THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The definitions commencing on page 5 of this circular apply, *mutatis mutandis*, to this front cover.

Action required

- If you are in any doubt as to the action you should take, please consult your broker, CSDP, banker, accountant, attorney or other professional adviser immediately.
- If you have disposed of all your Brimstone shares, please forward this circular to the purchaser of such shares or to the broker, CSDP, banker, accountant, attorney, or other agent through whom the disposal was effected.
- Brimstone Shareholders are referred to page 1 of this circular, which sets out the action required by them.

BRIMSTONE
INVESTMENT CORPORATION LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 1995/010442/06)
Share code: BRT ISIN: ZAE000015277
Share code: BRN ISIN: ZAE000015285
("Brimstone" or "the Company")

CIRCULAR TO BRIMSTONE SHAREHOLDERS

Regarding:

- **the disposal by Brimstone of a portion of its investment in Life Healthcare on the listing of Life Healthcare, to be effected through the Buybacks;**

and incorporating a

- **notice convening a general meeting of Brimstone Shareholders; and**
- **form of proxy *(yellow)* (for use by certificated shareholders and own-name dematerialised Brimstone Shareholders only).**

Investment bank and sponsor

NEDBANK | CAPITAL

Legal advisers

edward nathan sonnenbergs

Independent reporting accountants

Deloitte.
Deloitte & Touche
Registered Auditors

Transaction communication adviser

CollegeHill

Independent sponsor

Deutsche Bank
Deutsche Securities (SA) (Proprietary) Limited
(A non-bank member of the Deutsche Bank Group)

Structuring adviser

RAND MERCHANT BANK
A division of FirstRand Bank Limited

Date of issue: 23 April 2010

This Circular is available in English only. Copies may be obtained from the registered office of Brimstone, the offices of the investment bank and sponsor and the offices of the independent sponsor whose addresses are set out in the "Corporate information and advisers" section of this circular.

CORPORATE INFORMATION AND ADVISERS

Company secretary and registered office

M O'Dea
1st Floor, Slade House
Boundary Terraces
1 Mariendahl Lane
Newlands
Cape Town, 7700
(PO Box 44580, Claremont, 7735)

Investment bank and sponsor

Nedbank Capital, a division of Nedbank Limited
(Registration number 1951/000009/06)
135 Rivonia Road
Sandown, 2196
(PO Box 1144, Johannesburg, 2000)

Independent reporting accountants

Deloitte & Touche
(Practice number 904899E)
1st Floor, The Square
Cape Quarter
27 Somerset Road
Green Point
Cape Town, 8005
(PO Box 578, Cape Town, 8000)

Joint-global co-ordinator and Joint-Bookrunner for Life Healthcare

Credit Suisse Securities (Europe) Limited
(Registration number 891554)
One Cabot Square
Canary Wharf
London E14 4QJ
United Kingdom

Joint-global co-ordinator and Joint-Bookrunner for Life Healthcare and Structuring Adviser

Rand Merchant Bank,
(A division of FirstRand Bank Limited)
(Registration number 1929/001225/06)
1 Merchant Place
Corner Fredman Drive and Rivonia Road
Sandton, 2196
(PO Box 786273, Sandton, 2146)

Transaction communication adviser

College Hill (Proprietary) Limited,
(Registration number 1997/02334/07)
Fountain Grove Office Park
5 Second Road, Hyde Park, 2196
(PO Box 413187, Craighall, 2024)

Transfer secretaries

Computershare Investor Services (Proprietary) Limited
(Registration number 2004/003647/07)
Ground Floor
70 Marshall Street
Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)

Legal advisers

Edward Nathan Sonnenbergs Inc
(Registration number 2006/018200/21)
150 West Street
Sandown, 2196
(PO Box 783347, Sandton, 2146)

Independent reporting accountants

PricewaterhouseCoopers Inc
Registered Accountants and Auditors
(Registration number 1999/024417/07)
2 Elgin Road
Sunninghill, 2157
South Africa
(Private Bag X36, Sunninghill, 2157)

Joint-global co-ordinator and Joint-Bookrunner for Life Healthcare

Morgan Stanley & Co. International plc
(Registration number 2068222)
25 Cabot Square
Canary Wharf
London E14 4QJ
United Kingdom

Independent sponsor

Deutsche Securities (SA) (Proprietary) Limited
(A non-bank member of the Deutsche Bank Group)
(Registration number 1995/011798/07)
3 Exchange Square
87 Maude Street
Sandton, 2196
(Private Bag X9933, Sandton, 2146)

Place and date of incorporation of Brimstone: Pretoria, South Africa, 2 October 1995.

ACTION REQUIRED BY BRIMSTONE SHAREHOLDERS

The definitions commencing on page 5 apply, *mutatis mutandis*, to this "Action required by Brimstone Shareholders" section.

Please take careful note of the following provisions regarding the action required by Brimstone Shareholders:

1. If you are in any doubt as to what action to take, please consult your broker, CSDP, banker, accountant, attorney or other professional adviser immediately.

2. If you have disposed of all your Brimstone shares, this circular should be handed to the purchaser of such shares or to the broker, CSDP, banker, accountant, attorney or other agent through whom the disposal was effected.

3. The general meeting, convened in terms of the notice incorporated in this circular, will be held at The Athenaeum, Boundary Terraces, No 1 Mariendahl Lane, Newlands, Cape Town, on Monday, 10 May 2010, commencing at 10h00.

4. This circular contains information relating to the disposal by Brimstone of a portion of its investment in Life Healthcare on the listing of Life Healthcare, to be effected through the Buybacks. You should carefully read through this circular and decide how you wish to vote on the resolutions to be proposed at the general meeting.

5. **GENERAL MEETING:**

5.1 **If you hold dematerialised shares**

5.1.1 ***Own-name registration***

You are entitled to attend, or be represented by proxy, and may vote, at the general meeting.

If you are unable to attend the general meeting, but wish to be represented thereat, you must complete and return the attached form of proxy (*yellow*), in accordance with the instructions contained therein, to be received by the transfer secretaries, Computershare Investor Services (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) by no later than 10h00 on Thursday, 6 May 2010.

5.1.2 ***Other than own-name registration***

If your CSDP or broker has not contacted you, you are advised to contact your CSDP or broker and provide them with your voting instructions. If your CSDP or broker does not obtain instructions from you, they will be obliged to act in terms of your mandate furnished to them.

You must not complete the attached form of proxy (*yellow*). In accordance with the mandate between you and your CSDP or broker you must advise your CSDP or broker timeously if you wish to attend, or be represented at, the general meeting.

Your CSDP or broker will be required to issue the necessary letter of representation to you to enable you to attend, or to be represented at the general meeting.

5.2 **If you hold certificated shares**

You are entitled to attend, or be represented by proxy, and may vote at the general meeting.

If you are unable to attend the general meeting, but wish to be represented thereat, you must complete and return the attached form of proxy *(yellow)*, in accordance with the instructions contained therein, to be received by the transfer secretaries, Computershare Investor Services (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) by no later than 10h00 on Thursday, 6 May 2010.

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SALIENT DATES AND TIMES

The definitions commencing on page 5 of this circular apply, *mutatis mutandis*, to this "Salient dates and times" section.

	2010
Circular posted to Brimstone Shareholders on	Friday, 23 April
Forms of proxy (*yellow*) for the general meeting to be received by 10h00 on	Thursday, 6 May
General meeting held at 10h00 on	Monday, 10 May
Results of the general meeting announced on SENS on	Monday, 10 May
Results of the general meeting published in the South African press on	Tuesday, 11 May

Notes:

1. All times shown in this circular are South African times.
2. The above dates and times are subject to amendment. Any such amendment will be announced on SENS and published in the South African press.

SALIENT FEATURES OF THE BUYBACKS

The definitions commencing on page 5 of this circular apply, *mutatis mutandis*, to this "Salient features of the Buybacks" section.

Brimstone Shareholders are referred to the SENS announcement dated 8 March 2010 wherein it was announced that, post the strategic review, the Listing of Life Healthcare was the preferred route for the Life Healthcare Shareholders. Brimstone owns an effective 21.65% of Life Healthcare and is the joint largest shareholder.

As part of the Listing, Life Healthcare intends to issue a minimum of 30% of new Life Healthcare ordinary shares, making up not less than 30% of the entire issued share capital of Life Healthcare, to Investing Shareholders. As Life Healthcare is not desirous to raise additional capital, Life Healthcare will use the Listing Proceeds to repurchase, from Life Healthcare Shareholders, the same number of Life Healthcare ordinary shares as were issued to Investing Shareholders. Brimstone intends to directly and indirectly dispose of a portion of its effective interest in Life Healthcare through the Buybacks. It is expected that Brimstone will dispose of approximately 6.10% of Life Healthcare through the Buybacks. Brimstone will therefore retain an effective 15.55% interest in Life Healthcare.

The purpose of this circular is to provide Brimstone Shareholders, in compliance with the Listings Requirements, with details relating to the Buybacks and to convene a general meeting of Brimstone Shareholders in order to obtain shareholder approval for the implementation of the Brimstone Buybacks.

Given that the bookbuild price is uncertain at this stage and therefore the proceeds to be received from the Brimstone Buybacks is also uncertain, Brimstone Shareholders are asked to give the directors authority to use their discretion to determine whether Brimstone should participate in the Brimstone Buybacks or not. Brimstone directors will make this decision whilst taking into account the best interests of the Brimstone Shareholders. The Life Buyback Price will be an amount based on the bookbuild price, including downward adjustments for STC and STT.

Brimstone Shareholders are being requested to approve the implementation of the Brimstone Buybacks prior to the bookbuild price being determined in order to allow Brimstone to participate in the Brimstone Buybacks on the Listing, should it so decide.

Subsequent to the successful implementation of the Listing and the Buybacks, Brimstone, together with Mvelaphanda plans to undertake a series of internal restructurings that will culminate in the Unbundling of certain Brimstone and Mvelaphanda controlled entities' remaining shareholdings in Life Healthcare. However, approval for this will be sought at a later stage. Subsequent to the Unbundling, Brimstone will retain a stake of approximately 2.98% in Life Healthcare through its wholly-owned subsidiary, Newshelf 831.

Brimstone intends to use the proceeds received from the Brimstone Buybacks to reduce certain debt funding.

DEFINITIONS

In this circular, unless the context indicates the contrary, the following expressions have the meanings assigned to them below, and an expression which denotes any gender includes the other genders, any reference to a natural person includes a juristic person and *vice versa*, and the singular includes the plural and *vice versa*.

"ABS Vehicle"	A vehicle to be agreed to between Mvelaphanda and Brimstone, and to be listed on the JSE as an asset-backed security;
"Act"	the Companies Act, 1973 (Act 61 of 1973), as amended;
"Ammed Indemnity"	the indemnity set out in clause 4.3 of the second addendum to the shareholders' agreement in respect of Life Healthcare whereby Life Healthcare indemnifies Ammed Trust from certain costs;
"Ammed Indemnity amount"	the amount payable (if any), by Life Healthcare to Ammed Trust in terms of the Ammed Indemnity, to the extent only that such amount is paid by Life Healthcare to Bidco 813 as part of the Bidco 813 Buyback;
"Ammed Trust"	the Ammed Management Trust (IT2358/05), the vehicle through which certain management employees of Life Healthcare hold their shareholdings in Life Healthcare;
"Ammed Trust Buyback"	the share buyback by Bidco 813 of Bidco 813 ordinary shares from the Ammed Trust as detailed in paragraph 4.1.3;
"Ammed Trust Buyback Agreement"	the agreement between Bidco 813 and Ammed Trust governing the Ammed Trust Buyback as detailed in paragraph 4.1.3;
"beneficial owner"	a beneficial owner of dematerialised shares who is recorded in the beneficial owner records maintained by a CSDP;
"Bidco 813"	Business Venture Investments No 813 (Proprietary) Limited (registration number 2003/026464/07), a private company incorporated and registered in South Africa and a subsidiary of Bidco 931. The shareholders of Bidco 813 are: • Bidco 931 – 86.53% (direct holding) • Ammed Trust – 3.29% (direct holding) • Staff Trust – 10.18% (indirect holding through Newshelf 779);
"Bidco 813 Buyback"	the share buyback by Life Healthcare of Life Healthcare ordinary shares from Bidco 813 as detailed in paragraph 4.1.2;
"Bidco 813 Buyback Agreement"	the agreement between Life Healthcare and Bidco 813 governing the Bidco 813 Buyback as detailed in paragraph 4.1.2;
"Bidco 813 holding"	the number of Life Healthcare ordinary shares held by Bidco 813 after the Life Buyback multiplied by Bidco 931's percentage shareholding in Bidco 813;
"Bidco 813 STC credit"	the amount of the STC credit that remains available to Bidco 813 after the Ammed Trust Buyback and the Newshelf 779 Buyback, multiplied by Bidco 931's percentage shareholding in Bidco 813;
"Bidco 931"	Business Venture Investments No 931 (Proprietary) Limited (registration number 2004/034602/07), a private company incorporated and registered in South Africa. The shareholders of Bidco 931 are: • Newshelf 778 – 50% (direct holding) • Newshelf 776 – 50% (direct holding);

"Bidco 931 Dividend"	the cash distribution received from Bidco 813 by Bidco 931 after the Newshelf 779 Buyback and the Ammed Trust Buyback as detailed in paragraph 4.1.4;
"board" or "directors"	the board of directors of Brimstone, comprising, as at the date of this circular, the directors reflected on page 11 of this circular;
"bookbuild"	the process through which the price of Life Healthcare ordinary shares will be determined;
"bookbuild price"	the price at which Life Healthcare shares will be issued to Investing Shareholders and which will be determined through the bookbuild;
"Brimco"	Brimco (Proprietary) Limited (registration number (1998/001775/07), a private company incorporated and registered in South Africa and a wholly-owned subsidiary of Brimstone;
"Brimstone" or "the Company"	Brimstone Investment Corporation Limited (registration number 1995/0101442/06, incorporated on 2 October 1995 in Pretoria), a public company incorporated and registered in South Africa with its ordinary shares and N shares listed on the main board of the JSE (share codes BRT and BRN, respectively);
"Brimstone Group"	Brimstone and its subsidiaries;
"Brimstone Buybacks"	collectively, the Newshelf 778 Buyback and Newshelf 831 Buyback;
"Brimstone ordinary shares" or "ordinary shares"	Brimstone ordinary shares having a par value of 0.1 cents each in the issued share capital of Brimstone and carrying 100 votes per share;
"Brimstone N shares" or "N shares"	Brimstone N ordinary shares having a par value of 0.001 cents each in the issued share capital of Brimstone and carrying 1 vote per share. N shares rank *pari passu* with ordinary shares in all other respects;
"Brimstone share(s)"	collectively, the Brimstone ordinary share(s) and Brimstone N share(s);
"Brimstone Shareholder(s)"	holder(s) of Brimstone shares;
"business day"	any day other than a Saturday, Sunday or official public holiday in South Africa;
"Buybacks"	collectively, the Life Buyback (including the Newshelf 831 Buyback) and the Newshelf 778 Buyback;
"certificated share(s)"	share(s) which have not been dematerialised, title to which is represented by a share certificate(s) or other document(s) of title;
"certificated shareholder(s)"	holders of certificated share(s);
"CGT"	capital gains taxation as levied in terms of Schedule 8 of the Income Tax Act;
"circular"	this bound circular dated 23 April 2010, including all annexures and attachments hereto;
"CSDP"	a Central Securities Depository Participant registered in terms of the Securities Services Act and appointed by individual shareholder(s) for the purpose of and in regard to dematerialisation of his (their) Brimstone shares;
"Deloitte & Touche" or "independent *pro forma* reporting accountants and auditors"	Deloitte & Touche, Registered Auditors, the independent *pro forma* reporting accountants and auditors;
"dematerialised share(s)"	share(s) which have been dematerialised through a CSDP or broker and replaced by electronic record(s) of ownership under the Strate system;

"dematerialised shareholder(s)"	holders of dematerialised share(s);
"document(s) of title"	share certificate(s), certified transfer deed(s), balance receipt(s) and other document(s) of title to share(s) acceptable to Brimstone;
"DocVest"	Life Doctor Investments Limited (registration number 2005/016684/06), a public company incorporated and registered in South Africa, the company through which certain doctors of Life Healthcare hold their shareholding in Life Healthcare;
"Edward Nathan Sonnenbergs" or "ENS"	Edward Nathan Sonnenbergs Inc. (registration number 2006/018200/21), the legal advisers;
"EPS"	earnings per share;
"general meeting"	the general meeting of Brimstone Shareholders to be held at The Athenaeum, Boundary Terraces, No 1 Mariendahl Lane, Newlands, Cape Town on Monday, 10 May 2010 commencing at 10h00 to consider and, if deemed fit, approve the resolutions required to effect the Brimstone Buybacks;
"HEPS"	headline EPS;
"Income Tax Act"	the Income Tax Act, 1962 (Act 58 of 1962), as amended;
"IDC"	Industrial Development Corporation of South Africa Limited (registration number 1940/014201/06), a public company incorporated and registered in South Africa;
"Investing Shareholders"	a person(s) or entity(ies) that subscribes for Life Healthcare ordinary shares on the Listing;
"JSE"	the stock exchange operated by the JSE Limited (registration number 2005/022939/06), a public company incorporated and registered in South Africa, licensed as an exchange under the Securities Services Act;
"last practicable date"	the last practicable date prior to the finalisation of this circular, being Friday, 16 April 2010;
"Life Buyback"	the buyback from Life Healthcare Shareholders by Life Healthcare of a minimum of 30% of Life Healthcare ordinary shares in issue held by them immediately prior to the Listing, using the Listing Proceeds;
"Life Buyback Price"	the price per Life Healthcare ordinary share as agreed to by: • Life Healthcare and Newshelf 831 per the Newshelf 831 Buyback Agreement; and • Life Healthcare and Bidco 813 per the Bidco 813 Buyback Agreement (excluding the Ammed Indemnity amount). The Life Buyback Price will be an amount based on the bookbuild price, including downward adjustments for STC and STT;
"Life Healthcare" or "LHG"	Life Healthcare Group Holdings (Proprietary) Limited (registration number 2003/002733/07) a private company incorporated and registered in South Africa;
"Life Healthcare Group"	Life Healthcare and its subsidiaries;
"Life Healthcare N shares"	N shares in the issued share capital of Life Healthcare which will convert to Life Healthcare ordinary shares at or before the Listing;
"Life Healthcare ordinary shares"	ordinary shares in the issued share capital of Life Healthcare;
"Life Healthcare Shareholders"	the holders of Life Healthcare Shares as represented on the share register of Life Healthcare on the date the MOU was signed, being Thursday, 4 March 2010;

"Life Healthcare Shares"	collectively, the Life Healthcare ordinary shares and the Life Healthcare N shares (if any);
"Listing"	the proposed listing of Life Healthcare on the JSE;
"Listing Proceeds"	the proceeds received by Life Healthcare on Listing through the subscription for Life Healthcare ordinary shares by Investing Shareholders;
"Listings Requirements"	the JSE Listings Requirements, as amended from time to time;
"Lock-up period"	the period commencing on the date the MOU was signed, being Thursday, 4 March 2010, and ending 180 days from the date of the Listing during which time Life Healthcare Shareholders are prohibited, in terms of, *inter alia*, the MOU, from disposing of Life Healthcare Shares other than as part of the Listing;
"MOU"	the Memorandum of Understanding, an agreement entered into between all of the Life Healthcare Shareholders on Thursday, 4 March 2010 as amended, that governs the Listing process. Brimstone Shareholders are referred to the SENS announcement dated 8 March 2010;
"Mvelaphanda"	Mvelaphanda Group Limited (registration number 1995/004153/06), a public company incorporated and registered in South Africa with its ordinary shares listed on the main board of the JSE (share code MVG);
"N share capital" or "Brimstone N share capital"	the total value of the share capital of Brimstone attributable to the Brimstone N shares;
"NAV (per share)"	net asset value per share;
"Nedbank"	Nedbank Limited (registration number 1951/000009/06), a public company incorporated and registered in South Africa and a wholly-owned subsidiary of the JSE listed Nedbank Group Limited (share code NED);
"Nedbank Capital"	Nedbank Capital, a division of Nedbank, the investment bank and sponsor;
"Newshelf 776"	Newshelf 776 (Proprietary) Limited (registration number 2005/012471/07), a private company incorporated and registered in South Africa;
"Newshelf 776 and Newshelf 778 cash dividend"	the special cash dividend of R180 million to be paid to each of Newshelf 776 and Newshelf 778 by Bidco 931 as detailed in paragraph 4.1.5;
"Newshelf 778"	Newshelf 778 (Proprietary) Limited (registration number 2005/011914/07), a private company incorporated and registered in South Africa and a wholly-owned subsidiary of Brimstone;
"Newshelf 778 Buyback"	the share buyback by Bidco 931 of Bidco 931 ordinary shares from Newshelf 778 as detailed in paragraph 4.1.6;
"Newshelf 778 Buyback Agreement"	the agreement between Bidco 931 and Newshelf 778 governing the Newshelf 778 Buyback as detailed in paragraph 4.1.6;
"Newshelf 779"	Newshelf 779 (Proprietary) Limited (registration number 2005/013064/07), a private company incorporated and registered in South Africa and wholly-owned by the Staff Trust;
"Newshelf 779 Buyback"	the share buyback by Bidco 813 of Bidco 813 ordinary shares from Newshelf 779 as detailed in paragraph 4.1.3;
"Newshelf 779 Buyback Agreement"	the agreement between Bidco 813 and Newshelf 779 governing the Newshelf 779 Buyback as detailed in paragraph 4.1.3;
"Newshelf 831"	Newshelf 831 (Proprietary) Limited (registration number 2006/017554/07), a private company incorporated and registered in South Africa and a wholly-owned subsidiary of Brimstone;

"Newshelf 831 Buyback"	the share buyback by Life Healthcare of Life Healthcare ordinary shares from Newshelf 831 as detailed in paragraph 4.1.1;
"Newshelf 831 Buyback Agreement"	the agreement between Life Healthcare and Bidco 831 governing the Bidco 831 Buyback as detailed in paragraph 4.1.1;
"Old Mutual"	Old Mutual Life Assurance Company (South Africa) Limited (registration number 1999/004643/06), a public company incorporated and registered in South Africa;
"Omsfin"	Old Mutual Specialised Finance (Proprietary) Limited (registration number 1998/013266/07), a private company incorporated and registered in South Africa;
"ordinary share capital" or "Brimstone ordinary share capital"	the total value of the share capital of Brimstone attributable to the Brimstone ordinary shares;
"own-name dematerialised shareholder"	a beneficial owner of dematerialised shares who has instructed his/her CSDP to enter his/her own name in the CSDP's sub-register;
"Pre Newshelf 778 Buybacks"	collectively the Bidco 813 Buyback, the Ammed Trust Buyback and the Newshelf 779 Buyback, unless: • Bidco 931 and Newshelf 778 agree to waive the implementation of the Newshelf 779 Buyback agreement as a condition to the Newshelf 778 Buyback, in which case the Newshelf 779 Buyback will be excluded from this definition; and/or • Bidco 931 and Newshelf 778 agree to waive the implementation of the Ammed Trust Buyback agreement as a condition to the Newshelf 778 Buyback, in which case the Ammed Trust Buyback will be excluded from this definition;
"prime overdraft rate"	means the publicly quoted basic interest rate *per annum* ruling from time to time at which Nedbank lends on overdraft to its best grade customers on an unsecured basis, compounded monthly in arrear;
"PwC" or "independent financial reporting accountants"	PricewaterhouseCoopers Inc (registration number 1999/024417/07, duly appointed as reporting accountant and auditors of Life Healthcare;
"Remaining Ammed Indemnity amount"	the Ammed Indemnity amount (if any) less the Utilised Ammed Indemnity amount;
"Remaining Bidco 931 Dividend"	the remainder of the Bidco 931 Dividend after the Newshelf 776 and Newshelf 778 cash dividend;
"RMB Ventures"	RMB Ventures (Proprietary) Limited (registration number 2004/005571/07), a private company incorporated and registered in South Africa;
"the register" or "share register"	the register of Brimstone Shareholders, including Brimstone's sub-registers maintained by CSDPs;
"Sea Harvest"	Sea Harvest Corporation Limited (registration number 1964/001745/06), a public company incorporated and registered in South Africa;
"SENS"	the Securities Exchange News Service of the JSE;
"South Africa"	the Republic of South Africa;
"Staff Trust"	the Life Healthcare Employee Trust (IT 5563/05), being the vehicle through which certain employees of Life Healthcare hold their shareholding in Life Healthcare;
"STC"	Secondary Tax on Companies levied in terms of section 64B of the Income Tax Act;

"Strate"	Strate Limited (registration number 1998/022248/06), a public company incorporated and registered in South Africa which is registered as a central securities depository in terms of the Securities Services Act, and which is responsible for the electronic settlement system for transactions that take place on the JSE and off market trades;
"STT"	Securities Transfer Tax levied in terms of The Securities Transfer Tax Act, 2007 (Act No. 25 of 2007);
"Tiger Brands"	Tiger Brands Limited (registration number 1944/017881/06), a public company incorporated and registered in South Africa with its ordinary shares listed on the JSE (share code TBS);
"TNAV (per share)"	tangible NAV per share;
"transfer secretaries" or "Computershare"	Computershare Investor Services (Proprietary) Limited (registration number 2004/003647/07), a private company incorporated and registered in South Africa and the transfer secretaries to Brimstone;
"Unbundling"	the proposed unbundling of certain Brimstone and Mvelaphanda controlled entities' remaining shareholding in Life Healthcare to both Brimstone and Mvelaphanda shareholders as set out in paragraph 4.4; and
"Utilised Ammed Indemnity amount"	the Ammed Indemnity amount (if any) multiplied by the same percentage of the Bidco 813 ordinary shares held by Ammed Trust as is repurchased from Ammed Trust by Bidco 813 as set out in paragraph 4.1.3.

BRIMSTONE
INVESTMENT CORPORATION LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 1995/010442/06)
Share code: BRT ISIN: ZAE000015277
Share code: BRN ISIN: ZAE000015285

Directors

Prof G J Gerwel* *(Chairperson)*
F Robertson *(Executive Deputy Chairperson)*
M A Brey *(Chief Executive Officer)*
L Z Brozin *(Financial Director)*
P L Campher*+
M Hewu*+
N Khan*+
M K Ndebele*+
Y Pahad*+
L A Parker*+
A A Roberts*+
F D Roman*+

* Non-executive
+ Independent

CIRCULAR TO BRIMSTONE SHAREHOLDERS

1. **INTRODUCTION**

1.1 **Life Healthcare, the Buybacks and the Unbundling**

Brimstone Shareholders are referred to the SENS announcement dated 8 March 2010 wherein it was announced that, post the strategic review, the Listing of Life Healthcare was the preferred route for the Life Healthcare Shareholders. Brimstone owns an effective 21.65% of Life Healthcare and is the joint largest shareholder.

As part of the Listing, and in order to create the necessary free float, Life Healthcare intends to issue new Life Healthcare ordinary shares, making up not less than 30% of the entire issued share capital of Life Healthcare, to Investing Shareholders. As Life Healthcare is not desirous to raise additional capital, Life Healthcare will use the Listing Proceeds to repurchase, from Life Healthcare Shareholders, the same number of Life Healthcare ordinary shares as were issued to Investing Shareholders. Brimstone intends to, directly and indirectly, dispose of a portion of its effective interest in Life Healthcare through the Buybacks. It is expected that Brimstone will dispose of approximately 6.10% of Life Healthcare through the Buybacks. Brimstone will therefore retain an effective 15.55% interest in Life Healthcare.

Subsequent to the successful implementation of the Listing and the Buybacks, Brimstone, together with Mvelaphanda plans to undertake a series of internal restructurings that will culminate in the Unbundling of certain Brimstone and Mvelaphanda controlled entities' remaining shareholdings in Life Healthcare. However, approval for this will be sought at a later stage. Subsequent to the Unbundling, Brimstone will retain a stake of approximately 2.98% in Life Healthcare through its wholly-owned subsidiary, Newshelf 831.

1.2 **Bookbuild price**

The bookbuild price will be determined through the bookbuild, key features of which are set below:

- The bookbuild will be undertaken by Life Healthcare's financial advisers which are a consortium of local and international investment banks comprising Credit Suisse Securities (Europe) Limited, Morgan Stanley & Co. International plc and Rand Merchant Bank (a division of FirstRand Bank Limited);

- The bookbuild process will take place over the entire offer period (generally two weeks). This will allow sufficient time for potential investors to perform an analysis of the offer;
- All potential investors will have the same information available to them in order to make their investment decision;
- The bookbuild price will then be determined based on supply and demand; and
- The objective of the bookbuild is to achieve optimal pricing for the Life Healthcare ordinary shares being sold to Investing Shareholders.

2. **PURPOSE OF THIS CIRCULAR**

The purpose of this circular is to provide Brimstone Shareholders, in compliance with the Listings Requirements, with details relating to the Buybacks and to convene a general meeting of Brimstone Shareholders in order to obtain shareholder approval for the implementation of the Brimstone Buybacks.

Given that the bookbuild price is uncertain at this stage and therefore the proceeds to be received from the Brimstone Buybacks is also uncertain, Brimstone Shareholders are asked to give the directors authority to use their discretion to determine whether Brimstone should participate in the Brimstone Buybacks or not. Brimstone directors will make this decision whilst taking into account the best interests of the Brimstone Shareholders.

Brimstone Shareholders are being requested to approve the implementation of the Brimstone Buybacks prior to the bookbuild price being determined in order to allow Brimstone to participate in the Brimstone Buybacks on the Listing should it so decide.

Brimstone intends to use the proceeds from the Brimstone Buybacks to reduce certain debt funding.

The *pro forma* financial information of Brimstone detailed in paragraph 5.2 and Annexure 1 to this circular shows the *pro forma* financial effects of the Brimstone Buybacks on a Brimstone Shareholder using the carrying value of Life Healthcare as per Brimstone's financial results as at 31 December 2009 as the price at which the Brimstone Buybacks are implemented, however such pricing is for indicative purposes only and may not accurately reflect the price at which the Brimstone Buybacks will be implemented. Brimstone will inform shareholders with regards to the bookbuild price, once it is known and made public by Life Healthcare.

3. **LIFE HEALTHCARE AND LIFE HEALTHCARE SHAREHOLDERS**

3.1 **Background to Life Healthcare**

Life Healthcare is a leading private hospital operator in South Africa. Life Healthcare primarily serves the market for privately insured individuals, representing approximately eight million people. In the 2008 calendar year the private insured market had healthcare expenditures of approximately R64.7 billion (excluding patients' out-of-pocket expenditures and administrative expenditures). The South African private healthcare market is attractive due to a number of factors including high barriers to entry in the private hospital sector; a growing middle class resulting in a growing privately insured population; a high and increasing disease burden in the country; an ageing privately insured population; and an under-resourced public sector healthcare system.

Life Healthcare has more than 25 years experience operating private hospitals in South Africa. Commencing operations in the early 1980s with its first four hospitals, Life Healthcare has grown through acquisitions, capacity expansion within existing facilities, the addition of new lines of business, and development and construction of hospitals. The Group was listed on the JSE in 1999, and subsequently taken private in 2005 by a consortium led by Brimstone and Mvelaphanda, together with Life Healthcare's senior management.

Life Healthcare is primarily a provider of acute care, high technology private hospital services. Life Healthcare's diversified healthcare business is organised into two divisions:

- Hospitals Division, which represented approximately 92% of Life Healthcare's revenues for the 2009 financial year, and includes Life Healthcare's core acute care hospital business, comprising general hospital facilities of various sizes that include intensive care units, high care units, operating theatres, emergency units, maternity units and cardiac units, as well as specialised facilities that provide either inpatient or outpatient services in the areas of acute rehabilitation, chronic renal dialysis, mental healthcare services and radiation and chemotherapy oncology; and
- Healthcare Services Division, which represented approximately 8% of Life Healthcare's revenues for the 2009 financial year, and includes the provision of acute and long-term chronic hospitalisation services to state patients through Life Healthcare Esidimeni, as well as the provision of primary and occupational healthcare through Life Healthcare Occupational Health.

3.2 **Current Life Healthcare Shareholders**

The Life Healthcare Shareholders as at the last practicable date have the following effective beneficial holdings in Life Healthcare:

Shareholder	% Ownership in Life Healthcare
Brimstone	21.65%
Mvelaphanda	21.65%
Old Mutual	14.74%
RMB	14.91%
DocVest	7.20%
Ammed Trust	6.75%
Other	13.10%
TOTAL	**100.00%**

3.3 **Prospects**

The goals of Life Healthcare are to continue providing high quality, cost effective healthcare in South Africa, and to become a leading private hospital operator in other selected emerging markets. In order to achieve these goals, Life Healthcare seeks to implement the following key strategies:

Exploit the breadth and depth of Life Healthcare's existing hospital network

Life Healthcare has detailed plans to grow the capacity of its existing facilities in order to meet increased demand and enhance the profitability and competitiveness of these facilities. These plans are centred on:

- expanding facilities within existing hospitals, through adding additional beds, wards and/or operating theatres. Life Healthcare plans to increase its number of beds by approximately 10.7% of current capacity (approximately 800 beds) over the next two to three years; and
- adding new lines of business to existing hospitals. Life Healthcare intends to introduce new services and disciplines at selected hospitals where there is the opportunity to create niches, for example the expansion of mental health, renal dialysis, acute rehabilitation, frail care and treatment for tuberculosis. Life Healthcare plans to increase the capacity of these new lines of business by approximately 3.6% of current capacity (approximately 270 beds) within the next twelve months.

Because Life Healthcare owns the properties on which most of its hospitals are located, Life Healthcare plans to continue to leverage this existing asset base to support its ability to build capacity in its existing network.

Expand its coverage and penetration of the South African market

Life Healthcare plans to expand the geographic reach of its coverage within South Africa in the acute care hospital sector in order to meet the increasing demand for private healthcare in South Africa. Life Healthcare plans to construct three new acute care hospitals and an additional mental health facility within the next two to three years, including in areas not currently covered by Life Healthcare's geographic network. Through these new developments, Life Healthcare plans to increase its capacity by up to 6.4% of current capacity (up to 480 beds) within the next three years. Life Healthcare has also targeted for acquisition within the next two to three years up to three acute care hospitals; a rehabilitation facility; and two mental health facilities. Through these acquisitions, Life Healthcare plans to increase its capacity by up to 7.3% of current capacity (up to 550 beds) within the next three years. Through this expansion, Life Healthcare aims to improve its national network and increase Life Healthcare's attractiveness for negotiating preferred network arrangements with medical schemes.

Position Life Healthcare for international expansion

Life Healthcare plans to take advantage of opportunities to expand within its existing lines of business in selected attractive emerging markets which display similar characteristics to those experienced in South Africa, such as a rapidly growing middle class, increasing disease burden, underdeveloped public sector healthcare systems, an expanding private health insurance market, a rapidly growing but fragmented private hospital sector and a suitable supply of medical professionals and personnel. Life Healthcare believes that emerging markets such as

India and Turkey and certain areas within the Middle East offer opportunities to leverage its skills, systems and experience. Life Healthcare is also seeking the potential for further growth in African countries where there is access to key clinical resources and access to a market with the scale and financial resources to drive demand for private hospital services.

Maintain Life Healthcare's commitment to world-class healthcare and continue to enhance operational efficiencies

Life Healthcare believes that it delivers world-class, high quality healthcare comparable to private healthcare available at hospitals in developed economies. Life Healthcare aims to maintain this commitment to world-class healthcare by continued improvements in quality benchmarks, including patient satisfaction, clinical outcomes, patient health and safety, and employee health and safety. While maintaining this commitment to quality, Life Healthcare will continue to focus on the improved management of all hospital costs. In the context of the expansion of Life Healthcare's facilities and network, Life Healthcare plans to take advantage of this growth to leverage its fixed cost base and continue improvements in its margins.

Ongoing partnership with government and engagement with healthcare reform in South Africa as it pertains to NHI

In connection with the development of healthcare policy and proposed healthcare reforms in South Africa as it pertains to NHI, Life Healthcare will continue to actively engage with the South African government. Life Healthcare plans to leverage its position as the leading South African operator of hospital public private partnerships in connection with future opportunities to provide services to government. One of Life Healthcare's executives is a member of the Ministerial Advisory Committee on the National Health Insurance system, which has been established in order to advise on the development of healthcare policy in South Africa.

3.4 **Litigation statement**

As at the last practicable date, Life Healthcare Group is not involved in any material litigation or arbitration proceedings, nor are the directors of Life Healthcare Group aware of any proceedings which are pending or threatened, which may have or have had, in the twelve month period preceeding the date of this circular, a material effect on Life Healthcare Group's financial position. Life Healthcare Group, as part of the ordinary course of business, is periodically subject to claims arising from allegations of negligence against doctors or staff at Life Healthcare Group's hospitals.

3.5 **Material change statement**

There have been no material changes in the financial or trading position of Life Healthcare Group between 30 September 2009 and the last practicable date.

3.6 **Material contracts**

The material contract that has been entered into by Life Healthcare during the two years preceding the date of this circular, other than in the ordinary course of the business carried on by Life Healthcare, is the following:

- The MOU, entered into between Life Healthcare and the Life Healthcare Shareholders on or about Thursday, 4 March 2010.

4. **THE BUYBACKS**

4.1 **The Buybacks**

The Listing date is expected to be before the end of June 2010. The Listing Proceeds will be used to fund the Life Buyback.

The Life Buyback Price will be an amount based on the bookbuild price, including downward adjustments for STC and STT.

The Buybacks are effected over several steps as follows, in accordance with Figure 1.

4.1.1 ***Step1(a)***

Newshelf 831 will participate in the Life Buyback by disposing of a minimum of 30% of its stake in Life Healthcare. If 30% of its stake is disposed of, its stake of 4.25% will be reduced to 2.98% and it will receive the Life Buyback Price per Life Healthcare ordinary share sold.

Newshelf 831 may have to dispose of a larger stake in Life Healthcare in order to ensure the required free-float requirements for Life Healthcare are met upon Listing.

4.1.2 ***Step 1(b)***

Bidco 813 will participate in the Life Buyback by disposing of 30% of its stake in Life Healthcare. Its stake of 40.22% will be reduced to 28.15% and it will receive, in aggregate, the Life Buyback Price per Life Healthcare ordinary share sold plus the Ammed Indemnity amount.

