lenmed
Embrace every day

ANNUAL INTEGRATED REPORT 2019

LENMED –

a compelling investment

Founded in 1984, Lenmed Investments Limited ("Lenmed" or "the Group") links investors to the niche market of private medical care for underserved communities. Lenmed was founded on a strong sense of social responsibility for serving underprivileged communities and areas where medical services are scarce.

We take a pragmatic and risk-informed approach to steady growth, focusing on a solid balance sheet and optimal performance while providing quality medical experiences and building strong community relationships.

Lenmed is the fourth largest healthcare group in an increasingly competitive Southern African market. We operate 11 hospitals in three countries across Southern Africa, with approximately 700 doctors and 3 000 employees caring for patients in over 1 700 beds every day.

Lenmed's recent highlights:

- Ethekwini Hospital and Heart Centre and Shifa Private Hospital listed in the Discovery Top 20 hospitals
- Commissioned Royal Hospital and Heart Centre in 2017 – only hospital to offer cardiac and radiotherapy services in the Northern Cape
- Bokamoso Private Hospital is the only hospital in Botswana to offer cardiac services, vascular surgery and nuclear medicine
- Ethekwini Hospital and Heart Centre is the only hospital in KwaZulu-Natal to offer Paediatric cardiac surgery and a full sub-speciality paediatric unit

Lenmed invests in its people. In a highly competitive environment, we understand the importance of retaining our highly skilled doctors, specialists and nurses. We strive to attract, retain, engage and motivate these key skilled professionals.

Though unlisted, Lenmed has a strong culture of ethical leadership and operates largely as though it is listed. This is displayed not only by way of its Board and sub-committee structures and adherence to various governance codes and rules, but also in the leadership style of management.

Contents

About our Annual Integrated Report

Lenmed's 2019 Annual Integrated Report (AIR) covers the financial year 1 March 2018 to 28 February 2019. Here, we share the collective thinking applied to material matters impacting on our ability to create long-term value. Throughout the report, we address the challenges faced by the Group, and opportunities and external drivers influencing Lenmed's strategy.

The report aims to provide a balanced and succinct view of Lenmed's financial and non-financial performance and covers the Group's operations in South Africa, Botswana and Mozambique. It provides information on Lenmed's strategies for growth, efficiency, quality, sustainability, corporate governance and accountability.

The information provided in this AIR has been guided by local and international requirements. These include the:

+ South African Companies Act 71 of 2008, as amended (Companies Act)
+ King IV™ Report on Governance for South Africa
+ International Integrated Reporting Council's (IIRC's) <IR> Framework
+ International Financial Reporting Standards (IFRS)

Materiality

This report was prepared on the basis of materiality. The process for determining and prioritising material matters, and our disclosure of these, is discussed on page 30.

Disclosure and assurance

Lenmed aims at the highest standards for all disclosures included in this report to provide meaningful, accurate, complete, transparent and balanced information to stakeholders. The Board, its committees and management were involved in finalising disclosures made in this AIR and assume responsibility for the information contained herein.

The financial information included in this report was prepared in accordance with IFRS, with PKF Durban independently assuring the annual financial statements.

The Lenmed Investments Limited Board of Directors (the Board) did not deem it necessary to get independent assurance on non-financial information.

Board responsibility

The Board approved the AIR on 28 May 2019 and acknowledges its responsibility for the accuracy thereof. It has applied its collective expertise, and, in its opinion, this AIR addresses all material issues and presents an integrated view of the Group's performance in the year under review.

Forward-looking statements

Readers are cautioned not to place undue reliance on forward-looking statements.

Many of the statements in this AIR constitute forward-looking statements. These are not guarantees or predictions of future performance. As discussed in the report, Lenmed faces risks and other factors outside its control. This may lead to outcomes unforeseen by the Group. These are not reflected in the report.

The forward-looking and prospects information contained in this report have not been reviewed or audited by PKF Durban.

Feedback on report

We welcome your feedback on this report. Please email your comments to Vaughan Firman at info@lenmed.co.za.

Reflections from our Chairman and Chief Executive Officer

Mr Prakash Devchand

"In an environment when simply maintaining last year's performance is praiseworthy, I feel proud of just how well our Lenmed people performed under such trying economic circumstances."

Overview

Despite the challenges, we increased Group revenue by 15% (R2.22 billion to R2.55 billion), which included R423.6 million (2018: R360.6 million) from operating activities, which demonstrates our improved cash management. We also raised earnings before interest, taxation, depreciation and amortisation (EBITDA) by 13.4% to R446.5 million.

When reviewing this performance, the word 'resilience' comes to mind. Irrespective of which hospital or facility, Lenmed people continue caring for our patients and building on the Lenmed reputation. I look forward to seeing what can be achieved when the economic and social cycle turns upward.

Resilience is good — especially when integrated with a keen sense of social responsibility. While Lenmed's operations should rightly create value for the Group's shareholders, at the same time our hospitals are key assets to communities that lack resources and, in many instances, are struggling to maintain the services they have.

In my opinion, South Africa has already entered a period of fundamental restructuring. At Lenmed we once again look forward to being a community driver of nation building, as we did when we established our first hospital in Lenasia in the turbulent 1980s.

Risks and opportunities

Lenmed's most significant risks this year are linked to political and economic events, in Southern Africa and globally. South Africa in particular has stumbled from crisis to crisis in recent years and its economy is presently too inefficient to generate the jobs and consumer wealth that can grow private healthcare. Local communities are restless, while Eskom's ongoing power supply issues could hinder economic and social development for years to come.

These political and economic risks impact directly on the degree of interest investors show in healthcare projects, although we aim for those projects which target sustainable value rather than quick returns. On the regulatory side, South Africa's Department of Health (DoH) has been working proactively with the private healthcare sector regarding public private partnerships for doctor training and treating non-insured patients in private hospitals. A healthcare market inquiry for independent healthcare providers should be completed by the end of 2019.

Mozambique appears to be emerging from its own economic setbacks, although in early 2019 the devastating cyclones Idai and Kenneth took many lives and caused widespread destruction. The World Bank has estimated that the damage will cost approximately US$2 billion to repair. We hope that this tragic act of nature can accelerate an economic revival of the nation.

Botswana remains one of Africa's most consistent economies and continues growing healthily. Our Bokamoso Private Hospital in Gaborone is delivering solid results and working energetically to reduce its debtors book.

Our strategy of steady and conservative expansion has positioned Lenmed as a strong competitor when private healthcare in South Africa inevitably consolidates, particularly as the three largest hospital groups are restrained from obtaining licences in certain areas. While our roots are built in a traditional Indian township, we have not been complacent and have worked to maintain and improve our B-BBEE rating. In this regard, we have had our B-BBEE rating re-evaluated under the revised codes and are pleased to announce that Lenmed is a Level 4 contributor in accordance with the Department of Trade and Industry's B-BBEE Codes of Good Practice.

Private healthcare presently engages just 18% of South Africa's population. We are hopeful that millions more are able to access quality private healthcare, given an improved economic trajectory and a pragmatic outcome of NHI-related deliberations.

Technological change — risk and opportunity

As with most industries, healthcare is heavily impacted by sweeping technological changes that are transforming how people and organisations communicate, collaborate, work and play.

Lenmed is already 18 months into a comprehensive digitisation journey with SAP as our lead IT partner. Although still three years from full implementation and optimisation, the SAP platform is already delivering major operational, data analysis and cost saving benefits.

Our systemic approach to digitisation enables Lenmed to compete with larger healthcare groups on the basis of patient, medical professional and Medical Aid Funder (MAF) experiences.

Cyber hacking for data and personal information has become a worldwide threat and Lenmed has been pro-active in appointing cybercrime specialists to implement best practice digital security measures, supported by regular updating and testing.

A step change in strategy

The Board and executive continued steering the Group in line with our development strategy of recent years, based on steady

Reflections from our Chairman and Chief Executive Officer continued

growth within specific strategic and acquisition criteria, though we do consider unique opportunities that arise.

In this reporting period the executive team focused primarily on optimising our current hospitals. The R221.4 million invested included new critical care facilities at Ethekwini Hospital and Heart Centre, a new theatre complex at Laverna Private Hospital and acquiring additional land at Ahmed Kathrada Private Hospital and Maputo Private Hospital. A particular highlight was Royal Hospital and Heart Centre in Kimberley reaching full functionality.

As I alluded to earlier, competing in stressed economic climates can unearth opportunities for the next growth phase. Lenmed is well positioned and provisioned due to prudent resource allocation, therefore the Board has decided to build critical mass by actively scouting for underperforming and high potential hospital assets. This broadened investment mandate also includes building and managing medical facilities on behalf of third parties.

Lenmed hasn't pursued further opportunities in the rest of Africa due to both funding and regulatory obstacles. We are, however, receiving enquiries from across the continent regarding underperforming medical facilities that Lenmed can turnaround. Reviving underperforming facilities may well become a bigger part of Lenmed's growth strategy, as economic and political dynamics shift across Africa.

Corporate citizenship and governance

Although a JSE listing is not presently on the agenda, the Board consistently applies JSE recommended governance practices and complies with the current King IV™ regulations. We also take care to comply with the highly regulated healthcare environment wherever Lenmed operates.

The leadership team is keenly aware that Lenmed's economic sustainability depends on the strength of our relationships with investors, employees, medical practitioners, patients, suppliers and the communities where our hospitals are situated.

This year we assisted financially distressed individuals by providing discounted hospital services worth R9.7 million, which was substantially higher than last year's R2.1 million. We also continued our traditional cataract surgery sponsorship of 55 eye cataract procedures to underprivileged community members.

Lenmed launched an innovative new community initiative by introducing the only cardiac response vehicle of its kind in KwaZulu-Natal capable of administering life-saving drugs for heart attacks and strokes before getting the patient to hospital. We further improved our emergency response capability by launching the 'Lenmed1' helicopter in partnership with key local EMS providers. Lenmed1 is equipped to transport trauma, cardiac, stroke and paediatric referrals to Lenmed or other facilities.

Listening to patients and medical professionals

We are extremely proud to have had the Ethekwini Hospital and Heart Centre and Shifa Private Hospital being rated in the Discovery Top 20 hospitals as rated by Discovery medical aid in its annual survey of patients. This is substantiated by the results from our most recent annual patient and staff surveys, which showed improved results for almost every indicator.

People today view timely and accurate communication as essential for further engagement. Lenmed's in-house marketing department assisted in this regard, by running a social media programme in 2018 and launching a new website in mid-2019. Typical posts include news and updates at our hospitals, health information, lifestyle tips, event information and general feel-good messages. This resulted in an 80% increase in followers across our platforms and an invaluable source of stakeholder feedback on Lenmed's various impacts.

Outlook for 2020

Forward planning in a highly unpredictable environment is about hoping for the best outcome, while preparing for the worst. Lenmed has plans in place for various scenarios, so allowing it to react swiftly and appropriately, as required. Lenmed also has the balance sheet and credibility to pursue opportunistic plays as these present themselves.

While looking out for expansion opportunities, we are pursuing organic growth in parallel. We are also preparing our systems and people for future growth while maintaining cost and asset efficiencies.

Lenmed's dividend policy is to retain cash for further expansion until the Group has reached the critical mass that could potentially allow it to list on a local or international exchange. We have not yet reached that point and so, for the current period, the Board has decided to forgo a dividend. In line with this, I'm regularly asked if or when Lenmed will list. My answer remains unchanged, in that we will only list when we are satisfied that Lenmed's growth strategy is sustainable, and the Group can properly manage the inflow of capital and shareholder expectations.

In appreciation

I dedicate this report to all the Lenmed people who have worked with resilience to maintain — and even lift — standards through yet another challenging year. Lenmed hospitals are run as key community assets that all stakeholders can be proud of.

The Board and executive team performed admirably, which gives me confidence in handing over the baton to Amil Devchand in March 2020, as I step aside as CEO, yet continue to guide as Group Chairman.

Mr Prakash Devchand
Chairman and Chief Executive Officer

LENMED'S FIRST DEDICATED CARDIAC RESPONSE VEHICLE

Lenmed's rapid response vehicle is staffed with an advanced life support paramedic and can treat cardiac stroke patients pre-hospital.

Janus van Schalkwyk, an Advanced Life Support Paramedic at IPSS, recounts an experience in the high-tech response vehicle.

"On the 23rd of November 2018 at about 12:30 in the morning, I was contacted by a family doctor situated in St Lucia tourist town, 230 kms north of Ethekwini Hospital and Heart Centre. She was with a 66-year-old male patient complaining of centralised chest pain and presenting with hypotension and shortness of breath. Being in a very small and secluded town, the only diagnostic equipment that the doctor had with her was a blood pressure cuff, an oxygen saturation probe and a stethoscope. She had sited an intravenous line and was administering fluids in an attempt to manage the hypotension. She had also administered aspirin to the patient. Unfortunately on that day there were no aeromedical services available.

One of our more northerly located ambulances was dispatched to her location but would take at least 40 minutes to reach her. The doctor was reluctant to move the patient as she was worried that the stress and workload of walking down two sets of stairs would increase cardiac oxygen demand and exacerbate his condition. I started responding in their direction but was 200 kms away. Once the ambulance arrived on scene, they assessed the patient and noted ischemic changes on their 5-lead ECG. The crew was able to confirm the doctor's suspicion of acute coronary syndrome. The patient was loaded into the ambulance, treatment initiated and mobilised south in the direction of Ethekwini Hospital and Heart Centre.

I made contact with the ambulance 20 kms south of St Lucia on the side of the road. I took over management of the patient and the treating crew would then follow us in my response vehicle back to the hospital. A 12-lead ECG clearly indicted a STEMI or full thickness myocardial infarction. The patient's vital signs, along with the 12-lead ECG, were transmitted via a live feed for the cardiologist on call, Dr Soosiwala. After consultation with the cardiologist, we agreed that due to the prolonged distance to hospital and the severity of the myocardial infarction it was in the best interest of the patient to administer a thrombolytic drug called Metalyse.

Thrombolytics are essentially clot busting drugs that, when administered to patients that are experiencing a myocardial infarction, break down all clots throughout the body, including the clot responsible for the infarction. These drugs are generally used by smaller hospitals where there are no angiograms or cardiologists available as part of the emergency management of acute myocardial infarction (AMI) patients. Even though this drug is extremely effective in reversing the effects of a heart attack, there are some inherent risks and should only be administered to patients where the benefit of the drug outweighs the risks involved. Several studies have recently highlighted how effective this drug is in the management of heart attacks in the pre-hospital environment.

Metalyse was administered to the patient while in transit to hospital. Ongoing serial ECGs were completed while the cardiologist was continuously monitoring the patient from 200 kms away. Chest pain started to decrease 30 minutes after the drug was administered and ECG changes evident of cardiac reperfusion were noted shortly thereafter. The patient arrived at Ethekwini Hospital and Heart Centre two hours and 15 minutes after leaving St Lucia. By that time the chest pain had completely subsided. After an assessment by the cardiologist, it was decided that an emergency angiogram was no longer required and that the patient was to undergo a diagnostic angiogram the following day. The administration of Metalyse completely dissolved the clot and the patient was discharged three days later without receiving a single stent."

Value creation highlights

FOR OUR PATIENTS

Ethekwini Hospital and Heart Centre and **Shifa Private Hospital** listed in the **Discovery Top 20 hospitals**

Maputo Private Hospital performed its first neuro-surgery

Maputo Private Hospital offers **the only NICU and MRI facilities in Mozambique**

Continued improvement in patient experience

Ethekwini Hospital and Heart Centre is the only hospital to perform paediatric cardiac surgery in KwaZulu-Natal

The first open-heart surgeries were performed at **Bokamoso Private Hospital** in Botswana and **Royal Hospital and Heart Centre** in the Northern Cape

Lenmed has the **only oncology unit in the Northern Cape** to offer radiotherapy and chemotherapy

Lenmed owns the only emergency response vehicle in Africa equipped to treat strokes and heart attacks pre-hospital

Launched the Children's Cardiac Foundation of Africa

IN OUR COMMUNITIES

We performed
55 free cataract
surgeries (2018: 86) to the value of R0.6 million (2018: R0.7 million)

We assisted genuinely **financially distressed individuals** by volunteering discounted hospital services worth R9.7 million (2018: R2.1 million)

Supported the first respondents of Cyclone Idai in Mozambique during March 2019

FOR OUR PEOPLE

Lenmed hosted a **Wellness Day** in October 2018

We conducted **employee surveys at four hospitals** to gauge staff satisfaction levels and address areas of concern

Staff participation and interactions with our wellness partner, Kaelo, has increased year-on-year **from 173 cases in 2017 to 341 for the 2018 calendar year**

604 employees
participated in our employee wellness programme (EWP), with 1 065 successful interventions

OUR PROVIDERS OF CAPITAL

Our high levels of compliance to the King IV™ code demonstrates Lenmed's commitment to **transparent and ethical corporate governance**

Core **headline earnings** at
R142.6 million
2018: R163.4 million

Group revenue increased by
15% from
R2 220.8 million to R2 546.1 million

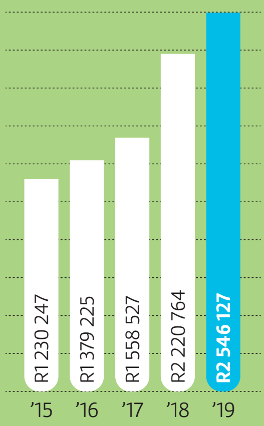
The Group generated
R423.6 million
from operating activities (2018: R360.8 million), reflecting improved cash management

Lenmed invested
R221.4 million
(2018: R337.2 million) into organic growth

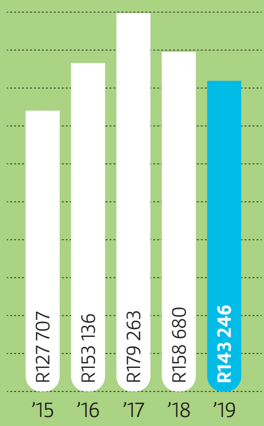
*Five-year review**

Figures in '000

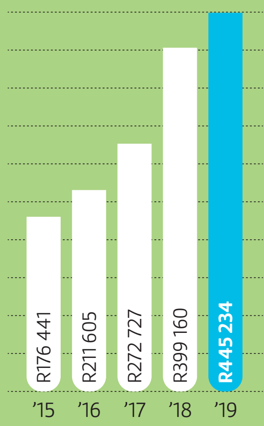
REVENUE
five-year CAGR* 18%



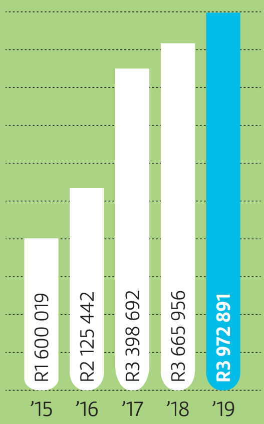
HEADLINE EARNINGS
five-year CAGR* 3%



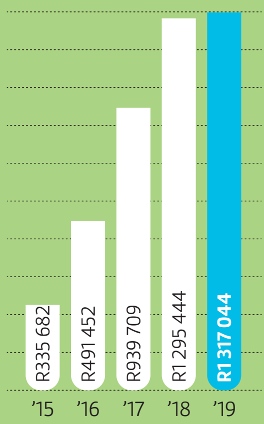
NORMALISED EBITDA
five-year CAGR* 18%



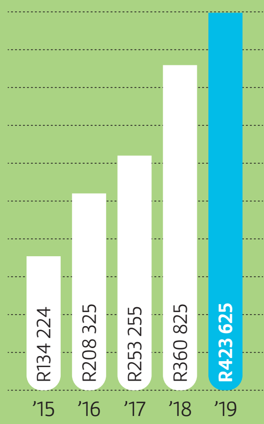
TOTAL ASSETS
five-year CAGR* 22%



TOTAL INTEREST-BEARING DEBT
five-year CAGR* 28%



CASH FLOW FROM OPERATIONS
five-year CAGR* 26%



* *Calculated based on 2014 as the base year. Prior years restated. Refer to consolidated annual financial statements for further information.*

Lenmed in context

OUR ORGANISATIONAL STRUCTURE AND OPERATING FOOTPRINT

GAUTENG

Hospital	OWNERSHIP	Beds
Ahmed Kathrada Private Hospital Lenasia	100%	254

All major medical and surgical disciplines including the following services:
- 24 hour accident and emergency unit
- Cancer Institute (chemotherapy, radiology and nuclear medicine)
- Clinical trial centre
- Cardiac catheterisation laboratory
- Gastroenterology unit
- Renal care unit
- Sports medicine centre

Hospital	OWNERSHIP	Beds
Daxina Private Hospital Lenasia South	100%	64

All major medical and surgical disciplines including the following services:
- 24 hour accident and emergency unit

Hospital	OWNERSHIP	Beds
Randfontein Private Hospital Randfontein	100%	174

All major medical and surgical disciplines including the following services:
- 24 hour accident and emergency unit
- Renal care unit
- Wellness unit

Hospital	OWNERSHIP	Beds
Zamokuhle Private Hospital Tembisa	100%	94

All major medical and surgical disciplines including the following services:
- 24 hour accident and emergency unit
- HIV wellness clinic
- Renal care unit

KWAZULU-NATAL

Hospital	OWNERSHIP	Beds
Ethekwini Hospital and Heart Centre Durban	77%	345

All major medical and surgical disciplines including the following services:
- 24 hour accident and emergency Unit
- Cardiac Centre of Excellence for adult and paediatric cardiac surgery
- Cardiac theatre
- Stroke Centre of Excellence
- Cardiac catheterisation laboratories
- Neuro operating theatre
- Renal Centre of Excellence

Hospital	OWNERSHIP	Beds
La Verna Private Hospital Ladysmith	95%	149

All major medical and surgical disciplines including the following services:
- 24 hour accident and emergency unit

Hospital	OWNERSHIP	Beds
Shifa Private Hospital Durban	100%	133

All major medical and surgical disciplines including the following services:
- 24 hour accident and emergency unit
- Surgical Centre of Excellence
- Renal care unit
- Gastroenterology centre

NORTHERN CAPE

Hospital	OWNERSHIP	Beds
Kathu Private Hospital Kathu	67%	55

All major medical and surgical disciplines including the following services:
- 24 hour accident and emergency unit
- High care
- Pathology and radiology
- Pharmacy
- Theatre (1 with laminar flow)

Hospital	OWNERSHIP	Beds
Royal Hospital and Heart Centre Kimberley	100%	177

All major medical and surgical disciplines including the following services:
- 24 hour accident and emergency unit
- Cancer centre
- Head and neck centre
- Medical and surgical units
- Cardiac catheterisation laboratory

GABORONE, BOTSWANA

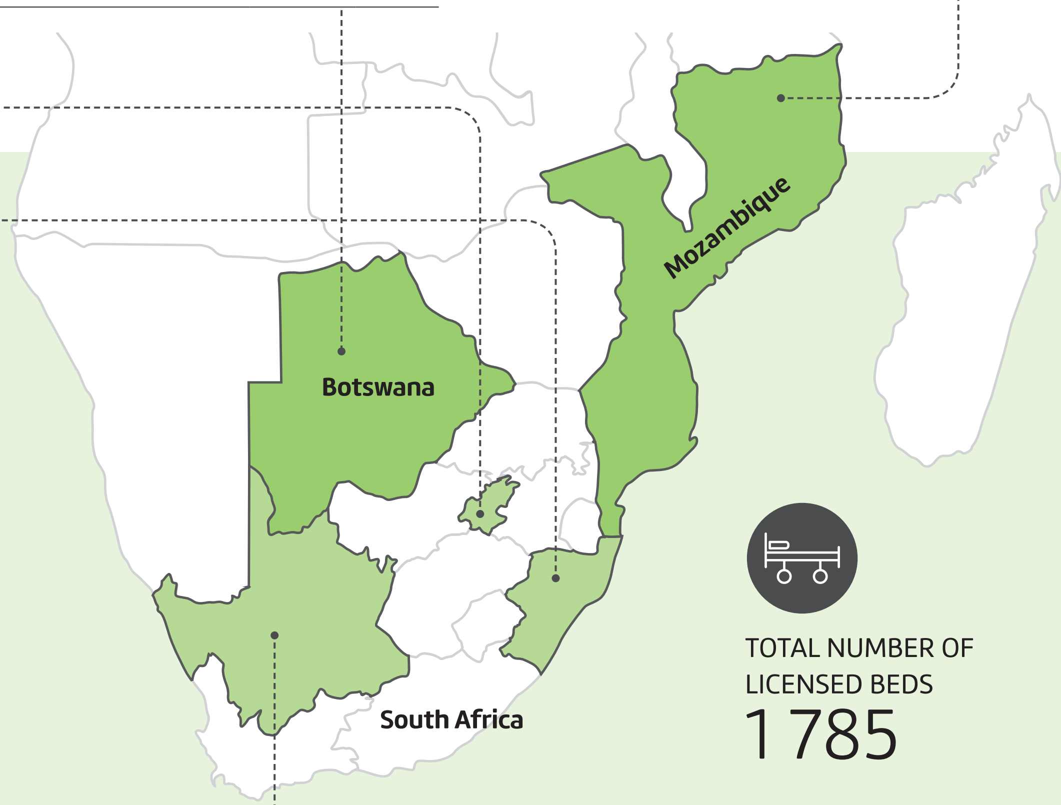
	OWNERSHIP	Beds
Bokamoso Private Hospital Gaborone	70%	235

All major medical and surgical disciplines including the following services:
- 24 hour accident and emergency unit
- Cardiac catheterisation laboratory
- Dialysis unit
- Physical rehabilitation centre
- Radiology and pathology
- Vascular surgery
- Chemotherapy and nuclear medicine
- ICU
- Pharmacy

MAPUTO, MOZAMBIQUE

	OWNERSHIP	Beds
Maputo Private Hospital Maputo	100%	105

All major medical and surgical disciplines including the following services:
- 24 hour accident and emergency centre
- Dialysis
- Laminar flow theatre
- Renal care unit
- Endoscopy
- Radiology department with MRI, CT scan and mammograms
- Spinal unit



TOTAL NUMBER OF LICENSED BEDS

1 785

Our vision, values and brand

VISION

Lenmed devotes itself to being a relevant and growing hospital group, championing exceptional patient experience and clinical outcomes, remaining true to our roots, the communities and the people we serve.

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 Group's hallmark. We believe that delivering superior healthcare is achieved through combining unparalleled quality and clinical excellence, underpinned by a community focus on the personal needs of our patients and their families.

Affordability, efficiency and a sense of community set Lenmed 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, sustain Lenmed from year to year and will enable us to grow steadily going forward.

- We strive to exceed the expectations of our patients, visitors and doctors
- We always act with compassion and empathy
- We aim for perfection in all that we do
- We work as a team and hold ourselves and each other accountable for our actions

TOGETHER WE MAKE LENMED GREAT

OUR VISION AND VALUES IN ACTION

AFFORDABILITY

Lenmed usually targets underserved communities rather than affluent sectors. We must therefore ensure that our services are affordable to those populations. Our ongoing review of internal efficiencies is the most direct means of securing affordability.

EFFICIENCY

As Lenmed acquires or builds more hospitals, while introducing additional facilities within these footprints, we need to manage these efficiently and cost-effectively. At Group level, we have, along with other initiatives, recruited experienced professionals to manage shared services for human resources, business development, information technology (IT), marketing and procurement.

Implementation of the SAP Enterprise Resource Planning (ERP) system throughout Lenmed is nearly complete. Full integration of SAP will ensure that Lenmed can continually optimise our operations and optimise strategic value from incoming data.

QUALITY

Private healthcare in South Africa is highly competitive, which makes quality of service a key differentiator between healthcare providers. As quality is a core Lenmed value, we continually review our internal systems to recalibrate quality standards.

Growth

Given that private healthcare services are lacking across sub-Saharan Africa, Lenmed will continue growing through acquisitions, hospital management contracts and building or upgrading hospitals.

Although investment opportunities appear constantly, current economic circumstances dictate that we approach acquisitions conservatively — greenfield developments in particular. Nevertheless, Lenmed will continue seeking opportunities offering exceptional value within our current risk and capital parameters.

Management contracts

Taking on contracts to manage hospitals rather than acquiring these outright is a relatively low risk option for expanding the Group. Lenmed's expertise in doing so is well-proven through our co-ownership and management of Bokamoso Private Hospital in Gaborone, Botswana, and Kathu Private Hospital in the Northern Cape. These contracts may lead to a buyout of the other shareholders, as with Maputo Private Hospital during February 2017.

OUR BRAND PROMISE

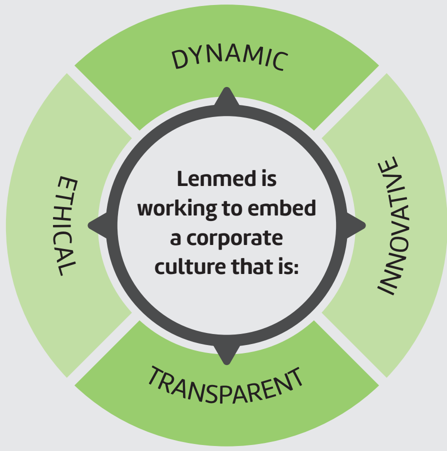
Our brand promise is 'Lenmed heals'. We weigh up our core products and services of medical facilities, medical expertise and medical equipment against our brand benefits of healing, providing comfort, giving health and saving lives.

We believe that while competitors speak of expertise and facilities, this should be a standard expectation and we position our organisation as customer-centric focused on the benefit of healing our patients.

The Lenmed brand language speaks of being accessible, credible, warm, nurturing, fresh, confident, helpful and strong, with a value proposition to get better in the best possible way and embrace every day.

OUR CORPORATE CULTURE

A company's culture should be a strategic asset.



The Lenmed Board has insight into how executive, mid-level and lower-level management demonstrates and communicates Lenmed values and embed this culture throughout our organisation.

High standards of good governance

GOVERNANCE PHILOSOPHY

Our Board of Directors is committed to high standards of corporate governance to ensure sound corporate practices of an ethical culture, good performance, effective control and legitimacy as set out in the King IV™ Code.

See page 62 for more details on corporate governance.

BOARD OF DIRECTORS

Executive

Prakash Devchand | 64

Chairman and Chief Executive Officer CA(SA)

Prakash Devchand is a qualified Chartered Accountant with over 33 years of experience in the healthcare industry. He was appointed to the 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.

Amil Devchand | 34

Deputy Chief Executive Officer CA(SA)

Amil Devchand joined the Group in 2011 and was appointed to the Board in 2012. He has held numerous positions within Lenmed, most notably, Chief Financial Officer and Chief Operations Officer. He was appointed Deputy CEO in 2018. He is a Chartered Accountant and has extensive industry experience, having served as the Chairman of the National Hospital Network (NHN), and as a current director of the Hospital Association of South Africa (HASA). He is also an alumni of the Harvard Business School, having completed the General Management Program.

Vaughan Firman | 55

Chief Financial Officer CA(SA)

Vaughan Firman is a qualified Chartered Accountant with 17 years' experience in the healthcare industry. His comprehensive experience as a financial director includes that of having served as both an executive as well as an independent non-executive director on numerous JSE- and non-JSE-listed companies. Vaughan's speciality is debt and property financing as well as mergers and acquisitions, of which he has extensive global experience. He was appointed to the Board in October 2014.

Non-executive

Bharti Harie | *48*

Independent Non-executive Director BA LLB (Natal), LLM (Wits)

Bharti Harie was appointed to the Board in 2010. She is an admitted attorney, notary and conveyancer. Bharti 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 boards of Bell Equipment Sales South Africa, Ascendis Health Limited, Stefanutti Stocks Limited and the Mineworkers Investment Company (MIC).

Mike Meehan | *72*

Independent Non-executive Director and Lead Independent Director CA(SA)

Mike Meehan was appointed to the Board in 2010. He currently serves as a member of the Remuneration and Nominations Committee and is Chairman of the Audit and Risk Committee. He has served as executive director and as an independent non-executive director on a number of JSE-listed companies. Mike 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.

Nomahlubi Simamane | *59*

Independent Non-executive Director BSc (Honours) (University of Botswana & Swaziland)

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. Ms Simamane is the Chief Executive Officer of Zanusi Brand Solutions (Pty) Limited, a brand consultancy firm. She sits on the boards of JSE-listed Cashbuild, Oceana and The Foschini Group. Ms Simamane 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.

Prof Bhaskar Goolab | *71*

Non-executive Director MBBS (Bombay), FRCOG (London)

Professor Bhaskar Goolab was appointed to the Board in 1999. He currently serves as a member of the Remuneration and Nominations Committee. He is in private practice and is also attached to the University of the Witwatersrand, where he is 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 he currently serves on the Board of the International Society of Gynaecology and Endoscopy. He is also the Chairman of its training council for developing countries.

High standards of good governance *continued*

OUR MANAGEMENT TEAM

Dr Nilesh Patel

Group Chief Medical Officer

Dr Morgan Mkhatshwa

Head: Group Operations

Dr Augusta Dorning

Head: Africa Business

Mr Naushad Gany

Group Financial Manager

Ms Michelle Naidoo

Group Marketing Manager

Mr Mohamed Bera

Group Procurement and Engineering Manager

Ms Bhavani Jeena

Group Human Resources Manager

Mr Deena Naidoo

Group Clinical Governance Manager

Mr Gavin Harrison

Head: Funder Relations

Ms Ursula Maritz

Group Shared Services Manager

Ms Presha Gurahoo

Group Pharmacy Manager

Mr Shalin Naidoo

Group Chief Information Officer

Mr Anilsing Sewraj

Group Working Capital Manager

Ms Samantha Hall

Group Quality Systems Development Specialist

Ms Liz dos Santos

Group Stakeholder Relations Manager

Mr Fasie Smith

Group Nursing Manager

Mr Niresh Bechan

Hospital Manager
Ethekwini Hospital and Heart Centre

Mr Rodney Naicker

Hospital Manager
Ahmed Kathrada Private Hospital

Mr Joe van der Walt

Hospital Manager
Bokamoso Private Hospital

Mr Hector Mackay

Hospital Manager
Royal Hospital and Heart Centre

Ms Marietha van Vuuren

Hospital Manager
Randfontein Private Hospital

Mr Jan Scheepers

Hospital Manager
La Verna Private Hospital

Mr Abdool Gaffar Amod

Hospital Manager
Shifa Private Hospital

Mr Ruben Naidoo

Hospital Manager
Maputo Private Hospital

Ms Nontutuzelo Njeza

Hospital Manager
Zamokuhle Private Hospital

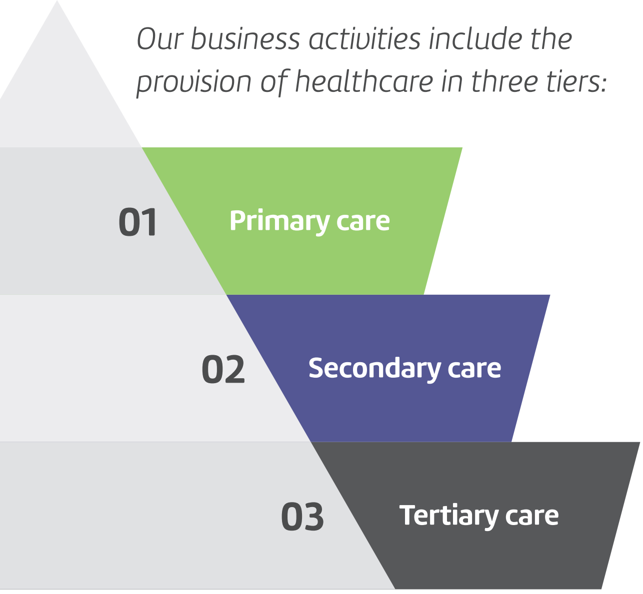
Mr Phil Rhyneveldt

Hospital Manager
Kathu Private Hospital

Our sustainable business model

BUSINESS ACTIVITIES

Our business activities include the provision of healthcare in three tiers:



01

- The 'gatekeeper' or first point of medical consultation. Our focus here is on preventative healthcare, promotion of health and wellness, and rehabilitation. This is the broadest scope of healthcare, including patients attempting to maintain optimal health through to patients with acute and chronic medical conditions.

02

- These are our medical specialists, such as cardiologists, urologists, specialty physicians and other healthcare professionals who provide services to patients referred to them.
- Hospital or acute care. Patients admitted to hospital, a visit to the emergency room, childbirth, medical imaging and intensive care unit attendance are examples of acute care.
- Physiotherapists, speech therapists and occupational therapists generally work in secondary care.

03

- Patients requiring a higher level of care are considered to be in tertiary care.
- This category includes patients referred to specialised consultative healthcare by a primary or secondary healthcare professional.
- Tertiary care services include cancer treatment and management, burn wound care, plastic surgery, neurosurgery, and other complex treatments or procedures.

INPUTS, OUTPUTS AND OUTCOMES

FINANCIAL CAPITAL

Lenmed's pool of funds consists of funds reinvested in the Group, revenue generated, rental income, interest income and a combination of long- and short-term loans from capital providers.

MANUFACTURED CAPITAL

The hospital facilities and general infrastructure that enables Lenmed to deliver our services.

HUMAN CAPITAL

The skills and experience invested in our employees that enable us to implement our strategy and deliver our products and services, thereby creating value for Lenmed's stakeholders.

SOCIAL AND RELATIONSHIP CAPITAL

The key and long-term relationships Lenmed has cultivated with key stakeholders and service providers.

INTELLECTUAL CAPITAL

The intangibles that sustain the quality of our product and service offering, which provide Lenmed's competitive advantage.

NATURAL CAPITAL

The natural resources that Lenmed uses for the delivery of our services.

