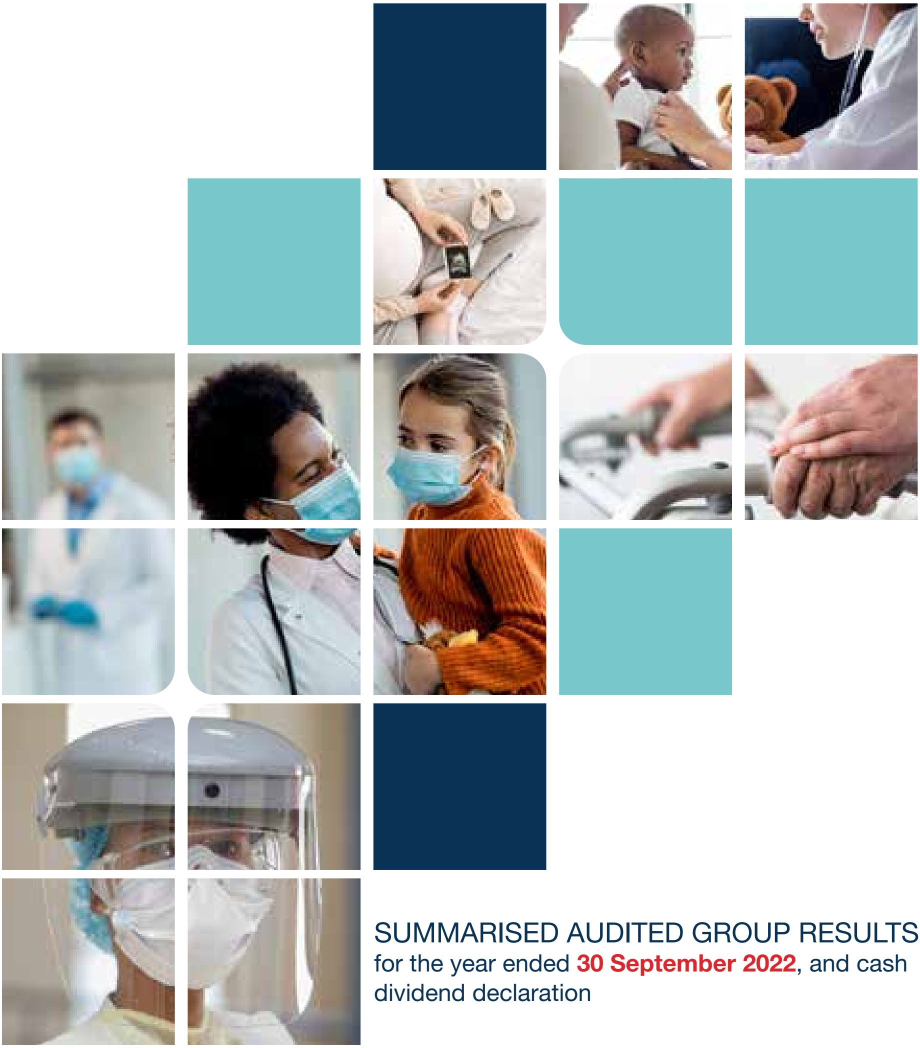
Life Healthcare



SUMMARISED AUDITED GROUP RESULTS

for the year ended **30 September 2022**, and cash dividend declaration

Our core purpose is

Making life better

International healthcare provider

Offering an integrated healthcare model and diagnostic imaging capability

Diversified offering

With a growing share of revenue and earnings from non-acute sources

Clinical excellence, analytics and technology

Focus on our employees, clinicians, clinical excellence and using analytics and technology to positively impact patient care

Our vision

Our **vision** is to be an international healthcare provider delivering **measurable clinical quality** through a **diversified** offering and **people-centred** approach.

Our mission

We **improve** the lives of people through the **delivery** of **high-quality**, **cost-effective care**.

HIGHLIGHTS

Strong recovery in activities in southern Africa:

+15.8% growth
in hospital admissions

+14.8% growth
in theatre minutes

+13.8% growth
in mental health admissions

Completed our first two imaging transactions

Good underlying growth in international operations:

+24.4% growth
in volumes in Ireland

+11.1% growth
in PET-CT scans in the UK

REVENUE
from continuing operations
+4.9%
to R28.2 billion

CASH GENERATED
from operations of
R5.0 billion

STRONG FINANCIAL POSITION
with net debt to EBITDA of
1.89 times

NORMALISED EBITDA*
from continuing operations of
R5.0 billion

NORMALISED EARNINGS PER SHARE (NEPS)*
from continuing operations
-12.2%
to 96.4 cents

FINAL DIVIDEND
declared of
25 cents
per share

* *Non-IFRS measures.*

Summarised consolidated statement of profit or loss

for the year ended 30 September 2022

	Notes	2022 R'm	Change %	2021 R'm
Continuing operations				
Revenue	1	**28 206**	4.9	26 885
Other income and retirement benefit asset and post-employment medical aid income		**276**		286
Operating expenses		**(25 781)**		(24 191)
Fair value adjustments to contingent consideration		**406**		–
Fair value gain on financial instruments		**21**		32
Impairment of assets and investments		**–**		(14)
Loss on disposal of property, plant and equipment		**(6)**		(17)
Profit on remeasuring previously held interest in associate to fair value		**–**		28
Transaction costs relating to acquisitions and disposals		**(10)**		(3)
Operating profit		**3 112**	3.5	3 006
Finance income		**102**		169
Finance cost		**(755)**		(791)
Share of associates' and joint ventures' net profit after tax		**23**		25
Profit before tax		**2 482**	3.0	2 409
Tax expense		**(768)**		(642)
Profit after tax from continuing operations		**1 714**	(3.0)	1 767
Discontinued operation				
Profit from discontinued operation	2	**–**		87
Profit after tax		**1 714**	(7.6)	1 854
Profit after tax attributable to:				
Ordinary equity holders of the parent		**1 531**	(12.7)	1 754
Non-controlling interest		**183**		100
		1 714	(7.6)	1 854
Earnings per share (cents)				
From continuing operations				
Basic		**105.8**	(7.7)	114.6
Diluted		**105.3**	(7.9)	114.3
From continuing and discontinued operations				
Basic		**105.8**	(12.3)	120.6
Diluted		**105.3**	(12.5)	120.3

Summarised consolidated statement of comprehensive income

for the year ended 30 September 2022

	2022 R'm	2021 R'm
Profit after tax	**1 714**	1 854
Other comprehensive income		
Items that may be reclassified to profit or loss		
Movement in foreign currency translation reserve (FCTR) of continuing foreign operations	**(150)**	(765)
Movement in FCTR of discontinued operation, net of tax	**–**	(143)
Items that will not be reclassified to profit or loss		
Retirement benefit asset and post-employment medical aid income, net of tax[1]	**(14)**	44
Total comprehensive income for the year	**1 550**	990
Total comprehensive income attributable to:		
Ordinary equity holders of the parent	**1 363**	918
Non-controlling interest	**187**	72
	1 550	990
Total comprehensive income attributable to ordinary equity holders of the parent arises from:		
Continuing operations	**1 363**	974
Discontinued operation	**–**	(56)
	1 363	918

[1] *Includes tax of R10 million (2021: R17 million).*

Headline earnings per share

for the year ended 30 September 2022

	2022	Change %	2021
Weighted average number of shares in issue (million)	**1 447**	(0.5)	1 454
From continuing and discontinued operations			
Headline earnings per share (cents)	**106.1**	(4.5)	111.1
Diluted headline earnings per share (cents)	**105.6**	(4.6)	110.7
Headline earnings (R'm)			
Profit attributable to ordinary equity holders	**1 531**		1 754
Adjustments (net of tax):			
Exchange gain reclassified to profit or loss on disposal of discontinued operation	**–**		(147)
Impairment of assets and investments from continuing operations	**–**		14
Profit on remeasuring previously held interest in associate to fair value	**–**		(28)
Loss on disposal of property, plant and equipment	**5**		10
Loss on disposal of discontinued operation (after withholding tax)	**–**		12
Headline earnings from continuing and discontinued operations	**1 536**	(4.9)	1 615

