LENMED INVESTMENTS LIMITED AND ITS SUBSIDIARIES

Integrated Annual Report 2011

LENMED HEALTH

Onward & Upward

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GENERAL INFORMATION

General Information

COUNTRY OF INCORPORATION:	South Africa
NATURE OF BUSINESS:	The provision of private patient healthcare, through management and ownership of hospitals and other related health services
EXECUTIVE DIRECTORS	Mr. P. Devchand Dr. A.F. Kaka Mr. A.A. Nana
NON-EXECUTIVE DIRECTORS	Mr. M.G. Meehan (Independent) Prof. B.D. Goolab Ms. B. Harie (Independent)
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 K43 Highway Extension 8 Lenasia 1827
REGISTRATION NUMBER:	1980/003108/06
BANKERS:	First National Bank Limited

OPERATING PROFILE

Operating Profile

Lenmed Investments Limited (Lenmed) is an established, South African, black owned hospital group providing private patient healthcare in Africa through management and ownership of hospitals and other related health services.

Lenmed's roots reach back to 1984. In response to the community's growing healthcare needs, the first hospital in the group was founded in Lenasia, Johannesburg as a 48 bed facility, which has increased to 194 beds today. The success of this particular hospital resulted in the generation of sufficient capital to enable Lenmed to make several significant acquisitions since 2004.

The following hospitals are 100% owned by Lenmed:

- La Verna Hospital in Ladysmith, KwaZulu-Natal comprising 105 beds
- Shifa Hospital in Durban, KwaZulu-Natal comprising 133 beds
- Zamokuhle Private Hospital in Midrand, Gauteng comprising 36 beds

Lenmed's most recent acquisition represents a 35% equity stake in Ethekwini Hospital and Heart Centre, situated in Durban, KwaZulu-Natal. Ethekwini is established as a 250 bed ultra-sophisticated hospital in Durban, boasting the latest in medical technology coupled with digital integration, making it a totally paperless hospital. Lenmed is responsible for the management of this hospital.

As part of its African expansion strategy, Lenmed is developing a new 110 bed state-of-the-art hospital in Maputo, Mozambique. Hospital Privado de Maputo is 60% owned by Lenmed (40% by local Mozambique partners). During July 2011, a major portion of the hospital was opened, with 57 beds coming into operation. The remainder of the beds are expected to come into use during September 2011. This is the first multidisciplinary private hospital in Mozambique.

The Group is now responsible for owning and/or managing a total of approximately 900 beds in South Africa and Mozambique.

In addition to its hospitals, Lenmed owns a 45% equity interest in Pharmed Pharmaceuticals, a pharmaceutical wholesale and distribution business in Durban. Pharmed has in excess of 8,900 active accounts consisting of doctors, pharmacies, hospitals, clinics and other allied professionals and stocks in excess of 30,000 product lines distributed over 3,500 destinations in South Africa. Pharmed's turnover exceeds R800 million per annum.

Our initial strategy of sustained growth and expansion has consistently delivered results, making us one of the leading independent healthcare groups in the country. With a solid foundation on which to build, we intend to establish a presence throughout South Africa, as well as to expand into the African continent. The potential for growth in these markets is significant. Each new venture that we embark upon, will be influenced by our core values and ethic of striving to achieve the highest standards of technology and medical care for the benefit of patients and stakeholders.

PROFILE ON THE EXECUTIVE DIRECTORS

Directors

Mr. P. Devchand - Chairman and Chief Executive Officer - B Com H Dip Acc CA (SA)

Mr. Devchand is a qualified Chartered Accountant with 25 years of experience in hospital management. He was appointed to the board in 1986 and elected as Chairman and Chief Executive Officer in 1998. Under his leadership, the group has seen significant growth in its local operations as well as the commissioning of the first multidisciplinary hospital in Mozambique.

Dr. A.F. Kaka - Medical Director - MBBS (Bombay)

Dr. Kaka qualified as a medical doctor in 1975. He joined Lenmed in 1989 and was appointed to the board in 1990. During his time with the Group, Dr. Kaka has served as the Chief Executive Officer of Lenmed Private Hospital and Zamokuhle Private Hospital. He currently serves as the Group Medical Director, and his expertise is vital in Lenmed's quest to provide quality healthcare to all its patients.

Mr. A.A. Nana - Director of Special Projects - B Compt Hons CA (SA)

Mr. Nana joined Lenmed in 1986 as the hospital manager of Lenmed Private Hospital. He was appointed to the board in 2006 and currently serves as Director of Special Projects. In this role, Mr. Nana has been tasked with the overall coordination of the Maputo Private Hospital Project.

PROFILE ON THE NON-EXECUTIVE DIRECTORS

Directors

Prof. B.D. Goolab - MBBS (Bombay) FRCOG. (London) - Non-Executive Director

Prof. Goolab was appointed to the board on the 30th September 1999. He currently serves as a member of the remuneration committee. He is in private practice as well as attached to the University of Witwatersrand as a professor in the Department of Gynaecology and Obstetrics.

Mr. M.G. Meehan CA(SA) - Independent Non-Executive Director and Lead Independent Director

Mr. Meehan was appointed to the board on 16th September 2010. He currently serves as a member of the remuneration committee and also the audit and risk committee of which he is the chairperson. He is also an independent non-executive director on the boards of Blue Financial Services and William Tell Holdings. Mr. Meehan consults to companies and associations in Durban, Johannesburg and Mauritius on strategic planning, financial administration and corporate management. He is a member of the Institute of Directors (IOD) and the Audit Committee Forum.

Ms. B. Harie - Independent Non-Executive Director - BA LLB (Natal) LLM (Wits)

Ms. Harie was appointed to the board on 16th September 2010. She currently serves as a member of the audit and risk committee and also the remuneration committee of which she is the chairperson. She is also an independent non-executive director on the boards of Bell Equipment and Charities Aid Foundation of Southern Africa. Ms. Harie is an executive director at DKH Women Equity Boutique, a new women's private equity company, based in Johannesburg.

CHAIRMAN'S REPORT

Chairman's Report

Introduction:

Having emerged from the global economic crisis relatively unscathed, it gives me great pleasure to announce that Lenmed recorded a strong performance during the past 12 months. These results bear testimony to the unwavering commitment of the management team to achieve operational excellence through efficient and effective management practices and the company's growth strategy through acquisitions. By virtue of the aforementioned, the group achieved well above average industry profitability.

Albeit the South African healthcare industry is at crossroads with the imminent rollout of the National Health Insurance policy, Lenmed is well positioned to lend its expertise to government on delivering quality, cost effective healthcare.

With this in mind, Lenmed has been pursuing a vigorous acquisition strategy within South Africa and currently operates five hospitals. Numerous other acquisitions within the healthcare industry are presently under consideration to complement the Lenmed brand. Our expansion into the rest of Africa is well underway with the opening of the Maputo Private Hospital. Various projects in other African countries are also being considered, with a view to adding shareholder value as well as lending our healthcare expertise to those countries.

The upgrading and refurbishment of hospitals within the group is progressing well. This is in line with our philosophy of providing world class service to our patients. The granting of additional beds by the Department of Health to certain of our establishments is welcomed considering that some of these hospitals are operating at capacity. This allows us to expand our service offering.

Due to the expansion of the group it has been necessary to strengthen our management capability. I would like to welcome Mr. Amil Devchand, who has been appointed as a Director to the Lenmed Health board and as Acting CFO for the group, Ms. Jessie Chetty who has been appointed as the Group Nursing Services Executive, Ms. Pule Ndlala as the hospital manager of Zamokuhle Private Hospital and Mr. William Osburn as the hospital manager of La Verna Hospital. The group has also appointed a professional company secretary and we would like to welcome Mr. William Somerville to the Lenmed Investments Board in this capacity. Also joining us as independent, non executive directors are Ms. Bharti Harie and Mr. Michael Gavin Meehan both of whom boast impressive backgrounds and come with extensive experience. Ms. Harie will serve as Chairperson of the remuneration committee. Mr. Meehan will serve as the Chairman of the newly formed audit and risk committee, the purpose of which is to monitor and where necessary implement financial controls. I wish the team well in their endeavours.

Strategic Review

Striving for excellence in patient care

Lenmed is passionate about the well being of its patients, striving to provide high quality healthcare. Ongoing education and professional development of our staff is key in achieving the abovementioned. Attracting medical professionals who are leaders in their field is paramount to Lenmed's goal of providing excellent medical care to patients. Lenmed is always abreast of developments in the industry and continually reinforces its presence through participation in related initiatives. 'The Best Care Always (BCA)' is one such campaign. It is an initiative supporting Southern African healthcare organisations as they implement specific, internationally recognised, evidence-based interventions that enhance patient safety and constitute current best practice in hospital care. BCA is inclusive and seeks to enrol hospitals from both the private and public sectors. The idea is that participating hospitals should be willing to make evidence-based changes at a faster pace, share ideas with others, measure results and report on progress.

National Health Insurance (NHI)

A two-year research project which looks at how communities view South Africa's health system and the proposed roll out of a NHI plan, has entered its final phase. It employs quantitative techniques and hopes to improve public health care and strengthen private health care by identifying priority areas in need of reform.

Key aspects relating to quality of care include, impact of pricing, attitude of health workers to patients, availability of medicine, provision of medical advice, etc. The results of this study will be fed into the design of South Africa's policy for health system changes and the NHI.

CHAIRMAN'S REPORT (cont'd)

We welcome the study and while issues relating to pricing have never been of concern to us as Lenmed's pricing is already competitive, we hope the study will curtail the adverse effect on quality that the NHI might have.

Market

According to a latest research report "South African Healthcare Market Analysis", the healthcare industry in the country is poised for tremendous future growth on the back of increasing demand for healthcare, drugs and other pharmaceutical products. The future of this industry, therefore, remains pleasantly buoyant particularly due to the pharmaceutical and medical devices industry. It is expected that the pharmaceutical industry in particular will grow at an average rate of around 15.5% during 2011-2013.

'Lenmed Health Management Company'

Given the immense growth that we are experiencing, we felt it vital that the group have a standard control mechanism and saw it necessary to form a new management company called the 'Lenmed Health Management Company'. In essence, this company will oversee all the hospitals that fall under its care and will act as a supporting structure. It will have practical control, carrying out implementation functions and rendering services to hospitals.

King III Compliance

As a compliance document that aims to promote maximum benefit through sound corporate principles, King III has evolved to ensure the highest standards of corporate governance and best practices by companies. Compliance is no easy feat and we are pleased to say that Lenmed has embarked on a process of incorporating the recommendations made in the King III report into our business practices. The report is broad and extends to aspects as diverse as environmental and social consciousness amongst others. Companies that comply have been shown to be more successful and achieve greater corporate standing.

Investing in people

Lenmed's staff is its greatest asset and we pride ourselves in entering into long term relationships with our employees. With the high turnover of medical staff in the industry, Lenmed can be proud to announce that it has one of the lowest turnover rates in the country. This can be attributed to embracing people into the Lenmed family. Staff are encouraged to develop themselves by attending courses in their respective fields. Lenmed also pays market related salaries and performance bonuses, offers shares to its employees and for those who may need it, an employee assistance program.

Investing in infrastructure and technology

The group is currently investigating alternate Information Technology packages to reach standardization across the group. This will improve reporting at all levels and streamline procurement and billing processes.

As mentioned earlier, the group is in the process of upgrading and refurbishing its hospitals. The following provides a brief overview of developments at each of the hospitals

Lenmed Private Hospital - Lenasia

Lenmed – Lenasia is regarded as the flagship hospital of the group. Started 25 years ago, the hospital has grown in leaps and bounds. A license for 50 additional beds has been obtained from the Department of Health to increase capacity to 242 beds and plans are currently being drafted for an additional wing together with a new administration block. The exceptional growth of the hospital has necessitated the addition of consulting rooms, housing private medical specialists. The hospital is also undergoing a major refurbishment to its maternity and paediatric wards and also the radiology department with the addition of a new MRI unit. In a bid to improve efficiencies at the hospital, the entire casualty department has been outsourced to ER Consulting. Internal restructuring to improve the process flow of patients is also underway. We further envisage the purchasing of the latest in medical equipment to supplement the additions to the hospital, enabling us to maintain our high standards of care.

Maputo Private Hospital

Maputo private hospital has been developed with a local partner from Mozambique with Lenmed being the majority shareholder (60%) and the operator of the hospital. This hospital is a state-of-the-art facility boasting 110 beds, 3 operating theatres, an 8 bed Intensive Care Unit, in-house laboratory, a radiology department inclusive of CT and MRI units, a neo-natal Intensive Care Unit and general medical, surgical, paediatric and maternity wards. The hospital will be the only facility in Mozambique to offer an In Vitro

CHAIRMAN'S REPORT (cont'd)

Fertilization unit. In a bid to boost local development, Mozambican nurses and doctors practicing outside the country are being recruited. The model that the hospital will operate under is different from the typical South African model. Here, the majority of the doctors will work for, and be remunerated by the hospital. It is anticipated that there will be a mix of full time doctors and part time consultants. During July 2011, a major portion of the hospital was opened, with 57 beds coming into operation. The remainder of the beds are expected to come into use during September 2011. This is the first multidisciplinary private hospital in the country and we are extremely proud of this achievement.

Zamokuhle Private Hospital

It is tempting to describe Zamokuhle's remarkable improvement from a previous year R4million loss, to a loss of just R164 000 in such a short space of time as somewhat of a miracle, but, at Lenmed we have always made judicious investment decisions and its ultimate turnaround was expected. For us, Zamokuhle is merely turning into another of the group's success stories. The hospital maximized its limited space to squeeze in extra beds and is on the brink of becoming a profitable venture. The hospital has potential for a further 150 beds and we are presently exploring land acquisition opportunities to accommodate this expansion.

Shifa Hospital

Renovations for the most part are complete at Shifa, increasing our hospital capacity from 101 beds to 133 operational beds. The hospital now boasts, a fully functional new Lamina-Flo specialized orthopaedic theatre, a new 4 bed Intensive Care Unit and 8 bed high care ward, revamped patient and labour wards, as well a 3 bed neo-natal Intensive Care Unit and nursery. A new 10 bed day ward and 40 bed medical ward comprising 2 and 4 bed units are also part of the improved patient offering at Shifa. The hospital has now introduced a wound clinic, which has received tremendous support from the community. We are also pleased at our upgraded medical centre which will accommodate new specialists consulting from the hospital on a full time basis, allowing us to effectively increase our patient demand.