INPUTS	OUTPUTS	OUTCOMES	
+ Working capital + Loans + Operational and capital expenditure	+ R2 546.1 million revenue + R142.6 million core headline earnings	+ A healthy balance sheet and sufficient working capital to fund our operations supports long-term sustainability	pg 38
+ Acquiring new hospitals + Enhancing established hospitals + Managing hospitals for third parties + Head office equipment + Technology	+ 11 hospitals + 1 785 registered beds + Operational efficiencies	+ Our hospitals generate cash flows that fund developments and repay debt + New developments support long-term revenue generation and capital growth through a growing portfolio + A geographically diversified portfolio of quality private hospitals in underserviced areas	pg 38
+ 2 986 employees + Training + Remuneration and policies + Agency agreements	+ Qualified, experienced and motivated workforce + Ongoing skills development	+ Motivated staff to deliver our strategy + Skills attraction and retention + Skilled workforce + Alignment to our company values and habits + Diversity	pg 44
Relationships with: + Patients + Investors + Communities + Doctors and nurses + Medical funders + Suppliers + Government at various levels	+ 55 free cataract surgeries for community members + Excellent customer satisfaction results shown in surveys + Discounts to financially disadvantaged patients of over R9.7 million	+ Brand reinforcement as well as clear and consistent messaging and market communication + Constructive interaction with all stakeholders + Sustained reputation among all stakeholders + B-BBEE contractors and workers to transform the industry + Long-term value for our community through CSI initiatives	pg 48
+ Quality policies, procedures and standards + Systems and analysis models, i.e. SAP + Alternative reimbursement pricing models + Legal and statutory compliance requirements + Cybersecurity	+ Trust and confidence + Performance improvement + Quality standards maintained and improved	+ Improved responses to changing consumer needs + Effective controls and processes + Recognition and enhanced reputation + Automation through technology + Communication interfaces	pg 52
+ Energy + Water + Land use	+ Cost savings and reduced consumption of fossil generated energy through technology updates and solar energy + Waste and water treatment initiatives	+ Reduced amount of resources used and waste generated + Lower cost of ownership and occupation of our buildings + The ability to operate with constrained water and electricity supply	pg 54

Reflections from our Deputy Chief Executive Officer

Mr Amil Devchand

"The Group has delivered an impressive operational performance, proving the resilience of Lenmed's business model once more."

Despite extremely trying trading conditions, overall growth in Paid Patient Days (PPDs) of 8% was achieved. PPD growth in our South African facilities was 8.7% higher than the prior year, reducing to 3.4% excluding the effect of our new Royal Hospital and Heart Centre in Kimberley. Revenue per PPD increased by 6.1% across the Group, with increased theatre utilisation and better case mix noted, offset by stricter managed care interventions and reduced neonatal admissions in South Africa.

The Group's normalised EBITDA margin decreased marginally to 17.5% from 17.7% in the prior year, mainly as a result of the Kimberley facility not reaching optimal utilisation. On a segmental basis, the EBITDA margin for South African hospitals was 17.4% (FY2018: 18.3%), while the EBITDA margin achieved for the rest of Africa operations increased to 18% (FY2018: 15.9%), on the back of stronger performances at both units, coupled with the full year effect of the rental reduction in Botswana.

Despite these solid results, change is upon us. The results of a challenging macroeconomic environment over the last decade are becoming increasingly evident in both our industry and the private sector at large. Medical scheme growth is stagnant, with increased cost pressures driving consolidation in this market segment. The proliferation of new Efficiency Discount Options requiring material discounts continues. The competitive environment is fierce, with many of our competitors refocusing their efforts back on their South African operations. These factors, together with annual increases below actual sector inflation, is a real threat to sustaining profit margins and market share over time. While there are shoots of optimism emanating from Government's focus to grow the economy and address rampant corruption, the reality is that a full economic recovery will take many years to achieve.

Now is the time to act. In difficult times, there are many opportunities that present themselves. Lenmed has a clear strategy in place to mitigate the risks present in the current market, while identifying and capitalising on areas for future growth. This will be achieved through the following:

+ Emphasis on placing our patients and specialists at the centre of everything we do.
+ Driving consolidation of the independent hospital market, acquiring hospitals at market-related valuations to build critical mass and enhance the size and stature of the Group.
+ Creation of a healthcare platform where investments will be sought in a broad range of higher margin complementary businesses outside the traditional acute care space.
+ Focus on less capital-intensive organic growth by moving up the case mix 'value chain' driving greater volumes of high-margin admissions into our facilities through a dedicated specialist recruitment process and establishment of Centres of Excellence at key facilities.
+ Achieving a market leading B-BBEE score.
+ Strengthening relationships with key stakeholders, medical aid schemes and administrators.
+ Committing to a digital transformation of our business environment over the next five years, embracing Business Intelligence, Artificial Intelligence and the Internet of Things, to develop truly world-class business systems.
+ Create an internal culture that is dynamic, innovative, transparent and ethical.

Operational highlights

The Royal Hospital and Heart Centre completed its first full trading year with positive results noted to date. Bed capacity been increased from 85 to 120 beds to cater for increased demand. The cardiac unit has been disappointing, with the lack of a committed cardiology team being the main challenge. Resolving this, together with further specialist recruitment, remains the highest priority of the management team. The business case for the hospital remains strong, and we are confident of unlocking the full potential of the facility once all specialist gaps have been filled.

A brand new four theatre complex costing R35 million at La Verna Private Hospital in Ladysmith was commissioned during May 2019. This state-of-the-art facility offers the latest in operating room technology and will undoubtedly assist in growing specialist confidence and improving patient outcomes at the facility.

Ethekwini Hospital and Heart Centre is in the final construction phase of a new 20 bed adult high care unit and a 25 bedded paediatric unit, including five isolation paediatric ICU beds at a total cost of R40 million. This investment will release the current bottleneck around critical care beds at the facility and allow for increased trauma and paediatric caseloads at the hospital.

Lenmed has made huge strides in building a strong Emergency Response Service offering in KwaZulu-Natal. Through strategic relationships, we have launched a cardiac response unit, the only pre-response vehicle of its kind in the province capable of administering life-saving drugs for heart attacks and strokes out of hospital, where time is of the essence. Building on the success of this unit, we have recently launched ''Lenmed1', our first

Reflections from our Deputy Chief Executive Officer *continued*

Helicopter Emergency Medical Service in the Group, in partnership with key local EMS providers, with a view of driving trauma, cardiac, stroke and paediatric referrals to our facilities in the region. The response to date has been very positive.

Our rest of Africa operations continue to grow, providing previously unavailable treatment to these areas. Bokamoso Private Hospital's cardiac programme has shown impressive results, with good volumes and patient outcomes achieved. The hospital recently started a vascular surgery service, as well as commissioned the only nuclear medicine facility available in the country. Maputo Private Hospital has been equally impressive, launching the only private neurosurgery and psychiatric units in Mozambique.

We are pleased to note that the Group, in line with its strategy, has been awarded licences to develop a day hospital at its Shifa Private Hospital facility, as well as a psychiatric unit at La Verna Private Hospital. Planning around these initiatives is well underway, with construction expected to commence early in the new year. The Group has a number of further licence applications pending at the various provincial Departments of Health and is confident of receiving these approvals in due course.

Patient outcomes and satisfaction

Our patients and specialists are at the core of everything we do, with the delivery of quality care and superior outcomes our priority. The Group's Customer Experience Management system provides valuable real-time insights into patient satisfaction, allowing us to optimise the patient journey. We continue to invest in our people and infrastructure to enhance our patients' experience throughout all our facilities.

During the year, Ethekwini Hospital and Heart Centre and Shifa Private Hospital were recognised as Discovery Health Top 20 hospitals, an achievement we are especially proud of. We continue to work hard to achieve further representation on this prestigious list.

The Group continues to support its doctor base by providing the necessary facilities and equipment proven to improve clinical outcomes. We have a highly experienced, professional and competent doctor pool in the organisation with whom we collaborate to improve quality, patient satisfaction and address key industry concerns from medical aids around cost efficiencies in the market. Several new initiatives, including the development of individual doctor practice reports, an incident management reporting system and the introduction of the Bluebird infection surveillance system, were launched during the year.

Human resources

Human resources, specifically the availability of skilled specialists and nursing staff continues to pose a challenge. While Lenmed remains competitive in attracting and retaining quality staff and doctors, the shortage of these skills will become more challenging going forward if left unresolved. We are working, together with the Hospital Association of South Africa (HASA) to tackle these issues through the development of public private training platforms.

We have undertaken a comprehensive leadership assessment of all senior management within the organisation, to gain a more scientific understanding of the strengths, gaps and areas for improvement of the Lenmed leadership team, the results of which were very encouraging. It is envisaged that this process will be rolled out to the next layer of organisational management in the ensuing year.

Funder relations

Medical aid membership has remained stagnant for the last four years. We continue to see an increase in the number of Designated Service Provider (DSP) and Efficiency Discount Options (EDO) arrangements being introduced, with medical aid members more amenable to restricted choice in return for discounted premiums. The lower tariffs expected by funders are a necessary trade-off to secure volumes required to maintain margins. Lenmed, through its membership of the National Hospital Network (NHN), has had good success in securing participation in these arrangements, most notably the Discovery Health Day Surgery Network and Polmed Hospital Network.

Negotiations with funders are increasingly complex, with various efficiency, utilisation and quality metrics coming to the fore. To ensure we are negotiating from a position of strength, the Group strives to enhance efficiencies on a total cost per event basis and improve on key quality metrics, including patient satisfaction, thereby creating a strong value proposition to schemes. Lenmed has implemented an internal toolkit measuring doctor efficiency, clinical performance and patient satisfaction against our peers. We engage regularly with key funders, both in our own capacity and through the NHN to discuss concerns and forge close working relationships.

Broad-based Black Economic Empowerment (B-BBEE) is becoming increasingly important in our industry, especially in the area of DSP and EDO tenders. Lenmed has been rated as a Level 4 contributor in accordance with the Department of Trade and Industry's B-BBEE Codes of Good Practice.

Regulatory matters

Government continues in its quest to achieve Universal Healthcare Coverage through the implementation of a National Health Insurance (NHI) scheme. The Hospital Association of South Africa (HASA), together with Business Unity South Africa (BUSA) are representing the interests of the sector in this regard. The NHI has been classified as a priority programme of Government and is now under the direct oversight of the President of South Africa. The industry is awaiting more detail of the proposed structure, financing mechanisms and care package to be covered. We are, however, encouraged by the willingness of the Department of Health to forge a closer working relationship with the private sector during this interim period, with a view of establishing public private partnerships in the areas of doctor training and treatment of non-insured patients in private hospitals.

Lenmed, together with the NHN, has engaged the Competition Commission, in respect of the Healthcare Market Inquiry, presenting the views and challenges faced from an independent provider perspective. Its provisional report has been tabled, with NHN providing its commentary thereon. Due to a lack of funding, the Inquiry was temporarily postponed with the process now expected to be completed by the end of the 2019 calendar year.

Conclusion

The fundamentals of the Group and the industry at large remain strong. Despite the headwinds faced, Lenmed is in the fortunate position of being well-positioned to weather this difficult period and capitalise on any potential opportunities. We are optimistic that the newly elected Government will provide the policy certainty and climate required to improve investment sentiment, setting the economy onto a positive trajectory to increase formal employment. It is imperative that we leverage off our ability to be agile and innovative and become a disruptive force in this market. We are confident that the initiatives outlined in this report will result in Lenmed emerging as a stronger, leaner and more profitable organisation commanding greater market share going forward. I look forward to taking over as CEO on 1 March 2020 and am committed to leading Lenmed to greater successes.

Mr Amil Devchand
Deputy Chief Executive Officer

LENMED'S FIRST RESPONDERS FOR CYCLONE IDAI

Tropical Cyclone Idai made landfall during the night of 14 March 2019 near Beira, Mozambique. Several Mozambican provinces were dismally affected by torrential rains and winds, causing complete communication loss in the city of Beira. Shut-down airports, destroyed homes and buildings and washed away roads prevented help from getting in, leaving thousands stranded and clinging to trees, fighting for their lives.

Cyclone Idai continued across land as a tropical storm into Zimbabwe and Malawi, leaving in its wake even more people homeless and deserted.

In anticipation of the cyclone, a South African rescue team geared up and headed to Mozambique on Wednesday, 13 March 2019. Lenmed Private Hospital Group's first responders were among the first team deployed to provide valuable help to the soon-to-be cyclone targets. KwaZulu-Natal-based Rescue Care Paramedics, IPSS Paramedics, Rescue South Africa and Lenmed Private Hospital Group joined forces to send 15 rescuers in six 4x4 vehicles with full aquatic rescue gear to be ready and waiting to save and assist cyclone victims. These rescuers included rescue technicians, advanced life support paramedics and lifeguards.

The category 3 Cyclone Idai had maximum sustained winds of 195 km/h, with predicted rainfall of 300 to 350 ml and came to be known as the largest, most devastating hurricane to hit the Southern African continent in over a decade.

15 rescuers in six 4x4 vehicles with full aquatic rescue gear

In its wake, this deadly cyclone was responsible for over 900 deaths, more than 1 600 injuries, and a cholera outbreak of over 4 000 cases reported thus far.

Lenmed, to a large degree, sponsored and supported the first responder team.

Our value creation journey

Lenmed undertakes to embed integrated thinking throughout our organisation. In doing so, we provide our stakeholders with sufficient information to logically evaluate our current and future prospects. The steps taken to create value for our shareholders, people and communities are outlined to support an in-depth understanding of all factors impacting our ability to create sustainable value. Through integrated thinking, Lenmed is able to remain agile and flexible in an ever-changing environment with numerous challenges to conquer and opportunities to capitalise on.

VISION AND VALUES

Our focus remains on growth through affordable and quality patient experiences and clinical outcomes by carrying out the Lenmed community ethos of providing world-class medical facilities in areas where these are lacking.

Our core values:

Supported by:

Excellent management, motivated employees, world-class facilities

Refer to our vision, values and brand on page 10

OPERATING CONTEXT

We analyse our operating environments to ascertain the risks and opportunities most likely to impact Lenmed's ability to create short-, medium- and long-term value.

ANALYSE
- Operating context
- Our resources
- Stakeholder feedback

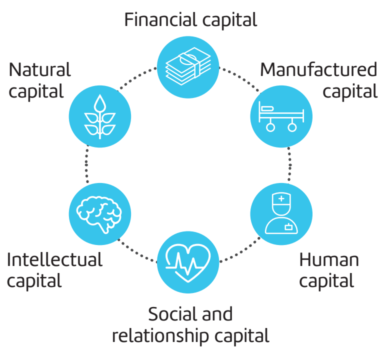
IDENTIFY
- Risks and opportunities

PLAN
- Business strategy

Refer to page 24 for more information on our business environment

RESOURCES WE RELY ON

Resources flow through Lenmed in the form of six capitals – financial, human, intellectual, social and relationship, natural and manufactured capitals. Management decides how to effectively allocate these resources to ongoing operations and new projects for operational optimisation.



STAKEHOLDERS

Our relationships with people, patients and communities are our strategic differentiators. The quality of these relationships and the issues raised by stakeholders inform our assessment of risks and opportunities.

Refer to the needs and expectations of our stakeholders on page 26

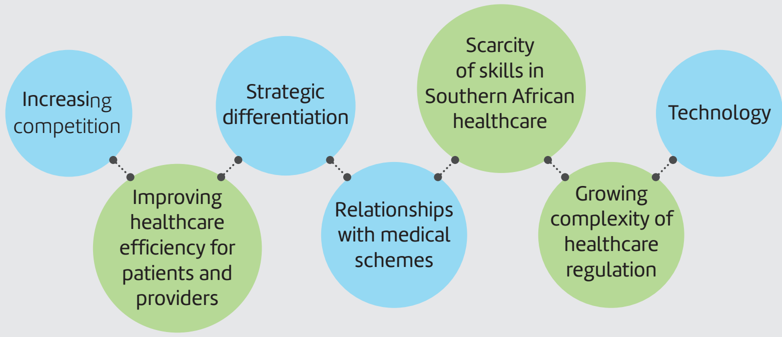
RISKS AND OPPORTUNITIES

Once determined, risks are ranked according to their potential impacts on the Group. We attempt to identify opportunities within our risks. Lenmed endeavours to develop solutions to minimise risks and capitalise on opportunities. Opportunities are pursued according to our Board-approved risk appetite and operating context.

Refer to risks and opportunities in our operating environment on page 28

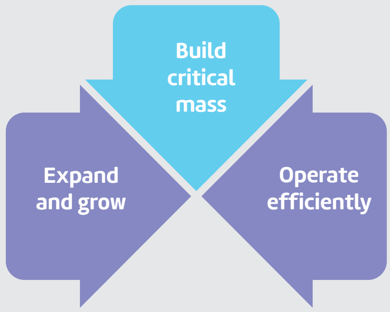
MATERIAL MATTERS

Lenmed engages a process to identify the economic, environmental and social matters that management believes could most substantively impact the Group's ability to create value. Various internal and external influencers are considered when prioritising each matter.



STRATEGY

Lenmed takes a pragmatic and risk-informed approach to steady growth, based on a solid balance sheet and constant enhancement of our management capacity and systems, while providing affordable and quality medical experiences that will continue building the Lenmed brand. To remain sustainable, we pay close attention to our performance, compliance and community relationships.



Refer to delivering on our strategy on page 34

VALUE CREATION

Lenmed's value creation for shareholders and other stakeholders is founded in our deep and broad knowledge of Southern Africa's healthcare industry. We recruit a well-balanced mix of experienced health practitioners and younger, highly-qualified professionals to collaborate in our medical facilities across our operating region.

Our Board and management are adept in identifying expansion opportunities in high-potential areas where competing healthcare groups have yet to enter.

Value is created by restoring underperforming medical facilities to healthy cash flows, or by building compact and efficient hospitals in underserved areas. Additional specialities are added at facilities, based on demand.

Business activities and services

Under expert and consistent management, Lenmed has developed a sound reputation for providing healthcare, supported by standard operating procedures that are continuously improved through benchmarking and new technology.

These day-to-day activities enable Lenmed to function and attract medical personnel and patients to our hospitals.

Governance

Lenmed is committed to ethical and sound corporate governance.

Although a non-listed company, Lenmed governs itself in accordance with the principles of the King IV™ Report on Corporate Governance for South Africa, 2016 (King IV™).

We utilise the International Integrated Reporting Council's (IIRC's) <IR> Framework to structure our Annual Integrated Report to shareholders and stakeholders.

Our business environment

ECONOMIC ENVIRONMENT

For the past five years, Lenmed's South African operations have expanded and delivered returns in a flat economy that has delivered minimal growth in this time. Trading conditions are expected to worsen in 2019 due to growing political turbulence and increased business risks, with cybercrime a distinct red flag. While many companies will adopt defensive positions to ride out the storm, adventurous and liquid companies will uncover exceptional opportunities.

Technological and social disruption is now part of everyday business, with healthcare exposed in aspects such as costs, communications, medicines, techniques and the quality of experience for patients and medical professionals. Globally, there is intense attention and pressure on decreasing cost and increasing the value extracted from hospitals. Technology advances and channelling of patients to less expensive alternate care delivery platforms will increase demand side pressure. While strengthening the core of our business, we must also strategise for challenges beyond the horizon.

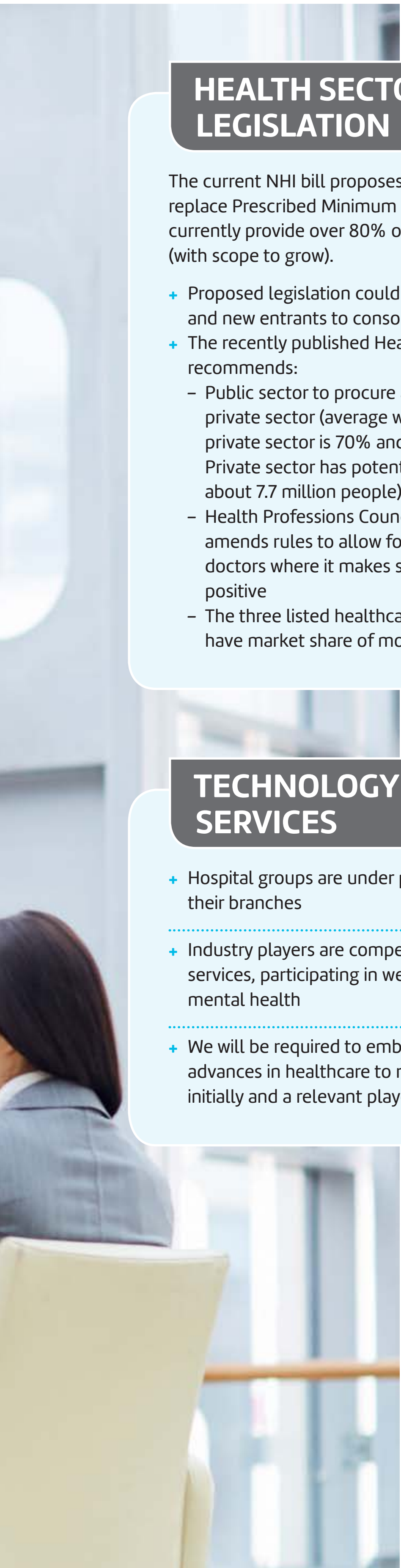
COMPETITIVE LANDSCAPE

The private healthcare market in sub-Saharan Africa is primarily shaped by five competitive factors:

+ **Suppliers –** doctors, staff, trade unions, outsourced services, capital providers, municipalities, pharmaceutical distributors and medical equipment suppliers
  - *Insight: maintaining productive and sustainable relationships with supplier supports*
+ **Customers –** doctors, their patients, and MAFs
  - *Insight: attracting and retaining competent doctors helps maintain standards and patient satisfaction*
+ **Existing hospital competitors –** can potentially attract key talent and patients away from Lenmed
  - *Insight: other packages and facilities that enhance the doctor, nursing staff and patient experience*
+ **Aspiring or new entrants –** disrupt in the industry as causing incumbents to review their market positions
  - *Insight: disruption creates opportunities and visits*
+ **Substitute products or services –** continually enter the market while patients are self-diagnosing and treating themselves through online sources
  - *Insight: Lenmed must remain current with treatment trends*

HEALTHCARE TRENDS TO WATCH

+ Attracting and retaining competent doctors and medical staff remains challenging, particularly as training institutions are failing to meet demand
+ Greater collaboration within teams of doctors can reduce patient visit frequencies. Private hospitals can play a big role in coordinating patient care



HEALTH SECTOR LEGISLATION

The current NHI bill proposes a basic package that will replace Prescribed Minimum Benefits (PMBs), which currently provide over 80% of private hospital revenue (with scope to grow).

- Proposed legislation could encourage independents and new entrants to consolidate into fewer players
- The recently published Health Market Inquiry (HMI) recommends:
  - Public sector to procure acute care services from private sector (average weekday occupancy in private sector is 70% and 52% on weekends. Private sector has potential capacity to cater to about 7.7 million people)
  - Health Professions Council of South Africa (HPCSA) amends rules to allow for the employment of doctors where it makes sense — extremely positive
  - The three listed healthcare groups should not have market share of more than 20% each

TECHNOLOGY AND SERVICES

- Hospital groups are under pressure to digitise their branches
- Industry players are competing by adding new services, participating in wellness, day care and mental health
- We will be required to embrace technological advances in healthcare to remain cutting edge initially and a relevant player in the future

KWAZULU-NATAL LAUNCHES LENMED1

In fulfilling its ultimate objective to improve patient outcomes, Lenmed KwaZulu-Natal (KZN) partnered with Black Eagle Aviation, IPSS Medical Rescue and Rescue Care to launch Lenmed1 aeromedical services to the province.

The Durban-based Lenmed chopper is a permanently configured ICU-equipped air ambulance supported by experienced and skilled doctors, paramedics and emergency staff.

Lenmed1 is available for all pre-hospital emergency cases, acute patient and inter-hospital transport and for adult, child and neonatal transfers.

The KZN emergency services are supported by Lenmed's Durban-based hospitals, Ethekwini Hospital and Heart Centre and Shifa Private Hospital, as well as La Verna Private Hospital in Ladysmith. All three facilities offer 24 hour emergency care, along with all major medical and surgical disciplines.

Lenmed1 is available for all pre-hospital emergency cases, acute patient and inter-hospital transport and for adult, child and neonatal transfers.

The needs and expectations of our stakeholders

Lenmed's stakeholder relationships directly impact our ability to create value. Our growth and profitability are underpinned by the management of our relationships with investors, employees, medical practitioners, patients, suppliers and the broader communities in which we operate.

By establishing good lines of communication with our various stakeholders and maintaining constructive relationships, we are better equipped to identify opportunities and risks early on and address these timeously.

Our material stakeholders are those stakeholders with a significant level of influence on our business or those who are heavily impacted by our presence. As a result, we engage with them regularly. Our strategies and business planning are heavily influenced by understanding our stakeholders' concerns and expectations.

STAKEHOLDER
MEDICAL PRACTITIONERS
EMPLOYEES
PATIENTS AND COMMUNITIES
SUPPLIERS
MEDICAL AIDS
GOVERNMENT

STAKEHOLDER CONCERNS	OUR RESPONSE
+ Access to professional teams + Competitive, high quality and well-maintained hospital facilities + Latest technology and equipment + Marketing of practices and specialities + Communication regarding Group achievements and updates	+ Ongoing communication between Lenmed's Chief Medical Officer (CMO) and our resident medical professionals to make Lenmed facilities conducive working environments for nurses, doctors and specialists. + Doctor newsletter. + Stakeholder relations team.
+ Fair remuneration + Training and development/career development + Reward and recognition for high-quality performance + Employee engagement	+ The Group Nursing Services Manager ensures optimum attention to the needs and motivation of our nursing staff. Local, regional and Group-wide human resources personnel are available to support all staff members. + Local, regional and Group-wide human resources personnel are available to support all staff members. + Consistent communication via electronic and hardcopy newsletters. + Employee engagement programme. + Employee wellness programme.
+ Cost of healthcare + Positive hospital experiences + Ease of admission, billing and discharge procedures + Timeous and efficient service + Quality nursing and pharmacy care + Low infection rates and good clinical outcomes	+ Active, mature patient experience system. Patient feedback is channelled through regular questionnaires and surveys. We try to continuously upgrade our offerings in response to these inputs. + All complaints are investigated and acted on. We endeavour to keep our hospital fees affordable for more patients to access private quality healthcare. + Special rates and payment arrangements are available for non-medical aid patients. Provide health information via hospitals, outreach, website and social media. + Lenmed regularly participates in community events such as co-sponsored fun runs, sports tournaments and community wellness days.
+ Fair and transparent tender and pricing processes	+ Our Group Procurement and Engineering Manager oversees our standardised tender process to ensure fair competition and equal opportunities.
+ Cost-effective medical services + Efficient case management, billing and payment + Good patient experience + On-site case management + Control of fraud, abuse and inappropriate admissions	+ Lenmed liaises with MAFs through our National Hospital Network (NHN) membership and works diligently to operate efficiently and keep medical aids updated on patient treatment.
+ Compliance with laws and regulations + Providing access to cost-effective healthcare + Aligning to transformation imperatives + Critical skills shortages in the industry + Development of appropriate healthcare regulation	+ Lenmed engages with Government through the Hospital Association of South Africa (HASA). We rigorously comply with legislation and maintain the highest ethical standards. The Group is participating in the Competition Commission's market inquiry into the cost of private healthcare.

Risks and opportunities in our operating environment

COUNTRY RISK	INDUSTRY REGULATION	POTENTIAL DISRUPTION OF BUSINESS MODEL
South Africa and Mozambique have been hampered by questionable governmental actions, but Mozambique is showing signs of renewed growth.	Aspects of the healthcare industry being examined by the Department of Health (DoH) may negatively impact private hospitals in South Africa. These include: + The Competition Commission's inquiry into healthcare, delays in obtaining of licences for hospitals, beds and training facilities + The proposed National Health Insurance (NHI) and Office for Health Standards Compliance Certificate of Need	Radical disruption through fast changing medical practises, technologies and models.
CONSEQUENTIAL EFFECTS		
A Southern African economic decline will hamper Lenmed's expansion policy.	Tighter industry regulations within the healthcare landscape restrict expansion opportunities and erode in stakeholder returns.	Waves of change could bypass and marginalise Lenmed.
RISK RESPONSE/MITIGATION		
+ Constant monitoring of the situation + More circumspect on growth opportunities + Raise our internal investment hurdle rate and only invest in high-potential projects within our risk parameters	+ Strategy on negotiating through the National Health Network (NHN), with our Deputy CEO elected as chairman of the NHN + Hospital efficiency drive to reduce costs per admission + Ongoing monitoring includes submissions required by the DoH	+ Have senior Lenmed leaders on industry bodies + Migrate the Lenmed IT backbone to the SAP platform + Engage expert consultants to create specific functions
OPPORTUNITY ARISING		
Seek expansion opportunities arising beyond Southern African borders.	Continuous engagements, both formal and informal, to address the DoH.	+ Have senior Lenmed leaders on industry bodies + Migrate the Lenmed IT backbone to the SAP platform + Engage expert consultants to create specific functions
LINKS TO MATERIAL MATTERS		
+ Economy + Increasing competition	+ The growing complexity of healthcare regulation + Relationships with medical schemes	

HOSTILE HEALTHCARE FUNDER REGIME	INCREASED COMPETITION
Medical schemes work to drive hospital tariffs lower and influence the manner in which hospitals operate. Aspects of these changes include: + Discovery and Government + Government Employees Medical Scheme (GEMS) dominance of the medical scheme sector + Medical scheme consolidation + Alternative reimbursement models	New hospitals opening near Lenmed's current operations.
Operational changes in the healthcare industry lead to poor tariff increases and profit margin erosion.	New licences issued in the vicinity of Lenmed facilities will dilute and reduce Lenmed's market share. The DoH is licensing B-BBEE business entrepreneurs.
+ Lenmed works constantly to maintain strong relationships with its doctors + Investment in infrastructure and modern equipment to attract and retain sought-after medical personnel + Recruit expatriate doctors for our hospitals in Botswana and Maputo + Share scheme in place for loyal doctors + Marketing initiatives aimed specifically at recruiting doctors and specialists	+ Lenmed has implemented training programmes to upgrade employee skills + Urgent shortages are addressed through nursing agencies + We are awaiting a Government licence for our planned nursing academy + Introducing competitive remuneration benefits, particularly for managers and pharmacists + A share scheme is in place for long-serving employees
+ Lenmed is part of the collective NHN negotiating unit + Actuarial support to develop innovative offerings to medical schemes + Hospital efficiency drives to reduce costs per admission	+ Lodge objections through DoH and Competition Commission + Support NHN objections to DoH + Pursue other legal options
+ Relationships with medical MAFs Increasing competition + Making healthcare more efficient for patients and providers + Strategic differentiation + Economy + Technology	

Our material matters

HOW WE DETERMINE OUR MATERIAL MATTERS

We consider a matter to be material to Lenmed when it has, or could have, notable influence on our financial performance, our reputation, impact on our licence to operate or our overall sustainability.

We follow a three-step process to determine matters we deem to materially impact our ability to create value. These are:

01 IDENTIFY AND ASSESS

Matters are brought to light:

- directly by stakeholders, such as patient insights through day-to-day engagement, or through communications with regulators
- through internal deliberations and/or independent research
- by continuously monitoring the external environment for trends signalling opportunities and risks that could impact our business model and operations

02 PRIORITISE

Through the lens of our vision and values, we consider the prioritised matters within the context of:

- our purpose of growing through acquisitions, hospital management contracts and new hospitals
- our goal of delivering quality patient experience and clinical outcomes, while remaining true to our roots, the communities and the people we serve
- expected behaviours as informed by our values and our code of conduct
- our strategy, business model and the risks associated with our business model
- the operating environment challenges and priorities (international, regional and local)
- our risk and capital management framework
- opportunities, and risks and trade-offs between capitals and risks or opportunities

03 RESPOND AND MONITOR

We decide on specific actions to respond appropriately. The consequences of our responses are monitored by our Executive Committee, Board and the various Board subcommittees in accordance with their terms of reference.

OUR MATERIAL MATTERS

Increasing competition

WHY THIS IS IMPORTANT TO LENMED

Competition between healthcare providers is intensifying as other groups establish hospitals near Lenmed facilities.

Increasing competition also increases demand for doctors, which is not being met by South Africa's educational institutions.

Attracting and retaining competent medical professionals is vital to our long-term sustainability.

RISKS AND OPPORTUNITIES

The most constructive response for defending market share is ongoing innovation.

Lenmed constantly evaluates how to improve customer services, reduce costs and add in differentiators. Retaining market share requires increasing our competitive strength and value-add to customers.

We are presently exploring opportunities to diversify into day, psychiatric and acute care facilities.

OUR RESPONSE

To protect and grow our market share, we are raising service levels and reviewing all our operations for efficiency, affordability and costs.

Lenmed aims to ensure a consistently superior experience for patients and medical professionals.

Making healthcare more efficient for patients and providers

WHY THIS IS IMPORTANT TO LENMED

Rising healthcare expenses and systemic economic instability require traditional models of care to update in the face of increasing demand and costs.

One specific change required is the interface between acute care and alternative care settings in traditional day hospitals or rehabilitation centres.

Certain specialities, such as ophthalmology, gastroenterology, chemotherapy and nephrology (especially dialysis), utilise relatively short procedures that do not require prolonged hospital stays.

Refocusing on day healthcare centres will not only substantially reduce patient expenses, but also decrease operational costs.

Short-stay facilities are less capital-intensive than traditional hospitals and require fewer beds.

RISKS AND OPPORTUNITIES

Day clinics cost significantly less to operate than regular hospitals. Day clinics don't require operating theatres that are equipped for complex heart or orthopaedic surgeries.

Day clinics are affordable, convenient and practical in that procedures are pre-planned and do not require overnight stays.

While short-stay clinics will not solve the healthcare industry's shortage of built infrastructure and medical professionals, these do provide an alternate interface for efficient patient care.

OUR RESPONSE

Where feasible, Lenmed's aim is to establish day clinics near our current hospitals.

Strategic differentiation

WHY THIS IS IMPORTANT TO LENMED

The healthcare industry is undergoing rapid change. Today's patients research their symptoms before visiting healthcare practitioners and expect astute and high-quality service. As competition stiffens, healthcare players must differentiate themselves through service, range of facilities and a compelling brand.

RISKS AND OPPORTUNITIES

Consumers engage with brands that they can relate to, make them feel important and well taken care of. Healthcare brands are compelled to position themselves in offering superior service and unique propositions.

Location is important, and Lenmed will remain true to our roots and the communities we serve by championing quality patient experiences and clinical outcomes in the areas we serve.

OUR RESPONSE

Lenmed continuously addresses all internal operations and processes to refine the quality levels required to support our brand promise.

Our emphasis is on quality patient experience rather than increasing bed occupancy rates.

Our material matters *continued*

Economy

WHY THIS IS IMPORTANT TO LENMED

Stagnant South African economic growth year after year reduces employment, which slows or halts membership growth in medical schemes. Healthcare providers have to compete more vigorously for medically insured lives, often through discounting or other means that reduce margins. In addition, Rand volatility makes imported equipment more expensive.

Competition for medical expertise is global, which tempts many healthcare professionals to leave South Africa for higher earnings.

However, should recent political shifts stimulate South Africa's economic growth, Lenmed will benefit from heightened activity and renewed investor interest.

RISKS AND OPPORTUNITIES

South Africa's current lethargic economy has impacted on Lenmed's profitability, as the cost of care rises disproportionately with increases from medical aid funders.

Even so, Lenmed has a well-managed balance sheet and challenging economic times offer high-value acquisition opportunities. We will continue evaluating acquisitions or management contracts, particularly those offering exceptional value.

OUR RESPONSE

We are hopeful that South Africa's economic environment will improve in the foreseeable future under new political leadership. We have adopted a cautiously optimistic approach in seeking robust projects by constantly monitoring the economies of all geographies where we are already present.

Lenmed continues striving to improve our internal efficiencies to lower costs and remain sustainably competitive.

Relationships with medical schemes

WHY THIS IS IMPORTANT TO LENMED

Medical schemes, also known as medical aids, fund the medical schemes of most private healthcare consumers. Medical scheme claims have risen sharply, while imported medical equipment and medication is becoming more expensive due to South African Rand volatility. Shrinking disposable incomes across the South African population (resulting in members downgrading to more basic schemes), as well as above inflation rate medical scheme increases, are preventing any growth in numbers of medical scheme contributors. Existing members are also choosing to downgrade to cheaper schemes. The South African medical scheme population is statistically ageing, which will naturally push up the number of claims.

With the Medical Aid Funders (MAFs) under increasing pressure, stronger approval and authorisation regimes will be imposed by medical schemes.

RISKS AND OPPORTUNITIES

Medical scheme negotiators are pressuring medical practitioners and healthcare providers to reduce their margins, which impacts on Lenmed's revenue streams.

Permissions for hospital admissions are being reduced, along with the length of hospital stays. To maintain our occupancy levels, Lenmed must broaden our appeal to potential patients and medical scheme partners and continue to open more specialised facilities.

OUR RESPONSE

We are continually reassessing our internal efficiencies and examining means for reducing costs to stay within the parameters of medical scheme cost frameworks.

Scarcity of skills in Southern African healthcare

WHY THIS IS IMPORTANT TO LENMED

Providing superior private healthcare requires qualified and experienced personnel. Individuals equipped to meet exacting medical standards are presently in short supply across Africa and being targeted by all our competitors.

RISKS AND OPPORTUNITIES

A shortage of high calibre nurses may result in mediocre clinical outcomes and service levels, resulting in reputational damage and potential litigation.

OUR RESPONSE

Lenmed continually upgrades or expands its medical facilities to attract experienced nurses, respected doctors and specialists to our hospitals.