Summarised consolidated statement of financial position

as at 30 September 2022

	Notes	2022 R'm	2021 R'm
ASSETS			
Non-current assets		**34 454**	33 367
Property, plant and equipment		**15 566**	14 695
Intangible assets[1]		**16 514**	16 383
Deferred tax assets		**1 739**	1 698
Other non-current assets		**635**	591
Current assets		**7 784**	7 414
Cash and cash equivalents		**2 802**	2 672
Other current assets		**4 982**	4 742
Total assets		**42 238**	40 781
EQUITY AND LIABILITIES			
Capital and reserves			
Stated capital		**13 342**	13 565
Reserves		**5 404**	4 501
Non-controlling interest		**1 114**	1 105
Total equity		**19 860**	19 171
LIABILITIES			
Non-current liabilities		**14 729**	13 723
Interest-bearing borrowings	3	**12 124**	10 914
Deferred tax liabilities		**1 770**	1 730
Other non-current liabilities	4	**835**	1 079
Current liabilities		**7 649**	7 887
Bank overdrafts		**335**	325
Interest-bearing borrowings	3	**1 226**	1 811
Other current liabilities	4	**6 088**	5 751
Total liabilities		**22 378**	21 610
Total equity and liabilities		**42 238**	40 781
GBP:ZAR		**20.01**	20.35

[1] *Intangible assets increased mainly as a result of the goodwill and intangibles acquired through the business combinations (refer note 2).*

Summarised consolidated statement of changes in equity

for the year ended 30 September 2022

	Total capital and reserves R'm	Non-controlling interest R'm	Total equity R'm
Balance at 1 October 2021	**18 066**	**1 105**	**19 171**
Total comprehensive income for the year	**1 363**	**187**	**1 550**
Profit for the year	**1 531**	**183**	**1 714**
Other comprehensive (loss)/income	**(168)**	**4**	**(164)**
Transactions with non-controlling interests	**3**	**15**	**18**
Net movement in treasury shares for staff benefit schemes[1]	**(305)**	**–**	**(305)**
Distributions to shareholders	**(587)**	**(193)**	**(780)**
Transferred in terms of co-investment scheme (CIP)	**22**	**–**	**22**
Share-based payment charge for staff benefit schemes	**184**	**–**	**184**
Balance at 30 September 2022	**18 746**	**1 114**	**19 860**
Balance at 1 October 2020	17 058	1 220	18 278
Total comprehensive income for the year	918	72	990
Profit for the year	1 754	100	1 854
Other comprehensive loss	(836)	(28)	(864)
Transactions with non-controlling interests	14	(16)	(2)
Net movement in treasury shares for staff benefit schemes	(20)	–	(20)
Distributions to shareholders	–	(171)	(171)
Share-based payment charge for staff benefit schemes	96	–	96
Balance at 30 September 2021	18 066	1 105	19 171

[1] *Mainly relates to:*

* *the purchase of 9.2 million shares for a value of R217 million, relating to the co-investment scheme. The scheme was introduced at the end of FY2021 and the initial grant was made on 1 December 2021.*

* *the purchase of 3.0 million shares for a value of R60 million, relating to the Life Healthcare employee share trust.*

* *the purchase of 1.1 million shares for the value of R25 million relating to long-term incentive schemes.*

Summarised consolidated statement of cash flows

for the year ended 30 September 2022

	Notes	2022 R'm	Change %	2021 R'm
Cash generated from operations		**5 030**	(11.6)	5 687
Transaction costs relating to acquisitions		**(10)**		–
Finance income received		**83**		169
Tax paid		**(871)**		(714)
Net cash generated from operating activities		**4 232**	(17.7)	5 142
Capital expenditure		**(2 348)**		(1 899)
Acquisition of subsidiaries (net of cash acquired) and contingent considerations paid	2	**(378)**		(167)
Proceeds from disposal of discontinued operation (net of cash disposed)	2	**–**		573
Other		**23**		23
Net cash utilised in investing activities		**(2 703)**		(1 470)
Proceeds from interest-bearing borrowings		**5 145**		5 221
Repayment of interest-bearing borrowings		**(4 811)**		(5 568)
Dividends paid to Company's shareholders		**(587)**		–
Finance cost paid		**(670)**		(710)
Other[1]		**(484)**		(198)
Net cash utilised in financing activities		**(1 407)**		(1 255)
Net increase in cash and cash equivalents		**122**		2 417
Cash and cash equivalents – beginning of the year		**2 347**		98
Effect of foreign currency rate movements		**(2)**		(168)
Cash and cash equivalents at the end of the year[2]		**2 467**		2 347

[1] *Other includes distributions to non-controlling interest (-R193 million), cash flow on increases/proceeds on decreases in ownership interests (+R11 million) and treasury shares acquired for delivery to staff schemes (-R302 million).*

[2] *Cash and cash equivalents at the end of the year are net of bank overdrafts.*

Segment information

for the year ended 30 September 2022

IFRS 8 requires operating segments to be identified on the basis of internal reports about the components of the Group that are regularly reviewed by the Chief Operating Decision Maker (CODM) in order to allocate resources to the segments and to assess their performance.

The Group's segments are aligned to those business units that are evaluated regularly by the CODM in deciding how to allocate resources and in assessing performance.

In southern Africa, the hospitals and complementary services segment comprises all the acute hospitals and complementary services, which include mental health, acute rehabilitation, renal dialysis, oncology and imaging services. The healthcare services segment comprises Life Nkanyisa (formerly Life Esidimeni) and Life Employee Health Solutions.

International comprises diagnostic services (Alliance Medical Group (AMG)) across Europe and the United Kingdom (UK).

Growth initiatives comprise broadening the Group's exposure across the healthcare continuum and include the development of cyclotron capability and clinical quality products within South Africa and product development (Life Molecular Imaging (LMI)) internationally. The prior year growth initiatives in South Africa included developing the outpatient business model, which was scaled-down and incorporated into Life Health Solutions, and the imaging services opportunity. As a result of the completion of our imaging transactions in South Africa, imaging services is now included as part of the hospital and complementary services segment in the current year.

The corporate segment is a non-operating segment.

The operating businesses have been aggregated into different segments based on the similar nature of products and services, similar economic characteristics, similar types of customers and operating in a similar regulatory environment.

Inter-segment revenue of R26 million (2021: R27 million) is eliminated of which R7 million relates to revenue between Life Employee Health Solutions and the southern Africa business and R19 million between LMI and AMG.

	2022 R'm	2021 R'm
Revenue[1]		
Southern Africa		
Hospitals and complementary services	**18 615**	17 567
Healthcare services	**1 356**	1 456
International		
Diagnostic services	**7 680**	7 474
Growth initiatives	**555**	388
	28 206	26 885

[1] *Revenue of approximately 34% (2021: 33%) is derived from two (2021: two) external customers. The revenue is attributed to the southern Africa segment.*

Segment information continued

for the year ended 30 September 2022

	2022 R'm	2021 R'm
Normalised EBITDA[1,3,4]		
Southern Africa		
Hospitals and complementary services	**3 246**	2 743
Healthcare services	**132**	195
International		
Diagnostic services	**1 596**	1 812
Growth initiatives	**(50)**	(19)
Corporate		
Recoveries	**1 389**	1 330
Corporate costs	**(1 274)**	(1 010)
	5 039	5 051
Depreciation		
Southern Africa		
Hospitals and complementary services	**(730)**	(663)
Healthcare services	**(29)**	(23)
International		
Diagnostic services	**(798)**	(784)
Growth initiatives	**(17)**	(15)
Corporate	**(86)**	(86)
	(1 660)	(1 571)
EBITA[2,3]		
Southern Africa		
Hospitals and complementary services	**2 516**	2 080
Healthcare services	**103**	172
International		
Diagnostic services	**798**	1 028
Growth initiatives	**(67)**	(34)
Corporate	**29**	234
	3 379	3 480