La Verna Private Hospital

A comprehensive expansion and renovation of the entire facility is underway. The process is ongoing and is expected to be complete during early 2012. The operational bed capacity currently stands at 71 beds and will be increased to 128 beds once the expansion program is concluded. Phase 1 of the project has been completed, which has seen the wards receive a major cosmetic facelift. The hospital now boasts private, 2 and 4 bed en-suite units, specifically designed to maximize patient comfort. Through these innovations, La Verna is now one of the leading providers of healthcare in northern KZN, attracting highly skilled general practitioners and specialists providing holistic healthcare to the community.

Ethekwini Hospital and Heart Centre

Lenmed now owns a 35% stake in the hospital. Involvement of Lenmed's directors in Ethekwini has resulted in a remarkable turnaround for the once ailing hospital. Their expertise and extensive knowledge has turned losses into profit and set the hospital on an upward growth path. Ethekwini, a 250 bed hospital is now operating at almost full capacity. It boasts one of the most successful heart and lung centres in KwaZulu Natal, together with an array of different medical disciplines. Due to the increase in the number of cardiac patients, the hospital is in the process of applying for a second Catheterization Laboratory license. The Lenmed brand is firmly established at the hospital and our input into its turnaround is evident from its financial results.

Pharmed Pharmaceuticals

The Lenmed Health Group has increased its stake in Pharmed to a 45% shareholding during the past financial year. This partnership has enhanced our presence in the hospital industry and presents numerous synergies to our current operations, resulting in greater working capital efficiencies and profitability. Demand for Pharmed's services is ever increasing and this is evident in their excellent financial results. We look forward to developing this partnership further through our local and African expansion strategies.

Future healthcare delivery models

Lenmed is exploring partnerships with various stakeholder groups to provide medical and hospital services throughout sub Saharan Africa. We believe that we have the expertise and knowledge in rolling out such projects. This will provide affordable healthcare to many under-developed communities whilst still maintaining shareholder value.

CHAIRMAN'S REPORT (cont'd)

Our growth trajectory is largely focused on expansion into the SADC region and the wider African continent. Our vision, however, is not driven solely by our economic growth aims but also by a desire to improve healthcare and the administration of health care in these regions.

Financial Review

In general, global economic recovery continued in the final quarter of 2010 and in the early months of 2011- its momentum somewhat stronger than many observers had expected.

In sub-Saharan Africa, growth prospects were bolstered by the improvement in macroeconomic stability. Lenmed's uncanny ability to read and translate financial abstracts such as these, especially when the data is negative, and shape them into effective tools that drive our business models is what allows to us to exceed expectations.

The current financial year's net profit after tax of R76.1 million, represents a 78% increase from the prior year, and is an excellent result, given that the recession seems only now to be subsiding.

This increase is attributed to a number of factors ranging from astute financial management which allowed for fiscal sustainability during the recession, to physical growth of our hospitals and administrative restructuring. Additionally, in order to fund our expansion and growth aspirations, we disposed of our investment in Brimstone Investment Corporation, which provided us with an exceptional return.

Lenmed is in a growth phase and the 2011 financial year has been one of great investment. The group has spent over R30 million in the current year to expand the operating capacity at our existing facilities. Lenmed has also injected R35 million to complete the construction of Maputo Private Hospital. Additionally, R100 million was spent to obtain a 35% equity stake in Ethekwini Hospital and Heart Centre, as well as to increase our investment in Pharmed Pharmaceuticals to its current level of 45%. These investments have been funded partially through the Group's cash reserves, with the majority of the remaining funding being obtained through third party financiers. Lenmed's ratio of interest bearing debt to equity for the current year is 52% (2010: 15%). This increase was due to the financial results of Maputo Private Hospital being consolidated into the group results for the first time this year. It is worth noting that all debt incurred in respect of Maputo Private Hospital is ringfenced in its entirety from Lenmed's South African operations. Taking this into account, the ratio of interest bearing debt to equity, ignoring Maputo Private Hospital, is 33%.

Due to the intensive investment undertaken during the period, coupled with short term cash requirements, most notably in respect of the completion and opening of Maputo Private Hospital, the directors felt it prudent not to declare a dividend for the 2011 financial year. However, an interim dividend will be considered during the latter part of the 2012 financial year, should the cash flow position of the company allow this.

These results, in essence, are testimony to soundness - soundness on two fronts, as an effective healthcare provider and as a corporate enterprise, which in our case is not mutually exclusive and is the balance that sets us apart in the industry.

CHAIRMAN'S REPORT (cont'd)

The key financial performance indicators for the year ended 28 February 2011 are as follows:

	2011	2010	% Change
Revenue	343 972 272	284 396 310	21%
EBITDA	115 544 228	73 219 881	58%
Net profit before taxation	98 691 068	60 942 016	62%
Net profit after taxation	76 110 501	42 692 425	78%
Headline earnings	61 142 346	42 981 175	42%
Total assets	625 538 013	392 554 502	59%
Cash generated from operations	64 345 768	40 230 041	60%

Contributions to the profit (after tax)

	2011	2010	% Change
Lenmed Private Hospital	21 355 024	16 752 597	27%
La Verna Hospital	11 478 123	11 985 908	-4%
Shifa Hospital	16 541 165	9 618 819	72%
Zamokuhle Private Hospital	-164 635	-4 009 047	96%
Lenmed Investments Limited	17 462 899	306 643	5595%
Maseru Private Hospital	-	-330 433	-100%
Pharmed Pharmaceuticals	11 537 329	8 367 938	38%
Ethekwini Hospital and Heart Centre	2 226 976	-	n/a
Lenmed Management Company	-355 026	-	n/a
Maputo Private Hospital	-3 971 354	-	n/a
TOTAL	**76 110 501**	**42 692 425**	**78%**

Conclusion

Having reached yet another milestone, it gives me great pleasure to announce that Lenmed is on a path of continuing growth irrespective of the hurdles that challenge us. This can be attributed to our sound vision, mission and values that we as a company adhere to. The year ahead will prove to be more challenging because of the uncertainty facing the healthcare industry at large. I have no doubt that Lenmed will rise to the challenge.

Our growth can only be attributed to our patients who have the utmost confidence in the care that we provide, our directors who provide us with the guiding light in taking the company forward, our management team at each hospital who ensure that company values and principles are entrenched and lastly our medical, nursing and administration staff who form the backbone of the hospital, without whom Lenmed would not exist. I salute each and every one of you.

Mr. P Devchand

GOVERNANCE AND SUSTAINABILITY

Governance & Sustainability

CORPORATE GOVERNANCE REPORT

Corporate Governance

Lenmed Investments Ltd (Lenmed) is an unlisted Public company. The board of directors ("the board") is committed to and subscribes to the values of good corporate governance contained in the King III Code of Corporate Practices and Conduct and in anticipation of a possible listing in the future, the Listings Requirements of the JSE, where practical.

The board endorses the principles of integrity and accountability advocated by King III, however, the implementation of the Group's corporate governance structures and practices only commenced within the reporting period in response to changes within and external to the Group. These steps included the appointment of two independent non-executive directors to bolster the board and the formation of an Audit and Risk Committee and a Remuneration and Nomination Committee as committees of the board. The board intends introducing the recommendations and principles as contained in the King III report to ensure that the Group and the board aligns its practices and procedures to meet these standards.

This corporate governance statement sets out the key governance principles and practices of Lenmed.

Endorsement of King III

Lenmed remains fully committed to the principles of effective corporate governance and application of the highest ethical standards in the conduct of its business. We endorse the principles of integrity and accountability advocated by King III. In all dealings we strive to ensure that the interests of stakeholders are foremost in our decisions and that they are fully informed of the process.

We have long recognised that good corporate governance is essentially about leadership and there exists the need to conduct the enterprise with integrity and in compliance with best practices.

There are a number of principles of the King III Code, which have not yet been introduced. The board will undertake a King III gap analysis as well as an assessment of the requirements of the Companies Act of 2008, which became effective from 1st May 2011, to determine what steps have to be taken to ensure compliance within the 2012 financial year.

BOARD OF DIRECTORS

Composition

The board is based on a unitary structure and exercises full and effective control over the group. It comprises six members being an executive chairman, who is also the CEO, two independent non-executive directors, one non-executive director and two executive directors.

Ms. Bharti Harie and Mr. Michael Gavin Meehan were appointed as independent non-executive directors, and Prof. Bashkar Goolab as a non-executive director, on 16th September 2010. At the date of this report, there was no official appointment to the position of Financial Director, however Mr Amil Devchand CA (SA) has been appointed as Acting CFO.

At the date of this report, the directors are:

Non-executive directors	Executive directors
Ms. B. Harie – Independent	Mr. P Devchand (Chairman and CEO)
Mr. M.G. Meehan – Independent	Dr. A.F. Kaka
Prof. B.D. Goolab	Mr. A.A. Nana

Additional information regarding the directors can be found on the following pages of the annual report:

- short curriculum vitae, including age and date of appointment – pages 6 to 7
- remuneration – pages 17 and 61

MEETINGS OF THE BOARD

The following meetings were held in the last financial year to date of printing of this report:

Director	DATES OF MEETINGS						
	13 July 2010	29 July 2010	9 Nov 2010	7 Feb 2011	11 April 2011	27 June 2011	25 July 2011
Mr. P. Devchand	Y	Y	Y	Y	Y	Y	Y
Dr. A.F. Kaka	Y	Y	Y	Y	Y	Y	Y
Mr. A.A. Nana	Y	Y	Y	Y	Y	N	N
Prof. B.D. Goolab	*	*	Y	Y	Y	Y	N
Mr. M.G. Meehan	*	*	Y	Y	Y	Y	Y
Ms. B. Harie	*	*	Y	Y	Y	Y	Y

*N/A – Not yet appointed as director at this date

BOARD COMMITTEES

While the board remains accountable and responsible for the performance and affairs of the Company, it delegates to management and board committees certain functions to assist it in properly discharging its duties. The Chairman of each board committee reports at each scheduled meeting of the board and minutes of board committee meetings are provided to the board. All the members of each board committee are non-executive directors. Each board committee functions in accordance with the provisions of the committee charter as approved by the board.

The directors and the members of the board committees are supplied with full and timely information that enable them to properly discharge their responsibilities. All directors have unrestricted access to all Group information.

The Chairman of each board committee is required to attend annual general meetings to answer questions raised by shareholders.

The established board committees are:

Audit & Risk Management Committee

The committee comprises:

- Mr. M.G. Meehan - Chairman
- Ms. B. Harie - Member

The audit and risk committee was established on 9th November 2010, following the appointment of two independent non-executive directors to the board in September 2010. It was determined by the board that a single committee would deal with both audit and risk at this stage. The permanent members of the committee are the two independent non-executive directors, namely Mr. M.G. Meehan CA(SA), who chairs the committee and Ms. B. Harie. In addition, the external auditors, the Acting CFO and the Corporate Advisor, Grindrod Bank Ltd are permanent invitees. Other members of the finance function are included where appropriate. This configuration does not meet the recommendations of King III, read with the new Companies Act 2008 as amended. The company is taking its first steps towards full compliance and these gaps will be addressed in the forthcoming financial year.

The committee met for the first occasion in February prior to the year-end and once more prior to the date of this report - it enjoyed full attendance at all meetings.

CORPORATE GOVERNANCE REPORT (cont'd)

Audit:

The committee:

- Drafted and recommended its charter to the Board;
- Conducted its affairs and its responsibilities in accordance with these terms of reference;
- Provided the external auditors with unrestricted access to the committee;
- Reviewed the independence of the external auditors;
- Reviewed the work program of the external auditors;
- Expressed its satisfaction with the competence of the external auditors;
- Determined the extent of non-audit services which the external auditors may provide;
- Determined the fees of the external auditors;
- Held separate discussions with the external auditors and determined that there were no matters of concern;
- Engaged with the finance function and the external auditors on the accounting controls, systems and policies and reviewed the auditors management letter and report;
- Reviewed the effectiveness of the significant systems of internal control and financial risks facing the company and received assurance from the management and external auditors;
- Assessed and recommended the need for an internal audit service;
- Kept up to date on amendments to accounting standards and recommended the accounting policies that flowed therefrom;
- Kept up to date on the requirements of sustainability and integrated reporting;
- Gave guidance on the accounting treatment of significant matters;
- Approved the final results for the 2011 financial year and recommended them and the integrated report for acceptance by the board; and
- Did not have to deal with any other matters as none were referred to it by the board.

Risk:

The committee identified the need for a comprehensive risk management structure, which requires the determination of the company's risk appetite, its risk policy and the population of the risk register or matrix. Risks are to be identified under the headings of:

- Enterprise risk
- Operational risk
- Financial risk
- Reputational risk

The company has zero tolerance for risk to the enterprise and its reputation but is willing to take on risks at manageable levels for operations and finance, recognising that reward and opportunities flow from the acceptance of risk. The committee will review the risk register quarterly and make recommendations to management and the board.

The company operates in a field in which risk is ever present and is a fundamental part of strategy. Accordingly, the company adopts practices and procedures, which address risk in all facets of the business model. Staff at all levels are being made aware of the risks in their roles and in the company overall and accept responsibility for managing risk within their scope.

Remuneration & Nomination Committee

Lenmed's Remuneration Committee ("Remco") was established by its Board on 9 November 2010, as part of a wider governance process which included the appointment of 2 independent non-executive directors and the simultaneous establishment of the Audit and Risk Committee.

Remco is chaired by Ms. B. Harie, with the other permanent members being Mr. M.G. Meehan and Prof. B.D. Goolab. The Chairman and CEO, Mr. P.Devchand and the corporate advisor, Grindrod Bank Ltd, are also invited to attend the meetings. Two meetings were held prior to year-end and all of the permanent members attended these meetings.

The purpose of Remco is to provide an independent and objective body that will:

- Make recommendations on the remuneration policies and practices for the executive directors, senior management and Lenmed and its subsidiaries in general;
- Make recommendations on the composition of the Board and Board committees to ensure that the Board of directors consists of individuals who are equipped to fulfill the role of director of Lenmed; and
- Make recommendations on the nominations of new directors, having undertaken the appropriate interview processes.