We offer generous packages to suitable medical professionals. Internal skills development remains a priority and we are currently awaiting Government licensing for our nursing academy which, when licensed, will deliver a much-needed pipeline of nurses into both our facilities and the industry.

Growing complexity of healthcare regulation

WHY THIS IS IMPORTANT TO LENMED	RISKS AND OPPORTUNITIES
Healthcare regulation impacts on Lenmed's ability to provide quality services, develop new facilities and invest in skills development. South Africa is heavily regulated through legislation that includes the National Health Act, 61 of 2003 (being amended), the Occupational Health and Safety Act, 85 of 1993, the Labour Relations Act, 66 of 1995, the Broad-Based Black Economic Empowerment Act, 53 of 2013 (B-BBEE Act), Protection of Personal Information Act, 4 of 2013 (POPI), the Pharmacy Act, 53 of 1974, and various environmental laws.	Non-compliance may lead to penalties or withdrawal of operating licences. Poorly designed regulations can prevent efficient healthcare and dissuade new investment. The Competition Commission's protracted investigation into private healthcare is delaying sector planning.

OUR RESPONSE

Lenmed constantly reviews medical scheme Prescribed Minimum Benefits (PMBs).

We engage with South African national and provincial health authorities through all available channels to find the best possible outcomes for South African residents and our stakeholders.

Technology

WHY THIS IS IMPORTANT TO LENMED	RISKS AND OPPORTUNITIES
Accurate and comprehensive data on patients has become a top priority. Data must be harnessed to drive more efficient service, clinical and financial operations.	Migrating to new systems can disrupt current operations and financial controls, leading to reputation and financial losses. However, integrating all patient information into a single, appropriately accessible system enables Lenmed to improve collaboration between physicians, reduce laboratory testing duplication and lower patient risk through a rounded and timely view of patient profiles. Our mobile app system is intended to be leveraged to extend our outreach to patients, solicit feedback and enhance the hospital experience.

OUR RESPONSE

In 2016, Lenmed commenced installing a SAP Enterprise Resource Planning (ERP) system to channel all data streams through a world-class management platform. SAP technology has now been implemented in all but one of our hospitals. In the months to come, we will be implementing a business intelligence tool that integrates with SAP. This tool will allow us to gain meaningful data from the ERP system and enhance our business.

Lenmed's membership of the National Health Network (NHN) enables access to a collective repository of patient data. We have engaged actuaries to analyse this database to learn from anomalies, billing comparisons and benchmarks.

Delivering on our strategy

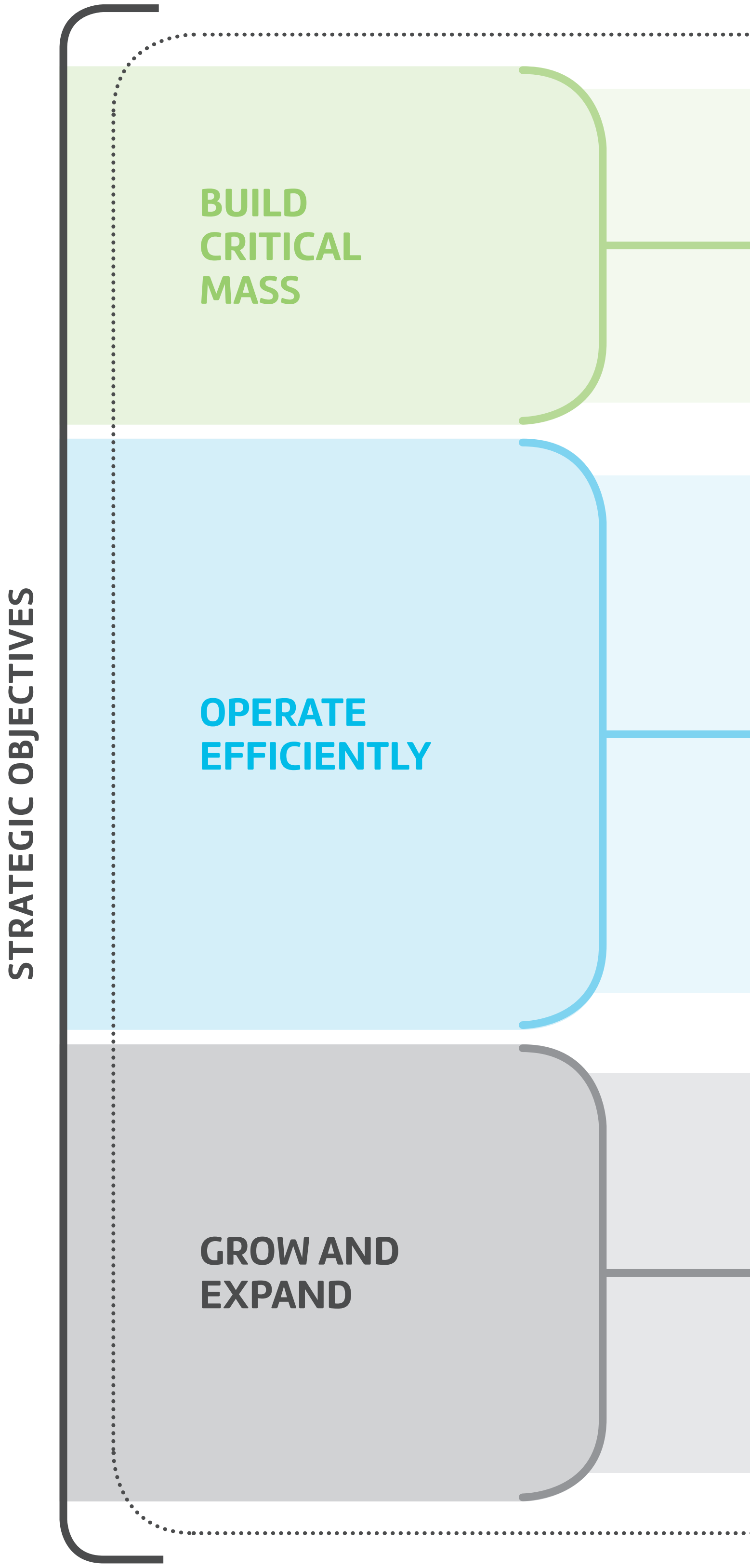
OUR VALUE CREATION STRATEGY

Our strategy is to continually refine the Lenmed reputation as an affordable and quality alternative to South Africa's 'big three' healthcare brands. With over 30 years in tough African markets, proven resilience and a sound balance sheet, Lenmed intends emerging as a prime contender in the swiftly changing healthcare sector.

Our development strategy encompasses acquiring, developing or managing hospitals in underserved communities in Southern Africa. We position hospitals and medical specialities in the gaps between public and private health facilities. In principle, we avoid developing greenfield hospitals or entering mature urban markets, unless for especially appropriate opportunities fitting the Lenmed business model.

Lenmed is renowned for acquiring and/or managing underperforming assets and returning these to healthy profitability. We will continue creating a strong value proposition for Medical Aid Funders (MAFs) by consistently implementing the Lenmed strategy of driving efficiencies, patient satisfaction and quality going forward.

Lenmed continues working to attract quality medical practitioners to our medical facilities. South African regulations require that medical practitioners perform independently of hospitals, whereas in other African countries, hospitals are unimpeded by such regulations and freely employ doctors where it makes sense. Both systems, however, require us to provide state-of-the-art medical and nursing equipment, well-equipped operating theatres, dedicated nursing teams, top-level ward facilities and efficient administration.



ACTIONS REQUIRED FOR ACHIEVING STRATEGIC OBJECTIVES

- Determining the critical mass of infrastructure and staff required optimum growth while reducing debt risk
- Identifying potential acquisition targets that fit our risk appetite and expansion parameters
- Conducting a brand audit to ensure Lenmed has the brand awareness and status to underpin our expansion
- Identifying the professionals who will best guide and assist the Lenmed Board to deliver against our goals
- Relaunching our growth programme in line with updated investment criteria

- Improve cost management at our facilities
- Introducing cutting-edge technology equipment, including Artificial Intelligence, to our operating systems and wards
- Securing additional doctors and specialists in casualty, pathology, radiology, fertility, maternity and home care
- Auditing the Group's resources activity, including:
  - senior and middle management efficacy
  - the recording of and adherence to internal controls
  - hospital performance against Council for Health Service Accreditation of Southern Africa (COHASA) standards
  - relationships with the MAFs
  - adherence to bank covenants
  - assessment and revision of financial policies, targets, objectives, Charters and other corporate functions
  - compliance with statutes, regulations and Government policies
  - review of licences for compliance and status
  - assurance of B-BBEE rating and status

- Improving patient outcomes and service standards to attract doctors and patients
- Motivating a settled and enthusiastic staff base, supported by expert and experienced doctors
- Expanding our footprint in locations that will attract MAFs and investors
- Establishing a consultancy team with the specific mandate of implementing a business model for guiding third parties in establishing healthcare facilities in Africa
- Marketing medical tourism to foreign tourists and establishing additional facilities where demand is identified
- Seeking out those features that will make Lenmed truly distinctive
- Acquiring brownfield facilities for revitalising in the Lenmed way

Financial resources

CREATING VALUE

How we utilise financial capital is fundamental to creating sustained value for our shareholders and other stakeholders. Our ability to self-fund and access cost-effective funding through equity or debt is vital to commercial success. Lenmed can remain sustainable and expand by continuously managing our cost of capital and working capital effectively.

WHAT IT IS

The pool of funds that is:

- available to an organisation for producing goods or for providing services
- obtained through financing (such as debt, equity or grants), or generated through operations or investments

HIGHLIGHTS

The **GROUP'S REVENUE** increased by 15% from R2 220.8 million to R2 546.1 million year-on-year

Lenmed invested R221.4 million into **GROWTH OPPORTUNITIES**

OPERATING ACTIVITIES generated R423.6 million (2018: R360.8 million), which reflected improved cash management during the current year

CHALLENGES

+ Restraints on the raising of loan capital given the current high gearing levels
+ Challenge in debt collection from non-South African medical schemes

OPPORTUNITIES

+ A strong asset base (R3 billion) that can release capital and good relationships with banks
+ Effective cost controls
+ Investor demand for healthcare assets in South Africa

LOOKING AHEAD

During 2020 we will focus on:

+ a strong asset base with permanent equity and continued bank support to provide a 40% debt/equity ratio
+ a strong income statement from increased profit margins due to higher bed occupation rates, effective cost controls, a good case mix and excellent patient outcomes
+ working capital improvements

LENMED ADDS VALUE BY:

- continually investigating potential investment opportunities, both locally and elsewhere
- engaging with industry players to form strategic alliances
- monitoring all processes for efficiencies to maintain profitability
- introducing innovative methods, policies and processes to differentiate us from our competitors
- establishing good governance for our own sake, rather than for mere compliance
- staying abreast of technological developments
- modelling our facilities according to world-class standards
- closely monitoring events likely to impact the industry, such as the NHI proposals and the Competition Commission investigation into the cost of private healthcare
- complying with legislation and paying due taxes and levies
- maintaining a strict Code of Ethics throughout the organisation
- conducting ourselves in accordance with the principles and practices set out in this report

Reflections from our Chief Financial Officer

Mr Vaughan Firman

Group revenue increased by 15%
from R2 220.8 million to R2 546.1 million

The Group generated R423.6 million
from operating activities (2018: R360.8 million), reflecting improved cash management

This report must be read in conjunction with the Group annual financial statements, commencing on page 83 of this Annual Integrated Report.

IFRS adjustments

The Group's performance has been somewhat impacted by a number of new IFRS statements, as well as by a change in accounting policy. These factors are discussed below:

1. IFRS 9 financial instruments

IFRS 9 addresses the accounting principles for the financial reporting of financial assets and financial liabilities, including classification, measurement, impairment, derecognition, and hedge accounting. IFRS 9 replaces the earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. The standard is mandatory for accounting periods beginning on or after 1 January 2018 and has, therefore, been adopted by Lenmed for the year ended 28 February 2019. The Group has applied the standard retrospectively as at 1 March 2018 with no restatement of comparative information for prior years. IFRS 9 replaces the 'incurred loss' model of IAS 39 with a forward-looking 'expected credit loss' model to measure impairment losses on financial assets. The majority of the Group's financial assets are trade receivables, for which IFRS 9 requires the simplified approach to be applied, measuring the impairment loss allowance based on lifetime expected credit loss. Further to this, as a practical expedient, Lenmed has applied a provision matrix assessing historical credit losses per aged bucket of trade debtors and overlaid this with Lenmed's assessment of general economic conditions to estimate expected future losses. There is an opening movement to retained earnings of R10.83 million and an adjustment of R16.4 million to current year earnings to align to the new standard. This has had the effect of increasing the doubtful debt provision from R56.1 million to R82.4 million.

2. IFRS 15 revenue from contracts with customers

This standard combines, enhances and replaces previous guidance on recognising revenue with a single revenue standard that introduces a new revenue recognition model for contracts with customers. The standard is mandatory for accounting periods beginning on or after 1 January 2018 and has, therefore, been adopted by Lenmed for the year ended 28 February 2019. The Group has applied the standard retrospectively and assessed the cumulative effect of initially applying the standard on 1 March 2018 to be Rnil, without any adjustment to retained earnings on this date. The core principle of IFRS 15 is that an entity recognises revenue from contracts with customers to depict the transfer of control of promised goods or services to customers for an amount that reflects the consideration to which an entity expects to be entitled to in exchange for those goods or services. The model features a contract-based five-step analysis of transactions to determine whether, how much, and when revenue is recognised. The implementation of the new standard has not impacted the measurement and timing of revenue recognition.

3. IFRS 16 — leases

IFRS 16 sets out the principles for the recognition, measurement, presentation, and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces the previous leases standard, IAS 17 and related interpretations. IFRS 16 has one model for lessees, which results in leases previously classified as operating leases and recorded off-balance sheet, now being capitalised on the balance sheet and requiring a lessee to recognise a right-of-use asset and a concomitant lease liability.

This standard is mandatory for accounting periods beginning on or after 1 January 2019. The Group has chosen not to early-adopt the standard for the year ended 28 February 2019. However, there will be an adjustment to both the statements of comprehensive income and of financial position in 2020. The current prognosis is that Property, Plant and Equipment will increase by approximately R156 million and long-term liabilities by R167 million. Additionally, profits before tax would be approximately R7.4 million lower than reported in 2019.

4. Adjustment to accounting policy

In order to align the Group to the rest of the industry and to more fully reflect the cost of the land and buildings in the Group, the Board has decided to carry this category of asset at historical cost less accumulated depreciation and less any impairment losses. This amends the current accounting policy, where land and buildings are carried at their current market valuations. This change in the accounting policy has resulted in the following amendments: Land and buildings in 2018 as a result of the revaluation of prior periods has been decreased by R303.6 million while the revaluation reserve of R230.5 million and deferred taxation attributable to the revaluation of R75.6 million has been extinguished. The income statement in 2018 and 2019 has resulted in an increase of R1.2 million in profit before interest and taxation and R0.9 million after tax.

Reflections from our Chief Financial Officer continued

Statement of comprehensive income

The Group performed well at the operational level, with an increase of 13.4% in EBITDA to R446.5 million. Strong earnings growth from Zamokuhle, Kathu, and Randfontein Private Hospitals as well as the Ethekwini Hospital and Heart Centre enhanced profits. However, weaker performances from Ahmed Kathrada and Shifa Private Hospitals, due to increased competition and lower numbers of patients, somewhat reduced this positive impact.

CORE HEADLINE EARNINGS RECONCILIATION

Rm	2019	2018*
Headline earnings		
Profit for the year attributable to Lenmed	**142 759**	158 241
Add: Loss on disposal of assets net of taxation and minority interests	**487**	439
Add/Less: Currency (losses) and gains net of taxation and minority interests	**(690)**	4 753
	142 556	163 433
Variance	**-12.8%**	

* *restated*

The Group continues to use the concept of core headline earnings as a measure to provide shareholders with a consistent and comparable reporting tool. Headline earnings are calculated in terms of accounting standards, apart from unrealised exchange gains and losses arising from the African operations, which are eliminated. The reason why these losses are eliminated is due to the policy of the Group, which is not to hedge the results of its African operations.

Core Headline Earnings at R142.6 million (2018: R163.4 million) decreased by 12.8% against the prior year. This was primarily attributable to the large increase in the finance costs of R36.0 million, arising from increased borrowings. These borrowings were incurred to finance the Royal Hospital and Heart Centre, which cost the Group R408.4 million, as well as the current year capital expenditure as noted below. Additionally, in line with IAS 23 'Borrowing Costs', finance costs of R21.5 million in 2018 were capitalised due to interest incurred on the capital spend at the new hospital in Kimberley, which opened during the previous financial year. The Group's results were also impacted by an increased depreciation charge due to the full impact of the Royal Hospital and Heart Centre being felt in the current year. The depreciation on the SAP implementation was also debited to the income statement for the first time and amounted to R4.9 million.

The effective tax rate of 23.2% was higher than last year's rate of 22.1%. This rate is lower than the statutory rate of 28% in South Africa because of lower tax rates in Botswana and Mozambique, where the profits are not taxable due to a large assessed loss in the hospital. The increase against last year resulted from some non-deductible expenditure incurred in the current year.

'Non-controlling interests' reflected the minority share of profits in Ethekwini Hospital and Heart Centre, Kathu and Bokamoso.

No dividend was declared this year, in line with the growth strategy of the Group.

Statement of cash flows

The Group generated R423.6 million from operating activities (2018: R360.8 million), reflecting a 17.4% improvement in cash flow during the current year. This was due to strong cash flows from the operations of the hospital. The Group's cash generated by operating activities as a percentage of normalised EBITDA improved from 98% to 100%. This strong result exceeds the Group's target of 90% and reflects the initiatives that have been successfully achieved through our centralisation of key functions. Maintenance of working capital levels remain a critical area within the Group. The only hospital that has elevated debtor levels is Bokamoso Private Hospital. This remains a focus area of the Group, but pleasingly large collections of the outstanding debts happened in March 2019. The implementation of SAP continues, and the project has been well-coordinated, with minimal disruption to operations. All South African hospitals are on the SAP platform. The roll-out of Bokamoso Private Hospital began in May 2019 and progress to date is satisfactory. Management is confident that the longer-term benefits of SAP will be achieved through standardisation and synergies in the Group. An intangible asset of R12.5 million was recognised during 2019, representing the cost of implementation. We are pleased that this is considerably lower than the original budget allocated to the project.

The Group continues to invest in its operations and spent R221.4 million in capital expenditure. This capital was mainly spent on acquiring additional land costing R35 million at Ahmed Kathrada Private Hospital and USD1.8 million at Maputo Private Hospital. R24.5 million was spent on a new theatre complex at La Verna Private Hospital. Additionally, R46.5 million was spent at Ethekwini Hospital and Heart Centre on a new wing, as well as additional medical equipment. The remaining expenditure was primarily incurred through replacing medical equipment.

The Group obtained a composite borrowing facility of just over R1.6 billion from Rand Merchant Bank during March 2019, of which R1.2 billion had been utilised at year end. The additional unutilised portion of the facility will allow the Group headroom to look at further acquisitions and any further capital expenditure.

Statement of financial position

Assets

The Group's property, plant, equipment, furniture, fittings, and vehicles increased in value to R2 738.1 million (2018 restated: R2 522.2 million). These increases result from the previously mentioned expansion projects.

Debt management

As mentioned previously, during the financial year under review, Lenmed obtained a R1.6 billion composite facility from Rand Merchant Bank to allow it to continue its expansion projects. Interest-bearing borrowings (excluding shareholder loans) increased marginally from R1 262.5 million to R1 288.5 million.

Lenmed's net interest-bearing debt to equity ratio (excluding loans from minorities) has decreased from 60.6% to 54.9%. The interest ratio coverage decreased in line with increased interest payable to 2.7 times (2018: 3.5 times), with cash flow from operations to net interest expense dropping from 3.8 times to 3.2 times. The Rand Merchant Bank facility is at a lower rate and, combined with lower capital expenditure levels, should result in improved ratios in 2020. The Group, despite significant borrowings, believes it can repay the current debt comfortably.

Risk management

The Group adequately met covenant hurdles at the end of the financial year and the current forecasts indicate that the covenants will also be adequately met in the next financial year, as well as in following years. However, the Group has prudently requested and obtained an overdraft facility of R100 million.

Compelling acquisitions will be treated on a case-by-case basis, within acceptable borrowing levels. However, the focus for the next 18 months will be to reduce debt levels to ensure that the Group remains prudently geared.

Dollar receipts from patients in Mozambique are currently sufficient to meet the Rand Merchant Bank (RMB) loan obligations for that territory.

Mr Vaughan Firman
Chief Financial Officer

THE CHILDREN'S CARDIAC FOUNDATION OF AFRICA TRUST

Founded by world-renowned, paediatric cardiac surgeon, Prof Robin Kinsley, The Children's Cardiac Foundation of Africa Trust was registered in January 2019. Its mission is to save the lives and improve the health of children born with congenital heart disease in Africa by raising funds for heart surgeries and through training specialists and support staff in the field of paediatric cardiac care.

> *"The heart has always been a symbol of love. A symbol of affection and care. It represents all that is good in life. It represents hope and happiness. The fact that there is still such a high heart-related death rate when it comes to children living on my own continent, is unthinkable to me. My journey has been tough, but so rewarding, and I've learned a lot along the way. And some of my greatest teachers have been children. Now, I believe it's the time in my life to do something really good. All over Africa today there are children who desperately need life-saving heart surgery — and we can give it to them. My dream is to save the lives of children. To heal their broken hearts. To watch them grow up and kick a football around. To grow hope and happiness. And I believe in this dream...with all my heart."*
>
> *Prof Robin Kinsley*

The need

One in 100 babies are born with a structural heart defect, making congenital heart disease (CHD) the most common birth defect in the world. Each year, an estimated 3 000 South African children die or remain disabled from their diagnosed and treatable CHD while waiting for treatment at public hospitals.

As a public private collaborative initiative, we utilise excess capacity at Ethekwini Hospital and Heart Centre to facilitate surgery for indigent patients. These children can be treated on an elective basis and the heart disease is likely resolved, at least for several years or even decades, with one operation or intervention.

The Children's Cardiac Foundation of Africa as a force for social good

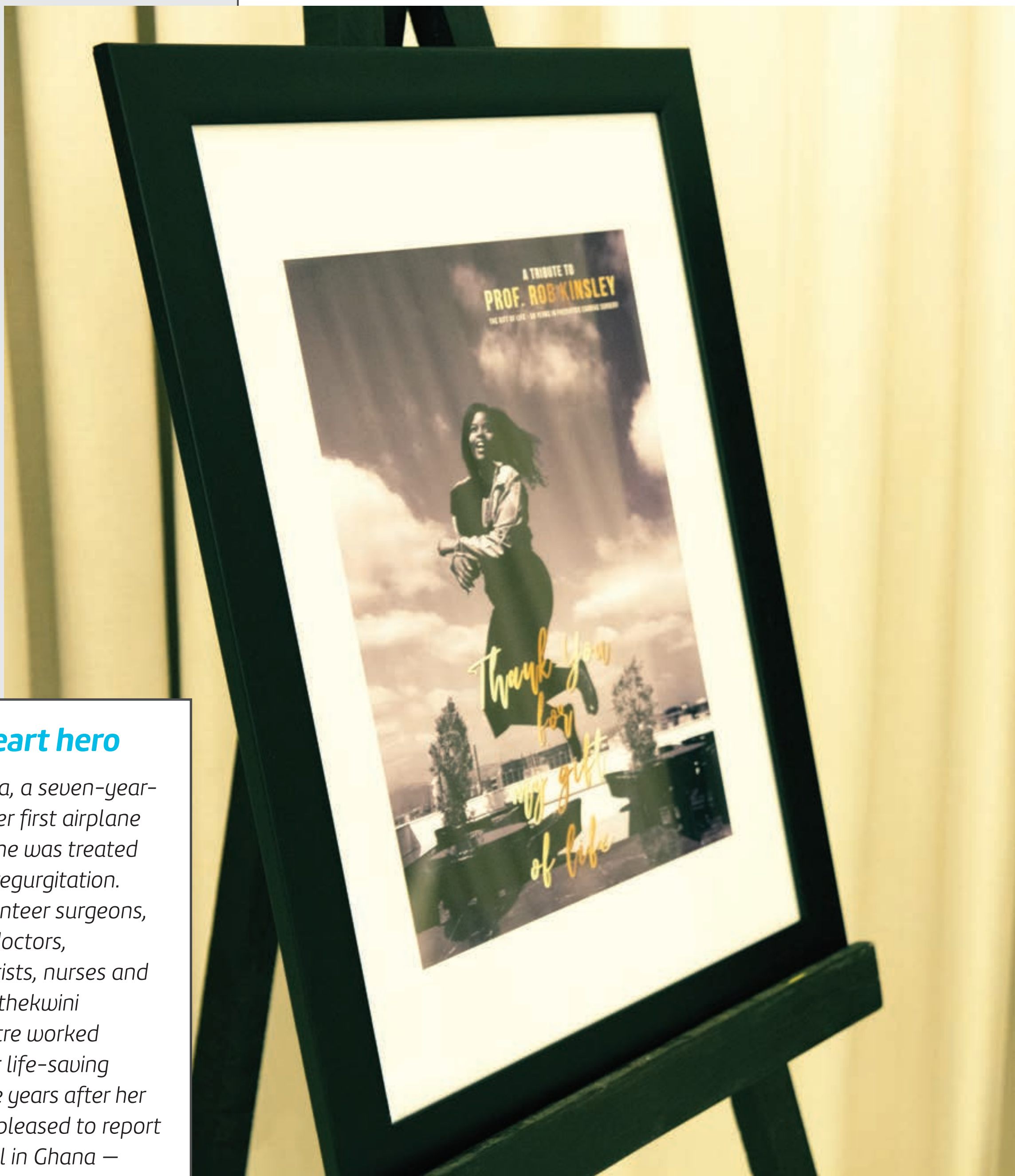
The consequences and costs of untreated CHD are considerable. Survivors of CHD without surgical intervention require frequent hospital visits and repeated admissions for the complications of unoperated CHD. The continued need for highly specialised medical treatments places a significant financial and psychological burden on already impoverished caregivers, with up to 15% of families requiring mental health services due to the child's condition.

Our work with children's heart disease acts as a strong commitment to attending to the healthcare needs of African children and families affected by CHD. Better care for these children will not only result in significantly fewer missed school and work days (for parents) but can act as a catalyst to improve paediatric healthcare by freeing up resources previously used to treat unoperated CHD patients.

Lenmed's commitment to heart healthcare in children

To help the Foundation reach its target of treating 300 children by 2021, Lenmed has committed R2 million to cover the operational costs of the Foundation, so donor contributions are never used to cover administration costs. Furthermore, Ethekwini Hospital and Heart Centre is proud to support the work of the Foundation by providing use of its state-of-the-art theatres and wards at no cost.

*Visit **www.tccfa.org** if you would like to find out more about The Children's Cardiac Foundation of Africa.*



Meet our first heart hero

In February 2019, Zahara, a seven-year-old from Ghana, took her first airplane ride to Durban, where she was treated for severe mitral valve regurgitation. A team of over ten volunteer surgeons, paediatric and cardiac doctors, perfusionists, anaesthetists, nurses and other support staff at Ethekwini Hospital and Heart Centre worked together to perform her life-saving surgery more than three years after her initial diagnosis. We are pleased to report Zahara is back at school in Ghana — a healthy little girl, ready to face her future with excitement.

Human resources

CREATING VALUE

Our employee practices are designed to cultivate and harness the power of employee skills and commitment. By living the Lenmed brand promise and values, we can differentiate ourselves through a people-centric approach and excellence beyond the call of duty.

WHAT IT IS

People's competencies, capabilities and experience, and their motivation to innovate, including their:

- alignment with an organisation's governance framework, risk management approach and ethical values
- ability to understand, develop and implement an organisation's strategy
- loyalty and motivation for improving processes, goods and services, ability to lead, manage and collaborate

HIGHLIGHTS

Through implementing SAP our **PAYROLL PROCESSES** and efficiencies are enhanced

LENMED'S WELLNESS WEEK, held in October 2018, screening employees for HIV, cholesterol, glucose and BMI

Welcomed our first **INTERNATIONAL NURSE** from India in March 2019

CHALLENGES

+ Scarcity of skills
+ Retention of doctors is an increasing concern as new hospitals create demand for more professionals than currently graduating from medical colleges
+ Maintaining and improving B-BBEE ratings under the new code

OPPORTUNITIES

+ Enthusiastic and loyal staff
+ Establishing highly motivated, competent, and empowered middle management teams at every hospital
+ Training nursing practitioners

LOOKING AHEAD

+ Attract experienced and skilled nurses to the Group
+ Establish a nursing training facility
+ Develop a Group employee culture that promotes loyal and enthusiastic employees to help implement Group strategy

Employment equity and Group headcount

The Lenmed Group currently employs 2 986 employees (2018: 2 510 employees). The below table reflects the breakdown per category, including racial and gender differentials. The increased employee headcount is somewhat due to the opening of the Royal Hospital and Heart Centre in Kimberley.

Total summary											
Occupational levels	**Male**				**Female**				**Foreign nationals**		**Total**
	A	**C**	**I**	**W**	**A**	**C**	**I**	**W**	**M**	**F**	
Top management	0	0	3	1	0	0	0	0	0	0	4
Senior management	1	1	9	4	0	0	2	7	0	0	24
Professionally qualified and experienced specialists and mid-management	2	2	9	5	3	3	17	15	0	0	56
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	56	4	26	10	380	72	186	63	7	20	824
Semi-skilled and discretionary decision making	113	22	74	5	572	76	190	66	1	2	1 121
Unskilled and defined decision making	73	8	6	0	123	13	35	4	3	0	265
Total permanent	245	37	127	25	1 078	164	430	155	11	22	2 294
Temporary employees	0	0	0	0	3	1	3	0	0	0	7
Total South Africa	**245**	**37**	**127**	**25**	**1 081**	**165**	**433**	**155**	**11**	**22**	**2 301**
Total Botswana	**101**				**262**				**22**	**26**	**411**
Total Mozambique	**88**				**172**				**7**	**7**	**274**
Total Lenmed employees	**623**				**2 268**				**40**	**55**	**2 986**

Disability statistics for the Group

We have a total of 27 permanently employed staff that live with disabilities. The Employment Equity Act guides employers and workers on promoting equal opportunities and fair treatment for people with disabilities. Lenmed is committed in helping raise the profile of people with disabilities within our organisation.

	Ahmed Kathrada Private Hospital	**Daxina Private Hospital**	**Ethekwini Hospital and Heart Centre**	**Head Office**	**Kathu Private Hospital**	**La Verna Private Hospital**	**Royal Hospital and Heart Centre**	**Randfontein Private Hospital**	**Shifa Private Hospital**	**Zamokuhle Private Hospital**	**Bokamoso Private Hospital**	**Maputo Private Hospital**	**Total**
Workforce profile	464	89	540	67	78	213	204	145	329	172	411	274	2 986
Disability	8	0	1	1	1	5	0	8	0	3	0	0	27

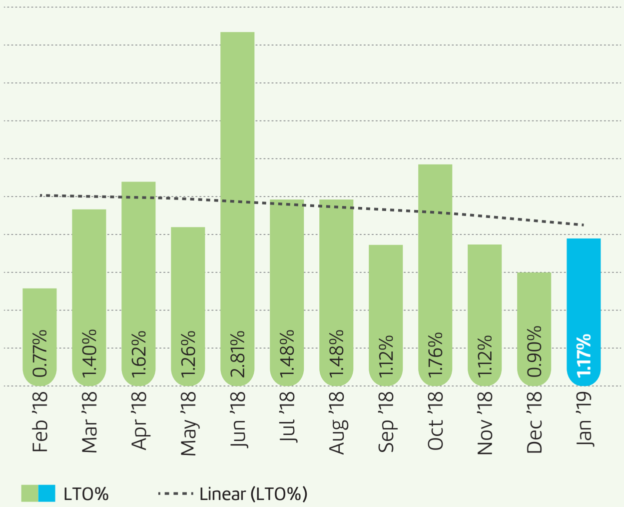
***Human resources** continued*

Labour turnover

Labour turnover refers to the rate at which employees leave employment and measures the number of employees leaving their employment during a period of time to the total or average numbers employed in that period.

Lenmed's staff turnover has reduced significantly in the last financial year, averaging 1.41% annually when compared to industry norms.

LENMED'S LABOUR TURNOVER
12-month average



Training achieved against plan

Lenmed is committed to training and developing our workforce, evidenced by the onboarding of a training specialist to assist in developing and managing a streamlined process that promotes learning and development. Lenmed largely focuses training initiatives in priority areas, such as nursing, which forms the core of our business.

In total, Lenmed has been granted 37 learnership programmes through the relevant SETAs.

	No of employees in SA	Training target	Training completed	% of completed training
Total	2 505	4 822	4 008	83%

Employee assistance programme – KAELO

Kaelo has been Lenmed's wellness partner since 2015 and is entrenched in our business. Kaelo's guidance, expertise and involvement in all facets of our employee health initiatives are invaluable. Kaelo ensures that the Employee Assistance Programme is well-positioned across all stakeholders within our workforce and works with our internal stakeholders to identify emotional and social risks within Lenmed.

Kaelo has shown remarkable progress in creating a footprint in our organisation. Staff participation and interactions increased year-on- year from 173 cases in 2017 to 341 for the 2018 calendar year.

		2017	Jan to July 2018	Aug 2018	Sep 2018	Oct 2018	Nov 2018	Dec 2018
Staff base		1 914	1 933	1 957	1 957	2085	1988	1988
Unique individual employees' interactions		403	246	91	75	100	117	165
Interactions with employee's family/ dependants		4	5	3	1	0	1	0
Total cases	Financial advice	24	16	5	4	3	3	0
	Group interventions	20	11	5	6	1	0	0
	Legal advice	24	26	3	5	4	3	4
	Managerial support	25	22	4	2	6	6	1
	Onsite face-to-face counselling	0	0	0	0	0	0	0
	Offsite face-to-face counselling	11	7	3	0	0	3	1
	Telephonic counselling	69	75	17	6	27	27	28
	Total new cases	**173**	**157**	**37**	**30**	**41**	**42**	**34**

Wellness day participation

Lenmed hosted a wellness day for all staff in September 2018. We believe this initiative is an investment in the physical and mental health of employees by creating a healthier, happier and more relaxed environment. This in turn can improve the overall productivity, health and morale of staff, while reducing stress levels in the workplace.

Individual participation in the wellness day promotes sharing and provides opportunity to engage in activities that bring meaning and value to daily living, as well as individual wellness. Health checks included:

BMI	Healthy lifestyle
Cholesterol	Eye tests
Blood pressure	

Virgin Active trainers were present on the day and conducted 30-minute workout sessions with our staff to encourage healthy living through fun activities.

B-BBEE

Broad-Based Black Economic Empowerment (B-BBEE) aims to ensure that the economy is structured and transformed to enable the meaningful participation of the majority of its citizens and to further create capacity within the broader economic landscape at all levels thereby promoting the entry of black entrepreneurs into the mainstream of economic activity, and the advancement of cooperatives.

During the period, we awarded:

27 employee learnerships	5 learnerships for unemployed persons	2 internships 2 bursaries	1 work experience grant

Our 32 learnerships are split across our hospital bases, with learners studying:

- Bridging Diploma: Nursing General (two years)
- Post Basic Diploma: Operating Theatre Nursing Science
- Advanced University Diploma: Midwifery and Neonatal
- NC: Pharmacist Assistant
- FETC: Pharmacist Assistant

Total funding from the Health and Welfare Sector Education and Training Authority (HWSETA) this year is R1 147 000. These initiatives promote skills development as part of maintaining and improving our B-BBEE rating.

Additionally, Lenmed sponsored 65 unemployed disabled learners currently completing their Business Communications course through LearnMe Skills Development Academy. This programme will provide learners with valuable skills to enter the workplace and thrive in a corporate environment.

We partnered with sparrow FET college and granted six unemployed learners living with disabilities the opportunity to gain work experience at Lenmed as part of their administrative qualification.

Lenmed hosts several community initiatives to promote wellbeing and provide health education in rural and surrounding communities. Initiatives include:

- Career guidance provision to students at the University of Pretoria
- Wellness at Grace Bible Church in Lenasia
- A hospice in Tembisa
- A wellness event at Laudium Primary School in conjunction with Acts of Love, a non-profit organisation

International nurse recruitment project

Lenmed embarked on an initiative to integrate nurses from Asia into our nursing team. These nurses are known to have a special caring attitude and we hope by doing this, the positive culture of caring within our hospitals will be intensified. Lenmed is committed to enhancing nursing and patient care and promoting practice excellence across the Group.

On 1 March 2019, we welcomed our first professional nurse, Mr Jacob Thomas from Kerala, India. Lenmed expects to welcome two more professional nurses during the course of 2019.

Lenmed leadership journey

Lenmed is growing quickly in a competitive industry. With focused investment in leadership and organisational development, this growth is likely to be significantly more sustainable. For this reason, Lenmed embarked on a development journey with the leadership team to yield many direct and indirect benefits such as:

- High levels of engagement linked to improved productivity
- Greater clarity and accountability at every level
- Enhanced decision making due to people having an array of tools equipping them to handle different situations
- A culture of sound governance linked to reduction in operational and financial risks
- Enhanced teamwork and inter-departmental knowledge sharing and collaboration

The programme is aimed at developing leadership from hospital management and Group levels up to Exco. We have successfully completed the first two phases of the programme – the building of the necessary frameworks that promote these benefits and the assessing of the leadership team through 180- and 360-degree customised assessments tailored for their specific roles. Presently, we are mapping the leadership journey to enhance skills that promote business and bridge gaps where necessary.

