



ANNUAL
INTEGRATED
REPORT
2020



lenmed
Embrace every day

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About our annual integrated report

Lenmed's 2020 annual integrated report (AIR) covers the financial year 1 March 2019 to 29 February 2020. Here, we share the collective thinking applied to material matters impacting on our ability to create long-term value. Throughout the AIR, we address the challenges faced by the Group, and opportunities and external drivers influencing Lenmed's strategy.

The AIR 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) <IR> Framework*
- *International Financial Reporting Standards (IFRS)*

MATERIALITY

This AIR was prepared on the basis of materiality. The process for determining and prioritising material matters, and our disclosure of these, is discussed on page 32.

DISCLOSURE AND ASSURANCE

Lenmed aims at the highest standards for all disclosures included in this AIR 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 AIR 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 obtain independent assurance on non-financial information.

BOARD RESPONSIBILITY

The Board approved the AIR on 23 July 2020 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 AIR, Lenmed faces risks and other factors outside its control. This may lead to outcomes unforeseen by the Group. These are not reflected in the AIR.

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

WHY LENMED

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.

The Group is constantly developing focused speciality centres to ensure provision of expert medical care when and where required. Key achievements include:

- Ethekwini Hospital and Heart Centre is the only facility to offer paediatric open-heart surgery in KwaZulu-Natal.
- Bokamoso Private Hospital is the only hospital in Botswana to offer cardiac services, vascular surgery and nuclear medicine.
- Royal Hospital and Heart Centre in the Northern Cape offers the only cardiac and radiotherapy service in the province.



Feedback on AIR

We welcome your feedback on this AIR. Please email your comments to Fredré Meiring at info@lenmed.co.za.

Lenmed invests in its people. In a highly competitive environment, we understand the importance of retaining our highly skilled doctors, specialists and nurses. We constantly 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.



I prepared this report as the world remains caught up in the COVID-19 pandemic and its consequences. Healthcare is squarely in the crisis frontline, so my Chairman's report will range further than the traditional overview of Lenmed's performance of the past year.

PRAKASH DEVCHAND

POSITIONING LENMED FOR VALUE CREATION

A WORD FROM OUR CHAIRMAN

Even so, we retain our traditional reporting focus on caring for patients and communities. Human touch is more important than ever in this time of social distancing.

EVENTS PRIOR TO FINANCIAL YEAR-END

Smooth sailing before the crisis

Lenmed delivered an outstanding financial performance for the year, as discussed in more detail in the Chief Executive Officer's and Chief Financial Officer's reports. Our ambitious investment and growth strategy delivered new capacity and specialties to our hospitals, which lifted revenue streams. In line with Lenmed's succession planning, Amil Devchand was announced as the Chief Executive Officer (CEO) of the Lenmed Group, effective from 1 March 2020. Amil had prepared thoroughly for the position, serving as deputy CEO, COO and CFO of Lenmed in recent years.

During this period, our Chief Financial Officer, Vaughan Firman, accepted an offer from outside South Africa and was replaced by Fredré Meiring. We wish Vaughan the very best for his new path and thank him for his dedication during his years with us. Fredré has settled in well in his first months with Lenmed and we're confident he will continue building on the solid foundation established by his predecessor.

In this period, we established Lenmed's Clinical Governance Committee, with the mandate to embed clinical outcomes and service quality into the core of Lenmed's culture. We anticipate that under the guidance of Professor Goolab, this committee will lift the trajectory of Lenmed's evolution into a top tier hospital group.

OVERVIEW OF POST YEAR-END DEVELOPMENTS AND THE IMPACT OF THE PANDEMIC

Disrupted by COVID-19

Since March 2020, the Board and management has spent the bulk of its time dealing with the impact of COVID-19. We commend President Cyril Ramaphosa and his government for their swift action in implementing a national lockdown to slow the spread of COVID-19.

With infection numbers expected to surge and subside across various regions, South Africa is caught up in a long and difficult struggle to contain the COVID-19 scourge.

Looming over all these concerns is the key issue of South Africa's public and private health systems and whether these can provide the resources, hospital beds and medical personnel to cope with peaking infection rates. We have disaster management plans for all Lenmed facilities. Private healthcare hospitals are working with government to unlock medical resources for handling COVID-19 patients. In early June 2020, South Africa's Department of Health and private healthcare providers including Lenmed concluded a key agreement on how private healthcare will admit and treat COVID-19 patients on behalf of government. This arrangement has become fundamental to South Africa's fight back against the COVID-19 scourge.

Apart from the COVID-19 measures, we anticipate that private hospital groups will encounter peaks and valleys in demand as patients postpone elective surgeries during the outbreak. With so many variables in play, the initial financial effects of COVID-19 will become evident in the half-year balance sheets of the private healthcare providers.

OPERATING ENVIRONMENT

The pre-COVID operating environment existed up to February 2020, which coincided with Lenmed's financial year-end. Although South Africa's economy was challenging, our investment strategy of the past two years delivered highly pleasing returns.

A particular success in 2019 was being appointed as an anchor service provider to the Government Employees Medical Scheme (GEMS) network for the next three years. As South Africa's largest medical aid funder, GEMS holds excellent reserves and offers exceptional growth prospects for its service providers.

South Africa's legislative environment was dominated by discussions regarding its proposed National Health Insurance (NHI). The first piece of enabling legislation, the NHI Bill, is currently being debated within parliament.

The perilous state of the South African economy, coupled with the impact of the COVID-19 pandemic, may delay the NHI's implementation. On the other hand, COVID-19 may create the conditions for a rapid rollout of NHI.

In December 2019, the Council for Medical Schemes (CMS) issued a circular that banned primary health insurance plans. These would only be permitted after March 2021. This decision has had minimal impact on Lenmed's business, which relies primarily on medical aid plans. Health insurers and the medical industry are currently engaging with the CMS for a tailored outcome.

Emigration continues shrinking the numbers of doctors, specialists, pharmacists and hospital managers available to South African healthcare. Nurses with specialised skills and healthcare IT specialists are also scarce. These shortages have been chronic for some years and look set to deepen.

Fortunately, after a lengthy delay, Lenmed's College of Higher Learning based in Lenasia has been accredited by the South African Nursing Council, and registered with the Department of Higher Education and Training as a "Institution of Higher Learning". The accreditation and registration has been endorsed by the Department of Health. Commissioning of the College was planned for June 2020, but has been delayed to January 2021 due to COVID 19.

We look forward to this opportunity to help reduce the dire shortage of medical professionals in Southern African healthcare.

The future of healthcare in South Africa is highly unpredictable, requiring management teams to remain especially nimble. South Africa has a unique healthcare profile and we cannot rely too heavily on COVID-19 modelling based on the experiences of other countries. Our COVID-19 responses will always be influenced by the economic and social context of the patients we serve.

SUSTAINABILITY AND STAKEHOLDER RELATIONSHIPS

Transformation

Due to our ongoing drive for transformation, our B-BBEE score improved significantly during the reporting period, from a Level 8 to a Level 4 contributor. After the financial year-end, our ongoing transformation initiative raised Lenmed's B-BBEE rating to Level 2. Lenmed is now one of the most B-BBEE transformed hospital groups in South Africa's healthcare sector.

In this period, Lenmed's Social and Ethics Committee reviewed the Group's alignment with the UN Global Compact and other key corporate and sustainability frameworks. We have identified gaps where Lenmed can improve and are introducing measures to do so. Social, environmental and sustainability alignments will be crucial in the post COVID-19 world.

Patient and employee experience

We have continued improving the Lenmed patient experience across our hospitals. An improved customer experience also enhances the experience of our doctors and employees. Lenmed's 'Celebrate' initiative was launched in 2019, enabling employees to acknowledge colleagues who are living the Lenmed values.

Lenmed's Group Managers and Hospital Managers attended our seventh annual management conference at the end of 2019, which was themed as 'Leading high-performing teams in challenging times'. This conference celebrated Lenmed's achievements and debated how the Group can thrive in the years ahead.

Communities

Our hospitals tapped into the Group's social responsibility budget to participate in wellness days, community events, sponsorships and health awareness campaigns. Lenmed is a proud supporter of the Children's Cardiac Foundation of Africa. Lenmed has committed R2 million to cover this foundation's operational costs and help reach its target of treating 300 children by 2021.



Shareholders

The COVID-19 pandemic halted our plans to pay a dividend at the conclusion of the 2019/2020 financial year, as we took the prudent decision to retain cash reserves in the business until national economies stabilise.

CORPORATE GOVERNANCE AND BOARD ACTIVITIES

Board meetings prior to our 2020 financial year-end dealt largely with strategy, business performance monitoring and governance matters. A highlight was the establishment of our Clinical Governance Committee, headed by Professor Goolab, which underpins clinical excellence while driving an analytics-led, technologically-driven Group.

Post year-end, the Board has paid close and continual attention to the rapidly changing COVID-19 environment.

The Board reviews a detailed risk register at every scheduled Board meeting. Our 2019 risk register had listed a pandemic or major infection outbreak as a top 10 risk. As the COVID-19 outbreak became apparent in Wuhan, China, it moved swiftly up our risk radar as it spread towards Southern Africa.

As one of the most reputable independent healthcare organisations in sub-Saharan Africa, several years ago Lenmed's Board took the specific decision to implement the highest standards of corporate governance, be transparent in our dealings and maintain high ethical standards. This culture naturally extends to compliance and good corporate citizenship wherever we are present. In practice, we continuously monitor regulatory compliance across the three countries in which the Group operates.

Although Lenmed is not a listed company, we voluntarily chose to appoint independent directors of a high standing who also serve on boards in other prominent companies. During 2019, a Board effectiveness evaluation that included external inputs was conducted. This evaluation returned positive results and I remain satisfied that the current Lenmed Board contains a suitable balance of skills, diversity and experience.

PROSPECTS AND OUTLOOK

Well-positioned for the crisis

If anything, the COVID-19 crisis has proved that Lenmed's culture as a community founded and operated hospital group is rock solid. Our community ethos, established over 30 years, remains consistent.

During this time of uncertainty, we're all working hard to adjust, and protect our patients, doctors, staff and communities. COVID-19 is showing the importance of communities, public and private healthcare working together, sharing resources, tools and information.

To remain sustainable in a rapidly changing environment, we will continue focusing on our people, clinical quality and building an analytics-led Group across all markets.

In South Africa, we are expanding beyond acute hospitalisation into adjacent specialities and preventative healthcare. Our strategy remains accurate and viable.

In the coming year, we will continue to strengthen Lenmed's brand as a community focused Group, differentiated by lean operations delivering superior margins.

While we might face challenges as we navigate an uncertain landscape, I look forward to the future.

THANK YOU

Hard times can bring out the best and worst in people. I'm proud to witness how the COVID-19 crisis has demonstrated Lenmed people at their very best. I take this opportunity to convey my heartfelt appreciation for the Lenmed people who serve at the pandemic frontline with dedication, commitment and care for all.

They have been ably supported by the Board and management teams, who guided operations and strategy through the twists and turns of 2020 to date. This will certainly be a year that shareholders and management teams will never forget.

Prakash Devchand
Chairman

LENMED'S LONG-LINE RESCUE TEAM

It was 10:23 on 20 October 2019 when Lenmed1 was put on standby. A taxi had plummeted 130 metres down a steep embankment, leaving a wake of carnage behind it. The mere number of casualties was overwhelming for the handful of first responders on scene. With three dead, two critical and three moderately injured occupants strewn across the hillside, they were also faced with the near-impossible task of reaching the casualties over the relentless terrain.



Lenmed1 activated to the scene 35 minutes later in the hope that a landing zone could be spotted by the aeromedical team. From the sky, the taxi could be seen on its roof; the birds-eye view confirmed that there was no landing zone near to the injured. The only way in was to climb down, and there was no way out for the casualties.

Two more patients died in the following 20 minutes; shortly thereafter another patient was re-coded as critical.

The Operations Manager of IPSS Medical Rescue received a desperate call from the paramedic on scene. Can we long-line? It was the only fathomable solution.

Four months later and the 20-20 vision that we call hindsight, still tends to agree. The decision-making process was understandably arduous. The pilot and the machine were rated and capable, but the team on the ground has no long-line exposure. The pressure of the situation cannot trump the importance of rational decision making.

The decision was made, not lightly, to undertake the mission. All other options had been exhausted. The key components required for a long-line were available and the machine returned to the hangar to be prepared and up-lift an experienced rescue technician. The rest was put together with the standard rope rescue equipment that was available.

Before Lenmed1 could call in long-finals for their return to scene, CPR was initiated on one of the three remaining casualties. The slope was strewn with monitoring equipment, contents of medical bags, and exhausted first responders. It had been three hours of on-scene time with no potential end in sight. The familiar sound of our AS350 B3 Squirrel brought an over-whelming sense of relief to the team on the ground.

Another life was lost before the machine could get airborne for the mission; leaving only two living casualties remaining.

The heat, ground obstacles and increasing wind were all difficulties that were overcome by an extremely skilled pilot, spotter and rescue team.

A total of 12 hauls, including six deceased, two injured, and four rescuers, were completed in one hour and 27 minutes of mercy-flying before Lenmed1 settled in the dust for the last time.



OUR 2020 HIGHLIGHTS

Patient satisfaction composite score improvement of **5%** on prior year

Lenmed launched its aero-medical service **Lenmed1**

The Royal Hospital and Heart Centre remains the only hospital in the Northern Cape that offers cardiology, cardio thoracic surgery and radiation oncology



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

Bokamoso Private Hospital, in Botswana, **receives COHASA accreditation**

Ahmed Kathrada Private Hospital performs first therapy with **radioactive iodine for thyroid cancer**

Lenmed has **launched a programme** for nurses in specialist areas, such as adult, paediatric, and neonatal intensive care unit (ICU) training

Extensive training for all employees in preparation for dealing with the **COVID-19 pandemic**



R8.2 million spent on **skills development**

Lenmed **Nursing College** accredited by the South African Nursing Council

210 staff members received long service awards

We performed **77 free cataract surgeries** (2019: 55) to the value of **R1.7 million** (2019: R0.6 million)

Lenmed is a proud supporter of the **Children's Cardiac Foundation of Africa**



We assisted financially distressed individuals by volunteering discounted hospital services worth **R25 million** (2019: R9.7 million)

Seven of our hospitals offer extended paediatric services

Group revenue increased by 19% from R2 546.1 million to R3 026.2 million

Group earnings before interest, taxes, depreciation, and amortisation (EBITDA) increased by 30% from R446.5 million to R579.6 million



Headline earnings at **R199.1 million** (2019: R143.2 million)

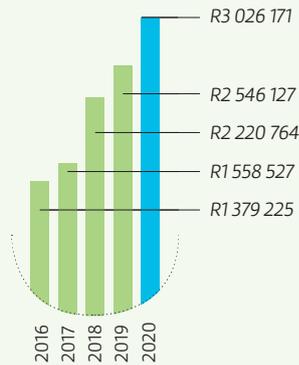
Our **high levels of compliance** to the King IV™ Code demonstrates Lenmed's commitment to transparent and ethical corporate governance

FIVE-YEAR REVIEW*

Figures in '000

Revenue

five-year CAGR 20%



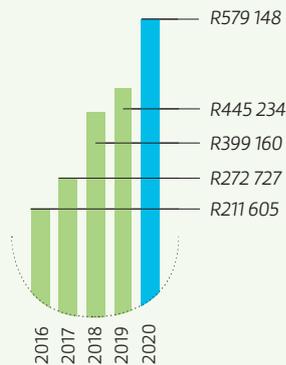
Headline earnings

five-year CAGR 9%



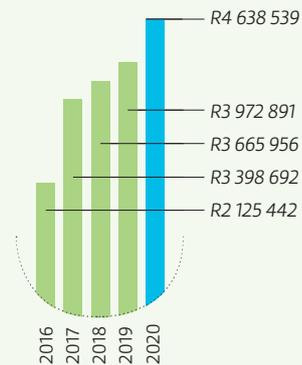
Normalised EBITDA

five-year CAGR 27%



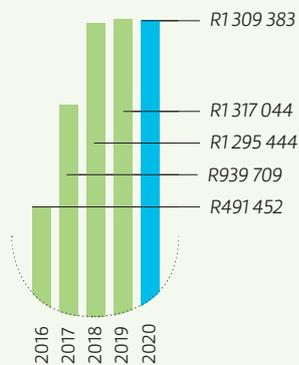
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five year CAGR 24%



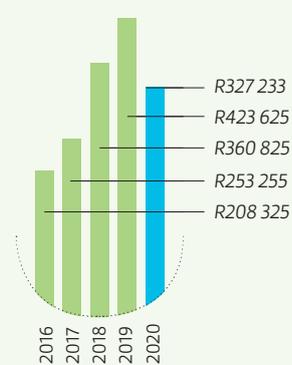
Total interest bearing debt

five-year CAGR 31%



Cash flow from operations

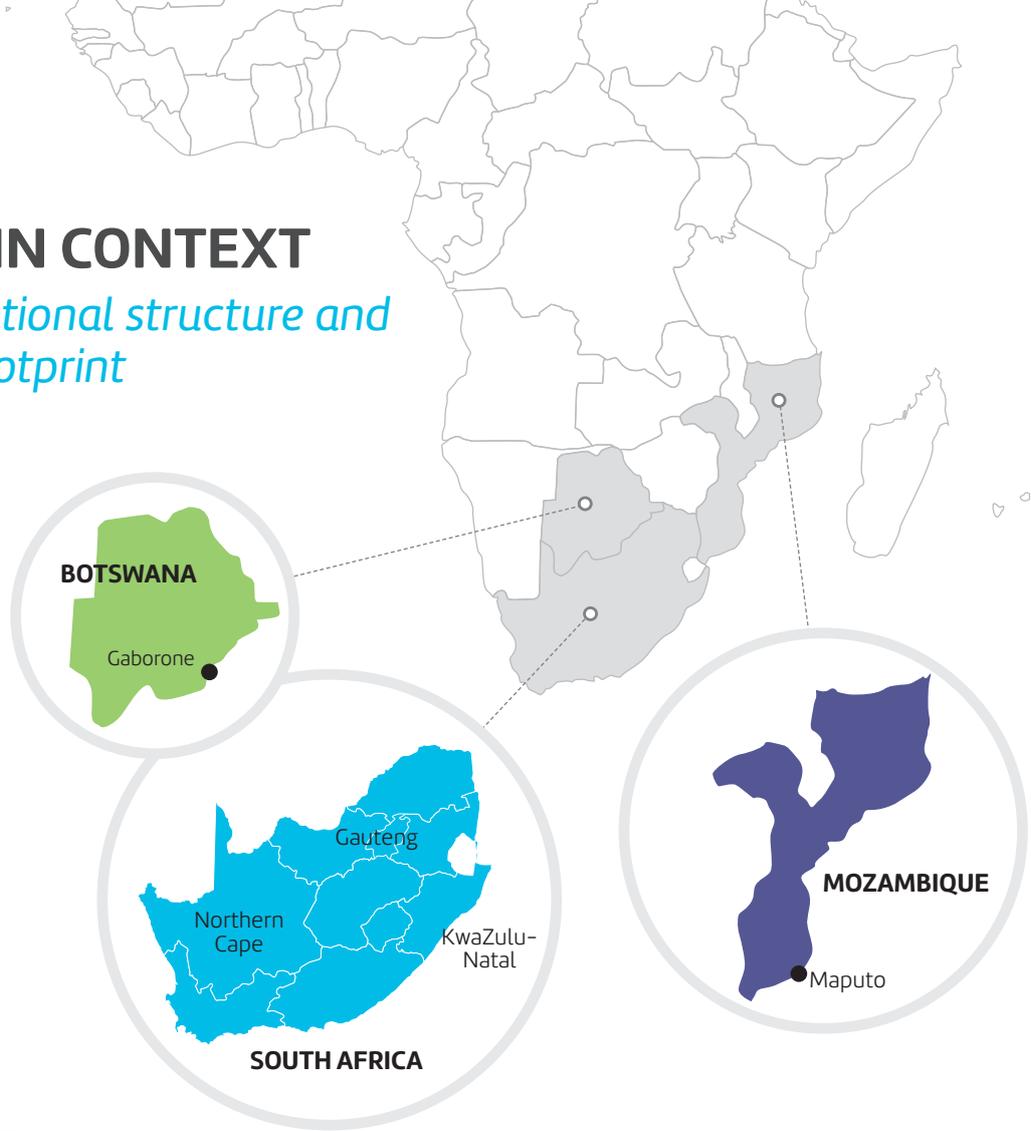
five-year CAGR 20%



* Calculated based on 2015 as the base year.