[1] *Normalised EBITDA is defined as operating profit before depreciation on property, plant and equipment, amortisation of intangible assets and non-trading-related costs or income. Normalised EBITDA of the discontinued operation was excluded in the prior year.*

[2] *EBITA is defined as normalised EBITDA less depreciation.*

[3] *Non-IFRS measures.*

[4] *Long-term incentive and CIP charges included in normalised EBITDA are as follows:*

Southern Africa including corporate	***(129)***	*(40)*
International	***(78)***	*(29)*
Growth initiatives	***(7)***	*(9)*
	(214)	*(78)*

	2022 R'm	2021 R'm
Amortisation of intangible assets		
Southern Africa		
Hospitals and complementary services	**(31)**	(20)
International		
Diagnostic services	**(435)**	(449)
Growth initiatives	**(18)**	(20)
Corporate	**(69)**	(44)
	(553)	(533)
Operating profit before non-trading items[1*]		
Southern Africa		
Hospitals and complementary services	**2 485**	2 060
Healthcare services	**103**	172
International		
Diagnostic services	**363**	579
Growth initiatives	**(85)**	(54)
Corporate	**(40)**	190
	2 826	2 947
Retirement benefit asset and post-employment medical aid income	**32**	33
Dispute on contract interpretation provision	**(157)**	–
Fair value adjustments to contingent consideration – refer pages 16 to 18	**406**	–
Fair value gain on financial instruments	**21**	32
Impairment of assets and investments	**–**	(14)
Loss on disposal of property, plant and equipment	**(6)**	(17)
Profit on remeasuring previously held interest in associate to fair value	**–**	28
Transaction costs relating to acquisitions and disposals	**(10)**	(3)
Operating profit	**3 112**	3006
Finance income	**102**	169
Finance cost	**(755)**	(791)
Share of associates 'and joint ventures' net profit after tax	**23**	25
Profit before tax	**2 482**	2 409

[1] *Operating profit before non-trading items includes the segment's share of shared services and rental costs. These costs are all at market-related rates.*

* *Non–IFRS measure.*

	2022 R'm	2021 R'm
Total assets before items detailed below		
Southern Africa (including growth initiatives)	**17 160**	16 308
International (including growth initiatives)	**22 836**	22 306
	39 996	38 614
Employee benefit assets	**415**	418
Deferred tax assets	**1 739**	1 698
Derivative financial assets	**24**	4
Income tax receivable	**64**	47
Total assets per the balance sheet	**42 238**	40 781
Net debt[1,2]		
Southern Africa (including growth initiatives)	**3 688**	3 299
International (including growth initiatives)	**7 195**	7 079
	10 883	10 378
Cash and cash equivalents (net of bank overdrafts)		
Southern Africa (including growth initiatives)	**1 190**	1 344
International (including growth initiatives)	**1 277**	1 003
	2 467	2 347

[1] *Net debt is a key measure for the Group, which comprises all interest-bearing borrowings, overdraft balances and cash and cash equivalents.*
[2] *Non-IFRS measure.*

Geographical information

The Group's revenue from external customers and information about its segment assets (non-current assets excluding employee benefit assets and deferred tax assets) by geographical locations are:

	Revenue from external customers		Non-current assets	
	2022 R'm	2021 R'm	**2022 R'm**	2021 R'm
Southern Africa	**19 971**	19 023	**12 491**	11 564
International	**7 680**	7 474	**18 871**	18 981
UK	**4 205**	3 918	**15 580**	15 939
Italy	**2 100**	2 120	**2 181**	2 076
Ireland	**966**	765	**498**	407
Other	**409**	671	**612**	559
Growth initiatives	**555**	388	**922**	702
Southern Africa	**–**	1	**–**	5
UK	**21**	30	**897**	669
Italy	**6**	5	**–**	–
Other	**528**	352	**25**	28
Total – continuing operations	**28 206**	26 885	**32 284**	31 247
Employee benefit assets			**415**	418
Deferred tax assets			**1 739**	1 698
Derivative financial assets			**16**	4
Total as per income statement and balance sheet	**28 206**	26 885	**34 454**	33 367

1. REVENUE

The table below illustrates the disaggregation disclosure by primary geographical areas, type of customer and timing of revenue recognition, including a reconciliation of how the disaggregated revenue ties into the segment report (refer page 7).

Management believes that the disaggregations depict how the nature, amount, timing and uncertainty of the Group's revenue and cash flows are affected by economic factors.

Segments	Hospitals and complementary services R'm	Healthcare services R'm	Diagnostic services R'm	Growth initiatives R'm	Total R'm
2022					
Primary geographical areas					
Southern Africa	18 615	1 356	–	–	19 971
International	–	–	7 680	555	8 235
UK	–	–	4 205	21	4 226
Italy	–	–	2 100	6	2 106
Ireland	–	–	966	–	966
Other	–	–	409	528	937
	18 615	1 356	7 680	555	28 206
Type of customer					
Contract from customers					
Private (including private medical aids and cash paying patients)	18 101	–	942	–	19 043
Government and public healthcare facilities	315	641	5 315	–	6 271
Corporate institutions	94	715	1 423	555	2 787
Rental revenue					
Rental income related to auxiliary services	105	–	–	–	105
	18 615	1 356	7 680	555	28 206
Timing of revenue recognition					
Over time	13 791	1 356	–	–	15 147
At a point in time	4 824	–	7 680	555	13 059
	18 615	1 356	7 680	555	28 206

1. REVENUE continued

Segments	Hospitals and comple-mentary services R'm	Health-care services R'm	Diagnostic services R'm	Growth initiatives R'm	Total R'm
2021					
Primary geographical areas					
Southern Africa	17 567	1 456	–	1	19 024
International	–	–	7 474	387	7 861
UK	–	–	3 918	30	3 948
Italy	–	–	2 120	5	2 125
Ireland	–	–	765	–	765
Other	–	–	671	352	1 023
	17 567	1 456	7 474	388	26 885
Type of customer					
Contract from customers					
Private (including private medical aids and cash paying patients)	17 143	–	959	1	18 103
Government and public healthcare facilities	321	619	5 158	–	6 098
Corporate institutions	–	837	1 357	387	2 581
Rental revenue					–
Rental income related to auxiliary services	103	–	–	–	103
	17 567	1 456	7 474	388	26 885
Timing of revenue recognition					
Over time	13 134	1 456	–	–	14 590
At a point in time	4 433	–	7 474	388	12 295
	17 567	1 456	7 474	388	26 885

2. ACQUISITIONS AND DISPOSALS

◆ Transactions with non-controlling interests

Increases and decreases in ownership interest in subsidiaries

The Group had marginal increases and decreases in its percentage shareholdings in some of its southern Africa subsidiary companies due to transactions with minority shareholders. The individual transactions are immaterial.

2. ACQUISITIONS AND DISPOSALS continued

◆ Acquisitions that resulted in business combinations

	Centro Diagnostico Signa SRL (Signa)*	Istituto Diagnostico Pistoiese SRL (IDP)*	East Coast Radiology Incorporated (ECR) and East Coast Radiology Mthatha Incorporated (ECR Mthatha)*	Eugene Marais Radiology Proprietary Limited (EMR)*
Acquirer	AMG through its subsidiary Alliance Medical Italia SRL	AMG through its subsidiary Alliance Medical Italia SRL	Life Healthcare Group Proprietary Limited through its subsidiary Life Diagnostic Imaging East Coast Proprietary Limited	Life Healthcare Group Proprietary Limited
Country of incorporation	Italy	Italy	South Africa	South Africa
Acquisition date	28 Oct 2021	29 Dec 2021	1 Feb 2022	1 Aug 2022
Total purchase consideration	R12 million	R23 million	R241 million	R223 million
Goodwill recognised	R12 million	R42 million	R166 million	R159 million
Percentage voting equity interest acquired	100%	100%	100%[1]	100%
Primary reasons for business combination	This is in line with Life Healthcare's strategy to grow its non-acute businesses.			
Qualitative factors that make up goodwill recognised	Goodwill is attributable to the acquired workforce and expected synergies from combining the acquired operations within the international operations in Italy.		The acquisitions of the imaging businesses are motivated by the Group's diversification strategy to include the non-clinical radiology services within our suite of healthcare services and business offerings in southern Africa. The goodwill recognised is therefore attributable to the acquired workforce and expected synergies from combining the acquired operations within the acute and complementary services segment.	
Contingent liabilities at acquisition	None	None	None	None

* *Provisionally accounted for in terms of IFRS 3 Business Combinations.*

[1] *The Group has subsequently to the initial transaction, disposed of 9.98% of its interest in ECR and ECR Mthatha to doctors. This transaction is included as part of transactions with non-controlling interests (refer page 13).*

2. ACQUISITIONS AND DISPOSALS continued

◆ **Acquisitions that resulted in business combinations** continued

None of the goodwill recognised is expected to be deductible for income tax purposes.

