



**lenmed**  
Embrace every day

Unaudited Interim Results  
for the six months ended  
**31 August 2016**



# CONTENTS

Commentary	2
Condensed statement of financial position	3
Condensed statement of comprehensive income	4
Condensed statement of cash flows	5
Condensed statement of changes in equity	6
Accounting policies	6

## Commentary

### PERFORMANCE REVIEW

The Group has performed well for the first half of the financial year. Revenue grew by 15% increasing to R812 million compared to R707 million in 2015. Normalised earnings before interest, taxation, depreciation and amortisation (EBITDA) increased by 25% to R145 million (2015: R116 million). The EBITDA margin improved to 18% from 16% in the prior year.

The Group's hospitals performed well above the prior year with all our major hospitals reporting much improved performance in both revenue and normalised EBITDA. Randfontein Private Hospital has underpinned its turnaround and is significantly above the prior year.

The newly expanded Zamokuhle Private Hospital opened its doors in April 2016 and has performed above expectations. The hospital has brought much needed quality healthcare to the local community, who have been overwhelmingly supportive. We look forward to its continued growth as part of the Lenmed Group.

The Group's associate earnings improved by 24% to R17.3 million (2015: R14 million). A much-improved performance from both Ethekewini Hospital and Heart Centre (EHHC) and Lenasia Renal Centre with both reporting double-digit growth on the prior year.

Interest expense amounted to R13.1 million (2015: R13.7 million) for the first half of the year. These figures are after capitalising interest to the property of the current projects of R8.4 million. This is in line with IAS 23 "Borrowing Costs", as well as the Group's accounting policy.

The Group's property, plant and equipment increased in value to R1 759 million (2015: R1 316 million). These increases are mainly due to the expansion project at Zamokuhle Private Hospital and our Greenfield development in Kimberly, the Royal Hospital and Heart Centre (RHHC). Capitalised costs for RHHC amounted to R102 million for the first half of the year. The construction process is progressing as planned, with completion expected in mid-2017. The response from the local healthcare community has been encouraging and we continue to prepare for the successful commissioning of the hospital in 2017.

The Group has revised the trading method of its shares. Lenmed's shares are still available on the online Equity Express platform with the revision being the movement away from an "exchange" as defined by the Financial Services Board. The revised terms and conditions are available on our website at [www.lenmed.com](http://www.lenmed.com)

### SUBSEQUENT EVENTS

The Group increased its shareholding in EHHC to 49.75% from 40.3% with an investment of R99.2 million in October 2016. EHHC opened their new 60-bed ward in October 2016 with operational beds now at 324.

In addition, EHHC has entered into a repurchase of shares agreement. This is still subject to Competition Commission approval. If the approval is granted it will increase the Group's shareholding in EHHC to 54%.

The Group has negotiated a funding facility with Rand Merchant Bank of R1 billion. This deal was concluded in October 2016 and will assist the Group with the completion of RHHC as well as supplementing the Group's expansion goals with both Greenfield and Brownfield opportunities.

### PROSPECTS

The Group expects real growth in earnings, but at a slower rate than the first half. This is in line with the normal seasonal nature of the industry where financial performance for the second half of our year is at a slower pace than the first half. Trade debtors at Bokamoso Private Hospital have increased during the first half of the year. We are however satisfied that this has been sufficiently provided for.

Growth opportunities are constantly being reviewed to expand our footprint and deliver on the vision of operating 20 hospitals by 2020.

The first half of the year has been an extremely busy and fruitful for Lenmed. We would like to convey our appreciation for all who have contributed to Lenmed's continuing success.