4.1.3 ***Step 2***

Bidco 813 will utilise a portion of the proceeds received in Step 1(b) to institute the following two specific share buybacks (the Ammed Trust Buyback and the Newshelf 779 Buyback) from two of its shareholders:

a. The Ammed Trust Buyback: Bidco 813 will repurchase not less than 90% of Ammed Trust's 3.29% shareholding in Bidco 813. Ammed Trust will receive, in aggregate, the Life Buyback Price for every Bidco 813 ordinary share sold plus the Utilised Ammed Indemnity amount; and

b. The Newshelf 779 Buyback: Bidco 813 will repurchase 100% of Newshelf 779's 10.18% shareholding in Bidco 813. Newshelf 779 will receive the Life Buyback Price for every Bidco 813 ordinary share sold.

It is the intention and preference of Bidco 813 to repurchase Ammed Trust's entire shareholding in Bidco 813.

The number of issued ordinary shares in Bidco 813 equals the number of Life Healthcare ordinary shares held by Bidco 813 prior to the Life Buyback.

4.1.4 ***Step 3***

After the Ammed Trust Buyback and the Newshelf 779 Buyback, Bidco 813 could be a wholly-owned subsidiary of Bidco 931. The balance of the cash remaining in Bidco 813 after the Ammed Trust Buyback and the Newshelf 779 Buyback (save for cash required to pay certain STT liabilities in Bidco 813) will be distributed to Bidco 931 as the Bidco 931 Dividend.

Not withstanding the above, to the extent that Bidco 813 has not repurchased Ammed Trust and/or Newshelf 779's entire shareholding in Bidco 813 (or any of their shareholding), the balance of cash remaining in Bidco 813 (save for the Remaining Ammed Indemnity amount and cash required to pay certain STT liabilities in Bidco 813) may, subject to the approval of the board, be distributed *pro rata* to shareholders and Bidco 931 will, in such circumstances, receive the Bidco 931 Dividend.

4.1.5 ***Step 4***

Bidco 931 will use a portion of the Bidco 931 Dividend to pay the Newshelf 776 and Newshelf 778 cash dividend.

4.1.6 ***Step 5***

Bidco 931 will utilise the Remaining Bidco 931 Dividend to institute a specific share buyback (the Newshelf 778 Buyback) from Brimstone's wholly-owned subsidiary, Newshelf 778. The Newshelf 778 Buyback will be governed by the terms of the Newshelf 778 Buyback Agreement, the salient terms of which are represented in step 4 above, and below;

The percentage of Bidco 931 shares repurchased in terms of the Newshelf 778 Buyback will be calculated in accordance with the following formula:

$$\text{Percentage repurchased} = \frac{(\text{Remaining Bidco 931 Dividend} - \text{STT payable}) \times 110\%}{[(\text{Remaining Bidco 931 Dividend} \times 110\%) + (\text{bookbuild price} \times \text{Bidco 813 holding}) + \text{Bidco 813 STC credit}]}$$

The above formula takes into account the STC credit received by Newshelf 778 through the Newshelf 778 Buyback.

On the basis of the bookbuild price being equal to the carrying value of Life Healthcare as per Brimstone's financial results as at 31 December 2009 9.6% of the Bidco 931 ordinary shares in issue will be repurchased from Newshelf 778.

4.1.7 ***Step 6***

Newshelf 778 will use the proceeds received in Steps 4 and 5 to:

a. settle outstanding funding in Newshelf 778 and other funding to the extent possible; and

b. distribute the balance of the cash received to Brimstone as a dividend.

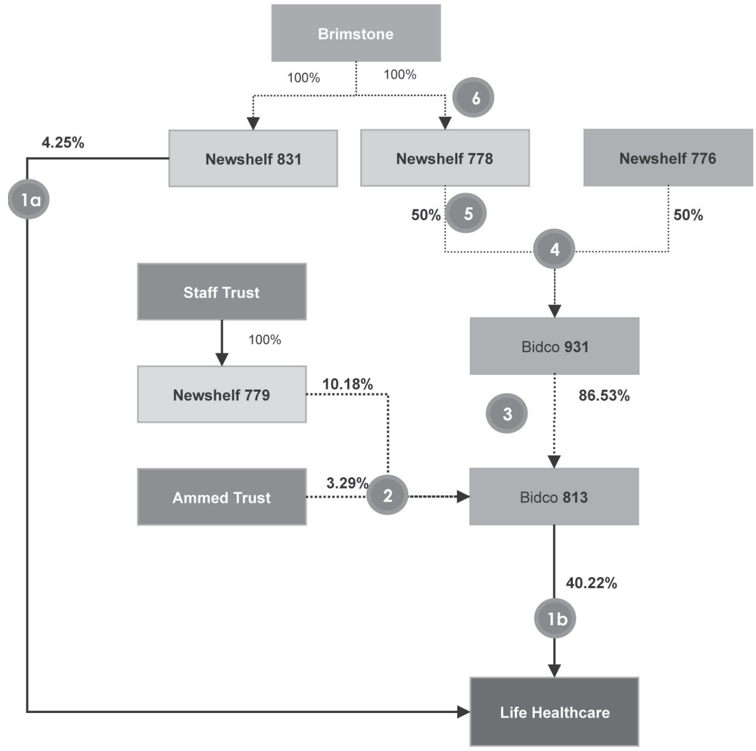

Figure 1: Structure of Brimstone's shareholding in Life Healthcare and the proposed steps.

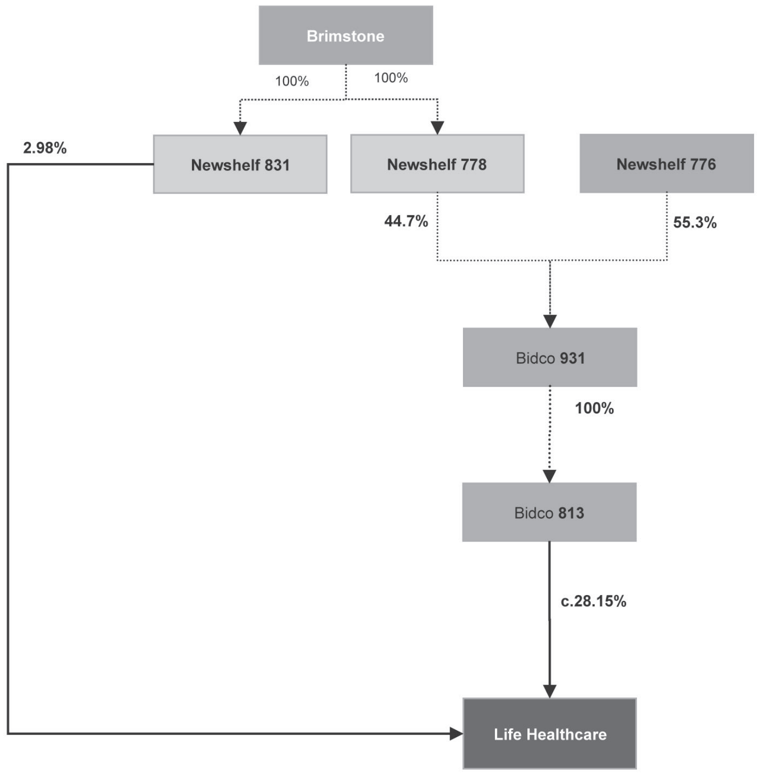

Figure 2: The resultant shareholdings following the Buybacks, assuming Ammed Trust's entire shareholding has been repurchased by Bidco 813.

4.1.8 After the steps outlined above Brimstone will hold the following stakes in Life Healthcare:

- 2.98% direct interest through Newshelf 831; and
- 12.57% indirect interest through Newshelf 778.

4.1.9 Post the Listing, Life Healthcare Shareholders who have not sold out fully will not be allowed to trade in the balance of their Life Healthcare ordinary shares for the duration of the Lock-up period.

4.2 **Rationale for the Brimstone Buybacks**

The rationale for the Brimstone Buybacks can be summarised as follows:

- facilitates the free float requirement for Life Healthcare being met;
- enables Brimstone to settle its current funding obligations in relation to its investment in Newshelf 778 as well as other funding obligations to the extent possible; and
- facilitates the restructuring of Brimstone's complicated funding and holding structure in Life Healthcare that will be required for purposes of the Unbundling.

4.3 **Conditions precedent to the Brimstone Buybacks**

As at the issue date of this circular, all the conditions precedent below are outstanding.

Conditions precedent to the Newshelf 831 Buyback:

- the board approves the Newshelf 831 buyback on the basis that the price received is in the best interests of Brimstone Shareholders;
- Life Healthcare lists on the JSE before the end of June 2010 and is contractually obliged to effect the Life Buyback;
- Brimstone shareholder approval for the Newshelf 831 Buyback is obtained by 15 May 2010; and
- Nedbank and Depfin Investments (Proprietary) Limited consenting in writing to the implementation of the Newshelf 831 Buyback.

Conditions precedent to the Newshelf 778 Buyback:

- the board approves the Newshelf 778 buyback on the basis that the price received is in the best interests of Brimstone Shareholders;
- Life Healthcare lists on the JSE before the end of June 2010 and is contractually obliged to effect the Life Buyback;
- Brimstone shareholder approval for the Newshelf 778 Buyback is obtained by 15 May 2010;
- the successful implementation of the Ammed Trust Buyback Agreement and the Newshelf 779 Buyback Agreement (unless Newshelf 778 and Bidco 931 agree to waive fulfilment of that condition);
- the Bidco 931 Dividend is declared and paid;
- the Newshelf 776 and Newshelf 778 cash dividend is paid;
- a special resolution of Bidco 931 shareholders:
  - authorising the specific buyback of Bidco 931 ordinary shares in terms of the Newshelf 778 Buyback;
  - sub-dividing each ordinary share in the share capital of Bidco 931 having a par value of R1 each, into one million ordinary shares of R0.000001 each;
  - subsequent to the sub-division referred to above, converting 100 000 000 ordinary shares in the authorised but unissued share capital of Bidco 931 having a par value of R0,000001 each into 100 000 000 A Ordinary Shares having the rights, terms and conditions set out in the articles of association of Bidco 931;
  - amending the memorandum and articles of association of Bidco 931 to reflect the new capital structure of Bidco 931 pursuant to the sub-division and conversion referred to above;
  - amending the articles of association of Bidco 931 to incorporate an article setting out the terms attaching to the A Ordinary Shares in the share capital structure of Bidco 931,

  is passed by the shareholders of Bidco 931 in general meeting and is registered by the Companies and Intellectual Property Registrations Office in Pretoria;

- the shareholders of Bidco 931 shall have authorised its directors, by way of a specific authority in terms of section 221 of the Act, to allot and issue the same number of A Ordinary Shares to Newshelf 778 that equate to the number of ordinary shares being repurchased by Bidco 931 from Newshelf 778 (it being recorded that the A Ordinary Shares are being created for the purpose of retaining the joint control position of Newshelf 778 and Newshelf 776 in Bidco 931 following the Newshelf 778 Buyback. The A Ordinary Shares shall have no rights to the profits and/or assets of Bidco 931.);

- the board of directors of Bidco 931 making a written declaration that the implementation of the Newshelf 778 Buyback will not result in Bidco 931 being in breach of the liquidity and solvency requirements set out in section 85(4) of the Act;
- each of the IDC, Nedbank and Depfin Investments (Proprietary) Limited consenting in writing to the implementation of the Newshelf 778 Buyback; and
- Brimstone, and/or a wholly-owned subsidiary thereof, and Mvelaphanda, and/or a wholly-owned subsidiary thereof, shall have entered into a written agreement in relation to the consolidation of various of their remaining interests in Life Healthcare into a vehicle whose shares are intended to be listed as asset backed securities on the investment product sector of the main board of the JSE.

4.4 **Unbundling**

Subsequent to the successful implementation of the Listing and the Buybacks, Brimstone, together with Mvelaphanda intends to undertake a series of internal restructurings that will culminate in the Unbundling of certain Brimstone and Mvelaphanda controlled entities' remaining shareholdings in Life Healthcare to Brimstone and Mvelaphanda shareholders, respectively.

Brimstone and Mvelaphanda will consolidate their interests in Life Healthcare (excluding Brimstone's interest held through Newshelf 831) in the ABS vehicle. The ABS Vehicle will be listed on the JSE as an asset-backed security, holding only Life Healthcare ordinary shares.

Brimstone and Mvelaphanda's stake in the ABS Vehicle will be unbundled to Brimstone and Mvelaphanda Shareholders respectively on or around the listing of the ABS Vehicle which is intended to occur within two months of the Listing of Life Healthcare. Post the Lock-up period it is the intention of the ABS Vehicle to unbundle the Life Healthcare ordinary shares it holds to its shareholders.

Subsequent to the Unbundling, Brimstone will retain a stake of approximately 2.98% in Life Healthcare through its wholly-owned subsidiary, Newshelf 831.

Brimstone Shareholders will receive more information with regards to the Unbundling at a later stage and will be asked for their approval.

5. **FINANCIAL INFORMATION RELATING TO THE BUYBACKS**

5.1 **Historical financial information of Brimstone and Life Healthcare**

The audited consolidated historical financial information of Brimstone for the financial year ended 31 December 2009 was released on Tuesday, 23 February 2010.

The audited consolidated and reviewed historical financial information of Life Healthcare for the three years ended 30 September 2009 is set out in Annexure 4 to this circular.

5.2 ***Pro forma* financial effects of the Buybacks**

Based on Brimstone's published audited consolidated results for the financial year ended 31 December 2009, the *pro forma* financial effects of the Buybacks on Brimstone's EPS, HEPS, NAV and TNAV are set out below. These financial effects are prepared for illustrative purposes only in order to assist shareholders to assess the impact of the Buybacks, and, because of their nature, may not give a fair presentation of Brimstone's financial position after the Buybacks nor the effect of the Buybacks on Brimstone's future earnings. The financial effects are the responsibility of the board. The material assumptions used in the preparation of the financial effects are set out in the notes following the table.

	Before the Buybacks	After the Buybacks	% change
EPS (cents)	136.7	161.1	17.8%
HEPS (cents)	130.9	155.3	18.6%
NAV (cents)	1 030.3	1 065.7	3.4%
TNAV (cents)	922.1	957.5	3.8%
Number of shares in issue ('000)	239 324	239 324	–
Weighted average number of shares in issue ('000)	238 238	238 238	–

Notes:

1. The "Before the Buybacks" information has been extracted, without adjustment, from Brimstone's consolidated audited historical financial information for the 12 months ended 31 December 2009.
2. The above *pro forma* financial effects are based on the assumption that Brimstone disposes of an effective 6.10% of Life Healthcare through the Buybacks. Part of this will be as cash received from the Newshelf 778 Buyback, and the remaining cash will be received as a separate dividend of R180 million from Bidco 931. Prior to the Buybacks, Brimstone held 21.65% of Life Healthcare as a fair value investment through profit or loss. After the Buybacks, Brimstone will have decreased its effective interest in Life Healthcare to 15.55%. Life Healthcare will continue to be accounted for as a fair value investment through profit or loss.
3. In order to provide indicative *pro forma* financial effects of the Buybacks, it has been assumed for purposes of these calculations that the Buybacks were effected at Brimstone's carrying value for its then 21.65% investment in Life Healthcare at 31 December 2009 of R2,823 million. Further to this, no profit or loss is realised on the Buybacks. If the Buybacks are effected at above or below the carrying value, a related profit or loss on the Buybacks will be realised.
4. The Buybacks of R835 million (based on the book value of Brimstone's investment in Life Healthcare at 31 December 2009 and including a special dividend received from Bidco 931 of R180 million) received as a cash dividend by Brimstone of R759.1 million (net of STC) and the related STC credit accounted for as a deferred tax asset of R75.9 million (non-recurring).
5. The EPS and HEPS figures as reflected in the "After the Buybacks" column are based on the assumption that the Buybacks were implemented on 1 January 2009 for the purposes of the statement of comprehensive income.
6. The EPS and HEPS figures were adjusted for the after tax effect (where applicable) of:
   a. a reduction in the amount of dividends received over the period by Brimstone from Life Healthcare amounting to R47.6 million (recurring);
   b. a reduction in taxation through the release of R115.1 million of deferred tax that was over-provided for on Brimstone's investment in Life Healthcare(non-recurring), STC credit of R75.9 million on dividends received (non-recurring) and a R7.7 million charge in respect of adjustments to dividends and finance cost (recurring);
   c. a reduction in finance costs of R28.8 million due to the settlement of long-term funding (see note 9, below) (recurring);
   d. an impairment of the investment in Life Healthcare due to the STC incurred on the Buybacks and not received as cash of R75.9 million (non-recurring);
   e. no adjustment is recorded on the fair value gain of Life Healthcare for the period, as the gain booked on the sale of the effective 6.10% of Life Healthcare at the year end carrying value would have been booked as a fair value gain if the Buybacks had not occurred; and
   f. transaction costs of R30.4 million as detailed in paragraph 21 which are non-deductible for income tax purposes (non-recurring).
7. The NAV and TNAV figures as reflected in the "After the Buybacks" column are based on the assumption that the Buybacks were implemented on 31 December 2009 for the purposes of the statement of financial position.
8. The NAV and TNAV figures were adjusted for:
   a. transaction costs of R30.4 million as detailed in paragraph 21 (non-recurring), which are non-deductible for income tax purposes; and
   b. a reduction of the deferred tax liability of R115.1 million that was over-provided for on Brimstone's investment in Life Healthcare (non-recurring);
9. It has been assumed that Brimstone will utilise any cash proceeds received from the Buybacks to settle any long-term funding in Newshelf 778 held against the investments in Life Healthcare.

Details of the *pro forma* financial effects of the Buybacks on Brimstone's consolidated statement of comprehensive income and the consolidated statement of financial position for the 12 months ended 31 December 2009 are contained in Annexure 1 to this circular.

The independent reporting accountants' report on the above-mentioned *pro forma* financial effects and the *pro forma* consolidated statement of comprehensive income and the *pro forma* consolidated statement of financial position of Brimstone are set out in Annexure 2 to this circular.

6. SALIENT INFORMATION ON BRIMSTONE

6.1 Nature of the business of Brimstone

Brimstone is an investment holding company, holding a diverse portfolio of interests in a number of entities. Brimstone itself does not sell any products nor render any services. Brimstone's underlying investments include:

6.1.1 industrial interests: House of Monatic (Proprietary) Limited, Oceana Group Limited, Sea Harvest Corporation (Proprietary) Limited, Rex Trueform Clothing Company Limited and Tiger Brands;

6.1.2 healthcare interests: The Scientific Group (Proprietary) Limited and Life Healthcare; and

6.1.3 financial services interests: Aon South Africa (Proprietary) Limited, Aon Re Africa (Proprietary) Limited, Lion of Africa Insurance Company (Proprietary) Limited, Old Mutual plc and Nedbank Group Limited.

6.2 Prospects

The financial challenges of the past year may well present opportunities for the future, not only for South Africa and its people, but also for companies like Brimstone. Brimstone's strong balance sheet is based on a portfolio of solid investments that are well positioned to generate cash profits in the year ahead and ensure the sustained growth of the company over the longer-term. The Brimstone group continues to implement measures which seek to provide greater transparency and accountability in the governance of the business and its responsibilities to Brimstone Shareholders. Under the guidance and expertise of Brimstone's executive team, Brimstone will pursue more vigorously its mission of being profitable, empowering and having a positive social impact on Brimstone Shareholders, business partners, the communities in which it conducts its business and its employees.

6.3 **Material loans**

Details of Brimstone's and its subsidiaries' material loans as at 31 December 2009 are set out in Annexure 5 to this circular.

7. **INFORMATION RELATING TO VENDORS**

7.1 In terms of the Listings Requirements, Brimstone is required to disclose certain information relating to transactions concluded in the past 3 years.

7.2 **Brimstone**

7.2.1 In May 2009, a Brimstone led consortium acquired 73.16% of Sea Harvest from Tiger Brands. The details of Tiger Brands and the transaction are detailed below.

7.2.2 The Vendor's physical address is as follows:
Tiger Brands Head Office
3010 William Nicol Drive
Bryanston
Contact person: Clive Vaux
Telephone: +27 11 840 4443

7.2.3 As at 28 February 2010, the names of the beneficial shareholders, direct and indirect, who own more than 5% of the issued ordinary share capital of the Vendor, are as follows:

	% holding of ordinary shares
Government Employee Pension Fund (PIC)	11.88%
Lazard Asset Management LLC Group	8.28%
Investec Asset Management	6.43%
Tiger Consumer Brands Limited	5.44%
Total	**32.03%**

7.2.4 ***Other Vendor information***

The terms of this acquisition do not provide for the guarantee of book debts or the settlement of any taxation liability.

The terms of this acquisition do provide for the guarantee of other assets and normal warranties associated with a transaction of this type.

The sale of shares agreement also requires that from the date of signature of the sale of shares agreement the Vendor shall not directly or indirectly employ or solicit the employment of any management employee of Sea Harvest or of the reconstituted Sea Harvest group for a period of two years.

The sale of shares agreement between Tiger Brands and the Brimstone led consortium does not preclude the Vendor from carrying on business in competition to Sea Harvest.

7.3 **Life Healthcare**

7.3.1 During the 2008 financial year, Life Healthcare acquired all of the minority shares in Life Healthcare Esidimeni from Real Africa Holdings Limited for a total consideration of R180 million payable in cash. Real Africa Holdings Limited is a company listed on the JSE, with its address at Aberdeen House, Peter Place Park, 54 Peter Place, Johannesburg, South Africa. Life Healthcare recovered an amount of R27 million in the 2009 financial year as a result of a purchase price adjustment. Life Healthcare's minority interest line item was affected by this transaction.

7.3.2 During March 2010, Life Healthcare concluded legally binding agreements to acquire 100% of the share capital and shareholder loans in both the operating company as well as the property holding company of a 108 bed hospital in the Southern Cape region of South Africa. The transaction remains subject only to the approval of the Competition Commission, the application for which was submitted in early March 2010.

7.3.3 In July 2008, Life Healthcare also disposed of its 50% interest in the United Kingdom joint venture, Partnership Healthcare Group Plc to Care UK Plc for consideration of £14 147 867 (R204 million) payable in cash. Life Healthcare's interest in Partnership Healthcare Group Plc comprised a joint venture investment with Care UK Plc, which involved the construction and operation of independent sector treatment centres in United Kingdom. Care UK Plc is a company listed on the London Stock Exchange with its address at Connaught House, 850 The Crescent, Colchester Business Park, Colchester, Essex C04 9QB, United Kingdom. No single shareholder controls Care UK. As a result of this disposal, Life Healthcare recognised a profit of R131 million and Partnership Healthcare Group Plc was treated as a discontinued business from July 2008. No directors or promoters of Life Healthcare had any interest in the disposal of Life Healthcare's interest in Partnership Healthcare Group Plc.

8. DIRECTORS AND DIRECTORS' INTERESTS

8.1 Directors' details

The names, qualifications, ages, business addresses and functions of the directors of Brimstone are set out below. All directors are South African:

Name, qualifications and age	Business address	Functions
G J Gerwel BA, BA Hons (UWC), DLitt et Phil (Brussels), LicGermPhil, DHumSC (hc) (Missouri) (64)	3rd Floor Rhodes Building 150 St Georges Mall corner St Georges and Wale Streets Cape Town 8001	Non-executive chairperson
F Robertson (55)	1st Floor, Slade House Boundary Terraces 1 Mariendahl Lane Newlands Cape Town 7700	Executive deputy chairperson
M A Brey BCompt (Hons), CA(SA) (56)	1st Floor, Slade House Boundary Terraces 1 Mariendahl Lane Newlands Cape Town 7700	Chief executive officer
L Z Brozin BComm, BAcc, CA(SA) (54)	64 3rd Avenue Inanda 2196	Financial director
P L Campher BEcon (62)	Bridge House Boundary Terraces 1 Mariendahl Lane Newlands Cape Town 7700	Independent non-executive director
M Hewu BComm (Hons) (46)	14 Queen Victoria Street 7th Floor, Union House Cape Town 8001	Independent non-executive director
N Khan BSc (QS), MAQS, AAArb (53)	2 Orphan Lane Cape Town 8001	Independent non-executive director

Name, qualifications and age	Business address	Functions
M K Ndebele BA (Economics); MSW (Social Planning)(USA Denver) (61)	10 Manatoka Close Pinelands 7405	Independent non-executive director
Y Pahad (61)	36 Hiddingh Avenue Hiddingh Estate Newlands 7700	Independent non-executive director
L A Parker (56)	108 Bofors Circle Epping Industria 7460	Independent non-executive director
A A Roberts Dipl.(Gen. Man.); Dipl.(Proj. Man.) Post-Grad Dipl.(Industrial Econ.) (57)	18 Surcingle Road Hout Bay 7806	Independent non-executive director
F D Roman BA; Post Graduate Secondary Teacher's Diploma (46)	27 Fredman Drive Sandton 2196	Independent non-executive director

8.2 **Directors' emoluments and benefits**

Details of directors' emoluments and benefits for the twelve months ended 31 December 2009 are set out below:

Executive directors

Director	Basic salary R	Other benefits R	Bonus R	Gain on exercise of options R	Total R
M A Brey	1 732 000	156 000	1 246 000	2 720 000	5 854 000
L Z Brozin	1 501 000	140 000	1 080 000	2 720 000	5 441 000
F Robertson	1 528 000	135 000	1 122 000	2 720 000	5 505 000
Total	**4 761 000**	**431 000**	**3 448 000**	**8 160 000**	**16 800 000**

Notes:

1. The executive directors do not receive fees as directors.
2. Other benefits include company contributions to retirement funds and medical aid.
3. No sums were paid by way of expense allowance, commission, gain or profit-sharing arrangements.
4. Options exercised on 13 May 2009.

Non-executive directors

Director	Board fees R	Committee fees R	Gain on exercise of options R	Total R
G J Gerwel	567 000	8 000	3 906 000	4 481 000
P L Campher	53 000	40 000	–	93 000
M Hewu	53 000	16 000	–	69 000
N Khan	53 000	44 000	–	97 000
M K Ndebele	53 000	5 000	–	58 000
Y Pahad	53 000	21 000	–	74 000
L A Parker	53 000	21 000	–	74 000
T M F Phaswana (resigned)	53 000	5 000	–	58 000
A A Roberts	53 000	16 000	–	69 000
F D Roman	53 000	11 000	–	64 000
O Shisana (resigned)	13 000	–	–	13 000
Total	**1 057 000**	**187 000**	**3 906 000**	**5 150 000**

Note:

1. No sums were paid by way of expense allowance, commission, gain or profit-sharing arrangements.

8.3 Directors' interests in Brimstone

As at the 31 December 2009 and the last practicable date, the aggregate beneficial interests of the directors in the Brimstone ordinary share capital were as follows:

Director	Direct	Indirect	Total	% held(1)
M A Brey	1 239 814	3 930 030	5 169 844	11.5%
L Z Brozin	34 514	1 523 216	1 557 730	3.5%
F Robertson	785 414	4 257 766	5 043 180	11.3%
G J Gerwel	791 799	887 966	1 679 765	3.7%
M Hewu	103 000	–	103 000	0.2%
N Khan	128 136	126 712	254 848	0.6%
Y Pahad	210 529	49 100	259 629	0.6%
L A Parker	–	403 000	403 000	0.9%
A A Roberts	55 000	–	55 000	0.1%
Total	**3 348 206**	**11 177 790**	**14 525 996**	**32.2%**

Note:

1. Based on 45 111 547 ordinary shares in issue as at the last practicable date.

As at the 31 December 2009 and the last practicable date, the aggregate beneficial interests of the directors in the Brimstone N share capital were as follows:

Director	Direct	Indirect	Total	% held(1)
M A Brey	380 017	13 260 567	13 640 584	6.1%
L Z Brozin	284 136	12 832 034	13 116 170	5.9%
F Robertson	720 578	14 980 498	15 701 076	7.0%
G J Gerwel	1 675 701	12 161 523	13 837 224	6.2%
M Hewu	356 750	–	356 750	0.2%
N Khan	123 227	1 663 494	1 286 721	0.6%
M K Ndebele	100 000	–	100 000	0.1%
Y Pahad	175 397	1 943 525	2 118 922	1.0%
L A Parker	–	2 043 975	2 043 975	0.9%
A A Roberts	660 000	–	660 000	0.3%
Total	**4 475 806**	**58 385 616**	**62 861 422**	**28.2%**

Note:

1. Based on 223 150 166 N shares in issue as at the last practicable date.

8.4 Directors' interests in share options

Details of directors' interests in share option schemes over ordinary shares for the twelve months ended 31 December 2009 are set out below:

Director	Balance at 31 Dec 2008 #	Exercise price c	Grant date	Expiry date	Exercised during the year #	Gain on options exercised R	Balance at 31 Dec 2009 #	Exercisable at 31 Dec 2009(1) #
M A Brey	54 300	64	30 Jul 03	30 Jul 09	54 300	269 328	–	–
	528 196	120	24 Dec 04	24 Dec 10	264 099	1 162 036	264 097	264 097
L Z Brozin	54 300	64	30 Jul 03	30 Jul 09	54 300	269 328	–	–
	528 196	120	24 Dec 04	24 Dec 10	264 099	1 162 036	264 097	264 097
F Robertson	54 300	64	30 Jul 03	30 Jul 09	54 300	269 328	–	–
	528 196	120	24 Dec 04	24 Dec 10	264 099	1 162 036	264 097	264 097
G J Gerwel	54 300	64	30 Jul 03	30 Jul 09	54 300	269 328	–	–
	528 196	120	24 Dec 04	24 Dec 10	264 099	1 162 036	264 097	264 097
Total	**2 329 984**				**1 273 596**	**5 725 456**	**1 056 388**	**1 056 388**

Notes:

1. The closing share price (cents) at the date of exercise of the options was 521c.
2. No shares are held as a pledge against an outstanding loan in terms of a share trust or share purchase scheme.

Subsequent to 31 December 2009, the following options over ordinary shares were granted to directors.

Director	Exercise price c	Grant date	Expiry date	Number of options granted #
M A Brey	900	17 Feb 10	17 Feb 16	138 500
L Z Brozin	900	17 Feb 10	17 Feb 16	120 100
F Robertson	900	17 Feb 10	17 Feb 16	124 700
Total				**383 300**

Details of directors' interests in share option schemes over N shares for the twelve months ended 31 December 2009 are set out below:

Director	Balance at 31 Dec 2008 #	Exercise price c	Grant date	Expiry date	Exercised during the year #	Gain on options exercised R	Balance at 31 Dec 2009 #	Exercisable at 31 Dec 2009 #
M A Brey	125 837	70	30 Jul 03	30 Jul 09	125 837	497 056	–	–
	444 862	109	24 Dec 04	24 Dec 10	222 431	791 854	222 431	222 431
	246 400	521	27 Feb 08	27 Feb 14	–	–	246 400	98 560
L Z Brozin	125 837	70	30 Jul 03	30 Jul 09	125 837	497 056	–	–
	444 862	109	24 Dec 04	24 Dec 10	222 431	791 854	222 431	222 431
	163 100	521	27 Feb 08	27 Feb 14	–	–	163 100	65 240
G J Gerwel	125 837	70	30 Jul 03	30 Jul 09	125 837	497 056	–	–
	1 111 530	109	24 Dec 04	24 Dec 10	555 764	1 978 520	555 766	555 764
F Robertson	125 837	70	30 Jul 03	30 Jul 09	125 837	497 056	–	–
	444 862	109	24 Dec 04	24 Dec 10	222 431	791 854	222 431	222 431
	220 500	521	27 Feb 08	27 Feb 14	–	–	220 500	88 200
Total	**3 579 464**				**1 726 405**	**6 342 306**	**1 853 059**	**1 475 057**

Notes:

1. The closing share price (cents) at the date of exercise of the options was 465c.
2. No shares are held as a pledge against an outstanding loan in terms of a share trust or share purchase scheme.

8.5 Directors' service contracts and terms of office

At present, all executive directors of Brimstone have employment contracts with Brimstone, the terms of which are standard.

8.6 Directors' interests in transactions

The directors of Brimstone have no direct or indirect beneficial interest in the Buybacks or in transactions effected by the Company during the current financial year or in the preceding financial year or during any prior financial year and which remain in any respect outstanding or unperformed.

9. SHARE CAPITAL

The table below shows the authorised and issued ordinary and N share capital of Brimstone as at the last practicable date:

	R'000
Authorised ordinary share capital	
500 000 000 ordinary shares of 0.1 cents each	500
Authorised N share capital	
1 000 000 000 N shares of 0.001 cents each	10

	R'000
Issued ordinary share capital	
45 111 547 ordinary shares of 0.1 cents each	45
Issued N share capital	
223 150 166 N shares of 0.001 cents each	2
Total share premium	247 101
Total share capital and premium	**247 148**

Notes:

1. Treasury shares:
   a. Ordinary shares – 3 624 400
   b. N shares – 21 261 511

There will be no change to the ordinary share capital or N share capital as a result of the Brimstone Buybacks.

10. MAJOR BRIMSTONE SHAREHOLDERS

As at the last practicable date the following Brimstone Shareholders beneficially held in excess of 5% of the issued ordinary shares of the Company:

	Number of ordinary shares	Holding Ordinary % shares (1)
Corocapital Limited	6 000 000	13.30%
Septen Investments (Proprietary) Limited (3)	3 624 400	8.03%
African Monarch 710 (Proprietary) Limited (2)	3 538 104	7.84%
Brozin/Circuit Finance (Proprietary) Limited (4)	3 174 700	7.04%
RMB Securities (Proprietary) Limited	3 108 931	6.89%
The Mushaky Family Trust (5)	2 623 700	5.82%
Lion of Africa Life Assurance Co Limited (6)	2 574 300	5.71%
Total	**24 644 135**	**54.63%**

Notes:

1. Based on 45 111 547 ordinary shares as at the last practicable date.
2. The beneficial shareholders are M A Brey, L Z Brozin, F Robertson and G J Gerwel.
3. Treasury shares.
4. This entity is controlled by parties related to L Z Brozin.
5. M A Brey has a beneficial interest in this entity.
6. F Robertson has a beneficial interest in this entity.

As at the last practicable date the following Brimstone Shareholders beneficially held in excess of 5% of the issued N ordinary shares of the Company:

	Number of N shares	Percentage holding N shares (1)
African Monarch 710 (Proprietary) Limited (2)	48 549 671	21.76%
Septen Investments (Proprietary) Limited (3)	21 261 511	9.53%
RMB Securities (Proprietary) Limited	11 677 677	5.23%
Total	**81 488 849**	**36.52%**

Notes:

1. Based on 223 150 166 N shares in issue as at the last practicable date.
2. The beneficial shareholders are M A Brey, L Z Brozin, F Robertson and G J Gerwel.
3. Treasury shares.

11. CHANGES IN CONTROLLING BRIMSTONE SHAREHOLDERS

Brimstone currently does not have a controlling shareholder. The trading objects of Brimstone and its subsidiaries have not changed during the previous five years.

12. **MATERIAL CONTRACT**

The following material transaction (being more than 10% of Brimstone's market capitalisation at the time of entering into the agreement) has been entered into during the three years preceding the date of this circular:

- Brimstone entered into an agreement to acquire a further 35.42% effective shareholding in Sea Harvest. Prior to the agreement, Brimstone held an effective 21.52% shareholding. Details were set out in the circular to Brimstone Shareholders dated 13 May 2009.

Other than this and the Brimstone Buybacks contemplated in this circular, no material contracts, other than in the ordinary course of business, have been entered into at any time containing an obligation or settlement that is material to Brimstone or its subsidiaries as at the last practicable date.

13. **MATERIAL CHANGES**

There have been no material changes in the financial or trading position of Brimstone and its subsidiaries between 31 December 2009 and the last practicable date.

14. **WORKING CAPITAL STATEMENT**

The directors of Brimstone are of the opinion that the working capital available to Brimstone and its subsidiaries, subsequent to the Brimstone Buybacks is adequate for the present requirements of Brimstone and its subsidiaries, i.e. for a period of 12 months from the date of issue of this circular.

15. **LITIGATION STATEMENT**

The directors, whose names are set out on page 11 of this circular, are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened, that may have or have in the previous 12 months, had a material effect on the Brimstone Group's financial position.

16. **DIRECTORS' OPINION, RECOMMENDATIONS AND UNDERTAKINGS**

16.1 The board is not currently in a position to express an opinion with regards to the terms and conditions of the Brimstone Buybacks given the uncertainty with regard to pricing. The board will however be diligent when considering the terms and conditions and will only approve the Brimstone Buybacks if they consider them to be fair and that the implementation of the Brimstone Buybacks will be to the benefit of Brimstone Shareholders. Accordingly, the board recommends that Brimstone Shareholders vote in favour of the ordinary resolutions to be proposed at the general meeting.

16.2 The directors of Brimstone with interests in the Company intend to vote in favour of the resolutions to be proposed at the general meeting to approve the Brimstone Buybacks if the implementation of the Brimstone Buybacks will be to the benefit of Brimstone shareholders.

16.3 Directors and other Brimstone Shareholders, who collectively hold approximately 38% of the Brimstone voting rights, have provided irrevocable letters of undertaking to vote in favour of the Brimstone Buybacks if the board is of the opinion that the implementation of the Brimstone Buybacks will be to the benefit of Brimstone shareholders.

16.4 Details of irrevocable letters of undertaking:

Shareholder	Number of "N" shares	% of "N" shares (1)	Number of ordinary shares	% of ordinary shares (2)
African Monarch 710 Investment Holdings (Proprietary) Limited	48 549 671	21.8%	3 538 104	7.8%
Max Brozin Investment Corporation	193 323	0.1%	372 044	0.8%
Circuit Finance (Proprietary) Limited	3 829 737	1.7%	3 174 700	7.0%
Lion of Africa Life Assurance	1 268 104	0.6%	2 574 300	5.7%
Robatsi Family Trust	578 625	0.3%	721 700	1.6%
Lawrie Brozin	284 136	0.1%	34 514	0.1%
Factaprops 26 (Proprietary) Limited	281 600	0.1%	318 399	0.7%
Lion of Africa Admin Services	350 000	0.2%	–	–
Lion of Africa Insurance Co Limited	485 000	0.2%	–	–
Frederick Robertson	720 578	0.3%	785 414	1.7%
Mustaq Ahmed Enus Brey	380 017	0.2%	1 239 814	2.7%
Brimstone Equity Share Trust	573 841	0.3%	15 000	0.0%
Al-Akhwan Investments (Proprietary) Limited	162 675	0.1%	220 000	0.5%
Breyfin (Proprietary) Limited	281 601	0.1%	318 399	0.7%
The Mushaky Family Trust	100 000	0.0%	2 623 700	5.8%
Total	**58 038 908**	**26.0%(3)**	**15 936 088**	**35.3%(3)**

Notes:

1. Based on 223 150 166 N shares in issue as at the last practicable date, including 24 996 920 treasury shares that will not be allowed to vote at the general meeting as per paragraph 18.14.
2. Based on 45 111 547 ordinary shares as at the last practicable date, including 3 940 804 treasury shares that will not be allowed to vote at the general meeting as per paragraph 18.14..
3. Due to rounding, these numbers will not exactly equate to the aggregate of the individual holdings.