Social and relationship resources

CREATING VALUE

Healthcare is our commodity, but people are our business. We differentiate ourselves through a people-centric approach that focuses on excellence in relationships as well as clinical outcomes. The trust built with our customers, employees, suppliers and communities, in and around our hospitals and over many years, is the cornerstone of our medium- to long-term sustainability.

WHAT IT IS

The institutions and the relationships within and between communities, groups of stakeholders and other networks, and the ability to share information to enhance individual and collective wellbeing. Social and relationship capital includes:

- shared norms, values and behaviours with key stakeholders
- willing engagements with external stakeholders
- intangibles associated with the brand and reputation
- an organisation's social licence to operate

HIGHLIGHTS

A continued improvement in **PATIENT EXPERIENCE** across the Group

Total **CSI SPEND** of R11.5 million

DISCOUNTS of over R9.7 million to financially disadvantaged patients

55 free **CATARACT SURGERIES** performed

Established the Children's **CARDIAC FOUNDATION** of Africa trust

CHALLENGES

- The Lenmed brand remains relatively unknown outside our communities
- Maintaining staff morale and enhancing engagement
- Socio-economic challenges faced by the communities surrounding our hospitals
- Ensuring that our hospital fees remain affordable for patients and medical aid funds

OPPORTUNITIES

- Influence thinking of authorities and in workstreams to create a workable and equitable NHI
- Work with MAFs to develop innovative re-imbursement models
- Improved stakeholder support

LOOKING AHEAD

- Improve patient experience across our hospitals
- Maintain and improve our CSI spend to assist our communities surrounding our hospitals
- Assist the Children's Cardiac Foundation of Africa Trust to facilitate surgery for indigent patients

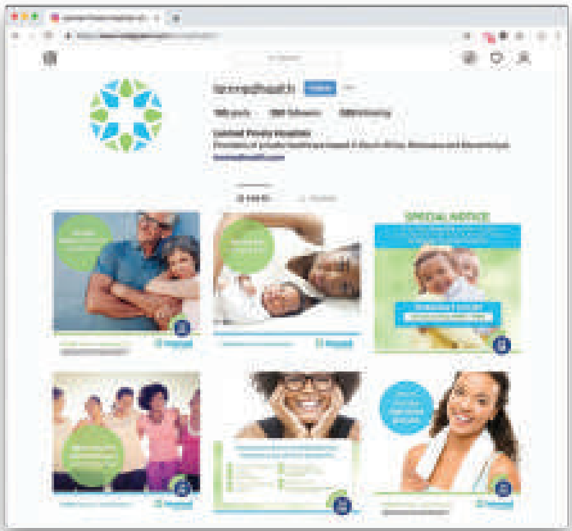
The value of Lenmed's stakeholders

Our social licence to operate depends largely on the quality of our stakeholder relationships and our positive or negative impacts on them. Lenmed's economic growth is underpinned by the value of our relationships with investors, employees, medical practitioners, patients, suppliers and the broader communities in which we operate.

Our approach to community development recognises that our long-term sustainability is linked with that of our communities. We are, therefore, aware of and responsive to the socio-economic challenges faced by the communities surrounding our hospitals.

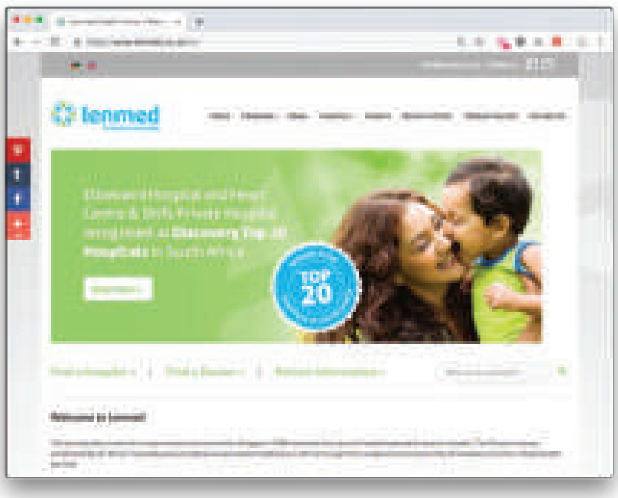
Advertising

During 2018, Lenmed implemented its advertising strategy, with a focus on online advertising and communication. This includes social media and the development of a new website, launching mid-2019.

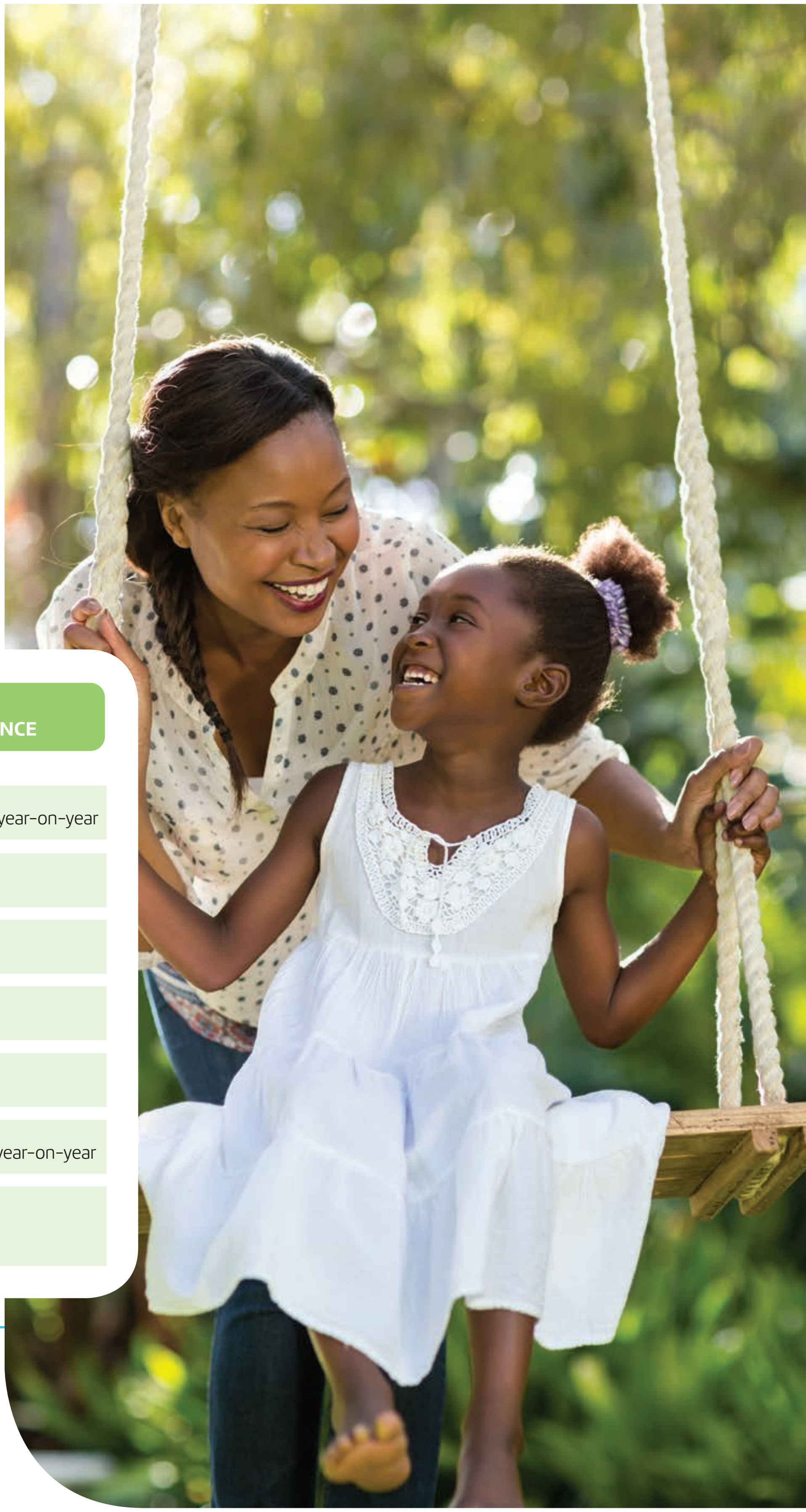


Our social media strategy is founded on providing relevant, helpful, easy-to-understand information to the communities we serve and boosting our presence. A robust content plan was initiated, and typical posts include news and updates at our hospitals, health information, lifestyle tips, event information and general feel-good messages. Our marketing team also posts ad-hoc updates.

During the year, we saw an 80% increase in followers across our platforms and increased engagement. This plateaued later in the year, with a current steady increase of around 100 followers per month.



Social and relationship resources continued



Customer experience

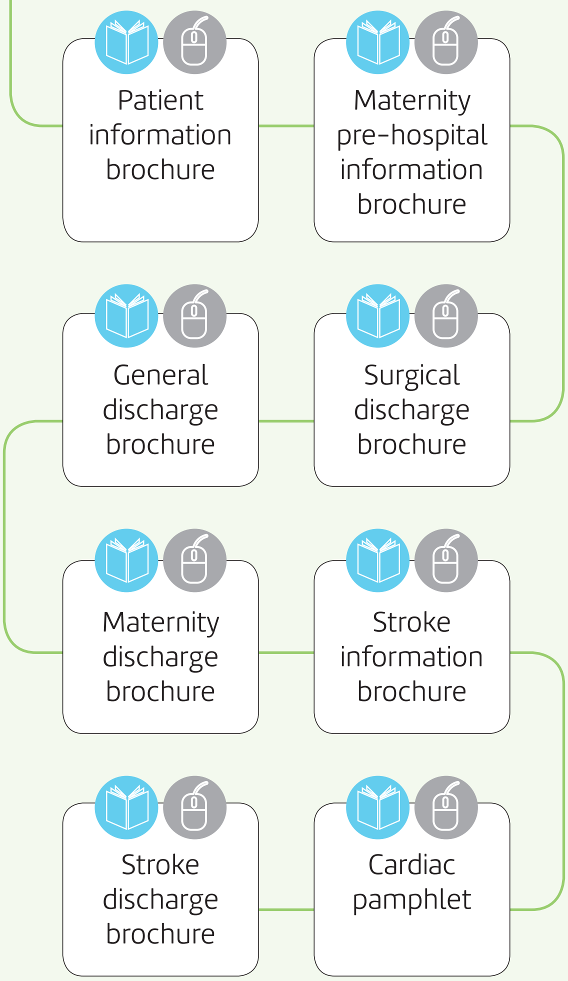
Discovery distributes an annual customer experience survey after patients are discharged from hospital. Of the three eligible Lenmed hospitals, Ethekwini Hospital and Heart Centre and Shifa Private Hospital were rated in the Discovery Top 20 hospitals.

Lenmed also conducts internal scoring assessments whereby patients and their families are provided with numerous opportunities to give feedback on their experiences via our electronic customer experience management system. This method enables us to resolve issues in real time and to monitor and track customer satisfaction trends.

The Hospital Consumer Assessment of Healthcare Providers and Systems (HCAHPS) administers an international standard survey, providing hospitals with a composite score result. Lenmed has implemented the same methodology with the following results:

COMPOSITE SCORE CATEGORY	LENMED'S PERFORMANCE
Overall Hospital Score	↑ over 3% year-on-year
Doctors	↑ 1%
Responsiveness	↑ 2%
Cleanliness	↑ 2%
Quietness	↑ 1%
Medication Information	↑ over 7% year-on-year
Post-Discharge Information	↑ 2%

Our Customer Experience team works to enhance information available to patients — a need identified by our internal EVERYS system. To date, the following is available in hard copy and online:



Additionally, Lenmed signed an agreement with an external provider to provide patients with diagnosis and/or procedure-specific information approved by appropriate specialists.

Customer experience also extends to our doctors and employees. Looking ahead, a rewards and recognition programme will be implemented for our employees, together with the launch of an information handbook. Lenmed acknowledges our doctors' crucial role in ensuring positive patient experiences and contributing to the success of our business. In light of this, a doctor survey is set to be launched in 2019 to better understand their needs. Improved communication forms part of our strategy, with a specialised doctor newsletter launching in early 2019.

Corporate social investment

Community involvement

Our hospitals participated in the following wellness days, awareness campaigns, and community contributions:

- TIBA cataract campaign
- Right to Sight campaign
- Trauma community outreach
- Stroke awareness
- Sports day
- Community donations
- Community tuition fees
- CEO sleepout
- Ghandi Walk
- Wellness days
- Nelson Mandela Day

Learnership programme

Lenmed partnered with LearnMe to offer a 12-month learnership programme to 42 learners from Johannesburg, Pretoria, Eldorado Park and Lenasia. Learners were enrolled in a Business Practice Qualification and received a General Education and Training Certificate: Business Practice upon completion.

The learnership comprises two components — fundamental and core. The fundamental component enables learners to communicate and work with figures in a business environment, while the core component offers empowerment in the areas of technology, life orientation, human and social sciences (customer service), economics and management (entrepreneurship), as well as cognition theory and practice. The qualification is aimed primarily at entry-level personnel, particularly those operating their own business or who are part owners in a business. It provides grounding in the key business essentials, while offering a range of elective choices to prepare learners for the world of work. It seeks to embed the six key literacies required by business organisations: Numeracy, Literacy, Entrepreneurial, Financial, Technological and Cognitive.

Of the 42 learners, five have received permanent or part-time employment so far.

Skills programme

A skills programme was conducted through LearnMe for 65 disabled learners from the Steelpoort and Rustenburg areas. Learners were taught oral and written communication skills in a business and personal context. They were equipped with life skills, including HIV training and social skills, to assist them in their day-to-day activities and improve their quality of life, enabling them to better integrate into society and the workplace.

Intellectual resources

CREATING VALUE

In an industry heavily reliant on scarce skills and intellectual property, our economic value is not based solely on our 'bricks and mortar' healthcare facilities. How we extract the greatest value from operating these assets is a key to long-term viability. Leveraging our intellectual capital, whether learned within and outside of healthcare, enables us to implement our value creation strategy.

WHAT IT IS

Organisational, knowledge-based intangibles, including:

- intellectual property, such as patents, copyrights, software, rights and licences
- 'organisational capital' such as tacit knowledge, systems, procedures and protocols

HIGHLIGHTS

Ethekwini Hospital and Heart Centre was the first hospital to perform **PAEDIATRIC CARDIAC SURGERY** in KwaZulu-Natal

Royal Hospital and Heart Centre has the only oncology unit in the Northern Cape to offer **RADIOTHERAPY AND CHEMOTHERAPY**

Lenmed owns the **ONLY RESPONSE VEHICLE** in Africa equipped to treat heart attacks and strokes before reaching a hospital

Implemented an online clinical decision support system – **BLUEBIRD** – to focus on patients at risk of infection and carry out therapeutic interventions

CHALLENGES

+ Continually introducing cutting edge technology and equipment, including artificial intelligence
+ Implementation of new technologies in operating systems and the wards
+ Compliance with statutes, regulations and government policies

OPPORTUNITIES

+ Improvements in patient outcomes will attract doctors and patients
+ Training nursing practitioners
+ Secure medical product lines
+ Develop models that provide lower risk and lower costs to patients
+ Expand the capacity of existing facilities

LOOKING AHEAD

For the current 2019/2020 financial year, we have prioritised:

+ Optimising information-sharing platforms
+ Encouraging a culture of innovation

Institutional knowledge

Healthcare is a knowledge-intensive industry. Medical technology evolves exponentially, and people expect best practice, yet affordable, healthcare.

Lenmed's intellectual capital is a strategic resource that enables the Group to compete in this dynamic environment. We provide quality and cost-effective medical care by retaining high-calibre specialists and experienced employees across all disciplines, supported by the latest medical technologies.

Lenmed's clinical governance is managed through four main pillars:

Implementation of SAP ERP

A phased roll-out of the SAP Enterprise Resource Planning (ERP) system commenced in 2016.

Implementation in our South African facilities is over 90% complete and has been well-managed for minimal disruption to these operations.

The bedded down SAP system offers numerous operational enhancements, such as:

- improved customer service
- efficient patient processing
- simpler and more productive administration
- accessing information from anywhere, at any time, to allow better reporting and faster decision making

SAP will enable Lenmed to compete more keenly in customer experiences and clinical outcomes. All information captured is stored securely, in accordance with local legislation and global best practices.

Leveraging technology

The development of an alert and incident reporting system is almost complete and will be launching soon. The electronic online application will minimise the current manual and paper-based process. As a Group, it is important for us to access information to understand our alert and incident trends and to minimise any harm (or potential harm) caused to our patients, employees and customers. Access to this information will allow us to determine trends and to implement appropriate preventative or corrective actions. Underpinning this is incident investigation training for all our incident investigators.

Infection prevention and surveillance

During the reporting period, Lenmed launched an online clinical decision support system called Bluebird that integrates, in real time, the location, laboratory and prescribing data on all patients with possible infections. This system assists clinicians in focusing on at-risk patients and implementing therapeutic interventions. Bluebird is currently in all our South African hospitals. In its short time of use in our facilities, we are encouraged by the positive results already shown in improving patient safety. Through greater utilisation of the system, we hope to better identify and manage infections and improve appropriate antimicrobial utilisation.

Natural resources

CREATING VALUE

Our business activities inevitably deplete natural capital resources and generate waste. We accept that we are morally obligated to reduce or mitigate our negative impact on natural resources. Ultimately, we are working towards a more sustainable environment for all.

WHAT IT IS

All renewable and non-renewable environmental resources and processes that provide goods or services, including:

- air, water, land, minerals and forests
- biodiversity and ecosystem health

HIGHLIGHTS

Three additional Lenmed facilities have received internal approval to be equipped with **SOLAR POWER**, which will be implemented in the 2019 calendar year

LOOKING AHEAD

During 2019/2020, we will be focusing on:

+ Solar power installations
+ Water and waste initiatives

CHALLENGES

+ Balancing natural and financial capital trade-offs. For example, the economic feasibility of projects such as renewable energy. A financial investment into renewables depletes financial capital in the short term yet delivers long-term cost savings in an environmentally friendly manner
+ Instability of power and water supply

OPPORTUNITIES

+ Optimise energy management and efficiency opportunities in our buildings
+ Continue rolling out smart electricity and water metering to better manage our usage patterns and possibly identify further savings opportunities
+ Continue implementing renewable sources of energy

Lenmed's natural capital comprises energy, water and waste.

As a responsible corporate citizen, Lenmed conducts its business in an environmentally proactive manner. We are actively seeking to reduce our carbon footprint and consumption of natural resources.

Recognising power and water shortages in Southern Africa as an ongoing reality, Lenmed continues evaluating solar energy, boreholes and other measures to further reduce usage of natural capital.

Utilities awareness

Lenmed is embarking on a project to improve utilities awareness, specifically focusing on energy and water monitoring using smart metering. These smart meters, installed at each hospital, will provide us with instant and up-to-date information regarding individual hospital, and overall Group, utility consumption. In time, these insights will allow for better visibility, optimisation and efficiency planning.

We partnered with data-driven storytelling company, The Awareness Company, to deliver real-time analyses, insights and visualisations via their HYDRA HealthCare solution. All data will be aggregated and integrated into a holistic, single situational-awareness view, allowing operational and strategic-level management to make better informed decisions.

Key outputs of the project include:

+ The display of real-time information and visualisations
+ Detailed usage reporting of energy consumption
+ Tracking of outages
+ Real-time dashboard across all hospitals
+ Real-time cost analyses
+ The creation of a virtual location-based status of hospitals with smart meters
+ Uncovering insights, including time and location-based trends and analyses
+ Understanding and uncovering information and reports needed for intervention verification

Through this project, Lenmed actively engages in and employs innovative healthcare technology.

ENVIRONMENTAL REPORT

Although we have not yet formalised our environmental management system, we acknowledge this project must be prioritised soon. The healthcare industry is classified as relatively low impact in environmental terms, but all economic sectors are compelled to reduce their environmental impacts.

Lenmed has instituted several initiatives to reduce our environmental risks and impacts.

Reducing energy consumption

The installation of PV solar systems at Ahmed Kathrada Private Hospital reduced our fossil-derived energy consumption in the last year.

Waste

Over the past year, Lenmed made significant strides to reduce its production of hazardous waste. Using strategic procurement and increased awareness training, Lenmed managed to reduce the cost of disposal of waste.

Exploring opportunities to reduce domestic and hazardous waste will remain an ongoing exercise.

Water

Although the healthcare industry is classified as having a relatively low impact on water resources, we are paying attention to managing our water usage. Lenmed's facilities management team is presently evaluating the feasibility of introducing aerated taps and low flow shower heads throughout our hospitals.

The Royal Hospital and Heart Centre has a total water storage capacity of 268 000 litres, which equates to a four-day water supply.

Water storage capacity has been increased at Randfontein Private Hospital and Maputo Private Hospital by 20 000 and 40 000 litres respectively.

Boreholes have been drilled at the Ahmed Kathrada, Randfontein, Daxina, Maputo and Shifa Private hospitals. The Shifa Private Hospital project yield is significant enough to sustain the hospital independently. The two boreholes at Bokamoso Private Hospital were commissioned to irrigate the ground around the hospital.

The Gauteng central laundry system at Randfontein Private Hospital has implemented a water recycling process to minimise our usage of municipal water.

Green facilities

The Royal Hospital and Heart Centre in Kimberley was built as a highly energy-efficient facility. Its external envelope reduces the environmental load of the internal areas. This hospital was designed for the easy and cost-effective installation of PV solar systems.

Facilities such as Zamokuhle and Ahmed Kathrada Private hospitals implemented energy saving lighting for their outside areas, which has significantly impacted on electrical demand at night.

Lenmed's ongoing renovation programme incorporates green design principles and, among other actions, removes original asbestos structures where these are found.

Clinical governance report

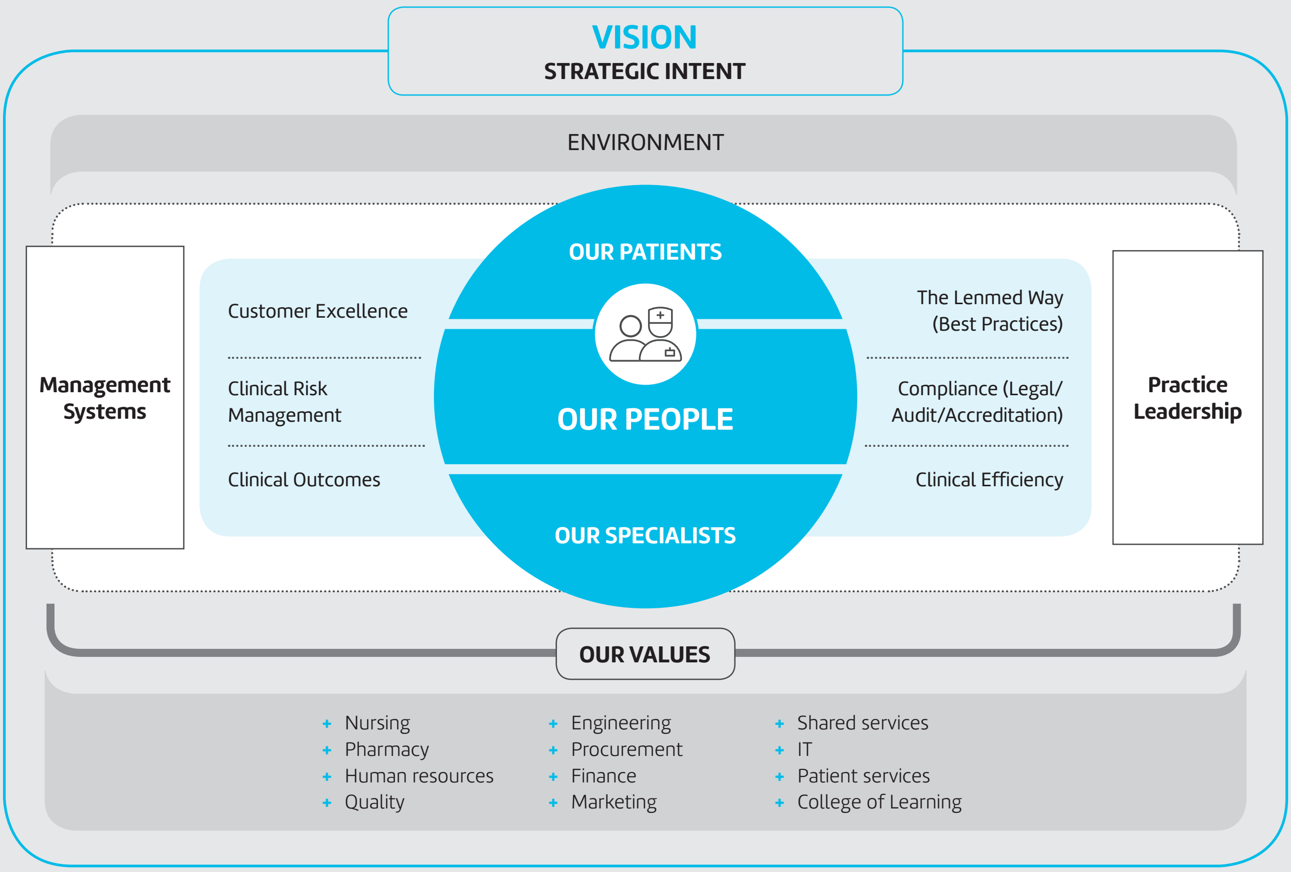
Introduction

It is a year since Lenmed's clinical governance framework was launched — striving for improvement in clinical quality has become a key focus for the Group. Implementation of the clinical governance framework is being driven through the Group Clinical Governance Committee and through Lenmed's senior management (i.e. Hospital Managers and Group Managers). Successful implementation of this framework is only possible through these senior managers, who provide strong leadership, visible and active support, and demonstrate commitment towards clinical governance.

Clinical governance framework and pillars

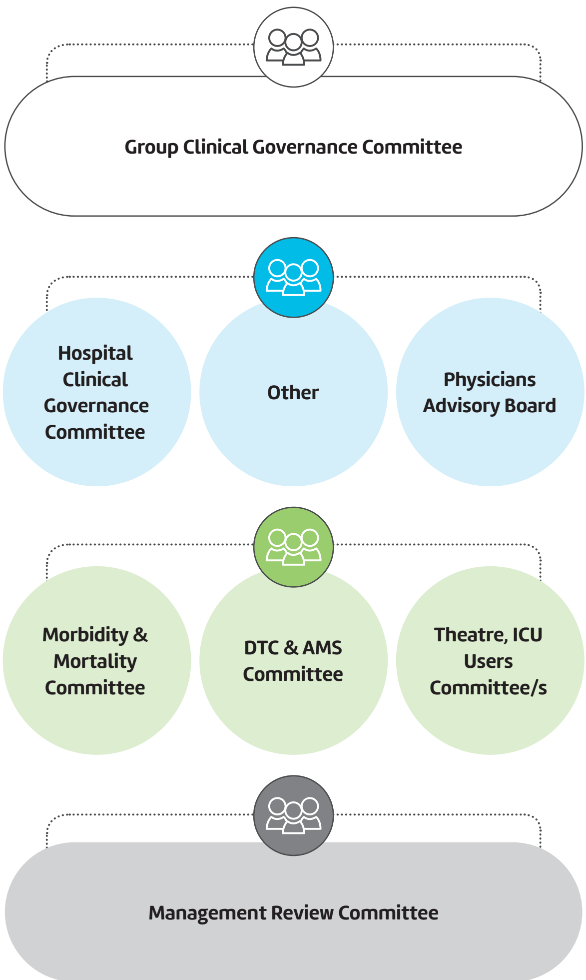
The framework is built on the Lenmed values and at the foundation are the standards, policies and procedures determined by our Group functions. **Our people, patients and specialists** are at the core of the framework, supported by the clinical governance pillars. Both sides represent our management systems and leadership practices. The overarching and driving force are the Group's vision and strategic objectives.

Within each pillar are outputs (or improvement expectations), driven by Group Managers individually or collectively and in collaboration with hospital leadership and operational teams.



Governance structures

Illustrated below are the governance structures currently in place — implementation of the clinical governance framework is driven through the appropriate governance structures. Hospital Managers (and elected Chairmen) play a key role in ensuring that these governance structures are targeted at the appropriate audiences and context, that structures are working and functioning effectively, and that regular feedback is provided to the Group Clinical Governance Committee (a Board sub-committee). For this purpose, various clinical policies and documentation have been developed, which will guide the hospital manager and relevant chairpersons.



DTC — Drug and Therapeutics Committee
AMS — Antimicrobial Stewardship Committee
ICU — Intensive Care Unit

CLINICAL GOVERNANCE PRIORITIES AND PROGRESS REPORT

During the reporting period, the Chief Medical Officer established key clinical governance priorities, which are illustrated below. Progress has been made against certain initiatives; however, more work is required in the financial year to fully embed and sustain improvement.

CUSTOMER EXCELLENCE 01

+ Patient experience management

CLINICAL RISK MANAGEMENT 02

+ Incident & risk management
+ Infection prevention
+ AMS

CLINICAL OUTCOMES 03

+ Clinical programmes (AMI, stroke)
+ Mother & child
+ HAI statistics

BEST PRACTICE 04

+ Clinical training & development
+ Nursing quality & staffing
+ Clinical policy development

COMPLIANCE 05

+ Clinical governance structures
+ Compliance audit

CLINICAL EFFICIENCY 06

+ Hospital CPE management
+ Group formulary compliance & conversions

HAI — hospital acquired infections
AMI — acute myocardial infarction
CPE — cost per event

__Clinical governance report__ continued

CUSTOMER EXCELLENCE 01

Patient experience

Improving patient discharge – patient discharge information is increasingly important for improving clinical outcomes and reducing hospital costs. The Group has implemented several initiatives within this reporting period:

+ Customer experience workshops have been held in each region driving accountability for the customer journey, including the focus on the patient discharge process. In the coming months, we will be implementing this monthly via specific customer experience themes. It will include the use of scripting when communicating discharge information to patients.
+ Post discharge information pamphlets have been developed for specific clinical programmes, e.g. stroke and AMI and for the needs of our medical, surgical and maternity patients.
+ We have automated our nursing unit customer experience reports with each Unit Manager receiving a specific customer experience dashboard monthly. These dashboard views will include the types of issues occurring in the unit, scores and ratings, trends, and a comparison with other similar units.
+ Lenmed's refurbished website will include a patient information library – on discharge each patient will receive an SMS with a link to a library of discharge information.

Role of clinical pharmacy in patient experience – during the reporting period, pharmacist ward rounds were introduced, where pharmacy professionals interact directly with staff and patients. The main aim of this project is education, where adequate medicine-related information is provided to staff and patients. We have seen a positive impact on our patient experience scores, in both internal and external reporting.

CLINICAL RISK MANAGEMENT AND COMPLIANCE 02

Risk assessment

The Lenmed risk assessment methodology was introduced to the Group in October 2018. All hospitals were trained on the methodology and, for the first time in Lenmed hospitals, comprehensive clinical risk assessments were conducted by hospital operations teams. Each hospital has produced its own risk register and has documented risk action plans to mitigate operational risks related to patient and employee health and safety. As a Group, we will be focusing on the most serious risks across all hospitals and together, we will collaborate to ensure we mitigate these Group risks.

Alert and incident reporting and management

The development of an alert and incident reporting system has been a year in the making and we are happy to report that we are on the brink of launching this electronic online application, which is going to minimise the current manual and paper-based process. As a Group, it is important for us to access information to understand our alert and incident trends and to minimise any harm (or potential harm) caused to our patients, employees and customers. Access to this information will allow us to determine trends and to implement appropriate preventative or corrective actions. Underpinning this is incident investigation training for all our incident investigators.

Compliance with industry benchmarks, legal requirements as well as Group standards and priorities

During the reporting period, Lenmed conducted its first set of internal compliance audits of our hospital operations. The overriding objective was to assess compliance to Lenmed standards, policies and procedures and, also compliance to any relevant legislative framework, as well as to establish a benchmark. The overall score achieved by the Group indicated that we are largely compliant with internal standards. Both the Group and its hospitals have collaborated to close out all audit findings.

Infection prevention and surveillance

During the reporting period, Lenmed implemented an online clinical decision support system that integrates, in real time, the location, laboratory and prescribing data on all patients with possible infections. This system is called Bluebird. Bluebird assists clinicians to focus on at-risk patients and to implement therapeutic interventions. Bluebird has been implemented in all Lenmed hospitals, apart from Bokamoso Private Hospital and Maputo Private Hospital. Although it is early days in the implementation, we are encouraged by the positive results this system has already shown in improving patient safety. Through greater utilisation of the system, we hope to better identify and manage infections and improve appropriate antimicrobial utilisation.

Antimicrobial stewardship (AMS)

Pharmacists within Lenmed actively participate in the multi-disciplinary team providing information and guidance on the selection, use and treatment options for all antimicrobials. The key focus areas here are: to improve the awareness and understanding of antimicrobial resistance, to reduce the incidence of infection, and to optimise the use of antimicrobial agents. These key focus areas are aligned to the South African National Strategic Objectives and World Health Organisation's Global Action Plan. Measurement of the impact of all interventions is currently manual; however, the implementation of Bluebird and the integration of SAP has provided a platform for exploring electronic reporting in the coming year.

CLINICAL OUTCOMES 03

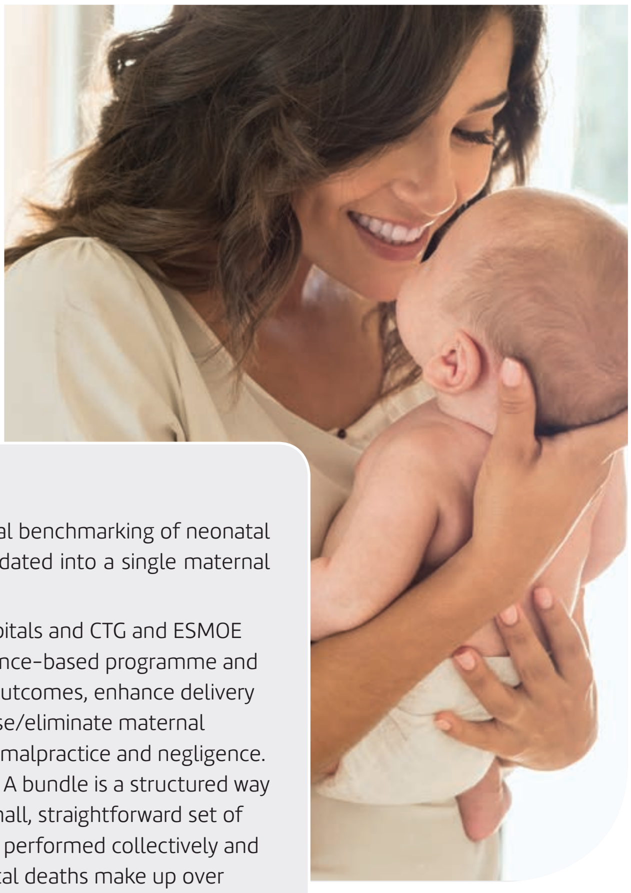
Documentation and improvement in clinical outcomes are a critical component of clinical governance and, in the period under review, we have focused on key clinical disciplines.

Lenmed AMI programme

The overriding objective for introducing the Lenmed AMI programme is to save lives, i.e. to reduce preventable deaths from AMI and to improve patient quality of life. With the improvement in key care components and by sustaining the success of the AMI programme, we believe that inpatient mortality rates will decrease and savings in cost of care are anticipated. The AMI programme has been implemented at Ethekwini Hospital and Heart Centre and Bokamoso Private Hospital, with positive results being achieved. We have instituted Cardiac Committees at two of our cardiac centres, which has resulted in improved collaboration between ambulance services, emergency units, cardiologists, and cardiothoracic surgeons. These committees aim to ensure that the best possible AMI outcomes are achieved and entrenched.

Stroke accreditation

During this period, the Lenmed Stroke Programme (LSP) has been reviewed at Ahmed Kathrada Private Hospital and we believe we are ready to pursue accreditation through the South African Stroke Society.



Mother and child initiatives

BetterObs, Best Care Always neonatal ICU bundles and international benchmarking of neonatal care using the Vermont Oxford Network (VON) have been consolidated into a single maternal and neonatal project:

+ **SASOG BetterObs** guidelines have been implemented in all hospitals and CTG and ESMOE training has been provided to all midwives. BetterObs is an evidence-based programme and the training is designed to promote excellent maternity clinical outcomes, enhance delivery of healthy babies, standardise obstetrics clinical practice, minimise/eliminate maternal mortality and morbidity and, decrease opportunities for medical malpractice and negligence.
+ We are actively driving compliance to **neonatal bundles of care**. A bundle is a structured way of improving the processes of care and patient outcomes — a small, straightforward set of evidence-based practices — generally three to five — that, when performed collectively and reliably, have been proven to improve patient outcomes. Neonatal deaths make up over 30% of infant mortality. Examples of these bundles of care are neonatal sepsis, chronic lung disease, necrotising enterocolitis in infants born with a birth weight of <1.5 kgs.
+ We are engaging with the Paediatric Management Group of South Africa (PMG SA) on **VON membership**. PMG SA, in partnership with VON, encourages membership of South African based neonatal centres. VON is a database that holds outcomes information on more than 2 million infants. VON analyses data for members and facilitates benchmarking activities. It supplies quarterly and annual reports with patient characteristics, treatment practices, morbidity and mortality, length of stay (as examples).

HAI statistics

The table below reflects the HAI rates across all Lenmed hospitals over a period of four years. Please note that the increase in HAI rate from 2018 to 2019 is expected with the improved reporting using Bluebird. As a Group, our overall HAI was 0.40 infections per 1 000 ppds, compared to 0.49 infections per 1 000 ppds the previous year.