LENMED IN CONTEXT

Our organisational structure and operating footprint



TOTAL NUMBER OF LICENSED BEDS
1 815

GAUTENG

			
<p>LENASIA AHMED KATHRADA PRIVATE HOSPITAL</p>	<p>LENASIA SOUTH DAXINA PRIVATE HOSPITAL</p>	<p>RANDFONTEIN RANDFONTEIN PRIVATE HOSPITAL</p>	<p>TEMBISA ZAMOKUHLE PRIVATE HOSPITAL</p>
<p>100% ownership</p>	<p>100% ownership</p>	<p>100% ownership</p>	<p>100% ownership</p>
<p>254 beds </p>	<p>64 beds </p>	<p>176 beds </p>	<p>94 beds </p>
<ul style="list-style-type: none"> • 24-hour accident and emergency unit • Trauma unit • Cancer institute (chemotherapy, radiology and nuclear medicine) • Cardiac catheterisation laboratory • Clinical trial centre • Stroke Centre of Excellence • Sports medicine centre 	<ul style="list-style-type: none"> • 24-hour accident and emergency unit • Wellness Unit 	<ul style="list-style-type: none"> • 24-hour accident and emergency unit • Wellness unit 	<ul style="list-style-type: none"> • 24-hour accident and emergency unit • Cancer Centre (chemotherapy and nuclear medicine) • HIV wellness clinic

KWAZULU-NATAL



DURBAN ETHEKWINI HOSPITAL AND HEART CENTRE

77%
ownership

373 beds

- 24-hour accident and emergency unit
- Cardiac Centre of Excellence for adult and paediatric cardiac surgery
- Stroke Centre of Excellence
- Renal Centre of Excellence
- Cardiac catheterisation laboratories
- Cardiac theatre
- Neuro operating theatre
- Transplant programme



LADYSMITH LA VERNA PRIVATE HOSPITAL

95%
ownership

149 beds

- 24-hour accident and emergency unit



DURBAN SHIFA PRIVATE HOSPITAL

100%
ownership

133 beds

- 24-hour accident and emergency unit
- Level 2 trauma unit
- Surgical Centre of Excellence

NORTHERN CAPE



KATHU KATHU PRIVATE HOSPITAL

67%
ownership

55 beds

- 24-hour accident and emergency unit



KIMBERLEY ROYAL HOSPITAL AND HEART CENTRE

100%
ownership

177 beds

- 24-hour accident and emergency unit
- Cancer Centre – chemotherapy & radiotherapy
- Cardiac Centre
- Cardiac catheterisation laboratory
- Head and neck centre



GABORONE BOKAMOSO PRIVATE HOSPITAL

70%
ownership

235 beds

- 24-hour accident and emergency unit
- Cancer Centre (chemotherapy and nuclear medicine)
- Cardiac catheterisation laboratory
- Physical rehabilitation centre

MOZAMBIQUE



MAPUTO MAPUTO PRIVATE HOSPITAL

100%
ownership

105 beds

- 24-hour accident and emergency unit
- Digestive endoscopy unit
- Physiotherapy unit
- Laboratory Services – the only private hospital with a Microbiology Lab and the only private lab in Mozambique that does Molecular biology
- Dialysis Renal care unit

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 aim for perfection in all that we do



TOGETHER WE
MAKE LENMED
GREAT



We always act with compassion and empathy



We work as a team and hold ourselves and each other accountable for our actions

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 continuously 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 continuously 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.

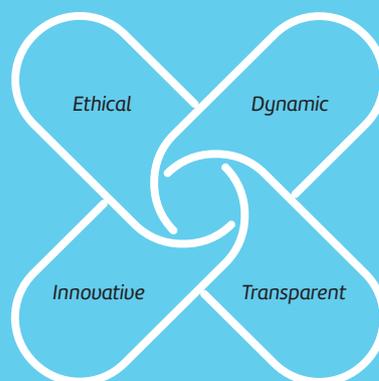
We position our organisation as customer-centric focused on the benefit of healing our patients.

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.

Lenmed is working to embed a corporate culture that is:



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.

CORPORATE GOVERNANCE EXCELLENCE

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.

PG 68 

For more details on corporate governance.

Board of Directors

EXECUTIVE



PRAKASH DEVCHAND

Chairman CA(SA) (66)

Prakash Devchand is a qualified Chartered Accountant with over 34 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. On 1 March 2020, Prakash stepped down as CEO of the Lenmed Group.

Amil Devchand joined the Group in 2011 and has held numerous positions within Lenmed, most notably, Chief Financial Officer, Chief Operations Officer and Deputy CEO. Amil is a Chartered Accountant and has extensive industry experience, having served as the Chairman of the National Hospital

AMIL DEVCHAND

Chief Executive Officer CA(SA) (35)

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. On 1 March 2020, Amil was appointed CEO of the Lenmed Group.



FREDRÉ MEIRING

Chief Financial Officer CA(SA) (45)

Fredré was appointed as Chief Financial Officer in 2019. A qualified CA, Fredré was previously Partner and Chief Operating Officer of the Financial Advisory Division at Deloitte Africa. He has 20 years of investment banking experience largely focused on debt and

capital structuring and advisory across various industries. He is associated with the South African Institute of Chartered Accountants (SAICA), Association of Corporate Treasurers (ACTSA) and the South African Institute of Financial Markets (SAIFM).

NON-EXECUTIVE

**MIKE MEEHAN**

Independent Non-executive Director and Lead Independent Director CA(SA) (73)

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.

BHARTI HARIE

Independent Non-executive Director BA LLB (Natal), LLM (Wits) (49)

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 and Stefanutti Stocks Limited.

NOMAHLUBI SIMAMANE

Independent Non-executive Director BSc (Honours) (University of Botswana & Swaziland) (61)

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

Non-executive Director MBBS (Bombay), FRCOG (London) (72)

Professor Bhaskar Goolab was appointed to the Board in 1999. He currently serves as a member of the Remuneration and Nominations Committee and is the Chairman of the Clinical Governance 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.

Our management team



DR NILESH PATEL
Group Chief Medical Officer

**DR MORGAN
MKHATSHWA**
Head: Group Operations

DR AUGUSTA DORNING
Head: Africa Business

MR SHALIN NAIDOO
Group Chief Information Officer



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*

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 DHIREN GARACH
Group Pharmacy 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

How we create value

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

1
2
3

PRIMARY CARE

- 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.

1
2
3

SECONDARY CARE

- 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.

1
2
3

TERTIARY CARE

- 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.

These business activities are underpinned by the following support functions:

- People management
- Facilities management
- Technology and data management

Our ability to fulfil our purpose responsibly and efficiently are supported by:

- Good corporate governance
- Robust risk management

Sustaining value creation through the six capitals

Lenmed utilises the <IR> framework concept of 'the six capitals'. These are the material inputs, outputs and outcomes that flow through our business model to create and sustain value in the long term.





INPUTS

OUTPUTS

OUTCOMES

- Working capital
- Loans and shareholder funds
- Operational and capital expenditure

- R3 026.2 million revenue
- R199.1 million 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
- 1 815 registered beds
- Operational efficiencies

- Our hospitals generate cash flows that fund developments, repay debt and provide a return to our shareholders
- New developments support long-term revenue generation and capital growth through a growing portfolio
- A geographically diversified portfolio of quality private hospitals in underserved areas

PG 38

- 2 763 employees
- Training
- Remuneration and policies
- Agency agreements

- Qualified, experienced and motivated workforce looking after our patients
- Ongoing skills development

- Motivated staff to deliver our strategy
- Skills attraction and retention
- Skilled workforce
- Alignment to our company values and habits
- Diversity

PG 42

- Relationships with:
 - Patients
 - Investors
 - Communities
 - Doctors and nurses
 - Medical funders
 - Suppliers
 - Government

- 77 free cataract surgeries for community members
- Excellent customer satisfaction results shown in surveys
- Discounts to financially disadvantaged patients of over R25 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 50

- 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 54

- 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 58



“My first report as Lenmed’s CEO covers two distinct realities. The first is the pre-COVID-19 reality of Lenmed’s 2019/2020 financial year, which recorded outstanding results.”

AMIL DEVCHAND

CREATING SUSTAINABLE AND STRATEGIC VALUE

A MESSAGE FROM OUR CEO

OVERVIEW

The second reality is the COVID-19 pandemic, which has the potential to change the way we live, the way we interact as a society and how we do business for some time to come.

Lenmed’s 2019/2020 financial year delivered outstanding returns, largely attributable to the consistent application of our growth strategy and streamlining our operations. Investing in our people and allocation of our capital into value creation opportunities have built the strong foundations underpinning these impressive financial results, which outperformed the market by some margin.

STRATEGIC AND OPERATIONAL HIGHLIGHTS

We’ve structured the business for efficiency and taken great strides towards building out the Lenmed culture of high performance. These

achievements have contributed to sustainable growth, with patient satisfaction scores climbing in tandem with our financial results.

The Group has taken great strides to diversify our earnings, with over 25% of our turnover now delivered from outside South Africa’s borders.

We continue placing our people at the centre of what we do – Patient satisfaction scores at many of our Lenmed facilities improved greatly. I’m delighted to congratulate Ethekewini Hospital and Heart Centre and Shifa Private Hospital for being recognised as two of South Africa’s Top 20 hospitals. Conducted annually by Discovery Health, competition for this honour was stiff, with the rankings decided through patient satisfaction metrics recorded by 53 000 patients at 202 hospitals across the country.

Ethekewini Hospital and Heart Centre has retained its Top 20 hospital status for five consecutive years, with Shifa Private Hospital maintaining this status for the past two years.

EBITDA
growth of **30%**

HEADLINE EARNINGS
growth at **42%**

PROFIT AFTER TAX
growth of **38%**

Establishing a Clinical Governance Committee during 2019 accelerated Lenmed's drive towards a strategic focus on superior clinical outcomes. This committee is refocusing all Group activities on outstanding clinical governance as the cornerstone of Lenmed's future.

Projects initiated at individual hospitals are aimed at growing revenue, raising service levels and introducing new specialities. Major highlights were the opening of new theatre complex at La Verna Private Hospital and the commissioning of new adult high care and paediatric units at Ethekewini Hospital and Heart Centre (EHHC).

The large investments made in the Royal Hospital and Heart Centre, as well as the Paediatric Centre of Excellence at Ethekewini Hospital and Heart Centre have been very rewarding, with exemplary performances achieved. It is worth noting that Royal Hospital and Heart Centre in Kimberley remains the only hospital that offers cardiology, cardio thoracic surgery and radiation oncology in the Northern Cape, while Ethekewini's Paediatric Centre of Excellence offers the only private paediatric cardiac surgery service in KwaZulu-Natal.

Our strategy for long-term sustainability is based on driving market share growth by establishing centres of excellence, recruiting more specialists and moving up the case mix value chain. The Group successfully executed on the capital investments made over the past two years to grow revenue and market share. We've focused on optimising working capital and improving our stakeholder relations throughout the year by forging stronger ties with key partners, with good results noted to date.

MANAGING OUR RISKS IN UNCERTAIN TIMES

The fast-changing circumstances at present require constant re-evaluation of risks and swift responses. In 2019, we had identified a sovereign downgrade as a significant risk for the year, and it came to pass. The possibility of a pandemic or infection outbreak was also listed in our top 10 risks, and that too has since transpired to devastating effect.

Risks associated with the COVID-19 pandemic are likely to influence our operations, financial standing and liquidity throughout the months ahead — along with businesses globally. Lenmed's business model will evolve as people migrate to virtual health and online consulting. Radical disruption from fast-changing medical practices, technologies and business models present both risks and opportunities, which we are well-equipped to adapt to.

There is much uncertainty around the lasting impact of COVID-19. The situation may prompt unpredictable and regulatory changes. Already high unemployment levels are climbing due to COVID-19 and other economic impacts, which could shrink the pool of medical aid contributors. Margins will be pressurised as medical schemes push for lower hospital tariffs and try influence the manner in which hospitals operate. We accept that Lenmed must remain attractive to medical schemes, while remaining aware that working to reduce costs per admission must be achieved without compromising on quality of care. Within our control, is our ability to introduce new, smarter ways of working, which will no doubt, improve operating efficiencies post this pandemic.

Lenmed's risk management approach is both comprehensive and agile, with risk evaluation a permanent fixture at Lenmed Board meetings. We curate our risk register diligently, with ensuing responses and mitigations duly captured. The Board and management explore any opportunities that may arise from these risks.

STRATEGY

Despite COVID-19, I am convinced that our growth strategy will continue to deliver positive results. The Group has a robust balance sheet and is well-positioned to withstand industry shocks. As the pandemic runs its course, consolidation of independent players in the market may become a necessity, with Lenmed well-positioned to acquire or merge with solid businesses that lack the resources to survive the economic shifts.

For the longer term, Lenmed is considering expansion opportunities across Africa. We recognise the growing potential of our continent's people and intend reducing the Group's currency and economic risks by spreading our footprint across diverse economies.

Opportunities to diversify our earnings include creating centres of excellence aimed at providing holistic care and wellness, supported by day clinics, psychiatric hospitals and home care offerings. These expanded services would organically generate stronger relationships with stakeholders, be they medical doctors or Medical Aid Funders (MAFs).

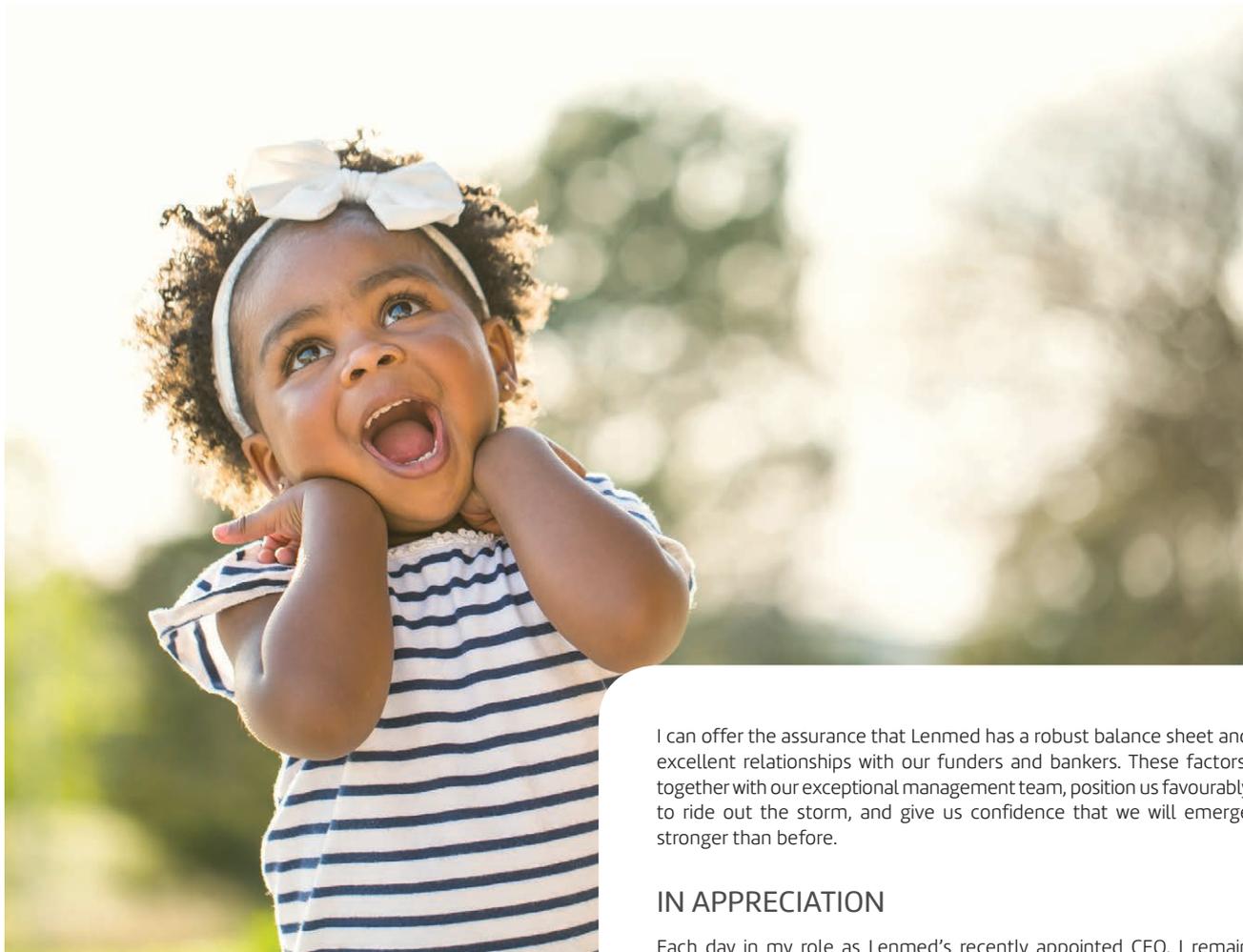
Our broad strategy therefore remains unchanged from the prior year, although COVID-19 could still prompt swift realignments. Certain planned initiatives are currently on hold until the operating environment stabilises.

In the longer term, we envision Lenmed as an optimally sized B-BBEE and indigenous integrated healthcare group spread across a balanced selection of African geographies.

OPPORTUNITIES IN INNOVATION

Our comprehensive SAP management system rollout over the past three years is now implemented and operating across ten hospitals, with our Mozambique facility soon to be integrated. The SAP platform is supported by a new business intelligence methodology that analyses critical management data.

During this financial year the Group completed the implementation of a full clinical system at Bokamoso Private Hospital that integrates all patient information into a unified and accessible platform. This has enabled Lenmed to improve collaboration between physicians, reduce laboratory testing duplication and lower patient risk through a rounded and timely view of patient profiles.



This platform will work in tandem with the Lenmed mobile app system, which enhances the patient experience and gathers feedback to further improve their experiences with Lenmed.

Our five-year innovation vision is to break down silos across the Group and embrace 'big data' as a key driver of healthcare excellence. Incoming technologies such as robotics and IoT intelligence will enable us to monitor patients at home, in real time. Specialists will be advantageously involved in mitigating disease through management rather than reactive treatment. By collecting and utilising a plethora of clinical data, we can predict clinical outcomes better and work more closely with medical schemes to improve patient health.

