GROWING THE GROUP, GROWING HEALTHCARE

2013 INTEGRATED REPORT LENMED INVESTMENTS LIMITED

WWW.LENMED.CO.ZA

2013

CONTENTS PAGE

SECTION 1 OVERVIEW

SECTION 2 GOVERNANCE AND SUSTAINABILITY

SECTION 3 ANNUAL FINANCIAL STATEMENTS AND OTHER INFORMATION

OVERVIEW

SECTION 1

COMPANY 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 Devchand

NON-EXECUTIVE DIRECTORS
Mr M G Meehan (Lead Independent)
Ms B Harie (Independent)
Ms N V Simamane (Independent)
Prof B D Goolab

REGISTERED ADDRESS
K43 Highway, Extension 8, Lenasia,
Gauteng, 1827

POSTAL ADDRESS
P O Box 855, Lenasia,
Gauteng, 1820, South Africa

AUDITORS
PKF Durban
Chartered Accountants (SA)
Registered Auditors
Practice number - 906352E
2nd Floor, 12 on Palm Boulevard, Gateway,
Kwa-Zulu Natal, 4319, South Africa

COMPANY SECRETARY
Mr W Somerville
K43 Highway, Extension 8, Lenasia,
Gauteng, 1827

REGISTRATION NUMBER
1980/003108/06

BANKERS
First National Bank Limited

TRANSFER SECRETARY
Singular Systems (Pty) Ltd t/a Equity Express
7 Junction Road, Bramley,
Johannesburg, 2018

COMPANY PROFILE

Lenmed Investments Limited (Lenmed or the Group) is an established South African, PDI-owned* hospital group providing private patient healthcare in Africa through the 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, Gauteng as a 48-bed facility. The success of this particular hospital resulted in the generation of sufficient capital to enable Lenmed to make numerous significant acquisitions since 2004.

The following hospitals are currently 100% owned by Lenmed:

- Lenmed Private Hospital in Lenasia, Gauteng, comprising 242 beds
- Zamokuhle Private Hospital in Tembisa, Gauteng, comprising 36** beds
- Daxina Private Hospital in Lenasia South, Gauteng, comprising 64 beds
- Randfontein Private Hospital in Randfontein, Gauteng, comprising 174 beds
- La Verna Private Hospital in Ladysmith, KwaZulu-Natal, comprising 138 beds
- Shifa Private Hospital in Durban, KwaZulu-Natal, comprising 133 beds

Lenmed also owns a 40% equity stake in Ethekwini Hospital and Heart Centre, situated in Durban, KwaZulu-Natal. Ethekwini is established as a 258 bed, ultra-sophisticated hospital, boasting the latest in medical technology coupled with digital integration, making it a paperless hospital. This hospital is one of the few facilities in the country where heart, lung and kidney transplants are performed. Lenmed is responsible for the management of this hospital.

As part of its African expansion strategy, Lenmed has developed a new 105-bed, state-of-the-art hospital in Maputo, Mozambique. Maputo Private Hospital is 60% owned by Lenmed, with the remaining 40% owned by Mozambican partners. This hospital, which has been operational since September 2011, is the first truly multi-disciplinary private hospital in the country.

In October 2012, Lenmed acquired a 70% stake in Bokamoso Private Hospital, a 200-bed, world-class private hospital located in Gaborone, Botswana. Under the Group's guidance, this hospital has experienced a remarkable turnaround both financially and operationally.

During early 2013, the Group entered into a new area of business – the provision of medical services to the mining industry. This was brought about through the acquisition of Sir Albert Medical Centre (renamed Randfontein Private Hospital) from one of the premier South African mining institutions, Harmony Gold.

A service level agreement was concluded as part of this transaction, making the hospital the preferred provider of in-patient services to the company's mines surrounding this facility. Due to the high level of demand, this arrangement has been expanded to various other mining companies.

The Group now owns and/or manages over 1 350 registered hospital beds in South Africa, Mozambique and Botswana.

In addition to its hospitals, Lenmed owns a 43% equity interest in Pharmed Pharmaceuticals, a pharmaceutical wholesale and distribution business with branches in Durban and Johannesburg. Pharmed has in excess of 5 000 active accounts consisting of doctors, pharmacies, hospitals, clinics and other allied professionals, and stocks in excess of 30 000 product lines distributed to over 3 500 destinations in South Africa.

Lenmed's strategy of sustained growth and expansion has consistently delivered results, making it one of the leading independent healthcare groups in the country. With a solid foundation on which to build, the Group intends to establish a greater presence throughout South Africa, as well as to expand further across key African countries. The potential for growth in these markets is significant.

* *PDI-owned: refers to previously disadvantaged individuals*

** *Project underway to expand to 94 beds*

COMPANY PROFILE, CONTINUED

In addition to private hospitals, Lenmed is broadening its strategy to include the management of stand-alone oncology and ophthalmic centres, to cater for the increasing demand for these specialist services on the continent. Each new venture that Lenmed embarks upon is influenced by its ethos of operating in a transparent and ethical manner, while striving to achieve the highest standards of technology and medical care for the benefit of patients and stakeholders. The Group's strength lies in its ability to adapt its methods to suit local culture, ensuring the continued support and sustainability of its facilities.

Through its network of private hospitals in South Africa, Mozambique and Botswana, Lenmed provides quality healthcare services to its patients. Several doctors practicing at our hospitals, are leaders in their fields of specialisation, and are heads of departments at academic institutions in the various spheres of medicine.

At Lenmed, our patients' well-being is the number one priority. To this end, our employees are fully committed to providing that extra degree of compassion and warmth. This personal attention sets Lenmed apart from its competitors.

THESE HOSPITALS ARE OWNED AND/OR MANAGED BY LENMED

= 25 BEDS

242
Lenmed Private Hospital in Lenasia, Gauteng

174
Randfontein Private Hospital in Randfontein, Gauteng

36
Zamokuhle Private Hospital in Tembisa, Gauteng

64
Daxina Private Hospital in Lenasia South, Gauteng

138
La Verna Private Hospital in Ladysmith, KwaZulu-Natal

133
Shifa Private Hospital in Durban, KwaZulu-Natal

258
Ethekwini Hospital and Heart Centre in Durban, KwaZulu-Natal

105
Maputo Private Hospital in Maputo, Mozambique

200
Bokamoso Private Hospital in Gaborone, Botswana

GROUP STRUCTURE

THE GROUP

LENMED INVESTMENTS LTD

- 100% Lenmed Health Africa (Pty) Ltd
  - 70% Lenmed Health Bokamoso Private Hospital (Pty) Ltd (formerly Kalend (Pty) Ltd)
- 100% Lenmed Health (Pty) Ltd
  - 100%
    - Lenmed Health Randfontein Private Hospital (Pty) Ltd
    - Lenmed Health Daxina Private Hospital (Pty) Ltd
    - Lenmed Health Management Company (Pty) Ltd
    - Lenmed Health Lenasia (Pty) Ltd
    - Lenmed Health Laverna (Pty) Ltd
    - Lenmed Health Shifa (Pty) Ltd
    - Lenmed Health Zamokuhle (Pty) Ltd
    - Lenmed Management Services (Pty) Ltd
    - Ladysmith Hospital Holdings (Pty) Ltd
    - Ladysmith Hospital Properties (Pty) Ltd
  - 40% Ethekwini Hospital and Heart Centre (Pty) Ltd (formerly Capensis Management Ltd)
  - 60% Maputo Private Hospital SARL
  - 43.2% Pharmed Pharmaceuticals (Pty) Ltd

VISION, MISSION AND CORE VALUES

OUR VISION

Lenmed's vision is to be recognised as a leading, world-class healthcare provider.

OUR MISSION

We strive to deliver:

- a world-class hospital environment to facilitate accurate diagnosis and internationally recognised treatment protocols;
- the finest quality healthcare in the most cost-effective way, through innovative leadership and teamwork;
- excellence in patient care by constantly upgrading our technology, facilities and nursing standards;
- a strong financial position and acceptable profits in an ethical manner; and
- an improved quality of life for our employees, patients and communities, and to safeguard the environment in which we operate.

OUR CORE VALUES

The spirit of caring, dedication and community involvement that characterised the first Lenmed Hospital has become the hallmark of the Lenmed Group. We believe the delivery of superior healthcare is achieved through a combination of unparalleled quality and clinical excellence combined with a true focus on the personal needs of our patients and their families.

Affordability, efficiency and a sense of community are attributes of the Lenmed Group that set us apart from other private healthcare facilities. Personal service in a caring and comfortable environment provides patients with good value, quality healthcare, advanced technology and professional nursing. These core values, backed by sound operational and financial management, have contributed to the Group's outstanding results.

PROFILES OF THE BOARD OF DIRECTORS • EXECUTIVE

MR P DEVCHAND

CA (SA)

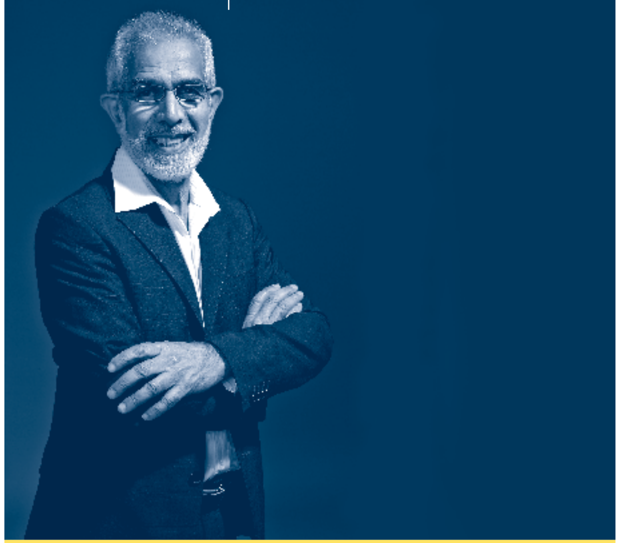
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Prakash Devchand is a qualified chartered accountant with over 26 years of experience in the healthcare industry. He was appointed to the Lenmed Investments board in 1986 and elected as chairman and chief executive officer in 1998. Under his leadership, Lenmed has seen significant growth in its local operations and the inception of the Group's African strategy.

DR A F KAKA

MBBS (BOMBAY)

MEDICAL DIRECTOR



Dr Farouk Kaka qualified as a medical doctor in 1975. He joined Lenmed in 1989 and was appointed to the Lenmed Investments 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. As the Group medical director, his expertise and experience play a vital role in Lenmed's delivery of quality healthcare to its patients. Dr Kaka is a member of the social & ethics committee. As part of his responsibilities, he oversees business development in Africa and clinical governance for the Group.

MR A DEVCHAND

CA (SA)

CHIEF FINANCIAL OFFICER

Amil Devchand was appointed to the Lenmed Investments board in 2012. He is a qualified chartered accountant and joined the Group from Ernst & Young in 2011. He is a member of the Group IT steering and tariff committees. He also serves on the boards of Lenmed's associate investments, Ethekwini Hospital and Heart Centre and Pharmed Pharmaceuticals.

PROFILES OF THE BOARD OF DIRECTORS • NON-EXECUTIVE

MR M G MEEHAN

CA (SA)

INDEPENDENT NON-EXECUTIVE DIRECTOR & LEAD INDEPENDENT DIRECTOR

Mike Meehan was appointed to the Lenmed Investments board in 2010. He currently serves as a member of the remuneration and nominations committee, and the audit and risk committee of which he is chairperson. He has served as executive director and as an independent non-executive director on a number of JSE-listed companies. Mr Meehan consults to various companies and associations 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

BA LLB (NATAL), LLM (WITS)

INDEPENDENT NON-EXECUTIVE DIRECTOR

Bharti Harie was appointed to the Lenmed Investments board in 2010. She currently serves as a member of the audit and risk committee and is the chairperson of the remuneration and nominations committee. She is an independent non-executive director on the boards of Bell Equipment and the Mineworkers Investment Company (MIC).

PROFILES OF THE BOARD OF DIRECTORS · NON-EXECUTIVE

MS N V SIMAMANE

BSC (HONS) (UNIVERSITY OF BOTSWANA & SWAZILAND)

INDEPENDENT NON-EXECUTIVE DIRECTOR

Nomahlubi Simamane was appointed to the Lenmed Investments board in 2012. She serves on the audit and risk committee and is the chairperson of the social and ethics committee. She is the chief executive officer of Zanusi Brand Solutions (Pty) Limited, a brand consultancy firm. She sits on the boards of JSE-listed Cashbuild, Oceana and The Foschini Group. She was the 2009 winner of the Top Businesswoman of the Year Award in the National Business Awards managed by Topco Media, and named Businesswoman of the Year at the 2009 Black Business Awards run by BBQ. She was recently named the 2013 Enterprising Women of the Year winner in Fort Lauderdale, Florida, USA.

PROF B D GOOLAB

MBBS (BOMBAY), FRCOG (LONDON)

NON-EXECUTIVE DIRECTOR

Prof Bhaskar Goolab was appointed to the Lenmed Investments board in 1999. He currently serves as a member of the remuneration and nominations committee. He is in private practice and is also attached to the University of the Witwatersrand where he is head of the Department of Gynaecology and Endoscopy. In January 2012, Prof Goolab was elected president of the South African Society of Obstetrics and Gynaecology, and he currently serves on the board of the International Society of Gynaecology and Endoscopy. He is also the chairman of the training council for developing countries.

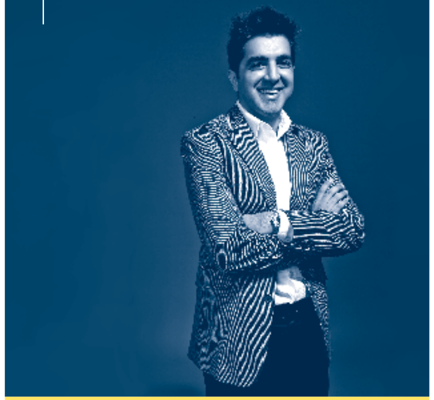
MANAGEMENT TEAM

DR ARTHUR MANNING

GAUTENG REGIONAL DIRECTOR

MR NAUSHAD GANY

GROUP FINANCIAL MANAGER



MS JESSIE CHETTY

GROUP NURSING DIRECTOR

MR FAZEL ABRAM

GROUP INTERNAL AUDIT MANAGER

MANAGEMENT TEAM

MR SHAFIQ PARKER

GROUP INFORMATION TECHNOLOGY MANAGER

MRS PULE NDLALA

HOSPITAL MANAGER

ZAMOKUHLE PRIVATE HOSPITAL

MS ELSA BENADE

HOSPITAL MANAGER

LENMED PRIVATE HOSPITAL

MR MARIUS GEYSER

HOSPITAL MANAGER

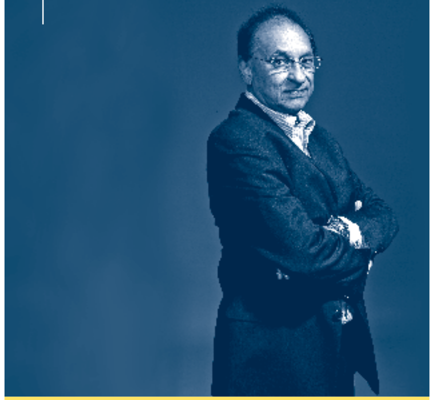
RANDFONTEIN PRIVATE HOSPITAL

MANAGEMENT TEAM

MR NATHOO NAGAR

HOSPITAL MANAGER

DAXINA PRIVATE HOSPITAL



MR EBRAHIM ASMAL

HOSPITAL MANAGER

SHIFA PRIVATE HOSPITAL

DR AHMED SULEMAN

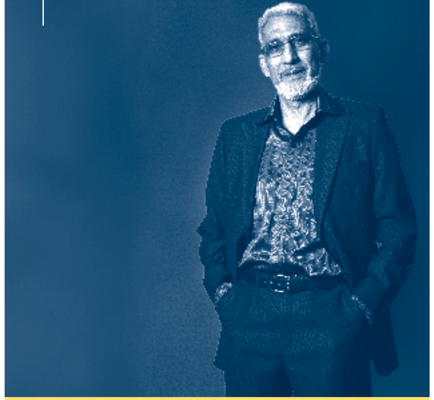
DIRECTOR

SHIFA PRIVATE HOSPITAL

DR MOHUDDIN KHAN

CHIEF EXECUTIVE OFFICER

LA VERNA PRIVATE HOSPITAL

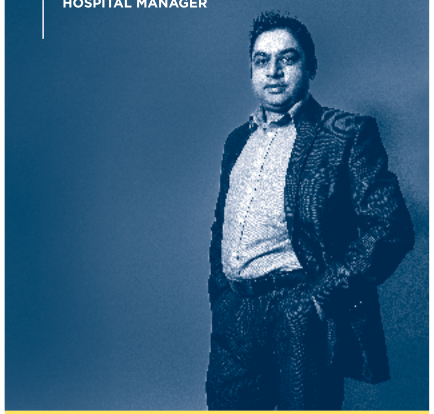


MANAGEMENT TEAM

MR NIRESH BECHAN

HOSPITAL MANAGER

ETHEKWINI HOSPITAL AND HEART CENTRE



DR IACUBO OMAR

CHIEF OF MEDICINE

MAPUTO PRIVATE HOSPITAL

MR RUBENDREN NAIDOO

HOSPITAL MANAGER

BOKAMOSO PRIVATE HOSPITAL

CHAIRMAN'S AND CEO'S REPORT

INTRODUCTION

The year under review has been a particularly exciting and challenging one for the Lenmed Group.

From acquisitions and expansion plans to renovations and refurbishment, the Group has witnessed unprecedented growth. It has also delivered a most pleasing set of financial results for the year ended 28 February 2013 to ensure that we are well-positioned to deliver on our strategy of growth going forward.

While there were many, one of the highlights of this past year was the achievement of an exciting Group milestone. For the first time the Group's total assets exceeded R1bn, increasing 97% on 2012.

Another was the official opening, by His Excellency the President of Mozambique, Mr Armando Guebuza, of the Maputo Private Hospital on 31 October 2012. The hospital has been fine-tuning its operations since its 'soft opening' in September 2011. However, with the official 'stamp of approval' from the Mozambican government, headed by its President, we have sealed the deal on our first investment in a country beyond the borders of South Africa. This is an exciting time for us and we look forward to further collaborations in Mozambique.

The hospital is beginning to fulfill its potential. It is encouraging to witness a continued increase in patient numbers as news spreads of its professional offering as a quality private healthcare facility. We are looking to expand the Lenmed footprint in the country as and when other suitable investment opportunities present themselves.

Finalisation of the acquisition of our second hospital outside South Africa, Bokamoso Private Hospital in Gaborone, Botswana, was completed in October 2012. With a 70% stake in this 200-bed hospital (the other 30% belonging to BPOMAS, a local government employee medical aid scheme), as well as a management contract, we are excited about the growth prospects from this new addition to the Group.

As with all our operations, both these private healthcare facilities adhere to, and maintain, the strictest standards of excellence by which all our hospitals are managed. We are committed to delivering quality healthcare to our patients by engaging modern technology and equipment and attracting professional medical doctors, specialists and trained nursing staff.

R1.482bn

2013
TOTAL ASSETS

97% **INCREASE**
ON 2012

STRATEGIC REVIEW

Operating a business within a highly regulated environment, as is the case with the private healthcare sector in South Africa, has its ongoing challenges. However, with the expertise we have in place to drive the organisation, Lenmed continues to perform as a successful and efficient business that delivers great value and service to all its stakeholders: patients, medical staff, employees, funders, shareholders, suppliers, the government and the greater community within which it operates.

#3

LENMED PRIVATE HOSPITAL
VOTED

BEST PRIVATE HOSPITAL
IN GAUTENG

THE STAR READER'S CHOICE AWARDS 2012
CATEGORY: BEST PRIVATE HOSPITAL IN GAUTENG

TARIFFS AND MEDICAL AID SCHEMES

Lenmed has taken the bold step to leave the National Hospital Network (NHN) and to negotiate its own tariffs and provider agreements with the various medical funders. We are of the belief that the Group is now of a sufficient size to be recognised as an individual hospital group.

There are a number of benefits to this decision. Among these is our ability to develop our own relationships with the medical aid fraternity, providing them with innovative offerings to the benefit of all parties concerned.

