



lenmed
Embrace every day

UNAUDITED INTERIM RESULTS
for the six months ended 31 August 2017



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Commentary

Performance review

The Group's performance for the six months ended 31 August 2017 includes Ethekwini Hospital and Heart Centre (EHHC) and our new facility in Kimberley, Royal Hospital and Heart Centre (RHHC), for the first time. Lenmed became the majority shareholder at EHHC on 18 January 2017 and now owns 76.72% of the company. In the previous year's 6 months results, EHHC was equity accounted as the Group held 49.75%. RHHC opened its doors with 64 beds in late July 2017 with the first patient admitted on 26 July 2017.

Group Revenue grew by 35% increasing to R1 099.5 million compared to R811.7 million in 2016. Normalised earnings before interest, taxation, depreciation and amortisation (EBITDA) increased by 50% to R217.5 million (2016: R144.5 million). The EBITDA margin improved to 20% from 18% in the prior year.

The Group's hospitals reported an improvement on the prior year with Randfontein and Zamokuhle private hospitals experiencing much improved performance in both revenue and normalised EBITDA.

The recently expanded Zamokuhle Private Hospital continues to perform above expectations. The reception from both the doctors and the local community has been overwhelmingly encouraging. We look forward to its continued growth as part of the Lenmed Group.

RHHC's first full month of trading in August 2017 produced encouraging patient occupancies and we look forward to expanding our services over the coming months. Currently expectations are that the hospital will break even operationally by February 2018.

The Group's associate earnings declined by 96% to R687k (2016: R17.3 million). In the prior financial year, the Group accounted for the earnings from EHHC in income from associates until 17 January 2017. Post that date, EHHC's earnings have been consolidated into Lenmed's earnings. The current associate earnings relate to the Group's investment in Lenasia Renal Centre and Renal Care Holdings.

Net interest expense amounted to R31.7 million (2016: R11 million) for the first half of the year. This is due to increased borrowings to fund the recent capital expenditure requirements. Post the opening of RHHC, all borrowing costs will be expensed, 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 R2 763 million (2016: R1 759 million). These increases are mainly due to the acquisition of R724.2 million in assets from obtaining the majority shareholding in EHHC as well as the assets related to the opening of RHHC in July 2017. Capitalised assets for RHHC amounted to R87 million for the first half of the year.

During July 2017 the Group increased its shareholding in EHHC from 53.61% to 76.72% by acquiring a further 110 761 ordinary shares for R276 million as well as a loan account to the value of R34 million. Accounting standards do not allow the Group to recognise additional goodwill on step acquisitions hence the acquisition cost has had to be applied in reducing the non-controlling interest in equity by R99 million and accumulated profits by R177 million.

Prospects

The Group expects real growth in operational earnings, but at a slower rate than the first half. This is in line with the seasonal nature of the industry.

We thank all stakeholders for their continued contribution to Lenmed's success. Your ongoing support makes it all possible.

Condensed statement of financial position

	GROUP		
	Unaudited Six months ended 31 August 2017	Unaudited Six months ended 31 August 2016	Audited Year ended 28 February 2017
Figures in R			
Assets			
Non-Current Assets			
Property, plant and equipment	2 762 688 544	1 759 255 448	2 605 659 905
Goodwill	315 051 754	29 935 259	315 051 754
Investment in associates	5 117 094	230 802 383	4 429 762
Deferred taxation	45 099 165	25 253 750	35 652 756
	3 127 956 557	2 045 246 840	2 960 794 177
Current Assets			
Inventory	57 904 609	25 104 254	38 837 387
Trade and other receivables	504 723 484	426 504 294	517 715 596
Taxation	18 016 604	6 558 036	6 859 699
Cash and cash equivalents	148 912 864	65 284 783	168 030 209
	729 557 561	523 451 367	731 442 891
TOTAL ASSETS	3 857 514 118	2 568 698 207	3 692 237 068
Equity and Liabilities			
Equity and Reserves			
Stated capital	422 407 213	219 843 313	422 407 213
Other Reserves	345 416 038	374 483 950	342 160 164
Accumulated profits	1 057 160 389	919 687 857	1 134 401 984
Non-controlling interests	123 194 728	31 285 272	202 881 982
	1 948 178 368	1 545 300 392	2 101 851 343
Non-Current Liabilities			
Long term liabilities	1 137 481 414	403 912 894	774 722 813
Loans from minorities	64 521 149	116 260 985	102 348 058
Deferred taxation	283 735 733	113 890 161	268 680 790
	1 485 738 296	634 064 040	1 145 751 661
Current Liabilities			
Trade payables, other payables and provisions	327 601 118	272 786 794	306 475 723
Current portion of long term liabilities	61 676 500	53 454 590	87 330 826
Taxation	11 785 290	14 141 867	10 454 710
Bank overdraft	22 534 546	48 950 524	40 372 805
	423 597 454	389 333 775	444 634 064
TOTAL EQUITY AND LIABILITIES	3 857 514 118	2 568 698 207	3 692 237 068

