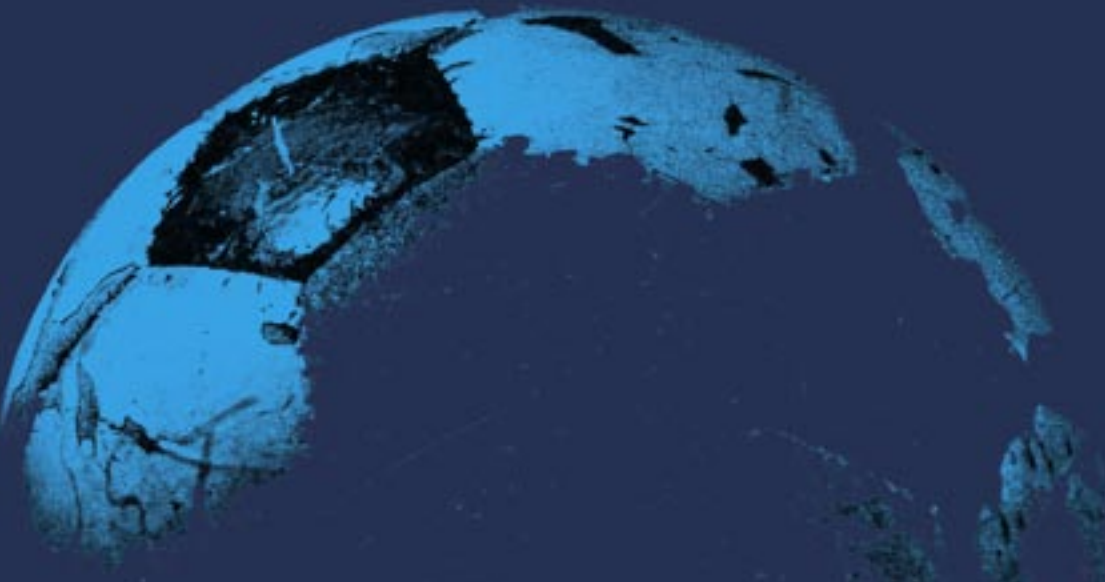


2010

ANNUAL REPORT



**LENMED INVESTMENTS LIMITED
AND ITS SUBSIDIARIES
(Registration No 1980/003108/06)
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
28TH FEBRUARY, 2010**





**LENMED INVESTMENTS LIMITED
AND ITS SUBSIDIARIES**

(Registration No 1980/003108/06)

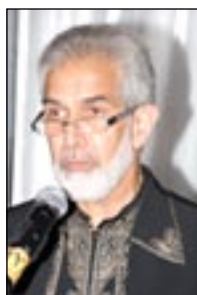
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 28TH FEBRUARY, 2010

GENERAL INFORMATION

COUNTRY OF INCORPORATION:	South Africa
NATURE OF BUSINESS:	Group of private hospitals
EXECUTIVE DIRECTORS	Mr. P. Devchand Chairman Dr. A.F. Kaka Medical director Mr. A.A. Nana Financial director
REGISTERED ADDRESS:	4th Floor 63 Dolly Rathebe Road Fordsburg 2092
POSTAL ADDRESS:	P.O. Box 42270 Fordsburg 2033
AUDITORS:	PKF Durban Chartered Accountants (SA) Registered Auditors Practice number - 906352E 2nd Floor, 12 on Palm Boulevard, Gateway, 4319 South Africa.
COMPANY SECRETARY:	Mr. M. Noor Mohamed
REGISTRATION NUMBER:	1980/003108/06
BANKERS:	First National Bank Limited



Mr. P. Devchand,
Chairman,
Lenmed Health



Dr. A.F. Kaka,
Medical Director,
Lenmed Health



Mr. A. Nana
Financial Director,
Lenmed Health



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*Mr. P Devchand
Chairman,
Lenmed Health*

Affirmation of phenomenal growth

Preamble:

The financial year 2010 is particularly special for the Lenmed Group as it celebrated the 25th anniversary of Lenmed Private Hospital, the group's flagship facility. It was an unveiling in 1984 that signified the start of a dream and marked the beginning of great things to come. While milestones conjure up sentiments and nostalgia, they are above all else, an indicator and timeline of where the group is and what it has achieved in getting there. This annual report, while allowing for considered reflection 25 years on, is an affirmation of the phenomenal growth

and progress that the company continues to boast since its inception, and is testimony to the sound business principles and astute strategy that is now the Lenmed Group.

The challenges in the industry as a whole are ever increasing. As demand for better healthcare continues, disparities between the private and public health systems imply continued pressure on the private sector.

Although the economy has shown signs of stabilizing, remnants of the recession are ever present and the move forward remains a vigilant and cautious one.

Financial Review

With the impact of the recession still being felt and sentiment in the broader economic environment characterised as cautious, Lenmed Group continues to be identified with those entities that have a resilient business model capable of weathering the storm. The company again reflected good financial results in the face of a stabilising but unpredictable environment.

The current financial year's net profit of R42,692,425 highlights an upward trend that the group has shown over the past few years. It is a trend that we are confident will continue.

Key factors which contributed to these results can be summarized as follows::

	2010	2009
Revenue grew by 14%	R284,396,310	R249,380,892
Earnings before interest expense, taxation and depreciation increased by 10%	R76,066,013	R69,123,167
Net profit before taxation increased by 8%	R60,942,016	R56,262,892
Net profit after taxation increased by 7%	R42,692,425	R39,965,503
Net profit after tax & revaluation increased by 52%	R58,192,425	R38,178,932
Total dividend paid to shareholders increased by 10%	R11,756,030	R10,699,990



Contributions to the profit (after tax):

	2010	2009
Lenmed Private Hospital	R16,752,597	R14,573,363
La Verna Hospital	R11,985,908	R13,437,787
Shifa Hospital	R9,618,819	R5,331,988
Zamokuhle Private Hospital	(R4,009,047)	(R441,414)
Lenmed Investments Limited	R306,643	R2,827,347
Maseru Private Hospital	(R330,433)	(R268,014)
Pharmed Pharmaceuticals	R8,367,938	R4,504,448

Sound Flexible Strategy

Productive initiatives implemented last year to counter the impact of the recession have now been enshrined into an already sound business model. In essence, an approach that calls for effective management comprising stringent controls on the one hand but flexibility and measured spending on the other, has resulted in a strategy which accommodates adjustments to the ongoing changes in the micro and macro economic climate .

Diversity and Growth

Judicious expansion and acquisitions have ensured sensible growth and have increased revenues and profit taking, from both within and outside our core business structures. As the global recession highlights the risk and lack of prudence that speculative and time based investments pose, our diversification and growth based equity investments, driven by knowledge of the industry, and a sufficient amount of differentiation, are proof of a risk averse and meaningful expansion strategy guided by business principles.

Intellectual Capital

We need to stress the role of our continuous investment in intellectual capital through skills development, physical and social well being and competitive remunerations. As

a service oriented industry, our people are part of our product and investing in them has a direct impact on our profits. These financial results therefore reflect, in good part, a return on that investment.

Social Worth

Above all else, the key contributing factor is our social worth. Our value and the trust that we enjoy in the communities we serve have ensured sustainability and continued support. Our ability to deliver timeously, effectively and with integrity is reflected in the steady but marked increases in patronage that we are enjoying.

Investor Confidence

Shares in the company are highly sought after. The demand for shares has never been higher as shareholders continue to hold on to their shares.

The company declared a dividend of R26, an increase of R2 over the previous year. This is particularly significant given the fact that it amounts to an increase of 8% despite spending on refurbishments, growth and acquisitions. Few companies would be able to commit to such growth on the one hand without prejudicing shareholders on the other. At Lenmed our policy has always been to look after our shareholders and we have managed to strike a balance that is somewhat ubiquitous, ensuring that we grow profits and prioritize our shareholders all at once.



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Challenges

Companies need to constantly re-invent themselves to keep pace with changing economic and social conditions. In doing so, the challenge is to not lose focus of core values and aims that have defined the group and that have become synonymous with the brand thus far.

A concerted effort away from our 'business as usual policy' has been undertaken as we rethink practical approaches to handling patients and facilitating processes, this as the industry grows and patients become more educated and their requirements more challenging.

The debate around the National Health Insurance continues, While there is an acknowledgment from government that short term implementation is unrealistic and detrimental, it is determined to press ahead. This, as Industry experts agree that South Africa presents more complex problems that need to be resolved and that the NHI is a longer term objective that requires greater dialogue in what will ultimately result in a unique solution suited to our country, its people and role players.

For Lenmed which already has a competitive pricing model, the effects will most likely not be catastrophic though. The issue of accessibility versus quality is however disconcerting, that is, its not just the financial implications or the finance model ultimately employed that concerns us, but its impact on overall healthcare. The practical effects of implementation on improved services need to be considered and we need to avoid a closed system that promises access without due regard for quality of the health care system as a whole.

Skill shortages are another challenge that the industry faces. As we celebrate the international year of the nurse this year, this crucial component of the industry's workforce is still plagued by issues ranging from aging to poor training. Interventions in recent years have done little to address the problems facing the fraternity or stop the hemorrhage to more lucrative destinations overseas.

Milestone vs. Stepping Stones- Achievements and Future Outlook

It's crucial to acknowledge and understand this annual report in the context of the 25th anniversary, primarily because it represents a crossroads - a crossroads that

can best be expressed as a milestone for the concept and vision that is Lenmed Private Hospital but a stepping stone to the aspiration and dream that is the Lenmed Group.

As we set our sights to the next 25 years, the financial results reflected herein, more particularly the trend that is evident with regard to increased year on year profit taking and the group's long term outlook and approach to growth, all point to an acceleration in that which will be achieved in the next 25 years.

Notwithstanding challenges, the group has demonstrated both the capacity and the will to becoming a leading hospital group in the SADC region, a clear indication that our aspirations and goals are firmly on track.

We are also optimistic and believe that the future business environment and legislative frameworks will contribute positively to our development. We have also shown that stumbling blocks, if any, can be overcome and have in the past only made us stronger.

Experience is our best teacher and in a sense our future outlook is guided by our achievements and the lessons we have learned thus far. We have come to understand that sound business principles are only as good as their practical and effective implementation.

As we look to the future with a credit worthiness of millions, we know that it is ultimately our social worth that will determine the heights that we reach. This speaks directly to our value as a brand and is a primary indicator of the depths of our roots in the communities we serve. Going forward, our primary aim must be to protect and nurture that trust and standing.

Above all else, crucial to our growth, are people. The myriad and complex relationships that we enjoy on various levels form the core of everything we do. Our primary investment strategies must at all time take cognizance of this and our people must grow with our brand; spiritually, intellectually and as members of our family.

Update

Acquisitions:

The group finalized its acquisition of a further 10% share in Pharmed. It now owns 40% with an option to purchase a further 5%.

We are also pleased to announce our latest investment,



a 10% stake in Ethekwini Hospital and Heart Centre. Conveniently located between Durban and Umhlanga, it is a 246 bed hospital and offers a complete spectrum of medical and surgical services with seven state of the art theatres and an entire floor dedicated to the cardiac centre of excellence. Full radiological, laboratory and pharmaceutical services as well as a range of allied services are at hand. In addition, the hospital has consulting rooms for doctors, staff crèche facilities, 420 parking bays and a coffee shop. It is the first privately owned fully digitally integrated hospital in South Africa. We are confident that it will add tremendous value to our investment portfolio.

Hospitals

Our growth aims have at all times embodied forward thinking that is matched by state of the art equipment, technical proficiency and patient comfort. All our hospitals embody this principle as our refurbishments, upgrades and staff deployments continue.

Lenmed

Refurbishment of the maternity ward is underway with the inclusion of a caesarian theatre and the increase in the size of the neonatal ICU to a 6 bed unit. As refurbishment of the hospital moves from wing to wing, we pride ourselves in knowing that we offer not just the most medically conducive and comfortable environments but also state of the art facilities that rank among the best. We have also increased our nursing staff which can only contribute to improved patient care and impact positively on the hospital.