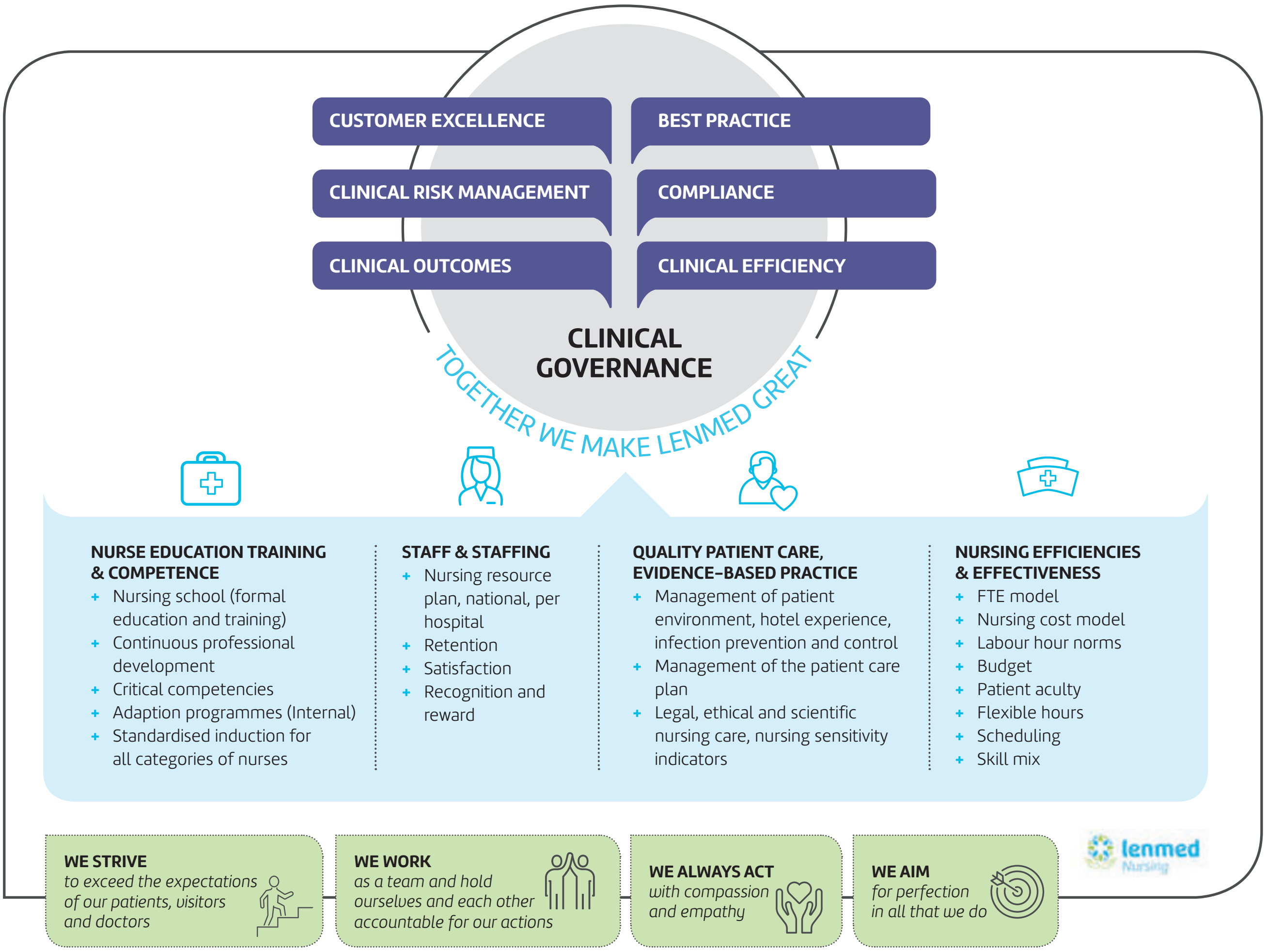
Measure	Benchmark	**2019**	2018	2017	2016
VAP	0.65 per 1 000 ventilated days	**0.72**	0.4	0.55	0.51
SSI	1.30 per 1 000 theatre cases	**0.88**	0.35	0.53	0.25
CLABSI	2.00 per 1 000 central line days	**0.72**	0.23	0.12	0.56
CAUTI	2.25 per 1 000 catheter days	**0.60**	0.15	0.39	1.06

VAP — ventilator acquired pneumonia
SSI — surgical site infections
CLABSI — central-line acquired blood stream infections
CAUTI — catheter associated urinary tract infections

Clinical governance report *continued*

THE LENMED WAY – BEST PRACTICE 04

THE LENMED NURSING MODEL



Lenmed nursing model and strategy

As a Group, we have reviewed our nursing model and philosophy. This model is designed to differentiate the Lenmed nursing community from its peers and competitors. The pillars of the model are the key performance indicators for nursing. They are translated into a prioritised work plan to meet the strategic intent of growth and service delivery excellence.

Nursing quality and evidence-based practice

The key focus here is on our specialised units and specifically ICU and high care. Evidence-based standards, policies and procedures will be reviewed/developed and implemented during the coming year to ensure that we mitigate any risks in these specialised units. They will focus on patient care, infection prevention and control, the patient environment, and patient experience.

Nursing labour hours, cost, efficiency and effectiveness

Lenmed has reviewed its labour hour tool to establish a realistic full time equivalent (FTE). FTE informs the annual budgeting process, as well as the hospital and Group nursing workforce plan. All hospitals have used this tool in the budgeting process for the 2019-2020 financial year. In addition to the FTE, the acuity assessment and labour hour norms for Lenmed have been reviewed and the priority for implementation is in the ICU and high care units. The aim here is to ensure that the levels of care and nursing staffing, skill mix and spend match the requirements of our funders. Over and above these two key initiatives, a team nursing model is being explored to meet the current healthcare challenges, disease profiles and funding.

COMPLIANCE 05

Nurse staff and staffing

Development of a continuous professional development (CPD) programme to improve and maintain competency is underway. This is again focused on our specialised units.

Nurse and pharmacy competence, education, training and development

+ We are pleased to report that Lenmed Nursing College has, during February 2019, undergone an evaluation for accreditation conducted by the South African Nursing Council. Final approval of this accreditation will be tabled at their executive meeting in May 2019. Lenmed is expecting a successful outcome, which means that we expect our first set of students for the basic nursing programmes in January 2020.
+ We are working on an adaptation programme for Registered Nurses working in ICU and high care units, who are not trained in critical care nursing. This will also be offered through the Lenmed Nursing College. An adaptation programme for Enrolled Nurses working in high care units is also on the cards to ensure the right skills and competencies are deployed in specialised units.
+ During the reporting period, internal and external pharmacy training programmes were planned and completed for career advancement and improved understanding of systems/the changing healthcare landscape. 103% of the training target was achieved, with an investment of approximately R400k in our pharmacy professionals. In addition, both Post-basic and Basic Pharmacist assistant training was completed.

CLINICAL EFFICIENCY 06

Formulary conversion and compliance

To achieve clinical efficiencies, reducing the overall cost per event to maximise network and DSP opportunities is a priority. Group Pharmacy contributes greatly to this opportunity, in terms of entrenching a comprehensive Group formulary. This strategy ensures cost-effective procurement, with a direct impact of reduced costs to patients and medical aid funders. It is, therefore, a major driver for Group Pharmacy. During the reporting period, Group Pharmacy has negotiated formulary agreements and driven conversion compliance, achieving good results.

	Originator to Generic Conversion		**Formulary Generic**	
	Feb 2019	Target < 10% Originator with an available Generic	Feb 2019	Target Formulary Generic
Group	66%	9%	98%	95%

Cost per event benchmarking

To ensure that the cost of private healthcare remains affordable and, in the interests of sustainability, we have been actively engaging with our specialists, radiology and pathology service providers to reduce costs per event. Clinical profiles have been developed and distributed for our specialists at Ahmed Kathrada Private Hospital and Ethekwini Hospital and Heart Centre to empower them with information to drive efficiencies in the areas of cost, clinical outcomes and patient experience. As medical schemes select the most cost-effective hospital groups and hospitals for network participation, it is important that our specialists contribute positively toward the efficiency of our hospitals. The opposite is also true; medical schemes are increasingly adopting a hard stance against so called 'outliers', therefore, it is even more important for our specialists to contribute positively. Our key objective over the past reporting period has been to raise awareness among our specialists regarding the extent to which they generate higher or lower costs per event (or admission) than their peers. Over the next financial year, we will further entrench cost per event benchmarking across a greater number of our hospitals.

Lenmed's corporate governance

The Board of Directors is committed to high standards of corporate governance and it endorses the four governance outcomes set out in King IV™, namely an ethical culture, good performance, effective control and legitimacy.

During the past financial year, further corporate governance improvements were achieved. Some of these developments are highlighted below:

- Further progress on adopting King IV™ recommended practices at committee and board level, as identified by the initial King IV™ analysis.
- Ongoing presentations at the Audit and Risk Committee on special topics of interest.
- Updating the committee terms of reference and board charter to align these to King IV™.
- The implementation of a Legal Compliance Register, and reporting in this regard to the Audit and Risk Committee.

KING IV™ OVERVIEW

The register set out below provides an overview of Lenmed's application of the principles contained in King IV™. The register should be read in conjunction with Lenmed's Annual Integrated Report, including the individual reports of the Board committees.

<table>
<tr><th colspan="2">LEADERSHIP</th></tr>
<tr><td>Principle 1
The governing body should lead ethically and effectively.</td><td>The Board leads ethically and effectively. In this regard, the philosophy of this Board is to ensure compliance with the principles of King IV™, ensure sustainability of the company and to be a good corporate citizen. Although Lenmed is not a listed company it voluntarily chose to appoint independent directors of a high standing who serve on other prominent boards. The Board leads with a clear set of ethics and morals and sends a clear message on ethics throughout the Group. At meetings there are robust discussions and Board members challenge and hold each other accountable.
Disclosure of interests is a standard agenda item at Board and committee meetings and there is an annual declaration by all directors.
The Group does not engage in or accept unethical conduct or unfair business practices in the conduct of its business. A zero-tolerance approach has been adopted, supported by a Code of Ethics and Conduct. A whistleblowing facility is in place and is administered by Tip-offs Anonymous, which guarantees the anonymity of the complainant. Reports are provided to the Group Internal Audit Manager and a summary is provided to the Audit and Risk Committee.
There is also a Director Induction and Training Programme, which is reviewed annually. Training is made available to directors on a needs basis.
The Board and senior management hold a two-day annual strategy session and strategic targets are monitored at every meeting. Also, risks and opportunities are monitored at every Board meeting.
Further, various aspects of Principle 1 are covered in Lenmed's Board Charter and other key documents.</td></tr>
<tr><th colspan="2">ORGANISATIONAL ETHICS</th></tr>
<tr><td>Principle 2
The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.</td><td>The ethical tone at Lenmed is set by the Board and applies throughout the organisation. Although Lenmed's Code of Ethics applies to all directors and employees, it has not yet been extended to other stakeholders.
Key ethical risks of the organisation are monitored via the Code of Ethics and whistleblowing line. The relevant legal processes are followed for any ethical breaches. A whistleblowing facility is in place and is administered by Tip-offs Anonymous, which guarantees the anonymity of the complainant. Reports are provided to the COO and CFO, any reports on directors and the Executive Committee (Exco) go directly to the Chairman of the Audit Committee and a summary is provided to the Audit and Risk Committee. Results are monitored on an ongoing basis by the Audit Committee and any complaints are sent to the Chairman of the committee.</td></tr>
<tr><th colspan="2">RESPONSIBLE CORPORATE CITIZEN</th></tr>
<tr><td>Principle 3
The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.</td><td>Lenmed's hospitals are of international standard and many of them are located in previously underserved and outlying areas. These hospitals serve the community and are also one of biggest employers in these areas, stimulating the local economy. Further, the healthcare sector is highly regulated which places greater levels of demand and vigilance on the Board and management.
The Board's approach to being a responsible corporate citizen is also supported by various policies and the work done by the Social and Ethics Committee and the Clinical Governance Committee. These committees consider and evaluate the sustainability of the Group with reference to the rigid demands of:
+ Ethical culture and values
+ Approach to compliance
+ Commitment to transformation and B-BBEE
+ Health and public safety, which includes occupational health and safety, as well as the clinical quality of the Group's services and waste management
+ Environmental matters
+ Patient satisfaction
+ Labour relations
+ Corporate citizenship
The committee reports back to the Board on these matters and makes recommendations.</td></tr>
</table>

Lenmed's corporate governance *continued*
King IV™ overview *continued*

STRATEGY AND PERFORMANCE	
Principle 4 The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development ***are all inseparable elements*** of the value creation process.	The Board recognises that all these elements are inseparable throughout the organisation, and Lenmed follows the six capitals approach as described in this report. This integrated approach is taken by the Board at its meetings, strategy sessions and committee meetings. The Board and senior management attend a two-day annual strategy session and strategic targets are monitored at every meeting. Also, risks and opportunities are monitored at every meeting of the Audit and Risk Committee and the Board. The Board agenda and meeting structure focuses on strategy, business performance monitoring and governance matters, with emphasis on strategy and business performance. All budgets and strategic plans (medium and longer term and which take account of risks and opportunities) are approved by the Board.
REPORTING	
Principle 5 The governing body should ensure that ***reports issued*** by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short-, medium- and long-term prospects.	The Board is responsible for the integrity of the information contained in this report and other reports, including the annual financial statements and interim results presentations. It is assisted in this regard by the various Board committees which review and recommend their respective reports to the Board in accordance with their terms of reference. The annual financial statements and Integrated Reports reviewed by all members of the Board are provided in printed and online form and are published on the website. The reporting framework is set out on the inside front cover of this Annual Integrated Report. Regarding external assurance of external reports, Lenmed does not consider it necessary to appoint third-party consultants to provide assurance. The Audit and Risk Committee is satisfied that assurance is provided by a combination of management, internal audit and external audit. Independent oversight is also provided by the Board (which has a majority of non-executive directors, the majority of whom are independent).
PRIMARY ROLE OF THE BOARD	
Principle 6 The governing body should serve as the ***focal point and custodian of corporate governance*** in the organisation.	The Board is the focal point and custodian of corporate governance in the company. Various key policies supporting the strategy are in place. The Board has a Board Charter which is reviewed annually against best practices. An outline of the Board Charter is set out under Principle 7. The Board met five times this year. In addition, a two-day strategy session was held. Directors are provided with all necessary information in advance, including a detailed Board pack, to enable them to discharge their responsibilities. A work plan is approved by the Board annually, setting out matters for each meeting and specific matters for certain meetings. The Board agenda and meeting structure focuses on strategy, business performance monitoring and governance matters. The Board's meeting attendance is set out in this Annual Integrated Report.
COMPOSITION OF THE BOARD	
Principle 7 The governing body should comprise the ***appropriate balance of knowledge, skills, experience, diversity and independence*** for it to discharge its governance role and responsibilities objectively and effectively.	Assisted by the Remuneration and Nominations Committee (Remco), the Board reviews its knowledge, skills, experience, diversity and independence annually, or as circumstances change. The Board considers gender and race in any new appointments and the composition of the Board in general. The Board comprises a majority of non-executive members, most of whom are independent. The Chairman, who is also the CEO, is not independent. This is a historical arrangement arising from the control structure. This shortcoming is addressed through the appointment of a lead independent non-executive director. The Board is based on a unitary structure and exercises full and effective control over the Group. It comprises seven members: + An executive Chairman who also assumes the role of Chief Executive Officer (CEO) + Three independent non-executive directors + One non-executive director + Two executive directors – the Deputy CEO and Chief Financial Officer (CFO)

COMPOSITION OF THE BOARD continued	
Principle 7 continued The governing body should comprise the ***appropriate balance of knowledge, skills, experience, diversity and independence*** for it to discharge its governance role and responsibilities objectively and effectively.	The role of Chairman and CEO remains combined, as per the agreement with the Board. Any potential conflict has been addressed through the appointment of a Lead Independent Director, Mr MG Meehan. Although the Chairman is also CEO, at Board meetings he fulfils and understands the role of Board Chairman, with the executives presenting various reports from their functional areas. The non-executive director and independent non-executive directors provide objective knowledge and experience to the Board's deliberations. The independence of the non-executive directors is assessed annually and was confirmed by Remco, based on the independence requirements of King IV™. **The Board –** The Board's composition is reviewed annually to identify any gaps and ensure that the relevant skills, experience and competencies are in place. Each Board member offers a wide range of skills, knowledge and experience that allows them to exercise independent judgement on Board deliberations and decision making. **Rotation and tenure –** Directors are appointed through a formal process led by the Remuneration and Nominations Committee. In terms of the memorandum of incorporation, one-third of the Board (other than the executive directors) are subject to retirement and re-election by rotation annually. The appointments of directors appointed at the previous Annual General Meeting (AGM) are confirmed at the subsequent AGM. *The directors retiring and offering themselves for re-election at the 2019 AGM can be found in the notice of AGM commencing on page 125 of this Annual Integrated Report.* **Induction and training –** Any new Board members will be provided with an induction and orientation programme on appointment. This covers key policies, terms of reference, Charters, engagements with management and visits to hospitals. **Company Secretary –** Directors have access to the advice and services of the Company Secretary, who plays an active role in the corporate governance of the Group. They are entitled, at the Group's expense, to seek independent professional advice about the affairs of the Group regarding the execution of their duties as directors. The Company Secretary is Mr W Somerville, aged 62, who holds an FCIS and ACMA qualification, as well as a diploma in Corporate Law. He is a qualified Chartered Secretary with extensive experience in the company secretarial and corporate governance arenas. The Board has considered and is satisfied with the competence, qualifications, independence and experience of the Company Secretary. The Board is also satisfied that an arm's-length relationship exists between the Company Secretary and the Board of Directors, as the Company Secretary is not an employee of the Company and provides services on an outsourced basis. The service is provided by CorpStat Governance Services (Pty) Ltd, represented by Mr Somerville. The firm, which has been in business for over 18 years, provides company secretarial and corporate governance advisory services to a range of prominent unlisted and JSE-listed companies. It has a senior team of four qualified and experienced company secretaries. **Board Charter –** The established Board Charter has been in place and outlines the responsibilities of the Board as follows: + Retain full and effective control of the Group + Give strategic direction to the Group + 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 Group complies with relevant laws, regulations and codes of business practice + Ensure that the Group 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 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 decisions and the frequency and proceedings of Board meetings. The Charter is reviewed annually by the Board to ensure alignment to best practices. **Succession planning –** The Remuneration and Nominations Committee (Remco) annually reviews the succession plan for the Chairman/CEO, Deputy CEO, CFO Board of Directors and senior management, and makes recommendations to the Board as required.

Lenmed's corporate governance *continued*
King IV™ overview *continued*

COMMITTEES OF THE BOARD	
Principle 8 The governing body should ensure that its arrangements for ***delegation within its own structures*** promote independent judgement and assist with balance of power and the effective discharge of its duties.	Lenmed has four standing Board committees as described below and the composition of the committees are in line with King IV™ and the Companies Act as applicable. While the Board remains accountable and responsible for the performance and affairs of the Group, it delegates certain functions to management and Board committees to assist it in properly discharging its duties. The Board has the following Board committees in place: + Audit and Risk Committee + Remuneration and Nominations Committee + Social and Ethics Committee + Clinical Governance Committee Each of the committees is chaired by a different non-executive director which further addresses independent judgement aspects. The Chairman of each Board committee provides feedback at each scheduled meeting of the Board and minutes of committee meetings are provided to the Board. All the members of the Audit and Risk Committee are independent non-executive directors. The Remuneration and Nominations Committee has a majority of independent non-executive directors and is chaired by an independent non-executive director. The Social and Ethics Committee is chaired by an independent non-executive director. Each Board committee functions in accordance with the provisions of its own Charter, as annually reviewed and recommended by the relevant committee and approved by the Board. The Charters set out the purpose, membership, duties and reporting procedures of the various Board committees. The directors and the members of the Board committees are supplied with full and timely information that enables them to properly discharge their responsibilities. All directors have unrestricted access to all Group information, and further, are entitled to get external independent professional advice which also enhances independent judgement and balance of power in regard to Board deliberations and processes. The Chairman of each Board committee is required to attend Annual General Meetings to answer questions raised by shareholders. Further details of the committees can be found in the respective committee reports.
BOARD PERFORMANCE EVALUATION	
Principle 9 The governing body should ensure that the ***evaluation of its own performance*** and that of its committees, its chair and its individual members, supports continued improvement in its performance and effectiveness.	Lenmed has a process to evaluate the effectiveness of the performance of the Board and the committees. This comprises an open discussion held annually by the Board and each committee to assess their effectiveness. In addition, the Audit Committee was independently assessed by internal auditors PWC and external auditors PKF Durban. The outcomes were positive and affirmed that the committee is working effectively. This assessment was based on a range of criteria and best practices applicable to Audit Committees and included commentary from PWC and PKF Durban based on their observations. Individual director evaluations for non-executive directors have not been implemented; however, there is a review of KPIs against the strategy, which also is a form of an evaluation, although noting there are no KPI's for non-executive directors. Also, the Board is mature, and issues are raised in the open. The names of under-performing directors will not be submitted to shareholders for re-election.
APPOINTMENT AND DELEGATION TO MANAGEMENT	
Principle 10 The governing body should ensure that the appointment of, and ***delegation to, management*** contributes to role clarity and the effective exercise of authority and responsibilities.	The Board Charter sets out matters reserved for the Board and is reviewed annually. In addition, there is a Delegation of Authority (approved by the Board and reviewed annually) which sets out matters delegated to management and those reserved for the Board. The Lenmed Board appoints the CEO and the incumbent is accountable to the Board for leading the implementation of strategy, policy and running the day-to-day business of the company. The King IV™ recommendations for the CEO in respect of appointment, roles and responsibilities, succession planning and performance evaluation are complied with. On a bi-annual basis, Remco reviews the organogram and interrogates all aspects of the business relative to the roles and responsibilities of the executive and senior management team. Lenmed has a Company Secretary with the necessary experience, expertise and qualifications to discharge the role effectively. The King IV™ recommendations in respect of the appointment, reporting lines, independence, duties and performance evaluation are met. Details of the Company Secretary are set out under Principle 7.

RISK GOVERNANCE	
Principle 11 The governing body should ***govern risk*** in a way that supports the organisation in setting and achieving strategic objectives.	The Board governs and is responsible for the culture of managing risk at every level of the organisation. It is assisted by the Audit and Risk Committee, which plays an oversight role in respect of risk management. The Group identifies risks under the headings of: + Enterprise risk + Operational risk + Financial risk + Reputational risk **Risk appetite determination –** King IV™ requires the Board to determine the organisation's risk appetite or tolerance for risk. Risk appetite in this context is "the amount of risk Lenmed is willing to accept in pursuit of value". Risk appetite is directly related to our business strategy; therefore, strategy changes could require re-assessing our risk appetite and strategy. Both are re-evaluated annually. The Group has an appetite for risk that is consistent with the operation of private hospitals in the healthcare industry in South Africa, Mozambique and Botswana. It manages that risk by remaining compliant with legislation and statutory requirements such as the terms under which its licences are granted. The Group has zero tolerance for risk to the enterprise and its reputation but is willing to take on risks at manageable levels for operations and finance, recognising that reward and opportunities flow from the acceptance of risk. Lenmed has a detailed Risk Register and risk matters are a standard agenda item at every Audit and Risk Committee and Board meeting. It is regularly emphasised that risk is everyone's responsibility. In addition, risk mitigation happens on two levels – non-financial and financial – and sub-registers populate the Group Register. There are specific risk registers at our larger hospitals and compliance audits are done at certain hospitals by specific risk and functional area. There is clinical risk management training at hospitals and industry norms are monitored with a view to becoming ISO compliant in the future. There are also Finance Risk Registers in place. Opportunities flowing from risk assessments form part of the overall approach to risk governance. Emerging risk trends are identified and monitored regularly. Time is set aside at every meeting of the Audit and Risk Committee and the Board for an open risk discussion.
TECHNOLOGY AND INFORMATION GOVERNANCE	
Principle 12 The governing body should ***govern technology and information*** in a way that supports the organisation setting and achieving its strategic objectives.	IT governance is a standard agenda item at meetings of the Audit and Risk Committee. An IT Steering Committee is in place, chaired by Mr V E Firman. The committee meets regularly to discuss Lenmed's IT governance and evaluate potential or ongoing projects. An IT Charter is in place and the Board and Audit and Risk Committee are regularly apprised of committee discussions. There is report back in terms of the SAP implementation to the Audit and Risk Committee and the SAP implementation and roll-out is underpinned by the integration of multiple components that represent the healthcare solution for Lenmed. Management is of the view that outsourcing of various aspects of IT is beneficial to Lenmed rather than in-house, as there are numerous benefits in the service being provided by a professional and reputable service provider. Regular meetings are held with these services providers. Lenmed has focused on building up cybersecurity and is assisted in this regard by an outsourced service provider. Further, Lenmed constantly upgrades its software. As regards information governance, including the Protection of Personal Information Act (POPI) and Promotion of Access to Information Act (PAIA), Lenmed is aware of the need to protect client and corporate information, and has adopted appropriate policies and procedures. The Technology Risk Register is reviewed regularly by the IT Governance committee and major risks are uplifted to the Group Risk Register. Disaster Recovery and Business Continuity policies are in place. Board level strategy is translated into tactical and operational activities which are governed by Steering committees.
COMPLIANCE GOVERNANCE	
Principle 13 The governing body should ***govern compliance*** with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.	The Board is active in its pursuit of compliance and this is monitored by a combination of management controls and compliance monitoring via internal audit, external audit and the Company Secretary. Also, compliance is a standard agenda item for the Audit and Risk Committee, the clinical Governance Committee as well as the Social and Ethics committee which report to the Board. The healthcare sector is highly regulated which places greater levels of demand and vigilance on the Board and management. In this regard, the key legal and regulatory risks are monitored. In addition, a Legal Compliance Register has been implemented, with reporting to the Audit and Risk Committee. Lenmed also has two COHSASA accredited hospitals and hospital compliance audits are also underway. The Company's financial managers are updated every quarter on key laws, including the Companies Act, finance and tax laws. There are also experts within the Company who look at specific areas as regards applicable laws. An update on the NHI by a leading law firm was made at the Board's strategy session and at the Audit and Risk Committee.

Lenmed's corporate governance *continued*
King IV™ overview *continued*

REMUNERATION GOVERNANCE	
Principle 14 The governing body should ensure that the organisation ***remunerates fairly, responsibly and transparently*** so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.	The Board takes responsibility for remuneration governance. It is assisted by the Remuneration Committee, which oversees that the organisation remunerates fairly, responsibly and transparently so as to promote the delivery of strategic objectives and the creation of value in a sustainable manner. It makes recommendations to the Board in this regard. The South African healthcare sector is characterised by a shortage of staff in general, which compels Lenmed to retain talented and higher-level staff. Remco has the task to recommend strategies to attract and retain staff of the highest calibre, while still being mindful of managing costs. Remco conducts external benchmarks across executive and senior Group management roles while hospital managers and nurses are done on a more informal basis. The scarce skills and competitive market dictate the remuneration levels and if Lenmed does not remunerate competitively, it will not be able to retain these skills. *The Remuneration Report and Implementation Report is set out on page 76 of this report.*
ASSURANCE	
Principle 15 The governing body should ensure that ***assurance services and functions*** enable an effective control environment, and that these support the ***integrity of information*** for internal decision making and of the organisation's external reports.	Lenmed follows a combined assurance model, with assurance being provided by management, the internal audit function (PWC) and the external auditors. Oversight on assurance is provided by the Audit and Risk Committee and, in addition, the Board tasks the CFO to implement an effective control environment and report back on this. Internal Audit is used to review the control environment and also assist with the establishment of a control environment. They are independent and objective and their plans and reports are reviewed by the Audit and Risk Committee. The Group has not utilised independent assurance to assess the competence and independence of Internal Audit and IT as both of these areas are serviced by outsourced service providers and, therefore, no assurance is required. In addition, the Annual Integrated Report is not subject to external and internal audit. The current level of assurance is deemed appropriate for Lenmed but is monitored.
STAKEHOLDERS	
Principle 16 In the execution of its governance role and responsibilities, the governing body should adopt a ***stakeholder-inclusive approach*** that balances the needs, interests and expectations of ***material stakeholders*** in the best interests of the organisation over time.	Lenmed has identified its key stakeholders and material issues and risks that could impact the stakeholders of Lenmed, as set out in the Annual Integrated Report. **The value of Lenmed's stakeholders –** Our social licence to operate depends largely on the quality of our stakeholder relationships and our positive or negative impacts on them. Lenmed's economic growth is underpinned by the value of our relationships with investors, employees, medical practitioners, patients, suppliers and the broader communities in which we operate. Our approach to community development recognises that our long-term sustainability is linked with that of our communities. We are, therefore, aware of and responsive to the socio-economic challenges faced by the communities surrounding our hospitals. **Communication with our stakeholders –** Reputation and trust are vital intangible assets. Managing our brand and reputation is of prime concern in today's global business environment, in which stakeholders are increasingly well-informed and assertive. Lenmed makes every effort to establish close and informative relationships with our stakeholders. This communication is two-way and includes employees, patients, doctors, funders, regulators, suppliers and shareholders. As regards employees, a newsletter from the CEO is sent to all staff members every quarter. As regards shareholders, there is ongoing engagement with shareholders via various mechanisms, including interim/year-end reports, the Annual Integrated Report, presentations, the AGM, Lenmed's website and social media.

GOVERNANCE STRUCTURE

Directors' attendance at Board and committee meetings

DIRECTORS' ATTENDANCE AT BOARD AND COMMITTEE MEETINGS 1 MARCH 2018 – 28 FEBRUARY 2019

A = apologies
(c) = chairman
(i) = invitee
NP = not present but may be invited to attend certain aspects of the meeting

Board meetings

Director	8 Mar 2018	7 June 2018	31 July 2018	25 Oct 2018	27 Feb 2019
P Devchand	✓ (c)	✓ (c)	✓ (c)	✓ (c)	✓ (c)
A Devchand	✓	✓	✓	✓	✓
V Firman	✓	✓	✓	✓	✓
B Harie	✓	✓	✓	✓	✓
Prof B Goolab	✓	✓	✓	✓	✓
M Meehan	✓	✓	✓ w	✓	✓
N V Simamane	✓	✓	✓	✓	✓

Remuneration and Nominations Committee meetings

Director	22 May 2018	24 July 2018	25 Feb 2019
B Harie	✓ (c)	✓ (c)	✓ (c)
P Devchand	✓ (i)	✓ (i)	✓ (i)
A Devchand	✓ (i)	✓ (i)	✓ (i)
V Firman	✓ (i)	✓ (i)	✓ (i)
Prof B Goolab	✓	✓	✓
M Meehan	✓	✓	✓

Audit and Risk Committee meetings

Director	7 Mar 2018	23 May 2018	25 July 2018	24 Oct 2018	27 Feb 2019
M Meehan	✓ (c)	✓ (c)	✓ (c)	✓ (c)	✓ (c)
B Harie	✓	✓	✓	✓	✓
P Devchand	NP (i)	NP (i)	NP (i)	NP (i)	NP (i)
A Devchand	✓ (i)	✓ (i)	✓ (i)	✓ (i)	✓ (i)
V Firman	✓ (i)	✓ (i)	✓ (i)	✓ (i)	✓ (i)
N V Simamane	✓	✓	✓	✓	✓

Social and Ethics Committee meetings

Director	18 May 2018	22 Oct 2018	19 Feb 2019
N V Simamane	✓ (c)	✓ (c)	✓ (c)
E Asmal	A	✓	A
N Bechan	A	✓	✓
Dr N Patel	✓	✓	✓

Clinical Governance Committee meetings

Director	23 May 2018	24 Oct 2018	21 Feb 2019
Prof B Goolab	✓ (c)	✓ (c)	✓ (c)
A Devchand	✓	✓	✓
Dr N Patel	✓	✓	✓
V Firman	A	✓	✓

Board committees

The Board has the following Board committees in place

Refer to the respective reports of these committees for details.

AUDIT AND RISK COMMITTEE REPORT

The Audit and Risk Committee is a statutory committee of the Board of Directors charged with the responsibility of overseeing audit and risk matters. It is structured in accordance with the requirements of the Companies Act 2008 and King IV™ and consists of three independent non-executive directors, approved by the shareholders in general meeting, one of whom is the Chairman. The Financial Director and the Company Advisor, Grindrod Bank Ltd are permanent invitees, as are the external auditors and the internal auditors. Other members of the executive management and the IT executive are invited as expedient.

The Chairman of the Audit and Risk Committee is the only chartered accountant among the independent directors – the other members being qualified in law, business administration and marketing. This provides a spread of disciplines, as well as a diversity of knowledge, experience, race and gender.

The committee is conscious of the need for continuing education of its members and of the need to stay abreast of current events that affect the work of Audit committees. To this end, the Audit Committee meeting agenda often includes addresses and presentations on subjects such as changes in legislation, taxation, insurance, IFRS, cybersecurity etc. In addition, the Chairman attends third-party presentations on IFRS, cybersecurity, sustainability and taxation and, being a member of the IOD and the Audit Committee Forum, engages with peers and other specialists in corporate governance.

The external and internal auditors have unrestricted access to the committee and its Chairman. Private sessions are held, without management being present, at least once a year. At those sessions, questions are asked to determine the robustness of the audits and to satisfy the committee that the objectives of combined assurance are being met. The committee is therefore confident that the combined assurance model is effective.

The composition of the committee as approved by the shareholders at the most recent AGM is as follows:

Board meetings

Name	Qualifications	Date appointed	Position
Mr M G Meehan	CA(SA)	1 November 2010	Lead Independent Non-executive Director
Ms B Harie	BA, LLB, LLM	1 November 2010	Independent Non-executive Director
Ms N V Simamane	BSc (Hons)	1 October 2012	Independent Non-executive Director

***Board committees** continued*

AUDIT COMMITTEE

In executing its statutory duties in the year, the Audit Committee:

In respect of external audit:

- Received and reviewed assurances on the independence of the external auditors, PKF Durban and specifically the nominated partner Tania Marti-Warren. The chairman also met with the managing partners of PKF Durban to test the audit-practice policies on independence, partner succession planning and the robustness of the audit. The committee concluded that it is satisfied with the independence of the external auditors.
- Agreed the terms of engagement of the external auditors.
- Reviewed the work programme of the external auditors.
- Determined and monitored a policy relating to non-audit services provided by PKF Durban and where applicable pre-approved such services.
- Reviewed the reports of the external auditors to management and to the shareholders and recommended action where necessary.
- Expressed its satisfaction with the competence of the external auditors and the quality of the audit.
- Held separate discussions with the external auditors and determined that:
  - there were no matters of concern
  - there were no inspection reports issued by audit regulators relevant to the company over the review period
- Approved the fees to be paid to PKF Durban for audit and non-audit matters.
- Held discussions with and reviewed the reports of the external auditors of the foreign subsidiary companies that were not audited by PKF Durban. This included engaging with these auditors on their independence, the robustness of the audit and their reports to management. The committee is satisfied on all these counts.

The partner of PKF Durban responsible for the audit is Tania Marti-Warren who has been in this position for five years. Tania will rotate off the audit after 2019. PKF Durban have been in office for 11 years and will be required to withdraw as external auditors in 2023 in terms of the IRBA demands for Mandatory Audit Firm Rotation. In the light of these upcoming events, the committee and the CFO debated whether it might be appropriate to anticipate the 2023 rotation date and to this end, engaged with other audit firms as well as the partners of PKF Durban. PKF Durban has introduced a senior partner to rotate with Tania from August 2019. After due consideration it has been agreed that the Group should only review the audit firm rotation in due course. The tenure of PKF Durban cannot extend beyond 2023.

In respect of internal audit:

- Approved the Internal Audit Charter.
- Worked closely with PWC as internal auditors and approved their work programmes. The risk register is made available to the internal auditors as is the strategic plan. These assist the internal auditors in designing their work plan and priorities. The immediate need to focus on internal controls and system development has allowed the internal auditors to express their opinion on controls in their quarterly reports to the Audit Committee (see below). Future work plans will in addition address corporate governance and risk management.
- Encouraged the internal auditors to work closely with the external auditors to ensure quality assurance on controls.
- Reviewed the reports and recommendations of the internal auditor and where necessary made recommendations to management thereon.
- Received reports of incidents which on investigation were not considered to be fraud, which did not lead to financial loss and which have been dealt with appropriately.
- Received assurances from management and the internal auditors on the systems of internal control, which lead the committee to conclude that the controls are satisfactory. The company regularly reviews and upgrades its control systems based on the changing dynamics of the industry and reports received. These serve as the standards on which the internal audit programme is based.
- While some breaches in internal control were identified during the year, the impact on the Group has been negligible and the control systems were reinforced.
- Held separate discussions with the internal auditors and determined that there were no matters of concern.
- Expressed satisfaction on the performance of the internal auditors and that the Internal Audit is robust and effective.

In respect of IT:

- Approved the terms of the IT Charter and reviewed the work of the IT Governance Committee.
- Reviewed the IT risk register and made recommendations where appropriate.
- Received presentations on cybersecurity threats and reviewed management's recommendations on how to counter these. In the current climate, where businesses of all sizes and sectors are subject to ongoing cyberattacks, the company has introduced several additional controls to provide a defence against such attacks. While no system can guarantee there will be no penetration from attack, our records show that we have been able to ward off such attacks which occur almost daily.
- Agreed with the decision of management to insure against cyberrisk.
- Considered the adequacy of the back-up and cloud arrangements following a visit of the Chairman of the committee to these facilities.