Condensed statement of comprehensive income

	GROUP		
	Unaudited Six months ended 31 August 2017	Unaudited Six months ended 31 August 2016	Audited Year ended 28 February 2017
Figures in R			
Profit and Loss			
Revenue	1 099 485 969	811 690 141	1 558 527 415
Cost of sales	(312 281 531)	(210 922 344)	(416 981 298)
Gross profit	787 204 438	600 767 797	1 141 546 117
Other income	38 691 030	12 512 041	268 363 758
Operating costs	(645 253 099)	(499 328 977)	(976 106 016)
Profit before interest and taxation	180 642 369	113 950 861	433 803 859
Share of profit from associates	687 334	17 317 607	28 473 685
Investment income	4 897 297	2 134 670	5 358 147
Finance costs	(36 587 652)	(13 178 354)	(39 709 966)
Profit before taxation	149 639 348	120 224 784	427 925 725
Taxation	(31 758 402)	(28 793 532)	(87 615 126)
PROFIT FOR THE PERIOD	117 880 946	91 431 252	340 310 599
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit and loss</i>			
Foreign currency translation reserve	4 798 476	(39 539 630)	(77 184 990)
TOTAL OTHER COMPREHENSIVE INCOME	4 798 476	(39 539 630)	(77 184 990)
TOTAL COMPREHENSIVE INCOME	122 679 422	51 891 622	263 125 609
Profit for the year attributable to:			
Non-controlling interests	18 120 155	2 255 883	(553 959)
Lenmed Investments Ltd equity holders	99 760 791	89 175 369	340 864 558
PROFIT FOR THE PERIOD	117 880 946	91 431 252	340 310 599
Total comprehensive income attributable to:			
Non-controlling interests	19 662 757	(18 511)	(7 472 894)
Lenmed Investments Ltd equity holders	103 016 665	51 910 133	270 598 503
TOTAL COMPREHENSIVE INCOME	122 679 422	51 891 622	263 125 609

Headline earnings

	GROUP		
	Unaudited Six months ended 31 August 2017	Unaudited Six months ended 31 August 2016	Audited Year ended 28 February 2017
Figures in R			
Profit for the period attributable to Lenmed	99 760 791	89 175 369	340 864 558
Less: Profit on disposal of assets net of tax	-	-	(255 854)
Less: Fair value uplift on associate investment in EHHC net of taxation	-	-	(162 186 032)
	99 760 791	89 175 369	178 422 672
Earnings per share (cents)	14,10	13,82	52,19
Headline Earnings per share (cents)	14,10	13,82	27,32
Weighted average number of shares in issue	707 558 909	645 081 322	653 064 735

Condensed statement of changes in equity

Figures in R	Stated capital	Revaluation reserve	Foreign currency translation reserve	Share-based payment reserve	Accumulated profits	Equity attributable to Group	Non-controlling interest	Total
Group								
Balance at 31 August 2016	219 843 313	230 259 406	140 810 346	3 414 198	919 687 857	1 514 015 120	31 285 272	1 545 300 392
Profit for the period	-	-	-	-	251 689 189	251 689 189	(2 809 842)	248 879 347
Other comprehensive income	-	-	(33 000 821)	-	-	(33 000 821)	(4 644 540)	(37 645 361)
Share-based payment accrual	-	-	-	3 319 708	-	3 319 708	-	3 319 708
Full control of subsidiary	-	-	(2 642 673)	-	(36 975 062)	(39 617 735)	525 694	(39 092 041)
Acquisition of subsidiary	-	-	-	-	-	-	178 525 398	178 525 398
Issue of share capital	202 563 900	-	-	-	-	202 563 900	-	202 563 900
Balance at 28 February 2017	422 407 213	230 259 406	105 166 852	6 733 906	1 134 401 984	1 898 969 361	202 881 982	2 101 851 343
Profit for the period	-	-	-	-	99 760 791	99 760 791	18 120 155	117 880 946
Other comprehensive income	-	-	3 255 874	-	-	3 255 874	1 542 602	4 798 476
Increase in control of subsidiary	-	-	-	-	(177 002 386)	(177 002 386)	(99 350 011)	(276 352 397)
Balance at 31 August 2017	422 407 213	230 259 406	108 422 726	6 733 906	1 057 160 389	1 824 983 640	123 194 728	1 948 178 368