Zamokuhle

Zamokuhle is showing an excellent turnaround. Although still in the 'red', we are pleased to say that the hospital is showing an increase in revenue and with a concerted drive still underway to increase our specialist base and invite more practitioners to join the Hospital, revenue is set to further increase. Casualty was officially launched with a successful open day which included special invitations to local doctors and related practitioners. The hospital has also now opened a 24 hour pharmacy and radiological services.

Shifa

Shifa showed a remarkable improvement in revenue, reflecting an increase in net profit of 80% to that of last year. We anticipate the increase to continue as occupancy increases with the increases in beds, which has increased to 101 beds and, pending license approval, should reach 150 by August 2010. Our state of the art ICU and high care unit commissioned in 2009 is now fully operational and also a contributing factor.

Work on other refurbishments initiated last year are nearing completion. Additions include a 3 bed neo-natal ICU unit, 20 bed nursery, 10 bed obstetrics and 18 bed gynaecology ward. As well as an operating theatre with fully equipped orthopaedic rehabilitation unit, 10 bed day ward and 12 bed ICU/high care ward

La Verna

While our refurbishment efforts have had a temporary adverse effect on our revenue for the year, particularly through the closure of the medical and surgical wards and loss of beds, we are confident that the position will be reversed next year and the efforts will certainly pay off in the long run.

We are pleased that the department of health has approved 24 new beds for La Verna as the hospital embarks on an expansion program that will see a new private wing with single and 2 bed units being added to the hospital.

Major refurbishments to the existing facility are also underway. It is envisaged that the existing male and female wards be replaced by surgical and medical wards. Previous 6 bed units are being converted to two bed en-suite units. We have also acquired an adjoining property

to improve on our parking shortage and with the idea of converting the house on the property to consulting suites. We have also concluded negotiations with the high school across the road for parking space to accommodate 70 parking bays.



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Maputo

Construction on the Maputo hospital is nearing completion. The outer shell and its components are complete. Work on the finishes is underway. With a host of doctors set to join, anticipation and interest from the community is mounting. We are particularly excited at the prospect of this hospital as it marks our entry into the SADC region and is a major step in our growth aims.

Social Responsibility

A sound financial strategy and effective administration allow us to continually commit financial resources and time to various social responsibility projects and health initiatives that the broader communities we serve have come to rely on and benefit from.

Our Hospitals regularly hold successful open days that allow for free health screening and promote well being. Typically these include blood pressure, blood glucose and cholesterol screening amongst others.

As part of their social responsibility commitment Shifa Hospital also offers a free dialysis clinic in association with IMA & IQRAA.

That these are valuable initiatives was acknowledged at a three day show in Ladysmith where we proudly received a gold award for the best stand hosted by Lenmed La Verna and which included National Renal Care and Ampath lab.

Our doors are always open to schools, tour and career groups and with our emphasis on knowledge and skills improvements. Many trainees in the broader health field take advantage of our skilled staff and facilities to gain valuable training.

Acknowledgements

As we pay homage to the pioneers that gave birth to the idea of a private hospital and acknowledge the tireless commitment of those that served before us, we need to re affirm and place on record our appreciation and understanding of that vision as we have received it and

hold in the highest regard that which for us, is nothing short of a legacy.

Today the Lenmed Group is characterized by a willing and able staff, leadership that is equally visionary, a board that commits time beyond its mandate and professionals that are the best in their fields.

As we embark on the next stage in our evolutionary process, I wish to express gratitude to all staff for their uncompromising commitment to providing excellent health care, and to all directors and CEO's for their inspired leadership. Certainly one thing that remains the same and will continue, is the commitment and dedication of all our role players and the conscious balance we strike in providing excellent healthcare while maintaining effective and ethical business practices.

Just as the word 'community' has been redefined from what once signified a sense of smallness and intimacy to that which has taken on global implications, so too, is Lenmed Private Hospital, a once humble neighborhood clinic, now through the Lenmed Group, poised to take on the world.

Here's looking forward to the next 25 years!



Mr. P Devchand



The directors are required by the Companies Act in South Africa to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements of Lenmed Investments Limited and its subsidiaries and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company and the group as at the end of the financial year and the results of its operations and cash flows for the year then ended, in conformity with International Financial Reporting Standards. The auditors are engaged to express an independent opinion on the annual financial statements.

The financial statements have been audited by the independent accounting firm, PKF Durban, who was given unrestricted access to all financial records and related data, including minutes of all meetings of the shareholders, the board of directors and committees of the board. The directors believe that all representations made to the independent auditors during the audit were valid and appropriate.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the group and all employees are required to maintain the highest ethical standards in ensuring the group's business is conducted in a manner that, in all reasonable circumstances, is above reproach. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group.

While operating risk cannot be fully eliminated, the group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, but not absolute, assurance against material misstatement or loss.

The directors have no reason to believe that the group will not be a going concern in the foreseeable future based on forecasts and available cash resources.

The annual financial statements of the company set out on pages 9 to 42, which have been prepared on the going concern basis, were approved by the board of directors on 23rd June, 2010 and were signed on its behalf by :



.....
DIRECTOR

23rd June, 2010



.....
DIRECTOR



**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
LENMED INVESTMENTS LIMITED AND ITS SUBSIDIARIES****Report on the financial statements**

We have audited the accompanying annual financial statements of Lenmed Investments Limited and the Group, which comprise the directors' report, the statements of financial position at 28th February, 2010 and the statements of comprehensive income, statements of changes in equity and statements of cash flow for the year then ended and a summary of significant accounting policies and other explanatory notes, as set out on pages 9 - 42.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and the requirements of the Companies Act in South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements 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 statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, 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 statements 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 the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of Lenmed Investments Limited and the Group, as of 28th February, 2010 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act in South Africa.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 15 in the directors' report. The Maputo subsidiary has not been consolidated as the hospital is still under construction and has not commenced operations.

PKF DURBAN
REGISTERED AUDITOR
CHARTERED ACCOUNTANT (SOUTH AFRICA)

23rd June, 2010.

LEN 012 / 2010

PKF Durban

Chartered Accountants (SA) Registered Auditors
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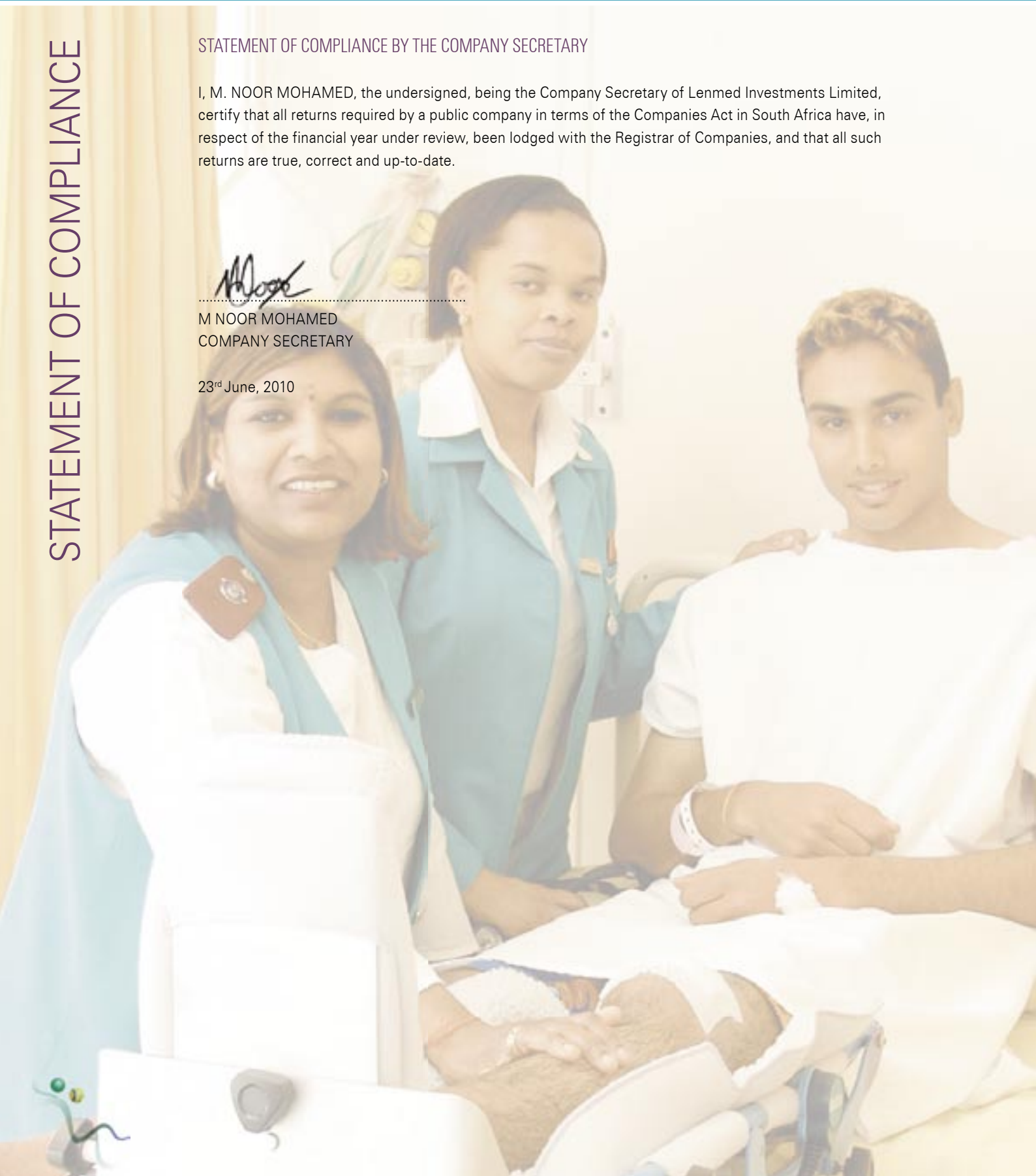
STATEMENT OF COMPLIANCE BY THE COMPANY SECRETARY

I, M. NOOR MOHAMED, the undersigned, being the Company Secretary of Lenmed Investments Limited, certify that all returns required by a public company in terms of the Companies Act in South Africa have, in respect of the financial year under review, been lodged with the Registrar of Companies, and that all such returns are true, correct and up-to-date.



M NOOR MOHAMED
COMPANY SECRETARY

23rd June, 2010



**LENMED INVESTMENTS LIMITED
AND ITS SUBSIDIARIES
(Registration No 1980/003108/06)
REPORT OF THE DIRECTORS FOR THE YEAR ENDED 28TH FEBRUARY, 2010**

1. NATURE OF BUSINESS

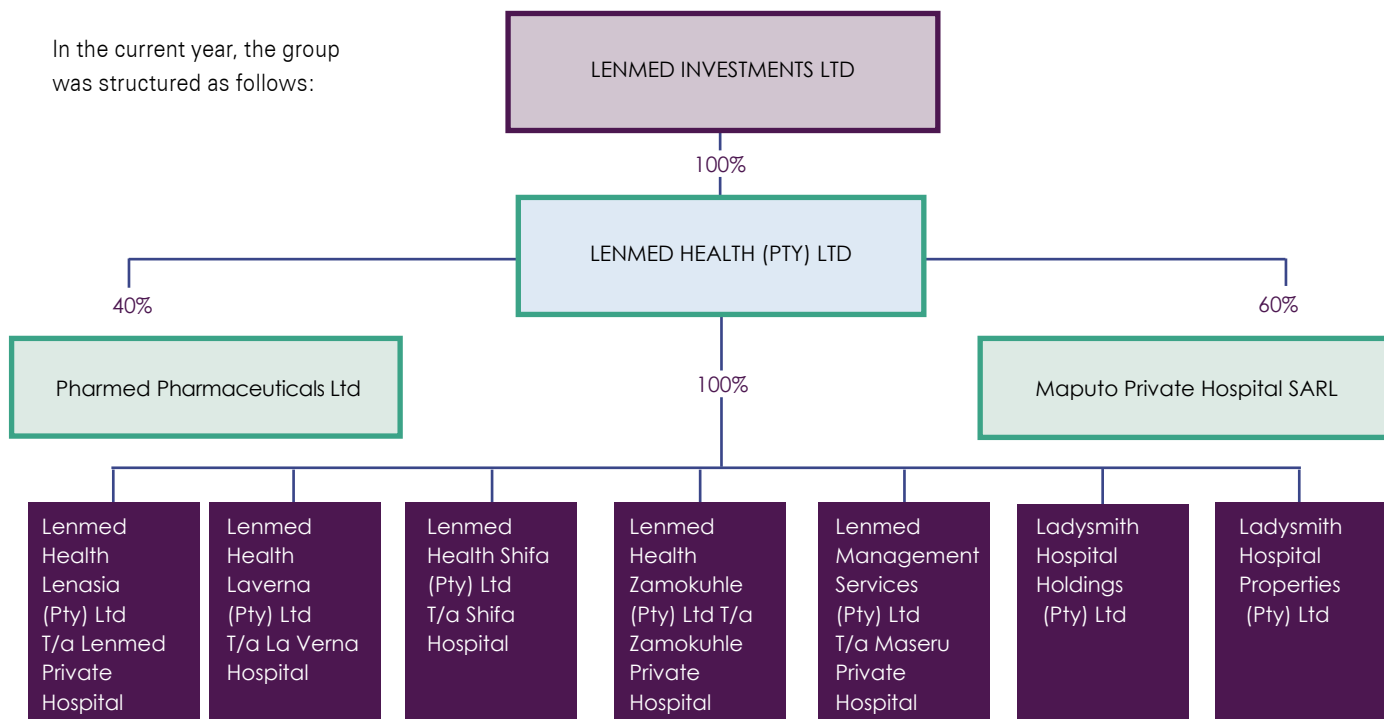
The principal activities of the company during the year were that of private hospitals, medical centres and 24-hour trauma units. There were no major changes in the nature of the business during the year under review.