This has not been an altogether smooth transition. While we have received support from the majority of schemes, it is unfortunate to note that negotiations with some funders are proving to be more of a challenge. This is due to tariffs being reduced to a level lower than was previously enjoyed by Lenmed when it was part of the NHN.

This is disappointing in that Lenmed caters to the lower to middle income groups with a substantial number of these funders' members falling into this category. Discussions are ongoing in this regard.

COMPETITION COMMISSION INQUIRY

Lenmed is aware of the proposed market inquiry into the private healthcare sector by the Competition Commission. We will participate in the process in the hope that the outcome will benefit the smaller players in the sector that have been marginalised in the past.

STRATEGIC REVIEW, CONTINUED

THE DEPARTMENT OF HEALTH (DOH) AND LICENCES

The delay in the granting of licenses for new beds at our facilities continues to hamper our expansion plans within various hospitals. These include approvals to increase the number of registered beds at both Shifa Private Hospital and Ethekwini Hospital and Heart Centre, both of which are currently operating at full capacity. Based in KwaZulu-Natal, these two hospitals have been affected by a moratorium on the issuing of new licences that has only recently been lifted.

On a positive note, we have received approval to increase the number of registered beds at our facility in Tembisa, Zamokuhle Private Hospital, from 36 to 94 beds. This expansion forms part of Lenmed's strategy to bring healthcare to the doorstep of local communities. Zamokuhle has been selected to form part of the Tembisa Urban Renewal Plan. As such, we have received strong support for the expansion project from the local council with whom we enjoy a good relationship.

UPDATE ON THE NATIONAL HEALTH INSURANCE PLAN

Plans and discussions continue within the healthcare industry and the wider community surrounding the implementation of the proposed National Health Insurance plan, whose aim is to make quality healthcare accessible to all South Africans.

Lenmed remains supportive of this initiative in principle, and is committed to working proactively with government to ensure its success. However, the Group continues to question the feasibility of the plan and more specifically, the involvement of the private sector working in partnership with the public sector in its implementation.

KING III COMPLIANCE

The introduction of the King III Code is to ensure that the highest standards of corporate governance and best practice within organisations are adhered to continually.

While this area has been dealt with in more detail in the Corporate Governance section of the report (page 34), it is my duty to respond to various issues that were raised in the last financial report. As such, I am pleased to report:

- the appointment of a third independent non-executive director to the board;
- the appointment of a Group IT manager;
- the appointment of a Group internal audit manager;
- improved risk management processes are in place; and
- the combined role of chairman and CEO remains, as per agreement with the board; any potential conflict has been addressed by way of the appointment of a lead independent director, Mike Meehan.

STRATEGIC REVIEW, CONTINUED

B-BBEE EVALUATION

The Group retains its recognition as a Level 3 contributor to Broad-Based Black Economic Empowerment, following an evaluation in 2012.

STRATEGY FOR GROWTH

Lenmed is gaining the recognition it deserves as experts in hospital management. We are forming strategic alliances with suitable partners in the healthcare industry, providing us with a number of exciting opportunities.

We have learned a great deal from our experiences in Mozambique, as our first investment beyond the borders of South Africa. We are confident that these lessons will stand us in good stead as we look to expand our operations into other areas in Africa.

We are pleased to report a significant increase in acquisitions of new hospital facilities and the expansion and refurbishment of many of our current hospitals, during the year under review.

Our acquisitions during this financial year include:

- Daxina Medical Clinic in Lenasia South: this 64-bed facility, which has been renamed Daxina Private Hospital, is now owned and managed by Lenmed. This hospital will present numerous synergistic opportunities with Lenmed Private Hospital due to the close proximity of the two facilities. We are also exploring the possibility of establishing an ophthalmic centre of excellence, which will be a much-needed development for this area.

- Sir Albert Medical Centre in Randfontein: this facility has been renamed Randfontein Private Hospital, following its acquisition by Lenmed from Harmony Gold. Through this acquisition, the Group has entered into a new area of business - the provision of hospital services to the mining sector. A service level agreement (SLA) was concluded as part of the transaction to make the hospital the preferred provider of in-patient services to the various Harmony Gold mines surrounding this facility. This arrangement has also been extended to other mining companies with operations in the vicinity.

  In addition to the mining focus, we are also paying specific attention to ensuring that the needs of private patients are catered for, at similar high levels of care as are offered by the other hospitals within the Group.

- Zamokuhle Private Hospital in Tembisa: we are pleased to announce that a licence has been issued from the DOH to expand this hospital to a 94-bed facility. The expansion of this hospital has received the full support of the local municipality through its inclusion in the Tembisa Urban Renewal Plan. Construction of the new facility is expected to commence in Q3 of 2013 and will be completed approximately 12 months thereafter. This expansion will enable Zamokuhle to provide the full range of specialist disciplines to this growing market.

- Bokamoso Private Hospital in Gaborone, Botswana: The take-over of this facility is now complete, with Lenmed owning a 70% share and managing the day-to-day operations of the hospital. Lenmed is also exploring various other opportunities with the aim of strengthening our presence in the country.

STRATEGY FOR GROWTH, CONTINUED

Renovation and expansion projects of existing facilities undertaken during the year include:

- Lenmed Private Hospital in Lenasia: the completion of a new three-floor structure adjacent to the existing building was within budget and on time. As part of the initial plan, Phase I, comprising a 50-bed ward, was commissioned during September 2012. A further 50-bed ward, doctors' consulting rooms and a head office block are planned for Phase II of this expansion.

- La Verna Private Hospital in Ladysmith, KZN: a refurbishment and expansion programme is currently underway that includes the relocation of the pharmacy, and expansion of the current intensive care unit (ICU) and high-care facility to accommodate ten beds. The construction of a three-storey structure has commenced with a view to growing the capacity of this facility in the near future.

- Ethekwini Hospital and Heart Centre in Durban: Lenmed has increased its ownership in this facility from 34.9% to 40% during the financial year. Plans are in place to expand this facility, which is currently operating at capacity. We still await the licence approval from the DOH before we can move forward.

The acquisitions and expansion plans outlined above have kept us extremely busy over the past year and have resulted in the Group performing well. We continue to monitor and assess other strategic opportunities that will add value in the future.

PHARMED PHARMACEUTICALS

The pharmaceutical wholesale and distribution industry is a highly-regulated and challenging environment. We continue to explore various acquisition and expansion opportunities to grow this area of the business. The Johannesburg branch is showing positive growth and we expect to make further inroads into the Gauteng market in the year ahead.

RIGHTS ISSUE

As was reported last year, a rights issue was offered to shareholders to finance the growth and expansion of the Group. The rights issue was extremely successful being 30% oversubscribed, with the surplus refunded to shareholders.

The proceeds raised have been expended on the following:

- an increased equity stake in Ethekwini Hospital and Heart Centre from 34.9% to 40%;

- the purchase of the Sir Albert Medical Centre in Randfontein; and

- working capital for the various new and existing hospitals.

SHARE TRADING PLATFORM

Lenmed now offers its shareholders the opportunity to transact in their Lenmed shares on an over-the-counter (OTC) basis. This is achieved through Equity Express, an OTC trading and back office administration platform that facilitates the buying and selling of shares in a safe and transparent environment.

This will provide shareholders with the ability to create liquidity in their shares and to provide a platform to unlock shareholder value. As part of this transaction, Equity Express has also assumed the duty of transfer secretary of the company.

As such, we would like to take this opportunity to thank our previous transfer secretary, Aboo Kaloo & Company, for its valued expertise and service over the past years.

LOOKING FORWARD AND APPRECIATION

South Africa remains at the core of our organisation as we continually assess new opportunities within the country. However, we also realise that there is a vast opportunity to expand our services beyond the borders.

We are also assessing opportunities to increase our current footprint in both Mozambique and Botswana, whilst investigating further possibilities in other key African locations.

We continue to invest in our people to ensure that we staff our hospitals with highly-skilled medical professionals, well-trained and dedicated nursing staff, competent management teams and hard-working employees. The result is hospitals that operate smoothly and efficiently and ensure the very best in quality care for our patients.

The 2013 financial year has been an extremely busy and eventful one for Lenmed. It has seen acquisitions and growth, new expansions and refurbishments, and the consolidation of current operations.

For this, I need to thank most sincerely:

- The board of directors for its continued and professional advice, expertise and assistance in ensuring the Group continues to move forward and deliver on its strategic objectives;
- The Group's management teams for their dedication and professionalism in ensuring the effective management of our hospitals;
- The staff, who perform their daily duties with a sense of pride, going beyond the call of duty to provide wonderful care for our patients, and whose hard work does not go unnoticed; and
- Our funders and shareholders, for their ongoing belief in and support of the Lenmed story, that has seen the company expand and grow from strength to strength.

To all of you, my humble thanks and most sincere appreciation for a job extremely well done!

PRAKASH DEVCHAND, CHAIRMAN AND CEO

CHIEF FINANCIAL OFFICER'S REPORT

INTRODUCTION

This report must be read in conjunction with the Operational Review (pages 28 - 30) and the Group annual financial statements (pages 62 - 94) of the integrated report.

GROUP OVERVIEW

GROUP FINANCIAL MEASURES

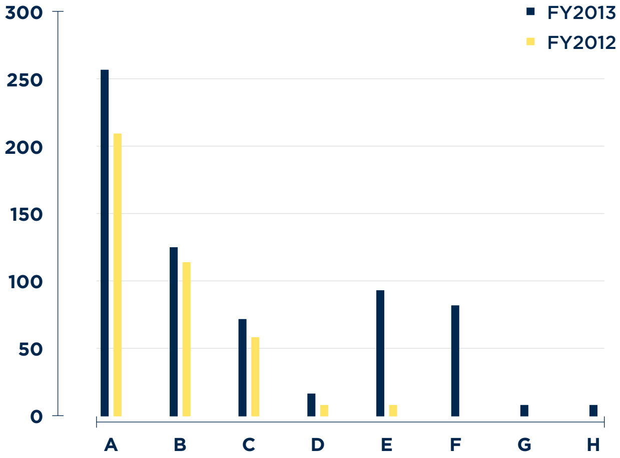
The Group has adopted the concept of normalised earnings before interest, taxation, depreciation and amortisation (EBITDA) and headline earnings per share (HEPS) as measures to provide shareholders with consistent and comparable reporting tools going forward. Normalised EBITDA is based on reportable EBITDA, excluding one-off items, whilst HEPS is calculated in terms of accounting standards. A 1000:1 share split was effected during the financial year under review. In addition, we have adjusted the calculation of EBITDA to exclude share of profits from associates, in line with industry practice. All prior year figures have been adjusted to allow for effective comparison.

RESULTS OVERVIEW

The Group has produced a solid set of financial results once more. We have experienced significant expansion during the period under review, whilst existing operations have continued to strengthen. Group revenue has increased by 53% to R663m (2012: R434m). Normalised EBITDA grew by 28% to R132m (2012: R103m). HEPS has remained constant at 17c from the prior year, due to the increased number of shares issued as part of the rights offer.

Revenue growth has been driven largely by our Lenasia, Maputo and Botswana hospitals. Our South African operations performed well during the past financial year, with revenue increasing by 14%. Overall, Paid Patient Days have increased by 26% from the prior year, and 13% when excluding all new acquisitions.

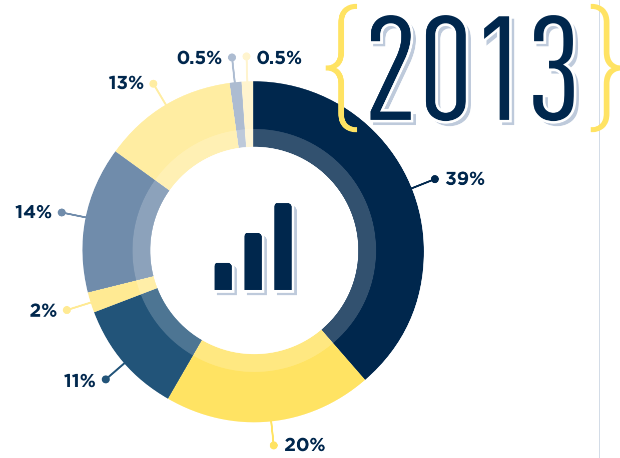
REVENUE COMPARISON (IN MILLION RANDS)



HOSPITALS

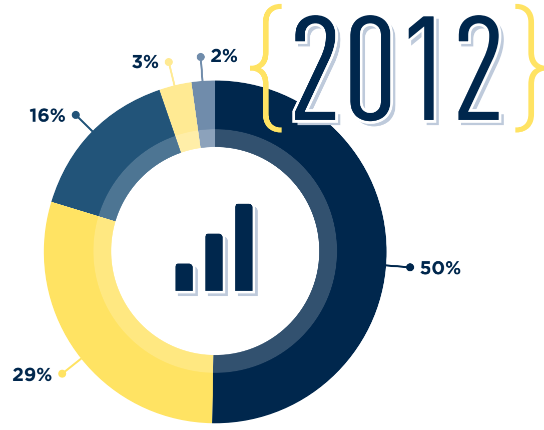
Lenmed Private Hospital	A
Shifa Private Hospital	B
La Verna Private Hospital	C
Zamokuhle Private Hospital	D
Maputo Private Hospital	E
Bokamoso Private Hospital	F
Daxina Private Hospital	G
Randfontein Private Hospital	H

REVENUE DISTRIBUTION (HOSPITAL)



HOSPITALS

Lenmed Private Hospital - **39%**	
Shifa Private Hospital - **20%**	
La Verna Private Hospital - **11%**	
Zamokuhle Private Hospital - **2%**	
Maputo Private Hospital - **14%**	
Bokamoso Private Hospital - **13%**	
Daxina Private Hospital - **0.5%**	
Randfontein Private Hospital - **0.5%**	

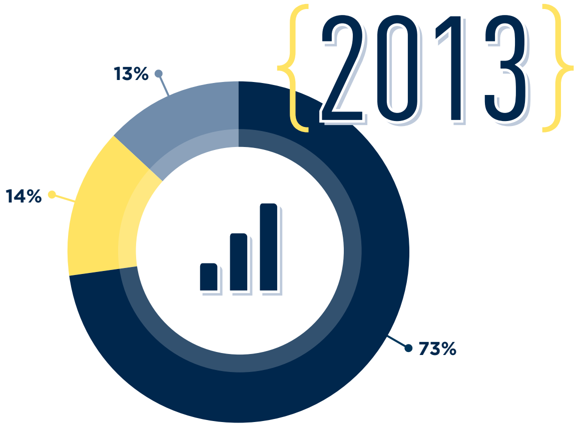


HOSPITALS

Lenmed Private Hospital - **50%**	
Shifa Private Hospital - **29%**	
La Verna Private Hospital - **16%**	
Zamokuhle Private Hospital - **3%**	
Maputo Private Hospital - **2%**	

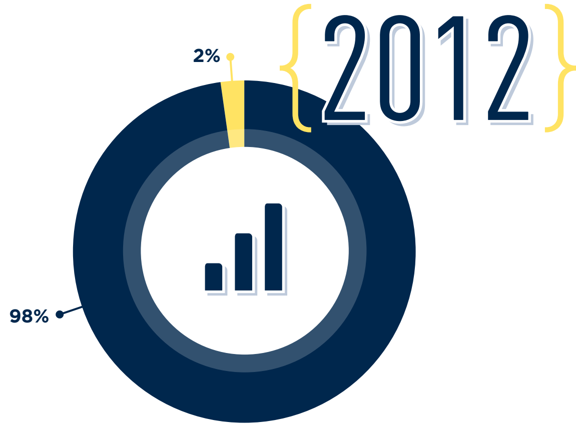
The Group's revenue distribution reflects a positive trend of reducing dependence on the matured facilities.

REVENUE DISTRIBUTION BY COUNTRY



COUNTRIES

- South Africa - **73%**
- Mozambique - **14%**
- Botswana - **13%**



COUNTRIES

- South Africa - **98%**
- Mozambique - **2%**

It is also encouraging that revenue generation from our hospitals outside South Africa now accounts for 27% of total Group revenue, confirmation that our African expansion strategy is on the right track.

It is unfortunate that Lenmed's departure from the National Hospital Network (NHN) was met with resistance from two major medical aid schemes, resulting in lower than expected revenue for the period 01 November 2012 to 28 February 2013 by virtue of drastically reduced tariffs. To date, improved tariffs with these schemes have been negotiated; however, discussions are ongoing.

The Group Normalised EBITDA and HEPS calculations cater for transactions that are considered to be once-off. The total effect of this adjustment is R7.1m and R4.8m taking into account taxation and minority interests. Following the Group's 70% acquisition of Bokamoso Private Hospital in Gaborone, Lenmed entered into a separate transaction with the seller of the facility to acquire the existing inventory and debtor book, which resulted in a once-off profit being recognised. The reversal of the provision for loan diminution is due to a related party loan being deemed recoverable where it was previously written off.

GROUP OVERVIEW, CONTINUED

NORMALISED EBITDA RECON	2013	2012
EBITDA	139,096,872	102,878,429
Less Profit on acquisition of stock and debtors	(5,078,269)	0
Less Reversal of provision for loan diminution	(2,052,496)	0
Normalised EBITDA	**131,966,107**	**102,878,429**
Headline Earnings per Share Recon		
Net profit attributable to Lenmed	96,266,694	75,750,037
Less Profit on acquisition of stock and debtors	(5,078,269)	0
Adjusted for taxation	1,117,219	0
Adjusted for minority interest	1,188,315	0
Less Reversal of provision for loan diminution	(2,052,496)	0
Headline Earnings	**91,441,463**	**75,750,037**
Weighted average number of shares in issue during the year	544,514,000[A]	454,024,000[A]

[A] – 1000:1 share split effected in 2013 financial year – comparative adjusted accordingly

The Group Normalised EBITDA margin has reduced to 20% (2012: 24%). The main contributors to this decrease are as follows:

- reduced revenue by virtue of lower tariffs from two major medical aid schemes, in response to Lenmed's departure from NHN, for the period 01 November 2012 to 28 February 2013;
- increased operational expenditure at Lenmed Private Hospital in Lenasia, due to the commissioning of the new 50-bed ward. The corresponding increase in revenue, relative to this increased capacity, is expected in the new financial year;
- higher staffing costs at Shifa Private Hospital, especially in relation to critical care wards and theatre. This forms part of the hospital's strategy to attract more complex cases to the facility. We expect to see the benefit of this expenditure in the new financial year; and
- Maputo and Bokamoso Private Hospitals accounting for 14% and 13% respectively, of the Group's total revenue (2012: 2% and nil), without the corresponding EBITDA contribution, thereby reducing the total Group EBITDA margin. These are new hospitals that require more time to achieve optimal profitability.

INVESTMENTS

The Group continued its aggressive growth strategy with the following acquisitions during the year:

- 70% of Bokamoso Private Hospital in Gaborone, Botswana, on 01 October 2012;
- Daxina Medical Clinic (renamed Daxina Private Hospital) in Lenasia South, South Africa, on 21 January 2013; and
- Sir Albert Medical Centre (renamed Randfontein Private Hospital) in Randfontein, South Africa, on 25 January 2013.

GROUP OVERVIEW, CONTINUED

In addition to the above acquisitions, a further R15m was transferred to Maputo Private Hospital as working capital. Locally R96m was invested in the expansion and renovation of our existing facilities, as well as the acquisition of new medical equipment to ensure that we remain at the forefront of private healthcare.

ASSETS

Property, plant, equipment, vehicles and furniture have increased substantially by R513m at 28 February 2013 to R946m (2012: R433m). These increases are mainly as a result of the Group's acquisition and expansion programme, the revaluation of the hospital properties to reflect their fair values and foreign currency adjustments.

DEBT MANAGEMENT

Lenmed's interest bearing borrowings increased by R188m. This is attributed to the acquisitions of the Bokamoso and Daxina Private Hospitals, the construction of a new wing at Lenmed Private Hospital and other expansion related obligations.

The company's total net interest bearing debt to equity ratio has improved to 38% from the prior year level of 45%. This ratio has been impacted by the revaluation of the Group's land and buildings, as well as the rights issue. If we ignore the impact of these transactions, the total net interest bearing debt to equity ratio still remains strong at 58%. It should be noted that investment within the private healthcare industry is capital intensive.