The acquisitions qualify as a business as defined in IFRS 3.

Details of the fair value of net assets acquired and goodwill are as follows:

R'm	Signa and IPD R'm	ECR and ECR Mthatha R'm	EMR R'm
Total purchase consideration	(35)	(241)	(223)
Cash portion	(26)	(203)	(157)
Contingent consideration[1]	(9)	(38)	(66)
Fair value of net assets acquired	(19)	75	64
Property, plant and equipment	2	29	30
Customer relations	–	64	56
Trade and other receivables	4	–	–
Cash and cash equivalents	8	–	–
Inventories	–	1	1
Deferred tax liability	–	(17)	(22)
Retirement benefit liability	(2)	–	–
Trade and other payables	(31)	(2)	(1)
Goodwill	54	166	159
Cash outflow to acquire businesses, net of cash acquired			
Initial cash considerations	(26)	(203)	(157)
Less: Cash at acquisitions	8	–	–
	(18)	(203)	(157)
Impact on consolidated information from date of acquisitions			
Revenue	22	79	15
Net profit	(1)	6[2]	1
Impact on consolidated information if the business combinations took place on 1 October 2021			
Revenue	29	114	88
Net profit	1	10	3

[1] *The contingent considerations for ECR and ECR Mthatha as well as for EMR are based on the financial performance of the businesses and will be payable in three annual tranches commencing one year after the acquisition date. The maximum amount payable for ECR and ECR Mthatha is R84 million and for EMR R74 million.*
The present value of the contingent considerations were determined by taking into account the probability of the forecasted performance of the first three forecast periods.
At 30 September 2022, a fair value adjustment (R31 million) to the ECR contingent consideration was made, due to changes resulting from events after the acquisition date, i.e forecasted that ECR will reach a higher earnings target.

[2] *Excludes impact of R31 million fair value adjustment referred to in footnote 1.*

2. **ACQUISITIONS AND DISPOSALS** continued

- **Disposal of Scanmed S.A (Scanmed) in Poland for R573 million (cash received of R733 million less cash and cash equivalents disposed of, of R160 million)**

The sale of Scanmed was concluded in the prior period (26 March 2021) and a profit of R87 million was included from this discontinued operation. Refer to the consolidated annual financial statements for the year ended 30 September 2021 for detailed disclosures.

- **Investment in joint venture (Altakassusi Alliance Medical LLC)**

The Group further invested in Altakassusi Alliance Medical LLC in Saudi Arabia during February and September 2022. The amount invested was R10 million. The percentage ownership did not change.

3. **INTEREST-BEARING BORROWINGS**

	2022 R'm
Total borrowings at 30 September 2021	**12 725**
Proceeds from interest-bearing borrowings	**5 145**
Repayment of interest-bearing borrowings	**(4 811)**
Additional lease liabilities recognised	**379**
Modification of lease liabilities	**(12)**
Other movements	**(17)**
Effect of foreign currency movement	**(59)**
Total borrowings at 30 September 2022	**13 350**

4. **FINANCIAL INSTRUMENTS**

Fair value

Other non-current assets and other current assets, as presented in the statement of financial position, include derivative financial instrument assets of R24 million (2021: R4 million) at fair value (through profit or loss).

The fair value of interest rate swaps is calculated as the mark-to-market valuation, which represents the mid-market value of the instrument as determined by the financial institution at 30 September 2022.

Other non-current liabilities and other current liabilities, as presented in the statement of financial position, include contingent consideration liabilities of R503 million (2021: R631 million) and derivative financial instrument liabilities of Rnil million (2021: R9 million) at fair value (through profit or loss).

4. FINANCIAL INSTRUMENTS continued

Details of the contingent consideration liabilities are as follows:

	2022 R'm	2021 R'm
Contingent consideration liabilities		
Balance at 1 October	**631**	642
Arising on acquisition of subsidiaries – refer note 2	**113**	3
Disposal of subsidiaries	**–**	(9)
Fair value adjustments to contingent consideration	**(406)**	–
Fair value gain recognised in profit or loss (relating to LMI, included as part of growth initiatives)	**(437)**	–
Fair value loss recognised in profit or loss (relating to ECR, included as part of hospitals and complementary services) – refer note 2	**31**	–
Unwinding of contingent consideration (included as part of finance cost)	**75**	62
Effect of foreign currency movement	**90**	(67)
Balance at 30 September	**503**	631
Included under non-current liabilities	**378**	631
Included under current liabilities	**125**	–
	503	631

The largest contingent consideration payable (R354 million) relates to a potential amount payable to the previous owners of LMI, acquired during June 2018.

The LMI contingent consideration will become payable when the acquired business is generating a positive cash contribution, measured on a cumulative basis from the date of acquisition. The contingent consideration is a 50% share of pre-tax cash generated for a period of 10 years post-acquisition or a maximum amount payable of USD200 million. The amount included is the calculated payment, based on long-term forecasts adjusted for probabilities associated with the success of the product developed, cost incurred and timing of reimbursement discounted to present value using a discount rate of 13.50% (2021: 13.37%).

Key assumptions used in the forecast also include a percentage of PET-CT adoption rate, increase in sales volumes as utilisation increases of 30% to 50% (2021: 30% to 40%) after reimbursement, and a corresponding annual reduction in price and cost per dose of -1.5% (2021: -1.0% to -2.0%).

The current value of the LMI contingent consideration reduced by R437 million compared to FY2021 mainly due to the delayed expectation of reimbursement by two years in the USA and three years in Europe, while the payment date remains fixed (2028).

There are currently three Alzheimer Disease Modifying Drug's (DMDs) in Phase 3 clinical trials. During the prior year, the US Food and Drug Administration (FDA) gave accelerated approval to the DMD (Aducanumab/Aduhelm©) from Biogen in the US, however full reimbursement was not granted during the current financial year. A clear pathway has been set for reimbursement of other DMDs to gain reimbursement following traditional (full) approval by the FDA. During the current financial year, the European Medicines Agency, rejected Biogen's DMD.

4. FINANCIAL INSTRUMENTS continued

Key drivers:

	2022		2021	
	% chance	**Assumed year approval/ reimbursement obtained**	% chance	Assumed year approval/ reimbursement obtained
US				
Probability of success of a DMD gaining:	**90.0**		75.0	
Regulatory approval	**90.0**	**2024**	100.0	2021
Reimbursement	**100.0**	**2024**	75.0	2022
Europe				
Probability of success of a DMD gaining:	**90.0**		65.6	
Regulatory approval	**90.0**	**2024**	87.5	2022
Reimbursement	**100.0**	**2026**	75.0	2023

The Group's financial instruments held at fair value are measured subsequent to their initial recognition and are grouped into levels 1 to 3 based on the significance of the inputs used in the valuation. All of the resulting fair value estimates for the derivative financial instruments used for economic hedging are included in level 2. The contingent considerations are included in level 3.

The fair value of forward exchange contracts is determined using forward exchange rates at the statement of financial position date, with the resulting value discounted back to the present value, as determined by the financial institution at 30 September 2022.

There were no transfers between levels 1, 2 and 3 during the year.