The Lenmed Investments Group includes the following entities:

Subsidiaries

Lenmed Health (Pty) Ltd.	- Reg. No. 2005/022423/07
Lenmed Health Lenasia (Pty) Ltd. t/a Lenmed Private Hospital	- Reg. No. 2006/002764/07
Lenmed Health Laverna (Pty) Ltd. t/a La Verna Hospital	- Reg. No. 1988/004487/07
Lenmed Health Shifa (Pty) Ltd. t/a Shifa Hospital	- Reg. No. 2000/006080/06
Lenmed Health Zamokuhle (Pty) Ltd. t/a Zamokuhle Private Hospital	- Reg. No. 2005/017980/07
Lenmed Management Services (Pty) Ltd. t/a Maseru Private Hospital	- Reg. No. 2000/021905/07
Ladysmith Hospital Properties (Pty) Ltd.	- Reg. No. 1988/004497/07
Ladysmith Hospital Holdings (Pty) Ltd.	- Reg. No. 1992/003153/07
Maputo Private Hospital SARL	
Associate company	
Pharmed Pharmaceuticals Ltd.	- Reg. No. 1985/005694/06

In the current year, the group was structured as follows:



2. STATE OF AFFAIRS

The group's profit on ordinary activities for the year amounted to R52 574 078 (2009 - R51 758 444) before deducting taxation of R18 249 591 (2009 - R16 297 389), resulting in profit after taxation for the year of R34 324 487 (2009 R35 461 055).



3. STATEMENT OF RESPONSIBILITY

The directors' statement of responsibility is addressed on the approval page of these financial statements .

4. FINANCIAL RESULTS

The results of the group are set out in the attached financial statements and do not, in our opinion, require further comment.

5. DIVIDENDS

The company's policy is to pay dividends at the discretion of the directors.

The dividends already declared and payable to ordinary shareholders during the period amounted to R11 756 030 (2009 : R10 699 990).

Preference dividends of R262 500 (2009 - R262 500) were declared and paid during the period.

6. SHARE CAPITAL

6.1 Authorised

During the year under review no changes were made to the authorised share capital of R6 000 000 divided into 600 000 ordinary shares of R10 each.

6.2 Issued

During the year there were 6 322 shares issued.

The shares were issued as follows -

- 800 shares were issued to targeted shareholders at the market value of R400 per share.
- 3 652 shares were issued to Lenvestco Investments Ltd. at the market value of R400 per share.
- 1 870 shares were issued to staff at a discounted price of R300 per share. The R100 discount represented a share based payment to employees and an amount of R187 000 (R100 X 1 870 shares) was thus accounted for as an employee cost in Lenmed Investments Ltd.

7. BORROWINGS

On behalf of the group, the directors have established credit facilities with various financial institutions for use by the various subsidiary companies. The directors did not exceed any authorised levels of borrowings during the year under review.

8. DIRECTORSHIP

Directors	Date appointed
Mr. P. Devchand (Chairman)	13/10/86
Dr. A.F. Kaka	08/08/90
Mr. A.A. Nana	16/02/06

9. SECRETARIES

The company secretary, Mr. M. Noor Mohamed, was appointed by the Board effective 1st March, 2006. The Board is of the opinion that the secretary is suitably qualified and experienced to carry out his duties as stipulated under section 268G of the Companies Act in South Africa. The company secretary provides guidance to the directors on their duties and ensures awareness of all relevant statutory requirements and legislation. All directors have access to the advice and services of the company secretary, at the company's expense, where it has been requested by the directors.

The transfer secretary of the company is Aboo Kaloo and Company CA (SA).

10. AUDITORS

PKF Durban Chartered Accountants (SA) is the group's auditors and will continue in office in accordance with section 270 (2) of the Companies Act in South Africa.

11. MANAGEMENT BY THIRD PARTIES

Neither the business of the company nor its subsidiaries, nor any part thereof, has been managed by a third person or a company in which a director had an interest during the year under review.



12. CORPORATE GOVERNANCE

The directors acknowledge and subscribe to the values of good corporate governance as set out in the King II Report on Corporate Governance for the Republic of South Africa. By supporting this Code of Corporate Practices and Conduct, the Directors have recognised the need to conduct the business of the group with integrity and in accordance with generally accepted best corporate governance practices.

Subsequent to year end, the King III Report on Corporate Governance has been issued.

13. PROPERTY, PLANT AND EQUIPMENT

The Group acquired property, plant and equipment to the amount of R25 389 347 (2009: R15 463 358).

14. EVENTS SUBSEQUENT TO YEAR-END

Capensis Management Limited

On 1st April, 2010 the company entered into an agreement with Capensis Management Limited in terms of which the company will make a loan to Capensis Management Limited, as a result of which the company will be entitled to subscribe to shares in Capensis Management Limited.

In terms of the agreement, the company made a loan to Capensis Management Limited to the value of R25 million and as a result, the company will be entitled to subscribe for 50 000 A shares at par value in Capensis Management Limited.

Provided that Capensis Management Limited has disclosed all material information to the company, and that no information comes to the attention of the company between the date of signature of the agreement and 30th September, 2010, which indicates that Capensis Management Limited did not disclose to the company some information which would have influenced the company not to invest in Capensis Management Limited, the company will make a further loan to Capensis Management Limited to the value of R25 million on or before 30th September, 2010 and as a result, the company will be entitled to subscribe for a further 50 000 A shares at par value in Capensis Management Limited.

Capensis Management Limited has granted the company the option to subscribe for further shares in Capensis Management Limited up to a maximum of 30% of its share capital. This option shall be exercised by the company on or before 30th June, 2011, and is conditional on the company making a further loan to Capensis Management Limited calculated at R500 for each additional A share acquired.

Capensis Management Limited has also entered into a management agreement with the company in terms of which the company will manage the business of Capensis Management Limited on its behalf for an initial five year period from 1st April, 2010 until 31st March, 2015.

The duration of the management agreement shall be reduced to one year and terminate on 31st March, 2011 in the event that the company elects not to take up the second issue of shares or to pay the second loan tranche by 30th September, 2010 the company will receive a monthly management fee based on a percentage of revenue (excluding pharmacy revenue) of the business.

15. OPERATIONS

The company owns 60% in Maputo Private Hospital which has not been consolidated. The hospital is still under construction and there have been administrative expenses incurred. The net loss for the period ended 28th February, 2010 attributable to Lenmed Investments Ltd. is R563 619 (2009 : R380 578) and the advances to the subsidiary for shares and a loan account amounted to R22 950 646 (2009 : R10 984 731).



**LENMED INVESTMENTS LIMITED
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(Registration No 1980/003108/06)
STATEMENTS OF FINANCIAL POSITION AS AT 28TH FEBRUARY, 2010

BALANCE SHEET

	Note	Group		Company	
		2010 R	2009 R	2010 R	2009 R
ASSETS					
NON-CURRENT ASSETS					
		299,449,394	235,302,243	208,391,500	177,529,263
Property, plant and equipment	3	174,747,135	159,212,531	-	-
Loan receivable	4	1,201,834	1,198,598	181,891,400	166,529,163
Goodwill	5	22,406,819	22,406,819	-	-
Investment in subsidiary	6	-	-	100	100
Investments	7	48,999,660	21,352,071	26,500,000	11,000,000
Investment in associate	8	52,093,946	31,023,814	-	-
Deferred taxation	9	-	108,410	-	-
CURRENT ASSETS					
		93,105,108	109,294,173	16,465,062	25,480,260
Inventory	10	6,139,016	5,256,419	-	-
Trade and other receivables	11	63,329,315	61,754,737	355,346	780,332
Taxation		473,760	-	-	-
Cash resources	21.3	23,163,017	42,283,017	16,109,716	24,699,928
TOTAL ASSETS		392,554,502	344,596,416	224,856,562	203,009,523
EQUITY AND LIABILITIES					
EQUITY AND RESERVES					
		301,743,780	253,041,085	208,708,637	190,939,572
Share capital	12	4,521,550	4,458,330	4,521,550	4,458,330
Share premium		99,502,163	97,036,583	99,502,163	97,036,583
Revaluation reserve		39,275,683	23,775,683	38,820,808	23,320,808
Accumulated profits		158,444,384	127,770,489	65,864,116	66,123,851
NON-CURRENT LIABILITIES					
		49,220,054	51,749,222	5,068,970	2,125,000
Long term liabilities	13	35,406,332	41,490,035	5,068,970	2,125,000
Deferred taxation	9	13,813,722	10,259,187	-	-
CURRENT LIABILITIES					
		41,590,668	39,806,109	11,078,955	9,944,951
Trade and other payables	14	17,002,499	16,451,107	24,001	52,324
Current portion of long term liabilities	13	8,845,026	5,033,031	-	-
Accruals	15	3,622,865	3,095,075	-	-
Taxation		-	5,119,093	892,972	237,361
Bank overdraft	21.3	2,005,753	452,527	-	-
Dividend payable	21.4	10,114,525	9,655,276	10,161,982	9,655,266
TOTAL EQUITY AND LIABILITIES		392,554,502	344,596,416	224,856,562	203,009,523



**LENMED INVESTMENTS LIMITED
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STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 28TH FEBRUARY, 2010

	Note	Group		Company	
		2010	2009	2010	2009
		R	R	R	R
REVENUE	2.1	284,396,310	249,380,892	-	-
COST OF SALES		(84,326,473)	(70,939,355)	-	-
GROSS PROFIT		200,069,837	178,441,537	-	-
OTHER INCOME		8,371,815	7,265,425	246,926	839,581
OPERATING COSTS		(154,036,952)	(132,524,645)	(717,426)	(668,980)
PROFIT/(LOSS) before interest and taxation		54,404,700	53,182,317	(470,500)	170,601
INVESTMENT INCOME	17	3,446,133	4,679,383	13,135,854	13,351,638
FINANCE COSTS	18	(5,276,755)	(6,103,256)	-	-
PROFIT before taxation	19	52,574,078	51,758,444	12,665,354	13,522,239
TAXATION	20	(18,249,591)	(16,297,389)	(1,169,059)	(792,422)
PROFIT for the year		34,324,487	35,461,055	11,496,295	12,729,817
OTHER COMPREHENSIVE INCOME		23,867,938	2,717,877	15,500,000	(3,475,000)
Share of income from associate		8,367,938	4,504,448	-	-
Fair value adjustment on available-for-sale investment		15,500,000	(3,475,000)	15,500,000	(3,475,000)
Revaluation of property plant and equipment		-	1,688,429	-	-
TOTAL COMPREHENSIVE INCOME for the year		58,192,425	38,178,932	26,996,295	9,254,817