In respect of accounting and reporting matters:

- Received no reports or complaints from third parties from within or outside the Group relating to:

(a) accounting practices

(b) content or auditing practices of financial statements

(c) internal financial controls of the Group

(d) any related matters

- Gave guidance on the accounting treatment of significant matters, specifically:
  (a) The valuation of the Group properties and accounting therefor
  (b) Revised standards of accounting for leases which was adopted in 2018
  (c) Revised standards of accounting for financial instruments and revenues which have been introduced in 2019
- Expressed its satisfaction with the competence and effectiveness of the Financial Director, Vaughan Firman.
- Expressed its satisfaction with the competence of the finance function that supports the Financial Director.
- Reviewed the performance of the company against its loan covenants.
- Transitioned the committee activities from compliance with King III to King IV™.
- Monitored the performance of the committee against the requirements of King IV™ and recommended actions to close any gaps identified.
- Approved all announcements to shareholders.
- Concurred with the views of management that the adoption of the going concern premise in the preparation of the financial results is appropriate.
- Approved the results for the 2019 financial year and recommended them for acceptance by the Board.
- Conducted an assessment of the committee through the external and internal auditors in the previous year and received a satisfactory result. This process is completed every second year.

Matters of importance addressed by the committee included:

- External Audit rotation: Described above.
- Accounting for revenue: The new standard introduced by IFRS 15 has not had a significant impact on the company as a consequence of the relatively short-term nature of the services provided by the company. The full consequences are outlined in the report of the CFO in this Annual Integrated Report.
- Accounting for Financial Instruments IFRS 9: The Audit Committee supported the adoption of the new accounting standard for financial instruments as well as the decision of the company to avail itself of the transition option of the standard, which ensured that a restatement of prior years was not required. The full effects of this change in standards has been included in the reports of the CFO in the AFS and the AIR.
- Change in accounting policy for valuation of Properties: The valuation of properties has been a cause of concern as the accepted valuation methodology adopted by third-party, independent valuers is based on the performance of the hospital and its ability to pay a notional rental. During the year, it was agreed to avoid some of the volatility in values that this methodology caused and to return to original cost. Consequently, properties have been valued at cost. Where properties have been acquired as part of the assets of a business combination, these have to be determined at fair value in terms of the accounting standards and this value is deemed to be the cost of such property to the Group. The effect of this change is clearly set out in the AFS and the AIR and the 2018 results have been restated to accommodate this change. The effect of the change is fairly nominal on the income statement but the effect on equity, assets and deferred tax, while significant, should have no effect on shareholders.
- King IV™ gap analysis: The committee does not consider it necessary to recommend the appointment of third-party consultants to advise the Board of the sustainability of the company. The Group is aware of the risks to its sustainability and makes plans to combat these through regular strategic planning sessions of executive management and the Board.
- The committee has recommended to the Board that an external evaluation of the Internal Audit function is not required as the internal audit function is outsourced to PWC.

RISK COMMITTEE

The committee plays an oversight role in respect of Risk Management:

At each strategic planning meeting, the Board and senior management consider risk as a separate matter by debating factors which might prevent the company from achieving its vision. Action plans are developed to eliminate these factors and to pursue opportunities that could arise from the identification of risk factors. These factors are introduced into the risk register to ensure proper management and control of the risks on an ongoing basis.

The several most important risks are recorded in the company risk register, which is debated at the management Executive Committee, while the top ten are debated by the Risk Committee and the Board quarterly, with a view to managing their elimination. The Chief Medical Officer in conjunction with the Clinical Risk Committee has significantly improved the clinical controls in the Group. This has led to improved communication of clinical outcomes and claims made against the company with the insurers. Adequate provision has been made for these claims while the report on clinical outcomes and risks is dealt with in the report of the Clinical Risk Committee.

The first matter on the Risk Committee agendas at most meetings is a wide-ranging discussion on factors that have arisen or changed since the previous meeting which would have an impact on the company now or in the future, whether as a risk which needs to be eliminated or as an opportunity that might arise from that risk.

The company identifies risks under the headings of:

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

The company has an appetite for risk which is consistent with the operation of private hospitals in the healthcare industry in which it operates in South Africa, Mozambique and Botswana. It manages that risk by remaining compliant with legislation and statutory requirements such as the terms under which its licences are granted. The company has zero tolerance for risk to the enterprise

Board committees *continued*

and its reputation, but it is willing to take on risks at manageable levels for operations and finance, recognising that reward and opportunities flow from the acceptance of risk.

The Group is not itself involved in conducting medical research or practising medicine but provides facilities and equipment for procedures conducted by medical practitioners; and nursing care for patients.

The Group operates in a field in which risk is ever present and is a fundamental part of business strategy. Accordingly, the company adopts practices and procedures, which address risk in all facets of the business. Hospital management and staff are made aware of the risks inherent in their roles and they accept responsibility for managing risk within their scope.

The Group has not set a loss limit which it is willing to accept on any transaction as this will always be dependent on the activity on hand. In evaluating any project including reviews of under-performing assets, etc, the company gives considerable attention to ensuring that the project does not:

+ Strain the solvency and liquidity of the company with reference to the five-year forecasts
+ Cause a breach of bank and loan covenants
+ Cause a breach of the prudent financial ratios under which the company operates

The appointed insurance broker, Marsh provides additional assurance on risk management through regular discussions with management and an annual presentation to the Risk Committee.

The organisation structure continues to be expanded to place a greater emphasis on compliance and professional standards as well as internal controls and succession planning. The filling of new roles and the implementation of continually improving standards is an ongoing process.

The Group policy on risk delegates risk management to every manager and employee as a significant job responsibility. It has accordingly not made risk management a stand-alone staff function. As such the company has also not seen it as necessary to seek independent third-party assurance on its governance of risk, except to the extent that it receives assurance from Marsh on insured and uninsured risks on assets and liabilities and it engages with its attorneys and other professional advisors prior to entering into significant contracts or commitments.

The Audit and Risk Committee receive the reports of the IT Governance Committee as well as the minutes of that committee. The IT executive attends the deliberations of the Audit and Risk Committee when invited and makes presentations to the committee on progress on the implementation of SAP, on which good progress has been made on the initial framework, cyber-crime and IT policies. In the future, the Group will enjoy the benefit of additional data analysis which will be provided from SAP and related systems. A considerable proportion of IT management and operations are outsourced to ensure state-of-the-art performance and to diversify risk. The performance of the outsourced services against SLA is reviewed annually by the IT Committee. During the year, the systems were tested by benign hacking programmes. Any shortcomings found were the subject of additional programme safeguards, controls and further system tests.

The Group continues to make progress in identifying and assessing the extent of compliance with the legislation that affects it. This is a work in progress because of the dynamics of legislative amendments and court interpretations; which applies to all business in SA. In this, the company receives guidance from its outsourced legal advisors.

Conclusion

The committee confirms that it has fulfilled its responsibilities in accordance with all material aspects of its charter for the year and has recommended the integrated report to the Board for distribution to members.

RISK MANAGEMENT

Risk appetite determination

The King IV™ Code requires the Board to determine the organisation's risk appetite or tolerance for risk. Risk appetite in this context is 'the amount of risk Lenmed is willing to accept in pursuit of value'.

Risk appetite is directly related to our business strategy; therefore, strategy changes could require re-assessing our risk appetite and strategy. Both are re-evaluated annually.

Enterprise risks

Lenmed has limited control over environmental risks and no appetite for enterprise risk. We keep informed on risk topics such as:

- National and/or international opinion on the private healthcare industry.
- Environmental concerns or thinking that could impact hospital locations and the disposal of medical waste.
- Social, health and political policies of national and regional government.
- Competitor activities and strategies.
- Technological and industry changes in surgery, hospital design and infrastructure, and healthcare in general.
- Patient, medical aid and medical practitioner opinions, behaviour and concerns as they relate to the industry and the use of the Lenmed facilities.
- Key industry challenges facing the overall health sector.
- Responses to enterprise risk.
- Maintain a neutral position towards government.
- Ensure a culture of compliance at all levels.
- Perform adequate due diligence and review exercises before making new investments.

Operational risks

Trading operations expose the Group to levels of risk in processes (clinical and operational), labour, supply of pharmaceutical consumables, availability and suitability of medical practitioners. These vary according to location and time. Often these risks are short-term in nature and have to be managed on a day-to-day basis but can lead to long-term disruption of operations if not mitigated promptly.

Accordingly, Lenmed has an appetite for operational risk, which seeks to balance the risks of maximising profitability against the risks of disruption of services, production and/or distribution of our products.

Lenmed pursues strategies that will:

- Ensure operational efficiencies and productive management processes.
- Attract suitable doctors to Lenmed facilities.
- Optimise facilities for efficient recovery of fixed overheads.
- Implement appropriate clinical governance processes for positive clinical outcomes.
- Train and motivate nursing staff to adhere to agreed standards.
- Work with medical practitioners and medical aids to optimise capacity usage and efficient fee recovery.
- Ensure ongoing electricity, water and gas supply at optimal cost.
- Provide optimal insurance for potential disruption of operations, non-recovery of debtors and medical malpractice.
- Keep Lenmed in the forefront of industry technologies.
- Maintain lower medical procedures costs than local and international competition.
- Optimise the organisational structure to ensure efficient controls over a diverse network of healthcare facilities spread over several countries.
- Ensure that the Group sets and maintains consistent standards throughout.

Financial risks

Lenmed takes a balanced approach to financial risks and evaluates any potential capital investments against specific criteria.

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.

Lenmed deploys strategies that:

- Ensure all projects generate an acceptable return in excess of the weighted average cost of capital in the Group, as stipulated by the Board.
- Restrict maximum gearing to prudent levels.
- Ensure forecast liquidity and solvency ratios for forecast periods of five years are within acceptable limits.
- Maintain a prudent dividend policy.

Reputational risks

These risks have similar consequences as enterprise risks. They are capable of destroying the business, stakeholder perceptions, shareholder wealth and the credibility of the Group and its management.

Accordingly, Lenmed has no appetite for risks that could damage its reputation or brand.

The Group adopts strategies to ensure:

- Compliance with the highest healthcare, safety and health performance standards.
- Recruitment of high calibre doctors.
- Compliance with the highest ethical standards.
- Open and transparent dealings with all stakeholders.
- Compliance with all regulatory authorities and legislation.
- Accurate, complete and timely reporting to shareholders.
- Fierce advancement and protection of the Lenmed brand.
- Sufficient resources to engage in new projects.

REMUNERATION AND NOMINATIONS COMMITTEE REPORT

Background statement

This year, the key factors that affected remuneration were Group performance and the weak economy. As a result, the average salary increase across the Group from management to general staff was 6%.

The voting results at the previous AGM held on 20 September 2018 on the Remuneration Policy and the Implementation Report were over 98% favourable. Remco took the results into account and did not consider it necessary to engage shareholders on the matter. In making its decision, Remco also took into account that Lenmed is managed by the major shareholder.

Key areas of focus and key decisions taken by the Remuneration Committee (Remco) during the reporting period are to be found under the Remuneration Governance section below. There were no substantial changes to the Remuneration Policy.

Remuneration consultants are engaged every two years to conduct benchmarking exercises on key roles within Lenmed. Remco engaged Century 21 consultants to conduct a salary benchmarking exercise in 2018 and this guided salary increases in the previous year. Management were awarded average increases of 6% for the FY2020 year, in line with increases across the group. Remco is satisfied that it was independent and objective in awarding these increases.

The Remuneration Committee (Remco) addressed fewer changes over the past year, in addition to its regular activities of bedding down its policies and procedures and aiming for consistent standards across the Group. Of note was the implementation of the Senior Leadership Development Programme, a focus on King IV™ and succession planning at the Hospital Manager level. Our concern around the recruitment of scarce healthcare skills and cost containment still remains a focus area. Remco is satisfied that the Remuneration Policy achieved its stated objectives for the year.

Board governance

+ The Chairman of the Board is Prakash Devchand. The Board acknowledges that the Devchand family shareholding in Lenmed prevents the Chairman from being independent. As such, the Board has appointed Mike Meehan as the Lead Independent Director. Mike's role as Lead Independent is to, among others:
  - Lead in the absence of the chair;
  - Serve as a sounding board for the chair;
  - Act as an intermediary as between the chair and other Board members, if necessary;
+ Deal with shareholder concerns where contact through normal channels has failed to resolve concerns, or where such contact is inappropriate;
+ To strengthen independence on the Board;
+ To chair discussions and decision making by the Board on matters where the chair has a conflict of interest; and
+ To lead the performance appraisal of the chair.

Remuneration governance

Remco is now in its eighth full year of operation and has an established forward plan of agenda items. In addition, as the Group 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). Prakash Devchand (CEO); Vaughan Firman (CFO), Nilesh Patel (CMO); Amil Devchand (Deputy CEO); Bhavani Jeena (HR Manager) and the Financial Advisor from Grindrod Bank, Dino Theodorou, are also invited to attend the meetings. The committee chose to reduce the number of meetings for the year from four to three. It considered this to be more efficient and cost effective to do so. As a result, agenda items from the fourth meeting have now been combined into the third meeting. All three of the meetings were held prior to year end and all of the permanent members and management attended these meetings. Meetings were held on 22 May and 24 July 2018, and on 25 February 2019.

Remco operates within a Terms of Reference, which was last approved by the Board on 30 May 2019. The Terms of Reference were benchmarked against King IV™, discussed and reviewed by Remco on 21 May 2019. On the whole Remco has fulfilled its responsibilities according to the Terms of Reference. For the year ahead, the following items will be added to the year plan:

1. Consideration and approval of the Company Secretary's fees; and
2. Annual review and approval of the Human Resources Policy.

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, senior management at Lenmed and its subsidiaries in general.
+ Make recommendations on the composition of the Board and Board committees and to ensure that the Board of Directors consists of individuals who are equipped to fulfil the role of directors of Lenmed.
+ Make recommendations on the nominations of new directors, having gone through 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.

Remco activities over the past financial year have included, among others:

+ Review of Exco service contracts for the CEO, CFO, CMO and COO and their respective letters of appointment.
+ Review of Board, Social and Ethics, Clinical Governance and Audit and Risk Committee membership.
+ Review of directors up for re-election at the AGM.

- Review of director independence and a discussion around the factors determining independence and number of years on the Board.
- Approval of the Executive Annual Bonus Scheme for the financial year ending February 2020. Adjustments made to individual targets are discussed under the section Risk portion of package.
- Approval of the Executive Annual Bonus payments for the financial year ended February 2019.
- Approval of the Executive Annual Remuneration increases effective 1 March 2019.
- Oversight and discussion of the Hospital Managers' and Group functional heads' annual remuneration increases effective 1 March 2019.
- Review of non-executive director fees. Please refer to the section marked Remuneration Policy below for a breakdown of non-executive director fees.
- Performance review of the Board and its sub-committees. Going forward, a discussion on the effectiveness of the Board and its sub-committees will be held annually at Board level, with questionnaires being completed every second year. This should encourage a more open and robust discussion. The Chairman is also free to hold one-on-one discussions with Board members on an ad-hoc basis.
- As per the previous 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 and share scheme awards. No revisions were affected in the current year.
- Review and discussion around the Lenmed organogram. This assisted in 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.
- Review and discussion of executive and senior management succession planning.
- The Share Appreciations Rights Scheme (SARS) was reviewed with no major amendments made. As such, annual awards were made under the scheme.
- Feedback from HR on a full review of staff members who are covered by medical aid (and how many remain without any cover), together with a review of the employer contribution to the scheme.
- Director Training: This year the Board enjoyed a presentation on Disruptive Technologies. This proved very useful in getting the Board to understand international trends in healthcare and challenged us to craft a Lenmed strategy. As per the previous year, various industry specialists were invited to address the directors at the annual strategy planning meeting earlier this year. This year we were addressed by an industry analyst and an actuary. This provided valuable insight and context into the healthcare environment.
- Review of staff pension fund and funeral arrangements.
- Discussion around the recruitment of scarce healthcare (especially nursing) skills. The skills shortage is an ongoing challenge and more will be invested in training. This is an industry-wide challenge and not unique to the Group. Presently, Lenmed has all logistics in place to open a nursing college. We (as with other applicants) await the approval of our curriculum from the Department of Health. The situation is becoming dire as nurses are choosing not to specialise and advance their careers and experienced and specialist nursing staff are opting to emigrate, with no new inflow into the field.

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 Remco to recommend strategies to attract, motivate, reward and retain staff of the highest calibre, while 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 philosophy 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 Do Care" policy to our staff, where we aim to retain and motivate staff using the various benefits discussed below. In doing so, we believe that we promote positive outcomes, and an ethical culture and responsible corporate citizenship.

Lenmed's policy on remuneration is that the guaranteed portion of our staff packages are targeted to be at least on the median, or slightly below the median. Conversely, as regards the "risk portion" of the package, our policy is that this should targeted to be equal to or higher than the median. Remco believes that this aims to promote the achievement of strategic objectives within Lenmed's risk appetite.

Remco believes that the remuneration policy addresses fair and responsible remuneration for management in the context of overall employee remuneration. Generally, Remco and management are committed to ethical culture and responsible corporate citizenship. In its deliberations Remco has taken into account that management, relative to staff assume far greater responsibilities and accountability. Remco is cognisant of the wage gap as between management and staff and, having oversight of both management and staff salary increases, deliberates and challenges these gaps to ensure fair remuneration. For example, while management and senior staff enjoy short term incentive bonuses, general staff enjoy long service awards, not linked to any targets.

In considering the Remuneration Policy, Remco confirms that none of the following benefits have been included in management employment contracts:

- Any benefits on termination of office;
- Any sign-on, retention or restraint benefits;
- Any pre-vesting forfeiture (malus) or post-vesting forfeiture (claw-back) of remuneration; and
- Any commissions or allowances.

***Remuneration and Nominations Committee report** continued*

Remuneration package formulation

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

Guaranteed portion of package

The increase in remuneration packages of Lenmed executives was considered at the 25 February 2019 Remco meeting for implementation on 1 March 2019. In considering the new remuneration packages, Remco took the tough trading conditions into account, together with the need for cost containment. It noted that an average increase across the Group was 6% and so a similar increase was applied to management.

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.

Remco has also had oversight of the implementation of the Long-Term Incentive Scheme (LTIS) which is now in its sixth year of operation. The scheme is based on a Share Appreciation Rights Scheme (SARS) and a Performance Share Scheme. Guidelines or practice notes are recorded as amendments are made to the scheme. These notes then form an annexure to the original policy.

The SARS rules were adjusted in the previous year and for the reporting period no further adjustments were affected. 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 and Deputy 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, in addition to the above:

+ The performance criteria for the SARS is a minimum 50% average achievement of the participant's short-term incentive bonus over the three years prior to vesting.
+ Settlement is in cash or shares, at the discretion of Remco.
+ Participants are not entitled to any dividends and have no voting rights.
+ The strike price as agreed by Remco annually will remain static for the period of the share.
+ The following performance measures apply: If performance achieved is CPI and 2% or less, then only 50% of the shares will vest; if CPI + 3%-6% is achieved, then 100% of the shares will vest and if CPI + 6% and above is achieved, then 125% of the shares will vest.
+ 100% of the shares will vest at the end of year three.
+ Tranche 3 of the 2015 LTIS allocation and the entire 2014 and 2015 LTIS vested on 1 August 2018. At Remco's discretion, these were done at a valuation of R3.56 per share, and were cash-settled.
+ For the financial year ended February 2018, the fifth set of SARS were also issued at R3.56, per Remco's discretion not to apply the average OTC price for this period, due to the shares being illiquid. In both instances above, Remco applied its discretion to a price of R3.56 per share based on a presentation from our financial advisors who conducted a high-level indicative valuation of Lenmed using different valuation methodologies. The internal valuation methodologies included forward PE, discounted cash flow and forward EBITDA multiples.
+ The following SARS awards were made to executive management for the financial year ended February 2019:

– Prakash Devchand	2 500 000
– Amil Devchand	2 000 000
– Vaughan Firman	1 000 000
– Nilesh Patel	1 000 000

Long service award scheme:

Remco continued the oversight of the implementation 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. Under this scheme, employees are entitled to receive, on a once-off basis, R50 000 (pre-tax), either in cash or shares, once they have attained a service record of 15 years as at December 2018. For the current year, only the cash settled option was offered, considering the lower share price. This benefit is in addition to the cash award referred to above.

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

Other benefits

Staff enjoy other benefits such as medical aid, leave pay, funeral cover 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 AGM. It is important to note that non-executive directors do not receive any payment related to performance of the Group and do not participate in any bonus arrangements.

Non-executive director fees are reviewed annually by management and its advisor. In considering NED fee increases, reference was previously made to fee increases at other hospital groups and to the NED fee annual fee survey conducted by PWC. For the 2019 AGM, as there is a focus on cost containment within the Group and considering the economic climate, it is proposed that the fees payable for the period from the 2019 to the 2020 AGM be increased by 6%, this being the general increase approved for management and staff. As such, it is appropriate for NED fees to be increased by a similar percentage. The NED fee proposal is set out in the following table:

Name	Retainer fee	Meeting fee per meeting	Fair value as at Feb 2019
M Meehan	R200 000	R16 400	R16 400
B Harie	R200 000	R16 400	R16 400
N V Simamane	R200 000	R16 400	R16 400
Prof B Goolab	R200 000	R16 400	R16 400

IMPLEMENTATION REPORT

For total remuneration awarded to and realised by executive management during the financial year please refer to Note 26 (Directors' Emoluments) of the Annual Financial Statements, which covers — for this and the prior year — total remuneration paid to directors, including the annual package, short-term bonuses and the fair value of shares that have vested under SARS.

The following table details all awards made under SARS in the current and previous years that have not vested, including the number of awards, the values at date of grant, their award vesting and expiry dates, and the fair value at the end of the reporting period.

SARS allocations	No of options	Strike price at issue date	Fair value as at Feb 2019	Vesting/ expiry date
1 August 2016	7 250 000	R3.00	R2 157 851	31 July 2019
1 August 2017	8 100 000	R3.39	R1 002 964	31 July 2020
1 August 2018	9 600 000	R3.56	R572 185	31 July 2021

Management's short-term targets for the year ended February 2019 included soft and hard targets where the majority weighting was based on growth in HEPS and return on equity, so aligning with shareholder values. Targets were also customised around what Remco considered to be specific priority performance areas for each executive, so as to encourage delivery in these areas. The short-term targets for the year ending February 2020 should be similar to the previous year. The following table shows short-term bonuses earned by management for the year ended February 2019:

	COO	CEO	CFO
Percentage achieved	65%	55%	65%
Bonus achieved	R1.885m	R2.555m	R1.95m

Please note: The CMO, Nilesh Patel earned a pro-rated bonus of R985 833, based on 7 months of service.

Remco took the company results into account when deliberating on bonus awards, resulting in lower awards than in the previous year.

FOCUS AREAS FOR 2019

For the year ahead, Remco intends focusing on the following:

1. Latest trends in remuneration governance
2. Monitoring the skills shortage in the sector and efforts to improve this
3. Cost containment across the Group, especially head office costs
4. Standardise staff benefits and policies across the Group

SOCIAL AND ETHICS COMMITTEE REPORT

REPORT TO SHAREHOLDERS

The Social and Ethics Committee (the "Committee") is pleased to present its report for the financial year ended 28 February 2019 to the shareholders of Lenmed Health Group.

This report is prepared in accordance with the requirements of the Companies Act (No 71 of 2008), as amended (Companies Act) and describes how the Committee has discharged its statutory duties in terms of the Companies Act and its additional duties assigned to it by the Board.

COMMITTEE MANDATE

The Committee is responsible for assisting the Board with the monitoring and reporting of social, ethical, transformational and sustainability practices that are consistent with good corporate citizenship and assisting the Group in discharging its business responsibilities in relation thereto.

The Committee is governed by a formal Charter, which guides the Committee in terms of its objectives, authority and responsibilities. The Charter incorporates the requirements of the Companies Act, specifically regulation 43(5).

The focus areas of the Committee are detailed here. In discharging its duties, the Committee takes into consideration any relevant legislation, other legal requirements or prevailing codes of best practice in all markets where the Group operates.

COMPOSITION OF THE COMMITTEE

The Committee comprises suitably skilled and experienced members appointed by the Board. Mrs N V Simamane, who is an independent non-executive director, chairs the Committee. Committee members include Dr N Bechan, the Hospital Manager for Ethekwini, Mr E Asmal, the Regional Director and Dr N Patel, the Chief Medical Officer. Invitees include senior managers in the areas of Human Resources, Finance, Marketing and Internal Audit, currently undertaken by PWC. The Group Company Secretary acts as the secretary of the Committee.

THE COMMITTEE CHARTER AND WORK PLAN

The Board approved the Committee Charter and work plan, which details the role, responsibilities and mandate of the Committee.

In terms of the Committee's mandate, at least two meetings should be held annually. During this financial year, the Committee held three meetings.

THE COMMITTEE'S ROLE AND RESPONSIBILITIES

Role

The Committee has an independent role with accountability to the Board. The Committee does not assume the functions of management, which remain the responsibility of the executive directors, officers and other members of senior management.

The overall role of the Committee is to assist the Board with the oversight of social, ethical and transformation matters relating to the company.

Responsibilities

The Committee performs all the functions as is necessary to fulfil its role as stated above, including its statutory duties.

In fulfilling its statutory duties and performing its functions as delegated by the Board, the Committee considers and evaluates the sustainability of the Group with reference to the company's:

+ ethical culture and values;
+ adoption of UNGC principles
+ approach to compliance;
+ commitment to transformation and B-BBEE;
+ health and public safety, which includes occupational health and safety, as well as the clinical quality of the Group's services and waste management;
+ environmental matters;
+ patient satisfaction;
+ labour relations; and
+ corporate citizenship.

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 various policies, including the Human Rights, CSI, Employment Equity, Employee Wellness and Chronic Illness, Legal Ethical, Tax Ethical and Employee Relations Policy.

In fulfilling its functions, the Committee has received and reviewed reports on:

+ Human rights practices within the company. There have been no incidents of human rights abuses declared against the company in the year under review.
+ Labour and employment practices. The Committee reviewed the employee headcount, progress of employment initiatives undertaken during the year, employment equity reporting, skills development reporting and legislative updates. Reports on Employment Equity were submitted to the Department of Labour timely.
+ Transformation. The Committee reviewed the company's performance against the new B-BBEE codes, including Ownership, Skills development, Preferential Procurement, Management Control/Employment Equity, Supplier development, Enterprise development and Socio-economic development. The Group focused on implementing the action plans and targets defined from the gap analysis with this yielding a significant improvement in the group's B-BBEE rating.
+ Corporate Social Investment (CSI). The company's CSI expenditure and its progress against planned initiatives during the year was assessed and found to be satisfactory.
+ Anti-corruption, ethics and compliance. During the year, the Committee received various reports on ethics and compliance.

It was further noted that relevant information on the Anti-corruption Policy, Business Conduct Policy and related legislation continued to be communicated to all employees.

+ Environment, health and public safety. The Environmental, Health and Safety Report that covered environment matters, disaster management, waste management and safety of patients and staff was reviewed. It was noted that there are appropriate processes in place covering health and safety and that this was actively managed. It was further noted that infection control measures were in place and well under control.
+ Customer relationships. The Committee received and reviewed reports on the company's advertising and public relations activities and stakeholder relations including patient satisfaction levels.
+ Employee engagement and wellness. The Committee received and reviewed reports on the Kaelo employee wellness programme and the utilisation trend is increasing. The recommendations coming out of the Employee Engagement Survey undertaken during the previous year are being implemented.
+ Legislation. An update of legislative compliance was provided incorporating acts and legislation of Mozambique and Botswana. Procedures were established to fulfil the requirements of the Protection of Personal Information Act when this is enacted by Government. The company's Sustainable Development Report which reflects more detail relating to the company's activities can be found on the company's website.

REPORT TO SHAREHOLDERS

The Committee has reviewed and was satisfied with the content in the Annual Integrated Report that is relevant to the activities and responsibilities of the Committee.

The agenda for the company's Annual General Meeting to be held on 8 August 2019 includes a report by the Committee Chairman to shareholders.

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

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83 CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

Level of assurance

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

Preparer

These financial statements were prepared and supervised by:

Mr N Gany CA(SA)
Mr I Richter CA(SA)

More information can be found elsewhere in this report

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 consolidated 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 consolidated 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 external auditor is engaged to express an independent opinion on the consolidated annual financial statements.

The consolidated annual 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 auditor during the audit were valid and appropriate. The external auditor's unqualified audit report is presented on pages 86 and 87.

The consolidated 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 and the internal auditors, 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 consolidated annual financial statements of the Group as set out on pages 88 to 121, which have been prepared on the going concern basis, were approved by the board of directors on 28 May 2019 and were signed on its behalf by:

Mr P Devchand

Mr V E Firman

Report of the Audit and Risk Committee

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

The committee met on five occasions during the period under review and held further discussions with the external and internal auditors. 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 auditor and that they were properly appointed in terms of the Companies Act.

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

+ The going concern basis of reporting is appropriate.
+ The annual financial statements and integrated report comply in all material respects with statutory disclosure requirements.
+ The consolidated 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 refer to the annual integrated report.

Mr M G Meehan CA (SA)
Chairman of the Audit Committee

22 May 2019

Statement of compliance by the Company Secretary

In terms of section 88(2) of the Companies Act No 71 of 2008, as amended, I, W. SOMERVILLE, the under signed, being the Company Secretary of Lenmed Investments Limited, certify that, to the best of my knowledge and belief, the Company has lodged with the Companies and Intellectual Property Commission, for the financial year 28 February 2019, all such returns required by a public company in terms of the Companies Act No 71 of 2008, as amended, and that all such returns are true, correct and up to date.

Mr W Somerville
Company Secretary

28 May 2019

Independent Auditor's report

To the Shareholders of Lenmed Investments Limited and its subsidiaries

Report on the Audit of the Consolidated Annual Financial Statements

Opinion

We have audited the consolidated annual financial statements of Lenmed Investments Limited and its subsidiaries set out on pages 91 to 121, which comprise the consolidated statement of financial position as at 28 February 2019, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated annual financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated annual financial statements present fairly, in all material respects, the consolidated financial position of Lenmed Investments Limited and its subsidiaries (the Group) as at 28 February 2019, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act of South Africa.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Annual Financial Statements section of our report. We are independent of the Group in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of consolidated annual financial statements in South Africa.

We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B).

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

Other information

The directors are responsible for the other information. The other information comprises the Directors' Report, the Report of the Audit and Risk Committee and the Statement of Compliance by the Company Secretary, as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the Annual Integrated Report, which has been made available to us. Other information does not include the consolidated annual financial statements and our auditor's report thereon.

Our opinion on the consolidated annual financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated annual financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated Annual Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated annual financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated annual financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated annual financial statements, including the disclosures, and whether the consolidated annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PKF Durban has been the auditor of Lenmed Investments Limited and its subsidiaries for eleven years.

PKF Durban

PKF Durban
Partner: TC Marti-Warren
Registered Auditor

Durban

28 May 2019

Directors' report

The directors present their report for the year ended 28 February 2019.

Nature of business

Main business and operations

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 material entities

Subsidiaries	
Direct	
Lenmed Health (Pty) Ltd	Reg. No. 2005/022423/07
Lenmed Health Africa (Pty) Ltd	Reg. No. 2011/130484/07
Indirect	
Ahmed Kathrada Private Hospital (Pty) Ltd	Reg. No. 2006/002764/07
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 Health Management Company (Pty) Ltd	Reg. No. 2010/004046/07
Royal Hospital and Heart Centre (Pty) Ltd	Reg. No. 2009/011218/07
Maputo Private Hospital SA	Reg. No. 17682
Nu-Yale Trust	IT 29/1996
Lenmed Health Properties (Pty) Ltd	Reg. No. 2012/103789/07
Lenmed Health Laverna (Pty) Ltd	Reg. No. 1988/004487/07
Lenmed Ethekwini Hospital and Heart Centre (Pty) Ltd	Reg. No. 2002/002222/07
Lenmed Health Bokamoso Private Hospital (Pty) Ltd	Reg. No. CO2011/4403
Lenmed Health Kathu Private Hospital (Pty) Ltd	Reg. No. 2013/229376/07
Lenmed Health Kathu Properties (Pty) Ltd	Reg. No. 2013/146831/07

All the subsidiaries have a place of business within the Republic of South Africa except for Lenmed Health Bokamoso Private Hospital (Pty) Ltd (Incorporated in Botswana) and Maputo Private Hospital SA (Incorporated in Mozambique).

Associate companies

Renal Care Holdings (Pty) Ltd	Reg. No. 2016/027042/07
Lenasia Renal Centre (Pty) Ltd	Reg. No. 1999/028225/07

There has been no significant changes to investments during the year.

Group Financial Results

The Group changed its accounting policy for the determination of the carrying amount of land and buildings from the revaluation method to the cost method. The change in accounting policy has been accounted for retrospectively and the comparative statements for 2018 have been restated. This change has resulted in an increase in net profit after tax of R841 971 (2018: R841 971). Refer to note 29 for further information.

The Group's earnings before interest, taxation, depreciation and amortisation (EBITDA) amounted to R446 471 496 (2018: R393 598 308).

The Group's profit before taxation for the year amounted to R228 737 976 (2018 restated: R245 201 330) before deducting taxation of R53 242 690 (2018 restated: R54 389 290), resulting in profit after taxation for the year of R175 495 286 (2018 restated: R190 811 800).

Lenmed Investments Limited share of aggregate profits after tax from subsidiaries is R142 759 511 (2018 restated: R158 240 869).

The full results of the Group are set out in the attached consolidated annual financial statements. For further commentary please refer to the other reports detailed in the annual integrated report. The annual financial statements of the company are presented separately from the consolidated annual financial statements and were approved by the directors on 28 May 2019, the same date as the consolidated annual financial statements. The company annual financial statements will be made available on request. The consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards.

Statement of responsibility

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

Authorised and issued share capital

No changes were approved or made to the authorised or issued share capital of the company during the year Full details of authorised and issued share capital of the Group is contained in note 17 of these consolidated annual financial statements.

Borrowings

On behalf of the Group, the directors have established credit facilities with various financial institutions for use by the Company and it's subsidiary companies.

Subsequent to year end the Group increased it's facility with Rand Merchant Bank from R1,16 billion to R1,567 billion. This increase will supplement the Group's expansion plans. The directors did not exceed any authorised levels of borrowings as required in the Memorandum of incorporation or the Companies Act during the year under review.

Dividends

The company's policy is to pay dividends at the discretion of the directors. No dividends were declared nor paid to ordinary shareholders of Lenmed Investment Limited during the year under review (2018: nil).

Directorate

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

Executive directors

Mr P Devchand
Mr A Devchand
Mr V E Firman

Non-executive directors

Mr M G Meehan
Ms B Harie
Ms N V Simamane
Prof B D Goolab

Secretaries

The company secretary, Mr W. Somerville, was appointed by the Board.

The transfer secretary of the company is Singular Systems (Pty) Ltd.

Going Concern

The consolidated annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance the operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The directors have reviewed the Group budget and cash flow forecasts and have satisfied themselves that the Group has sufficient borrowing facilities to meet the foreseeable cash requirements. The directors are satisfied that the Group is in a sound net asset position, the budgets and cash flows indicate positive cash flows and earnings for the next 12 months from approval of this report and that it is appropriate to adopt the going concern basis in preparing the Group's annual financial statements.

***Directors' report** continued*

Special resolutions

The following special resolution was passed during the course of the year:

Annual general meeting of shareholders

- Approval of financial assistance in terms of Section 44 and 45 of the Companies Act.
- Future non-executive director fees.

Share scheme

Particulars of the Group's share incentive schemes are set out in note 22.

Property, plant and equipment

During the year the Group acquired property, plant and equipment to the amount of R208 865 030 (2018: R324 619 831). Refer to note 9 for further information.

Capital commitments at year end amounted to R38 114 090 (2018: R34 782 437). Refer to note 32.3 for further information.

Foreign currency translation reserve

The Group incurred a foreign currency translation gain of R76 181 963 (2018: R37 920 013 loss). This arose as a result of the Rand depreciating against the Botswana Pula and the US Dollar. The functional currency of the Maputo Private Hospital SA is US Dollars.

Auditors

PKF Durban Chartered Accountants (SA), Registered Auditors will continue in office as external auditors of the company in accordance with section 90(1) of the Companies Act of South Africa, subject to shareholder approval at the upcoming Annual General Meeting. Kevin Gertenbach will be the individual registered auditor who will undertake the audit.

Post reporting date events

The directors are not aware of any other matter or circumstance arising since the end of the financial year, not otherwise dealt with in the Group and company financial statements which significantly affects the financial position at 28 February 2019 or the result of its operations or cash flows.