For and behalf of the board



**Mr Prakash Devchand**  
Chairman/CEO

## Condensed Statement of financial position

Rand	UNAUDITED SIX MONTHS ENDED 31 AUGUST		AUDITED YEAR ENDED 29 FEBRUARY
	2016	2015	2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	1 759 255 448	1 316 082 031	1 620 905 603
Goodwill	29 935 259	29 935 259	29 935 259
Investment in associates	230 802 383	190 157 807	206 888 475
Deferred taxation	25 253 750	28 495 162	27 841 121
	<b>2 045 246 840</b>	1 564 670 259	1 885 570 458
<b>Current assets</b>			
Inventory	25 104 254	34 421 138	27 160 427
Trade and other receivables	426 504 294	308 543 438	375 782 224
Taxation	6 558 036	46 970	2 822 215
Cash and cash equivalents	65 284 783	111 188 335	140 025 882
	<b>523 451 367</b>	454 199 881	545 790 748
<b>TOTAL ASSETS</b>	<b>2 568 698 207</b>	2 018 870 140	2 431 361 206
<b>EQUITY AND LIABILITIES</b>			
<b>Equity and reserves</b>			
Stated capital	219 843 313	219 483 313	219 843 313
Other reserves	374 483 950	295 916 653	411 749 185
Accumulated profits	919 687 857	751 579 525	830 512 488
Non-controlling interests	31 285 272	21 348 846	31 303 784
	<b>1 545 300 392</b>	1 288 328 337	1 493 408 770
<b>Non-current liabilities</b>			
Long-term liabilities	403 912 894	273 416 712	354 755 129
Loans from minorities	116 260 985	111 778 736	127 169 407
Deferred taxation	113 890 161	95 098 359	116 014 510
	<b>634 064 040</b>	480 293 807	597 939 046
<b>Current liabilities</b>			
Trade payables, other payables and provisions	272 786 794	161 321 626	233 746 373
Current portion of long-term liabilities	53 454 590	30 543 825	68 380 576
Taxation	14 141 867	9 842 772	4 256 216
Bank overdraft	48 950 524	48 539 773	33 630 225
	<b>389 333 775</b>	250 247 996	340 013 390
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2 568 698 207</b>	2 018 870 140	2 431 361 206

## Condensed statement of comprehensive income

Rand	UNAUDITED SIX MONTHS ENDED 31 AUGUST		% change	AUDITED YEAR ENDED 29 FEBRUARY
	2016	2015		2016
<b>PROFIT AND LOSS</b>				
Revenue	811 690 141	706 819 889	15%	1 379 225 009
Cost of sales	(210 922 344)	(193 954 839)		(374 861 351)
<b>Gross Profit</b>	<b>600 767 797</b>	512 865 050	17%	1 004 363 658
Other income	12 512 041	18 363 142		48 072 482
Operating costs	(499 328 977)	(435 784 414)		(863 785 539)
<b>Profit before interest and taxation</b>	<b>113 950 861</b>	95 443 778	19%	188 650 601
Share of profit from associates	17 317 607	14 018 181		28 516 547
Investment income	2 134 670	3 257 531		3 644 387
Finance costs	(13 178 354)	(13 757 793)		(16 699 622)
<b>Profit before taxation</b>	<b>120 224 784</b>	98 961 697	21%	204 111 913
Taxation	(28 793 532)	(25 890 245)		(45 397 244)
<b>Profit for the period</b>	<b>91 431 252</b>	73 071 452	25%	158 714 669
<b>OTHER COMPREHENSIVE INCOME</b>				
<i>Items that will be reclassified subsequently to profit and loss</i>				
Gain on property revaluation	-	-		53 941 439
Gross property revaluation	-	-		71 442 217
Tax effect on property revaluation	-	-		(17 500 778)
<i>Items that may be reclassified subsequently to profit and loss</i>				
Foreign currency translation reserve	(39 539 630)	40 182 443		107 504 157
<b>TOTAL OTHER COMPREHENSIVE INCOME</b>	<b>(39 539 630)</b>	40 182 443		161 445 596
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>51 891 622</b>	113 253 895	(54%)	320 160 265
<b>PROFIT FOR THE PERIOD ATTRIBUTABLE TO:</b>				
Non-controlling interests	2 255 883	(614 739)		6 190 802
Lenmed Investments Ltd equity holders	89 175 369	73 686 191		152 523 867
	<b>91 431 252</b>	73 071 452	25%	158 714 669
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>				
Non-controlling interests	(18 511)	2 397 545		12 913 807
Lenmed Investments Ltd equity holders	51 910 133	110 856 349		307 246 458
	<b>51 891 622</b>	113 253 894		320 160 265

## Headline earnings

Rand	UNAUDITED SIX MONTHS ENDED 31 AUGUST		% change	AUDITED YEAR ENDED 29 FEBRUARY
	2016	2015		2016
Profit for the period attributable to Lenmed	89 175 369	73 686 191		152 523 867
Less: Profit on disposal of assets net of tax	-	-		(139 194)
	<b>89 175 369</b>	73 686 191	21%	152 384 673
Earnings per share (cents)	13,82	11,43	21%	23,64
Headline earnings per share (cents)	13,82	11,43	21%	23,62
Ordinary shares in issue	645 081 322	644 897 650		645 081 322