INCOME STATEMENT



**LENMED INVESTMENTS LIMITED
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STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 28TH FEBRUARY, 2010

STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Revaluation reserve	Accumulated profits	Total
	R	R	R	R	R
GROUP					
Balance at 1st March, 2008	4,347,120	92,699,393	25,562,254	98,767,476	221,376,243
Profit for the year	-	-	-	35,461,055	35,461,055
Dividend paid	-	-	-	(10,962,490)	(10,962,490)
Issue of shares	111,210	4,337,190	-	-	4,448,400
Other comprehensive income for the year	-	-	(1,786,571)	4,504,448	2,717,877
Balance at 1st March, 2009	4,458,330	97,036,583	23,775,683	127,770,489	253,041,085
Profit for the year	-	-	-	34,324,487	34,324,487
Dividend paid	-	-	-	(12,018,530)	(12,018,530)
Issue of shares	63,220	2,465,580	-	-	2,528,800
Other comprehensive income for the year	-	-	15,500,000	8,367,938	23,867,938
Balance at 28th February, 2010	4,521,550	99,502,163	39,275,683	158,444,384	301,743,780
COMPANY					
Balance at 1st March, 2008	4,347,120	92,699,393	26,795,808	64,094,024	187,936,345
Profit for the year	-	-	-	12,729,817	12,729,817
Dividend paid	-	-	-	(10,699,990)	(10,699,990)
Issue of shares	111,210	4,337,190	-	-	4,448,400
Other comprehensive income for the year	-	-	(3,475,000)	-	(3,475,000)
Balance at 1st March, 2009	4,458,330	97,036,583	23,320,808	66,123,851	190,939,572
Profit for the year	-	-	-	11,496,295	11,496,295
Dividend paid	-	-	-	(11,756,030)	(11,756,030)
Issue of shares	63,220	2,465,580	-	-	2,528,800
Other comprehensive income for the year	-	-	15,500,000	-	15,500,000
Balance at 28th February, 2010	4,521,550	99,502,163	38,820,808	65,864,116	208,708,637



**LENMED INVESTMENTS LIMITED
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STATEMENT OF CASH FLOW FOR THE YEAR ENDED 28TH FEBRUARY, 2010

CASH FLOW STATEMENT

	Note	Group		Company	
		2010	2009	2010	2009
		R	R	R	R
CASH FLOWS FROM OPERATING ACTIVITIES		40,230,041	42,707,153	746,194	1,181,806
Cash generated by/(utilised in) operating activities	21.1	62,840,162	61,725,339	(86,554)	(67,489)
Interest received		2,846,133	3,879,383	1,346,196	2,649,168
Interest paid		(5,276,755)	(6,103,256)	-	-
Taxation paid	21.2	(19,234,769)	(15,902,063)	391,907	(1,399,873)
Secondary tax on companies paid		(944,730)	(892,250)	(905,355)	-
CASH FLOWS FROM INVESTING ACTIVITIES		(49,631,629)	(33,990,523)	11,789,658	10,702,470
Purchase of property, plant and equipment					
- To maintain operating capacity	3	(25,389,347)	(15,463,358)	-	-
Proceeds from sale of property, plant and equipment		7,500	-	-	-
Investment in associate		(12,702,194)	(9,633,150)	-	-
Increase in investments		(12,147,588)	(9,694,015)	-	-
Dividends received		600,000	800,000	11,789,658	10,702,470
CASH FLOWS FROM FINANCING ACTIVITIES		(11,271,638)	(9,436,424)	(21,126,064)	(17,623,698)
Issue of ordinary share capital net of expenses		2,528,800	4,448,400	2,528,800	4,448,400
Long term loans raised		30,551	(32,283)	(15,349,520)	(11,540,741)
Long term loans repaid		(6,083,703)	(4,230,933)	2,943,970	-
Increase in short term portion of long term liabilities		3,811,995	1,172,237	-	-
Dividends paid	21.4	(11,559,281)	(10,793,845)	(11,249,314)	(10,531,357)
DECREASE IN CASH RESOURCES		(20,673,226)	(719,794)	(8,590,212)	(5,739,422)
CASH RESOURCES at beginning of year	21.3	41,830,490	42,550,284	24,699,928	30,439,350
CASH RESOURCES at end of year	21.3	21,157,264	41,830,490	16,109,716	24,699,928



The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and the Companies Act of South Africa. These policies have been applied consistently to all years presented, unless otherwise stated.

1. BASIS OF PREPARATION

The annual financial statements are prepared on the historical cost basis and incorporate the principal accounting policies listed below, except for financial instruments carried at amortised cost using the effective interest rate method and financial instruments classified as available-for-sale which is stated at fair value. Non-current and disposal groups held for sale are stated at the lower of carrying amount and fair value less cost to sell. 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 26.

Adoption of new and revised International Financial Reporting Standards (IFRS)

(These standards and interpretations have not had a significant impact on the financial statements, but may affect the accounting for any future transactions)

Standards and interpretations affecting amounts reported in the current period (and/or prior periods)

The following new and revised Standards and Interpretations have been adopted in the current year and affect presentation and disclosure:

Standard	Details of Amendment
IAS 1 (as revised in 2007) : Presentation of Financial Statements	IAS 1 (2007) has resulted in amendments to terminology and structure of the financial statements The revised standard requires the presentation of a third statement of financials at 1 January 2008 because the company has applied a new accounting policy retrospectively.
IFRS 8 : Operating Segments	The new standard on segment reporting has resulted in changes to the classification of operating segments



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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 28TH FEBRUARY, 2010

NOTES

Standards and interpretations adopted with no effect on the financial statements

These Standards and Interpretations have not had a significant impact on the financial statements, but may affect the accounting for any future transactions:

Standard	Details of Amendment	Annual periods beginning on or after
IFRS 1 : First-time Adoption of International Financial Reporting Standards	Measurement of the cost of investments in subsidiaries, jointly controlled entities and associates when adopting IFRS for the first time.	1 January 2009
IFRS 2 : Share-based Payment	Amendment relating to vesting conditions and cancellations	1 January 2009
	Clarification of scope of IFRS 2 and IFRS 3 revised	1 July 2009
IFRS 3 : Business Combinations	Amendments to accounting for business combinations	1 July 2009
IFRS 5 : Non-current Assets Held for Sale and Discontinued Operations	<i>Plan to sell the controlling interest in a subsidiary</i>	1 July 2009
IFRS 7 : Financial Instruments : Disclosures	Presentation of finance costs	1 January 2009
	Amendment dealing with improving disclosures about Financial Instruments	1 January 2009
	Amendments enhancing disclosures about fair value and liquidity risk	1 January 2009
IFRS 8 : Operating Segments	New standard on segment reporting (replaces IAS 14)	1 January 2009
IAS 1 : Presentation of Financial Statements	Amendments to the structure of the financial statements Current/non-current classification of derivatives	1 January 2009
IAS 8 : Accounting Policies, Changes in Accounting Estimates and Errors	Status of the implementation guidance	1 January 2009
IAS 10 : Events after the Reporting Period	Dividends declared after the end of the reporting period	1 January 2009
	Amendment resulting from the issue of IFRIC 17	1 July 2009
IAS 16 : Property, Plant and Equipment	Recoverable amount	1 January 2009
	Sale of assets held for rental	
IAS 18 : Revenue	Costs of originating a loan	1 January 2009
IAS 19 : Employee Benefits	Curtailments and negative past service cost	1 January 2009
	Plan administration costs	
	Replacement of term 'fall due'	
	Guidance on contingent liabilities	
IAS 20 : Accounting for Government Grants and Disclosure of Government Assistance	Government loans with a below-market rate of interest Consistency of terminology with other IFRSs	1 January 2009



NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 28TH FEBRUARY, 2010

BASIS OF PREPARATION (cont'd)

Adoption of new and revised International Financial Reporting Standards (IFRS) (cont'd)

Standards and interpretations adopted with no effect on the financial statements

Standard	Details of amendment	Annual periods beginning on or after
IAS 21 : The Effects of Changes in Foreign Exchange Rates	Consequential amendments from changes to Business Combinations	1 July 2009
IAS 23 : Borrowing Costs	Amendment requiring capitalisation only model Components of borrowing costs	January 2009
IAS 27 : Consolidated and separate financial statements	Amendments dealing with measurement of the cost of investments when adopting IFRS for the first time Consequential amendments from change to Business Combinations Measurement of subsidiary held for sale in separate financial statements	1 January 2009
IAS 28 : Investments in Associates	Consequential amendments from changes to Business Combinations Required disclosures when investments in associates are accounted for at fair value through profit or loss Impairment of investment in associates	1 January 2009
IAS 29 : Financial Reporting in Hyperinflationary Economies	Description of measurement basis in financial statements Consistency of terminology with other IFRSs	1 January 2009
IAS 31 : Interests in Joint Ventures	Required disclosures when interest in jointly controlled entities are accounted for at fair value through profit or loss Consequential amendments from changes to Business Combinations	1 January 2009 1 July 2009
IAS 32 : Financial Instruments : Presentation	Certain financial instruments will be classified as equity whereas prior to these amendments they would have been classified as financial liabilities	1 January 2009
IAS 34 : Interim Financial Reporting	Earnings per share disclosures in interim financial reports	1 January 2009
IAS 36 : Impairment of Assets	Disclosure of estimates used to determine recoverable amount	1 January 2009
IAS 38 : Intangible Assets	Advertising and promotional activities Unit of production method of amortisation	1 January 2009



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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 28TH FEBRUARY, 2010

BASIS OF PREPARATION (cont'd)

Adoption of new and revised International Financial Reporting Standards (IFRS) (cont'd)

Standards and interpretations with no effect on the financial statements:

Standard	Details of amendment	Annual periods beginning on or after
IAS 39 : Financial Instruments : Recognition and Measurement	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 Applicable effective interest rate on cessation of fair value hedge accounting Clarifies two hedge accounting issues : - Inflation in a financial hedged item - A one-sided risk in a hedged item Amendments for embedded derivatives when reclassifying financial instruments	1 January 2009 1 July 2009 Annual periods ending on or after 30 June 2009
IAS 40 : Investment Property	Property under construction or development for future use as investment property Consistency of terminology with IAS 8 Investment property under lease	1 January 2009
IAS 41 : Agriculture	Discount rate for fair value calculations Additional biological transformation Examples of agricultural produce and products Point-of-sale costs	1 January 2009

Interpretations	Annual periods beginning on or after
IFRIC 12: Service Concession Arrangements	1 January 2008
IFRIC 13: Customer Loyalty Programmes	1 July 2008
IFRIC 14: IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction	1 January 2009
IFRIC 15: Agreements for the Construction of Real Estate	1 July 2009
IFRIC 16: Hedges of a Net Investment in a Foreign Operation	1 October 2008

Standards and interpretations in issue not yet adopted

Standard	Details of amendment	Annual periods beginning on or after
IFRS 1 : First-time Adoption of International Financial Reporting Standards	Amendments relating to oil and gas assets and determining whether an arrangement contains a lease. Amendment relieves first-time adopters of IFRSs from providing the additional disclosures introduced through Amendments to IFRS 7 in March, 2009.	1 January 2010 1 July 2010
IFRS 2 : Share-based Payment	Accounting for group cash - settled share based payment transactions. Clarity of the definition of the term "group" and wherein a group, share - based payments must be accounted for.	1 January 2010



NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 28TH FEBRUARY, 2010

BASIS OF PREPARATION (cont'd)

Adoption of new and revised International Financial Reporting Standards (IFRS) (cont'd)

Standards and interpretations with no effect on the financial statements:

Standard	Details of amendment	Annual periods beginning on or after
IFRS 5 : Non-current Assets Held for Sale and Discontinued Operations	Disclosures of non-current assets (or disposal groups) classified as held for sale or discontinued operations	1 January 2010
IFRS 8 : Operating Segments	Disclosure of information about segment assets	1 January 2010
IFRS 9 : Operating Segments	New standard that forms the first part of a three-part project to replace IAS 39 <i>Financial Instruments : Recognition and Measurement</i>	1 January 2013
IAS 1 : Presentation of Financial Statements	Current/non-current classification of convertible instruments	1 January 2010
IAS 7 :Statement of Cash Flows	Classification of expenditures on unrecognised assets	1 January 2010
IAS 17 : Leases	Classification of leases of land and buildings	1 January 2010
IAS 24 : Related Party Disclosures	Simplification of the disclosure requirements for government-related entities Clarification of the definition of a related party	1 January 2011
IAS 32 : Financial Instruments : Presentation	Accounting for rights issues (including rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer	1 February 2010
IAS 36 : Impairment of Assets	Unit of accounting for goodwill impairment test	1 January 2010
IAS 38 : Intangible Assets	Additional consequential amendments arising from revised IFRS3 Measuring the fair value of an intangible asset acquired in a business combination	1 July 2009
IAS 39 : Financial Instruments : Recognition and Measurement	Treating loan prepayment penalties as closely related embedded derivatives Scope exemption for business combination contracts Cash flow hedge accounting	1 January 2010

Interpretations	Annual Period beginning on or after
IFRIC 9 (amended): Reassessment of Embedded Derivatives Scope of IFRIC 9 and revised IFRS 3	1 July 2009
IFRIC 16 (amended): Hedges of a Net Investment in a Foreign Operation Amendment to the restriction on the entity that can hold hedging instruments	1 July 2009
IFRIC 17: Distribution of Non-Cash Assets to Owners	1 July 2009
IFRIC 18: Transfer of Assets to Customers	1 July 2009
IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments	1 April 2010

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the company.