Statement of comprehensive income

Figures in R'000	Note	Group 2019	Group Restated 2018
Profit and Loss			
Revenue	8	**2 546 127**	2 220 764
Cost of sales		**(715 256)**	(642 592)
GROSS PROFIT		**1 830 871**	1 578 172
Other income		**80 563**	77 729
Operating costs		**(1 547 764)**	(1 315 803)
PROFIT BEFORE INTEREST AND TAXATION	4	**363 670**	340 098
Share of profit from associates	12	**1 850**	1 628
Investment income	5	**4 422**	8 680
Finance costs	6	**(141 206)**	(105 205)
PROFIT BEFORE TAXATION		**228 736**	245 201
Taxation	7	**(53 242)**	(54 390)
PROFIT FOR THE YEAR		**175 494**	190 811
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss			
Foreign currency translation reserve		**76 182**	(37 920)
Total other comprehensive income		**76 182**	(37 920)
TOTAL COMPREHENSIVE INCOME		**251 676**	152 891
Profit for the year attributable to:			
Non-controlling interests		**32 735**	32 570
Lenmed Investments Ltd equity holders		**142 759**	158 241
		175 494	190 811
Total comprehensive income attributable to:			
Non-controlling interests		**35 577**	35 412
Lenmed Investments Ltd equity holders		**216 099**	117 479
		251 676	152 891

Statement of financial position

		Group		
Figures in R'000	Note	**2019**	Restated 2018	Restated 2017
Assets				
Non-Current Assets				
Property, plant and equipment	9	**2 738 129**	2 522 208	2 300 911
Goodwill	10	**312 888**	312 888	315 052
Intangible assets	11	**26 573**	18 969	–
Investment in associates	12	**4 497**	5 607	4 429
Deferred taxation	13	**67 208**	60 352	46 857
		3 149 295	2 920 024	2 667 249
Current Assets				
Inventory	14	**63 749**	62 398	38 837
Trade and other receivables	15	**666 519**	600 693	517 716
Current tax assets		**22 454**	17 571	6 860
Cash and cash equivalents	16	**70 874**	65 270	168 030
		823 596	745 932	731 443
TOTAL ASSETS		**3 972 891**	3 665 956	3 398 692
Equity and Liabilities				
Equity and Reserves				
Stated capital	17	**426 006**	426 006	422 407
Other Reserves	18	**141 067**	73 140	111 901
Accumulated profits		**1 240 261**	1 111 540	1 135 994
Non-controlling interest	19	**169 746**	135 434	202 694
		1 977 080	1 746 120	1 872 996
Non-Current Liabilities				
Long term liabilities	20	**1 017 651**	1 054 930	774 722
Loans from minorities	21	**42 496**	63 832	102 347
Deferred taxation	13	**236 520**	220 765	203 991
		1 296 667	1 339 527	1 081 060
Current Liabilities				
Trade and other payables	22	**359 687**	320 921	270 101
Current portion of long term liabilities	20	**150 349**	112 511	87 331
Provisions	23	**56 646**	47 666	36 376
Current tax liabilities		**12 065**	4 221	10 455
Bank overdraft	16	**120 397**	94 990	40 373
		699 144	580 309	444 636
TOTAL EQUITY AND LIABILITIES		**3 972 891**	3 665 956	3 398 692

Statement of cash flows

		Group	
Figures in R'000	Notes	**2019**	Restated 2018
Cash flows from operating activities			
Profit for the year		**175 494**	190 811
Finance costs	6	**141 206**	105 205
Income tax		**53 242**	54 390
Depreciation and amortisation	9	**82 798**	53 500
Interest income	5	**(4 422)**	(8 680)
Loss on disposal of property, plant and equipment	4	**684**	–
Share-based payment (reversal)/accrual	18	**(5 413)**	(1 321)
Income from associates	12	**1 110**	(1 178)
Foreign currency translation adjustments		**(6 025)**	(23 572)
OPERATING CASH FLOW BEFORE WORKING CAPITAL CHANGES		**438 674**	369 155
Working capital changes			
Increase in inventory		**4 551**	(13 864)
Increase in trade and other receivables		**(51 770)**	(88 329)
Increase in trade and other payables and accruals		**32 170**	93 863
Cash generated by operating activities		**423 625**	360 825
Interest income	5	**4 422**	8 680
Finance costs	6	**(141 206)**	(103 825)
Income tax paid	25	**(42 611)**	(67 590)
NET CASH FROM OPERATING ACTIVITIES		**244 230**	198 090
Cash flows from investing activities			
Property, plant and equipment acquired	9	**169 331**	(300 311)
– to maintain operating capacity		**(80 980)**	(28 947)
– to expand operating capacity		**(127 885)**	(295 673)
– instalment sale agreements (non-cash)		**39 535**	24 309
Intangible assets acquired	11	**(12 538)**	(12 594)
Proceeds on disposals of property, plant and equipment		**5**	–
Business combination effected		**(3 550)**	(10 404)
NET CASH UTILISED IN INVESTING ACTIVITIES		**(185 414**	(323 309)
Cash flows from financing activities			
Proceeds from equity issued	17	**–**	3 599
Net loans (repaid)/raised		**(72 064)**	278 763
Loans raised		**60 243**	565 354
Loans repaid		**(132 307)**	(286 591)
Acquisition of minority interest in subsidiary	24.1	**–**	(316 298)
Non-controlling interests share buy-back		**(4 167)**	–
Dividends paid		**(306)**	–
NET CASH UTILISED IN FINANCING ACTIVITIES		**(76 537)**	(33 936)
Decrease in cash and cash equivalents		**(17 721)**	(159 155)
Translation movement		**(2 082)**	1 778
Cash and cash equivalents at beginning of the year		**(29 720)**	127 657
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	16	**(49 523)**	(29 720)

Statement of changes in equity

Figures in R'000	Stated capital	Revaluation reserve	Foreign currency translation reserve
Group			
BALANCE AT 1 MARCH 2017	422 407	230 259	105 167
Change in accounting policy	–	(230 259)	–
RESTATED BALANCE	422 407	–	105 167
Change in accounting policy	–	–	–
Profit for the year	–	–	–
Other comprehensive income	–	–	(37 440)
Additional investment related to subsidiary	–	–	–
Share-based payment reversal	–	–	–
Issue of share capital	3 599	–	–
BALANCE AT 1 MARCH 2018	426 006	–	67 727
Profit for the year	–	–	–
Other comprehensive income	–	–	73 340
Dividends	–	–	–
IFRS 9 transition adjustment	–	–	–
Share-based payment accrual	–	–	–
Increase in investment related to subsidiary share buy-back	–	–	–
BALANCE AT 28 FEBRUARY 2019	426 006	–	141 067
Notes	17		18

Share-based payment reserve	Accumulated profits	Equity attributable to Group	Non-controlling interest	**Total**
6 734	1 134 401	1 898 968	202 883	**2 101 851**
	1 593	(228 666)	(189)	**(228 855)**
6 734	1 135 994	1 670 302	202 694	**1 872 996**
–	842	842	(1)	**841**
–	157 398	157 398	32 571	**189 969**
–	–	(37 440)	(480)	**(37 920)**
–	(182 694)	(182 694)	(99 350)	**(282 044)**
(1 321)	–	(1 321)	–	**(1 321)**
–	–	3 599	–	**3 599**
5 413	1 111 540	1 610 686	135 434	**1 746 120**
–	142 759	142 759	32 735	**175 494**
–	–	73 340	2 842	**76 182**
–	–	–	(305)	**(305)**
–	(10 831)	(10 831)	–	**(10 831)**
(5 413)	–	(5 413)	–	**(5 413)**
–	(3 207)	(3 207)	(960)	**(4 167)**
–	1 240 261	1 807 334	169 746	**1 977 080**

			19	

Accounting policies

1. Basis of preparation

These consolidated annual financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), comply with SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Announcements issued by the Financial Reporting Standards Council and the Companies Act of South Africa. These policies have been consistently applied to all years presented, unless otherwise stated. They have been prepared on the historical cost basis. The principal accounting policies incorporated are 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.

Judgements made by management in the application of IFRS that have a significant effect on the financial statements, and significant estimates made in the preparation of these consolidated annual financial statements are disclosed in note 2.

The financial statements are presented in South African Rand (ZAR), the functional currency of the Group and all amounts are rounded to the nearest million, except where otherwise indicated. Foreign currency exchange rates used in the preparation of converting into Rands are set out below:

	28 February 2019		28 February 2018	
	BW Pula	**US Dollar**	BW Pula	US Dollar
Closing rate	**R1.34**	**R14.08**	R1.21	R11.75
Average rate	**R1.30**	**R13.87**	R1.23	R13.08

Adoption of new and revised accounting standards

The Group has adopted the following accounting standards in the preparation of the consolidated financial statements which have been effective from 1 January 2018 (refer to note 29):

+ IFRS 15 Revenue from contracts from customers
+ IFRS 9 Financial Instruments

1.1 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	**Annual Periods**
IFRS 3 Business combinations	1 January 2019
– The directors have considered the impact of the standard above and believe the impact to be immaterial.	
IAS 1 Presentation of Financial Statements	1 January 2020
– The directors have considered the impact of the standard above and believe the impact to be immaterial.	
IAS 12 Income taxes	1 January 2019
– The directors have considered the impact of the standard above and believe the impact to be immaterial.	
IFRS 16 Leases	1 January 2019

– The Group has assessed the impact of the changes that will arise under IFRS 16 which are described below:

i) Right-of-use assets will be recorded for assets that are leased by the Group; currently no lease assets are included on the Group's consolidated statement of financial position for operating leases.

ii) Liabilities will be recorded for future lease payments in the Group's consolidated statement of financial position for the 'reasonably certain' period of the lease, which may include future lease periods for which the Group has extension options. Currently liabilities are not recorded for future operating lease payments, which are disclosed as commitments.

iii) Lease expenses will be for depreciation of right-of-use assets and interest on lease liabilities. Interest will typically be higher in the early stages of a lease and reduce over the term. Currently operating lease rentals are expensed on a straight-line basis over the lease term within operating expenses.

iv) EBITDA is expected to increase by R28,5 million. This increase will be partly offset by an interest expense on lease liabilities resulting in an before-tax loss of R6,7 million in financial year 2020. Retained earnings for financial year 2019 will reduce by R7,4 million before-tax.

v) Operating lease cash flows are currently included within operating cash flows in the consolidated statement of cash flows; under IFRS 16 these will be recorded as cash flows from financing activities reflecting the repayment of lease liabilities (borrowings) and related interest.

Standard	Annual Periods
IFRS 10 Consolidated Financial Statements	1 January 2019 – Deferred
– The directors have considered the impact of the standard above and believe the impact to be immaterial.	
IAS 28 Investment in Associates and Joint Ventures	1 January 2019
– The directors have considered the impact of the standard above and believe their impact to be immaterial.	
IAS 23 Borrowing Costs	1 January 2019
– The directors have considered the impact of the standard above and believe their impact to be immaterial.	
IFRIC 23 Uncertainty of income tax	
– The directors have considered the impact of the standard above and believe their impact to be immaterial.	

2. 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

2.1 Deferred tax

A deferred tax asset is recognised on unused tax losses adjusted for the current year 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 Group has reviewed its forecasts for the foreseeable future and compared that to its total tax losses.

2.2 Financial instruments

Impairment of financial assets

The Group recognises lifetime Expected Credit Loss (ECL) for trade and other receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast at the reporting date, including time value of money where appropriate.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

***Accounting policies** continued*

2.2 Financial instruments *continued*

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

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

Buildings

The Group's estimate of the useful life of buildings is 50 years due to the specialised nature of the buildings. The residual value of buildings is determined by management taking into account significant judgements applied to various factors and external information available.

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 with useful lives of between 3 and 20 years.

Motor vehicles

The entity has a policy of utilising all motor vehicles for a period of 5 years with the residual value estimated to be nil. This period is based on past experience of usage of the Group's motor vehicles.

2.4 Goodwill

Goodwill is tested for impairment at each statement of financial position date. The recoverable amounts of cash generating units have been estimated based on value in use calculations. Value in use calculations have been based on a subjective pre tax discount rate of 15%. Based on these calculations, no impairment loss is recognised. Overall an increase in the post tax WACC of 2.6% or a reduction in perpetuity cash flows of R5 million per annum would result in the recoverable amount and therefore the carrying amount being reduced to nil. Refer to note 10 for further information.

2.5 Share-based payments

The fair value is calculated using the Black Scholes option pricing model. Please refer to note 22 for assumptions used in the model.

2.6 Control over subsidiaries

An assessment of control was performed by the Group based on whether the Group has the practical ability to direct the relevant activities unilaterally. In making the judgement, the relative size and dispersion of other vote holders, potential voting rights held by them or others, rights from other contractual arrangements were considered. After the assessment, the Group concluded that they had a dominant voting interest to direct the relevant activities of the subsidiaries and it would take a number of vote holders to outvote the Group, therefore the Group has control over the subsidiaries.

2.7 Significant influence over an associate

Renal Care Holdings (Pty) Ltd is an associate of the Group as described in note 12. Significant influence arises from the Group's 40% interest.

Lenasia Renal Centre (Pty) Ltd is an associate of the Group as described in note 12. Significant influence arises from the Group's 30% interest.

2.8 Fair value measurements and valuation processes

The Group measures some of its assets and liabilities at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

3. Accounting policies

The accounting policies have been consistently applied to all years presented, unless otherwise stated.

The Group changed its accounting policy for the determination of the carrying amount of land and buildings from the revaluation method to the cost method. The change in accounting policy has been accounted for retrospectively and the comparative statements for 2018 have been restated. Refer to note 29 for further information.

Accounting policies for which no choice is permitted in terms of International Financial Reporting Standards have been included only if management concluded that the disclosure would assist users in understanding the financial statements as a whole, and taking into account materiality of the item being discussed. Accounting policies which are not applicable from time to time, have been removed, but will be included if the type of transaction occurs in future or becomes material.

3.1 Basis of consolidation

These financial statements are consolidated financial statements of Lenmed Investments Limited and its subsidiaries and associates. Control is achieved when the Group has powers over the investee, is exposed or has rights to variable returns from its investment with the investee and has the ability to use its power to affect its returns. If facts and circumstances indicate that there are changes to one or more elements of control, the Group shall reassess whether it controls the investee.

The Group can have power over an investee even if it holds less than a majority of the voting rights of an investee. All facts and circumstances are considered in assessing whether or not voting rights in an investee are sufficient to give it power.

Subsidiaries

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 acquisition 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.

A business combination achieved in stages is accounted for using the acquisition method at the acquisition date. The components of a business combination under IFRS 3 include previously held interests. The previously held interest is measured to fair value at the acquisition date and a profit or loss is recognised in the Statement of Comprehensive Income.

Non-controlling interests in subsidiaries are presented in the consolidated statement of financial position separately from the equity attributable to equity owners of the parent company. Non-controlling shareholders' interest may initially be measured at fair value or the non-controlling shareholders' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on each acquisition individually.

Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling having a deficit balance.

Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. 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 in the net assets of the investee after the date of acquisition, and for any impairment in value (equity method), except when the investment is classified as held-for sale in accordance with IFRS 5 Non-current assets held-for-sale and discontinued operations. If the Group's share of losses of an associate equals or exceeds its interest in the associate, the Group discontinues recognising its share of further losses.

***Accounting policies** continued*

3.2 Revenue

Revenue for the services rendered and medical consumables sold in the ordinary course of business 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 from accommodation, equipment rental, theatre, professional and ward fees is recognised when the service is rendered. Revenue from ethicals and medical consumables is recognised when consumed. No element of financing is deemed present as revenue is made with a credit terms of between 30 and 60 days which is consistent with market practice.

3.3 Other income

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

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

Interest received 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.

3.4 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.

3.5 Inventory

Inventory is stated at the lower of cost or net realisable value on a weighted average basis. 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.

3.6 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 deductible temporary differences as well as unused tax losses to the extent that it is probable that taxable profits will be available against which the deductible temporary difference can be utilised. The probability of taxable profits are calculated based on business plans which includes estimates and assumptions regarding economic growth, interest and competitive forecasts. 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 when it is not considered probable that the temporary differences will reverse in the foreseeable future.

3.7 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.

Contingent rentals arising under operating leases are recognised in the period they are incurred.

3.8 Goodwill

Goodwill on acquisitions comprises the excess of the aggregate of the fair value of the consideration transferred, the fair value of any previously held interests, and the recognised value of the non-controlling interest in the acquiree over the net identifiable assets acquired and liabilities assumed at acquisition date.

Goodwill is carried at cost less accumulated impairment losses. Goodwill is tested for impairment annually. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

3.9 Property, plant and equipment

Property, plant and equipment is initially recorded at cost including any costs directly attributable to bringing the assets to the location and conditions necessary for them to be fully operation, less accumulated depreciation and any impairment losses.

Property, plant and equipment include any costs directly attributable to bringing the assets to the location and condition necessary for them to operate.

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

Property, plant and equipment is depreciated to estimated residual value on a straight line basis over the asset's expected useful lives. Land is not depreciated. Buildings are depreciated to their estimated residual value.

The depreciation method, estimated remaining actual useful lives and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining lives of the assets and projected disposal values.

The following are the current estimated useful lives:

Land	**Indefinite**
Buildings	50 years
Leasehold improvements	Written off over the period of lease
Plant & Equipment	10-20 years
Motor vehicles	5 years
Computer Equipment	3-8 years
Office Equipment	10-20 years
Furniture & Fittings	10-20 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.

3.10 Impairment of a non-financial asset

The carrying amounts of the assets other than deferred tax assets, inventory and financial 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. For goodwill and intangible assets that have an indefinite useful life the recoverable amount is estimated at least annually.

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

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

3.11 Provisions

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 that reflects current market assumptions of the time value of money and are risk specific where appropriate.

3.12 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 Group 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 Group contribute to defined contribution funds on behalf of its employees. Contributions are charged against profit or loss as incurred.

3.13 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.

__Accounting policies__ continued

3.14 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.

Cash and cash equivalents

Cash and cash equivalents are initially measured at fair value and subsequently measured at amortised cost. In the statement of cash flows, bank overdrafts are offset against cash and cash equivalents.

Working capital balances

These include trade and other receivables and trade and other 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 impairment losses.

The Group recognises lifetime ECL for trade and other receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

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.

3.15 Intangible assets

Intangible assets are initially recognised at cost.

Intangible assets are considered for impairment if there is any reason to believe that impairment may be necessary.

Factors taken into consideration include the economic viability of the asset itself and where it is a component of a larger cash-generating unit, the viability of the unit.

Intangible assets are amortised on a straight-line basis over their estimated useful lives. The amortisation methods and remaining useful lives are reviewed at least annually. The estimation of the useful lives of intangible assets is based on historic performance as well as expectations about future use and therefore requires a significant degree of judgement.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets.

The assumptions regarding estimated useful lives for the 2019 financial year were as follows:

Computer software	5 years
Licences	Indefinite

3.16 Interest bearing borrowings

Subsequent to initial recognition, interest bearing borrowing is stated at amortised cost with any difference between cost and fair value being recognised in profit or loss over the period of the borrowings using the effective interest rate method.

3.17 Share capital

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

3.18 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 under written 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. Contingent liabilities are not recognised.

3.19 Share incentive scheme

The Group operates a cash-settled share incentive scheme, under which it receives services from employees as consideration for cash with the fair value of the employee services received being 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.

3.20 Translation of foreign currencies

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

Foreign currency transactions

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

Foreign operations

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

On consolidation, differences arising from the translation of the net investment in a foreign operation are recognised in other comprehensive income and included in the foreign currency translation reserve in equity.

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

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

3.21 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

Figures in R'000	Group 2019	Group Restated 2018
4. Profit before interest and taxation		
Profit before interest and taxation is arrived at after taking into account the following items:		
Income		
Profit on foreign currency transactions	**4 396**	361
Rental Income	**39 786**	40 135
Expenditure		
Loss on disposal of property, plant and equipment	**684**	732
Depreciation	**82 798**	53 500
Secretarial fees	**775**	788
Employee costs	**767 482**	691 850
Lease rentals		
Property	**37 677**	39 519
Equipment	**10 083**	5 361
Other	**2 578**	5 831
	50 338	50 711
5. Investment income		
Interest received	**4 422**	8 680
	4 422	8 680
6. Finance costs		
Long-term loans	**120 853**	93 677
Bank overdrafts	**20 353**	11 528
	141 206	105 205
7. Taxation		
Current taxation	**43 331**	49 877
Underprovision/(overprovision) in prior year	**156**	–
Deferred taxation		
Current year temporary differences	**8 717**	3 880
Under provision in prior year	**1 038**	633
Taxation for the year	**53 242**	54 390
Reconciliation of rate of taxation	**%**	%
South African normal tax rate	**28.00**	28.00
Adjusted for:		
Underprovision/(overprovision) in prior year	**0.66**	0.35
Disallowed expenditure	**0.22**	0.01
Income not taxable	**(0.54)**	(3.13)
Lower foreign tax rate	**(5.09)**	(3.08)
Effective rate of taxation	**23.25**	22.15

The current tax charge for the year has been reduced by R5.041 million (2018: R6.940 million) as a result of the prior year tax loss of R18.003 million utilised at Lenmed Health Randfontein Private Hospital (Pty) Ltd, Lenmed Health Kathu Private Hospital (Pty) Ltd and Lenmed Health Management Company (Pty) Ltd.

8. Revenue

Revenue from accommodation, equipment rental, theatre, professional and ward fees is disclosed as tariff revenue and is recognised when the service is rendered. Revenue from ethicals and medical consumables is disclosed as non-tariff revenue and is recognised when consumed.

	Group	
Figures in R'000	**2019**	Restated 2018
An analysis of revenue is as follows:		
Private healthcare services:		
Tariff	**1 893 369**	1 641 843
Non-tariff	**652 758**	578 921
	2 546 127	2 220 764

9. Property, plant and equipment

Figures in R'000	Cost	Accumulated depreciation	**2019 Carrying value**	Cost	Accumulated depreciation	**2018 Carrying value**
Group						
Buildings*	2 020 820	15 060	**2 005 760**	1 911 875	8 301	**1 903 574**
Land*	288 872	–	**288 872**	214 811	–	**214 811**
Plant and equipment	693 047	321 617	**371 430**	602 987	274 055	**328 932**
Motor vehicles	3 916	2 440	**1 476**	4 307	1 928	**2 379**
Furniture and fittings	93 087	43 431	**49 656**	82 927	39 404	**43 523**
Leasehold improvements	7 736	5 616	**2 120**	7 432	3 992	**3 440**
Office equipment	13 390	10 245	**3 145**	13 952	9 219	**4 733**
IT equipment	71 932	56 262	**15 670**	78 840	58 024	**20 816**
	3 192 800	454 671	**2 738 129**	2 917 131	394 923	**2 522 208**

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

Figures in R'000	Carrying value at beginning of year	Additions	Disposals/ Transfers	Depreciation	FCTR Adjustment	**2019 Carrying value at end of year**
2019						
Buildings*	1 903 574	54 511	–	(7 779)	55 454	**2 005 760**
Land*	214 811	60 018	–	–	14 043	**288 872**
Plant and equipment	328 932	80 459	(1 130)	(50 011)	13 180	**371 430**
Motor vehicles	2 379	235	(355)	(797)	14	**1 476**
Furniture and fittings	43 523	8 667	552	(5 581)	2 495	**49 656**
Leasehold improvement	3 440	304	–	(1 624)	–	**2 120**
Office equipment	4 733	11	(102)	(1 497)	–	**3 145**
IT equipment	20 816	4 660	346	(10 577)	425	**15 670**
	2 522 208	208 865	(689)	(77 866)	85 611	**2 738 129**

* *Restated.*

Notes to the consolidated annual financial statements continued

Figures in R'000	Carrying value at beginning of year	Additions	Disposals	Depreciation	FCTR Adjustment	**2018 Carrying value at end of year**
9. Property, plant and equipment continued						
2018						
Buildings – (restated)	1 798 016	142 346	–	(6 470)	(30 318)	**1 903 574**
Land – (restated)	160 446	61 832	–	–	(7 467)	**214 811**
Plant and equipment	275 327	94 962	(764)	(36 062)	(4 549)	**328 932**
Motor vehicles	724	2 049	(37)	(353)	(4)	**2 379**
Furniture and fittings	35 373	12 990	–	(3 068)	(1 772)	**43 523**
Leasehold improvement	5 033	–	–	(1 593)	–	**3 440**
Office equipment	5 384	572	–	(1 223)	–	**4 733**
IT equipment	20 608	9 868	(4 763)	(4 731)	(166)	**20 816**
	2 300 911	324 619	(5 564)	(53 500)	(44 276)	**2 522 208**

Certain assets are encumbered as security for liabilities of the Group (refer to note 20). A register of land and buildings is available for inspection at the registered office of the company by its shareholders. No borrowing costs have been capitalised in the current year (2018: R21.481 million).

Figures in R'000	Cost	Accumulated amortisation	**Carrying value**
10. Goodwill			
2019			
Carrying amount at end of the year	312 888	–	**312 888**
2018			
Carrying amount at end of the year	312 888	–	**312 888**

Goodwill relates to the excess of the purchase price consideration over the fair value of the assets and liabilities of Lenmed Health Laverna (Pty) Ltd, Lenmed Health Shifa (Pty) Ltd, Lenmed Health Kathu Private Hospital (Pty) Ltd and Lenmed Ethekwini Hospital and Heart Centre (Pty) Ltd on acquisition as a subsidiary and is detailed below:

	Group	
Figures in R'000	**2019**	Restated 2018
Lenmed Health Laverna (Pty) Ltd	**5 125**	5 125
Lenmed Health Shifa (Pty) Ltd	**17 282**	17 282
Lenmed Health Kathu Private Hospital (Pty) Ltd	**10 378**	10 378
Lenmed Ethekwini Hospital and Heart Centre (Pty) Ltd	**280 103**	280 103
	312 888	312 888

An annual impairment test is conducted on goodwill. Management determines the recoverable amounts of cash generating units as being the higher of net selling price or value in use. In the absence of an active market, value in use is used to determine the recoverable amount. A traditional method of discounting management's best estimate of future cash flows attributable to the cash generating unit has been applied to determine the value in use. A growth rate has been applied to the cash flow streams to take into account the effect of inflation. Management has based it's cash flow projections covering a 10 year period.

Assumptions used in the calculation of the discount rate are as follows:

+ R186 rate was yielding 8.71% as at 28 February 2019 (2018: 8.31%).
+ A market risk premium of 6% (2018: 5.6%) given the unlisted nature of the Group. Growth for 2019 is forecast to be 8% (2018: 8%).
+ Beta of 0.8 is appropriate based on the defensive nature of the Group.

The net present value of these forecasts support the value of goodwill indicated above. Management has based their assumptions on past experience and external sources of information.

	Cost	Accumulated amortisation	**2019 Carrying value**
11. Intangible assets			
Computer Software	29 028	4 934	**24 094**
Licences	2 479	–	**2 479**
	31 507	4 934	**26 573**

	Carrying value at beginning of year	Additions/ transfers	Depreciation	**Carrying value at end of year**
2019				
Computer Software	16 490	12 538	(4 934)	**24 094**
Licences	2 479	–	–	**2 479**
	18 969	12 538	(4 934)	**26 573**
2018				
Computer Software	–	16 490	–	**16 490**
Licences	–	2 479	–	**2 479**
	–	18 969	–	**18 969**

Intangibles are valued as per note 3.15 and tested annually for impairment. The estimation of the indefinite useful life of licences is based on historic performance as well as expectations about future use. Software relates to the Group's deployment of SAP software at it's various facilities.

The recoverable amount is determined by projecting a future cash flow expected to be generated by the intangible asset. The present value of these cash flows is determined using an appropriate discount rate.

	Group	
Figures in R'000	**2019**	Restated 2018
12. Investment in associates		
The Group's investment in Lenasia Renal Care (Pty) Ltd and Renal Care Holdings (Pty) Ltd are accounted for under the equity method of accounting.		
Lenasia Renal Centre (Pty) Ltd.		
The Group owns 30% of Lenasia Renal Care Centre (Pty) Ltd, a renal dialysis unit situated adjacent to Ahmed Kathrada Private Hospital.		
Opening balance	**4 420**	4 071
Share of associate earnings	**551**	799
Dividends received	**(2 400)**	(450)
CLOSING BALANCE	**2 571**	4 420
Renal Care Holdings (Pty) Ltd		
The Group owns 40% of Renal Care Holdings (Pty) Ltd, a renal dialysis holding company.		
Opening balance	**1 187**	358
Share of associate earnings	**1 299**	829
Dividends received	**(560)**	–
CLOSING BALANCE	**1 926**	1 187
TOTAL INVESTMENT IN ASSOCIATES	**4 497**	5 607

The directors are of the opinion that the fair value of the above investments exceeds its carrying value.

Notes to the consolidated annual financial statements continued

	Group	
Figures in R'000	**2019**	Restated 2018
13. Deferred taxation		
Deferred tax asset		
Balance at beginning of year – (2018 – restated)	**60 352**	46 857
Movements consisting of:		
Property, plant and equipment	**412**	(1 461)
Provisions	**(5 974)**	6 013
Leases	**–**	(88)
Assessed losses	**13 166**	8 985
Share-based payment accrual	**(717)**	46
Prepaid expenses	**(31)**	–
BALANCE AT END OF YEAR	**67 208**	60 352
The balance comprises of:		
Property, plant and equipment	**405**	(7)
Provisions	**5 880**	11 854
Assessed losses	**59 898**	46 732
Share-based payment accrual	**1 056**	1 773
Prepaid expenses	**(31)**	–
BALANCE AT END OF YEAR	**67 208**	60 352
Deferred tax liability		
Balance at beginning of year – (2018 – restated)	**220 765**	203 991
Movements consisting of:		
Property, plant and equipment	**27 153**	15 372
Provisions	**(9 449)**	364
Income received in advance	**18**	(1)
Lease smoothing adjustment	**74**	334
Share based payment accrual	**–**	157
Prepaid expenses	**2 128**	24
Assessed loss	**(6 647)**	619
Prior year adjustment	**(312)**	–
Foreign currency translation adjustment	**2 102**	–
Foreign currency translation on loan	**688**	(95)
BALANCE AT END OF YEAR	**236 520**	220 765
The balance comprises of:		
Property, plant and equipment	**205 955**	177 012
Provisions	**(15 481)**	(6 032)
Investment in associate	**46 866**	46 866
Income received in advance	**–**	(18)
Lease smoothing adjustment	**482**	408
Prepaid expenses	**3 159**	1 031
Assessed loss	**(7 363)**	(716)
Foreign currency translation on loan	**2 902**	2 214
BALANCE AT END OF YEAR	**236 520**	220 765

Deferred tax assets recognised as unused tax losses were recognised as management consider it probable that future taxable profits will be available against which they will be utilised. The probable utilisation of the loss is based on budgets and forecast of within two to five years depending on the stability of the subsidiary business.

Figures in R'000	Group 2019	Restated 2018
14. Inventory		
Medical supplies and consumables	**63 749**	62 398
During the year the Group acquired the inventory of one hospital pharmacy company from an independent pharmacist for R3.5 million.		
Allowance for obsolete stock		
Balance at beginning of year	**1 362**	1 073
Current year allowance	**(228)**	289
BALANCE AT END OF YEAR	**1 134**	1 362
15. Trade and other receivables		
Trade receivables	**660 858**	522 913
Other receivables	**48 370**	58 336
Prepayments	**25 017**	6 890
Deposits	**3 287**	4 070
Value Added Tax	**11 387**	64 630
	748 919	656 839
Allowance for impairment	**(82 400)**	(56 146)
	666 519	600 693
Allowance for impairment:		
Balance at beginning of the year	**(56 146)**	(59 856)
IFRS 9 transition adjustment through retained earnings	**(13 305)**	–
Impairment charged to profit and loss	**(12 949)**	3 710
	(82 400)	(56 146)
Transition to IFRS 9:		
Opening balance – IAS 39	**–**	(56 146)
IFRS 9 transition adjustment through retained earnings	**–**	(13 305)
Opening balance – IFRS 9	**–**	(69 451)
Allowance for impairment:		
Less than 30 days	**6 416**	6 660
30–59 days	**2 775**	1 682
60–89 days	**1 479**	1 424
90–119 days	**1 515**	1 037
120 days and over	**70 215**	58 648
	82 400	69 451
Allowance for impairment rate:		
Less than 30 days	**3 %**	4 %
30–59 days	**4 %**	3 %
60–89 days	**3 %**	5 %
90–119 days	**4 %**	3 %
120 days and over	**27 %**	27 %

During the year the Group wrote off bad debts amounting to R15.288 million in terms of the bad debt policy.

The factors considered in determining the amount and the impairment of trade receivables were financial difficulties abscondences disputes and exposure to credit risk.

The majority of gross trade receivables at the reporting date by type and customer were made up of Medical Aids. Other trade receivables include Workmens Compensation Private Government and Road Accident Fund.

Notes to the consolidated annual financial statements continued

		Group	
Figures in R'000		**2019**	Restated 2018
16. 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		**119**	247
Bank balances		**70 755**	65 023
		70 874	65 270
Overdraft			
Bank overdraft		**120 397**	94 990
Net cash and cash equivalents		**(49 523)**	(29 720)
Favourable cash balances to the value of R36.231 million (2018: R22.912 million) have been ceded to Rand Merchant Bank as security for facilities provided.			
17. Stated capital			
Authorised			
1 000 000 000 (2018: 1 000 000 000) ordinary shares at no par value			
Issued			
709 533 909 ordinary shares at no par value (2018: 709 533 909 ordinary shares)		**426 006**	426 006
	No of shares		
Share reconciliation			
Balance at the beginning of the year	709 534	**426 006**	422 407
Ordinary shares issued during the year	–	**–**	3 950
Share issue expenses	–	**–**	(351)
	709 534	**426 006**	426 006

During the year under review Nil (2018: 1.975 million) shares were issued by the company as follows:

Doctors – Nil (2018: 1.975 million shares)

+ This share issue relates to a subscription for shares by doctors who currently practice at our facilities. During the prior year 20 doctors were issued shares at R2 per share.

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.

Figures in R'000	Group 2019	Group Restated 2018
18. Other reserves		
Foreign currency translation reserve	**141 067**	67 727
Share based payment reserve	**–**	5 413
	141 067	73 140

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 SA. The foreign currency translation reserve has been valued as stated in note 3.20.

Share-based payment reserve

In the current year the Group changed the settlement classification of share-based payments from equity-settled to cash settled. Please refer to note 22 for further information.

Figures in R'000	Group 2019	Group Restated 2018
19. Non-controlling interests		
Non-controlling interests relate to outside shareholders of Lenmed Health Bokamoso Private Hospital (Pty) Ltd (30% Non-controlling interest), Lenmed Health Kathu Private Hospital (Pty) Ltd (33% Non-controlling interest), Lenmed Health Kathu Properties (Pty) Ltd (40% Non-controlling interest), Lenmed Health Laverna (Pty) Ltd (4.42% Non-controlling interest) and Lenmed Ethekwini Hospital and Heart Centre (Pty) Ltd (23.04% Non-controlling interest) and are made up as follows:		
Opening balance	**135 434**	202 694
Dividends	**(305)**	–
Additional investment in subsidiary	**(960)**	(99 350)
Profit for the year	**32 735**	32 570
Foreign currency translation	**2 842**	(480)
CLOSING BALANCE	**169 746**	135 434
Summary of financial information for Lenmed Ethekwini Hospital and Heart Centre (Pty) Ltd		
Non-current assets	**830 122**	771 531
Current assets	**120 514**	108 887
Non-current liabilities	**372 247**	329 331
Current liabilities	**58 977**	75 141
Revenue	**647 117**	576 516
Profit after taxation	**87 104**	79 582
Summary of financial information for other non-controlling interests		
Non-current assets	**502 010**	205 700
Current assets	**278 936**	241 889
Non-current liabilities	**632 533**	165 797
Current liabilities	**139 378**	136 586

***Notes to the consolidated annual financial statements** continued*

Figures in R'000	Group 2019	Restated 2018
20. Long term liabilities		
20.1 Mortgage bonds	**1 101 631**	1 106 366
Loans Payable to vendors These loans bear interest at 15.25% (2018: 15.25%) per annum and are secured over land and buildings, the cession of the Shifa hospital licence and general notarial bond over the movable assets of Lenmed Health Shifa (Pty) Ltd. Repayable in monthly instalments of R0.125 million (2018: R0.125 million)	**2 416**	3 352
First National Bank Limited These loans from First National Bank are secured by land and buildings with a carrying amount of R88.914 million (2018: R56.965 million) (refer to note 9). Interest has been charged at rates linked to prime. This loan is repayable in monthly instalments of R1.080 million (2018: R0.572 million).	**58 719**	38 780
Rand Merchant Bank These loans are secured by a first ranking mortgage bond over the Group's land and buildings with a carrying amount of R1.405 billion (2018: R1.365 billion) and a notarial bond of movable assets with a carrying value of R250.943 million (2018: R250.943 million). Interest has been charged at rates linked to JIBAR. The loan is split in 6 facilities. Facility A and E are 6 year term loans and with balance outstanding of R344.400 million (2018: R414.900 million), with interest repayable quarterly and capital repayable every 6 months. Facility B, C and F are 6 year term loans and with a balance outstanding of R620.000 million (2018: R590.000 million), with interest repayable quarterly, and no capital repayments until the end of the term when the full capital is required to be repaid. Facility D is USD denominated loan with interest payable quarterly and a capital moratorium up until November 2019. Thereafter the loan is repayable over the remaining 41 months with capital payments every 6 months. The USD balance outstanding as at 28 February 2019 is USD5.050 million (2018: USD5.050 million).	**1 040 496**	1 064 234
20.2 Instalment sales	**66 369**	61 075
Nedbank Limited Repayable in monthly instalments of R0.731 million (2018: R0.233 million). Interest has been charged at rates of interest linked to the prime lending rate. Secured by plant and equipment with a book value of R3.506 million.	**913**	2 880
WesBank, a division of FirstRand Bank Ltd Repayable in monthly instalments of R2.989 million (2018: R1.814 million). Interest has been charged at rates of interest linked to the prime lending rate. Secured by plant and equipment with a book value of R76.918 million.	**51 653**	38 832
Centrafin (Pty) Ltd Repayable in monthly instalments of R0.895 million (2018: R0.613 million). Interest has been charged at rates of interest linked to the prime lending rate. Secured by plant and equipment with a book value of R21.279 million.	**10 689**	19 363
Philips Repayable in monthly instalments of R0.656 million (2018: nil). Interest has been charged at rates of interest linked to the prime lending rate. Secured by plant and equipment with a book value of R5.964 million.	**3 114**	–
	1 168 000	1 167 441
Repayable within one year, transferred to current liabilities	**(150 349)**	(112 511)
	1 017 651	1 054 930

Figures in R'000	Group 2019	Group Restated 2018
21. Loans from minorities		
Board of Public Officers Medical Aid Scheme (BPOMAS)	**13 079**	18 934
This loan is unsecured, bears interest at rates linked to prime in Botswana and is repayable within 7 years from inception, subject to the availability of funds at Lenmed Health Bokamoso Private Hospital (Pty) Ltd. The Pula balance payable at year end is P9.599 million (2018: P15.599 million).		
ATMG	**15 568**	14 079
The loan is unsecured, has no fixed terms of repayment and bears interest at prime rate.		
Lenmed Ethekwini Hospital and Heart Centre (Pty) Ltd non-controlling shareholders	**13 849**	30 819
These loans are unsecured, have no fixed terms of repayment and bear no interest.		
	42 496	63 832
22. Trade and other payables		
Trade payables	**252 487**	204 696
Other payables	**80 999**	103 488
Value Added Tax	**22 468**	12 737
Cash-settled share based payments	**3 733**	–
	359 687	320 921

Cash-settled share based payments

This is made up of three allocations of share appreciation rights (SARs):

1) *Nil (2018: 1,683 million) SARs*

   7.300 million SARs were issued on 15 of October 2013 to two executive directors and nine members of senior management, at a price of R1.31 each. During the current year R2.154 million was paid out in cash as part of the 3rd and final tranche of the allocation.