5. EVENTS AFTER REPORTING PERIOD

No event which is material to the understanding of this report has occurred between year-end and the date of the annual financial statements, other than:

- the cash dividend distribution – refer page 34.

6. CAPITAL COMMITMENTS

Capital expenditure approved for property, plant and equipment amounts to R2.9 billion (2021: R2.9 billion).

7. RELATED PARTIES

During the year, certain companies in the Group entered into transactions with other companies in the Group. These intra-group transactions have been eliminated on consolidation. The Company has a loan receivable balance with subsidiary companies amounting to R393 million (2021: R391 million). The complete list of outstanding balances is available at the Company's registered office.

Related-party transactions

Management fees	A management fee is charged to subsidiaries and is charged to cover costs associated with services carried out on their behalf, for example: tariff negotiations, treasury, tax compliance, human resource, payroll, marketing, nursing management, engineering, credit control, insurance claim management, etc. The fees are based on a percentage of revenue for most southern Africa subsidiaries. The percentage varies between 1% and 4% depending on the types of service Life Healthcare Group Proprietary Limited (LHC) carries out on behalf of the southern Africa subsidiary. The fees to international businesses are based on a cost plus margin basis.
Information management fees (IM fees)	An IM fee is charged to subsidiaries to recover the cost incurred to run the IM infrastructure and services. The fee is based on a net cost recovery basis.
Guarantee fees	The Group charges a fee to the relevant subsidiaries where the Group is used as guarantor for debt.
Pharmacy fees	LHC charges all units that utilise the central purchasing and pharmacy management services a 1% fee on the monthly purchases.
Other cost recharges	The Group recharges certain other costs it incurs on a cost recovery basis without any margin.
Interest	Interest is charged or paid on all inter-group balances at market-related rates.
Rentals	LHC is a lessor for a number of properties that are occupied by subsidiary companies. Rent is charged at market-related rates. AMG leases mobile scanners between certain Group companies at market-related rates.
Royalties	AMG charges a 3% fee of the relevant revenue where countries use the AMG brand.

7. RELATED PARTIES continued

Associate companies and joint ventures

The Group has investments in a number of associate companies and joint ventures. No provision has been required in 2022 and 2021 for the loans made to associates and joint ventures.

	2022 R'm	2021 R'm
Loans to/(from) associates and joint ventures		
Balance at 1 October	**–**	5
Net movements in amounts owned	**(4)**	(5)
Balance at 30 September	**(4)**	–

KEY MANAGEMENT

Key management is defined as all executive management, functional heads, hospital managers, pharmacy managers, nursing managers, administration managers and patient service managers.

Key management disclosure excludes non-executive directors' fees. Non-executive director fees amount to R10.3 million (2021: R7.7 million).

	2022 R'm	2021 R'm
Remuneration		
Salaries	**562**	513
Share-based payment - long term incentive schemes	**70**	66
Medical aid contributions	**6**	6
Pension fund costs - defined benefit and contribution plans	**6**	6
Provident fund costs - defined contribution plans	**19**	17
	663	608

BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The summarised consolidated financial statements are prepared in accordance with the requirements of the JSE Limited (JSE) Listings Requirements for preliminary reports, and the requirements of the South African Companies Act, 71 of 2008 (as amended) applicable to summarised consolidated financial statements. The JSE Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting.

The accounting policies applied in the preparation of the summarised consolidated financial statements are in terms of IFRS and are consistent with those applied in the prior year consolidated annual financial statements.

The summarised consolidated financial statements are prepared on a going concern basis. The Board is satisfied that the liquidity and solvency of the Company is sufficient to support the current operations for the next 12 months.

These summarised financial results have been prepared under the supervision of PP van der Westhuizen (CA(SA)), the Group Chief Financial Officer.

Non-IFRS measures and *pro forma* information

To provide a more meaningful assessment of the Group's performance for the year, non-IFRS measures (normalised EBITDA, EBITA, operating profit before non-trading items, normalised earnings and net debt) and *pro forma* information have been included. *Pro forma* information includes H2-2022 and H2-2021 results. The non-IFRS measures and *pro forma* information are the responsibility of the Group's directors. *Pro forma* financial information is presented for illustrative purposes only. Due to its nature, the non-IFRS measures and *pro forma* information may not fairly present the Group's financial position, results of operations, changes in equity or cash flows for the year ended 30 September 2022. These non-IFRS measures may not be comparable to other similarly titled measures of performance of other companies.

The non-IFRS measures and *pro forma* information are not an IFRS requirement, nor a JSE Listings Requirement, and are a measurement used by the CODM.

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF LIFE HEALTHCARE GROUP HOLDINGS LIMITED

REPORT ON THE AUDIT OF THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

Opinion

The summarised consolidated financial statement of Life Healthcare Group Holdings Limited (the Group and Company) set out on pages 02 to 20, which comprise the summarised consolidated statements of financial position as at 30 September 2022, the summarised consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes as set out on pages 07 to 20, are derived from the audited consolidated financial statements of Life Healthcare Group Holdings Limited for the year ended 30 September 2022.

In our opinion, the accompanying summarised consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements of Life Healthcare Group Holdings Limited, in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, set out in the Basis of Presentation and Accounting Policies note to the summarised consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summarised financial statements.

Other Matter

We have not audited future financial performance and expectations by management included in the accompanying summarised consolidated financial statements and accordingly do not express any opinion thereon.

Summarised Consolidated Financial Statements

The summarised consolidated financial statements do not contain all the disclosures required by the International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summarised consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements of Life Healthcare Group Holdings Limited and the auditor's report thereon.

The Audited Consolidated Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 16 November 2022. That report includes the communication of key audit matters as reported in the auditor's report of the audited financial statements.

Directors' Responsibility for the Summarised Consolidated Financial Statements

The directors are responsible for the preparation of the summarised consolidated financial statements in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, set out in the Basis of Presentation and Accounting Policies note to the summarised consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summarised financial statements.

The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee [and Financial Pronouncements as issued by the Financial Reporting Standards Council], and to also, as a minimum, contain the information required by IAS 34, Interim Financial Reporting.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summarised consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), Engagements to Report on Summary Financial Statements.

DocuSigned by:

Deloitte & Touche

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Deloitte & Touche
Registered Auditors
Per: James Welch
Partner
16 November 2022

Deloitte.

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DIRECTORS OF LIFE HEALTHCARE GROUP HOLDINGS LTD
REPORT ON THE ASSURANCE ENGAGEMENT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION INCLUDED IN THE AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

The directors of Life Healthcare Group Holdings Limited (the entity/the Group) have disclosed financial information that is considered to be pro forma information per JSE Listings Requirements. The directors of the Company have prepared the following pro forma financial information for inclusion in the audited summarised consolidated financial statements, to be dated on or about 16 November 2022, in order to provide a more meaningful assessment of the Group's performance for the year:

- The pro forma H2-2022 numbers – these are unaudited and derived from deducting H1-2022 unaudited results from the full year audited results to 30 September 2022 (FY2022).
- The pro forma H2-2021 numbers – these are unaudited and derived from deducting H1-2021 unaudited results from the full year audited results to 30 September 2021 (FY2021).

We have completed our assurance engagement to report on the compilation of pro forma financial information of Life Healthcare Group Holdings Limited by the directors. The pro forma financial information has been compiled on the basis of the applicable criteria specified in the JSE Limited (JSE) Listings Requirements.

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 audited summarised consolidated financial statements for the period ended 30 September 2022, on which an unmodified audit opinion was issued on 16 November 2022.

Directors' Responsibility for the Pro Forma Financial Information

The directors are responsible for compiling the pro forma financial information on the basis of the applicable criteria specified in the JSE Listings Requirements.

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 corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards).

The firm applies the International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements and Other Assurance and Related Services Engagements 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, which is applicable to an engagement of this nature*. This standard requires that we comply with ethical requirements and 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.

The purpose of pro forma financial information included in the audited summarised consolidated financial statement 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.

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.

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Life Healthcare Group Holdings Limited for 3 years.

