2014 INTEGRATED ANNUAL REPORT

LENMED INVESTMENTS LIMITED

LENMED HEALTH

We always care

www.lenmedhealth.co.za

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01 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
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
Johannesburg, 1827

POSTAL ADDRESS:
P O Box 855, Lenasia
Johannesburg, 1820

AUDITORS:
PKF Durban, Chartered Accountants (SA)
Registered Auditors
Practice number - 906352E

2nd Floor, 12 on Palm Boulevard, Gateway
Kwa-Zulu Natal, 4319

COMPANY SECRETARY:
Mr W Somerville
K43 Highway, Extension 8, Lenasia
Johannesburg, 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

02 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 27 years of experience in the healthcare industry. He was appointed to the Lenmed Investments Limited 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.

MR A DEVCHAND // CA (SA)

Chief Financial Officer

Amil Devchand was appointed to the Lenmed Investments Limited board in 2012. He is a qualified chartered accountant and joined the Group from Ernst & Young. He is a member of the Group IT steering, marketing and tariff committees. He serves on the board of Lenmed's associate investment, Ethekwini Hospital and Heart Centre. He was elected chairman of the National Hospital Network during the past financial year.

02 PROFILES OF THE BOARD OF DIRECTORS (NON-EXECUTIVE)

MR M G MEEHAN // CA (SA)

Independent Non-Executive Director and Lead Independent Director

Mike Meehan was appointed to the Lenmed Investments Limited 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 chairman. 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 Limited board in 2010. She currently serves as a member of the audit and risk committee and is the chairman of the remuneration and nominations committee. She is an independent non-executive director on the board of Bell Equipment, Ascendis Health Limited and the Mineworkers Investment Company (MIC).

MS N V SIMAMANE // BSC (HONOURS) (UNIVERSITY OF BOTSWANA & SWAZILAND)

Independent Non-Executive Director

Nomahlubi Simamane was appointed to the Lenmed Investments Limited board in 2012. She serves on the audit and risk committee and is the chairman of the social and ethics committee. She is the chief executive officer of Zanusi Brand Solutions, 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 the 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 Limited 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 Witwatersrand where he is the 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 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.

02 MANAGEMENT TEAM

DR ARTHUR MANNING //

Chief Medical Officer (Acting)

MR EBRAHIM ASMAL //

Group Regional Manager

MR NAUSHAD GANY //

Group Financial Manager

MR SHAFIQ PARKER //

Group IT Manager

MR FAZEL ABRAM //

Group Internal Audit Manager

MR MOHAMED BERA //

Group Procurement and Engineering Manager

MS MICHELLE HIPNER //

Group Marketing Manager

MS SHAMEEMA BUCKUS //

Group Pharmacist

MS ELSA BENADE //

Hospital Manager: Lenmed Private Hospital

MS PULE NDLALA //

Hospital Manager: Zamokuhle Private Hospital

MS LEONI BEAURAIN //

Hospital Manager: Daxina Private Hospital

MR AHMED DOCRAT //

Hospital Manager: Shifa Private Hospital

DR AHMED SULEMAN //

Director: Shifa Private Hospital

DR MOHUDDIN KHAN //

Chief Executive Officer: La Verna Private Hospital

MR NIRESH BECHAN //

Hospital Manager: Ethekwini Hospital and Heart Centre

MR RUBENDREN NAIDOO //

Hospital Manager: Bokamoso Private Hospital

2014 INTEGRATED ANNUAL REPORT

Lenmed Investments Limited ("Lenmed" or "the Group") has pleasure in presenting the 2014 Integrated Annual Report to our stakeholders in acknowledgement of their interest and participation in the Group. Our stakeholders who include investors, medical practitioners, suppliers, employees, patients, communities, financiers, medical funders and government, provide us with purpose and motivation for the direction of the Lenmed Group and the successful delivery of our strategy.

Caring for the Ismail Family

"Everybody was wonderful, caring, smiling and helpful."

Yusuf Ismail

Testimonial image supplied approved by family

03 ORGANISATION OVERVIEW

EXTERNAL ENVIRONMENT //

Healthcare in South Africa is supplied in many forms from traditional healing remedies to highly sophisticated and well capitalised, world-class hospital care. The latter is available in free or subsidised public facilities provided by government or in private facilities for which the patient is responsible for payment. The private sector hospitals have enjoyed significant growth through the extension of the medical aid system to South Africa's burgeoning middle class. To some extent, this is being replicated in other African countries as growth in the economies of these states increases the wealth of their citizens. However, each African state enjoys its own growth rate, adopts its own systems and consequently provides its own challenges and risks. There is no one system or model that can be applied uniformly across Africa.

The landscape in South Africa may undergo some change in the future due to the national government's stated intention of introducing a National Health Insurance (NHI) system and its proposed enquiry into the costs of private healthcare. Lenmed is largely supportive of these initiatives and keeps a close watch on the risks and opportunities these might deliver. While Lenmed remains supportive of the NHI initiative in principle, it however continues to question the feasibility of the plan and more specifically, the involvement of the private sector in partnership with the public sector in its implementation.

The hand of the South African government is strongly felt in the healthcare environment. It regulates the industry and takes upon itself the responsibility of controlling medical education, prices of medicines, distribution costs and profit margins for medicines, licensing doctors and nurses, licensing new and existing hospitals, the number of beds in each facility, emission controls, disposal of medical waste etc. This authority is exercised at both national and provincial levels, while local municipalities may also be involved. New hospital licences and licences for the increase in the number of new beds for extensions to existing hospitals are not easy to obtain. This has the effect of inhibiting entry to the sector but also restricts the pace of growth.

The South African private hospital sector is dominated by three major listed healthcare groups, which between them provide 169 hospitals and approximately 25 000 beds in South Africa. The gap between the 'big three' and the other players is significant. Another 114 private healthcare providers are registered with the National Hospital Network (NHN), an organisation that represents the interests of most other private hospital groups apart from the big three. The major role of the NHN is to negotiate tariffs which the medical aid funds are willing to grant to the private hospitals for medical procedures and services. There is no right of appeal to any higher authority in the event of a result which might be unsatisfactory to the hospital management.

There is an inexorable move to consolidation within the healthcare industry. Medical aids are becoming fewer in number through merger or takeover in order to achieve efficiencies and negotiating power. The major pharmaceutical companies internationally and locally are merging in order to increase the R&D spend and improve distribution, while the distributors too are having to merge to achieve efficiencies in operations as a result of a squeeze on their margins. Although there are strict restrictions in place in South Africa for the creation of multi-disciplinary groups, opportunities to consolidate the healthcare supply chain in Africa by expansion into medical insurance and the pharmaceutical manufacturing and distribution, together with traditional private hospital services, exist and present great potential. Locally, we may have to await the outcomes of current government investigations before these prospects become more likely.

BUSINESS MODEL //

Lenmed is an established South African hospital group providing private patient healthcare in Africa through the management and ownership of hospitals and other related health services.

Central to the business model and its success is the attraction of top quality medical practitioners to make use of and recommend our facilities to their patients. In South Africa, regulation requires that medical practitioners are independent of hospitals. In other countries in Africa, hospitals are free to employ doctors. Both systems require us to ensure the provision of state-of-the-art medical and nursing equipment, well-equipped and efficient operating theatres, nursing teams dedicated to patient care, ward facilities of the highest standards and efficient administration to attract the best medical practitioners to our hospitals.

Our model allows us the flexibility to manage hospitals that we own, or to manage these for third parties. The ownership of the land and buildings that accommodate the hospitals is not material to the model. With the exception of Lenmed Private Hospital in Lenasia, which is the foundation of our Group, and our hospital in Maputo, we have not embarked on other Greenfield projects, preferring to invest in established facilities. Our greatest successes have been with hospitals that were under-performing under the previous management, prior to our acquisition or take-over. Each new venture requires a different and flexible strategy to suit the conditions of the hospital; some will achieve almost immediate improvement but others may require more focus and patience to achieve a sustained turnaround.

GROUP DEVELOPMENT //

Lenmed's roots were established in 1984. In response to the growing healthcare needs of the Lenasia community, the first hospital in the Group was founded in Lenasia, Gauteng, as a 48-bed facility. The success of this hospital provided the foundation for the development of the Group as it exists today, embracing seven hospitals in South Africa, one in Botswana and another in Mozambique that offer 1 350 registered beds. The following hospitals are 100% owned by Lenmed:

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

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

As part of its African expansion strategy, Lenmed developed a 105-bed, state-of-the-art hospital in Maputo, Mozambique. Maputo Private Hospital is 60% owned by Lenmed, with the remaining 40% owned by local 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.

04 GROUP STRUCTURE

LENMED INVESTMENTS LTD

- 100% — Lenmed Health Africa (Pty) Ltd
  - 70% — Lenmed Health Bokamoso Private Hospital (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
  - 60% — Maputo Private Hospital SARL
  - 43% — Pharmed Pharmaceuticals (Pty) Ltd

05 STAKEHOLDER ENGAGEMENT AND RELATIONSHIPS

Investors: Lenmed's original shareholders were drawn from the local Lenasia community, who contributed from their scarce savings to establish an essential healthcare facility for the benefit of the community. Many of those original investors remain on the share register today. Lenmed is a public but unlisted company with more than 800 registered shareholders. Lenmed conducts its communication with its shareholders in accordance with the requirements of the Companies Act and King III. The Lenmed website, the integrated annual report and the AGM remain the prime methods of communication with its shareholders, but cordial relations are maintained through an open dialogue with those investors who seek this. Shareholders are encouraged to attend the AGM for full disclosure of Group performance.

During the year, Lenmed introduced a licensed Over the Counter (OTC) trading platform for the Lenmed share. This platform, operated on our behalf by Equity Express, matches bids and offers from buyers and sellers in order to create liquidity in the Lenmed shares and to allow investors to use the resulting market prices to assess the value of their investment. To date the platform has not experienced the optimal results hoped for because of the exceptional requirements demanded by FICA and due to the failure of many investors to register with Equity Express.

Employee communication is conducted via line management, notice boards, meetings and other reports. To ensure the optimum attention to the needs and motivation of our nursing staff, we employ a Group Nursing Services Manager at a senior level whose responsibility it is to support all the hospitals in the Group.

Medical practitioners too are engaged by each hospital through a regular two-way flow of communication but additional support is provided at senior executive level through the Chief Medical Officer. We are aware that top quality medical doctors and specialists, who are committed to remaining at the forefront of medicine advancement, 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 at our facilities, it is our intention to continue to make our hospitals an attractive choice for high calibre medical professionals and specialists, thus promoting and ensuring the sustainability of our operations.

Government expects healthcare providers to promote cost effective and accessible quality medical care to the entire population of South Africa. It also expects healthcare providers to conduct their business in an ethical manner complying with the legislation that governs the industry. Lenmed engages with government through its representative, the Hospital Association of South Africa. Most recently, the Ministry of Health, in conjunction with the Competition Commission of South Africa, has announced a pricing inquiry into the private healthcare industry. Lenmed welcomes a market inquiry and intends to participate in the process through the NHN.

Communities and patients are our first line stakeholders who may have the highest potential impact on our business and sustainability. We understand fully that patients have high expectations of our ability to restore them to health and to release them from our care. Communities seek our involvement in caring for those amongst them who are least able to afford healthcare and in ensuring the vitality of the community as a whole. We place great store on the flow of information to us from these stakeholders and engage with them via formal and informal systems at all opportunities. A detailed explanation of this involvement is contained under the Sustainability Report on page 053 of this report.

Medical aids seek a healthy working relationship with hospital groups to provide cost effective yet quality healthcare and efficient administration. The Lenmed Group interacts with the medical aid industry and various other funders through its membership of the NHN. The Group's Chief Financial Officer, Mr A Devchand, currently chairs this organisation.

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 timeously obtained.

The cost of healthcare has become a major issue in the industry in the recent past. It is of vital importance that Lenmed is able to demonstrate its ability to provide cost effective, quality healthcare to its patients. The Group is also in the process of implementing an alternative reimbursement model to the major medical aid schemes, for the benefit of both parties. The industry has also witnessed growth in the designated service provider (DSP) network arrangements offered by the funders. With Lenmed's renewed focus on optimising operational efficiencies, we remain confident that these developments will positively influence our business.

Suppliers expect fair competition and suitable payment terms. Regular meetings with suppliers ensure that areas of concern are adequately addressed. 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. To this end, we have recently appointed a Group Procurement and Engineering Manager.

We seek to maintain close communications with all our stakeholders and to exhibit our respect for them. This programme will be accelerated from next year following the increase to the size and responsibilities of the marketing department to ensure improved brand awareness and the integral role we play in our local communities' healthcare and welfare.

Caring for the Shaik Family

"I learnt in the three days of my son's treatment that the doctors, nurses, management and staff of Lenmed truly do care for their patients and society as a whole."

—— Imran Shaik ——

Testimonial image supplied approved by family

06 OPPORTUNITIES AND RISK

OPPORTUNITIES //

Lenmed is in the fortunate position of having a surplus of opportunities to consider.

The Group operates in only two provinces of South Africa and would benefit from expanding its footprint into additional provinces to be recognised as a national operator. There are also advantages to further concentrating the investment in existing clusters. Consequently the Group is open to considering investment opportunities, of which there are many throughout South Africa.

The establishment of hospitals closer to non-urban communities remains an exciting option and one that makes economic sense considering the increasing wealth of the residents as they enter the middle class. Some of these opportunities may fit well with the NHI proposals. Lenmed will be making a considerable investment in this field in the coming year. Zamokuhle Private Hospital in Tembisa offers 36 beds at present. Our plan, following the acquisition of several thousand square metres of land adjacent to the present hospital, is to increase this facility to 94 beds. We aim to commence construction mid-year and to complete it by mid-2016. Both the community and the medical practitioners in the region are excited about the benefits this investment will bring to the Tembisa community.

Expansion in Africa outside of South Africa will in all likelihood be focused on regions where we are already established, namely Botswana and Mozambique, as well as other strategic countries such as Ghana and Nigeria, both of which present great potential. There are many opportunities in Africa as the countries on the continent dramatically improve their GDP growth and the wealth of a growing middle class who will demand medical aid services and quality hospitals. In Africa there will also be opportunities to provide healthcare services that might operate within a hospital or as stand-alone facilities such as eye-clinics, oncology centres, renal units etc.
Here too, we will be alive to all opportunities brought to us but will exercise considerable caution before commitment.
Investing in nursing training schools is a priority for the healthcare industry and thus too for Lenmed. This will ensure a sustainable supply of high calibre nursing professionals into our facilities in the future. In the interim, all our hospitals have opened up their facilities for the training of student nurses attached to private nursing institutions.

Expanding many of our hospitals to meet current demand remains an ongoing opportunity for the Group, but remains subject to the willingness of the government's Department of Health (DOH) to grant licenses for additional beds.

We have elected to exit from our investment in Pharmed Pharmaceuticals as this business is no longer core to our activities. The funds of approximately R102m to be released from this sale will be well utilised in higher yielding investments in hospitals in South Africa.

The Group is currently using facilities from its funders at levels below those allowed by our risk ratios for borrowing, and continues to add to this unutilised capacity through additional profitability and debt repayment. During the year under review, cash flow from operations increased by 65% to R195m indicating that the Group is a large generator of cash and that existing debt levels of R385m are comfortably manageable.
In addition the performance of the Group has attracted the attention of investors in the form of institutions and private equity funds. No commitments have been made to any approach thus far but it appears that we will have access to funding to continue the growth strategy.

The Group will continue to explore all opportunities and improve efficiencies in operating to increase yields but will focus management attention on those hospital units that might be underperforming.

RISK //

Risk appetite is the amount of risk Lenmed is willing to accept in the pursuit of value and is directly related to our business strategy. We select strategies that will expose the company to risks consistent with the agreed risk appetite. Because of this inter-relationship between risk appetite and strategy, changes to strategy could bring about the need to reassess the risk appetite levels; consequently, both are re-evaluated at the time of the annual strategic planning.

Lenmed assigns risk appetite to those risk headings used in its risk register, namely:

Enterprise Risk

Risks under this heading are often environmental, over which the company has limited control. Nevertheless, Lenmed will monitor enterprise risks to ensure that we are properly informed at all times of matters that could affect us and accordingly take the appropriate action to ensure that the enterprise is not exposed to factors that could destroy it or reduce its relevance.

Accordingly, Lenmed has no appetite for risk, which could prejudice the enterprise.

Operational Risk

Trading operations expose the company to levels of risk in processes (both clinical and operational), labour, supply of pharmaceuticals, availability and suitability of doctors, credit etc. These vary according to location and time. Often these risks are short term in nature and need to be managed on a day-to-day basis, but failure to address the principles can lead to long term disruption of operations.

Accordingly, Lenmed has an appetite for operational risk, which seeks to balance the risks of maximising profitability against the risks of disruption of its services.

Financial Risk

Excessive financial risk can destroy an enterprise in adverse economic conditions, while inadequate risk can prevent the enterprise from reaching its true potential. Lenmed will follow strategies to ensure that neither of these conditions put the company at risk.

Accordingly, Lenmed has an appetite for financial risk, which will reward shareholders with an above average return but provide lenders with sufficient comfort to advance funds to the company without excessive security.

Reputational Risk

Risks under this heading have much the same consequence as enterprise risks. They are capable of destroying the business, stakeholder perceptions, shareholder wealth and the credibility of the company and management.

Accordingly, Lenmed has no appetite for risk that would damage its reputation in any way.

Key Risk

Risk is managed in accordance with the above principles and risk registers are prepared and reviewed at hospital management level as well as at Group level. The key risks debated by the Risk Committee are:

- Shortages of skilled nursing staff and medical specialists:
  - There is a shortage of experienced nursing staff especially in theatres and ICU, and insufficient medical specialists are being trained in South Africa;
  - Whilst a short-term solution to these risks is somewhat out of our hands, the establishment of private training facilities remains an objective and an opportunity to remedy this problem.

- Industry challenge to smaller hospital groups in terms of medical aid tariffs:
  - Medical aid tariffs and arrangements in respect of DSP are unfavourable to smaller hospital groups despite the intervention of NHN;
  - This situation is likely to continue until regulatory intervention or Lenmed reaches sufficient critical mass to negotiate more successfully.
- Competition enquiry into the costs of private healthcare:
  - The extent of this and the terms of the enquiry have yet to be fully determined;
  - The process may be positive for the Group and will be closely monitored.
- National Health Insurance and related regulation:
  - The process will be carefully monitored to identify opportunity.
- Licencing process:
  - Licences and extensions to existing licences are proving difficult to obtain in certain provinces;
  - We will continue to forge stronger associations with stakeholders to overcome this risk.

Many of these and other risks in the organisation can be turned into counter-opportunities. This will be a particular focus of the board in 2015.

07 STRATEGY AND RESOURCE ALLOCATION

As mentioned elsewhere in this report, we are fortunate in the number of opportunities we have for new investment and thus growth. Our current strategy is one of growth and we see no reason to amend this at this stage. This choice of investment opportunity is consistent with our regional footprints in that we have been presented with numerous opportunities outside of South Africa and within our borders.

Although Africa beyond South Africa has considerable 'investment appeal' to the international investment markets and it appears that super-profits might be achieved on the continent, we have experience in investing in two African states beyond South Africa. The lessons we have learnt encourage us to be cautious and thus conservative in our evaluation of opportunities presented to us. Our preference is to be 'asset light' when investing outside South Africa. This strategy will lead to our having to forge partnerships with local and international groups in order to gain access to buildings and facilities without investments from ourselves; and thus face returns on investment after the payment of rental. This is not a disadvantage as the separation of PROPCO and OPCO in this industry is well recognised and applies to our investment in Botswana. Where funding is required for over-border acquisitions, we intend to raise this in an international currency closely related to the operating country in order to achieve as optimum a currency hedge as possible.