17. DIRECTORS' RESPONSIBILITY STATEMENT

The directors, whose names are set out on page 11 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 other 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.

18. GENERAL MEETING OF BRIMSTONE SHAREHOLDERS

18.1 Notice of general meeting

A notice convening a general meeting of Brimstone Shareholders is attached to this circular. The general meeting will be held at The Athenaeum, Boundary Terraces, No 1 Mariendahl Lane, Newlands, Cape Town at 10h00 on Monday, 10 May 2010 to consider and, if deemed fit, pass, with or without modification the requisite resolution to approve and implement the disposal by Brimstone of a portion of its investment in Life Healthcare on the listing of Life Healthcare to be effected through the Buybacks.

If you have dematerialised shares

18.1.1 ***Own name registration***

You are entitled to attend, or be represented by proxy, and may vote at the general meeting.

If you are unable to attend the general meeting, but wish to be represented thereat, you must complete and return the attached form of proxy (*yellow*), in accordance with the instructions contained therein, to be received by the transfer secretaries, Computershare Investor Services (Proprietary) Limited, Ground Floor, Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) by no later than 10h00 on Thursday, 6 May 2010.

18.1.2 ***Other than own name registration***

If your CSDP or broker has not contacted you, you are advised to contact your CSDP or broker and provide them with your voting instructions. If your CSDP or broker does not obtain instructions from you, they will be obliged to act in terms of your mandate furnished to them.

You must not complete the attached form of proxy. In accordance with the mandate between you and your CSDP or broker,you must advise your CSDP or broker timeously if you wish to attend, or be represented at, the general meeting. If you do so, your CSDP or broker will be required to issue the necessary Letter of Representation to you to enable you to attend or to be represented at, the general meeting.

18.2 **If you hold certificated shares**

You are entitled to attend, or be represented by proxy, and may vote at the general meeting.

If you are unable to attend the general meeting, but wish to be represented thereat, you must complete and return the attached form of proxy (*yellow)*, in accordance with the instructions contained therein, to be received by the transfer secretaries, Computershare Investor Services (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) by no later than 10h00 on Thursday, 6 May 2010.

18.3 **Brimstone Shareholder approval**

The Buybacks are subject to approval by ordinary resolutions passed by at least 50% of Brimstone Shareholders present or represented by proxy at the general meeting and entitled to vote.

18.4 **Voting rights**

All issued Brimstone ordinary shares rank *pari passu* with each other. All issued Brimstone N shares rank *pari passu* with each other.

At the general meeting, every Brimstone ordinary shareholder present or represented by proxy shall have one vote on a show of hands, and on a poll, one hundred votes for every Brimstone ordinary share held.

At the general meeting, every holder of a Brimstone N share present or represented by proxy shall have one vote on a show of hands, and on a poll, one vote for every Brimstone N share held.

Treasury shares will not be eligible to vote. These include the 316 404 Brimstone ordinary shares and 3 735 409 Brimstone N shares held by the Brimstone Investment Corporation Limited Share Trust and the 3 624 400 Brimstone ordinary shares and 21 261 511 Brimstone N shares held by Septen Investments Proprietary Limited.

19. EXCHANGE CONTROL REGULATIONS OF SOUTH AFRICA

In the case of certificated shareholders whose registered addresses are outside the common monetary area or where the share certificates are restrictively endorsed in terms of the Exchange Control Regulations, the following will apply:

19.1 **Non-residents who are emigrants from the common monetary area**

Share certificates will be restrictively endorsed "non-resident" in terms of the Exchange Control Regulations and will be sent to the shareholder's authorised dealer in foreign exchange in South Africa controlling his blocked assets.

19.2 **All other non-residents**

Share certificates will be restrictively endorsed "non-resident" in terms of the Exchange Control Regulations.

With regard to dematerialised shareholders whose registered addresses are outside the common monetary area, their shares will be annotated in the company's relevant sub-register as non-resident and statements will be restrictively endorsed in terms of those regulations.

20. CONSENTS

Nedbank Capital, Edward Nathan Sonnenbergs, Deloitte & Touche, PwC, Computershare, Credit Suisse Securities (Europe) Limited, Morgan Stanley & Co. International plc, Rand Merchant Bank (a division of FirstRand Bank Limited), Deutsche Securities (SA) (Proprietary) Limited and College Hill (Proprietary) Limited have consented in writing to act in the capacities stated and to their names being stated in this circular and had not withdrawn the consents, prior to the last practicable date.

21. **EXPENSES RELATING TO THE BUYBACKS**

The expenses relating to the Buybacks are estimated at approximately R13 318 131 and comprise:

Description	**R[1]**
Nedbank Capital	5 000 000
Edward Nathan Sonnenbergs	1 500 000
Public relations, printing and publication costs	100 000
JSE documentation fees (Cat 1)	18 131
Deloitte & Touche	50 000
PwC	50 000
Rand Merchant Bank	6 500 000
Deutsche Securities	100 000
Total	**13 318 131**

Note:

1. Amounts above are exclusive of VAT.

In addition to the expenses outlined above, Brimstone will be liable for a portion of the costs relating to the Listing. Using the carrying value of Brimstone's stake in Life Healthcare as at 31 December 2009, it is estimated that these costs will amount to approximately R17 052 000.

22. **DOCUMENTS AVAILABLE FOR INSPECTION**

The following documents, or copies thereof, will be available for inspection by Brimstone Shareholders at the registered offices of the Company and at the offices of the investment bank and sponsor during normal business hours on normal business days from the date of this circular up to and including the date of the general meeting, being 10 May 2010:

22.1 the memorandum and articles of association of the Company and its subsidiaries;

22.2 the independent reporting accountants' report on the *pro forma* financial information of Brimstone as set out in Annexure 2 to this circular;

22.3 the audited consolidated historical financial information of Brimstone for the preceding three financial years, together with all notes, namely the 2007, 2008 and 2009 consolidated financial statements;

22.4 the audited consolidated financial statements of Life Healthcare for the preceding three financial years ended 30 September 2007, 2008 and 2009, as set out in Annexure 3 to this circular;

22.5 the independent reporting accountants' report on the unaudited historical financial information of Life Healthcare as set out in Annexure 4 to this circular;

22.6 consent letters of the appointed professional advisers as set out in paragraph 20 of this circular;

22.7 the sale of shares agreement entered into between Tiger Brands and Brimstone regarding the sale of Tiger Brand's stake in Sea Harvest;

22.8 the material contracts detailed in paragraph 12 this circular;

22.9 irrevocable letters of undertaking from directors and other Brimstone Shareholders as detailed in paragraph 16.3;

22.10 service agreements with executive directors, managers, promoters and vendors entered into during the prior 3 years; and

22.11 a signed copy of this circular.

By order of the board

Cape Town
23 April 2010

Mustaq Ahmed Enus-Brey
Chief Executive Officer

The definitions commencing on page 5 of this circular apply, *mutatis mutandis*, to these annexures.

ANNEXURES

PRO FORMA FINANCIAL INFORMATION OF BRIMSTONE

The table on the next page sets out the *pro forma* financial effects of the Buybacks on Brimstone Shareholders. The *pro forma* financial effects are calculated for the full financial year ended 31 December 2009 for the purposes of the statement of comprehensive income and as at 31 December 2009 for the purposes of the statement of financial position. These financial effects are prepared for illustrative purposes only, to provide information about how the Buybacks might have affected the financial information presented by Brimstone and, because of their *pro forma* nature, may not give a fair reflection of Brimstone's financial position and the results of its operations. These financial effects are the responsibility of the board. The financial effects have been reviewed by Deloitte & Touche. The independent reporting accountants' report on the abovementioned *pro forma* financial effects is included as Annexure 2 to this circular

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2009

R'000	Audited 12 months to 31 Dec 2009 (1)	Buybacks *pro forma* adjustments (2,3,5)	*Pro forma* 12 months to 31 Dec 2009
ASSETS			
Non-current assets	**4 181 395**	**(835 044)**	**3 346 351**
Property, plant, equipment and vehicles	324 132	–	324 132
Goodwill	12 140	–	12 140
Intangible assets	208 532	–	208 532
Deferred acquisition costs	36 236	–	36 236
Investments in associate companies	261 978	–	261 978
Investments	3 336 153	(835 044)(4,9)	2 501 109
Deferred taxation	2 224	–	93 964
Current assets	**1 417 601**	**312 761**	**1 730 362**
Inventories	191 259	–	191 259
Trade and other receivables	396 135	–	396 135
Reinsurance contracts	491 654	–	491 654
Taxation	4 486	–	4 486
Cash and cash equivalents	334 067	312 761(4,7)	646 828
Total assets	**5 598 996**	**(522 283)**	**5 076 713**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	43	–	43
Capital reserves	262 506	–	262 506
Revaluation reserves	6 753	–	6 753
Retained earnings	2 196 566	84 706(7,8,9)	2 281 272
Attributable to equity holders of the parent	**2 465 868**	**84 706**	**2 550 574**
Non-controlling interests	102 594	–	102 594
Total equity	**2 568 462**	**84 706**	**2 653 168**
Non-current liabilities	**1 878 660**	**(606 989)**	**1 271 671**
Long-term interest bearing borrowings	1 291 891	(416 000)(6)	875 891
Long-term provisions	19 245	–	19 245
Deferred taxation	567 524	(190 989)(4,8)	376 535
Current liabilities	**1 151 874**	**–**	**1 151 874**
Short-term interest bearing borrowings	200 510	–	200 510
Bank overdrafts	17 874	–	17 874
Trade payables	214 026	–	214 026
Other payables	77 331	–	77 331
Insurance contracts	628 129	–	628 129
Short-term provisions	13 585	–	13 585
Taxation	419	–	419
Total equity and liabilities	**5 598 996**	**(522 283)**	**5 076 713**
NAV per share (cents)	**1 030.3**	**35.4**	**1 065.7**
TNAV per share (cents)	**922.1**	**35.4**	**957.5**
Shares in issue at end of year (000's)	**239 324**	**–**	**239 324**

Notes:

1. Based on Brimstone's published audited consolidated statement of financial position at 31 December 2009.
2. Based on the assumption that the Buybacks took place on 31 December 2009 for the purposes of the statement of financial position.
3. In order to provide indicative *pro forma* financial effects of the Buybacks, it has been assumed for purposes of these calculations that the Buybacks were effected at Brimstone's carrying value for its then 21.65% investment in Life Healthcare at 31 December 2009 of R2 823 million. This value represents Brimstone's assessment of the fair value of the investment at 31 December 2009, and any change in the investment's fair value since acquisition has been accounted for through profit or loss. Further to this, no profit or loss is realised on the Buybacks. If the Buybacks are effected at above or below the carrying value, a related profit or loss on the Buybacks will be realised
4. To take into account the Buybacks of R835 million, received as a cash dividend by Brimstone of R759.1 million (net of STC) and the related STC credit accounted for as a reduction of the deferred tax liability of R75.9 million (non-recurring).
5. The above *pro forma* financial effects are based on the assumption that Brimstone disposes of an effective 6.10% of Life Healthcare through the Buybacks. Prior to the Buybacks, Brimstone held 21.65% of Life Healthcare and accounted for the shareholding at fair value through profit or loss. After the Buybacks, Brimstone will have decreased its effective interest in Life Healthcare to 15.55%. Life Healthcare will continue to be accounted for at fair value through profit or loss.
6. It has been assumed that Brimstone will utilise any cash proceeds received from the Buybacks to settle any long-term funding held in Newshelf 778 against the investments in Life Healthcare.
7. Assuming transaction costs of R30.4 million as detailed in paragraph 21 (non-recurring) which are non-deductible for income tax purposes.
8. A reduction in taxation through the release of R115.1 million of deferred tax that was provided for on Brimstone's investment in Life Healthcare and a corresponding decrease in the deferred tax liability as well as the reduction in the deferred tax liability due to the recognition of the STC credit referred to in note 4 (above) of R75.9 million (non-recurring).
9. An impairment of the investment in Life Healthcare due to the STC incurred on the Buybacks and not received as cash of R75.9 million (non-recurring).

PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2009

R'000	Audited 12 months to 31 Dec 2009 (1)	Buybacks *pro forma* adjustments (2,3,5)	*Pro forma* 12 months to 31 Dec 2009
Revenue	**865 131**	**(47 591)**	**817 540**
Sales and fee income	704 096	–	704 096
Dividends received	161 035	(47 591)(6)	113 444
Operating expenses	(696 012)	(30 370)(11)	(726 382)
Operating profit	**169 119**	**(77 961)**	**91 158**
Fair value gains	380 679	–(7)	380 679
Exceptional items	(32 952)	(75 913)(4)	(108 865)
Share of profits of associates	10 587	–	10 587
Profit before net finance costs	**527 433**	**(153 874)**	**373 559**
Income from investments	10 615	–	10 615
Finance costs	(137 677)	28 773(8,9)	(108 904)
Net profit before taxation	400 371	(125 101)	275 270
Taxation	(67 670)	183 302(6,7,9,10)	115 632
Profit for the year	**332 701**	**58 201**	**390 902**
Profit for the year	**332 701**	**58 201**	**390 902**
Other comprehensive income			
Net value gain on available-for-sale financial asset	4 786	–	4 786
Total comprehensive income for the year	**337 487**	**58 201**	**395 688**
Profit attributable to:			
Equity holders of the company	325 710	58 201	383 911
Non-controlling interests	6 991	–	6 991
	332 701	**58 201**	**390 902**
Total comprehensive income attributable to:			
Equity holders of the company	328 436	58 201	386 637
Non-controlling interests	9 051	–	9 051
	337 487	**58 201**	**395 688**
Earnings per share (cents)			
Basic	136.7	24.4	161.1
Basic diluted	135.6	24.2	159.8
Headline earnings per share (cents)			
Basic	130.9	24.4	155.3
Basic diluted	129.9	24.2	154.1
Weighted average number of shares on which earnings per share is based (000's)	238 238	–	238 238
Weighted average number of shares on which diluted earnings per share is based (000's)	240 166	–	240 166
Headline earnings calculation			
Net profit attributable to equity holders of the company	**325 710**	**58 201**	**383 911**
Profit on disposal of property, plant, equipment and vehicles	(3 614)	–	(3 614)
Impairment of property, plant, equipment and vehicles	618	–	618
Realised loss on disposal of associate	14 146	–	14 146
Gain on bargain purchase	(23 300)	–	(23 300)
Adjustments relating to results of associates	(1 838)	–	(1 838)
Total tax effects of adjustments	194	–	194
Headline earnings	**311 916**	**58 201**	**370 117**

Notes:

1. Based on Brimstone's published audited consolidated statement of comprehensive income at 31 December 2009.
2. Based on the assumption that the Buybacks took place on 1 January 2009 for the purposes of the statement of comprehensive income.
3. In order to provide indicative *pro forma* financial effects of the Buybacks, it has been assumed for purposes of these calculations that the Buybacks were effected at Brimstone's carrying value for its then 21.65% investment in Life Healthcare at 31 December 2009 of R2,823 million. This value represents Brimstone's assessment of the fair value of the investment at 31 December 2009, and any change in the investments' fair value since acquisition has been accounted for through profit or loss. Further to this, no profit or loss is realised on the Buybacks. If the Buybacks are effected at above or below the carrying value, a related profit or loss on the Buybacks will be realised.
4. An impairment of the investment in Life Healthcare due to the STC incurred on the Buybacks and not received as cash of R75.9 million (non-recurring).
5. The above *pro forma* financial effects are based on the assumption that Brimstone disposes of an effective 6.10% of Life Healthcare through the Buybacks. Prior to the Buybacks, Brimstone held 21.65% of Life Healthcare and accounted for the shareholding at fair value through profit or loss. After the Buybacks, Brimstone will have decreased its effective interest in Life Healthcare to 15.55%. Life Healthcare will continue to be accounted for at fair value through profit or loss.
6. A reduction in the amount of dividends received over the period by Brimstone from Life Healthcare amounting to R47.6 million (recurring), and the resultant increase in the tax charge of R4.8 million (recurring).
7. No adjustment is recorded on the fair value gain of Life Healthcare for the period, as the gain booked on the sale of the effective 6.10% of Life Healthcare at the year end carrying value would have been booked as a fair value gain if the Buybacks had not occurred.
8. It has been assumed that Brimstone will utilise any cash proceeds received from the Buybacks to settle any long-term funding held in Newshelf 778 against the investments in Life Healthcare (non-recurring).
9. A reduction in finance costs of R28.8 million due to the settlement of long-term funding (see note 8, above) (recurring);
10. A reduction in taxation primarily through the release of R115.1 million of deferred tax that was over-provided for on Brimstone's investment in Life Healthcare as well as the reduction in the deferred tax liability due to the recognition of the STC credit referred to in note 4 (above) of R75.9 million (non-recurring).
11. Assuming transaction costs of R30.4 million as detailed in paragraph 21 (non-recurring) which are non-deductible for income tax purposes.
12. Tax adjustments where applicable on items 1 to 11 above.

THE INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE *PRO FORMA* FINANCIAL INFORMATION OF BRIMSTONE

"The Directors
Brimstone Investment Corporation Limited
PO Box 44580
Claremont
7735

22 April 2010

Dear Sirs

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE *PRO FORMA* FINANCIAL INFORMATION OF BRIMSTONE INVESTMENT CORPORATION LIMITED ("BRIMSTONE")

Introduction

We have performed our limited assurance engagement in respect of the *pro forma* financial information set out in paragraph 5 and Annexure 1 of the circular dated on or about 23 April 2010 issued in connection with the Buybacks by Life Healthcare and Business Venture Investments No 931 (Proprietary) Limited ("the Buybacks") that is the subject of this circular of Brimstone. The *pro forma* financial information has been prepared in accordance with the requirements of the JSE Limited ("JSE") Listings Requirements, for illustrative purposes only, to provide information about how the Buybacks might have affected the reported historical financial information presented, had the corporate action been undertaken at the commencement of the period or at the date of the *pro forma* balance sheet being reported on.

Directors' responsibility

The directors are responsible for the compilation, contents and presentation of the *pro forma* financial information contained in the circular and for the financial information from which it has been prepared. Their responsibility includes determining that: the *pro forma* financial information has been properly compiled on the basis stated; the basis is consistent with the accounting policies of Brimstone; and the *pro forma* adjustments are appropriate for the purposes of the *pro forma* financial information disclosed in terms of the JSE Listings Requirements.

Reporting accountants' responsibility

Our responsibility is to express our limited assurance conclusion on the *pro forma* financial information included in the circular to Brimstone shareholders. We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements applicable to *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and the *Guide on Pro Forma Financial Information* issued by SAICA. This standard requires us to obtain sufficient appropriate evidence on which to base our conclusion.

We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the *pro forma* financial information, beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Sources of information and work performed

Our procedures consisted primarily of comparing the unadjusted financial information with the source documents, considering the *pro forma* adjustments in light of the accounting policies of Brimstone, considering the evidence supporting the *pro forma* adjustments and discussing the adjusted *pro forma* financial information with the directors of the company in respect of the corporate actions that are the subject of the circular.

In arriving at our conclusion, we have relied upon financial information prepared by the directors of Brimstone and other information from various public, financial and industry sources.

While our work performed has involved an analysis of the historical published audited financial information and other information provided to us, our assurance engagement does not constitute an audit or review of any of the underlying financial information conducted in accordance with *International Standards on Auditing or International Standards on Review Engagements* and accordingly, we do not express an audit or review opinion.

In a limited assurance engagement, the evidence-gathering procedures are more limited than for a reasonable assurance engagement and therefore less assurance is obtained than in a reasonable assurance engagement. We believe our evidence obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

Based on our examination of the evidence obtained, nothing has come to our attention, which causes us to believe that, in terms of the section 8.17 and 8.30 of the JSE Listings Requirements:

- the *pro forma* financial information has not been properly compiled on the basis stated;
- such basis is inconsistent with the accounting policies of the issuer; and
- the adjustments are not appropriate for the purposes of the *pro forma* financial information as disclosed.

Consent

We consent to the inclusion of this report, which will form part of the circular, to be issued on or about 23 April 2010, in the form and context in which it will appear.

[Signed]

DELOITTE & TOUCHE
Registered Auditors
Per G G Fortuin
Partner

1st Floor, The Square
Cape Quarter
27 Somerset Road
Green Point
Cape Town
8005
(PO Box 578, Cape Town, 8000)

National Executive: G G Gelink *Chief Executive,* A E Swiegers *Chief Operating Officer*, G M Pinnock *Audit*, D L Kennedy *Tax, Legal and Risk Advisory*, L Geeringh *Consulting*, L Bam *Corporate Finance,* C R Beukman *Finance*, T J Brown *Clients & Markets*, N T Mtoba *Chairman of the Board*, C R Qually *Deputy Chairman of the Board*.

A full list of partners and directors is available on request"

REPORT OF AUDITED HISTORICAL FINANCIAL INFORMATION OF LIFE HEALTHCARE FOR THE FINANCIAL YEARS ENDED 30 SEPTEMBER 2007, 2008 AND 2009

1. INTRODUCTION

The historical financial information of Life Healthcare set out below has been extracted from the audited annual financial statements of Life Healthcare for the years ended 30 September 2007, 2008 and 2009. The annual financial statements were audited by PricewaterhouseCoopers Inc and reported on without qualification.

The historical financial information of Life Healthcare is the responsibility of the directors of Life Healthcare.

2. COMMENTARY

Presentation and explanation of Life Healthcare's results of operations in for the 2007, 2008 and 2009 financial years

Comparison of results of the 2008 and 2009 financial years

Revenues

Revenue increased from R7 329.3 million in the 2008 financial year to R7 929.7 million in the 2009 financial year, an increase of 8.2%. Excluding the effects of disposed businesses, revenue on continuing operations increased from R6 942.8 million in the 2008 financial year to R7 929.7 million in the 2009 financial year, an increase of 14.3%. Both the Hospitals Division and the Healthcare Services Division revenues (excluding revenues from businesses disposed of) increased by similar percentages (13.9% and 15.7% respectively) due to a combination of inflation-linked tariff increases and patient volume increases.

Consumables used

The cost of consumables used increased from R2 034.8 million in the 2008 financial year to R2 226.9 million in the 2009 financial year, an increase of 9.4%. Excluding the effects of disposed businesses, costs of consumables increased from R1 969.2 million in the 2008 financial year to R2 226.9 million in the 2009 financial year, an increase of 13.1%. This increase reflected both increased usage linked to higher patient volumes and theatre cases, changes in case mix, product selection and inflationary increases in the costs of consumables, including changes in the rate of exchange of the Rand in respect of imported items.

Other income

Other income decreased from R106.0 million in the 2008 financial year to R78.7 million in the 2009 financial year, a decrease of 25.8%. This decrease was primarily due to property rental relating to auxiliary services being included in Revenue from 2009.

Profit on disposal of businesses

Profit on disposal of businesses decreased from R152.6 million in the 2008 financial year to R0.8 million in the 2009 financial year. The 2008 financial year included the profit from the disposal of Life Healthcare's UK business of R132.5 million and profit of R14.9 million on the disposal of Life Healthcare's investment in Midmedic.

Employee benefits expense

Employee benefits expenses increased from R2 490.5 million in the 2008 financial year to R2 651.0 million in the 2009 financial year, an increase of 6.4%. Excluding the effects of disposed businesses, employee benefits expense increased from R2 369.9 million in the 2008 financial year to R2 651.0 million in the 2009 financial year, an increase of 11.9%. This increase was due primarily to increases awarded to Life Healthcare's employees reflecting a high inflationary environment in South Africa during the period, and the implementation of above-inflation wage increases in the public sector, which Life Healthcare responded to with corresponding salary increases. Increases in employee benefits expense also reflected higher volumes of patients requiring care at Life Healthcare's facilities.

Depreciation

Depreciation on property, plant and equipment decreased from R238.8 million in the 2008 financial year to R222.5 million in the 2009 financial year, a decline of 6.8%. This decrease was due primarily to the effect of the disposed businesses, offset by increased depreciation on asset purchases in the 2008 financial year. Excluding the effects of disposed businesses, depreciation increased by 3.7%.

Repairs and maintenance

Repairs and maintenance expenditures on property, plant and equipment of R103.0 million in the 2009 financial year remained largely in line with expenditures of R100.9 million in the 2008 financial year, largely due to improved management of medical equipment to ensure better servicing and reduce the risk of breakdowns.

Retirement benefit asset movement

In the 2009 financial year, Life Healthcare recognised an increase in its retirement benefit asset surplus of R8.9 million, as opposed to an increase of R91.4 million recognised in the 2008 financial year. The surplus was recognised for the first time in the 2008 financial year following the approval by the Financial Services Board of the surplus apportionment scheme of Life Healthcare's main defined benefit fund. In the 2009 financial year the Group also recognized a surplus in its post-retirement medical aid scheme of R7,1 million as opposed to Rnil in the 2008 financial year. This surplus was recognised for the first time in the 2009 financial year.

Occupational expenses

Occupation expenses increased from R199.3 million in the 2008 financial year to R208.5 million in the 2009 financial year, an increase of 4.6%. Excluding the impact of disposed businesses the impact is 24.6% from R167.3 million in the 2008 financial year to R208.6 million in the 2009 financial year. This increase was due primarily to significant increases in rates and taxes on Life Healthcare's properties, increases in electricity costs and waste removal costs.

Hospital service expenses

Hospital service expenses increased from R425.1 million in the 2008 financial year to R450.6 million in the 2009 financial year, an increase of 6%. Excluding the impact of disposed businesses the increase is 10.3%. This increase was due primarily to increased volumes of care, as discussed above, mitigated by Life Healthcare negotiating contracts for longer than a one-year period which restricted cost increases, and changing the scope of services offered so as to limit the cost increases under such contracts.

Communication expenses

Communication expenses of R109.9 million in the 2009 financial year remained largely in line with communication expenses of R105.7 million in the 2008 financial year. Excluding the impact of disposed businesses the cost increase is 14.0%. This is due to inflationary increases and higher patient volumes.

Other expenses

Other expenses increased from R345.5 million in the 2008 financial year to R365.5 million in the 2009 financial year, an increase of 5.8%. Excluding disposed businesses the increase is 21.2% from R301.5 million in the 2008 financial year to R365.5 million in the 2009 financial year. This increase was due primarily to the usage of consumables not included in the cost of sales and an once off reversal of the unbundling provision of R28.5 million in the 2008 financial year.

Fair value gains on derivatives

In the 2009 financial year, Life Healthcare recognised fair value losses on economic interest rate derivatives of R63.5 million, as opposed to gains of R6.8 million recognised in the 2008 financial year. This movement in fair value gains and losses on derivatives reflected the changes in interest rates in the market.

Finance income

Finance income decreased from R63.8 million in the 2008 financial year to R54.1 million in the 2009 financial year, a decrease of 15.2%. This decrease was largely as a result of a reduction in the amount of cash deposited by Life Healthcare with banks as well as lower interest rates.

Finance costs

Finance costs decreased from R407.2 million in the 2008 financial year to R336.6 million in the 2009 financial year, a decrease of 17.3%. Excluding disposed businesses the effect is a reduction of R53.3 million from the 2008 financial year to the 2009 financial year. This decrease was largely as a result of Life Healthcare's continued reduction of its interest bearing debt.

Tax expense

Tax expense of R372.3 million in the 2009 financial year represented an effective tax rate of 28.4% and in the 2008 financial year the tax expense of R367.5 million represented an effective tax rate of 26.9%. This difference is largely attributed to the profit on the disposal of businesses that is taxed at a different rate than the normal tax rate.

Profit for the year

Profit for the 2009 financial year of R937.3 million decreased by 6.1%, or R60.9 million, from the profit of R998.2 million in the 2008 financial year. This reflected that profit for the 2008 financial year included the profit from the disposal of Life Healthcare's UK business and movements in retirement benefit assets, as well as fair value gains in the 2008 financial year on interest rate derivatives compared to fair value losses on derivatives and smaller post-retirement benefit movements in the 2009 financial year, as discussed above.

Comparison of results of the 2007 and 2008 financial years

Revenues

Revenue rose from R6 548.4 million in the 2007 financial year to R7 329.3 million in the 2008 financial year, an increase of 11.9%. Excluding the effects of disposed businesses, revenue on continuing operations increased from R6 146.0 million in the 2007 financial year to R6 942.8 million in the 2008 financial year, an increase of 13.0%. Both the Hospitals Division and the Healthcare Services Division revenues increased by similar percentages due to a combination of inflation-linked tariff increases and patient volume increases.

Consumables used

The cost of consumables used increased from R1 772.1 million in the 2007 financial year to R2 034.8 million in the 2008 financial year, an increase of 14.8%. Excluding the effects of disposed businesses, costs of consumables increased from R1 711.3 million in the 2007 financial year to R1 969.2 million in the 2008 financial year, an increase of 15.1%. This increase reflected both increased patient volumes, changes in case mix and inflationary increases in the costs of consumables. The increased costs of consumables also reflected depreciation of the Rand during the 2008 financial year, resulting in higher prices for imported products.

Other income

Other income increased from R89.7 million in the 2007 financial year to R106.0 million in the 2008 financial year, an increase of 18.2%. Excluding disposed businesses the increase is from R85.4 million in the 2007 financial year to R104.3 million in the 2008 financial year an increase of 22.1%. This is largely due to increased rentals received from tenants in owned properties.

Profit on disposal of businesses

Profit on disposal of businesses increased from R9.1 million in the 2007 financial year to R152.6 million in the 2008 financial year, reflecting profit from the disposal of Life Healthcare's UK businesses of R132.5 million and profit of R14.9 million on the disposal of Life Healthcare's investment in Midmedic.

Employee benefits expense

Employee benefits expenses increased from R2 259.9 million in the 2007 financial year to R2 490.5 million in the 2008 financial year, an increase of 10.2%. Excluding the effects of disposed businesses, employee benefits expense increased from R2 134.5 million in the 2007 financial year to R2 369.9 million in the 2008 financial year, an increase of 11.0%. This increase was due primarily to increases awarded to Life Healthcare's employees in a high wage inflationary environment in South Africa during the period.

Depreciation

Depreciation on property, plant and equipment decreased from R261.7 million in the 2007 financial year to R238.8 million in the 2008 financial year, a decline of 8.8%. Excluding disposed businesses the impact is a reduction of R21.5 million from R236.0 million in the 2007 financial year to R214.5 million in the 2008 financial year. This decrease was due primarily to the extension of the useful Life Healthcare of certain facilities, following the introduction of new fair value adjustment procedures, resulting in reduced depreciation.

Repairs and maintenance

Repairs and maintenance expenditures on property, plant and equipment increased from R88.9 million in the 2007 financial year to R100.9 million in the 2008 financial year, an increase of 13.4%.

Post-Retirement benefit movements

In the 2008 financial year, Life Healthcare recognised the surplus in its main retirement defined benefit assets of R91.4 million, while no retirement benefit asset had been recognised prior to the 2008 financial year. The surplus was recognised for the first time in the 2008 financial year following the approval by the Financial Services Board of the surplus apportionment scheme of Life Healthcare's main defined benefit fund.

Occupational expenses

Occupational expenses of R199.3 million in the 2008 financial year remained largely in line with occupational expenses of R196.9 million in the 2007 financial year. Excluding disposed businesses the increase is 5.6% from R158.6 million in the 2007 financial year to R167.4 million in the 2008 financial year. This relatively low increase is largely due to the relocation of the Life Healthcare Cosmos hospital from a leased to an owned premises, saving operating rental expenditures.

Hospital service expenses

Hospital service expenses increased from R387.2 million in the 2007 financial year to R425.1 million in the 2008 financial year, an increase of 9.8%. Excluding disposed businesses the increase is 10.5%. This increase was due primarily to increases in fees charged by service providers and increased volumes of patient care provided at Life Healthcare's facilities.

Communication expenses

Communication expenses of R105.7 million in the 2008 financial year remained largely in line with communication expenses of R104.7 million in the 2007 financial year, reflecting reduced expenditures on research costs for Life Healthcare's patient accounting system. Excluding disposed businesses the increase is 3.5%.

Other expenses

Other expenses decreased from R376.7 million in the 2007 financial year to R345.5 million in the 2008 financial year, a decrease of 8.3%. Excluding disposed businesses the decrease is from R320.3 million to R301.5 million. This decrease was due primarily to the reversal of an unbundling provision in 2008 and decreased losses recognised on impairment of trade receivables, offset by increased expenses for equipment and professional fees.

Fair value gains on derivatives

In the 2008 financial year, Life Healthcare recognised fair value gains on economic interest rate derivatives of R6.8 million, lower than gains of R19.6 million recognised in the 2007 financial year, relating to the Company's interest rate hedging instruments.

Finance income

Finance income increased from R53.9 million in the 2007 financial year to R63.8 million in the 2008 financial year, an increase of 18.4%. This increase reflected Life Healthcare's significant cash balances deposited with banks.

Finance costs

Finance cost decreased from R434.4 million in the 2007 financial year to R407.2 million in the 2008 financial year, a decrease of 6.3%. Excluding disposed businesses finance cost decreased from R408.2 million to R389.9 million. This decrease was largely as a result of Life Healthcare's continued reduction of its interest bearing debt

Tax expense

Tax expense increased from R253.9 million in the 2007 financial year reflecting an effective tax rate of 32.1% to R367.5 million in the 2008 financial year reflecting an effective tax rate of 26.9%, an increase of 44.7%. Excluding disposed businesses the tax expense increased from R236.9 million to R350.5 million. The lower tax rate is largely due to a lower enacted Company tax rate of 28% in the 2008 financial year compared to 29% in the 2007 financial year, the profit on disposal of businesses included in the 2008 financial year being taxed at a lower rate and non-deductable provisions raised on the unbundling provision raised in the 2007 financial year and then the reversal of this not being taxable in the 2008 financial year.

Profit for the year

Profit for the 2008 financial year increased by 86.2%, or R462.1 million, from the 2007 financial year. This reflected the improved trading result, for the reasons discussed above, as well as that the 2008 financial year included profit from the disposal of the Company's UK business and movements in retirement benefit assets, as discussed above.

Liquidity and capital resources

General

Life Healthcare'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. Life Healthcare also makes payments of interest on amounts that it draws under its working capital and revolving credit facilities. Life Healthcare's principal sources of liquidity are cash flow from operations and amounts available under its working capital and revolving credit facilities.

Working capital statement

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

Cash flows

The following table presents consolidated cash flow information for the periods indicated.

	Financial year ended 30 September		
	2007	**2008**	**2009**
(Rand in millions)		***(audited)***	
Profit before tax	790.0	1 365.7	1 309.6
Adjusted for:			
Foreign exchange gains or losses	0.1	–	–
Share of associates' net profit after tax	(70.5)	(88.4)	(100.6)
Depreciation on property, plant and equipment	261.7	238.8	222.6
Impairment and amortisation of intangible assets	118.6	124.8	132.3
Finance cost (net)	380.5	343.3	276.0
Fair value gains on derivative instruments	(19.6)	(6.8)	63.5
Fair value revenue adjustment	14.3	17.3	–
Profit on disposal of property, plant and equipment and investments	(12.9)	(155.0)	(1.6)
Share-based payment reserve charge	57.3	51.1	51.6
Rental charges	36.6	44.5	45.5
Unbundling provision	12.0	(28.9)	–
Post-retirement medical aid movement	–	–	(7.1)
Post-retirement benefit obligation charge	0.1	(91.9)	(8.9)
Other non-cashflow items	–	–	15.0
Trade receivable impairment charge	49.2	45.9	51.9
Operating profit before working capital changes	1 617.4	1 860.4	2 049.8
Working capital changes:			
Increase in inventories	(7.2)	(10.0)	(21.9)
Increase in trade and other receivables	(128.3)	(86.0)	(175.0)
Increase in trade and other payables	83.4	100.2	42.4
Cash generated from operations	1 565.3	1 864.6	1 895.3
Income tax paid	(257.5)	(340.8)	(43.3)
Cash flow from operating activities	1 307.8	1 523.8	1 402.0
Cash flow from investing activities	(357.6)	(304.4)	(502.7)
Cash flow from financing activities	(707.8)	(1 296.4)	(1 211.9)

The cash balances and cash equivalents on each of the balance sheet dates were as follows:

	On 30 September		
(Rand in millions)	**2007**	**2008**	**2009**
Cash in hand and at bank	137.1	126.3	101.4
Short-term bank deposits	380.0	286.0	–
	517.1	**412.3**	**101.4**

Cash flow movements from the 2008 financial year to the 2009 financial year

Cash flow from operating activities

Cash flow from operating activities decreased from R1 523.8 million in the 2008 financial year to R1 402.0 million in the 2009 financial year, a decrease of 7.8%. This decrease was largely a result of an increase in taxes paid and increased trade receivables, in line with revenue growth. The cash flow from operating activities for the 2008 financial year includes the UK business operations for 10 months.

Cash flows from investing activities

Net cash utilised in investing activities increased from R304.6 million in the 2008 financial year to R502.7 million in the 2009 financial year, an increase 65.0%. This increase was largely a result of Life Healthcare's acquiring the remaining shares in Life Healthcare Ekurhuleni Sub-Acute Hospital and the Life Healthcare Wilgers Hospital, as well as other asset purchases during the 2009 financial year. Life Healthcare also received dividends from associates of R44.3 million in the 2009 financial year, as opposed to dividends of R55.4 million in the 2008 financial year. During the 2009 financial year, Life Healthcare also received R27.0 million as a result of a purchase price adjustment in connection with its 2008 acquisition of the minority stake in Life Healthcare Esidimeni. The 2008 financial year included cash flow from the disposal of Life Healthcare's UK businesses of R132.5 million and cash flow of R14.9 million on the disposal of Life Healthcare's investment in Midmedic, the acquisition of the remaining minority stake in Life Healthcare Esidimeni and the acquisition of the company holding the property on which one of Life Healthcare's hospitals is situated.

