		–	(2.1)
Purchase of property, plant and equipment		(41.9)	(19.1)
Purchase of intangible assets		(2.4)	(1.9)
Proceeds from sale of property, plant and equipment		1.2	0.3
Net cash used in investing activities		**(44.5)**	**(24.7)**
Cash flows from financing activities			
Repayment of borrowings		(39.6)	(1.4)
Drawdown of borrowings		11.3	1.0
Repayment of finance leases		(6.3)	(0.4)
Drawdown of finance leases		29.0	2.0
Payment of dividends		(3.1)	–
Net cash (used in)/generated from financing activities		**(8.7)**	**1.2**
Net (decrease)/increase in cash and cash equivalents		(22.3)	8.4
Cash and cash equivalents at the beginning of the period		60.3	56.2
Exchange differences		0.8	(4.3)
Cash and cash equivalents at end of period	18	**38.8**	**60.3**
Net cash and cash equivalents comprises:			
Cash at bank		38.8	60.3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. **GENERAL**

The Company is incorporated in England and Wales as a private limited company. The address of the Registered Office and principal place of business is Iceni Centre, Warwick Technology Park, Warwick, CV34 6DA.

The principal activities of the Group are the provision of diagnostic imaging services, molecular imaging services and patient services to public health services and independent organisations across Europe, and the manufacture and distribution of radiopharmaceuticals.

2. **ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

Basis of preparation

These financial statements have been prepared in accordance with IFRS as issued by International Accounting Standards Board (IASB) and the JSE Listings Requirements.

These financial statements have been prepared on a going concern basis, under the historical cost convention except where the measurement of balances at fair value is required. The judgements applied in assessing the going concern basis have been considered further in note 3. The financial statements have been prepared in Pounds Sterling, which is the same as the functional currency of the Company, and all values are rounded to the nearest one hundred thousand (0.1m) except where otherwise stated. The following accounting policies are those that the Group considers to be its principal accounting policies in respect of the consolidated results.

Standards and interpretations effective in the current period

The following standards and interpretations that are applicable to the Group were available for early application but have not been applied by the Group in these financial statements:

		Effective for periods beginning on or after
IAS 16 and IAS 38	Amendments to IAS 16 and IAS 38 – Clarification of acceptable methods of depreciation and amortisation	1 January 2016
IAS 27	Amendments to IAS 27 – Separate financial statements – Equity method in separate financial statements	1 January 2016
IFRS 11	Amendments to IFRS 11 – Accounting for acquisitions of interests in joint operations	1 January 2016
IFRS 15	Revenue from contracts with customers	1 January 2018
IFRS 16	Leases	1 January 2019

Their adoption is not expected to have a material impact on the financial statements of the Group, with the exception of IFRS 16 leases. The Group has commenced its assessment of the impact of IFRS 16 Leases but it is not yet in a position to state whether this standard would have a material impact on its results and financial position.

New standards

The following standards and interpretations apply for the first time in 2016 but do not materially impact the consolidated financial statements of the Group.

		Effective for periods beginning on or after
IAS 19	Amendments to IAS 19 – Defined benefit plans: Employee contributions	1 July 2014
Annual improvements	IFRS 2010 – 2012 cycle and 2011 – 2013 cycle	1 July 2014

Basis of consolidation

The consolidated financial statements of the Group have been prepared under the principles of acquisition accounting.

Subsidiaries are entities over which the Group has control. Control is achieved when the Group is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are fully consolidated from the date that control commences until the date that control ceases.

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

Non-controlling interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Non-controlling interests in the net assets consist of the amount of those interests at the date of the original business combination and the non-controlling parties' share of changes in equity since the date of combination. Losses applicable to the non-controlling parties in excess of the non-controlling parties' interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the non-controlling parties have a binding obligation and are able to make an additional investment to cover the losses.

The Group applies IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures. The Group's investments in its joint ventures are accounted for using the equity method. Under the equity method, joint ventures are initially recognised at cost and the carrying amount of the investment is subsequently adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint ventures is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. The consolidated statement of profit or loss and other comprehensive income reflects the Group's share of the results of operations of the joint ventures. After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its joint ventures. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint ventures is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the investment in the joint ventures and its carrying value, and then recognises the loss as 'share of profit of joint ventures' in the consolidated statement of profit or loss and other comprehensive income.

Business combinations

Acquisitions of subsidiaries are accounted for using the purchase method. The cost of the acquisition is measured as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date.

Where part or all of the consideration is deferred, the cost of acquisition initially recorded is a reasonable estimate of the fair value of amounts expected to be payable in the future. The cost of acquisition is adjusted when revised estimates are made, with corresponding adjustments made to the statement of profit or loss and other comprehensive income.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of the business combination over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary at the date of acquisition. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognised as profit.

The financial statements of subsidiaries used in the preparation of the consolidated financial statements are prepared based on consistent accounting policies with the Group. The costs of integrating and reorganising acquired businesses are charged to the post-acquisition statement of profit or loss and other comprehensive income.

Goodwill is subsequently carried at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually or more frequently if there is an indication of potential impairment. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of goodwill allocated to the unit and then to other assets of the unit *pro rata* on the basis of the carrying amount of each asset in the unit. Any impairment loss recognised for goodwill is not reversed in a subsequent year.

On disposal of a subsidiary, the attributable goodwill is included in the determination of the profit or loss on disposal.

Intangible assets

Intangible assets that are acquired by the Group are stated at cost, which is, if acquired as part of a business combination, the fair value of the intangible asset on the date of acquisition, or, in the case of individually purchased intangible assets, the amount paid, less accumulated amortisation and impairment losses.

Amortisation is charged to the statement of profit or loss and other comprehensive income on a straight-line basis over the estimated useful lives as follows:

Contractual and non-contractual customer relationships	1 to 5 years
Brand name	4 years
Purchased technology licences	3 to 7 years

Amortisation periods are reviewed annually and adjusted if appropriate.

Internally generated intangible assets are not recognised in the statement of financial position as assets and therefore expenditure incurred in generating these is charged to the statement of profit or loss and other comprehensive income as incurred.

Property, plant and equipment

Property, plant and equipment held for use in the business is stated in the statement of financial position at book value, being cost less accumulated depreciation and accumulated impairment losses.

Depreciation is charged so as to write off the cost over the estimated useful lives, using the straight-line method as follows:

Land	Not depreciated
Freehold property	50 years
Leasehold property and improvements	Period of the lease, or the length of the contract to which the property relates, if shorter
Scanning equipment	5 to 10 years, or the length of the contract to which the equipment relates
Motor vehicles	3 to 4 years
Other plant and equipment	3 to 25 years

Assets held under finance leases are depreciated over the shorter of their expected useful lives or the lease term. When there is reasonable certainty that the ownership of the leased asset will be obtained by the lessee at the end of the lease term the assets held under finance leases will be depreciated over their useful economic lives.

Assets under construction are transferred to their respective asset class and commence depreciation on the date commercial operation commences.

Residual values, remaining useful lives and depreciation methods are reviewed annually and adjusted if appropriate.

Impairment of property, plant and equipment and intangible assets other than goodwill

At each statement of financial position date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets, other than goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, because the asset does not generate cash inflows that are largely independent, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units.

The recoverable amount is the higher of fair value less costs to sell, and value in use. In assessing value in use, the estimated future cash flows, which are not adjusted for risk, are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount and an impairment loss is recognised immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately.

Inventories

Inventories are valued at the lower of cost and net realisable value on a first-in, first-out basis. Cost comprises goods held for resale, direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and associated selling costs. Where necessary, an appropriate allowance is made for obsolete, slow-moving and defective inventories.

Financial instruments

The Group classifies financial instruments, or their component parts, on initial recognition as financial assets, financial liabilities or equity instruments according to the substance of the contractual arrangements entered into.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

All financial instruments are initially recognised at fair value. After initial recognition, loans and receivables, including short-term receivables, and financial liabilities, including trade payables, are carried at amortised cost, as reduced by appropriate allowances for estimated irrecoverable amounts. Derivative financial instruments are carried at fair value.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and other short-term highly liquid deposits with an original maturity at acquisition of three months or less. Cash held on deposit with an original maturity at acquisition of more than three months but less than twelve months is disclosed as current asset investments. For the purposes of the statement of cash flow, cash and cash equivalents consist of cash and cash equivalents as defined above, net of bank overdrafts that are repayable on demand that are an integral part of the Group's cash management.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost with any difference between the proceeds (net of transaction costs) and the redemption value being recognised in the statement of profit or loss and other comprehensive income over the expected life of the borrowings using the effective interest method. Finance costs, which are the difference between the net proceeds and the total amount of payments made in respect of the instruments, are spread on a straight line basis over the expected life of the debt.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate, at the end of the reporting period, of the consideration required to settle the present obligation, taking into account the risks and uncertainties surrounding the obligation.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable during the period, and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities as described below.

The principal activities of the Group are the provision of diagnostic imaging services, molecular imaging services and patient services and the manufacture and distribution of radiopharmaceuticals. Revenue is recognised principally on a 'per scan' basis, a 'day rate' basis or a 'dose' basis, depending upon the terms of the contract. The Group does not participate in activities which need to be accounted for under long-term contract accounting rules.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. The interest element of the finance cost is charged to the statement of profit or loss and other comprehensive income in the period the lease payment was made.

Rentals payable under operating leases are charged to the statement of profit or loss and other comprehensive income on a straight line basis over the term of the relevant lease. Benefits received or receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

Foreign currencies

The Group's activities expose it to the financial risks of changes in foreign currency exchange rates. The Group uses net investment in overseas subsidiaries to manage these exposures. The individual financial statements for each Group company are recorded in the currency of the primary economic environment in which they operate (the functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in Pounds Sterling, which is the functional currency of the Company and the presentational currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the Company's functional currency are recorded at rates prevailing at the dates of the transactions. At each statement of financial position date, monetary assets and liabilities that are denominated in currencies other than the functional currency are retranslated at the rates prevailing on the statement of financial position date. Non-monetary items that are measured in terms of historical cost in a non-functional currency are not retranslated. Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the statement of profit or loss and other comprehensive income for the period.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the statement of financial position date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. On disposal of an operation, any translation differences to the point of disposal are recognised as income or expense.

The exchange rate for the principal foreign currency in use by the Group was as follows:

	2016		**2015**	
	Year-end rate	**Average of opening and closing rate**	**Year-end rate**	**Average rate in the year**
Euro	1.265	1.316	1.367	1.276

Retirement benefit costs

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds. The Group has both a defined benefit scheme and a number of defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in current and prior years. A defined benefit plan is a pension plan that is not a defined contribution plan.

The Group participates in a number of defined contribution pension schemes in the countries in which it operates, the assets of which are held separately from those of the Group and are invested with insurance companies and external fund managers. The Group has no further obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The Group participates in one defined benefit pension scheme. The assets of the scheme are held separately from those of the Group. The scheme is closed to new entrants and therefore under the projected unit method the current service costs will increase as the members of the scheme approach retirement.

Payments to defined contribution retirement schemes are charged to the statement of profit or loss and other comprehensive income as an expense as they fall due. The retirement benefit obligation recognised in the statement of financial position represents the present value of the defined benefit obligations as adjusted for unrecognised past service cost, plus the present value of available refunds and reductions in future contributions to the scheme.

The valuation takes the form of an actuarial valuation of the future liabilities, which depend principally upon length of service and the rate of future salary increases. There is no asset fund, and the liabilities under the fund are not dependent on the life expectancy of the individual once the employee has left the employment of the Group.

For payments to defined benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial calculations being carried out at each statement of financial position date. Actuarial gains and losses are recognised in full in the year in which they occur, and are presented in the statement of comprehensive income. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight line basis over the average period until the benefits become vested.

Under the rules of the Trattamento di Fine Rapporto ("TFR") scheme, Italian employees are entitled to a payment when they cease to be employed by the Company. It is an unfunded liability held on the statement of financial position and is not a pension scheme. In 2007, the TFR system was reformed, and under the new law, employees are given the ability to choose where the TFR compensation is invested. If the employee does not specify, the compensation is directed to the National Social Security Institute or pension funds. Under IFRS the TFR had the characteristics of a defined benefit scheme for payments made up to the reform in 2007 and accordingly these payments are accounted as such. Contributions under the reformed TFR system are accounted for as a defined contribution plan.

Taxation

The tax expense represents the sum of the tax currently payable and the deferred tax charge.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit before tax as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have enacted or substantively enacted at the statement of financial position date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of the assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method on an undiscounted basis. Deferred tax liabilities are recognised for all temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that have been enacted or substantively enacted by the statement of financial position date. Deferred tax is included in the statement of profit or loss and other comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also recognised directly in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and the Group intends to settle its current tax assets and liabilities on a net basis.

IFRS non-GAAP measure

The Directors consider EBITDA to be key performance indicators ("KPI") of the business as defined in the Strategic Report.

Depreciation and amortisation are the main non-cash expenses of the business, so EBITDA approximates to cash flow from operations, before adjustment for movements in working capital and capital expenditure.

Accordingly, in the statement of profit or loss and other comprehensive income, depreciation and amortisation are disclosed separately along with interest, tax, profit/(loss) on disposal of property, plant and equipment, and other administrative expenses in order to facilitate disclosure of these KPIs.

Other administrative expenses

Where certain expense or revenue items recorded in a year are significant by their size or incidence, these are disclosed as other administrative expenses within a separate line of the statement of profit or loss and other comprehensive income. Examples of items classified as "other administrative expenses" include:

- Refinancing costs;
- Reorganisation and restructuring costs; and
- Other items not in the normal course of day-to-day business.

Decommissioning costs

The Group records a provision for the decommissioning costs of cyclotrons used in the production of radiopharmacy products. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as a provision. The cash flows are discounted at a current pre-tax rate. The unwinding of the discount is expensed as incurred and recognised in the consolidated statement of profit or loss and other comprehensive income. The estimated future costs of decommissioning will be reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied will be added to or deducted from the provision.

Segment reporting

In order to improve transparency, the Group has voluntarily complied in full with IFRS 8 "Operating Segments".

An operating segment is a component of the business where discrete financial information is available and the operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance.

The Group's operating segments are the geographical regions in which the business operates. The Group's chief operating decision maker is considered to be the Board of Directors.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions in the application of accounting policies that affect reported amounts of assets, liabilities, income and expense. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, include the goodwill and other intangible assets valuation, fair value adjustments, asset impairments and decommissioning costs. Further information about these areas of judgement is contained within the accounting policies note (note 2). Actual results may differ from estimates.

During the year we have applied judgement to consider whether any impairments of goodwill or intangible assets exist, and whether the useful economic lives of existing intangibles assets and those acquired in the year remain appropriate. We have not required any adjustments to the estimates we apply as a result of this assessment or had to adjust the carrying values of any of our intangible assets as no impairments have arisen.

We have applied judgement to assess any fair value adjustments arising on business combinations during the year, and based on the size and nature of our current year acquisitions, no significant fair value differences have arisen.

We re-assess each year the need for provisions in respect of decommissioning costs that will be required to appropriately dispose of certain items of equipment at the end of their lives. We update this assessment, using technical support where appropriate, and apply appropriate discounting to these estimates based on the likely remaining lives of the assets. No significant adjustments to our provisions have arisen in the year as a result of this annual assessment, although a credit of £0.2 million was released to the statement of profit or loss and other comprehensive income as a result of this review (see note 25).

The Directors have prepared these financial statements on a going concern basis and in doing so have considered the applicable judgements in considering the going concern assessment. The going concern assessment is applicable at the date of the approval of these financial statements. As at 31 March 2016 the Group had net current liabilities of £134.6 million largely due to having senior debt of £148.6 million that was due for repayment in February 2017. As part of the change in control of Alliance Medical Group Limited that took place in November 2016 as disclosed in note 31, these borrowings have been fully repaid. The Directors are currently assessing the level of debt that may be carried in the UK group going forward albeit under the terms of the sale and purchase agreement the level of debt will be restricted to no more than 3.5X EBITDA. The Group is forecast to make strong operating cash flows, sufficient for servicing these levels of debt should they be drawn down in the foreseeable future.

4. SEGMENTAL INFORMATION

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to the segments and to assess their performance. Accordingly, for internal management purposes the Group is organised into geographical regions. The segmental information for the geographical regions is as follows:

Year ended 31 March 2016	**United Kingdom 2016**	**Italy 2016**	**Spain 2016**	**Northern Europe 2016**	**Ireland 2016**	**Other 2016**	**Consolidated 2016**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Revenue	116.0	68.2	5.9	9.5	19.2	–	218.8
EBITDA	35.4	19.2	3.1	2.0	4.9	(4.4)	60.2
Depreciation and amortisation	(19.2)	(5.3)	(1.0)	(0.7)	(1.9)	–	(28.1)
(Loss)/profit on sale of property, plant and equipment	(1.1)	0.3	–	–	–	–	(0.8)
Other administrative expenses	(5.7)	(1.0)	(0.5)	–	–	(4.6)	(11.8)
Segment profit	**9.4**	**13.2**	**1.6**	**1.3**	**3.0**	**(9.0)**	**19.5**
Net finance costs							(10.9)
Share of profit of joint ventures							0.3
Profit before taxation							8.9
Taxation							0.1
Profit after taxation							9.0
Other information							
Capital additions	36.1	4.4	0.1	1.9	2.2	–	44.7
Statement of financial position							
Assets	170.2	70.9	7.8	6.7	18.4	2.0	276.0
Liabilities	(79.5)	(31.4)	(3.4)	(2.8)	(3.8)	(145.5)	(266.4)
Net (liabilities)/assets	90.7	39.5	4.4	3.9	14.6	(143.5)	9.6

Year ended 31 March 2015	United Kingdom 2015	Italy 2015	Spain 2015	Northern Europe 2015	Ireland 2015	Other 2015	Consolidated 2015
	£m	£m	£m	£m	£m	£m	£m
Revenue	102.0	76.5	7.5	9.0	15.7	–	210.7
EBITDA	30.1	20.7	2.2	1.8	3.7	(4.4)	54.1
Depreciation and amortisation	(13.8)	(10.2)	(1.5)	(1.0)	(1.6)	–	(28.1)
Loss on sale of property, plant and equipment	–	(0.3)	(0.1)	–	–	–	(0.4)
Other administrative expenses	(4.4)	(0.3)	(0.2)	–	–	(1.6)	(6.5)
Segment profit	**11.9**	**9.9**	**0.4**	**0.8**	**2.1**	**(6.0)**	**19.1**
Net finance costs							(19.2)
Share of profit of joint ventures							0.3
Profit before taxation							0.2
Taxation							(3.1)
Loss after taxation							(2.9)
Other information							
Capital additions	13.9	1.7	2.4	1.3	0.8	–	20.1
Statement of financial position							
Assets	139.9	62.7	9.5	6.4	16.3	31.4	266.2
Liabilities	(39.8)	(30.4)	(5.6)	(2.2)	(3.3)	(178.9)	(260.2)
Net (liabilities)/assets	**100.1**	**32.3**	**3.9**	**4.2**	**13.0**	**(147.5)**	**6.0**

In the prior year assets have been represented to more accurately reflect their nature.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2.