Accordingly, the allocation of capital resources will substantially favour South Africa, which suggests that we would want to obtain the majority of our funding in SA Rands and avoid exchange risks. We have good relationships with our banks in the region and will continue to strengthen these.

South Africa offers us a three pronged strategy to achieve growth. Firstly, we can achieve better returns from our existing hospitals by improving efficiencies and controls and achieving tariffs from the medical aid funders more on a par with the big three hospital groups. Secondly, we can add hospitals and other related health services within our current concentration of ownership, i.e. in Gauteng and Kwa-Zulu Natal (KZN), where opportunities abound including in communities beyond the currently well-served urban communities; and thirdly, we can expand our footprint across the remaining seven provinces, which would be desirable from the perspective of the medical funders and investors. We have identified opportunities in all three of these fields and continue to evaluate them thoroughly.

There is no firm commitment of funds for future investments or allocations agreed with the board or our funders at this stage. We prefer to remain flexible in our approach and be in a position to choose the best investment returns for our stakeholders.

One of our primary strategies for the year ahead is to equip ourselves with the appropriate people resources to fill the current gaps in our organisation structure referred to elsewhere in this report. Having the skills and the expertise in these senior positions will make us that much more competent at improving performance, evaluating opportunities within and outside the Group, and bedding them down in accordance with our culture.

Caring for the Mashele Family

"My family and I are grateful for all that you have done."

Samantha Mashele

Testimonial image supplied approved by family

08 PERFORMANCE - OPERATING REVIEW

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 to generate acceptable profits in an ethical manner;
- an improved quality of life for our employees, communities and the environment in which we operate.

MR A DEVCHAND // CA (SA)

Chief Financial Officer

CHIEF FINANCIAL OFFICER'S REPORT //

This report must be read in conjunction with the Group annual financial statements on page 058 of this integrated annual 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. Normalised EBITDA is based on reportable EBITDA, excluding once-off and non-core items, whilst HEPS is calculated in terms of accounting standards.

Results Overview

During the year under review, the Group has continued its impressive growth, producing solid results once again. After a period of significant expansion during the past two years, the current financial year was one of consolidation and a renewed focus on growing the business at our existing facilities. We are pleased to report a 71% increase in Group revenue to R1 131m (2013: R663m). Revenue growth, on a constant exchange rate, was 61% compared to the prior year.

Normalised EBITDA grew by 45% to R191m (2013: R132m). HEPS has increased by 14% to 19.2c (2013: 16.8c), reflecting the impact of the increase in the weighted average number of shares in issue following the rights issue.

It is encouraging to note that all our facilities experienced impressive revenue growth, further amplified by the fact that the 2014 financial year was the first full trading year for Bokamoso, Randfontein and Daxina Private Hospitals.

Overall, Paid Patient Days (PPD) have increased by 52% from the prior year, and 17% on a like for like basis when excluding these new hospitals.

The Group's Normalised EBITDA and HEPS calculations adjust for transactions that are considered to be once-off or non-core. The total effect of these adjustments is R6m and R3.3m taking into account taxation and minority interests. Following the Group's 70% acquisition of Bokamoso Private Hospital last year, Lenmed entered into a separate transaction with the seller of the facility to acquire the existing inventory and debtor book, which resulted in extraordinary income being recognised during the current year. In addition, the hospital disposed of some medical equipment during the year.

Normalised EBITDA Recon	2014	2013
EBITDA	196 876 134	139 096 875
Less Profit on acquisition of stock and debtors	(5 629 654)	(5 078 269)
Less Reversal of provision for loan diminution	-	(2 052 496)
Less Profit on disposal of asset	(385 750)	-
Normalised EBITDA	**190 860 730**	**131 966 110**
Headline Earnings Per Share Recon		
Net profit attributable to Lenmed	127 086 279	96 266 701
Less Profit on acquisition of stock and debtors net of taxation and minorities	(3 073 791)	(2 772 735)
Less Reversal of provision for loan diminution	-	(2 052 496)
Less Profit on disposal of asset net of taxation and minorities	(186 025)	-
Headline Earnings	**123 826 463**	**91 441 470**
Weighted average number of shares in issue during the year	644 246 000	544 514 000

EBITDA Margin

The Group's EBITDA Margin has decreased from 21% in the prior year to 17% in the current year. This is due to the following:

- Bokamoso Private Hospital accounting for a higher proportion of Group revenue with a lower EBITDA margin achieved, by virtue of rental paid to the landlord of the hospital building;
- Maputo, Daxina and Randfontein Private Hospitals collectively accounting for 25% of Group Revenue (2013: 15%) without the corresponding EBITDA contribution, due to these facilities still maturing;
- The above is offset by a gain of R5.9m recognised on our shareholder loan to Bokamoso Private Hospital, due to the Rand's depreciation against the Pula.

After removing the effect of the above entities and foreign currency gain, the EBITDA margin is 27% (2013: 25%).

Investment in Associates and Investment Held for Sale

Lenmed's share of Pharmed's profit for the year was R13.4m (2013: R10.1m), with dividends received for the year amounting to R3m (2013: R4.6m). The Group has accounted for the investment in Pharmed as a current asset held for sale, due to the sale agreement with Imperial having been concluded in March 2014.

The Group's portion of Ethekwini Hospital and Heart Centre's profit equated to R23.5m compared to R9.4m in the prior year, representing a 150% increase. This improvement is due to the facility's exceptional performance during the period, coupled with Lenmed's increased investment in this hospital made in early 2014.The first repayment of shareholders' loans was made during the year, of which the Group received R10m.

Lenmed continues to search for opportunities to further grow the business. We have invested R33m during the past financial year into expansion projects at our Lenasia, Zamokuhle, Randfontein and La Verna hospitals. These investments will ensure that we are well able to meet the future needs and demands of our patients and doctors.

Assets

Property, plant, equipment, furniture, fittings and vehicles have increased by R112m at 28 February 2014 to R1 061m (2013: R949m). These increases are mainly as a result of the expansion projects mentioned above and foreign currency adjustments to the Group's assets held in Mozambique and Botswana.

Debt management

During the financial year under review, Lenmed's interest bearing borrowings decreased by R19m to R385m (2013: R404m). This decrease is further broken down as follows:

- South African-based debt decreased by R44m;
- Debt, in respect of the Deutsche Investitions-und Entwicklungsgesellschaft mbH (DEG), decreased in US dollar terms by $0.54m; however, increased in Rand terms by R12m due to the Rand's depreciation against the US dollar;
- The increase in overdraft facilities utilised, driven mainly by Maputo Private Hospital;
- The shareholder loan owed to the Board of Public Officers Medical Aid Scheme (BPOMAS) remained constant in Pula terms; however, increased by R2.5m due to the Rand's depreciation against the Pula.

The company's total net interest bearing debt to equity ratio has improved to 31% from the prior year level of 38%. The interest coverage ratio has strengthened to 6.2 (2013: 5.6), with cash flow from operations 6.3 times total interest expense (2013: 5.0).

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.

Share-based Payment Reserve
This reserve has arisen through the allocation of Share Appreciation Rights to key management during the year. In terms of International Financial Reporting Standards (IFRS), this instrument is deemed to be equity settled, necessitating the recognition of this reserve.

Cash conversion
Cash conversion remains a focus area of the company, especially in the light of the current expansion strategy. Excluding the impact of foreign currency translation adjustments, the Group converted 82% of its normalised EBITDA into cash (2013: 77%).

The finance function continuously works on streamlining and strengthening our processes to reduce the debtors' book. It should also be noted that the period of December to February is generally a difficult period for collections due to the holiday period, new tariff files and backlogs experienced at the funders. These matters will negatively affect Lenmed's statistics every year, by virtue of the Group's reporting date.

Cash and cash equivalents decreased to R71m (2013: R78m) of which R20m is being held as guarantee in favour of Randfontein Estates Ltd, in respect of the purchase of the Randfontein Private Hospital property.

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

The USD spot rate increased from R8.84 at 1 March 2013 to R10.70 at 28 February 2014, and averaged R10.98 for the year (2013: R8.87). The BWP spot and average rate increased from R1.09 at 28 February 2013 to R1.19 and R1.20 respectively.

Exchange rate movements also impacted significantly on the statement of financial position. The resulting currency translation difference, which is the amount by which the Group's interest (including minorities) in the equity of its two foreign investments increased as a result of the spot rate's movement, amounted to R37.5m (2013: R16.5m) and was credited to the statement of comprehensive income.

In addition, a foreign exchange gain of R5.9m was recognised on Lenmed's shareholder loan to Bokamoso Private Hospital.

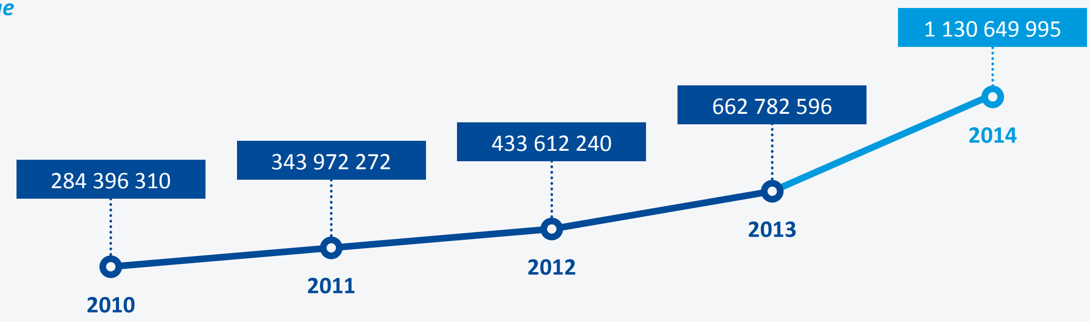
Risk management
The Group is exposed to financial risks through its business activities, including interest rate risk, currency risk, credit risk and liquidity risk. All the financial ratios are within the tolerances set by the board thus providing additional capacity for expansion.

AMIL DEVCHAND //
Chief Financial Officer

FIVE YEAR REVIEW

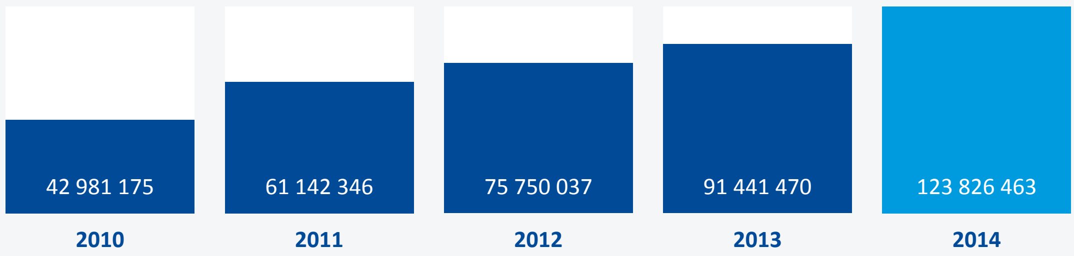
41.2% 5 YEAR CAGR*

Revenue



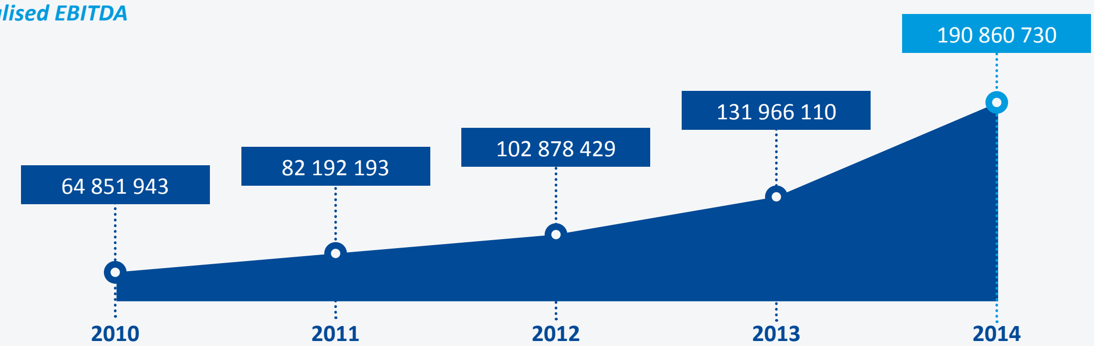
30.3% 5 YEAR CAGR*

Headline Earnings

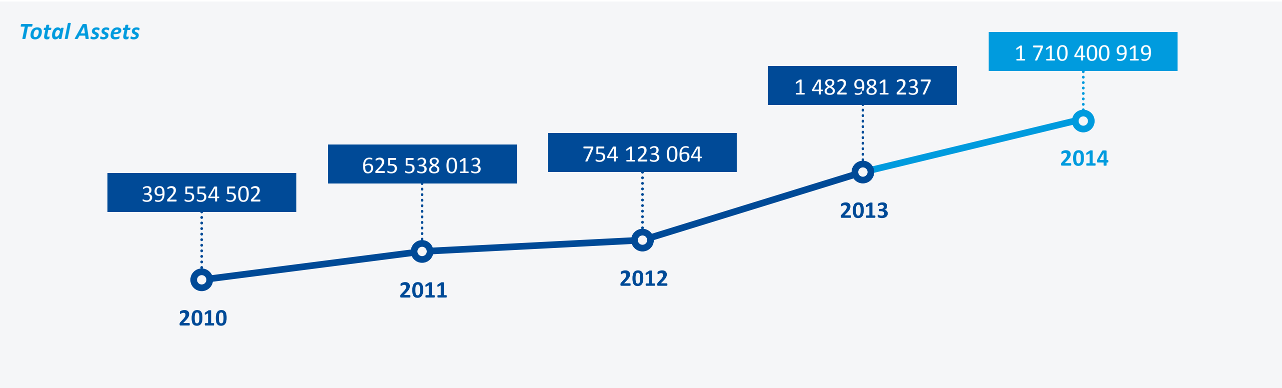


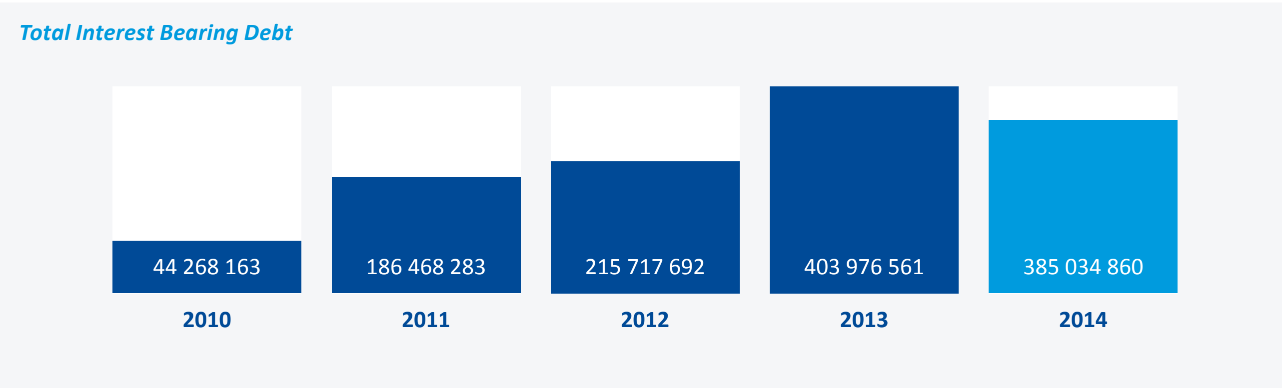
31.3% 5 YEAR CAGR*

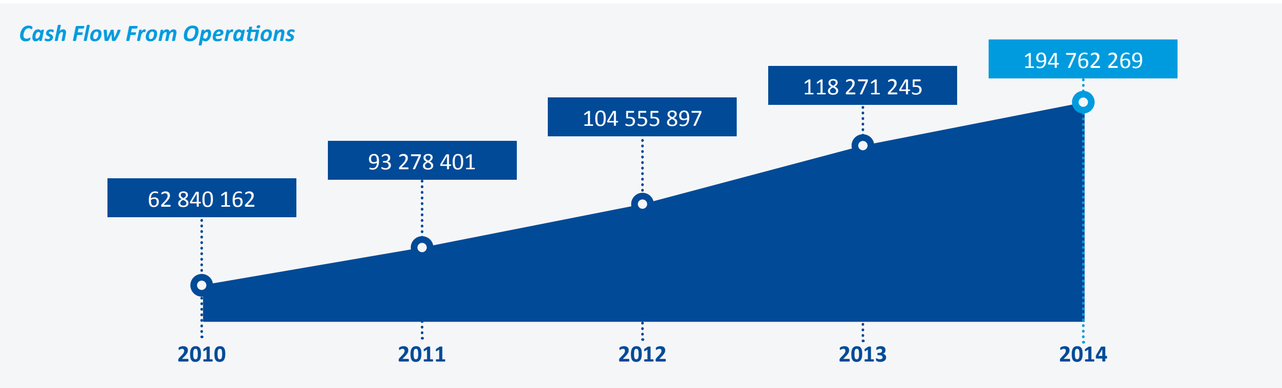
Normalised EBITDA



*CAGR - Compound Annual Growth Rate


Total Assets
392 554 502
625 538 013
754 123 064
1 482 981 237
1 710 400 919
2010
2011
2012
2013
2014


Total Interest Bearing Debt
44 268 163
186 468 283
215 717 692
403 976 561
385 034 860
2010
2011
2012
2013
2014


Cash Flow From Operations
62 840 162
93 278 401
104 555 897
118 271 245
194 762 269
2010
2011
2012
2013
2014

MR P DEVCHAND // CA (SA)

Chairman and Chief Executive Officer

CHAIRMAN'S AND CEO'S REPORT //

We Always Care…

2014 marks a special time in our country's history with the celebration of 20 years of democracy, and in the history of our company too, with Lenmed celebrating its 30th anniversary this year.

With the achievement of these two historic milestones, the access to quality and affordable healthcare, as laid down in the South African Constitution as a basic human right, becomes an increasingly important focus. The private sector has both an integral and pivotal role to play within our complex society, in the realisation and provision of this right. While there are various challenges currently facing private healthcare in a highly regulated industry, it is important that this sector continues to function optimally to ensure that healthcare fulfils its role as a vital social protection mechanism.

We understand the role we have committed to fulfil in the communities we serve. To this end, we have focused our efforts during this past year on streamlining operations across all our hospitals, upgrading infrastructure, attracting the right professionals to our facilities and employing proficient staff to manage the day-to-day business.

While managing hospitals successfully is at the core of our business, providing the best care that we possibly can to ensure the safety and comfort of our patients, forms the heart of our organisation.

Care is a simple word but, in the context of hospital management, it is one that carries much gravitas. Care underlies the Group's business model: it drives what we do as a company and how we behave towards and treat all our stakeholders including our patients and their families, the greater community, shareholders, suppliers, specialists, contractors, the government, medical staff and employees. To function as an effective and efficient business that continues to deliver good value and service to its stakeholders, a hospital needs skilled specialists, highly trained nurses and competent administrative staff but, without care, it is a building that has no heart.