Our three-year rollout of SAP makes this journey possible, with our new clinical platform as the next milestone. With this management and medical backbone in place, a truly integrated operating platform is our next step.

FUTURE OUTLOOK

It is unfortunate that our momentum into the new financial year has been dampened by the COVID-19 pandemic, with difficult trading conditions being experienced across the industry. At this midway point of 2020, there is too much uncertainty to comment what the next year may bring for Lenmed, the private healthcare industry and the Southern African economy.

I can offer the assurance that Lenmed has a robust balance sheet and excellent relationships with our funders and bankers. These factors, together with our exceptional management team, position us favourably to ride out the storm, and give us confidence that we will emerge stronger than before.

IN APPRECIATION

Each day in my role as Lenmed's recently appointed CEO, I remain humbly aware of the big and well-polished set of boots I've stepped into. Prakash Devchand has built a monumental legacy in developing a well-resourced 11-hospital group from a unassuming clinic opened in Lenasia some 30 years ago. His contribution to marginalised communities that had lacked medical care is immeasurable.

I'm committed to living up to the demanding standards required of me, and to lead Lenmed into the fit-for-purpose future our strategy is creating.

Lenmed and I are fortunate to retain Prakash's expertise and guidance within the business as Executive Chairman of the Board.

As I write this message to stakeholders, Lenmed remains in the forefront of worldwide efforts to contain the impact of COVID-19. Lenmed's people have already given much in the struggle against COVID-19, but this war is far from won. As the fight continues, let us continue showing the people of Africa why Lenmed will emerge as a champion of community-orientated yet innovative healthcare across our continent.

Handwritten signature of Amil Devchand.

Amil Devchand
Chief Executive Officer



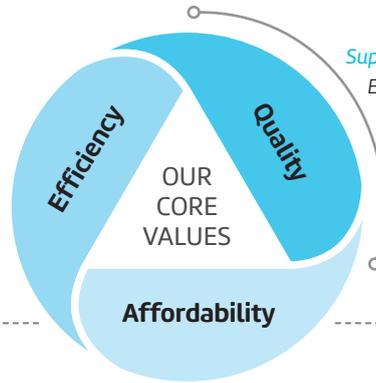
OUR VALUE CREATION STRATEGY

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.

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.



Supported by:

Excellent management, motivated employees, world-class facilities.

PG 10

Refer to our vision, values and brand



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.



PG 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.

PG 24 Refer to performance reporting



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.



- INVESTORS
- MEDICAL PRACTITIONERS
- EMPLOYEES
- PATIENTS AND COMMUNITIES
- SUPPLIERS
- MEDICAL AIDS
- GOVERNMENT

PG 26

Refer to the needs and expectations of our stakeholders

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.

PG 28

Refer to risks and opportunities in our operating environment

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.

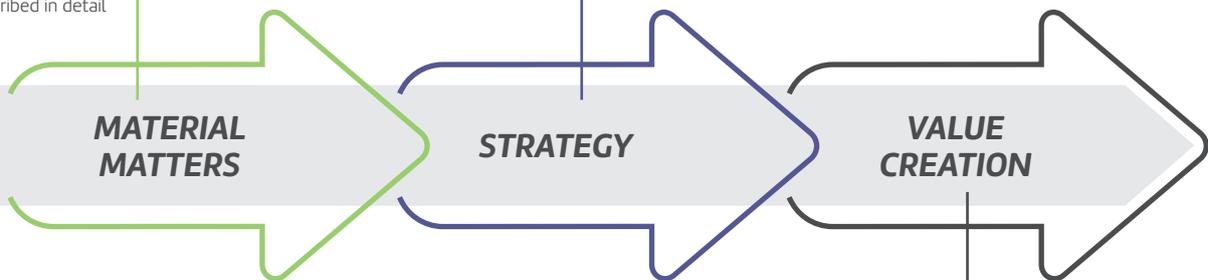
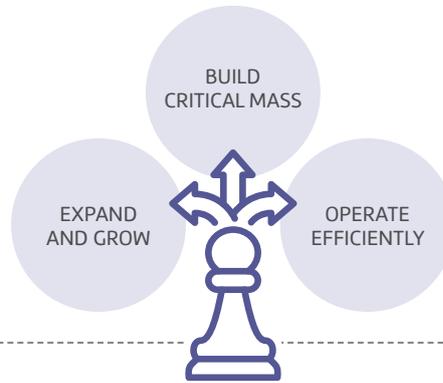


- COVID-19 PANDEMIC
- INCREASING PROFITABILITY
- STRATEGIC DIFFERENTIATION
- MACRO-ECONOMIC GROWTH
- GROWING COMPLEXITY OF HEALTHCARE REGULATION
- SCARCITY OF HEALTHCARE SKILLS

PG 32
Our material matters are described in detail

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.

PG 36
Our progress against this strategy is described in detail



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.

PG 68
Refer to our corporate governance report



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.

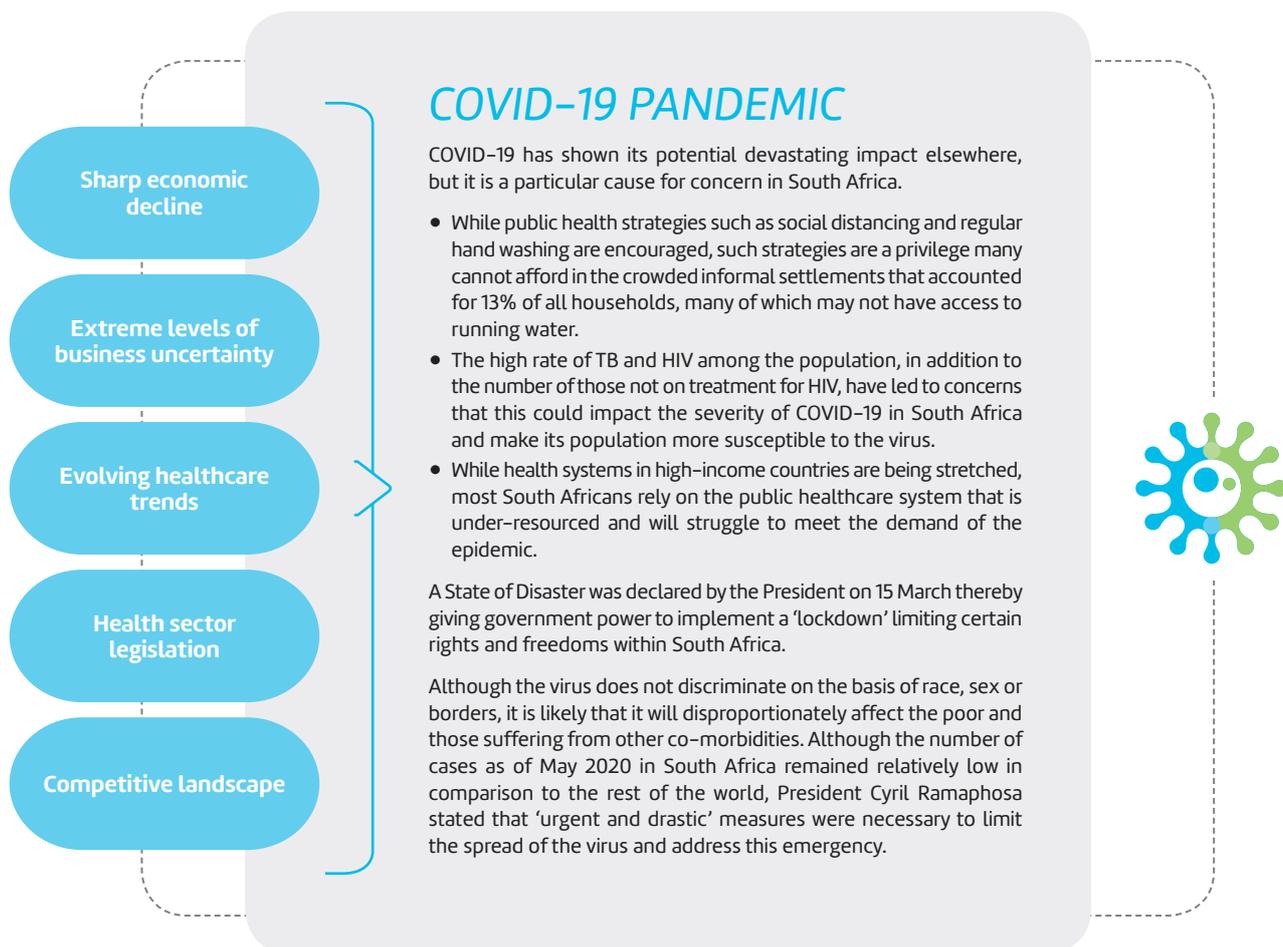
These day-to-day activities enable Lenmed to function and attract medical personnel and patients to our hospitals.

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) <IR> Framework to structure our annual integrated report to shareholders and stakeholders.

OUR BUSINESS ENVIRONMENT



ECONOMIC ENVIRONMENT

South Africa's economy was already in a tough position before the pandemic's arrival. The combination of public sector debt, particularly among major state-owned enterprises, ongoing load-shedding that inhibits productivity of major economic sectors such as mining and manufacturing, and an already-low growth rate, have created a precarious situation that demanded urgent remedies.

- Moody's finally joined the other two major global credit rating agencies in downgrading South Africa's international investment grade rating to 'junk' status
- South Africa got its second lockdown downgrade on 3 April 2020 when Fitch – which three years ago had assigned the country's debt a 'junk rating' – dropped its rating another notch to 'BB' from 'BB+'
- The South African economy is stalled and exhibiting signs of considerable vulnerability
- Budget deficits are increasing, with no obvious solutions
- Eskom and uncertainty of energy production are key factors holding back investment and confidence
- Inflation is contained, which is very positive for the future but could rise on any increase in economic activity
- Decrease in the prime lending rate by 250 basis points since financial year-end.

South Africa had taken among the most aggressive action in the world against COVID-19, learning from the devastation experienced in Italy and Spain. Nonetheless, mitigating the virus won't mitigate financial damage, and many experts now agree that a global recession is both very likely and due to last for a while. As even the world's healthiest economies now face negative growth rates, the developing economies could find they lack the financial resources to accelerate recoveries.

In South Africa, the already precarious position of its finances will undoubtedly become an unavoidable crisis. We expect that South Africa will experience a deep recession featuring a 6% to 10% reduction in GDP.

UNCERTAIN BUSINESS ENVIRONMENT

A recent Stanford University study on the impact of Artificial Intelligence shows that uncertainty facing business is unprecedented over the past 40 years. The uncertainty in South Africa is heightened, as only 14% of South Africa's executives are confident of their sales forecasts for this year. South African consumers and the private sector are unwilling to spend or invest until greater clarity is found.

The risk of disruption remains and is part of everyday business. Our industry is particularly exposed to this threat due to NHI uncertainties and South Africa’s gloomy socio-economic outlook. Globally, there is persistent pressure on decreasing cost and extracting value. The use of technology and channelling of patients to less expensive alternate care delivery platforms will continue to impact occupancy.

Other factors adding to uncertainty include rating downgrade impacts, rising unemployment, emigration of skilled professionals and South Africa’s diminished relevance in international terms. In addition, the country has experienced low economic growth for the last 12 years, leading to an acceptance of a ‘new low growth norm’.

Lenmed’s current business model might be significantly impacted by ‘new normal’ post-COVID trends, such as a reduction in average occupancy levels, virtualisation of care, non-physical delivery of services and increased use of technology. We could also face radical disruption due to competitor innovation or new non-traditional entrants.

HEALTHCARE TRENDS TO WATCH

The personal, social and economic impact of COVID-19 is unlike anything experienced by the world in the past 75 years. Healthcare groups may experience short-term revenue and cash flow declines as a result of decreasing demand, driven primarily by the stay-at-home movement, but overall we believe that the demand impact is temporary and is likely to rebound when the pandemic ceases and markets reopen.

Near-term positive impacts may include:

- **Telehealth/virtual care.** Companies providing virtual services are becoming the standard of care in this environment as providers are limiting in-person visits to acute, emergent cases.
- **Home health.** Companies providing in-home care have seen volume increases as self-quarantine becomes more pervasive across the country and the globe.
- **Medical device and product manufacturers.** Near-term supply constraints should provide a boom to medical device and product manufacturers, particularly those focused on personal protective equipment and devices related to the COVID-19 pandemic (e.g., gloves, masks, respirators).

HEALTH SECTOR LEGISLATION

NHI is the government’s policy for achieving universal health coverage, and aims to ensure everyone has free care at the point of delivery. Its first piece of enabling legislation, the NHI Bill, is currently being processed by parliament.

The implementation of the National Health Insurance will be gradual and will boost the public sector’s contribution. Delivery challenges will necessitate effective private sector engagement and the establishment of public-private partnerships (PPPs) for healthcare.

The current NHI Bill proposes a basic package that will replace Prescribed Minimum Benefits (PMBs), which currently provides a material portion of private hospital revenue.

- 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.

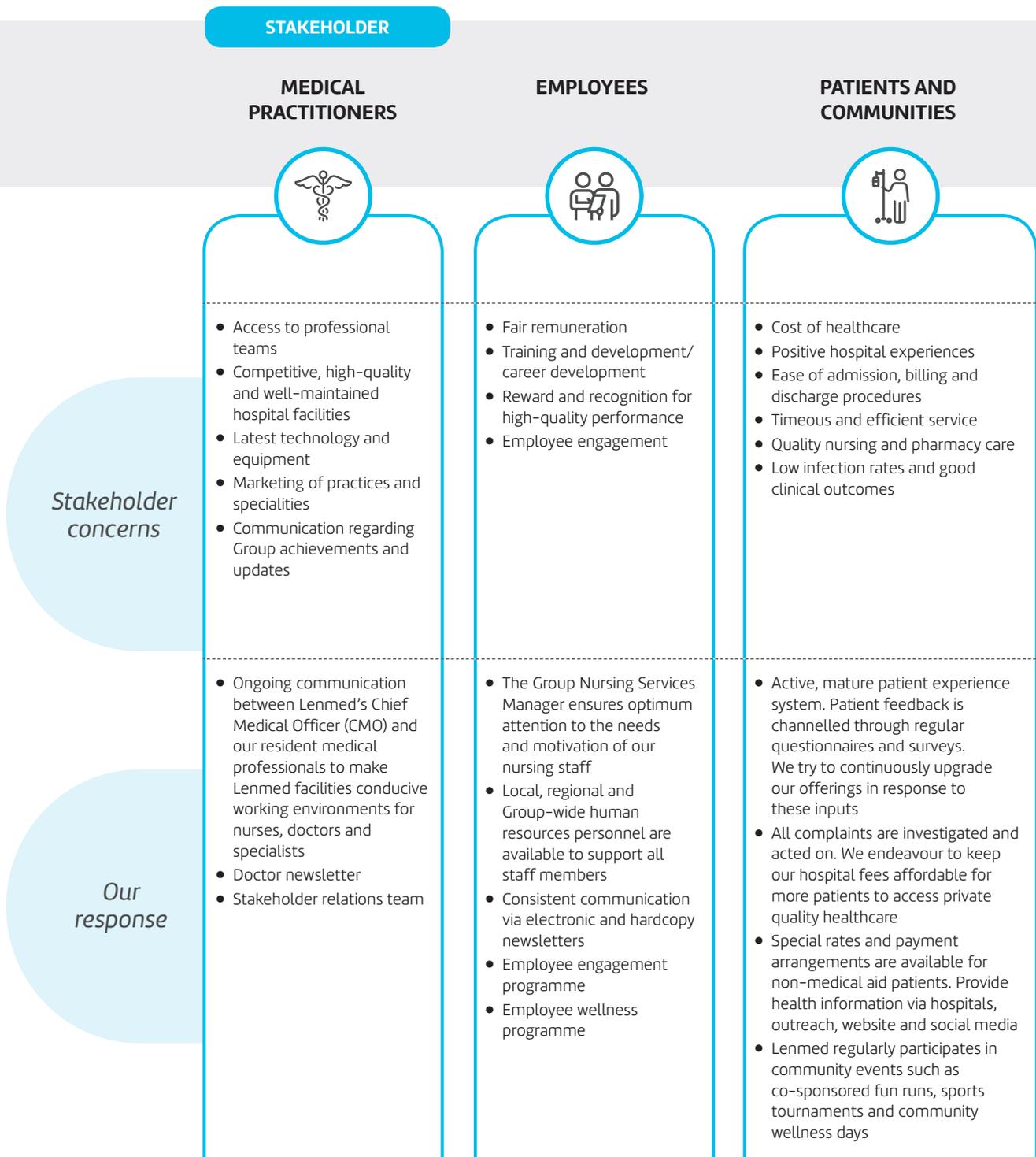
COMPETITIVE LANDSCAPE

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



LISTENING TO 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.

SUPPLIERS	MEDICAL AIDS	GOVERNMENT	COVID-19
 <ul style="list-style-type: none"> • 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 	 <ul style="list-style-type: none"> • 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 Medical Aid Funders (MAFs) through our National Hospital Network (NHN) membership and works diligently to operate efficiently and keep medical schemes updated on patient treatment 	 <ul style="list-style-type: none"> • 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 	 <ul style="list-style-type: none"> • Providing all stakeholders with relevant, transparent information in order to manage expectations, understand the disease, to properly and clearly explain the implementation of relevant guidelines and practices • Our priority – ensuring the safety of our patients, doctors, employees and community members • Our staff and facilities are prepared for COVID-19 • Our guidelines are aligned to the National Institute for Communicable Diseases (NICD) procedures • Communication of important information to the correct people – clinical documentation and collateral • Media and community perception management – media statements and social/online media planning • Maintaining trust and enhancing reputation through transparent, consistent internal communication to employees and doctors through electronic mediums as face-to-face meetings are no longer an option. • Clear communication of relevant guidelines, processes and protocols aligned with the NICD and DOH

RISKS AND OPPORTUNITIES IN OUR OPERATING ENVIRONMENT

As at 29 February 2020, the top items on our risk register included the following:

PANDEMIC OR INFECTION BREAKOUT (E.G. CORONAVIRUS)

In recent years, the risk of a pandemic or widespread infection outbreak has been rising notably. This risk was realised with the global COVID-19 outbreak.

Impacts

A pandemic may result in medical facilities being over-extended, quarantined or closed down. There is also the real risk of a loss of lives.

Our response actions

- Risk management through clearly defined reporting structures to the Group Medical Director
- Ongoing assessment and active management
- Implementation of clinical governance processes
- Peer review structures in place
- Constant training of nursing personnel
- Having adequate insurance in place to cover potential claims.

Potential opportunities

By meeting this challenge, we are able to further build the desired environment of clinical excellence and preparedness for any similar scenarios in the future.

LINKS TO MATERIAL MATTERS

⊕ COVID-19 pandemic	PG 33	}
⊕ Increasing profitability	PG 33	
⊕ Economy	PG 34	

COUNTRY RISK

The downgrading of South Africa's credit rating to below investment grade by all major international ratings agencies reflects significant underlying structural and economic issues that will continue to pose challenges for the country and businesses operating in it.

This country risk will continue until there is evidence of clear direction in terms of the economy, government policy, spending and funding.

Impacts

The economic implications of a 'full house' of junk status assessments for the country are extensive. In addition to a significantly weaker local currency, there will be upward pressure on interest rates in the long term. Compounding these challenges is the decline in commodity prices, which has placed even more pressure on the balance of payments, and further reduced the perceived creditworthiness of the country.