Our interest coverage ratio remains healthy at 5.6 (2012: 6.8), with cash flow from operations 5.0 times total interest expense (2012: 6.9).

In line with good business principles, the Group's intention is only to raise debt to fund assets and investments with good profit generating potential.

CASH CONVERSION

Cash conversion remains a focus area of the Group, especially in light of the current expansion strategy. The Group converted 84% of its normalised EBITDA into cash (2012: 102%). If we exclude the impact of new acquisitions and Maputo, the conversion rate improves to 103%. Cash and cash equivalents increased to R58.2m (2012: R12.7m) of which R20m is being held as guarantee in favour of Harmony Gold Ltd, in respect of the Randfontein Private Hospital property.

RIGHTS OFFER

The Group's R110m rights offer was extremely successful being 1.3 times oversubscribed. The capital raised was used to fund the acquisition of the Randfontein Private Hospital, increase Lenmed's stake in Ethekwini Hospital and Heart Centre to 40%, and as a working capital buffer supporting hospitals where required.

EXCHANGE RATE

The Group is exposed to both the United States Dollar (USD) and the Botswana Pula (BWP).

The USD spot moved from R7.53 at 01 March 2012 to R8.84 at 28 February 2013, and averaged R8.87 for the year (2012: R7.40).

The BWP spot and average rate remained stable from 01 October 2012 to 28 February 2013 at R1.09.

Exchange rate movements also had a significant impact on the statement of financial position. The resulting currency translation difference, which is the amount by which the Group's interest (including non-controlling interests) in the equity of the two foreign hospitals increased as a result of the spot rate's movement, amounted to R16.5m (2012: R5.4m) and was recognised in comprehensive income.

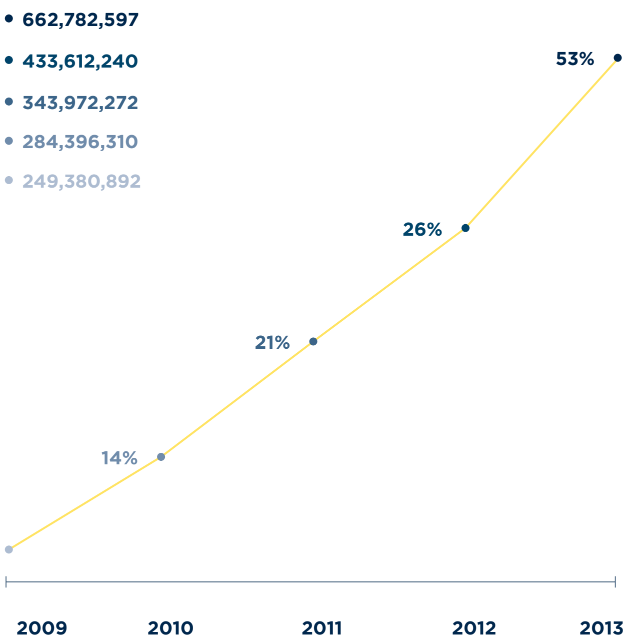
RISK MANAGEMENT

The Group is exposed to financial risks through its business activities, including interest rate risk, currency risk, credit risk and liquidity risk. In line with its risk appetite, 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. A review of the risk register is undertaken quarterly by the Audit and Risk Committee, with the appropriate recommendations made to management and the board.

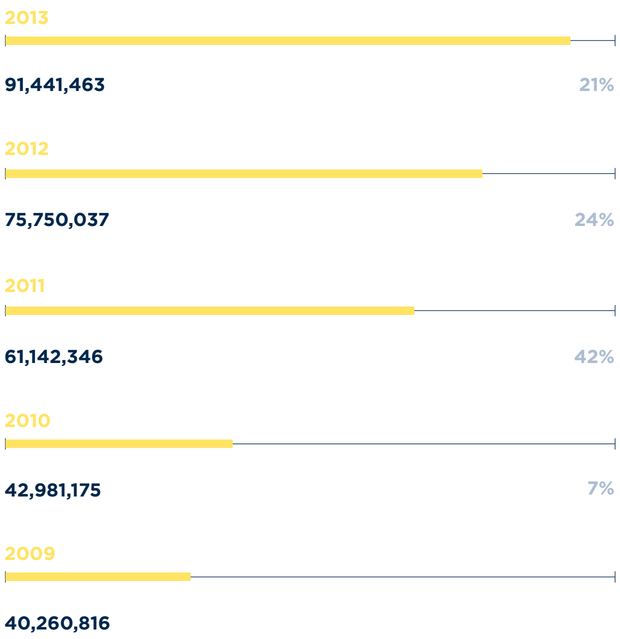
AMIL DEVCHAND, CHIEF FINANCIAL OFFICER

FIVE-YEAR REVIEW

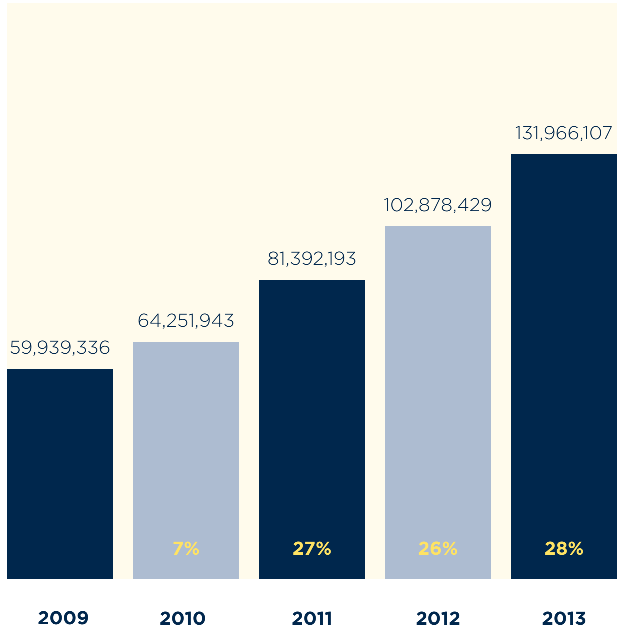
REVENUE



HEADLINE EARNINGS



NORMALISED EBITDA



TOTAL ASSETS

97% INCREASE

2013 1,482,977,133

21% INCREASE — **2012** 754,123,064

59% INCREASE — **2011** 625,538,013

14% INCREASE — **2010** 392,554,502

2009 344,596,416

TOTAL INTEREST BEARING DEBT

87% INCREASE

2013 403,976,556

16% INCREASE — **2012** 215,717,692

321% INCREASE — **2011** 186,468,283

0% INCREASE — **2010** 44,268,163

2009 44,334,965

CASH GENERATED FROM OPERATIONS

13% INCREASE

2013 118,271,242

12% INCREASE — **2012** 104,555,897

48% INCREASE — **2011** 93,278,401

2% INCREASE — **2010** 62,840,162

2009 61,725,339

OPERATIONAL REVIEW

INTRODUCTION

Lenmed is committed to providing quality healthcare to its patients at all its hospitals. The Group utilises proven technology and equipment, attracts professional specialists and doctors across all major medical disciplines, employs trained and caring nursing staff and a qualified and experienced management team.

During the year under review, the Group acquired two new hospitals in Gauteng, initiated expansion and refurbishment programmes at a number of its current facilities, witnessed the official opening of its first hospital outside the borders of South Africa and acquired a majority stake in a private hospital in Botswana.

The Group currently comprises nine hospitals across South Africa, Mozambique and Botswana, with 1 350 registered beds in its current portfolio. In addition, the Group also has an interest in a pharmaceutical wholesale and distribution business.

The Group's 'We always care' slogan is what drives it to maintain the highest levels of operational and administrative services within its hospitals. This ensures that it provides an efficient and effective hospital environment to meet the ongoing needs and demands of patients.

SOUTH AFRICA

LENMED PRIVATE HOSPITAL, LENASIA

Lenmed Private Hospital, as the first hospital in the Group, is regarded as its flagship operation. It has experienced continued high utilisation, growth and expansion over the years. From a prefabricated building with 48 beds in 1984, today Lenmed is an ultra-modern facility with 242 beds, six theatres, a cardiac catheterisation laboratory, and a 24-hour accident, emergency and trauma unit with full specialist cover and pathology and radiology on site.

Following the granting of a licence from the Department of Health (DOH) for an additional 50 beds, construction of a new three-floor structure adjoining the current building, commenced in January 2012. The ground-floor, 50-bed ward was commissioned during September 2012 and is fully functional. The remaining two floors will be developed into additional paediatric and adult wards, consulting rooms and a head office block in the future.

The new wing offers state-of-the-art technology and facilities, and is a functional 'green' building. Included in the 50-bed ward is a dedicated psychiatric wing, built to the DOH's specifications, enabling patients with mental health illnesses to be treated in a serene environment for maximum therapy and recovery. The installation of the planned renal dialysis unit has been delayed and is expected to be completed during 2013.

All of these developments serve to ensure that the hospital continues to provide quality, specialist care to its patients.

ZAMOKUHLE PRIVATE HOSPITAL, TEMBISA

Since the acquisition of Zamokuhle Private Hospital by the Lenmed Group, the facility has increased its service offering through the addition of specialists in various disciplines.

The activity around the hospital during the past year has been in preparation of its expansion into a 94-bed facility, from the current 36 beds. The licence for the additional beds has been obtained from the DOH. It is estimated that construction will begin in Q3 of 2013, and will be completed approximately 12 months thereafter. This expansion signifies the Group's intent to bring healthcare to the doorstep of local communities.

The management at the hospital has been proactive in marketing this expansion to the surrounding doctor network, the response to which has been positive. This gives us confidence in achieving our objectives with this facility.

DAXINA PRIVATE HOSPITAL, LENASIA SOUTH

The acquisition of the Daxina Medical Clinic in January 2013, a 64-bed facility in Lenasia South, will present numerous synergistic opportunities in the region, as a result of its close proximity to Lenmed Private Hospital.

The Group is exploring the possibility of developing an ophthalmic centre of excellence, which will be an exciting and much-needed development for this area. Since takeover, the Group has been in the process of attracting new doctors to the facility and broadening the existing specialty disciplines offered.

SOUTH AFRICA, CONTINUED

RANDFONTEIN PRIVATE HOSPITAL, RANDFONTEIN

While the hospital will continue to cater for the healthcare needs of employees of Harmony Gold and other mining companies with operations in the vicinity, it will also provide a full offering of private healthcare facilities to the local community. In this regard, plans are already underway to reopen both the maternity and paediatric wards, while some of the beds will be reallocated to a dedicated psychiatric ward.

The hospital has received numerous enquiries from prospective specialists interested in practicing at this facility. This is an encouraging sign and bodes well for the future.

LA VERNA PRIVATE HOSPITAL, LADYSMITH

La Verna Private Hospital continues to perform well. During the year under review, the hospital has undergone a major refurbishment and expansion programme. The paediatric ward has been increased from 12 beds to a modern, refurbished 20-bed ward, which was officially opened on 30 August 2012. The new pharmacy, including a new retail area, was successfully relocated.

The hospital has embarked on an expansion of the existing intensive care unit (ICU) and high-care ward from a four-bed into a 10-bed ward. This new facility will house a central nursing station and will be equipped with modern medical technology to improve clinical outcomes.

In January 2013, the much-needed refurbishment of the maternity ward commenced. This included partitioning to offer semi-private wards and the refurbishment of one of the delivery suites.

In addition, the construction of a three-storey structure has commenced with a view to growing the capacity of this facility in the near future.

SHIFA PRIVATE HOSPITAL, DURBAN

The hospital commissioned a dedicated, specialised surgical intensive care unit during the year. This unit is conveniently positioned adjacent to the operating theatre complex to facilitate easy access.

Shifa is broadening its service offering to include a rehabilitation facility. The hospital has been included as one of Discovery Health's "co-ordinated care" providers, bringing a new area of business to the hospital. It is also exploring the possibility of rolling out a primary health centre to ensure steady referrals to the hospital.

Shifa continues to maintain high occupancies and currently awaits the approval of the DOH to commence its expansion plans.

ETHEKWINI HOSPITAL AND HEART CENTRE, DURBAN

This specialist hospital, in which the Group has a 40% equity stake, continues to operate at full capacity. As such, the Group still awaits a decision from the DOH regarding its application to licence a further 50 beds at this facility. During the year under review, the hospital embarked on the following projects as it continues in its efforts to offer excellent service to its patients:

- the commissioning of a second catheterisation laboratory was approved and has been operational since March 2013, resulting in an increase in the hospital's capacity to handle additional cardiology cases;
- a new neurology theatre was commissioned in mid-May 2013; and
- in line with the expansion strategy of the hospital, additional land has been purchased to be used as a parking facility.

PHARMED PHARMACEUTICALS, DURBAN

The wholesale and distribution industry is a highly-regulated and challenging environment. The Group continues to explore various acquisition and expansion opportunities to grow the business. The Johannesburg branch is showing positive growth and the Group expects to make further inroads into the Gauteng market in the year ahead.

MOZAMBIQUE

MAPUTO PRIVATE HOSPITAL, MAPUTO

This 105-bed hospital was officially opened by the President of Mozambique on 31 October 2012. Since this event, the utilisation of the facility has shown an encouraging upward trend.

The focus of the hospital is to retain the best nursing and medical staff, and to provide various specialist disciplines that complement the changing Mozambican market. During the year under review, the hospital introduced plastic surgery. It also performed a number of highly complex surgeries which previously would have required patients to be transferred to South Africa, thus solidifying its presence in the market.

The Agarwal Eye Hospital group has established premises at the hospital. Due to the fact that there is a great need and demand for this type of facility in Maputo, it is envisaged that this partnership will provide added value to the people of Mozambique.

BOTSWANA

BOKAMOSO PRIVATE HOSPITAL, GABORONE

In October 2012, the Group acquired a 70% equity stake in the Bokamoso Private Hospital situated in Gaborone, Botswana. For the 12 months prior, it had entered into an interim agreement to manage the hospital.

In the past five months, the Group has successfully turned the business around from a loss situation to one that is currently stable, growing and profitable. During this time, the hospital has increased the number of beds in use, in response to an increased demand.

The hospital has its own radiology and pathology departments, a pharmacy, a renal dialysis unit and a 24/7 accident and emergency department, each of which offers vital services to the local community. Since acquiring the hospital, the complement of specialists has increased from 25 to 55 as a result of the Group’s efforts to attract the most experienced medical talent to the facility.

Since takeover, the hospital has commissioned the catheterisation laboratory. To date, this new facility has successfully completed 63 cardiac procedures, including coronary angiograms, coronary stenting, ballooning and the placement of permanent pacemakers.

An oncology department has also been introduced that has provided a much-needed service within the country. The hospital is also in the process of commissioning a nuclear medicine facility that will increase the range of diagnostic-related services on offer at the hospital.

GOVERNANCE AND SUSTAINABILITY

SECTION 2

CORPORATE GOVERNANCE REPORT

INTRODUCTION

Lenmed Investments Ltd (Lenmed or the Group) is an unlisted public company. The board of directors (the board) is committed to the values of good corporate governance, as 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.

During the financial year, Lenmed has made great strides and achieved a number of milestones in its business practices to ensure its compliance to King III. These have been highlighted below:

- The appointment of Ms N V Simamane as the third independent non-executive director in compliance with King III;
- the establishment of the internal audit function;
- the establishment of an IT steering committee and IT function; and
- the adoption of a risk policy and register.

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

BOARD OF DIRECTORS

COMPOSITION

The board is based on a unitary structure and exercises full and effective control over the Group. It comprises seven members: an executive chairman who also assumes the role of chief executive officer, three independent non-executive directors, one non-executive director and two executive directors.

At the date of this report, the directors are listed as:

EXECUTIVE DIRECTORS

Mr P Devchand (Chairman and CEO)
Dr A F Kaka
Mr A Devchand

NON-EXECUTIVE DIRECTORS

Mr M G Meehan (Lead Independent)
Ms B Harie (Independent)
Ms N V Simamane (Independent)
Prof B D Goolab

DIRECTORS' ATTENDANCE AT BOARD MEETINGS

The following meetings were held in the last financial year:

DIRECTOR	29.05 '12	30.05 '12	30.07 '12	30.10 '12	30.01 '13
Mr P Devchand	Y	Y	Y	Y	Y
Dr A F Kaka	Y	Y	Y	Y	Y
Mr A Devchand	*	*	*	Y	Y
Mr A Nana	N	N	N	**	**
Mr M G Meehan	Y	Y	Y	Y	Y
Ms B Harie	Y	Y	Y	Y	Y
Ms N V Simamane	***	***	***	Y	Y
Prof B D Goolab	Y	N	Y	Y	Y

* *Appointed as a director at AGM – 28 August 2012*
** *Retired and was not re-elected at AGM – 28 August 2012*
*** *Appointed as a director – 22 October 2012*

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 the Audit and Risk and Remuneration and Nominations committees are non-executive directors. Each board committee functions in accordance with the provisions of the committee charter as approved by the board and reviewed on an annual basis.

The directors and the members of the board committees are supplied with full and timely information that enables them to discharge their responsibilities properly. 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 AND RISK COMMITTEE

The Audit and Risk Committee is a committee of the board of directors and is charged with the responsibility of overseeing audit and risk matters. It consists of three independent non-executive directors, one of whom is the chairman. In addition, the Chief Financial Officer and the company advisor, Grindrod Bank Ltd, are permanent invitees, as are the external and internal auditors. The CEO, other members of the executive management and the IT manager are invited as expedient. The external and internal auditors have unrestricted access to the committee. This configuration meets the requirements of the new Companies Act 2008.

The Audit and Risk Committee Charter under which the committee operates is reviewed and updated by the committee and approved by the board annually.

We are pleased to welcome Ms N V Simamane who was appointed to the committee on 22 October 2012 to complete the complement of independent non-executive directors required by the Companies Act and King III. The composition of the committee as approved by the shareholders at the most recent annual general meeting (AGM) is as follows:

NAME & QUALIFICATIONS	POSITION
Mr M G Meehan CA (SA)	Lead Independent Non-Executive Director
Ms B Harie BA LLB (Natal), LLM (Wits)	Independent Non-Executive Director
Ms N V Simamane BSc (Honours) - University of Botswana & Swaziland	Independent Non-Executive Director

The committee met on three occasions during the year and enjoyed full attendance at all meetings.

DIRECTOR	28.05 '12	29.10 '12	29.01 '13
Mr M G Meehan	Y	Y	Y
Ms B Harie	Y	Y	Y
Ms N V Simamane	*	Y	Y

* *Appointed as a director - 22 October 2012*

During the year, the committee was able to make significant strides in narrowing the gap between the requirements of the King III recommendations and its application in Lenmed. Chief among the improvements has been the establishment of the internal audit function, the establishment of an IT steering committee and IT function and the adoption of a risk policy and register. The only significant requirement of King III which is not addressed by the committee is the recommendation on external assurance providers in respect of sustainability. This has not been undertaken because such appointment would not be justified at this stage of the Group's development.

The internal audit and IT functions are newly implemented. It will be a while before they provide the full benefits that can be expected from their establishment.

BOARD COMMITTEES, CONTINUED

The Audit and Risk Committee is satisfied that, during the financial year ended 28 February 2013, it has considered and discharged its duties and responsibilities as required by section 94(7)(f) of the Companies Act.

In executing its statutory duties in the year, the committee:

- reviewed and received assurances on the independence of the external auditors, PKF, and specifically the nominated partner Dhangee Puran;
- reviewed the work programme of the external auditors;
- agreed the terms of engagement of the external auditors;
- determined the fees to be paid to the external auditors;
- determined and implemented a policy relating to non-audit services provided by the external auditors and where applicable pre-approved such services;
- expressed its satisfaction with the competence of the external auditors;
- held separate discussions with the external auditors and determined that there were no matters of concern;
- received assurances from management and internal audit on the systems of internal control;
- received no reports of breakdowns in internal controls or of fraud and theft;
- reviewed the charters of the Audit and Risk Committee, internal audit and the IT Committee;
- approved the work programmes of the internal auditor and the IT steering committee;
- gave guidance on the accounting treatment of significant matters;
- expressed its satisfaction with the competence of the Chief Financial Officer, Amil Devchand;
- reviewed the performance of the company against loan covenants;
- approved all announcements to shareholders;
- concurred with the views of management that the adoption of the going concern premise in the preparation of the financial results is appropriate;
- approved the final results for the 2013 financial year and recommended them for acceptance by the board; and
- conducted a self assessment of the committee and its members.