2. ACCOUNTING POLICIES

2.1 Revenue

Revenue is recognised only when it is probable that the economic benefits associated with a transaction will flow to the group and the amount of revenue can be measured reliably.

Revenue comprises the invoiced value of fees in respect of medical services rendered and excludes investment, other non-operating income and value added tax. Revenue arising from clinic activities is recognised at the time of discharge of the patients.

Interest income is recognised in the income statement using the effective interest rate method.

2.2 Inventory

Inventory is stated at the lower of cost or net realisable value. Cost comprises all costs of purchase and other costs which are incurred in bringing the inventory to its present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

2.3 Taxation

Current tax

The charge for current tax is based on the results for the year adjusted for items which are tax exempt or are not tax deductible. Tax is calculated using rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is provided on the balance sheet liability method computed as the difference between the tax base and carrying amounts of assets and liabilities. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary difference can be utilised. The carrying amount of the deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

The group does not recognise deferred tax liabilities, or deferred tax assets, on temporary differences associated with investments in subsidiaries, joint ventures and associates as it is not considered probable that the temporary differences will reverse in the foreseeable future. It is the group's policy to reinvest undistributed profits arising in group companies.

Deferred tax assets and liabilities are not recognised if they arise in the following situations : the initial recognition of goodwill; or the initial recognition of assets and liabilities that affect neither accounting nor taxable profit.

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.

2.4 Operating leases

Leases where the lessor retains the risks and rewards of ownership of the underlying asset are classified as operating leases. Payments made under operating leases are charged against income on a straight-line basis over the period of the lease.

2.5 Goodwill

The purchase method is used when an entity is acquired. On acquisition date, fair values are attributed to the identifiable assets, liabilities and contingent liabilities.

Fair values of the identifiable assets and liabilities are deemed by return to market value of those or similar items, where available, or by discounting expected future cash flows to achieve present values.

The cost of acquisition is the fair value of the group's contribution in the form of assets transferred, shares issued and liabilities assumed at the acquisition date plus costs attributable to the acquisition.



2. ACCOUNTING POLICIES

2.5 Goodwill (cont'd)

At acquisition date, goodwill is recognised when the costs of the acquisition exceeds the fair value of the group's interest in the net identifiable assets of the entity acquired. Goodwill is not amortised and subject to an annual impairment test, and any impairment is recognised in the income statement immediately and will not be subsequently reversed.

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

To the extent that the fair value of the net identifiable assets of the entity acquired exceeds the cost of acquisition, the excess is recognised in the income statement on acquisition date.

2.6 Property, plant and equipment

Property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is computed by allocating the depreciable amount of an asset on a systematic basis over its useful life. Residual values and useful lives are assessed at the end of every financial year and the year's depreciation determined.

The carrying amounts of property, plant and equipment are reviewed annually for an indication whether or not the relevant asset is impaired. If any such indication exists and where the carrying amounts exceed the estimated recoverable amount, the assets or cash-generated units are written down to their recoverable amounts. Impairment losses and reversals are recognised directly in the income statement under the line item "other expenses", unless such reversals relate to previously recognised revaluation reserves in equity.

Property, plant and equipment is depreciated at the following estimated useful lives as follows:

Buildings	- 40 years
Plant and equipment	- 10 years
Motor vehicles	- 5 years
Furniture and fittings	- 10 years
Office equipment	- 10 years
Computer equipment	- 3 years

2.7 Impairment

The carrying amounts of the assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, or when annual impairment testing for an asset is required, the recoverable amount is estimated as the higher of the net selling price and value in use.

In assessing value in use, the expected future cash flows are discounted to present value using pre-tax discount rates that reflects current market assessments of the time value of money and the risk specific to the asset. An impairment loss is recognised whenever the carrying amount exceeds the recoverable amount. Impairment losses and reversals of impairment losses are separately disclosed in the income statement, above the income before tax subtotal.

A previously recognised impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount, however not to an amount higher than the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior years.

2.8 Provisions, contingent liabilities and contingent assets

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will occur, and when a reliable estimate can be made of the amount of the obligation. Where the effect of discontinuing is material, provisions are discounted. The discount rate used is a pre-tax rate.



2. ACCOUNTING POLICIES

2.9 Basis of consolidation

Subsidiaries

Subsidiaries which are those entities in which the group has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies, are consolidated. 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 consolidated from the date on which the control is transferred to the group and are no longer consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the net assets of the subsidiaries acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement. Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated.

Associates

An associate is an entity over which the group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The investment in an associate is initially recognised at cost and adjusted for the group's share of the changes in the net assets of the investee after the date of acquisition and for any impairment in value. If the group's share of losses of an associate exceeds its interest in the associate, the group discontinues recognising its share of further losses.

2.10 Employee benefits

Short-term employee benefits

The cost of all short-term benefits is recognised during the period in which the employee renders the related service.

The provisions for employee entitlements to wages, salaries and annual leave represent the amount which the company has a present obligation to pay as a result of employees' services provided to the balance sheet date. The provisions have been calculated at undiscounted amounts based on current wage and salary rates.

Retirement benefits

The company and its subsidiaries contribute to defined contribution funds. Contributions to defined contribution funds are charged against income as incurred.

2.11 Borrowings

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, using the effective interest rate method. Any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings as interest.

2.12 Financial instruments

The group classifies financial instruments on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are recognised on the balance sheet at fair value when the group becomes a party to the contractual provisions of the instrument. Transaction costs are included in the initial carrying value of the financial instrument except in the case of financial instruments classified at fair value through profit and loss, in which case the transaction costs are expensed as they are incurred.

The group has divided its financial instruments into the classes based on the manner in which the financial instruments are managed and reported on for internal management purposes.

Long term investments

These include available for sale financial instruments and financial instruments held to maturity. The purpose of such investment is to earn a return on surplus cash flows in excess of the investor's required rate of return.



2. ACCOUNTING POLICIES (Cont'd)

2.12 Financial instruments (Cont'd)

Working capital balances

These include loan and trade receivables and loan and trade payables which arise in the normal course of the group's business.

Long term obligations

Long term obligations include shareholders' loans and inter-group loans payable. These obligations are categorised as trade and loans payable.

Subsequent to initial measurement, the constituents of the above classes of financial instruments are measured as follows :

Trade and other receivables

Trade and loans receivable are subsequently measured at amortised cost using the effective interest rate method and reduced by appropriate allowances for estimated irrecoverable amounts.

The group makes an assessment at each reporting date whether there is any objective evidence that trade and other receivables are impaired. Where objective evidence exists as a result of the occurrence of one or more events that occurred subsequent to the initial recognition of the receivable, the amount of the impairment is determined by estimating the impact of these loss events on the future cash flows expected to be generated from the receivable.

Trade and other payables

Trade and loans payable are subsequently measured at their amortised cost using the effective interest rate method.

If a legally enforceable right exists to set-off recognised amounts of financial assets and liabilities and the company intends to settle on a net basis or to realise the asset and liability simultaneously, all related financial effects are netted.

2.13 Dividends

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

2.14 Investments

Investments are initially recorded at cost on the trade date that the company commits to the purchase. Investments are subsequently carried at cost less any provision for impairment.

2.15 Share capital

Ordinary shares are classified as equity. Issued share capital is stated in the statement of changes in equity at the amount of the proceeds received less directly attributable issue costs.

2.16 Related party transactions

All subsidiaries and associated companies of the group are related parties. A list of the major subsidiaries and associated companies are included in note 25 of this annual report. All transactions entered into with subsidiaries and associated companies were under terms no more favourable than those with third parties and have been eliminated in the consolidated group accounts. Directors' and senior management emoluments as well as transactions with other related parties are set out in note 25. There were no other material contracts with related parties.

2.17 Contingencies and commitments

Transactions are classified as contingent liabilities where the group's obligations depend on uncertain events and principally consist of contract specific third party obligations underwritten by banking institutions. Items are classified as commitments where the group commits itself to future transactions, particularly in the acquisition of property, plant and equipment.

2.18 Share based payments

Equity settled share based payments are measured by reference to the fair value of the equity instruments granted. The fair value is based on market prices. The amount recognised for services received as consideration of the equity instruments granted is based on the difference between the market value of the share and the consideration paid by the employee.



**LENMED INVESTMENTS LIMITED
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 28TH FEBRUARY, 2010

3. PROPERTY, PLANT AND EQUIPMENT

**GROUP
2010**

	Land and buildings R	Plant and equipment R	Motor vehicles R	Furniture and fittings R	Office equipment R	Computer equipment R	Total R
Net carrying amount at beginning of year	127,034,017	26,349,454	9,506	3,824,389	1,438,347	556,818	159,212,531
- Cost	141,376,457	56,730,668	382,139	7,324,328	3,471,038	2,744,488	212,029,118
- Accumulated depreciation	(14,342,440)	(30,381,214)	(372,633)	(3,499,939)	(2,032,691)	(2,187,670)	(52,816,587)
Additions	10,719,710	7,812,309	70,000	1,726,679	4,704,169	356,480	25,389,347
Disposals	-	-	(7,500)	-	-	-	(7,500)
Depreciation	(3,049,897)	(5,464,528)	(6,667)	(693,767)	(294,340)	(338,044)	(9,847,243)
Net carrying amount at end of year	134,703,830	28,697,235	65,339	4,857,301	5,848,176	575,254	174,747,135
- Cost	152,096,167	64,542,977	444,639	9,051,007	8,175,207	3,100,968	237,410,965
- Accumulated depreciation	(17,392,337)	(35,845,742)	(379,300)	(4,193,706)	(2,327,031)	(2,525,714)	(62,663,830)

2009

Net carrying amount at beginning of year	119,272,445	23,451,426	15,506	3,844,024	1,368,494	285,344	148,237,239
- Cost	130,708,010	51,014,288	382,139	6,780,152	3,181,282	2,230,936	194,296,807
- Accumulated depreciation	(11,435,565)	(27,562,862)	(366,633)	(2,936,128)	(1,812,788)	(1,945,592)	(46,059,568)
Additions	8,399,494	5,716,380	-	544,176	289,756	513,552	15,463,358
Revaluations	2,268,953	-	-	-	-	-	2,268,953
Depreciation	(2,906,875)	(2,818,352)	(6,000)	(563,811)	(219,903)	(242,078)	(6,757,019)
Net carrying amount at end of year	127,034,017	26,349,454	9,506	3,824,389	1,438,347	556,818	159,212,531
- Cost	141,376,457	56,730,668	382,139	7,324,328	3,471,038	2,744,488	212,029,118
- Accumulated depreciation	(14,342,440)	(30,381,214)	(372,633)	(3,499,939)	(2,032,691)	(2,187,670)	(52,816,587)

Certain assets are encumbered as security for liabilities of the group (refer to note 13).