The Remco activities over this short period have included amongst others:

- setting a Limits of Authority framework;
- establishing a travel policy;
- agreeing a broad Lenmed organogram. In this regard, the position of Nursing Services Executive has been filled. Other vacant roles will be filled as the business case demands. In this regard also, job descriptions for each of the above roles are being documented by management;
- setting the Executive Annual Bonus Scheme for the three executive directors for the Financial Year ended February 2011;
- setting the annual packages for the three executive directors for the Financial Year ending February 2012;
- setting the Executive Annual Bonus Scheme for the Financial Year ending February 2012;
- consideration and confirmation of the appointment of Mr Amil Devchand CA (SA) as Acting CFO. Amil's appointment is a strategic one with him understanding the Lenmed business case, with a view to growing in the business.

Remuneration Philosophy

With executive remuneration being part of the Remco mandate, the committee felt strongly that remuneration packages should be aligned with the market. Also important was the consideration that packages should be apportioned as between a "guaranteed portion", being the annual package, and the "risk portion", being the bonus incentives, where executives are appropriately incentivized to maximize shareholder returns. As such, Remco conducted a benchmarking exercise for the positions of Chairman/CEO and Medical Director, by comparing annual packages within the sector and also with similar sized companies. In addition, specific/strategic targets have been put in place for these positions, which if achieved, will yield these executives a bonus of a maximum of 50% and 100% of their individual packages for the Financial Years 2011 and 2012 respectively and derive the required returns for shareholders. In respect of the Special Projects Director, specific milestones have been established for the 2012 Financial Year, which if achieved, will result in a bonus of R250 000.

Approval of Financial Year 2011 Bonus

The Chairman/CEO and Medical Director met the specific targets set by the remuneration committee during the year and as a result, a bonus of R750 000 and R600 000 respectively (50% of their individual packages for the year), was approved by the committee.

Non-executive Directors

The three non-executive directors were appointed in September 2010. They are paid an annual retainer, plus attendance fees per meeting. These directors' fees are confirmed by shareholders at the Lenmed Annual General Meeting.

Directors' Remuneration

Name	Exec/ Non-exec	Annual Package FY2012	Retainer Fee	Meeting Fee
Mr. P. Devchand	Exec	R1 800 000		
Dr. A.F. Kaka	Exec	R1 500 000		
Mr. A.A. Nana	Exec	R1 084 000		
Mr. M.G. Meehan	Non-Exec		R132 000	R8 500
Ms. B. Harie	Non-Exec		R132 000	R8 500
Prof. B.D. Goolab	Non-Exec		R120 000	R8 000

INTERESTS IN CONTRACTS

During the year ended 28 February 2011 none of the directors had a significant interest in any contract or arrangement entered into by the Company or its subsidiaries. Directors are required to inform the board timeously of conflicts or potential conflicts of interest they may have in relation to particular items of business. Directors are obliged to excuse themselves from discussions or decisions on matters in which they have a conflict of interest.

COMPANY SECRETARY

Mr. M. Noor Mahomed has been company secretary since March 2006. All directors have access to the advice and services of the company secretary, at the company's expense. The company secretary performs the duties as required under section 268G of the Companies Act. The transfer secretary of the company is Aboo Kaloo and Company. Subsequent to the finalisation of the annual report, the board appointed Mr. William Somerville as company secretary. Mr. Somerville is a qualified chartered secretary with extensive experience in the company secretarial and corporate governance arenas. He holds an ACIS, ACMA and a Diploma in Corporate Law.

CORPORATE GOVERNANCE REPORT (cont'd)

FRAUD AND ILLEGAL ACTS

The Group does not engage in or accept any illegal acts in the conduct of its business. The directors' policy is to actively pursue and prosecute the perpetrators of fraudulent or other illegal activities, should they become aware of any such acts.

CODE OF CONDUCT

The Group is committed to the highest ethical standards of business conduct and to complying fully with all applicable laws and regulations.

The directors, employees, employees of outsourced functions as well as suppliers to Lenmed, are all expected to comply with the principles and act in terms of the code of conduct. The directors believe that the ethical standards of the Group, as stipulated in the code of conduct, are monitored and are being met. Where there is non-compliance with the code of conduct, the appropriate discipline is enforced with consistency as the Group responds to offences and prevents recurrences.

CODE OF ETHICS

The board has developed a code of ethics that underwrites the board's commitment to the highest level of ethical standards. The company adopts a top down approach where the example set by the board and individual directors is crucial to the buy-in of everyone involved in the affairs of the company. It confirms the board's approach of zero tolerance, not only to fraud and dishonest behaviour, but also to criminal behaviour in general. Strong action is taken against any employee found guilty of offences of this nature.

BOARD PROCEDURES

The directors have access to the advice and services of the company secretary who plays an active role in the corporate governance of the company. They are entitled, at the company's expense, to seek independent professional advice about the affairs of the company regarding the execution of their duties as directors.

A board charter has been put in place and outlines the responsibilities of the board as follows:

- retain full and effective control of the company;
- give strategic direction to the company;
- monitor management in implementing plans and strategies as approved by the board;
- appoint the chief executive officer;
- ensure that succession is planned;
- identify and regularly monitor key risk areas and key performance indicators of the business;
- ensure that the company complies with relevant laws, regulations and codes of business practice;
- ensure that the company communicates with shareowners and relevant stakeholders openly and promptly;
- identify and monitor relevant non-financial matters;
- establish a formal and transparent procedure for appointment to the board, as well as a formal orientation programme for incoming directors;
- regularly review processes and procedures to ensure effectiveness of internal systems of control and accept responsibility for the total process of risk management; and
- assess the performance of the board, its committees and its individual members on a regular basis.

The charter also addresses issues such as the composition and size of the board, board procedures, matters reserved for board decision and the frequency and proceedings of board meetings.

ANNUAL FINANCIAL STATEMENTS

The board acknowledges its responsibility for ensuring the preparation of the annual financial statements in accordance with IFRS and the responsibility of the external auditors to report on these financial statements. The board is also responsible for ensuring the maintenance of adequate accounting records and effective systems of internal control.

SUSTAINABLE DEVELOPMENT

The founders and management of the Lenmed Group have for a number of years been involved in sustainable development initiatives of various kinds.

Community Development

The Group was founded through community effort. The first hospital was established in Lenasia through community contributions as a result of the previous apartheid government failing to provide hospital services to this community. The initial growth of the Group was focused on additional facilities in areas in close proximity to disadvantaged communities, hence the expansion into Laverna in Ladysmith, Shifa in Overport, Durban and Zamokuhle in Tembisa. As a result, the Group has always been very aware of community needs. The Group assists local communities through its various Corporate Social Investment initiatives, which are detailed in the Sustainability Report on page 20 of the Annual Report.

Medical Waste

One of the major issues facing hospital groups worldwide is the safe elimination of medical waste. The Group's policy and practice is to utilise reputable 3rd party service providers to dispose of waste strictly in accordance with environmental and medical waste regulations.

Skills Development

The group supports the development and improvement of individuals as it recognises that highly skilled employees and members of the medical profession are critical to the survival and success of the business.

The workplace is an active learning environment where in-house training is continuous in order to equip employees with the required skills and knowledge to perform optimally. Relevant, accredited providers are sourced for any external training needs.

Lenmed also encourages the development of future healthcare professionals. To this end, we are an accredited nursing training facility, allowing trainee nurses to obtain practical experience in our hospitals, under the close supervision of senior staff.

Ethics and Risks

The nature of the group's business is such that it is exposed to risks, which can only be reduced by adopting and continuingly applying the highest ethics. It has adopted a non-negotiable ethics policy. The group requires that these ethics be applied to and by all medical professionals operating in and from its facilities and by all employees.

Safety, Health and Environment

The nature of the group's business requires that the company adopts a Health and Safety policy which covers all health and safety policies and work procedures within the group. This includes a wide and extensive range of responsibilities from, inter alia, how we operate our theatres and medical equipment to fire evacuation procedures. The group has formed health and safety committees at each of its hospitals, to manage and control these processes.

SUSTAINABILITY REPORT

Sustainability

INTRODUCTION

There is a growing movement amongst organisations worldwide to be responsible corporate citizens, and to raise awareness and make positive changes with regards to the manner in which they impact the environment and people. Sustainability reporting addresses, at its broadest level, financial, social and environmental issues (the so-called People, Profit and Planet bottom line). Lenmed's Sustainability Report documents the progress the organisation has made in implementing sustainable business practices in its advancement towards attaining key business objectives. The following report depicts Lenmed's ongoing commitment to good business practice, legislative compliance and creating positive public relations, in line with the company's long term vision and strategy. This report focuses on the Group's relationship with its patients, staff, shareholders, as well as various other stakeholders such as medical aids, government, doctors and community groups. Broadly, our overall long-term aim is to:

- Improve our relationship with patients and address their concerns;
- Provide quality medical services by benchmarking with the best in the industry;
- Strive to attract and retain high quality medical professionals;
- Improve the skill set and working conditions of our staff;
- Engage the community with respect to Lenmed's CSI program;
- Maintain amicable relationships with medical aids and government;
- Comply with current and future legislation;
- Form lasting relationships with our suppliers;
- Mitigate business risks;
- Increase shareholder wealth; and
- Safeguard the environment.

SUSTAINABILITY REPORT (cont'd)

PEOPLE

Patients

Patients are one of our key stakeholder groups. They expect a safe environment in which to be treated, access to the best medical care available and understanding of the risks and benefits of treatment procedures.

The provision of a safe and healthy environment for both our patients and employees is important to our business at Lenmed. With this in mind, we have formed Infection Control and Health and Safety Committees at all our hospitals, headed by specially trained officers.

Hospital-acquired infections are a serious risk in the healthcare industry resulting in increased mortality and morbidity as well as having major financial implications for both the patients and the provider. Each healthcare provider has an ethical and legal responsibility to ensure a protected environment for its patients, visitors and staff. Infection control and prevention is, therefore, one of the pillars of providing quality patient care in this industry. At Lenmed, Infection Control Officers at each hospital are tasked with this responsibility. Their specific duties include:

- Drafting, implementing and monitoring of infection control and prevention policies, procedures and processes;
- Implementing clinical operating standards and ensuring compliance thereof;
- Performing risk assessment and risk management exercises in the various hospital departments; and
- Ensuring effective reporting mechanisms are present.

In keeping with Lenmed's motto, "We always care", we strive to provide a quality service for those entrusted into our care. In order to address patient concerns, Lenmed engages with its doctor network to enhance patient care. Lenmed is constantly improving and upgrading its facilities and investing in newer technologies. In addition, the Group subscribes to modern standards of medical practice and strives to attract high calibre doctors and medical staff.

We engage patients through our admission procedures, evaluation forms administered by the hospital's customer relations officers, hospital brochures, magazines and Lenmed's website. At Lenmed, we have identified improving and maintaining a high standard of patient care as one of our top objectives in order to remain sustainable in the future.

Human Capital

Our staff play a vital role in Lenmed's commitment to service excellence. They are important stakeholders in our group, required to provide our patients with professional and compassionate care. We, therefore, strive to attract and retain the best talent available in the market.

Dividends of investing in our staff at Lenmed is clearly evident. The Group offers market-related remuneration, recognition and long-service awards, as well as the opportunity to obtain shares in the company through a share incentive scheme.

The Group also prioritises the growth and development of its employees. This is achieved through continuous in-service training and attendance at seminars and workshops. Lenmed also pays particular attention to upgrading the skills of our nursing team by sponsoring their attendance at post basic-training courses in the specialised fields of ICU, Theatre Technique, Trauma and Neonatal ICU nursing. These initiatives provide our employees with the opportunity to accelerate their career growth and develop to their full potential.

Staff concerns are raised and addressed by regular meetings with representatives, and via the open door policy to management that the company adopts. Employee assistance programs are available for those who may need them.

Lenmed has recognised the demand for more nursing graduates in the healthcare industry. With this in mind, we have entered into an agreement with a nursing training college where trainee nurses are allowed to do their practical training under supervision at Lenmed hospitals. We are confident that this partnership will enable us to maintain our nursing standards well into the future.

Doctors expect access to excellent nursing services, modern equipment and instruments, a multidisciplinary support service, availability of theatre time and adequate beds for their patients. Lenmed engages doctors through its peer review committees and monthly meetings to address areas of concern.

Lenmed realises that the reputation of its hospitals rests mainly with its supporting doctors. To this end, Lenmed strives to attract reputable specialists in their field. This is achieved through the continuous

SUSTAINABILITY REPORT (cont'd)

investment in our facilities, equipment and nursing personnel, as well as the provision of the necessary support structures enabling our doctors to provide uncompromising healthcare to patients.

A number of Lenmed's doctors are affiliated to academic institutions. Whilst no active medical research takes place at our hospitals, doctors are encouraged to present their patients treated as case studies in medical journals and the like. Some of our doctors have lectured extensively at institutions around the world, promoting healthcare advancements and innovations.

Corporate Social Investment (CSI)

Lenmed endeavours to create a lasting relationship with the community. To this end, we conduct our activities in a socially responsible manner, upholding our involvement in the community.

Lenmed currently sponsors a range of outreach programmes in the communities immediately surrounding its hospitals. We also run a volunteer programme for our employees to participate in these events. We pride ourselves in not only improving the health of our patients but also in contributing to improving the lives of people from disadvantaged communities. For the reporting period, Lenmed has spent approximately R1 million on CSI projects.

Our Corporate Social Investment program is focused on the following areas:

- Indigent emergency medical services;
- Healthcare accessibility initiatives;
- Community health and welfare sponsorship;
- Academic bursaries; and
- Community Service.

Providing Emergency Care to indigent patients:

Our hospital emergency units provide emergency care and stabilisation for patients presenting with life-threatening conditions who are unable to pay for this service. Many patients who are too unstable to be transferred to public hospitals are admitted to the hospital. At times, the unavailability of beds in the public sector also results in patients being admitted to Lenmed's facilities until transfer or discharge.

Initiative to improve access to healthcare:

Cataract Campaign:
This campaign provides free cataract surgery to those people who are financially disadvantaged. To date more than 400 individuals have had their eyesight restored.

Community Health and Welfare Sponsorship:

Feeding Campaign:
Regular collection drives are held, whereby staff and management donate food items, which are then distributed through welfare organisations that care for the poor and hungry.