This combination of factors, coupled with the massive economic consequences of COVID-19, will put immense pressure on consumers and could force many to 'buy down' in terms of their medical schemes and insurance. This will have the impact of reducing the patient base and/or increasing co-payment requirements.

Our response actions

- Focus on improving our operational efficiencies and credit control
- Remain circumspect in terms of investments and retain a defensive position, with higher cash levels
- Maintain sufficient funding facilities
- Actively investigate ways to fund our balance sheet and hedge interest rates.

Potential opportunities

We remain open to acquisition opportunities, particularly as smaller hospitals experience increasingly constrained credit lines.

LINKS TO MATERIAL MATTERS

⊕ COVID-19 pandemic	PG 33	}
⊕ Increasing profitability	PG 33	
⊕ Economy	PG 34	
⊕ Scarcity of healthcare skills	PG 35	

WORKING CAPITAL AND LIQUIDITY RISK

Funders are increasingly taking longer to pay, primarily due to inaccurate or delayed billing. The fact that, outside of South Africa, funder payments are largely not regulated, adds to the challenge.

Impacts

Funder delays typically result in long working capital cycles, which negatively impact the Group's liquidity and means it is not in a position to pay its debts when they fall due.

Our response actions

- Drive continuous improvement in case management, billings and working capital management, overseen by a dedicated head office function.
- Continuous interaction with funders to ensure the payment cycle is as short a possible.
- Take increased funding cost into account when determining tariffs for funders that repeatedly delay payments.

Potential opportunities

Our close working relationship with funders allows us to increase our bed utilisation.

Through these discussions, we can also begin to partner with schemes to provide more cost-effective care to their members, ensuring greater sustainability of the industry as a whole going forward.

LINKS TO MATERIAL MATTERS

- ⊕ COVID-19 pandemic **PG 33**
- ⊕ Increasing profitability **PG 33**
- ⊕ Growing complexity of healthcare regulation **PG 34**



IT STRATEGY AND DEVELOPMENT

A failure to keep pace with IT advances, can lead to outdated IT systems and processes, as well as below par data. This creates challenges in terms of managing and growing the business.

Impacts

The business management challenges created by below par IT and data cause a knock-on effect that ultimately results in lower than expected value delivery to shareholders.

Our response actions

- Renewed focus on Business Intelligence (BI) and technology
- Re-evaluation of the functions and Lenmed requirements
- Elevation of these functions is a key strategic deliverable for 2020.

Potential opportunities

Through effective IT and BI, competitive advantage can be achieved. This will also serve to enhance the experience of patients and doctors.

LINKS TO MATERIAL MATTERS

- ⊕ Increasing profitability **PG 33**



REPUTATIONAL RISK

Adverse events and incidents that may lead to a decline in confidence as a trusted health service provider by patients and supporting doctors.

The dynamics of the hospital industry dictates that this area will always be a major risk, It must be assessed and managed on an ongoing basis.

Impacts

Poor protocols or a lack of adherence to company policies could lead to charges of malpractice low patient satisfaction or poor clinical outcomes.

This is further heightened by the current COVID-19 pandemic and increased risk of patient and staff exposure, which could lead to infections or closure of operations or wards.

Our response actions

These risks are being managed through reporting structures to the CMO and Nursing Manager, with support received from the Group marketing and communications department. Constant monitoring of clinical policies, procedures and outcomes.

- Infection control policies implemented, monitoring and benchmarking of results
- Implementation of clinical governance policies
- Continuous media monitoring
- Patient, staff and visitor screening before entering premises.

Potential opportunities

By meeting this challenge, we are able to promote an environment of clinical excellence where deviation from this path will not be acceptable. Continuously interacting with our patients on an ongoing basis facilitates improvements to our business processes and resolves shortcomings, so that the Group truly delivers on our vision of world-class care.

LINKS TO MATERIAL MATTERS

- ⊕ COVID-19 pandemic **PG 33**
- ⊕ Increasing profitability **PG 33**
- ⊕ Scarcity of healthcare skills **PG 35**
- ⊕ Growing complexity of healthcare regulation **PG 34**

CYBER-RISKS AND IT SYSTEM VULNERABILITIES

Cyber-risk has become a world-wide issue that poses serious risks for the medical industry. Fraudsters and syndicates hack into IT hospital systems to obtain details of patients or to lock down systems with ransomware and then extort funds.

Impacts

Apart from the obvious potential for operational disruption, cyber-attacks result in financial and reputational losses for the company.

Our response actions

- Latest antivirus protection installed and updated daily
- Cyber-risk policy in place detailing preventative measures
- Ongoing monitoring of the IT systems by the IT department
- Outsourced storage of most of our sensitive data to external service provider with proven security controls.

Potential opportunities

Lenmed is at the forefront of cybersecurity in its sector and its respected position as a leader in this space creates opportunities to leverage our IP in the rest of Africa.

LINKS TO MATERIAL MATTERS

- ⊕ Increasing profitability **PG 33**
- ⊕ Growing complexity of healthcare regulation **PG 34**

LOSS OF MEDICAL PRACTITIONERS

Since doctors are not employed by Lenmed, they are free to terminate their association with the Group at any time.

Currently, there is not enough training of doctors and specialists taking place to meet the growing healthcare requirements of the country.

There is also growing resistance to doctors working in both the public and private sectors.

Impacts

Professional and talented doctors are the backbone of the business. It is imperative that we are able to attract the highest possible calibre of specialists across the full spectrum of disciplines.

An inability to offer comprehensive treatment across all medical disciplines may lead patients to seek care from other hospitals.

Our response actions

- We actively strive to maintain strong relationships with our doctors
- Continued investment in infrastructure and modern equipment enhances our appeal and helps us attract and retain skills
- Importation of doctors to facilities in Botswana and Maputo
- Share incentive scheme in place for loyal doctors
- Specific marketing initiatives aimed at recruiting doctors and specialists.

Potential opportunities

We have the opportunity to distinguish ourselves as a hospital provider that is as committed to excellent patient care as the doctors who partner with us. By investing in our facilities, creating ownership models for doctors and forming partnerships to achieve clinical excellence, we can attract high-calibre professionals to improve the sustainability of our business.

LINKS TO MATERIAL MATTERS

- ⊕ Increasing profitability **PG 34**
- ⊕ Economy **PG 34**
- ⊕ Scarcity of healthcare skills **PG 35**
- ⊕ Growing complexity of healthcare regulation **PG 34**

OPPORTUNITIES IDENTIFIED

While the recent challenging times have put significant pressure on our operations and margins, they have also served as a catalyst for innovative thinking. A number of opportunities to transform, grow and enhance the competitiveness of our group have consequently been identified. These include the following:

- **Partner with industry leaders to create centres of healthcare and wellbeing excellence**, with a particular focus on the treatment and care of patients with HIV, hypertension, diabetes and asthma.
- **Provide viable and well-functioning day clinic psychiatric wards**, mental health facilities and rehabilitation facilities, co-located in established hospitals, but with a view to eventually pursuing standalone facilities.
- **Provide pre-hospitalisation services**, including emergency care services like helicopter EMS.
- **Develop industry leading Hospital Management Services**, including services such as:

Facilities design

Commissioning

Overseeing of construction

Consulting

Hospital management

Health-tech systems for Africa expansion

- **Develop and rollout Alternative Revenue Models (ARMs)** that are attractive to Medical Aid Funders (MAFs) and, when properly managed, have the potential to deliver better performance and outcomes. Success will depend on negotiations with specialists and surgeons around lowering their rates, with a view to benefiting from larger contractual patient volumes. Savings of approximately 30% could be realised on some procedures, by incorporating radiology and pathology for the MAFs while enhancing our utilisation and profit margins.

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:

1

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.

2

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.

3

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 sub-committees in accordance with their terms of reference.

Lenmed's material matters

COVID-19 PANDEMIC

As is undoubtedly the case for all businesses the world over, Lenmed's most significant material matter right now, and for the foreseeable future, is COVID-19 and short and long-term impacts the pandemic will have on almost all aspects of life, health and global economies. In terms of the latter, there are a lot of leading financial experts who are predicting that the economic impacts of COVID-19 may be felt for much longer, and far more deeply, than just during this period in which the world is actually battling the pandemic.

Understanding the impacts

These economic impacts will undoubtedly be realised in numerous ways and at all levels of both the local and international economy. One of these impacts is already being felt as unemployment rates across the globe climb steadily higher. The relaxation of lockdowns in countries where these have been instituted may bring a small measure of relief, but it is likely that a widespread lack of employment opportunities will be the difficult reality for a number of years to come.

Such unemployment directly negatively impacts medical scheme membership numbers, and in the South African context, this has been exacerbated by the ongoing sovereign downgrades that began well before COVID-19 and were already putting many members and employers under pressure in terms of being able to keep up with their medical scheme contributions.

When one adds, to this already uncomfortable situation, the potential for stringent regulatory responses by government aimed at helping citizens deal with the health crisis, the uncertainty for medical schemes is compounded. This potential for increased regulatory oversight is especially likely as the rate of COVID-19 transmission accelerates, and the government seeks to gain better control over the country's healthcare system, including private hospitals. At present, private hospitals are working closely with government to establish best practice protocols.

The long-term need for better, equitable healthcare will remain once COVID-19 is over and there is an opportunity to forge a stronger working relationship between the public and private sector by collaborating through this current crisis.

Avoiding long-term health risks

A further complication of COVID-19 is that, at present, private hospitals are maintaining lower occupancy rates to ensure they are prepared for a peak infection scenario. While patients can be admitted for essential procedures or emergencies during any stage of lockdown, hospitals remain largely underutilised as lockdown measures ease. People are afraid to come to hospital and are opting to defer treatment. As a result, there are growing concerns that patients who wait too long to seek medical attention could experience negative long-term health consequences, which could have been avoided by timely medical intervention. This scenario could have a significant long-term effect on future national healthcare outcomes.

INCREASING PROFITABILITY IN A CHALLENGING ENVIRONMENT

Lenmed achieved exceptional financial results for the period under review, primarily as a result of our key focus on enhancing growing revenues. Although we did consider expansion opportunities, it is apparent that our greatest gains have come from organic growth and increasing turnover.

This organic growth has been a priority for our group and, over the last two years, we have invested a considerable amount of capital into expanding the business. This year's results represent the pleasing fruits of these labours.

An increasingly challenging healthcare environment

However, despite our growth achievements as a business, the medical aid environment is becoming increasingly challenging for participants, particularly as membership continues to stagnate due to the general state of the economy and the resulting financial pressure on consumers.

In addition, we have seen an increase in the number of designated serviced provider (DSP) arrangements being introduced by schemes. This results in higher levels of competition between healthcare facilities because, as medical schemes offer more options, deeper discounts are required from private groups in order to win contracts. We expect this increased competition to become even more pronounced as medical aids strive to keep their offerings affordable to the general population going forward. In order to remain competitive within these scenarios, without putting unsustainable pressure on our profit margins, we continue to focus on making our operating models more efficient and cost-effective.

Revisiting traditional healthcare models

Medical technology is evolving exponentially, and breakthrough innovations can play a significant role in reducing the cost of healthcare. Lenmed must remain acutely aware of the developing technologies and equipment that could provide our wards or operating systems with a cutting-edge advantage.

There is a need for a broad-based commitment by the country's healthcare providers to revisit and overhaul their traditional models of care to remain viable in an environment characterised by rising healthcare expenses and systemic economic instability. One specific change that is 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), use relatively short procedures that do not require prolonged hospital stays. Refocusing on providing these services through day healthcare centres will not only help to address rising patient expenses, but also reduce operational costs for the service providers.

LEVERAGING OUR STRATEGIC DIFFERENTIATION

The healthcare industry is undergoing rapid change. Today's patients are more knowledgeable on conditions, research their symptoms before visiting healthcare practitioners, and expect astute, high-quality, personalised service.

In response, Lenmed continuously reviews and enhances all our internal operations and processes to ensure the quality levels required to support our brand promise. Our emphasis is on consistently delivering a quality patient experience rather than maximising bed occupancy rates.

A focus on transformation

We have invested a great deal of time and effort into transforming our Group. This has resulted in steady improvements on our B-BBEE scorecard, with our overall level rising from Level 8 to Level 4 in the period under review. We see this as both a moral and business imperative. We have a responsibility to help transform our industry and country, and in the process of doing so, we enhance our business prospects by complying with the defined B-BBEE requirements for our sector.

Post year-end, we raised our B-BBEE score to Level 2, which is a key differentiator in South Africa's healthcare sector.

Building symbiotic relationships with funders

Competition between healthcare providers has remained stable during the reporting period. However, the medical aid environment is more constrained due to a tightening economy. Medical scheme claims have risen sharply, while imported medical equipment and medication is becoming more expensive due to a weakening and more volatile South African currency. Shrinking disposable incomes across the South African population are also limiting growth in the numbers of new medical scheme members, while many existing members are choosing to downgrade to cheaper schemes.

With medical schemes under increasing pressure, getting permission for hospital admission is becoming more difficult, and the length of hospital stays is being shortened as much as possible. Overall, medical scheme negotiators are putting pressure on medical practitioners and healthcare providers to reduce their margins, which impacts on Lenmed's revenue streams.

Against this backdrop, private hospitals are being expected to offer increasingly large discounts in order to be considered for, or awarded, contracts, while designated service provider schemes are on the rise. This trend may become more pronounced going forward, which will require us to work even harder to strengthen our relationships with medical scheme partners.

We are doing this, and continue to forge stronger and better relationships with key medical aids, while also ensuring that we differentiate ourselves and our offering from other independent hospitals or groups. We recognise that the most constructive actions we can take to defend our market share are committing to ongoing innovation and improved efficiencies. To this end, we constantly evaluate how to improve our customer service, enhance the experience we offer medical professionals, reduce our costs and add competitive differentiators.

We are also taking pains to positioning our offering as more than just treatment of acute conditions, and we are evaluating the entire multi-disciplinary healthcare chain to identify opportunities that complement our main business of hospital care. In addition, we are working to capitalise on all identified opportunities to diversify into day, psychiatric and acute care facilities.

By forging stronger, mutually beneficial relationships with funders, we are positioning ourselves to provide services for more of their members, which ultimately equates to savings for the scheme as a whole. Of course, we also benefit by increasing our revenue, but at a lower cost to the scheme – which is the ideal win-win scenario for all parties.

MACRO-ECONOMIC GROWTH

South Africa's economy has been stagnant for several years, but our economic situation following the nationwide lockdown is likely to be disastrous.

Even before the COVID-19 pandemic, the country's lethargic economy, with its pedestrian growth has impacted on Lenmed's profitability. The depreciating rand was a particular challenge given that much of the increasingly expensive equipment we require is imported.

Despite this, we have succeeded in maintaining a well-managed balance sheet. We are also acutely aware of the fact that challenging economic times often present good value acquisition opportunities, and we are continuously evaluating potential acquisitions or management contracts, particularly those we perceive to be offering exceptional value.

We are hopeful that South Africa's economic environment will improve in the future and have, in fact, adopted a cautiously optimistic approach to our search for robust acquisition projects. That said, we continue to carefully monitor the economies of all geographies where we have a presence.

INCREASING COMPLEXITY OF HEALTHCARE REGULATION

South Africa's healthcare industry is heavily regulated by a plethora of Acts including: 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); the Protection of Personal Information Act, 4 of 2013 (POPI); the Pharmacy Act, 53 of 1974; and various environmental laws. The sector is also characterised by varying levels of uncertainty over likely additional legislation in the future.

Such healthcare regulation, and uncertainty about it, impacts on our ability to provide quality services, develop new facilities and invest in skills development. Poorly designed regulations can prevent efficient healthcare and dissuade new investment. And the Competition Commission's protracted investigation into private healthcare is also delaying sector planning.

To ensure that we have insights into such legislation, and play a part in helping to shape it, we engage with the relevant authorities, via various hospital industry associations, around potential regulatory changes, including the NHI discussions.

SCARCITY OF HEALTHCARE SKILLS

Providing superior private healthcare requires qualified and experienced personnel. Individuals equipped to meet exacting medical standards are presently in short supply across Africa, meaning that they are targeted for recruitment by all participants in our industry. Internationally, medical expertise is also in high demand, which results in many qualified healthcare professionals leaving South Africa in search of greater security and higher earnings.

To make matters worse, the increasing demand for high-calibre doctors and nurses is not being met by South Africa's educational institutions.

Attracting and retaining competent medical professionals is vital to Lenmed's sustainability. As such, we make every effort to continuously upgrade or expand our medical facilities and offerings in order to create an appealing proposition to attract experienced nurses, respected doctors and specialists to our hospitals.

We also offer generous packages to suitable medical professionals and we prioritise internal skills development.

We have recently received government licensing for our nursing academy which will deliver a much-needed pipeline of excellent nurses into our own facilities and the broader industry.



DELIVERING ON OUR STRATEGY

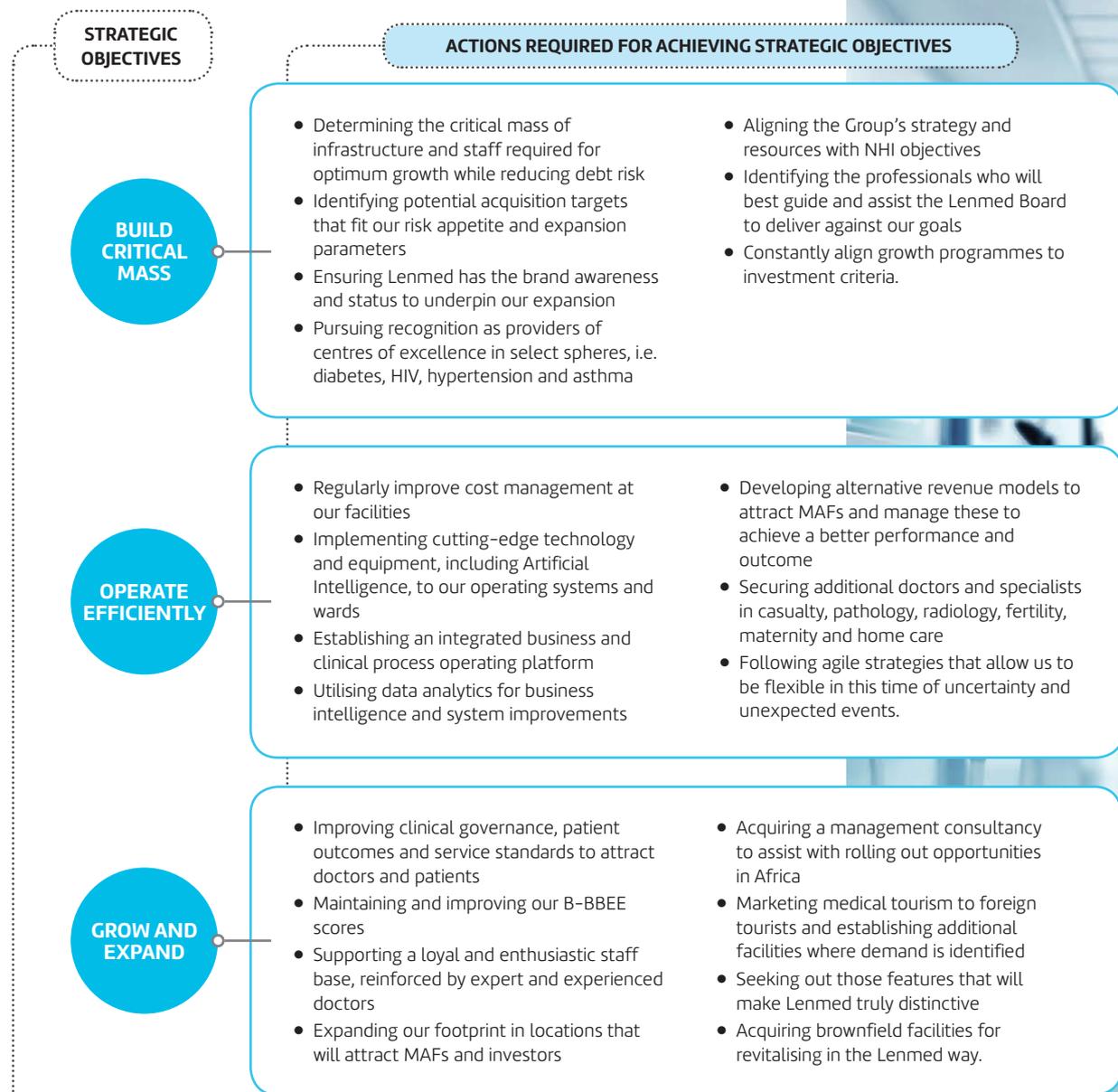
OUR VALUE CREATION STRATEGY

Our strategy is to continuously refine the Lenmed reputation as an affordable and quality alternative in the private healthcare market. 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 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.