The Risk Committee plays an oversight role in respect of risk management.

The company identifies risks under the headings of:

- enterprise risk;
- operational risk;
- financial risk; and
- reputational risk.

The Group has an appetite for risk, which is consistent with the operation of private hospitals in the healthcare industry, in South Africa and more recently in Mozambique and Botswana.
It manages that risk by remaining compliant with legislation and statutory requirements such as the terms under which its licences are granted. 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 Group is not itself involved in conducting medical research or practicing medicine but provides facilities and equipment for procedures conducted by medical practitioners and medical care for patients.

The Group operates in a field in which risk is ever present and is a fundamental part of business strategy. Accordingly, the company adopts practices and procedures, which address risk in all facets

BOARD COMMITTEES, CONTINUED

of the business model. Staff is made aware of the risks inherent in its roles and accepts responsibility for managing risk within its scope. The organisation structure has been expanded to place a greater emphasis on compliance and professional standards as well as internal controls and stronger succession plans. The filling of new roles and the implementation of these higher standards is an ongoing exercise.

The committee has initiated a review of the risk register quarterly and makes recommendations to management and the board. It has met with the insurance brokers to assess the placing of insurance to protect against risks where possible and affordable.

REMUNERATION AND NOMINATIONS COMMITTEE

The Remuneration and Nominations Committee (Remco) is chaired by Ms B Harie, with the other permanent members being Mr M G Meehan (lead independent non-executive) and Prof B D Goolab (non-executive). The executive chairman, Mr P Devchand, the financial advisor from Grindrod Bank, Mr D Theodorou, and the Chief Financial Officer, Mr A Devchand, are also invited to attend the meetings. Four meetings were held prior to year end and all of the permanent members attended these meetings.

Remco operates within a terms of reference, which is reviewed and approved by the board on a regular basis. Its main purpose 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 and to ensure that the board of directors consists of individuals who are equipped to fulfill the role of director of Lenmed;
- make recommendations on the nominations of new directors, having gone through the appropriate interview processes; and
- review and report to the board on its operating effectiveness and performance at least annually, by means of a self-evaluation questionnaire.

The Remco activities during the past financial year have included, amongst others:

- approval of the executive annual bonus scheme for the financial years ended February 2013 and February 2014 respectively;
- approval of the executive annual remuneration increases effective 01 March 2012 and 01 March 2013 respectively;
- oversight and discussion of the hospital managers' annual remuneration increases effective 01 March 2013;
- approval of the principles of the hospital managers' bonus scheme for financial years ended February 2013 and February 2014;
- confirmation of the appointment of Mr A Devchand to the position of Chief Financial Officer. The committee received feedback on and was satisfied with Mr A Devchand's contributions and his performance in his role as acting Chief Financial Officer and accordingly confirmed his appointment;
- review of non-executive director fees, where it was proposed that the fees payable for the period from the 2012 to the 2013 annual general meeting be amended as follows:
  - › Independent non-executive director:
    - ›› Annual retainer – from R132 000 to R150 000
    - ›› Per meeting fee – from R8 500 to R9 500 per meeting;
  - › Non-executive director: a similar/ proportional increase be applied as above.

The above fees were confirmed at the 2012 Annual General Meeting;

- performance review of the board and its sub-committees. It is imperative that the board and its sub-committees conduct a review of their respective performances and effectiveness. On an annual basis questionnaires are sent out to board members by the company secretary who then collects, analyses and reviews the results. These results are then presented to the board and its sub-committees. The last set of these results proved satisfactory;

BOARD COMMITTEES, CONTINUED

- the appointment of an additional non-executive director. At the 22 October 2012 meeting, Remco recommended the appointment of Ms N V Simamane to the Lenmed Investments board and as a member of the Audit and Risk Committee and as chairperson of the Social and Ethics Committee. Ms Simamane's appointment was made after a lengthy recruitment and interview process, and we are confident that she will add value to the board with her other board experience and specialist marketing skills;

- job profiling report: Lenmed executives identified the need to conduct an exercise to formalise an organisational structure and create job descriptions to achieve amongst others:

  › the optimal organisational structure for Lenmed;

  › appropriate reporting lines for the roles that have been deemed necessary; and

  › job profiles for senior management.

  Lenmed appointed Mr M G Meehan and Ms B Harie to conduct the above exercise in the capacity of independent consultants to Lenmed. The results of the report were presented to Remco, where the proposed organisation structure and job profiles were accepted and approved for submission to board; and

- implementation of a long-term incentive scheme: the concept of a long-term incentive scheme was proposed and approved by Remco. The details of the scheme are presently being considered and Lenmed's attorneys have been mandated to update the scheme rules for further consideration and sign-off by Remco and the Board.

REMUNERATION PHILOSOPHY

In the context of the South African healthcare sector, there is a shortage of staff generally, and a dire need to retain talented and higher level staff. It is the task of Lenmed's Remco to put in place strategies to attract and retain staff of the highest calibre, whilst still being mindful of managing costs. Remco considers the remuneration packages of its executive directors and hospital managers, based on current role/responsibilities, individual performance and current market levels of similar job profiles.

The job profiling exercise as described above will prove valuable in creating parity between job grades, roles and salaries.

REMUNERATION PACKAGE FORMULATION

Packages for all key staff (executives, directors and hospital managers) are apportioned between a "guaranteed portion", being the annual package, and a "risk portion", being the bonus incentives, where key members of staff are appropriately incentivised to maximise shareholder returns.

GUARANTEED PORTION OF PACKAGE

The increase in remuneration packages of the executive was considered at the January 2013 Remco for implementation on 01 March 2013. In considering the new remuneration packages, Remco took into account the following factors:

- individual performance;

- market surveys, where comparisons are made with similar positions within the sector and also with companies of a similar size; and

- affordability.

RISK PORTION OF PACKAGE – SHORT TERM AND LONG TERM BENEFITS

Lenmed executives and other key staff are incentivised by way of a short term bonus scheme. On an annual basis it is the responsibility of Remco to review and approve the executive annual bonus scheme. Remco also notes the principles behind the hospital managers' annual bonus scheme. The key performance areas in both these schemes measure specific individual targets, align shareholder and individual goals based on a Headline Earnings per Share target and also include a measure of the performance of the Group as a whole. If the key performance areas are achieved, identified staff could earn bonuses up to a maximum of 100% of their individual packages, where the maximum thresholds are determined by job levels.

BOARD COMMITTEES, CONTINUED

The following short term bonuses were earned by executive management in the financial year:

NAME	BONUS
Mr P Devchand	R 1 665 000
Dr A F Kaka	R 1 387 500
Mr A Nana	R 250 000
Mr A Devchand	R 150 000

As discussed above, Remco has also, in principle, approved a long term incentive scheme that Lenmed hopes to utilise in order to retain key staff over the medium to long term. Lenmed has recently launched its own over-the-counter (OTC) market and it is envisaged that this scheme will be linked to the shares traded on the OTC.

OTHER BENEFITS

Lenmed staff enjoy other benefits such as medical aid, leave pay and retirement funding. As new hospitals were acquired over the years, these benefits were not standardised across Lenmed and it is hoped that this exercise will be concluded in the coming financial year.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The two independent non-executive directors and one non-executive director continue to hold office since their appointment in September 2010. As discussed above, Ms N V Simamane joined the board on 22 October 2012. They are paid an annual retainer, plus attendance fees per meeting. These directors' fees are confirmed by shareholders at the Lenmed annual general meeting. It is important to note that non-executive directors do not receive any payment related to performance of the company and do not participate in any bonus arrangements.

Details of the directors' fees are as follows:

EXECUTIVE DIRECTORS	AP* FY2013	AP* FY2014
Mr P Devchand	R2.52m	R2.772m
Dr A F Kaka	R1.65m	R1.815m
Mr A Devchand	R0.9m	R1.2m

* *Annual Package*

NON-EXECUTIVE DIRECTORS	RETAINER FEE*	MEETING FEE
Mr M Meehan	R150 000	R9 500
Ms B Harie	R150 000	R9 500
Ms N V Simamane	R150 000	R9 500
Prof B D Goolab	R136 000	R9 000

* *Per annum*

SOCIAL AND ETHICS COMMITTEE

The Lenmed board established the Social and Ethics Committee (SEC) during the year under review, as a key element of corporate governance and pursuant to Regulation 43 of the Companies Act 71 of 2008 (the Act), as amended.

The SEC held its inaugural meeting on 15 March 2012. Ms B Harie chaired the SEC meetings until March 2013, with the other permanent members being Dr A F Kaka and Dr A Manning. Ms N V Simamane joined the Lenmed board in October 2012 and she is a permanent member of, and will chair all future SEC meetings as from April 2013. Two meetings were held prior to year end and all of the permanent members attended both these meetings.

The SEC operates within a Terms of Reference, which is reviewed and approved by the board on a regular basis. Its main purpose in terms of the Act is to monitor Lenmed's activities, having regard to any relevant legislation, other legal requirements or prevailing codes of best practice with regard to the following matters:

- compliance;
- social and economic development, taking into account Lenmed's stance on amongst others the Employment Equity Act and the Broad-based Black Economic Empowerment Act;
- good corporate citizenship;
- the environment, health and public safety, including the impact of both Lenmed's activities and its services;
- consumer relationships, including Lenmed's advertising, public relations and compliance with consumer protection laws; and

BOARD COMMITTEES, CONTINUED

- labour and employment, including Lenmed's employment relationships and its contribution towards the training and development of its employees.

The SEC is also required to report, through one of its members, to the shareholders at Lenmed's Annual General Meeting on matters within its mandate.

The SEC activities over the past financial year have included amongst others:

- a review of the SEC terms of reference and recommendation to the board for approval; and

- a review of various current practices in place at Lenmed regarding amongst others the Employment Equity Act, the Broad-Based Black Economic Empowerment Act, good corporate citizenship, contribution of the communities in which its activities are located and a record of sponsorship, donations and charitable giving.

It is encouraging to note that most of Lenmed's obligations under the Act are already being adhered to as a matter of course. Lenmed has, on an ad hoc basis, also made numerous charitable donations, both financially and by way of services, to members of the communities within which its various hospitals are located. A corporate social responsibility (CSI) policy is now in place and in future all CSI initiatives will be monitored and recorded in order to assess the actual extent of these initiatives.

INTERESTS IN CONTRACTS

During the year ended 28 February 2013 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 W Somerville is the appointed 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. All directors have access to the advice and services of the company secretary, at the company's expense.

The transfer secretary of the company has changed to Singular Systems (Pty) Ltd t/a Equity Express.

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 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 its commitment to the highest level of ethical standards. The Group 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 Group. 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.

SUSTAINABLE DEVELOPMENT

Please refer to the detailed Sustainability Report (page 49) of this integrated report.

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:

- retains full and effective control of the company;
- gives strategic direction to the company;
- monitors management in implementing plans and strategies as approved by the board;
- appoints the chief executive officer;
- ensures that succession is planned;
- identifies and regularly monitors key risk areas and key performance indicators of the business;
- ensures that the company complies with relevant laws, regulations and codes of business practice;
- ensures that the company communicates with shareowners and relevant stakeholders openly and promptly;
- identifies and monitors relevant non-financial matters;

BOARD PROCEDURES, CONTINUED

- establishes a formal and transparent procedure for appointment to the board, as well as a formal orientation programme for incoming directors;
- regularly reviews processes and procedures to ensure effectiveness of internal systems of control and accepts responsibility for the total process of risk management; and
- assesses 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.

CLINICAL GOVERNANCE REPORT

INTRODUCTION

Quality assurance, as in so many other industries, remains a key issue in the delivery of safe and professional healthcare. The outcomes are even more important in our industry however, because these can mean the difference between life and death.

At Lenmed, we place great emphasis on clinical and quality assurance, benchmarking these outcomes against our individual hospitals and also against the industry norm. Our management team has instituted an integrated approach that involves all stakeholders and role players in managing and improving quality healthcare for our patients.

LEARNING FROM OUR PATIENTS

Our patients' input remains as the cardinal source of information with regard to quality service delivery throughout the Group's hospitals. The patient service questionnaire (PSQ) constitutes one of the most important pillars of our quality assurance programme.

With the standardisation of the PSQ across all our hospitals in the Group, we are now able to report and compare results on a more equitable basis. The new and improved data capturing and collating information systems have had a very positive effect on the accuracy of the figures generated through the system.

The challenge however remains with the 'buy-in' of the patients to complete the questionnaire. The numbers in the returns or feedback columns have improved over the period of reporting but yet remain, at the majority of our hospitals, a matter of concern: the figure of 90% and above remaining largely elusive.

PSQ STATISTICS

MEASURE	BENCHMARK	GROUP
Number of Returned Forms	90%	67%
Nursing Overall Rating	90%	91%
Doctors' Overall Rating	90%	93%

PROMOTING A SAFETY CULTURE

In our industry, it is vital to provide not only high quality, but also safe care to all our patients and hospital staff.

The safety of both patients and staff is the key functionality of the safety, health, environmental and quality (SHEQ) committee. As much as standard operating procedures are in place and constant training is the order of the day, human failings, if nothing else, will always contribute to this risk.

Despite continuous training and in spite of all the necessary preventative measures in place, patient falls still seem to dominate the list of adverse events, followed by medication errors and pressure sores. However we are pleased to report that these figures are within acceptable limits as benchmarked against both local and international industry norms.

ADVERSE EVENTS

The overall incident rates of adverse events for the Group per 1 000 Paid Patient Days (PPDs) are as follows:

FOCUS AREAS	BENCHMARK	GROUP
Patient Falls	0.80	0.53
Medication Errors	2.50	0.96
Pressure Sores	1.20	0.18

BEST AND SAFE CLINICAL PRACTICE

The Group's safe clinical practice demands that it maintains key principles and elements of infection control and occupational health to ensure a high standard of care to:

- minimise risks to patients, staff and visitors;
- plan and deliver effective measures for the prevention and control of infection and other risks; and
- continue to adopt best practice strategies from across the world to reduce and minimise risks and thereby improve outcomes.

The Group has elected to focus on a suite of high-impact clinical improvement areas across the organisation, while encouraging small-scale innovations in individual hospitals.

LENMED HEALTH QUALITY INDICATORS

The following report focuses on the high-impact clinical improvement areas of:

- prevention of nosocomial infection and antibiotic stewardship;
- prevention of intravenous phlebitis thrombo-embolism; and
- elevating cardio-pulmonary resuscitation competency.

PREVENTION OF HEALTHCARE ASSOCIATED INFECTION AND ANTIBIOTIC STEWARDSHIP

Hospital acquired infection, or nosocomial infection as it is referred to technically, is among the most common yet more serious adverse events in hospitals across the world. In Africa, the risk is further escalated by the huge burden of diseases such as HIV and tuberculosis. The threat posed by infectious diseases and the ever-increasing resistance to antibiotics is growing on a global scale.

Risk is further intensified by the development of the 'super bugs', infections that are difficult to treat as these organisms by their very nature are resistant to all known antibiotics, the most recent of which are the NDM1, CRE and VRE bacteria. These, together with the existent MRSA bacteria, have elevated the infection control department to a status beyond that of simple hygiene.

Our fully-fledged infection control departments at each of our hospital facilities are updated and informed, and thus are increasingly more vigilant in this regard. All the necessary infection control measures, including protocols and procedures regarding infection containment and transmission, are in place.

The "Best Care Always" campaign, launched by the Department of Health (DOH), has been introduced successfully at all our hospitals and the compliance has been excellent. The campaign emphasises strict adherence to specific measures that have been shown to reduce the transmission of infection.

	BENCHMARK*	GROUP*
VAP	0.65	0.00
CAUTI	2.25	0.58
CLABSI	2.00	0.01
SSI	1.50	1.94

* *Incident rate per 1000 Paid Patient Days (PPDs)*

LENMED HEALTH QUALITY INDICATORS, CONTINUED

Except for surgical site infections (SSI), improvements have met or exceeded our targets in all areas or bundles, including: ventilator associated pneumonia (VAP), catheter associated urinary tract infection (CAUTI) and central line associated blood infections (CLABSI). The SSI rate is slightly above benchmark. This was solely due to the higher incidence level at one of our hospitals. This issue has subsequently been managed and the hospital is reporting SSI levels within the reported benchmark figure.

Antibiotic stewardship committees, comprising of multi-disciplinary teams, have been established at most of our hospitals. Besides monitoring the patterns of resistance by bacteria to antibiotics, their major task will be to advise and educate our physicians as to the judicious usage of antibiotics.

PREVENTION OF INTRAVENOUS RELATED PHLEBITIS

With the increasing incidents of phlebitis i.e. inflammation of the peripheral veins, it became necessary to create a new bundle to reduce risk in this area and mitigate against litigation. The bundle has been implemented fully and compliance with the "Best Care Always" bundles programme is very good. We hope to report a drastic reduction in this regard.

ELEVATION OF CARDIO-PULMONARY RESUSCITATION COMPETENCY

Cardio-pulmonary resuscitation (CPR) is a procedure with which even the general public should be familiar. During the year under review, we continued with the programme initiated during the previous year, of certifying all our employees, both nursing and non-nursing staff, to be BLS (basic life support) trained.

We have, in the progression of our objectives, raised the overall percentage of nurses trained in BLS from a level below 20% in 2011 to just above 70% at the time of reporting. We are pleased to report that some of our smaller hospitals are already in the 90% bracket.

We are planning to reach the 100% mark with our nursing staff during the year in progress. Our ultimate goal is to have all our non-nursing staff BLS-certified by the year 2014.

CLINICAL INDICATORS

CONTENTS	BENCHMARK*	GROUP*
Hospital Acquired Infection	1.70	1.61
Intravenous Phlebitis	1.60	1.41

* *Incident rate per 1000 Paid Patient Days (PPDs)*

Evaluating the Group's statistics, hospital-acquired infection for the year 2013 was reported to be 1.61 per 1 000 PPDs, whilst the incident of intravenous phlebitis was 1.41 per 1 000 PPDs. Again, these incident rates are within both local and international benchmarks.

LOOKING FORWARD

Lenmed's commitment to quality patient care remains unwavering. We continually strive to improve and increase our standards in clinical care and quality assurance.

The significance and focus of the clinical governance committee has therefore shifted from being merely a quality-driven entity to one that has to deal more and more with increased legal ramifications and risk. To this end, we have established a clinical governance committee at head office, the idea being to monitor continuously the various clinical governance committees operating at each sub-unit level (hospital).

We recognise that our business involves undertaking risks for reward, and that engaging in risk is inherent in all our activities, as we work towards achieving our business objectives and increasing shareholder value. Consequently risk management within the Group does not attempt to eliminate risk completely, but rather provides structures such as the clinical governance committee to continuously identify, assess, evaluate and manage risk in the clinical area of the business.

DR AHMED FAROUK KAKA, MEDICAL DIRECTOR

SUSTAINABILITY REPORT

INTRODUCTION

Sustainability is built on three cardinal components, namely the triple Ps of People, Planet and Profit. It is the link and interplay between these three components that determines the sustainability of an institution or organisation, i.e. how it manages its business in a sustainable manner.

At Lenmed, this involves ensuring that we conduct our business well beyond the realms of profit, and into the continuum of the social, environmental and economic space. We have aligned our initiatives with these objectives to become and remain good corporate citizens of the world.

PEOPLE

PATIENTS

Our patients are our business and the reason for our existence. Our hospitals strive to provide quality and cost-effective medical care to all population groups. We make use of the latest developments in technology and enlist the services of high calibre specialists and trained staff across all disciplines within our facilities.

With the introduction of the National Core Standards, we have adopted the Patients' Rights Charter and the Batho Pele principles. We are proud to announce that we are fully compliant in all these areas, thereby ensuring that the safety, security, privacy and all rights relating to our patients' welfare and wellbeing are taken care of. With the introduction of the 'Best Care Always' programme, we have also ensured that all quality indicators relating to our patients' safety are adequately monitored and implemented.

We conduct regular surveys to monitor the satisfaction levels of our patients across all our facilities. This enables us to identify the needs of our patients and respond accordingly. We continuously upgrade our facilities and make additions to our services in response to the suggestions and recommendations of our patients.