A register of land and buildings is available for inspection at the registered office of the company.

A notarial deed No. K003993/85 in restraint of free alienation, has been entered into between Lenmed Health Shifa (Pty) Ltd. and the trustees of the Nu-Yale Trust for the following properties :

Portion 13 of 11 of Erf 710 Brickfield

Portion 28 of 1 of Erf 711 Brickfield

Portion 45 of 13 of Erf 710 Brickfield

Portion 27 of 1 of Erf 711 Brickfield

Portion 25 of 13 of Erf 710 Brickfield



	Group		Company	
	2010 R	2009 R	2010 R	2009 R
4. LOANS RECEIVABLE				
Lenmed Health Shifa (Pty) Ltd.	-	-	2,509,803	2,359,163
Lenmed Health Lenasia (Pty) Ltd.	-	-	21,332,200	6,120,603
Nu Yale Trust.	1,201,834	1,198,598	-	-
Lenmed Health (Pty) Ltd.	-	-	158,049,397	158,049,397
	<u>1,201,834</u>	<u>1,198,598</u>	<u>181,891,400</u>	<u>166,529,163</u>
	<u>1,201,834</u>	<u>1,198,598</u>	<u>181,891,400</u>	<u>166,529,163</u>

These loans are unsecured, interest-free and have no fixed terms of repayment.

5. GOODWILL

Carrying amount at beginning of year	22,406,819	22,406,819	-	-
Carrying amount at end of year	<u>22,406,819</u>	<u>22,406,819</u>	<u>-</u>	<u>-</u>
- Gross carrying amount	<u>22,406,819</u>	<u>22,406,819</u>	<u>-</u>	<u>-</u>
	<u>22,406,819</u>	<u>22,406,819</u>	<u>-</u>	<u>-</u>

Goodwill relates to the excess of the purchase consideration over the fair value of the asset and liabilities of Ladysmith Hospital Holdings (Pty) Ltd. and Lenmed Health Shifa (Pty) Ltd. on acquisition. An annual impairment test is performed and reduction in goodwill calculated is expensed to the income statement.

6. INVESTMENT IN SUBSIDIARY

Shares at cost Lenmed Health (Pty) Ltd	100	100
	<u>100</u>	<u>100</u>
	<u>100</u>	<u>100</u>

The above subsidiary is incorporated in South Africa and is wholly-owned.

7. INVESTMENTS

Listed shares - Available for Sale

Brimstone - 2 500 000 "N" ordinary shares valued at R10,60 on 28th February, 2010	26,500,000	11,000,000	26,500,000	11,000,000
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Unlisted shares

National Hospital Network - Shares and loan account 151 ordinary shares	7 549	7 549	-	-
Maputo Private Hospital SARL - Shares and loan account	22,467,410	10,319,821	-	-
Inter Hospital Pharmaceuticals - Shares and loan account	24 701	24 701	-	-
	<u>48,999,660</u>	<u>21,352,071</u>	<u>26,500,000</u>	<u>11,000,000</u>
	<u>48,999,660</u>	<u>21,352,071</u>	<u>26,500,000</u>	<u>11,000,000</u>

8. INVESTMENT IN ASSOCIATE

The company's investment in its associate Pharmed Pharmaceuticals Limited is accounted for under the equity method of accounting.

An associate is an entity in which the company has significant influence and which is neither a subsidiary nor a joint venture of the company.



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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 28TH FEBRUARY, 2010

NOTES

	Group		Company	
	2010 R	2009 R	2010 R	2009 R
8. INVESTMENT IN ASSOCIATE (Cont'd)				
Opening balance	31,023,814	16,886,216		
Acquisition	14,835,822	10,875,620		
Share of associates earnings	8,367,938	4,504,448		
Reallocation of dividends received	(2,133,628)	(1,242,470)		
Closing balance	<u>52,093,946</u>	<u>31,023,814</u>		
9. DEFERRED TAXATION				
Deferred tax asset				
The balance comprises				
- Property, plant and equipment	-	(24,460)	-	-
- Provision for bad debts	-	31,607	-	-
- Assessed loss	-	681,787	-	-
- Revaluation of property, plant and equipment	-	(580,524)	-	-
	<u>-</u>	<u>108,410</u>	<u>-</u>	<u>-</u>
Reconciliation of deferred tax asset				
Balance at beginning of year	108,410	(488,578)	-	-
Movements during the year attributable to :				
- Revaluation of property, plant and equipment	-	(580,524)	-	-
- Reversal of deferred tax asset	(108,410)	-	-	-
- Assessed loss	-	681,787	-	-
- Temporary differences	-	13,267	-	-
- Prior year adjustment	-	484	-	-
- Reclassification to deferred tax liability	-	488,578	-	-
- Reclassification from deferred tax liability	-	(6,604)	-	-
Balance at end of year	<u>-</u>	<u>108,410</u>	<u>-</u>	<u>-</u>
Deferred tax liability				
The balance comprises				
- Property, plant and equipment	15,295,792	5,532,110	-	-
- Provisions	(1,554,141)	(2,074,486)	-	-
- Revaluation of property, plant and equipment	-	6,608,509	-	-
- Lease smoothing adjustment	66,451	82,479	-	-
- Prepaid expenses	-	2,217	-	-
- Income received in advance	(9,930)	(10,143)	-	-
- Prior year adjustment	-	118,501	-	-
- Assessed loss	15,550	-	-	-
	<u>13,813,722</u>	<u>10,259,187</u>	<u>-</u>	<u>-</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 28TH FEBRUARY, 2010

	Group		Company	
	2010 R	2009 R	2010 R	2009 R
9. DEFERRED TAXATION (cont'd)				
Reconciliation of deferred tax liability				
Balance at beginning of year	10,259,187	8,830,045	-	-
Reclassification from deferred tax asset	-	488,578	-	-
Reclassification to deferred tax asset	-	(6,604)	-	-
Movements during the year attributable to :				
- Provisions	401,844	369,314	-	-
- Prior year adjustment	2,304,445	-	-	-
- Property, plant and equipment	850,941	355,374	-	-
- Prior year adjustment	(16,028)	237,600	-	-
- Lease smoothing adjustment	-	(15,120)	-	-
- Prepaid expenses	13,333	-	-	-
Balance at end of year	<u>13,813,722</u>	<u>10,259,187</u>	<u>-</u>	<u>-</u>
10. INVENTORY				
Amounts attributable to inventory is as follows -				
- Medical supplies	<u>6,139,016</u>	<u>5,256,419</u>	<u>-</u>	<u>-</u>
Inventory has been valued as stated in note 2.2.				
11. TRADE AND OTHER RECEIVABLES				
Trade receivables net of provision for doubtful debts	56,249,022	53,482,705	-	-
- Trade receivables	59,755,707	58,859,919	-	-
- Provision for bad debts	(3,506,685)	(5,377,214)	-	-
Other receivables	7,080,293	8,272,032	355,346	780,332
	<u>63,329,315</u>	<u>61,754,737</u>	<u>355,346</u>	<u>780,332</u>
<i>Allowance for impairment</i>				
Opening balance	5,377,215	4,822,921	-	-
Impairments recognised in profit and loss	(1,870,530)	(121,738)	-	-
Prior year provision	-	676,031	-	-
Closing balance	<u>3,506,685</u>	<u>5,377,214</u>	<u>-</u>	<u>-</u>

The carrying value of trade and other receivables approximated their fair value due to the short term nature of these investments.



**LENMED INVESTMENTS LIMITED
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11. TRADE AND OTHER RECEIVABLES (cont'd)	Group		Company	
	2010 R	2009 R	2010 R	2009 R
Trade receivables past due but not impaired				
Amounts in 30 to 60 days	4,919,027	13,251,630	-	-
Amounts in 60 to 90 days	1,836,320	3,107,760	-	-
Amounts in 90 days +	3,612,281	17,020,205	-	-
	<u>10,367,628</u>	<u>33,379,595</u>	<u>-</u>	<u>-</u>

NOTES

The trade receivables of subsidiary amounting to R13 364 287 are ceded as security to its banker for general banking facilities granted to the subsidiary for the financing of movable assets.

12. SHARE CAPITAL

Authorised

600 000 Ordinary shares of R10 each	6,000,000	6,000,000	6,000,000	6,000,000
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Issued

452 155 (2009 : 445 833) Ordinary shares of R10 each	4,521,550	4,458,330	4,521,550	4,458,330
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Preference dividends are payable every 6 months on 30th April and 31st October at 7,5% per annum.

The directors are authorised by resolution of the shareholders until the forthcoming annual general meeting, to issue and allot any of the unissued shares for any purpose and upon such terms and conditions as they deem fit.

Reconciliation of outstanding shares at beginning and end of year

	No. of ordinary shares				
Balance at beginning of year	445,833	4,458,330	4,347,120	4,458,330	4,347,120
Shares issued during the year					
- Staff issue	1,870	18,700	9,350	18,700	9,350
- Targeted shareholders	4,452	44,520	101,860	44,520	101,860
	<u>452,155</u>	<u>4,521,550</u>	<u>4,458,330</u>	<u>4,521,550</u>	<u>4,458,330</u>



13. LONG TERM LIABILITIES

	Group		Company	
	2010 R	2009 R	2010 R	2009 R
13.1 Instalment sales	12,872,999	10,295,681	-	-
<i>Nedbank Corporate</i>	4,722,700	4,018,395	-	-
Repayable in monthly instalments of R255 443 (2009 - R186 810). Interest has been charged at rates of interest linked to the prime lending rate. Secured by plant and equipment with a book value of R4 978 201 (2009 - R2 591 799)				
<i>Wesbank, a division of FirstRand Bank Ltd.</i>	8,150,299	6,277,286	-	-
Repayable in monthly instalments of R268 748 (2009 - R211 122). Interest has been charged at rates of interest linked to the prime lending rate. Secured by plant and equipment with a book value of R11 881 934 (2009 - R10 168 677).				
13.2 Mortgage bonds	25,889,411	30,086,757	-	-
<i>Nedbank Limited</i>	4,695,769	5,002,383	-	-
The loan bears interest at 13,5% (2009 - R13,5%) per annum and is secured by a mortgage on freehold land and buildings. It is repayable in monthly instalments of R70 906 (2009 - R60 735) inclusive of interest.				
Loans payable to vendors	7,891,934	8,163,225	-	-
These loans bear interest at 15,25% (2009 - 15,25%) per annum and are secured over the company's property. It is further secured by the cession of the hospital licence and general notarial bond over the movables. Repayable in monthly instalments of R125 000 (2009 - R125 000).				



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NOTES

**13. LONG TERM
LIABILITIES (cont'd)**

13.2 Mortgage bonds (cont'd)

Brought forward

First National Bank

This loan is secured by a second mortgage bond on Erf 7688, 7689, 7690, Lenasia, Extension 8 Township. The loan bears interest at First National Bank's prime rate of interest and is fixed for the first 24 months. Thereafter it is repayable in 96 monthly instalments of R191 752 plus any interest in arrears.

13.3 Other loans

Lenmed Pharmacy CC

This loan is unsecured, interest-free and has no fixed terms of repayment.

Cumulative redeemable preference shares owed to Nedbank Limited

The cumulative preference shares may be redeemed in 5 annual minimum lots of 700 000 shares after 20th April, 2012. Preference dividends are payable every 6 months on 30th April and 31st October at 7,5% per annum.

Lenmed Health Laverna (Pty) Ltd.

This loan is unsecured, interest-free and has no fixed terms of repayment

Lenmed Management Services (Pty) Ltd.