## Condensed statement of cash flows

Rand	UNAUDITED	AUDITED	
	SIX MONTHS ENDED 31 AUGUST	2015	YEAR ENDED 29 FEBRUARY 2016
	<b>2016</b>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Operating cash flows before working capital changes</b>	<b>162 063 752</b>	160 670 627	203 852 326
<b>Changes in working capital</b>	<b>(15 864 587)</b>	(7 155 352)	4 472 237
(Increase)/decrease in trade receivables	<b>(50 722 084)</b>	(1 479 638)	(68 718 433)
(Increase)/decrease in inventory	<b>2 056 174</b>	(2 649 846)	4 610 868
Increase/(decrease) in trade payables	<b>32 801 323</b>	(3 025 868)	68 579 802
<b>Cash generated from/(utilised) by operations</b>	<b>146 199 165</b>	153 515 275	208 324 563
Investment income	<b>2 134 670</b>	3 257 531	3 644 387
Finance costs	<b>(13 178 354)</b>	(13 757 793)	(16 699 622)
Tax Paid	<b>(24 981 220)</b>	(18 341 005)	(40 914 044)
	<b>110 174 261</b>	124 674 008	154 355 284
<b>CASH FLOWS UTILISED BY INVESTING ACTIVITIES</b>			
Acquisition of property, plant and equipment	<b>(223 201 828)</b>	(212 166 907)	(263 189 747)
Proceeds on disposal of property, plant and equipment	-	-	411 812
Repayment of loan by associate	-	14 486 920	14 486 920
(Increase) in investment in associate	<b>(6 596 300)</b>	-	(2 232 300)
Business combination effected	-	-	(34 170 663)
	<b>(229 798 128)</b>	(197 679 987)	(284 693 978)
<b>CASH FLOWS FROM/(UTILISED BY) FINANCING ACTIVITIES</b>			
Net (decrease)/increase in borrowings	<b>29 562 471</b>	42 702 445	143 782 255
Proceeds from issue of shares	-	240	240
	<b>29 562 471</b>	42 702 685	143 782 495
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
Balance at beginning of the period	<b>106 395 655</b>	92 951 856	92 951 856
Balance at end of the period	<b>16 334 259</b>	62 648 562	106 395 657
<b>Consisting of:</b>			
Cash and cash equivalents	<b>65 284 783</b>	111 188 335	140 025 882
Bank overdrafts	<b>(48 950 524)</b>	(48 539 773)	(33 630 225)

## Condensed statement of changes in equity

Rand	Stated capital	Revaluation reserve	Foreign currency translation reserve	Share-based payment reserve	Accumulated profits	Equity attributable to Group	Non-controlling interest	Total
<b>GROUP</b>								
<b>Balance 1 March 2015</b>	219 483 313	176 544 490	77 067 906	4 323 969	677 988 621	1 155 408 299	18 389 737	<b>1 173 798 036</b>
Increase in minority on acquisition of shares	-	-	-	-	-	-	240	<b>240</b>
Profit for the year	-	-	-	-	152 523 867	152 523 867	6 190 802	<b>158 714 669</b>
Other comprehensive income	-	53 714 916	101 007 675	-	-	154 722 591	6 723 005	<b>161 445 596</b>
Share-based payment reversal	-	-	-	(909 771)	-	(909 771)	-	<b>(909 771)</b>
Issue of share capital	360 000	-	-	-	-	360 000	-	<b>360 000</b>
<b>Balance 1 March 2016</b>	219 843 313	230 259 406	178 075 581	3 414 198	830 512 488	1 462 104 986	31 303 784	<b>1 493 408 770</b>
Unaudited profit for the period ending 31 August 2016	-	-	-	-	89 175 369	89 175 369	2 255 883	<b>91 431 252</b>
Unaudited other comprehensive income	-	-	(37 265 235)	-	-	(37 265 235)	(2 274 395)	<b>(39 539 630)</b>
<b>Balance 31 August 2016</b>	219 843 313	230 259 406	140 810 346	3 414 198	919 687 857	1 514 015 120	31 285 272	<b>1 545 300 392</b>

## Accounting policies

### 1. BASIS OF PREPARATION

The condensed unaudited consolidated interim financial statements for the six months ended 31 August 2016 have been prepared in accordance with the framework concepts and measurement and recognition requirements of International Financial Reporting Standards (IFRS), IAS 34 Interim Financial Reporting Standards, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the Companies Act of South Africa. The accounting policies used in the preparation of these results are in accordance with IFRS and have been consistently applied to all years presented, unless otherwise stated.

The annual financial statements have been prepared on the historical cost basis except for the revalued land and buildings.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that may affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period, or in the period of the revision and future periods if the revision affects both current and future periods.

## Contact details

**Registered office:**

2nd floor, Building 9  
Fountain View, Constantia Office Park  
Corner 14th Avenue and Hendrik Potgieter Street  
Constantia Kloof

**[info@lenmed.co.za](mailto:info@lenmed.co.za)**

[www.lenmed.com](http://www.lenmed.com)