STAFF

Lenmed recognises the value of its people. This is especially so due to the scarcity of professional nursing skills in the healthcare industry not only in South Africa but across the world. The shortage of trained nurses has reached a critical situation that is threatening the sector on a global scale.

- ***EMPLOYEE DISTRIBUTION***
  Our employee numbers have increased dramatically over the past financial year due to the acquisition of three new hospitals in this period. We now have a total complement of 2 336 employees in our service.

- ***EMPLOYEE ATTRACTION AND RETENTION***
  Bearing in mind the scarce resource of the nursing profession, the retention of skilled staff assumes an even greater significance. This we do by ensuring that our staff enjoy competitive and market-related salaries and benefits that are at least equal to or better than similar institutions. Benefits include a medical aid, pension and life insurance schemes, long service and performance awards, profit participation and other recognition incentives.

- ***TRANSFORMATION AND EQUAL OPPORTUNITY***
  Lenmed strives to ensure that transformation and employment equity targets are achieved, in order to address the imbalances of the past. We have been assessed as a Level 3 contributor in terms of our B-BBEE rating. We are pleased with this achievement and will strive to improve further on this score in the future.

  We can proudly say that we are well-aligned with the Employment Equity Act, and are fully compliant in terms of numbers across the spectrum of the population groups. One area that is proving challenging is compliance in terms of appointing people with disabilities.

PEOPLE, CONTINUED

- ***TRAINING AND DEVELOPMENT***
  Staff training and development remain key to the sustainability of our business. Training and development affords all our employees the opportunity to upskill and advance their careers and to develop to their full potential within the Group structure. In-service training in the wards occurs on a daily basis whilst attendance at seminars and workshops is encouraged. Particular attention is paid to upgrading the skills of nursing staff in the areas of ICU, theatre technique, trauma, maternity and neo-natal ICU, most of which is sponsored fully as an offsite training programme.

  Although the Group has no nursing school of its own, all the hospitals under its banner have opened up their facilities for the training of student nurses attached to private nursing institutions. We are committed to facilitate training opportunities that will grow the broader skills base within South Africa and thereby aid the process of sustainability in the healthcare environment.

- ***EMPLOYEE WELLNESS***
  All our employees, together with their families, have access to a full range of support and counselling services provided by an external service provider. This agency also organises ‘wellness days’ at which the staff can have their blood pressure, cholesterol and glucose levels checked; physical examinations are also undertaken.

- ***EMPLOYEE RELATIONS AND ENGAGEMENT***
  We engage on a regular basis with our employees to ascertain their needs and respond to these accordingly and adequately. These meetings are held via the employee agencies such as the labour unions and workers’ committees. We enjoy an amicable and cordial relationship with the trade unions, including negotiations around the annual salary increases.

  We are planning to conduct an employee engagement survey during 2013. This will allow us to gain a deeper insight into the opinions, feelings and beliefs of our staff. It will play an important role in enabling us to improve our interaction with our staff and the general workplace environment and will contribute to a better employer–employee relationship.

- ***OCCUPATIONAL HEALTH AND SAFETY***
  The welfare of staff is of prime concern to us as the employer. Health and safety receive top priority in our strategic focus. It is the objective of the health and safety committee to ensure that all employees work in a safe environment. The SHEQ representatives, who form part of this committee, are entrusted to keep a close eye on the working environment of their colleagues and to report any deviations to their managers for immediate correction.

  Regular in-service training is undertaken to educate the employees on safety and welfare issues, and how to identify and mitigate risk. Regular evacuation drills are held in the event of an actual emergency. Where necessary, protective clothing and equipment is made available to employees to mitigate a specific type of risk.

  The health and safety committee together with the employee representatives in the form of the SHEQ representatives, forms the basis of the organisation that ensures that all policies and procedures relating to safety are in place, updated and implemented. It also investigates and reports on all incidences and ensures that all risks are mitigated.

  The clinical governance committee, into which the health and safety committee reports, ensures that all the hospitals within the Group are compliant with the current legislation as is spelt out in the Act.

DOCTORS

In partnership with the doctors and nurses, we form a tripartite alliance that delivers healthcare of the highest order. We offer our communities quality, caring and compassionate healthcare facilities and services that are accessible and affordable.

The doctors form an important pillar of this tripartite alliance. The absence of a team of well-trained specialists will create a deep void in the services we are able to provide. Thus we find it of the utmost importance to attract top calibre doctors who are trained and skilled to provide professional medical services at all our hospitals.

PEOPLE, CONTINUED

COMMUNITY

Our credo "We Always Care" was adopted with the establishment of the first Lenmed hospital in 1984. This care does not relate to the patient only but extends to all our stakeholders and includes the environment (our planet) and the community (the people).

Contributing and giving back to the communities in which we operate have formed the cornerstone of our corporate social investment (CSI) policy.

We pride ourselves in our social commitment, which has planted the strong community roots from which the Group has grown and flourished over the years.

The Group has instituted and participates in a range of CSI initiatives and outreach programmes that assist the local community. These are focused on five main areas:

- indigent emergency medical services;
- healthcare accessibility initiatives;
- community health and welfare sponsorships;
- academic bursaries; and
- community service.

PROVIDING EMERGENCY CARE TO INDIGENT PATIENTS

Lenmed's hospital emergency units across the Group continued to provide free assistance to indigent patients during the year under review. This includes administering emergency care and stabilisation to patients presenting with life-threatening conditions who are unable to pay for this service. If these patients are too unstable to be transferred to public hospitals, they 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 they are in a stable enough position to be transferred or discharged from its care.

INITIATIVE TO IMPROVE ACCESS TO HEALTHCARE

Lenmed introduced its 'Right to Sight' cataract campaign in conjunction with TIBA Services for the Blind, in July 2002. Since then, Lenmed Private Hospital has performed free cataract surgery and restored the eyesight of community members in need, with 70 operations performed in the past financial year. These patients are financially disadvantaged and under normal circumstances, would be unable to afford such a procedure. The Group is looking to extend this free community service to its other hospitals in the foreseeable future.

COMMUNITY HEALTH AND WELFARE SPONSORSHIP

The Group oversees a number of welfare initiatives to assist those less fortunate within its communities, such as:

- Feeding campaign: Both the management and staff donate food items on a regular basis through collection drives. The food parcels are then distributed through various welfare organisations that care for the poor and hungry.
- Local community involvement: We undertake various activities at our hospitals and emergency units to attend to the needs of the community, including:
  - › provision of pro-bono treatment to children living in local homes and orphanages;
  - › support to 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 those of our nurses, pharmacists and administrative staff as standby medical personnel at special events, such as the annual Ghandi Walk in Lenasia; and
  - › hosting various CANSA events to promote cancer awareness.
- Community healthcare education: Open days and other health awareness initiatives are hosted at our facilities to coincide with special days on the health calendar, such as:
  - › diabetes screening;
  - › heart awareness;
  - › breast cancer awareness;

PEOPLE, CONTINUED

- eye health;
- cholesterol screening;
- hypertension screens;
- pregnancy education; and
- TB and HIV awareness.

Certain Lenmed hospitals also offer their conference rooms 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.

BURSARIES

Bursary applications from previously disadvantaged learners wishing to pursue a career in healthcare, are considered and awarded on an ad hoc basis, according to a particular set of criteria. In addition, learnerships in the health sector for basic courses in nursing are in place and proving successful in producing more qualified nursing staff for our hospitals.

COMMUNITY SERVICE

We afford Grade 11 students the opportunity of performing their community service duties at Lenmed hospitals, as set out in the revised school curriculum. Interested students are exposed to the many facets of the medical industry and gain invaluable hands-on experience.

We are confident that this insight plays a positive role in assisting these students in their future career choices, and ultimately produces healthcare leaders of tomorrow.

PLANET

Lenmed strives to be a responsible corporate citizen and to carry out its business in an environmentally friendly manner. Our focus is on the reduction of our carbon footprint, whilst ensuring that our consumption of natural resources is well controlled and managed.

ENERGY SAVING AND REDUCTION

We have begun taking the first steps towards a greener future with regards to our facilities. Our most recent building project at Lenmed Private Hospital saw the introduction of green design principles to reduce energy consumption. These include heat pumps in place of geysers and sensor switches for the lighting in the bathrooms – the light switches on only on detection of body movement in the area. Whilst these may be seen as small steps, they are leading us in the right direction.

WASTE

The separation, recycling and disposing of waste is one of the major challenges facing our industry in our continued efforts to spare our planet. The disposal of medical or biological waste, a specialised area of waste management, poses a major risk within the healthcare industry. We have designed and implemented various policies, in line with legislation, to mitigate the risk posed by hazardous waste.

PLANET, CONTINUED

With regard to segregation of waste we have made good strides in this direction. The separation of waste plays an important role not only in the disposal of waste but in the recycling process. As we consciously drive down the volume of waste generated the separation process goes a long way to achieving this objective.

As waste is a significant contributor towards carbon emission, the reduction of waste has become an important measure in our efforts to reduce our carbon footprint. The Government has taken a significant step to enforce companies to reduce their carbon footprint by legislating on it. The objective of the Government is to introduce cleaner and renewable resources to reduce relative carbon emissions and thereby mitigate climatic changes. The impending carbon tax will also impact on our efforts in this regard.

GOING GREEN

The Group's focus on its 'going green' project has not yet taken off to the extent that it would have liked to date. Renewed efforts in this regard across the organisation will become a key objective and we hope to report positively in this area in the near future.

PROFIT

In pursuit of adding value to the Group, Lenmed continually investigates potential investment opportunities, both locally and across the rest of the African continent. Furthermore, we engage with various parties within the industry with a view to forming strategic alliances that will benefit the business.

In the current environment, it is essential to monitor all processes to ensure that efficiencies are maximised, resulting in greater profitability. We strive to be innovative in our methods, which differentiates us from our competitors.

All these factors are designed and implemented to ensure the ongoing sustainability of the Group for its myriad stakeholders.

AUDITING PROCESS

Lenmed fulfils its fiduciary responsibility by ensuring both the internal and external auditing of processes, the preparation of accurate financial reporting and the payment of government taxes and levies. An ethics policy is in place informing all employees of the principles by which the organisation is governed, and to reinforce their understanding that they are accountable for their actions. The Group is committed to the principles of good corporate governance as contained in the King III code and to this end, has formed an internal audit function to strengthen and monitor compliance throughout the Group.

ENSURING WORLD-CLASS FACILITIES

Operationally, we strive to provide excellent healthcare at all our facilities, irrespective of geographic location. Our hospital managers and directors attend conferences, seminars and symposiums to keep 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, should a positive outcome result, these new protocols and equipment are introduced into our hospitals.

INVESTING IN TECHNOLOGY

We are aware that the top quality medical doctors and specialists, who are committed to remaining at the forefront of medicine advancements, are more likely to associate themselves with hospitals that are innovative, proactive and show constant investment in the latest and most modern technologies. By keeping abreast of and implementing these innovations into our facilities, it is our intention to make our hospitals an attractive choice for high calibre medical professionals and specialists, thus promoting and ensuring the sustainability of our operations.

MEDICAL SCHEMES

Medical aids seek a healthy working relationship with hospital groups to provide cost effective yet quality healthcare. The Group interacts with the medical aid industry and various other funders on an ongoing basis to maintain an amicable working relationship. Annual representation is made to the industry to negotiate pricing for services rendered.

We strive to adhere to accurate and fair case management practices, to ensure that the patient is not disadvantaged in any way, that medical aids are informed and updated of patient treatment, and that the necessary authorisations are obtained timeously. It is imperative that Lenmed maintains a sound working relationship with the medical aid industry to ensure the viability and sustainability of the Group.

PROFIT, CONTINUED

As Lenmed focuses on expanding its operations outside South Africa, the same principles must be adhered to.

During the past financial year, Lenmed has taken the decision to leave the National Hospital Network (NHN), resulting in the Group communicating and negotiating directly with the funder community in South Africa. We believe that we are in a position to offer them innovative products, using our close relationships with our doctors and other partners.

The Group is also in the process of implementing an alternative reimbursement model with the major medical aid schemes, for the benefit of both parties. The industry has witnessed growth in the designated service provider (DSP) network arrangements offered by the funders. Lenmed, due to its favourable costing coupled with superior clinical outcomes, remains in a strong position to capitalise from such developments. Whilst we have experienced challenges with certain funders since our departure from NHN, we remain confident that we have taken the correct decision to ensure the long term success and sustainability of the business.

NATIONAL HEALTH INSURANCE (NHI)

The National Health Insurance plan's objective is to make quality healthcare accessible to all South Africans. Discussions continue within the healthcare industry and the wider community surrounding the implementation of this initiative.

While Lenmed remains supportive of this plan in principle, it continues to question its feasibility, and how the private sector will partner with the public sector in its implementation.

We will monitor developments and engage with government where deemed necessary.

SHAREHOLDERS

Investors expect Lenmed to carry out its business in an ethical manner that adheres to the principles of corporate governance. This includes the provision of timeous information and compliance with government's policies and regulations, while focusing on maximising shareholder wealth. Investors are kept informed of developments within the Group through newspaper articles, shareholder meetings, the company website and its annual company report.

We aim to ensure that our business operations adhere to the strict principles of corporate governance as contained in the King III report and continually seek opportunities to deliver shareholder value. To this end, we have made considerable progress in achieving the recommendations of the King III code.

More detail in this regard is contained in the Corporate Governance section (page 34) of this integrated report.

SUPPLIERS

Suppliers expect fair competition and suitable payment terms. The Group expects its suppliers to honour their terms of agreement as stated in their contracts. It is also expected that suppliers too, will act in an ethical manner, supply quality products at a fair price, deliver and install equipment on time and honour warranties and guarantees.

The Group ensures that it only deals with reputable suppliers with proven track records to maintain business continuity and operational excellence.

LOOKING FORWARD

With Lenmed's current focus on growth and expansion for the Group both locally and beyond the borders of South Africa, cash flow requirements are constantly scrutinised and reviewed. A budgetary and financial forecast model is in place, to project the expected financial performance and position of the company into the future. In addition, we maintain close relations with independent and reputable financiers, to enable us to access funding on favourable terms when required. This allows us to continue on our growth and acquisition drive while at the same time, to maximise shareholder wealth.

An integrated team effort is required to ensure that all business objectives are met. With this in mind, Lenmed works closely with its stakeholders to ensure that the principles outlined in this report are upheld and improved over time.

We work continuously with our patients, staff, doctors, shareholders, suppliers and the communities we serve to improve standards, develop individuals, increase profitability and uplift our people in a socially responsible manner.

We also strive to inflict minimum harm to the environment in our daily business practice, thus living and working our motto of: 'We always care'.

ANNUAL FINANCIAL STATEMENTS AND OTHER INFORMATION

SECTION 3

LEVEL OF ASSURANCE

These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa.

PREPARER

These annual financial statements were prepared and supervised by:

- Amil Devchand CA (SA) (Chief Financial Officer)
- Naushad Ahmed Gany CA (SA) (Group Financial Manager)

DIRECTORS' RESPONSIBILITIES AND APPROVAL

The directors are required by the Companies Act 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 auditing 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 controls 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 has established a system of internal financial controls aimed at reducing the risk of error or loss in a cost effective manner. These controls 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.

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 misstatement or loss.

The directors believe that the Group will 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 62 - 94, which have been prepared on the going concern basis, were approved by the board of directors on 12th June, 2013 and were signed on its behalf by:

PRAKASH DEVCHAND, CHAIRMAN AND CEO

AMIL DEVCHAND, CHIEF FINANCIAL OFFICER

REPORT OF THE AUDIT COMMITTEE

Report of the Audit Committee in terms of section 94(7)(f) of the Companies Act.

The committee met on three occasions last year and held further discussions with the external auditors and internal audit manager. Based on the information supplied at those meetings, the audit committee has no reason to believe that there were any material failures or breakdowns in the system design and effectiveness of internal financial controls during the year.

The committee also satisfied itself on the independence of the external auditors and that they were properly appointed in terms of the Companies Act.

The committee reviewed the annual financial statements and the integrated report as well as the significant judgements and reporting decisions with the assurance providers and management and came to the conclusions that:

- The going concern basis of reporting is appropriate.
- The annual financial statements and integrated report comply in all material respects with statutory disclosure requirements.
- The annual financial statements should be approved by the board and circulated to shareholders.

For further information on the composition and activities of the audit committee, please see page 35 of the integrated report.

MIKE MEEHAN, AUDIT COMMITTEE CHAIRPERSON

11 June 2013

STATEMENT OF COMPLIANCE BY THE COMPANY SECRETARY

STATEMENT

I, W SOMERVILLE, 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 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.

WILLIAM SOMERVILLE, COMPANY SECRETARY

12 June 2013

REPORT OF THE INDEPENDENT AUDITORS

TO THE SHAREHOLDERS OF LENMED INVESTMENTS LIMITED AND THE GROUP

REPORT ON THE ANNUAL FINANCIAL STATEMENTS

We have audited the annual financial statements of Lenmed Investments Limited and the Group, which comprise the consolidated and separate statements of financial position at 28 February 2013 and the consolidated and separate statements of comprehensive income, statements of changes in equity and statements of cash flow for the period then ended and a summary of significant accounting policies and other explanatory notes, as set out on pages 65 - 94.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The company's 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 of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

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 consolidated and separate financial position of Lenmed Investments Limited as at 28 February 2013 and its consolidated and separate financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

As part of our audit of the financial statements for the year ended 28 February 2013, we have read the Directors' Report for the purpose of identifying whether there are material inconsistencies between this report and the audited annual financial statements. The report is the responsibility of the respective preparer. Based on reading this report, we have not identified material inconsistencies between this report and the audited annual financial statements. However, we have not audited this report and accordingly do not express an opinion on this report.

PKF DURBAN, PRACTICE NUMBER: 906352E

Chartered Accountants (South Africa)
Registered Auditors
Per: D Puran
12 June 2013

REPORT OF THE DIRECTORS

1. NATURE OF BUSINESS

The principal activities of the company during the year were 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	Reg. No. 2006/002764/07
Lenmed Health Laverna (Pty) Ltd	Reg. No. 1988/004487/07
Lenmed Health Shifa (Pty) Ltd	Reg. No. 2000/006080/07
Lenmed Health Zamokuhle (Pty) Ltd	Reg. No. 2005/017980/07
Lenmed Health Daxina Private Hospital (Pty) Ltd	Reg. No. 2006/021573/07
Lenmed Health Randfontein Private Hospital (Pty) Ltd	Reg. No. 2012/006706/07
Lenmed Management Services (Pty) Ltd	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
Lenmed Health Africa (Pty) Ltd	Reg. No. 2011/130484/07
Lenmed Health Bokamoso Private Hospital (Pty) Ltd (formerly Kalend (Pty) Ltd)	Reg. No. CO2011/4403
Maputo Private Hospital SARL	Reg. No. 17682

ASSOCIATE COMPANIES

Pharmed Pharmaceuticals (Pty) Ltd	Reg. No. 1985/005694/07
Ethekwini Hospital and Heart Centre (Pty) Ltd (formerly Capensis Management Ltd)	Reg. No. 2002/002222/07

2. STATE OF AFFAIRS

The Group's earnings before interest, tax, depreciation and amortisation (EBITDA) amounted to R139 096 872 (2012: R102 878 429).

The Group's profit before tax for the year amounted to R120 996 235 (2012: R94 048 824) before deducting taxation of R24 819 489 (2012: R27 224 974), resulting in profit after taxation for the year of R96 176 746 (2012:R66 823 850).

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. For further commentary please refer to the other reports detailed in the integrated report.

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 (2012: nil).

REPORT OF THE DIRECTORS, CONTINUED

6. SHARE CAPITAL

6.1 AUTHORISED

During the year under review the following changes were made to the authorised and issued share capital of the company:

- The ordinary shares in the company's authorised and issued share capital were converted from par value to no par value.
- Authorised and issued capital were subdivided so that every 1 ordinary share held was replaced by 1 000 ordinary shares.
- The authorised no par value shares in the company were increased from 600 000 000 to 1 000 000 000 authorised shares.