Looking ahead

To gain competitive advantage ourselves we need to differentiate Lenmed and to make these differences widely known. These differences include:

- We are in a growth stage and not simply maintaining our position
- We are recognised as being agile and dynamic, which allows quick decision making
- The Healthcare Market enquiry (HMI) report was favourable to the future of hospital groups such as Lenmed
- The MAFs have acknowledged our improvement in outcomes, focus and B-BEEE status
- We have access to capital – both equity and loan funding
- We and our doctors have a community-centric consciousness
- We have a success story of African expansion
- Over 35 years, we have assembled a skilled management team and Board
- The company culture of being dynamic, innovative, ethical and transparent is spreading throughout the organisation.

To our benefit, government policy ahead of the introduction of NHI seems to have restricted the expansion of the listed healthcare groups, providing us with more opportunities. The GEMS medical scheme and others have given us greater access to their members, as well as more favourable terms.

In implementing the 2020 strategic plan, we have introduced activities which will impact positively on the business of the company in the forthcoming year.

- We have adopted targeted programmes to build a value proposition that will attract and keep doctors, ensure their competence and professionalism, maintain standards and to man our hospitals with those who can guarantee MAF and patient satisfaction as well as recognition of our centres of excellence
- Additional bed licences have been received, centres of excellence have been implemented and case mix has been improved with additional specialities; all of which should enhance the results in future
- We have commenced the process of bolstering our culture from the top down to achieve accountability, high-performance, innovation and learning across the organisation.

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 **19% from R2 546.1 million to R3 026.2 million** year-on-year

The **Group's EBITDA** increased by 30% from R446.5 million to **R579.6 million** year-on-year

Lenmed invested **R53 million** into **growth opportunities**

Operating activities generated **R327.2 million** (2019: R423.6 million), which reflected our significant investment in working capital during the current year

CHALLENGES

- Reduced liquidity and ability to raise additional capital due to potential economic impact of the COVID-19 pandemic
- Reducing fixed cost in the short term and in line with reduced occupancies
- Reduced cash and capital for growth capital expenditure.

OPPORTUNITIES

- A strong asset base (R4.6 billion) that can release capital and good relationships with banks
- Rebasings of our fixed cost base
- Increased opportunities to consolidate independent healthcare providers.



Looking ahead

During 2020 we will focus on:

- + A strong asset base with permanent equity and continued bank support to provide short-term liquidity as well as long-term acquisition finance
- + 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 and other measures to enhance liquidity
- + Increase managed service opportunities to generate high return on equity given the low capital requirement

Lenmed adds value by:

Continuously investigating potential investment opportunities, both locally and elsewhere

Introducing innovative methods, policies and processes to differentiate us from our competitors

Modelling our facilities according to world-class standards

Complying with legislation and paying due taxes and levies

Engaging with industry players to form strategic alliances

Establishing good governance for our own sake, rather than for mere compliance

Closely monitoring events likely to impact the industry, such as the NHI proposals and the Competition Commission investigation into the cost of private healthcare

Monitoring all processes for efficiencies to maintain profitability

Staying abreast of technological developments

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 AIR.



Normalised EBITDA for the year increased by 30%, delivering an EBITDA margin of 19.2% (17.5% in 2019).

FREDRÉ MEIRING

CHIEF FINANCIAL OFFICER'S REPORT

Highlights

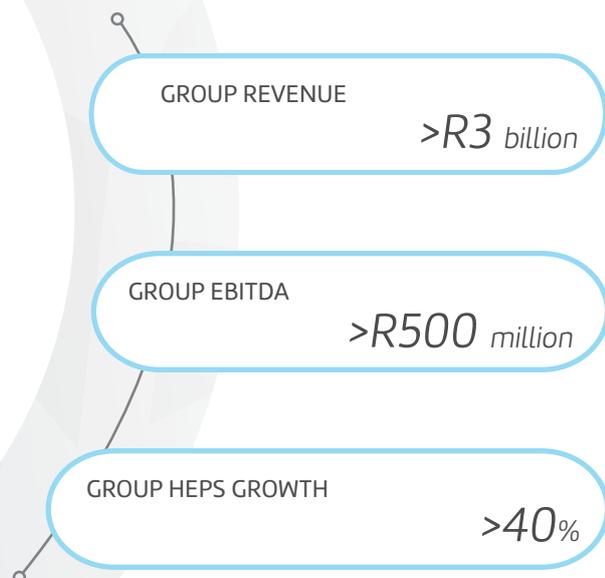
	2020	2019
EBITDA (R'000)	579 588	446 471
EBITDA margin (%)	19.2	17.5
HEPS (cents per share)	28.1	20.1
Total net debt to EBITDA ratio, debt covenant is <3.5 times	2.14	2.73
Senior debt service cover ratio, debt covenant is >1.1 times	1.36	1.60
Interest cover ratio, debt covenant is >2.5 times	4.15	3.16
Debt to equity ratio, debt covenant is <80%	55	62

STATEMENT OF COMPREHENSIVE INCOME

Despite subdued growth across the Southern African private healthcare industry, the Group delivered strong revenue growth of 19% as a result of our investment in capacity over the last couple of years. The Royal Hospital and Heart Centre reached sustainable occupancies during this financial year and we invested more heavily in increasing working capital to grow occupancies from public sector organisations such as the Botswana Ministry of Health, the Road Accident Fund, Workmen's Compensation and Compensation for Occupational Injuries and Diseases Fund (COID). While revenue from medial aid patients increased by 9%, these public sector initiatives nearly doubled these revenues in the year of review. Paid patient days (PPD) increased by 9% and revenue per paid patient day (RPPD) increased by 10%. This pleasing outcome resulted from a 5.1% tariff increase and an overall 4.9% lift due to the higher value spread of cases ('case mix' in healthcare terms).

As the number of medical aid patients has plateaued – and may be declining – Lenmed had decided to seek future growth from the public sector. This strategy required greater investment into working capital, which is now paying off handsomely.

Milestones achieved during the financial year:



Normalised EBITDA for the year increased by 30%, delivering an EBITDA margin of 19.2% (17.5% in 2019). This pleasing result was underpinned by significantly increased revenue, while containing cost growth. Particular EBITDA highlights were the 119% increase recorded by the Royal Hospital and Heart Centre as it reached critical mass and sustainable occupancies during the year. Significantly increased paid patient days at Zamokuhle Private Hospital, Ahmed Kathrada Private Hospital and Bokamoso Private Hospital improved EBITDA at these facilities by 88%, 61% and 43% respectively.

Lenmed recorded EBITDA exceeding R500 million for the first time in the Group's history.

Our adoption of the 'IFRS 16 Leases' IFRS standard during the 2019/2020 financial year positively impacted EBITDA. We recorded a like-for-like increase in EBITDA of 24% when excluding the impact of applying IFRS16 to the 2020 EBITDA.

Well worth noting is that the Group's interest payments reduced as a result of the debt restructure concluded at the end of Lenmed's 2018/19 financial year.

STATEMENT OF CASH FLOWS

Cash generated from operating activities equated to R327.2 million (R423.6 million for 2019), or 56% of EBITDA as compared to 98% in 2019. This equates to R500.6 million or 86% of EBITDA when excluding the additional working capital investment that funded our public sector patient strategy. Most of the investment in working capital in the public sector strategy was towards investment grade sovereign funders.

STATEMENT OF FINANCIAL POSITION

Lenmed invested R53 million into infrastructure and new equipment growth capex across the Group. This capex was allocated to 39 new beds, specialised equipment and additional doctor consulting rooms.

Lenmed is a strategic healthcare participant in Botswana and collaborates with the Botswana Ministry of Health to retain critical and specialist medical treatment in the country. As a consequence, we stepped up our investment into public sector patient care on behalf of Botswana's Ministry of Health. In South Africa, Lenmed extended a similar strategy of offering quality healthcare to underprivileged communities and public sector patients in collaboration with the Road Accident Fund, Workmen's Compensation and COID. Growth in patient volumes was largely funded through working capital, as evidenced by the increase in trade and other receivables in our financial statements. We injected additional investment into working capital to cover the longer payment cycles of public sector funders, which can be up to four times longer than the industry norm. Working capital increases were largely funded out of cash generated from operations, enabling the Group's interest-bearing borrowings to remain unchanged.

Our debt and bank covenants improved due to Lenmed's increased profitability and while interest-bearing borrowings remained steady.

EVENTS AFTER THE REPORTING DATE

Subsequent to year-end, the COVID-19 infectious disease pandemic caused a national state of disaster to be declared in South Africa on 15 March 2020, with Botswana and Mozambique implementing their own COVID-19 responses. Strictly regulated lockdowns implemented in South Africa throughout April and May 2020 have continued, with a specific focus on identified COVID-19 'hot spots'.

These lockdowns and the phased recovery of economic activity negatively impacted the Group's business and cash flow. Specific impacts were reduced occupancies and revenue, compounded by the urgent need for personal protective equipment (PPE), along with the financial impacts of social distancing, remote working and additional sanitary measures.

Our immediate focus was to preserve liquidity and contain costs until short- to medium-term financial effects become visible. At this time, the impact on Lenmed's profitability cannot be estimated, but our healthy balance sheet ensures sufficient liquidity to continue trading through this once-in-a-century event.

Fredré Meiring
Chief Financial Officer

HUMAN RESOURCES



Creating value

Our employees leverage their skills, experience and knowledge to deliver the products and services our patients need. By living the Lenmed brand promise and values, we can differentiate ourselves through a people-centric approach and excellence beyond the call of duty. Lenmed's employee practices are designed to cultivate and harness the power of employee skills and commitment.

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

Lenmed **staff turnover reduced** significantly

210 staff members received long service awards

Lenmed invested **R8.2 million** towards growing our people in FY2020

We welcomed our first international **nurses from India**

Lenmed Nursing College accredited by the **South African Nursing Council**

The **Group's B-BBEE score** improved from Level 8 to Level 4 in 2019, **reaching Level 2 in 2020**

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
- Training has declined post year-end due to COVID-19 lockdown regulations.



OPPORTUNITIES

- Further improving our B-BBEE score
- 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



Workforce profile

EMPLOYMENT EQUITY AND GROUP HEADCOUNT

We strive to maintain and improve our B-BBEE ratings continuously through our pursuit of employment equity. The Lenmed Group currently employs 2 763 employees (2019: 2 986 employees).

Lenmed South Africa Hospitals

Occupation Level Employment	Male				Female				Foreign nationals		Grand Total	African Rep
	A	C	I	W	A	C	I	W	M	F		
Top management	1		4	1				1			7	14.30%
Senior management	0	1	9	3	1		4	4			22	4.54%
Professionally qualified, experienced specialists and mid-management	10	3	14	10	30	16	40	28			151	26.49%
Skilled and qualified workers, junior management, supervisors, foremen, and support	41	2	20	3	315	49	141	35	7	25	638	55.79%
Semi-skilled and discretionary decision making	91	17	64	6	516	74	167	51		2	988	61.44%
Unskilled and defined decision making	55	2	4		82	3	17	2	4		169	81.07%
Temporary workers/ learnership employees	49	1	11	3	57	2	39	8			170	62.35%
Grand Total	247	26	126	26	1 001	144	408	129	11	27	2 145	58.18%

A - African / C - Coloured / I - Indian / W - White / M - Male / F - Female



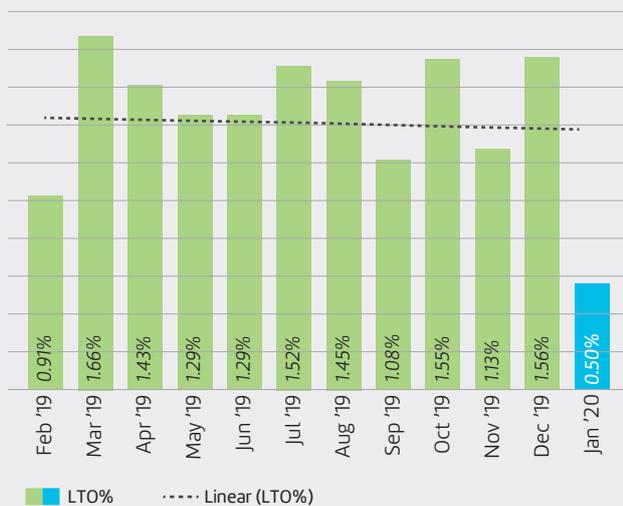
LABOUR TURNOVER

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 staff turnover has reduced significantly year-on-year, from averaging 1.41% in the 2019 financial period to averaging 1.28% in the 2020 financial period when compared to industry norms.

Lenmed's labour turnover

12-month average



Training and development

Lenmed is committed to training and developing our workforce.

We have invested **R8.2 million** towards growing our people in FY2020.

During the first quarter of 2020, a great deal of time and effort was invested in training that would prepare our employees for work during the pandemic. We have rolled out significant training around the use of personal protective equipment (PPE), critical care protocols and specific risk assessments.

Given that Southern Africa has a chronic shortage of qualified nurses and medical professionals in all categories, Lenmed is committed to play a meaningful role in turning out doctors and medical professionals to help meet Southern Africa's needs. Our hospitals are available as training platforms and healthcare providers are willing to establish private medical schools.

COLLEGE OF HIGHER LEARNING

As indicated previously, premised on our passion for continuous professional development, Lenmed's College of Higher Learning based in Lenasia was licensed by the South African Nursing Council in November 2019.

We are pleased to report that Lenmed Nursing College was accredited by the South African Nursing Council at its executive meeting in May 2019. This successful outcome means that we were able to enrol our first set of students for the basic nursing programmes. Our first-ever intake of students at the Lenmed college in Lenasia started their studies in January 2020.

“The World Health Organization has declared 2020 the year of the Nurse and the Midwife. The announcement of this initiative has come with great excitement and anticipation. All over the world, indeed in SA, individuals and employers have many activities planned to celebrate nursing, but also to place focus on the challenges of nursing globally and in our own country. Let us use introspection at the end of 2020 and note the significant progress we have made during the year while we have the attention of the world focused on our profession. Let us be bold, speak openly, travel with the facts, collaborate, agree and use all our energy to align activity and work.”



FASIE SMITH
Lenmed Group Nursing Manager

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 successfully built the necessary frameworks that promote these benefits and assessed leadership team capabilities. We are presently mapping the leadership journey to enhance the skills that promote business and bridge gaps where necessary. The following groundwork was achieved during 2019:

- Individual Development Plan (IDP) discussions
- Development of Lenmed’s purpose statement with Exco
- Agreement on the organisational cultures most appropriate for this stage of Lenmed’s growth
- Development of Lenmed’s Leadership Charter with Exco and senior leadership to enhance skills that promote business and bridge gaps where needed.

OUR LEADERSHIP PLEDGE

We propose a leadership journey that . . .

- Embeds Lenmed’s Leadership Charter and mandate
- Supports each person to develop and lead with authenticity and purpose
- Helps people to lead at the right level of accountability in line with levels of work principles
- Describes what is needed to navigate the turn between levels
- Improves leadership recruitment, promotion and accountability
- Instils vision, values and culture in daily management practice
- Inspires activation of improved leadership practice

. . . enabling Lenmed to be known for the quality of its leadership and the benefits this brings.



LENMED UNIT MANAGER DEVELOPMENT PROGRAMME

Lenmed has started off on a journey with its Unit Managers in empowering them to be even more effective leaders in business. The programme is aimed at assisting with the broader improvement and quality of Lenmed Unit Managers. The outcome will have a valuable impact on the entire employee value chain. This development initiative, set to take off in 2020, will be part of the long-term learning and development strategy for Unit Managers.

MANDATORY GRANTS

During the course of 2019, we successfully transferred all Lenmed hospitals to the Health and Welfare Sector Education and Training Authority (HWSETA), ensuring a single submission for Mandatory Grants for the future. We received a total of 27 learnership programmes, five internship programmes and four bursaries granted through the HWSETA amounting to R879 000 in 2019.

Mandatory Grants are paid by the HWSETA to eligible companies, calculated at 20% of an employer's 1% skills levy. We successfully submitted Lenmed's Annual Training Report and Workplace Skills Plan to SETA during the reporting period, and recouped the following skills development costs:

- In the last Workplace Skills Plan year, a total of R5 248 123.52 was paid in levies to SARS, with 20% (R1 050 024.65) due to be refunded.

TRAINING ACHIEVED AGAINST PLAN

Lenmed is committed to training and developing its 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 its business.



UPDATED WORKPLACE POLICIES

We have established set procedures and policies to promote a culture of learning and development. During 2019, the following policies were reviewed and updated:



Health and wellness

EMPLOYEE ASSISTANCE PROGRAMME

Staff wellbeing is one of Lenmed's fundamental priorities. In 2019, Lenmed Health joined hands with a new Wellness Partner, Discovery Healthy Company, offering a more advanced way of reaching out to our staff proactively. Healthy Company's guidance, expertise and involvement in all facets of our employee health initiatives have been invaluable to our business. Its offering is based on four pillars of employee wellness: physical wellbeing, emotional wellbeing, financial wellbeing and legal support.