Cash flows from financing activities

Net cash utilised in financing activities decreased from R1 296.4 million in the 2008 financial year to R1 211.9 million in the 2009 financial year, a decrease of 6.5%. This decrease was largely a result of payments to shareholders in respect of dividends paid on preference shares, dividends paid on ordinary and ordinary "N" shares, redemption of preference shares, repayment of shareholders' loans and repurchase of ordinary and ordinary "N" shares decreasing from R756.1 million in the 2008 financial year to R604.8 million in the 2009 financial year. Life Healthcare also benefited from a reduction in interest payments on interest bearing debt by R71.8 million.

Cash flow movements from the 2007 financial year to the 2008 financial year

Cash flow from operating activities

Cash flow from operating activities increased from R1 307.8 million in the 2007 financial year to R1 523.8 million in the 2008 financial year, an increase of 16.5%. This increase was largely a result of increased profitability.

Cash flows from investing activities

Net cash utilised in investing activities decreased from R357.6 million in the 2007 financial year to R304.6 million in the 2008 financial year, a decrease of 14.8%. This decrease was largely a result of Life Healthcare's acquisition of the remaining minority stake in Life Healthcare Esidimeni, acquiring the company holding the property on which one of Life Healthcare's hospitals are situated, offset by lower capital expenditures, the disposal of Life Healthcare's UK businesses of R132.5 million and cash flow of R14.9 million on the disposal of Life Healthcare's investment in Midmedic and significantly increased dividends received from associates of R55.4 million in the 2008 financial year, as opposed to R9.2 million in 2007 financial year.

Cash flows from financing activities

Net cash utilised in financing activities increased from R707.8 million in the 2007 financial year to R1 296.5 million in the 2008 financial year, an increase of 83.2%. This increase was largely a result of payments to shareholders in respect of the repayment of shareholders' loans, redemption of preference shares and dividends on preference shares increasing from R44.7 million in the 2007 financial year to R756.1 million in the 2008 financial year. The net repayment of interest bearing debt decreased from R282.3 million in the 2007 financial year to R150.3 million in the 2008 financial year.

Capital Expenditures

As part of its strategy, Life Healthcare makes significant capital expenditures to maintain and increase the capacity of its existing facilities and to commission new facilities. Life Healthcare has incurred capital expenditure obligations, including projects approved by its board of directors, for the 2010 financial year of R542.7 million. Of this amount, R163.0 million comprises capital expenditures for new developments; R266.0 million comprises capital expenditure for organic growth projects; and R118.0 million comprises maintenance capital expenditures. The major projects relating to these expenditures include:

- development of a mental health unit at Life Healthcare Glynnwood Hospital in Benoni, as well as a mental health facility at Nazareth House, adjacent to Life Healthcare Entabeni Hospital in Durban;
- at Life Healthcare Eugene Marais Hospital in Pretoria, development of a new operating theatre complex, additional beds and increased ICU capacity;
- the relocation of the cardiac unit from Life Healthcare East London Private Hospital to Life Healthcare St Dominic's Hospital, and the development of increased general medical bed and ICU capacity at Life Healthcare St Dominic's;
- a major project to consolidate and integrate the services of Life Healthcare Claremont and Life Healthcare Kingsbury hospitals in Cape Town and to allow for the addition, at Life Healthcare Claremont, of a new acute rehabilitation unit as well as a new specialised ophthalmic unit; and
- Life Healthcare Gaborone Private Hospital in Botswana will be streamlined and will undergo an upgrade and modernisation of its facilities.

In the 2009 financial year, Life Healthcare made capital expenditures of R546.5 million, including in relation to projects such as the new Life Healthcare Orthopaedic Hospital in Cape Town; an expansion, incorporating a new specialised cardiac unit, expanded ICU and additional beds at Life Healthcare St George's Hospital in Port Elizabeth; the expansion of Life Healthcare Entabeni Hospital in Durban, including a new neurosurgical ward, a new dedicated paediatric rehabilitation unit, and increased capacity in the adult acute rehabilitation facility; and the completion of phase one of the Life Healthcare Wilgers Hospital expansion project in Pretoria, including the development of a new high technology ICU complex and the new Life Healthcare Beacon Bay hospital in East London.

In the 2008 financial year, Life Healthcare made capital expenditures of R330.3 million, including in relation to projects such as the expansion at Life Healthcare St George's Hospital, incorporating a new cardiac unit, expanded ICU and an additional general beds; the new Life Healthcare Beacon Bay hospital in East London.

In the 2007 financial year, Life Healthcare made capital expenditures of R370.8 million, including in relation to projects such as construction of the new Life Healthcare Cosmos Hospital in Witbank, which opened in August 2007; and the expansion and upgrade of Life Healthcare Rosepark Hospital in Bloemfontein including a new cardiac catheterisation laboratory as well as amount of R81.0 million in respect of facilities for PHG in the UK.

3. HISTORICAL FINANCIAL INFORMATION

CONSOLIDATED BALANCE SHEETS

as at 30 September 2007, 2008 and 2009

	Notes	2007 R'000	2008 R'000	2009 R'000
ASSETS				
Non-current assets		5 656 789	5 543 444	5 886 579
Property, plant and equipment	4	2 769 448	2 584 656	2 905 498
Intangible assets	5	2 298 870	2 293 190	2 156 225
Investment in associates	7	204 661	207 446	250 962
Loans and receivables	6	10 884	6 350	5 794
Retirement benefit asset	35	–	89 090	100 021
Post-retirement medical aid asset	35	11 024	1 296	76 449
Operating lease asset	17	–	4 797	3 470
Derivative financial instruments	33	40 913	50 169	–
Deferred income tax assets	9	320 989	306 450	388 160
Current assets		1 565 770	1 395 712	1 222 713
Inventories	10	140 395	144 255	166 145
Trade and other receivables	11	837 294	811 805	935 511
Cash and cash equivalents	12	517 149	412 253	101 417
Retirement benefit asset	35	–	2 273	240
Loans to associates	7	5 672	9 687	7 622
Derivative financial instruments	33	15 082	12 231	16
Operating lease asset	17	–	1 370	1 370
Current income tax assets		50 178	1 838	10 392
Non-current assets held for sale	32	24 884	–	–
Total assets		7 247 443	6 939 156	7 109 292

	Notes	2007 R'000	2008 R'000	2009 R'000
EQUITY AND LIABILITIES				
Capital and reserves attributable to the Group's equity holders				
Share capital	13	1	1	1
Share premium	14	23 350	23 350	23 350
Other reserves	15	140 663	173 611	224 610
Retained earnings		751 140	1 616 396	2 072 480
		915 154	1 813 358	2 320 441
Minority interests	31	543 896	536 497	609 851
Total equity		1 459 050	2 349 855	2 930 292
LIABILITIES				
Non-current liabilities		3 220 019	2 654 662	2 296 166
Interest-bearing borrowings	16	2 515 696	1 997 480	1 631 044
Deferred income tax liabilities	9	588 548	567 896	527 321
Provisions	21	–	16 167	16 118
Derivative financial instruments	33	204	–	1 089
Preference shares	18	76 400	23 633	–
Operating lease liability	17	38 676	49 486	51 229
Retirement benefit obligations	37	495	–	–
Post-retirement medical aid liability	35	–	–	69 365
Current liabilities		2 568 374	1 934 639	1 882 834
Trade and other payables	20	805 717	905 622	1 005 079
Provisions	21	295 655	151 928	110 414
Current portion of interest-bearing borrowings	16	328 451	475 698	722 535
Current portion of operating lease liability	17	5 413	–	–
Shareholders for preference share dividends		3 933	–	2 950
Shareholders' loans	19	1 005 199	312 577	–
Current income tax liabilities		123 818	88 814	41 854
Derivative financial instruments	33	188	–	2
Total liabilities		5 788 393	4 589 301	4 179 000
TOTAL EQUITY AND LIABILITIES		7 247 443	6 939 156	7 109 292

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the years ended 30 September 2007, 2008 and 2009

	Notes	2007 R'000	2008 R'000	2009 R'000
Revenue	22	6 548 364	7 329 264	7 929 667
Other income	23	89 715	106 088	78 677
Consumables used		(1 772 100)	(2 034 702)	(2 226 792)
Employee benefits expense	25	(2 259 865)	(2 490 538)	(2 650 979)
Depreciation on property, plant and equipment	24	(261 711)	(238 783)	(222 556)
Amortisation of intangible assets	24	(118 645)	(124 824)	(122 921)
Impairment of intangible assets		–	–	(9 351)
Repairs and maintenance expenditure on property, plant and equipment		(88 958)	(100 902)	(102 954)
Retirement benefit asset movement	35	–	91 363	8 898
Post-retirement medical aid movement	35	–	–	7 084
Occupational expenses		(196 936)	(199 347)	(208 517)
Hospital service expenses		(387 158)	(425 148)	(450 619)
Communication expenses		(104 671)	(105 713)	(109 924)
Other expenses		(376 746)	(345 493)	(365 550)
Profit on disposal of businesses		9 145	152 609	809
Operating profit		1 080 434	1 613 874	1 554 972
Fair value gains/(losses) on derivative financial instruments		19 592	6 797	(63 474)
Finance income	26	53 900	63 835	54 108
Finance cost	26	(434 380)	(407 183)	(336 644)
Share of associates' net profit after tax	7	70 483	88 421	100 595
Profit before tax		790 029	1 365 744	1 309 557
Income tax expense	27	(253 885)	(367 533)	(372 245)
Profit for the year		**536 144**	**998 211**	**937 312**
Total comprehensive income		**536 144**	**998 211**	**937 312**
Profit for the year attributable to:				
Ordinary equity holders of the parent		418 380	865 256	759 376
Minority interests		117 764	132 955	177 936
		536 144	998 211	937 312
Weighted average shares in issue ('000)		1 030 000	1 030 000	1 029 747
Earnings per share (cents)		40.62	84.01	73.74

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

for the years ended 30 September 2007, 2008 and 2009

		Attributable to equity holders of the Group						
R'000	Notes	Ordinary share capital	Share premium	Other reserves	Retained earnings	Total	Minority interests	Total equity
Balance at 1 October 2006		1	23 350	49 431	332 760	405 542	518 841	924 383
Profit for the year		–	–	–	418 380	418 380	117 764	536 144
Foreign currency translation reserve movement		–	–	(7 714)	–	(7 714)	–	(7 714)
Share based payment reserve movement		–	–	98 946	–	98 946	–	98 946
Net other movement in minorities		–	–	–	–	–	(92 709)	(92 709)
Balance at 30 September 2007		1	23 350	140 663	751 140	915 154	543 896	1 459 050
Balance at 1 October 2007		1	23 350	140 663	751 140	915 154	543 896	1 459 050
Profit for the year		–	–	–	865 256	865 256	132 955	998 211
Foreign currency translation reserve movement		–	–	(18 186)	–	(18 186)	–	(18 186)
Share based payment reserve movement		–	–	51 134	–	51 134	–	51 134
Net other movement in minorities		–	–	–	–	–	(140 354)	(140 354)
Balance at 30 September 2008		1	23 350	173 611	1 616 396	1 813 358	536 497	2 349 855
Balance at 1 October 2008		1	23 350	173 611	1 616 396	1 813 358	536 497	2 349 855
Profit for the year		–	–	–	759 376	759 376	177 936	937 312
Foreign currency translation reserve movement		–	–	(639)	–	(639)	–	(639)
Share based payment reserve movement		–	–	51 638	–	51 638	–	51 638
Deferred tax on share based payment reserve modification		–	–	–	56 652	56 652	–	56 652
Net other movement in minorities		–	–	–	–	–	(104 582)	(104 582)
Dividends paid		–	–	–	(260 000)	(260 000)	–	(260 000)
Share buy back	13	–	–	–	(99 944)	(99 944)	–	(99 944)
Balance at 30 September 2009		1	23 350	224 610	2 072 480	2 320 441	609 851	2 930 292
Notes		13	14	15			31	

CONSOLIDATED CASH FLOW STATEMENTS

for the years ended 30 September 2007, 2008 and 2009

	Notes	2007 R'000	2008 R'000	2009 R'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash generated from operations	28	1 565 406	1 864 722	1 895 399
Income tax paid		(257 513)	(340 914)	(493 348)
Net cash generated from operating activities		**1 307 893**	**1 523 808**	**1 402 051**
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment		(370 780)	(330 335)	(546 557)
Proceeds on disposal of property, plant and equipment	29	19 902	3 643	4 184
Additional interests in subsidiaries acquired	30	(37 294)	(235 119)	(51 822)
Subsidiaries and joint ventures disposed	30	8 750	256 731	5 659
Disposal of investment in non-current assets held for sale	32	–	(414)	–
Dividends from associates		9 256	55 359	44 335
Associate loans granted (net)		(12 099)	(26 225)	(17 452)
Intangibles acquired		–	(11 234)	(4 848)
Recovery on guarantee on acquisition of subsidiary		–	–	27 000
Net cash movement in other investing activities		24 654	(16 982)	36 822
Net cash utilised in investing activities		**(357 611)**	**(304 576)**	**(502 679)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Preference share capital repaid	18	(27 845)	(52 767)	(23 633)
Net repayments of shareholders' loans	19	4 600	(692 622)	(312 577)
Repayment of interest bearing borrowings (net)		(282 274)	(150 347)	(162 111)
Minority loan and dividend payments		(66 856)	(53 365)	(80 510)
Finance costs		(367 908)	(400 391)	(328 592)
Finance income		53 900	63 835	54 108
Preference dividend paid		(21 466)	(10 725)	(1 549)
Share buy-back	13	–	–	(99 944)
Dividends paid		–	–	(257 050)
Net cash utilised in financing activities		**(707 849)**	**(1 296 382)**	**(1 211 858)**
Net decrease in cash and cash equivalents		242 433	(77 150)	(312 486)
Cash and cash equivalents – beginning of the year		274 716	517 149	412 253
Cash balances disposed of through disposal of joint venture	30	–	(27 746)	–
Cash balances acquired through business combination	30	–	–	1 650
Cash and cash equivalents – end of the year	12	**517 149**	**412 253**	**101 417**

1. **ACCOUNTING POLICIES**

The financial statements are presented in South African Rand unless otherwise stated rounded to the nearest thousand, which is the Group's presentation and functional currency.

1.1 **Presentation of Annual Financial Statements**

The annual financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"), and the Companies Act of South Africa. These financial statements have been prepared in accordance with those IFRS standards and International Financial Reporting Interpretations Committee ("**IFRIC**") interpretations issued and effective or issued and early adopted as at 30 September 2009. The annual financial statements are prepared in accordance with the going concern principle under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets and liabilities (including derivative instruments) at fair value through profit and loss, and incorporate the principal accounting policies set out below.

These accounting policies have been consistently applied to all the years presented, unless otherwise stated.

1.2 **Critical Accounting Estimates, Judgements and Assumptions**

The preparation of the annual financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in Note 3.

1.3 **Consolidation**

The consolidated annual financial statements include the results of Life Healthcare Group Holdings (Pty) Ltd and its subsidiaries, associates and joint ventures.

(a) **Subsidiaries**

The Group annual financial statements present the consolidated financial position and changes therein, operating results and cash flow information for the Group. Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanied by a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of cost of acquisition over fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the group's share of the fair value of net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Accounting policies of subsidiaries conform to the policies adopted by the Group.

Investments in partnership capital accounts under the control of the Group are consolidated in the Group annual financial statements.

(b) **Associates**

Investments in associates are defined as those investments in which the Group has a long term interest and over which it exercises significant influence, but not control. The Group's share of income from associates is accounted for by using the equity accounting method and are initially recognised at cost. The Group's interest in associates on the balance sheet is carried at an amount that reflects its share of the net assets of the associates net of any accumulated impairment losses. Goodwill arising on the acquisition of associates is accounted for in the same way as goodwill on the acquisition of subsidiaries, and included in "Investment in associates" on the balance sheet.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. The Group does not recognise further losses, when the Group's share of losses in an associate equals or exceeds its interest in the associate, unless the Group has incurred obligations, issued guarantees or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of the associates agree in all material aspects with the policies adopted by the Group.

(c) **Joint Ventures**

Joint ventures are those entities over which the Group exercises joint control under a contractual agreement. Such investments are accounted for by using the proportionate consolidation method whereby the Group's proportionate share of the assets, liabilities, revenues and expenses of the joint ventures are combined, on a line by line basis with similar items in the financial statements. The results of joint ventures are included from the effective dates of when joint control commences until the effective date when joint control ceases.

The accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) **Inter-Company Transactions and Balances**

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

To the extend that a loss on a transaction provides evidence of a reduction in the net realisable value of the current assets or an impairment loss of a non-current asset, that loss is charged to the income statement.

(e) **Transactions and Minority Interest**

All profits and losses arising as a result of the disposal of interests in subsidiaries to minorities, where control is maintained subsequent to the disposal are recognised directly in the income statement.

Minority interests are stated at the minorities' proportion of the fair values of the identifiable assets, liabilities and contingent liabilities at the acquisition date plus the minorities' portion of post acquisition reserves recognised. The interests of minority shareholders in the consolidated equity and results of the Group are shown separately in the consolidated balance sheets and income statements, respectively.

All minority interest purchases are accounted for on the parent-company model.

1.4 **Business Combinations and Goodwill**

The purchase method of accounting is used when a business is acquired. A business may comprise an entity, a group of entities or an unincorporated operation including its operating assets and associated liabilities.

The cost of an acquisition is measured as the fair value of the assets given up, equity instruments issued, or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of the acquisition is less than the fair value of the group's share of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement. Minority interest at acquisition date is determined as the minority shareholders' proportionate share of the fair value of the net identifiable assets of the subsidiary acquired.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of acquired subsidiaries, businesses or joint ventures at the date of acquisition.

Goodwill on the acquisition of subsidiaries and joint ventures is capitalised and shown as part of "Intangible assets" on the face of the balance sheet and carried at cost less accumulated impairment losses. Goodwill on the acquisition of associates is included in the cost of investment Separately recognised goodwill is tested for impairment on an annual basis. Impairment losses on goodwill are not reversed. Refer to the policies on impairment of non-financial assets for more details on impairment testing.

The profit or loss realised on disposal or termination of an entity is calculated after taking into account the carrying amount of any related goodwill.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Cash generating units are defined as individual hospitals or healthcare service operating units. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

When a deferred tax asset is raised after the initial accounting for a business combination is complete, in respect of deferred tax assets that did not satisfy the criteria for separate recognition when the business combination was initially accounted for, an adjustment is made to the amount of goodwill recognised in respect of the acquisition. The goodwill amount is reduced to the amount of goodwill that would have been recognised if the deferred tax asset had been recognised as an identifiable asset from the acquisition date. This reduction is recognised as an expense.

Contingent consideration in a business combination is included in the cost of a business combination if the payment is probable and reliably measurable. Subsequent adjustments to the estimated amount of the contingent consideration are adjusted against goodwill.

When the accounting for a business combination can only be determined provisionally at the date of reporting, provisional values are used. These provisional values are adjusted once the initial accounting has been completed, which must be within 2 months from the date of acquisition, by retrospectively adjusting the fair values of the net identifiable assets acquired and goodwill. Goodwill acquired on the acquisition of associates are included in the cost of the investment.

1.5 Property, Plant and Equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses, except for land which is carried at cost less accumulated impairment losses.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment. The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Land is not depreciated. All other assets are depreciated based on the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Item	Average useful life
Land not depreciable	
Buildings	
– Owned	40 years
– Leased	shorter of lease term or useful life
Motor vehicles	4 to 7 years
Leasehold improvements	shorter of lease term or useful life
Other property, plant and equipment	
– Owned	3 to 15 years
– Leased	shorter of lease term or useful life

The residual value and the useful life of each significant operating assets' life is reviewed, and adjusted if appropriate, at each financial period-end and the useful lives of all other assets are reviewed annually.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Refer to policies on impairment of non-financial assets for more details on impairment testing.

Replacements of linen, cutlery and crockery and certain medical instruments are also charged as an expense in profit or loss over a twelve month period from the date of purchase.

Assets held under finance leases are depreciated over the shorter of the expected useful lives of the assets or the remaining period of the lease on the same basis as owned assets.

1.6 **Intangible Assets**

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Intangible assets that are reflected in the balance sheet consist of purchased assets and internally generated assets.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at every financial period-end.

For impairment testing refer to policies on impairment of non-financial assets for more details.

(a) **Customer Relations and Hospital Licences**

Customer relations and hospital licences are carried at cost less accumulated amortisation and any impairment losses. Cost is defined as the fair value as at the date of the business combination. The carrying amounts of these intangible assets are reviewed annually for indicators that these assets may be impaired. Amortisation is provided to write down the customer relations and hospital licences, on a straight line basis over the expected useful life, as follows:

Item	Useful life
Customer relations	15 years
Hospital licences	15 years

The remaining useful life of both intangible assets is 10.5 years (2008 – 11.5 years, 2007 – 12.5 years).

(b) **Computer Software**

Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring the specific software into use. These costs are amortised over their estimated useful lives on the straight-line method (3 to 5 years), except for internally developed software that is amortised over a maximum of 20 years. Computer software is carried at cost less accumulated amortisation and impairment losses.

Costs associated with the developing or maintaining of computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the asset so that it will be available for use or sale;
- there is an intention to complete or sell it;
- there is an ability to use or sell it;
- it will generate probable future economic benefits;
- there are available technical, financial and other resources to complete the development and to use or sell the asset, and
- the expenditure attributable to the asset during its development can be measured reliably.

Direct costs include the software development employee costs and an appropriate portion of the relevant overheads. Development costs that are recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives not exceeding 5 years unless a longer period is more appropriate. The average remaining useful life of computer software is a maximum of 20 years.

(c) **Preferred Supplier Contracts**

The Group has preferred supplier contracts. These intangibles are shown at cost less accumulated amortisation and impairment losses. Cost represents fair value as at the date of the business combination. Amortisation is calculated using the straight-line method to allocate costs over the estimated useful life of the preferred supplier contracts (6 to 10 years). The remaining useful life is between 1.5 years and 5.5 years. (2008: 2.5 to 6.5 years); (2007: 3.5 to 7.5 years).

(d) **Other Intangible Assets**

Other intangible assets are carried at cost less accumulated amortisation and any impairment losses. The carrying amounts of these intangible assets are reviewed annually for indicators that these assets may be impaired. Amortisation is calculated using the straight-line method to allocate costs over the estimated useful life of the intangible assets, as follows:

Item	**Useful life**
Restraint of trade payments	Duration of the respective agreements
Other intangible assets	Duration of the respective agreements

The average remaining useful life of both intangible assets is 1 year. (2008: 1 year); (2007: 2 years).
Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

1.7 **Financial Instruments**

(a) **Initial Recognition and measurement**

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes party to the contractual provisions of the instrument. Financial assets are derecognised when the rights to receive cash flows from the financial asset have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Purchases and sales of financial assets are recognised on trade date; the date on which the Group purchases or sells the asset. Financial assets and financial liabilities are initially recognised at fair value plus transaction costs for all financial assets and financial liabilities not carried at fair value through profit or loss. Financial assets and financial liabilities carried at fair value through profit and loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

(b) **Fair Value Determination**

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

(c) **Classification and Subsequent Measurement**

The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement. The classification depends on the purpose for which the financial assets were acquired. The Group classifies its financial assets in the following categories: financial assets at fair value through profit and loss, loans and receivables, held-to-maturity investments and available- for-sale financial assets.

(i) **Financial Assets at Fair Value Through Profit or Loss**

Financial assets at fair value through profit or loss are financial assets held for trading and those designated at fair value through profit and loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management. Derivatives are also classified as held for trading as they are not designated as hedges. Financial assets in this category are classified as current or non-current assets depending on settlement.

Financial assets at fair value through profit or loss are measured initially and subsequently at fair value, gains and losses arising from changes in fair value are included in profit or loss for the period as part of other expenses.

Transaction costs are recognised in profit or loss. Dividend income is recognised in the income statement as part of other income when the Group's right to receive payment is established.

(ii) **Derivatives**

Derivative financial instruments consisting of foreign exchange contracts and interest rate swaps are initially measured at fair value on the contract date and subsequently re-measured to their fair values.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in profit or loss as part of gains/losses.

The Group does not document at inception of each hedge transaction the relationship between the hedging instrument and the hedged item. The Group does however have a general policy to hedge items that significantly exposes the Group interest rate risk and foreign exchange risk. The Group economically hedges to manage risk but does not hedge account.

Changes in the fair value of derivative financial instruments are recognised in profit or loss as they arise.

(iii) **Loans and Receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'Loans to/(from) associate companies', 'Loans to/(from) shareholders', 'Trade and other receivables', 'Other loans and receivables' and 'Cash and cash equivalents'.

Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(iv) **Trade and Other Receivables**

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business is longer), they are classified as current assets. If not, they are presented as non-current assets.

(v) **Cash and Cash Equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits, other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value and bank overdrafts.

(vi) **Available-for-Sale Financial Assets**

These financial assets are non-derivatives that are either designated in this category or not classified elsewhere. They are included in non-current assets unless management intends to dispose of the financial asset within 12 months of the balance sheet date.

These investments are measured initially and subsequently at fair value. Gains and losses arising from changes in fair value are recognised directly in equity until the security is disposed of or is determined to be impaired.

When securities are classified as-available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as "gains/ (losses) from investment securities".

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of 'finance income' Dividends on available-for-sale equity instruments are recognised in the income statement as part of 'other income' when the Group's right to receive payments is established.

(vii) **Held-to-Maturity**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and with fixed maturities. Financial assets that the Group has the positive intention and ability to hold to maturity are classified as held to maturity.

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts.

(d) **Impairment of Financial Assets**

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. The impairment is measured as the difference between the financial assets carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition only where the financial asset is measured at amortised cost on the effective interest method. The asset's carrying amount is reduced and the amount of the loss is recognised in the income statement.

A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably measured.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a class of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining, whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

The criteria the Group uses to determine that there is objective evidence of an impairment loss on trade receivables include:

- Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

- Impairment losses are reversed in subsequent periods when an increase in the financial assets recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised. The reversal of the previously recognised impairment loss is recognised in the income statement.

1.8 **Trade and Other Payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer) If not, they are presented as non-current liabilities.

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

1.9 **Borrowings**

Borrowings are initially measured at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption value is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs, in terms of the effective interest method.

Borrowing costs are recognised as an expense in the period in which they are incurred.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Preference shares, which are mandatory redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the income statement as finance cost.

1.10 **Tax**

The tax expense for the period comprises current and deferred tax. Current tax, deferred tax and secondary tax on companies are recognised in the income statement, except to the extent that it relates to items recognised in equity, in which case the tax is recognised directly in equity.

(a) **Current Tax Assets and Liabilities**

Current tax comprises normal income tax and secondary tax on companies. Normal income tax is calculated on the basis of the expected taxable income for the year using tax rates enacted or substantively enacted at balance sheet date in the countries where the company's subsidiaries, associates and joint ventures operate and generate taxable income and any adjustments to tax payable for preceding years. Secondary tax on companies, that is payable on net dividends, is calculated and recognised to the extent that underlying dividends have been declared or paid using enacted rates applicable at the date of the dividend declaration.

Current tax for current and prior periods is, to the extent unpaid, recognised as a current liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as a current asset.

(b) **Deferred Tax Assets and Liabilities**

Deferred income tax is recognised using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

- the initial recognition of goodwill; or
- the initial recognition of an asset or liability in a transaction which:
  - is not a business combination; and
  - at the time of the transaction, affects neither accounting profit nor taxable profit/(tax loss).

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except to the extent that both of the following conditions are satisfied:

- the parent, investor or venture is able to control the timing of the reversal of the temporary difference; and
- it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised only to the extent that future taxable profit will be available against which the temporary difference can be utilised.

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1.11 **Leases**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership to the lessee.

The Group is the lessee of various hospital and administration office properties under non-cancellable leases that are classified as operating leases and is the lessee of fixed property that meets the definition of finance leases.

(a) **Finance Leases – Lessor**

When assets are leased under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return. When assets are leased out under an operating lease, the asset is included in the balance sheet based on the nature of the asset. Lease income is recognised over the term of the lease on a straight-line basis.

Finance income is recognised based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the finance lease.

(b) **Finance Leases – Lessee**

Finance leases are capitalised at the lease's commencement at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of return on the remaining balance of the liability. The corresponding rental obligations, net of finance charges, are included in payables. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

(c) **Operating Leases – Lessor**

Operating lease income is recognised as an income on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Income for leases is disclosed under "Other income" in the income statement.

(d) **Operating Leases – Lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or operating lease liability. This asset nor liability is discounted.

Any contingent rents are expensed in the period they are incurred.

1.12 **Inventories**

Inventories are measured at the lower of cost and net realisable value on the first-in-first-out basis.

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

The cost of inventories comprises costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.13 **Impairment of Non-Financial Assets**

The Group assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the Group also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- tests goodwill acquired in a business combination for impairment annually.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount and the impairment loss is recognised immediately in profit or loss. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units) Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit and
- then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The Group assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increase in the carrying amount of an asset, other than goodwill, attributable to a reversal of an impairment loss is limited to the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss.

1.14 **Share Capital and Equity**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options, other than in connection with a business combination, are shown in equity as a deduction, net of tax, from the proceeds.

1.15 Employee Benefits

(a) Short-Term Employee Benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Provision is made for accumulated leave and for non-vested short-term benefits when there is no realistic alternative other than to settle the liability, and at least one of the following conditions is met:

- there is a formal plan and the amounts to be paid are determined before the time of issuing the financial statements; or
- past practices has created a valid expectation by employees that they will receive a bonus and the amount can be determined before the time of issuing the financial statements.

(b) 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 obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

(c) Defined Benefit Plans

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial accounting valuations are conducted on an annual basis by independent actuaries separately for each plan. Consideration is given to any event that could impact the funds up to balance sheet date where the interim valuation is performed at an earlier date.

The liability or asset recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of the plan assets, together with adjustments for unrecognised past-service costs. The present value of the defined benefit obligation is discounted using interest rates of government securities that have terms to maturity approximating the terms of the related liability. Actuarial gains or losses are recognised immediately in the income statement, where surplus apportionment has been approved.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight-line basis over the average period until the amended benefits become vested.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognised when the Group is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In the income statement, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

Any asset is limited to unrecognised actuarial losses, and unrecognised past service costs plus the present value of available refunds and reduction in future contributions to the plan.

(d) **Termination Benefits**

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it can demonstrate that it is committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(e) **Post-Retirement Medical Aid Costs**

It is Group policy not to provide for post-retirement medical aid benefits. Due to a business combination transaction the Group however did become party to a contractual obligation to provide post-retirement medical aid benefits to certain employees.

The entitlement for an employee to receive these benefits is dependent on the employee remaining in service until retirement age. For past service, the Group recognises and provides for the actuarially determined present value of post-retirement medical aid employer contributions on an accrual basis using the projected unit credit method. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged to profit or loss in the period in which they arise. Independent qualified actuaries carry out annual valuations of these obligations.

(f) **Long-Term Bonus Plans**

The Group recognises a liability in "Provisions" and an expense for bonuses based on a formula that takes into consideration the net growth in earnings before interest, tax, depreciation and amortisation (EBITDA) after certain adjustments and a hurdle rate. There was a modification to the bonus scheme in the 2009 financial year in which the bonus is now based on performance units and appreciation units. The scheme uses a fixed multiple of EBITDA and is accounted for using the projected unit credit method using the same accounting principles as for a defined benefit plan.

The Group recognises a provision where it is contractually obliged or where it is past practice that has created a constructive obligation.

1.16 **Share-Based Compensation**

The Group operates two share-based compensation schemes. Both schemes are treated as equity settled schemes on a group basis. For both schemes the fair value of the services received in exchange for the instruments is expensed over the vesting period. The fair value of the services received is determined with the reference to the fair value of the instruments at inception of the scheme.

1.17 **Provisions and Contingencies**

Provisions for restoration costs are recognised when:

- the Group has a present legal or constructive obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation. In determining the present value a pre-tax rate that reflects the current market assessments of the time value of money and risks specific to the obligation is used. The increase in the provision due to the passage of time is recognised as interest expense.

Restructuring provisions comprise lease termination penalties and employee termination payments, and are recognised in the period in which the Group becomes legally or constructively committed to payment. Provisions are not recognised for future operating losses.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised unless the contingent liability is acquired as part of a business combination. Contingencies are disclosed in note 37.

1.18 Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax. Revenue is shown after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into account the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sale of Goods

The Group dispenses medication and medical supplies as part of the provision of their healthcare services. Sales of goods are recognised when a Group entity dispenses the products to their patients.

(b) Sales of Services

The Group provides acute healthcare and operates same day surgical centres. The revenue recognised relates to invoiced fees for private healthcare and fees for healthcare services. The services are provided on a fixed price basis. The revenue is recognised over the period during which the service is performed.

(c) Interest Income

Interest income is recognised, in profit or loss, using the effective interest rate method, unless it is doubtful. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

(d) Rental Income

The rental income arising from the operating leases is accounted for on a straight line basis over the lease term.

(e) Dividend Income

Dividends are recognised, in profit or loss, when the company's right to receive payment has been established.

1.19 Translation of Foreign Currencies

(a) Foreign Currency Transactions

A foreign currency transaction is recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At each balance sheet date:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in profit or loss in the period in which they arise.

Cash flows arising from transactions in a foreign currency are recorded in the functional currency by applying to the foreign currency amount the exchange rate between the functional currency and the foreign currency at the date of the cash flow.

(b) **Investments in Subsidiaries, Joint Ventures and Associates**

The results and financial position of all the Group entities (none of which has the currency of a hyper- inflationary economy) that have a functional currency difference from the presentation currency are translated into the presentation currency using the following procedures:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement item are translated at an average exchange rate which is a reasonable approximation of the prevailing exchange rate at date of each transaction; and
- all resulting exchange differences are recognised as a separate component of equity.

Exchange differences arising on a monetary item that forms part of a net investment in a foreign operation are recognised initially in the translation reserve in equity and recognised in profit or loss on disposal of the net investment as part of the gain or loss on the sale.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

The cash flows of a foreign subsidiary are translated at the exchange rates between the functional currency and the foreign currency at the dates of the cash flows.

1.20 **Dividend Distribution**

Dividend distribution to the Group's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

Preference share dividends payable are recognised as an accrual and included in finance costs.

1.21 **Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker ("CODM"). The "CODM" who is responsible for allocating resources and assessing performance of the operating segments has been identified as the chief executive officer.

1.22 **New Accounting Standards and IFRIC Interpretations**

Standards, amendments and interpretations effective in 2009

IFRIC 9 (Amendment), "Reassessment of Embedded Derivatives" and IAS 39 (Amendment), "Financial Instruments: Recognition and Measurement" (effective for annual periods commencing on or after 1 July 2008). The amended standards clarify that if a financial asset is reclassified out of the fair value through profit of loss category it must be assessed for embedded derivatives at the date of reclassification. In addition, a contract that includes an embedded derivative that cannot be separately measured, is prohibited from being reclassified out of the 'at fair value through profit or loss' category. Not impacted the group.

IFRIC 12, "Service concession arrangements" (effective for annual periods commencing on or after 1 January 2008). IFRIC 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. The Group has applied IFRIC 12 from 1 October 2008, but it is not expected to have a material impact on the financial statements of the Group because there is a limited number of such contracts and these contracts are not material in relation to the Group's total operations.

Standards, amendments and interpretations effective in 2009 but not relevant

The following standards, amendments and interpretations to published standards are not relevant to the Group's operations:

- IFRIC 13, "Customer loyalty programmes" (effective for annual periods commencing on or after 1 July 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive, the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement in using fair values.
- IFRIC 16, "Hedges of a Net Investment in a Foreign Operation". This interpretation must be applied to all annual periods commencing on or after 1 October 2008 IFRIC 16 provides that the difference between the functional currency of a foreign operation and the presentation currency of a parent entity's consolidated financial statements does not create an exposure to which an entity may apply hedge accounting. Consequently, the interpretation provides that a parent entity may designate as a hedged risk only the foreign exchange differences arising from a difference between its own functional currency and that of its foreign operation.

Standards, amendments and interpretations that are not yet effective and have not been early adopted unless specified

IAS 1 "Presentation of Financial Statements" (revised 2007). This standard must be applied to all annual periods commencing on or after 1 January 2009 This amendment requires that an entity must present all non-owner changes in equity either in one statement of other comprehensive income or in two statements; a separate income statement and a statement of other comprehensive income. All owner changes in equity are recognised in a statement of changes in equity. Total comprehensive income for a period includes profit or loss for that period plus other comprehensive income. Other comprehensive income comprises income or expense items that are not recognised in profit or loss as required or permitted by other standards. The standard does not change the recognition, measurement or disclosure of specific transactions, nor does it impact the results, financial position and cash flows of the Group – early adopted.

IAS 23 "Borrowing Costs". This standard must be applied to all annual periods commencing on or after 1 January 2009 The standard has eliminated the option of immediate recognition of borrowing costs, which are directly attributable to the acquisition, construction or production of a qualifying asset, as an expense. This will have an impact on the carrying cost of future capital expansions where borrowings are incurred and the expansion takes a substantial period of time to get ready for its intended use or sale. The Group will be applying IAS 23 from 1 October 2009.

IAS 27 (Revised), "Consolidated and separate financial statements" (effective for annual periods commencing on or after 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill. The Group still has a number of interests in entities that are already under control. Therefore equity acquisitions/ disposals will have to be assessed prospectively. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss.

IFRS 3, "Business Combinations" (effective for annual periods commencing on or after 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition- by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply IFRS 3 (Revised) prospectively to all business combinations from 1 October 2009, and the impact will be assessed with each prospective transactions.

IFRS 2 (Amendment), "Share-based payment: vesting conditions and cancellations" (effective for annual periods commencing on or after 1 January 2009). The amended standard clarifies that vesting conditions are service and performance conditions only. Other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment.

IFRS 2 (Amendment), "Group cash-settled share-based payment transaction" (effective for annual periods commencing on or after 1 January 2010). The amended standard requires the entity receiving the goods or services shall measure the share-based payment transaction as equity-settled only when the awards granted are its own equity instruments, or the entity has no obligation to the settle the share-based payment transaction. The entity settling a share-based payment transaction when another entity in the Group receives the goods or services recognises the transaction as equity-settled only if it is settled in its own equity instruments. In all other cases, the transaction is accounted for as cash-settled.

IFRS 7 (Amendment), "Financial Instruments disclosures: Improving Disclosures about Financial Instruments". (effective for annual periods commencing on or after 1 January 2009). The amended standard increases disclosure requirements about fair value measurement and reinforces existing principles for disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosure and requires some specific quantitative disclosures for financial instruments in the lowest level in the hierarchy. In addition, the amendment clarifies and enhances existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities.