"*We Always Care*" is the promise on which our business was founded. We adopted this slogan when Lenmed first opened its doors as Lenmed Clinic in Lenasia in 1984 – the very site that today houses the impressive and much-expanded Lenmed Private Hospital. Thirty years later, that promise is still at the heart of the Group and what drives each one of us to perform at our best every day, in each of the nine hospitals that we manage in South Africa, Mozambique and Botswana.

We are a caring company and caring for the well-being of our patients and the greater community is our priority. Our focus on clinical governance – the systematic approach to maintaining and improving the quality of patient care within the health system framework – is a serious issue. Each one of us within the Group is accountable for safeguarding recognisably high standards of care, the transparent responsibility of these standards and a constant dynamic of improvement to cultivate an environment in which excellence in clinical care can flourish and grow.

Within each of our hospitals, the optimal functioning of the theatres and wards in terms of safety and hygiene, the correct administration of drugs and the general care and well-being of patients is the responsibility of the management teams and their staff. Their success in fulfilling these duties rests on their ability to attract the best specialist doctors to their facilities, the quality of nurses and administration staff they employ, and the technology and infrastructure they install and update.

I am pleased to report that, in the year under review, and with an increased focus on clinical governance, our management teams have been successful in all these areas, reinforcing our strong position as a caring company.

As a result of this group effort, we have delivered a most satisfying set of financial results for the year ended 28 February 2014, as the company continues to deliver on its strategy of consolidation and growth.

Strategic Review

Across the Group, all areas of the business have contributed to another successful year. While this has been a period focused on the consolidation of operations to ensure all the necessary structures are in place following a year of unprecedented acquisition and expansion, the company continues to look for opportunities to expand its network of hospitals both within South Africa and beyond the borders.

Tariffs and medical aid schemes

After a year of negotiating tariffs and provider agreements with the medical funders independently, Lenmed has re-joined the National Hospital Network (NHN). This was mainly attributable to some of the larger medical aid schemes reducing the tariff levels which we previously enjoyed. In addition, Lenmed's continued participation in key designated service provider (DSP) arrangements became increasingly uncertain. Taking this into consideration, re-negotiating our membership of the NHN seemed the right step at that stage. We have decided to play a far more active role in the organisation. With the recent appointment of Lenmed's Chief Financial Officer Amil Devchand as the chairman of the network, it appears that this approach is starting to reap rewards and that Lenmed's association with and contribution to the NHN is being taken seriously.

Competition Commission inquiry

The Minister of Health has emphasised that his jurisdiction covers both the public and private healthcare sectors and has expressed concern with what he considers to be ever increasing private healthcare prices. The outcome of his concern is a Competition Commission inquiry into pricing within the private sector. Lenmed welcomes a market inquiry that is comprehensive in nature and seeks to truly understand the complex dynamics of the industry before making its recommendations. We are also encouraged by the commitment of the inquiry panel to consult with stakeholders, allowing us the opportunity to put forward our concerns. Lenmed intends to participate in the inquiry through the NHN.

The Department of Health (DOH) and licences
The issuing of licences from the DOH to register more beds remains a challenge. We continue to experience demand in excess of the number of beds licensed to the Group, which can only be satisfied if the DOH relaxes its policy towards licensing additional beds in established hospitals.

The demand for quality and affordable private healthcare is evident in the market place, but we are unable to accommodate this welcome increase in patients in the critical care units and general wards. We continue to engage with the DOH on this issue and remain hopeful that our licence applications will be approved in the near future.

Status of the National Health Insurance (NHI) plan
While the issue of the NHI system remains on the present government's agenda, its implementation date continues to be a point of uncertainty and contention. As stated previously Lenmed has certain reservations but overall remains supportive of this initiative in principle and is committed to working with government and the DOH to ensure the success of its implementation.

King III compliance
The Lenmed Group has embraced the principles of the King III Code with impressive progress being made in its implementation over the past two financial years. The Group continues to implement processes and policies, where practicable, to further enhance compliance to the Code and now has minimal matters on non-compliance. This is discussed in more detail in the Corporate Governance section of this integrated annual report on page 037.

B-BBEE evaluation
The Group, following its most recent evaluation, has been rated as a level 4 contributor to Broad Based Black Economic Empowerment. We anticipate remaining at this level for the foreseeable future.

Strategy for growth
Lenmed continues to be recognised as an expert in hospital management. While no sizable acquisitions were made during the year under review, we continue to seek strategic alliances with suitable partners in the healthcare industry that offer us exciting growth opportunities.

We have learnt a number of valuable strategic lessons from our expansions into Mozambique and Botswana, as our initial investments beyond South Africa. As we look to further investment opportunities in these two and other African countries we are confident that these lessons will stand us in good stead.

Locally, Lenmed is actively looking to increase its footprint and has identified a number of sites where we believe potential exists for private healthcare.

Pharmed Pharmaceuticals
A decision has been taken to divest from this business. The pharmaceutical wholesale and distribution industry is a highly regulated and challenging environment, and it is not our core business. We anticipate concluding the sale by July 2014. The proceeds from this disposal have been earmarked for investment in new hospital opportunities that currently exist within the Group.

Quality initiatives
The Group has prioritised quality within its hospitals as a key strategic imperative. To this end, we continue to operate according to the 'Best Care Always' methodology, which ensures the implementation of specific and internationally recognised, evidence-based interventions that enhance

patient safety and constitute current best practice in hospital care. In addition to this, both Lenmed Private Hospital and Bokamoso Private Hospital are undergoing an international accreditation process with the Council for Health Service Accreditation of Southern Africa (COHSASA) to further embed quality at the core of our operations. We envisage rolling out this accreditation process to the other facilities in the Group over a 24- to 36-month period.

Share trading platform
Shareholders have the opportunity to transact Lenmed shares on an over-the-counter (OTC) basis 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 provides shareholders with a platform to create liquidity in their shares. Equity Express is the transfer secretary of the company.

Since the rights issue to the end of the 2014 financial year, the weighted average share price has increased from R0.60 to R1.74, unlocking shareholder value and creating additional potential to deliver on the Group's forward-looking strategy.

Dividends
The Group remains in a high growth phase and as such, a dividend declaration to shareholders remains unlikely in the short term.

Looking Forward
We continue to look for new opportunities to grow the Group. With our South African operations at the core of the business, we are actively looking to expand our footprint ensuring that we continue to be recognized as an active player in the private healthcare industry.

Looking beyond our borders, our strategy is to invest in both multi-disciplinary hospitals and stand-alone facilities, such as oncology centres of excellence. In addition, we are actively pursuing primary healthcare opportunities that exist.

While there are some prospects that we are currently pursuing, our learnings from our investments in hospitals in both Mozambique and Botswana will lead this expansion programme.

Our people are our most important asset. As such, we continue to invest in them to ensure our hospitals offer skilled medical professionals, trained and dedicated nursing staff, effective management teams and hard-working employees. This results in efficiently run hospitals that ensure quality and affordable healthcare for our patients.

With the rapid expansion of the Group, we are placing increased focus on internal structures to ensure a smooth-running operation. This involves an emphasis on the role of HR within the organisation's expansion programme. The Group is also investigating the acquisition of existing nursing colleges that will provide a sustainable model to train and meet the Group's nursing requirements internally.

Appreciation
The 2014 financial year has been another successful year for the Group, as we consolidated expansion plans, commissioned new facilities, continued to evaluate growth prospects and delivered a satisfactory set of results.

It has also been a year that has seen change, most notably to the board of directors of Lenmed Private Hospital. It is with much gratitude and sadness that we say farewell to three of the Group's original founding directors: Dr A Latib, Dr R A M Salojee and Mr K Daya, who tended their resignation on 28 February 2014. Both Dr Latib and Dr Salojee were appointed to the board on 27 April 1980, with Mr Daya's appointment on 7 October 1986.

We pay tribute to all three of these outstanding individuals who, as start-up directors of the company, have paved the way for the many successes we enjoy today. We thank them and wish them well.

Dr A F Kaka, who was appointed on 08 August 1990, announced his retirement from the Lenmed board with effect from 31 December 2013. In his role as Medical Director of the Group, we have all gained from and appreciated his vast knowledge and expertise, and for this, we thank him most sincerely. Dr Kaka will be available to contribute to the Group's affairs as a consultant.

In closing, my sincere thanks are extended to the directors mentioned above, and to everyone else involved in the overall success of Lenmed:

- The board of directors for its continued and professional advice, expertise and assistance in moving the Group forward to deliver on its strategic objectives;
- The Group's management team for its dedication, care and professionalism in ensuring the effective management of our hospitals;
- The doctors who practice at our facilities, whose expertise, dedication and spirit of caring enable us to deliver a world class service;
- The staff who perform their work with a sense of pride, who go beyond the call of duty to provide quality care for our patients, and whose efforts are acknowledged;
- Our funders and shareholders, for their continued support of the Group as the company grows from strength to strength.

Thank you, each one of you, for your efforts and commitment.

PRAKASH DEVCHAND //
Chairman and CEO

2014 IN FOCUS //

During the year under review, the Group initiated further expansion and refurbishment programmes at a number of its facilities, while consolidating operations at the acquisitions made during 2013. As a result of this focus, all hospitals in the Group are in an almost continuous state of improvement and/or expansion. While this provides some challenges for patients and management alike, we believe we have managed these satisfactorily whilst boosting and upgrading facilities to achieve greater patient satisfaction and profitability.

South Africa

- *Lenmed Private Hospital, Lenasia*
  Lenmed Private Hospital is the largest facility in the Lenasia precinct. It continues to show improvement in patient numbers and patient satisfaction. In the past year, the hospital has experienced growth in its accident and emergency facility, driven by higher trauma referrals, paediatrics, maternity and ICU, much of which arose from the expansion of the hospital in 2013. The hospital has also expanded the specialist services on offer including strengthening its existing cardiology and gastroenterology disciplines, giving more choice to patients.

- *Zamokuhle Private Hospital, Tembisa*
  This small hospital continues to perform well despite being able to offer only limited services. The introduction of two ICU beds has proved favourable. The professional team is preparing for the expansion of this hospital into a 94-bed facility from the current level of 36 beds. While development planning and project approvals have taken longer than anticipated, expansion plans for this facility are still on track.

- *Daxina Private Hospital, Lenasia South*
  The acquisition of Daxina Private Hospital in January 2013 was followed by a focused rebranding and marketing strategy to communicate its inclusion into the Lenmed network. During the year, the services of additional and much-needed specialists, including a gynaecologist, physician and surgeon, were introduced. Minor refurbishments and upgrades are under way and specialist services, including psychiatry and day surgery, are under consideration.

- *Randfontein Private Hospital, Randfontein*
  The growth of clinical services at this hospital has been slower than expected due to the challenge of attracting full-time specialists to the facility, coupled with strong competition from the existing private hospitals in the area. With a focus on continued marketing efforts to boost awareness, and capital projects to improve facilities, the hospital has now acquired the full-time services of two paediatricians and two gynaecologists to complement the other specialist disciplines already on offer. In addition, the hospital attracted other specialists with the long-term purpose of building up their practices at the hospital.

  During the year, renovations and improvements included the commissioning of a new maternity ward, paediatric ward and a four bed neo-natal ICU. The hospital is also in the process of upgrading its renal dialysis unit, which will be completed mid 2014.

- *La Verna Private Hospital, Ladysmith*
  As part of the significant expansion project for the La Verna Hospital, a new 12-bed critical care unit was successfully commissioned and has been well received by doctors and the community alike. The new three-storey structure has been completed and the ground floor, housing an 18-bed surgical wing, awaits final inspection from the DOH, expected by June 2014. The remaining two floors will be commissioned as demand requires.

  The 24-hour accident and emergency unit has been strengthened with the addition of two new doctors.
  The introduction of the Group's first branded coffee shop, Lencafé, provides a welcome facility for patients and visitors.

- *Shifa Private Hospital, Durban*
  The delay in the awarding of bed licences by the DOH continues to restrict proposed expansion plans at this facility, which is currently running at capacity. During the year, the management team has focused on optimising case mix, increasing operational efficiencies and further improving its already impressive patient quality and safety benchmarks.

- *Ethekwini Hospital and Heart Centre, Durban*
  This facility has performed exceptionally well during the past financial year. Due to the extremely high demand for cardiac services at the hospital, a second cardiac catheterisation laboratory was commissioned. In line with expanding the super-speciality disciplines offered at the hospital, a dedicated neurosurgical theatre was also introduced. A major expansion project is planned at the hospital, awaiting DOH approval for additional beds.

Mozambique

- *Maputo Private Hospital, Maputo*
  This facility has undergone a tremendous turnaround over the past financial year, with many of the strategies implemented beginning to bear fruit. The hospital has continued to enter into agreements with big business to be the preferred hospital for their employees. In addition, we have strengthened relationships with key medical aid schemes in the country, thereby increasing referrals. The doctor model has been restructured, translating into immediate efficiencies. A full review of expenditure was undertaken with material savings achieved. These developments, together with new initiatives currently in the pipeline, have laid a strong foundation on which to build the business in the future.

Botswana

- *Bokamoso Private Hospital, Gaborone*
  This hospital is performing well and has become a profitable acquisition for the Group. The facility boasts the only private cardiac catheterisation laboratory in Botswana with many procedures performed being the first of their kind in the country. The specialist oncology unit has strengthened referrals and has positioned itself as a true centre of excellence. We intend expanding this unit during 2014 to meet the increased demand currently experienced.

  The hospital has made history in the country by successfully delivering and managing a premature baby, weighing just 470g. Cases such as these continue to build confidence in the facility.

  In line with the changing healthcare environment in Botswana, the management team has embarked on various outreach programmes, such as the opening of an office in the town of Palapye, for which Lenmed has been commended by the Ministry of Health. Another project includes visits to areas such as Maun to encourage local doctors to work at Bokamoso, thus strengthening relationships and increasing referrals from outlying areas to the hospital.

Organisation Structure and Operations

Lenmed's executive team is headed by its CEO and consists of the Chief Operating Officer (COO), Chief Financial Officer (CFO), Chief Medical Officer (CMO) and the Group Business Development Manager. Being such a young and dynamic organisation, there are several positions not yet filled in the executive structure. The Group is currently recruiting a new CFO to cater for the appointment of the current incumbent as COO. The COO and CMO roles are filled in an acting capacity at this stage. We are fortunate that the incumbents in the senior roles of Regional Manager and at the hospitals, as well as those in staff functions, have considerable experience and passion for the Group, which allows sufficient time to implement the proposed structure as opportunities arise.

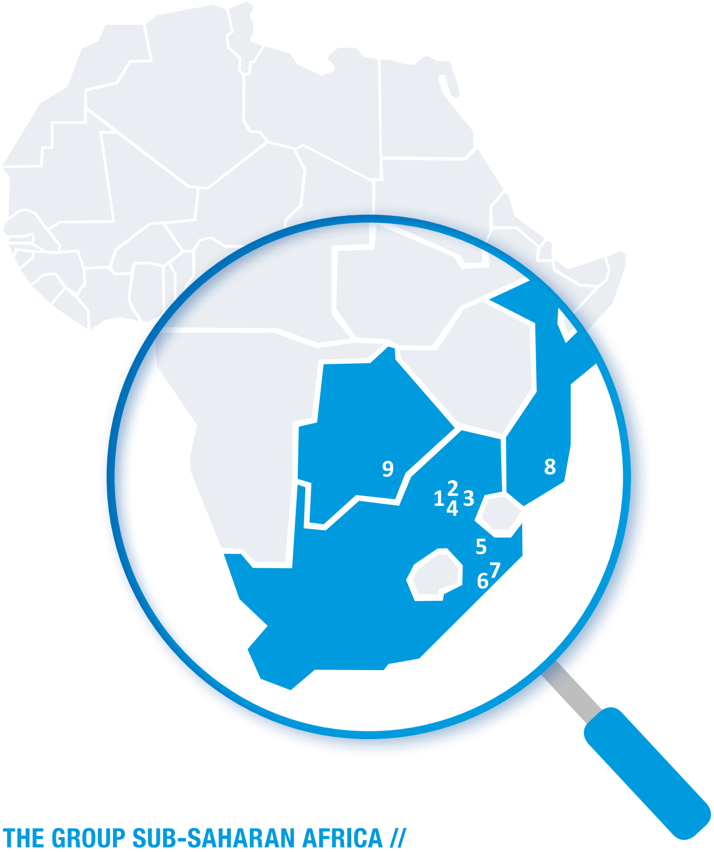
OUR HOSPITALS

Lenmed has enjoyed such rapid expansion over the past few years that we have been able to promote successfully from within the company, while introducing experienced new talent from outside the organisation, thus providing a successful blend of tradition and fresh thinking. This has been of considerable benefit to the growth of management skills in our ever-expanding structure.

Lenmed strives to keep its head office and its staff functions lean so as not to burden the operations with excessive overheads. The hospitals, all of which are owned in separate companies, are headed by a hospital manager of considerable experience, while each hospital strives to employ a qualified CA (SA) as its financial manager.

The Group is divided into two regions for control and reporting purposes but both operate under the same standards and policies. The concentration of operations in South Africa is in Gauteng with four hospitals and KZN with three. Mozambique and Botswana with one hospital each make up the total complement.

The hospitals have a fair degree of autonomy within the defined structures, standards and policies of the Group set by the executive and board. Limits of authority, standardised controls, regular visits from the regional managers and the executive to the hospitals, group meetings, regular communication and results-based incentive schemes ensure that the hospitals and all managers operate with common purpose and objectives.



THE GROUP SUB-SAHARAN AFRICA //

South Africa

1. Lenmed Private Hospital, Lenasia
2. Zamokuhle Private Hospital, Tembisa
3. Daxina Private Hospital, Lenasia South
4. Randfontein Private Hospital, Randfontein
5. La Verna Private Hospital, Ladysmith
6. Shifa Private Hospital, Durban
7. Ethekwini Hospital And Heart Centre, Durban

Mozambique

8. Maputo Private Hospital, Maputo

Botswana

9. Bokamoso Private Hospital, Gaborone

FUTURE OUTLOOK //

Lenmed's strategy of sustained growth and expansion has consistently delivered results, making it one of the leading healthcare groups in the country outside of the big three. 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. In addition to private hospitals, Lenmed is broadening its strategy to include the management of stand-alone centres of excellence in the fields of, among others, oncology, renal dialysis and primary healthcare, catering for the increasing demand for these services on the continent.

The future in South Africa might be a little difficult to assess in the light of the government's significant involvement in the industry and until the outcomes of the NHI policies and the inquiry into the costs of private healthcare are known. Nevertheless, Lenmed anticipates positive opportunities from both these investigations and is not holding back on its growth strategy. Here too opportunities exist outside of stand-alone hospitals, including psychiatric, rehabilitation and step-down facilities, day-clinics, primary healthcare, occupational healthcare and the like.

The compounded annual growth of headline earnings of 30% over the past five years has placed Lenmed in good stead to leverage off a strong balance sheet and a momentum from expanding productive capacity. The larger the hospital, the broader the specialist facilities and services that can be offered, and the more patients, the greater the word-of-mouth communication can create demand. As a consequence, Lenmed expects real growth in the utilisation of its facilities in all hospitals, particularly those that have joined the group in the past two years, and in the more established hospitals where we have expanded the number of beds, and where utilisation has still to increase to our benchmark.

The Group accumulated assets in excess of R1billion in 2013 and these have increased 15% in the last year despite our not having added any new hospitals in 2014. Revenues exceeded R1billion rand in 2014 for the first time. We aim to maintain this momentum and draw on the pool of opportunities referred to elsewhere in this report to bring additional acquisitions to the Group in the foreseeable future.