6.2 ISSUED

During the year 187 066 000 shares were issued as follows:

- 100 000 shares to doctors at 50 cents per share,
- 3 989 000 shares to doctors at 60 cents per share,
- 55 000 shares to staff at 60 cents per share, and
- 182 922 000 shares to existing shareholders in relation to the rights issue at 60 cents per share

7. DIRECTORSHIP

DIRECTORS	APPOINTED	RETIRED
Mr P Devchand (Chairman)	13/10/86	
Dr A F Kaka	08/08/90	
Mr A Devchand	28/08/12	
Mr M G Meehan	16/09/10	
Prof B D Goolab	16/09/10	
Ms B Harie	16/09/10	
Ms N V Simamane	22/10/12	
Mr A A Nana	16/02/06	28/08/12

8. SECRETARIES

The company secretary, Mr. W. Somerville, was appointed by the Board effective 29th September, 2011. The transfer secretary of the company is Singular Systems (Pty) Ltd t/a Equity Express.

9. AUDITORS

PKF Durban Chartered Accountants (SA) are the Group's auditors.

10. MANAGEMENT BY THIRD PARTIES

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

11. 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, 2011. By supporting this Code of Corporate Practices and Conduct, the Directors conduct the business of the Group with integrity and in accordance with generally accepted best corporate governance practices.

12. PROPERTY, PLANT AND EQUIPMENT

During the year the Group acquired property, plant and equipment to the amount of R263 070 844 (2012:R91 105 323).

In addition the Group revalued land and buildings for the first time in the current financial year. This was a change in accounting policy. Land and buildings increased by R235 519 117 as a result of the revaluation.

13. CURRENT AND FUTURE GROWTH

The Group acquired three new hospital facilities in the current financial year:

- Bokamoso Private Hospital in Gaborone, Botswana, the Group acquired a 70% stake in this 200 bed hospital effective October 2012.
- Daxina Medical Clinic in Lenasia South, Johannesburg, renamed Lenmed Health Daxina Private Hospital (Pty) Ltd, the Group acquired this 64 bed facility effective January 2013.

REPORT OF THE DIRECTORS, CONTINUED

- Sir Albert Medical Centre in Randfontein, Johannesburg, renamed Lenmed Health Randfontein Private Hospital (Pty) Ltd, the Group acquired this 174-bed facility effective January 2013. As at the date of this report, Lenmed has issued a guarantee to the value of R20 million to the vendor. Settlement of the sum is currently pending legal transfer of the land and buildings. If after three years from the effective date, legal transfer to Lenmed has not been fulfilled, Lenmed will be granted a 99 year lease on the said land and buildings upon settlement of the guarantee.

Lenmed Health Zamokuhle (Pty) Ltd, a wholly owned subsidiary of the Group, has acquired four new properties adjacent to the medical facility in Tembisa, Johannesburg during the current financial year and at reporting date has committed to acquire two additional properties. These acquisitions are the first steps in the plans to upgrade and extend this hospital.

The Group has increased its ownership in Ethekwini Hospital and Heart Centre (Pty) Ltd from 34.9% to 40% during the financial year. (refer to note 7)

The Group is involved in negotiations in respect of other acquisition opportunities in South Africa as well as elsewhere in Africa.

14. RIGHTS ISSUE

A rights issue was offered to shareholders to finance the growth and expansion of the Group. The rights issue was 30% oversubscribed with the surplus refunded to shareholders.

The proceeds raised have been expended on the following:

- an increased equity stake in Ethekwini Hospital and Heart Centre (Pty) Ltd from 34.9% to 40%;
- the purchase of the Sir Albert Medical Centre in Randfontein; and
- working capital for the various new and existing hospitals

15. SUBSEQUENT EVENTS

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

STATEMENTS OF FINANCIAL POSITION

		GROUP		COMPANY	
FIGURES IN RAND	**NOTE**	**2013**	**2012**	**2013**	**2012**
ASSETS					
NON-CURRENT ASSETS		**1 218 357 695**	**640 097 380**	**291 315 902**	**207 155 324**
Property, plant and equipment	3	946 121 025	433 183 414	-	-
Loans receivable	4	3 253 297	5 601 174	291 315 702	207 155 124
Goodwill	5	22 406 819	22 406 819	-	-
Investment in subsidiaries	6	-	-	200	200
Investment in associates	7	238 954 792	177 545 952	-	-
Deferred taxation	8	7 621 762	1 360 021	-	-
CURRENT ASSETS		**264 619 438**	**114 025 684**	**31 467 531**	**2 184 388**
Inventory	9	31 363 022	10 025 640	-	-
Trade and other receivables	10	152 725 670	82 765 410	926 597	1 527 132
Short term investment	11	2 194 700	-	2 194 700	-
Taxation		743 251	308 848	331 107	25 831
Cash and cash equivalents	24,3	77 592 795	20 925 786	28 015 127	631 425
TOTAL ASSETS		**1 482 977 133**	**754 123 064**	**322 783 433**	**209 339 712**
EQUITY AND LIABILITIES					
EQUITY AND RESERVES		**854 062 723**	**431 704 165**	**322 087 240**	**209 149 063**
Stated capital	12	218 283 313	4 571 800	218 283 313	4 571 800
Share premium		-	101 481 913	-	101 481 913
Revaluation reserve	13	176 544 490	-	-	-
Foreign currency translation reserve		22 971 907	4 616 345	-	-
Accumulated profits and reserves		427 821 599	331 554 905	103 803 927	103 095 350
Non-controlling interest		8 441 414	(10 520 798)	-	-
NON-CURRENT LIABILITIES		**444 983 515**	**219 555 768**	**-**	**-**
Long term liabilities	14	294 966 615	165 538 512	-	-
Loans from minorities	15	70 494 449	37 421 013	-	-
Deferred taxation	8	79 522 451	16 596 243	-	-
CURRENT LIABILITIES		**183 930 895**	**102 863 131**	**696 193**	**190 649**
Trade and other payables	16	87 403 203	43 531 431	696 193	190 649
Current portion of long term liabilities	14	53 500 660	30 918 593	-	-
Short term loan	17	11 000 000	11 009 314	-	-
Accruals	18	11 541 080	6 025 895	-	-
Taxation		1 061 328	3 126 625	-	-
Bank overdraft	24,3	19 424 624	8 251 273	-	-
TOTAL EQUITY AND LIABILITIES		**1 482 977 133**	**754 123 064**	**322 783 433**	**209 339 712**

STATEMENTS OF COMPREHENSIVE INCOME

		GROUP		COMPANY	
FIGURES IN RAND	**NOTE**	**2013**	**2012**	**2013**	**2012**
CONTINUING OPERATIONS					
Revenue	2,1	662 782 597	433 612 240	-	-
Cost of sales		(184 425 038)	(119 912 878)	-	-
GROSS PROFIT		**478 357 559**	**313 699 362**	**-**	**-**
Other Income		37 372 070	21 910 151	760 293	545 686
Operating costs		(397 568 440)	(246 797 502)	(1 584 936)	(945 566)
PROFIT before interest and taxation	22	**118 161 189**	**88 812 011**	**(824 643)**	**(399 880)**
Investment income	20	26 364 606	20 299 269	1 886 050	815 531
Finance costs	21	(23 529 560)	(15 062 456)	-	-
PROFIT before taxation		**120 996 235**	**94 048 824**	**1 061 407**	**415 651**
Taxation	23	(24 819 489)	(27 224 974)	(352 830)	(116 382)
PROFIT for the year		**96 176 746**	**66 823 850**	**708 577**	**299 269**
OTHER COMPREHENSIVE INCOME		**213 951 882**	**5 390 779**	**-**	**-**
Foreign currency translation reserve		16 523 756	5 390 779	-	-
Gain on Available-for-sale financial asset		174 389	-	-	-
Gain on property revaluations		262 702 118	-	-	-
Deferred Taxation relating to gain on			-	-	-
property revaluations		(65 448 381)	-	-	-
TOTAL COMPREHENSIVE INCOME for the year		**310 128 628**	**72 214 629**	**708 577**	**299 269**
PROFIT ATTRIBUTABLE TO:					
Lenmed Investments Ltd members		96 266 694	75 750 037		
Non-controlling interests		(89 948)	(8 926 187)		
		96 176 746	**66 823 850**	**-**	**-**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Lenmed Investments Ltd members		291 166 746	81 399 446		
Non-controlling interests		18 961 882	(9 184 817)		
		310 128 628	**72 214 629**	**-**	**-**

STATEMENTS OF CHANGES IN EQUITY

	STATED CAPITAL	SHARE PREMIUM	REVALUATION RESERVE	FCY* TRANSLATION RESERVE	ACCUMULATED PROFITS AND RESERVES	NON-CONTROLLING INTEREST	TOTAL
GROUP							
Balance at 01 March 2011	4 535 900	100 061 813	-	(1 033 064)	255 804 868	(1 335 981)	358 033 536
Issue of shares	35 900	1 420 100	-	-	-	-	1 456 000
Total comprehensive income for the year	-	-	-	5 649 409	75 750 037	(9 184 817)	72 214 629
Balance at 01 March 2012	4 571 800	101 481 913	-	4 616 345	331 554 905	(10 520 798)	431 704 165
Transfer of share premium to stated capital	101 481 913	(101 481 913)	-	-	-	-	-
Issue of shares	112 229 600	-	-	-	-	-	112 229 600
Increase in minority on the acquisition of subsidiary	-	-	-	-	-	330	330
Total comprehensive income for the year	-	-	176 544 490	18 355 562	96 266 694	18 961 882	310 128 628
BALANCE AT 28 FEBRUARY 2013	**218 283 313**	**-**	**176 544 490**	**22 971 907**	**427 821 599**	**8 441 414**	**854 062 723**
COMPANY							
Balance at 01 March 2011	4 535 900	100 061 813	-	-	102 796 081	-	207 393 794
Issue of shares	35 900	1 420 100	-	-	-	-	1 456 000
Total comprehensive income for the year				-	299 269	-	299 269
Balance at 01 March 2012	4 571 800	101 481 913	-	-	103 095 350	-	209 149 063
Transfer of share premium to stated capital	101 481 913	(101 481 913)	-	-	-	-	-
Issue of shares	112 229 600	-	-	-	-	-	112 229 600
Total comprehensive income for the year	-	-	-	-	708 577	-	708 577
BALANCE AT 28 FEBRUARY 2013	**218 283 313**	**-**	**-**	**-**	**103 803 927**	**-**	**322 087 240**

**foreign currency*

STATEMENTS OF CASH FLOW

		GROUP		COMPANY	
FIGURES IN RAND	**NOTE**	**2013**	**2012**	**2013**	**2012**
CASH FLOWS FROM OPERATING ACTIVITIES		**73 062 436**	**69 002 205**	**1 509 380**	**-642 263**
Cash generated by/(utilised in) operating activities	24,1	118 271 242	104 555 897	281 436	(1 224 485)
Interest received		6 812 618	1 578 798	1 886 050	815 531
Interest paid		(23 529 560)	(15 062 456)	-	-
Taxation paid	24,2	(28 491 864)	(22 070 034)	(658 106)	(233 309)
CASH FLOWS FROM INVESTING ACTIVITIES		**(327 220 877)**	**(103 667 965)**	**(2 194 700)**	**(100)**
Purchase of property, plant and equipment	3	(263 070 844)	(91 105 323)	-	-
- to maintain operating capacity		(62 201 238)	(11 234 611)	-	-
- to expand operating capacity		(200 869 606)	(79 870 712)	-	-
Proceeds from sale of property, plant and equipment		327 715	521 364	-	-
Investment in associate		(26 672 000)	(949 646)	-	(100)
Increase in investments		(2 194 700)		(2 194 700)	-
Foreign currency translation		(35 611 048)	(12 134 360)	-	-
CASH FLOWS FROM FINANCING ACTIVITIES		**299 652 099**	**26 486 255**	**28 069 022**	**(7 297 709)**
Issue of ordinary share capital		112 229 600	1 456 000	112 229 600	1 456 000
Issue of shares to minorities		330	-	-	-
Long term loans raised		162 501 539	36 002 441	-	-
Decrease in loan receivable		2 347 877	(5 750)	(84 160 578)	(8 753 709)
Short term loans raised		-	11 009 314	-	-
Short term loans repaid		(9 314)	(26 000 000)	-	-
Increase in short term portion of long term liabilities		22 582 067	4 024 250	-	-
INCREASE IN CASH AND CASH EQUIVALENTS		**45 493 658**	**(8 179 505)**	**27 383 702**	**(7 940 072)**
CASH AND CASH EQUIVALENTS at beginning of year	24,3	12 674 513	20 854 018	631 425	8 571 497
CASH AND CASH EQUIVALENTS at end of year	24,3	**58 168 171**	**12 674 513**	**28 015 127**	**631 425**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

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

STANDARDS AND INTERPRETATIONS ADOPTED WITH NO EFFECT ON THE FINANCIAL STATEMENTS

The following new and revised Standards and Interpretations have been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

STANDARD	DETAILS OF AMENDMENT	ANNUAL PERIODS*
IFRS 7: Financial Instruments: Disclosures	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.	01 July 2011

**Annual periods beginning on or after*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS, CONTINUED

1. BASIS OF PREPARATION, CONTINUED

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.

STANDARD	DETAILS OF AMENDMENT	ANNUAL PERIODS*
IFRS 7: Financial Instruments: Disclosures	Amendments require entities to disclose gross amounts subject to rights of set-off, amounts set off in accordance with the accounting standards followed, and the related net credit exposure. This information will help investors understand the extent to which an entity has set-off in its balance sheet and the effects of rights of set-off on the entity's rights and obligations.	01 January 2013
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.*	01 January 2015
IFRS 10: Consolidated Financial Statements	• New standard that replaces the consolidation requirements in SIC-12 *Consolidation - Special Purpose Entities* and IAS 27 *Consolidated and Separate Financial Statements.* Standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company and provides additional guidance to assist in the determination of control where this is difficult to assess.	01 January 2013
	• Amendments to the transition guidance of IFRS 10 *Consolidated Financial Statements*, IFRS 11 Joint Arrangements and IFRS 12 *Disclosure of Interests in Other Entities*, thus limiting the requirements to provide adjusted comparative information	01 January 2013
	• IFRS 10 exception to the principle that all subsidiaries must be consolidated. Entities meeting the definition of 'Investment Entities' must be accounted for at fair value under IFRS 9, Financial Instruments, or IAS 39, Financial Instruments: Recognition and Measurement."	01 January 2014
IFRS 12: Disclosure of Interests in Other Entities	• New and comprehensive standard on disclosure requirements for all forms of interests in other entities including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.	01 January 2013
	• Amendments to the transition guidance of IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities*, thus limiting the requirements to provide adjusted comparative information.	01 January 2013
	• New disclosures required for Investment Entities (as defined in IFRS 10).	01 January 2013

**Annual periods beginning on or after*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS, CONTINUED

1. BASIS OF PREPARATION, CONTINUED

STANDARD	DETAILS OF AMENDMENT	ANNUAL PERIODS*
IFRS 13: Fair Value Measurement	New guidance on fair value measurement and disclosure requirements.	01 January 2013
IAS 1: Presentation of Financial Statements	• *Annual Improvements 2009-2011 Cycle:* Amendments clarifying the requirements for comparative information including minimum and additional comparative information required. • New requirements to group together items within OCI that may be reclassified to the profit or loss section of the income statement in order to facilitate the assessment of their impact on the overall performance of an entity.	01 January 2013 01 July 2012
IAS 16: Property, Plant and Equipment	• *Annual Improvements 2009-2011 Cycle:* Amendments to the recognition and classification of servicing equipment	01 January 2013
IAS 27: Consolidated and separate financial statements	• Consequential amendments resulting from the issue of IFRS 10, 11 and 12 • Requirement to account for interests in 'Investment Entities' at fair value under IFRS 9, Financial Instruments, or IAS 39m, Financial Instruments: Recognition and Measurement, in the separate financial statements of a parent.	01 January 2013 01 January 2014
IAS 28: Investments in Associates	Consequential amendments resulting from the issue of IFRS 10, 11 and 12	01 January 2013
IAS 32: Financial Instruments Presentation	• Amendments require entities to disclose gross amounts subject to rights of set-off, amounts set off in accordance with the accounting standards followed, and the related net credit exposure. This information will help investors understand the extent to which an entity has set-off in its balance sheet and the effects of rights of set-off on the entity's rights and obligations. • Annual Improvements 2009-2011 Cycle: Amendments to clarify the tax effect of distribution to holders of equity instruments.	01 January 2013 01 January 2013

**Annual periods beginning on or after*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS, CONTINUED

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, equipment, ethicals, theatre fees and medical consumables. Revenue within the Group is eliminated on consolidation.

Revenue is recognised when the service giving rise to this revenue is rendered. Revenue arising from management fees is recognised on the accrual basis in accordance with the substance of the relevant contracts.

2.2 OTHER INCOME

Rental income from operating leases is recognised as it is earned over the term of the relevant lease.

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 and similar costs are deducted in determining the costs of purchases.

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.

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.

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.

Goodwill is recognised when the cost 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 is subject to an annual impairment test. Any impairment is recognised in profit and loss immediately and will not be subsequently reversed.

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. ACCOUNTING POLICIES, CONTINUED

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

2.8 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is initially measured at cost.

Property, plant and equipment, except for land and buildings, are carried at cost less accumulated depreciation and any impairment losses.

Land and buildings are carried at their revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Professional valuations are obtained every three years on land and buildings.

An increase in an asset's carrying amount, as a result of a revaluation,is recognised in other comprehensive income and accumulated in the revaluation surplus in equity. The increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in profit or loss in the current period. The decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in the revaluation surplus in equity.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specfic item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between the depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

The residual value represents the best estimate of current recoverable amount of the asset at the end of its useful life.

The following are the current estimated useful lives:

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**

Gains or losses on disposal of assets are calculated as the fair value of the consideration received less the carrying amount at the date of sale and are recognised in profit or loss

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS, CONTINUED

2. ACCOUNTING POLICIES, CONTINUED

2.10 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions are recognised when the Group 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 discounting 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 income statement. Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated.

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 is not control or joint control over those policies. The investment in an associate is initially recognised at cost and adjusted for the Group's share of the changes in the net assets of the investee after the date of acquisition and for any impairment in value. If the Group's share of losses of an associate exceeds its interest in the associate, the Group discontinues recognising its share of further losses.

2.12 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 during 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS, CONTINUED

2. ACCOUNTING POLICIES, CONTINUED

LONG AND SHORT 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.

They are included in non-current assets unless the investment matures or management intends to dispose of the financial asset within 12 months of the statement of financial position date.

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.

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 effective date of acquisition. Investments are subsequently carried at cost less any provision for impairment

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 the report of the directors. 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' emoluments are set out in note 27. Balances with other related parties are set out in note 28. 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS, CONTINUED

2. ACCOUNTING POLICIES, CONTINUED

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 are 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 exchange 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.