IFRS 8, "Operating segments" (effective for annual periods commencing on or after 1 January 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, "Disclosures about segments of an enterprise and related information". The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. Early adopted. In addition the group has early adopted the amendment relating to disclosure of total segment assets as issued in April 2009.

Standards and interpretations not yet effective but not applicable to the Group.

IAS 32 (Amendment) "Financial instruments: Presentation, and IAS 1 (Amendment)", Presentation of financial statements – Puttable financial instruments and obligations arising on liquidation (effective for annual periods commencing on or after 1 January 2009). The amended standards require entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions.

IAS 39 (Amendment) "Eligible hedged items" (effective for annual periods commencing on or after 1 July 2009) .This amendment clarifies how the principals that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations.

IFRIC 15 "Agreements for the Construction of Real Estate" (effective for annual periods commencing on or after 1 January 2009). This interpretation clarifies how to determine whether an agreement is within the scope of IAS 11 or IAS 18.

IFRIC 17 "Distributions of non-cash assets to owners" (effective for annual periods commencing on or after 1 July 2009). This interpretation clarifies the accounting treatment for non-cash distributions of non-cash assets to owners.

IFRIC 18 "Transfers of assets from customers" (effective 1 July 2009). This interpretation clarifies the accounting treatment for transfers of property, plant and equipment received from customers.

Annual improvement projects.

The IASB initiated annual improvement projects during 2008 and 2009 as a method of making necessary, but non-urgent amendments to IFRS. These changes will not be included as part of another major project.

The following amendments are effective for annual periods beginning on or after 1 January 2009, although entities are permitted to adopt them earlier:

- IFRS 7 "Financial Instruments: Disclosures". Details of amendment are related to presentation of finance costs and amendment dealing with improving disclosures about Financial Instruments.
- IAS 1 "Presentation of Financial Statements". Amendment relates to current/non-current classification of derivatives.
- IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". The amendment relates to the status of implementation guidance.
- IAS 10 "Events after the Reporting Period". Amendment affects dividends declared after the end of the reporting period.
- IAS 16 "Property, Plant and Equipment". The recoverable amount and sale of assets held for rental is amended.
- IAS 19 "Employee Benefits". The amendment affects the curtailments and negative past service cost, plan administration costs, replacement of term "fall due" and guidance on contingent liabilities.
- IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance". This amendment deals with government loans with a below-market rate of interest, as well as the consistency of terminology with other IFRS's.
- IAS 23 "Borrowing Costs". The components of borrowing costs are amended.

- IAS 28 "Investments in Associates". Required disclosures when investments in associates are accounted for at fair value through profit or loss and the impairment of investment in associates.
- IAS 29 "Financial Reporting in Hyperinflationary Economies". The amendment describes the measurement basis in the financial statements, as well using consistent terminology with other IFRS's.
- IAS 31 "Interests in Joint Ventures". Certain disclosures are required when interests in jointly controlled entities are accounted for at fair value through profit or loss.
- IAS 36 "Impairment of Assets". Disclosure of estimates used to determine the recoverable amount.
- IAS 38 "Intangible Assets". Amendments relate to advertising and promotional activities and the unit of production method of amortisation.
- IAS 39 "Financial Instruments: Recognition and Measurement". The following amendments were made: Reclassification of derivatives into or out of the classification of at fair value through profit or loss; designating and documenting hedges at the segment level; and applicable effective interest rate on cessation of fair value hedge accounting.
- IAS 40 "Investment property". The amendment promotes the consistent use of the same terminology of IAS 8 The property under construction or development for future use as investment property and investment property held under lease are also amended.
- IAS 41 "Agriculture". This is not applicable to the Group. Amendments were made to: discount rate for fair value calculations; additional biological transformation; examples of agricultural produce and products; and point-of-sale costs.

The following amendments are effective for annual periods beginning on or after 1 July 2009, although entities are permitted to adopt them earlier:

- IFRS 2 "Share Based Payments". The scope of IFRS 2 and IFRS 3 revised was clarified.
- IAS 18 "Revenue" (effective immediately). The amendment deals with whether an entity is acting as a principal or as an agent.
- IAS 38 "Intangible Assets". Additional consequential amendments arising from revised IFRS 3 and the measurement of the fair value of an intangible asset acquired in a business combination.
- IFRIC 9 "Reassessment of Embedded Derivatives". The amendment deals with the scope of IFRIC 9 and revised IFRS 3.
- IFRIC 16 "Hedges of a Net Investment in a Foreign Operation". Amendment to the restriction on the entity that can hold hedging instruments.

The following amendments are effective for annual periods beginning on or after 1 January 2010, although entities are permitted to adopt them earlier:

- IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". Details of the amendment relates to disclosures of non-current assets (or disposal groups) classified as held for sale or discontinued operations.
- IAS 1 "Presentation of Financial Statements". The amendment deals with the classification of the current/non-current portion of convertible instruments.
- IAS 7 "Statement of Cash Flows". Classification of expenditures on unrecognised assets is amended.
- IAS 17 "Leases". The amendment deals with the classification of leases of land and buildings.
- IAS 36 "Impairment of Assets". The unit of accounting for goodwill impairment testing was addressed.
- IAS 39 "Financial Instruments: Recognition and Measurement". The amendment affects the following: treating loan prepayment penalties as closely related embedded derivatives; scope exemption for business combination contracts; and cash flow hedge accounting.

The Group has assessed the significance of these new standards, amendments to standards and new interpretations, which will be applicable from 1 January 2009 and later years and concluded that they will have no material financial impact. IAS 29 and IAS 41 are not applicable to the operations of the Group.

IAS 27 and IFRS 3 will have an impact on the financial reporting of new acquisitions and disposals, the impact will be assessed on an individual basis.

2. **RISK MANAGEMENT**

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (company treasury) under policies approved by a board sub-committee. Company treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The board sub-committee provides written principles for overall 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.

(a) **Capital Risk Management Note**

The Group's objective when managing capital are to safeguard the Group's ability to continue as a going concern and to provide for sufficient capital expansion.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in notes 16, 17, 18 and 19, cash and cash equivalents disclosed in note 12, and equity as disclosed in the balance sheet.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital or shareholder loans to shareholders, issue new shares or sell assets to reduce debt.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the balance sheet plus net debt.

	2007	2008	2009
The gearing ratio at 30 September	42%	41%	44%

The Group has externally imposed debt covenants that prescribes the amount of shareholders distribution and raising of additional debt. The covenants are:

	2007	2008	2009
A minimum of Total Debt Service Cover Ratio (times)	n/a	1.35	1.45
A minimum of Senior Debt Interest Cover Ratio (times)	3.0	4.0	4.0
A minimum of Total Interest Cover Ratio (times)	2.0	2.0	2.0
A maximum of Senior Debt Equity Ratio (%)	95.0	85.0	80.0
A minimum of Cumulative Total Debt Cover Ratio (times)	1.10	1.10	1.10
A maximum of Net Debt to EBITDA ratio	n/a	n/a	1.40

The Group has met all the covenant requirements during the current and previous financial year.

The Revolving credit facilities, Senior and Mezzanine loans can be restructured without any penalties in March 2010.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

(b) **Financial Risk**

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk.

(i) **Liquidity Risk**

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, company treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The Group's risk to liquidity is the availability of funds available to cover future commitments. The Group manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored on a monthly basis.

The table below analyses the Group's financial liabilities and net-settled non-derivative financial liabilities into relevant maturity groupings, based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

2007 (R'000)	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	328 451	346 713	1 500 720	668 263
Derivative financial instruments	392	–	–	–
Trade and other payables	805 717	–	–	–
Operating lease (net)	5 413	–	–	38 676
Shareholders' loans	1 005 199	–	–	–

2008 (R'000)	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	475 699	371 031	1 206 824	419 624
Trade and other payables	905 622	–	–	–
Operating lease (net)	–	–	5 422	44 064
Shareholders' loans	312 577	–	–	–

2009 (R'000)	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	722 536	428 235	821 791	381 016
Trade and other payables	1 005 079	–	–	–
Operating lease (net)	–	–	5 534	45 695

The table below analyses the Group's derivative financial instruments, which will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

2007 (R'000)	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Forward foreign exchange contracts – cash flow hedges				
– Outflow	(188)	(204)	–	–
– Inflow	–	–	–	–

2008 (R'000)	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Forward foreign exchange contracts – cash flow hedges				
– Outflow	–	–	–	–
– Inflow	236	–	–	–

2008 (R'000)	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Forward foreign exchange contracts – cash flow hedges				
– Outflow	(2)	(1 089)	–	–
– Inflow	–	–	–	–

(ii) **Interest Rate Risk**

The Group has interest-bearing assets, that mainly consist of investments in money-market accounts. The Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Group policy is to maintain approximately 60% of its borrowings in fixed rate instruments or to hedge interest rate exposure. During 2009 and 2008, the Group's borrowings at variable rates were denominated in the South African Rand. During 2007 the Group's borrowings at variable rates were denominated in South African Rand and British Pound Sterling.

The Group manages its interest rate exposure in total and mainly borrows or invests as far at possible at corporate level.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies.

The scenarios are run only for liabilities that represent the major interest-bearing positions. Based on the simulations performed, the impact on post-tax profit of a 10% shift would be a maximum increase of R153 315 (2008: R169 324) (2007: R1 911 957) or decrease of R153 315 (2008: R169 324) (2007: R1 911 957), respectively. The simulation is done on a quarterly basis to verify that the maximum loss potential is within the limit given by the management.

Based on the various scenarios, the Group manages its cash flow interest rate risk by 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, the Group raises long-term borrowings at floating rates and then hedge floating rates to a known maximum exposure. Under the interest rate collars and caps, the 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. Refer to note 33 for the current interest rate hedges in place. All interest rate hedges are economic hedges.

(iii) **Cash Flow Interest Rate Risk**

	Carrying Value				
2007 (R'000)	**Current interest rate**	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
Financial instrument					
Trade and other receivables – normal credit terms	13.50%	27 058	–	–	–
Loans and receivables	13.50%	–	10 884	–	–
Cash in current banking institutions	8.92%	517 149	–	–	–
Preference shares	11.48%	76 400	–	–	–
Borrowings – floating rates	7.00%	(32 461)	(19 644)	(209 709)	(7 476)
Loans to associates	13.50%	5 672	–	–	–

2008 (R'000)	Current interest rate	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Financial instrument					
Trade and other receivables – normal credit terms	15.50%	21 433	–	–	–
Loans and receivables	15.50%	–	6 350	–	–
Cash in current banking institutions	10.87%	412 253	–	–	–
Preference shares	13.18%	(23 633)	–	–	–
Borrowings – floating rates	14.48%	(157 721)	(7 158)	(788)	(6 361)
Loans to associates	13.50%	9 687	–	–	–

2009 (R'000)	Current interest rate	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Financial instrument					
Trade and other receivables – normal credit terms	n/a	–	–	–	–
Loans and receivables	10.50%	–	5 794	–	–
Cash in current banking institutions	9.08%	101 417	–	–	–
Preference shares	n/a	–	–	–	–
Borrowings – floating rates	9.76%	(357 341)	(4 321)	(2 372)	(7 260)
Loans to associates	8.50%	7 622	–	–	–

(iv) **Fair Value Interest Rate Risk**

2007 (R'000)	Current interest rate	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Financial instrument					
Borrowings – fixed rates	13.96%	(301 747)	(311 252)	(1 308 857)	(700 045)

2008 (R'000)	Current interest rate	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Financial instrument					
Borrowings – fixed rates	13.20%	(324 585)	(371 203)	(1 222 222)	(413 264)

2009 (R'000)	Current interest rate	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Financial instrument					
Borrowings – fixed rates	13.34%	(364 038)	(420 868)	(783 424)	(305 978)

(v) **Credit Risk**

Credit risk is managed on a group basis. Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments, loans and receivables and trade debtors. The Group mainly deposits cash with the main subsidiary company. The main subsidiary deposits the cash with major banks with high quality credit standing and maintains an appropriate spread of cash deposits between various financial institutions to limit the exposure to any one counter-party. For banks and financial institutions, only independently rated parties with a minimum rating "A" are accepted.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set for patients without medical aid insurance. Services to customers without medical aid insurance are settled in cash or using major credit cards on discharge date as far as possible. Credit guarantee insurance is not purchased.

Management does not expect any significant loss from non-performance by counterparties on credit granted during the period under review that has not been provided for.

Financial assets exposed to credit risk at year end were as follows:

	2007 R'000	**2008 R'000**	**2009 R'000**
Derivative financial instruments	55 995	62 400	16
Trade and other receivables	837 294	811 805	935 511
Cash and cash equivalents	517 149	412 253	101 417
Loans and receivables	10 884	6 350	5 794
Loans to associates	5 672	9 687	7 622

The Group is exposed to a number of guarantees for the overdraft facilities of Group companies. Refer to note 12 for additional details.

(vi) **Foreign Exchange Risk**

The Group transacts with international suppliers and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the European Euro, United States Dollar, Botswana Pula (BWP) and the British Pound Sterling (GBP). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group treasury's risk management principle is to hedge material cash flows where the local cash flow impact is in excess of 500,000 functional currency denomination.

Management has set up a policy to require Group companies to manage their foreign exchange risk against their functional currency. The Group companies are required to economically hedge their entire foreign exchange risk exposure in consultation with the Group treasury. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group use forward contracts, transacted with commercial banks or all inclusive price in the Companies' functional currency. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

The Group has an investment in one foreign operation, Botswana, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies. The investment in the UK was disposed of during the 2008 financial year.

At 30 September, if the currency had weakened or strengthened by 10% against the Botswana Pula with all other variables held constant, post-tax profit for the 2009 financial year would have changed R969 000 (2008: R957 000) (2007: R1 594 000), mainly as a result of foreign exchange gains/losses on translation of Botswana Pula financial assets at fair value through profit or loss, and foreign exchange losses/gains on translation of Botswana Pula denominated borrowings.

At 30 September, if the currency had weakened or strengthened by 10% against the British Pound Sterling with all other variables held constant, post-tax profit for the 2007 financial year would have changed R3 141 000 higher, mainly as a result of foreign exchange gains/losses on translation of British Pound Sterling financial assets at fair value through profit or loss, and foreign exchange losses/gains on translation of British Pound Sterling denominated borrowings.

Foreign currency exposure at balance sheet date	2007 R'000	2008 R'000	2009 R'000
Non-current assets			
BWP 8 072 469 (2008: BWP 5 996 581 and 2007: BWP 3 125 533 and GBP 24 010 355)	345 961	7 239	9 196
Current assets			
BWP 49 832 772 (2008: BWP 52 236 758 and 2007: BWP 35 080 934 and GBP 5 888 814)	126 714	63 062	55 780
Current liabilities			
BWP 22 413 646 (2008: BWP 23 001 848 and 2007: BWP 18 247 867 and GBP 26 313 741)	(396 777)	(27 769)	(25 539)
Exchange rates used for conversion of foreign denominated assets/liabilities outstanding at year end were:			
GBP	14.25	14.25	12.18
BWP	1.22	1.22	1.14
Exchange rates used for conversion of foreign denominated income/expense items were:			
GBP	14.43	14.78	n/a
BWP	1.24	1.18	1.23

All transactions denominated in a foreign currency is converted at the spot rate applicable at the date of the transaction.

Forward exchange contracts, which relate to future commitments

Refer to note 34.

The Group reviews its foreign currency exposure, including commitments on an ongoing basis. The Group expects its foreign exchange contracts to hedge foreign exchange exposure.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

3.1 Critical Accounting Estimates

(a) Estimated Impairment of Goodwill

Goodwill is tested annually for impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

The key assumptions are:

	2007	2008	2009
Growth rate in activities	0.0% to 5.0%	0.0% to 5.0%	0.0% to 5.0%
Average discount rate	17.80%	17.80%	18.00%
Tariff and inflation increases	5.0% to 10.0%	5.0% to 10.0%	5.0% to 10.0%

The discount rates used are pre-tax and reflect the specific risks relating to the industry and to the Group. The growth rate in activities is based on historical experience, capacity availability and the expected developments in the market. Tariff and inflation rates are based on latest available economic forecasts and management's expectations of the outcome of annual tariff negotiations.

If the estimates were to change by more than 5% it would have a significant impact on the impairment charge (more than R20m for the 2009 financial year).

(b) **Depreciation, Amortisation Rates and Residual Values**

The Group depreciates or amortises its assets over their estimated useful lives, as more fully described in the accounting policies for property, plant and equipment and intangible assets. The estimation of the useful lives of assets is based on historic performance as well as expectations about future use and therefore requires a significant degree of judgement to be applied by management. The actual lives of these assets can vary depending on a variety of factors, including technological innovation, product life cycles and maintenance programmes.

Significant judgement is applied by management when determining the residual values for intangible assets and property, plant and equipment. In the event of contractual obligations terms of which a termination consideration is payable to the Group, management will apply a residual value to the intangible asset. When determining the residual value for property, plant and equipment, the following factors are taken into account:

- external residual value information (if applicable); and
- internal technical assessments for complex plant and machinery

Refer to notes 4 and 5 of the Group financial statements.

(c) **Valuation of Derivative Financial Instruments**

The valuation of derivative financial instruments is based on the market situation at year end. The net market value of all forward exchange contracts at year end was calculated by comparing the forward exchange contracted rates to the equivalent year end market foreign exchange rates. The present value of these net market values were then discounted using the appropriate currency specific discount curve. The fair value of interest rate swaps and cross currency swaps is calculated as the present value of estimated future cash flow. The value of these derivative instruments fluctuates on a daily basis and the actual amounts realised may differ materially from the value at which they are reflected on the balance sheet.

Refer to note 33 of the Group financial statements.

(d) **Impairment Provision for Trade and Other Receivables**

The Group insures private market customers where possible and provision is made for the uninsured balance of long outstanding trade receivables where it considers the recoverability to be doubtful.

A significant degree of judgement is applied by management when considering whether a trade receivable is recoverable or not.

The following factors are taken into account when considering whether a trade receivable is impaired:

- default of payments;
- history of the specific customer with the Group;
- indications of financial difficulties of the specific customer;
- credit terms specific to the customer, and
- general economic conditions

(e) **Other**

The Group has included an estimate for pricing and volume adjustment for certain medical aids.

3.2 **Judgements**

(a) **Valuation Assumptions for Share-Based Payments**

The Group participates in two share-based payment schemes. The Employee Trust is available to all permanent employees of the Group. The Equity Kicker is available to certain members of senior management. The schemes are accounted for as a equity-settled schemes, in accordance with IFRS 2.

The key assumptions for both of these schemes are:

	2007	2008	2009
EBITDA multiple	5.39	5.39	5.39
Discount rate	8.90%	8.90%	8.90%
Minority interest discount	25.00%	25.00%	25.00%

(b) **Valuation Assumptions for Share Appreciation Right Scheme**

The Group provides a share appreciation rights scheme to senior and key employees. The valuation of these benefits is based on certain estimates. Refer to note 21.

(c) **Provision for Insurance Claims**

Due to the industry that the Group operates in, it is a party to a number of claims against it. The Group has an insurance policy for such claims. The Group provides for insurance excesses based on historical experience and the advice of experts. The excesses provided for are based on the maximum excess payable for a valid claim.

(d) **Recognition of Deferred Tax on STC Credits**

The Group has not provided for deferred tax on STC credits due to certain restrictions on the declaration of dividends to the shareholders.

(e) **Pension and Other Post-Employment Benefits**

The cost of defined benefit pension plans and other post employment medical benefits are determined using actuarial valuations. The actuarial valuations involve making assumptions about discount rates, expected return on assets, future salary increases, attrition and mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. Further details are provided in the accounting policy in note 1 or in note 35.

(f) **Fair Value Determination in Business Combinations**

IFRS 3 requires all assets, liabilities and contingent liabilities to be measured at fair value when accounting for business combinations. The Group makes use of various valuation methodologies in determining these fair values, including the use of reputable independent valuers. Valuations are inherently subjective, and require the use of judgement. Judgement is applied in determining the allocation of goodwill to different CGU's. The allocation is done based on the expected benefit arising from synergies due to the business combinations.

(g) **Fair Value Determination**

The carrying values of financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

4. PROPERTY, PLANT AND EQUIPMENT

	2007 R'000	2008 R'000	2009 R'000
Fixed property – owned			
Cost:			
Opening balance at 1 October	1 967 370	2 137 283	2 072 585
Disposal of businesses	–	(349 124)	–
Additions	181 291	62 365	334 379
Acquisition of subsidiary	–	48 000	–
Disposals or scrappings	(6 693)	–	–
Reclassification	–	165 240	–
Effect of foreign currency movement	(4 685)	8 821	–
Closing balance at 30 September	2 137 283	2 072 585	2 406 964
Accumulated depreciation and impairment:			
Opening balance at 1 October	252 818	311 379	316 235
Charge for the year	60 442	72 977	57 722
Disposal of businesses	–	(60 531)	–
Disposals or scrappings	(1 410)	–	–
Reclassification	–	(8 797)	–
Effect of foreign currency movement	(471)	1 207	–
Closing balance at 30 September	311 379	316 235	373 957
Carrying value at 30 September	1 825 904	1 756 350	2 033 007
Fixed property – leased			
Cost:			
Opening balance at 1 October	615 117	672 394	463 944
Additions	57 277	182 478	3 939
Reclassification	–	(390 928)	–
Closing balance at 30 September	672 394	463 944	467 883
Accumulated depreciation:			
Opening balance at 1 October	236 994	279 338	135 878
Charge for the year	42 344	38 286	38 590
Reclassification	–	(181 746)	–
Closing balance at 30 September	279 338	135 878	174 468
Carrying value at 30 September	393 056	328 066	293 415

	2007 R'000	2008 R'000	2009 R'000
Improvements to leased premises			
Cost:			
Opening balance at 1 October	51 943	58 652	84 915
Additions	7 115	–	19 274
Disposals or scrappings	(205)	–	(6 034)
Reclassification	–	26 299	–
Effect of foreign currency movement	(201)	(36)	(196)
Closing balance at 30 September	58 652	84 915	97 959
Accumulated depreciation:			
Opening balance at 1 October	23 743	29 152	51 277
Charge for the year	5 761	6 109	7 205
Disposals or scrappings	(192)	–	(6 034)
Reclassification	–	16 048	–
Effect of foreign currency movement	(160)	(32)	(170)
Closing balance at 30 September	29 152	51 277	52 278
Carrying value at 30 September	29 500	33 638	45 681
Medical equipment			
Cost:			
Opening balance at 1 October	1 020 638	1 095 743	1 190 266
Additions	135 468	92 821	137 299
Acquisition of subsidiary	–	–	262
Disposals or scrappings	(58 279)	(9 806)	(250 957)
Reclassification	–	10 931	–
Effect of foreign currency movement	(2 084)	577	(1 422)
Closing balance at 30 September	1 095 743	1 190 266	1 075 448
Accumulated depreciation:			
Opening balance at 1 October	646 831	713 449	799 773
Charge for the year	120 684	92 770	91 291
Acquisition of subsidiary	–	–	144
Disposals or scrappings	(52 567)	(8 703)	(242 329)
Reclassification	–	2 507	–
Effect of foreign currency movement	(1 499)	(250)	(1 342)
Closing balance at 30 September	713 449	799 773	647 537
Carrying value at 30 September	382 294	390 493	427 911

	2007 R'000	2008 R'000	2009 R'000
Other equipment			
Cost:			
Opening balance at 1 October	330 013	332 720	281 936
Disposal of businesses	–	(71 555)	–
Additions	39 350	7 941	56 380
Acquisition of subsidiary	–	–	181
Transfer to intangible assets	–	(23 314)	–
Disposals or scrappings	(33 737)	(8 165)	(114 364)
Reclassification	–	42 357	–
Effect of foreign currency movement	(2 906)	1 952	(376)
Closing balance at 30 September	332 720	281 936	223 757
Accumulated depreciation:			
Opening balance at 1 October	197 308	199 061	212 165
Disposal of businesses	–	(13 364)	–
Acquisition of subsidiary	–	–	135
Charge for the year	31 038	26 818	25 377
Transfer to intangible assets	–	(13 672)	–
Disposals or scrappings	(28 942)	(7 975)	(112 083)
Reclassification	–	21 157	–
Effect of foreign currency movement	(343)	140	(333)
Closing balance at 30 September	199 061	212 165	125 261
Carrying value at 30 September	133 659	69 771	98 496
Motor vehicles			
Cost:			
Opening balance at 1 October	11 805	12 061	15 266
Additions	3 214	2 792	3 347
Disposals	(2 948)	(349)	(1 328)
Reclassification	–	764	–
Effect of foreign currency movement	(10)	(2)	(13)
Closing balance at 30 September	12 061	15 266	17 272
Accumulated depreciation:			
Opening balance at 1 October	8 233	7 026	8 928
Charge for the year	1 442	1 823	2 371
Disposals	(2 639)	(343)	(1 004)
Reclassification	–	424	–
Effect of foreign currency movement	(10)	(2)	(11)
Closing balance at 30 September	7 026	8 928	10 284
Carrying value at 30 September	5 035	6 338	6 988

	2007 R'000	2008 R'000	2009 R'000
Total cost			
Opening balance at 1 October	3 996 886	4 308 853	4 108 912
Additions	423 715	348 397	554 618
Acquisition of subsidiary	–	48 000	443
Disposals or scrappings	(101 862)	(18 320)	(372 683)
Disposal of businesses	–	(420 679)	–
Transfer to intangible assets	–	(23 314)	–
Reclassification	–	(145 337)	–
Effect of foreign currency movement	(9 886)	11 312	(2 007)
Closing balance at 30 September	4 308 853	4 108 912	4 289 283
Total accumulated depreciation and impairment			
Opening balance at 1 October	1 365 927	1 539 405	1 524 256
Charge for the year	261 711	238 783	222 556
Acquisition of subsidiary	(85 750)	–	279
Disposals or scrappings	–	(17 021)	(361 450)
Disposal of businesses	–	(73 895)	–
Transfer to intangible assets	–	(13 672)	–
Reclassification	–	(150 407)	–
Effect of foreign currency movement	(2 483)	1 063	(1 856)
Closing balance at 30 September	1 539 405	1 524 256	1 383 785
Total carrying value at 30 September	2 769 448	2 584 656	2 905 498

A register of land and buildings is maintained as per paragraph 22(3) of Schedule 4 of the Companies Act. This register is available for inspection by members at the Company's registered office.

Bank borrowings are secured on property, plant and equipment for the book value of R1 453 961 000 (2008: R1 438 676 000) (2007: R1 664 145 000). Refer to note 16.

The lease assets secure the lease liabilities to the value of R302 773 000 (2008: R337 274 000) (2007: R nil). Refer to note 16.

5. INTANGIBLE ASSETS

	2007 R'000	2008 R'000	2009 R'000
Intangible assets consist of:			
Goodwill	1 020 542	1 117 890	1 097 222
Computer software	26 790	33 958	27 552
Restraint of trade payments	905	874	432
Hospital licences	493 543	454 059	417 077
Customer relations	688 578	633 516	577 790
Preferred supplier contracts	67 105	51 203	35 301
Other intangible assets	1 407	1 690	851
	2 298 870	2 293 190	2 156 225
The movement in the balance for intangible assets is as follows:			
Balance at 1 October	2 405 539	2 298 870	2 293 190
Intangible assets arising on acquisition of subsidiary	–	97 348	–
Additional amounts capitalised due to business combination	11 973	–	18 295
Computer software additions	–	12 154	4 848
Adjustment of goodwill on settlement of liability	–	–	(27 000)
Disposals	–	–	(836)
Transfer from property plant and equipment	–	9 642	–
Amortisation charge – current year	(118 721)	(124 824)	(122 921)
Negative goodwill recognised	76	–	–
Effect of foreign currency movement	3	–	–
Impairment charge – current year	–	–	(9 351)
Carrying value at 30 September	2 298 870	2 293 190	2 156 225
Goodwill			
Cost:			
Opening balance at 1 October	1 034 794	1 045 252	1 142 600
Arising on acquisition of subsidiaries	10 455	97 348	15 683
Recovery of guarantee on acquisition of subsidiary	–	–	(27 000)
Effect of foreign currency movement	3	–	–
Closing balance at 30 September	1 045 252	1 142 600	1 131 283
Accumulated impairment:			
Opening balance at 1 October	24 786	24 710	24 710
Impairment charge	–	–	9 351
Negative goodwill recognised	(76)	–	–
Closing balance at 30 September	24 710	24 710	34 061
Carrying value at 30 September	1 020 542	1 117 890	1 097 222

	2007 R'000	2008 R'000	2009 R'000
Computer software			
Cost:			
Opening balance at 1 October	46 491	46 491	81 039
Transfer from property, plant and equipment	–	23 314	–
Additional amounts capitalised	–	11 234	4 848
Disposals or scrappings	–	–	(5 300)
Closing balance at 30 September	46 491	81 039	80 587
Accumulated amortisation:			
Opening balance at 1 October	12 175	19 701	47 081
Transfer from property, plant and equipment	–	13 672	–
Amortisation charge	7 526	13 708	11 222
Disposals or scrappings	–	–	(5 268)
Closing balance at 30 September	19 701	47 081	53 035
Carrying value at 30 September	26 790	33 958	27 552
Restraint of trade payments			
Cost:			
Opening balance at 1 October	829	1 783	2 173
Additional amounts capitalised	954	390	–
Closing balance at 30 September	1 783	2 173	2 173
Accumulated amortisation:			
Opening balance at 1 October	409	878	1 299
Amortisation charge	469	421	442
Closing balance at 30 September	878	1 299	1 741
Carrying value at 30 September	905	874	432
Hospital licences			
Cost:			
Opening balance at 1 October	594 157	594 157	594 157
Additional amounts capitalised	–	–	2 612
Closing balance at 30 September	–	594 157	596 769
Accumulated amortisation and impairment:			
Opening balance at 1 October	61 130	100 614	140 098
Amortisation charge	39 484	39 484	39 594
Closing balance at 30 September	100 614	140 098	179 692
Carrying value at 30 September	493 543	454 059	417 077

	2007 R'000	2008 R'000	2009 R'000
Customer relations			
Cost:			
Opening balance at 1 October	839 156	839 156	839 156
Accumulated amortisation and impairment:			
Opening balance at 1 October	95 514	150 578	205 640
Amortisation charge	55 064	55 062	55 726
Closing balance at 30 September	150 578	205 640	261 366
Carrying value at 30 September	688 578	633 516	577 790
Preferred supplier contracts			
Cost:			
Opening balance at 1 October	106 860	106 860	106 860
Accumulated amortisation:			
Opening balance at 1 October	23 853	39 755	55 657
Amortisation charge	15 902	15 902	15 902
Closing balance at 30 September	39 755	55 657	71 559
Carrying value at 30 September	67 105	51 203	35 301
Other intangible assets			
Other intangible assets comprise capitalised lease premiums and restraint of trade payments			
Cost:			
Opening balance at 1 October	1 500	2 064	2 594
Additional amounts capitalised	564	530	–
Disposals	–	–	(804)
Closing balance at 30 September	2 064	2 594	1 790
Accumulated amortisation:			
Opening balance at 1 October	381	657	904
Amortisation charge	276	247	35
Closing balance at 30 September	657	904	939
Carrying value at 30 September	1 407	1 690	851
Total carrying value at 30 September	2 298 870	2 293 190	2 156 225

	2007 R'000	2008 R'000	2009 R'000
Total cost:			
Opening balance at 1 October	2 623 787	2 635 763	2 768 579
Additions	1 518	12 154	7 460
Acquisition of subsidiary	10 455	97 348	15 683
Transfer from Property, Plant and Equipment	–	23 314	–
Disposals or scrappings	–	–	(6 104)
Effect of foreign currency movement	3	–	–
Recovery of guarantee on acquisition of subsidiary	–	–	(27 000)
Closing balance at 30 September	2 635 763	2 768 579	2 758 618
Total accumulated depreciation:			
Opening balance at 1 October	218 248	336 893	475 389
Charge for the year	118 721	124 824	122 921
Impairment charge	–	–	9 351
Disposals or scrappings	–	–	(5 268)
Negative goodwill recognised	(76)		
Transfer from Property, Plant and Equipment	–	13 672	–
Carrying value at 30 September	3 368 93	475 389	602 393
Total carrying value at 30 September	2 298 870	2 293 190	2 156 225

Goodwill and intangible assets are allocated to the various cash generating units based on trading profit as a percentage of total trading profit.

The impairment charge for the current year relates to two cash generating units where the business conditions changed.

6. LOANS AND RECEIVABLES

	2007 R'000	2008 R'000	2009 R'000
Balance at 1 October	11 382	10 884	6 350
Fair value adjustment	644	(1 317)	(276)
Loans granted and balances repaid (net)	(1 142)	(2 254)	954
Non-current portion at 30 September	10 884	7 313	7 028
Impairment of loans and receivables	–	(963)	(1 234)
Opening balance	–	–	(963)
Impairment raised	–	(963)	(271)
Amounts utilised	–	–	–
Net loans and receivables	–	6 350	5 794

These loans are unsecured, bear interest at rates linked to the prime bank overdraft rate, and are repayable between two to five years.

Fair value of loans and receivables

The values stated above approximate the fair values of the financial assets at balance sheet date.

Loans and receivables past due, but not impaired

All loans and receivables that are past due are impaired accordingly.

	2007 R'000	2008 R'000	2009 R'000

Loans and receivables impaired

As at 30 September 2009, loans and receivables of R1 234 000 (2008: R963 000) (2007: RNil) were impaired and provided for. These were assessed individually.

Credit quality of loans and receivables

The credit quality of loans and receivables that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates.
No default existed at year end.

7. INVESTMENT IN ASSOCIATES

	2007 R'000	2008 R'000	2009 R'000
Unlisted ordinary shares			
Balance at 1 October	182 671	204 661	207 446
Share of net profits after tax	70 483	88 421	100 595
Share of current year profit before tax	96 284	118 213	140 366
Share of current year tax	(25 801)	(29 792)	(39 771)
Dividends declared by associates	(9 256)	(55 359)	(44 335)
Profit on sale of business operations	–	–	3 927
Effect of foreign currency movement	(119)	17	(245)
Transfer to loan account	(14 352)	(30 294)	(16 120)
Classified as "non-current assets held for sale"	(24 766)	–	–
Disposal of investment in associate	–	–	(306)
Balance at 30 September	204 661	207 446	250 962
Directors' valuation of shares	313 383	460 255	696 614
Amounts owing			
Balance at 1 October	3 873	5 672	9 687
Net movement in amounts owing	(12 099)	(26 225)	(17 452)
Effect of foreign currency movement	(336)	(54)	(733)
Transfer from equity	14 352	30 294	16 120
Classified as "Non-current assets held for sale"	(118)	–	–
Balance at 30 September	5 672	9 687	7 622

Amounts owing are interest bearing at market related rates negotiated on an annual basis and are repayable on terms determined by the associate company's directors. One of the associate companies has a February year end. The results of this company were brought into account for the period ending August 2009 (2008: August 2008) (2007: August 2007) based on management accounts for the period.

There were no material transactions in the period between August of year 2007 – 2009 and the Group's year end of 30 September of each year 2007 – 2009. The accounting policies of the associated companies do not differ materially from the Group's accounting policies. The aggregate assets, liabilities and results of operations of associate companies are summarised as follows (not adjusted for percentage ownership by the Group):

	2007 R'000	2008 R'000	2009 R'000
Income statement			
Revenue	522 711	626 138	725 394
Expenses	(325 067)	(372 536)	(418 977)
Profit before tax	197 644	253 602	306 417
Balance sheet			
Non-current assets	263 094	272 643	307 760
Current assets	256 111	274 335	333 137
Total assets	519 205	546 978	640 897
Capital and reserves	425 093	480 538	550 439
Non-current liabilities	27 953	17 876	15 689
Current liabilities	66 159	48 564	74 769
Total equity and liabilities	519 205	546 978	640 897

The aggregate post acquisition reserves for associates are R236 956 000 (2008: R195 305 000) (2007: R194 911 000).

8. INTERESTS IN JOINT VENTURES

	2007	2008	2009
The Group had the following interests in joint ventures at 30 September:	%	%	%
East Rand Oncology Unit^	48	48	48
West Rand Oncology Unit~	40	40	0
St Georges' Oncology Unit^	40	40	0
Vincent Pallotti Oncology Unit	40	40	40
Brenthurst MRI	70	70	70
Brenthurst Equipment Trust 1	50	50	50
Brenthurst Equipment Trust 2	70	70	70
Brenthurst Radiology Cat Scan	50	50	50
Flora Renal Dialysis Unit (Pty) Ltd (Dormant and in voluntary liquidation)	51	51	51
Sandton GIT	50	50	50
Sandton IVF	50	50	50
Boldprops 102 (Pty) Ltd	50	50	50
Partnership Health Group Ltd * (Disposed during 2008)	50	0	0

* Company registered in the United Kingdom.

^ Decision was taken to dissolve the business.

~ Business was dissolved during current financial year.

The following amounts represent the Group's proportionate share of the assets, liabilities and results of its interests in the joint ventures included in the consolidated balance sheet and consolidated income statement:

	2007	2008	2009
Income statement			
Revenue	428 792	420 168	27 350
Expenses	(367 145)	(354 992)	(11 498)
Profit before tax	61 647	65 176	15 852

	2007	2008	2009
Balance sheet			
Assets	463 405	20 327	19 646
Non-current assets	360 765	9 550	5 405
Current assets	102 640	10 777	14 241
Liabilities	(395 046)	(4 068)	(3 428)
Non-current liabilities	(302 920)	(1 098)	(1 802)
Current liabilities	(92 126)	(2 970)	(1 626)
Net assets	68 359	16 259	16 218
Director's valuation	68 359	16 259	16 218

The Group's interest in capital commitments for the joint ventures is R nil (2008: R nil) (2007: R8 603 000).