09 CORPORATE GOVERNANCE AND REMUNERATION

The board of directors is committed and subscribes to the values of good corporate governance, as contained in the King III Code of Corporate Practices and Conduct. We adhere to the strict principles contained in the Code and continually seek opportunities to deliver shareholder value.

During the past financial year, many notable improvements have been achieved, moving the Group closer to its goal of full compliance to the King III code. Some of the developments are highlighted below:

- Submission of a resolution at the AGM to obtain shareholder approval on a non-binding advisory vote basis on the company's remuneration policy;
- Further bedding down and improvements in regard to various IT governance aspects;
- Additional enhancements and measures in respect of the internal audit function;
- Further refinements made to the company's risk management processes, including the determination of the company's risk appetite;
- Introduction of formalised processes to evaluate the company secretary.

The King III compliance report is available on the Lenmed website, www.lenmedhealth.co.za. This discloses that the only matters of non-compliance are as follows:

- The chairman, who is also the CEO, is not independent. This is an historical arrangement arising from the control structure. The shortcoming is addressed through the appointment of a lead independent non-executive director;
- The Group has not utilised independent assurance to assess the competence and independence of internal audit and IT. These are relatively new departments and, until they have matured, no such assurance will be sought;
- The Group does not have a formal system of determining whether it complies fully with every detail of the recent plethora of legislation. Lenmed is committed to compliance in all its activities. It has embarked on a process of determining an assessment of its legal compliance through its legal advisors and the Council for Health Service Accreditation of Southern Africa (COHSASA), which is expected to be completed in eighteen months' time.

BOARD OF DIRECTORS //

Composition

The board is based on a unitary structure and exercises full and effective control over the Group. It comprises six members: an executive chairman who also assumes the role of Chief Executive Officer, three independent non-executive directors, one non-executive director and one executive director. The combined role of chairman and CEO remains, as per agreement with the board. Any potential conflict has been addressed through the appointment of a lead independent director, Mike Meehan.

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

Executive Directors	Non-Executive Directors
Mr P Devchand (Chairman and CEO)	Mr M G Meehan (Lead Independent)
Mr A Devchand	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	12/06 /2013	29/07 /2013	19/11 /2013	11/02 /2014
Mr P Devchand	Y	Y	Y	Y
Dr A F Kaka	Y	Y	N	N/A[(a)]
Mr A Devchand	Y	Y	Y	N
Mr M G Meehan	Y	Y	Y	Y
Ms B Harie	Y	Y	Y	Y
Ms N V Simamane	Y	Y	Y	Y
Prof B D Goolab	Y	Y	Y	Y

(a) Retired at 31 December 2013

BOARD PROCEDURES //

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

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

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

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

BOARD COMMITTEES //

While the board remains accountable and responsible for the performance and affairs of the Group, it delegates to management and board committees certain functions to assist it in properly discharging its duties.

The board has the following sub-committees in place:

- Audit and Risk committee;
- Remuneration and Nominations committee;
- Social and Ethics committee.

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 committee 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 enable them to properly discharge their responsibilities. All directors have unrestricted access to all Group information.

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

COMMITTEE REPORTS //

Audit and Risk Committee Report 2014

Despite its name, the role of the audit committee is not to conduct an audit of the company or its management. The key role of the committee is to provide oversight and reassurance to the board, specifically with regard to the integrity of the company's financial reporting, audit arrangements, risk management, internal control processes and governance framework.

The committee believes the presentations and reports received during the year from management, the external auditors and the internal auditor have been sufficient, reliable and timely; and have enabled the committee to fulfil its responsibilities effectively. Committee meetings are attended by the external auditors, CFO, head of group internal audit, and often by the CEO. Individual managers e.g. head of IT join meetings for specific topics. The internal and external auditors have direct access to the committee to raise matters of concern and to report on work directed by the committee. The external auditors and the head of internal audit meet privately with the audit committee without management, at least annually.

The external auditors are PKF Durban. The responsible partner, Dhangee Puran, who has held this appointment for seven years, will be retiring after the forthcoming AGM giving rise to a rotational change.

The Group consists of a holding company and separate subsidiaries for each of the hospitals. PKF undertakes the audit of all hospitals in South Africa. Grant Thornton performs the audit of the subsidiary in Mozambique and Deloitte's, the Botswana subsidiary. The audit committee has conducted its activities via the management in the South African head office and has had limited exposure to the management in the field or the auditors outside of South Africa, having relied on the internal and external auditors to establish that the standards employed by the foreign management and foreign external auditors are consistent with those applied in South Africa. We have received sufficient assurance of that in this year but from next year we intend conducting such enquiry on a more direct basis.

The Members

The board has reviewed the audit committee's composition during the year and is satisfied that the committee's members have the broad commercial knowledge, extensive business leadership experience and a suitable mix of business and financial knowledge necessary to fulfil the committee's responsibilities effectively. The audit committee chairman, Mike Meehan, has recent and relevant financial expertise. He is a registered chartered accountant in South Africa. The qualifications and relevant experience of the other committee members are detailed on pages 005 to 007.

The meeting schedule and attendance over the past year was as follows:

Director	11/06 /2013	25/09 /2013	20/11 /2013	10/02 /2014
Mr M G Meehan	Y	Y	Y	Y
Ms B Harie	Y	Y	Y	Y
Ms N V Simamane	Y	Y	Y	Y

Our Role
The committee has written terms of reference, which clearly set out its authority and duties. These are reviewed annually and are available on the company website.

Corporate reporting: We review the published financial results, the integrated annual report and other published information for statutory and regulatory compliance and report our views to the board to assist in its approval of the results announcements and the annual report.

Summary of responsibilities
In accordance with its terms of reference, the committee is authorised by the board to:

- Monitor the integrity of the group's integrated annual report, Annual Financial Statements and any formal announcements relating to the group's performance;
- Oversee the relationship with the group's external auditors including reviewing their objectivity and independence;
- Monitor and review the role and effectiveness of the group's internal audit function;
- Oversee the effectiveness of the risk management and internal control systems.

The full terms of reference of the audit committee are available on the company's website - www.lenmedhealth.co.za

External audit: We recommend the appointment and/ or re-appointment of the external auditors and should the circumstances arise, we will consider their resignation or dismissal, recommending to the board appropriate action to appoint new auditors. As part of this process, we assess the performance of the external auditors annually by seeking views on their performance from management and through robust questioning of their programmes and standards. We also discuss with the auditors the scope of their audits before they commence, review the results, consider the formal reports of the auditors and report the results of those reviews to the board.

It may be necessary to employ the external auditors for certain non-audit services. In order to safeguard the independence and objectivity of the external auditors, the board has determined policies as to what non-audit services can be provided by the external auditors and the approval process related to them.

Internal audit: We review internal audit and its relationship with the external auditors, including plans and performance. The Internal audit function in the group is relatively new. Under the direction of the Audit Committee, this function has focused on identifying internal controls and documenting these to ensure standardisation across the Group. The initial process has in the main been completed and the results used to commence internal auditing against the recorded internal control systems. Detailed internal audit plans have been established and a full programme to ensure a second level of assurance will be effective henceforth.

Risk Management: Additionally we monitor, review and report on risk management processes and the standards of risk management and internal control, including the processes and procedures for ensuring that material business risks, including risks relating to IT security, fraud and related matters are properly identified and managed. On behalf of the board, we review the Group's risk profile, endorse a programme of testing of the risk mitigations and controls that underpin the Group's assessment of residual risk and review the Group's current risk exposure and capability to identify new risks. The Group ensures that risk management processes are applied throughout all hospitals and levels of management.

The risk policy is reviewed as part of the annual strategic planning process to ensure that strategy and risk are properly aligned and that potential investments are evaluated against strategy and risk policy. The committee also encourages the board to recognise opportunities that can arise from risk mitigation activities and to strengthen the group as a consequence.

Internal controls and risks: We review the process relating to the identification and evaluation of significant risks; and the design and operation of internal controls. We also review reports received by the company regarding accounting, internal accounting controls or auditing matters. This includes the confidential, anonymous submission by employees of concerns regarding questionable internal controls, collusion, accounting or auditing matters, ensuring arrangements are in place for an independent investigation and appropriate follow up of such matters.

Audit Committee Charter: Our terms of reference are reviewed annually and drive the work carried out by the committee. At the last review, the terms of reference were amended by the board to conform to industry best practice.

The committee has unrestricted access to company documents and information - as well as to employees of the company, the internal auditors and the external auditors – and may take independent professional advice on any matters covered by its terms of reference at the company's expense. None was necessary during the past year.

The committee's effectiveness is reviewed on an annual basis as part of the board's performance evaluation process and the committee confirms that it has fulfilled its responsibilities under its terms of reference.

2013/14 Work Programme

The audit committee met four times during the year and has an agenda linked to events in the Group's financial calendar to address the matters recorded above.

Specifically, the committee considered the following matters during the course of the year:

- The draft 2014 annual report and accounts and recommended them to the board for distribution to shareholders;
- The accounting principles, policies and practices adopted in the Group's financial statements, important accounting issues, areas of complexity and significant financial reporting judgements;
- The fairness, balance and presentation of the integrated annual report, and whether it provided the information necessary for shareholders to understand our business model, strategy and performance;
- Compliance with the King III Corporate Governance Code;
- Assessment of the effectiveness of the Group's internal control environment;
- Reappointment, remuneration and engagement letter of the external auditors;
- Cyber-security and IT risk management;
- The risks inherent in senior management reward and incentive arrangements;
- Review of the internal audit charter and annual internal audit plans;
- Reviews of the effectiveness of the audit committee, the external auditors and the internal audit function;
- Liaised with the social and ethics committee on the adequacy of procedures to ensure compliance with anti-corruption legislation;
- Review of the committee's terms of reference.

Financial Reporting

After discussion with management and the external auditor, the audit committee determined that the key risks of misstatement of the Group's financial statements related to billing, recoveries from medical aids and patients and consequently, provisions for doubtful debts. The assessment of goodwill and the carrying values of fixed assets also received attention. During the year a long term share incentive scheme was introduced, where settlement can be achieved either on a cash settled or share settled basis at the option of the board. There is also a share based incentive scheme which recognises long service amongst the Group's employees. In addition, the group has entered into a sale agreement to dispose of its investment in an associate after the year-end. These issues were fully debated in the committee which discussions gave rise to the presentation agreed in the AFS.

External Audit

The audit committee is responsible for determining the extent of the use of the external auditors for non-audit services, in accordance with professional and regulatory requirements, which ensure that the auditors maintain the necessary degree of independence and objectivity.

Consequently, any non-audit work to be undertaken by the auditors in excess of 50% of the approved Group external audit fee is required to be authorised by the chairman of the audit committee and the CFO prior to its commencement. The approval of non-audit work below this level lies with the CFO.

No individually significant non-audit assignments that would require disclosure were undertaken in the financial year.

To fulfil its responsibility regarding the independence of the external auditors, the audit committee reviewed:

- changes in senior audit personnel in the audit plan for the current year;
- a report from the external auditors describing their arrangements to identify, report and manage any conflicts of interest;
- the extent of non-audit services provided by the external auditors.

To assess the effectiveness of the external auditors, the committee reviewed:

- the external auditors' fulfilment of the agreed audit plan and variations from it;
- reports highlighting the major issues that arose during the course of the audit;
- feedback from management evaluating the performance of the audit team;
- the levels of errors identified during the audit;
- recommendations made by the external auditors in their management letters and the adequacy of management's response.

The audit committee held a private meeting with the external auditors. We reviewed key issues within their sphere of responsibility and interrogated their relationship with management to satisfy the requirements of independence and freedom to conduct the audit without interference. We received assurance that the auditors had not received any report from IRBA which required our attention.

The audit committee is satisfied with the auditors' effectiveness and independence and the degree of diligence and professional scepticism brought to bear. It has not considered it necessary to conduct a tender process for the appointment of its auditors. Having carried out the review described above and having satisfied itself that the external auditors remain independent and effective, the audit committee has recommended to the board that the external auditors be reappointed for 2014/15.

The total fees paid to the external auditors for the year ended 28 February 2014 were R2.1m of which R0.3m related to non-audit work.

Internal Audit

The audit committee assists the board in fulfilling its responsibilities relating to the adequacy of the resourcing and plans of internal audit. To fulfil these duties, the committee reviewed:

- internal audit's reporting lines and access to the committee and all members of the board;
- internal audit's plans and its achievement of the planned activity;
- the results of key audits and other significant findings, the adequacy of management's response and the timeliness of resolution.

The key areas of focus during the year were the documentation and standardisation of Group systems of control and the establishment of comprehensive programmes and plans. Internal audit and IT are relatively new divisions that are becoming competent assurance resources for the Group.

The internal audit executive has reported as follows for 2014:

Based on the systems descriptions documented; walk through tests performed and tests of internal controls performed thus far, Group internal audit is of the opinion that the Group's system of internal controls is effective and that the internal financial controls form a sound basis for the preparation of reliable financial statements.

Internal Controls and Risks

In fulfilling its responsibilities relating to the adequacy and effectiveness of the internal control and risk management systems, the committee reviewed:

- the external auditors' management letters and audit highlights;
- internal audit reports and significant deficiencies in the financial control environment;
- the remuneration structures and incentives for senior executives.

There were no reports of fraud perpetrated against the group or significant whistle blowing reports which warranted investigation.

Relationship with other Board Committees

The social and ethics, remuneration and audit committees operate under their separate charters, which are reviewed annually by the board to avoid overlaps of responsibility. The chairmen of the remuneration committee and the social and ethics committee are members of the audit committee thus there is feedback and communication between the committees on matters of common interest. In addition, minutes of each meeting of each committee are circulated to the board and a verbal report thereon is provided by the chairman of each committee at the board meetings.

Evaluation of Effectiveness

The committee's effectiveness is reviewed on an annual basis as part of the board's performance and self evaluation process. No independent evaluation has been conducted.

AGM

The audit committee chairman will be present at the annual general meeting to answer questions on this report, matters within the scope of the committee's responsibilities and any significant matters brought to the committee's attention by the external auditors.

Remuneration and Nominations Committee Report 2014

Lenmed's remuneration committee (Remco) is now in its third full year of operation and has an established forward plan of agenda items. In addition, as the company grows and seeks to implement further employee benefits, these are tabled, debated and approved on an ongoing basis. Remco is chaired by Bharti Harie, with the other permanent members being Mike Meehan (lead independent, non-executive) and Prof Bashkar Goolab (non-executive). The executive chairman, Prakash Devchand, and the CFO, Amil Devchand, are also invited to attend the meetings. Five meetings were held prior to year end and all the permanent members attended these meetings.

Remco operates within Terms of Reference, which were last approved by the board on 29 July 2013. The Terms of Reference were subsequently discussed and reviewed by Remco on 28 January 2014, with a view to being presented to the next board meeting.

Remco's main purpose is to provide an independent and objective body that will:

- make recommendations on the remuneration policies, practices and philosophies for the executive directors and senior management at Lenmed and its subsidiaries;
- make recommendations on the composition of the board and board committees and ensure that the board of directors consists of individuals who are equipped to fulfil the role of directors of Lenmed;
- make recommendations on the nominations of new directors, having performed the appropriate interview processes;
- 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 over the past financial year have included amongst others:

- Review of Exco service contracts and letters of appointment;
- Review of social and ethics committee membership;
- Approval of the executive annual bonus scheme for the financial year ending February 2015;
- Approval of the executive annual bonus payments for the financial years ended February 2013 and 2014;
- Approval of the executive annual remuneration increases effective 1 March 2014;
- Oversight and discussion of the hospital managers' and Group functional heads' annual remuneration increases effective 1 March 2014;
- Approval of the principles of the hospital managers' bonus scheme for the financial year ended February 2015;
- Review of non-executive director fees, where it was proposed that the fees payable for the period from the 2013 to the 2014 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 was approved as above;

  The above fees were approved at the 2013 annual general meeting;
- The non-executive directors proposed to Remco that they will not be seeking an increase in their fees for the period from the 2014 to the 2015 AGM, based on their fees being market related. The committee accepted this proposal and will submit this to the AGM to be held on 27 August 2014;
- Performance review of the board and its sub-committees. On an annual basis, questionnaires are sent out to board members by the company secretary, who then collects, analyses and reviews the results, which are then presented to the board and its sub-committees. The last results proved satisfactory. In addition in the last financial year, a performance review of the company secretary was conducted by board members. The outcome was satisfactory and feedback was given to the company secretary;
- Revision of the long service share awards: the award scheme was revised to accommodate a cash and a share portion, as discussed under the remuneration policy below;
- Acceptance of the early retirement of Dr A F Kaka. Dr Kaka chose to resign from his position as Chief Medical Officer in December 2013. Dr Kaka has been a loyal member of Lenmed for 28 years and holds a wealth of industry knowledge. In acknowledgement of his contribution, he was awarded an ex-gratia payment of R1.5m. Lenmed is grateful that he will continue to serve in a consulting capacity as required;
- The oversight of the appointment of various vacancies within the approved organogram and certain changes to the organogram based on the changes in the Lenmed business model. The following executive roles were

discussed and approved:
- Dr Arthur Manning to assume the role of Chief Hospital Officer (acting);
- Amil Devchand to assume the role of Chief Operations Officer;
- The appointment of a CFO to allow Amil Devchand to assume the COO role as noted above;

- Approval and oversight of the implementation of the long-term incentive scheme. After much debate and discussion, a long-term incentive scheme was approved by Remco on 15 October 2013. This is being conducted by way of a share appreciation rights scheme and a performance share scheme. Details of the scheme can be found under the remuneration policy discussion below.

Remuneration Policy
In the context of the South African healthcare sector, where 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 recommend 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.

Lenmed's remuneration policy is to pay a fair salary in exchange for fair work done. We believe that we pay a fair salary within industry norms and, where the business case demands, we are prepared to compete for scarce skills. Once in our employ, we extend the "We Always Care" policy to our staff, where we aim to retain and motivate staff using the various benefits discussed below.

Remuneration package formulation
Packages for all key staff (executives, directors and hospital managers) are apportioned between a 'guaranteed portion', being the annual package, and the '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 Lenmed executives were considered at the January 2014 Remco meeting for implementation on 1 March 2014. In considering the new remuneration packages, Remco took into account the following factors:

- individual performance
- high level comparisons made with similar positions within the sector and also with companies of a similar size
- 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' and Group functional heads' 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 ranging between a maximum of 25% and 100% of their individual packages, where the maximum thresholds are determined by job levels.

The following short term bonuses were paid to executive management in the financial year:

Mr P Devchand	R2 341 584
Dr A F Kaka	R935 055 plus R1.5m ex gratia payment
Mr A Devchand	R877 500

As discussed above, Remco has also approved and had oversight of the implementation of the Long Term Incentive Scheme (LTIS), which Lenmed hopes to utilise in order to retain key staff over the medium to long term. The scheme is based on a Share Appreciation Rights Scheme (SARS) and a performance share scheme. The following are the salient features of the LTIS:

Scheme Concept

- Up to 10% of Lenmed's issued share capital will be set aside for purposes of the scheme;
- Based on the liquidity and the price of the shares on the OTC market, Remco will have the right to use the OTC price or to determine a price itself;
- The allocation of LTIS shares will be considered by Remco annually as part of its forward plan;
- The LTIS will apply to the following levels, with the corresponding band of share allocations:
    - Category 1 – CEO
      1.5m to 2.5m shares;
    - Category 2 – Direct reports to category 1
      750 000 to 1.5m shares;
    - Category 3 – Direct reports to category 2
      250 000 to 1m shares.