Local Community Involvement:
Through our hospitals and emergency units, various activities are undertaken to attend to the needs of the community. These include:

- Providing pro-bono treatment to children living in homes and orphanages;
- Supporting homes, orphanages, special schools and other non-governmental social organisations by providing medical and financial assistance;
- Volunteering the services of our emergency unit and also that of our nurses, pharmacists and administrative staff as standby medical personnel at special events; and
- Hosting CANSA events.

Community Healthcare Education:
This is provided through open days held at our hospitals and other health awareness initiatives coinciding with the health calendar. These include:

- Diabetes Screening
- Heart Awareness
- Breast Cancer Awareness
- Eye Health
- Cholesterol Screening
- Hypertension Screens
- Pregnancy Education
- TB and HIV Awareness

Certain Lenmed hospitals offer their conference rooms free of charge to community groups for any medical related training courses, workshops and presentations. This enables local healthcare professionals to remain updated on the latest developments and trends in the healthcare industry.

SUSTAINABILITY REPORT (cont'd)

Bursaries:

Although not a regular item on the Corporate Social Investment Plan, bursary applications are considered on an ad-hoc basis. Additionally, learnerships in the health sector for the basic courses in nursing are in place.

Community Service:

In accordance with the revised school curriculum, Grade 11 students are afforded the opportunity of performing their community service duties at Lenmed hospitals. This enables students to experience the medical industry first hand and we are confident that it will play a positive role in shaping the healthcare leaders of tomorrow.

In order to ensure that the Group continuously improves upon our existing CSI initiatives, we are in the process of appointing a Social and Ethics committee to scrutinize our current policies and the consideration of expanding CSI projects to other organizations and communities that may require Lenmed's assistance.

PROFIT

Lenmed pursues every promising investment opportunity, both locally and in the rest of Africa, that may add value to the group. Business processes are constantly monitored to ensure efficiencies are maximised thereby optimising profitability. Lenmed prides itself in its fiduciary responsibility by ensuring both internal and external auditing of processes and accounts, accurate financial reporting and payment of government taxes and levies. An ethics policy will be introduced in the group in the coming year, to ensure that all employees are aware of the principles by which the organisation is governed, and are accountable for their actions.

Operationally, we strive to provide world class healthcare at our facilities, irrespective of geographic location. Our hospital managers and directors attend conferences, seminars and symposiums thereby keeping abreast of the latest treatment protocols, new equipment being introduced into the market and the medical industry in general. The benefits to the patient and our hospitals are then assessed and if a positive outcome is forthcoming, these new protocols and equipment are introduced into our hospitals.

We are aware that top quality medical doctors and specialists, who are committed to remaining at the forefront of medicine, associate themselves with hospitals which are innovative, proactive and show constant investment in modern technologies. By implementing the abovementioned processes, we aim to make our hospitals an attractive destination for high calibre medical professionals, thereby promoting the sustainability of our operations.

Medical aids expect a good working relationship with hospital groups to provide cost effective quality healthcare. The Group interacts with the medical aid industry and various other funders to ensure an amicable working relationship between patient, medical aid and the hospital. On a yearly basis representation is made to the industry to ensure a fair price for services rendered. We strive to adhere to accurate and fair case management practices, to ensure that the patient is not disadvantaged, medical aids are informed of patient treatment at every milestone and that all necessary authorisations are obtained.

It is imperative that Lenmed maintains a sound working relationship with the medical aid industry to ensure the sustainability of the group. As Lenmed expands its operations outside South Africa, the same principles must be followed.

Government expects healthcare providers to promote cost effective medical care that is accessible to the population of South Africa. It is also expected of healthcare providers to carry out their business in an ethical manner adhering to legislation that governs the industry. Lenmed engages government through its representative, the Hospital Association of South Africa.

Lenmed strives to ensure that transformation and employment equity targets are achieved, in order to address the imbalances of the past caused by Apartheid. During the 2012 financial year, we will engage with relevant parties to formally obtain a Black Economic Empowerment (BEE) rating. Once the rating process has been concluded, the Group will develop strategies for the future.

Investors expect Lenmed to carry out its business in an ethical manner adhering to the principles of corporate governance, providing timeous information, compliance with government's policies and regulations, while continuing to maximise shareholder wealth. Investors are kept informed of

SUSTAINABILITY REPORT (cont'd)

developments by newspaper articles, shareholder meetings, the company website and annual company reports. We aim to ensure that our business operations adhere to the principles of corporate governance as contained in the King III report and deliver shareholder value. To this end, we have appointed two new independent non-executive directors to the main board and formed board sub-committees to deal with areas of risk, finances and directors' remuneration. A King III gap analysis will be performed in the 2012 financial year to identify shortcomings, which will then be addressed in due course.

Suppliers expect fair competition and suitable payment terms. Regular meetings with suppliers ensures that areas of concern are adequately addressed. It is expected that suppliers will honour their terms of agreement as stated in contracts. It is also expected that suppliers will act in an ethical manner, supply quality products at a fair price, deliver and install equipment on time and honour warranties and guarantees. Lenmed deals with reputable suppliers with proven track records to ensure business continuity and operational excellence is never compromised.

Due to Lenmed being in a growth phase, cash flow requirements are constantly scrutinised and reviewed. A budgetary and financial forecast model in is place, to project the expected financial performance and position of the company in the future. In addition, we maintain close relations with independent and reputable financiers, to enable us to have access to funding on favourable terms, when required. This will allow us to continue our expansion drive and to maximise shareholder wealth.

PLANET

Lenmed recognises the need for it to be a responsible corporate citizen and strives to carry out its business in an ecologically-friendly manner. Medical waste is disposed of in compliance with environmental regulation. We endeavour to manage our consumption of natural resources and to reduce our carbon footprint in accordance with the drive to address global climate change issues.

The disposal of waste is one of the biggest risks facing our environment, with the disposal of medical waste of particular importance to the healthcare industry. Lenmed has a comprehensive waste disposal policy in place, which complies with legislation in respect of the disposal of biological waste.

Whilst it is important to save the planet's natural resources, cleanliness and hygiene are essential in a hospital environment. Items such as linen and towels are required to be washed and changed on a daily basis. We have encouraged our laundry services to use bio-degradable washing powders and our cleaning services to use non toxic cleaning compounds, thus minimising the impact on the environment.
Medicine management is the responsibility of the pharmacy manager. Stock levels are constantly monitored and medicines are dispensed on the FIFO principle. This ensures that expired medicines are kept to a minimum. In the event that medicines do expire, they are documented, sealed in containers and disposed of by a reputable, third-party medical waste company. At no stage is any category of medical waste disposed of as general waste.

In an effort to reduce the use of paper, double sided printing is encouraged in our administration departments at all the hospitals. Ethekwini Hospital and Heart Centre has adopted an integrated, paperless IT system. Efforts are under way to have this technology extended to the other hospitals within the group.

CONCLUSION

Sustainability is a relatively new concept and a team effort is required to ensure that our objectives are met. With this in mind, Lenmed will continue to work with all stakeholders to ensure that the principles outlined in this report are upheld and improved over time. We will continuously work with our patients, staff, shareholders and the community we serve to improve standards, develop individuals, increase profitability and uplift the community at large in a socially responsible manner, whilst at the same time ensuring no harm to the environment.

FINANCIAL STATEMENTS & OTHER INFORMATION

Financial Statements

DIRECTOR'S RESPONSIBILITIES AND APPROVAL

The directors are required by the Companies Act, 1973 of 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 and cash equivalents.

The annual financial statements of the company set out on pages 29-63, which have been prepared on the going concern basis, were approved by the board of directors on 27th June, 2011 and were signed on its behalf by :

....
DIRECTOR

....
DIRECTOR

27th June, 2011.

PKF

chartered accountants
& business advisers

REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF

LENMED INVESTMENTS LIMITED AND ITS SUBSIDIARIES

Report on the annual financial statements

We have audited the annual financial statements of Lenmed Investments Limited and the Group, which comprise the directors' report, the statements of financial position at 28th February, 2011 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 29 to 63.

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, 1973 of 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.

Auditors' 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 auditors' 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 auditors consider 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, 2011 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, 1973 of South Africa.

PKF Durban

PKF DURBAN
Practice number: 906352E
CHARTERED ACCOUNTANTS (SOUTH AFRICA)
REGISTERED AUDITORS

27th June, 2011.

LEN 012 / 2011

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, 1973 of 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

27th June, 2011.

REPORT OF THE DIRECTORS

1. NATURE OF BUSINESS

The principal activities of the company during the year were the the provision of private patient healthcare, through management and ownership of hospitals and other related health services. There were no major changes in the nature of the business during the year under review.

The Lenmed Investments Group includes the following entities -

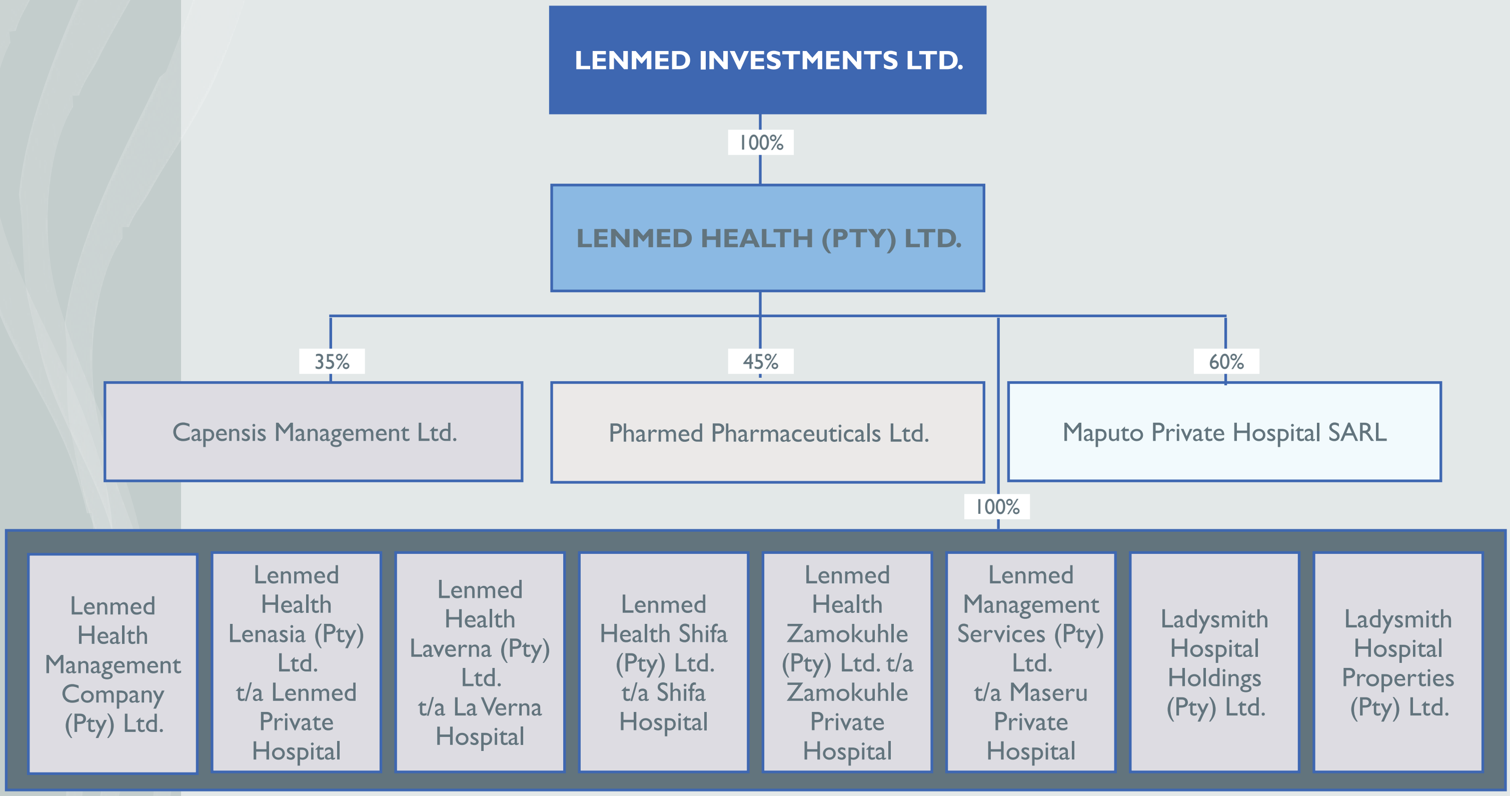
Subsidiaries

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
Lenmed Health Management Company (Pty) Ltd.	- Reg. No. 2010/004046/07
Maputo Private Hospital SARL	

Associate companies

Pharmed Pharmaceuticals Ltd.	- Reg. No. 1985/005694/06
Capensis Management Ltd. t/a Ethekwini Hospital and Heart Centre	- Reg. No. 2002/002222/06

In the current year the group was structured as follows -



During the year the company acquired a 35% shareholding in Capensis Management Limited in terms of an agreement entered into on 1st April, 2010.

The company also increased its investment in Pharmed Pharmaceuticals Limited to 45%.

REPORT OF THE DIRECTORS

2. STATE OF AFFAIRS

Profit on ordinary activities for the year amounted to R79 103 339 (2010 - R60 942 016) before accounting for profit on sale of investments of R19 587 729 (2010 - nil).

The group's total profit on ordinary activities for the year amounted to R98 691 068 (2010 - R60 942 016) before deducting taxation of R22 580 567 (2010 - R18 249 591), resulting in profit after taxation for the year of R76 110 501 (2010 - R42 692 425).

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 read together with the Chairman's report do not, in our opinion, require further comment.

5. DIVIDENDS

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

No dividends were declared and paid to ordinary shareholders during the period (2010 : R11 756 030).

Preference dividends of R262 500 (2010 - R262 500) were declared and paid by a subsidiary during the period, to a third party financier (Nedbank).

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 1 435 shares were issued.
The shares were issued as follows -

- 60 shares were issued to doctors at R400 per share.
- 1 375 shares were issued to staff at R300 per share.

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
Mr. M.G. Meehan	16/09/10
Prof. B.D. Goolab	16/09/10
Ms. B. Harie	16/09/10

9. SECRETARIES

The company secretary, Mr. M. Noor Mohamed, was appointed by the Board effective 1st March, 2006.

Mr. William Somerville will be appointed to this position effective from 1st July, 2011.

The transfer secretary of the company is Aboo Kaloo and Company.

10. AUDITORS

PKF Durban Chartered Accountants (SA) is the group's auditors and will continue in office.