9. DEFERRED INCOME TAX

	2007 R'000	2008 R'000	2009 R'000
Analysis of deferred tax assets and deferred tax liabilities is as follows:			
Deferred tax assets			
Deferred tax assets to be recovered within 12 months	69 479	89 426	102 916
Deferred tax assets to be recovered after more than 12 months	251 510	217 024	285 244
	320 989	306 450	388 160
Deferred tax liabilities			
Deferred tax liabilities to be recovered within 12 months	(10 153)	(48 710)	(43 176)
Deferred tax liabilities to be recovered after more than 12 months	(578 395)	(519 186)	(484 145)
	(585 548)	(567 896)	(527 321)
The movement in the deferred tax account is as follows:			
Balance at 1 October	(309 038)	(267 559)	(261 446)
Foreign currency exchange adjustment	(58)	(135)	(47)
Acquired through acquisition of subsidiary	–	(4 275)	–
Disposal of subsidiary	–	10 425	–
Rate adjustment	–	8 723	–
Deferred tax movements directly in reserves	–	–	56 652
Current year charge	41 537	(8 625)	65 680
Carrying amount at 30 September	(267 559)	(261 446)	(139 161)
Deferred tax assets disclosed under non-current assets	320 989	(306 450)	(388 160)
Net deferred tax liability	(585 548)	(567 896)	(527 321)

2007 (R'000)	Balance at 1 October 2006	Rate adjustment	Foreign currency exchange	Net other movement	Balance at 30 September 2007
Employee benefit provisions	64 642	–	–	14 929	79 571
Other provisions	8 840	–	–	3 779	12 619
Provision for doubtful debts	7 814	–	9	665	8 488
Accelerated wear and tear for tax purposes on property, plant and equipment	(114 480)	–	(140)	(74 179)	(188 799)
Tax loss carried forward	(291)	–	–	5 215	4 924
Property leases	159 695	–	73	45 871	205 639
Credit balances in trade receivables	9 922	–	–	(174)	9 748
Pre-paid expenses	(23 332)	–	–	(2 386)	(25 718)
Unused STC credits	693	–	–	–	693
Intangible assets on acquisition of subsidiary	(422 541)	–	–	52 496	(370 045)
Non-current receivables adjusted to fair value on acquisition of subsidiary	–	–	–	(4 679)	(4 679)
	(309 038)	–	(58)	41 537	(267 559)

2008 (R'000)	Balance at 1 October 2007	Rate adjustment	Foreign currency exchange	Net other movement	Balance at 30 September 2008
Employee benefit provisions	79 571	(2 744)	–	(17 267)	59 560
Other provisions	12 619	(435)	–	23 104	35 288
Provision for doubtful debts	8 488	(287)	–	2 092	10 293
Accelerated wear and tear for tax purposes on property, plant and equipment	(188 799)	5 989	(135)	18 130	(164 815)
Tax loss carried forward	4 924	(201)	–	(4 411)	312
Property leases	205 639	(7 047)	–	(11 979)	186 613
Credit balances in trade receivables	9 748	(336)	–	(519)	8 893
Pre-paid expenses	(25 718)	887	–	8 003	(16 828)
Unused STC credits	693	(24)	–	–	669
Intangible assets on acquisition of subsidiary	(370 045)	12 760	–	33 521	(323 764)
Non-current receivables adjusted to fair value on acquisition of subsidiary	(4 679)	161	–	(918)	(5 436)
Retirement benefit asset	–	–	–	(25 581)	(25 581)
Revenue received in advance	–	–	–	4 822	4 822
Lease premium	–	–	–	(275)	(275)
Interest rate hedge	–	–	–	(17 406)	(17 406)
Debt arrangement fee	–	–	–	(13 791)	(13 791)
	(267 559)	8 723	(135)	(2 475)	(261 446)

2009 (R'000)	Balance at 1 October 2008	Rate adjustment	Foreign currency exchange	Net other movement	Balance at 30 September 2009
Employee benefit provisions	59 560	–	–	4 906	64 466
Other provisions	35 288	–	–	73 829	109 117
Provision for doubtful debts	10 293	–	–	(4 726)	5 567
Accelerated wear and tear for tax purposes on property, plant and equipment	(164 815)	–	(47)	(10 026)	(174 888)
Tax loss carried forward	312	–	–	5 420	5 732
Property leases	186 613	–	–	4 029	190 642
Credit balances in trade receivables	8 893	–	–	3 205	12 098
Pre-paid expenses	(16 828)	–	–	3 201	(13 627)
Unused STC credits	669	–	–	(1 723)	(1 054)
Intangible assets on acquisition of subsidiary	(323 764)	–	–	35 400	(288 364)
Non-current receivables adjusted to fair value on acquisition of subsidiary	(5 436)	–	–	(29)	(5 465)
Retirement benefit asset	(25 581)	–	–	(4 475)	(30 056)
Revenue received in advance	4 822	–	–	(4 781)	41
Lease premium	(275)	–	–	275	–
Interest rate hedge	(17 406)	–	–	17 105	(301)
Debt arrangement fee	(13 791)	–	–	5 189	(8 602)
Other movements	–	–	–	(4 964)	(4 964)
Partnerships	–	–	–	497	497
	(261 446)	–	(47)	122 332	(139 161)

Deferred tax assets arising from tax losses are recognised to the extent that realisation of the related tax benefits is probable. The determination of the probability of recovery is based on management forecasts for these units.

The Group has tax losses of R31 160 000 (2008: R10 910 000) (2007: R15 518 000) to carry forward against future taxable income, which have not been recognised in these financial statements due to uncertainties regarding the utilisation of these losses in the foreseeable future.

A tax rate adjustment was applied in 2008 when the enacted Corporate Tax rate was reduced from 29% to 28%.

10. INVENTORIES

	2007 R'000	2008 R'000	2009 R'000
Ethical drugs and surgical consumable products	140 395	144 255	166 145
Inventories are carried at cost, which is lower than the net realisable value.			
The cost of inventories written off as expired stock, is recognised as an expense and is included in 'Other expenses'. Inventories written off amounted to:	6 972	5 464	5 868

11. TRADE AND OTHER RECEIVABLES

	2007 R'000	2008 R'000	2009 R'000
Trade receivables	752 184	749 268	884 625
Less: Provision for impairment of receivables	(29 293)	(26 544)	(27 197)
Net trade receivables	722 891	722 724	857 428
Other receivables	76 899	63 749	55 021
Prepaid expenses	37 504	25 332	23 062
Balance at 30 September	837 294	811 805	935 511
The Group has recognised losses for the impairment of its trade receivables for the year ended 30 September 2008. These losses have been included in 'Other expenses' in the income statement:	49 207	45 760	51 939

The values as stated above approximate the fair values at balance sheet date of trade and other receivables.

The fair values of trade and other receivables are based on cash flows discounted using the prime interest rate. Provision for impairment of receivables is based on historical collection trends, current market conditions and expected future cash flows.

Fair values are determined annually at balance sheet date.

Trade and other receivables past due, but not impaired

	2007	2008	2009
Trade and other receivables, which are less than 3 months past due or another period depending on the class of trade receivable are not considered to be impaired, as there has not been a significant change in credit quality and amounts are still considered to be recoverable. At 30 September trade and other receivables past due, but not impaired were as follows:	100 950	131 602	112 399

The ageing of amounts past due but not impaired is as follows:

Trade and other receivables at 30 September 2007 (R'000)	31 – 60 days	61 – 90 days	91 – 180 days	181 – 360 days	More than a year	Total
Private clients	–	–	7 954	4 317	3 375	15 646
Medical aids	–	39 178	31 861	6 168	3 018	80 225
Government (RAF, COID, Non-pure COID)	–	–	–	–	–	–
Foreign patients	1 913	1 272	691	1 052	151	5 079
	1 913	40 450	40 506	11 537	6 544	100 950

Trade and other receivables at 30 September 2008 (R'000)	31 – 60 days	61 – 90 days	91 – 180 days	181 – 360 days	More than a year	Total
Private clients	–	–	8 846	6 982	4 259	20 087
Medical aids	–	39 345	41 849	15 326	5 630	102 150
Government (RAF, COID, Non-pure COID)	–	–	–	–	–	–
Foreign patients	2 675	2 860	3 575	87	168	9 365
	2 675	42 205	54 270	22 395	10 057	131 602

Trade and other receivables at 30 September 2009 (R'000)	31 – 60 days	61 – 90 days	91 – 180 days	181 – 360 days	More than a year	Total
Private clients	–	–	9 715	4 555	1 984	16 254
Medical aids	–	45 154	29 138	3 613	4 253	82 158
Government						
(RAF, COID, non-pure COID)	–	–	–	–	–	–
Foreign patients	3 497	2 961	4 855	1 740	934	13 987
	3 497	48 115	43 708	9 908	7 171	112 399

	2007 R'000	2008 R'000	2009 R'000
Trade and other receivables impaired			
The amount of the provision at 30 September was:	(29 293)	(26 544)	(27 197)
Reconciliation of provision for impairment of trade and other receivables			
Opening balance 1 October	(27 000)	(29 293)	(26 544)
Provision for impairment	(11 717)	(7 814)	(7 784)
Amounts utilised	9 424	10 563	7 131
Closing balance 30 September	(29 293)	(26 544)	(27 197)

The creation and release of the provision for impaired receivables has been included in 'Other expenses' in the income statement. Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the fair value of each class of trade receivable mentioned above. The Company does not hold any collateral as security.

The Company's subsidiary has pledged and ceded its trade receivables as surety for certain of its borrowings. Refer to note 16.

Currencies

The trade and other receivables carrying amount is denominated in the following currencies:

	2007 R'000	2008 R'000	2009 R'000
South African Rand	782 532	782 659	906 748
Botswana Pula	23 690	27 652	28 242
British Pound Sterling	31 072	1 494	521
Balance at 30 September	837 294	811 805	935 511

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates.

12. CASH AND CASH EQUIVALENTS

	2007 R'000	2008 R'000	2009 R'000
Cash at bank and in hand	137 149	126 253	101 417
Short term bank deposits	380 000	286 000	–
Balance at 30 September	517 149	412 253	101 417
The cash at bank and deposits are on call, immediately available and consist of money market call deposits and short-term fixed deposits. The average effective interest rate on short-term bank deposits was:	8.92%	10.87%	9.08%
The cash and cash equivalents carrying amount is denominated in the following currencies:			
South African Rand	455 829	386 593	77 914
Botswana Pula	15 335	25 660	23 503
British Pound Sterling	45 985	–	–
Balance at 30 September	517 149	412 253	101 417
Cash and cash equivalents include the following for the purpose of the cash flow statement:			
Cash at bank and at hand	137 149	126 253	101 417
Short term bank deposits	380 000	286 000	–
Balance at 30 September	517 149	412 253	101 417

Overdraft facilities within the Group are secured by means of cross sureties by Group companies and a pledge in terms of an agreement with leaders who provided Senior, Mezzanine and Revolving Credit Facility loans.

13. SHARE CAPITAL

	2007 R'000	2008 R'000	2009 R'000
Authorised			
Ordinary shares			
4 000 000 000 (2008: 4 000 000 000) (2007: 4 000 000 000) Ordinary shares of R0.01 each (Total value = R4 000)	4	4	4
200 000 000 (2008: 200 000 000) (2007: 200 000 000) Ordinary "N" shares of R0.01 each (Total value = R200)	–	–	–
The "N" shares carry one 1 000th of the voting rights of the ordinary shares.			
Preference shares			
820 (2008: 820) (2007: 820) Cumulative variable rate redeemable class "A" preference shares of R0.01 each (Total value = R820)	–	–	–
180 (2008: 180) (2007: 180) Cumulative variable rate redeemable class "B" preference shares of R0.01 each (Total value = R180)	–	–	–
3 000 (2008: 3 000) (2007: 3 000) Cumulative variable rate redeemable class "C" preference shares of R0.01 each (Total value = R30)	–	–	–

The preference shares are disclosed as part of Interest-bearing borrowings due to the rights attached to the shares.

	2007 R'000	2008 R'000	2009 R'000
Issued and fully paid			
Ordinary shares			
Balance at 30 September	1	1	1
866 810 000 (2008: 880 000 000) (2007: 880 000 000) Ordinary shares of R0.01 each (Total value = R867)	1	1	1
14 9980 000 (2008: 150 000 000) (2007: 150 000 000) Ordinary "N" shares of R0.01 each (Total value = R150)	–	–	–

During 2009 the Group acquired 1 321 of its own shares through purchase from its current shareholders. The total amount paid to acquire the shares was R99 944 726 and has been deducted from retained earnings within the shareholders' equity. The Group has the right to re issue these shares at a later date. All shares issued by the Group were fully paid.

The above numbers reflect the share split as referred to in the Post balance sheet note 39.

14. SHARE PREMIUM

	2007 R'000	2008 R'000	2009 R'000
Balance at 30 September	23 350	23 350	23 350

15. OTHER RESERVES

	2007 R'000	2008 R'000	2009 R'000
Foreign currency translation reserve	12 459	(5 727)	(6 366)
Share based payment reserve	128 204	179 338	230 976
	140 663	173 611	224 610

The movements in each category of reserves were as follows:

	2007 R'000	2008 R'000	2009 R'000
Share based payment reserve			
Balance at 1 October	29 258	128 204	179 338
Transferred from Employee benefit provisions	55 840	–	–
Charge for the year	43 106	51 134	51 638
Balance at 30 September	128 204	179 338	230 976

The Share based payment reserve consists of two equity settled schemes, namely the "Equity Kicker" scheme and the "Employee Trust" scheme. The "Employee Trust" has an indirect 4.2% (2008: 4.1%) (2007: 4.1%) interest in the Company. All permanent employees are beneficiaries of the Employee Trust. In terms of the trust deed the employees might become entitled to a surplus in the event of the Trust selling its indirect interest in Life Healthcare Group Holdings (Pty) Ltd at a future date (the "**liquidity event**"). The "Equity Kicker" scheme entitles certain members of senior management to a maximum of 2.5% of the equity value of Life Healthcare Group Holdings (Pty) Ltd. This allocation is conditional upon certain performance criteria being met. The performance criteria is limited to a minimum return on initial investment for the shareholders being achieved. In all likelihood the vesting conditions will be met at the vesting date of March 2010. The scheme will be settled at the option of the subsidiary Company by way of delivery of shares of the Company or cash, but will in all likelihood be a delivery of shares.

Due to modification in the "Equity Kicker" scheme, it is treated as cash settled in the underlying subsidiary's records that needs to deliver the shares of the holding company to the employees. Refer to note 3 for the critical accounting estimates and judgements used to calculate the values of these schemes.

	2007 R'000	2008 R'000	2009 R'000
Foreign currency translation reserve			
Balance at 1 October	20 173	12 459	(5 727)
Currency translations arising in the year	(7 714)	(3 181)	(639)
Currency translations realised in the year	–	(15 005)	–
Balance at 30 September	12 459	(5 727)	(6 366)

16. **INTEREST BEARING BORROWINGS**

	Non-current portion R'000	Current portion R'000	Total R'000
Secured borrowings – 2007			
Senior debt	1 285 468	201 272	1 486 740
Mezzanine debt	483 185	65 893	549 078
Loans at variable interest rates	207 446	11 441	218 887
Loans at fixed interest rates	–	5 191	5 191
Mortgage bonds at fixed rates	24 677	1 121	25 798
Mortgage bonds at variable interest rates	23 417	4 839	28 256
Instalment sale agreements	1 693	1 675	3 368
Finance leases – properties	523 106	26 742	549 848
Finance leases – other	7 718	16 039	23 757
Total secured borrowings	2 556 710	334 213	2 890 923
Debt arrangement fees	(41 014)	(5 762)	(46 776)
Total borrowings – 30 September 2007	2 515 696	328 451	2 844 147
Secured borrowings – 2008			
Senior debt	1 057 513	227 954	1 285 467
Mezzanine debt	404 951	78 234	483 185
Mortgage bonds at variable interest rates	18 387	5 130	23 517
Mortgage bonds at fixed interest rates	22 842	1 835	24 677
Instalment sale agreements	634	1 072	1 706
Finance leases – properties	521 069	11 369	532 438
Finance leases – other	2 701	6 711	9 412
Revolving credit facility	–	150 000	150 000
Total secured borrowings	2 028 097	482 305	2 510 402
Debt arrangement fees	(30 617)	(6 607)	(37 224)
Total borrowings – 30 September 2008	1 997 480	475 698	2 473 178

	Non-current portion R'000	Current portion R'000	Total R'000
Secured borrowings – 2009			
Senior debt	797 326	256 736	1 054 062
Mezzanine debt	312 396	92 555	404 951
Mortgage bonds at variable interest rates	12 284	6 012	18 296
Mortgage bonds at fixed interest rates	20 113	2 729	22 842
Instalment sale agreements	300	328	628
Finance leases – properties	508 938	19 977	528 915
Finance leases – other	2 826	1 781	4 607
Revolving credit facility	–	350 000	350 000
Total secured borrowings	1 654 183	730 118	2 384 301
Debt arrangement fees	(23 139)	(7 583)	(30 722)
Total borrowings – 30 September 2009	1 631 044	722 535	2 353 579

The maturity of the borrowings is as follows:	2007 R'000	2008 R'000	2009 R'000
Within 1 year	328 451	475 698	722 535
Between 1 and 2 years	346 713	371 032	428 235
Between 2 and 5 years	1 500 720	1 206 824	821 791
Over 5 years	668 263	419 624	381 018
Total Borrowings	2 844 147	2 473 178	2 353 579
The carrying value of borrowings is equal to the fair value at 30 September.			
The carrying amount of the Group's borrowings are denominated in the following currencies:			
South African Rand	2 625 260	2 473 178	2 353 579
British Pound Sterling	218 887	–	–
	2 844 147	2 473 178	2 353 579
Senior debt – Loans at variable interest rates	1 285 468	1 057 513	797 326
Opening balance at 1 October	1 665 327	1 486 740	1 285 467
Less: Capital repaid during the year	(178 587)	(201 273)	(231 405)
	1 486 740	1 285 467	1 054 062
Less: Current portion transferred to current liabilities	(201 272)	(227 954)	(256 736)

Repayment terms

These loans are secured by a mortgage bond over properties with a carrying value of R1 306 783 000 (2008: R1 279 938 000) (2007: 965 588 000), a general notarial bond and a cession and pledge over claims and other assets of Life Healthcare Group (Pty) Ltd. The senior debt holders have first access to the sureties. The loans carry interest at the 3 month JIBAR plus 4.25%. Interest is settled every quarter. The remaining capital balance is repayable in 14 (2008: 18) (2007: 22) average quarterly instalments of R75 290 000 (2008: R71 415 000) (2007: R67 579 000) with the last instalment due on 28 February 2013.

	2007 R'000	2008 R'000	2009 R'000
Mezzanine Debt Loans at variable interest rates	483 185	404 951	312 396
Opening balance at 1 October	563 750	549 078	483 185
Less: Capital repaid during the year	(14 672)	(65 893)	(78 234)
	549 078	483 185	404 951
Less: Current portion transferred to current liabilities	(65 893)	(78 234)	(92 555)

Repayment terms

These loans are secured by a mortgage bond over properties with a carrying value of R1 306 783 000 (2008: R1 279 938 000) (2007: R965 588 000), a general notarial bond and a cession and pledge over claims and other assets of Life Healthcare Group (Proprietary) Limited. The mezzanine debt holders have second access to the sureties. The loans carry interest at the 3-month JIBAR plus 9%. Interest is settled every quarter. The remaining capital balance is repayable in 14 (2008: 18) (2007: 22) average quarterly instalments of R28 925 000 (2008: R26 844 000) (2007: R24 958 000) with the last instalment due on 28 February 2013.

	2007 R'000	2008 R'000	2009 R'000
Debt arrangement fees	(41 014)	(30 617)	(23 139)
Opening balance at 1 October	(51 786)	(46 776)	(37 224)
Disposal of joint venture	–	3 812	–
Less: Amounts amortised during the year	5 010	5 740	6 502
	(46 776)	(37 224)	(30 722)
Less: Current portion transferred to current liabilities	5 762	6 607	7 583

The debt arrangement fees relate to the costs associated with raising senior and mezzanine debt. The costs are amortised based on the effective interest method. The amortised amount is disclosed as part of finance costs.

	2007 R'000	2008 R'000	2009 R'000
Loans at variable interest rates (Other debt)	207 446	–	–
Opening balance at 1 October	192 586	218 887	–
Disposal of joint venture	–	(211 882)	–
Foreign currency exchange adjustment	(4 617)	6 385	–
Net loans (repaid)/raised during the year	30 918	(13 390)	–
	218 887	–	–
Less: Current portion transferred to current liabilities	(11 441)	–	–

Repayment terms

These loans were disposed of as part of a business transaction during the 2008 financial year. In the 2008 and 2007 financial years these loans were denominated in British Pound Sterling and carried interest at a weighted average interest rate of 5.712%. The average monthly instalment was R953 000 (GBP 67 000) in 2008, and the last instalment was due on 31 December 2011. The security provided for these loans were property, plant and equipment with a book value of R227 231 000 (GBP15 946 000).

	2007 R'000	2008 R'000	2009 R'000
Loans at fixed interest rates	–	–	–
Opening balance at 1 October	14 664	5 191	–
Loans repaid during the year	(9 473)	(5 191)	–
	5 191	–	–
Less: Current portion transferred to current liabilities	(5 191)	–	–

	2007 R'000	2008 R'000	2009 R'000
Repayment terms			
The loan was settled in the prior financial year. In the 2008 financial year the loan carried interest at an interest rate of 12.65% (2007: 12.65%). The average six monthly capital instalment was R3 948 000 (2007: R3 948 000) and the last instalment was due on 31 March 2008. The loan was secured by a cross surety signed by a Group company.			
Mortgage bonds at fixed interest rate	24 677	22 842	20 113
Opening balance at 1 October	26 462	25 798	24 677
Net loans repaid during the year	(664)	(1 121)	(1 835)
	25 798	24 677	22 842
Less: Current portion transferred to current liabilities	(1 121)	(1 835)	(2 729)
Repayment terms			
This mortgage bond bears interest at a fixed rate of 18.2%, is repayable in average monthly instalments of R650 000 (2008: R614 000) (2007: R449 000)and secured by properties with a carrying value of R20 815 000 (2008: R21 473 000) (2007: R20 295 000). The last instalment is due on 31 March 2014.			
Mortgage bond at variable interest rate	23 417	18 387	12 284
Opening balance at 1 October	32 688	28 256	23 517
Net loans repaid during the year	(4 432)	(4 739)	(5 221)
	28 256	23 517	18 296
Less: Current portion transferred to current liabilities	(4 839)	(5 130)	(6 012)
Repayment terms			
These mortgage bonds bear interest at various rates linked to the prime bank overdraft rate and are repayable in average monthly instalments of R514 000 (2008: R678 000) (2007: R664 000) over periods ranging between 1 to 10 years. The mortgage bonds are secured by property, plant and equipment with a carrying value of R50 646 000 (2008: R52 405 000) (2007: R41 701 000). The last instalment is due on 31 March 2019.			
Instalment sale agreements	1 693	634	300
Opening balance at 1 October	5 492	3 368	1 706
Net loans repaid during the year	(2 124)	(1 662)	(1 078)
	3 368	1 706	628
Less: Current portion transferred to current liabilities	(1 675)	(1 072)	(328)
Repayment terms			
These instalment sale agreements bear interest at various rates linked to the prime bank overdraft rate and are repayable in average monthly instalments of R32 000 (2008: R148 000) (2007: R165 000) over periods ranging between 1 to 2 years (2008: 1 to 3) (2007: 1 to 4 years). The instalment sale agreements are secured by property, plant and equipment with a carrying value of R1 228 000 (2008: R3 022 000) (2007: R2 424 000). The last instalment is due on 31 July 2011.			

	2007 R'000	2008 R'000	2009 R'000
Finance leases	7 718	2 701	2 826
Opening balance at 1 October	47 997	23 757	9 412
Net loans repaid during the year	(24 240)	(14 345)	(4 805)
	23 757	9 412	4 607
Less: Current portion transferred to current liabilities	(16 039)	(6 711)	(1 781)

Repayment terms

These finance leases bear interest at various rates linked to the prime bank overdraft rate and are repayable in average monthly instalments of R99 000 (2008: R187 000) (2007: R536 000) over periods ranging between 1 to 3 years (2008: 1 to 4 years) (2007: 1 to 5 years). The finance lease agreements are secured by property, plant and equipment with a carrying value of R4 587 000 (2008: R81 838 000) (2007: R85 938 000).

	2007 R'000	2008 R'000	2009 R'000
Minimum future finance lease payments:			
Not later than 1 year	18 718	7 044	1 975
Later than 1 year, not later than 5 years	8 096	2 714	3 038
Later than 5 years	–	–	–
	26 814	9 758	5 013
Future finance charges on lease payments	(3 057)	(346)	(406)
Present value of finance lease liabilities	23 757	9 412	4 607
The present value of future lease liabilities is as follows:			
Not later than 1 year	16 039	6 711	1 781
Later than 1 year, not later than 5 years	7 718	2 701	2 826
Later than 5 years	–	–	–
	23 757	9 412	4 607
Finance leases property lease agreements capitalised	523 106	521 069	508 938
Opening balance at 1 October	507 839	524 060	532 438
Net loans (repaid)/raised during the year	42 009	8 388	(3 523)
	549 848	532 438	528 915
Less: Current portion transferred to current liabilities	(26 742)	(11 369)	(19 977)

Repayment terms

These finance leases bear interest at various rates and are repayable in average monthly instalments of R4 955 000 (2008: R5 047 000) (2007: R7 670 000) over periods ranging between 1 to 20 (2008: 1 to 21) (2007: 1 to 22) years. The finance lease agreements are secured by property, plant and equipment with a carrying value of R302 773 000 (2008: R337 274 000) (2007:R320 968 000).

	2007 R'000	2008 R'000	2009 R'000
Minimum future finance lease payments:			
Not later than 1 year	80 248	76 373	85 214
Later than 1 year, not later than 5 years	344 253	360 776	373 441
Later than 5 years	887 072	789 122	700 333
	1 311 573	1 226 271	1 158 988
Future finance charges on lease payments	(761 725)	(693 833)	(630 073)
Present value of finance lease liabilities	549 848	532 438	528 915

	2007 R'000	2008 R'000	2009 R'000
The present value of future lease liabilities is as follows:			
Not later than 1 year	26 742	11 369	19 977
Later than 1 year, not later than 5 years	87 669	111 936	132 895
Later than 5 years	435 437	409 133	376 043
	549 848	532 438	528 915

Revolving credit facility

	2007 R'000	2008 R'000	2009 R'000
Opening balance at 1 October	–	–	150 000
Raised	–	150 000	200 000
	–	150 000	350 000
Less: Current portion transferred to current liabilities	–	(150 000)	(350 000)

Repayment terms

The revolving credit facility bears interest at the 3-month JIBAR plus 2.5% (R150 million) or at the 3-month JIBAR plus 2.75% (R200 million). Interest is settled quarterly on February, May, August and November. The revolving credit facility is repayable at the option of the Group, quarterly with a notice period of 3 business days with the last settlement date at 28 February 2013. The revolving credit facility is secured by a mortgage bond over properties with a carrying value of R1 306 783 000 (2008: R1 279 938 000), a general notarial bond and a cession and pledge over claims and other assets of Life Healthcare Group (Pty) Ltd. Ranks alongside senior debt. The committed Revolving Credit Facility is R540 000 000. Refer to note 34. The undrawn amount is R190 000 000. Refer to note 38.

17. **OPERATING LEASE LIABILITY**

	2007 R'000	2008 R'000	2009 R'000
The Group is a lessee to various hospital and administration office properties under non-cancellable lease agreements			
Net opening balance at 1 October	45 020	44 089	43 319
Operating lease expense on a straight line basis	36 583	44 464	45 583
Lease payments to lessors	(37 514)	(45 234)	(42 513)
Total net liability at 30 September	44 089	43 319	46 389
Less: Current portion transferred to current liabilities	(5 413)	–	–
Add: Operating lease asset non-current portion	–	4 797	3 470
Add: Operating lease asset current portion	–	1 370	1 370
Non-current operating lease liability	38 676	49 486	51 229

18. **PREFERENCE SHARES**

Authorised

	2007 R'000	2008 R'000	2009 R'000
820 (2008: 820) (2007: 820) Cumulative variable rate redeemable class "A" preference shares of R0.01 each (Total value = R820)	–	–	–
180 (2008: 180) (2007: 180) Cumulative variable rate redeemable class "B" preference shares of R0.01 each (Total value = R180)	–	–	–
3 000 (2008: 3 000) (2007: 3 000) Cumulative variable rate redeemable class "C" preference shares of R0.01 each (Total value = R30)	–	–	–

	2007 R'000	2008 R'000	2009 R'000
Issued and fully paid			
Balance at 1 October	104 245	76 400	23 633
Nil (2008: Nil) (2007: Nil) Cumulative variable rate redeemable class "A" preference shares of R0.01 each (Total value = R Nil)			
Nil (2008: Nil) (2007: Nil) Cumulative variable rate class "B" redeemable preference shares of R0.01 each			
Nil (2008: 928) (2007: 3 000) Cumulative variable rate class "C" redeemable preference shares of R001 each			
Less Capital redeemed during the year:			
The balance of the 820 Cumulative variable rate redeemable class "A" preference shares	(27 845)	–	–
928 (2008: 3 000) Cumulative variable rate class "C" redeemable preference shares	–	(52 767)	(23 633)
Balance at 30 September	76 400	23 633	–

The cumulative, variable rate, redeemable class "A" and "B" preference shares were redeemed in full during previous financial years at the option of the Company.

In terms of the original terms of the preference shares they would have been redeemable by the first business day following on the expiry of 8 years from the date of issue, being 22 March 2005. Class "A" preference shares could only be redeemed after all of the class "B" preference shares have been redeemed. Dividends were set at 70% of the 6 month JIBAR rate plus 9.5% applied on a nominal, annual compounded semi annual basis. Dividends were calculated on a daily basis 6 months in arrears up to 31 March and 30 September of each year. If the Company was unable to pay a dividend in a given year, the dividend accumulates.

The cumulative, variable rate, redeemable class "C" preference shares were fully redeemed during the current and previous financial years. In terms of the original terms of the preference shares they would have been redeemable by the first business day following on the expiry date of 7 years from the date of issue, being 22 August 2006. Dividends are set at 85% of the prime overdraft rate. The prime rate applicable shall be the rate at 1 April in respect of preference dividends payable 30 September of that year and 1 October in respect of preference dividends payable on 31 March of the following year. Dividends are calculated on a daily basis 6 months in arrears up to 31 March and 30 September of each year. If the Company is unable to pay a dividend in a given year, the dividend accumulates.

19. SHAREHOLDERS' LOANS

	2007 R'000	2008 R'000	2009 R'000
Balance at 1 October	1 000 599	1 005 199	312 577
Additional loans raised during the year	4 600	4 600	–
Loans repaid during the year	–	(697 222)	(312 577)
Balance at 30 September	1 005 199	312 577	–

	2007 R'000	2008 R'000	2009 R'000
The terms of the shareholder loans are set out in the shareholders' agreement. The loans are unsecured and bear interest as agreed by the directors. No interest was paid during the current year. Repayment terms are according to the discretion of the directors of the Company and in terms of various funding agreements. The loans are subordinated to certain debt providers.			
The shareholders' loans were repaid in full in the 2009 financial year.			
Fair value of shareholders' loans			
The carrying amount approximates fair value because of the short period to maturity of these instruments			

20. **TRADE AND OTHER PAYABLES**

	2007 R'000	2008 R'000	2009 R'000
Trade payables	577 024	568 658	646 681
Accruals	–	22 466	19 008
Other payables	228 693	200 098	219 905
Accrued leave pay	–	111 400	119 485
Balance at 30 September	805 717	905 622	1 005 079

Accrued leave pay was previously disclosed as a provision (2007). It has been reclassified on 1 October 2007 as an accrual.

21. **PROVISIONS**

	2007 R'000	2008 R'000	2009 R'000
Employee benefit provisions	264 700	126 330	84 552
Share appreciation rights scheme	–	39 665	39 665
Restoration provision	2 100	2 100	2 315
Unbundling provision	28 855	–	–
Total provisions	295 655	168 095	126 532
Less: Portion included in non-current liabilities	–	(16 167)	(16 118)
Current portion of provisions	295 655	151 928	110 414
Employee benefit provisions			
Balance at 1 October	267 354	264 700	126 330
Additional provisions raised	166 053	107 380	142 705
Amounts utilised	(112 867)	(134 350)	(139 483)
Reclassification to trade and other payables	–	(111 400)	–
Settlement of liability	(55 840)	–	(45 000)
Balance at 30 September	264 700	126 330	84 552

Employee benefits include bonus provision. The bonus provision represents the *pro rata* portion of a 13th cheque that is payable to employees in December annually in terms of their employment contracts, as well as a performance bonus scheme that is calculated quarterly. Provisions are raised as payment is subject to the employee being in employment at vesting date.

The leave pay was previously included as part of provisions. The balance was transferred to trade payables and accruals with effect 1 October 2007.

	2007 R'000	2008 R'000	2009 R'000
Share appreciation rights scheme			
Balance at 1 October	15 216	49 387	39 665
Interest cost	1 354	4 070	3 649
Service cost	25 616	17 615	15 268
Actual benefit payment	–	(28 469)	(29 875)
Actuarial (gain)/loss	7 201	(2 938)	10 958
Balance at 30 September	49 387	39 665	39 665

If the EBITDA growth rate was 10% higher then the liability would be 25% higher.

If the EBITDA growth rate was 10% lower then the liability would be 30% lower.

	2007 R'000	2008 R'000	2009 R'000
Summary of assumptions			
Discount rate	8.24%	9.20%	7.27%
Growth rates			
2005	15.6%	n/a	n/a
2006	26.2%	26.0%	26.0%
2007	25.1%	20.7%	20.7%
2008	15.0%	22.7%	17.5%
2009	15.0%	16.7%	15.9%
2010	n/a	16.0%	11.9%
2011	n/a	n/a	16.0%
Adjusted return on assets			
2009	n/a	n/a	4.20%
2010	n/a	n/a	4.20%
2011	n/a	n/a	4.20%
2012	n/a	n/a	4.20%
2013	n/a	n/a	4.20%
Hurdle rate			
2009	4.7% – 5.5%	8.0%	8.0%

The scheme is a bonus scheme available for senior employees. The original scheme was adopted in March 2005 and came to an end in January 2008. Vesting in terms of this scheme takes place in three years from allocation and is based on the growth in the company above a hurdle rate. A new scheme was introduced from January 2009. This scheme also has vesting three years after allocation. Based on the employee's seniority a larger proportion of the allocation is based on returns achieved. The holder of the rights loses the right if he/she resigns. The final vesting of the old scheme will be January 2011.

	2007 R'000	2008 R'000	2009 R'000
Restoration provision			
Balance at 1 October	2 000	2 100	2 100
Additional provisions raised	100	–	215
Balance at 30 September	2 100	2 100	2 315

	2007 R'000	2008 R'000	2009 R'000
A restoration provision exists to restore a leased facility to offices at the end of the lease period.			
Unbundling cost provision			
Balance at 1 October	16 855	28 855	–
Additional provisions raised	12 000	–	–
Provisions released	–	(28 855)	–
Balance at 30 September	28 855	–	–

The Company is obliged in terms of the shareholders' agreement to pay 50% of the costs relating to the unbundling of one of its shareholders.

The shareholders agreed to waive the unbundling condition in the shareholders' agreement and therefore the provision was reversed during the previous financial period.

22. REVENUE

Revenue comprises invoiced fees for private healthcare and fees for healthcare services, net of Value Added Tax (VAT) and discounts allowed. Main categories of revenue are as follows:

	2007 R'000	2008 R'000	2009 R'000
Private healthcare services	5 684 958	6 411 924	7 291 632
Government and public healthcare facility services	722 498	754 264	430 829
Other healthcare related services	140 908	163 076	185 160
Rental Income*	–	–	22 046
	6 548 364	7 329 264	7 929 667

* Includes rentals from third party auxiliary service providers.

23. OTHER INCOME

Other income comprises:

	2007 R'000	2008 R'000	2009 R'000
Other rental income	42 687	48 951	35 408
Other income	47 028	57 137	43 269
	89 715	106 088	78 677

	2007 R'000	2008 R'000	2009 R'000
24. PROFIT BEFORE TAX			
The following items have been included in arriving at profit before tax:			
Depreciation on property, plant and equipment	261 711	238 783	222 556
Fixed property – owned	60 442	72 977	57 722
Fixed property – leased	42 344	38 286	38 590
Leasehold improvements	5 761	6 109	7 205
Medical equipment	120 684	92 770	91 291
Other equipment	31 038	26 818	25 377
Motor vehicles	1 442	1 823	2 371
Excess of the fair value over the purchase price	(76)	–	(107)
Amortisation of intangible assets	118 721	124 824	122 921
Customer relations	55 064	55 062	55 726
Hospital licences	39 484	39 484	39 594
Computer software	7 526	13 708	11 222
Preferred supplier contracts	15 902	15 902	15 902
Restraint of trade payments	469	421	442
Other intangibles	276	247	35
Profit on disposal of property, plant and equipment	(3 790)	(2 344)	(840)
Profit on disposal of investments in subsidiaries	(9 145)	(5 227)	(809)
Profit on disposal of investment in joint venture	–	(132 535)	–
Profit on disposal of 'non-current assets held for sale'	–	(14 979)	–
Loss on disposal of subsidiaries	–	132	–
Operating lease rentals	102 717	97 381	106 189
Equipment	28 938	30 981	32 801
Property	73 779	66 400	73 388
Trade receivables impairment charge for bad and doubtful debts	49 207	45 760	51 939
Auditors' remuneration	6 528	6 417	6 666
Audit fees	5 813	6 108	6 222
Management consulting services	343	289	424
Taxation services	142	20	20
Expenses	230	–	–
Directors' remuneration	–	–	–
For services as executive director*	10 104	11 471	10 092
Less: Paid by subsidiary	(10 104)	(11 471)	(10 092)
For services as non–executive director	2 169	1 521	1 665
Less: Paid by subsidiary	(2 169)	(1 521)	(1 665)
Net foreign exchange losses	99	15	–

* Includes share based payment accruals.

	2007 R'000	2008 R'000	2009 R'000
25. EMPLOYEE BENEFITS EXPENSE			
Salaries*	1 983 637	2 207 987	2 343 180
Share appreciation rights scheme	27 413	16 820	19 093
Share based payment Equity kicker	28 949	26 824	26 921
Share based payment Employee Trust	28 316	24 355	24 716
Termination benefits	530	335	174
Medical aid contributions	86 156	98 796	109 440
Skills development	12 527	14 157	15 515
UIF	10 253	11 200	11 840
Pension fund costs defined benefit and contribution plans	16 296	14 654	15 320
Provident fund costs defined contribution plans	65 788	75 410	84 781
	2 259 865	2 490 538	2 650 979
Average number of permanent employees	12 563	12 724	12 684

* Salaries include executive director remuneration, long term benefit plans and equity settled share based payment schemes.