Scheme Rules

- The performance criterion for the SARS is a minimum 50% average achievement of the participant's short term incentive bonus over the three years prior to vesting;
- The hurdle rate calculation for the financial year ending February 2015 is CPI plus 4%, to be reviewed annually by Remco;
- For the financial year ended February 2014, the initial set of SARS were issued at R1.31, based on the net asset value as at 28 February 2013 (per Remco's discretion not to apply the average OTC price for this period, because of the limited trading period and volumes);
- Vesting will be one third on the 3rd anniversary of the allocation date, one third on 4th anniversary of the allocation date and one third on 5th anniversary of the allocation date;
- Settlement is in cash or shares, at the discretion of Remco;
- Participants are not entitled to any dividends and have no voting rights until the shares vest.

Long Service Award Scheme

Remco also approved the revision of a long service award scheme for all staff. The scheme comprises two parts, namely:

- a cash award payable six monthly, to staff who have worked for longer than 10 years;
- a share award, to staff who have worked longer than 15 years.

Lenmed will use its discretion to extend the above scheme to long serving staff at newly acquired hospitals 3 years after acquisition.

Other benefits

Employees enjoy other benefits such as medical aid, leave pay and planning for retirement. As new hospitals are acquired over the years, it is the intention that these benefits are standardised across Lenmed.

Independent non-executive directors

The three independent non-executive directors and one non-executive director continue to hold office since their appointment in September 2010 (Ms Simamane, since 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:

Directors' Remuneration

Executive	AP* FY2014	AP* FY2015
Mr P Devchand	R2.772m	R3.05m
Dr A F Kaka	R1.815m	Resigned Dec '13
Mr A Devchand	R1.2m	R1.32m

**Annual Package*

Non-Executive	Retainer per annum*	Meeting Fee*
Mr M G Meehan	R150 000	R9 500
Ms B Harie	R150 000	R9 500
Ms N V Simamane	R150 000	R9 500
Prof B Goolab	R136 000	R9 000

**Unchanged from prior year*

Social and Ethics Committee Report 2014

The social and ethics committee (the committee) assists the board in monitoring Lenmed's performance as a good and responsible corporate citizen. This report by the committee is prepared in accordance with the requirements of the Companies Act and describes how the committee has discharged its statutory duties and additional duties assigned to it by the board in 2014.

Committee members and attendance at meetings

The committee comprises three suitably skilled and experienced members appointed by the board, as set out in the table below. An independent non-executive director, Nomahlubi Simamane, who took over from Bhartie Harie in April 2013, chairs the committee. The two executive members on this committee are Dr Farouk Kaka, the former Chief Medical Officer who retired in December 2013 (and who is replaced by Ebrahim Asmal), and Dr Arthur Manning, the Chief Medical Officer (CMO) (acting).

The company secretary is the secretary of the committee. In terms of the committee's mandate, at least two meetings should be held annually. Attendance at the committee meetings during the period under review was as follows:

Attendance

Committee Member	05/04 /2013	03/06 /2013	26/11 /2013
Ms B Harie Chairman until 03/2013	Y	N/A	N/A
Ms N V Simamane Chairman from 04/2013	Y	Y	Y
Dr A F Kaka* Executive Director	Y	Y	Y
Dr A W Manning CMO (acting)	Y	Y	Y

**Retired at 31 December 2013*

Role and Responsibilities

The committee's role and responsibilities are governed by Terms of Reference which are reviewed annually and approved by the board. The main objective of the committee is to assist the board in monitoring the Group's performance as a good and responsible corporate citizen. This is done by monitoring the sustainable development practices of the Group thereby assisting the board in achieving one of its values of doing business ethically. The committee's monitoring role also includes the monitoring of relevant legislation, other legal requirements or prevailing codes of best practice, specifically with regard to matters relating to social and economic development, good corporate citizenship, the environment, health and public safety, consumer relationships, as well as labour and employment.

The committee is satisfied that it has fulfilled all its duties during the year under review, as further detailed below.

Policy Review
The committee is responsible for developing and reviewing the Group's policies with regard to the commitment, governance and reporting of the Group's sustainable development performance and for making recommendations to management and/or the board in this regard. During the year, the committee reviewed the Group's Code of Business Conduct and Ethics, Anti-corruption Policy including guidelines on gifts, CSI Policy and Health and Safety Policy.

Monitoring of Sustainable Development Practices
In the execution of its duties, the committee has reviewed the sustainable development practices of the Group, specifically relating to:

- ethics and compliance;
- corporate social investment;
- stakeholder relations including consumer relations and the review of Patient Feedback Reports;
- broad-based black economic empowerment including Employment Equity Plans and targets as well as the revival of the Employment Equity Forums;
- health and public safety, which includes occupational health and safety as well as the clinical quality of the Group's services and waste management;
- labour relations and working conditions;
- training and skills development;
- management of the Group's environmental impacts.

The committee is also required to report through one of its members to the company's shareholders on the matters within its mandate at the company's Annual General Meeting to be held on 27 August 2014. In the notice of the Annual General Meeting, shareholders are referred to this report by the committee, read with the Sustainable Development Report. Any specific questions to the committee may be sent to the company secretary prior to the meeting.

Assessment of Committee's Performance
The committee evaluated its performance during the year. It was generally satisfied that it had discharged its mandate, however there were areas identified for improvement and these will be addressed as required. An important aspect is that the composition of the committee (in terms of members and invitees) has been strengthened, and senior management from specific areas of the business are required to attend meetings of the committee and provide inputs and reports.

Directors' Interests
Ms Bharti Harie is a non-executive director of Ascendis Ltd, a listed company in the healthcare field. The board is satisfied that there is no conflict of interest in this appointment. During the year ended 28 February 2014, no other director 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. He is a qualified chartered secretary with extensive experience in company secretarial and corporate governance. 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.

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

Sustainable Development

Please refer to detailed Sustainability Report on page 053 of this integrated annual report.

Caring for the du Bruyn family

"I would like to thank the doctors and staff for their excellent, professional and caring service and attention my grandfather received."

Natasha du Bruyn

Testimonial image supplied approved by family

CLINICAL GOVERNANCE REPORT //

Lenmed's focus on clinical governance – the systematic approach to maintaining and improving the quality of patient care within the health system framework – is fundamental to the delivery of safe and professional healthcare. The Group is responsible for safeguarding and constantly improving recognisably high standards of care to cultivate an environment in which excellence in clinical care can flourish and grow.

The safety of patients and quality of care form the cornerstones of our clinical governance activities. During the past year, clinical governance processes have become entrenched in the day-to-day activities of our hospitals, and regular reporting allows us to constantly monitor our performance against the industry's benchmark standards.

The four pillars of clinical governance on which we focus are:

- Patient satisfaction (measured by ongoing customer feedback surveys);
- Clinical risk management (measured through quality indicators);
- Clinical peer review (measured through adverse events monitoring);
- Training and development (measured through formal and informal training activities).

Patient satisfaction
Patient input is a critical source of information for quality service delivery, and patient service questionnaires provide valuable feedback in our quality assurance programme.

Patient satisfaction is monitored through patient feedback questionnaires, personal interaction with patients through appointed customer relations officers and a formal complaints management process. Questionnaires are now standardised across the Group and reports are captured by customer relations officers who feed the results monthly to head office for analysis and action, where applicable.

Measure	Benchmark	Group Performance
Overall Experience	90%	85%
Nursing Care	90%	91%
Doctor Care	90%	93%

As these results indicate, overall patients remain satisfied with our services, and readily interact with us when poor performance is perceived. We work continuously to improve our standards with our objective being to reach the point where we consistently exceed the expectations of our patients and their families.

Our complaints process is formalised and we communicate actively with patients in this regard. Complaints are received verbally and through written communication in the form of letters, emails and the website. All complaints are monitored and tracked via head office to ensure these are responded to both appropriately and timeously, and that the necessary remedial action is taken where necessary.

Clinical Risk Management
While quality care is a core focus of the business, the safety of both patients and staff is also a vital factor, and a key functionality of the safety, health, environment and quality (SHEQ) committee.

The key indicators of the safety of patients are monitored through our quality indicators. As the adverse events table below shows, these figures continue to remain consistently below industry benchmarks, which indicates an excellent performance in our clinical departments for the year under review.

Measure	Benchmark*	Group Performance*
Patient Falls	0.80	0.39
Pressure Sores	1.20	0.06
Medication Errors	2.70	0.26

**occurrence per 1 000 Paid Patient Days (PPDs)*

Prevention of healthcare associated infection and antibiotic stewardship

Hospital Acquired Infections (HAI) and antimicrobial stewardship are of particular importance as we strive to keep our hospitals free of organisms that are multi-drug resistant to antibiotics.

The risk of acquiring an infection while in hospital is mitigated through standard surveillance processes and pro-active nursing steps. Dedicated infection control sisters monitor infection reports. There is also a close collaboration with microbiologists to keep hospital doctors informed and updated on changing infection trends and antibiotic resistance information.

The DOH's 'Best Care Always' programme, successfully implemented two years ago, continues to demonstrate our success in managing the risk of developing an infection in hospital. This campaign focuses on strict adherence to specific measures that reduce the transmission of infection. We continuously monitor and seek new methods to further reduce this risk.

Measure	Benchmark	Group Performance
Ventilator Associated Pneumonia (VAP)	0.65[a]	0.10[a]
Catheter-associated Urinary Tract Infections (CAUTI)	2.25[b]	0.13[b]
Central Line Associated Bloodstream Infections (CLABSI)	2.00[c]	0.03[c]
Surgical Site Infections (SSI)	1.50[d]	0.84[d]

[a] *per 1 000 ventilated days*
[b] *per 1 000 catheter days*
[c] *per 1 000 central lines*
[d] *per 1 000 theatre cases*

The above results are pleasing. Individual hospitals have had incidents of infections that have not become trends – they are sporadic and in keeping with experiences in the industry. Surgical site infections are the most common hospital associated infection, and this finding is similar in our surveillance.

An important initiative to enhance patient safety is the decision to internationally accredit our hospitals through COHSASA, an internationally accredited body for quality improvement in hospitals in Africa. This accreditation process promotes patient safety through a process of gap analysis to identify deficiencies, guiding interventions through the creation of improvement plans, and monitoring progress. This process has commenced at the Group's Lenmed and Bokamoso Private Hospitals. Quality improvement plans are being developed and implemented.

Clinical Peer Review

Adverse clinical events are monitored and reviewed, with detailed reports indicating the root cause analysis and the necessary action to be taken to reduce further the chances of similar events occurring in the future. Adverse events are separated out into nurse- and doctor-related events. The nursing events are monitored through standard indicators. The results are pleasing and indicate good nursing standards.

Doctor-related events are monitored through a peer review process. The hospital manager, a specialist clinician and the chief medical officer are involved in the review system, which results in firm recommendations for follow up action by the hospital manager. During the year, three peer reviews were held. This low number indicates high levels of clinical accuracy by our clinicians.

Training and Development

We recognise the importance of keeping our staff updated with current medical trends and in up-skilling them to meet the demands of new treatment modalities and technologies. To this end, we actively manage a continuing professional development (CPD) programme for all doctors and nurses working in our hospitals.

During the year, we held fourteen formal CPD meetings, with an average attendance of 50 doctors per meeting, ensuring that they receive the necessary CPD accreditation points required by the Health Professionals Council of SA.

Skills development for nursing staff occurs externally in association with accredited nursing schools and universities, and internally, through in-service updates. Through these programmes, nurses are kept abreast of standard operating procedures to ensure a high quality and consistency of nursing care. This is reflected in our patients' satisfaction with nursing care, and the low rates of adverse events.

Continuous training and updates in basic life support (BLS) also ensures that our staff are well-prepared in the event of emergency resuscitation of a patient, to give the patient the best chance of recovery from a serious clinical event. BLS training certificates are valid for two years, and hospital compliancy varies dependent on when training commenced. Most hospitals have trained more than 80% of staff. The Group is hopeful of achieving its target of having 100% of its staff trained during the new financial year.

Lenmed's commitment to quality patient care and safety remains unwavering, as we strive to improve and increase our standards. The four essential pillars of clinical governance outlined, provide a framework within which Lenmed ensures a high quality of clinical care and manages clinical risk.

SUSTAINABILITY REPORT //

Core Values

Lenmed's core values are fundamental to achieving the sustainability of the business.

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 along 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 results to date and will sustain us into the future.

Sustainability is built on three cardinal components, namely People, Planet and Profit. Our core values align our initiatives to ensure we become and remain good corporate citizens of the world.

People

Patients

Our patients are our business and the reason for our existence. We strive to provide quality and cost-effective medical care to all population groups by making use of the latest developments in technology and enlisting the services of high calibre specialists and trained staff across all disciplines. During the year, we expanded our range of clinical services and facilities to meet the ongoing and ever-increasing needs of our communities.

We have adopted the Patients' Rights Charter and the Batho Pele principles. Through the implementation of the 'Best Care Always' programme, we have also ensured that all quality indicators relating to our patients' safety are adequately implemented and monitored. As a matter of course, high levels of hygiene are maintained across all facilities to curb the prevention and spread of infections. Furthermore, the Group has undertaken to obtain international accreditation through the Council for Health Service Accreditation of Southern Africa (COHSASA) at all its facilities over the next 24-36 month period. The process has already commenced at Lenmed Private and Bokamoso Private Hospitals. This initiative will provide independent assurance to our patients that Lenmed Hospitals operate at world class standards.

We conduct regular surveys to monitor the satisfaction levels of our patients. 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; and are willing to invest significantly to improve our patients' experience.

Ensuring that our hospital fees remain competitive and affordable enables more patients to access private quality healthcare. Special rates and payment arrangements are on offer to non-medical aid patients.

Staff

The scarcity of professional nursing skills in the healthcare industry has reached a critical situation for the sector on a global scale. Lenmed recognises the value of its people - the Group's human capital is its most important asset. Good working relationships with staff are maintained formally through proven communication platforms.

- Employee distribution:
  - The Group employs 2 472 staff (2013: 2 347);

- Employee attraction and retention:
  - We benchmark the remuneration levels to accepted industry standards ensuring that the Group remains competitive in respect of basic pay, benefits and incentives. Staff incentives in the form of profit participation, as well as monthly recognition awards are in place. In addition, a long service award scheme has been implemented, where employees are issued shares in the company following 15 years of continued service. We engage on a regular basis with our employees to ascertain their needs and respond to these accordingly and adequately;
- 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 caused by apartheid. Lenmed is a leader in Employment Equity in the Healthcare sector, providing opportunities to suitably qualified, previously disadvantaged individuals. We achieved a 100% rating in this area, during our most recent BB-BEE assessment;
- Training and development:
  - Staff training and development programmes are offered to advance the careers of employees within the company with emphasis on the upgrading of nursing staff skills in the areas of ICU, theatre technique, trauma, maternity and neonatal ICU. Shifa Private Hospital has been recognised as one of the top 25 companies nationally, in terms of training, by the Health and Welfare Sector Education and Training Authority (HWSETA);
- 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 and undergo physical examinations;
- Occupational health and safety:
  - Regular in-service training is undertaken to educate employees on safety and welfare issues, and how to identify and mitigate risk. Regular evacuation drills are held, ensuring adequate preparation in the event of an actual emergency.

The health and safety committee together with its employee representatives form the basis of the organisation that ensures that all policies and procedures relating to safety are in place, updated and implemented. They also investigate and report on all incidents and ensure that risks are mitigated.

Doctors
Doctors who are trained and possess the expertise to provide quality care to our patients are essential to our success and sustainability. Although their availability is not too much of a problem in the cities, the recruitment of high-calibre doctors does pose a challenge in our foreign and rural-based hospitals. We strive to make these hospitals attractive and well equipped to be the facility of choice for these professionals.

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 corner stone of our corporate social investment (CSI) policy.

The Group has instituted and participates in a range of CSI initiatives and outreach programmes that assist the local community.

- Providing emergency care to indigent patients:
  - Lenmed's hospital emergency units across the Group provide free assistance to indigent patients. 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 stable enough to be transferred or discharged;
- Initiative to improve access to healthcare:
  - Lenmed Private Hospital introduced its 'Right to Sight' cataract campaign in conjunction with TIBA (Transvaal India Blind Association) Services for the Blind, in July 2002. During the past year, the Group has rolled out this initiative to its other facilities, for the benefit of the communities in which they operate, with 118 operations performed over this period. These patients are financially disadvantaged and under normal circumstances, would be unable to afford such a procedure;
- Community health and welfare sponsorship:
  The Group oversees a number of welfare initiatives to assist those less fortunate:
  - Feeding campaign: 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 free 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;
    - 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;
    - eye health;
    - cholesterol screening;
    - hypertension screens;
    - pregnancy education;
    - 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.

Planet

Lenmed conducts its business in an environmentally friendly manner as a responsible corporate citizen. This conduct includes the reduction of the Group's carbon footprint, while controlling the consumption of natural resources.

Energy Saving and Reduction

All new hospital buildings and expansions install energy-saving technology. These include heat pumps, solar technology and energy saving lighting. Where feasible, this practice extends to medical equipment and facilities too, such as installing energy-saving lamps in all theatre facilities.

Waste

The disposal of medical or biological waste, a specialised area of waste management, poses a major risk. We have designed and implemented various policies, in accordance with legislation, to mitigate the risk posed by hazardous waste. All separation of waste and its disposal is carried out in an environmentally friendly manner to reduce the risk of infection. Modern separation processes and advanced recyclable technology are employed wherever possible in an effort to reduce the volume of waste generated.

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;
- Engages with various parties within the industry with a view to forming strategic alliances that will benefit the business;
- Monitors and reviews all processes to ensure that efficiencies are maximised, resulting in greater profitability;
- Introduces innovative methods, policies and processes to differentiate us from our competitors;
- Pursues governance in accordance with this report ;
- Stays abreast of technological developments;
- Models its facilities on world-class standards;
- Closely monitors events likely to impact the industry and our role in it such as the NHI proposals of Government and the investigation into the cost of private healthcare;
- Complies with legislation and ensures that it fulfils its responsibilities by paying the appropriate taxes and levies applicable to its results;
- Maintains a strict code of ethics at board level and throughout the organisation;
- Conducts itself in accordance with the principles and practices set out in this report to ensure its profitability and thus sustainability.

Looking forward

With Lenmed's current focus on growth and expansion 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. 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 and 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 that 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 practices, thus living and working our motto of: 'We always care'.

10 ANNUAL FINANCIAL STATEMENTS

INDEX //

The reports and statements set out below comprise the separate and consolidated annual financial statements presented to the shareholders:

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:

Naushad Ahmed Gany (CA) SA
Jagdeesh Bhana (CA) SA

DIRECTORS' RESPONSIBILITIES AND APPROVAL //

The directors are required by the South African Companies Act 71 of 2008 (Companies Act) 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 Group as set out on pages 062 to 101, which have been prepared on the going concern basis, were approved by the board of directors on 12 June 2014 and were signed on its behalf by:

P DEVCHAND

A DEVCHAND

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 four 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 annual 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 annual 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 039 of the integrated annual report.

M G MEEHAN CA (SA)

Chairman of the Audit Committee

30 May 2014

STATEMENT OF COMPLIANCE BY THE COMPANY SECRETARY //

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 Companies and Intellectual Properties Commission (CIPC), and that all such returns are true, correct and up-to-date.