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 III Report on Governance for South Africa with effect from 1st March, 2010. 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.

13. PROPERTY, PLANT AND EQUIPMENT

The group, excluding Maputo Private Hospital, acquired property, plant and equipment to the amount of R40 197 876 (2010: R25 389 347). Maputo Private Hospital was consolidated for the first time in the current financial year. Acquisitions of property, plant and equipment in this respect amounted to R140 517 797, bringing total acquisitions by the group to R180 715 673. The total amount expended in the prior year relating to Maputo Private Hospital was reflected under Investments in the prior year's annual financial statements.

14. SALE OF INVESTMENTS

In order to fund acquisition opportunities, shares held in Brimstone Investment Corporation Ltd as well Life Healthcare Group Ltd were disposed of for an amount of R27 535 987. This resulted in a profit on sale of investment of R19 587 729 being recognised in the statement of comprehensive income.

REPORT OF THE DIRECTORS

15. FUTURE GROWTH

The group is involved in negotiations in respect of several acquisition opportunities in Africa for which the capital requirements will range between R50m and R75m. Funding for the majority of this amount has been arranged.

16. SUBSEQUENT EVENTS

The directors are not aware of any matter or circumstance arising since the end of the financial year that is required to be reported to shareholders.

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STATEMENTS OF FINANCIAL POSITION

	Note	Group		Company	
		2011	2010	2011	2010
		R	R	R	R
ASSETS					
NON-CURRENT ASSETS		**535,489,880**	**303,849,394**	**198,401,515**	**208,391,500**
Property, plant and equipment	3	344,531,513	174,747,135	-	-
Loans receivable	4	5,595,424	5,601,834	198,401,415	181,891,400
Goodwill	5	22,406,819	22,406,819	-	-
Investment in subsidiary	6	-	-	100	100
Investments	7	32,250	48,999,660	-	26,500,000
Investment in associates	8	162,437,134	52,093,946	-	-
Deferred taxation	9	486,740	-	-	-
CURRENT ASSETS		**90,048,133**	**88,705,108**	**9,102,376**	**16,465,062**
Inventory	10	5,680,124	6,139,016	-	-
Trade and other receivables	11	59,247,322	58,929,315	530,878	355,346
Taxation		1,326,071	473,760	-	-
Cash and cash equivalents	22.3	23,794,616	23,163,017	8,571,498	16,109,716
TOTAL ASSETS		**625,538,013**	**392,554,502**	**207,503,891**	**224,856,562**
EQUITY AND LIABILITIES					
EQUITY AND RESERVES		**358,033,536**	**301,743,780**	**207,393,794**	**208,708,637**
Share capital	12	4,535,900	4,521,550	4,535,900	4,521,550
Share premium		100,061,813	99,502,163	100,061,813	99,502,163
Revaluation reserve		19,923,941	39,275,683	19,469,066	38,820,808
Foreign currency translation reserve		(1,033,064)	-	-	-
Accumulated profits		235,880,927	158,444,384	83,327,015	65,864,116
Non-controlling interest		(1,335,981)	-	-	-
NON-CURRENT LIABILITIES		**181,668,954**	**49,220,054**	**-**	**5,068,970**
Long term liabilities	13	166,957,084	35,406,332	-	5,068,970
Deferred taxation	9	14,711,870	13,813,722	-	-
CURRENT LIABILITIES		**85,835,523**	**41,590,668**	**110,097**	**11,078,955**
Trade and other payables	14	26,250,095	17,002,499	19,001	24,001
Current portion of long term liabilities	13	26,894,343	8,845,026	-	-
Short term loan	15	26,000,000	-	-	-
Accruals	16	3,750,487	3,622,865	-	-
Taxation		-	-	91,096	892,972
Bank overdraft	22.3	2,940,598	2,005,753	-	-
Dividend payable	22.4	-	10,114,525	-	10,161,982
TOTAL EQUITY AND LIABILITIES		**625,538,013**	**392,554,502**	**207,503,891**	**224,856,562**

STATEMENTS OF COMPREHENSIVE INCOME

	Note	Group		Company	
		2011	2010	2011	2010
		R	R	R	R
CONTINUING OPERATIONS					
REVENUE	2.1	343,972,272	284,396,310	-	-
COST OF SALES		(99,308,883)	(84,326,473)	-	-
GROSS PROFIT		**244,663,389**	**200,069,837**	-	-
OTHER INCOME		12,877,960	8,371,815	-	246,926
OPERATING COSTS		(187,091,153)	(154,036,952)	(417,321)	(717,426)
PROFIT/(LOSS) before interest and taxation		**70,450,196**	**54,404,700**	**(417,321)**	**(470,500)**
INVESTMENT INCOME	18	15,870,729	11,814,071	1,177,114	13,135,854
FINANCE COSTS	19	(7,217,586)	(5,276,755)	-	-
PROFIT from operations	**20**	**79,103,339**	**60,942,016**	**759,793**	**12,665,354**
PROFIT ON SALE OF INVESTMENTS		19,587,729	-	19,587,729	-
PROFIT before taxation		**98,691,068**	**60,942,016**	**20,347,522**	**12,665,354**
TAXATION	21	(22,580,567)	(18,249,591)	(2,884,623)	(1,169,059)
PROFIT for the year		**76,110,501**	**42,692,425**	**17,462,899**	**11,496,295**
OTHER COMPREHENSIVE INCOME		**(20,267,365)**	**15,500,000**	**(19,351,742)**	**15,500,000**
Foreign currency translation reserve		(915,623)	-	-	-
Available-for-sale investment		(19,351,742)	15,500,000	(19,351,742)	15,500,000
- Fair value adjustment		-	15,500,000	-	15,500,000
- Release of fair value adjustment		(19,351,742)	-	(19,351,742)	-
TOTAL COMPREHENSIVE INCOME for the year		**55,843,136**	**58,192,425**	**(1,888,843)**	**26,996,295**
PROFIT ATTRIBUTABLE TO:					
Lenmed Investments Ltd. members		77,699,043	42,692,425		
Non-controlling interests		(1,588,542)	-		
		76,110,501	**42,692,425**		
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Lenmed Investments Ltd. members		57,314,237	58,192,425		
Non-controlling interests		(1,471,101)	-		
		55,843,136	**58,192,425**		

STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Revaluation reserve	Foreign currency translation reserve	Accumulated profits	Non-controlling interest	Total
	R	R	R	R	R	R	R
GROUP							
Balance at 1st March, 2009	**4,458,330**	**97,036,583**	**23,775,683**	**-**	**127,770,489**	**-**	**253,041,085**
Issue of shares	63,220	2,465,580	-	-	-	-	2,528,800
Dividend paid	-	-	-	-	(12,018,530)	-	(12,018,530)
Total comprehensive income for the year	-	-	15,500,000	-	42,692,425	-	58,192,425
Balance at 1st March, 2010	**4,521,550**	**99,502,163**	**39,275,683**	**-**	**158,444,384**	**-**	**301,743,780**
Issue of shares	14,350	559,650	-	-	-	-	574,000
Increase in minority on acquisition of subsidiary	-	-	-	-	-	135,120	135,120
Dividend paid	-	-	-	-	(262,500)	-	(262,500)
Total comprehensive income for the year	-	-	(19,351,742)	(1,033,064)	77,699,043	(1,471,101)	55,843,136
Balance at 28th February, 2011	**4,535,900**	**100,061,813**	**19,923,941**	**(1,033,064)**	**235,880,927**	**(1,335,981)**	**358,033,536**
COMPANY							
Balance at 1st March, 2009	**4,458,330**	**97,036,583**	**23,320,808**	**-**	**66,123,851**	**-**	**190,939,572**
Issue of shares	63,220	2,465,580	-	-	-	-	2,528,800
Dividend paid	-	-	-	-	(11,756,030)	-	(11,756,030)
Total comprehensive income for the year	-	-	15,500,000	-	11,496,295	-	26,996,295
Balance at 1st March, 2010	**4,521,550**	**99,502,163**	**38,820,808**	**-**	**65,864,116**	**-**	**208,708,637**
Issue of shares	14,350	559,650	-	-	-	-	574,000
Total comprehensive income for the year	-	-	(19,351,742)	-	17,462,899	-	(1,888,843)
Balance at 28th Feb, 2011	**4,535,900**	**100,061,813**	**19,469,066**	**-**	**83,327,015**	**-**	**207,393,794**

CASH FLOW

	Note	Group 2011 R	Group 2010 R	Company 2011 R	Company 2010 R
CASH FLOWS FROM OPERATING ACTIVITIES		**64,345,768**	**40,230,041**	**(3,907,239)**	**746,194**
Cash generated by/(utilised in) operating activities	22.1	93,278,401	62,840,162	(597,854)	(86,554)
Interest received		1,306,423	2,846,133	377,114	1,346,196
Interest paid		(7,217,586)	(5,276,755)	-	-
Taxation paid	22.2	(23,021,470)	(19,234,769)	(3,686,499)	391,907
Secondary tax on companies paid		-	(944,730)	-	(905,355)
CASH FLOWS FROM INVESTING ACTIVITIES		**(187,261,206)**	**(49,631,629)**	**27,535,987**	**11,789,658**
Purchase of property, plant and equipment					
- To maintain operating capacity	3	(32,418,899)	-	-	-
- To expand operating capacity		(82,356,191)	(25,389,347)	-	-
Proceeds from sale of property, plant and equipment		4,395	7,500	-	-
Proceeds from sale of investment		27,535,987	-	27,535,987	-
Investment in associate		(100,026,498)	(12,702,194)	-	-
Increase in investments		(800,000)	(12,147,588)	(800,000)	-
Dividends received		800,000	600,000	800,000	11,789,658
CASH FLOWS FROM FINANCING ACTIVITIES		**76,591,029**	**(11,271,638)**	**(31,166,967)**	**(21,126,064)**
Issue of shares to non-controlling members		135,120	-	-	-
Issue of ordinary share capital net of expenses		574,000	2,528,800	574,000	2,528,800
Long term loans raised		42,203,207	30,551	(16,510,015)	(15,349,520)
Long term loans repaid		6,410	(6,083,703)	(5,068,970)	2,943,970
Short term loans raised		26,000,000	-	-	-
Increase in short term portion of long term liabilities		18,049,317	3,811,995	-	-
Dividends paid		(10,377,025)	(11,559,281)	(10,161,982)	(11,249,314)
DECREASE IN CASH AND CASH EQUIVALENTS		**(46,324,409)**	**(20,673,226)**	**(7,538,219)**	**(8,590,212)**
CASH AND CASH EQUIVALENTS **at beginning of year**	**22.3**	**21,157,264**	**41,830,490**	**16,109,716**	**24,699,928**
Cash resources (Maputo)		53,012,241	-	-	-
Foreign exchange differences on cash and cash equivalents		(6,991,078)	-	-	-
CASH AND CASH EQUIVALENTS at end of year	**22.3**	**20,854,018**	**21,157,264**	**8,571,497**	**16,109,716**

Notes

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and the Companies Act, 1973 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.

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 27.

Standards in Issue, not yet effective

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective The following standards and interpretations could have an impact on the financial statements of the group when they do become effective.

Note: Amendments in italics represent amendments introduced under the Improvements Project 2010.

Standard	Details of Amendment	Annual periods beginning on or after
IFRS 3: Business Combinations	*Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS*	1 January 2011
	Measurement of non-controlling interests	1 January 2011
	Un-replaced and voluntarily replaced share-based payment awards	1 January 2011
	Amendments require additional disclosure on transfer transactions of financial assets, including the possible effects of any residual risks that the transferring entity retains. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period	1 July 2011
IFRS 7: Financial Instruments: Disclosures	*Clarification of disclosures*	1 January 2011
	Additional disclosure on transfer transactions of financial assets	1 July 2011
IFRS 9: Financial Instruments	New standard that forms the first part of a three part project to replace IAS 39 *Financial Instruments: Recognition and Measurement*	1 January 2013
IAS 1: Presentation of Financial Statements	Clarification of statement of changes in equity	1 January 2011

1. BASIS OF PREPARATION (cont'd)

Standards in Issue, not yet effective (cont'd)

Standard	Details of Amendment	Annual periods beginning on or after
IAS 12: Income Taxes	Rebuttable presumption introduced that an investment property will be recovered in its entirety through sale.	1 July 2012
IAS 21 The Effects of Changes in Foreign Exchange Rates	*Consequential amendments from changes to IAS 27 Consoli-dated and Separate Financial Statements (Clarification on the transition rules in respect of the disposal or partial disposal of an interest in a foreign operation)*	1 July 2010
IAS 24: Related Party Disclosure	Clarification of the definition of related party	1 January 2011
IAS 27: Consolidated and separate financial statements	*Transition requirement for amendments arising as a result of IAS 27*	1 July 2010
IAS 28 : Investments in Associates	Consequential amendments from changes to IAS 27 consolidated and separate financial statements (clarification on the transition rules in respect of the disposal or partial disposal of an interest in a foreign operation)	1 July 2010

Interpretations	Annual periods beginning on or after
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 at the fair value of the consideration received or receivable net of indirect taxes and trade discounts. Revenue comprises the amount charged for accommodation, theatre fees and medical consumables. Revenue within the group is eliminated on consolidation.

Revenue from charges to patients is recognised when the service giving rise to this revenue is rendered.

Revenue arising from administration fees is recognised on the accrual basis in accordance with the substance of the relevant agreements.

2.2 Other income

Rental income from operating leases is recognised as it is earned over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Dividends are recognised when the shareholders' right to receive payment is established.

Interest is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the group.

2.3 Cost of sales

Cost of sales includes all costs of purchase. Inventory write-downs are included in cost of sales when recognised. Trade discounts, settlement discounts and similar costs are deducted in determining the costs of purchase.

2.4 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.

2.5 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 reporting date.

Deferred tax
Deferred tax is provided on the liability method and is 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 reporting 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.

2. ACCOUNTING POLICIES (cont'd)

2.5 Taxation (cont'd)

Deferred tax (cont'd)
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 reporting date.

Secondary tax on companies (STC)
STC is recognised as part of the tax expense in profit or loss when the related dividend has been paid. There are no material unutilised STC credits within the group that would have resulted in the recognition of a deferred tax asset.

2.6 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 profit and loss on a straight-line basis over the period of the lease.

2.7 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.

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 profit and loss 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 profit and loss on acquisition date.