	2007 R'000	2008 R'000	2009 R'000
26. FINANCE INCOME AND COST			
Finance cost	434 380	407 183	336 644
Interest bearing borrowings (including finance lease liabilities) and bank overdrafts	420 715	387 806	317 086
Amortisation of debt arrangement fee	5 010	5 740	6 502
Dividend on redeemable preference shares (refer to note 18)	8 485	6 792	1 549
Net foreign losses	99	15	1
Other	71	6 830	11 506
Finance income	(53 900)	(63 835)	(54 108)
Bank and deposits	(33 813)	(46 648)	(33 202)
Other	(20 087)	(17 187)	(20 906)
Net finance cost	380 480	343 348	282 536

	2007 R'000	2008 R'000	2009 R'000
27. INCOME TAX EXPENSE			
Normal tax			
Current year	277 610	362 365	420 393
Prior years under/(over) provision	(1 551)	(6 579)	3 216
Deferred tax			
Current year	(44 481)	1 444	(56 337)
Prior years over/(under) provision	2 944	7 181	(9 343)
Rate adjustment	–	(8 723)	–
Secondary tax on companies	19 363	11 845	14 316
	253 885	367 533	372 245
Reconciliation of the tax rate	%	%	%
South African normal tax rate	29.0	28.00	28.00
Adjusted for:			
Secondary tax on companies	2.5	0.93	1.09
Prior year over/under provision	0.2	0.35	(0.47)
Assessed losses not utilised	0.1	0.11	(0.22)
Permanent differences income not taxable	(2.0)	(3.61)	(4.33)
Permanent differences expenses not deductible	2.3	1.81	4.36
Rate adjustment	–	(0.68)	–
Effective rate	32.1	26.91	28.43

	2007 R'000	2008 R'000	2009 R'000
The Group has estimated tax losses of R31 160 000 (2008: R10 910 000) (2007: R15 518 000) available to offset against future taxable income. Tax losses of R2 474 000 (2008: R27 001 000) (2007: R37 660 000) were utilised during the period.			
Dividends for which there are STC tax credits	314 432	443 650	206 948

28. CASH GENERATED FROM OPERATIONS

	2007 R'000	2008 R'000	2009 R'000
Reconciliation of profit before tax to cash generated from operations			
Net profit before tax	790 029	1 365 744	1 309 557
Adjustments for:			
Foreign exchange profit/loss	99	15	1
Income from associates	(70 482)	(88 421)	(100 595)
Depreciation and property impairment	261 709	238 783	222 556
Impairment of goodwill and amortisation of intangible assets	118 642	124 824	132 272
Finance costs (net)	380 480	343 348	276 034
Fair value gains/(losses)	(19 592)	(6 797)	63 474
Fair value revenue adjustment	14 264	17 285	–
Profit on disposal of property, plant and equipment and investments	(12 934)	(154 954)	(1 649)
Share based payment reserve charge	57 265	51 134	51 638
Non-cash rental charges	36 583	44 464	45 583
Unbundling provision	12 000	(28 855)	–
Post retirement benefit movement	136	(91 858)	(15 982)
Other non-cash flow items	–	–	15 000
Trade receivable impairment charge	49 207	45 760	51 939
Operating profit before working capital changes	1 617 406	1 860 472	2 049 828
Working capital changes:			
Inventories	(7 156)	(9 984)	(21 889)
Trade and other receivables	(128 274)	(85 956)	(174 989)
Trade and other payables	83 430	100 190	42 449
Cash generated from operations	1 565 406	1 864 722	1 895 399

29. PROCEEDS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

	2007 R'000	2008 R'000	2009 R'000
In the cash flow statement, proceeds from sale of property, plant and equipment comprise:			
Net carrying value	16 113	1 299	3 344
Profit on sale of property, plant and equipment	3 789	2 344	840
Proceeds from sale of property, plant and equipment	19 902	3 643	4 184

	2007 R'000	2008 R'000	2009 R'000

30. ACQUISITION AND DISPOSAL OF INVESTMENTS

Increase in investments in subsidiaries

On 1 October 2008, the Group acquired the remaining 80% shareholding in Ekurhuleni Sub Acute Hospital (Pty) Ltd for R2 400 000. The intangible assets attributable to the acquisition relate to hospital licences. The Group had marginal increases in its shareholding in Flohoc Investments (Pty) Ltd, The New Kensington Clinic and LCM Trust, as well as indirectly buying out the remaining minorities in Wilgers Hospital Ltd.

During the previous financial year, the Group acquired the equity in Ligitprops 109 (Pty) Ltd. The Group had marginal increases in its shareholding in certain of its subsidiaries as well as buying out the remaining minorities in Life Esidimeni Group Holdings (Pty) Ltd.

During 2007 the Group also had marginal increases in its shareholding in certain of its subsidiaries.

	2007 R'000	2008 R'000	2009 R'000
Value of investments acquired:			
Deferred tax	–	4 275	–
Minority interests	(26 839)	(91 317)	(27 849)
Goodwill	(10 455)	(100 077)	(15 028)
Cash flow on increase of investments in subsidiaries under common control	(37 294)	(187 119)	(42 877)

Disposal of investments in subsidiaries, associates and joint ventures

During 2009 the Group disposed of a marginal percentage of its holdings in Little Company of Mary Hospital Trust and Flohoc Investments (Pty) Ltd to minority shareholders. The Group still maintains control over the subsidiary entities after the disposal of part of the investments.

During the 2008 financial year, the Group disposed of its investment in Partnership Health Group Limited, Mid Medic Holdings Ltd and Syncramed (Pty) Ltd. The Group disposed of a marginal percentage of its holding in Little Company of Mary Hospital Trust, Rustenburg Hospital Properties (Pty) Ltd and Flohoc Investments (Pty) Ltd to minority shareholders.

A 5% interest in the Siyathuthuka Care Centre (Pty) Ltd was sold to minority shareholders in terms of a shareholders' agreement. The Group still maintains control over the subsidiary entities after the disposal of part of the investments.

The Group concluded its disposal of Midmedic Holdings (Pty) Ltd during the 2008 financial year.

During 2007 the Group disposed of certain investments held in subsidiaries.

	2007 R'000	2008 R'000	2009 R'000
Value of investments disposed			
Inventories	–	6 284	–
Trade and other receivables	(622)	50 933	–
Trade and other payables	–	(107 089)	–
Cash balances	(1 353)	27 746	–
Borrowings	–	(211 882)	–
Tax	–	(13 120)	–
Provisions	–	(585)	–
Property, plant and equipment	–	346 784	–
Interest in associates	–	25 298	–
Deferred tax	–	(10 425)	–
Foreign currency translation reserve	–	(15 005)	–
Goodwill	–	2 729	1 073
Minorities	1 580	4 328	3 777
Value of interests disposed	(395)	105 996	4 850
Profit/(loss) on disposal of investments	9 145	152 610	809
Proceeds on disposal of investments	8 750	258 606	5 659
Cash proceeds on disposal of investments	8 750	256 731	5 659
Non-cash proceeds	–	1 875	–

Business combinations

On 1 October 2008, the Group acquired the remaining 80% of the equity in Ekurhuleni Sub Acute (Pty) Ltd. On 30 April 2009 the Group acquired the business operations of LCM Oncology (Pty) Ltd.

On 1 April 2008, the Group obtained 100% of the equity in Ligitprops 109 (Pty) Ltd.

The impact on income and expenses if these acquisitions were done on 1 October of each year were:

	2007 R'000	2008 R'000	2009 R'000
Revenue	–	–	14 392
Net profits	–	(1 200)	3 752

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

Purchase consideration

	2007 R'000	2008 R'000	2009 R'000
Total purchase consideration	–	48 000	8 945
Fair value of net assets acquired	–	(43 716)	(1 436)
Intangibles	–	–	(2 576)
Goodwill	–	4 284	4 933

The assets and liabilities arising from the acquisition were as follows:

	Fair value 2009 R'000	Acquiree's carrying amount 2009 R'000
Property, plant and equipment	185	185
Deferred tax	44	44
Trade and other receivables	657	657
Cash and cash equivalents	1 650	1 650
Inventories	1	1
Trade and other payables	(1 022)	(1 022)
Provisions	(79)	(79)
Net assets acquired and cash outflow on acquisition	1 436	1 436

Total purchase consideration	**2007 R'000**	**2008 R'000**	**2009 R'000**
Common control	37 294	187 119	42 877
Business combination	–	48 000	8 945
	37 294	235 119	51 822

31. MINORITY INTERESTS

	2007 R'000	2008 R'000	2009 R'000
Balance at 1 October	518 841	543 896	536 497
Share of net profit of subsidiaries	117 764	132 955	177 936
Net movement in disposal and acquisition of investments under common control	(25 393)	(86 989)	(20 751)
Dividends paid	(54 443)	(46 389)	(65 596)
Effect of foreign currency movement	(6)	(1 250)	(2 248)
Minority loans (repaid)/granted	(12 867)	(5 726)	(15 987)
Balance at 30 September	543 896	536 497	609 851

32. NON-CURRENT ASSETS HELD FOR SALE

	2007 R'000	2008 R'000	2009 R'000
Balance at 1 October	–	24 884	–
Disposals	–	(25 298)	–
Additional investment	–	414	–
Transferred from investment in associates	24 884	–	–
Balance at 30 September	24 884	–	–

Non-current assets held for sale for the 2007 financial year comprise the Group's investment in Mid Medic Holdings (Pty) Ltd. The asset is carried at the lower of carrying value or fair value and was previously recognised as an investment in associate.

The investment in Mid Medic Holdings (Pty) Ltd was disposed of during the previous financial year.

33. **DERIVATIVE FINANCIAL INSTRUMENTS**

	2007		2008		2009	
	Assets R'000	**Liabilities R'000**	**Assets R'000**	**Liabilities R'000**	**Assets R'000**	**Liabilities R'000**
Interest rate cap						
The Group entered into an interest rate cap on 24 March 2005 to manage exposure to fluctuations in interest rate on senior and mezzanine debt balances. This instrument is settled quarterly on the last business ays of February, May, August and November and expired on 30 May 2008. The cap rate is 9% and based on a notional amount of R173 642 000 (2007: R203 107 000) at 31 August 2007.						
Carrying value at 30 September	1 502	–	–	–	–	–
Cost price of instrument	2 925	–	–	–	–	–
Mark-to-market valuation at 30 September	(1 423)	–	–	–	–	–
Forward starting interest rate caps						
The Group entered into two forward starting interest rate caps on 24 March 2005 to manage exposure to fluctuations in interest rate on senior and mezzanine debt balances. The instruments were settled quarterly on the last business days of February, May, August and November, starting 31 May 2007 and ending on 30 May 2008. The cap rate was 9% and was based on a notional amount of R1 562 775 000 in 2008 on 31 August 2008 (2007: 31 May 2007). The Group entered into a third forward starting interest rate cap on 25 April 2006 to manage exposure to fluctuations in the interest rates on senior and mezzanine debt balances. The instrument						

	2007		2008		2009	
	Assets R'000	Liabilities R'000	Assets R'000	Liabilities R'000	Assets R'000	Liabilities R'000
will be settled quarterly on the last business days of February, May, August and November, starting 30 May 2008 and ending 26 February 2010. The cap rate is 8% and based on a notional amount of R1 312 464 000 (2008: R1 618 652) (2007: R1 688 472 000) on 30 August 2009 (2008: 29 August 2008) (2007: 30 May 2008). The instrument was acquired at a premium of R10 682 000. Carrying value at 30 September	54 493	–	62 164	–	16	–
Cost price of the instruments	25 854	–	10 682	–	10 682	–
Mark to market valuation at 30 September	28 637	–	51 482	–	(10 666)	–
Foreign exchange contracts						
On 12 December 2006 the Group entered into two United States Dollar (US$) exchange contracts to manage exposure in fluctuations in the Rand Dollar exchange rate on a foreign liability. The Group is liable to settle two instalments of US$389 914 each on 31 October 2007 and 31 October 2008 respectively. The settlement due on 31 October 2007 was dealt at a rate of US$1 = R7.3685 and the revaluation rate at 30 September 2007 was US$1 = R6.8871. The settlement due on 31 October 2008 was dealt at a rate of US$1 = R7.7435 and the revaluation rate at 30 September 2008 was US$1 = R8.3480.						
During the year on 10 March 2009, 24 July 2009 and 8 September 2009 the Group entered into various						

	2007		2008		2009	
	Assets R'000	**Liabilities R'000**	**Assets R'000**	**Liabilities R'000**	**Assets R'000**	**Liabilities R'000**
United States Dollar exchange contracts to manage exposure in fluctuations in the Rand Dollar exchange rate on foreign liabilities. The Group is liable to settle US$84 000 on 30 November 2009, US$6 000 on 29 January 2010, US$297 870 on 30 April 2010 and US$6 000 on 31 January 2011 respectively. The settlement due on 30 November 2009 was dealt at a rate of US$1 = R7.7390 and the revaluation rate at 30 September 2009 was US$1 = R7.6468. The settlement due on 29 January 2010 was dealt at a rate of US$1 = R8.0975 and the revaluation rate at 30 September 2009 was US$1 = R7.7343. The settlement due on 30 April 2010 was dealt at a rate of US$1 = R11.5400 and the revaluation rate at 30 September 2009 was US$1 = R7.8686. The settlement due on 31 January 2011 was dealt at a rate of US$1 = R8.6090 and the revaluation rate at 30 September 2009 was US$1 = R8.2925	–	(392)	236	–	(1 091)	–
Cost price of the instruments	–	–	–	–	–	–
Mark to market valuation at 30 September	–	(392)	236	–	(1 091)	–
Total carrying value of derivative financial instruments at 30 September	55 995	(392)	62 400	–	(1 075)	–
Less: Non-current portion at 30 September	(40 913)	204	(50 169)	–	1 089	–
Interest rate cap	–	–	–	–	–	–
Forward starting interest rate cap	(40 913)	–	(50 405)	–	–	–
Foreign exchange contracts	–	204	236	–	1 089	–
Net current portion at 30 September	15 082	(188)	12 231	–	14	–

	2007 R'000	2008 R'000	2009 R'000
34. **FINANCIAL INSTRUMENTS**			
Forward foreign exchange contracts			
Forward foreign exchange contracts are entered into to manage exposure to fluctuations in foreign currency exchange rates on specific transactions. Due to the limited number of foreign exchange transactions into which the Group enters, the Group's policy is to take out cover for specific transactions as and when they occur.			
At 30 September 2009 the Group (2008: R236 000) (2007: R392 000) had the following open forward foreign exchange contracts:			
US$84 000 at a closing valuation rate of US$ 1 = ZAR 7.6468	–	–	(8)
US$293 870 at a closing valuation rate of US$ 1 = ZAR 7.8686	–	–	(1 079)
US$6 000 at a closing valuation rate of US$ 1 = ZAR 7.7343	–	–	(2)
US$6 000 at a closing valuation rate of US$ 1 = ZAR 8.2925	–	–	(2)
US$389 914 at a closing valuation rate of US$ 1 = ZAR 8.3480	–	236	–
US$389 914 at a closing valuation rate of US$1 = ZAR 6.8871	(188)	–	–
US$389 914 at a closing valuation rate of US$1 = ZAR 7.2193	(204)	–	–
Bank loans and cash deposits			
Bank loans and cash deposits are all with reputable banking institutions and all repayment and security details of loans are included in note 16.			
The Group has the following working capital facilities available:			
Committed Revolving Credit facility	–	150 000	540 000
Working capital facility	250 000	200 000	200 000
Guarantee facility	60 000	60 000	64 913
Pre-settlement facility on forward exchange contracts	3 000	3 000	3 000
	313 000	413 000	807 913

35. **RETIREMENT BENEFIT OBLIGATIONS AND POST-RETIREMENT MEDICAL AID SURPLUS**

Pension and provident fund benefits

The Group has twenty three retirement funds. Eighteen of these funds are paid-up funds with no active members. These funds are in the process of being wound up. Two of these funds have been deregistered during the year. Three of these funds are defined benefit pension funds. The remaining funds are all defined contribution funds; four being pension funds and eleven being provident funds.

The Group currently contributes to four funds: two defined benefit pension funds, a defined contribution pension fund and a defined contribution provident fund. The two defined benefit funds are closed to new members. All eligible employees are members of either a defined benefit or defined contribution fund.

Five of the pension funds are defined benefit funds. All defined benefit funds are closed to new members. The assets of all the funds are held and administered in funds separate from the Group's assets. The assets are administered on behalf of the Group by external financial services companies. All the funds are governed by the Pension Funds Act of 1956. All defined benefit pension funds require a statutory actuarial valuation every three years, except for one which requires a valuation every year in terms of the pension fund rules. All the other pension funds and provident funds are defined contribution plans and require no statutory valuation. A financial review is, however, carried out annually to determine the solvency of the plans.

The following actuarial assumptions were applied in the valuation of the defined benefit funds as required by IAS 19:

	2007	2008	2009
Discount rate (%)	8.50	9.25	9.50
Consumer price inflation (%)	5.00	5.75	6.00
Expected return on assets (%)			
Presmed Pension Fund	10.50	n/a	n/a
Jan S Marais Pension Fund	6.50	n/a	n/a
Life Healthcare DB Pension Fund	10.50	10.75	11.50
Lifecare Group Holdings Pension Fund	8.75	10.00	9.75
Lifecare Clinics Pension Fund	10.50	11.00	n/a
The long-term investment return assumption is based on the expected long term returns on equities, cash and bonds. In setting these assumptions the actual asset allocation of the various funds is used. The expected long term rate of return on bonds is set at the same level as the discount rate and the return on equities is set at a level of 3% above the bond rate and the long-term rate of return on cash is set at a level of 2% below the bond rate.			
Compensation increase rate (%)			
Presmed Pension Fund	6.00	n/a	n/a
Jan S Marais Pension Fund	n/a	n/a	n/a
Life Healthcare DB Pension Fund	6.00	6.75	7.00
Lifecare Group Holdings Pension Fund	6.00	6.75	7.00
Lifecare Clinics Pension Fund	6.00	n/a	n/a
Pension increase rate (%)			
Presmed Pension Fund	2.50	n/a	n/a
Jan S Marais Pension Fund	n/a	n/a	n/a
Life Healthcare DB Pension Fund	5.00	5.75	3.30
Lifecare Group Holdings Pension Fund	3.33	4.05	4.05
Lifecare Clinics Pension Fund	2.50	2.88	n/a
Rates of mortality	–	0.50	0.50

The last statutory actuarial valuations for the funds were:

Presmed Pension Fund	1 September 2005
Jan S Marais Pension Fund	1 September 2002
Life Healthcare DB Pension Fund	30 June 2005 (Valuation as at 30 June 2008 currently in progress)
Lifecare Group Holdings Pension Fund	1 April 1998 (Approval of 2001, 2004 and 2007 – valuations outstanding)
Lifecare Clinics Pension Fund	1 March 2005 (Valuation as at 1 March 2008 currently in progress)

The Group's obligation in respect of retirement benefits as measured in terms of IAS 19 are tabled below:

	Presmed Pension Fund R'000	Jan S Marais Pension Fund R'000	Life Healthcare DB Pension Fund R'000	Lifecare Group Holdings Pension Fund R'000	Lifecare Clinics Pension Fund R'000
Components of net periodic cost – 2007					
Current service cost	1 291	–	11 199	1 299	1 594
Interest cost	2 007	26	21 877	5 455	2 823
Expected return on assets	(1 899)	(57)	(40 652)	(12 128)	(4 222)
Amortisation:					
Unrecognised net (gain)/loss	56	(58)	–	8 291	–
Termination benefit	–	–	–	–	–
Settlement cost	–	–	–	–	–
Net periodic cost/(income)	1 455	(89)	(7 576)	2 917	195
Components of net periodic cost – 2008					
Current service cost	–	–	14 117	1 389	–
Interest cost	1 805	24	22 531	4 661	2 399
Expected return on assets	(2 437)	(67)	(53 134)	(11 945)	(5 168)
Amortisation:					
Unrecognised net (gain)/loss	(11)	–	(2 472)	–	(5 026)
Recognition in terms of paragraph 58A	–	–	–	31 530	–
Termination benefit	–	–	–	–	–
Settlement cost	–	–	–	–	–
Net periodic cost/(income)	(643)	(43)	(18 958)	25 635	(7 795)
Components of net periodic cost – 2009					
Current service cost	–	–	11 312	751	–
Interest cost	–	–	32 820	5 258	142
Expected return on assets	(239)	–	(49 903)	(11 408)	(678)
Amortisation:					
Unrecognised net (gain)/loss	(138)	–	3 088	–	15 097
Unrecognised due to limit	–	–	–	5 954	(14 561)
Recognition in terms of paragraph 58A	–	–	–	110	–
Termination benefit	–	–	–	–	–
Settlement cost	–	–	–	–	–
Net periodic cost/(income)	(377)	–	(2 683)	665	–
Actual return on plan assets					
2007	4 266	–	119 694	n/a	11 348
2008	252	–	10 145	9 628	607
2009	–	–	(18 754)	13 382	(527)

	Presmed Pension Fund R'000	Jan S Marais Pension Fund R'000	Life Healthcare DB Pension Fund R'000	Lifecare Group Holdings Pension Fund R'000	Lifecare Clinics Pension Fund R'000
Reconciliation of Defined Benefit Obligation – 2007					
Defined Benefit Obligation at 30 September 2006	22 225	339	244 070	60 193	32 822
Service cost	1 291	–	11 199	1 299	1 594
Member contributions	672	–	3 143	709	719
Interest cost	2 007	26	21 877	5 455	2 823
Actuarial (gain)/loss	(3 007)	(26)	6 040	(1 167)	(4 319)
Benefits paid	(1 531)	–	(11 190)	(11 949)	(4 772)
Risk premiums	(302)	–	(410)	(301)	(197)
Net transfers in/(out)	–	–	–	–	–
Termination benefits	–	–	–	–	–
Defined Benefit Obligation at 30 September 2007	21 355	339	274 729	54 239	28 670
Reconciliation of Defined Benefit Obligation – 2008					
Defined Benefit Obligation at 30 September 2007	21 355	339	274 729	54 239	28 670
Service cost	–	–	14 117	1 389	–
Member contributions	55	–	3 976	385	–
Interest cost	1 805	24	22 531	4 661	2 399
Actuarial (gain)/loss	701	(24)	65 632	29 213	(2 218)
Benefits paid	(400)	–	(30 492)	(32 296)	(922)
Risk premiums	(15)	–	(510)	(301)	–
Net transfers in/(out)	(23 501)	–	47 906	–	(24 405)
Termination benefits	–	–	–	–	–
Defined Benefit Obligation at 30 September 2008	–	339	397 889	57 290	3 524
Reconciliation of Defined Benefit Obligation – 2009					
Defined Benefit Obligation at 30 September 2008	–	339	397 889	57 290	3 524
Service cost	–	–	11 312	751	–
Member contributions	–	–	4 037	385	–
Interest cost	–	–	32 820	5 258	142
Actuarial (gain)/loss	–	(339)	(36 844)	2 084	820
Benefits paid	–	–	(35 784)	(13 931)	(233)
Risk premiums	–	–	(530)	(352)	–
Net transfers in/(out)	–	–	4 253	–	(4 253)
Termination benefits	–	–	–	–	–
Defined Benefit Obligation at 30 September 2009	–	–	377 153	51 485	–

	Presmed Pension Fund R'000	Jan S Marais Pension Fund R'000	Life Healthcare DB Pension Fund R'000	Lifecare Group Holdings Pension Fund R'000	Lifecare Clinics Pension Fund R'000
Reconciliation of fair value of plan assets – 2007					
Assets at fair market value a at 30 September 2006	18 911	1 095	407 508	128 095	43 677
Expected return on assets	1 899	57	40 652	12 128	4 222
Contributions	1 991	–	9 574	1 934	1 988
Risk premiums	(302)	–	(410)	(301)	(197)
Benefits paid	(1 531)	–	(11 190)	(11 949)	(4 772)
Actuarial loss	2 367	(75)	69 522	6 971	4 748
Net transfers in/(out)	–	–	–	–	–
Assets at fair market value at 30 September 2007	23 335	1 077	515 656	136 878	49 666
Reconciliation of fair value of plan assets – 2008					
Assets at fair market value at 30 September 2007	23 335	1 077	515 656	136 878	49 666
Expected return on assets	2 437	67	53 134	11 945	5 168
Contributions	163	–	11 283	1 051	–
Risk premiums	(15)	–	(510)	(301)	–
Benefits paid	(400)	–	(30 492)	(32 296)	(922)
Actuarial loss	(3 581)	(15)	(127 246)	(862)	(1 856)
Net transfers in/(out)	(19 666)	–	65 154	–	(45 488)
Assets at fair market value at 30 September 2008	2 273	1 129	486 979	116 415	6 568
Reconciliation of fair value of plan assets – 2009					
Assets at fair market value at 30 September 2008	2 273	1 129	486 979	116 415	6 568
Expected return on assets	239	–	49 903	11 408	678
Contributions	–	–	12 285	1 050	–
Risk premiums	–	–	(530)	(352)	–
Benefits paid	–	–	(35 784)	(13 931)	(233)
Actuarial gain/(loss)	(375)	(436)	(1 343)	519	71
Net transfers in/(out)	(1 897)	–	8 781	–	(6 884)
Assets at fair market value at 30 September 2009	240	693	520 291	115 109	200
Defined Benefit fund asset/liability – 2007					
(Liability)/Asset as at 1 October 2006	(359)	589	140 743	84 331	9 929
Net periodic cost	(1 455)	89	7 576	(2 917)	(195)
Company contributions	1 319	–	6 431	1 225	1 269
Asset as at 30 September 2008	(495)	678	154 750	82 639	11 003
Unrecognised due to paragraph 59 limit	–	(678)	(154 750)	(82 639)	(11 003)
Asset recognised on the balance sheet	(495)	–	–	–	–

	Presmed Pension Fund R'000	Jan S Marais Pension Fund R'000	Life Healthcare DB Pension Fund R'000	Lifecare Group Holdings Pension Fund R'000	Lifecare Clinics Pension Fund R'000
Defined Benefit fund asset/liability – 2008					
(Liability)/Asset as at 1 October 2007	(495)	678	154 750	82 639	11 003
Net periodic cost	643	43	18 958	(25 635)	7 795
Company contributions	108	–	7 307	666	–
Asset as at 30 September 2008	256	721	181 015	57 670	18 798
Unrecognised due to paragraph 59 limit	(256)	(721)	(91 925)	(57 670)	(18 798)
Asset recognised on the balance sheet	–	–	89 090	–	–
Defined Benefit fund asset/liability – 2009					
Asset as at 1 October 2008	256	–	89 090	–	18 798
Net periodic cost	377	–	2 683	(665)	–
Company contributions	–	–	8 248	665	–
Asset as at 30 September 2009	633	–	100 021	–	18 798
Unrecognised due to paragraph 59 limit	(393)	–	–	–	(18 798)
Asset recognised on the balance sheet	240	–	100 021	–	–
Actuarial value of Defined Benefit Obligation and funded status – 2006					
Defined Benefit Obligation	(22 225)	(339)	(244 070)	(60 193)	(32 822)
Assets at fair market value	18 911	1 095	407 508	128 095	43 677
Funded status	(3 314)	756	163 438	67 902	10 855
Unrecognised past service cost	–	–	–	–	–
Unrecognised net gain/(loss)	2 955	(167)	(22 695)	16 429	(926)
(Liability)/Asset as at 30 September 2006	(359)	589	140 743	84 331	9 929
Unrecognised due to paragraph 59 limit	–	(589)	(140 743)	(84 331)	(9 929)
Liability recognised on the balance sheet	(359)	–	–	–	–
Actuarial value of Defined Benefit Obligation and funded status – 2007					
Defined Benefit Obligation	(21 355)	(339)	(274 729)	(54 239)	(28 670)
Assets at fair market value	23 335	1 077	515 656	136 878	49 666
Funded status	1 980	738	240 927	82 639	20 996
Unrecognised past service cost	–	–	–	–	–
Unrecognised net gain/(loss)	(2 475)	(60)	(86 177)	–	(9 993)
Asset as at 30 September 2007	495	678	154 750	82 639	11 003
Unrecognised due to paragraph 59 limit	–	(678)	(154 750)	(82 639)	(11 003)
Liability recognised on the balance sheet	(495)	–	–	–	–

	Presmed Pension Fund R'000	Jan S Marais Pension Fund R'000	Life Healthcare DB Pension Fund R'000	Lifecare Group Holdings Pension Fund R'000	Lifecare Clinics Pension Fund R'000
Actuarial value of Defined Benefit Obligation and funded status – 2008					
Defined Benefit Obligation	–	(339)	(397 889)	(57 290)	(3 524)
Assets at fair market value	2 273	1 129	486 979	114 960	6 568
Funded status	2 273	790	89 090	57 670	3 044
Unrecognised past service cost	–	–	–	–	–
Unrecognised net gain/(loss)	–	–	–	–	–
Asset as at 30 September 2008	2 273	790	89 090	57 670	3 044
Unrecognised due to paragraph 59 limit	–	(790)	–	(57 670)	(3 044)
Asset recognised on the balance sheet	2 273	–	89 090	–	–
Actuarial value of Defined Benefit Obligation and funded status – 2009					
Defined Benefit Obligation	–	–	(377 153)	(51 485)	–
Assets at fair market value	240	693	520 291	115 109	200
Funded status	240	693	143 138	63 624	200
Unrecognised past service cost	–	–	–	–	–
Unrecognised net gain/(loss)	393	(693)	(43 117)	–	–
Asset as at 30 September 2009	633	–	100 021	63 624	200
Unrecognised due to paragraph 59 limit	(393)	–	–	(63 624)	(200)
Asset recognised on the balance sheet	240	–	100 021	–	–
Composition of plan assets – 2007	**%**	**%**	**%**	**%**	**%**
Cash	15.0	100.00	15.0	20.7	15.0
Equity instruments	73.5	0.0	73.5	38.2	73.5
Bonds	7.4	0.0	7.4	25.9	7.4
Property	3.9	0.0	3.9	5.9	3.9
Other	0.2	0.0	0.2	9.3	0.2
	100.0	100.0	100.0	100.0	100.0
Composition of plan assets – 2008	**%**	**%**	**%**	**%**	**%**
Cash	24.2	95.4	26.4	14.5	24.2
Equity instruments	65.2	0.0	63.4	60.8	65.2
Bonds	5.8	4.6	6.1	16.0	5.8
Property	4.0	0.0	4.1	7.4	4.0
Other	0.8	0.0	0.0	1.3	0.8
	100.0	100.0	100.0	100.0	100.0
Composition of plan assets – 2009	**%**	**%**	**%**	**%**	**%**
Cash	17.8	97.0	18.6	17.3	17.8
Equity instruments	68.5	0.0	68.1	53.3	68.5
Bonds	9.1	3.0	8.8	19.6	9.1
Property	3.8	0.0	4.0	9.2	3.8
Other	0.8	0.0	0.5	0.6	0.8
	100.0	100.0	100.0	100.0	100.0

	Presmed Pension Fund R'000	Jan S Marais Pension Fund R'000	Life Healthcare DB Pension Fund R'000	Lifecare Group Holdings Pension Fund R'000	Lifecare Clinics Pension Fund R'000
Expected contributions to the benefit plans for the year ending 30 September 2010 (R'000)					
Member contributions	–	–	4 168	412	–
Company contributions	–	–	8 516	712	–
Risk premiums	–	–	(547)	(397)	–
Benefit payments	–	–	(38 289)	(3 289)	(233)

The corridor approach was never applied in the past. The previous year was the first year in which surplus apportionment has been approved and it was decided not to apply the corridor approach and the policy has been updated accordingly.

Post-retirement medical aid benefit

Life Healthcare Group has a liability arising as a result of a post-retirement employer subsidy of healthcare benefits. Members of certain medical aid plans, who joined the company before 1 November 1996 and remain in the employment of Life Healthcare Group until retirement, are eligible for a post-retirement subsidy of their medical contributions. The Group's portion of this liability was transferred on 29 September 2006.

Life Healthcare Group's contributions to the fund have been disclosed below.

Life Healthcare Group is liable to make good on any shortfalls in the fund.

The benefit fund meets the definition of a defined benefit plan and has been disclosed in accordance with IAS 19.

The plan represents the market value of the assets.

The Defined Benefit fund is actuarially valued using the projected unit credit method. The benefit fund is a closed fund.

The following actuarial assumptions were applied:

	2007	2008	2009
Discount rate (%)	8.50	9.25	9.00
Consumer price inflation (%)	5.00	6.25	5.75
Expected return on assets (%)	9.50	10.25	10.00
Healthcare cost inflation (%)	7.00	8.25	7.75
Compensation increase rate (%)	6.50	6.50	7.00
Membership discontinued at retirement (%)	0.00	0.00	0.00
Average retirement age	60	60	60
Rates of mortality (%)	–	0.50	0.50

The expected return on planned assets of 10% per annum is based on a nominal allocation of the plan assets, expected return on the underlying asset classes and expected expenses.

The Group's obligation in respect of post retirement medical aid benefit as measured in terms of IAS 19 is tabled below:

	2007 R'000	2008 R'000	2009 R'000
Components of net periodic cost:			
Current service cost	2 416	2 259	6 540
Interest cost	5 898	5 439	2 277
Expected employer benefit payments	(2 124)	(2 064)	(2 359)
Expected benefit payments from plan assets	–	3 906	2 359
Actuarial (gain)/loss	416	7 253	(4 741)
Effect of curtailment or settlement	(8 217)	–	(2 531)
Net periodic income	(1 611)	16 793	1 545

	2006 R'000	2007 R'000	2008 R'000	2009 R'000
Defined Benefit fund asset surplus				
Asset as at 30 September	–	7 141	11 024	1 296
Growth in market value	–	2 272	7 065	7 333
Net periodic cost	–	1 611	(16 793)	(1 545)
Asset as at 30 September	–	11 024	1 296	7 084
Unrecognised due to paragraph 59 limit	–	–	–	–
Asset recognised on the balance sheet	–	11 024	1 296	7 084
Actuarial value of Defined Benefit Obligation and funded status				
Defined Benefit Obligation	(66 652)	(65 041)	(71 428)	(69 365)
Assets at fair market value	73 793	76 065	72 724	76 449
Funded status	7 141	11 024	1 296	7 084
Unrecognised past service cost	–	–	–	–
Unrecognised net (gain)/loss	–	–	–	–
Asset as at 30 September	7 141	11 024	1 296	7 084
Unrecognised due to paragraph 59 limit	–	–	–	–
Net asset recognised on the balance sheet	7 141	11 024	1 296	7 084
Post retirement medical aid benefits				
Plan assets comprise of:				
Equity instruments			86.3%	91.1%
Cash			13.7%	8.9%
			100.0%	100.0%

There are no expected contributions to the post-retirement benefit plan for the year ending 30 September 2009 as the fund is fully funded.

	Decrease	Increase
The effect of a 1% movement in the assumed medical cost trend rate is as follows:		
Effect on the aggregate of the current service cost and interest cost	7 057	9 830
Effect on the Defined Benefit obligation	59 798	81 196

36. RELATED PARTIES

Controlling entity

The ultimate controlling shareholder is Business Venture Investments No 931 (Pty) Ltd ("Bidco 931") Bidco 931 has control over Business Venture Investments No 813 (Pty) Ltd ("Bidco 813") Bidco 931 is owned by Brimstone Investment Corporation Limited and Mvelaphanda Strategic Investments (Pty) Ltd.

Bidco 813 holds an effective economic interest of 41.22% (2008: 41.4%) (2007: 41.4%) of the issued share capital of Life Healthcare Group Holdings (Pty) Ltd Bidco 813 has control of the company through a combination of the voting rights and the composition of the Board of Directors. All these entities are incorporated in the Republic of South Africa.

Associate companies – refer to Annexure 41

The Group has investments in a number of associate companies. Details are disclosed in note 7 and Annexure 41 to the financial statements. No provision has been required in 2009, 2008 and 2007 for the loans made to associates.

Joint ventures – refer to note 41

Directors and director-related entities

No direct loans were made to or received from any director and no other transactions were entered into with any director. Refer to note 24 for details on directors' emoluments. No director has a notice period of more than 1 year. No director's service contract includes pre-determined compensation as a result of termination that would exceed one year's salary and benefits.

Key management

	2007 R'000	2008 R'000	2009 R'000
Key management is defined as all executive management, functional heads, hospital managers, pharmacy managers, nursing managers, administration managers and patient service managers.			
Key management remuneration:			
Salaries*	121 864	227 088	179 878
Medical aid contributions	2 278	2 526	4 004
Pension fund costs – defined benefit and contribution plans	3 136	3 362	2 966
Provident fund costs – defined contribution plans	4 956	5 752	6 718
	132 234	238 728	193 566

* Includes share based payment accruals

Other related parties

In terms of an agreement the Group provides a loan facility to the Ammed Management Trust where certain managers hold beneficial shares. The loan balance is R266 000 (2008: R254 000) (2007: R619 000).

Post retirement medical aid plan for the benefit of certain past and current employees. Refer to note 35.

All transactions with related parties are at arm's length.

37. COMMITMENTS AND CONTINGENCIES

Capital commitments

	2007 R'000	2008 R'000	2009 R'000
Capital expenditure approved, but not contracted at the balance sheet date and not recognised in the financial statements is as follows:			
– Property, plant and equipment	363 840	430 215	417 172
Capital expenditure contracted for and not provided in the financial statements is as follows:			
– Property, plant and equipment	245 319	169 607	125 547
Funds to meet capital expenditure will be provided from Group resources.			

Operating lease commitments

	2007 R'000	2008 R'000	2009 R'000
The Group is a lessee to various hospital and administration office properties, as well as medical and office equipment items under non-cancellable lease agreements. The leases have varying terms, escalation clauses and renewal rights.			
The future aggregate minimum lease payments under non-cancellable operating leases are as follows:			
Not later than 1 year	54 397	51 171	51 217
Later than 1 year and not later than 5 years	119 819	114 950	132 450
Later than 5 years	33 907	162 115	172 619
	208 123	328 236	356 286

Contingencies

The 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 the Group's interest in joint ventures.

The Group has issued guarantees to the value of R11 561 000 (2008: R2 736 000) (2007; R2 336 000) as security to various local municipal councils and government institutions. Guarantees of R1 929 000 (2008: R1 608 000) (2007: R941 000) were issued to lessors of administration offices for lease agreements.

During 2007 a guarantee to the value of R8 500 000 was issued for a construction project, as well as a guarantee to the value of R667 000 for the purchase of a piece of land. During 2007 the group also issued performance guarantees to the value of R71 963 000 as security to the Royal Bank of Scotland to serve as security for its United Kingdom operations. The guarantees were denominated in British Pound Sterling. These guarantees were cancelled during 2008 when the shareholding in Partnership Health Group was sold.