W SOMERVILLE

Company Secretary

12 June 2014

REPORT OF THE INDEPENDENT AUDITORS //

To the Shareholders of Lenmed Investments Limited and the Group

We have audited the annual financial statements of LENMED INVESTMENTS LIMITED AND THE GROUP, as set out on pages 065 to 101, which comprise the statements of financial position as at 28 February 2014, and the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory notes.

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 71 of 2008, 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 annual 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 of 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 opinion.

Audit Opinion

In our opinion, the annual financial statements of Lenmed Investments Limited and the Group for the year then ended 28 February 2014 are prepared, in all material respects, in accordance with basis of accounting described in note 1 to the annual financial statements, and the requirements of the Companies Act 71 of 2008.

Other reports required by the Companies Act

As part of our audit of the annual financial statements for the year ended 28 February 2014, 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 Directors' Report is the responsibility of the directors. Based on reading that report we have not identified material inconsistencies between it and the audited annual financial statements. However, we have not audited the Directors' Report and accordingly do not express an opinion thereon.

PKF Durban

Registered Auditor

Practice number: 906352E

Pkf Durban

PER: D PURAN

12 June 2014

REPORT OF THE DIRECTORS //

1. Nature of business

The principal activities of the Group during the year were the provision of private patient health care, 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	*Reg. No. CO2011/4403*
Maputo Private Hospital SARL	*Reg. No. 17682*
Nu-Yale Trust	*IT 29/1996*

ASSOCIATE COMPANIES

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

2. State of affairs

The Group's earnings before interest, taxation, depreciation and amortisation (EBITDA) amounted to R196 876 134 (2013: R139 096 875).

The Group's profit before taxation for the year amounted to R176 853 876 (2013: R120 996 238) before deducting taxation of R44 389 357 (2013: R24 819 485), resulting in profit after taxation for the year of R132 464 519 (2013: R96 176 753).

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 annual report.

5. Asset held for sale

The Group entered into a sale agreement on 28 March 2014, whereby Imperial Holdings Limited will acquire the Group's entire 43% equity shareholding in Pharmed Pharmaceuticals (Pty) Ltd. This agreement is conditional upon certain conditions precedent being fulfilled, which are still outstanding at reporting date. Should all conditions precedent be fulfilled, the effective date of the transaction will be 1 March 2014. The Group will earn interest at the prime rate of interest, based on the final sale price calculated from 1 March 2014 until the day all conditions precedent have been met and the final sale price has been settled. The carrying value of this asset is expected to be recovered through this sale transaction, resulting in this investment being reclassified to a Non-current asset held for sale in accordance with IFRS 5.

The final price, per the sale agreement, is R98 350 197. Should all conditions precedent be fulfilled, the envisaged effect on the Group's income statement after accounting for share of associate profits and dividends until the effective date will be as follows:

Cost of investment	R52 465 225
Carrying value of investment	R94 314 863
Group profit on sale of Investment	R4 035 334
Interest at 9% - (01/03/2014 - 31/07/2014)	R3 688 132
Cost of disposal	(R2 000 000)

6. Dividends

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

No dividends were declared nor paid to ordinary shareholders during the year under review (2013: nil).

7. Directorship

The directors of the company during the year and to the date of this report are as follows:

Mr P Devchand
Mr A Devchand
Dr A F Kaka (Retired as at 31 December 2013)
Mr M G Meehan
Prof B D Goolab
Ms B Harie
Ms N V Simamane

8. Secretaries

Mr W Somerville is the appointed company secretary. The transfer secretary of the company is Singular Systems (Pty) Ltd t/a Equity Express.

9. Share capital

During the year under review, 574 725 shares were issued to employees in terms of the long service award plan. The Group awards employees who have achieved 15 years of employment with the Group, with shares to the value of R40 000 for no consideration. During the reporting period, 25 employees qualified for this award and were issued 22 989 shares each.

Each share was valued at R1.74, representing the weighted average price per share on the over-the-counter share trading platform from the date of inception of the platform, being 1 May 2013, to 28 February 2014. The expense recognised in the annual financial statements, related to this award, amounted to R1 000 000.

In terms of IFRS 2: Share-based payments, calculations are performed to determine the expense in respect of this award plan for employees, who at year end date have not achieved 15 years of service. However due to the long term nature of the service award and the uncertainity surrounding attrition of the employees, this expense is considered immaterial and has not been adjusted for in these annual financial statements.

10. Lenmed Investments Share Plan

In addition to the long service award plan, the board has approved and implemented the Lenmed Investments Share Plan during the period. The plan is intended to promote stable and settled terms and conditions of employment for key employees of the Group and to operate as an incentive to these employees, to remain and continue to render services, to the Group, over the long term. To that end, the plan is intended to cater for the award to key employees of shares which will be released to them over time if they remain in the employ of the Group, in order to create or increase such employees' proprietary interests in the Group's long term success and to align their interests with those of shareholders.

Refer to note 13 in these annual financial statements, for further information.

11. Auditors

PKF Durban is the Group's external auditors.

12. 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.

13. 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 1 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.

14. Property, plant and equipment

During the year the Group acquired property, plant and equipment to the amount of R71 977 402 (2013: R263 070 841).

15. Subsequent events

The Board of Directors is not aware of any other matter or circumstance arising since the end of the financial year, besides the potential sale of the Group's investment in Pharmed Pharmaceuticals (Pty) Ltd (as disclosed in note 5 above), that is required to be reported to shareholders.

STATEMENTS OF FINANCIAL POSITION

Figures in R		GROUP		COMPANY	
	Note(s)	2014	2013	2014	2013
Assets					
Non-Current Assets					
Property, plant and equipment	3	1 060 588 371	949 378 419	-	-
Goodwill	4	22 406 819	22 406 819	-	-
Investment in subsidiaries	5	-	-	1 511 473	200
Investment in associates	6	168 353 827	238 954 792	-	-
Loans receivable	16	-	-	300 581 093	291 315 701
Deferred taxation	18	11 921 810	7 621 762	-	-
		1 263 270 827	**1 218 361 792**	**302 092 566**	**291 315 901**
Current Assets					
Inventory	7	31 529 019	31 363 030	-	-
Trade and other receivables	10	249 436 489	152 725 667	846 523	926 597
Short term Investment	8	-	2 194 700	-	2 194 700
Taxation		385 957	743 251	270 907	331 107
Investment held for sale	9	94 314 863	-	-	-
Cash and cash equivalents	11	71 463 764	77 592 797	21 862 992	28 015 128
		447 130 092	**264 619 445**	**22 980 422**	**31 467 532**
Total Assets		**1 710 400 919**	**1 482 981 237**	**325 072 988**	**322 783 433**
Equity and Liabilities					
Equity and Reserves					
Stated capital	12	219 283 313	218 283 313	219 283 313	218 283 313
Other Reserves	13	236 060 528	199 516 395	511 273	-
Accumulated profits		554 907 882	427 821 603	104 932 837	103 803 927
Non-controlling interest	14	15 281 111	8 441 404	-	-
		1 025 532 834	**854 062 715**	**324 727 423**	**322 087 240**
Non-Current Liabilities					
Long term liabilities	17	240 862 655	294 966 617	-	-
Loans from minorities	15	81 726 412	70 494 448	-	-
Deferred taxation	18	88 041 549	79 522 452	-	-
		410 630 616	**444 983 517**	**-**	**-**
Current Liabilities					
Trade and other payables	20	133 164 555	87 407 310	345 565	696 193
Current portion of long term liabilities	17	75 277 544	53 500 660	-	-
Short term loan	21	11 000 000	11 000 000	-	-
Provisions	19	19 932 414	11 541 080	-	-
Taxation		4 590 916	1 061 328	-	-
Bank overdraft	11	30 272 040	19 424 627	-	-
		274 237 469	**183 935 005**	**345 565**	**696 193**
Total Equity and Liabilities		**1 710 400 919**	**1 482 981 237**	**325 072 988**	**322 783 433**

STATEMENTS OF COMPREHENSIVE INCOME

Figures in R		GROUP		COMPANY	
	Note(s)	2014	2013	2014	2013
Profit and Loss					
Revenue	2.1	1 130 649 995	662 782 596	-	-
Cost of sales		(316 201 561)	(188 123 859)	-	-
Gross profit		**814 448 434**	**474 658 737**	**-**	**-**
Other income		48 919 220	37 372 070	1 254 483	760 293
Operating costs		(699 858 303)	(393 869 611)	(1 447 486)	(1 584 936)
Profit/(loss) before interest and taxation	22	**163 509 351**	**118 161 196**	**(193 003)**	**(824 643)**
Investment income	23	44 096 654	26 364 603	1 758 484	1 886 050
Finance costs	24	(30 752 129)	(23 529 561)	-	-
Profit before taxation		**176 853 876**	**120 996 238**	**1 565 481**	**1 061 407**
Taxation	25	(44 389 357)	(24 819 485)	(436 571)	(352 830)
Profit for the year		**132 464 519**	**96 176 753**	**1 128 910**	**708 577**
Other comprehensive income					
Items that will not be reclassified subsequently to profit and loss					
Gain on property revaluations		-	262 702 118	-	-
Deferred tax relating to gain on property revaluations		-	(65 448 381)	-	-
Items that may be reclassified subsequently to profit and loss					
Foreign currency translation reserve		37 494 327	16 523 756	-	-
Gain on Available-for-sale financial asset		-	174 389	-	-
Total other comprehensive income		**37 494 327**	**213 951 882**	**-**	**-**
Total comprehensive income		**169 958 846**	**310 128 635**	**1 128 910**	**708 577**
Profit for the year attributable to:					
Non-controlling interests		5 378 240	(89 948)	-	-
Lenmed Investments Ltd members		127 086 279	96 266 701	-	-
		132 464 519	**96 176 753**	**-**	**-**
Total comprehensive income attributable to:					
Non-controlling interests		6 839 707	18 961 882	-	-
Lenmed Investments Ltd members		163 119 139	291 166 753	-	-
		169 958 846	**310 128 635**	**-**	**-**

STATEMENTS OF CHANGES IN EQUITY

Figures in R	Stated capital	Share premium	Revaluation reserve	Foreign Currency Translation reserve	Share-based payment reserve	Accumulated profits	Equity attributable to Group/Company	Non-controlling interest	Total
Group									
Balance at 1 March 2012	4 571 800	101 481 913	-	4 616 343	-	331 554 902	442 224 958	(10 520 808)	**431 704 150**
Profit for the year	-	-	-	-	-	96 266 701	96 266 701	(89 948)	**96 176 753**
Other comprehensive income	-	-	176 544 490	18 355 562	-	-	194 900 052	19 051 830	**213 951 882**
Transfer of share premium to stated capital	101 481 913	(101 481 913)	-	-	-	-	-	-	**-**
Increase in minority on acquisition of subsidiary	-	-	-	-	-	-	-	330	**330**
Issue of share capital	112 229 600	-	-	-	-	-	112 229 600	-	**112 229 600**
Balance at 1 March 2013	218 283 313	-	176 544 490	22 971 905	-	427 821 603	845 621 311	8 441 404	**854 062 715**
Profit for the year	-	-	-	-	-	127 086 279	127 086 279	5 378 240	**132 464 519**
Other comprehensive income	-	-	-	36 032 860	-	-	36 032 860	1 461 467	**37 494 327**
Share-based payment accrual	-	-	-	-	511 273	-	511 273	-	**511 273**
Issue of share capital	1 000 000	-	-	-	-	-	1 000 000	-	**1 000 000**
Balance at 28 February 2014	**219 283 313**	**-**	**176 544 490**	**59 004 765**	**511 273**	**554 907 882**	**1 010 251 723**	**15 281 111**	**1 025 532 834**
Company									
Balance at 1 March 2012	4 571 800	101 481 913	-	-	-	103 095 350	209 149 063	-	**209 149 063**
Profit for the year	-	-	-	-	-	708 577	708 577	-	**708 577**
Transfer of share premium to stated capital	101 481 913	(101 481 913)	-	-	-	-	-	-	**-**
Issue of share capital	112 229 600	-	-	-	-	-	112 229 600	-	**112 229 600**
Balance at 1 March 2013	218 283 313	-	-	-	-	103 803 927	322 087 240	-	**322 087 240**
Profit for the year	-	-	-	-	-	1 128 910	1 128 910	-	**1 128 910**
Share-based payment accrual	-	-	-	-	511 273	-	511 273	-	**511 273**
Issue of share capital	1 000 000	-	-	-	-	-	1 000 000	-	**1 000 000**
Balance at 28 February 2014	**219 283 313**	**-**	**-**	**-**	**511 273**	**104 932 837**	**324 727 423**	**-**	**324 727 423**

STATEMENTS OF CASH FLOWS

Figures in R		GROUP		COMPANY	
	Note(s)	2014	2013	2014	2013
Cash flows from operating activities					
Profit for the year		132 464 519	96 176 753	1 128 910	708 577
Finance costs	24	30 752 129	23 529 561	-	-
Income tax	25	44 389 357	24 819 485	436 571	352 830
Depreciation and amortisation	3	33 366 783	20 935 679	-	-
Interest income	23	(7 285 849)	(6 812 615)	(1 758 484)	(1 886 050)
Profit on disposal of property, plant and equipment		(385 750)	-	-	-
Profit on disposal of investment		(6 300)	-	(6 300)	-
Share-based payment accrual		511 273	-	511 273	-
Income from associates		(33 809 988)	(14 990 689)	-	-
Foreign currency translation adjustments		37 494 327	16 523 756	-	-
Operating cash flow before working capital changes		237 490 501	160 181 930	311 970	(824 643)
Working capital changes					
(Increase)/decrease in inventory		(165 989)	(21 337 382)	-	-
Increase/(decrease) in trade and other receivables		(96 710 822)	(69 960 260)	80 074	600 535
Increase in trade and other payables and accruals		54 148 579	49 386 957	(350 628)	505 544
Cash generated by operating activities		194 762 269	118 271 245	41 416	281 436
Interest income		7 285 849	6 812 615	1 758 484	1 886 050
Finance costs	24	(30 752 129)	(23 529 561)	-	-
Income tax paid	26	(36 283 426)	(28 491 864)	(376 371)	(658 106)
Net cash from operating activities		**135 012 563**	**73 062 435**	**1 423 529**	**1 509 380**
Cash flows from investing activities					
Property, plant and equipment acquired	3	(71 977 402)	(263 070 841)	-	-
- to maintain operating capacity		(38 861 473)	(62 201 235)	-	-
- to expand operating capacity		(33 115 929)	(200 869 606)	-	-
Increase in short term investment		-	(2 194 700)	-	(2 194 700)
Proceeds on disposals of property, plant and equipment		1 025 690	327 712	-	-
Proceeds on disposals of short term investment		2 201 000	-	2 201 000	-
Decrease in loan to associate		10 096 091	-	-	-
Foreign currency translation	3	(73 239 274)	(35 611 048)	-	-
Investment in associates		-	(26 672 000)	-	-
Investment in subsidiary		-	-	(1 511 273)	-
Net cash (utilised in)/generated by investing activities		**(131 893 895)**	**(327 220 877)**	**689 727**	**(2 194 700)**
Cash flows from financing activities					
Capital issued		1 000 000	112 229 600	1 000 000	112 229 600
Net loans (repaid)/raised		(32 327 078)	154 348 733	(9 265 392)	(84 160 577)
Issue of shares to minorities		-	330	-	-
Increase in loan from minorities		11 231 964	33 073 436	-	-
Net cash (utilised in)/generated by financing activities		**(20 095 114)**	**299 652 099**	**(8 265 392)**	**28 069 023**
(Decrease)/Increase in cash and cash equivalents		(16 976 446)	45 493 657	(6 152 136)	27 383 703
Cash and cash equivalents at beginning of the year		58 168 170	12 674 513	28 015 128	631 425
Cash and cash equivalents at end of the year	11	**41 191 724**	**58 168 170**	**21 862 992**	**28 015 128**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

1. Basis of preparation

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

The annual financial statements have been 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.

1.1 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
IAS 1: Presentation of Financial Statements	The standard requires the entity to group together items within other comprehensive income 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. The annual improvements for the 2009-2011 cycle clarifies the requirements for the comparative information including minimum and additional comparative information required.	Applicable to annual periods commencing on or after 1 January 2013
IAS 27: Separate Financial Statements	The Standard requires that when an entity prepares separate financial statements, investments in subsidiaries, associates, and jointly controlled entities are accounted for either at cost, or in accordance with IFRS 9: Financial Instruments / IAS 39 Financial Instruments: Recognition and Measurement. The Standard also deals with the recognition of dividends, certain group reorganisations and includes a number of disclosure requirements.	Applicable to annual periods commencing on or after 1 January 2013

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS, CONTINUED

Standard	Details of Amendment	Annual Periods
IAS 28: Investments in Associates and Joint Ventures	This revision supersedes IAS 28 Investments in Associates and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The Standard defines 'significant influence' and provides guidance on how the equity method of accounting is to be applied (including exemptions from applying the equity method in some cases). It also prescribes how investments in associates and joint ventures should be tested for impairment.	Applicable to annual periods commencing on or after 1 January 2013
IFRS 10: Consolidated Financial Statements	Requires a parent to present consolidated financial statements as those of a single economic entity, replacing the requirements previously contained in IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation - Special Purpose Entities.	Applicable to annual periods commencing on or after 1 January 2013
IFRS 12: Disclosure of Interests in Other Entities	Replaces IAS 31 Interests in Joint Ventures. Requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and then account for those rights and obligations in accordance with that type of joint arrangement.	Applicable to annual periods beginning on or after 1 January 2013
IFRS 13: Fair Value Measurement	Replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard.	Applicable to annual periods beginning on or after 1 January 2013
IFRS 7: Financial Instruments: Disclosures	Amended disclosure requirements in IFRS 7 Financial Instruments: Disclosures to require information about all recognised financial instruments that are set off in accordance with paragraph 42 of IAS 32 Financial Instruments: Presentation. The amendments also require disclosure of information about recognised financial instruments subject to enforceable master netting arrangements and similar agreements even if they are not set off under IAS 32.	Applicable to annual periods beginning on or after 1 January 2013
IAS 32: Financial Instruments: Presentation	Clarifies certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas: • the meaning of 'currently has a legally enforceable right of set-off' • the application of simultaneous realisation and settlement • the offsetting of collateral amounts • the unit of account for applying the offsetting requirements.	Applicable to annual periods beginning on or after 1 January 2013

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS, CONTINUED

1.2 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 9 - 2009: Financial Instruments	IFRS 9 introduces new requirements for classifying and measuring financial assets.	Applies on a modified retrospective basis. No mandatory effective date at present.
IFRS 9 - 2010: Financial Instruments	A revised version of IFRS 9 incorporating revised requirements for the classification and measurement of financial liabilities, and carrying over the existing derecognition requirements from IAS 39 Financial Instruments: Recognition and Measurement.	Applies on a modified retrospective basis. No mandatory effective date at present.
IAS 36: Recoverable Amount Disclosures for Non-Financial Assets	Amends IAS 36 Impairment of Assets to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.	Applicable to annual periods beginning on or after 1 January 2014
IAS 32: Offsetting Financial Assets and Financial Liabilities	Additional application guidance added for offsetting in accordance with IAS 32. The guidance clarifies the meaning of 'currently has a legally enforceable right of set-off', and that some gross settlement systems may be considered equivalent to net settlement.	Applicable to annual periods beginning on or after 1 January 2014

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 amounts charged for accommodation, equipment, ethicals, theatre fees, medical consumables and where the Group employs doctors, their fees related to professional services rendered. 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.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS, CONTINUED

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 amount outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Group.