2.8 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

2. ACCOUNTING POLICIES (cont'd)

2.8 Property, plant and equipment (cont'd)

down to their recoverable amounts. Impairment losses and reversals are recognised directly in the statement of comprehensive income 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

2.9 Impairment

The carrying amounts of the assets are reviewed at each reporting 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 profit and loss.

A previous 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.

2.10 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.

2.11 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 statement of comprehensive income. Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated.

NOTES

2. ACCOUNTING POLICIES (cont'd)

2.11 Basis of consolidation (cont'd)

Subsidiaries (cont'd)
Non-controlling interests are measured at their share of the identifiable assets and liabilities of the subsidiary at the date of acquisition.

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 does not exert 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.

2.12 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 reporting 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 on behalf of its employees. Contributions are charged against profit or loss as incurred.

2.13 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 profit or loss over the period of the borrowings as interest.

2.14 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 statement of financial position at fair value when the group becomes a party to the contractual provisions of the instrument. Direct 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.

2. ACCOUNTING POLICIES (cont'd)

2.14 Financial instruments (cont'd)

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.

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 and recognised in profit and loss.

Subsequent recoveries of amounts previously written off are recognised in profit and loss.

Trade and other payables
Trade and loans payables 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.

2.15 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.

2.16 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.

NOTES

2. ACCOUNTING POLICIES (cont'd)

2.17 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.

2.18 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 26 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 notes 25 and 26 respectively. There were no other material contracts with related parties.

2.19 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.

2.20 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.

2.21 Translation of foreign currencies

Items included in the financial results of each entity are measured using the functional currency of that entity. The consolidated financial results presented in Rand, which is Lenmed Investments Ltd's functional and presentation currency.

Foreign currency transactions

Income and expenditure transactions are translated into the functional currency of the entity at the rate of exchange ruling at the transaction date. Monetary assets and liabilities are translated into the functional currency of the entity at the rate of the exchange ruling at the reporting date. Foreign exchange gains or losses resulting from the translation and settlement of monetary assets and liabilities are charged to profit or loss, except when they relate to cash flow hedging activities in which case these gains or losses are recognised in other comprehensive income and included in the cash flow hedge accounting reserve in equity.

Foreign operations

The financial results of all entities that have a functional currency different from the presentation currency of their parent entity are translated into the presentation currency. Income and expenditure transactions of foreign operations are translated at the average rate of exchanged for the year. All assets and liabilities, including fair value adjustments arising on acquisition, are translated at the rate of exchange ruling at the reporting date. Differences arising on translation are recognised in other comprehensive income and included in the foreign currency translation reserve in equity.

2. ACCOUNTING POLICIES (cont'd)

2.21 Translation of foreign currencies (cont'd)

Foreign operations (cont'd)
On consolidation, differences arising from the translation of the net investment in a foreign operation are recognised in other comprehensive income and included in the foreign currency translation reserve in equity.

On disposal of part or all of the investment, the proportionate share of the related cumulative gains or losses previously recognised in the foreign currency translation reserve in equity are included in determining the profit or loss on disposal of that investment charged to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.22 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets that take necessarily a substantial period of time to prepare for their extended use or sale, are capitalised the cost of these assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are expensed in the period in which they are incurred.

3. PROPERTY, PLANT AND EQUIPMENT

GROUP	Land and buildings	Plant and equipment	Motor vehicles	Furniture and fittings	Office equipment	Computer equipment	Total
2011	R	R	R	R	R	R	R
Net carrying amount at beginning 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)
Additions	121,733,023	47,064,279	-	7,390,400	3,685,643	842 328	180,715,673
Disposals	-	(87)	(1)	(4,227)	(25)	(55)	(4,395)
FCTR adjustment	-	-	-	15,097	-	-	15,097
Depreciation	(3,321,007)	(4,623,604)	(14,000)	(1,832,114)	(700,857)	(450,415)	(10,941,997)
Net carrying amount at end of year	**253,115,846**	**71,137,823**	**51,338**	**10,426,457**	**8,832,937**	**967,112**	**344,531,513**
- Cost	273,829,190	111,607,169	444,638	16,437,180	11,860,825	3,943,241	418,122,243
- FCTR adjustment	-	-	-	15,097	-	-	15,097
- Accumulated depreciation	(20,713,344)	(40,469,346)	(393,300)	(6,025,820)	(3,027,888)	(2,976,129)	(73,605,827)
2010							
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)

3. PROPERTY, PLANT AND EQUIPMENT (cont'd)

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

The following are held by First National Bank as security for overdraft facilities of R3 500 000 extended to the company and an amount of R114 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.

	Group		Company	
	2011	2010	2011	2010
	R	R	R	R
4. LOANS RECEIVABLE	**5,595,424**	**5,601,834**	**198,401,415**	**181,891,400**

These loans are unsecured, interest-free and will not be recalled within the next twelve months.

5. GOODWILL

	Group 2011	Group 2010	Company 2011	Company 2010
Carrying amount at beginning of year	22,406,819	22,406,819	-	-
Carrying amount at end of year	**22,406,819**	**22,406,819**	-	-

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 profit or loss.

NOTES

6. INVESTMENT IN SUBSIDIARY

	Group 2011 R	Group 2010 R	Company 2011 R	Company 2010 R
Shares at cost				
Lenmed Health (Pty) Ltd			**100**	**100**

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

7. INVESTMENTS

	Group 2011 R	Group 2010 R	Company 2011 R	Company 2010 R
Listed shares - Available for Sale				
Brimstone - 2 500 000 "N" ordinary shares valued at R10,60 on 28th February, 2010	-	26,500,000	-	26,500,000
Unlisted shares				
National Hospital Network				
- Shares and loan account	7,549	7,549	-	-
Maputo Private Hospital SARL				
- Shares and loan account	-	22,467,410	-	-
Inter Hospital Pharmaceuticals				
- Shares and loan account	24,701	24,701	-	-
	32,250	**48,999,660**	**-**	**26,500,000**

The directors are of the opinion that the above investment approximates its carrying value.

	Group		Company	
	2011	2010	2011	2010
	R	R	R	R

8. INVESTMENT IN ASSOCIATES

The company's investments in Pharmed Pharmaceuticals Limited and Capensis Management Ltd are 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.

	2011 R	2010 R
Pharmed Pharmaceuticals Ltd.		
Opening balance	52,093,946	31,023,814
Acquisition	10,716,998	14,835,822
Share of associate's earnings	11,537,329	8,367,938
Reallocation of dividends received	(3,447,615)	(2,133,628)
Closing balance	**70,900,658**	**52,093,946**

Summary of financial information of Pharmed Pharmaceuticals Ltd.

	2011 R	2010 R
Non-current assets	39,443,647	38,757,423
Current assets	276,894,285	216,663,173
Non-current liabilities	2,087,943	2,572,672
Profit after taxation	27,470,813	22,614,281
Total comprehensive income	28,129,371	22,988,846
Revenue	815,931,151	705,051,010

The directors are of the opinion that the above investment approximates its carrying value.

	2011 R	2010 R
Capensis Management Ltd.		
Acquisition	89,309,500	-
Share of associate's earnings	2,226,976	-
Closing balance	**91,536,476**	**-**

Summary of financial information of Capensis Management Ltd.

	2011 R	2010 R
Non-current assets	404,173,925	427,483,876
Current assets	49,476,480	38,339,335
Non-current liabilities	414,152,663	370,867,801
Loss after taxation	(3,843,196)	(37,977,989)
Total comprehensive income	(3,843,196)	(37,977,989)
Revenue	252,814,283	211,696,944

The directors are of the opinion that the above investment approximates its carrying value.

	2011 R	2010 R
Total	**162,437,134**	**52,093,946**

NOTES

	Group		Company	
	2011	2010	2011	2010
	R	R	R	R
9. DEFERRED TAXATION				
Deferred tax asset				
The balance comprises				
- Property, plant and equipment	**486,740**	**-**	**-**	**-**
Reconciliation of deferred tax asset				
Balance at beginning of year	-	108,410	-	-
Movements during the year attributable to :				
- Reversal of deferred tax asset	-	(108,410)	-	-
- Temporary differences	486,740	-	-	-
Balance at end of year	**486,740**	**-**	**-**	**-**
Deferred tax liability				
The balance comprises				
- Property, plant and equipment	17,050,656	15,295,792	-	-
- Provisions	(2,488,474)	(1,554,141)	-	-
- Lease smoothing adjustment	52,442	66,451	-	-
- Prepaid expenses	109,924	15,550	-	-
- Income received in advance	(12,678)	(9,930)	-	-
	14,711,870	**13,813,722**	**-**	**-**
Reconciliation of deferred tax liability				
Balance at beginning of year	13,813,722	10,259,187	-	-
Movements during the year attributable to :				
- Provisions	(934,333)	401,844	-	-
- Prior year adjustment	-	2,304,445	-	-
- Property, plant and equipment	1,754,864	850,941	-	-
- Income received in advance	(2,748)	-		
- Lease smoothing adjustment	(14,009)	(16,028)	-	-
- Prepaid expenses	94,374	13,333	-	-
Balance at end of year	**14,711,870**	**13,813,722**	**-**	**-**
10. INVENTORY				
Amounts attributable to inventory is as follows -				
Medical supplies	**5,680,124**	**6,139,016**	**-**	**-**

Inventory has been valued as stated in note 2.4.

	Group 2011 R	Group 2010 R	Company 2011 R	Company 2010 R

11. TRADE AND OTHER RECEIVABLES

	Group 2011 R	Group 2010 R	Company 2011 R	Company 2010 R
Trade receivables net of provision for doubtful debts	53,918,869	56,249,022	-	-
- Trade receivables	56,813,953	59,755,707	-	-
- Provision for bad debts	(2,895,084)	(3,506,685)	-	-
Other receivables	5,328,453	2,680,293	530,878	355,346
	59,247,322	**58,929,315**	**530,878**	**355,346**
Allowance for impairment				
Opening balance	3,506,685	5,377,215	-	-
Impairments recognised in profit and loss	(3,868,315)	(1,870,530)	-	-
Increase in provision recognised in profit and loss	3,256,714	-	-	-
Closing balance	**2,895,084**	**3,506,685**	**-**	**-**

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

	Group 2011 R	Group 2010 R	Company 2011 R	Company 2010 R
Trade receivables past due but not impaired				
Amounts in 30 to 60 days	3,177,138	4,919,027	-	-
Amounts in 60 to 90 days	1,774,431	1,836,320	-	-
Amounts in 90 days +	5,764,048	6,544,956	-	-
	10,715,617	**13,300,303**	**-**	**-**

The trade receivables of a subsidiary amounting to R12 552 490 have been ceded as security to its banker for general banking facilities granted to the subsidiary for the financing of movable assets.

12. SHARE CAPITAL

	Group 2011 R	Group 2010 R	Company 2011 R	Company 2010 R
Authorised				
600 000 Ordinary shares of R10 each	**6,000,000**	**6,000,000**	**6,000,000**	**6,000,000**
Issued				
453 590 (2010 : 452 155) Ordinary shares of R10 each	**4,535,900**	**4,521,550**	**4,535,900**	**4,521,550**

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.

NOTES

		Group		Company	
		2011	2010	2011	2010
		R	R	R	R

12. SHARE CAPITAL (cont'd)

Reconciliation of issued shares at beginning and end of year:

	No. of ordinary shares	Group 2011 R	Group 2010 R	Company 2011 R	Company 2010 R
Balance at beginning of year	452,155	4,521,550	4,458,330	4 521 550	4,458,330
Shares issued at a premium during the year					
- Staff issue	1,375	13,750	18,700	13,750	18,700
- Doctors	60	600	44,520	600	44,520
	453,590	**4,535,900**	**4,521,550**	**4,535,900**	**4,521,550**

13. LONG TERM LIABILITIES

	Group 2011 R	Group 2010 R	Company 2011 R	Company 2010 R
13.1 Instalment sales	**16,622,253**	**12,872,999**	**-**	**-**
Nedbank Ltd	10,158,257	4,722,700	-	-
Repayable in monthly instalments of R344 466 (2010 - R255 443). Interest has been charged at rates of interest linked to the prime lending rate. Secured by plant and equipment with a book value of R10 498 171 (2010 - R4 978 201)				
Wesbank, a division of FirstRand Bank Ltd.	6,463,996	8,150,299	-	-
Repayable in monthly instalments of R271 629 (2010 - R268 748). Interest has been charged at rates of interest linked to the prime lending rate. Secured by plant and equipment with a book value of R8 359 387 (2010 - R11 881 934).				

13. LONG TERM LIABILITIES (cont'd)

	Group 2011 R	Group 2010 R	Company 2011 R	Company 2010 R
13.2 Mortgage bonds	**137,405,432**	**25,889,411**	-	-
Nedbank Ltd	4,368,079	4,695,769	-	-
The loan bears interest at 8% to 13,5% (2010 - 13,5%) per annum and is secured by a mortgage on freehold land and buildings. It is repayable in monthly instalments of R70 415 (2010 - R70 906) inclusive of interest.				
Loans payable to vendors	7,591,855	7,891,934	-	-
These loans bear interest at 15,25% (2010 - 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 of Lenmed Health Shifa (Pty) Ltd. Repayable in monthly instalments of R125 000 (2010 - R125 000).				
First National Bank Ltd	58,405,102	13,301,708	-	-
Loan from First National Bank secured by a first general covering bond on Erf 7688, 7689, 7690, Lenasia, Extension 8 Township and general notarial bond over movable assets. The loan bears interest at First National Bank's prime rate of interest. This loan is repayable in 60 monthly instalments of R1 359 810 (2010: R191 752) plus any interest in arrears.				
Deutsche Investitions - und Entwicklungsgesellschaft MBH (DEG)	67,040,396	-	-	-
This loan is secured by a first ranking mortgage bond over property, plant and equipment and all other movable assets in Maputo Private Hospital that are not subject to registration, project accounts or shares held by the shareholder in the company. The loan bears interest at 6 months Li-bor plus 3,3% per annum. The US dollar balance payable at reporting period end is $9 614 697. The loan is repayable over 7 years in instalments payable every 6 months commencing 15th August, 2011. This loan is ringfenced in Maputo Private Hospital and DEG has no claim to the group assets should the loan default.				
Carried forward:	**154,027,685**	**38,762,410**	-	-

NOTES

	Group 2011 R	Group 2010 R	Company 2011 R	Company 2010 R
13. LONG TERM LIABILITIES (cont'd)				
Brought forward:	**154,027,685**	**38,762,410**	-	-
13.3 Other loans	**39,823,742**	**5,488,948**	-	**5,068,970**
Lenmed Pharmacy CC	1,674,124	1,988,948	-	-
Invalco Limitada	34,649,618	-	-	-
These loans are unsecured, interest-free and have no fixed terms of repayment. The US dollar balance payable to Invalco Limitada at reporting period end is $4 969 326.				
Cumulative redeemable preference shares owed to Nedbank Limited by Lenmed Health Laverna (Pty) Ltd. 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.	3,500,000	3,500,000	-	-
Lenmed Health Laverna (Pty) Ltd.	-	-	-	2,943,970
Lenmed Management Services (Pty) Ltd.	-	-	-	2,125,000
These loans were unsecured and interest-free.				
	193,851,427	**44,251,358**	-	**5,068,970**
Less: Current portion transferred to current liabilities	(26,894,343)	(8,845,026)	-	-
	166,957,084	**35,406,332**	-	**5,068,970**

14. TRADE AND OTHER PAYABLES

	Group 2011 R	Group 2010 R	Company 2011 R	Company 2010 R
Trade payables	12,111,102	10,331,783	-	-
Other payables	14,138,993	6,670,716	19,001	24,001
	26,250,095	**17,002,499**	**19,001**	**24,001**

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

	Group		Company	
	2011	2010	2011	2010
	R	R	R	R

15. SHORT TERM LOAN

Pharmed Pharmaceuticals Ltd.	**26,000,000**	-	-	-

This loan is secured by a cession of shares in Capensis Management Ltd. The loan bears interest at a rate of 8,25% per annum and was repaid on 31st May, 2011.