2) *Nil (2018: 7.600 million) SARs*

   9.600 million SARs were issued on 1st of August 2015 to three executive directors and twelve members of senior management, at a price of R2.78 each. During the current year 6.850 million SARs were settled in full at a cost of R5.343 million.

3) *7.250 million (2018: 8.250 million) SARs*

   9.000 million SARs were issued on 1st of August 2016 to three executive directors and fifteen members of senior management, at a price of R3.00 each. As at 28 February 2019, 7.250 million (2018: 8.250 million) SARs were in issue. The reduction from the prior year is due to senior management attrition during the year.

4) *8.100 million SARs (2018: 8.600 million) SARs*

   8.600 million SARs were issued on 1st of August 2017 to three executive directors and sixteen members of senior management, at a price of R3.39 each. As at 28 February 2019, 8.100 million (2018: 8,600 million) SARs were in issue. The reduction from the prior is due to the senior management attrition during the year.

5) *9.600 million SARs*

   9.600 million SARs were issued on 1st of August 2018 to three executive directors and fifteen members of senior management, at a price of R3.56 each.

The Group has determined that the allocation should be accounted for as an cash-settled share-based payment transaction. The fair value of the SARs was calculated using the Black Scholes option pricing model. The amount recognised in the annual financial statements for the current year, in accordance with IFRS 2: Share-based payments, is an expense reversal of R1.680 million (2018: R1.320 million - expense reversal).

Notes to the consolidated annual financial statements *continued*

22. Trade and other payables continued

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

	3	4	5
Last traded price as at 28 February 2019	R3.56	R3.56	R3.56
Last traded price as at 28 February 2018	R3.11	R3.11	R3.11
Risk-free rate	8.71%	8.71%	8.71%
Volatility	9%	9%	9%
Dividend yield	0%	0%	0%
Long term inflation	6%	6%	6%

The risk-free rate of 8.71% (2018: 8.13%) has been assumed based on the prevailing return on a five-year RSA Government Retail Bond as at year end.

The volatility of 9% (2018: 21%) was determined based on the historic volatility of the Group's share price over the previous year.

	Group	
Figures in R'000	**2019**	Restated 2018
23. Provisions		
Carrying amount at the beginning of the year	**47 666**	36 376
Increase in accrual	**8 980**	11 290
Carrying amount at end of the year	**56 646**	47 666
Provisions are made up as follows:		
Bonus Provision	**13 225**	8 497
Leave pay provision	**27 202**	25 423
Other provisions	**16 219**	13 746
	56 646	47 666
24. Business combination		
24.1 Increase in investment in subsidiary		
24.1.1 During the prior year the Group increased it's investment in Lenmed Ethekwini Hospital and Heart Centre (Pty) Ltd (Ethekwini hospital) by acquiring 23.11% from the Industrial Development Corporation (IDC) for R313.3 million. This included both the shares and shareholders loans held by them. As at 28 February 2019, the Group owns of 76.96% of Ethekwini Hospital.		
Net asset value of Ethekwini hospital at 31 July 2017	**–**	429 901
Non-controlling interest of 23.11%	**–**	99 350
Consideration paid	**–**	310 608
Shareholder loan acquired	**–**	34 256
Shares	**–**	276 352
Full control reserve transferred to accumulated profits	**–**	177 002
Acquisition-related costs		
Commission and legal costs	**–**	2 863
25. Income tax paid		
Receivable/(Payable) at beginning of the year	**13 350**	(3 595)
Expense for the year	**(53 242)**	(54 390)
Adjustment for deferred tax	**9 755**	4 513
Deferred tax foreign currency translation adjustments	**(2 085)**	(768)
Payable at end of year	**(10 389)**	(13 350)
	(42 611)	(67 590)

26. Directors' emoluments

Figures in R'000	For services as directors	Short term employee benefits	Bonuses	Long term incentive bonus	Total
2019					
Mr P Devchand	**–**	**4 100**	**2 255**	**3 016**	**9 371**
Mr A Devchand	**–**	**3 180**	**1 885**	**1 206**	**6 271**
Mr V E Firman	**–**	**3 186**	**1 950**	**780**	**5 916**
Prof B D Goolab	**421**	**–**	**–**	**–**	**421**
Mr M G Meehan	**447**	**–**	**–**	**–**	**447**
Ms B Harie	**431**	**–**	**–**	**–**	**431**
Ms N V Simamane	**436**	**–**	**–**	**–**	**436**
	1 735	**10 466**	**6 090**	**5 002**	**23 293**
2018					
Mr P Devchand	–	4 100	3 800	3 241	11 141
Mr A Devchand	–	2 900	2 300	1 296	6 496
Mr V E Firman	–	3 000	2 400	435	5 835
Prof B D Goolab	265	–	–	–	265
Mr M G Meehan	364	–	–	–	364
Ms B Harie	364	–	–	–	364
Ms N V Simamane	351	–	–	–	351
	1 344	10 000	8 500	4 972	24 816

The remuneration of the directors as per the above schedule was determined by the Remuneration Committee. Refer to the Remuneration Report in the annual integrated report for disclosure relating to Share Appreciation Rights awarded to directors.

27. Contingent liabilities

Certain Compensation for Occupational Injuries and Diseases (COID) debtors are factored between 83% and 84% of their original value. The factoring houses have recourse should they not be able to recover the debt. The total funds received but still open to recourse amounted to R12.239 million as at reporting date (2018: R16.187 million).

A provision has been created of R1.1 million for current and pending legal cases and reflected within other provisions (note 23). The Group is not aware of any other current or pending legal cases that would have a material adverse effect on the Group.

28. 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 Group paid rentals to a non-subsidiary related party property company amounting to R1.560 million (2018: R1.367 million). The directors deem this rental to be market-related.

The remuneration and benefits received by the directors are disclosed in note 26.

Notes to the consolidated annual financial statements *continued*

29. Change in accounting policy

IAS 16 Property, plant and equipment – Land and buildings

The Group changed its accounting policy for the determination of the carrying amount of land and buildings from the revaluation method to the cost method. Due to the significant fluctuations in the valuation of land and buildings as well as their specialised nature the change to the cost method will result in the financial statements providing more reliable and relevant information.

The change in accounting policy has been accounted for retrospectively and the comparative statements for 2018 have been restated. Land and buildings and depreciation have been restated for all periods described below:

	28 February 2019	28 February 2018	1 March 2017
Decrease in depreciation	**1 169**	1 169	–
(Increase) in deferred tax expense	**(327)**	(327)	–
Increase in profit for the year	**842**	842	–
(Decrease) in land and buildings carrying amount	**(301 242)**	(303 580)	(304 749)
(Increase) in deferred tax	**74 913**	75 567	75 894
(Decrease) in revaluation reserve	**–**	–	(230 448)
Adjustment against retained earnings at the beginning of the year	**–**	–	1 593

IFRS 9 Financial instruments

IFRS 9 addresses the accounting principles for the financial reporting of financial assets and financial liabilities, including classification, measurement, impairment, derecognition, and hedge accounting. IFRS 9 replaces the earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. The standard is mandatory for accounting periods beginning on or after 1 January 2018 and has, therefore, been adopted by the Group for the year ended 28 February 2019. The Group has applied the standard retrospectively as at 1 March 2018 with no restatement of comparative information for prior years. IFRS 9 replaces the 'incurred loss' model of IAS 39 with a forward looking 'expected credit loss' model to measure impairment losses on financial assets. The majority of the Group's financial assets are trade receivables, for which IFRS 9 requires the simplified approach to be applied, measuring the impairment loss allowance based on lifetime expected credit loss. Further to this, as a practical expedient, the Group has applied a provision matrix assessing historical credit losses per aged bucket of trade debtors and overlaid this with Lenmed's assessment of general economic conditions to estimate expected future losses. There is an opening movement to retained earnings R10.83 million and an adjustment of R16.4 million to current year earnings to align to the new standard. This has had the effect of increasing the doubtful debt provision from R56.1 million to R82.4 million.

IFRS 15 Revenue from Contracts with Customers

The core principle of the new standard is to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new standard also results in enhanced disclosures about revenue, provides guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improves guidance for multiple-element arrangements. The company performed an impact assessment and concluded that IFRS 15 Revenue does not impact materially on the Group revenue. The presentation and disclosure requirements in IFRS 15 have been updated.

30. 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:

30.1 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.

	Group	
Figures in R'000	**2019**	Restated 2018
Interest bearing loans payable	**1 130 278**	1 139 379
Instalment sale liabilities	**66 369**	61 075
Bank overdraft	**120 397**	94 990
	1 317 044	1 295 444
Sensitivity analysis		
Increase of 100 basis points would result in a reduction in profit before tax of	**(13 170)**	(12 954)
Decrease of 100 basis points would result in an improvement in profit before tax of	**13 170**	12 954

30.2 Credit risk

The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of revenue over a period of 12 months before 28 February 2019 or 1 March 2018 respectively and the corresponding historical credit losses experienced within this period. The historical cost rates are adjusted to reflect current and forward- looking information on macroeconomic factors affecting the ability of the patients to settle the receivables. The maximum exposure is the carrying amount as disclosed in note 15.

30.3 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 2019, based on contractual undiscounted payments.

	Group	
Figures in R'000	**Within 1 year**	1 to 5 years
Maturity analysis – 2019		
Borrowings	**150 349**	1 060 147
Trade and other payables	**337 219**	-
	487 568	1 060 147
Maturity analysis – 2018		
Borrowings	**112 511**	1 118 762
Trade and other payables	**308 184**	-
	420 695	1 118 762

Notes to the consolidated annual financial statements continued

30. Financial Risk Management continued

30.3 Liquidity risk continued

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).

30.4 Foreign currency risk

The Group is exposed to foreign currency risk through its offshore subsidiaries, Maputo Private Hospital SA (Maputo hospital) and Lenmed Health Bokamoso Private Hospital (Pty) Ltd (Bokamoso hospital). A US dollar denominated long term loan exists at Maputo hospital. However, revenue at the hospital is partially US dollar denominated, thus forming a natural hedge. The net working capital at Maputo hospital is denominated in Mozambican Meticais. This amount is considered immaterial and no hedging takes place. To date the Group has not suffered any material currency loss. There are no long term loans at Bokamoso 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.

	Group	
Figures in R'000	2019	Restated 2018
Foreign Currency Translation Reserve	**141 067**	67 727
Sensitivity analysis		
Increase of 10% in functional currency rate would result in a reduction in reserve of:	**(14 107)**	(6 773)
Decrease of 10% in functional currency rate would result in an increase in reserve of:	**14 107**	6 773

31. Financial instruments

31.1 Categories of financial instruments

	Group		
Figures in R'000	Amortised cost	Assets at fair value through profit and loss	Asset at fair value through OCI
2019			
Financial assets per statements of financial position			
Investments in associates	**–**	**–**	**4 497**
Trade and other receivables	**655 132**	**–**	**–**
Cash and cash equivalents	**70 874**	**–**	**–**
2018			
Financial assets per statements of financial position			
Investments in associates	–	–	5 607
Trade and other receivables	529 173	–	–
Cash and cash equivalents	65 270	–	–

	Group		
Figures in R'000	Loans and payables	Financial liabilities measured at amortised cost	Derivatives used for hedging
2019			
Financial liabilities per statements of financial position			
Long term liabilities	**–**	**1 017 651**	**–**
Loans from minorities	**–**	**42 496**	**–**
Trade and other payables	**–**	**333 486**	**–**
Current portion of long term liabilities	**–**	**150 349**	**–**
Bank overdraft	**–**	**120 397**	**–**
2018			
Financial liabilities per statements of financial position			
Long term liabilities	–	1 054 930	–
Loans from minorities	–	63 832	–
Trade and other payables	–	308 184	–
Current portion of long term liabilities	–	112 511	–
Bank overdraft	–	94 990	–

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

Notes to the consolidated annual financial statements continued

31. Financial instruments continued

31.2 Fair value hierarchy and measurements

Financial assets and liabilities that are measured at fair value on a recurring basis.

	Group			
	Level 1	Level 2	Level 3	Total
Fair value at 28 February 2019				
Financial assets				
Loans and receivables				
– Trade and other receivables		**–**	**655 132**	**655 132**
– Cash and cash equivalents		**70 874**	**–**	**70 874**
Financial liabilities				
Financial liabilities held at amortised cost				
– Long term liabilities		**1 017 651**	**–**	**1 017 651**
– Loans from minorities		**–**	**42 496**	**42 496**
– Trade and other payables		**–**	**333 486**	**333 486**
– Current portion of long term liabilities		**150 349**	**–**	**150 349**
– Bank overdraft		**120 397**	**–**	**120 397**
Fair Value at 28 February 2018				
Financial assets				
Loans and receivables				
– Trade and other receivables		–	529 173	529 173
– Cash and cash equivalents		65 270	–	65 270
Financial liabilities				
Financial liabilities held at amortised cost				
– Long term liabilities		1 054 930	-	1 054 930
– Loans from minorities		–	63 832	63 832
– Trade and other payables		–	320 921	320 921
– Current portion of long term liabilities		112 511	-	112 511
– Bank overdraft		94 990	-	94 990

The fair value of assets and liabilities disclosed under level 3 have been determined in accordance with generally accepted pricing models. All the above financial instruments are short term in nature and their fair value approximates their carrying values. There were no transfers between level I and 2 during the year.

Figures in R'000	Group 2019	Group Restated 2018
32. Commitments		
32.1 Operating lease commitments – lessee		
Future minimum lease payments under non-cancellable operating leases are as follows:		
– Within 1 year	**15 577**	20 891
– Due thereafter but not later than 5 years	**34 199**	49 406
	49 776	70 297
The above lease commitments relate to both Lenmed Health Bokamoso Private Hospital (Pty) Ltd and Lenmed Health Management Company (Pty) Ltd are in respect of property rentals payable for premises.		
32.2 Operating lease commitments – lessor		
Future minimum lease receipts under non-cancellable operating leases are as follows:		
– Within 1 year	**6 385**	5 841
– Due thereafter but not later than 5 years	**8 770**	3 750
	15 155	9 591
32.3 Capital Commitments		
The construction, renovation and upgrading of hospital buildings	**26 909**	23 246
The acquisition of plant and equipment	**11 205**	11 536
	38 114	34 782

Acronyms and glossary

Acronyms

ABET	Adult Basic Education and Training
AGM	Annual General Meeting
B-BBEE	Broad-based Black Economic Empowerment
BLS	Basic Life Support
CA	Chartered Accountant
COHSASA	Council for Health Service Accreditation of Southern Africa
COO	Chief Operating Officer
CPD	Continuing Professional Development
CSI	Corporate Social Investment
DEG	Deutsche Investitions-und Entwicklungsgesellschaft (German Development Bank)
DoH	Department of Health
dti	Department of Trade and Industry
EBITDA	Earnings Before Interest, Taxation, Depreciation and Amortisation
GEMS	Government Employees Medical Scheme
GDP	Gross Domestic Product
HAI	Hospital Acquired Infections
HCAHPS	Hospital Consumer Assessment of Healthcare Providers and Systems
HWSETA	Health and Welfare Sector Education and Training Authority
ICU	Intensive Care Unit
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
IT	Information Technology
JSE	Johannesburg Stock Exchange
KZN	KwaZulu-Natal
NGOs	Non-governmental organisations
NHI	National Health Insurance
NHN	National Hospital Network
OTC	Over-the-counter shares
POPI	Protection of Personal Information
QR	Quick Response
TIBA	Transvaal India Blind Association
USSD	Unstructured Supplementary Service Data
WACC	Weighted Average Cost of Capital

Glossary

Antimicrobial stewardship	Optimised use of antimicrobials to prevent the development of resistance and improve patient outcomes.
Benchmark	A standard or point of reference against which things may be compared.
Brownfields	Start a project based on prior development or to rebuild a facility from an existing one.
Carbon footprint	The amount of carbon dioxide released into the atmosphere as a result of the activities of a particular individual, organisation, or community.
Catheterisation laboratory (cath lab)	An examination room with diagnostic imaging equipment used to visualise the arteries of the heart and the chambers of the heart and treat any stenosis or abnormality found.
Cataract	A medical condition in which the lens of the eye becomes progressively opaque, resulting in blurred vision.
Clinical governance	A systematic approach to maintaining and improving the quality of patient care within a health system.
Commissioned	Bring into working condition.
Companies Act	South African Companies Act 71 of 2008, as amended.
Competition Commission	A statutory body constituted by the South African government, empowered to investigate, control and evaluate restrictive business practices, abuse of dominant positions and mergers in order to achieve equity and efficiency in the South African economy.
Compliance	Abiding by both industry regulations and government legislation.
Curriculum	The subjects comprising a course of study in a school or college.
Day Care Centres	A facility that offers professional healthcare, such as psychiatric care or rehabilitation services, to individuals who require service but are able to return to their homes overnight.
Due diligence	An investigation or audit of a potential investment to ensure a certain standard of responsibility.
Employment Equity	Promoting equal opportunity and fair treatment in employment through elimination of unfair discrimination and implementing affirmative action measures.
Endoscopy	A non-surgical procedure used to examine a person's digestive tract, using a flexible tube with a light and camera attached to it.
Eskom	A South African electricity, public utility.
Gearing	The ratio of a company's loan capital (debt) to the value of its ordinary shares (equity).
Green buildings	Buildings with energy- and water-saving features.
Greenfields	Previously undeveloped sites for commercial development or exploitation.
Grey water	Waste water from baths, sinks, washing machines, and other kitchen appliances.
Infection control	The discipline concerned with preventing healthcare-associated infection.
Integrated Report	A concise communication about how an organisation's strategy, governance, performance and prospects lead to the creation of value over the short, medium and long term.
King IV™ Code	King IV™ Code of Governance reporting principles.
Management contract	An arrangement under which operational control of an enterprise is vested by contract in a separate enterprise that performs the necessary managerial functions in return for a fee.
Material issues	Issues that a reasonable shareholder would consider important in deciding how to vote their shares or invest their money.
Medical aid funders	The business of undertaking health service liabilities.
Medical aid tariffs	The cost of a service negotiated by a medical fund with a preferred provider, such as doctors and hospitals.

Glossary *continued*

Medical schemes	The business of undertaking health service liability in return for a premium or contribution.
Medical waste	All waste materials generated at healthcare facilities, including used needles and syringes, soiled dressings, diagnostic samples, blood, chemicals, pharmaceuticals, medical devices and radioactive materials.
Normalised EBITDA	On the balance sheet, earnings adjusted to remove unusual or one-time influences.
Oncology	The study and treatment of tumours.
Paediatric	A medical specialty that manages medical conditions affecting babies, children and young people.
Pharmaceutical	Medicinal drugs, their preparation, use or sale.
Protocols	Official procedure or system of rules.
Quadruple burden of disease	HIV/Aids, underdevelopment, chronic diseases related to unhealthy lifestyles, and injuries.
Radiotherapy	The treatment of disease, especially cancer, using X-rays or similar forms of radiation.
Renal	Relating to the kidneys.
Risk appetite	The amount of risk a company is willing to accept in pursuit of value.
the Group	Lenmed Investments Limited.
Transformation	Increased access and opportunities for previously disadvantaged South Africans.
Unlisted company	A company that can have an unlimited number of shareholders to raise capital for any commercial venture.

Notice of annual general meeting

Lenmed Investments Limited

(Registration number 1980/003108/06)

("the Company" or "Lenmed")

Notice is hereby given to the shareholders of the Company that the Thirty Seventh Annual General Meeting of the Company will be held at Lenmed's Head Office, 2nd Floor, Fountainview House, Constantia Office Park, Corner 14th Avenue and Hendrik Potgieter Road, Constantia Kloof, Johannesburg on **Thursday 8 August 2019 at 15:00** for the purposes of passing, with or without modification, the ordinary and special resolutions set out below.

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

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

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

Electronic participation at the annual general meeting – Should a shareholder wish to avail themselves of this facility, they are requested to contact the Company Secretary at least 10 business days before the date of the annual general meeting.

Ordinary resolutions

Ordinary resolution 1: Annual financial statements

"RESOLVED THAT the annual financial statements of the Company for the year ended 29 February 2020, including the directors' report and the report of the Audit and Risk Committee, be and are hereby received."

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

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

Ordinary resolution 2: Re-election of director

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

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

Ordinary resolution 3: Re-election of director

"RESOLVED THAT Mr P Devchand be and is hereby re-elected as a director of the Company."

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

Ordinary resolution 4: Re-election of director

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

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

Profiles of the above directors are set out in the Annual Integrated Report.

Ordinary resolutions 5.1, 5.2 and 5.3: Appointment of Audit and Risk Committee members

It is proposed that the members of the Company's Audit and Risk Committee set out below be appointed. The membership as proposed by the Board of Directors is Ms B Harie, Mr M G Meehan and Ms N V Simamane all of whom are independent non-executive directors as prescribed by the Companies Act. It is recorded that Mr Meehan is Chairman of the Audit and Risk Committee.

Ordinary resolution 5.1

"RESOLVED THAT Ms B Harie be and is hereby appointed as a member of the Audit and Risk Committee."

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

Ordinary resolution 5.2

"RESOLVED THAT Mr M G Meehan be and is hereby appointed as a member of the Audit and Risk Committee."

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

Ordinary resolution 5.3

"RESOLVED THAT Ms N V Simamane be and is hereby appointed as a member of the Audit and Risk Committee."

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

Ordinary resolution 6: Re-appointment of external auditors of the Company

"RESOLVED THAT the re-appointment of PKF Durban as the external registered auditors of the Company, and being independent from the Company, be and is hereby approved and Mr K Gertenbach (IRBA number 200700) be and is hereby appointed as the designated audit partner for the financial year ending 29 February 2020."

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

Ordinary resolutions 7.1 and 7.2: Non-binding Advisory Vote – Remuneration Policy and Implementation Report

Ordinary resolution 7.1: Non-binding advisory vote on the Company's Remuneration Policy

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

The Company's remuneration policy and related information appears in the Annual Integrated Report.

***Notice of annual general meeting** continued*

Ordinary resolution 7.2: Non-binding advisory vote on the Company's Remuneration Implementation Report

"To endorse on a non-binding advisory basis, the Company's remuneration implementation report."

The Company's remuneration implementation report and related information appears in the Annual Integrated Report.

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

Notes to ordinary resolutions 7.1 and 7.2:

+ Principle 14 and sub-practice 37 of King IV™ recommends companies to table their Remuneration Policy and Implementation Report every year to shareholders for a non-binding advisory vote at the Company's Annual General Meeting. This vote enables shareholders to express their views on the remuneration policies adopted and on their implementation.
+ These resolutions are of an advisory nature only and failure to pass this resolution will therefore not have any legal consequences relating to existing arrangements. However, the Board of Directors of the Company will take the outcome of the vote into consideration when considering the Company's Remuneration Policy.

Special resolutions

Special resolution 1: Approval of financial assistance

"RESOLVED THAT to the extent required by the Companies Act, the Board of Directors of the Company may, subject to compliance with the requirements of the Company's MOI and the Companies Act, each as presently constituted and as amended from time to time, authorise the Company to provide direct or indirect financial assistance by way of loan, guarantee, the provision of security or otherwise, to:

+ any of its present or future subsidiaries and/or any other company or entity that is or becomes related or inter-related to the Company or any of its subsidiaries, and/or to any member of such subsidiary or related or inter-related company or entity, all as contemplated in Sections 44 and/or 45 of the Companies Act, for such amounts and on such terms and conditions as the directors of the Company may determine;

such authority to endure until the Annual General Meeting of the Company for the year ended 29 February 2020."

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

Motivation for special resolution 1

Notwithstanding the title of Section 45 of the Companies Act, being "Loans or other financial assistance to directors", on a proper interpretation, the body of the section may also apply to financial assistance provided by a company to related or inter-related companies and other entities, including, inter alia, its subsidiaries, associates, joint ventures, partnerships, collaboration arrangements, etc for any purpose.

Furthermore, Section 44 of the Companies Act may also apply to the financial assistance so provided by a company to related or inter-related companies or other entities, in the event that the financial assistance is provided for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the Company or a related or inter-related company, or for the purchase of any securities of the Company or a related or inter-related company.

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

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

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

Special resolution 2: Future directors' fees

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

	Fees per meeting Rand	Retainer (per annum) Rand
Non-executive director/ Independent non-executive director	16 400	212 000
Audit and Risk Committee chairman	16 400 (in addition to meeting fee)	
Audit and Risk Committee member	16 400	
Remuneration and Nominations Committee chairman	16 400 (in addition to meeting fee)	
Remuneration and Nominations Committee member	16 400	
Social and Ethics Committee chairman	16 400 (in addition to meeting fee)	
Social and Ethics Committee member	16 400	
Fee for work not specified above (per meeting rate)	16 400	

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

Motivation for special resolution 2

The reason for special resolution 2 is to comply with the provisions of the Companies Act. The effect of the special resolution is that, if approved by the shareholders at the Annual General Meeting, the fees payable to non-executive directors until the next Annual General Meeting will be as set out above.

Special resolution 3: To approve the acquisition of shares in the Company

"RESOLVED THAT, subject to the provisions of the Companies Act, 2008 (specifically Section 46 dealing with solvency and liquidity) and the company's memorandum of incorporation, the Company or any subsidiary of the company is authorised, by way of a general authority, to acquire ordinary shares in the share capital of the company from any person."

Motivation for special resolution 3

The reason for special resolution 3 is to enable the Company or any subsidiary of the Company to acquire shares issued by the Company. The effect of the special resolution is that, if approved by the shareholders at the Annual General Meeting, authority will be given for the acquisition of such shares.

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

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

Voting and proxies

In terms of the Company's MOI, at any time, a shareholder may, in respect of any class of shares held by the shareholder, appoint any individual, including an individual who is not a shareholder of the Company, as a proxy to participate in, and speak and vote, at the Annual General Meeting, on behalf of the shareholder.

In terms of the Company's MOI (clause 3.10.1), a shareholder of the Company may not appoint two or more persons concurrently as proxies.

In terms of the Company's MOI (clause 3.10.3) a copy of the instrument appointing a proxy must be delivered to the registered office of the Company, marked for the attention of the Company Secretary (or to be delivered to such other location and/or person on behalf of the Company as may be specified in the notice convening the meeting), to be received by the Company not less than 48 hours before the appointed time for the beginning of the meeting or, if the meeting is adjourned the appointed time for the resumption of the adjourned meeting.

By order of the Board

William Somerville
Company Secretary

8 July 2019

Registered office
Lenmed Investments Limited
2nd Floor Fountainview House,
Constantia Office Park,
Corner 14th Avenue and Hendrik Potgieter Road,
Constantia Kloof, Johannesburg, 1709

Notice of annual general meeting *continued*

Rights in terms of Section 58 of the Companies Act, 2008

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

1. At any time, a shareholder of a company is entitled to appoint any individual, including an individual who is not a shareholder of that company, as a proxy to participate in, speak and vote at a shareholders meeting on behalf of the shareholder.
2. A proxy appointment must be in writing, dated and signed by the relevant shareholder.
3. Except to the extent that the memorandum of incorporation ("MOI") of a company provides otherwise:
   3.1 a shareholder of the relevant company may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by such shareholder (a); and

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

   Notes

   (a) In respect of item 3.1, in terms of the Company's MOI (clause 3.10.1), a shareholder of the Company may not appoint two or more persons concurrently as proxies.

   (b) In respect of item 3.2, in terms of the Company's MOI (clause 3.10.3) a copy of the instrument appointing a proxy must be delivered to the registered office of the Company, marked for the attention of the Company Secretary (or to be delivered to such other location and/or person on behalf of the Company as may be specified in the notice convening the meeting), to be received by the Company not less than 48 hours before the appointed time for the beginning of the meeting or, if the meeting is adjourned the appointed time for the resumption of the adjourned meeting.
4. Irrespective of the form of instrument used to appoint a proxy:
   4.1 the appointment of the proxy is suspended at any time and to the extent that the shareholder who appointed that proxy chooses to act directly and in person in the exercise of any rights as a shareholder of the relevant company; and

   4.2 should the instrument used to appoint a proxy be revocable, a shareholder may revoke the proxy appointment by cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and the relevant company.
5. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the relevant shareholder as of the later of the date:
   5.1 stated in the revocation instrument, if any; or

   5.2 upon which the revocation instrument is delivered to the proxy and the relevant company as required in Section 58(4)(c)(ii) of the Companies Act.
6. Should the instrument appointing a proxy or proxies have been delivered to the relevant company, as long as that appointment remains in effect, any notice that is required by the Companies Act or the relevant company's memorandum of incorporation to be delivered by such company to the shareholder must be delivered by such company to:
   6.1 the shareholder, or

   6.2 the proxy or proxies if the shareholder has in writing directed the relevant company to do so and has paid any reasonable fee charged by the company for doing so.
7. A proxy is entitled to exercise, or abstain from exercising, any voting right of the relevant shareholder without direction, except to the extent that the memorandum of incorporation of the relevant company or the instrument appointing the proxy provide otherwise.
8. If a company issues an invitation to shareholders to appoint a person named by such company as a proxy, or supplies a form of instrument for appointing a proxy:
   8.1 such invitation must be sent to every shareholder who is entitled to receive notice of the meeting at which the proxy is intended to be exercised;

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

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

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

Form of proxy

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

For use at the Thirty Seventh Annual General Meeting of the Company to be held at Lenmed's Head Office, 2nd Floor, Fountainview House, Constantia Office Park, Corner 14th Avenue and Hendrik Potgieter Road, Constantia Kloof, Johannesburg on **Thursday 8 August 2019 at 15:00** and at any adjournment thereof.

I/We ______________________________ (full name in block letters)

of ______________________________ (address)

being a shareholder(s) of the Company and holding ______________ ordinary shares in the Company,

hereby appoint ______________ of ______________ , or

failing him/her ______________ of ______________ , or

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

	Number of votes		
	For	Against	Abstain
Ordinary resolutions 1. To receive the annual financial statements of the Company for the year ended 28 February 2019, including the directors' report and the report of the Audit and Risk Committee.			
2. To re-elect Ms N V Simamane as a director of the Company.			
3. To re-elect Mr P Devchand as a director of the Company.			
4. To re-elect Ms B Harie as a director of the Company.			
5. To appoint members of the Audit and Risk Committee:			
5.1 To appoint Ms B Harie as a member of the Audit and Risk Committee.			
5.2 To appoint Mr M G Meehan as a member of the Audit, Governance and Risk Committee.			
5.3 To appoint Ms N V Simamane as a member of the Audit, Governance and Risk Committee.			
6. To re-appoint the external auditors of the Company, PKF Durban, and to appoint Mr K Gertenbach as the designated audit partner.			
7.1 Non-binding advisory vote on the Company's remuneration policy.			
7.2 Non-binding advisory vote on the Company's remuneration implementation report.			
Special resolutions 1. Approval of financial assistance.			
2. Approval of the future fees of non-executive directors.			
3. Approval of acquisition of shares in the Company.			

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

Signed at ______________ on ______________ 2019

Shareholder's signature ______________ assisted by ______________ (if applicable)

Notes to form of proxy

1. At any time, a shareholder may in respect of shares held in the Company by that shareholder, appoint any individual, including an individual who is not a shareholder of the Company to participate in, speak and, on a poll, vote in place of that shareholder at the Annual General Meeting. Meeting participants will be required to provide satisfactory identification before being allowed to participate in the meeting.
2. A shareholder wishing to appoint a proxy must do so in writing by inserting the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space provided on the form of proxy, with or without deleting "the Chairman of the Annual General Meeting". The person whose name stands first on the form of proxy and who is present at the Annual General Meeting will be entitled to act as proxy to the exclusion of those whose names follow.
3. A shareholder's instructions to the proxy must be indicated on the form of proxy by the insertion of the relevant number of votes exercisable by that member in the appropriate box(es) provided. Failure to comply with the above will be deemed to authorise the Chairman of the Annual General Meeting, if the Chairman is the authorised proxy, to vote in favour of the ordinary and special resolutions at the Annual General Meeting, or any other proxy to vote or to abstain from voting at the Annual General Meeting as he/she deems fit, in respect of all the shareholder's votes exercisable thereat.
4. A shareholder or his/her proxy is not obliged to vote in respect of all the ordinary shares held by such shareholder or represented by such proxy, but the total number of votes for or against the ordinary resolutions and in respect of which any abstention is recorded may not exceed the total number of votes to which the shareholder or his/her proxy is entitled.
5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by the Company's transfer office or waived by the Chairman of the Annual General Meeting.
6. The Chairman of the Annual General Meeting may reject or accept any form of proxy which is completed and/or received other than in accordance with these instructions, provided that he is satisfied as to the manner in which a shareholder wishes to vote.
7. Any alterations or corrections to this form of proxy must be initialled by the signatory(ies).
8. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.
9. A minor must be assisted by his/her parent/guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Company.
10. Where there are joint holders of shares (i) any one holder may sign the form or proxy; and (ii) the vote of the senior shareholders (for that purpose seniority will be determined by the order in which the names of the shareholders appear in the Company's register) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholders.
11. Any proxy appointment made in terms of this form of proxy remains valid until the end of the Annual General Meeting, unless revoked earlier.
12. In terms of the Company's MOI (clause 3.10.3) a copy of the instrument appointing a proxy must be delivered to the registered office of the Company, marked for the attention of the Company Secretary (or to delivered to such other location and/or person on behalf of the Company as may be specified in the notice convening the meeting), to be received by the Company not less than 48 hours before the appointed time for the beginning of the meeting or, if the meeting is adjourned the appointed time for the resumption of the adjourned meeting.

Registered office

Lenmed Investments Limited
2nd Floor Fountainview House,
Constantia Office Park,
Corner 14th Avenue and Hendrik Potgieter Road,
Constantia Kloof, Johannesburg, 1709

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
Mr V E Firman

Non-executive directors
Mr M G Meehan (lead independent)
Ms B Harie (independent)
Ms N V Simamane (independent)
Prof B D Goolab

Registered address
2nd Floor Fountainview House,
Constantia Office Park,
Corner 14th Avenue and Hendrik Potgieter Road,
Constantia Kloof, Johannesburg, 1709

Postal address
PO Box 855
Lenasia, Johannesburg, 1820

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

Company secretary
Mr W Somerville
2nd Floor Fountainview House,
Constantia Office Park,
Corner 14th Avenue and Hendrik Potgieter Road,
Constantia Kloof, Johannesburg, 1709

Registration number
1980/003108/06

Bankers
Rand Merchant Bank

Transfer secretary
Singular Systems (Pty) Ltd t/a Equity Express
7 Junction Road, Bramley, Johannesburg, 2001

Our hospitals

Ahmed Kathrada Private Hospital
K43 Highway, Extension 8, Lenasia Gauteng
T. +27 87 087 0642 F. +27 11 852 8910

Bokamoso Private Hospital
Plot 2435, Mmopane Block 1, Gaborone, Botswana
T. +267 369 4000 F. +267 369 4140

Daxina Private Hospital
1682 Impala Street, Lenasia South, Gauteng
T. +27 87 087 0644 F. +27 11 855 1039

Ethekwini Hospital and Heart Centre
11 Riverhorse Road, Riverhorse Valley Business Estate,
Queen Nandi Drive, Durban, KwaZulu-Natal
T. +27 31 581 2400 F. +27 31 581 2699

Kathu Private Hospital
Frikkie Meyer Street, Kathu
T. +27 53 723 3231 F. +27 53 723 3389

La Verna Private Hospital
1 Convent Road, Ladysmith, KwaZulu-Natal
T. +27 87 087 2600 F. +27 36 637 4889

Maputo Private Hospital
Rua do Rio Inhamiara, Sommerschield II, Maputo, Mozambique
T. +258 21 48 3905 F. +258 21 49 3680

Randfontein Private Hospital
Ward Street Ext, Randfontein, Gauteng
T. +27 87 087 2700 F. +27 11 411 3134

Shifa Private Hospital
482 Randles Road, Sydenham, Durban, KwaZulu-Natal
T. +27 87 087 0641 F. +27 86 559 7043

Zamokuhle Private Hospital
128 Flint Mazibuko Street, Hospital View, Tembisa, Gauteng
T. +27 87 087 0643 F. +27 11 924 2149

Royal Hospital and Heart Centre
Corner Welgevonden and Jacobus Smit Street,
Royldene, Kimberley
T. +27 53 045 0350

lenmed

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