Gains or losses on foreign currency translations of foreign subsidiary loans, are recognised in profit and loss, where the loans do not form part of the net investment in the foreign operations, and in other comprehensive income when it does form part of the net investment.

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. Where the Group employs doctors and recognises revenue on their professional services rendered, the cost of employing these doctors is recognised as a cost of sale.

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 costs of the acquisition exceed 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.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS, CONTINUED

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.

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 specific 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 the 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 & Equipment	10 years
Motor vehicles	5 years
Computer Equipment	3 years
Office Equipment	10 years
Furniture & Fittings	10 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 and 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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS, CONTINUED

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

2.10 Provisions, contingent assets and contingent liabilities

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 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 the 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.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS, CONTINUED

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 in 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.

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.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS, CONTINUED

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 directors.

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 Non-current assets held for sale

Non-current assets are classified as held for sale in the balance sheet when its carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is only met if the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets, and the sale is highly probable. For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset; an active programme to locate a buyer and complete the plan must have been initiated; the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value; the sale should expect to qualify for recognition as a completed sale within one year from the date of classification; and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

2.18 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.

2.19 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 29. There were no other material contracts with related parties.

2.20 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.

2.21 Lenmed Investments Share Plan

The company operates a share incentive scheme, under which the entity receives services from employees as consideration for equity. The fair value of the employee services received is measured by reference to the estimated fair value at the grant date of equity instruments granted and is recognised as an expense over the vesting period. The estimated fair value of the option granted is calculated using the Black Scholes option pricing model. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

2.22 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 the Group's functional and presentation currency.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS, CONTINUED

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.

2.23 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 CONSOLIDATED ANNUAL FINANCIAL STATEMENTS, CONTINUED

Figures in R						
3. Property, plant and equipment	Cost/Valuation	Accumulated depreciation	2014 Carrying value	Cost/Valuation	Accumulated depreciation	2013 Carrying value
Group						
Land and buildings	838 552 702	-	**838 552 702**	743 933 996	-	**743 933 996**
Plant and equipment	254 983 942	79 398 414	**175 585 528**	213 251 575	55 002 141	**158 249 434**
Motor vehicles	2 293 422	895 797	**1 397 625**	1 714 124	540 767	**1 173 357**
Furniture and fittings	40 001 755	12 873 230	**27 128 525**	34 508 123	9 224 828	**25 283 295**
Office equipment	13 345 073	5 558 189	**7 786 884**	13 139 243	4 311 161	**8 828 082**
Computer equipment	20 293 999	10 156 892	**10 137 107**	16 529 990	4 619 735	**11 910 255**
	1 169 470 893	**108 882 522**	**1 060 588 371**	**1 023 077 051**	**73 698 632**	**949 378 419**

The carrying amounts of property, plant and equipment can be reconciled as follows:

2014	Carrying value at beginning of year	Additions	Disposals	Depreciation	FCTR Adjustment	2014 Carrying value at end of year
Land and buildings	743 933 996	40 538 935	-	-	54 079 771	**838 552 702**
Plant and equipment	158 249 434	25 490 237	(639 941)	(22 998 746)	15 484 544	**175 585 528**
Motor vehicles	1 173 357	539 462	-	(353 471)	38 277	**1 397 625**
Furniture and fittings	25 283 295	2 388 762	-	(3 334 783)	2 791 251	**27 128 525**
Office equipment	8 828 082	205 832	-	(1 247 030)	-	**7 786 884**
Computer equipment	11 910 255	2 814 174	-	(5 432 753)	845 431	**10 137 107**
	949 378 419	**71 977 402**	**(639 941)**	**(33 366 783)**	**73 239 274**	**1 060 588 371**

2013	Carrying value at beginning of year	Additions	Disposals	Depreciation	FCTR Adjustment	2013 Carrying value at end of year
Land and buildings	329 790 759	151 762 708	-	-	26 861 412	**508 414 879**
Land and buildings - revaluation	-	235 519 117	-	-	-	**235 519 117**
Plant and equipment	79 339 284	87 154 894	(41 656)	(15 192 043)	6 988 955	**158 249 434**
Motor vehicles	728 757	938 244	(286 059)	(205 676)	(1 909)	**1 173 357**
Furniture and fittings	16 777 404	8 998 781	-	(2 297 093)	1 804 203	**25 283 295**
Office equipment	8 790 750	1 233 897	-	(1 196 565)	-	**8 828 082**
Computer equipment	1 013 853	12 982 317	-	(2 044 302)	(41 613)	**11 910 255**
	436 440 807	**498 589 958**	**(327 715)**	**(20 935 679)**	**35 611 048**	**949 378 419**

Certain assets are encumbered as security for liabilities of the Group (refer to note 17). A register of land and buildings is available for inspection at the registered office of the company.

Land and Buildings to the value of R28 million (2013: R23 million) have not been transferred to the Group as at year end and relate to the acquisition of Randfontein Private Hospital. As at date of this report, the Group 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 CONSOLIDATED ANNUAL FINANCIAL STATEMENTS, CONTINUED

Figures in R	GROUP		COMPANY	
	2014	2013	2014	2013
4. Goodwill				
Carrying amount at beginning and end of the year	22 406 819	22 406 819	-	-

Goodwill relates to the excess of the purchase price consideration over the fair value of the assets and liabilities of Ladysmith Hospital Holdings (Pty) Ltd and Lenmed Health Shifa (Pty) Ltd on acquisition.

Impairment tests were conducted on the carrying values based on management's assessment of the recoverable amount of the cash generating units as determined based on fair value less costs of disposal. The price earnings valuation method was used in determining the fair value less costs of disposal. No impairment was considered necessary.

Figures in R	GROUP 2014	GROUP 2013	COMPANY 2014	COMPANY 2013
5. Investment in subsidiaries				
Lenmed Health Africa (Pty) Ltd	-	-	100	100
Lenmed Health (Pty) Ltd	-	-	1 511 373	100
	-	-	1 511 473	200

Investment in Lenmed Health (Pty) Ltd increased during the reporting period by R1 511 273 due to the following:

Long service share award	R 1 000 000
Share-based payment accrual	R 511 273

Please refer to notes 12 and 13 for further information.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS, CONTINUED

Figures in R	GROUP		COMPANY	
	2014	2013	2014	2013
6. Investment in associates				
The Group's investment in Pharmed Pharmaceuticals (Pty) Ltd and Ethekwini Hospital and Heart Centre (Pty) Ltd are accounted for under the equity method of accounting.				
Pharmed Pharmaceuticals (Pty) Ltd				
Opening balance	83 960 883	78 204 685	-	-
Share of associate's earnings	13 354 796	10 143 108	-	-
Share of associate's other comprehensive income	-	174 389	-	-
Reallocation of dividends received	(3 000 816)	(4 561 299)	-	-
Closing balance	**94 314 863**	**83 960 883**	**-**	**-**
Reclassified to current assets	**(94 314 863)**	**-**	**-**	**-**
Summary of financial information				
Non-current assets	91 651 553	93 252 904	-	-
Current assets	386 117 816	392 036 266	-	-
Non-current liabilities	18 752 783	24 850 990	-	-
Current liabilities	213 612 575	240 372 965	-	-
Revenue	1 586 976 798	1 283 413 059	-	-
Profit after taxation	33 523 295	26 265 985	-	-
Total comprehensive income	33 523 295	26 669 793	-	-

The Group entered into a sale agreement on 28 March 2014, whereby Imperial Holdings Limited will acquire the Group's entire 43% equity shareholding in Pharmed Pharmaceuticals (Pty) Ltd. This agreement is conditional upon certain conditions precedent being fulfilled, which are still outstanding at reporting date. Should all conditions precedent be fulfilled, the effective date of the transaction will be 1 March 2014. The Group will earn interest at the prime rate of interest, based on the final sale price calculated from 1 March 2014 until the day all conditions precedent have been met and the final sale price has been settled. The carrying value of this asset is expected to be recovered through this sale transaction, resulting in this investment being reclassified to a Non-current asset held for sale in accordance with IFRS 5.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS, CONTINUED

Figures in R	GROUP		COMPANY	
	2014	2013	2014	2013
6. Investment in associates, continued				
Ethekwini Hospital and Heart Centre (Pty) Ltd				
Opening balance	154 993 909	99 341 267	-	-
Acquisition	-	26 672 000	-	-
Repayment of loan account	(10 096 091)	-	-	-
Share of associate's earnings	23 456 009	9 408 880	-	-
Share of associate's other comprehensive income	-	19 571 762	-	-
Closing balance	168 353 827	154 993 909	-	-
Summary of financial information				
Non-current assets	437 537 839	440 434 957	-	-
Current assets	79 725 030	70 521 911	-	-
Non-current liabilities	324 170 766	372 254 751	-	-
Current liabilities	53 936 400	57 090 184	-	-
Revenue	423 815 331	349 927 462	-	-
Profit after taxation	58 333 770	26 272 614	-	-
Total comprehensive income	58 333 770	75 287 796	-	-
Total Investment in associates	168 353 827	238 954 792	-	-

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 (Pty) Ltd has been encumbered as security for the liabilities of the Group (refer to note 17)

	GROUP 2014	GROUP 2013	COMPANY 2014	COMPANY 2013
7. Inventory				
Medical supplies	31 529 019	31 363 030	-	-
Inventory has been valued as stated in note 2.4				
8. 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
9. Investment held for sale				
Pharmed Pharmaceuticals (Pty) Ltd	94 314 863	-	-	-
Refer to note 6 for further information.				

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS, CONTINUED

Figures in R	GROUP		COMPANY	
	2014	2013	2014	2013
10. Trade and other receivables				
Trade receivables	263 776 495	151 985 045	-	-
Other receivables	14 075 394	14 159 073	846 523	926 597
	277 851 889	166 144 118	846 523	926 597
Provision for bad debts	(28 415 400)	(13 418 451)	-	-
	249 436 489	152 725 667	846 523	926 597
Provision for bad debts				
Opening balance	(13 418 451)	(2 648 901)	-	-
Increase in provision recognised in profit and loss	(14 996 949)	(10 769 550)	-	-
Closing Balance	(28 415 400)	(13 418 451)	-	-

The carrying value of trade and other receivables approximates its fair value due to their short term nature.

Trade receivables past due but not impaired				
-1 month past due	25 235 183	10 894 457	-	-
-2 months past due	19 314 261	5 819 036	-	-
-3 months and over past due	23 880 271	12 977 742	-	-
	68 429 715	29 691 235	-	-

Trade receivables to the value of R51 603 814 (2013: R67 394 132) have been ceded as security to First National Bank and Nedbank for various bank facilities granted including long term liabilities (note 17).

11. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks. Cash and cash equivalents, included in the statements of cash flows, comprise the following amounts:

Favourable cash balances				
Cash on hand	145 203	113 587	-	-
Bank balances	71 318 561	77 479 210	21 862 992	28 015 128
	71 463 764	77 592 797	21 862 992	28 015 128

R20 million of the cash and cash equivalents is pledged in favour of First National Bank (refer note 3).

Overdraft				
Bank overdraft	30 272 040	19 424 627	-	-
Net cash and cash equivalents	41 191 724	58 168 170	21 862 992	28 015 128

Overdraft facilities are secured over certain items of property, plant and equipment and trade receivables.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS, CONTINUED

Figures in R		GROUP		COMPANY	
		2014	2013	2014	2013
12. Stated capital					
Authorised					
1 000 000 000 ordinary shares at no par value					
(2013: 1 000 000 000 ordinary shares)					
Issued					
644 820 725 ordinary shares at no par value (2013: 644 246 000 ordinary shares)		219 283 313	218 283 313	219 283 313	218 283 313
Share reconciliation	*No of Shares*				
Balance at the beginning of the year	644 246 000	218 283 313	4 571 800	218 283 313	4 571 800
Share premium reclassified to stated capital		-	101 481 913	-	101 481 913
Ordinary shares issued during the year	574 725	1 000 000	112 229 600	1 000 000	112 229 600
	644 820 725	**219 283 313**	**218 283 313**	**219 283 313**	**218 283 313**

During the year under review, 574 725 shares were issued to employees in terms of the long service award plan. The Group awards employees who have achieved 15 years of employment with the Group, with shares to the value of R40 000 for no consideration. During the reporting period, 25 employees qualified for this award and were issued 22 989 shares each. Each share was valued at R1.74, representing the weighted average price per share on the over-the-counter share trading platform from the date of inception of the platform, being 1 May 2013, to 28 February 2014. The expense recognised in the annual financial statements, related to this award, amounted to R1 000 000.

The directors are authorised, in terms of the company's Memorandum of Incorporation, to issue and allot any of the unissued share capital for any purpose and upon such terms and conditions as they deem fit.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS, CONTINUED

Figures in R	GROUP		COMPANY	
	2014	2013	2014	2013
13. Other Reserves				
Revaluation reserve	176 544 490	176 544 490	-	-
Foreign currency translation reserve	59 004 765	22 971 905	-	-
Share based payment reserve	511 273	-	511 273	-
	236 060 528	199 516 395	511 273	-

Revaluation reserve

Revaluation reserve is disclosed net of deferred tax. Land and buildings have been revalued by a qualified independent valuator.

Foreign currency translation reserve

This reserve exists due to exchange differences arising on translation of assets and liabilities of the Group's foreign subsidiaries, Lenmed Health Bokamoso Private Hospital (Pty) Ltd and Maputo Private Hospital SARL. The foreign currency translation reserve has been valued as stated in note 2.

Share-based payment reserve

7 300 000 share appreciation rights (SARs) have been issued on 15 October 2013 to two executive directors and nine members of senior management, at a price of R1.31 each. In terms of this scheme, appreciation of the SARs is calculated on the positive growth in the value of the share, in excess of a hurdle rate. The hurdle rate has been defined as inflation per the Consumer Price Index (CPI) plus 4%, which is subject to annual review by the Remuneration Committee. One third of the SARs allocated vest on the 3rd anniversary of the allocation date, one third on the fourth anniversary of the allocation date and one third on the fifth anniversary date.

The Group has determined that the allocation should be accounted for as an equity settled share-based payment transaction. The fair value of the SARs was calculated using the Black Scholes option pricing model. The expense recognised in the annual financial statements, in accordance with IFRS 2: Share-based payments, is R511 273.

The assumptions used in determining the fair value of the SARs granted are summarised below:

Weighted average OTC share price	R 1,74
Risk-free rate	8,25%
Volatility	40 %
Dividend yield	0 %
Long term inflation	6 %

The risk-free rate of 8.25% has been assumed based on the prevailing return on a five-year RSA Government Retail Bond as at year end.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS, CONTINUED

Figures in R	GROUP		COMPANY	
	2014	2013	2014	2013
14. Non-controlling interest				
Non-controlling interest relates to outside shareholders of Lenmed Health Bokamoso Private Hospital (Pty) Ltd and Maputo Private Hospital SARL and is made up as follows:				
Opening balance	8 441 404	(10 520 808)	-	-
Share capital	-	330	-	-
Accumulated profit	5 378 246	(89 939)	-	-
Foreign currency translation	1 461 461	(1 831 815)	-	-
Revaluation	-	20 883 636	-	-
Closing balance	**15 281 111**	**8 441 404**	**-**	**-**
15. Loans from minorities				
Board of Public Officers Medical Aid Scheme (BPOMAS)	27 622 621	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 (2013: P23 099 700).				
Invalco Limitada	54 103 791	45 409 791	-	-
The loan is unsecured, interest free and has no fixed terms of repayment. The US dollar balance payable to Invalco Limitada at the reporting period end is $5 054 256 (2013; $5 136 985).				
	81 726 412	**70 494 448**	**-**	**-**
16. Loans receivable				
Lenmed Health (Pty) Ltd	-	-	271 039 776	272 708 074
Lenmed Health Africa (Pty) Ltd	-	-	29 541 317	18 607 627
	-	-	300 581 093	291 315 701

These loans are unsecured, interest free and will not be repaid in the foreseeable future.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS, CONTINUED

Figures in R	GROUP		COMPANY	
	2014	2013	2014	2013
17. Long term liabilities				
17.1 Mortgage bonds	280 126 759	305 285 817	-	-
Nedbank Limited	5 078 322	6 313 496	-	-
Repayable in monthly instalments of R139 266 (2013: R138 097). 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	6 299 753	6 797 105	-	-
These loans bear interest at 15.25% (2013: 15.25%) per annum and are secured over land and buildings, the cession of the hospital licence and general notarial bond over the movable assets of Lenmed Health Shifa (Pty) Ltd. Repayable in monthly instalments of R125 000 (2013: R125 000)				
First National Bank Limited	171 747 168	207 313 328	-	-
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 of the loan to Ethekwini Hospital and Heart Centre (Pty) Ltd and general notarial bond over movable assets. The carrying amount of land and buildings secured is R237 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 334 430 (2013: R4 293 560)				
Deutsche Investitions-und Entwicklungsgesellschaft mbH (DEG)	97 001 516	84 861 888	-	-
This loan is secured by a first ranking mortgage bond over Maputo Private Hospital's property, plant and equipment, movable assets and a pledge of Lenmed's shares in the entity. The loan has been restructured in the current year. As part of the restructure, Lenmed has issued a guarantee to the value of R3 457 590 ($323 000) in respect of 60% of the second instalment due in August 2014. The loan bears interest at 6 months Libor plus 4.3% per annum. The US dollar balance at reporting period end is $9 061 666 (2013: $9 600 000). Repayable in bi-annual instalments over a period of 6 years with the last payment of $326 666 on the 15th August 2020.				