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 to 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS, CONTINUED

	LAND AND BUILDINGS	PLANT AND EQUIPMENT	MOTOR VEHICLES	FURNITURE AND FITTINGS	OFFICE EQUIPMENT	COMPUTER EQUIPMENT	TOTAL
3. PROPERTY, PLANT AND EQUIPMENT							
GROUP							
2013							
Net carrying amount at beginning of year	**326 533 368**	**79 339 279**	**728 757**	**16 777 404**	**8 790 751**	**1 013 855**	**433 183 414**
• Cost	342 589 270	115 910 790	1 101 733	23 140 903	11 905 348	3 595 825	498 243 869
• FCTR adjustment	8 534 210	3 158 597	-	456 650	-	-	12 149 457
• Accumulated depreciation	(24 590 112)	(39 730 108)	(372 976)	(6 820 149)	(3 114 597)	(2 581 970)	(77 209 912)
Additions	151 762 708	87 154 902	938 251	8 998 774	1 233 894	12 982 315	263 070 844
Revaluations	235 519 117	-	-	-	-	-	235 519 117
Disposals	-	(41 656)	(286 059)	-	-	-	(327 715)
FCTR adjustment	26 861 412	6 988 955	(1 909)	1 804 203	-	(41 613)	35 611 048
Depreciation	-	(15 192 086)	(205 676)	(2 297 080)	(1 196 540)	(2 044 301)	(20 935 683)
Net carrying amount at end of year	740 676 605	158 249 394	1 173 364	25 283 301	8 828 105	11 910 256	946 121 025
• Cost	713 815 193	217 971 964	1 716 032	25 283 298	13 139 243	16 571 603	988 497 333
• FCTR adjustment	26 861 412	6 988 955	(1 909)	1 804 203	-	(41 613)	35 611 048
• Accumulated depreciation	-	(66 711 525)	(540 759)	(1 804 200)	(4 311 138)	(4 619 734)	(77 987 356)
2012							
Net carrying amount at beginning 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	103 724 043	444 638	15 892 713	11 860 825	3 943 241	409 694 650
• FCTR adjustment	-	-	-	15 097	-	-	15 097
• Accumulated depreciation	(20 713 344)	(32 586 220)	(393 300)	(5 481 353)	(3 027 888)	(2 976 129)	(65 178 234)
Additions	68 760 081	12 289 170	1 021 983	7 385 809	1 025 237	623 043	91 105 323
Disposals	-	(106 444)	(254 835)	(160 085)	-	-	(521 364)
FCTR adjustment	8 534 210	3 158 597	-	441 553	-	-	12 134 360
Depreciation	(3 876 769)	(7 139 867)	(89 729)	(1 316 330)	(1 067 423)	(576 300)	(14 066 418)
Net carrying amount at end of year	**326 533 368**	**79 339 279**	**728 757**	**16 777 404**	**8 790 751**	**1 013 855**	**433 183 414**
• Cost	342 589 270	115 910 790	1 101 733	23 140 903	11 905 348	3 595 825	498 243 869
• FCTR adjustment	8 534 210	3 158 597		456 650	-	-	12 149 457
• Accumulated depreciation	(24 590 112)	(39 730 108)	(372 976)	(6 820 149)	(3 114 597)	(2 581 970)	(77 209 912)

Certain assets are encumbered as security for liabilities of the Group (refer to note 14). 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, and Portion 25 of 13 of Erf 710 Brickfield.

Land and buildings to the value of R23 million have not been transferred to Lenmed as at year end and relate to the acquisition of Sir Albert Medical Centre (renamed Randfontein Private Hospital).

As at the date of this report, Lenmed has issued a guarantee to the value of R20 million to the vendor. Settlement of the sum is currently pending legal transfer of the land and buildings.

If after three years from the effective date, legal transfer to Lenmed has not been fulfilled, Lenmed will be granted a 99 year lease on the said land and buildings upon settlement of the guarantee.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS, CONTINUED

FIGURES IN RAND	GROUP 2013	GROUP 2012	COMPANY 2013	COMPANY 2012
4. LOANS RECEIVABLE	**3 253 297**	**5 601 174**	**291 315 702**	**207 155 124**
These loans are unsecured, interest-free and will not be repaid in the foreseeable future.				
5. GOODWILL				
Carrying amount at beginning and end of year	**22 406 819**	**22 406 819**	**-**	**-**
Goodwill relates to the excess of the purchase consideration over the fair value of the assets and liabilities of Ladysmith Hospital Holdings (Pty) Ltd and Lenmed Health Shifa (Pty) Ltd on acquisition.				
6. INVESTMENT IN SUBSIDIARIES				
SHARES AT COST				
Lenmed Health (Pty) Ltd	-	-	100	100
Lenmed Health Africa (Pty) Ltd	-	-	100	100
	-	**-**	**200**	**200**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS, CONTINUED

FIGURES IN RAND	GROUP 2013	GROUP 2012	COMPANY 2013	COMPANY 2012
7. INVESTMENT IN ASSOCIATES				
The Group's investments in Pharmed Pharmaceuticals Proprietary Limited and Ethekwini Hospital and Heart Centre Proprietary Limited are accounted for under the equity method of accounting.				
PHARMED PHARMACEUTICALS (PTY) LTD				
Opening balance	78 204 685	70 900 658	-	-
Acquisition	-	949 646	-	-
Share of associate's earnings	10 143 108	10 915 680	-	-
Share of associate's other comprehensive income	174 389	-	-	-
Reallocation of dividends received	(4 561 299)	(4 561 299)	-	-
Closing balance	**83 960 883**	**78 204 685**	**-**	**-**
Summary of financial information				
Non-current assets	93 252 904	91 187 164	-	-
Current assets	392 036 266	326 231 004	-	-
Non-current liabilities	24 850 990	13 571 589	-	-
Profit after taxation	26 265 985	26 942 129	-	-
Total comprehensive income	26 669 793	26 816 251	-	-
Revenue	1 283 413 059	960 582 010	-	-
ETHEKWINI HOSPITAL AND HEART CENTRE (PTY) LTD (FORMERLY CAPENSIS MANAGEMENT LTD)				
Opening balance	99 341 267	91 536 476	-	-
Acquisition	26 672 000	-	-	-
Share of associate's earnings	9 408 880	7 804 791	-	-
Share of associate's other comprehensive income	19 571 762	-	-	-
Closing balance	**154 993 909**	**99 341 267**	**-**	**-**
Summary of financial information				
Non-current assets	440 434 957	380 778 562	-	-
Current assets	70 521 911	54 459 442	-	-
Non-current liabilities	372 254 751	375 809 345	-	-
Profit/(loss) after taxation	26 272 614	22 153 715	-	-
Total comprehensive income/(loss)	75 287 796	22 153 715	-	-
Revenue	349 927 562	314 171 818	-	-
TOTAL	**238 954 792**	**177 545 952**	**-**	**-**

NOTE

The directors are of the opinion that the fair value of the above investments exceeds its carrying value. The investment in Ethekwini Hospital and Heart Centre has been encumbered as security for liabilities of the Group (refer note 14)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS, CONTINUED

FIGURES IN RAND	GROUP 2013	GROUP 2012	COMPANY 2013	COMPANY 2012
8. DEFERRED TAXATION				
Deferred tax asset				
The balance comprises				
• Assessed losses	6 422 966	-	-	-
• Provisions	1 198 796	1 360 021	-	-
	7 621 762	**1 360 021**	**-**	**-**
Reconciliation of deferred tax asset				
Balance at beginning of year	1 360 021	486 740	-	-
Movements during the year attributable to:				
• Assessed losses	6 422 966			
• Temporary difference	(161 225)	873 281	-	-
BALANCE AT END OF YEAR	**7 621 762**	**1 360 021**	**-**	**-**
Deferred tax liability				
The balance comprises				
• Property, plant and equipment	82 009 475	18 574 617	-	-
• Provisions	(2 828 807)	(2 178 834)	-	-
• Lease smoothing adjustment	131 294	138 378	-	-
• Prepaid expenses	222 115	72 463	-	-
• Income received in advance	(11 626)	(10 381)	-	-
	79 522 451	**16 596 243**	**-**	**-**
Reconciliation of deferred tax liability				
Balance at beginning of year	16 596 243	14 711 870	-	-
Movements during the year attributable to:				
• Provisions	(649 973)	(182 753)	-	-
• Under provision prior year	-	404 288	-	-
• Property, plant and equipment	63 434 858	1 612 065	-	-
• Income received in advance	(1 245)	2 298	-	-
• Lease smoothing adjustment	(7 084)	85 937	-	-
• Prepaid expenses	149 652	(37 462)	-	-
BALANCE AT END OF YEAR	**79 522 451**	**16 596 243**	**-**	**-**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS, CONTINUED

	GROUP		COMPANY	
FIGURES IN RAND	**2013**	**2012**	**2013**	**2012**
9. INVENTORY				
Medical supplies	**31 363 022**	**10 025 640**	**-**	**-**
Inventory has been valued as stated in note 2.4.				
10. TRADE AND OTHER RECEIVABLES				
Trade receivables net of provision for doubtful debts	138 566 596	79 039 664	-	-
• Trade receivables	151 985 050	81 688 565	-	-
• Provision for bad debts	(13 418 454)	(2 648 901)	-	-
Other receivables	14 159 074	3 725 746	926 597	1 527 132
	152 725 670	**82 765 410**	**926 597**	**1 527 132**
Allowance for impairment				
Opening balance	2 648 901	2 895 084	-	-
Increase in provision recognised in profit and loss	10 769 553	(246 183)	-	-
CLOSING BALANCE	**13 418 454**	**2 648 901**	**-**	**-**
The carrying value of trade and other receivables approximates their fair value due to their short term nature.				
Trade receivables past due but not impaired				
Amounts in 30 to 60 days	10 894 457	8 280 842	-	-
Amounts in 60 to 90 days	5 819 036	5 032 333	-	-
Amounts in 90 days +	12 977 742	2 728 879	-	-
	29 691 235	**16 042 054**	**-**	**-**
Trade receivables to the value of R67 394 132 (2012:R21 575 954) have been ceded as security to First National Bank and Nedbank for various bank facilities granted including long term liabilities (Note 14).				
11. SHORT TERM INVESTMENT				
Daxina Medical Clinic Limited	**2 194 700**	**-**	**2 194 700**	**-**
- Shares	431 000	-	431 000	-
- Debentures	1 763 700	-	1 763 700	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS, CONTINUED

FIGURES IN RAND	GROUP 2013	GROUP 2012	COMPANY 2013	COMPANY 2012
12. STATED CAPITAL				
Authorised				
1 000 000 000 Ordinary shares at no par value				
(2012: 600 000 Ordinary shares at R10)				
Issued				
644 246 000 shares at no par value				
(2012:457 180 Ordinary shares at R10 each)	**218 283 313**	**4 571 800**	**218 283 313**	**4 571 800**

At the previous Annual General Meeting, the following was resolved:

- Conversion of the ordinary shares in the company's authorised and issued share capital from par value to no par value
- The authorised and issued capital be subdivided so that every 1 ordinary share held is replaced by 1 000 ordinary shares.
- Increase in the authorised no par value shares in the company

The directors are authorised by resolution of the shareholders until the forthcoming Annual General Meeting to issue and allot any of the unissued share capital for any purpose and upon such terms and conditions as they deem fit.

Reconciliation of issued shares at beginning and end of year

	NO. OF ORDINARY SHARES	GROUP 2013	GROUP 2012	COMPANY 2013	COMPANY 2012
Balance at beginning of year	457 180	4 571 800	4 535 900	4 571 800	4 535 900
• Every 1 share held subdivided into 1 000 ordinary shares	457 180 000	-	-	-	-
• Share premium at beginning of year reclassified to stated capital	-	101 481 913	-	101 481 913	-
Ordinary shares issued during the year	187 066 000	112 229 600	35 900	112 229 600	35 900
	644 246 000	**218 283 313**	**4 571 800**	**218 283 313**	**4 571 800**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS, CONTINUED

FIGURES IN RAND	GROUP 2013	GROUP 2012	COMPANY 2013	COMPANY 2012
13. REVALUATION RESERVE				
Opening balance	-	-	-	-
Revaluation of Land and buildings	176 544 490	-	-	-
	176 544 490	**-**	**-**	**-**
Revaluations Reserve is disclosed net of deferred tax. Land and buildings have been revalued by a qualified independent valuator. This is the first year land and buildings have been revalued. Previously land and buildings were carried at their cost less accumulated depreciation.				
14. LONG TERM LIABILITIES				
14.1 INSTALMENT SALES	**23 181 458**	**19 865 644**	**-**	**-**
Nedbank Ltd	8 490 036	8 105 967	-	-
Repayable in monthly instalments of R430 264 (2012:R357 248). Interest has been charged at rates of interest linked to the prime lending rate. Secured by plant and equipment with a book value of R11 262 580 (2012: R11 654 630).				
Wesbank, a division of FirstRand Bank Ltd	14 691 422	11 759 677	-	-
Repayable in monthly instalments of R502 443 (2012: R412 165). Interest has been charged at rates of interest linked to the prime lending rate. Secured by plant and equipment with a book value of R16 347 768 (2012: R15 037 059).				
14.2 MORTGAGE BONDS	**305 285 817**	**176 591 461**	**-**	**-**
Nedbank Ltd	6 313 496	7 443 228	-	-
Repayable in monthly instalments of R138 097(2012: R70 478). Interest has been charged at rates of interest linked to the prime lending rate. Secured by a mortgage on freehold land and buildings.				
Loans payable to vendors	6 797 105	7 224 528	-	-
These loans bear interest at 15,25% (2012: 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 (2012: R125 000).				

NOTES TO THE ANNUAL FINANCIAL STATEMENTS, CONTINUED

FIGURES IN RAND	GROUP 2013	GROUP 2012	COMPANY 2013	COMPANY 2012
14.2 MORTGAGE BONDS, CONTINUED				
First National Bank Ltd	207 313 328	89 631 865	-	-
Loan from First National Bank secured by a first ranking covering bond on Erven 7688, 7689, 7690, Lenasia, Extension 8 Township, first general covering bond on Erven 1681, 1682, cession and pledge to any and all of rights in and to the loan account in Ethekwini Hospital and Heart Centre (Pty) Ltd and general notarial bond over movable assets. The carrying amount of land and buildings secured is R231 million (refer to note 3). Interest has been charged at rates of interest linked to prime. This loan is repayable in monthly instalments of R4 293 560 (2012: R2 377 109).				
Deutsche Investitions-und Entwicklungsgesellschaft MBH (DEG)	84 861 888	72 291 840	-	-
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 shareholders in the company. The loan bears interest at 6 months Libor plus 4.4% per annum. The US dollar balance at reporting period end is $9 600 000. The loan terms are currently in the process of being restructured with the proposed new repayment terms being repayable over 7 years in instalments payable every 6 months commencing on the 15th February 2014 ranging from $326 666 to $888 333 with the last payment of $326 666 on 15 August 2020.				

NOTES TO THE ANNUAL FINANCIAL STATEMENTS, CONTINUED

FIGURES IN RAND	GROUP 2013	GROUP 2012	COMPANY 2013	COMPANY 2012
14. LONG TERM LIABILITIES, CONTINUED				
14.3 OTHER LOANS	**20 000 000**	**-**	**-**	**-**
Randfontein Estates Limited	20 000 000	-	-	-
This loan relates to the acquisition of Sir Albert Medical Centre (renamed Randfontein Private Hospital). Interest has been charged at rates of interest linked to the prime. As at the date of this report, Lenmed has issued a guarantee to the value of R20 million to the vendor. Settlement of the sum is currently pending legal transfer of the property.				
Current portion transferred to current liabilities	**(53 500 660)**	**(30 918 593)**	**-**	**-**
	294 966 615	**165 538 512**	**-**	**-**
15. LOANS FROM MINORITIES				
Invalco Limitada	45 409 792	37 421 013	-	-
This loan is unsecured, interest-free and has no fixed terms of repayment. The US dollar balance payable to Invalco Limitada at reporting period end is $5 136 985 (2012: $4 969 326).				
Board of Public Officers Medical Aid Scheme (BPOMAS)	25 084 657	-	-	-
This loan is unsecured, bears interest at rates linked to prime in Botswana and is repayable over 7 years, subject to the availability of funds at Lenmed Health Bokamoso Private Hospital (Pty) Ltd. The Pula balance payable at year end is P23 099 700.	**70 494 449**	**37 421 013**	**-**	**-**
16. TRADE AND OTHER PAYABLES				
Trade payables	49 916 539	22 739 604	-	-
Other payables	37 486 664	20 791 827	696 193	190 649
	87 403 203	**43 531 431**	**696 193**	**190 649**

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS, CONTINUED

	GROUP		COMPANY	
FIGURES IN RAND	**2013**	**2012**	**2013**	**2012**
17. SHORT TERM LOAN				
Salamis Investments (Pty) Ltd	11 000 000	11 009 314	-	-
This loan is unsecured and bears interest at rates linked to prime.				
This loan will be repaid on the 26th February, 2014.				
	11 000 000	**11 009 314**	**-**	**-**
18. ACCRUALS				
Leave Pay Accrual				
Opening carrying amount	6 025 895	3 750 487	-	-
Additional accruals	5 515 185	2 275 408	-	-
Closing carrying amount	**11 541 080**	**6 025 895**	**-**	**-**
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.				
19. CONTINGENCIES				
Certain debtors relating to Compensation for Occupational Injuries and Diseases (COID) are factored with Alexander Forbes at 83% of their 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 R4 941 235 as at reporting date.(2012: R2 345 174).				
20. INVESTMENT INCOME				
Share of associate's profits	19 551 988	18 720 471	-	-
Interest received	6 812 618	1 578 798	1 886 050	815 531
	26 364 606	**20 299 269**	**1 886 050**	**815 531**
21. FINANCE COSTS				
Interest on bank overdraft	2 745 169	312 448	-	-
Interest on interest bearing borrowings	20 784 391	14 750 008	-	-
	23 529 560	**15 062 456**	**-**	**-**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS, CONTINUED

	GROUP		COMPANY	
FIGURES IN RAND	**2013**	**2012**	**2013**	**2012**
22. PROFIT BEFORE INTEREST AND TAXATION				
Profit before interest and taxation is stated after taking the following items into account:				
Auditors' remuneration	1 421 525	1 108 130	93 100	77 500
• Current	1 199 472	872 920	80 000	44 000
• Under provision	136 416	6 510	13 100	33 500
• Other services	85 637	228 700	-	-
Depreciation	20 935 683	14 066 418	-	-
Directors' emoluments	12 271 816	8 198 383	765 500	451 000
Secretarial fees	398 222	285 665	398 222	259 550
Employee costs	207 554 519	127 438 876	33 000	88 000
Lease rentals	6 311 653	1 236 891	-	-
• Equipment	716 004	691 255	-	-
• Property	5 595 649	545 636	-	-
23. TAXATION				
Taxation consists of:				
Current tax	26 009 142	26 213 882	352 830	116 382
• Current year	27 191 707	26 841 037	352 830	116 382
• Prior year overprovision	(1 182 565)	(627 155)	-	-
Deferred tax	(1 189 653)	1 011 092	-	-
TAX EXPENSE	**24 819 489**	**27 224 974**	**352 830**	**116 382**
Tax rate reconciliation	%	%	%	%
Applicable tax rate	28,00	28,00	28,00	28,00
RECONCILING ITEMS:				
Exempt differences				
• Prior year	(0,69)	0,08	-	-
• Disallowed expenditure and income not taxable	(3,97)	(5,26)	-	-
• Assessed loss	(2,33)	6,13	-	-
• Different foreign tax rate	(0,50)	-	-	-
AVERAGE EFFECTIVE TAX RATE	**20,51**	**28,95**	**28,00**	**28,00**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS, CONTINUED

FIGURES IN RAND	GROUP 2013	GROUP 2012	COMPANY 2013	COMPANY 2012
24. Notes To The Cash Flow Statement				
24.1 NET CASH GENERATED BY OPERATING ACTIVITIES				
Profit before taxation	120 996 235	94 048 824	1 061 407	415 651
Adjustments for:	11 460 179	2 182 654	-	-
• Depreciation and amortisation	20 935 683	14 066 418	-	-
• Income from associate	(14 990 689)	(14 159 172)	-	-
• Movement in accrual	5 515 185	2 275 408	-	-
Adjustment for items disclosed separately on cash flow statement:	16 716 942	13 483 658	(1 886 050)	(815 531)
• Interest paid	23 529 560	15 062 456	-	-
• Interest income	(6 812 618)	(1 578 798)	(1 886 050)	(815 531)
Foreign currency translation adjustments	16 523 756	5 390 779	-	
Operating profit/(loss) before working capital changes	**165 697 112**	**115 105 915**	**(824 643)**	**(399 880)**
Changes in working capital:	(47 425 870)	(10 550 018)	1 106 079	(824 605)
• Increase inventory	(21 337 382)	(4 345 516)	-	-
• Increase in trade and other receivable	(69 960 260)	(23 485 838)	600 535	(996 254)
• Increase in trade and other payables	43 871 772	17 281 336	505 544	171 649
CASH GENERATED BY OPERATIONS	**118 271 242**	**104 555 897**	**281 436**	**(1 224 485)**
24.2 TAXATION PAID				
Payable at beginning of year	(2 817 777)	1 326 071	25 831	(91 096)
Expense for the year	(24 819 489)	(27 224 974)	(352 830)	(116 382)
Adjustment for deferred tax	(1 189 653)	1 011 092	-	-
Deferred tax foreign currency translation adjustments	16 978	-	-	-
Payable at end of year	318 077	2 817 777	(331 107)	(25 831)
TAXATION PAID	**(28 491 864)**	**(22 070 034)**	**(658 106)**	**(233 309)**
24.3 CASH AND CASH EQUIVALENTS				
Cash and cash equivalents consist of cash on hand and balances with banks. Cash and cash equivalents included in the cash flow statement comprise the following amounts -				
Cash and bank balances	77 592 795	20 925 786	28 015 128	631 425
Bank overdraft	(19 424 624)	(8 251 273)	-	-
	58 168 171	**12 674 513**	**28 015 128**	**631 425**

Cession and Pledge in the amount of R20 million of cash and cash equivalents in favour of First National Bank. (refer note 14)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS, CONTINUED

	GROUP		COMPANY	
FIGURES IN RAND	**2013**	**2012**	**2013**	**2012**

25. FINANCIAL RISK MANAGEMENT

The Group's 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 interest rate risk, credit risk, liquidity risk and foreign currency risk. These risks are managed as follows:

25.1 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 is willing to accept the risk of market-related interest rates.