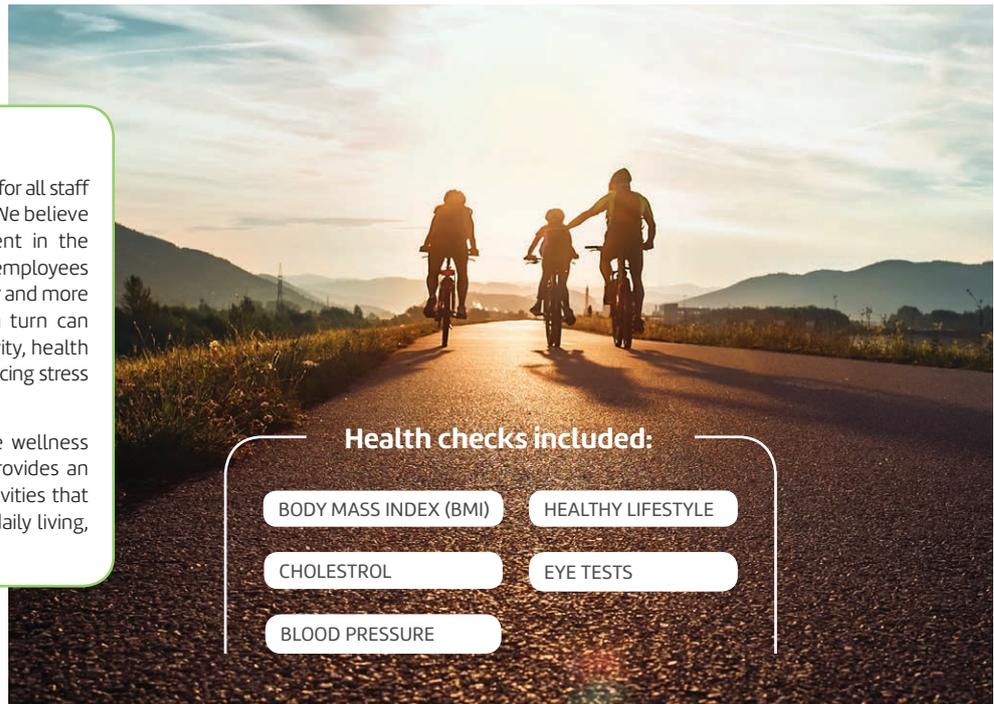
Employee benefits offered include:

- 24-hour telephonic support services
- Coach visits to all sites monthly and once a quarter in our outlying hospitals
- Service at your fingertips via the Healthy Company App
- Up to eight face-to-face counselling sessions per episode — national network of clinical psychologists and social workers
- Emergency appointments scheduled within 48 hours of referral
- Scheduled at a location within 30 minutes or 50km of the employee's home or work
- Trauma counsellors dispatched within eight business hours
- Proactive outreach where signs of emotional distress are detected with mood capture
- Drafting wills for staff at no charge.

WELLNESS DAY

Lenmed hosted a wellness day for all staff in September/October 2019. 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 an opportunity to engage in activities that bring meaning and value to daily living, as well as individual wellness.



Health checks included:

BODY MASS INDEX (BMI)

HEALTHY LIFESTYLE

CHOLESTROL

EYE TESTS

BLOOD PRESSURE

Transformation and 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.

In this regard, we have had our B-BBEE rating re-evaluated under the revised codes and are pleased to announce that Lenmed was a Level 2 contributor at the date of this report, in accordance with the Department of Trade and Industry's B-BBEE Codes of Good Practice. One of the contributing factors was preferential procurement and supplier development, which achieved 38.21 points out of a total of 46 points. We have also continued our focus on skills development highlighted in the graphic below:



During the period, we awarded:

31

EMPLOYEE LEARNERSHIPS
(2019: 27)

5

INTERNSHIPS
(2019: 2)

20

LEARNERSHIPS FOR UNEMPLOYED PERSONS
(2019: 5)

4

BURSARIES
(2019: 2)

Our 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 HWSETA this year is R1 734 800. These initiatives promote skills development as part of maintaining and improving our B-BBEE rating.

Additionally, Lenmed sponsored 75 unemployed disabled learners currently completing their Business Administration course through LearnMe Skills Development Academy. This programme will provide learners with valuable skills to enter the workplace and thrive in a corporate environment.



Recruitment and skills shortages

RECRUITMENT OF DOCTORS

Our business model relies on attracting top quality medical practitioners to make use of and recommend our facilities to their patients, both nationally and internationally.

We currently work across all medical disciplines and specialties with 779 medical professionals resident in our hospitals as follows:

Hospital	Number of resident medical practitioners
Ahmed Kathrada Private Hospital	113
Bokamoso Private Hospital	97
Daxina Private Hospital	41
Ethekwini Hospital and Heart Centre	85
Kathu Private Hospital	14
La Verna Private Hospital	61
Maputo Private Hospital	87
Randfontein Private Hospital	66
Royal Hospital and Heart Centre	61
Shifa Private Hospital	83
Zamokuhle Private Hospital	71

In South Africa, regulation requires that medical practitioners are independent of hospitals, while in other African countries, hospitals are free to employ doctors. Both systems require us to provide state-of-the-art medical and nursing equipment, well-equipped operating theatres, dedicated nursing teams, top standard ward facilities and efficient administration. We regard the recruitment of high-calibre doctors as a challenge, particularly in rural areas and outside of South Africa. Lenmed's well-equipped hospitals are often venues of choice for medical professionals.

RECRUITMENT OF NURSES

The staff employed in our hospitals are recruited using world-class methodologies to ensure best role and organisational fit. Recruitment is aligned with the Lenmed governance framework, our risk management approach and our ethical values. We face the same challenges as our industry peers in that there is a scarcity of nursing skills in specialised areas; however, we endeavour to correct this with the establishment of our Nursing College and our propensity to offer short courses in these highly specialised areas to meet immediate needs.

We have partnered with Ereobix, our recruitment partner, to attract more professional nurses to Lenmed to address the skills shortage and assist in achieving enhanced nursing, patient care and practice excellence. We have since recruited professional nurses at Lenmed Health Ahmed Kathrada Private Hospital, Lenmed Health Royal Hospital and Heart Centre and Lenmed Health La Verna Private Hospital.

International nurse recruitment project

Lenmed has 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 that, 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.

During 2019, we paid a warm welcome to two professional nurses from Pune, Maharashtra who joined Lenmed Health Ethekwini Hospital and Heart Centre.

Reward and recognition

RECOGNITION INITIATIVE

Lenmed launched its employee reward and recognition programme – 'Celebrate' – in 2019. The Celebrate initiative forms part of the broader reward and recognition programme and is part of the Group's strategy to build a customer- and team-centric culture where exceptional work, of both individuals and teams, is recognised and rewarded.

The Celebrate campaign's purpose is to encourage the acknowledgment of all employees' alignment with and demonstration of living the Lenmed values.

8 staff
celebrated



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 **R27.6 million** (2019: R11.5 million)

Discounts of **over R24.8 million** to financially disadvantaged patients (2019: R9.7 million)

77 free cataract surgeries performed (2019: 55)

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 scheme funds.

OPPORTUNITIES

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

Looking ahead

- + Further 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 to 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. Our new website was launched in 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.

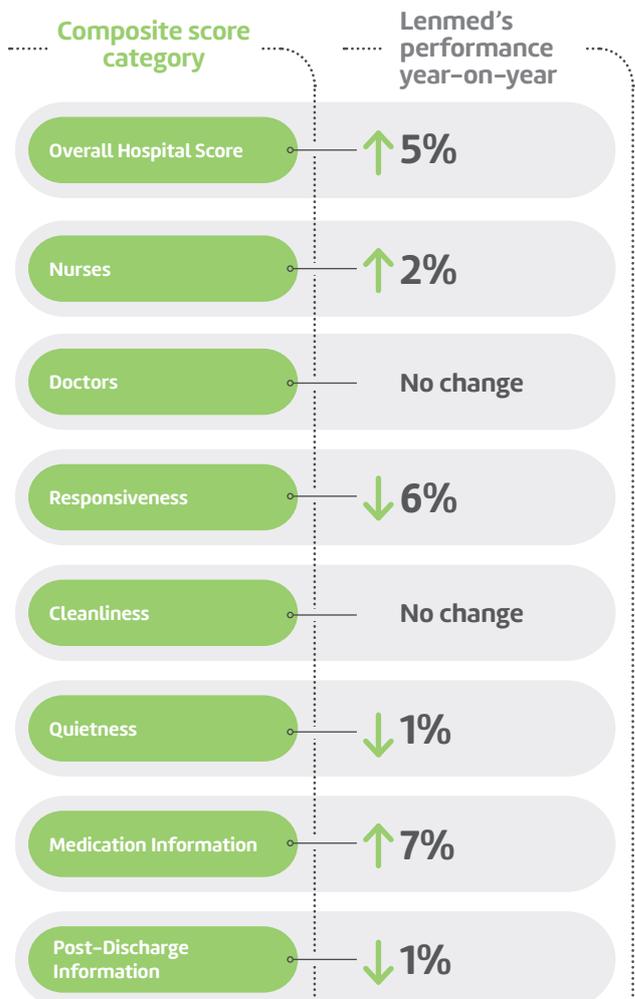
During the year, we saw a 25% increase in followers across our platforms and increased engagement.

CUSTOMER EXPERIENCE

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

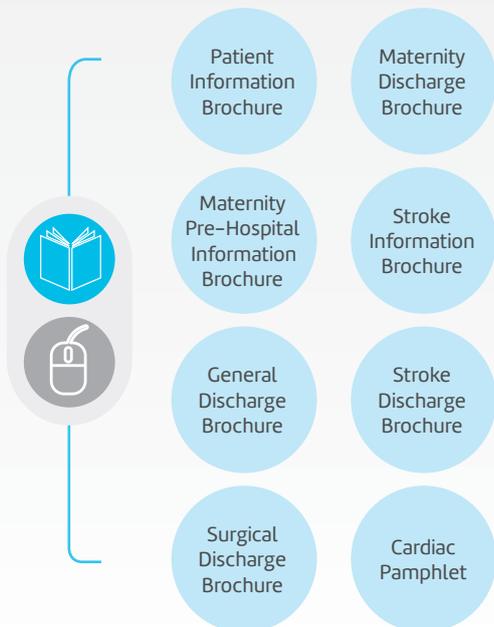
Lenmed also conducts internal scoring assessments whereby patients and their families are provided with numerous opportunities to give feedback on their experiences via our electronic customer experience management system. This method enables us to resolve issues in real time and to monitor and track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



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 diagnoses and/or procedure-specific information approved by appropriate specialists.

Customer experience also extends to our doctors and employees. Our ‘Celebrate’ initiative was launched in 2019, which enables employees to acknowledge colleagues who are living the Lenmed values. Once acknowledged, the ‘celebrated’ employees will receive communication on how they have made their colleagues’ day.

Lenmed acknowledges our doctors’ crucial role in ensuring positive patient experiences and contributing to the success of our business. The doctors’ newsletter was launched in 2019, and three editions were successfully circulated.

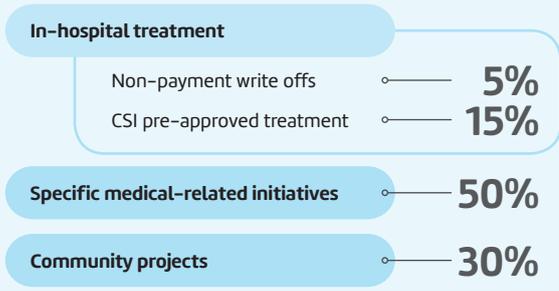
Customer experience update

<p>INTERNAL CUSTOMER EXPERIENCE MANAGEMENT (CEM) SYSTEM:</p> <p>.....</p> <p>BEST PERFORMER 2019:</p> <p><i>EHHC with an average composite score of</i></p> <p>74%</p>	<p>BEST PERFORMER FOR 2019 FOR THE DISCOVERY MESH</p> <p>.....</p> <p><i>ZPH with an average MESH composite score of</i></p> <p>70%</p> <p><i>Overall ZPH is the best performer across all measures in CEM and MESH</i></p>	<p>MESH:</p> <p>.....</p> <p><i>Both LVPH and RPH have qualified for the Top 20 Hospital status this year by increasing their response rates.</i></p> <p>COMPOSITE HOSPITALS SCORES:</p> <p>LVPH 59% RPH* 67%</p> <p><i>*Exceeding target, a great result!</i></p>
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CORPORATE SOCIAL INVESTMENT (CSI)

Community involvement

We strive to allocate at least 1% of Lenmed’s total EBITDA to CSI with a spread across the following categories.



Our hospitals participated in wellness days, community events, awareness campaigns, and community sponsorships based on the needs of each individual community.

The reporting period was as follows:

Children’s Cardiac Foundation of Africa

Lenmed is a proud supporter of the Children’s Cardiac Foundation of Africa. We assisted in establishing the foundation by virtue of a seeding donation of R1 million in 2018. 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 (CHD) in Africa by raising funds for heart surgeries and through training specialists and support staff in the field of paediatric cardiac care. 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.

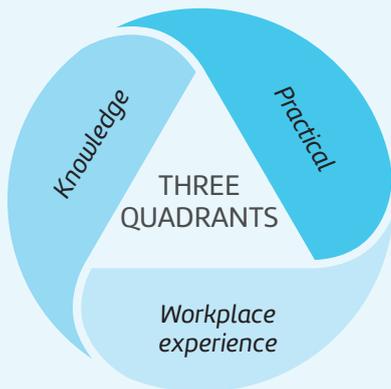
To help the Foundation reach its target of treating 300 children by 2021, Lenmed has committed R2 million to cover the operational costs of the Foundation, so donor contributions are never used to cover administration costs. Furthermore, Ethekwini Hospital and Heart Centre is proud to support the work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

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.

Learnership programme

Lenmed partnered with LearnMe to offer a fully paid, 12-month learnership programme in Business Administration to 75 disabled learners from Johannesburg, Pretoria, Carolina and Steelpoort. Learners were selected from both rural and urban areas.

Learnerships are work-based structured learning programmes leading to a National Qualifications Framework (NQF) registered full qualification, directly relating to an occupation, managed by Sector Education and Training Authorities (SETAs). LearnMe is a fully accredited service provider, offering structured learnership programmes where learning is spread over three quadrants:



Skills development is now a priority element of the B-BBEE scorecard and the implementation of learnerships enables Lenmed to maximise on this element of the scorecard.

BENEFITS TO THE LEARNERS

- A full qualification that is accredited (*Business Administration – NQF Level 3*)
- Possibility of employment
- Trained in life skills
- Assistance on drafting a CV
- Computer access
- Mock interview



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 key to long-term viability. Leveraging our intellectual capital, whether learned within or 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

- Continuously 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
- + Introducing the Sukraa clinical system

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.

SHARED SERVICES MODEL

Lenmed manages a shared services model where certain functions within the Group have been centralised to further enhance the control environment in addition to driving specialisation, best practice and efficiencies. Our shared services include centralised procurement, payments, IT and business technology, internal audit, marketing, HR, as well as certain finance functions such as accountants, working capital management, funding and credit management.

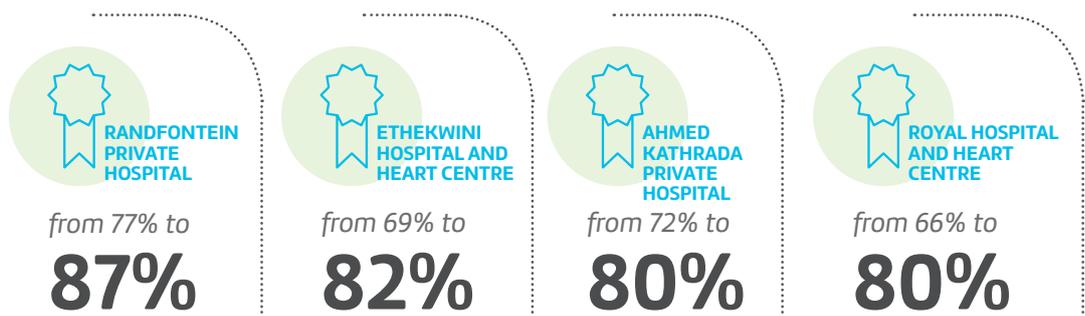
INTERNAL COMPLIANCE AUDITS

A second successful round of internal compliance audits concluded in September 2019. The overall top achiever for a



second consecutive year was Randfontein Private Hospital, with an overall improved result of 87%. The other hospitals rounding out the top three were Ethekewini Hospital and Heart Centre with 82%, followed by Ahmed Kathrada Private Hospital and Royal Hospital and Heart Centre with a tied score of 80%.

Improvement scores from 2018-2019



Leveraging technology

Lenmed accesses advanced medical technologies that will keep its facilities at the forefront of healthcare. For instance, Artificial Intelligence (AI) can enhance medical processes, while new robotic processes are speeding up accounting significantly.

IMPLEMENTATION OF SAP ERP

Our SAP Enterprise Resource Planning (ERP) system is over 90% operational, with minimal disruption to hospital operations. SAP enables 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.

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



IMPROVED CUSTOMER SERVICE



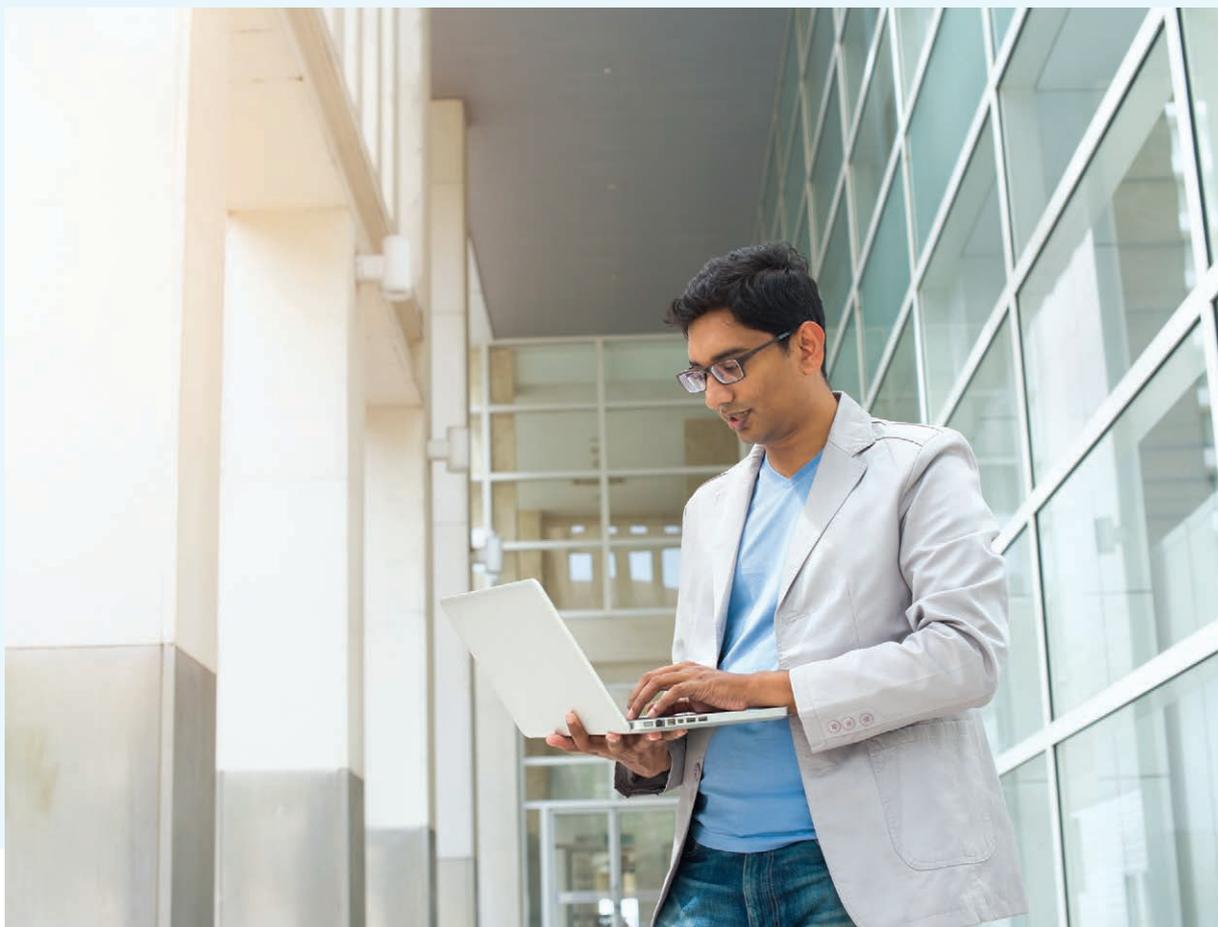
EFFICIENT PATIENT PROCESSING



SIMPLER AND MORE PRODUCTIVE ADMINISTRATION



ACCESSING INFORMATION FROM ANYWHERE, AT ANY TIME, TO ALLOW BETTER REPORTING AND FASTER DECISION MAKING





GROUP-WIDE INTEGRATED OPERATING PLATFORM

We are building capacity into the newly rolled-out SAP systems to access and interpret the considerable volumes of additional data that SAP delivers, while integrating clinical data and reporting more closely to continue raising our clinical governance benchmarks. The completed integrated operating platform will enhance business processes efficiently and enable seamless and stress-free interaction with Lenmed patients and stakeholders. Management will be provided with focused and timely data to support operational and financial information.