No single customer accounts for more than 10% of total revenues.

5. **BUSINESS COMBINATIONS**

Acquisition in Ireland

On 31 October 2015, Alliance Medical Diagnostic Imaging Limited acquired Scancor Limited for its MRI business. This transaction has been treated as an acquisition under IFRS 3 "Business Combinations". The fair values of the identifiable assets and liabilities at the date of acquisition were:

	Scancor Limited
	£m
Assets	
Property, plant and equipment	0.2
Intangible assets	0.9
Current assets	0.2
Current liabilities	(0.1)
Cash	0.1
Total identifiable net assets at fair value	1.3
Goodwill arising on acquisition	0.2
Purchase consideration transferred	**1.5**

The fair values of the identifiable assets and liabilities were determined using a variety of valuation techniques including the market approach and replacement cost approach. Goodwill arising on our acquisitions represents people, know-how and potential synergies.

During the prior year, Alliance Medical Diagnostic Imaging Limited made two acquisitions of Merlin Park for its MRI & CT business and Clane for its Xray, Ultrasound & Dex business on 31 December 2014 and 31 January 2015 respectively. These transactions were treated as acquisitions under IFRS 3 "Business Combinations". The fair values of the identifiable assets and liabilities at the date of acquisition were:

	Fair value recognised on acquisition of Merlin Park	**Fair value recognised on acquisition of Clane**	**Total**
	£m	**£m**	**£m**
Assets			
Property, plant and equipment	0.5	0.1	0.6
Intangible assets	0.8	0.3	1.1
Current assets	0.1	–	0.1
Cash	–	0.1	0.1
Total identifiable net assets at fair value	1.4	0.5	1.9
Goodwill arising on acquisition	0.1	–	0.1
Purchase consideration transferred	**1.5**	**0.5**	**2.0**

The fair values of the identifiable assets and liabilities were determined using a variety of valuation techniques including the market approach and replacement cost approach. Goodwill arising on our acquisitions represents people, know-how and potential synergies.

Alliance Medical Molecular Imaging Limited

As a result of a review by the Competition and Markets Authority ("CMA") during 2014, Alliance Medical Molecular Imaging Limited ("AMMIL") was not controlled by the Group until 16 August 2014 and was therefore only consolidated as part of the Group from this date. The CMA cleared the completed acquisition on 15 August 2014. In the period to 31 March 2014 amounts invested by the Group in AMMIL were held as amounts owing from related parties, and were impaired in the period to 31 March 2014.

The gain recognised within the prior year other administrative expenses relates to the difference between the fair value of the net assets acquired when control was gained and the book value of the amounts recognised by the Group at 31 March 2014. As control was gained outside the measurement period, the credit has been recognised in the statement of profit or loss and other comprehensive income.

The fair values of the identifiable assets and liabilities at the date of acquisition were:

	Fair value recognised on acquisition
	£m
Assets	
Property, plant and equipment	2.0
Stock	0.1
Provisions	(0.6)
Total identifiable net assets at fair value	**1.5**

6. **OTHER ADMINISTRATIVE EXPENSES**

	Year to 31 March 2016	Year to 31 March 2015
	£m	**£m**
Administrative expenses		
Reorganisation and restructuring costs	6.7	3.4
AMMIL gain on consolidation	–	(1.5)
Loss on disposal	–	4.6
PET contract mobilisation	3.3	–
Merger and acquisition costs	1.8	–
	11.8	**6.5**

During the periods to 31 March 2016 and 31 March 2015, reviews of the business were performed. As a result, reorganisation and restructuring costs of £6.7 million (2015: £3.4 million) were incurred, comprising mainly professional fees and redundancy costs.

During the year costs of £3.3 million have been incurred relating to one off costs for the mobilisation of the PET contract.

Merger and acquisition costs of £1.8 million (2015: £nil) relate to professional fees incurred as part of reviewing the Group strategy, which includes assessing potential acquisitions.

AMMIL was not consolidated in the Alliance Medical Group until control was gained on 16 August 2014 following clearance from the CMA. In the period to 31 March 2014 amounts invested by the Group in AMMIL were held as amounts owing from related parties, and were impaired in the period to 31 March 2014. The gain recognised within the prior year other administrative expenses relates to the difference between the fair value of the net assets acquired when control was gained and the book value of the amounts recognised by the Group at 31 March 2014. As control was gained outside the measurement period, the credit was recognised in the statement of profit or loss and other comprehensive income in 2015.

During the prior year the Group disposed of the mobiles business in Spain. A loss on disposal of £4.6 million was recognised in relation to this.

7. **PROFIT BEFORE INTEREST & TAXATION**

This is stated after charging:

	Year to 31 March 2016	Year to 31 March 2015
	£m	**£m**
Auditors' remuneration		
Fees payable for the audit of the parent Company and consolidated financial statements	0.3	0.1
Fees payable for the audit of subsidiaries	0.2	0.2
Taxation	0.3	0.1
Advisory services	0.6	–
Depreciation		
Owned assets	15.8	17.2
Assets held under finance leases	3.4	2.0
Amortisation of intangible assets	8.9	8.9

	Year to 31 March 2016	Year to 31 March 2015
	£m	£m
Operating lease rentals		
Land and buildings	4.1	4.1
Other	0.6	0.6
Loss on disposal of property, plant and equipment	0.8	0.4

8. **NORMALISED EARNINGS**

The following table presents a reconciliation calculation from profit after tax attributable to ordinary equity holders to normalised earnings:

	Year ended 31 March	
	2016	**2015**
	£m	£m
Profit after tax attributable to ordinary equity holders	9.0	(2.9)
Adjustments (net of tax):		
Transaction costs	1.8	–
Reorganisation, restructuring and mobilisation costs	10.0	3.4
AMMIL gain on consolidation	–	(1.5)
Loss on disposal	–	4.6
Loss on sale of property, plant and equipment	0.8	0.4
Normalised earnings	**21.6**	**4.0**

9. **HEADLINE EARNINGS**

The following table presents a reconciliation calculation from profit after tax attributable to ordinary equity holders to headline earnings:

	Year ended 31 March	
	2016	**2015**
	£m	£m
Profit after tax attributable to ordinary equity holders	9.0	(2.9)
Adjustments (net of tax):		
Gain on consolidation	–	(1.5)
Loss on disposal of a subsidiary	–	4.6
Loss on sale of property, plant and equipment	0.8	0.4
Headline earnings	**9.8**	**0.6**

10. **EMPLOYEES AND DIRECTORS**

(a) **Directors' emoluments**

	Year to 31 March 2016	Year to 31 March 2015
	£m	£m
Emoluments	2.5	2.9
	2.5	**2.9**

Contributions of £0.2 million (2015: £0.2 million) were made to defined contribution pension schemes on behalf of three Directors during the year (2015: three).

In addition a payment was made to B shareholders, including £1.5 million to the Directors, which is disclosed within the Statement of Changes in Equity.

The amounts in respect of the highest paid Director are as follows:

	Year to 31 March 2016	Year to 31 March 2015
	£m	**£m**
Emoluments	0.9	1.1
	0.9	**1.1**

(b) **Staff costs**

	Year to 31 March 2016	Year to 31 March 2015
	£m	**£m**
Wages and salaries	48.8	46.4
Social security costs	6.8	6.9
Other pension costs (see note 24)	1.9	1.9
Other benefits	0.3	0.3
	57.8	**55.5**

The average monthly number of employees, including Directors and part time employees was:

	Year to 31 March 2016	Year to 31 March 2015
	Number	**Number**
Sales	7	9
Administrative	427	443
Technical/operations	1 172	1 012
	1 606	**1 464**

11. FINANCE COSTS

	Year to 31 March 2016	Year to 31 March 2015
	£m	**£m**
Bank loans	7.4	9.6
Other interest	2.6	2.8
Exchange rate difference on financing	4.5	(4.5)
Exchange rate difference on intercompany financing	(5.5)	10.3
Finance charges in respect of finance leases	1.3	0.4
Interest cost of defined benefit schemes	–	0.1
	10.3	18.7
Amortisation of loan issue costs (note 20)	0.6	0.5
	10.9	**19.2**

The intercompany loans are between subsidiaries which have different functional currencies. The exchange rate differences relate to the retranslation of monetary items in the underlying subsidiary books.

12. **TAXATION**

(a) **Tax charge**

The tax (credit)/charge in the statement of profit or loss and other comprehensive income represents:

	Year to 31 March 2016	**Year to 31 March 2015**
	£m	**£m**
Current tax		
UK tax	–	–
Overseas tax	3.3	4.9
Total current tax	3.3	4.9
Deferred tax		
Origination and reversal of temporary differences	(3.4)	(1.8)
Total deferred tax	(3.4)	(1.8)
Total tax (credit)/charge in the statement of profit or loss and other comprehensive income	(0.1)	3.1

(b) **Reconciliation of the total tax charge**

The tax (credit)/charge in the statement of profit or loss and other comprehensive income in the year differs from the charge which would result from the standard rate of corporation tax in the UK of 20% (2015: 21%). The differences are reconciled below:

	Year to 31 March 2016	**Year to 31 March 2015**
	£m	**£m**
Profit before tax	8.9	0.2
Profit before tax at the standard rate of corporation tax of 20% (2015: 21%)	1.8	–
Expenses not deductible for tax purposes	1.0	1.6
Depreciation for the period less than capital allowances	(0.6)	–
Other timing differences	(0.3)	(0.4)
Tax losses not recognised in deferred tax	(0.9)	–
Prior year adjustment	(1.3)	0.9
Effect of overseas tax rate	1.1	1.0
Income not taxable	(0.5)	–
Effect of change in tax rate	(0.4)	–
Tax (credit)/charge in the statement of profit or loss and other comprehensive income	**(0.1)**	**3.1**

The Company is registered in England and Wales and domiciled in the United Kingdom for tax purposes.

(c) **Factors affecting current and future tax charges**

A change to the UK corporation tax rate was announced in the Chancellor's Budget on 16 March 2016. The change announced reduces the main rate to 17% from 1 April 2020. Changes to reduce the UK corporation tax rate to 19% from 1 April 2017 and to 18% from 1 April 2020 had already been substantively enacted on 26 October 2015.

As the change to 17% had not been substantively enacted at the statement of financial position date its effects are not included in these financial statements. The overall effect of that change, if it had applied to the deferred tax balance at the statement of financial position date, would be immaterial.

13. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings and leasehold improvements	Scanning units and equipment	Other plant and equipment	Motor vehicles	Assets under construction	Total
	£m	£m	£m	£m	£m	£m
Cost						
At 31 March 2014	38.0	55.0	4.9	1.9	2.6	102.4
Additions	2.0	6.2	1.0	1.6	6.7	17.5
Additions as part of a business acquisition	1.8	0.8	–	–	–	2.6
Reclassification	2.1	1.0	–	–	(3.1)	–
Disposals	(0.5)	(4.6)	–	(0.1)	(0.1)	(5.3)
Exchange differences	(1.9)	(2.5)	(0.2)	–	–	(4.6)
At 31 March 2015	41.5	55.9	5.7	3.4	6.1	112.6
Additions	1.7	8.1	0.3	1.2	33.2	44.5
Additions as part of a business acquisition	–	0.2	–	–	–	0.2
Reclassification	3.2	19.9	3.5	–	(26.6)	–
Disposals	(0.9)	(5.4)	(0.9)	(0.4)	(0.9)	(8.5)
Exchange differences	1.2	1.6	0.2	–	–	3.0
At 31 March 2016	**46.7**	**80.3**	**8.8**	**4.2**	**11.8**	**151.8**
Accumulated depreciation						
At 31 March 2014	2.8	8.0	1.0	0.3	–	12.1
Provided during the year	4.6	12.5	1.4	0.7	–	19.2
Disposals	(0.2)	(2.0)	–	(0.1)	–	(2.3)
Exchange differences	(0.3)	(0.9)	–	–	–	(1.2)
At 31 March 2015	6.9	17.6	2.4	0.9	–	27.8
Provided during the year	4.2	12.5	1.5	1.0	–	19.2
Disposals	(0.8)	(4.7)	(0.8)	(0.2)	–	(6.5)
Reclassification	–	(0.4)	0.4	–	–	–
Exchange differences	0.3	0.8	0.1	–	–	1.2
At 31 March 2016	**10.6**	**25.8**	**3.6**	**1.7**	**–**	**41.7**
Net book value						
At 31 March 2016	**36.1**	**54.5**	**5.2**	**2.5**	**11.8**	**110.1**
At 31 March 2015	**34.6**	**38.3**	**3.3**	**2.5**	**6.1**	**84.8**

The net book value of scanning units and equipment includes £34.2 million (2015: £9.3 million) in respect of assets held under finance leases. The assets are pledged as security for the finance leases liabilities. There is a fixed and floating charge over the assets of the Group in respect of the bank term loan liabilities.

14. GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill	Customer base	Brands	Purchased technology licences	Other intangible assets total	Total
	£m	£m	£m	£m	£m	£m
Cost						
At 31 March 2014	45.8	25.0	10.5	2.2	37.7	83.5
Additions	–	–	–	1.9	1.9	1.9
Additions as part of a business acquisition	0.1	1.0	–	–	1.0	1.1
Disposals	–	–	–	(0.1)	(0.1)	(0.1)
Exchange differences	(2.0)	(0.9)	–	(0.1)	(1.0)	(3.0)
At 31 March 2015	43.9	25.1	10.5	3.9	39.5	83.4
Additions	–	–	–	2.3	2.3	2.3
Additions as part of a business acquisition	0.2	0.9	–	–	0.9	1.1
Exchange differences	1.2	0.7	–	–	0.7	1.9
At 31 March 2016	**45.3**	**26.7**	**10.5**	**6.2**	**43.4**	**88.7**
Accumulated amortisation						
At 31 March 2014	–	3.2	1.8	0.7	5.7	5.7
Amortisation provided during the year	–	5.4	2.9	0.6	8.9	8.9
Exchange differences	–	(0.4)	–	(0.1)	(0.5)	(0.5)
At 31 March 2015	–	8.2	4.7	1.2	14.1	14.1
Amortisation provided during the year	–	5.5	2.9	0.5	8.9	8.9
Exchange differences	–	0.2	–	–	0.2	0.2
At 31 March 2016	**–**	**13.9**	**7.6**	**1.7**	**23.2**	**23.2**
Net book value						
At 31 March 2016	**45.3**	**12.8**	**2.9**	**4.5**	**20.2**	**65.5**
At 31 March 2015	**43.9**	**16.9**	**5.8**	**2.7**	**25.4**	**69.3**

There are no intangible assets, other than goodwill, with indefinite useful lives. Amortisation of intangible assets is included in administrative expenses in the statement of profit or loss and other comprehensive income. Goodwill and other intangible assets acquired as part of a business combination are allocated, at acquisition, to the cash-generating units ("CGU") that are expected to benefit from that business combination.

Of the £45.3 million goodwill, £45.0 million is related to the acquisition of Alliance Medical Acquisitionco Limited in September 2013. £0.2 million is related to an acquisition in Ireland during the year and £0.1 million is related to acquisitions in Ireland during the prior year. The CGU used to determine the recoverable amount are the geographical regions in which the businesses are located. Of the £45.3 million goodwill (2015: £43.9 million), £28.9 million has been allocated to UK (2015: £28.9 million), £13.7 million has been allocated to Italy (2015: £12.6 million), £1.9 million allocated to Ireland (2015: £1.6 million), £0.4 million to Spain (2015: £0.4 million) and £0.4 million to Northern Europe (2015: £0.4 million).

Annual test for impairment of goodwill

The Group tests for impairment annually, or more frequently if there is an indication of potential impairment, in accordance with the accounting policy stated in note 2. Goodwill and other intangible assets have been tested for impairment by comparing their carrying value with the higher of fair value less costs to sell and value in use. The recoverable amount of the CGU is determined based on a value in use calculation which uses cash flow projections over an initial three-year period. These cash flows are based on the long-term business model, and on detailed reviews by region, market and modality.

The assumed growth rate used to determine the cash flows beyond the initial three-year period is 1.5% (2015: 1.5%). The pre-tax discounts rates used for each CGU are listed below.

CGU	Pre-tax discount rate 2016	Pre-tax discount rate 2015
United Kingdom	9.28%	9.56%
Italy	11.57%	11.78%
Spain	11.13%	11.56%
Northern Europe	9.67%	9.87%
Ireland	9.52%	9.73%

The key assumptions used in the cash flow projections are as follows:

- Replacement capital expenditure trends towards depreciation over the forecast period; and
- Terminal values have been calculated using long-term growth rates.

At 31 March 2016, it was concluded that no impairment of goodwill and other intangible assets was required (2015: £nil).

Any reasonably possible change in the key assumptions noted above would not result in further impairment to the carrying amount of the goodwill and other intangible assets.

15. JOINT VENTURES

As at 31 March 2016 and 31 March 2015 the Group had interests in the following joint ventures:

Name	Form of business structure	Place of incorporation and operation	Share class held	Proportion of nominal value of issued capital held	Principal activity
Barringtons MRI Limited	Incorporated	Ireland	Ordinary	50%	Diagnostic centre
20/20 Imaging Limited	Incorporated	Ireland	Ordinary	33%	Diagnostic centre

The proportion of voting power held is the same as the proportion of issued capital held by the Group.