This loan is unsecured, interest-free and has no fixed terms of repayment

	Group		Company	
	2010	2009	2010	2009
	R	R	R	R
Brought forward	12,587,703	13,165,608	-	-
First National Bank	13,301,708	16,921,149	-	-
	5,488,948	6,140,628	5,068,970	2,125,000
Lenmed Pharmacy CC	1,988,948	2,640,628	-	-
	3 500 000	3 500 000	-	-
	-	-	2,943,970	-
	-	-	2,125,000	2,125,000
	44,251,358	46,523,066	5,068,970	2,125,000
Less: Current portion transferred to current liabilities	(8,845,026)	(5,033,031)	-	-
	35,406,332	41,490,035	5,068,970	2,125,000



	Group		Company	
	2010 R	2009 R	2010 R	2009 R
14. TRADE AND OTHER PAYABLES				
Trade payables	10,331,783	6,791,937	-	52,324
Other payables	6,670,716	9,659,170	24,001	-
	<u>17,002,499</u>	<u>16,451,107</u>	<u>24,001</u>	<u>52,324</u>
	<u>17,002,499</u>	<u>16,451,107</u>	<u>24,001</u>	<u>52,324</u>

The carrying value of trade and other payables approximated their fair value due to the short term nature of these investments.

15. ACCRUALS

Leave pay accrual

Opening carrying amount	3,095,075	2,654,223	-	-
Additional accruals	527,790	440,852	-	-
	<u>3,622,865</u>	<u>3,095,075</u>	<u>-</u>	<u>-</u>
	<u>3,622,865</u>	<u>3,095,075</u>	<u>-</u>	<u>-</u>

Accrual is made for the unpaid portion of accumulated leave pay accruing to employees as a result of services rendered during the period. The amount is to be settled as and when employees take leave. The carrying value of accruals approximates their fair value due to the short term nature of these instruments. The accruals have been determined based on assessments and estimates by management. Actual results could differ from estimates and there is no certainty as to the timing of the cash flows relating to these accruals.

16. CONTINGENCIES

- 16.1 Advanced payments on WCA debtors with recourse - R4 379 287 (2009 - R3 700 538).
- 16.2 Lenmed Investments Ltd. has guaranteed the obligation to a third party of its Maputo subsidiary to the extent of USD 3 000 000.

17. INVESTMENT INCOME

Interest received	2,846,133	3,879,383	1,346,196	2,649,168
Dividends received	600,000	800,000	11,789,658	10,702,470
	<u>3,446,133</u>	<u>4,679,383</u>	<u>13,135,854</u>	<u>13,351,638</u>
	<u>3,446,133</u>	<u>4,679,383</u>	<u>13,135,854</u>	<u>13,351,638</u>



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NOTES

	Group		Company	
	2010 R	2009 R	2010 R	2009 R
18. FINANCE COSTS				
Interest on bank overdraft	39,889	16,726	-	-
Interest on interest bearing borrowing	4,551,324	6,086,530	-	-
Interest and penalties	685,542	-	-	-
	<u>5,276,755</u>	<u>6,103,256</u>	<u>-</u>	<u>-</u>

19. PROFIT before interest and taxation

Profit before interest and taxation is stated after taking the following items into account -

Auditors' remuneration	990,448	692,247	83,000	109,625
Audit fee - current	424,835	502,836	24,000	11,000
- underprovision	159,182	89,411	59,000	46,625
Other services - underprovision	-	100,000	-	52,000
Other services - taxation	406,431	-	-	-
Depreciation	9,847,243	6,757,019	-	-
Directors' emoluments	4,935,684	4,329,460	-	-
Secretarial fees	47,066	(19,364)	-	-

20. TAXATION

South African taxation consists of -

Current tax				
- Current year	15,074,471	14,149,054	263,704	789,537
- Prior year (over)/under provision	(1,432,555)	1,004,460	-	2,885
Deferred tax	3,662,945	251,625	-	-
Secondary tax on companies	944,730	892,250	905,355	-
	<u>18,249,591</u>	<u>16,297,389</u>	<u>1,169,059</u>	<u>792,422</u>
Tax expense				
Tax rate reconciliation	%	%	%	%
Applicable tax rate	28,00	28,00	28,00	28,00
Reconciling items :				
Exempt differences				
- Disallowed expenditure	(3,38)	(1,00)	(26,00)	-
- Secondary tax on companies	1,55	1,60	7,15	-
Underprovision of deferred tax for prior year	3,78	0,40	-	-
	<u>29,95</u>	<u>29,00</u>	<u>9,15</u>	<u>28,00</u>
Average effective tax rate				

	Group		Company	
	2010 R	2009 R	2010 R	2009 R
21. NOTES TO THE CASH FLOW STATEMENT				
21.1 Net cash generated by/(utilised in) operating activities				
Profit before taxation	60,942,016	56,262,892	12,665,354	13,522,239
Adjustments for :	1,407,094	1,893,423	(11,789,658)	(10,702,470)
- Depreciation and amortisation	9,847,242	6,757,019	-	-
- Income from associate	(8,367,938)	(4,504,448)	-	-
- Movement in accrual	527,790	440,852	-	-
- Dividends received	(600,000)	(800,000)	(11,789,658)	(10,702,470)
Adjustment for items disclosed separately on cash flow statement	2,430,622	2,223,873	(1,346,196)	(2,649,168)
- Interest paid	5,276,755	6,103,256	-	-
- Interest income	(2,846,133)	(3,879,383)	(1,346,196)	(2,649,168)
Operating profit/(loss) before working capital changes	64,779,732	60,380,188	(470,500)	170,601
Changes in working capital :	(1,939,570)	1,345,151	383,946	(238,090)
- Increase in inventory	(882,597)	(579,483)	-	-
- Increase in trade and other receivables	(1,608,365)	(5,910,073)	412,269	(280,320)
- Increase in trade and other payables	551,392	7,834,707	(28,323)	42,230
Cash generated by operations	62,840,162	61,725,339	(86,554)	(67,489)
21.2 Taxation paid				
Outstanding at beginning of year	(5 119 093)	(5,867,642)	(237,361)	(844,812)
Expense for the year	(18,249,591)	(16,297,389)	(1,169,059)	(792,422)
Adjustment for deferred tax and STC	4,607,675	1,143,875	905,355	-
Outstanding at end of year	(473,760)	5,119,093	892,972	237,361
Taxation paid	(19,234,769)	(15,902,063)	391,907	(1,399,873)



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	Group		Company	
	2010 R	2009 R	2010 R	2009 R
21. NOTES TO THE CASH FLOW STATEMENT (cont'd)				
21.3 Cash resources				
Cash resources consist of cash on hand and balances with banks. Cash resources included in the cash flow statement comprise the following balance sheet amounts				
Cash and bank balances	23,163,017	42,283,017	16,109,716	24,699,928
Bank borrowings	(2,005,753)	(452,527)	-	-
	<u>21,157,264</u>	<u>41,830,490</u>	<u>16,109,716</u>	<u>24,699,928</u>

The following are held by First National Bank as security for overdraft facilities of R2 500 000 extended to the company and an amount of R20 000 000 to secure various loans extended to the company :

- D/H No. B061257/04 - 2nd mortgage bond over Erf 7689, 7688 and 7690 Lenasia Extension 8 Township.
- D/T No. T74591/2001 and T61584/1996 over Erf 7688 and 7690 Lenasia Extension 8 Township.
- 1st D/H No. B28771/90 over Erf 7688 and 7689 Lenasia Extension 8 Township.
- 1st D/H No. B28771/90 over Erf 7689 Lenasia Extension 8 Township. Copy Notarial T/e agreement No. K217/1997 over Erf 7688 and 7689.

21.4 Dividends paid

Opening balance - dividends payable	9,655,276	9,483,618	9,655,266	9,486,633
Dividends paid	12,018,530	10,965,503	11,756,030	10,699,990
Closing balance - dividends payable	(10,114,525)	(9,655,276)	(10,161,982)	(9,655,266)
	<u>11,559,281</u>	<u>10,793,845</u>	<u>11,249,314</u>	<u>10,531,357</u>



22. FINANCIAL RISK MANAGEMENT

The group's principal financial liabilities comprise long-term liabilities, short-term liabilities, trade and other payables, taxation payables and bank overdrafts. The main purpose of these financial liabilities is to raise finance for the group's operations. The group has various financial assets such as loan accounts, trade receivables and cash and cash equivalents, which arise directly from its operations.

The group also enters into derivative transactions, namely forward currency contracts. The purpose is to manage the currency risks arising from the group's operations and its sources of finance. It is the group's policy that no trading in derivatives shall be undertaken.

The main risks arising from the group's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk. The board of directors reviews and agrees policies for managing each of these risks which are summarised below :

22.1 Interest rate risk

Interest rate risk is the risk that changes in the interest rate will affect the group's income or value of its financial instruments, namely its cash resources and interest-bearing borrowings.

The group is exposed to interest rate risk through its commitments in interest bearing borrowings, cash resources and instalment sale agreements. The group manages this risk by keeping the accounts payable days within a reasonable period and by keeping positive balances in the bank, serving as a natural hedge. As part of the process of managing the group's interest rate risk, interest rate characteristics of new borrowings and the refinancing of existing borrowings are positioned according to expected movements in prevailing interest rates. The group's policy is to manage interest rate risk so that fluctuations in variable rates do not have a material impact on profit/(loss).

Interest rate risk table

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, profit before taxation (through the impact on floating rate borrowings). There is no impact on equity.

GROUP	2010 R	2009 R
Interest bearing loans payable	31,378,359	30,086,757
Instalment sale liabilities	12,872,999	10,295,681
Bank overdraft	2,005,753	452,527
	<u>46,257,111</u>	<u>40,834,965</u>
Sensitivity analysis		
Increase of 100 basis points would result in a reduction in profit before tax of	<u>(462,571)</u>	<u>(408,349)</u>
Decrease of 100 basis points would result in an improvement in profit before tax of	<u>462,571</u>	<u>408,349</u>



22. FINANCIAL RISK MANAGEMENT (Cont'd)

22.2 Credit risk

The group trades only with recognised, creditworthy third parties. It is the group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the group's exposure to bad debts is not significant. The maximum exposure is the carrying amount as disclosed in note 11. There are no significant concentrations of credit risk within the group.

With respect to credit risk arising from the other financial assets of the group which comprise other loan accounts, other financial assets, short-term receivables and trade and other receivables, the group's exposure to credit risk arises from default of the counter-party, with a maximum exposure equal to the carrying amount of these instruments.

Fair value of financial instruments

The group's financial instruments consist mainly of cash resources, trade and other receivables, trade and other payables and interest bearing borrowings. Due to the relatively short term nature of these instruments, their carrying value approximates their fair value and there is therefore no differences between their fair value and their carrying value.

22.3 Financial liabilities

22.3.1 Liquidity risk

The group manages liquidity risk by monitoring forecasted cash flows and ensuring that adequate unutilised borrowing facilities are available. In addition, the group maintains a strong business relationship with its bankers. The table summarises the maturity profile of the financial liabilities as at 28th February, 2010 based on contractual undiscounted payments.

22.3.2

	Group		Company	
	Less than 1 year	Between 1 and 5 years	Less than 1 year	Between 1 and 5 years
	R	R	R	R
Maturity analysis - 2010				
Borrowings	8,845,026	35,406,332	-	2,125,000
Trade and other payables	17,002,499	-	24,001	-
Accruals	3,622,865	-	-	-
Dividend payable	10,114,525	-	-	-
	<u>39,584,915</u>	<u>35,406,332</u>	<u>24,001</u>	<u>2,125,000</u>
Maturity analysis - 2009				
Borrowings	5,033,031	41,490,035	-	2,125,000
Trade and other payables	16,451,107	-	52,324	-
Accruals	3,095,075	-	-	-
Dividend payable	9,655,276	-	-	-
	<u>34,234,489</u>	<u>41,490,035</u>	<u>52,324</u>	<u>2,125,000</u>



	Group		Company	
	2010	2009	2010	2009
	R	R	R	R

22. FINANCIAL RISK MANAGEMENT (Cont'd)

22.3.3 Long term liabilities and shareholders' loans

The directors consider the carrying amounts of the long term liabilities to approximate their values.

22.3.4 Capital management

The group's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders by pricing services commensurately with the level of risk.

The group sets the amount of capital in proportion to risk. The group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by capital. Net debt is calculated as total debt (as shown in the balance sheet) less cash and cash equivalents. Capital comprises all components of equity (i.e. ordinary shares, share premium, minority interest, retained earnings, and other reserves).