16. ACCRUALS

GROUP 2011

Leave pay accrual

Opening carrying amount	3,622,865			
Additional accruals	127,622			
Closing carrying amount	**3,750,487**			

GROUP 2010

Leave pay accrual

Opening carrying amount		3,095,075		
Additional accruals		527,790		
Closing carrying amount		**3,622,865**		

Accrual for leave pay

An accrual was 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 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.

17. CONTINGENCIES

Certain Compensation for Occupational Injuries and Diseases (COID) debtors are factored with Alexander Forbes at 83% of the original value. Alexander Forbes has recourse to this amount should they not be able to recover the debt. The total funds received from Alexander Forbes, but still open to recourse amounted to R2 319 375 in the current year (2010 - R3 700 538).

18. INVESTMENT INCOME

Share of associate's profits	13,764,306	8,367,938	-	-
Interest received	1,306,423	2,846,133	377,114	1,346,196
Dividends received	800,000	600,000	800,000	11,789,658
	15,870,729	**11,814,071**	**1,177,114**	**13,135,854**

NOTES

	Group		Company	
	2011	2010	2011	2010
	R	R	R	R

19. FINANCE COSTS

	Group 2011 R	Group 2010 R	Company 2011 R	Company 2010 R
Interest on bank overdraft	18,323	39,889	-	-
Interest on interest bearing borrowing	7,199,263	4,551,324	-	-
Interest and penalties	-	685,542	-	-
	7,217,586	**5,276,755**	**-**	**-**

20. PROFIT before interest and taxation

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

	Group 2011 R	Group 2010 R	Company 2011 R	Company 2010 R
Auditors' remuneration	785,339	990,448	20,000	83,000
Audit fee - current	532,000	424,835	20,000	24,000
- under provision	134,186	159,182	-	59,000
Other services - taxation	119,153	406,431	-	-
Depreciation	10,941,997	9,847,243	-	-
Directors' emoluments	5,771,525	4,935,684	216,921	-
Secretarial fees	92,624	47,066	-	-
Profit on sale of shares	19,587,729	-	-	-
Employee costs	109,000,581	95,158,019	-	-

21. TAXATION

	Group 2011 R	Group 2010 R	Company 2011 R	Company 2010 R
South African taxation consists of -				
Current tax				
- Current year	22,191,852	15,074,471	2,903,133	263,704
- Prior year (over)/under provision	(22,693)	(1,432,555)	(18,510)	-
Deferred tax	411,408	3,662,945	-	-
Secondary tax on companies	-	944,730	-	905,355
Tax expense	**22,580,567**	**18,249,591**	**2,884,623**	**1,169,059**
Tax rate reconciliation	%	%	%	%
Applicable tax rate	28,00	28,00	28,00	28,00
Reconciling items :				
Exempt differences				
- Dividends received	(0,22)	-	(1,1)	-
- Exempt portion of capital gains	(2,61)	-	(12,63)	-
- Prior year overprovision of current tax	(0,02)	-	(0,09)	-
- Disallowed expenditure and provisions	(2,27)	(3,38)	-	(26,00)
- Secondary tax on companies	-	1,55	-	7,15
Underprovision of deferred tax for prior year	-	3,78	-	-
Average effective tax rate	**22,88**	**29,95**	**14,18**	**9,15**

22. NOTES TO THE STATEMENTS OF CASH FLOW

22.1 Net cash generated by operating activities

	Group 2011 R	Group 2010 R	Company 2011 R	Company 2010 R
Profit before taxation	**98,691,068**	**60,942,016**	**20,347,522**	**12,665,354**
Adjustments for :	**(19,634,800)**	**1,407,094**	**(20,387,729)**	**(11,789,658)**
- Depreciation and amortisation	10,941,997	9,847,242	-	-
- Income from associate	(10,316,690)	(8,367,938)	-	-
- Movement in accrual	127,622	527,790	-	-
- Profit on sale of investment	(19,587,729)	-	(19,587,729)	-
- Dividends received	(800,000)	(600,000)	(800,000)	(11,789,658)
Adjustment for items disclosed separately on statements of cash flow	**5,911,163**	**2,430,622**	**(377,114)**	**(1,346,196)**
- Interest paid	7,217,586	5,276,755	-	-
- Interest income	(1,306,423)	(2,846,133)	(377,114)	(1,346,196)
Foreign currency translation adjustments	**(1,053,588)**	-	-	-
Operating profit/(loss) before working capital changes	**83,913,843**	**64,779,732**	**(417,321)**	**(470,500)**
Changes in working capital :	**9,364,558**	**(1,939,570)**	**(180,533)**	**383,946**
- Increase/(decrease) inventory	458,892	(882,597)	-	-
- Increase/(decrease) in trade and other receivables	(318,007)	(1,608,365)	(175,532)	412,269
- Increase/(decrease) in trade and other payables	9,223,673	551,392	(5,001)	(28,323)
Cash generated by operations	**93,278,401**	**62,840,162**	**(597,854)**	**(86,554)**

22.2 Taxation paid

	Group 2011 R	Group 2010 R	Company 2011 R	Company 2010 R
Outstanding at beginning of year	473,760	(5 119 093)	(892,972)	(237,361)
Expense for the year	(22,580,567)	(18,249,591)	(2,884,623)	(1,169,059)
Adjustment for deferred tax and STC	411,408	4,607,675	-	905,355
Outstanding at end of year	(1,326,071)	(473,760)	91,096	892,972
Taxation paid	**(23,021,470)**	**(19,234,769)**	**(3,686,499)**	**391,907**

22.3 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks. Cash and cash equivalents included in the statements of cash flow comprise the following amounts -

	Group 2011 R	Group 2010 R	Company 2011 R	Company 2010 R
Cash and bank balances	23,794,616	23,163,017	8,571,498	16,109,716
Bank overdraft	(2,940,598)	(2,005,753)	-	-
	20,854,018	**21,157,264**	**8,571,498**	**16,109,716**

NOTES

22. NOTES TO THE STATEMENTS OF CASH FLOW (cont'd)

22.4 Dividends paid

	Group 2011 R	Group 2010 R	Company 2011 R	Company 2010 R
Opening balance - dividends payable	10,114,525	9,655,276	1,016,182	9,655,266
Dividends declared	-	12,018,530	-	11,756,030
Closing balance - dividends payable	-	(10,114,525)	-	(10,161,982)
	10,114,525	**11,559,281**	**1,016,182**	**11,249,314**

23. 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 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:

23.1 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 and cash equivalents and interest-bearing borrowings.

The group is exposed to interest rate risk through its commitments in interest bearing borrowings, cash and cash equivalents 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	**2011 R**	**2010 R**
Interest bearing loans payable	137,405,432	25,889,441
Instalment sale liabilities	16,622,253	12,872,999
Bank overdraft	2,940,598	2,005,753
	156,968,283	**40,768,193**
Sensitivity analysis		
Increase of 100 basis points would result in a reduction in profit before tax of	(1,569,683)	(407,681)
Decrease of 100 basis points would result in an improvement in profit before tax of	1,569,683	407,681

	Group		Company	
	2011	2010	2011	2010
	R	R	R	R

23. FINANCIAL RISK MANAGEMENT (cont'd)

23.2 Credit risk

The group trades where possible 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 and cash equivalents, 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 are therefore no differences between their fair value and their carrying value.

23.3 Liquidity risk

The group manages liquidity risk by monitoring forecast 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, 2011 based on contractual undiscounted payments.

	Group		Company	
	Less than 1 year	Between 1 and 5 years	Less than 1 year	Between 1 and 5 years
Maturity analysis - 2011	R	R	R	R
Borrowings	52,894,343	166,957,084	-	-
Trade and other payables	26,250,095	-	19,001	-
Accruals	3,750,487	-	-	-
Dividend payable	-	-	-	-
	82,894,925	**166,957,084**	**19,001**	**-**
Maturity analysis - 2010				
Borrowings	8,845,026	35,406,332	-	5,068,970
Trade and other payables	17,002,499	-	24,001	-
Accruals	3,622,865	-	-	-
Dividend payable	10,114,525	-	-	-
	39,584,915	**35,406,332**	**24,001**	**5,068,970**

23.3.1 Long term liabilities and shareholders' loans

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

NOTES

	Group		Company	
	2011	2010	2011	2010
	R	R	R	R

23. FINANCIAL RISK MANAGEMENT (cont'd)

23.3.2 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 statement of financial position) less cash and cash equivalents. Capital comprises all components of equity (i.e. ordinary shares, share premium, minority interest, retained earnings, and other reserves).

24. COMMITMENTS

24.1 Operating lease commitments - lessor

	Group 2011 R	Group 2010 R	Company 2011 R	Company 2010 R
Future minimum lease receipts under non- cancellable operating leases are as follows -				
Within 1 year	3,528,588	1,613,579	-	-
Due thereafter but not later than 5 years	2,822,095	1,699,692	-	-
More than 5 years	27,530	27,530	-	-
	6,378,213	**3,340,801**	**-**	**-**

The group has entered into leases on its property, consisting of the company's hospital buildings. These leases have remaining 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.

24.2 Commitments for capital expenditure

	Group 2011 R	Group 2010 R	Company 2011 R	Company 2010 R
Plant and machinery	**2,813,213**	**9,516,771**	**-**	**-**

This committed expenditure relates to the construction of a new trauma wing for Lenmed Health Shifa (Pty) Ltd on 40 Randles Road Sydenham. It is intended to finance this expenditure from existing borrowing facilities and from internally generated funds.

25. DIRECTORS' EMOLUMENTS AND RELATED PAYMENTS

	For services as directors	For other services	Bonuses	Total
2011				
Mr. P. Devchand	-	1,500,000	300,000	1,800,000
Dr. A.F. Kaka	-	1,200,000	200,000	1,400,000
Mr. A. Nana	-	1,034,000	50,000	1,084,000
Prof. B.D. Goolab	76,300	8,700	-	85,000
Mr. M.G. Meehan	103,000	-	-	103,000
Ms. B. Harie	103,000	-	-	103,000
Mr. D.K. Motiram	60,600	-	-	60,600
Dr. A. Latib	80,800	-	-	80,800
Mr. K. Daya	80,800	-	-	80,800
Dr. R. Salojee	80,800	-	-	80,800
Dr. A. Suleman	-	72,000	-	72,000
Dr. M. Khan	-	720,000	60,000	780,000
Mr. A. Devchand	-	41,525	-	41,525
Total	**585,300**	**4,576,225**	**610,000**	**5,771,525**

2010				
Mr. P. Devchand	-	960,000	230,000	1,190,000
Dr. A.F. Kaka	-	1,034,000	150,000	1,184,000
Mr. A. Nana	-	1,031,600	50,000	1,081,600
Prof. B.D. Goolab	82,665	-	-	82,665
Mr. D.K. Motiram	91,850	-	-	91,850
Dr. A. Latib	91,850	-	-	91,850
Mr. K. Daya	91,850	72,023	-	163,873
Dr. R. Salojee	91,850	-	-	91,850
Dr. A. Suleman	-	85,196	-	85,196
Dr. M. Khan	-	772,800	100,000	872,800
Total	**450,065**	**3,955,619**	**530,000**	**4,935,684**

26. 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 25.

	Amounts owing by related parties R	Amounts owing to related parties R
Lenmed Health Shifa (Pty) Ltd.		
- 2011	-	-
- 2010	2,509,803	-
Lenmed Health (Pty) Ltd.		
- 2011	191,840,580	-
- 2010	158,049,397	-
Lenmed Management Services (Pty) Ltd.		
- 2011	-	-
- 2010	-	2,125,000
Nu Yale Trust		
- 2011	1,195,425	-
- 2010	1,201,824	-
Topaz Star Trading (Pty) Ltd.		
- 2011	7,875	-
- 2010	7,875	-
Lenvestco Investments Ltd.		
- 2011	-	-
- 2010	-	3,245,279
Lenmed Health Lenasia (Pty) Ltd.		
- 2011	6,560,836	-
- 2010	21,332,200	-

Share of income for the year from Nu Yale Trust amounted to R289 982 (2010 - R263 538).

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.

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.

27. 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.

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 for the foreseeable future and compared that to its total tax losses.

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

Buildings
The group estimates that the useful life of buildings is 40 years.

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 reporting 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.

NOTICE OF ANNUAL GENERAL MEETING

Notice of AGM

Lenmed Investments Limited
(Registration number 1980/003108/06)
("the company")

Notice is hereby given to the shareholders of the company that the Twenty Ninth Annual General Meeting of the company will be held at Lenmed Private Hospital, K43 Highway, Lenasia on Thursday 29 September 2011 at 15:00 for the purposes of the matters set out below.