The summarised financial information in respect of the Group's interests in the joint ventures, which is based on IFRS and accounted for using equity method, is set out below:

	Year to 31 March 2016	Year to 31 March 2015
	£m	£m
Revenue	3.4	3.2
Cost of sales	(1.1)	(1.0)
Administrative expenses	(1.6)	(1.5)
Profit for the period	0.7	0.7
Group's share of profit for the period	0.3	0.3

	2016	2015
	£m	£m
Non-current assets	0.7	0.9
Current assets	1.4	1.3
Current liabilities	(0.6)	(0.6)
Equity	1.5	1.6
Carrying amount of the investments	0.7	0.8

16. INVENTORY

	2016	2015
	£m	£m
Current assets		
Raw materials and consumables	0.3	0.2

17. TRADE AND OTHER RECEIVABLES

	2016	2015
	£m	£m
Current assets		
Trade receivables	47.3	44.3
Allowance for doubtful debts	(4.4)	(7.1)
	42.9	37.2
Other receivables	13.6	11.1
Prepayments and accrued income	2.1	2.3
	58.6	50.6

Trade receivables are non-interest bearing and generally have a 30 to 90-day term.

Due to their short maturities, the fair value of trade and other receivables approximates to their book value.

There is no significant concentration of credit risk with respect to trade receivables, as the Group has a large number of customers that are internationally dispersed. Policies are also in place to ensure the provision of goods and services are only made to customers with an appropriate credit history and credit limits are periodically reviewed. Amounts recoverable from customers are reviewed on an ongoing basis and appropriate provision made for bad and doubtful debts. Provision requirements are determined with reference to ageing of invoices, credit history and other available information. Provision has been made for bad and doubtful debts due to potential pricing adjustments with no significant defaults from customers in the year due to strong long term relationships with customers. Due to the nature of our business our key customers are, or are funded by, Government funded Public bodies such as NHS trust in the UK or ASL bodies in Italy, and therefore the nature of these organisation further reduces our susceptibility to credit risk. In certain territories, use is made of invoice factoring facilities which are on a non-recourse basis, further reducing the credit risk from individual customers. As such any further detailed analysis of the credit risk of our financial assets by category is not considered meaningful.

The Group has a broad base of customers with no concentration of credit quality within trade receivables at 31 March 2016 or 31 March 2015. The maximum exposure to credit risk is the carrying amount.

	2016	2015
	£m	£m
Movement in allowance for doubtful debts		
Brought forward	7.1	7.3
Doubtful debts (credit)/charge recognised in the period	(2.8)	0.6
Utilised during the year	(0.3)	(0.2)
Exchange differences	0.4	(0.6)
At end of period	**4.4**	**7.1**

At 31 March 2016, trade receivables of £14.9 million were past due but not impaired (2015: £16.9 million). The ageing analysis of these trade receivables is as follows:

	2016	2015
	£m	£m
Up to three months past due	8.4	10.0
Three to six months past due	2.0	5.3
Over six months past due	4.5	1.6
	14.9	**16.9**

18. **CASH AND CASH EQUIVALENTS**

	2016	2015
	£m	£m
Current assets		
Cash at bank and in hand	**38.8**	**60.3**

The fair value of cash and cash equivalents approximates to their book values. Cash at bank earns interest at floating rates based on daily bank deposit rates.

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions. The Group controls credit risk from a treasury perspective by only depositing funds with authorised counter-parties with a credit rating of at least 'B', and by ensuring that such positions are monitored regularly. Credit risk on cash and short term deposits is limited because the counter-parties are banks with appropriate credit ratings assigned by international credit rating agencies and is managed through holding funds with a range of international banks and financial institutions. We therefore have limited concentration of credit risk in any one bank or territory. As such any further detailed analysis of the credit risk of our financial assets by category is not considered meaningful.

At 31 March 2016, cash of £4.8 million, which is included in the above amount, was pledged as collateral for bank guarantees (2015: £10.2 million).

19. **TRADE AND OTHER PAYABLES**

	2016	2015
	£m	£m
Current liabilities		
Trade payables	20.3	18.3
Other taxes and social security	4.6	5.3
Accrued charges	35.7	29.2
Other payables	2.8	1.7
	63.4	**54.5**
Non-current liabilities		
Other payables	2.2	2.0
	2.2	2.0
Total	**65.6**	**56.5**

Trade and other payables are all non-interest-bearing.

Due to their short maturities, the fair value of current liabilities approximates to their book value. The Directors consider that the fair values of non-current liabilities are materially consistent with their book values.

20. BORROWINGS

	2016			2015		
	Current liabilities	Non-current liabilities	Total	Current liabilities	Non-current liabilities	Total
	£m	£m	£m	£m	£m	£m
Secured debt net of issue costs	148.6	–	148.6	–	176.7	176.7
Other borrowings	13.6	–	13.6	8.0	–	8.0
Finance leases	6.1	22.9	29.0	1.2	4.8	6.0
Total borrowings	**168.3**	**22.9**	**191.2**	**9.2**	**181.5**	**190.7**

The maturity profile of borrowings is analysed as follows:

2016	Secured debt	Other bank borrowings	Finance leases	Total
	£m	£m	£m	£m
Due within one year or on demand	149.4	13.8	6.1	169.3
Due between one and two years	–	–	6.4	6.4
Due between two and five years	–	–	15.8	15.8
Due after five years	–	–	0.7	0.7
	149.4	13.8	29.0	192.2
Unamortised issue costs	(0.8)	(0.2)	–	(1.0)
Carrying value at 31 March 2016	**148.6**	**13.6**	**29.0**	**191.2**

2015	Secured debt	Other bank borrowings	Finance leases	Total
	£m	£m	£m	£m
Due within one year or on demand	–	8.0	1.2	9.2
Due between one and two years	177.4	–	1.0	178.4
Due between two and five years	–	–	2.5	2.5
Due after five years	–	–	1.3	1.3
	177.4	8.0	6.0	191.4
Unamortised issue costs	(0.7)	–	–	(0.7)
Carrying value at 31 March 2015	**176.7**	**8.0**	**6.0**	**190.7**

There were no undrawn secured debt facilities at 31 March 2016 (2015: £nil).

As a result of the sale of the Group to Life UK Healthcare Limited, the senior debt facilities were repaid during November 2016. This alternative debt will be determined on the level of EBITDA and anticipated cash generation levels. The new capital structure will provide liquidity risk that is no higher than the current risk in the Group. For further detail on the assessment of the liquidity risk as at 31 March 2016 refer to note 22.

The secured debt comprises a senior facility, consisting of £67.8 million Sterling and €67.5 million Euro facilities, a £23.0 million super-senior facility, of which £23.0 million was drawn at 31 March 2016 (2015: £60.3 million) and a revolving credit facility of £5 million, of which £5 million was drawn at 31 March 2016 (2015: £nil). The Group repaid £38.0 million of senior debt during the year. The loans are repayable in full in March 2017, but the Group has the option to repay these facilities before then, subject to providing requisite irrevocable notice of five business days. These loans are secured by fixed and floating charges over the assets of the Group. Interest on the senior facility is payable at a rate of LIBOR or Euribor, for loans denominated in Sterling and Euros respectively, plus a margin of 3.32%. Interest on the super-senior facility is payable at a rate of LIBOR plus 5% plus 2.5% payment in kind ("PIK"). Interest on the revolving credit facility is payable at a rate of LIBOR or Euribor, for loan denominated in Sterling and Euros respectively, plus a margin of 3.75%.

Other borrowings are at floating rates of interest.

The finance leases are secured against the assets to which they relate and bear fixed interest rates which range from 4.25% to 4.75%.

Borrowings are analysed by currency as follows:

	2016			2015		
	Sterling	**Euros**	**Total**	**Sterling**	**Euros**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Secured debt	92.2	56.4	148.6	127.4	49.3	176.7
Other borrowings	12.3	1.3	13.6	5.7	2.3	8.0
Finance leases	25.6	3.4	29.0	2.0	3.9	6.0
	130.1	**61.1**	**191.2**	**135.1**	**55.5**	**190.7**

The Directors have assessed the fair value of the Group's secured debt in the light of market movements in interest rates and finance costs and consider that the fair value of borrowings is materially consistent with book value of £148.6 million (2015: £176.7 million). The Directors also consider that the fair values of other borrowings and finance leases due in more than one year are materially consistent with their book values.

21. FINANCIAL COMMITMENTS

Operating lease commitments

The Group's total future minimum lease payments under non-cancellable operating leases are as follows:

	2016	**2015**
	£m	**£m**
Due within one year	3.9	3.2
Between two and five years	13.3	10.6
After five years	5.6	5.1
	22.8	**18.9**

Operating lease commitments are related to property leases for office buildings and clinic sites as well as building leases that relate to customer contracts and which are coterminous with the customer contract end date.

Capital commitments

As at 31 March 2016, the Group had placed contracts with a total value of £13.7 million (2015: £17.4 million) for expenditure on property, plant and equipment, which is not provided in the financial statements.

22. FINANCIAL INSTRUMENTS

Fair value hierarchy

IFRS 7 "Financial Instruments: Disclosure" requires fair value measurements to be undertaken using a fair value hierarchy that reflects the significance of the inputs used in the measurements, according to the following levels:

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

All the Group's financial instrument fair value measurements have been categorised as Level 2 in the current period. There were no transfers between levels during the current period.

Financial risk management

The Group's principal financial liabilities comprise bank loans and finance leases. The main purpose of these financial liabilities is to provide funding for the Group. Financial liabilities are denominated in Sterling and Euros, which match the cash generation currencies of the Group, to mitigate foreign exchange risk.

The Group's main risks arising from financial liabilities are therefore funding and liquidity risk, capital market risk, principally as a result of changes in interest rates, and foreign currency risk. These are discussed further below.

The Group's principal financial assets comprise trade receivables and cash at bank and in hand. The Group aims to ensure that it has sufficient financial resources to fund ongoing operations.

The Group has a concentration of financial risk in Alliance Medical Acquisitionco Limited, which is ultimately spread across the trading companies of the Group. The maximum exposure at the statement of financial position date is the carrying value of the financial liabilities as disclosed in note 20 and future commitments as disclosed in note 21.

Credit risk

The Group trades predominantly with creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The maximum exposure is the carrying value amount as disclosed in note 17. There is no significant concentration of credit risk within the Group. As a consequence, the Directors are satisfied that the Group's exposure to credit risk is acceptable.

With respect to credit risk arising from other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises from the default of counterparties, with a maximum exposure equal to the carrying amount of these instruments. Counterparty credit risk is managed through the monitoring and active management of counterparty deposit balances.

Funding and liquidity risk

The current funding arrangements of the Group consist primarily of the secured bank loans, other bank loans and finance leases. Further information regarding these arrangements is included in note 20. The terms of the secured bank loans contain a requirement to comply with financial covenants, and the Company reviews covenant compliance on a monthly basis, both retrospectively and prospectively.

The Group monitors its risk to a shortage of funds using a long term business plan that considers the maturity of all of its financial liabilities and the projected cash flows from operations. The Group aims to have sufficient committed borrowing facilities and operating cash flows to cover the core long term requirements of the Group.

The maturity table below details the contractual, undiscounted cash flows (both principal and interest) for the Group's financial liabilities. Interest payments have been calculated using the LIBOR and Euribor rates at the period end, except where rates had already been contracted.

2016	**Within 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**More than 5 years**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
Fixed rate					
Finance leases	7.4	7.3	16.9	0.8	32.4
Floating rate					
Secured debt	154.3	–	–	–	154.3
Other borrowings	13.9	–	–	–	13.9
	175.6	**7.3**	**16.9**	**0.8**	**200.6**

2015	**Within 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**More than 5 years**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
Fixed rate					
Finance leases	1.4	1.2	2.8	1.4	6.8
Floating rate					
Secured debt	8.0	184.7	–	–	192.7
Other borrowings	8.0	–	–	–	8.0
	17.4	**185.9**	**2.8**	**1.4**	**207.5**

Capital market risk

The Group is subject to capital market risk, primarily in relation to changes in interest rates.

The Group's financial liabilities are analysed as follows:

	2016			2015		
	Floating	**Fixed**	**Total**	**Floating**	**Fixed**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Sterling	104.5	25.6	130.1	133.0	2.1	135.1
Euro	56.4	4.7	61.1	49.5	6.0	55.5
	160.9	**30.3**	**191.2**	**182.5**	**8.1**	**190.6**

At 31 March 2016 and 31 March 2015, the Group's fixed rate financial liabilities comprised finance leases.

Floating rate financial liabilities comprise:

(a) Sterling-denominated bank loans and overdrafts that bear interest at rates based on LIBOR; and

(b) Euro-denominated bank loans and overdrafts that bear interest at rates based on Euribor.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, to the Group's results before tax. There is no direct impact on the Group's equity.

	Increase/ decrease in basis points	**2016**	**2015**
		£m	**£m**
Sterling	+100	(0.9)	(1.3)
Euro	+100	(0.5)	(0.6)
Sterling	-100	0.9	1.3
Euro	-100	0.5	0.6

Foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in Sterling against Euro exchange rates, with all other variables held constant, of the Group's results before tax (due to the changes in fair value of monetary assets and liabilities) and the Group's equity (due to changes in the retranslation of foreign operations).

On 23 June 2016 the UK voted in the European Union (EU) referendum to exit the EU. The outcome of this referendum has caused instability in the Sterling value. During 2015 a 5% change was considered a reasonable possible change in the Sterling against Euro exchange rate; this has been increased to 15% for 2016 results to reflect the instability created by the referendum result. The main exposure to the Group is translation risk.

	2016	
Increase/decrease in Sterling vs Euro rate	**Effect on results before tax**	**Effect on equity**
	£m	**£m**
+15%	(1.9)	(8.1)
-15%	2.5	11.0

	2015	
Increase/decrease in Sterling vs Euro rate	**Effect on results before tax**	**Effect on results before tax**
	£m	**£m**
+5%	(0.3)	(0.3)
-5%	0.4	0.4

23. DEFERRED TAX

The deferred tax included in the Group's statement of profit or loss and other comprehensive income and statement of financial position is as follows:

Deferred tax in the statement of profit or loss and other comprehensive income

	2016	2015
	£m	£m
Origination and reversal of temporary differences	3.4	1.8
Total deferred tax credit in the statement of profit or loss and other comprehensive income	**3.4**	**1.8**

Deferred tax in the statement of financial position:

The movement in deferred tax assets and liabilities are as follows:

	Assets: Short-term temporary differences and losses	Liabilities: Short-term temporary differences	Liabilities: Recognition of intangibles	Total
	£m	£m	£m	£m
At 31 March 2014	2.4	(1.0)	(6.1)	(4.7)
Origination and reversal of temporary differences	0.1	0.3	1.4	1.8
Disposal of subsidiary	(2.0)	–	–	(2.0)
Exchange rate differences	(0.3)	0.1	0.1	(0.1)
At 31 March 2015	0.2	(0.6)	(4.6)	(5.0)
Origination and reversal of temporary differences	1.5	0.4	1.5	3.4
Other movements	–	0.1	–	0.1
Impact of change in tax rate	–	–	0.4	0.4
Exchange rate differences	–	–	(0.2)	(0.2)
At 31 March 2016	**1.7**	**(0.1)**	**(2.9)**	**(1.3)**
At 31 March 2016				
Current asset	1.3	–	–	1.3
Non-current asset	0.4	–	–	0.4
Current liability	–	(0.1)	(1.0)	(1.1)
Non-current liability	–	–	(1.9)	(1.9)
	1.7	**(0.1)**	**(2.9)**	**(1.3)**
At 31 March 2015				
Non-current asset	0.2	–	–	0.2
Current liability	–	(0.6)	–	(0.6)
Non-current liability	–	–	(4.6)	(4.6)
	0.2	(0.6)	(4.6)	(5.0)

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Unrecognised deferred tax assets

There are capital allowance and non-trading losses available to carry forward and off-set future trading and non-trading profits respectively, should they arise, within various subsidiary companies, for which a deferred tax asset has not been provided as follows:

	2016	2015
	£m	£m
Accelerated capital allowances	18.9	20.5
Non-trading losses	19.0	21.8
	37.9	**42.3**

24. EMPLOYEE BENEFITS

Defined benefit pension schemes

Retirement benefit obligations in the statement of financial position are made up as follows:

	2016	2015
	£m	£m
Trattamento di Fine Rapporto scheme	(3.6)	(3.3)
	(3.6)	**(3.3)**

Trattamento di Fine Rapporto scheme

Under the rules of the Trattamento di Fine Rapporto ("TFR") scheme, Italian employees are entitled to a payment when they cease to be employed by the Company. It is an unfunded liability held on the statement of financial position and is not a pension scheme. In 2007, the TFR system was reformed, and under the new law, employees are given the ability to choose where the TFR compensation is invested. If the employee does not specify, the compensation is directed to the National Social Security Institute or pension funds. Under IFRS the TFR had the characteristics of a defined benefit scheme for payments made up to the reform in 2007 and accordingly these payments are accounted as such. Contributions under the reformed TFR system are accounted for as a defined contribution plan. Given that the scheme is not a defined benefit pension but is an unfunded liability, not all the requirements under IAS 19 (revised) are applicable and as a result, limited disclosures under IAS 19 (revised) are given below.

IAS 19 (revised) disclosures

The key weighted average assumptions used by the actuary and the Directors for the TFR scheme were:

	2016	2015
	%	%
Discount rate for liabilities	1.4	1.1
Inflation rate	2.0	2.0
Future pension increases (as dictated by Article 2120 of the Civil Code)	3.0	3.0

A quantitative sensitivity analysis for significant assumptions and the impact on the net defined benefit obligation is as shown below:

	2016	2015
	£m	£m
Assumption: Discount rate for liabilities		
0.25% increase in sensitivity level	0.1	0.1
0.25% decrease in sensitivity level	(0.1)	(0.1)
Assumption: Inflation rate		
0.25% increase in sensitivity level	(0.1)	(0.1)
0.25% decrease in sensitivity level	0.1	0.1
Assumption: Future salary increase		
0.25% increase in sensitivity level	(0.1)	(0.1)
0.25% decrease in sensitivity level	0.1	0.1
Assumption: Future pension increase		
0.25% increase in sensitivity level	–	–
0.25% decrease in sensitivity level	–	–

Mortality assumptions are updated regularly based on official statistics from the Italian State (ISTAT 2000) in relation to this calculation, only insofar as predicting the likelihood of a current employee dying in service.