Certain subsidiary companies have issued letters of support for certain other fellow subsidiary companies.

The Board of Directors is aware of certain matters relating to a subsidiary company that arose prior to that company becoming a group subsidiary. The subsidiary has reached a settlement in respect of the matter which has been approved by the Financial Services Board (FSB) in the 2009 financial year.

38. HEADLINE EARNINGS RECONCILIATION

EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the year.

Weighted average number of shares in issue is calculated as the number of shares in issue at the beginning of the year, increased/decreased by shares issued/redeemed during the year, weighted on a time basis for the period during which they participated in the net profit of the Group. The company did a share split during December 2009 and the comparitive information has been adjusted as no change in corresponding resource took place.

R'000, unless otherwise indicated	2007	2008	2009
Profit attributable to ordinary equity holders	418 380	865 256	759 376
Weighted average number of shares in issue ('000)	1 030 000	1 030 000	1 029 747
Earnings per share (cents)	40.62	84.01	73.74
Diluted earnings per share The diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has a Performance Equity scheme with vesting on 22 March 2010.			
Profit attributable to ordinary equity holders	418 380	865 256	759 376
Less: Undeclared cumulative preference share dividends and related tax	–	–	–
	418 380	865 256	759 376
Weighted average number of shares for diluted earnings per share ('000)	1 055 750	1 055 750	1 055 166
Adjustment for performance equity shares	25 750	25 750	25 420
Weighted average number of shares in issue ('000)	1 030 000	1 030 000	1 029 747
Diluted earnings per share (cents)	39.63	81.96	71.97

Headline earnings per share	Net	Net	Net
Profit attributable to ordinary equity holders	418 380	865 256	759 376
Adjustments:	–	–	–
Impairment of Intangible assets	–	–	9 351
Excess of fair value over the purchase price	(76)	–	(107)
Profit on disposal of investment in subsidiaries	(7 819)	(4 495)	(696)
Profit on disposal of investment in joint venture	–	(113 980)	–
Profit on disposal of 'non-current asset held for sale'	–	(12 882)	–
Profit on disposal of investment in associate	–	–	–
Profit/Loss on disposal of property, plant and equipment	(2 691)	(1 688)	(605)
Impairment of property, plant and equipment	–	–	–
Headline earnings	**407 794**	**732 211**	**767 319**
Weighted average number of shares in issue ('000)	1 030 000	1 030 000	1 029 747
Headline earnings per share (cents)	39.60	71.09	74.52

Diluted headline earnings per share

Diluted headline earnings per share is calculated on the same basis used for calculating diluted earnings per share, other than headline earnings being the numerator:

Headline earnings	407 870	732 211	767 319
Less: Undeclared cumulative preference share dividends and related tax	–	–	–
Adjusted headline earnings	407 794	732 211	767 319
Weighted average number of shares for diluted headline earnings per share ('000)	1 055 420	1 055 420	1 055 166
Adjustment for performance equity shares	25 420	25 420	25 420
Weighted average number of shares in issue ('000)	1 030 000	1 030 000	1 029 747
Diluted headline earnings per share (cents)	38.65	69.38	72.72

Dividends per share

Ordinary dividends were declared on 30 June 2009 of R160 000 000 and 30 September 2009 of R100 000 000 (2008: R nil) (2007: R nil). The dividend per share declared was 25.4 cents for 2009 (2008: nil) (2007: nil).

39. **SEGMENTAL INFORMATION**

Life Healthcare Group Holdings (Pty) Ltd

SEGMENTAL INFORMATION

The Group has adopted IFRS 8 Operating segments with effect from 1 October 2008. 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 makers ("CODM") in order to allocate resources to the segments and to assess their performance.

The Operating decision makers regularly review the operating results of the Group based on Hospital, Healthcare Services and Corporate business. The reportable segments derive their revenue primarily from private healthcare.

Assets and liabilities are not reviewed on individual segment basis but rather on a Group basis and are therefore not presented.

	2007 R'000	2008 R'000	2009 R'000
Operating segments			
Revenue			
Southern Africa	**6 156 080**	**6 948 366**	**7 929 667**
Hospitals	5 685 384	6 407 782	7 297 209
Healthcare Services	467 612	536 666	614 261
Other	3 084	3 918	18 198
United Kingdom	**392 284**	**380 898**	**–**
Healthcare Services	392 284	380 898	–
Total	**6 548 364**	**7 329 264**	**7 929 667**
Operating profit before amortisation, profit on disposal of businesses and impairment of intangible assets			
Southern Africa	**1 117 903**	**1 423 283**	**1 670 453**
Hospitals	1 010 160	1 164 895	1 418 553
Healthcare Services	67 461	90 775	91 523
Other	40 282	167 613	160 377
United Kingdom	**72 031**	**71 443**	**–**
Healthcare Services	72 031	71 443	–
Total	**1 189 934**	**1 494 726**	**1 670 453**
Amortisation of intangible assets	(118 645)	(124 824)	(122 921)
Impairment of intangible assets	–	–	(9 351)
Profit on disposal of businesses	9 145	152 609	809
Post-retirement medical aid movement	–	–	7 084
Retirement benefit asset movement	–	91 363	8 898
Fair value gains/(losses) on derivative financial instruments	19 592	6 797	(63 474)
Finance income	53 900	63 835	54 108
Finance costs	(434 380)	(407 183)	(336 644)
Share of associate's net profit after tax	70 483	88 421	100 595
Profit before tax	**790 029**	**1 365 744**	**1 309 557**

40. **POST THE BALANCE SHEET EVENT**

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

The Group has drawn R190 000 000 of the committed Revolving Credit Facility on 30 November 2009.

The Group's directors has approved a dividend payment of R290 000 000 to its shareholders before 31 December 2009. The dividend per share is 28,5 cents.

The Group has entered into two economic forward starting interest rate hedges. Both these hedges are interest rate swaps and the forward starting date is 28 February 2010. The one hedge is a twelve month swap fixing the 3-month JIBAR rate at 7.61% for an amount of R750 000 000. The other hedge is a twenty four month swap fixing the 3-month JIBAR rate at 8.18% for an amount of R750 000 000.

The partners in the East Rand Oncology and St George's Oncology joint ventures have decided to dissolve the joint ventures. The final details of this have not been agreed to but the impact on the Group's results is not considered to be material.

The Company has decided to split its authorised and issued ordinary and ordinary "N" shares into 10 000 shares for every one share authorised or issued.

The Group has offered to acquire the majority share in an independent hospital for R260 million pending Competition Commission approval.

In terms of the current debt arrangements the Group is able to renegotiate its current debt package with existing lenders without penalties after 31 March 2010. The Group has notified the lenders of its intention to restructure the debt and is in the process of going so. It is expected that the process will be completed before the end of May 2010.

41. ASSOCIATE UNDERTAKINGS

ASSOCIATES

	As at 30 September 2007, 2008 and 2009											
	Issued share capital			Interest in share capital			Book value of the shares			Amounts owing by associates		
	2007 R	2008 R	2009 R	2007 %	2008 %	2009 %	2007 R'000	2008 R'000	2009 R'000	2007 R'000	2008 R'000	2009 R'000
Name of associates												
Unlisted investments												
Joint Medical Holdings Limited*	5 471	5 471	5 471	49	49	49	18 864	18 864	18 864	57	494	39
Mid-Medic Holdings Limited*#	12 034	–	–	25	–	–	–	–	–	–	–	–
Bloemfontein Ophthalmology Trust	–	–	–	50	50	50	–	–	–	80	2 380	3 073
Ekurhuleni Sub-Acute Hospital (Pty) Ltd~	4 000	4 000	–	20	20	–	200	200	–	696	308	–
Gaborone Private Hospital Radiology (Pty) Ltd (Pula)**	200	200	200	50	50	50	2 025	2 025	2 025	2 712	1 110	(988)
LCM Oncology Trust ^	–	–	–	60	60	60	–	–	–	(508)	(3 948)	(968)
Mafikeng Hospital (Pty) Ltd	8 799	8 799	8 799	42	42	42	4	4	4	124	(517)	–
Middelburg Hospitaal Beperk	100 000	100 000	100 000	45	45	45	208	208	208	3 969	5 170	4 450
Middelburg Private Hospitaal (Edms) Bpk	100 000	100 000	100 000	45	45	45	529	529	529	–	–	–
Occulli Trust	–	–	–	50	50	50	–	–	–	1 358	3 019	3 201
Sandton Eye Laser Centre Partnership	–	–	–	25	25	25	–	–	–	(15)	(15)	(15)
Vrystaat Onkologie Trust	–	–	–	22	23	23	–	–	–	(1 568)	(1 643)	197
Wilgers Cathlab Trust ^	–	–	–	55	55	55	–	–	–	(7 287)	(10 934)	1 758
Wilgers Oncology Trusts	–	–	–	25	25	25	–	–	–	6 054	14 263	(3 125)
							21 830	21 830	21 630	5 672	9 687	7 622

All the associates provide medical and surgical services through private hospitals and/or same day surgical centres.

* Associates with February financial year-ends.

~ Disclosed as a subsidiary. The remaining 80% shareholding was bought at 1 October 2009.

** The company is incorporated in Botswana.

^ Not consolidated as the Group does not control the entities due to shareholder agreements.

\# Disclosed as part of non-current assets held for sale. Disposed of in the 2008 financial year.

42. SUBSIDIARY UNDERTAKINGS

SUBSIDIARIES	2008 Effective interest %	2009 Effective interest %
Life Healthcare Group (Pty) Ltd	100	100
Indirectly held through Life Healthcare Group (Pty) Ltd		
Amahosp Medical Rescue (Pty) Ltd*	100	100
Ammed Properties (Pty) Ltd*	100	100
Apex Healthcare Services (Pty) Ltd *~	100	100
Bendoc (Pty) Ltd*~	100	100
Birchmed Sameday Surgical Centre Partnership	30	30
Border Hospitals (Pty) Ltd	66	66
Brooklyn Sameday Surgical Centre Partnership	67	67
Changing Tides 243 (Pty) Ltd*~	100	100
Claremont Hospital (Pty) Ltd*~	100	100
Consolidate Aone Trade and Invest 12 (Pty) Ltd	–	100
Correctional Healthcare Services (Pty) Ltd*	100	100
Cosmos Hospital Properties (Pty) Ltd*	100	100
Dalview Nursing Home (Pty) Ltd*~	100	100
E M H Operating Company (Pty) Ltd	79	79
Faerie Glen Eiendoms Trust*	100	100
Faerie Glen Eiendoms Trust 2*	100	100
Faerie Glen Hospitaal (Edms) Bpk*~	100	100
Faranani Life Health Solutions (Pty) Ltd	49	49
Flohoc Investments (Pty) Ltd	71	74
Franwein Properties (Pty) Ltd*	100	100
Garbanzo Property Investments (Pty) Ltd	100	100
Glynnwood Hospital Operating Company (Pty) Ltd	89	89
H-Doc Investments (Pty) Ltd*~	100	100
Hollyberry Props 136 (Pty) Ltd*	–	100
Healthcare Management Services (Pty) Ltd (Incorporated in Botswana)	51	51
Hentique 1889 (Pty) Ltd	100	100
Hospitaalpark Kliniek (Edms) Bpk*~	100	100
Hospitaalpark Ontwikkelaars (Edms) Bpk*~	100	100
Jorum Property Investments (Pty) Ltd	100	100
Kingsbury Hospital Ltd*	100	100
Kingsbury Hospital Property (Pty) Ltd*	100	100
Liesbeek Medical Holdings (Pty) Ltd*	100	100
Life Claremont Ophthalmology (Pty) Ltd	100	51
Life Esidimeni Group Holdings (Pty) Ltd	55	100
Life Healthcare Services (Pty) Ltd*~	100	100
Life Hospitals (Pty) Ltd*~	100	100
Life Impilo (Pty) Ltd	100	100
Life Occupational Health (Pty) Ltd *~	100	100
Life Pharmacy Management Services (Pty) Ltd	100	100
Life Vincent Pallotti Orthopaedic Centre (Pty) Ltd	–	100
Lifecare Clinics (Pty) Ltd*~	100	100
Lifecare Group Victoria Hospital (Pty) Ltd*~	100	100
Lifecare Management Services (Pty) Ltd*~	100	100
Ligitprops 109 (Pty) Ltd	100	100
Little Company of Mary Trust	71	71
Majorshelf 38 (Pty) Ltd*	–	100
Medicine Management Services (Pty) Ltd	100	100
Metropol Hospitals (Pty) Ltd	60	60
The New Kensington Clinic (Pty) Ltd*	79	91
Oudewerf (Edms) Bpk*	100	100
PE Medical Group Investments (No. 3) (Pty) Ltd	100	100

SUBSIDIARIES	2008 Effective interest %	2009 Effective interest %
Peglerae Investment Company (Pty) Ltd	60	60
Presmed Day Clinics (Pty) Ltd*~	100	100
Presmed Hospitals (Pty) Ltd*	100	100
Presprop (Pty) Ltd*~	100	100
Pretoria North Sameday Surgical Centre Partnership	51	51
Prop Robin (Pty) Ltd*~	100	100
Riverfield Lodge (Pty) Ltd*~	100	100
Robinson Hospital (Pty) Ltd*~	100	100
Robinson Hospital Holdings (Pty) Ltd	82	82
Roseacres Clinic (Pty) Ltd*	100	100
Rustenburg Hospital Properties (Pty) Ltd	51	51
Selected Medical Investments (Pty) Ltd*~	100	100
South African Home Patient (Pty) Ltd*~	100	100
Springs Private Hospital Group (Pty) Ltd*~	100	100
UK Health Management Services (Pty) Ltd*~	100	100
West Coast Private Hospital (Pty) Ltd t/a Vredenburg Hospital (Pty) Ltd	100	100
Westcare (Pty) Ltd*~	100	100
Wilgeheuwel Hospital (Pty) Ltd	74	74
Zandfontein Clinic (Pty) Ltd*	100	100
Indirectly held through Life Impilo (Pty) Ltd		
Bedford Gardens Private Hospital (Pty) Ltd*~	100	100
Wilgers Hospital Ltd	96	100
Indirectly held through Life Hospitals Ltd		
Amalgamated Hospitals Ltd *~	100	100
Benoni Day Clinic (Pty) Ltd *~	100	100
Brenthurst Clinic (Pty) Ltd*~	100	100
Chatsmed Property Enterprises (Pty) Ltd *~	100	100
Clinical Distributors (Pty) Ltd*~	100	100
Coastal Medical Investments (Pty) Ltd*~	100	100
Entabeni Hospital Ltd*~	100	100
Eugene Marais Hospital (Pty) Ltd*	100	100
Hospital Medical Systems (Pty) Ltd*~	62	62
Empangeni Clinic Properties (Pty) Ltd*~	100	100
Empangeni Garden Clinic (Pty) Ltd*~	100	100
Empangeni Garden Clinic Properties (Pty) Ltd*	100	100
Entabeni Hospital Investment Company (Pty) Ltd~	100	100
Entabeni Investment Company (Pty) Ltd*	100	100
Eugene Marais Investment Company (Pty) Ltd*~	100	100
Hiway Medical Holdings (Pty) Ltd *~	100	100
Hiway Medical Centre (Pty) Ltd *~	100	100
Springs Nursing Home Holdings (Pty) Ltd*~	100	100
Indirectly held through Life Occupational Health (Pty) Ltd		
Quantum Occupational Healthcare Services (Pty) Ltd*	100	100
Indirectly held through Metropol Hospitals (Pty) Ltd		
Life Home Healthcare (PE) (Pty) Ltd*	60	60
Eastcape Clinic (Pty) Ltd*	60	60
How Avenue Clinic (Pty) Ltd	60	60
Isivivana Health (Pty) Ltd	60	60
Simco 5 (Pty) Ltd	46	46
Spittal Drau Investments (Pty) Ltd	60	60
Indirectly held through Entabeni Hospital (Pty) Ltd*		
Manstone Motors (Pty) Ltd*~	100	100

SUBSIDIARIES	2008 Effective interest %	2009 Effective interest %
Indirectly held through Lifecare Clinics (Pty) Ltd*		
Damask Holdings (Pty) Ltd*~	100	100
Germiston Clinic (Pty) Ltd*~	100	100
Indirectly held through PE Medical Group Investments No 3 (Pty) Ltd		
St Mary's Private Hospital (Pty) Ltd	55	55
Indirectly held through Healthcare Management Services (Pty) Ltd (Incorporated in Botswana)^		
Gaborone Private Hospital Pathology (Pty) Ltd (Incorporated in Botswana)^	38	38
Indirectly held through Life Esidimeni Group Holdings (Pty) Ltd		
Life Esidimeni (Pty) Ltd	100	100
Lifecare Community Hospitals (Pty) Ltd	100	100
Lifecare Properties (Pty) Ltd	100	100
Lorraine Nel Inc	100	100
Delmore Private Hospital (Pty) Ltd *~	100	100
Lifemed Hospital (Pty) Ltd *~	100	100
Lifecare Western Cape (Pty) Ltd *~	100	100
Nqubela Chest Hospital (Pty) Ltd *	100	100
Indirectly held through Life Esidimeni (Pty) Ltd		
Eastern Cape Frail Care (Pty) Ltd	68	68
Lukhanji Health Services (Pty) Ltd	60	60
Masibambisane Frail Care (Pty) Ltd*~	52	52
Siyathuthuka Care Centre (Pty) Ltd	59	59
Indirectly held through Lifecare Community Hospitals (Pty) Ltd		
Hewu Hospital (Pty) Ltd	100	100
Matikwana Hospital (Pty) Ltd	100	100
Indirectly held through Wilgers Hospitaal Ltd		
Abrakor (Pty) Ltd	96	100
Indirectly held through Springs Nursing Home Holdings (Pty) Ltd*		
Springs Nursing Home (Pty) Ltd*~	100	100
Indirectly held through Springs Nursing Home (Pty) Ltd*		
Life Home Healthcare (East Rand) (Pty) Ltd*~	100	100
Indirectly held through Peglerae Investment Company (Pty) Ltd		
Peglerae Hospital (Pty) Ltd	36	36
Indirectly held through Presmed Day Clinics (Pty) Ltd		
Carstenhof Emergency Clinic (Pty) Ltd*~	100	100
Indirectly held through Border Hospitals (Pty) Ltd		
Border Hospitals Cardiac Equipment (Pty) Ltd*	100	100
Ringmaster Trade and Invest 3 (Pty) Ltd	–	100
Indirectly held through Glynnwood Hospital Operating Company (Pty) Ltd		
Ekurhuleni Sub-Acute Hospital (Pty) Ltd	20	100

* Dormant.

~ In voluntary liquidation.

^ The functional currency is Botswana Pula.

\# Consolidated as the Group controls the entity through managing contract.

All investments are unlisted and are incorporated in the Republic of South Africa, except for two subsidiaries that are incorporated in Botswana as indicated. The voting power and percentage shareholding are the same for all subsidiaries.

The profit after tax earned by subsidiaries before minorities attributable to shareholders of the Company amounted to R938 316 000 (2008: R1 004 079 000), while losses amounted to R8 846 000 (2008: R7 505 000).

4. **ADDITIONAL INFORMATION REQUIRED BY THE JSE LIMITED LISTINGS REQUIREMENTS WHICH DOES NOT FORM PART OF THE HISTORICAL FINANCIAL INFORMATION**

Net asset value (NAV) and net tangible asset value (TNAV) per share

R'000, unless otherwise indicated	2007	2008	2009
NAV	915 154	1 813 358	2 320 441
NTAV	(1 383 716)	(479 832)	164 216
Total amount of shares ('000)	1 030 000	1 030 000	1 016 790
NAV per share (cents)	88.85	176.05	228.21
NTAV per share (cents)	(134.34)	(46.59)	16.15

Directors' remuneration

Set out below is a breakdown of the directors' fees and remuneration paid to the directors and former directors of Life for the financial year ended 30 September 2009:

Name	Director's fees	Basic salary	Bonuses and performance-related payments	Other material benefits	Contributions to pension schemes	Medical aid contributions	Total
Prof Jakes Gerwel	R210 012						R210 012
Mr Michael Flemming		R1 580 338	R2 258 070	R2 125 951 (Gains made on exercise of share options); R673 768 (expense allowance)	R383 221	R19 612	R7 040 960
Mr Roger Hogarth		R889 929	R515 479	R1 036 788 (Gains made on exercise of share options); R385 882 (expense allowance)	R215 789	R14 136	R3 058 003
Mr Jake Archer(1)	R66 640						R66 640
Mr Mustaq Brey	R192 262						R192 262
Ms Yolanda Cuba	R73 622						R73 622
Mr Richard Laubscher	R115 307						R115 307
Mr Tshakalisa Matiwaza(2)	R120 611						R120 611
Mr Eutychus Mbuthia	R217 240						R217 240
Dr Peter Ngatane	R85 161						R85 161
Ms Neo Sowazi	R61 341						R61 341
Mr Garth Solomon	R267 022						R267 022
Dr Paul Dalmeyer	R105 011						R105 011

(1) Mr Archer retired from the Company's board of directors on 31 December 2008.

(2) Mr Matiwaza retired from the Company's board of directors on 30 September 2009.

THE INDEPENDENT FINANCIAL REPORTING ACCOUNTANTS' REPORT ON THE AUDITED HISTORICAL FINANCIAL INFORMATION OF LIFE HEALTHCARE FOR THE FINANCIAL YEARS ENDED 30 SEPTEMBER 2007, 2008 AND 2009

"The Directors
Brimstone Investment Corporation Limited
1st Floor, Slade House
Boundary Terraces
1 Mariendahl Lane
Newlands
7700

20 April 2010

Dear Sirs

INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF LIFE HEALTHCARE GROUP HOLDINGS (PROPRIETARY) LIMITED ("LIFE HEALTHCARE")

Introduction

Brimstone Investment Corporation Limited ("Brimstone") is issuing a circular to its shareholders ("the Circular") regarding the share buybacks by Life Healthcare and Bidco 931 shareholders ("the Circular") regarding the share buybacks by Life Healthcare and Bidco 931 Business Venture Investments No 931 (Proprietary) Limited ("Bidco 931").

At your request and for the purpose of the Circular to be dated on or about 23 April 2010, we have audited the historical financial information of Life Healthcare presented in the Report of Historical Financial Information, which comprises the consolidated balance sheets of Life Healthcare as at 30 September 2007, 2008 and 2009, and the consolidated income statements, statements of changes in equity and cash flows for the years then ended and a summary of significant accounting policies and other explanatory notes ("the Financial Information"), as presented in Annexure 3 to the Circular, in compliance with the JSE Limited ("JSE") Listings Requirements.

Responsibility

Directors' Responsibility

The directors of Brimstone are responsible for the preparation, contents and presentation of the Circular including the Financial Information. The directors of Life Healthcare are responsible for the fair presentation of the Financial Information in accordance with International Financial Reporting Standards and in the manner required by the JSE Listings Requirements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the Financial Information that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Reporting Accountants' Responsibility

Our responsibility is to express an opinion on the Financial Information 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 Financial Information is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Information. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Financial Information, 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 Financial Information 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, as well as evaluating the overall presentation of the Financial Information.

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 Financial Information of Life Healthcare as set out in Annexure 3 to the Circular, presents fairly, in all material respects, for the purposes of the Circular, the consolidated financial position of Life Healthcare at 30 September 2007, 2008 and 2009, and its consolidated financial performance and consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards and in the manner required by the JSE Listings Requirements.

Yours faithfully

PricewaterhouseCoopers Inc
Director: F J Lombard
Accredited Auditor

2 Eglin Road
Sunninghill, 2157, South Africa
(Private Bag X36, Sunninghill, 2157, South Africa)"

MATERIAL LOANS OF BRIMSTONE AS AT 31 DECEMBER 2009

As at 31 December 2009, Brimstone, it's subsidiaries and joint ventures had the following material borrowings:

UNSECURED

Lender	Oceana Group Limited ("Oceana")
Amount	R132.5 million
Salient terms	Issued by Oceana SPV (Proprietary) Limited for the investment in Oceana. Class B cumulative redeemable preference shares issued on 26 September 2006. The preference shares are redeemable in full 20 years from date of issue and bear interest at a rate of 95% of the prime interest rate.

SECURED

Lender	Omsfin
Amount	R69.3 million
Salient terms	Loan from Omsfin bearing interest at a rate of JIBAR plus 3% n.a.c.q. payable six monthly in arrears. The loan is secured by a pledge of 120 785 Nedbank Group Limited shares and a pledge by Septen Investments (Proprietary) Limited of 6 017 042 Brimstone "N" ordinary shares. The loan is repayable in 5 years from the drawdown date.
Lender	Nedbank
Amount	R65.0 million
Salient terms	Loan from the Nedbank bearing interest at prime bank overdraft rates and secured by reversionary cessions of Brimstone's rights, title or interest in the shares in and/or claims against Brimco, Newshelf 778 and Newshelf 831. The loan is repayable 180 days after drawdown date and will be repaid using the proceeds received through the Buybacks.
Lender	Nedbank
Amount	R187.8 million
Salient terms	Issued by its subsidiary, Newshelf 831, for further investment in Life Healthcare: Class B cumulative redeemable preference shares issued on 17 November 2006, bear interest at a rate of 95% of the prime interest rate and are redeemable on the first day after 5 years from date of issue. As security for the preference shares, Brimstone has pledged its shares and loan accounts in the subsidiary and its pre-emptive rights to acquire further shares in Life Healthcare. In addition, Brimstone has guaranteed the obligations of its subsidiary.
Lender	Nedbank
Amount	R43.4 million
Salient terms	Issued by its subsidiary, Newshelf 831, Class C participating non-redeemable preference share issued on 17 November 2006. The terms of the C preference share allow for the calculation of a C participation dividend which equals 12.5% of the amount by which the market value of all the assets of Newshelf 831 exceeds the net cumulative outstanding amounts on the A and B preference shares and the aggregate of all actual or deemed tax liabilities in Newshelf 831, also taking into account Brimstone's contribution to the total funding.
Lender	Nedbank
Amount	R95.6 million
Salient terms	Class D preference shares issued by its subsidiary, Brimco. The preference shares were issued on 30 May 2009, bear interest at a rate of 95% of the prime bank overdraft rate and are redeemable by a payment of R20 million in 2009 and thereafter in annual payments of R35 million and must be redeemed in full after 5 years from date of issue. As security for the preference shares, Brimstone has pledged its shares in Brimco and given a reversionary cession of its rights, title and interests in its subsidiaries Newshelf 778 and Newshelf 831. Newshelf 831 has also issued a guarantee in favour of the preference shareholder.

Lender	Industrial Development Corporation of South Africa Limited
Amount	R351.7 million
Salient terms	Cumulative redeemable preference shares issued by a subsidiary, Newshelf 778 on 31 May 2005. The preference shares are redeemable in full in 7 years from date of issue. The preference shareholder is entitled to the higher of a dividend rate equal to 8% plus growth in CPI from date of issue of the preference shares to date of payment of a preference dividend and a participation amount based on the growth in value of that portion of the investment in Life Healthcare funded by the preference shareholder. For accounting purposes, Brimstone first calculates the preference dividend based on the required dividend rate and then computes the participation amount (if any) to which the preference shareholder is entitled and provides for this amount. Repayments are linked to shareholder payments received from the underlying investment, Life Healthcare. As security for the preference shares, Brimstone has pledged its shares and loan accounts in the subsidiary.
Lender	Investec Limited
Amount	R36.6 million
Salient terms	Loan to subsidiary repayable in quarterly instalments of R6 733 049.06, inclusive of interest. Interest is charged at JIBAR plus 4.05% n.a.c.q. The loan is secured by a general notarial bond over all of Sea Harvest Corporation (Proprietary) Limited's moveable assets.
Lender	Investec Limited
Amount	R103.1 million
Salient terms	Loan to subsidiary repayable in quarterly instalments of R9 468 923.76, inclusive of interest, from 1 July 2011. Until such time, interest payments are made quarterly in arrears. Interest is charged at fixed rate of 12.46% n.a.c.q. The loan is secured by a general notarial bond over all of Sea Harvest Corporation (Proprietary) Limited's moveable assets. Loan is payable in full by May 2014.
Lender	Investec Limited
Amount	R154.9 million
Salient terms	Loan to subsidiary repayable in full by May 2014; interest payments are made quarterly in arrears. Interest is charged at a rate of 17.3% n.a.c.q. The loan is secured by a general notarial bond over all of Sea Harvest Corporation (Proprietary) Limited moveable assets.

NOTICE OF GENERAL MEETING

Notice is hereby given of a general meeting ("general meeting") of Brimstone Shareholders to be held at 10h00 on Monday, 10 May 2010 at The Athenaeum, No 1 Mariendahl Lane, Boundary Terraces, Newlands, Cape Town, for the purpose of considering, and, if deemed fit, passing with or without modification, the ordinary resolutions set out below:

1. **ORDINARY RESOLUTION NUMBER 1**

   Resolved as an ordinary resolution that:

   1. subject to the approval of the board of directors of the Company, Newshelf 831 (Proprietary) Limited, a wholly-owned subsidiary of the Company, disposes of such portion of the issued ordinary shares that it holds in Life Healthcare Group Holdings (Proprietary) Limited ("Life Healthcare") for the purchase consideration per Life Healthcare ordinary share equal to the Life Buyback Price (as defined in the circular enclosed with this notice of general meeting ("Circular"), in accordance with the terms of the written memorandum of understanding concluded between, *inter alia*, the Company, Life Healthcare and all the other shareholders in Life Healthcare on 4 March 2010 as amended, copies of which have been tabled at the general meeting convened to consider, *inter alia*, this resolution;
   2. any one or more of the directors of the Company be and are authorised to do such things, sign such documents and procure such things as are required to give effect to the abovementioned disposal.

   This resolution will be subject to it being passed by a simple majority of the votes of Brimstone shareholders being cast in favour of the ordinary resolution.

2. **ORDINARY RESOLUTION NUMBER 2**

   Resolved as an ordinary resolution that:

   1. subject to the approval of the board of directors of the Company, the implementation of the Pre Newshelf 778 Buybacks (as defined in the Circular), payment of the Bidco 931 Dividend (as defined in the Circular), payment of the Newshelf 776 and Newshelf 778 cash dividend (as defined in the Circular), Newshelf 778 (as defined in the Circular), disposes of such number of the ordinary shares that it holds in Bidco 931 (as defined in the Circular) to Bidco 931 as is calculated in accordance with the principles set out in paragraph 4.1.6 of section 4 on page 15 of the Circular for an aggregate cash consideration amounting to the amount of the Remaining Bidco 931 Dividend (as defined in the Circular), on the terms and conditions set out in the written share repurchase agreement concluded between Newshelf 778 and Bidco 931 on 7 April 2010, copies of which have been tabled at the general meeting convened to consider, *inter alia*, this resolution;
   2. any one or more of the directors of the Company be and are authorised to do such things, sign such documents and procure such things as are required to give effect to the abovementioned disposal.

   This resolution will be subject to it being passed by a simple majority of the votes of Brimstone shareholders being cast in favour of the ordinary resolution.

3. **VOTING AND PROXIES**

   If you are the holder of Brimstone ordinary shares or "N" ordinary shares in certificated form or if you have dematerialised your Brimstone shares and have elected own name registration in the sub-register of Brimstone maintained by a Central Securities Depository Participant ("CSDP"), you may attend, speak and vote at the general meeting in person. If you do not wish to attend, but wish to be represented at the general meeting, you may appoint one or more proxies (who need not be members of the Company) to attend, speak and vote on your behalf at the general meeting by completing the attached form of proxy for the general meeting *(yellow)* in accordance with the instructions it contains and returning it to the Company's transfer secretaries, Computershare Investor Services (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001, South Africa (PO Box 61051, Marshalltown, 2107) to be received by no later than 10h00 on Thursday, 6 May 2010.

   If you have dematerialised your ordinary or "N" ordinary shares through a CSDP or broker without "own-name" registration and you wish to attend or send a proxy to represent you at the general meeting, you must instruct your CSDP or broker to provide you with the relevant letter of representation to attend or be represented at the general meeting and vote. If you do not wish to attend in person or be represented, but wish to cast your votes, you must provide your CSDP or broker with your voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker. In the absence of such instructions, your CSDP or broker will be obliged to vote in accordance with the instructions contained in the custody agreement mandate between you and your CSDP or broker.

Every holder of Brimstone ordinary shares present or represented by proxy at the general meeting shall have one vote on a show of hands, and on a poll, 100 votes, for every Brimstone ordinary share held.

Every holder of a Brimstone "N" share present or represented by proxy at the general meeting shall have one vote on a show of hands, and on a poll, one vote for every Brimstone "N" share held.

Treasury shares will not be eligible to vote. These include the 316 404 Brimstone ordinary shares and 3 735 409 Brimstone N shares held by the Brimstone Investment Corporation Limited Share Trust and the 3 624 400 Brimstone ordinary shares and 21 261 511 Brimstone N shares held by Septen Investments (Proprietary) Limited.

By order of the board

Mustaq Ahmed Enus-Brey
Chief Executive Officer

Cape Town
23 April 2010

Registered office

Slade House, Boundary Terraces
1 Mariendahl Lane
Newlands, Cape Town, 7700
(PO Box 44580, Claremont, 7735)

Transfer secretaries

Computershare Investor Services (Proprietary) Limited
70 Marshall Street
Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)

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BRIMSTONE

INVESTMENT CORPORATION LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 1995/010442/06)
Share code: BRT ISIN: ZAE000015277
Share code: BRN ISIN: ZAE000015285
("Brimstone" or "the Company")

FORM OF PROXY

For use by all Brimstone ordinary and N ordinary shareholders who have dematerialised their shares with own-name registration or hold certificated shares.

For use only by Brimstone ordinary and N ordinary certificated shareholders who:

- who hold their shares in certificated form ("certificated ordinary shareholders"); or
- have dematerialised their shares with "own-name" registration ("dematerialised ordinary shareholders"),

at the general meeting ("general meeting") of shareholders of the Company to be held at 10h00 on Monday, 10 May 2010 at The Athenaeum, No. 1 Mariendahl Lane, Boundary Terraces, Newlands, Cape Town.

Dematerialised ordinary shareholders who do not have "own-name" registration who wish to attend or send a proxy to represent them at the general meeting must inform their Central Securities Depository Participant ("CSDP") or broker of their intention to attend or be represented at the general meeting and request their CSDP or broker to issue them with the relevant letter of representation to attend or be represented at the general meeting and vote. If they do not wish to attend or be represented at the general meeting, they must provide their CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker. In the absence of such instructions, the CSDP or broker will be obliged to vote in accordance with the instructions contained in the custody agreement mandate between them and their CSDP or broker. These shareholders must **not** use this form of proxy.

I/We (FULL NAMES IN BLOCK LETTERS PLEASE)

Of (ADDRESS)

Telephone: (Work) (area code) Telephone: (Home) (area code)

Identity number:

being a member of Brimstone and the holder(s) of Brimstone ordinary shares, and/or Brimstone N shares, do hereby appoint (see notes):

1. or failing him/her,

2. or failing him/her,

3. the chairperson of the general meeting,

as my/our proxy to attend, speak and vote on a show of hands or on a poll for me/us on my/our behalf at the general meeting convened for purposes of considering and, if deemed fit, passing, with or without modification, the ordinary resolutions to be proposed thereat and at each adjournment thereof; and to vote for and/or against, or abstain from voting for and/or against, such resolutions in respect of the shares registered in my/our name/s in accordance with the following instructions:

	Number of ordinary shares			Number of N ordinary shares		
	*For	*Against	*Abstain	*For	*Against	*Abstain
Ordinary resolution number 1 Approve the Newshelf 831 Buyback						
Ordinary resolution number 2 Approve the Newshelf 778 Buyback						

* Insert the number of votes to be cast "For", "Against" or "Abstain" as required. If you insert an "X", all votes will be cast in the manner indicated by that X. If no options are marked and no instructions are given in a separate sheet of paper accompanying and attached to this form of proxy, the proxy will be entitled to vote as he/she thinks fit.

Signed at on this day of 2010

Signature/s

Assisted by (where applicable)

Please read the notes on the reverse hereof.

Notes:

1. A member entitled to attend and vote at the general meeting may insert the name of a proxy or the names of two alternative proxies of the member's choice in the space provided, with or without deleting "the chairperson of the general meeting". A proxy need not be a member. The person whose name stands first on this form of proxy and who is present at the general meeting will be entitled to act as proxy to the exclusion of those whose names follow.
2. As per Brimstone's articles of association, a member is entitled to one vote on a show of hands and, on a poll, one hundred votes in respect of each ordinary share and one vote in respect of each N ordinary share. A member's instructions to the proxy must be indicated by inserting the relevant number of shares represented by the member in the appropriate box. Failure to comply with this will be deemed to authorise the proxy to vote or to abstain from voting at the general meeting as he deems fit in respect of all the member's votes.
3. If a member does not indicate on this form that his proxy is to vote in favour of or against any ordinary resolution or to abstain from voting, or gives contradictory instructions, or should any further resolution(s) or any amendment(s) which may properly be put before the general meeting be proposed, the proxy shall be entitled to vote as he thinks fit.
4. The chairperson of the general meeting may reject or accept any form of proxy which is completed and/or received, other than in compliance with these notes.
5. The completion and lodging of this form of proxy will not preclude the relevant member from attending the general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such member wish to do so.
6. Documentary evidence establishing the authority of a person signing the form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by the Company or unless the chairperson of the general meeting waives this requirement.
7. A minor or any other person under legal incapacity must be assisted by his/her parent or guardian, as applicable, unless the relevant documents establishing his/her capacity are produced or have been registered by the Company.
8. Where there are joint holders of shares, any one of such holders may sign the form of proxy, provided that, if more than one of such holders is present or represented at the general meeting, the holder whose name stands first in the register of the Company in respect of such shares, or his proxy, as the case may be, shall alone be entitled to vote in respect thereof.
9. Where this form of proxy is signed under power of attorney, such power of attorney must accompany this form of proxy, unless it has previously been registered with the Company or the transfer secretaries.
10. Completed forms of proxy and the authority (if any) under which they are signed must be lodged with or mailed to the Company's transfer secretaries, Computershare Investor Services (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001, South Africa (PO Box 61051, Marshalltown, 2107), to be received no later than 10h00 on Thursday, 6 May 2010.
11. Any alteration or correction made to this form of proxy, other than the deletion of alternatives, must be initialled by the signatory(ies).

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