References in this notice of annual general meeting, to the "Companies Act" means the Companies Act, number 71 of 2008.

Section 63(1) of the Companies Act - Identification of meeting participants

Kindly note that meeting participants (including proxies) are required to provide reasonably satisfactory identification before being entitled to attend or participate in a shareholders' meeting. Forms of identification include valid identity documents, driver's licenses and passports.

Ordinary resolutions

Ordinary resolution 1: Annual financial statements
"RESOLVED THAT the annual financial statements of the company for the year ended 28 February 2011, including the directors' report and the report of the Audit and Risk Committee, be and are hereby received."

Ordinary resolution 2: Re-election of director
"RESOLVED THAT Mr P Devchand be and is hereby re-elected as a director of the company."

Ordinary resolution 3: Re-election of director
"RESOLVED THAT Prof BD Goolab be and is hereby re-elected as a director of the company."

Ordinary resolution 4: Re-election of director
"RESOLVED THAT Ms B Harie be and is hereby re-elected as a director of the company."

Ordinary resolution 5: Re-election of director
"RESOLVED THAT Dr AF Kaka be and is hereby re-elected as a director of the company."

Ordinary resolution 6: Re-election of director
"RESOLVED THAT Mr MG Meehan be and is hereby re-elected as a director of the company."

Ordinary resolution 7: Re-election of director
"RESOLVED THAT Mr A Nana be and is hereby re-elected as a director of the company."

A brief *curriculum vitae* in respect of each of the above directors is included in the annual report of which this notice forms part.

Ordinary resolution 8: Appointment of Audit and Risk Committee members
"RESOLVED THAT the members of the company's Audit and Risk Committee set out below be and are hereby appointed. The membership as proposed by the board of directors is Ms B Harie and Mr MG Meehan, both of whom are independent non-executive directors." Shareholders are advised that at the time of finalisation of this notice of Annual General Meeting, the company is addressing the current vacancy on the Audit and Risk Committee.

Ordinary resolution 9: Unissued ordinary shares
"RESOLVED THAT all the authorised but unissued ordinary shares in the capital of the company be and are hereby placed at the disposal and under the control of the directors, and that the directors be and are hereby authorised to allot, issue and otherwise to dispose of all or any of such shares at their discretion, in terms of and subject to the provisions of the Companies Act."

Special resolutions

Special resolution 1: Specific authority to issue shares to Lenvestco
Introduction

1. The majority of the shareholding of the company is widely held by medical doctors and other individual shareholders.
2. New shares in the capital of the company are issued to new and/or existing medical doctors and other individuals from time to time.
3. Lenvestco Investments (Proprietary) Limited ("Lenvestco") holds 180 862 shares of R10 each in the share capital of Lenmed, constituting 39.9% (thirty nine point nine per cent) of the entire issued share capital of the company, and is the single largest shareholder of the company.
4. It is proposed that Lenvestco be granted the right to maintain its shareholding in the company after the issue of new shares to existing shareholders and new investors from time to time.
5. The Companies Act has introduced new requirements to be complied with in order for Lenvestco to be able to maintain its shareholding at no less than 40% (forty per cent). In particular, Lenvestco is regarded as a "related person" as defined in the Companies Act and, consequently, any issue of shares by the company to a "related person" must be approved by a special resolution of shareholders.
6. The shareholders of the company wish to grant Lenvestco the right to maintain its shareholding as aforesaid and to grant the board of directors a continuing specific authority to allot and issue new shares to Lenvestco as and when new shares are issued to others.

RESOLVED THAT, with effect from the date of passing of this resolution:

1. as and when the company proposes to issue new shares in the share capital of the company (other than a pro rata issue to all shareholders), Lenvestco Investments (Proprietary) Limited ("Lenvestco") has a right, before any other person , to be offered and, within a reasonable time to subscribe for, such number of new shares in the share capital of the company as is necessary for Lenvestco to maintain its shareholding at no less than 40%, at a subscription price equal to the subscription price at which the company proposes to issue new shares to the person/s who is/are not a shareholder/s (the "Lenvestco Offer");
2. the company is hereby authorised by way of a specific authority in terms of section 41(1) of the Companies Act to allot and issue such number of new shares in the share capital of the company to Lenvestco as is required pursuant to the exercise by Lenvestco of the Lenvestco Offer from time to time.

The reasons and effects of this special resolution are to grant the company the authority to issue new shares to Lenvestco from time to time (being a "related person" as defined in the Companies Act) so as to enable Lenvestco at all times to maintain at least a 40% shareholding in the company.

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

Special resolution 2: Approval of financial assistance
"RESOLVED THAT to the extent required by the Companies Act, the board of directors of the company may, subject to compliance with the requirements of the company's memorandum of incorporation and the Companies Act, each as presently constituted and as amended from time to time, authorise the company to provide direct or indirect financial assistance by way of loan, guarantee, the provision of security or otherwise, to:

- any of its present or future subsidiaries and/or any other company or corporation that is or becomes related or inter-related to the company for any purpose or in connection with any matter, including, but not limited to, acquisition of or subscription for any option or any securities issued or to be issued by the company or a related or inter-related company, or for the purchase of any securities of the company or a related or inter-related company; and

- any of its present or future directors or prescribed officers (or any person related to any of them or to any company or corporation related or inter-related to any of them), or to any other person who is a participant in any of the company's or group of companies' share or other employee incentive schemes, for the purpose of, or in connection with, the acquisition of or subscription for any option or any securities issued or to be issued by the company or a related or inter-related company, or for the purchase of any securities of the company or a related or inter-related company, where such financial assistance is provided in terms of any such scheme that does not satisfy the requirements of section 97 of the Companies Act, such authority to endure until the annual general meeting of the company for the year ended 28 February 2012."

Reason for and effect of special resolution 2
The reason for special resolution 2 is to comply with the provisions of the Companies Act. The effect of the special resolution is that, if approved by the shareholders at the Annual General Meeting, authority for the provision of financial assistance to subsidiaries and the other categories of persons indicated will be approved.

Special resolution 3: Approval of directors' remuneration for the past financial year
"RESOLVED THAT the directors' remuneration for the financial year ended 28 February 2011 as disclosed in note 25 to the annual financial statements to which this notice forms a part, be and is hereby approved."

Reason for and effect of special resolution 3
The reason for special resolution 3 is to comply with the provisions of the Companies Act. The effect of the special resolution is that, if approved by the shareholders at the Annual General Meeting, the remuneration paid to directors for the year ended 28 February 2011 will be approved.

Special resolution 4: Current directors' fees for services as directors
"RESOLVED THAT the non-executive directors fees for services as directors paid for the period 1 March 2011 to 29 September 2011 be and is hereby confirmed and ratified:

	Fees per meeting Rand	Retainer (per annum) Rand
Non-executive director (all-in fee including membership / chairmanship of board committees)	R8 000	R120 000
Independent non-executive director (all-in fee including membership / chairmanship of board committees)	R8 500	R132 000
Fee for work not specified above (per meeting rate)	R8 500	

Reason for and effect of special resolution 4

The reason for special resolution 4 is to comply with the provisions of the Companies Act. The effect of the special resolution is that, if approved by the shareholders at the Annual General Meeting, the fees paid to non-executive directors for the period 1 March 2011 to 30 September 2011 will be confirmed and ratified as set out above.

Special resolution 5: Future directors' fees

"RESOLVED THAT the non-executive directors be paid the following fees for services as directors for the period 1 October 2011 to the date of the next Annual General Meeting:

	Fees per meeting Rand	Retainer (per annum) Rand
Non-executive director (all-in fee including membership / chairmanship of board committees)	R8 000	R120 000
Independent non-executive director (all-in fee including membership / chairmanship of board committees)	R8 500	R132 000
Fee for work not specified above (per meeting rate)	R8 500	

Reason for and effect of special resolution 5

The reason for special resolution 5 is to comply with the provisions of the Companies Act. The effect of the special resolution is that, if approved by the shareholders at the Annual General Meeting, the fees payable to non-executive directors until the next Annual General Meeting will be as set out above.

Any matters raised by shareholders, with or without advance notice to the company

To deal, at the Annual General Meeting, with any matters raised by shareholders, with or without advance notice to the company.

Appointment of auditors

Shareholders are advised that PKF Durban are deemed to be re-appointed as auditors of the company at this AGM for the ensuing financial year and that the individual registered auditor who will undertake the audit during the financial year ending 28 February 2012 will be Mr Dhangee Puran. In this regard, the Lenmed audit committee has -

- ensured that PKF are qualified for appointment;
- received confirmation that PKF are willing to accept the appointment;
- ensured that the auditor complies with the rotation requirements of section 92;
- confirmed that it has no objections to PKF's reappointment; and
- ensured that there has been no notice received of an intended resolution to appoint some other auditor in place of PKF.

Voting and proxies

A shareholder of the company entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies (who need not be a shareholder of the company) to attend, vote and speak in his/her stead. On a show of hands, every shareholder of the company present in person or represented by proxy shall have one vote only. On a poll, every shareholder of the company present in person or represented by proxy shall have one vote for every share held in the company by such shareholder.

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

Forms of proxy may also be obtained on request from the company's registered office. The completed forms of proxy must be deposited at or posted or faxed to the Company Secretary at the address below, to be received at least 48 hours prior to the meeting. Saturdays, Sundays and Public Holidays will not be taken into account in calculating the 48 hour period. Any member who completes and lodges a form of proxy will nevertheless be entitled to attend and vote in person at the Annual General Meeting should the member subsequently decide to do so.

By order of the board

M Noor Mohamed
Company secretary
28 July 2011

Registered Office

4th Floor
63 Dolly Rathebe Road
Fordsburg
2092
(PO Box 42270, Fordsburg, 2033)
Telephone: 011 213 2002

FORM OF PROXY

Lenmed Investments Limited (Registration number 1980/003108/06) ("the company")

For use at the Twenty Ninth Annual General Meeting of the company to be held at Lenmed Private Hospital, K43 Highway, Lenasia on Thursday 29 September 2011 at 15:00 and at any adjournment thereof.

I/We____ (Full name in block letters) of ______

____(address)

being a member(s) of the company and holding____________________ ordinary shares in the company,

hereby appoint ____ of _____________________

failing him/her ____of ______________________
failing him/her the chairman of the Annual General Meeting, as my/our proxy to act for me/us and on my/our behalf at the Annual General Meeting which will be held for the purpose of considering and, if deemed fit, passing, with or without modification, the special and ordinary resolutions to be proposed thereat and at any adjournment thereof; and to vote for and/or against the special and ordinary resolutions and/or abstain from voting in respect of the company's ordinary shares registered in my/our name(s), in accordance with the following instructions:

		Number of votes		
		For	Against	Abstain
Ordinary resolutions				
1.	To receive the annual financial statements of the company for the year ended 28 February 2011, including the directors' report and the report of the Audit and Risk Committee.			
2.	To re-elect Mr P Devchand as a director of the company			
3.	To re-elect Prof B Goolab as a director of the company			
4.	To re-elect Ms B Harie as a director of the company			
5.	To re-elect Dr AF Kaka as a director of the company			
6.	To re-elect Mr MG Meehan as a director of the company			
7.	To re-elect Mr A Nana as a director of the company			
8.	To appoint members of the Audit and Risk Committee:			
8.1	To appoint Ms B Harie as a member of the Audit and Risk Committee.			
8.2	To appoint Mr MG Meehan as a member of the Audit, Governance and Risk Committee.			
9.	To place unissued shares under directors' control			
Special resolutions				
1.	Authority for specific issues of shares to Lenvestco			
2.	Approval of financial assistance			
3.	Approval of directors' remuneration for past financial year			
4.	Approval of the past fees of non-executive directors			
5.	Approval of the future fees of non-executive directors			

*Please indicate with an "X" in the appropriate spaces above how you wish your votes to be cast.
Unless otherwise instructed, my/our proxy may vote as he/she thinks fit.

Signed at ___________________________________ (place) on _____________________ date 2011

Member's signature ____________________________ assisted by __________________ (if applicable)

FORM OF PROXY

NOTES TO THE FORM OF PROXY

1. Each member is entitled to appoint one or more proxies (who need not be a member(s) of the company) to participate in, speak and, on a poll, vote in place of that member at the Annual General Meeting.

2. A member wishing to appoint a proxy must do so in writing by inserting the name of a proxy or the names of two alternative proxies of the member's choice in the space provided on the form of proxy, with or without deleting "the chairman of the Annual General Meeting". The person whose name stands first on the form of proxy and who is present at the Annual General Meeting will be entitled to act as proxy to the exclusion of those whose names follow.

3. A member's instructions to the proxy must be indicated on the form of proxyby the insertion of the relevant number of votes exercisable by that member in the appropriate box(es) provided. Failure to comply with the above will be deemed to authorise the chairman of the Annual General Meeting, if the chairman is the authorised proxy, to vote in favour of the ordinary and special resolutions at the Annual General Meeting, or any other proxy to vote or to abstain from voting at the Annual General Meeting as he/she deems fit, in respect of all the member's votes exercisable thereat.

4. A member or his/her proxy is not obliged to vote in respect of all the ordinary shares held by such member or represented by such proxy, but the total number of votes for or against the ordinary resolutions and in respect of which any abstention is recorded may not exceed the total number of votes to which the member or his/her proxy is entitled.

5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by the company's transfer office or waived by the chairman of the Annual General Meeting.

6. The chairman of the Annual General Meeting may reject or accept any form of proxy which is completed and/or received other than in accordance with these instructions, provided that he is satisfied as to the manner in which a member wishes to vote.

7. Any alterations or corrections to this form of proxy must be initialled by the signatory(ies).

8. The completion and lodging of this form of proxy will not preclude the relevant member from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such member wish to do so.

9. A minor must be assisted by his/her parent/ guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the company.

10. Where there are joint holders of any shares, only that holder whose name appears first in the register in respect of such shares need sign this form of proxy.

11. Any proxy appointment made in terms of this form of proxy remains valid until the end of the Annual General Meeting, unless revoked earlier.

12. Forms of proxy must be lodged with the Company Secretary at the address given below at least 48 hours prior to the meeting. Saturdays, Sundays and Public Holidays will not be taken into account in calculating the 48 hour period.

Registered Office

4th Floor
63 Dolly Rathebe Road
Fordsburg
2092
(PO Box 42270, Fordsburg, 2033)
Telephone: 011 213 2002