DocuSigned by:

Deloitte & Touche

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Deloitte & Touche
Registered Auditor
Per: James Welch
Partner
16 November 2022

Commentary

OVERVIEW

Life Healthcare has delivered a good underlying business performance for the year ended 30 September 2022 driven by a strong operational and financial performance in southern Africa, especially during the six-month period to 30 September 2022 (H2-2022[1], second half period) and a good underlying activity growth for the year in Alliance Medical Group.

Group operational highlights for the year include:

- Hospitals and complementary services in southern Africa experienced a strong recovery in activities during H2-2022 with PPD growth of 9.4% growth during H2-2022 and 5.8% in FY2022 after a slow start with H1-2022 being impacted by COVID-19.
- The normalisation of our activities in FY2022 (following COVID-19 disruptions in prior years) is evident from the 15.8% year-on-year growth in acute hospital admissions, 14.8% growth in theatre minutes and 13.8% growth in mental health admissions.
- Revenue growth of 6.0% in the hospitals and complementary services businesses was driven by a tariff increase of 4.25%, PPD growth of 5.8% and the normalisation of case mix as COVID-19 cases reduced resulting in a negative case mix of 4.1%.
- Operating leverage in our hospital and complementary services delivered robust 18.3% normalised EBITDA growth from 6.0% revenue growth during FY2022.
- We are excited about the purchase of the non-clinical operations of East Coast Radiology business (effective 1 February) and the Eugene Marias Radiology business (effective 1 August) in South Africa. These businesses contributed R94 million to revenue in the current year and are included in the complementary services business line.
- AMG delivered 2.8% revenue growth with good activity growth in all the markets it operates in. The PET-CT volumes grew by 11.1% in the UK and Ireland delivered 24.4% activity growth. AMG has made progress in expanding our footprint of Community Diagnostic Centres (CDC) and currently operates 7 CDCs, with a further two in development. The ramp up of these operations, the impact of the COVID-19-related contracts highlighted below, inflation pressures and increased energy costs in H2-2022 resulted in normalised EBITDA declining by 11.9% year-on-year.
- The Group's balance sheet remains strong and net debt to normalised EBITDA per the bank covenant contract is at 1.89 times, well below the covenant of 3.5 times.
- During FY022 the Group raised R1.0 billion from our inaugural corporate bond programme, which was 4.5 times oversubscribed and we have also extended the maturity of our international debt. Most of the Group's debt maturity is now extended post 2024.

Summarised Financials	**2022 R'm**	2021 R'm	% change 2021 – 2022
Revenue from continuing operations	**28 206**	26 885	4.9
Normalised EBITDA from continuing operations	**5 039**	5 051	(0.2)
Normalised EBITDA margin (%)	**17.9%**	18.8%	
Attributable profit to ordinary shareholders	**1 531**	1 754	(12.7)

OPERATIONAL REVIEW

SOUTHERN AFRICA

In southern Africa, the hospitals and complementary services segment comprises all the acute hospitals and complementary services which include mental health, acute rehabilitation, renal dialysis, oncology and imaging services. The healthcare services segment comprises Life Nkanyisa (formerly Life Esidimeni) and Life Health Solutions.

Southern Africa	2022 R'm	H2-2022 (pro-forma)[1] R'm	H1-2022 (unaudited) R'm	2021 R'm	H2-2021 (pro-forma)[2] R'm	H1-2021 (unaudited) R'm	% change 2022 vs 2021	% change H2-2022 vs H2-2021	% change H1-2022 vs H1-2021
Revenue	**19 971**	10 472	9 499	19 023	9 936	9 087	**5.0**	5.4	4.5
Hospitals and complementary	**18 615**	9 804	8 811	17 567	9 216	8 351	**6.0**	6.4	5.5
Healthcare services	**1 356**	668	688	1 456	720	736	**(6.9)**	(7.2)	(6.5)
Normalised EBITDA	**3 493**	1 870	1 623	3 258	1 748	1 510	**7.2**	7.0	7.5
Normalised EBITDA (excluding Corporate)	**3 378**	1 800	1 578	2 938	1 556	1 382	**15.0**	15.7	14.2
Hospitals and complementary services	**3 246**	1 739	1 507	2 743	1 483	1 260	**18.3**	17.3	19.6
Healthcare services	**132**	61	71	195	73	122	**(32.3)**	(16.4)	(41.8)
Corporate recoveries	**1 389**	714	675	1 330	693	637	**4.4**	3.0	6.0
Corporate costs	**(1 274)**	(644)	(630)	(1 010)	(501)	(509)	**(26.1)**	(28.5)	(23.8)
Normalised EBITDA margin (incl. Corporate)	**17.5%**	17.9%	17.1%	17.1%	17.6%	16.6%			
Normalised EBITDA margin (excl. Corporate)	**16.9%**	17.2%	16.6%	15.4%	15.7%	15.2%			
Hospitals and complementary services margin	**17.4%**	17.7%	17.1%	15.6%	16.1%	15.1%			
Healthcare services margin	**9.7%**	9.1%	10.3%	13.4%	10.1%	16.6%			

[1] *The pro forma H2-2022 numbers presented are unaudited and derived from deducting H1-2022 unaudited results from the full year audited results to 30 September 2022 (FY2022).*

[2] *The pro forma H2-2021 numbers presented are unaudited and derived from deducting H1-2021 unaudited results from the full year audited results to 30 September 2021 (FY2021).*

FY2022 revenue for southern Africa grew by 5.0% and normalised EBITDA grew by 7.2% versus FY2021. The H2-2022 period saw revenue growth of 5.4% while normalised EBITDA increased by 7.0%. The normalised EBITDA margin for the H2-2022 period was 17.9% and 17.5% for FY2022, compared with the 17.1% we reported at FY2021.

Excluding corporate costs, the southern African operations delivered 15.0% normalised EBITDA growth from 5.0% revenue growth in FY2022, with the margin improving to 16.9% from 15.4% in FY2021.

Corporate costs grew by 26.1% during FY2022 due to ongoing investment in overheads to develop new clinical products, as well as costs related to IT investment, cyber security, cloud migration and software license fees.

The normalised EBITDA margin was positively impacted by the higher activity levels and occupancies since mid-January 2022, tighter management of costs and a reduction in COVID-19-related expenses. Some of these benefits were offset by the early nursing salary increases (implemented in October 2021 versus January 2022) as part of our staff retention strategy, the lower occupancies during late December 2021 (see commentary below), and the accounting impact of the introduction of an employee co-investment share scheme* in the current year.

In our southern African business, R1.7 billion was spent on capex during the current period (FY2021: R1.5 billion) split between maintenance capex of R1.1 billion (FY2021: R1.1 billion) and growth capex of R267 million (FY2021: R18 million).

Acute hospitals

Our acute hospital business delivered a strong result in the current period, especially during the second half of the year.

Our activities and occupancy levels across our hospitals were negatively impacted in the first six months to March 2022 (H1-2022) due to the COVID-19 waves. However, since mid-January 2022 we have seen a strong recovery in a broad range of surgical and medical activities in our acute hospitals.

The normalisation of our activities, following COVID-19 disruptions in prior years, is evident from the 15.8% growth in admissions and 14.8% growth in theatre minutes year-on-year. With fewer COVID-19 patients in our acute hospitals, the average length of stay has declined to 3.7 days (from 4.1 in FY2021) translating into PPD growth of 9.1% in H2-2022 and 5.4% for FY2022 overall.

The improvement in acute hospital activities during the year saw our average acute hospital occupancy level progress from 57.7% in the first six months to March 2022 (H1-2022) to 64.5% for the H2-2022 period. Average occupancy for FY2022 was 61.1% versus 58.1% for FY2021. Acute hospital PPDs have mirrored the improving occupancy levels, growing 2.1% year-on-year in H1-2022, 9.1% in H2-2022 and 5.4% for the full year.

In FY2022 revenue growth for our acute hospitals was 5.3% year-on-year made up of 5.4% growth in PPDs and a 0.1% decrease in revenue per PPD. The decline in revenue per PPD is made up of a 4.25% tariff increase and a 4.35% negative case mix change. This mix change is again a reflection of the normalising of our activity levels, with high revenue intensity COVID-19 cases being replaced by more routine medical and surgical cases with comparatively lower revenue intensity.