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS, CONTINUED

Figures in R	GROUP		COMPANY	
	2014	2013	2014	2013
17. Long term liabilities, continued				
17.2 Instalment sales	16 013 440	23 181 460	-	-
Nedbank Limited	5 004 836	8 490 037	-	-
Repayable in monthly instalments of R373 085 (2013:R430 264). Interest has been charged at rates of interest linked to the prime lending rate. Secured over certain assets with a book value of R11 826 267 and a first session of trade receivables (refer to note 3).				
Wesbank, a division of FirstRand Bank Ltd	11 008 604	14 691 423	-	-
Repayable in monthly instalments of R469 053 (2013: R502 443). Interest has been charged at rates of interest linked to the prime lending rate. Secured over certain assets with a book value of R15 037 768 and a first session of trade receivables (refer to note 3).				
17.3 Other loans	20 000 000	20 000 000	-	-
Randfontein Estates Limited	20 000 000	20 000 000	-	-
This loan relates to the acquisition of Lenmed Health Randfontein Private Hospital (Pty) Ltd. This loan bears interest at prime less 2% due monthly in arrears. 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.				
	316 140 199	**348 467 277**	**-**	**-**
Repayable within one year, transferred to current liabilities	(75 277 544)	(53 500 660)	-	-
	240 862 655	**294 966 617**	**-**	**-**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS, CONTINUED

Figures in R	GROUP		COMPANY	
	2014	2013	2014	2013
18. Deferred taxation				
Deferred tax asset				
Balance at beginning of year	7 621 762	1 360 021	-	-
Movements consisting of:				
Property, plant and equipment	(214 213)	-	-	-
Provisions	708 686	(161 225)	-	-
Assessed losses	2 060 127	6 422 966	-	-
Share-based payment accrual	123 546	-	-	-
Prior year over provision	261 249	-	-	-
Foreign currency translation adjustment	1 360 653	-	-	-
Balance at end of year	**11 921 810**	**7 621 762**	**-**	**-**
The balance comprises of:				
Property, plant and equipment	(392 855)	-	-	-
Provisions	2 347 373	1 198 796	-	-
Assessed loss	8 483 093	6 422 966	-	-
Share based payment accrual	123 546	-	-	-
Foreign currency translation adjustment	1 360 653	-	-	-
Balance at end of year	**11 921 810**	**7 621 762**	**-**	**-**
Deferred tax liability				
Balance at beginning of year	79 522 452	16 596 243	-	-
Movements consisting of:			-	-
Property, plant and equipment	5 532 455	63 434 859	-	-
Provisions	(670 708)	(649 973)	-	-
Income received in advance	(1 575)	(1 245)	-	-
Lease smoothing adjustment	(79 372)	(7 084)	-	-
Share based payment accrual	(14 708)	-	-	-
Prepaid expenses	(153 923)	149 652	-	-
Foreign currency translation adjustment	2 256 304	-	-	-
Foreign currency translation on loan	1 650 624	-	-	-
Balance at end of year	**88 041 549**	**79 522 452**	**-**	**-**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS, CONTINUED

Figures in R	GROUP		COMPANY	
	2014	2013	2014	2013
18. Deferred taxation, continued				
Deferred tax liability				
The balance comprises of:				
Property, plant and equipment	87 541 928	82 009 476	-	-
Provisions	(3 499 512)	(2 828 807)	-	-
Income received in advance	(13 201)	(11 626)	-	-
Lease smoothing adjustment	51 922	131 294	-	-
Share based payment accrual	(14 708)	-	-	-
Prepaid expenses	68 192	222 115	-	-
Foreign currency translation adjustment	2 256 304	-	-	-
Foreign currency translation on loan	1 650 624	-	-	-
Balance at end of year	**88 041 549**	**79 522 452**	**-**	**-**
19. Provisions				
Leave pay and bonus provision				
Carrying amount at beginning of year	11 541 080	6 025 895	-	-
Increase in provisions	8 391 334	5 515 185	-	-
Carrying amount at end of year	**19 932 414**	**11 541 080**	**-**	**-**
20. Trade and other payables				
Trade payables	71 150 417	49 920 646	-	-
Other payables	62 014 138	37 486 664	345 565	696 193
	133 164 555	**87 407 310**	**345 565**	**696 193**
The carrying value of trade and other payables approximated their fair value due to the short term nature of these borrowings.				
21. Short term loan	**11 000 000**	**11 000 000**	**-**	**-**

This loan is unsecured and bears interest at rates linked to prime.
This loan will be repaid on 26 February 2015.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS, CONTINUED

Figures in R	GROUP		COMPANY	
	2014	2013	2014	2013
22. Operating profit				
Operating profit is arrived at after taking into account the following items:				
Income				
Profit on disposal of property, plant and equipment	385 750	-	-	-
Exchange rate profits on foreign exchange	6 088 134	-	-	-
	6 473 884	-	-	-
Expenditure				
Loss on disposal of property, plant and equipment	-	24 565	-	-
	-	24 565	-	-
Depreciation				
Plant and equipment	22 998 746	15 192 043	-	-
Motor vehicles	353 471	205 676	-	-
Furniture and fittings	3 334 783	2 297 093	-	-
Office equipment	1 247 030	1 196 565	-	-
Computer equipment	5 432 753	2 044 302	-	-
	33 366 783	20 935 679	-	-
Auditors' remuneration				
Audit fees				
-current	1 573 090	1 199 472	81 600	80 000
-under provision in prior year	275 922	136 416	-	13 100
-other services	275 234	85 637	22 450	-
	2 124 246	1 421 525	104 050	93 100
Secretarial fees	489 212	398 222	274 199	398 222
Employee costs	396 704 902	207 554 519	-	33 000
Lease rentals				
Property	21 261 583	5 595 649	-	-
Equipment	1 258 168	716 004	-	-
	22 519 751	6 311 653	-	-
23. Investment income				
Interest received	7 285 849	6 812 615	1 758 484	1 886 050
Share of associate profits	36 810 805	19 551 988	-	-
	44 096 654	26 364 603	1 758 484	1 886 050

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS, CONTINUED

Figures in R	GROUP		COMPANY	
	2014	2013	2014	2013
24. Finance costs				
Long-term loans	25 616 991	20 784 390	-	-
Bank overdrafts	5 135 138	2 745 171	-	-
	30 752 129	**23 529 561**	**-**	**-**
25. Taxation				
Current taxation				
Current tax	41 072 871	27 191 705	436 571	352 830
Overprovision in prior year	(6 915)	(1 182 565)	-	-
Deferred taxation				
Current year temporary differences	3 584 650	(1 189 655)	-	-
Overprovision in prior year	(261 249)	-	-	-
Taxation for the year	**44 389 357**	**24 819 485**	**436 571**	**352 830**
Reconciliation of rate of taxation	%	%	%	%
South African normal tax rate	28,00	28,00	28,00	28,00
Adjusted for:				
Prior year overprovision	(0,16)	(0,69)	0,00	0,00
Disallowed expenditure	1,14	0,60	0,00	5,00
Income not taxable	(2,02)	(4,57)	0,00	0,00
Lower foreign tax rate	(0,69)	(0,50)	0,00	0,00
Assessed loss	(1,17)	(2,33)	0,00	0,00
Effective rate of taxation	**25,10**	**20,51**	**28,00**	**33,00**
The tax charge for the current year has been reduced by R225 433 as a result of a tax loss utilised.				
26. Income tax paid				
Payable at beginning of the year	(318 077)	(2 817 781)	331 107	25 831
Expense for the year	(44 389 357)	(24 819 485)	(436 571)	(352 830)
Adjustment for deferred tax	3 323 401	(1 189 655)	-	-
Deferred tax foreign currency translation adjustments	895 648	16 980	-	-
Payable at end of year	4 204 959	318 077	(270 907)	(331 107)
	(36 283 426)	**(28 491 864)**	**(376 371)**	**(658 106)**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS, CONTINUED

Figures in R

27. Directors' emoluments

2014	FOR SERVICES AS DIRECTORS	FOR OTHER SERVICES	BONUSES	TOTAL
Mr P Devchand	-	2 772 000	2 341 584	**5 113 584**
Mr A Devchand	-	1 200 000	877 500	**2 077 500**
Dr A F Kaka (R)	-	1 815 000	2 435 055	**4 250 055**
Prof B D Goolab	196 500	-	-	**196 500**
Mr M G Meehan	283 750	-	-	**283 750**
Ms B Harie	293 250	-	-	**293 250**
Ms N V Simamane	263 250	-	-	**263 250**
Dr A Latib^	10 100	-	-	**10 100**
Mr K Daya^	10 100	-	-	**10 100**
Dr R A M Salojee^	10 100	-	-	**10 100**
Dr A Suleman*	110 480	-	-	**110 480**
Dr M Khan*	-	1 053 000	107 250	**1 160 250**
Dr T Matome*	36 132	180 660	-	**216 792**
Mr R Morapedi*	57 209	144 528	-	**201 737**
Mr R Naidoo*	-	1 045 419	325 188	**1 370 607**
Ms I Faztudo*	219 888	-	-	**219 888**
	1 490 759	**8 210 607**	**6 086 577**	**15 787 943**
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 V Simamane	100 500	-	-	**100 500**
Dr A Latib*	20 200	-	-	**20 200**
Mr K Daya*	20 200	-	-	**20 200**
Dr R A M Salojee*	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**

*Director of subsidiary company

^Retired as Director of subsidiary company on 28/02/2014

(R) - Retired as Director of Lenmed Investments Limited on 31/12/2013

(R") - Retired as Director on the 28/08/2012

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS, CONTINUED

28. Contingent liabilities

Certain Compensation for Occupational Injuries and Diseases (COID) debtors 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 R5 091 801 as at reporting date (2013: R4 941 235).

Lenmed has issued a guarantee to the value of R3 457 590 ($323 000) in respect of 60% of the second instalment due to DEG in August 2014. This guarantee expires upon repayment of this loan instalment (refer to note 17).

29. Related party transactions

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 the directors are disclosed in note 27.

Figures in R	COMPANY		COMPANY	
	Amounts owed by the related party at year-end		Amounts owed to the related party at year-end	
Name	**2014**	**2013**	**2014**	**2013**
Lenmed Health (Pty) Ltd	271 039 776	272 708 075	-	-
Lenmed Health Africa (Pty) Ltd	29 541 317	18 607 627	-	-
Lenvestco Investments (Pty) Ltd	-	-	(83 972)	(165 034)

30. 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

30.1 Deferred tax

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 profits 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.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS, CONTINUED

30. Critical accounting estimates and judgements, continued

30.2 Trade receivables and trade payables

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

30.3 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 revalued its buildings in the prior financial 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 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 fair value less costs of disposal of the related investments are compared to their carrying value. The fair value less costs of disposal is calculated using the price earnings yield method. A market related price earnings yield is used.

Share-based payments

The fair value is calculated using the Black Scholes option pricing model. Please refer to note 13 for assumptions used in the model.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS, CONTINUED

Figures in R	GROUP 2014	GROUP 2013	COMPANY 2014	COMPANY 2013

31. 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:

31.1 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 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.

Figures in R	GROUP 2014	GROUP 2013	COMPANY 2014	COMPANY 2013
Group				
Interest bearing loans payable	338 749 380	361 370 474	-	-
Instalment sale liabilities	16 013 440	23 181 460	-	-
Bank overdraft	30 272 040	19 424 627	-	-
	385 034 860	**403 976 561**	**-**	**-**
Sensitivity analysis	(3 850 349)	(4 039 766)	-	-
Increase of 100 basis points would result in a reduction in profit before tax of	3 850 349	4 039 766	-	-
Decrease of 100 basis points would result in an improvement in profit before tax of	3 850 349	4 039 766	-	-

31.2 Credit risk

The Group trades where possible with recognised, credit worthy 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 CONSOLIDATED ANNUAL FINANCIAL STATEMENTS, CONTINUED

Figures in R	GROUP		COMPANY	
	2014	2013	2014	2013

31. Financial Risk Management, continued

31.3 Liquidity risk

The group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate un-utilised 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 28 February 2014, based on contractual undiscounted payments.

	Less than 1 year	Between 1 and 5 years	Less than 1 year	Between 1 and 5 years
Maturity analysis - 2014				
Borrowings	116 549 584	203 772 520	-	-
Trade and other payables	133 164 555	-	345 565	-
Provisions	19 932 414	-	-	-
	269 646 553	**203 772 520**	**345 565**	**-**
Maturity analysis - 2013				
Borrowings	83 925 284	247 351 639	-	-
Trade and other payables	87 407 310	-	696 193	-
Provisions	11 541 080	-	-	-
	182 873 674	**247 351 639**	**696 193**	**-**

Long term liabilities and shareholders' loans

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

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, minority interest, retained earnings and other reserves).

31.4 Foreign currency risk

The Group is exposed to foreign currency risk through its offshore 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 shareholders' loans. These are denominated in Pula. Revenue at the hospital is denominated in Pula, also forming a natural hedge. Revenue and profits generated by this hospital are expected to be sufficient to settle the shareholders' loans over a maximum period of seven years. The Group does not formally hedge its foreign currency risk.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS, CONTINUED

Figures in R

32. Financial Instruments

32.1 Categories of financial Instruments

	2014					
	GROUP			COMPANY		
	Loans and receivables	Assets at fair value through profit and loss	Available for sale	Loans and receivables	Assets at fair value through profit and loss	Available for sale
Financial assets per balance sheet						
Investments in associates	-	168 353 827	-	-	-	-
Investments in subsidiaries	-	-	-	-	1 511 473	-
Loan receivable	-	-	-	300 581 093	-	-
Trade and other receivables	249 436 489	-	-	846 523	-	-
Cash and cash equivalents	71 463 764	-	-	21 862 992	-	-
Investment held for sale	-	-	94 314 863	-	-	-

	2013					
	GROUP			COMPANY		
	Loans and receivables	Assets at fair value through profit and loss	Available for sale	Loans and receivables	Assets at fair value through profit and loss	Available for sale
Financial assets per balance sheet						
Investments in associates	-	238 954 792	-	-	-	-
Investments in subsidiaries	-	-	-	-	200	-
Loan receivable	-	-	-	291 315 701	-	-
Trade and other receivables	152 725 667	-	-	926 597	-	-
Cash and cash equivalents	77 592 797	-	-	28 015 128	-	-
Short term investment	-	2 194 700	-	-	2 194 700	-

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS, CONTINUED

Figures in R

32. Financial Instruments, continued

32.1 Categories of financial Instruments, continued

	2014					
	GROUP			COMPANY		
	Derivatives used for hedging	Financial liabilities measured at amortised cost	Derivatives used for hedging	Derivatives used for hedging	Financial liabilities measured at amortised cost	Derivatives used for hedging
Financial liabilities per balance sheet						
Long term liabilities	-	240 862 655	-	-	-	-
Loans from minorities	-	81 726 412	-	-	-	-
Trade and other payables	-	133 164 555	-	-	345 565	-
Current portion of long term liabilities	-	75 277 544	-	-	-	-
Short term loan	-	11 000 000	-	-	-	-
Provisions	-	19 932 414	-	-	-	-
Bank overdraft	-	30 272 040	-	-	-	-

	2013					
	GROUP			COMPANY		
	Derivatives used for hedging	Financial liabilities measured at amortised cost	Derivatives used for hedging	Derivatives used for hedging	Financial liabilities measured at amortised cost	Derivatives used for hedging
Financial liabilities per balance sheet						
Long term liabilities	-	294 966 617	-	-	-	-
Loans from minorities	-	70 494 448	-	-	-	-
Trade and other payables	-	87 407 310	-	-	696 193	-
Current portion of long term liabilities	-	53 500 660	-	-	-	-
Short term loan	-	11 000 000	-	-	-	-
Provisions	-	11 541 080	-	-	-	-
Bank overdraft	-	19 424 627	-	-	-	-

The carrying amounts of the financial assets and financial liabilities approximates their fair value.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS, CONTINUED

Figures in R				
32. Financial Instruments, continued				
32.2 Fair value hierarchy and measurements				
Financial assets and liabilities that are not measured at fair value on a recurring basis.				
Group				
	Fair Value at 28 February 2014			
	Level 1	Level 2	Level 3	Total
Financial Assets				
Loans and receivables				
- Trade and other receivables	-	249 436 489	-	**249 436 489**
- Cash and cash equivalents	71 463 764	-	-	**71 463 764**
Financial liabilities				
Financial liabilities held at amortised cost				
- Long term liabilities	-	240 862 655	-	**240 862 655**
- Loans from minorities	-	-	81 726 412	**81 726 412**
- Trade and other payables	-	133 164 555	-	**133 164 555**
- Current portion of long term liabilities	-	75 277 544	-	**75 277 544**
- Short term loan	-	-	11 000 000	**11 000 000**
- Provisions	-	19 932 414	-	**19 932 414**
- Bank overdraft	-	30 272 040	-	**30 272 040**
	Fair Value at 28 February 2013			
	Level 1	Level 2	Level 3	Total
Financial Assets				
Loans and receivables				
- Trade and other receivables	-	152 725 667	-	**152 725 667**
- Cash and cash equivalents	77 592 797	-	-	**77 592 797**
Financial liabilities				
Financial liabilities held at amortised cost				
- Long term liabilities	-	294 966 617	-	**294 966 617**
- Loans from minorities	-	-	70 494 448	**70 494 448**
- Trade and other payables	-	87 407 310	-	**87 407 310**
- Current portion of long term liabilities	-	53 500 660	-	**53 500 660**
- Short term loan	-	-	11 000 000	**11 000 000**
- Provisions	-	11 541 080	-	**11 541 080**
- Bank overdraft	-	19 424 627	-	**19 424 627**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS, CONTINUED

Figures in R

32. Financial Instruments, continued

32.2 Fair value hierarchy and measurements, continued

Company

	Fair Value at 28 February 2014			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial Assets				
Loans and receivables				
- Loan receivable	-	-	300 581 093	**300 581 093**
- Trade and other receivables	-	846 523	-	**846 523**
- Cash and cash equivalents	21 862 992	-	-	**21 862 992**
Financial liabilities				
Financial liabilities held at amortised cost				
- Trade and other payables	-	345 565	-	**345 565**

	Fair Value at 28 February 2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial Assets				
Loans and receivables				
- Loan receivable	-	-	291 315 701	**291 315 701**
- Trade and other receivables	**-**	926 597	**-**	**926 597**
- Cash and cash equivalents	28 015 128	-	-	**28 015 128**
Financial liabilities				
Financial liabilities held at amortised cost				
- Trade and other payables	-	696 193	-	**696 193**

The fair value of assets and liabilities disclosed under level 2 and level 3 have been determined in accordance with generally accepted pricing models.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS, CONTINUED

Figures in R	GROUP		COMPANY	
	2014	2013	2014	2013
33. Commitments				
33.1 Operating lease commitments - lessee				
Future minimum lease payments under non cancellable operating leases are as follows:				
- Within 1 year	11 958 000	10 859 000	-	-
- Due thereafter but not later than 5 years	30 891 500	38 911 417	-	-
	42 849 500	**49 770 417**	**-**	**-**
The above lease commitments relate to Lenmed Health Bokamoso Private Hospital (Pty) Ltd and are in respect of property rentals payable for the hospital premises.				
33.2 Operating lease commitments - lessor				
Future minimum lease receipts under non cancellable operating leases are as follows:				
- Within 1 year	1 066 251	3 386 828	-	-
- Due thereafter but not later than 5 years	379 675	7 238 063	-	-
	1 445 926	**10 624 891**	**-**	**-**
33.3 Capital Commitments				
The construction, renovation and upgrading of hospital buildings	13 082 974	5 754 405	-	-
The acquisition of property	11 050 000	4 500 000	-	-
The acquisition of plant and equipment	203 667	2 560 800	-	-
	24 336 641	**12 815 205**	**-**	**-**

OUR HOSPITALS //

Lenmed Private Hospital	K43 Highway, Extension 8, Lenasia, Gauteng T. +27 11 213 2000 F. +27 11 854 1002
Zamokuhle Private Hospital	128 Flint Mazibuko Street, Hospital View, Tembisa, Gauteng T. +27 11 924 4888 F. +27 11 924 2149
Daxina Private Hospital	1682 Impala Street, Lenasia South, Gauteng T. +27 11 213 7000 F. +27 11 855 1039
Randfontein Private Hospital	Ward Street Ext, Randfontein, Gauteng T. +27 11 411 3000 F. +27 11 411 3134
La Verna Private Hospital	1 Convent Road, Ladysmith, KwaZulu-Natal T. +27 36 631 0065 F. +27 36 637 4889
Shifa Private Hospital	482 Randles Road, Sydenham, Durban, KwaZulu-Natal T. +27 31 240 5000 F. +27 86 559 7043
Ethekwini Hospital And Heart Centre	11 Riverhorse Road, Riverhorse Valley Business Estate, Queen Nandi Drive, Durban, KwaZulu-Natal T. +27 31 581 2400 F. +27 31 581 2699
Maputo Private Hospital	Rua do Rio Inhamiara, Sommerschield II, Maputo, Mozambique T. +258 21 48 3905 F. +258 21 49 3680
Bokamoso Private Hospital	Plot 2435, Mmopane Block 1, Gaborone, Botswana T. +267 369 4000 F. +267 369 4140

We always care

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