Additional clinical applications at Lenmed are Bluebird which reports on infection control and antimicrobial stewardship within our hospitals, as well as an incident management system (CIMS) powered by Brighthouse.

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. We are encouraged by the patient safety improvements already apparent.

INCIDENT REPORTING

Our alert and incident reporting system is complete, with online applications minimising manual and paper-based processes. Swift access to alerts and incident trends is intended to minimise any harm (or potential harm) to our patients, employees and customers. This information enables us to determine trends and to implement appropriate preventative or corrective actions.

DIGITAL ADMISSIONS

We have implemented a fully digital admission. This process has digitised all admission-related documents which creates efficiencies and cost savings on printing and document management. This has allowed to reduce the time it takes for a patient to be admitted as well more than halve the administrative overhead experienced in this process.

LENMED'S SMART UTILITIES MONITORING

So where do we start in creating truly smart hospitals? A low-hanging starting point was to introduce smart utility monitoring to provide real-time awareness of costs and inform a planned reduction of consumption.

We began by installing smart electricity meters at strategic points in our facilities and linking these to HYDRA, a tech solution that integrates, aggregates and interprets data from multiple sources, makes sense of that data and communicates it in different ways in order to provide insight. HYDRA provides real-time monitoring of sensor data and the visualisations and analytics needed to make informed decisions and drive behavioural changes.

NATURAL RESOURCES



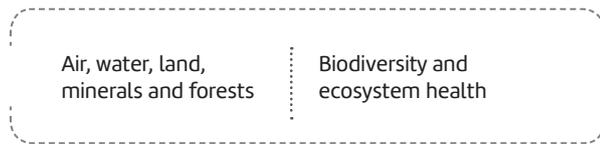
Creating value

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:



Highlights

Lenmed has implemented a **Smart Utilities Monitoring System** that enables the Group to collect electricity consumption data in real time.

CHALLENGES

- Increased load shedding and the instability of power supply
- Water supply challenges due to council infrastructure issues at our Zamokuhle, Shifa and Bokamoso private hospitals
- Balancing natural and financial capital trade-offs – for example, a financial investment in renewable energy depletes financial capital in the short term yet delivers long-term cost savings in an environmentally friendly manner.

OPPORTUNITIES

- Optimise energy management and efficiency opportunities in our buildings
- Establish a framework of potential energy interventions for prioritisation at each hospital
- Continue implementing renewable sources of energy.



Looking ahead

During 2020/2021, we will be focusing on:

- + Short- and long-term energy intervention project planning
- + Formalising a Group-wide environmental policy
- + Integrating water consumption into the utilities awareness system

Environmental report

The healthcare industry is classified as relatively low impact in environmental terms, but all economic sectors are compelled to reduce their environmental impacts. Lenmed’s natural capital comprises energy, water and waste and the Group has consistently instituted initiatives to reduce environmental risks and impacts.

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, gas turbines, boreholes and other measures to further reduce usage of natural capital.



ENVIRONMENTAL POLICY DEVELOPMENT

During the reporting period, we began to formalise our environmental management system. The first step of this journey has been taken by drafting a new environmental policy that will address working protocols going forward. Formalising our environmental management processes will allow us to generate more insightful environmental reports.



ENERGY INTERVENTION PROJECT PLANNING

We have considered each individual hospital in terms of feasible energy interventions that could be implemented in different timeframes. This tailored, specific approach contemplates the potential effectiveness of gas turbines, diesel, solar, wind, ICE banks and geothermal solutions across a variety of operating environments.

UTILITIES AWARENESS

Lenmed implemented a project to improve utilities awareness, specifically focusing on energy and water monitoring using smart metering. We partnered with data-driven storytelling company, The Awareness Company, to deliver real-time analyses, insights and visualisations via its HYDRA HealthCare solution. Through this project, Lenmed is actively deploying innovative healthcare technology.

Smart meters are installed at each hospital to provide us with instant and up-to-date information regarding utility consumption in individual hospitals and by the overall Group. In time, these insights will allow for better visibility, optimisation and efficiency planning.

HYDRA provides us with the visualisations and analytics needed to make full use of the information in order to drive behaviour and make informed decisions. The figure below is an example of the dashboard that is currently deployed at each of our hospitals. The goal of this dashboard is to give the operational staff the insights they need to lower peak demand and thus the electricity bill. It also helps with early warning and insight by visualising important electricity measurements like the load balances and power factor. It further helps users understand and compare the hospital's current consumption rates with those of previous weeks and months.



All data is aggregated and integrated into a holistic, single situational-awareness view, allowing operational and strategic-level management to make better informed decisions.



The display of real-time information and visualisations through hospital-specific dashboards

Detailed usage reporting of energy consumption

Tracking of outages

Real-time cost analyses

The creation of a virtual location-based status of hospitals with smart meters

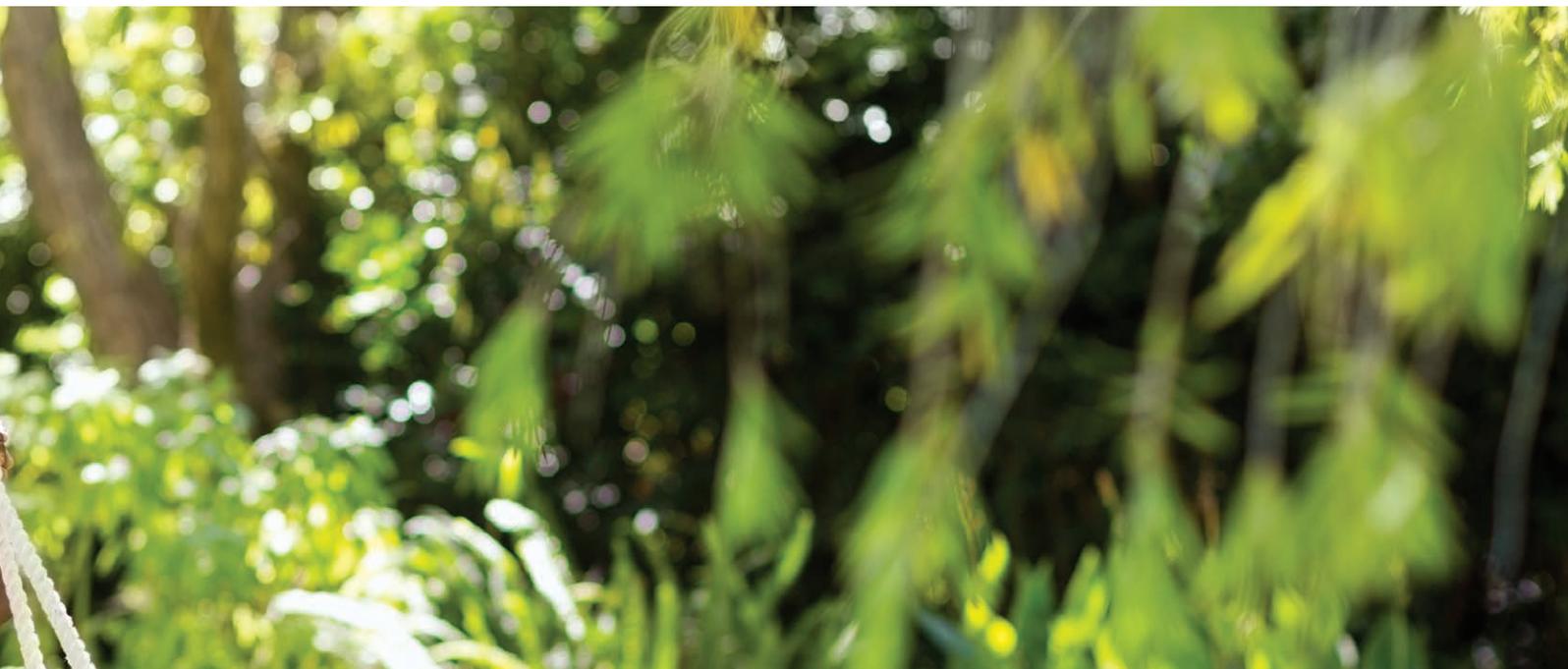
Uncovering insights, including time and location-based trends and analyses

Understanding and uncovering information and reports needed for intervention verification.

Key outputs of the project include:

The biggest advantage is ultimately having access to the data in real time in an easy-to-understand format that makes it usable. This allows Lenmed to reduce consumption peaks, reduce costs and thus change behaviour.

We are very excited about the next part of this project, which will integrate our water consumption.



SOLAR INSTALLATIONS

The installation of PV solar systems at Ahmed Kathrada Private Hospital continued to reduce our fossil-derived energy consumption in the past year.

A second solar project, due for implementation in March 2020, has unfortunately been put on hold due to a COVID-19-related freeze on capex projects.

Lenmed's energy consumption remained stable throughout the 2019/2020 reporting period.

WASTE

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

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.

The environmental management team has initiated a project to improve water storage capacity at our Zamokuhle Private Hospital and is evaluating the feasibility of introducing aerated taps and low-flow shower heads throughout our hospitals.

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. Two boreholes at Bokamoso Private Hospital were commissioned to irrigate the hospital grounds.

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

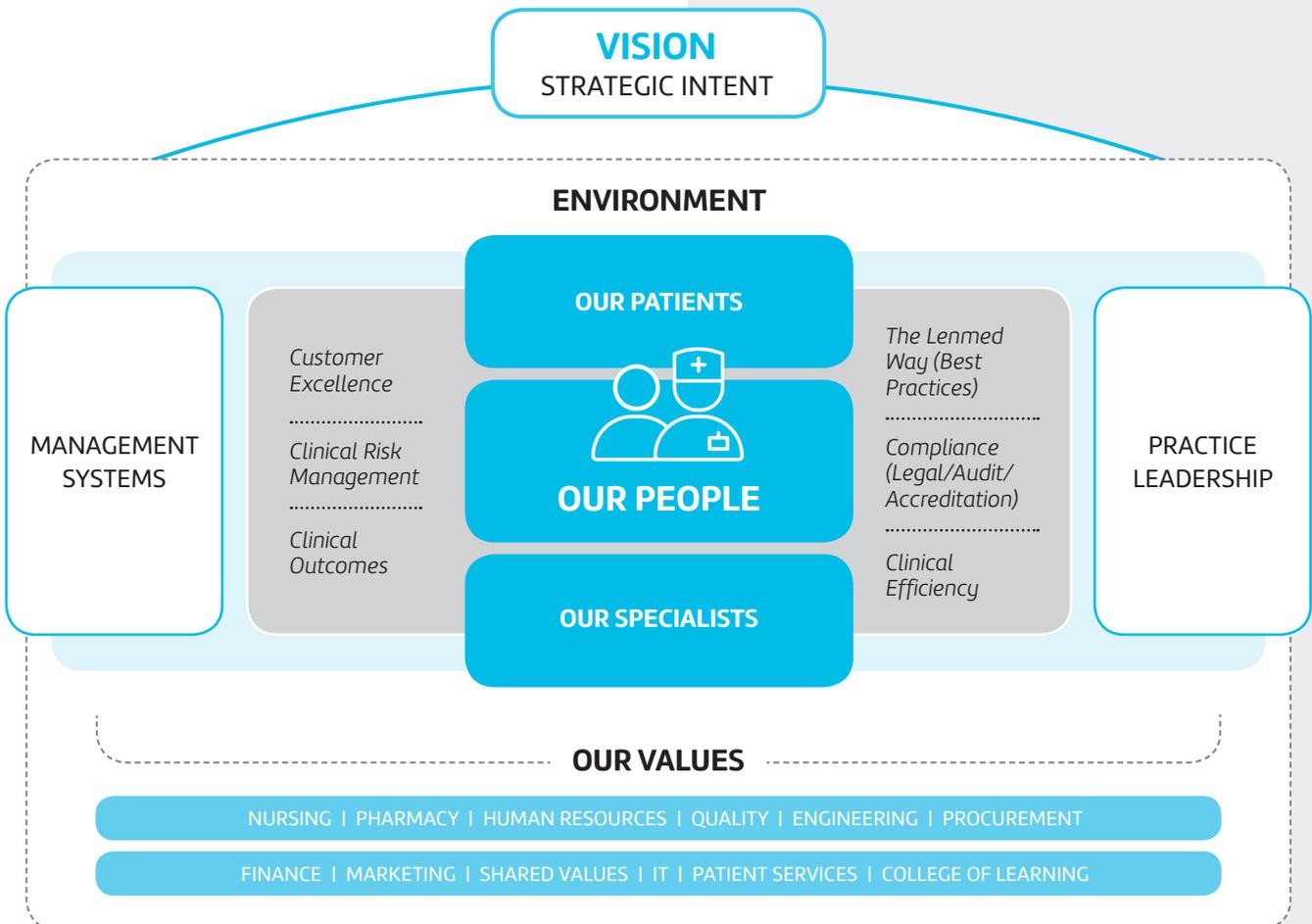
INTRODUCTION

It has been two years since Lenmed’s clinical governance framework was launched, with the first year focusing on implementation. Within this reporting period, we focused on entrenching our clinical governance priorities with a spotlight on initiatives to improve patient safety, experience and outcomes. A concerted effort was placed on embedding processes to ensure sustainability and maximising our investment in systems.

CLINICAL GOVERNANCE FRAMEWORK AND PILLARS

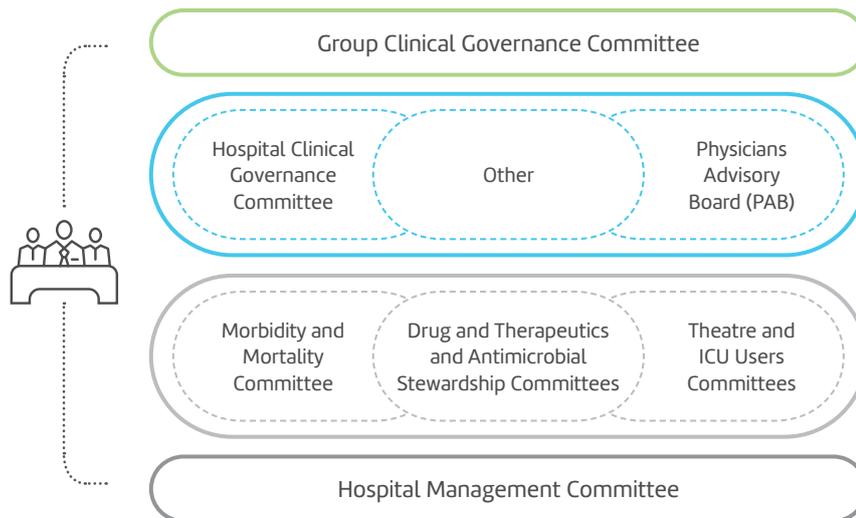
Our clinical governance framework is built on Lenmed’s values, underpinned by the standards, policies and procedures determined by our Group functions. Our people, patients and specialists are at the core of the framework, supported by the clinical governance pillars. Both sides represent our management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

One of the key objectives this reporting period was to bring greater structure and focus to our hospital doctor-related committees. This required driving an appropriate constitution and terms of reference. Of importance were the adoption and implementation of terms of reference for hospital Physician Advisory Boards and Morbidity and Mortality Committees, followed by the adoption and implementation of Doctor and Allied Professional Codes of Conduct. We are pleased to report that our hospitals have made good progress in this regard, with support from the Group Chief Medical Officer, and we will continue to focus on the appropriate functioning of these key structures.



Clinical governance priorities and progress report

For the reporting period, our clinical governance priorities remained the same as per below. However, our focus turned from implementation to fully embedding these initiatives to sustain improvement with an emphasis on improving patient safety, experience and outcomes.

CUSTOMER EXCELLENCE	CLINICAL RISK MANAGEMENT AND COMPLIANCE	CLINICAL OUTCOMES	THE LENMED WAY – BEST PRACTICE	COMPLIANCE	CLINICAL EFFICIENCY
<p>1</p> <ul style="list-style-type: none"> • Patient experience management • Specialist engagement 	<p>2</p> <ul style="list-style-type: none"> • Incident and risk management • Infection prevention • Antimicrobial stewardship • Medico-legal and escalated complaints 	<p>3</p> <ul style="list-style-type: none"> • Clinical programmes (AMI, stroke) • Mother and child • SHEQ statistics 	<p>4</p> <ul style="list-style-type: none"> • Clinical training and development • Management development • Nursing quality and staffing • Clinical policy development 	<p>5</p> <ul style="list-style-type: none"> • Clinical governance structures • Compliance audit • Accreditation 	<p>6</p> <ul style="list-style-type: none"> • Hospital CPE management • Lenmed specialist profiling • Group formulary compliance and conversions

1 CUSTOMER EXCELLENCE

Managing patient information and understanding while admitted and post-discharge

Ensuring patients and their loved ones understand their condition, procedure and recovery requirements is one of our priorities in improving customer experience. To achieve this, we introduced:

- Customer experience meetings between the hospitals and Head Office, which occur monthly. Customer experience feedback is tabled and discussed, action plans developed and solutions to challenges are implemented
- An expanded online patient information library, which is now supported by the EIDO patient information library, including numerous internationally accredited brochures on medical procedures is available to all hospitals
- An automated monthly dashboard report for each Nursing Unit. Hospitals now receive this dashboard report highlighting customer experience touch points – those areas where they have done well and those which may require some further work
- An SMS is sent to all patients on discharge, with a link to the online patient information library.

2 CLINICAL RISK MANAGEMENT AND COMPLIANCE

Risk assessment

During the reporting period, all hospitals completed their risk assessments and produced risk registers, including their top 10 identified risks. Being the first time that most Lenmed hospitals conducted risk assessments, management teams found the subject quite complex. Our view is that further work is required around risk assessment so that risk registers are fully aligned true operational and clinical risks. Our intention in the coming period is to conduct risk assessment refresher and coaching sessions while working closely with hospital management teams to ensure their risk registers are relevant and current and that top risks remain their priority. We will also bring in Group Functions so that both Group and hospital risks are aligned.

Alert and incident reporting and management

Lenmed alert and incident reporting system (LenIRS) was successfully implemented during the period under review. This system replaces the previously manual and laborious incident reporting system. Feedback from users indicate that the system is user-friendly and is already adding value in terms of incidents trends. Our focus has turned to ensuring that hospitals report and capture all incidents, within the stipulated timeframes, and that hospital management teams comply with 100% incident reporting. Full disclosure allows us to identify Group incident trends and the opportunity to implement improvement initiatives to increase patient safety, outcomes and experience even further. During the period under review, incident investigation training was completed in all hospitals to bring an increased focus to incident descriptions. We continue to monitor this monthly.