* *Refer to pages 5 and 8 for additional information related to share purchases as part of our long-term incentive scheme and co-investment plan (CIP).*

Complementary services
Our complementary services business performed strongly during the current period due to good growth in underlying activities. PPDs grew by 9.4% year-on-year with especially strong growth of 11.7% during H2-2022. Mental health admissions increased by 13.8% year-on-year in FY2022 and by 16.4% in H2-2022. Our renal dialysis services continued to perform consistently, with 2.7% volume growth in FY2022 and a 3.4% increase in H2-2022.

During the current period, we completed our first two imaging transactions in South Africa with the acquisition of the non-clinical operations of the East Coast Radiology (ECR) business (effective 1 February 2022), and the Eugene Marais Radiology business (effective 1 August 2022). ECR has four hospital-based practices (and two community practices), while EMR has one hospital-based practice and so, when combined, we now have five imaging practices within our portfolio of 49 hospitals. These imaging businesses have been incorporated into our complementary services sub-division and contributed R94 million to revenue in the current year.

Revenue for complementary services saw pleasing growth of 21.6% in H2-2022 resulting in 15.0% growth year-on-year for FY2022.

Healthcare services
The Healthcare Services segment consists of Life Health Solutions and Life Nkanyisa.

Revenue from our healthcare services business decreased by 6.9% to R1.4 billion (FY2021: R1.5 billion). This result was largely due to reduced COVID-19-related revenue and the loss of some commercial contracts in Life Health Solutions during FY2022.

Life Nkanyisa has delivered another consistent performance during the current period.

INTERNATIONAL
International revenue only includes revenue from AMG's diagnostic imaging services.

International	2022 R'm	2021 R'm	% change 2022 vs 2021
Revenue			
Diagnostic services	**7 680**	7 474	**2.8**
Normalised EBITDA			
Diagnostic services	**1 596**	1 812	**(11.9)**
Normalised EBITDA margin (%)	**20.8**	24.2	

AMG has delivered to our expectations with all three major geographies (UK, Italy and Ireland) delivering higher scan volumes than in the prior year. However, the financial results in the prior year included COVID-19-related contracts that came to an end in September 2021. This once-off benefits distort the financial comparison against the prior year.

In the **United Kingdom**, Diagnostic Imaging (DI) volumes grew 2.0% year-on-year in FY2022. The mobile units that delivered COVID-19-related CT contracts for the NHS through to 30 September 2021 have been redeployed in the UK for both NHS and private work, and tariffs for this work have reverted to normal pricing. This has resulted in lower revenue and normalised EBITDA per scan when compared with the prior year, although this impact was in-line with our expectations.

PET-CT volumes in the UK have continued to grow strongly in FY2022 and were 11.1% higher than FY2021 volumes. We expect robust demand for PET-CT scanning to continue due to ongoing efforts to identify cancer and treat cancer while in its early stages.

We have made progress during FY2022 in expanding our footprint of Community Diagnostics Centres (CDCs) and currently have seven operational CDCs and a further two CDCs in development.

In **Italy** volumes for the FY2022 period were 7.5% higher year-on-year than FY2021, helped by additional budgets being awarded by Azienda Sanitaria Locale (ASL) in certain locations to assist clinics in reducing waiting lists.

In **Ireland**, the business has delivered another exceptional performance in FY2022. The business continued to benefit from a rebound in activity and increased public sector contracting resulting in FY2022 volumes being 24.4% higher than in FY2021.

These operational results have resulted in AMG delivering 2.8% revenue growth year-on-year (in Rand) for the FY2022 period. However, normalised EBITDA has declined by 11.9% during FY2022 due to the impact of the COVID-19-related contracts ending at the end of FY2021 and also the impact of higher salary inflation and increased energy costs. These factors have led the normalised EBITDA margin for AMG to moderate to 20.8% versus the 24.2% we reported at FY2021.

AMG's capex spend in FY2022 totalled £50 million (FY2021: £39 million), of which £21 million was invested in growth opportunities (FY2021: £17 million) and £29 million (FY2021: £22 million) in maintenance capex spend.

Growth initiatives

Growth initiatives comprise broadening the Group's exposure across the healthcare continuum and include the development of cyclotron capability and clinical quality products within South Africa and LMI product development internationally.

LMI is our primary International growth initiative. Notwithstanding the disappointing Aduhelm® reimbursement decision in FY2022, NeuraCeq® sales have increased during the year. This is due a number of pharmaceutical companies having increased the pace of their clinical trials of other disease modifying drugs within the Alzheimer's field. The increase in clinical trial sales of NeuraCeq® and other LMI products has resulted in LMI's revenue growing by 43.4% year-on-year (in Rands). During September 2022 Eisai announced positive results for its phase 3 clinical trial on lecanemab, one of three Alzheimer's disease modifying drugs currently in clinical trials. Eisai is likely to proceed with a full FDA approval application on the back of these trial results, and we will closely watch developments with regards to this, and other ongoing trials, during 2023.

For the FY2022 period revenue from growth initiatives, entirely from LMI, grew 43.4% to R555 million (FY2021: R387 million).

The normalised EBITDA loss increased to R50 million (from a loss of R19 million in the prior period) largely due to our to our operational investment in LMI including investment into our US salesforce and our tau tracer product which will proceed into phase 3 trials during 2023.

GROUP FINANCIAL PERFORMANCE

Group revenue from continuing operations increased by 4.9% to R28.2 billion (FY2021: R26.9 billion) consisting of a 5.0% increase in southern African revenue to R20.0 billion (FY2021: R19.0 billion), a 2.8% increase in international revenue from continuing operations to R7.7 billion (FY2021: R7.5 billion) and R555 million revenue contribution from growth initiatives (FY2021: R388 million).

The results for the Group have however been impacted by a number of once off items in the current year and the prior year that distort the comparison against the prior year. These items include:

- The Group assisted the National Health Service in the United Kingdom in providing COVID-19 scanning services through its mobile fleet. These contracts came to an end at the end of the September 2021. The financial impact of these services is included in the prior period but did not recur in the current period. The mobile fleet has been redeployed in the UK and is now providing services at the normal tariff. Therefore the mix in the International business has changed and has impacted revenue and normalised EBITDA when compared with the prior year.
- The Group introduced a co-investment share scheme for senior management across the Group to retain talent, drive performance and to align senior management with shareholders. The impact of this scheme, and an increase in the Group's other long-term incentive schemes due to improved financial performance, increased the share scheme charge in the current year. The effect of this is an increase of R136 million in the current period, which impacts normalised EBITDA.
- Due to the news in early 2022 relating to the lack of reimbursement for Aduhelm® within the USA, the Group reviewed its contingent consideration liability raised related to the acquisition of Life Molecular Imaging (LMI). The Group still believes there will be an amount payable to the prior owners of LMI, but our expectation for reimbursement has been delayed by two years in the USA and three years in Europe. The Group has therefore released an amount of R437 million which impacts the current period's results (for further information see Note 4: Financial Instruments on pages 16 to 18).
- In the prior period the Group disposed of Scanmed in Poland and a profit of R87 million was included in the prior period from this discontinued operation.
- The Group is disputing the interpretation by the tax authorities in South Africa, the South African Revenue Service (SARS), of a contractual arrangement between Life Healthcare and its subsidiary companies related to payroll services and the resultant VAT treatment. Even though there is no loss to the fiscus and the Group's strong legal and tax opinions on the matter, the Group has prudently provided R199 million.

Normalised EBITDA from continuing operations decreased by 0.2% to R5.0 billion (FY2021: R5.1 billion). This normalised EBITDA decline was largely driven by our international operations which saw normalised EBITDA decline by 11.9% to R1.6 billion (FY2021: R1.8 billion) due to the factors described above.