The amount included in the statement of financial position arising from the Group's obligation in respect of its TFR scheme is as follows:

	2016	**2015**
	£m	**£m**
Present value of scheme liabilities	(3.6)	(3.3)
Net TFR obligation	(3.6)	(3.3)

Movements in the present value of TFR obligations were as follows:

	2016	**2015**
	£m	**£m**
At acquisition/brought forward	(3.3)	(3.1)
Current service cost	(0.2)	(0.2)
Interest (credit)/cost	0.1	(0.1)
Actuarial losses	–	(0.3)
Exchange differences	(0.3)	0.3
Benefits paid	0.1	0.1
At end of period	**(3.6)**	**(3.3)**

Defined contribution pension schemes

The Group participates in number of defined contribution pension schemes, the assets of which are held separately from those of the Group and are invested with insurance companies and external fund managers. The total cost charged to the statement of profit or loss and other comprehensive income is shown in the table below. £0.1 million of contributions were outstanding at the statement of financial position date.

Benefit costs charged to the income statement

Benefit costs charged to the statement of profit or loss and other comprehensive income in the period relate to:

	Year to 31 March 2016	**Year to 31 March 2015**
	£m	**£m**
Defined contribution pension schemes	1.7	1.7
Trattamento di Fine Rapporto scheme	0.2	0.2
	1.9	**1.9**

25. PROVISIONS

	Onerous contract	Property	Other	Total
	£m	£m	£m	£m
At 31 March 2014	0.4	1.8	0.9	3.1
Net release to the statement of profit or loss and other comprehensive income	–	–	(0.6)	(0.6)
Acquired during the year	0.1	–	0.5	0.6
Utilised during the year	(0.4)	–	–	(0.4)
At 31 March 2015	0.1	1.8	0.8	2.7
Net release to the statement of profit or loss and other comprehensive income	–	(0.2)	(0.4)	(0.6)
Charged to the statement of profit or loss and other comprehensive income during the year	(0.1)	0.3	0.7	0.9
Utilised during the year	–	–	–	–
At 31 March 2016	**–**	**1.9**	**1.1**	**3.0**
At 31 March 2016				
Current liability	–	0.5	0.6	1.1
Non-current liability	–	1.4	0.5	1.9
	–	**1.9**	**1.1**	**3.0**
At 31 March 2015				
Current liability	0.1	–	0.4	0.5
Non-current liability	–	1.8	0.4	2.2
	0.1	**1.8**	**0.8**	**2.7**

The provision for onerous contracts relates to loss-making contracts entered into prior to the acquisition of the Alliance Medical Acquisitionco Limited Group. The provision has been unwound over the life of the contracts with the last contract expiring in 2016.

Property provisions at the beginning of the year relate to various property liabilities across the Group that existed at the point of acquisition of the Alliance Medical Acquisitionco Limited Group. The liabilities continue to be monitored and the provision will be released in line with the costs incurred. Costs of £0.2 million in relation to dilapidation provisions in Spain have been released to the statement of profit or loss and other comprehensive income during the year. Costs of £0.3 million have been charged to the statement of profit or loss and other comprehensive income in relation to dilapidation costs in the UK.

The other provision relates to legal costs that existed at the point of acquisition of the Alliance Medical Acquisitionco Limited Group. It also relates to the decommissioning of cyclotrons in Alliance Medical Molecular Imaging Limited and Alliance Medical Radiopharmacy Limited. The liabilities continue to be monitored and the provision will be released in line with the costs incurred. The provision in relation to legal costs was reassessed during the year, this resulted in a release of £0.2 million as a credit to the profit and loss account. The provision in relation to the decommissioning of the cyclotron was reassessed during the year and resulted in a release of £0.2 million as a credit to the profit and loss account. £0.7 million has been charged to the statement of profit or loss and other comprehensive income during the year in relation to redundancy costs in the UK.

26. **SHARE CAPITAL**

The following authorised and allotted shares exist:

	Number of shares at 31 March 2016	£m at 31 March 2016	Number of shares at 31 March 2015	£m at 31 March 2015
Authorised				
A Ordinary shares of £0.0001 each	1,000,000	–	1,000,000	–
B Ordinary shares of £0.001 each	253,548	–	266,669	–
C Ordinary shares of £0.0001 each	35,000	–	–	–
D Ordinary shares of £0.0001 each	3,500	–	–	–
	1,292,048	**–**	**1,266,669**	**–**
Allotted, called up and full paid				
A Ordinary shares of £0.0001 each	1,000,000	–	1,000,000	–
B Ordinary shares of £0.001 each	253,548	–	266,669	–
C Ordinary shares of £0.0001 each	35,000	–	–	–
D Ordinary shares of £0.0001 each	3,500	–	–	–
	1,292,048	**–**	**1,266,669**	**–**

The Group acquired 13,121 of its own B Ordinary shares during the year. These shares have now been cancelled. The Group issued 35,000 C Ordinary shares to Talbot Hughes McKillop, a limited partnership of which a non-executive Director is a member, and 3,500 D Ordinary shares to Key Management Personnel during the year.

The voting rights for the shares are as follows:

(a) The voting rights of the B ordinary shares cannot be used to pass or prevent the passing of any resolution (including a written resolution) supported by the required majority of holders of A ordinary shares; and

(b) Where a dividend or capital distribution is permitted, the holders of the B ordinary shares shall be allocated *pro rata* an amount up to the Management Incentive Plan amount as defined in the articles of association of the Company and any remaining balance will be allocated to the holders of the A ordinary shares *pro rata*.

(c) C and D ordinary shares do not have any voting rights. On sale, listing or winding up the net equity value shall be allocated firstly to the B ordinary shareholders, then to the D shareholders and then to the C shareholders and finally any balance will be distributed to the A Shareholders *pro rata*. Every distribution and return of capital, whether or not derived from a sale, shall be applied as between the classes of Ordinary Shares *pro rata* to the net equity value allocated to such classes on a sale, listing or winding up.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, and sell assets to reduce debt or borrow additional debt.

During the year shares of £0.8 million have been issued which have been settled in services.

The number of shares in the prior year has been represented.

27. CASH FLOW FROM OPERATIONS

	Year to 31 March 2016	Year to 31 March 2015
	£m	£m
Profit/(loss) attributable to equity shareholders for the period	9.0	(2.9)
Taxation (credit)/charge	(0.1)	3.1
Finance costs	10.9	19.2
Depreciation and amortisation charge	28.1	28.1
Loss on disposals of property, plant and equipment	0.8	0.4
Share of profit of joint ventures	(0.3)	(0.3)
Other administrative expenses	11.8	6.5
Cash flow from operations before movements in working capital, other administrative expenses and provisions paid	60.2	54.1
Increase in working capital	(4.3)	(2.2)
Cash flow from operations before other administrative expenses and provisions paid	55.9	51.9
Other administrative expenses paid	(9.1)	(4.7)
Provision increase	0.2	0.1
Cash generated from operations	**47.0**	**47.3**

Movements in working capital includes £4.9 million of non-cash items.

28. CONTINGENT LIABILITIES

The Group has assessed a number of potential exposures that arise from uncertain or evolving legislation in Italy, particularly around pension obligations, taxation payable and property regulations. Where it is probable an economic outflow will arise, appropriate provisions have been made within these financial statements.

ENPAM is the institution dedicated to the doctors' welfare in Italy which pays the doctors' leaving indemnity and pension after their retirement. There is an ongoing dispute relating to the amount that should be paid to ENPAM for the doctors' social contributions as there are three different ways to calculate this amount. Alliance Medical Diagnostic S.r.l. pays the doctors' social contributions directly to ENPAM on an annual basis using the least conservative method (Simmons & Simmons method) and a provision has been booked to cover the potential further liability deriving from a more conservative method (Boni method). A Supreme Court ruling in Italy on 28 May 2016 established that the most conservative method should be used (Law method) but this method was established five years ago and has not been updated to reflect current medical practices so this is being reviewed and there are conversations ongoing between ENPAM, the Labour Ministry and the clinics association about how to apply the method, how far back it applies and what, if any, penalties apply. Given this uncertainty it is not possible to reliably calculate the additional liability and therefore no further provision has been booked over and above the provision calculated using the Boni method. The maximum potential liability calculated in strict accordance with the Law method would result in an additional exposure of €1.4 million before any penalties and interest which may be payable.

29. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. The Group's share of the income and net assets of the joint ventures is disclosed in note 15.

On 9 September 2013 the refinancing of the Group was completed. This resulted in Commerzbank AG, M&G Limited and Qatar National Bank having an interest in the Group that gave them significant influence, and accordingly the Directors consider them to be related parties from this date onwards. At 31 March 2016 Qatar National Bank and Commerzbank AG are no longer shareholders and therefore are no longer considered a related party.

Set out below are the related parties' interests in the secured debt of the Group:

	2016		2015	
	Amount lent	**Interest received in the year to 31 March 2016**	**Amount lent**	**Interest received 8 July 2013 to 31 March 2015**
	£m	**£m**	**£m**	**£m**
Commerzbank AG	–	1.4	39.0	1.7
M&G Limited	108.9	4.5	118.2	4.6
Qatar National Bank	–	–	–	0.6

The Group paid an agency fee of £0.1 million (2015: £0.1 million) to Commerzbank AG in respect of the senior banking facility.

Professional services of €258,435 (2015: £nil) were paid during the year to Osman Solutions S.L. This is a related party through association with O Brihuega, who was a shareholder of the Company during the year.

Professional services of £29,316 (2015: £21,336) were paid during the year to GD Solutions Guildford Limited. This is a related party through association with G H O Dombrowe, one of the directors of the Company.

Professional services of £946,220 (2015: £72,408) were paid during the year to Talbot Hughes McKillop. This is a related party through association with P Horn, one of the Directors of the Company.

Professional services of £3,360 (2015: £15,000) were paid during the year to Rupert Blomfield Associates. This is a related party through association with G E Blomfield, one of the Directors of the Company.

A Dividend has been paid to all B Shareholders, and will reduce the amounts received by these shareholders if and when their shares are sold for fair market value in the future. This payment includes amounts paid to senior management.

(a) **Key management personnel**

Key management personnel are the Directors of Alliance Medical Group Limited. Accordingly, emoluments paid to Directors are shown in note 10.

(b) **Transactions with joint venture**

Overhead costs totalling £0.1 million (2015: £0.1 million) were recharged to joint ventures in Ireland during the year.

30. ULTIMATE CONTROLLING PARTY

The Company was owned by a syndicate of the Group's existing banks. On 5 January 2016 M&G Limited became the controlling party.

31. POST STATEMENT OF FINANCIAL POSITION EVENT

During October 2016 approval was received from The Medicines and Healthcare Products Regulatory Agency (MHRA) for the merger of Alliance Medical Radiopharmacy Limited and Alliance Medical Molecular Imaging Limited, this merger is expected to be completed by the end of 2017.

On 16 November 2016, the sale of the Group to Life UK Healthcare Limited was agreed with binding commitments to complete on 21 November 2016. This has resulted in full repayment of the Group's senior debt (note 20) and a revised capital structure with a new debt arrangement to be entered into with a maximum leverage position of 3.5x EBITDA. The new capital structure will provide liquidity risk that is no higher than the current risk in the Group but certainty in terms of funding to provide for the long term growth plans in support of public health partners throughout Europe.

New management incentive arrangements were entered into with certain members of the Group's management team in connection with the sale of the Group. The cash incentive bonuses will be payable by the Group in the event call options held over Life UK Healthcare Limited shares are not exercised by Life UK Holdco Limited.

INDEPENDENT REPORTING ACCOUNTANT'S AUDIT REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF ALLIANCE MEDICAL

The Board of Directors
Life Healthcare Group Holdings Limited
Oxford Manor
21 Chaplin Road
Illovo
2196
South Africa

Dear Sirs

INDEPENDENT REPORTING ACCOUNTANT'S AUDIT REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF ALLIANCE MEDICAL

Introduction

Life Healthcare Group Holdings Limited ("**Life Healthcare**" or "**the Company**") is issuing a circular to its shareholders ("**the Circular"**) for a fully underwritten rights offer to qualifying shareholders ("**the Rights Offer**"). Life Healthcare is seeking to refinance their bridge facility, used to fund the acquisition of the issued share capital of Alliance Medical Group Limited ("**Alliance Medical**"), in part through the Rights Offer. The directors of Life Healthcare are including consolidated financial information of Alliance Medical and its subsidiaries in the Circular ("**the Historical Financial Information of Alliance Medical**").

At your request and solely for the purpose of the Circular to be dated on or about 28 March 2017, we have audited the Historical Financial Information of Alliance Medical, which comprises the consolidated statements of financial position as at 31 March 2016 and 2015, consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information, as presented in **Annexure 5** to the Circular, in compliance with the JSE Limited ("**JSE**") Listings Requirements.

Responsibility

Directors' responsibility

The directors of Life Healthcare are responsible for the preparation, contents and presentation of the Circular and are responsible for ensuring that Life Healthcare, including the Historical Financial Information of Alliance Medical, complies with the JSE Listings Requirements. The directors of Alliance Medical are responsible for the preparation and fair presentation of the Historical Financial Information of Alliance Medical in accordance with International Financial Reporting Standards, and for such internal controls as the directors of Alliance Medical determine is necessary to enable the preparation of the Historical Financial Information of Alliance Medical that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information of Alliance Medical based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance whether the Historical Financial Information of Alliance Medical is free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Historical Financial Information of Alliance Medical. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Historical Financial Information of Alliance Medical, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Historical Financial Information of Alliance Medical in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used, and the reasonableness of accounting estimates made by management of Alliance Medical, as well as evaluating the overall presentation of the Historical Financial Information of Alliance Medical.

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

Opinion

In our opinion, the Historical Financial Information of Alliance Medical as set out in **Annexure 5** to the Circular, presents fairly, in all material respects, the consolidated financial position of Alliance Medical at 31 March 2016 and 2015, and its consolidated financial performance and consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards and the JSE Listings Requirements.

Purpose of this report

This report has been prepared for the purpose of the Circular and for no other purpose.

PricewaterhouseCoopers Inc.
Director: Megandra Naidoo
Registered Auditor

Sunninghill
20 March 2017

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION OF ALLIANCE MEDICAL

The condensed consolidated interim financial information of Alliance Medical Group Limited (the "**Report of Historical Financial Information of Alliance Medical**") is the responsibility of the directors of Life Healthcare Group Holdings Limited.

The Report of Historical Financial Information of Alliance Medical has been prepared in accordance with International Accounting Standard 34, *"Interim Financial Reporting"* and the JSE Listings Requirements.

The independent reporting accountants' report on the Report of Historical Financial Information of Alliance Medical is contained in **Annexure 8**: "*Independent Auditor's Review Report on the Historical Financial Information of Alliance Medical*". The condensed consolidated interim financial information has not been audited.

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the six months ended 30 September 2016 and 2015

	Notes	**Six months ended 30 September 2016 Total**	**Six months ended 30 September 2015 Total**
		£m	**£m**
Revenue	2	119.1	104.5
Cost of sales excluding depreciation		(67.4)	(56.7)
Depreciation		(9.0)	(8.1)
Cost of sales		(76.4)	(64.8)
Gross profit		**42.7**	**39.7**
Administrative expenses			
Overheads		(19.2)	(19.6)
Depreciation		(1.4)	(1.0)
Profit/(loss) on disposal of property, plant and equipment		–	(0.3)
Amortisation		(4.9)	(4.3)
Other administrative expenses	3	(2.5)	(4.2)
		(28.0)	**(29.4)**
Profit/(loss) before interest & taxation		14.7	10.3
Finance costs	6	(4.3)	(7.3)
Share of profit of joint ventures		0.2	0.2
Profit/(loss) before taxation		10.6	3.2
Taxation	7	(1.3)	(1.1)
Profit/(loss) for the period		9.3	2.1
Profit for the period attributable to:			
The equity shareholders of the Company		9.3	2.1
Non-controlling interests		–	–
Profit for the period		**9.3**	**2.1**

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
for the six months ended 30 September 2016 and 2015

	Six months ended 30 September 2016	Six months ended 30 September 2015
	£m	**£m**
Items that may subsequently reclassified to profit or loss:		
Exchange differences on translation of foreign operations	(3.5)	(0.5)
Actuarial losses on defined benefit pension	–	–
Total other comprehensive expense	(3.5)	(0.5)
Profit in the period	9.3	2.1
Total comprehensive income/(expense) in the period	**5.8**	**1.6**
Attributable to:		
Owners of the parent	5.8	1.6
Non-controlling interests	–	–
Total comprehensive income in the period	**5.8**	**1.6**

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
as at 30 September 2016 and 2015 and 31 March 2016

	Notes	As at 30 September 2016	As at 30 September 2015	As at 31 March 2016
		£m	£m	£m
ASSETS				
Non-current assets				
Property, plant and equipment	8	122.9	99.5	110.1
Goodwill and other intangible assets	9	63.4	65.4	65.5
Investment in joint ventures		1.0	0.8	0.7
Deferred tax assets		2.0	1.2	1.7
		189.3	166.9	178.0
Current assets				
Inventories		0.4	0.1	0.3
Trade and other receivables		60.3	63.7	58.6
Current income tax receivable		–	–	0.3
Cash and cash equivalents		31.8	26.6	38.8
		92.5	90.4	98.0
TOTAL ASSETS		**281.8**	**257.3**	**276.0**
LIABILITIES				
Non-current liabilities				
Trade and other payables		(2.9)	(2.7)	(2.2)
Borrowings	10	(23.8)	(160.5)	(22.9)
Deferred tax liabilities		(2.7)	(5.6)	(3.0)
Retirement benefit obligations		(3.6)	(3.0)	(3.6)
Provisions		(1.9)	(2.2)	(1.9)
		(34.9)	(174.0)	(33.6)
Current liabilities				
Trade and other payables		(55.4)	(58.6)	(63.4)
Borrowings		(174.2)	(17.2)	(168.3)
Current income tax payable		(1.5)	(1.6)	–
Provisions		(0.4)	(0.3)	(1.1)
		(231.5)	(77.7)	(232.8)
TOTAL LIABILITIES		**(266.4)**	**(251.7)**	**(266.4)**
NET ASSETS		15.4	5.6	9.6
EQUITY				
Share capital		–	–	–
Share premium account		127.4	126.6	127.4
Translation reserve		1.3	7.5	4.8
Other reserves		(126.6)	(126.6)	(126.6)
Retained earnings		13.1	(2.0)	3.8
Equity attributable to shareholders of the Company		15.2	5.5	9.4
Non-controlling interests		0.2	0.1	0.2
TOTAL EQUITY		**15.4**	**5.6**	**9.6**