Interest rate risk table

The following table demonstrates the sensitivity of profit before tax (through the impact on floating rate borrowings) to a possible change in interest rates, with all other variables held constant.

	GROUP 2013	GROUP 2012	COMPANY 2013	COMPANY 2012
GROUP				
Interest bearing loans payable	361 370 474	187 600 775	-	-
Instalment sale liabilities	23 181 458	19 865 644	-	-
Bank overdraft	19 424 624	8 251 273	-	-
	403 976 556	**215 717 692**	**-**	**-**
SENSITIVITY ANALYSIS				
Increase of 100 basis points would result in a reduction in profit before tax of	(4 039 766)	(2 157 177)	-	-
Decrease of 100 basis points would result in an improvement in profit before tax of	4 039 766	2 157 177	-	-

25.2 CREDIT RISK

The Group trades where possible with recognised, creditworthy third parties. Where patients are without medical insurance, risk is limited by the collection of a deposit. The amount of the deposit is determined by the expected treatment plan envisaged for the patient. Actual billings are tracked against the deposit on a daily basis and further funds are collected from the patient where necessary. 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 10.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS, CONTINUED

	GROUP		COMPANY	
FIGURES IN RAND	**LESS THAN 1 YR**	**BTW 1 & 5 YRS**	**LESS THAN 1 YR**	**BTW 1 & 5 YRS**

25. FINANCIAL RISK MANAGEMENT, CONTINUED

25.3 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, 2013 based on contractual undiscounted payments.

FIGURES IN RAND	GROUP LESS THAN 1 YR	GROUP BTW 1 & 5 YRS	COMPANY LESS THAN 1 YR	COMPANY BTW 1 & 5 YRS
Maturity analysis - 2013				
Borrowings	83 925 284	247 351 639	-	-
Trade and other payables	87 403 203	-	-	-
Accruals	11 541 080	-	-	-
	182 869 567	**247 351 639**	**-**	**-**
Maturity analysis - 2012				
Borrowings	50 179 180	205 038 928	-	-
Trade and other payables	43 531 431	-	-	-
Accruals	6 025 895	-	-	-
	99 736 506	**205 038 928**	**-**	**-**

25.3.1 LONG TERM LIABILITIES AND SHAREHOLDERS' LOANS

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

25.3.2 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 benefit for other stakeholders.

The Group manages the capital structure in light of changes in business activities and economic conditions. 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 risk to capital on the basis of the interest bearing debt to capital ratio. This ratio is calculated as net interest bearing debt divided by capital. Net interest bearing debt is calculated as total interest bearing debt less cash and cash equivalents. Capital comprises all components of equity (i.e. ordinary shares, share premium, minority interest, retained earnings and other reserves).

25.4 FOREIGN CURRENCY RISK

The Group is exposed to foreign currency risk through its foreign subsidiaries, Maputo Private Hospital and Bokamoso Private Hospital. A US dollar denominated long term loan exists at Maputo Private Hospital. However, revenue at the hospital is also US dollar denominated, thus forming a natural hedge. There are no long term loans at Bokamoso Private Hospital except for shareholder loans. These are denominated in Pula. Revenue at the hospital is also denominated in Pula, thus forming a natural hedge. Pula generated revenue and profits are expected to be sufficient to settle the shareholder loans in Pula. The Group does not formally hedge its foreign currency risk.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS, CONTINUED

	GROUP		COMPANY	
FIGURES IN RAND	**2013**	**2012**	**2013**	**2012**
26. COMMITMENTS				
26.1 OPERATING LEASE COMMITMENTS - LESSOR				
Future minimum lease receipts under no cancellable operating leases are as follows -				
• Within 1 year	3 386 828	3 604 214	-	-
• Due thereafter but not later than 5 years	7 238 063	10 038 283	-	-
	10 624 891	**13 642 497**	**-**	**-**
The Group has entered into leases on its property, consisting of certain sections of the company's hospital buildings. These leases have remaining terms of between 1 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.				
26.2 COMMITMENTS FOR CAPITAL EXPENDITURE				
Property, plant and equipment	**12 815 205**	**153 875 328**	**-**	**-**
The construction, renovation and upgrading of hospital buildings	5 754 405	58 875 328	-	-
The acquisition of property	4 500 000	2 500 000	-	-
The acquisition of plant and equipment	2 560 800	-	-	-
The acquistion of Bokamoso Private Hospital in Gaborone, Botswana	-	51 500 000	-	-
The acquistion of Daxina Medical Clinic in Lenasia South, Gauteng	-	41 000 000	-	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS, CONTINUED

FIGURES IN RAND	FOR SERVICES AS DIRECTORS	FOR OTHER SERVICES	BONUSES	TOTAL
27. DIRECTOR'S EMOLUMENTS AND RELATED PAYMENTS				
2013				
Mr P Devchand	-	2 520 000	1 665 000	4 185 000
Dr A F Kaka	-	1 650 000	1 387 500	3 037 500
Mr A Devchand	-	900 000	150 000	1 050 000
Mr A Nana (R)	-	689 333	250 000	939 333
Prof B D Goolab	179 500	-	-	179 500
Mr M G Meehan	274 000	50 000	-	324 000
Ms B Harie	291 000	50 000	-	341 000
Ms N Simamane	100 500	-	-	100 500
Dr A Latib*	20 200	-	-	20 200
Mr K Daya*	20 200	-	-	20 200
Dr R Saloojee*	10 100	-	-	10 100
Dr A Suleman*	109 840	-	-	109 840
Dr M Khan*	84 416	966 579	75 000	1 125 995
Dr T Matome*	78 730	-	-	78 730
Mr R Morapedi*	65 156	-	-	65 156
Mr R Naidoo*	65 156	405 076	-	470 232
Ms I Faztudo*	214 530	-	-	214 530
	1 513 328	**7 230 988**	**3 527 500**	**12 271 816**
2012				
Mr P Devchand	-	1 800 000	750 000	2 550 000
Dr A F Kaka	-	1 500 000	600 000	2 100 000
Mr A Nana	-	1 034 000	-	1 034 000
Prof B D Goolab	204 000	37 800	-	241 800
Mr M G Meehan	225 500	-	-	225 500
Ms B Harie	225 500	-	-	225 500
Dr A Latib*	30 100	-	-	30 100
Mr K Daya*	30 100	-	-	30 100
Dr R Saloojee*	10 100	-	-	10 100
Dr A Suleman*	109 164	-	-	109 164
Dr M Khan*	-	880 000	-	880 000
Mr A Devchand*	-	565 759	-	565 759
Ms I Faztudo*	196 360	-	-	196 360
TOTAL	**1 030 824**	**5 817 559**	**1 350 000**	**8 198 383**

* Directors of subsidiary companies | (R) - Mr A Nana retired as a director on the 28/08/2012

NOTES TO THE ANNUAL FINANCIAL STATEMENTS, CONTINUED

FIGURES IN RAND	AMOUNTS OWING BY RELATED PARTIES	AMOUNTS OWING TO RELATED PARTIES
28. 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 27.		
Lenmed Health (Pty) Ltd		
2013	272 708 075	-
2012	207 155 124	-
Nu Yale Trust		
2013	3 253 297	-
2012	1 201 174	-
Lenvestco Investments (Pty) Ltd		
2013	-	165 034
2012	-	43 690
Lenmed Health Africa (Pty) Ltd		
2013	18 607 627	-

Share of income for the year from Nu Yale Trust amounted to R350 768 (2012:R318 376)

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS, CONTINUED

29. 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 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. The Group has revalued its buildings for the first time in the current year. The residual value of buildings have been estimated to equal their revalued amount therefore depreciation has not been provided for in the current year.

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

LENMED INVESTMENTS LIMITED

(Registration number 1980/003108/06)
("the company")

Notice is hereby given to the shareholders of the company that the Thirty-first Annual General Meeting of the company will be held at Lenmed Private Hospital, K43 Highway, Lenasia on Wednesday, 25 September 2013 at 15:00 for the purposes of passing, with or without modification, the ordinary and special resolutions 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.

ELECTRONIC PARTICIPATION AT THE GENERAL MEETING

Should a shareholder wish to avail themselves of this facility, they are requested to contact the company secretary at least 10 business days before the date of the general meeting.

ORDINARY RESOLUTIONS

ORDINARY RESOLUTION 1: ANNUAL FINANCIAL STATEMENTS

"RESOLVED THAT the annual financial statements of the company for the year ended 28 February 2013, including the directors' report and the report of the Audit and Risk Committee, be and are hereby received."

Percentage of voting rights to pass this resolution: 50% plus 1 vote.

Retirement by rotation of directors – In terms of the Memorandum of Incorporation of the company, one third of the directors shall retire from office at the Annual General Meeting.

ORDINARY RESOLUTION 2: CONFIRMATION OF RE-ELECTION OF DIRECTOR

During the year, the board appointed Ms N V Simamane as a director of the company. Such director holds office from the date of appointment until the date of first next Annual General Meeting following the appointment, and then is subject to retirement at that AGM. The board has recommended that Ms Simamane be re-elected as a director of the company.

"RESOLVED THAT Ms N Simamane be and is hereby re-elected as a director of the company."

Percentage of voting rights to pass this resolution: 50% plus 1 vote.

ORDINARY RESOLUTION 3: RE-ELECTION OF DIRECTOR

"RESOLVED THAT Mr M G Meehan be and is hereby re-elected as a director of the company."

Percentage of voting rights to pass this resolution: 50% plus 1 vote.

ORDINARY RESOLUTION 4: RE-ELECTION OF DIRECTOR

"RESOLVED THAT Ms B Harie be and is hereby re-elected as a director of the company."

Percentage of voting rights to pass this resolution: 50% plus 1 vote.

ORDINARY RESOLUTION 5: 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, Mr M G Meehan and Ms N V Simamane all of whom are non-executive directors as prescribed by the Companies Act." It is recorded that Mr M G Meehan is chairman of the Audit and Risk Committee.

Percentage of voting rights to pass this resolution: 50% plus 1 vote.

NOTICE OF ANNUAL GENERAL MEETING, CONTINUED

ORDINARY RESOLUTION NUMBER 6: NON-BINDING ADVISORY ENDORSEMENT ON THE COMPANY'S REMUNERATION POLICY

"To endorse on a non-binding advisory basis, the Company's remuneration policy (excluding the remuneration of the non-executive directors for the services as directors and members of board committees)."

The Company's remuneration policy and related information appears on page 37 of the integrated report.

Reason for this resolution

The reason for this resolution is to comply with the recommendations of King III regarding the key elements and guiding principles of the Company's remuneration policy, ie to communicate to shareholders, for the purposes of a non-binding advisory vote, how senior executives and especially directors of the Company are remunerated.

Effect of this resolution

The effect of this resolution is that the shareholders will have taken note of the key elements and guiding principles of the Company's remuneration approach and policy and will have given an indication by way of a non-binding advisory resolution whether they have found the aforementioned appropriate.

Percentage of voting rights to pass this resolution: 50% plus 1 vote

SPECIAL RESOLUTIONS

SPECIAL RESOLUTION 1: 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 2014."

Percentage of voting rights to pass this resolution: 65%.

MOTIVATION FOR SPECIAL RESOLUTION NUMBER 1:

Notwithstanding the title of section 45 of the Companies Act, being "Loans or other financial assistance to directors", on a proper interpretation, the body of the section may also apply to financial assistance provided by a company to related or inter-related companies and corporations, including, inter alia, its subsidiaries, associates, JVs, partnerships, collaboration arrangements etc, for any purpose. Furthermore, section 44 of the Companies Act may also apply to the financial assistance so provided by a company to related or inter-related companies, in the event that the financial assistance is provided for the purpose of, or in connection with, the acquisition 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.

NOTICE OF ANNUAL GENERAL MEETING, CONTINUED

Both sections 44 and 45 of the Companies Act provide, inter alia, that the particular financial assistance must be provided only pursuant to a special resolution of the shareholders, adopted within the previous 2 (two) years, which approved such assistance either for the specific recipient, or generally for a category of potential recipients, and the specific recipient falls within that category and the board of directors must be satisfied that:

- immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test; and
- the terms under which the financial assistance is proposed to be given are fair and reasonable to the company.

The company would like the ability to provide financial assistance, if necessary, also in other circumstances, in accordance with section 45 of the Companies Act. Furthermore, it may be necessary or desirous for the company to provide financial assistance to related or inter-related companies and corporations to acquire or subscribe for options or securities or purchase securities of the company or another company related or inter-related to it. Under the Companies Act, the company will however require the special resolution referred to above to be adopted. In the circumstances and in order to, inter alia, ensure that the company's subsidiaries and other related and inter-related companies and corporations have access to financing and/or financial backing from the company (as opposed to banks), it is necessary to obtain the approval of shareholders, as set out in special resolution number 1.

Sections 44 and 45 contain exemptions in respect of employee share schemes that satisfy the requirements of section 97 of the Companies Act. To the extent that any of the company's share or other employee incentive schemes do not satisfy such requirements, financial assistance (as contemplated in sections 44 and 45) to be provided under such schemes will, inter alia, also require approval by special resolution. Accordingly, special resolution number 1 authorises financial assistance to any of the company's directors or prescribed officers (or any person related to any of them or to any company or corporation related or inter-related to them), or to any other person who is a participant in any of the company's share or other employee incentive schemes, in order to facilitate their participation in any such schemes that do not satisfy the requirements of section 97 of the Companies Act.

SPECIAL RESOLUTION 2: FUTURE DIRECTORS' FEES

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

	MEETING FEE	RETAINER FEE*
Non-executive director	9 700	147 000
Independent non-executive director (all-in fee including membership / chairmanship of board committees)	10 250	162 000
Fee for work not specified above (per meeting rate)	10 250	-

* *Per annum*

Percentage of voting rights to pass this resolution: 65%.

MOTIVATION FOR 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, 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

NOTICE OF ANNUAL GENERAL MEETING, CONTINUED

ensuing financial year and that the individual registered auditor who will undertake the audit during the financial year ending 28 February 2014 will be Mr D Puran. In this regard, the Lenmed audit committee has:

- ensured that PKF is qualified for appointment;
- received confirmation that PKF is 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 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 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.

Forms of proxy may also be obtained on request from the company's registered office.

Duly completed forms of proxy must be lodged with and received by the Company Secretary (at address set out below) at any time before the commencement of the Annual General Meeting (or any adjournment of the Annual General Meeting) or handed to the chairman of the Annual General Meeting before the appointed proxy exercises any of the relevant shareholder's rights at the Annual General Meeting (or any adjournment of the annual general meeting).

By order of the board

WILLIAM SOMERVILLE, COMPANY SECRETARY

29 July 2013

REGISTERED OFFICE

Lenmed Investments Limited

K43 Highway, Extension 8, Lenasia, Gauteng, 1827

RIGHTS IN TERMS OF SECTION 58 OF THE COMPANIES ACT, 2008

For purposes of this summary, the term "shareholder" shall have the meaning ascribed thereto in section 57(1) of the Companies Act.

1. At any time, a shareholder of a company is entitled to appoint any individual, including an individual who is not a shareholder of that company, as a proxy to participate in, speak and vote at a shareholders' meeting on behalf of the shareholder.

2. A proxy appointment must be in writing, dated and signed by the relevant shareholder.

3. Except to the extent that the memorandum of incorporation of a company provides otherwise –

   3.1. a shareholder of the relevant company may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by such shareholder; and

   3.2. a copy of the instrument appointing a proxy must be delivered to the relevant company, or to any other person on behalf of the relevant company, before the proxy exercises any rights of the shareholder at a shareholders meeting.

4. Irrespective of the form of instrument used to appoint a proxy–

   4.1. the appointment of the proxy is suspended at any time and to the extent that the shareholder who appointed that proxy chooses to act directly and in person in the exercise of any rights as a shareholder of the relevant company; and

   4.2. should the instrument used to appoint a proxy be revocable, a shareholder may revoke the proxy appointment by cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and the relevant company.

5. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the relevant shareholder as of the later of the date –

   5.1. stated in the revocation instrument, if any; or

   5.2. upon which the revocation instrument is delivered to the proxy and the relevant company as required in section 58(4)(c)(ii) of the Companies Act.

6. Should the instrument appointing a proxy or proxies have been delivered to the relevant company, as long as that appointment remains in effect, any notice that is required by the Companies Act or the relevant company's memorandum of incorporation to be delivered by such company to the shareholder must be delivered by such company to –

   6.1. the shareholder, or

   6.2. the proxy or proxies if the shareholder has in writing directed the relevant company to do so and has paid any reasonable fee charged by the company for doing so.

7. A proxy is entitled to exercise, or abstain from exercising, any voting right of the relevant shareholder without direction, except to the extent that the memorandum of incorporation of the relevant company or the instrument appointing the proxy provide otherwise.

8. If a company issues an invitation to shareholders to appoint one or more persons named by such company as a proxy, or supplies a form of instrument for appointing a proxy –

   8.1. such invitation must be sent to every shareholder who is entitled to receive notice of the meeting at which the proxy is intended to be exercised;

   8.2. the company must not require that the proxy appointment be made irrevocable; and

   8.3. the proxy appointment remains valid only until the end of the relevant meeting at which it was intended to be used, unless revoked as contemplated in section 58(5) of the Companies Act.

The practical applications of the aforementioned rights are also reflected in the notes to the proxy form attached hereto.

FORM OF PROXY

LENMED INVESTMENTS LIMITED

(Registration number 1980/003108/06)
("the company")

For use at the Thirty-first Annual General Meeting of the company to be held at Lenmed Private Hospital, K43 Highway, Lenasia on Wednesday, 25 September 2013 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:

**Please indicate with an "X" in the appropriate spaces below.*
Unless otherwise instructed, my/our proxy may vote as he/she thinks fit.

ORDINARY RESOLUTIONS	NUMBER OF VOTES		
	FOR	AGAINST	ABSTAIN
1. To receive the annual financial statements of the company for the year ended 28 February 2013, including the directors' report and the report of the Audit and Risk Committee.			
2. To re-elect Ms N V Simamane as a director of the company.			
3. To re-elect Mr M G Meehan as a director of the company.			
4. To re-elect Ms B Harie as a director of the company.			
5. To appoint members of the Audit and Risk Committee:			
5.1 To appoint Ms B Harie as a member of the Audit and Risk Committee.			
5.2 To appoint Mr M G Meehan as a member of the Audit, Governance and Risk Committee.			
5.3 To appoint Ms N V Simamane as a member of the Audit, Governance and Risk Committee.			
6. To endorse the Company's remuneration policy.			
SPECIAL RESOLUTIONS			
1. Approval of financial assistance.			
2. Approval of the future fees of non-executive directors.			

Signed at ______________________________ (place)

on ______________________________ date 2013

Member's signature ______________________________

assisted by ______________________________ (if applicable)

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. Meeting participants will be required to provide satisfactory identification before being allowed to participate in the 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 proxy by 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 shares (i) any one holder may sign the form or proxy; and (ii) the vote of the senior shareholders (for that purpose seniority will be determined by the order in which the names of the shareholders appear in the company's register) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholders.

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. Duly completed forms of proxy must be lodged with and received by the Company Secretary (at address set out below) at any time before the commencement of the Annual General Meeting (or any adjournment of the Annual General Meeting) or handed to the chairman of the Annual General Meeting before the appointed proxy exercises any of the relevant shareholder's rights at the Annual General Meeting (or any adjournment of the Annual General Meeting).

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