23. COMMITMENTS

23.1 Operating lease commitments

Future minimum lease receipts under non- cancellable operating leases are as follows -

Within 1 year	1,613,579	2,183,040	-	-
Due thereafter but not later than 5 years	1,699,692	2,606,448	-	-
More than 5 years	27,530	137,652	-	-
	<u>3,340,801</u>	<u>4,927,140</u>	<u>-</u>	<u>-</u>

The group has entered into leases on its property, consisting of the company's surplus hospital buildings. These non-cancellable leases have remaining non-cancellable lease terms of between 3 and 5 years. All leases include a clause to enable upward revision of the rental charged on an annual basis based on prevailing market conditions.

23.2 Commitments for capital expenditure

Plant and machinery	9,516,771	5,000,000	-	-
	<u>9,516,771</u>	<u>5,000,000</u>	<u>-</u>	<u>-</u>

This committed expenditure relates to the construction of a new trauma wing for Lenmed Health Shifa at Randles Road Sydenham. It is intended to finance this expenditure from existing borrowing facilities and from internally generated funds.



**LENMED INVESTMENTS LIMITED
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 28TH FEBRUARY, 2010

24. DIRECTORS' EMOLUMENTS AND RELATED PAYMENTS

<i>2010</i>	<i>For services as directors</i>	<i>For other services</i>	<i>Total</i>
Mr. P. Devchand	185,700	1,004,300	1,190,000
Dr. A.F. Kaka	-	1,184,000	1,184,000
Mr. A. Nana	-	1,081,600	1,081,600
Mr. D.K. Motiram	91,850	-	91,850
Prof. D.B. Goolab	82,665	-	82,665
Dr. A. Latib	91,850	-	91,850
Mr. K. Daya	91,850	72,023	163,873
Mr. Ram Saloojee	91,850	-	91,850
Dr. A. Suleman	-	85,196	85,196
Dr. M. Khan	-	872,800	872,800
	635,765	4,299,919	4,935,684
	635,765	4,299,919	4,935,684

<i>2009</i>	<i>For services as directors</i>	<i>For other services</i>	<i>Total</i>
Mr. P. Devchand	183,700	996,300	1,180,000
Dr. A.F. Kaka	-	1,040,000	1,040,000
Mr. A. Nana	-	1,040,000	1,040,000
Mr. D.K. Motiram	83,500	-	83,500
Prof. D.B. Goolab	75,150	-	75,150
Dr. A. Latib	91,850	-	91,850
Mr. K. Daya	91,850	-	91,850
Mr. Ram Saloojee	91,850	-	91,850
Dr. A. Suleman	-	81,260	81,260
Dr. M. Khan	-	554,000	554,000
	617,900	3,711,560	4,329,460
	617,900	3,711,560	4,329,460



NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 28TH FEBRUARY, 2010

25. RELATED PARTIES

The holding company, directors and subsidiaries are disclosed in the report of the directors.

Transactions and balances between the group and its subsidiaries, which are related parties of the group, have been eliminated on consolidation.

The remuneration and benefits received by directors are disclosed in note 24.

	Dividends (to)/ from related parties	Management fees from related parties	Amounts owing by related parties	Amounts owing to related parties
	R	R	R	R
Lenmed Health Shifa (Pty) Ltd.				
- 2010	-	-	2,509,803	-
- 2009	-	-	2,359,163	-
Lenmed Health (Pty) Ltd.				
- 2010	11,189,658	-	158,049,397	-
- 2009	8,660,000	-	158,049,397	-
Lenmed Management Services (Pty) Ltd.				
- 2010	-	-	-	2,125,000
- 2009	-	-	-	2,125,000
Nu Yale Trust				
- 2010	-	-	1,201,824	-
- 2009	-	-	1,198,598	-
Topaz Star Trading (Pty) Ltd.				
- 2010	-	-	7,875	-
- 2009	-	767,615	767,615	-
Lenvestco Investments Ltd.				
- 2010	(4,702,412)	-	-	3,245,279
- 2009	(4,253,040)	-	-	3,088,819
Lenmed Health Lenasia (Pty) Ltd.				
- 2010	-	-	21,332,200	-
- 2009	-	-	6,120,603	-

Share of income for the year from Nu Yale Trust amounted to R263 538 (2009 - R239 580).

Lenmed Health Shifa (Pty) Ltd. is the sole beneficiary of the Nu Yale Trust which owns the land on which the hospital parking lot is situated.

Entities are considered related parties if there is a common directorship or ownership by a Lenmed Health group director.



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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 28TH FEBRUARY, 2010

25. RELATED PARTIES (Cont'd)

Transactions conducted with Topaz Star Trading (Pty) Ltd. were with subsidiary companies - Lenmed Health Lenasia (Pty) Ltd., Lenmed Health Shifa (Pty) Ltd. and Lenmed Health Laverna (Pty) Ltd.

The amount owing by Lenvestco Investments Ltd. is reflected in the subsidiary companies - Lenmed Health Lenasia (Pty) Ltd. and Lenmed Investments Ltd.

Inter-company loans eliminated between subsidiaries upon consolidation and not disclosed above were :

	R
Lenmed Health Lenasia (Pty) Ltd. owing to Lenmed Health (Pty) Ltd.	23,056,727
Lenmed Health Zamokuhle (Pty) Ltd. owing to Lenmed Health Lenasia (Pty) Ltd.	6,981,094
Lenmed Health Lenasia (Pty) Ltd. owing to Lenmed Investments Ltd.	21,332,200
Lenmed Health Shifa (Pty) Ltd. owing to Lenmed Investments Ltd.	2,509,803
Lenmed Health (Pty) Ltd. owing to Lenmed Investments Ltd.	158,049,397
Lenmed Health Shifa (Pty) Ltd. owing to Lenmed Health (Pty) Ltd.	14,309,523
Lenmed Health Zamokuhle (Pty) Ltd. owing to Lenmed Health (Pty) Ltd.	4,516,980
Lenmed Management Services (Pty) Ltd. owing to Lenmed Health (Pty) Ltd.	1,314,969
Lenmed Investments Ltd. owing to Lenmed Management Services (Pty) Ltd.	2,125,000
Ladysmith Properties (Pty) Ltd. owing to Lenmed Health Laverna (Pty) Ltd.	4,418,784

26. 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 a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Note 26.1 Key sources of estimation uncertainty

Deferred taxation

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

The group considered the following criteria in assessing the probability that taxable profit will be available against which the unused tax losses can be utilised:

- whether the entity has sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity, which will result in taxable amounts against which the unused tax losses can be utilised;
- whether it is probable that the entity will have taxable profits before the unused tax losses expire; and
- whether the unused tax losses result from identifiable causes which are unlikely to recur.

To the extent that it is not probable that taxable profit will be available against which the unused tax losses or unused tax credits can be utilised, the deferred tax asset is not recognised. To determine the probability that taxable profit will be available against which the unused tax losses can be utilised, the company has reviewed its forecasts of secured work for the foreseeable future and compared that to its total tax losses.



26. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Cont'd)

26.1 Key sources of estimation uncertainty (cont'd)

Trade receivables and trade payables

Normal trade credit terms in South Africa have been judged to be equal to 60 days. Where trade receivables and payables are settled beyond the normal trade credit terms, the transaction is deemed to include a financing arrangement. The resulting trade receivables or trade payables are discounted from the date of settlement to day 60 using an appropriate discount rate. The group discounts its trade receivables using a discount rate equivalent to that which it could earn on funds placed on call for a similar term. Trade payables are discounted using the group's incremental borrowing rate which it could obtain from its commercial bank for borrowing funds on similar terms.

Residual values and useful lives of items of property, plant and equipment

Plant and equipment

Due to the specialised nature of the group's plant and equipment the residual value attached to these assets has been estimated to be nil. The group estimates that the useful life of the plant and equipment, being the period of time for which the assets can be utilised without significant modifications, replacements or improvements, is 10 years based on current levels of utilisation.

Motor vehicles

The entity has a policy of utilising all motor vehicles for a period of 5 years. It is estimated that passenger vehicles have a residual value determined by using the meads guideline.

Goodwill

Goodwill is tested for impairment at each balance sheet date. The recoverable amounts of cash generating units have been estimated based on value in use calculations. Value in use calculations have been based on a subjective pre-tax discount rate, being the weighted average cost of capital of the respective subsidiary companies.

26.2 Critical judgements in applying the group's accounting policies

Operating lease commitments

The group has entered into property leases over a number of their premises. As management have determined that the group has not transferred substantially all the risks and rewards of ownership of their properties, the leases have been classified as operating leases and accounted for accordingly.



Notice of Annual General Meeting

Notice is hereby given that the Twenty Eighth Annual General Meeting of members of the Company will be held at Lenmed Clinic, K43 Highway, Lenasia on Thursday 16h September, 2010 at 20h00 (8:00pm) for the purpose of transacting the following business:

1. Notice of meeting.
2. To approve the minutes of the Twenty Seventh Annual General Meeting.
3. Chairman's Report.
4. To receive and consider the Annual Financial Statements of the Company for the year ended 28 February 2010 together with the respective reports of the directors and auditors thereon.
5. To elect directors in place of the present Directors, who retire in accordance with the Articles of Association, but who are eligible for re-election.
6. To approve directors' emoluments for the year ended 28 February 2010.
7. To confirm the appointment PKF Durban as auditors, until the next Annual General Meeting.
8. To extend the authority granted to the directors to issue the unissued shares in the capital of the Company at their discretion until the next Annual General Meeting.
9. To transact such other business as may be dealt with at an Annual General Meeting.

Any member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, speak and vote in his/her stead. The proxy so appointed need not be a member of the Company.

Proxy forms should be forwarded to reach the Secretary or the registered office of the Company at least 48 (forty eight) hours before the time appointed for the holding of this meeting. Saturday, Sunday and Public Holidays will not be taken into account in calculating the 48 hour period.

BY ORDER OF THE BOARD



M. NoorMohamed

Company Secretary
23rd June 2010



FORM OF PROXY
TWENTY EIGHTH ANNUAL GENERAL MEETING

I/We the undersigned, _____

_____ (Print Name)

of _____

_____ (Address)

being a member(s) of the abovenamed Company, hereby appoint:-

1. _____ (Print Name)
of _____
_____ (Address)

failing him

2. _____ (Print Name)
of _____
_____ (Address)

failing him

3. the Chairman of the meeting

as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at Lenmed Clinic, K43 Highway, Lenasia on Thursday 16h September, 2010 at 20h00 and at every adjournment thereof, unless otherwise instructed, my/our proxy may vote as he/she deems fit or abstain from voting.

* (Indicate instructions to proxy by way of a cross in the spaces provided below).

		*In Favour of resolution	*Against resolution	*Abstain from voting
4.	Adopt Annual Financial Statements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.	Election of Directors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6.	Approval of Directors' Emoluments	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7.	Confirm appointment of auditors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.	Authorise Directors to issue shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9.	Other matters	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Signed this _____ day of _____ 20 _____

Signature(s) : _____



LENMED INVESTMENTS LIMITED
PROXY NOTES

1. A member entitled to attend and vote at the abovementioned meeting is entitled to appoint a proxy (who need not to be a member of the Company) to attend, speak and on a poll, vote in his/her stead, or to abstain from voting.
2. Proxies must be lodged with the secretary or at the registered office of the Company not later than 48 (forty eight) hours before the time of the meeting (which excludes Saturdays, Sundays and Public Holidays).
3. Any alterations made on this form of proxy must be initialed.
4. The authority of a person signing this proxy under a power of attorney must be attached hereto unless that power of attorney has already been recorded by the Company. In the case of a body corporate, the proxy form or documents appointing a representative in terms of Section 188 (1) of the Companies Act, 1973, as amended, must be signed by a duly authorised officer and be accompanied by a certified copy of the resolution concerned.
5. This form of proxy must be signed by all joint shareholders. If more than one of those joint shareholders be present personally or by proxy, then that one of the said persons whose name stands first in the register shall alone be entitled to vote.



NOTES



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