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

for the six months ended 30 September 2016 and 2015

	Share capital	Share premium account	Translation reserve	Other reserves	Retained earnings	Equity shareholders	Non-controlling interests	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m
At 1 April 2015	–	126.6	8.0	(126.6)	(2.1)	5.9	0.1	6.0
Profit for the period	–	–	–	–	2.1	2.1	–	2.1
Dividend	–	–	–	–	(2.0)	(2.0)	–	(2.0)
Foreign exchange losses in the period	–	–	(0.5)	–	–	(0.5)	–	(0.5)
At 30 September 2015	**–**	**126.6**	**7.5**	**(126.6)**	**(2.0)**	**5.5**	**0.1**	**5.6**

	Share capital	Share premium account	Translation reserve	Other reserves	Retained earnings	Equity shareholders	Non-controlling interests	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m
At 1 April 2016	–	127.4	4.8	(126.6)	3.8	9.4	0.2	9.6
Profit for the period	–	–	–	–	9.3	9.3	–	9.3
Foreign exchange losses in the period	–	–	(3.5)	–	–	(3.5)	–	(3.5)
At 30 September 2016	**–**	**127.4**	**1.3**	**(126.6)**	**13.1**	**15.2**	**0.2**	**15.4**

The Dividend was paid to all B Shareholders, and reduced the amounts received by these shareholders when the shares were sold. The payment was also treated as a modification of a management equity scheme in accordance with IFRS 2, although the reassessment of the fair value did not lead to any significant changes required to be recognised in these financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
for the six-month period ended 30 September 2016 and 2015

	Notes	Six months ended 30 September 2016	Six months ended 30 September 2015
		£m	**£m**
Cash generated from operations	14	19.8	16.4
Interest paid		(5.6)	(5.8)
Income tax paid		–	(1.7)
Net cash generated from operating activities		**14.2**	**8.9**
Cash flows from investing activities			
Purchase of property, plant and equipment		(23.4)	(25.4)
Purchase of intangible assets		(0.8)	(0.1)
Proceeds from sale of property, plant and equipment		–	(0.1)
Net cash used in investing activities		**(24.2)**	**(25.6)**
Cash flows from financing activities			
Repayment of borrowings		(1.1)	(39.6)
Drawdown of borrowings		–	6.0
Repayment of finance leases		(2.2)	(1.5)
Drawdown of finance leases		4.1	20.6
Payment of dividends		–	(2.0)
Net cash (used in)/generated from financing activities		**0.8**	**(16.5)**
Net (decrease)/increase in cash and cash equivalents		(9.2)	(33.2)
Cash and cash equivalents at the beginning of the period		38.8	60.3
Exchange differences		2.2	(0.5)
Cash and cash equivalents at end of period		**31.8**	**26.6**
Net cash and cash equivalents comprises:			
Cash at bank		31.8	26.6

1. **ACCOUNTING POLICIES**

1.1 **General information**

Alliance Medical Group Limited is incorporated in England and Wales as a private limited company. The address of the Registered Office and principal place of business is Iceni Centre, Warwick Technology Park, Warwick, CV34 6DA.

The principal activities of the Group are the provision of diagnostic imaging services, molecular imaging services and patient services to public health services and independent organisations across Europe, and the manufacture and distribution of radiopharmaceuticals.

1.2 **Basis of preparation**

The Group condensed consolidated financial statements consolidate the Company and its subsidiaries (together referred to as the "Group") and equity account the Group's interest in jointly controlled entities.

The Group condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 "*Interim Financial Reporting*" and the JSE Listings Requirements. The Group condensed consolidated interim financial statements should be read in conjunction with the Group's financial statements for the years ended 31 March 2016 and 31 March 2015.

The Group condensed consolidated interim financial statements have been prepared on a going concern basis, under the historical cost convention except where the measurement of balances at fair value is required. The Directors have reviewed the latest guidance relating to going concern and, having made all relevant enquiries, have formed a judgement that the Group has adequate resources at its disposal to continue its operations for the foreseeable future.

1.3 **Accounting policies and estimates**

The Group condensed consolidated interim financial statements have been prepared using the same accounting policies, significant judgements made by management in applying them, and key sources of estimation uncertainty applied by the Group that were used in the Alliance Medical Group Limited financial statements for the year ended 31 March 2016, except for taxes on income in the interim periods which are accrued using the tax rate that would be applicable to expected total annual earnings in each tax jurisdiction.

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets liabilities and disclosure of contingent liabilities. If in the future such estimates and assumptions, which are based on management's best judgement the date of these condensed consolidated interim financial statements deviate from actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances change. There have been no significant changes in the bases upon which these estimates have been determined compared to those applied at 31 March 2016, and no change in estimate has had a material effect on the current period.

Goodwill and other intangible assets with an indefinite life held in the Group's statement of financial position is tested annually for impairment at the year end. No circumstances have arisen in the six months ended 30 September 2016 which indicate additional impairment testing is required.

For the purposes of presenting condensed consolidated interim financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the statement of financial position date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. On disposal of an operation, any translation differences to the point of disposal are recognised as income or expense.

The exchange rate for the principal foreign currency in use by the Group was as follows:

	September 2016		**September 2015**	
	Period end rate	**Average of opening and closing rate**	**Period end rate**	**Average of opening and closing rate**
Euro	1.211	1.157	1.351	1.359

None of our financial assets and liabilities are held at fair value, and under our accounting policies they are held at amortised cost. As at 30 September 2016 we do not consider there to be any significant difference between the book value and fair value of our assets and liabilities, with our most significant financial liability being our senior debt which was fully repaid during November 2016.

1.4 **Recent accounting pronouncements**

The following standards and interpretations that are applicable to the Group were available for early application but have not been applied by the Group in these financial statements:

		Effective for periods beginning on or after
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from contracts with customers	1 January 2018
IFRS 16	Leases	1 January 2019

Their adoption is not expected to have a material impact on the financial statements of the Group, with the exception of IFRS 16 leases. The Group has commenced its assessment of the impact of IFRS 16 *Leases* but it is not yet in a position to state whether this standard would have a material impact on its results and financial position.

New standards

The following standards and interpretations apply for the first time in 2016 but do not materially impact the consolidated financial statements of the Group.

		Effective for periods beginning on or after
IAS 16 and IAS 38	Amendments to IAS 16 and IAS 38 – Clarification of acceptable methods of depreciation and amortisation	1 January 2016
IAS 27	Amendments to IAS 27 Separate financial statements – Equity method in separate financial statements	1 January 2016
IFRS 11	Amendments to IFRS 11 – Accounting for acquisitions of interests in joint operations	1 January 2016
IAS 19	Amendments to IAS 19 – Defined benefit plans: Employee contributions	1 July 2014
Annual improvements	IFRS 2010 – 2012 cycle and 2011 – 2013 cycle	1 July 2014

1.5 **Functional and presentational currency**

Items included in the financial statements of each of the Group's subsidiary undertakings are measures using the current of the primary economic environment in which the subsidiary undertaking operates (the "functional currency").

The Group financial statements are presented in GBP Sterling.

1.6 **Operating segmental information**

The Group's reporting segments are determined based on the Group's internal reporting to the Chief Operating Decision-Maker ("CODM"). The CODM has been determined to be the Board of directors as it is primarily responsible for the allocation of resources to segments and the assessment of performance of the segments. The CODM considered the principal activities of the Group to be:

- Provision of diagnostic imaging services, molecular imaging services and patient services to public health services and independent organisations, and the manufacture and distribution of radiopharmaceuticals; and associated activities in:
  - United Kingdom
  - Italy
  - Spain
  - Northern Europe
  - Ireland
- Other – being Central head office costs.

The CODM uses revenue and EBITDA before other administrative expenses, as reviewed at monthly board meetings, as the key measure of the segments' results as it reflects the segments' underlying trading performance for the financial year under evaluation. Revenue and EBITDA before other administrative expenses is a consistent measure within the Group.

Segment EBITDA before other administrative expenses measures the performance of each segment before the impact of interest, tax, depreciation, amortisation, impairment, other administrative expenses and profit/loss on disposal of property, plant and equipment.

2. SEGMENTAL INFORMATION

Six months ended 30 September 2016	**United Kingdom 2016**	**Italy 2016**	**Spain 2016**	**Northern Europe 2016**	**Ireland 2016**	**Other 2016**	**Total 2016**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Revenue	65.8	33.7	3.1	5.8	10.7	–	119.1
EBITDA	19.9	8.8	1.3	1.4	3.0	(1.9)	32.5
Depreciation and amortisation	(10.7)	(2.3)	(0.5)	(0.5)	(1.3)	–	(15.3)
Profit on sale of property, plant and equipment	–	–	–	–	–	–	–
Other administrative expenses	(1.0)	(0.2)	–	–	–	(1.3)	(2.5)
Segment profit	**8.2**	**6.3**	**0.8**	**0.9**	**1.7**	**(3.2)**	**14.7**
Net finance costs							(4.3)
Share of profit of joint ventures							0.2
Profit before taxation							10.6
Taxation							(1.3)
Profit after taxation							**9.3**
Capital additions							
PPE	16.1	1.5	0.3	0.5	2.3	–	20.7
Intangibles	0.3	0.2	0.1	–	–	–	0.6
Non-current assets							
PPE	87.8	21.4	2.9	4.9	5.9	–	122.9
Intangibles	40.7	15.4	1.2	0.5	5.6	–	63.4
Balance sheet							
Assets	168.5	71.9	9.6	7.8	19.3	4.7	281.8
Liabilities	(73.8)	(31.9)	(4.8)	(2.1)	(3.8)	(150.0)	(266.4)
Net assets/(liabilities)	**94.7**	**40.0**	**4.8**	**5.7**	**15.5**	**(145.3)**	**15.4**

Our UK business secured a major PET contract in 2015 which is being rolled out on a phased basis, and is driving growth within the UK segment and now represents more than 10% of the turnover of that segment. No single customer accounts for more than 10% of total revenues.

Six months ended 30 September 2015	United Kingdom 2015	Italy 2015	Spain 2015	Northern Europe 2015	Ireland 2015	Other 2015	Total 2015
	£m	£m	£m	£m	£m	£m	£m
Revenue	55.0	33.5	2.8	4.6	8.6	–	104.5
EBITDA	15.6	9.7	1.8	1.2	2.4	(2.5)	28.2
Depreciation and amortisation	(9.1)	(2.8)	(0.5)	(0.2)	(0.8)	–	(13.4)
Loss on sale of property, plant and equipment	(0.6)	0.3	–	–	–	–	(0.3)
Other administrative expenses	(2.7)	(0.2)	(0.5)	–	–	(0.8)	(4.2)
Segment profit	**3.2**	**7.0**	**0.8**	**1.0**	**1.6**	**(3.3)**	**10.3**
Net finance costs							(7.3)
Share of profit of joint ventures							0.2
Profit before taxation							3.2
Taxation							(1.1)
Profit after taxation							**2.1**
Capital additions							
PPE	20.7	1.6	–	0.3	1.0	–	23.6
Intangibles	–	0.1	–	–	–	–	0.1
Non-current assets							
PPE	71.6	18.8	2.8	3.2	3.1	–	99.5
Intangibles	45.4	13.2	1.2	0.4	5.2	–	65.4
Balance sheet							
Assets	161.1	66.6	7.0	5.2	14.6	2.8	257.3
Liabilities	(66.7)	(35.2)	(3.4)	(1.9)	(2.7)	(141.8)	(251.7)
Net assets/(liabilities)	**94.4**	**31.4**	**3.6**	**3.3**	**11.9**	**(139.0)**	**5.6**

No single customer or contract accounts for more than 10% of total revenues in the six-month period to 30 September 2015.

3. **OTHER ADMINISTRATIVE EXPENSES**

	Six months ended 30 September 2016	Six months ended 30 September 2015
	£m	**£m**
Administrative expenses		
Sale of the Group	1.3	–
Reorganisation and restructuring costs	0.5	2.6
PET contract mobilisation	0.4	1.5
Strategy review and other costs	0.3	0.1
	2.5	**4.2**

On 16 November 2016, the sale of the Group to Life UK Healthcare Limited was agreed with binding commitments completed on 21 November 2016. As a result of this sale, costs were incurred by the Group mainly in respect of professional advisors fees.

During the periods to 30 September 2016 and 30 September 2015, reviews of the business were performed. As a result, reorganisation and restructuring costs of £0.5 million (30 September 2015: £2.6 million) were incurred, comprising mainly professional fees and redundancy costs.

During the periods to 30 September 2016 and 30 September 2015, costs of £0.4 million and £1.5 million have been incurred relating to one off costs for the mobilisation of the PET contract.

Strategy review and other costs of £0.3 million (30 September 2015: £0.1 million) relate to professional fees incurred as part of reviewing the Group strategy, which includes assessing potential acquisitions.

4. **NORMALISED EARNINGS**

The following table presents a reconciliation calculation from profit after tax attributable to ordinary equity holders to normalised earnings:

	Six months ended 30 September 2016	Six months ended 30 September 2015
	£m	**£m**
Profit after tax attributable to ordinary equity holders	9.3	2.1
Adjustments (net of tax):		
Reorganisation, restructuring and mobilisation costs	0.9	4.1
Transaction costs	1.3	–
Fair value gain on foreign exchange hedge contract	–	–
Strategy review and other costs	0.3	0.1
Loss on sale of property, plant and equipment	–	0.3
Normalised earnings	**11.8**	**6.6**

5. **HEADLINE EARNINGS**

The following table presents a reconciliation calculation from profit after tax attributable to ordinary equity holders to headline earnings.

	Six months ended 30 September 2016	Six months ended 30 September 2015
	£m	**£m**
Profit after tax attributable to ordinary equity holders	9.3	2.1
Adjustments (net of tax):		
Loss on sale of property, plant and equipment	–	0.3
Headline earnings	**9.3**	**2.4**

6. **FINANCE COSTS**

	Six months ended 30 September 2016	Six months ended 30 September 2015
	£m	**£m**
Bank loans	3.3	4.5
Other interest	1.6	1.5
Exchange rate difference on financing	4.6	1.1
Exchange rate difference on intercompany financing	(6.4)	(0.7)
Finance charges in respect of finance leases	1.0	0.5
	4.1	6.9
Amortisation of loan issue costs	0.2	0.4
	4.3	**7.3**

The intercompany loans are between subsidiaries which have different functional currencies. The exchange rate differences relate to the retranslation of monetary items in the underlying subsidiary books.

7. **INCOME TAX EXPENSE**

	Six months ended 30 September 2016	Six months ended 30 September 2015
	£m	**£m**
Current tax	(2.0)	(2.1)
Deferred tax	0.7	1.0
Tax recognised in the statement of profit or loss and other comprehensive income	(1.3)	(1.1)
Profit for the period before tax	10.6	3.2
Effective rate of tax based on profit before tax	**12.3%**	**34.4%**

The Company is registered in England and Wales and domiciled in the United Kingdom for tax purposes.

The Group tax charge recognised in the period is derived from management's best estimate of the tax rate for the full year, as calculated in each tax jurisdiction and therefore may not be representative of the expected annual Group effective tax rate.

The rate represents a blended effective rate which is a mixture of tax payable in some jurisdictions and some non-tax paying jurisdictions. It is also impacted by non-deductible interest and other items payable in jurisdictions where they are not fully tax deductible.

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

There are capital allowance and non-trading losses available to carry forward and off-set future trading and non-trading profits respectively, should they arise, within various subsidiary companies for which a deferred tax asset has not been provided of £34.7 million (September2015: £42.6 million, March 2016: £37.9 million).

8. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings and leasehold improvements	Scanning units and equipment	Other plant and equipment	Motor vehicles	Assets under construction	Total
	£m	£m	£m	£m	£m	£m
NBV						
At 1 April 2015	34.6	38.3	3.3	2.5	6.1	84.8
Additions	1.0	3.5	0.2	0.3	18.6	23.6
Reclassification	1.6	12.9	–	–	(14.5)	–
Disposals	–	–	–	(0.2)	–	(0.2)
Depreciation	(2.1)	(5.9)	(0.8)	(0.3)	–	(9.1)
Exchange differences	0.2	0.2	–	–	–	0.4
At 30 September 2015	**35.3**	**49.0**	**2.7**	**2.3**	**10.2**	**99.5**
NBV						
At 1 April 2016	36.1	54.5	5.2	2.5	11.8	110.1
Additions	1.0	3.1	0.1	0.6	15.9	20.7
Reclassification	1.0	10.9	0.6	–	(12.5)	–
Depreciation	(2.1)	(6.6)	(1.2)	(0.5)	–	(10.4)
Transfer to intangible assets	–	–	(0.1)	–	–	(0.1)
Exchange differences	1.4	1.0	0.1	0.1	–	2.6
At 30 September 2016	**37.4**	**62.9**	**4.7**	**2.7**	**15.2**	**122.9**

The net book value includes £38.8 million (2015: £31.1 million) in respect of assets held under finance leases. The assets are pledged as security for the finance leases liabilities. There is a fixed and floating charge over the assets of the Group in respect of the bank term loan liabilities.

9. GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill	Customer base	Brands	Purchased technology licences	Total other intangible assets	Total
	£m	£m	£m	£m	£m	£m
NBV						
At 1 April 2015	43.9	16.9	5.8	2.7	25.4	69.3
Additions	–	–	–	0.1	0.1	0.1
Amortisation	–	(2.7)	(1.3)	(0.3)	(4.3)	(4.3)
Exchange differences	0.2	0.1	–	–	0.1	0.3
At 30 September 2015	**44.1**	**14.3**	**4.5**	**2.5**	**21.3**	**65.4**
NBV						
At 1 April 2016	45.3	12.8	2.9	4.5	20.2	65.5
Additions	0.1	–	–	0.6	0.6	0.7
Transfers from property, plant and equipment	–	–	–	0.1	0.1	0.1
Amortisation	–	(3.0)	(1.4)	(0.5)	(4.9)	(4.9)
Exchange differences	1.6	0.3	–	0.1	0.4	2.0
At 30 September 2016	**47.0**	**10.1**	**1.5**	**4.8**	**16.4**	**63.4**

10. BORROWINGS

	As at 30 September 2016			As at 30 September 2015			As at 31 March 2016		
	Current liabilities	Non-current liabilities	Total	Current liabilities	Non-current liabilities	Total	Current liabilities	Non-current liabilities	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Secured debt net of issue costs	149.1	0.4	149.5	–	140.2	140.2	148.6	–	148.6
Other borrowings	17.4	(0.1)	17.3	12.4	–	12.4	13.6	–	13.6
Finance leases	7.7	23.5	31.2	4.8	20.3	25.1	6.1	22.9	29.0
Total borrowings	174.2	23.8	198.0	17.2	160.5	177.7	168.3	22.9	191.2

The maturity profile of borrowings is analysed as follows:

As at 30 September 2016	**Secured debt**	**Other bank borrowings**	**Finance leases**	**Total**
	£m	**£m**	**£m**	**£m**
Due within one year or on demand	149.7	17.4	7.7	174.8
Due between one and two years	0.4	–	7.3	7.7
Due between two and five years	–	–	15.4	15.4
Due after five years	–	–	0.8	0.8
	150.1	17.4	31.2	198.7
Unamortised issue costs	(0.6)	(0.1)	–	(0.7)
Carrying value at 31 March 2016	**149.5**	**17.3**	**31.2**	**198.0**

As at 30 September 2015	**Secured debt**	**Other bank borrowings**	**Finance leases**	**Total**
	£m	**£m**	**£m**	**£m**
Due within one year or on demand	–	12.4	4.8	17.2
Due between one and two years	140.7	–	5.0	145.7
Due between two and five years	–	–	13.6	13.6
Due after five years	–	–	1.7	1.7
	140.7	12.4	25.1	178.2
Unamortised issue costs	(0.5)	(0.0)	(0.0)	(0.5)
Carrying value at 31 March 2015	**140.2**	**12.4**	**25.1**	**177.7**

As at 31 March 2016	**Secured debt**	**Other bank borrowings**	**Finance leases**	**Total**
	£m	**£m**	**£m**	**£m**
Due within one year or on demand	149.4	13.8	6.1	169.3
Due between one and two years	–	–	6.4	6.4
Due between two and five years	–	–	15.8	15.8
Due after five years	–	–	0.7	0.7
	149.4	13.8	29.0	192.2
Unamortised issue costs	(0.8)	(0.2)	–	(1.0)
Carrying value at 31 March 2015	**148.6**	**13.6**	**29.0**	**191.2**

There were £6.9 million of undrawn secured debt facilities at 30 September 2016 (30 September 2015: £15.1 million).

The secured debt comprises a senior facility, consisting of £67.8 million Sterling and €67.5 million Euro facilities, a £23.0 million super-senior facility, of which £23.0 million was drawn at 30 September 2016 (30 September 2015: £23.0 million) and a revolving credit facility of £5 million, of which £4.9 million was drawn at 30 September 2016 (30 September 2015: £2.0 million). The senior facility loans are repayable in full in March 2017, but the Group has the option to repay these facilities before then, subject to providing requisite irrevocable notice of five business days. These loans are secured by fixed and floating charges over the assets of the Group. Interest on the senior facility is payable at a rate of LIBOR or Euribor, for loans denominated in Sterling and Euros respectively, plus a margin of 3.32%. Interest on the super-senior facility is payable at a rate of LIBOR plus 5% plus 2.5% payment in kind ("PIK"). Interest on the revolving credit facility is payable at a rate of LIBOR or Euribor, for loan denominated in Sterling and Euros respectively, plus a margin of 3.75%.

The senior and super senior facility were repaid on 22 November 2016 following the sale of the Group to Life UK Healthcare Limited (see note 16).

Other borrowings are at floating rates of interest.

The finance leases are secured against the assets to which they relate and bear fixed interest rates which range from 4.25% to 4.75%.

Borrowings are analysed by currency as follows:

	As at 30 September 2016			As at 30 September 2015			As at 31 March 2016		
	Sterling	Euros	Total	Sterling	Euros	Total	Sterling	Euros	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Secured debt	91.2	58.3	149.5	90.2	50.0	140.2	92.2	56.4	148.6
Other borrowings	15.1	2.2	17.3	11.1	1.3	12.4	12.3	1.3	13.6
Finance leases	27.3	3.9	31.2	21.6	3.5	25.1	25.6	3.4	29.0
	133.6	**64.4**	**198.0**	**122.9**	**54.8**	**177.7**	**130.1**	**61.1**	**191.2**

11. FINANCIAL COMMITMENTS

Operating lease commitments

The Group's total future minimum lease payments under non-cancellable operating leases are as follows:

	30 September 2016	30 September 2015	31 March 2016
	£m	£m	£m
Due within one year	3.7	3.3	3.9
Between two and five years	12.0	11.3	13.3
After five years	3.9	6.1	5.6
	19.6	**20.7**	**22.8**

Operating lease commitments are related to property leases for office buildings and clinic sites as well as building leases that relate to customer contracts and which are coterminous with the customer contract end date.

Capital commitments

As at 30 September 2016, the Group had placed contracts with a total value of £17.7 million (30 September 2015: £15.1 million, 31 March 2016: £13.7 million) for expenditure on property, plant and equipment, which is not provided in the financial statements.

12. CASH FLOW FROM OPERATIONS

	Period to 30 September 2016	Period to 30 September 2015
	£m	£m
Profit/(loss) attributable to equity shareholders for the period	9.3	2.1
Taxation (credit)/charge	1.3	1.1
Finance costs	4.3	7.3
Depreciation and amortisation charge	15.3	13.4
Loss on disposals of property, plant and equipment	–	0.3
Share of profit of joint ventures	(0.2)	(0.2)
Other administrative expenses	2.5	4.3
Cash flow from operations before movements in working capital, other administrative expenses and provisions paid	32.5	28.3
Increase in working capital	(8.8)	(7.6)
Cash flow from operations before other administrative expenses and provisions paid	23.7	20.7
Other administrative expenses paid	(3.2)	(4.1)
Provision decrease	(0.7)	(0.2)
Cash generated from operations	**19.8**	**16.4**

Movements in working capital includes £6.4 million for the period to 30 September 2016 (30 September 2015: £0.7 million) of non-cash items.

13. CONTINGENT LIABILITIES

The Group has assessed a number of potential exposures that arise from uncertain or evolving legislation in Italy, particularly around pension obligations, taxation payable and property regulations. Where it is probable an economic outflow will arise, appropriate provisions have been made within these financial statements.

ENPAM is the institution dedicated to the doctors' welfare in Italy which pays the doctors' leaving indemnity and pension after their retirement. There is an ongoing dispute relating to the amount that should be paid to ENPAM for the doctors' social contributions as there are three different ways to calculate this amount. Italy pays the doctors' social contributions directly to ENPAM on an annual basis using the least conservative method (Simmons & Simmons method) and a provision has been booked to cover the potential further liability deriving from a more conservative method (Boni method). However, a Supreme Court ruling in Italy on 28 May 2016 established that the most conservative method should be used (Law method). However, this method was established five-year ago and has not been updated to reflect current medical practices so this is being reviewed and there are ongoing conversations ongoing between ENPAM, the Labour Ministry and the clinics association about how to apply the method, how far back it applies and what, if any, penalties apply. Given this uncertainty it is not possible to reliably calculate the additional liability and therefore no further provision has been booked over and above the provision calculated using the Boni method. The maximum potential liability calculated in strict accordance with the Law method would result in an additional exposure of €1.4 million before any penalties and interest which may be payable.

14. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

On 9 September 2013, the refinancing of the Group was completed. This resulted in Commerzbank AG and M&G Limited having an interest in the Group that gave them significant influence, and accordingly the Directors consider them to be related parties from this date onwards. From December 2015 Commerzbank AG was no longer a shareholder and therefore is no longer considered a related party.

Set out below are the related parties' interests in the secured debt of the Group:

	Amount lent as at 30 September 2016	Interest received in the period to 30 September 2016	Amount lent as at 30 September 2015	Interest received in the period to 30 September 2015	Amount lent as at 31 March 2016	Interest received in the year to 31 March 2016
	£m	£m	£m	£m	£m	£m
Commerz-bank AG	–	–	30.7	0.8	–	1.4
M&G Limited	113.3	2.2	93.5	2.5	108.9	4.5

The Group paid an agency fee of £0.1 million for the period to 30 September 2015 to Commerzbank AG in respect of the senior banking facility.

Professional services of €nil (period to 30 September 2015: €173,312, year to 31 March 2016: €258,435) were paid during the period to Osman Solutions S.L. This is a related party through association with O Brihuega, who was a shareholder of the Company during 2015. As from January 2016 O Brihuega is not a shareholder, he is therefore no longer considered a related party.

Professional services of £6,229 (period to 30 September 2015: £5,763, year to 31 March 2016: £29,316) were paid during the period to GD Solutions Guildford Limited. This is a related party through association with GHO Dombrowe, one of the directors of the Company.

Professional services of £nil (period to 30 September 2015: £3,360, year to 31 March 2016: £3,360) were paid during the period to Rupert Blomfield Associates. This is a related party through association with G E Blomfield, one of the directors of the Company.

Professional services of £36,484 (period to 30 September 2015: £36,206, year to 31 March 2016: £946,220) were paid during the period to Talbot Hughes McKillop. This is related party through association with P Horn, one of the directors of the Company.

A dividend has been paid to all B Shareholders, and will reduce the amounts received by these shareholders if and when their shares are sold for fair market value in the future. This payment includes amounts paid to senior management.

(a) **Transactions with joint venture**

Overhead costs totalling £0.0 million (period to 30 September 2015: £0.0 million, year to 31 March 2016: £0.1 million) were recharged to joint ventures in Ireland during the year.

15. **ULTIMATE CONTROLLING PARTY**

The Company was owned by a syndicate of the Group's banks until 5 January 2016, when M&G Limited became the controlling party.

On 16 November 2016, the sale of the Group to Life UK Healthcare Limited was agreed with binding commitments completed on 22 November 2016. Life UK Healthcare Limited is a subsidiary of Life Healthcare Group Holdings Limited.

16. **POST STATEMENT OF FINANCIAL POSITION EVENT**

During October 2016, approval was received from The Medicines and Healthcare Products Regulatory Agency (MHRA) for the merger of Alliance Medical Radiopharmacy Limited and Alliance Medical Molecular Imaging Limited, this merger is expected to be completed during the quarter ending 31 March 2017.

On 16 November 2016, the sale of the Group to Life UK Healthcare Limited was agreed with binding commitments completed on 22 November 2016. This resulted in full repayment of the Group's senior debt and a revised capital structure. The new capital structure will provide liquidity risk that is no higher than the prior risk in the Group but certainty in terms of funding to provide for the long term growth plans in support of public health partners throughout Europe.

New management incentive arrangements were entered into with certain members of the Group's management team in connection with the sale of the Group. The cash incentive bonuses will be payable by the Group in the event call options held over Life UK Healthcare Limited shares are not exercised by Life UK Holdco Limited.

INDEPENDENT AUDITOR'S REVIEW REPORT ON THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION OF ALLIANCE MEDICAL

The Directors
Life Healthcare Limited
Oxford Manor
21 Chaplin Road
Illovo
2196

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON THE REVIEW OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION OF ALLIANCE MEDICAL

Introduction

Life Healthcare Group Holdings Limited ("**Life Healthcare**" or "**the Company**") is issuing a circular to its shareholders ("**the Circular**") for a fully underwritten rights offer to qualifying shareholders ("**the Rights Offer**"). Life Healthcare is seeking to refinance their bridge facility, used to fund the acquisition of the issued share capital of Alliance Medical Group Limited ("Alliance Medical"), in part through the Rights Offer. The directors of Life Healthcare are including condensed consolidated interim financial information of Alliance Medical and its subsidiaries in the Circular ("**the Condensed Consolidated Interim Financial Information of Alliance Medical**").

At your request and for the purpose of the Circular to be dated on or about 28 March 2017, we have reviewed the Condensed Consolidated Interim Financial Information of Alliance Medical, which comprises the condensed consolidated statements of financial position of Alliance Medical as at 30 September 2016 and 31 March 2016, and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month periods ended 30 September 2016 and 30 September 2015, as presented in **Annexure 7** to the Circular, in compliance with the JSE Limited ("**JSE**") Listings Requirements.

Directors' responsibility

The directors of Life Healthcare are responsible for the preparation, contents and presentation of the Circular and are responsible for ensuring that Life Healthcare, including the Condensed Consolidated Interim Financial Information of Alliance Medical, complies with the JSE Listings Requirements. The directors of Alliance Medical are responsible for the preparation and presentation of the Condensed Consolidated Interim Financial Information of Alliance Medical in accordance with International Accounting Standard 34 "*Interim Financial Reporting*".

Reporting accountant's responsibility

Our responsibility is to express a conclusion on the Condensed Consolidated Interim Financial Information of Alliance Medical based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "**Review of Interim Financial Information Performed by the Independent Auditor of the Entity**", which applies to a review of historical information. A review of financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Condensed Consolidated Interim Financial Information of Alliance Medical as set out in **Annexure 7** to the Circular, is not prepared, in all material respects, in accordance with International Accounting Standard 34 "**Interim Financial Reporting**" and the JSE Listings Requirements.

Purpose of the report

This report has been prepared for the purpose of the Circular and for no other purpose.

PricewaterhouseCoopers Inc.
Director: Megandra Naidoo
Registered Auditor

Sunninghill
20 March 2017

DETAILS OF MATERIAL BORROWINGS

MATERIAL THIRD-PARTY BORROWINGS

This section contains details, as at the Last Practicable Date, of:

- material loans made to the Company and any subsidiary of the Company where such loans are material to the Company; and
- material financial and other documents.

Details of all outstanding loan capital are listed as material borrowings of the Company or any subsidiary where such loans are material to the Company as at the Last Practicable Date. There are no borrowings of Alliance Medical that are material to the Company as at the Last Practicable Date. There are no material loans receivable outstanding made by the Enlarged Group/Company, Alliance Medical or any subsidiary where such loans are material to the Enlarged Group, to third parties.

Material loans made to the Company, Alliance Medical and any subsidiary of the Company where such loans are material to the Company and other material financial and other documents.

Bridge Facility

On 16 November 2016, Life entered into a £820,000,000 and R2,500,000,000 credit agreement (the "**Bridge Facility Agreement**") with, amongst others, Life UK Healthcare Limited ("**Bidco**") and Life Healthcare Group Proprietary Limited (as borrowers) with Absa Bank Limited, FirstRand Bank Limited (acting through its Rand Merchant Bank division) and Barclays Bank PLC (as arrangers and lenders), in terms of which the lenders made the following facilities available to the borrowers:

- Bridge Facility A: £595,000,000, available for draw down in Pounds Sterling or Rand for the period commencing on 16 November 2016 and ending on the earlier of (i) the date falling 30 business days thereafter, or (ii) the date on which the Acquisition was completed, for purposes of financing of the payment by Bidco of the purchase price of the Acquisition. No more than three loans may be outstanding under Bridge Facility A. The Acquisition was completed on 21 November 2016. An amount of R10.6 billion was drawn under Bridge Facility A. All amounts outstanding under Bridge Facility A must be repaid in full on the first anniversary of the Bridge Facility Agreement. Interest is payable at a rate of JIBAR or LIBOR, as applicable, plus an applicable margin per annum, which margin is subject to increase depending on the length of time amounts are outstanding, as well as an additional increase if the South African Government is downgraded. Interest will be payable on the last day of each applicable interest period.
- Bridge Facility B: £225,000,000, available for draw down in Pounds Sterling for the period commencing on 16 November 2016 and ending on the date falling six months thereafter, for purposes of refinancing certain specified Alliance Medical existing financial indebtedness, and payment of certain acquisition costs related to the Acquisition, and general corporate and working capital purposes of Alliance Medical. No more than 10 loans may be outstanding under Bridge Facility B. An amount of £225 million was drawn under Bridge Facility B during November 2016. All amounts outstanding under Bridge Facility B must be repaid in full on the first anniversary of the Bridge Facility Agreement, provided that an extension may be requested for a further period of six months. Interest is payable at a rate of LIBOR plus an applicable margin per annum, which margin is subject to increase depending on the length of time amounts are outstanding, as well as an additional increase if the South African Government is downgraded. Interest will be payable on the last day of each applicable interest period.
- Bridge Facility C: R2,500,000,000, available for draw down in Rand for the period commencing on 16 November 2016 and ending on the date falling 90 days thereafter for purposes of refinancing any backstopped facility specified in the Bridge Facility Agreement. All requested consents and/or waivers have been received, and Life has cancelled Bridge Facility C.

The Bridge Facility Agreement includes certain events of default customary for debt financing of this nature, including, but not limited to, non-payment, breach of financial covenants, breach of obligations under the finance documents, misrepresentation, cross-default (unless the relevant aggregate financial indebtedness is respect of which any such cross-default occurs is equal to or less than R150,000,000), insolvency and insolvency proceedings, failure to comply with a material judgement or occurrence of any other creditor process in excess of R10,000,000, and other events of circumstances reasonably likely to have a material adverse effect on Life, Bidco, any guarantor (or its ability to perform its obligations under the finance documents) or the Enlarged Group taken as a whole.

The Bridge Facility is guaranteed by Life, Life Healthcare Group Proprietary Limited, Wilgers Hospital Proprietary Limited, Life Esidimeni Proprietary Limited, Vredenberg Hospital Proprietary Limited; Lifecare Properties Proprietary Limited; Ligitprops 109 Proprietary Limited; Life Esidimeni Group Holdings Proprietary Limited; Life Vincent Pallotti Orthopaedic Centre Proprietary Limited; Life Bayview Hospital Proprietary Limited; Life Mosselbay Properties Proprietary Limited; Micawber 248 Proprietary Limited.

The Bridge Facility Agreement contains certain covenants which restrict Life's ability to incur additional indebtedness, including the following ratio tests that are to be measured semi-annually:

- Interest Cover ratio must not be less than 5.00:1 (it being noted that interest incurred in respect of Bridge Facility A will not be included in net interest charged); and
- Net Debt-to-EBITDA ratio must not exceed 2.75:1 (it being noted that amounts outstanding under Bridge Facility A will not be included in total debt).

The Bridge Facility Agreement includes mandatory prepayment triggers customary for debt financing of this nature, including, but not limited to, illegality, change of control in relation to Life, Bidco or the guarantors, the delisting or suspension of the listing, or the publication of notice by the JSE to suspend or delist, of any of the foregoing to the extent that they are so listed on such an exchange, disposals of material assets, undertakings or business of any member of the Enlarged Group, and the issue, sale or public offering of any equity security.