EARNINGS PER SHARE (EPS), HEADLINE EARNINGS PER SHARE (HEPS) AND NORMALISED EARNINGS PER SHARE (NEPS)

Our EPS and HEPS metrics have all been impacted by the once-off items referred to on page 31. We have included a reconciliation of the movements between EPS and HEPS on page 3.

EPS from continuing operations decreased by 7.7% to 105.8 cents (FY2021: 114.6 cents) while EPS from continuing and discontinued operations decreased by 12.3% to 105.8 cents (FY2021: 120.6 cents).

HEPS from continuing and discontinued operations decreased by 4.5% to 106.1 cents (FY2021: 111.1 cents).

NEPS from continuing operations, which excludes non-trading related items (some of which are shown in the headline earnings reconciliation on page 3, and the table on page 33), decreased by 12.2% to 96.4 cents (FY2021: 109.8 cents). NEPS from continuing and discontinued operations decreased by 14.5% to 96.4 cents (FY2021: 112.7 cents). The presentation of normalised earnings metrics are non-IFRS measures.

Reconciliation of Headline earnings (HEPS) and Normalised earnings (NEPS)[1]	2022 R'm	2021 R'm	% change	2022 cps	2021 cps	% change
Weighted average number of shares at the end of the year (millions)	**1 447**	1 454	(0.5)			
Profit/(loss) attributable to ordinary equity holders	**1 531**	1 754	(12.7)	**105.8**	120.6	(12.3)
(Profit)/loss from discontinued operation attributable to ordinary equity holders	**–**	(87)		**–**	(6.0)	
Profit from continuing operations attributable to ordinary equity holders	**1 531**	1 667	(8.2)	**105.8**	114.6	(7.7)
Adjustments (net of tax and non-controlling interest):						
Impairment of assets and investments	**–**	14		**–**	1.0	
Loss on disposal of property, plant and equipment	**5**	10		**0.3**	0.7	
Profit on remeasuring previously held interest in associate to fair value	**–**	(28)		**–**	(1.9)	
Headline earnings from continuing operations	**1 536**	1 663	(7.6)	**106.1**	114.4	(7.3)
Transaction costs relating to acquisitions and disposals	**10**	3		**0.7**	0.2	
Retirement benefit asset and post-employment medical aid income	**(23)**	(24)		**(1.6)**	(1.7)	
Fair value adjustments to contingent consideration	**(406)**	–		**(28.1)**	–	
Dispute on contract interpretation provision	**199**	–		**13.8**	–	
Unwinding of contingent consideration	**75**	62		**5.2**	4.3	
Fair value loss on equity instrument	**5**	12		**0.3**	0.8	
Deferred tax raised previously not recognised and effective tax rate change	**–**	(118)		**–**	(8.2)	
Normalised earnings from continuing operations	**1 396**	1 598	(12.6)	**96.4**	109.8	(12.2)
Normalised earnings from discontinued operation	**–**	42		**–**	2.9	
Normalised earnings from continuing and discontinued operations	**1 396**	1 640	(14.9)	**96.4**	112.7	(14.5)

[1] *Non-IFRS measure.*

CAPITAL EXPENDITURE

The Group invested approximately R2.3 billion (FY2021: R1.9 billion) in capital expenditure (capex), comprised of maintenance capex for the period of R1.6 billion (FY2021: R 1.5 billion) and growth capex of R704 million (FY2021: R357 million).

FINANCIAL POSITION AND LIQUIDITY

The Group remains in a strong financial position with net debt to normalised EBITDA (as per bank covenant definitions) as at 30 September 2022 of 1.89 times, compared to the 1.82 times reported at 30 September 2021, and remains within our covenant of 3.5 times.

The available undrawn facilities as at 30 September 2022 amounted to R4.4 billion (down from R6.6 billion at the end of the FY2021 period).

In addition, the Group, through its funding company Life Healthcare Funding Limited, launched its inaugural listed corporate bond programme during 2022, successfully raising R1.0 billion across the three- and five-year tenures. The Group also refinanced some existing UK debt, helping to move the bulk of our debt maturities to 2025 or beyond.

DISTRIBUTION

The Board approved a final gross cash dividend of 25.0 cents per ordinary share. The dividend has been declared from income reserves. The dividend is subject to South African dividend withholding tax of 20%, which will be applicable to all shareholders not exempt therefrom, after deduction of which the net cash dividend is 20.00000 cents per share. This dividend declaration brings the total dividend declared during FY2022 to 40.0 cents (FY2021: 25 cents).

The Company's total number of issued ordinary shares is 1 467 349 162 as at 16 November 2022. The Company's income tax reference number is 9387/307/15/1.

In compliance with the requirements of the JSE, the following salient dates are applicable:

Last date to trade cum dividend	Tuesday, 6 December 2022
Shares trade ex the dividend	Wednesday, 7 December 2022
Record date	Friday, 9 December 2022
Payment date	Monday, 12 December 2022

Share certificates may not be dematerialised or rematerialised between Wednesday, 7 December 2022 and Friday, 9 December 2022, both days inclusive.

OUTLOOK

For the twelve months to 30 September 2023 (FY2023), the Group expects continued activity growth in all the markets it operates.

For our southern African operations, we currently anticipate continued volume growth driven by the normalisation of our case mix, as well as introduction of new funder network deals. We also expect continued progress in expanding non-acute services within our operations by the launching of new clinical products in partnership with funders and select acquisitions in non-acute businesses.

For AMG we expect to see continued good growth in demand for our scanning services in the UK and Ireland and remain excited about our CDC rollout. We await the outcome on current Alzheimer's Disease drug trials in the USA during late 2022 and early 2023, which may impact our LMI business.

Inflationary pressures around the world have increased and are likely to continue to impact salary increases, consumable and other cost increases. The severity of these factors is very different in each market and is dependent on the customer base, the nature of government support and public salary increases. We expect the impact to be less severe in southern Africa where we have historically demonstrated our ability to manage these pressures through stringent cost management, increasing operational leverage and negotiating tariff increases. The impact may be more pronounced in some of our international operations where we may not receive adequate pricing adjustments to mitigate pressure on our margins. We are working at containing cost increases and introducing other mitigating actions.

The Group is expected to spend R2.9 billion in capital expenditure in FY2023 which will be funded from internal sources or debt.

CHANGES TO THE BOARD OF DIRECTORS

Shareholders are referred to the announcement released on SENS on 28 July 2022, in which, in keeping with the Board's succession and diversity plans and strategy, the Group announced the appointments of Mr Lars Holmqvist and Dr Jeanne Bolger as independent non-executive directors of the Board, with effect from 1 August 2022.

INVESTOR PRESENTATION

Shareholders are advised that the investor presentation for the twelve months ended 30 September 2022 has been published on Life Healthcare's website (www.lifehealthcare.co.za).

Approved by the board of directors on 16 November 2022 and signed on its behalf:

Dr Victor Litlhakanyane
Chairman

Mr Peter Wharton-Hood
Group Chief Executive

Administration

Executive directors:

Mr PG Wharton-Hood (Group Chief Executive), Mr PP van der Westhuizen (Group Chief Financial Officer)

Non-executive directors:

Dr VL Litlhakanyane (Chairman), Dr JE Bolger, Mr PJ Golesworthy, Ms CM Henry, Mr LE Holmqvist, Prof ME Jacobs, Ms AM Mothupi, Mr JK Netshitenzhe, Dr MP Ngatane, Adv M Sello, Mr GC Solomon and Mr RT Vice

Company Secretary:

Ms J Ranchhod

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Sponsor and Debt Sponsor:

Rand Merchant Bank, a division of FirstRand Bank Limited.

Date: 17 November 2022

NOTE REGARDING FORWARD-LOOKING STATEMENTS

Any forward-looking statements or projections made by the Company, including those made in this announcement, are subject to risk and uncertainties that may cause actual results to differ materially from those projected, and have not been reviewed or reported on by the Group's external auditors.

LIFE HEALTHCARE GROUP HOLDINGS LIMITED

Registration number: 2003/002733/06
Income tax number: 9387/307/15/1
ISIN: ZAE000145892
Share code: LHC

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