Condensed statement of cash flows

	GROUP		
	Unaudited Six months ended 31 August 2017	Unaudited Six months ended 31 August 2016	Audited Year ended 28 February 2017
Figures in R			
Cash flows from operating activities			
Operating cash flow before working capital changes	227 796 980	162 063 752	264 885 913
Working capital changes			
Decrease/(increase) in trade and other receivables	12 992 112	(50 722 084)	(114 097 904)
(Increase)/ decrease in inventory	(19 067 222)	2 056 174	1 289 725
Increase in trade and other payables	21 125 395	32 801 323	101 177 347
Cash generated by operating activities	242 847 265	146 199 165	253 255 081
Interest income	4 897 297	2 134 670	5 358 147
Finance costs	(36 587 652)	(13 178 354)	(39 709 966)
Income tax paid	(41 473 532)	(24 981 220)	(76 143 885)
NET CASH FROM OPERATING ACTIVITIES	169 683 378	110 174 261	142 759 377
Cash flows from investing activities			
Property, plant and equipment acquired	(193 887 433)	(223 201 828)	(397 150 312)
Proceeds on disposals of property, plant and equipment	-	-	1 920 861
(Increase) in Investment in associates	-	(6 596 300)	(124 800 167)
(Increase) in Investment in subsidiary	-	-	(2 850 000)
NET CASH UTILISED IN INVESTING ACTIVITIES	(193 887 433)	(229 798 128)	(522 879 618)
Cash flows from financing activities			
Proceeds from shares issued	-	-	202 158 900
Net loans (repaid)/raised	299 277 366	29 562 469	268 373 443
(Increase) in control of subsidiary acquired	(276 352 397)	-	(98 860 857)
NET CASH GENERATED BY FINANCING ACTIVITIES	22 924 969	29 562 469	371 671 486
(Decrease)/Increase in cash and cash equivalents	(1 279 086)	(90 061 398)	(8 448 755)
Translation movement	-	-	1 234 572
Cash acquired on acquisition	-	-	28 475 930
Cash and cash equivalents at beginning of the year	127 657 404	106 395 657	106 395 657
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	126 378 318	16 334 259	127 657 404

Accounting policies

1. Basis of preparation

The condensed unaudited consolidated interim financial statements for the six months ended 31 August 2017 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. This report was compiled under the supervision of Vaughan Firman CA (SA). The Board takes full responsibility for the preparation of these financial results.

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.

2. Increase in control of Ethekewini Hospital and Heart Centre (Pty) Ltd (EHHK)

During July 2017 the Group acquired a further 110 761 ordinary shares for R276 352 397 as well as a loan account to the value of R33 778 403. This acquisition increased its stake in EHHK from 53.61% to 76.72%.

Figures in R	Unaudited six months ended 31 August 2017
Non controlling interest as at July 2017	99 350 011
Consideration paid	310 130 800
Acquisition of shares	276 352 398
Shareholder loan acquired	33 778 403
Reserve transferred to accumulated profits	177 002 386

Our hospitals

Ahmed Kathrada Private Hospital

K43 Highway, Extension 8, Lenasia Gauteng

T. +27 11 213 2000 F. +27 11 852 8910

Bokamoso Private Hospital

Plot 2435, Mmopane Block 1, Gaborone, Botswana

T. +267 369 4000 F. +267 369 4140

Daxina Private Hospital

1682 Impala Street, Lenasia South, Gauteng

T. +27 11 213 7000 F. +27 11 855 1039

Ethekwini Hospital and Heart Centre

11 Riverhorse Road, Riverhorse Valley Business Estate,

Queen Nandi Drive, Durban, KwaZulu-Natal

T. +27 31 581 2400 F. +27 31 581 2695

Kathu Private Hospital

Frikkie Meyer Street, Kathu

T. +27 53 723 3231 F. +27 53 723 3389

Royal Hospital and Heart Centre

Cnr Welgevonden and Jacobus Smit Street,

Royldene, Kimberley

T. +27 53 045 0350

La Verna Private Hospital

1 Convent Road, Ladysmith, KwaZulu-Natal

T. +27 36 631 0065 F. +27 36 637 4889

Maputo Private Hospital

Rua do Rio Inhamiara, Sommerschield II, Maputo, Mozambique

T. +258 21 488 600 F. +258 21 49 3680

Randfontein Private Hospital

Ward Street Ext, Randfontein, Gauteng

T. +27 11 411 3000 F. +27 11 411 3134

Shifa Private Hospital

482 Randles Road, Sydenham, Durban, KwaZulu-Natal

T. +27 31 240 5000 F. +27 86 559 7043

Zamokuhle Private Hospital

128 Flint Mazibuko Street, Hospital View, Tembisa, Gauteng

T. +27 11 923 7700 F. +27 11 924 2149



lenmed

www.lenmed.com

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