Revolving Credit Facility

On 29 September 2016, Life, as guarantor, and Life Healthcare Group Proprietary Limited, as borrower, amongst others, entered into a R1,500,000,000 revolving credit agreement (the "**RCF Agreement**") with FirstRand Bank Limited (acting through its Rand Merchant Bank division) (as mandated lead arranger and lender), in terms of which the lender made the R1,500,000,000 Rand-denominated revolving credit facility available to the borrower.

The facility under the RCF Agreement is uncommitted and the obligation of the lender to make a loan under the facility is subject to the condition that:

- on the relevant utilisation date the utilisation net debt-to-adjusted-EBITDA ratio is below 2.00:1.00; no default is continuing and all repeating representation are true and correct in all material respects; and
- the lender has confirmed that the credit committee of the board of directors of the lender has approved the relevant proposed loan.

The borrower may at any time request that the facility becomes a committed facility, and provided that the lender has confirmed that the credit committee of the board of directors of the lender has approved such request, and the borrower and lender have agreed the amount of commitment fees and/or non-refundable raising fee payable to the lender, the obligation of the lender to make a loan under the facility, once committed is subject only to the condition that on the relevant utilisation date no default is continuing and all repeating representations are true and correct in all material respects.

Each loan made under the RCF Agreement must be repaid in full in a single instalment on its maturity date. The principal of a loan so repaid is available to be re-borrowed.

The RCF Agreement includes certain events of default customary for debt financing of this nature, including, but not limited to, non-payment, breach of financial covenants, breach of obligations under the finance documents, misrepresentation, cross-default (unless the relevant aggregate financial indebtedness in respect of which any such cross-default occurs is equal to or less than R100,000,000), insolvency and insolvency proceedings, failure to comply with a material judgement or occurrence of any other creditor process in excess of R10,000,000, and other events or circumstances reasonably likely to have a material adverse effect on Life, the borrower, any guarantor (or its ability to perform its obligations under the finance documents) or the Enlarged Group taken as a whole.

The RCF Agreement is guaranteed by Life, Wilgers Hospital Proprietary Limited, Life Esidimeni Proprietary Limited, Vredenberg Hospital Proprietary Limited; Lifecare Properties Proprietary Limited; Ligitprops 109 Proprietary Limited; Life Esidimeni Group Holdings Proprietary Limited; Life Vincent Pallotti Orthopaedic Centre Proprietary Limited; Life Bayview Hospital Proprietary Limited; Life Mosselbay Properties Proprietary Limited; Micawber 248 Proprietary Limited.

The RCF Agreement contains certain covenants which restrict Life's ability to incur additional indebtedness, including the following ratio tests that are to be measured semi-annually:

- Interest cover ratio must not be less than 5.00:1; and
- Net debt-to-EBITDA ratio must not exceed 2.75:1.

The RCF Agreement includes mandatory prepayment triggers customary for debt financing of this nature, including, but not limited to, illegality, change of control in relation to Life, the borrower or the guarantors, the delisting or suspension of the listing, or the publication of notice by the JSE to suspend or delist, of any of the aforegoing to the extent that they are so listed on such an exchange, disposals of material assets, undertakings or business of any member of the Enlarged Group.

Term Loan Facility

On 16 March 2017, Life, as guarantor, and Life Healthcare Group Proprietary Limited, as borrower, amongst others, entered into a R1,500,000,000 term loan and capital expenditure term facilities agreement (the "**Term Loan Agreement**") with The Standard Bank of South Africa Limited (acting through its Corporate and Investment Banking division) (as mandated lead arranger and lender), in terms of which the lender has made the following facilities available to the borrower:

- **Facility A:** R750,000,000 amortising term loan facility, available for draw-down in Rand for the period commencing on the date on which the conditions precedent are fulfilled and ending on the date falling 30 business days thereafter. No more than one loan may be outstanding under Facility A. Facility A must be repaid in full in equal consecutive semi-annual instalments of R125,000,000, on 30 June and 31 December in each year, commencing on 30 June 2019, with the final instalment being payable on the fifth anniversary of the first utilisation date. Interest is payable at a rate of JIBAR plus an applicable margin per annum, which margin is subject to increase depending on the net debt to adjusted EBITDA ratio on the relevant measurement date. Interest will be payable on the last day of each applicable interest period.
- **Facility B:** R 750,000,000 bullet term loan facility, available for draw down in Rand for the period commencing on the date on which the conditions precedent are fulfilled and ending on the date falling 30 business days thereafter. No more than one loan may be outstanding under Facility B. Facility B must be repaid in full on the fifth anniversary of the first utilisation date. Interest is payable at a rate of JIBAR plus an applicable margin per annum, which margin is subject to increase depending on the net debt-to-adjusted-EBITDA ratio on the relevant measurement date. Interest will be payable on the last day of each applicable interest period.

The borrower is required to apply all amounts borrowed under the Term Loan Agreement towards the refinancing of its existing financial indebtedness and/or the funding of capital expenditure incurred by the Enlarged Group.

As at the date of this Circular, the facilities under the Term Loan Agreement have been fully drawn.

The Term Loan Agreement includes certain events of default customary for debt financing of this nature, including, but not limited to, non-payment, breach of financial covenants, breach of obligations under the finance documents, misrepresentation, cross-default (unless the relevant aggregate financial indebtedness in respect of which any such cross-default occurs is equal to or less than R100,000,000), insolvency and insolvency proceedings, failure to comply with a material final judgement or occurrence of any other creditor process in excess of R10,000,000, unlawfulness and invalidity, suspension or cessation of business, auditor qualification, governmental intervention, repudiation and rescission of finance documents, litigation in excess of R100,000,000, the delisting or suspension of the listing, or the publication of notice by the JSE to suspend or delist, of any of Life or the borrower to the extent that they are so listed on such an exchange, and other events or circumstances reasonably likely to have a material adverse effect on Life, the borrower, any guarantor (or its ability to perform its obligations under the finance documents) or the Enlarged Group taken as a whole.

The Term Loan Agreement is guaranteed by Life, Wilgers Hospitaal Limited, Life Esidimeni Proprietary Limited, Vredenberg Hospital Proprietary Limited; Lifecare Properties Proprietary Limited; Ligitprops 109 Proprietary Limited; Life Esidimeni Group Holdings Proprietary Limited; Life Vincent Pallotti Orthopaedic Centre Proprietary Limited; Life Bayview Hospital Proprietary Limited; Life Mosselbay Properties Proprietary Limited; Micawber 248 Proprietary Limited.

The Term Loan Agreement contains certain covenants which restrict Life's ability to incur additional indebtedness, including the following ratio tests that are to be measured semi-annually, commencing on 31 March 2018:

- Interest cover ratio must not be less than 4.00:1; and
- Net debt-to-adjusted-EBITDA ratio must not exceed 3.00:1.

The Term Loan Agreement includes mandatory prepayment triggers customary for debt financing of this nature, including, but not limited to, illegality, change of control in relation to Life, the borrower or the guarantors, if any member of the Enlarged Group becomes a sanctioned entity or participates in a sanctioned transaction and disposals of material assets, undertakings or business of any member of the Enlarged Group.

MATERIAL INTER-COMPANY LOANS

As at 30 September 2016, the Enlarged Group had inter-company loan balances outstanding, none of which is material. These loans do not form the subject of specific agreements. In each instance, the loans are made from time to time and there are no specific repayment periods in respect of these loans. These loans are:

- made to provide capital and fund transactions between operating subsidiaries and the relevant holding company;
- interest free;
- payable on demand; and
- unsecured (by virtue of being intra-group in nature).

MATERIAL AGREEMENTS

The material agreements entered into by the Enlarged Group during the two years preceding the date of this document or which contain an obligation or settlement that is material to the Enlarged Group at the date of this Circular, other than in the ordinary course of business of the Enlarged Group, are described below.

For a description of the Enlarged Group's facilities agreements, see **Annexure 9**: *"Details of Material Borrowings"*.

ALLIANCE MEDICAL ACQUISITION

The Acquisition:

On 21 November 2016, Life completed the acquisition of the issued share capital of Alliance Medical Group Limited ("**AMG**") (the "**Acquisition**").

In order to give effect to the Acquisition Life established a wholly-owned new subsidiary, Life UK Holdco Limited ("**Life UK Holdco**") in the UK, which in turn established a wholly-owned subsidiary, Life UK Healthcare Limited ("**Bidco**").

Pursuant to the sale and purchase agreement dated 16 November 2016 (the "**Sale and Purchase Agreement**"), Bidco agreed to purchase all of the ordinary issued share capital (the "**Sale Shares**") in AMG for a total initial consideration of £585,900,000 which was to be settled as follows:

- £552,900,000 to be paid in cash by Bidco; and
- £33,000,000 to be settled by the issue of B ordinary shares in the share capital of Bidco (the "**Bidco B Shares**") to three members of Alliance Medical management:
  - Guy Blomfield (Group Chief Executive);
  - Charles Niehaus (Group Chief Operating Officer/Medical Officer); and
  - Nicholas Burley (Group Chief Financial Officer),

  (together, the "**Key Management**").

The sellers of the Sale Shares are also entitled to earn-out consideration of £4 for each £1 of the adjusted EBITDA result of AMG, calculated with reference to its financial year ending 31 March 2017, in excess of £66,000,000, subject to a maximum of £40,000,000 ("**Maximum Deferred Earn-out Consideration**"). The Maximum Deferred Earn-out Consideration is held in escrow with Linklaters LLP pursuant to an escrow agreement.

Upon completion of the Acquisition on 21 November 2016, all of:

- the issued A ordinary shares in the share capital of Bidco, equating to 93.78% of the issued share capital of Bidco, were held by Life UK Holdco, an indirect wholly-owned subsidiary of Life; and
- the Bidco B Shares, equating to 6.22% of the issued share capital of Bidco, were held by Key Management.

Immediately after completion of the Acquisition, the Key Management subscribed for, and Bidco issued to Key Management class C1 convertible shares ("**Bidco C1 Shares**") in addition to the Bidco B Shares issued to Key Management. Upon completion of the issue of the Bidco C1 Shares to Key Management, all of:

- the issued A ordinary shares in the share capital of Bidco, equating to 93.7% of the issued share capital of Bidco, were held by Life UK Holdco Limited; and
- the issued Bidco B Shares and issued Bidco C1 Shares, equating to 6.3% of the issued share capital of Bidco, were held by Key Management.

The Bidco B Shares:

- the Bidco B Shares are voting shares but carry no rights to dividends;
- Life UK Holdco is granted a right to call the Bidco B Shares in four annual tranches, commencing in 2019 and ending in 2022 (the "**B Share Call Options**").
- the price payable by Life UK Holdco or any other member of the Life Group selected by Life UK Holdco under the B Share Call Options (the "**Option Price**") is either determined by (i) agreement between Life UK Holdco and Key Management or (ii) by reference to an independent expert if agreement cannot be reached and if agreement is not reached, the value determined by the independent expert is capped by reference to an adjusted multiple (the "**Adjusted Multiple**"), the value in (i) or (ii) each constituting

the “**Agreed Market Value**”, less the relevant C Share Value (see below) divided by the total number of A ordinary shares and B ordinary shares issued by Bidco;

- the Adjusted Multiple is determined by adjusting the agreed EBITDA multiple of 11.5 as at each relevant date by reference to a basket of listed healthcare companies so as to ensure that the Adjusted Multiple is market-related at the time of determination of the Option Price;
- to the extent dividends have been paid on the Bidco A Shares prior to determination of the Option Price, the Option Price is increased by the dividends Key Management would have received had the Bidco B Shares been entitled to dividends *pro rata* with the Bidco A Shares;
- the Option Price is payable in cash or, if agreed between the relevant member of Key Management and Life UK Holdco, by the securities issued by any parent undertaking of Life UK Holdco to the relevant member of Key Management (i.e. he can’t elect unilaterally to be issued listed Life Ordinary Shares for the Option Price);

The Bidco C Shares:

- the Bidco C1 Shares are voting shares but carry no rights to dividends;
- all of the C1 ordinary shares issued by Bidco are entitled to exercise a maximum of 15% of the total votes at a general meeting of Bidco;
- Life UK Holdco has been granted a right to call the Bidco C1 Shares after 30 September 2021 (the “**C Share Call Options**”);
- Life UK Holdco may also exercise the C Share Call Options in respect of the Bidco C1 Shares of any member of Key Management at any time after the termination of his employment a result of redundancy, termination without cause where the role is not subsequently filled within a certain period, the relevant employing company ceasing to be a subsidiary undertaking of Bidco or otherwise being designated as a “restructured leaver”;
- the price at which the Bidco C1 Shares are purchased from Key Management pursuant to the exercise of the C Share Call Options is determined in accordance with a formula (the “**C Share Value**”) and in essence the Bidco C1 Shares will only have value where the “Compound Rate of Return” achieved by Life for its investment in Alliance Medical is equal to or greater than 11% and if this hurdle is achieved Key Management will be entitled to an incentive of a minimum of 12% and a maximum of 15% of the value achieved above Life’s 11% required equity return for its investment;
- if the hurdle rate of return is not achieved, then Bidco C1 Shares are valued at their nominal (or par) value of £0.003.

EQUALISATION TRANSACTION IN MAX HEALTHCARE

In August 2014, Life Healthcare International (Pty) Ltd (“**LHI**”) entered into a share purchase agreement with Max India Limited (“**Max India**”) and Max Healthcare, in terms of which LHI agreed to purchase 56,766,451 ordinary shares having a par value of INR10 (Indian Rupees) per share (the “**Max Healthcare Shares**”) in Max Healthcare, for a total consideration of INR 3,831,735,443 at a price of INR67.50 per Max Healthcare Share. The purchase by LHI of the Max Healthcare Shares resulted in LHI increasing its shareholding in Max Healthcare, such that it has an equal shareholding in Max Healthcare with that of Max India, on a fully diluted basis. Max India and Max Healthcare have provided representations and warranties to LHI in respect of the Max Healthcare Shares, some of which are valid in perpetuity, such as the warranty by Max India relating to the title to the Max Healthcare Shares and the warranty by Max Healthcare that the Max Healthcare Shares have been duly authorised, validly issued and fully paid-up.

TRADING HISTORY AND MAJOR SHAREHOLDERS

TRADING HISTORY

The trading history of Life Ordinary Shares on the JSE is set out below.

Quarterly	High	Low	Value	Volume
	(Rand per share)		*(Rand, in million)*	*(Shares traded)*
2015				
First Quarter (January – March)	46.26	39.25	8,267.2	192,429,789
Second Quarter (April – June)	43.14	34.32	11,362.5	298,130,372
Third Quarter (July – September)	39.04	34.48	6,425.2	173,753,380
Fourth Quarter (October – December)	40.48	29.53	7,750.6	213,646,253
2016				
First Quarter (January – March)	36.83	30.81	7,903.2	230,560,591
Second Quarter (April – June)	38.80	34.70	10,090.2	271,836,925
Third Quarter (July – September)	39.95	35.95	12,657.5	330,867,083
Fourth Quarter (October – December)	39.02	30.10	10,822.1	321,796,825

Monthly	High	Low	Value	Volume
	(Rand per share)		*(Rand, in million)*	*(Shares traded)*
2016				
March	36.83	33.40	2,683.1	75,512,736
April	38.57	35.09	2,175.4	58,978,257
May	38.80	35.44	4,998.0	132,629,695
June	38.59	34.70	2,916.8	80,228,973
July	39.00	35.95	2,880.6	76,340,315
August	39.08	37.35	4,156.7	108,405,128
September	39.95	37.18	5,620.3	146,121,640
October	39.02	35.76	2,834.0	75,770,502
November	36.95	30.25	4,929.9	148,772,166
December	33.20	30.10	3,058.2	97,254,157
2017				
January	35.42	32.28	3,104.0	91,419,341
February	34.84	33.00	2,483.4	73,285,277
March (to Last Practicable Date)	34.46	32.96	1,560.0	46,400,744

30-day trading history prior to the Last Practicable Date.

Date	High	Low	Value	Volume
	(Rand per share)		(Rand, in million)	(Shares traded)
3 February 2017	33.99	33.03	98.2	2,942,517
6 February 2017	34.00	33.00	161.4	4,781,507
7 February 2017	34.01	33.08	190.6	5,639,084
8 February 2017	34.00	33.10	113.0	3,357,509
9 February 2017	34.58	33.13	171.5	5,040,678
10 February 2017	34.84	33.52	222.9	6,471,872
13 February 2017	34.84	34.00	140.7	4,097,064
14 February 2017	34.61	33.83	143.2	4,174,533
15 February 2017	34.66	33.83	138.0	4,060,222
16 February 2017	34.43	33.31	64.3	1,879,762
17 February 2017	34.27	33.72	59.2	1,742,261
20 February 2017	34.78	33.88	118.2	3,437,822
21 February 2017	34.50	33.57	83.7	2,472,395
22 February 2017	34.30	33.01	126.7	3,795,526
23 February 2017	33.92	33.01	99.6	2,961,341
24 February 2017	34.00	33.16	65.5	1,939,866
27 February 2017	34.00	33.20	66.8	1,978,296
28 February 2017	33.86	33.22	114.7	3,427,045
1 March 2017	33.75	33.03	132.3	3,985,993
2 March 2017	33.50	33.01	98.9	2,976,178
3 March 2017	33.93	32.96	162.8	4,852,678
6 March 2017	34.41	33.00	131.2	3,844,461
7 March 2017	34.46	33.60	152.7	4,510,603
8 March 2017	34.14	33.10	86.8	2,588,918
9 March 2017	34.19	33.02	116.2	3,482,995
10 March 2017	33.75	33.13	106.8	3,201,810
13 March 2017	33.98	33.02	77.5	2,316,022
14 March 2017	33.80	33.26	110.5	3,302,996
15 March 2017	33.60	32.98	101.5	3,060,531
16 March 2017	34.40	33.27	282.8	8,277,559

Source: INET BFA

MAJOR SHAREHOLDERS

As at the Last Practicable Date, in so far as it is known to Life by virtue of the notifications made pursuant to the Companies Act and the Listings Requirements, the name of each person, other than a Director, who, directly or indirectly, is interested in voting rights representing 3% or more of the total voting rights in respect of Life's issued ordinary share capital, and the amount of such person's holding, is as follows:

	Number of Life Ordinary Shares	Percentage of Life Ordinary Shares
Allan Gray Proprietary Limited*	177,365,847	16.5%
Public Investment Corporation	121,651,043	11.3%
Lazard Asset Management LLC Group	111,946,122	10.4%
Industrial Development Corporation	52,056,137	4.9%
Brimstone Investment Corporation Limited	50,158,786	4.7%
BlackRock Inc	40,922,010	3.8%
The Vanguard Group Inc	37,214,609	3.4%
GIC Asset Management	33,242,112	3.1%

Source: J.P.Morgan Cazenove

Note:

**beneficially held by Allan Gray's clients, which clients also hold the voting rights attached to these shares.*

Save as disclosed in this Annexure, Life is not aware of any holdings of voting rights by persons which will represent 3% or more of the total voting rights in respect of the issued ordinary share capital of Life.

All Life Ordinary Shares (other than treasury shares) have the same voting rights.

MATERIAL SUBSIDIARIES

MATERIAL SUBSIDIARIES OF THE COMPANY

Name and registration number	*Percentage ownership*	*Date and country of incorporation*	*Main business*	*Date of becoming a subsidiary*
Border Hospitals Proprietary Limited (Registration Number: 1918/005658/07)	63.957%	12/08/1918 – South Africa	To be engaged in all aspects of the healthcare business	30/09/2005
EMH Operating Company Proprietary Limited (Registration Number: 1973/013249/07)	77.107%	26/10/1973 – South Africa	Hospital operating company	30/09/2005
Flohoc Investments Proprietary Limited (Registration Number: 1994/008603/07)	50% LHC/ 30% Flora Docco/ 20% Flodoc	25/10/1994 – South Africa	Hospital investment company	30/09/2005
Life Healthcare Group Proprietary Limited (Registration Number: 2003/024367/07)	100% of ordinary shares	01/10/2003 – South Africa	To invest in, rent, operate, sell and manage medical clinics, hospitals, hospital medical centres, medical consulting rooms and similar operations and all objects ancillary thereto	22/03/2005
Life Healthcare International Proprietary Limited (Registration Number: 2005/037973/07)	100%	25/10/2005 – South Africa	Investments company	08/11/2011
Life Wilgers Hospital Proprietary Limited (Registration Number: 2012/042191/07)	93.559%	01/03/2012 – South Africa	N/A	01/05/2013
Metropol Hospital Proprietary Limited (Registration Number: 2000/018353/07)	60%	07/08/2000 – South Africa	Owning and operating private hospitals in all aspects	30/09/2005
Life UK Healthcare Limited (Registration Number 10469240)	100%	08/11/2016 – United Kingdom	Investment holding company	08/11/2016

CORPORATE GOVERNANCE

Life is led by the Board that provides leadership and strategic direction to the Enlarged Group. The Board is cognisant of the role that corporate governance plays in the delivery of sustainable growth and strives to maintain and develop an ethical environment that delivers value to the Enlarged Group's shareholders and stakeholders. The Board is committed to the principles and practice of good corporate governance, as recommended in King III, and considers these as integral to the discharging of its abilities. The principles of King IV are being investigated to ensure proactive adoption and integration in line with the Enlarged Group's business principles of honesty, transparency, integrity, discipline and accountability.

APPLICATION OF KING III ON CORPORATE GOVERNANCE PRINCIPLES

The Board is satisfied that Life complied with the majority of the King III recommendations. The two main areas of non-compliance relate to:

- not all sustainability reporting and disclosures are independently assured, which is an area where Life Group does not fully apply King III. The Board is satisfied that the combined assurance process followed provides sufficient assurance over the accuracy and completeness of the integrated report. The Board will periodically assess whether additional external assurance is required.
- the chairman of the Board is not an independent non-executive director. In accordance with King III, a lead independent non-executive director has been appointed.

Chapter and principle		Status	
Chapter 1 – Ethical leadership and corporate citizenship			
1.1	The Board should provide effective leadership based on an ethical foundation.	Applied	This forms part of the Board's mandate and is contained in the Board's terms of reference.
1.2	The Board should ensure that the Company is seen to be a responsible corporate citizen.	Applied	The integrated report contains information on Life Group's financial, economic, social and environmental performance.
1.3	The Board should ensure that the Company's ethics are managed effectively.	Applied	Life Group's social, ethics and transformation committee monitors the implementation of the code of ethics. Internal audit conducted an ethics audit in the 2016 FY and a green rating was achieved.
Chapter 2 – Board and directors			
2.1	The Board should act as the focal point for and custodian of corporate governance.	Applied	The Board's terms of reference clearly set out its responsibilities and there is a delegation of authority in place.
2.2	The Board should appreciate that strategy, risk, performance and sustainability are inseparable.	Applied	A dedicated session to review Life Group's strategy takes place annually. The integration of strategy, risk and sustainability is clearly demonstrated in the integrated report.
2.3	The Board should provide effective leadership based on an ethical foundation.	Applied	As set out in the comment to principle 1.1.
2.4	The Board should ensure that the Company is and is seen to be a responsible corporate citizen.	Applied	As set out in the comment to principle 1.2.
2.5	The Board should ensure that the Company's ethics are managed effectively.	Applied	As set out in the comment to principle 1.3.
2.6	The Board should ensure that the Company has an effective and independent audit committee.	Applied	As set out in the comments to chapter 3.
2.7	The Board should be responsible for the governance of risk.	Applied	As set out in the comments to chapter 4.

Chapter and principle		Status	
2.8	The Board should be responsible for information technology (IT) governance.	Applied	As set out in the comments to chapter 5.
2.9	The Board should ensure that the Company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	Applied	This forms part of the mandate of the social, ethics and transformation committee as well as the audit and risk committees.
2.10	The Board should ensure that there is an effective risk-based internal audit.	Applied	As set out in comments to chapter 3.
2.11	The Board should appreciate that stakeholders' perceptions affect the Company's reputation.	Applied	As set out in comments to chapter 8.
2.12	The Board should ensure the integrity of the Company's integrated report.	Applied	As set out in comments to chapters 3 and 9.
2.13	The Board should report on the effectiveness of the Company's system of internal controls.	Applied	As set out in comments to chapter 3.
2.14	The Board and its directors should act in the best interests of the Company.	Applied	The Board's collective experience and expertise enables it to fulfil its duties and responsibilities.
2.15	The Board should consider business rescue proceedings or other turnaround mechanisms as soon as the Company is financially distressed as defined in the Act.	Applied	The Board through the audit committee assesses Life Group's going concern status annually.
2.16	The Board should elect a chairman of the Board who is an independent non-executive director. The CEO of the Company should not also fulfil the role of chairman of the Board.	Partially applied	The chairman is not an independent non-executive director. A lead independent non-executive director has been appointed. The roles of the CEO and chairman are separate.
2.17	The Board should appoint the CEO and establish a framework for the delegation of authority.	Applied	There is a clear delegation of authority in place.
2.18	The Board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent.	Applied	The Board comprises two executive directors, seven independent non-executive directors and one non-executive director.
2.19	Directors should be appointed through a formal process.	Applied	There is a policy in place and Directors are appointed in terms of the policy.
2.20	The induction and ongoing training and development of directors should be conducted through formal processes.	Applied	Induction takes place on appointment and ongoing director education takes place.
2.21	The Board should be assisted by a competent, suitably qualified and experienced company secretary.	Applied	The Board assesses the competence and qualifications of the company secretary annually.
2.22	The evaluation of the Board, its committees and the individual directors should be performed every year.	Applied	This is done annually and disclosed in the integrated report.
2.23	The Board should delegate certain functions to well-structured committees but without abdicating its own responsibilities.	Applied	There are six Board committees in place and each committee has specific terms of reference.
2.24	A governance framework should be agreed between the Group and its subsidiary Boards.	Applied	The delegation of authority document sets out the levels of authority.
2.25	Companies should remunerate directors and executives fairly and responsibly.	Applied	The Company's remuneration policy details the various aspects of remuneration.

Chapter and principle		Status	
2.26	Companies should disclose the remuneration of each individual director and prescribed officer.	Applied	This is disclosed in the remuneration policy and in the annual financial statements.
2.27	Shareholders should approve the Company's remuneration policy.	Applied	The Company's remuneration policy is tabled at the annual general meeting for shareholder approval.
Chapter 3 – Audit committees			
3.1	The Board should ensure that the Company has an effective and independent audit committee.	Applied	The four members of the audit committee are all independent non-executive directors.
3.2	Audit committee members should be suitably skilled and experienced independent non-executive directors.	Applied	The members of the audit committee are all suitably skilled and experienced.
3.3	The audit committee should be chaired by an independent non-executive director.	Applied	The committee is chaired by PJ Golesworthy, an independent non-executive director.
3.4	The audit committee should oversee integrated reporting.	Applied	This forms part of the committee's terms of reference.
3.5	The audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities.	Applied	This forms part of the committee's terms of reference.
3.6	The audit committee should satisfy itself of the expertise, resources and experience of the Company's finance function.	Applied	The committee assesses this on an annual basis.
3.7	The audit committee should be responsible for overseeing of internal audit.	Applied	This forms part of the committee's terms of reference.
3.8	The audit committee should be an integral component of the risk management process.	Applied	This forms part of the committee's terms of reference. The chairman of the risk committee attends meetings of the audit committee. A member of the audit committee is also a member of the risk committee.
3.9	The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process.	Applied	This forms part of the committee's terms of reference.
3.10	The audit committee should report to the Board and shareholders on how it has discharged its duties.	Applied	The report of Life Group's audit committee is included in the annual financial statements.
Chapter 4 – The governance of risk			
4.1	The Board should be responsible for the governance of risk.	Applied	The risk committee is a Board committee and the terms of reference of the committee are approved by the Board.
4.2	The Board should determine the levels of risk tolerance.	Applied	The Board has delegated this to the risk committee which determines the risk appetite in line with strategy.
4.3	The risk committee or audit committee should assist the Board in carrying out its risk responsibilities.	Applied	As set out in the comment to principle 4.1.
4.4	The Board should delegate to management the responsibility to design, implement and monitor the risk management plan.	Applied	Life Group has a Group risk manager in place who assists the risk committee to fulfil its mandate.
4.5	The Board should ensure that risk assessments are performed on a continual basis.	Applied	Risk assessments are conducted annually.

Chapter and principle		Status	
4.6	The Board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks.	Applied	The key issues control log is presented to both the risk and the audit committees.
4.7	The Board should ensure that management considers and implements appropriate risk responses.	Applied	Updates are presented to the risk committee and the Board consisting of risk mitigation.
4.8	The Board should ensure continual risk monitoring by management.	Applied	Reports of the key risks are presented to the risk committee.
4.9	The Board should receive assurance regarding the effectiveness of the risk management process.	Applied	Life Group relies on the attestations from the Group risk manager and internal audit.
4.10	The Board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders.	Applied	This forms part of the reports presented to the risk committee. A comprehensive risk disclosure is included in the integrated report.
Chapter 5 – The governance of IT			
5.1	The Board should be responsible for IT governance.	Applied	IT governance is a standing item on the Board agenda.
5.2	IT should be aligned with the performance and sustainability objectives of the Company.	Applied	Significant IT investments and expenditure are presented to the Board for approval.
5.3	The Board should delegate to management the responsibility for the implementation of an IT governance framework.	Applied	Management has implemented an IT governance framework in line with the delegation of authority.
5.4	The Board should monitor and evaluate significant IT investments and expenditure.	Applied	As set out in the comment to principle 5.2.
5.5	IT should form an integral part of the Company's risk management.	Applied	Significant IT projects are included in the Group risk manager's report to the risk committee. The CIO also provides regular reports to the risk committee.
5.6	The Board should ensure that information assets are managed effectively.	Applied	The CIO provides regular reports to the Board covering information management.
5.7	A risk committee and audit committee should assist the Board in carrying out its IT responsibilities (note 7).	Applied	The audit committee oversees IT risk as it relates to financial reporting. The risk committee oversees the implementation of IT processes and governance mechanisms.
Chapter 6 – Compliance with laws, rules, codes and standards			
6.1	The Board should ensure that the Company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	Applied	As set out in the comments to principle 2.9.
6.2	The Board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the Company and its business.	Applied	Presentations are made to the Board as well as to the social, ethics and transformation committee on regulatory issues.
6.3	Compliance risk should form an integral part of the Company's risk management process.	Applied	The risk management department and Group legal collaborate in the identification of compliance risks.

Chapter and principle		Status	
6.4	The Board should delegate to management the implementation of an effective compliance framework and processes.	Applied	Management monitors compliance of key legislation applicable to the hospital industry through Life Group's legal department and the Health Policy executive. Compliance is also embedded in Life Group's quality management system.
Chapter 7 – Internal audit			
7.1	The Board should ensure that there is an effective risk-based internal audit.	Applied	This is included in the audit committee's mandate.
7.2	Internal audit should follow a risk-based approach to its plan.	Applied	Life Group's internal audit follows a risk-based approach to its planning.
7.3	Internal audit should provide a written assessment of the effectiveness of the Company's system of internal controls and risk management.	Applied	This forms part of Life Group's internal audit annual report to the audit committee.
7.4	The audit committee should be responsible for overseeing internal audit.	Applied	This forms part of the audit committee's mandate.
7.5	Internal audit should be strategically positioned to achieve its objectives.	Applied	The internal audit function reports to and obtains its mandate from the audit committee.
Chapter 8 – Governing stakeholder relationships			
8.1	The Board should appreciate that stakeholders' perceptions affect a Company's reputation.	Applied	The Board has the management of relationships with stakeholders as part of its responsibilities and has approved a stakeholder framework.
8.2	The Board should delegate to management to proactively deal with stakeholder relationships.	Applied	Individual business units deal with stakeholders' activities as it pertains to each unit.
8.3	The Board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the Company.	Applied	The Board considers reports from management dealing with various stakeholder issues.
8.4	Companies should ensure the equitable treatment of shareholders.	Applied	Voting at the Company's annual general meeting is done by way of ballot. The Company adheres to the insider trading and price sensitive information policies it has in place.
8.5	Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence.	Applied	The chairman of Life Group's audit, remuneration and human resources committee and the social, ethics and transformation committee are available at the annual general meeting to respond to questions from shareholders. Relevant disclosures are made on SENS in accordance with the Listings Requirements.
8.6	The Board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible.	Applied	There is an effective complaints management process in place.
Chapter 9 – Integrated reporting and disclosure			
9.1	The Board should ensure the integrity of the Company's integrated report.	Applied	The Board has delegated this to Life Group's audit committee.
9.2	Sustainability reporting and disclosure should be integrated with the Company's financial reporting.	Applied	In the integrated report, sustainability disclosure is integrated with financial disclosure.

Chapter and principle		Status	
9.3	Sustainability reporting and disclosures should be independently assured.	Explained	The Board is of the view that as the sustainability measures and targets are still being developed. It would be premature to have these independently assured. For 2016 FY, PwC provided limited assurance on selected sustainability information.

BOARD OF DIRECTORS

Governance structure and Board composition

Governance structure

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

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

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

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

Life has a unitary Board and various Board sub-committees listed below.

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

Board composition

The Board comprises 10 Directors, namely seven independent non-executive directors, two executive directors and one non-executive director, which reflects an appropriate balance between the executive and non-executive directors. The full details of the members of the Board as at the Last Practicable Date and a brief biography of each Director is set out in *"Additional Information – Information on the Directors and Senior Management of Life – Board of Directors"*.

BOARD MEETINGS

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

Directors' attendance at Board and sub-committee meetings

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

(1) *Non-executive director – attends all the board sub-committee meetings as an invitee where he is not a member.*

* *Appointed to the remuneration and human resources and social, ethics and transformation committees on 12 November 2015.*

** *Stepped down as a member of the social, ethics and transformation committee on 12 November 2015 as he agreed to serve on the committee as an interim measure until a new Board member was appointed.*

POWER, CONTROL, SUPPORT AND APPOINTMENTS

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

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

The Board ensures that no individual has unfettered powers of decision-making and authority, and that shareholder interests are protected. The Board considers that there is an appropriate balance of knowledge, expertise and collective experience among the non-executive directors. The non-executive directors are considered to have the skills and experience to have objective judgement on issues of strategy, resources, transformation, diversity and employment equity, standards of conduct, evaluation of results and economic, social and environmental policies.

At the Enlarged Group's expense, Directors are entitled to seek independent professional advice to further their duties. All Directors have access to the Company Secretary, who is responsible for ensuring compliance with applicable legislation and procedures.

Any new appointments to the Board involve a formal and transparent process and are a matter of consideration for the full Board, assisted by the nominations committee.

The Board recently approved a Board diversity policy. Their policy will apply to the appointment of new directors and will be taken into account for purposes of succession planning for the Board. In making recommendations to the Board on the appointment of a Board member, the nominations committee will make the recommendation on merit and will consider candidates against objective criteria having due regard to the benefits of diversity, including gender, and the contribution that the candidate will bring to the Board. In this regard, there is an ongoing commitment from the Board to strengthen female representation on the Board, and preference will be given to female candidates who meet the criteria. The MOI stipulates that one-third of the Board members will retire from office at the annual general meeting and will be eligible for re-election. The directors to retire are those who have been in office longest since their last election or appointment. The Group Chief Executive Officer and Group Chief Financial Officer are included in determining the rotation of retiring directors.

Effective control is exercised through the Group Chief Executive Officer, who is accountable to the Board through regular reports. Senior executives have access to Board meetings as and when necessary to apprise the Directors of important events and to develop and implement strategy. This encourages communication and cooperation between the Directors and executive management.

INDEPENDENCE OF THE BOARD AND CONFLICTS OF INTEREST

The Enlarged Group's nominations committee is responsible for assessing the independence of Life Group's directors on an annual basis. Independence is determined according to the definitions in King III, which also takes into account the number of years a director has served on the Board. The Board also determines whether directors are independent in terms of character and judgement. The Board was satisfied that all its independent non-executive directors met its independence criteria for the 2016 financial year.

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

BOARD COMMITTEES

A number of board committees assist the Board in fulfilling its stated objectives. They are the:

- Audit Committee;
- Risk Committee;
- Nominations Committee;
- Investment Committee;
- Remuneration and Human Resources Committee; and
- Social, Ethics and Transformation Committee.

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

The sub-committees report back to the Board at every board meeting and the minutes of the sub-committee meetings are tabled for noting. Where the minutes are not available, the chairman of the sub-committee provides verbal feedback and the minutes are then tabled for noting at a subsequent Board meeting.

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

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