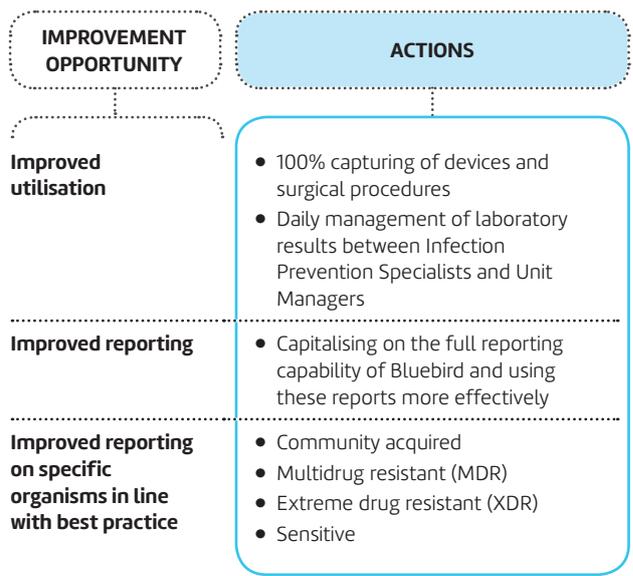
Compliance with industry benchmarks, legal requirements as well as Group standards and priorities

A second cycle of internal compliance audits was concluded in the latter part of the reporting period. Our best performing hospitals were Randfontein Private Hospital, Ethekwini Hospital and Heart Centre, Ahmed Kathrada Private Hospital and Royal Hospital and Heart Centre. In the spirit of continuous improvement, preparation for the new

reporting period commenced with major changes to criteria – including Nursing, Infection Prevention, Procurement and Pharmacy Functions. In addition, we will be reviewing DOH norms and standards and ensuring that all criteria have been aligned. Maputo Private Hospital will be brought into the audit schedule, which now means that all Lenmed hospitals will undergo an internal compliance audit in the future.

Infection prevention and surveillance

Bluebird was implemented in all Lenmed hospitals, apart from Bokamoso Private Hospital and Maputo Private Hospital. As a reminder, Bluebird is an online clinical decision support system that integrates the location, laboratory and prescribing data on all patients with possible infections in real time. Bluebird assists doctors and clinicians to focus on at-risk patients and to implement therapeutic interventions. During the reporting period, our clinical governance team worked continuously with our Nursing, Infection Prevention and Pharmacy staff to improve the utilisation of Bluebird, thereby better identifying and managing infections while improving appropriate antimicrobial utilisation. We are encouraged at the increased usage of Bluebird, although we acknowledge that there is more work to do as a Group. To improve patient safety and outcomes, we have targeted interventions agreed with hospitals. These interventions are coupled with the short-term appointment of a Group Infection Prevention Specialist in the new financial year.



Antimicrobial Stewardship (AMS) Programme

Within Lenmed we have an active Antimicrobial Stewardship Programme. This is a multidisciplinary team approach (Nursing, Infection Prevention Specialists and Pharmacists), who play a pivotal role in the programme. The key drivers of the programme to improve patient outcomes are:

- Rational use of antimicrobials to improve awareness and understanding of antimicrobial resistance
- Reducing the incidence of infection
- Optimising the use of antimicrobial agents.

Antimicrobial Stewardship Committees were established at all hospitals to ensure the effectiveness of the programme. This hospital governance structure meets regularly and together drives improved compliance and rational use of antimicrobials. During the reporting period, 4 913 AMS interventions were made across all our ICUs, with this number showing a positive increase monthly.

In addition to AMS interventions, our hospital pharmacists are involved in providing clinical advice and support to our doctors and clinicians. This support ranges from the usual information on side effects, drug interactions and standard dosing to recommendations on drug dose adjustments in renal impaired patients, the calculation of paediatric doses and infusion rates of medication for ICU patients.

Lenmed has appointed a dedicated Clinical Pharmacist who is the 'go to' clinical resource for the doctors and clinicians within the Group.

3 CLINICAL OUTCOMES

Improvement in clinical outcomes continued to be one of our main drivers in the period under review. We therefore continued to focus on key clinical disciplines such as cardiac and stroke care.

Lenmed Acute Myocardial Infarction (AMI) Programme

The Lenmed AMI Programme was implemented in two of Lenmed's hospitals, being Ethekewini Hospital and Heart Centre and Bokamoso Private Hospital, with positive results being achieved during the reporting period. In both facilities, the Cardiac Committees have driven improved collaboration between emergency management services, our emergency and cardiac units, cardiologists and cardiothoracic surgeons and have ensured the best possible outcomes are achieved for our patients – ultimately saving lives! During the reporting period, a total of 40 AMI patients were treated between the two hospitals, and compliance to the AMI bundle improved month-on-month. During the coming period, we will turn our focus to implementing best practice and improving outcomes for other categories of cardiac patients.

Stroke accreditation

The Lenmed Stroke Programme continues to be in full force at Ahmed Kathrada Private Hospital. This hospital remains ready to pursue accreditation. Ethekewini Hospital and Heart Centre have assessed their readiness against the Stroke Society criteria in preparation for accreditation in the near future.

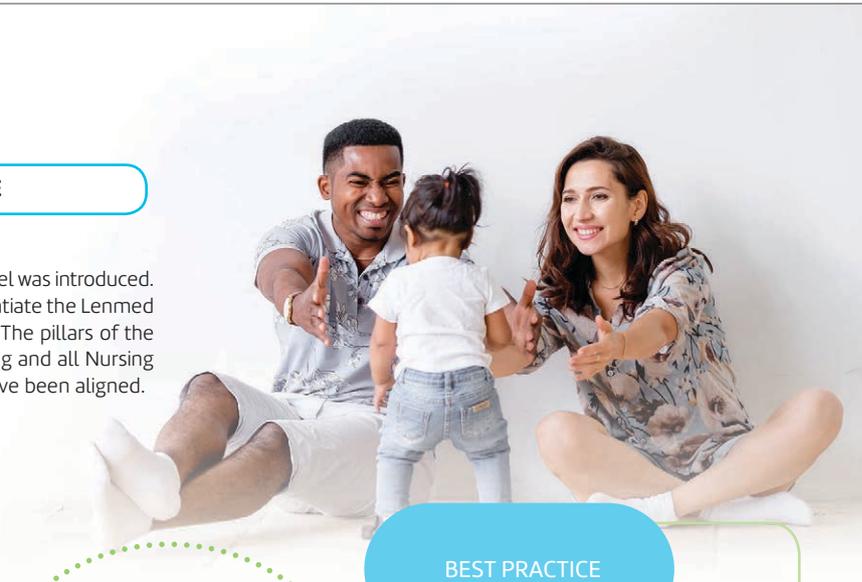
Mother and child health

During the reporting period, our mother and child health strategy was improved upon, with a greater emphasis on the competence and role of the midwife.

IMPROVEMENT OPPORTUNITY	ACTIONS
SASOG BetterObs Guidelines Midwifery Competency Training <ul style="list-style-type: none"> • Cardiotocograph (CTG) interpretation • Utilisation of the partograph • Management of obstructed labour and post-partum haemorrhage 	<ul style="list-style-type: none"> • Fully implemented and in use in all hospital maternity units • CTG training of midwives continues • Competency training forms part of the Midwifery CPD Programme
Resuscitation of the New-born	
Implementation of Neurodevelopmental Supportive Care Guidelines	

Hospital Acquired Infection (HAI) statistics

For the period under reporting, our overall HAI rate **reduced from 0.40 infections for 1 000 ppd's to 0.21 infections per 1 000 ppd's**. Our focus going forward is to entrench reporting of infection rates using the Bluebird system to ensure the transition from manual reporting to reporting via the new system. In addition, we plan to increase capacity within the Group to focus on improved management of this important work.

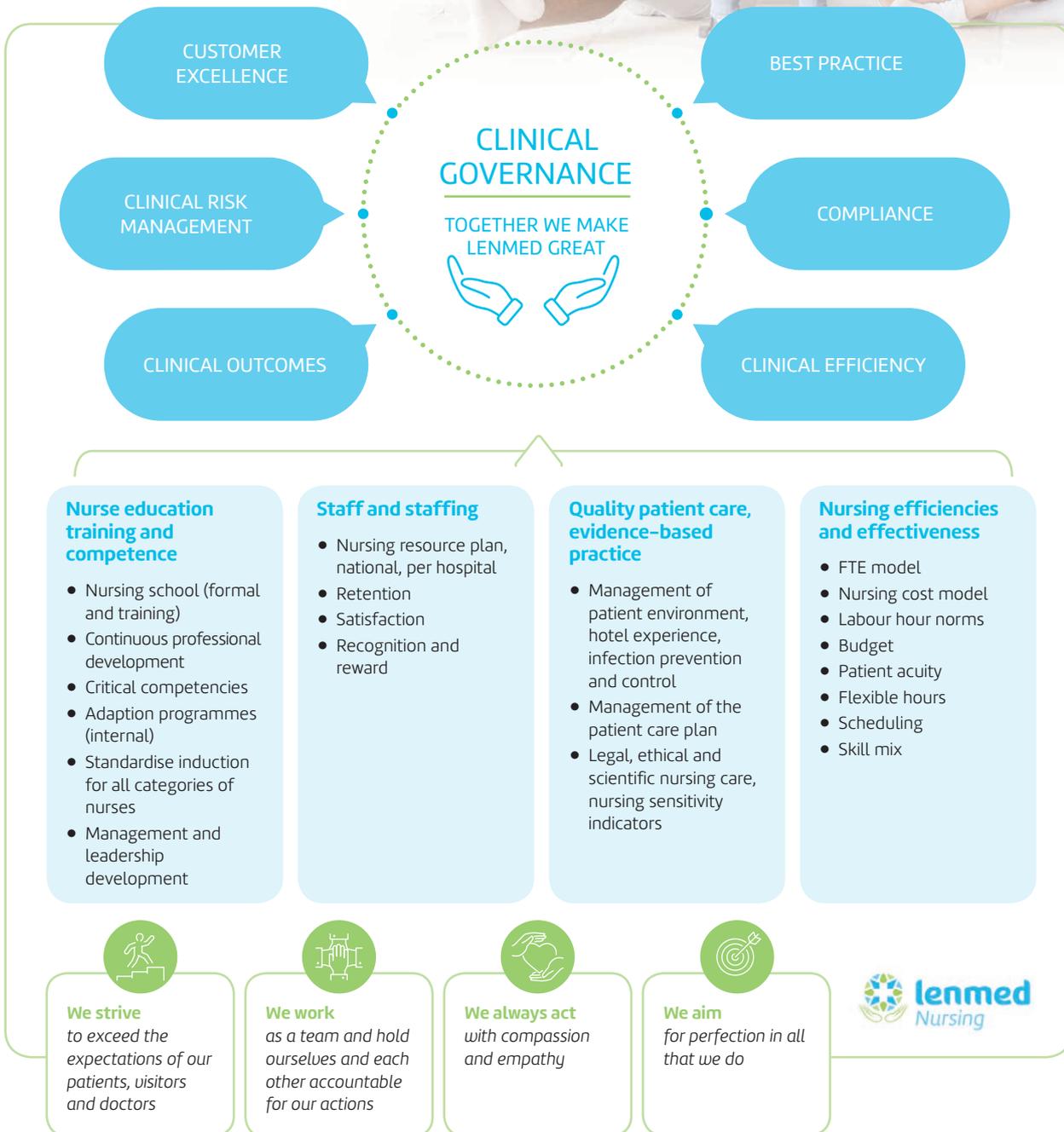


4

THE LENMED WAY – BEST PRACTICE

Lenmed Nursing Model and strategy

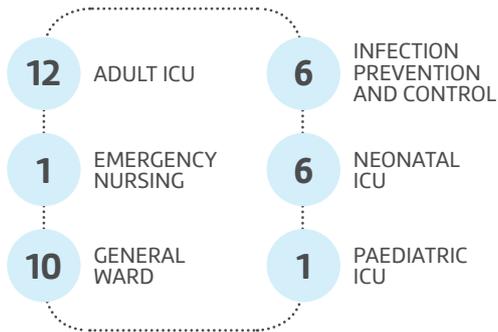
During the reporting period, the Lenmed Nursing Model was introduced. To reiterate, this model has been designed to differentiate the Lenmed nursing community from its peers and competitors. The pillars of the model are the key performance indicators for nursing and all Nursing Managers' performance contracts and workplans have been aligned.



Nursing quality and evidence-based practice

Our focus, as a Group, remains on our specialised units and specifically ICU and high care:

- Evidence-based standards, policies and procedures were reviewed and/or developed and implemented to ensure the mitigation of clinical risks and to improve patient safety, outcomes and experience. During the reporting period, a total of 36 standards, policies and procedures were reintroduced/implemented, as follows:



- Lenmed’s patient acuity assessment scoring system was reviewed and implemented in our specialised units
- Maternal and child health is a high-risk area and the following was implemented to improve the safety of our patients and the competence of our midwives:
 - Refresher training on ‘BetterObs’ was completed for all hospitals in Gauteng as well as Botswana
 - Neurodevelopmental care guidelines in Neonatal ICU and Paediatric ICU.

Nursing labour hours, cost, efficiency and effectiveness

During the reporting period, hospitals utilised the labour hour tool for specialised units to establish a realistic full time equivalent (FTE) for their annual budgeting process, as well as the hospital and Group nursing workforce plan. The overriding objective of using this tool – together with the patient acuity assessment scoring system – is that levels of care and nursing staffing, skill mix and spend match the requirements of our patients and funders. Daily management tools were also implemented for our nursing leadership to manage daily nursing labour hours.

Nurse staff and staffing

Implementation of a team nursing approach is underway with the aim to maximise clinical supervision and leadership, improve quality of nursing care and patient outcomes and experience in our wards and specialised units. During the reporting period, a toolkit was developed which clearly defines the team nursing approach and roles and responsibilities. It has been piloted at one of our large hospitals and is ready for full implementation in the coming financial year.

Nurse and pharmacy competence, education, training and development

- The Lenmed College of Learning met all the criteria for approval by the Department of Health (DOH) and Department of Higher Education and Training (DHET). The first intake of students was planned for June 2020, but has been delayed due to COVID-19, now planned for January 2021.

- To improve the competence of our specialist nurses in critical areas, we introduced short learning programmes for ICU, which were implemented nationally during the reporting period. Due to the arrival of COVID-19, the completion date for the first group of candidates has been postponed to November 2020.
- Modules for Continuing Professional Development (CPD) training for all categories of nurses were developed and implemented, including taking of vital signs, initiation of IV therapy, pressure care and physical assessment of patients.
- During the period under review, internal and external pharmacy training programmes were planned and completed for career development and CPD. We are pleased to report that we exceeded our WSP training target for Group Pharmacy, with five training interventions per pharmacy staff member. In addition, three pharmacists attended a clinical pharmacy programme run by North West University. Lenmed continues to train both post-basic and basic pharmacist assistants.

6

CLINICAL EFFICIENCY

Formulary conversion and compliance

Reducing the overall cost per event and maximising network and designated service provider (DSP) opportunities is a priority towards achieving clinical efficiencies. Lenmed’s Group Pharmacy contributes significantly to this opportunity by entrenching a comprehensive Group formulary. This strategy ensures cost-effective procurement, with the direct impact of reduced costs to patients and funders. It is, therefore, a major strategic driver for the Group. During the reporting period, Group Pharmacy negotiated formulary agreements and drove conversion compliance, achieving good results. Incorporated in this, was the introduction of a cardiac formulary.

	Generic Formulary Compliance
Target	> 95%
Previous FY	93%
Reporting period	96%*

* The objective is to maintain this level of compliance

Cost per admission benchmarking (South African hospitals only)

For the cost of private healthcare to remain affordable and, in the interests of sustainability, we continue to actively engage with our specialists, radiology and pathology service providers to focus on and manage the overall costs per admission. During the reporting period, we have engaged with our specialists regarding the extent to which they generate higher or lower costs per admission relevant to their peers. While we have seen an improvement in our overall hospital costs, we continue to place an emphasis on the cost of radiology and pathology.



TRANSPARENCY AND ACCOUNTABILITY

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.

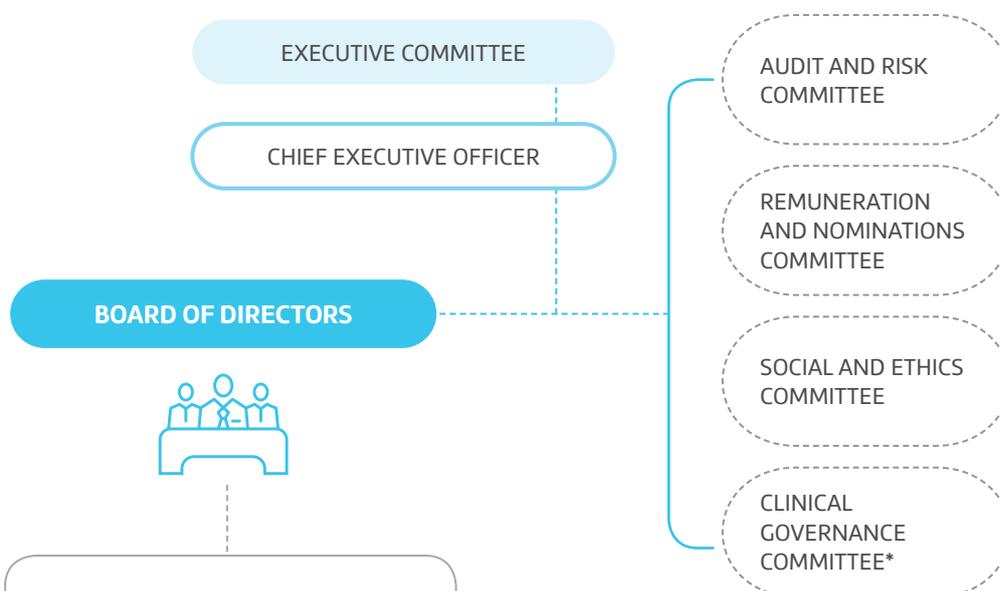
During the past financial year, further corporate governance improvements were achieved as set out below:

- The separation of the role of Chairman and CEO
- Alignment of the committees' terms of reference and Board charter to the recommendations of King IV™
- A formal process to ensure that the committees can attest annually that they have discharged their role and function as set out in their terms of reference
- Evaluation of the role of the Board Chairman
- Enhancements of the combined assurance model, through improved cooperation and systems of external and internal audit.

King IV™ overview

The King IV™ compliance register is available to view on our website, www.lenmed.com. The register 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.

Governance structure



Our board

EXECUTIVE

Prakash Devchand

Chairman – CA(SA)

Amil Devchand

Chief Executive Officer – CA(SA)

Fredré Meiring

Chief Financial Officer – CA(SA)

NON-EXECUTIVE

Mike Meehan

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

Bharti Harie

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

Nomahlubi Simamane

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

Prof Bhaskar Goolab

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

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Refer to the respective reports of these committees for details.

* The clinical governance report is presented on pages 62 to 67 of this annual integrated report.



ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

BOARD MEETINGS

	28 May 19	25 Jul 19	24 Oct 19	27 Feb 20	Number
P Devchand	√ (c)	√ (c)	√ (c)	√ (c)	4/4
A Devchand	√	√	√	√	4/4
V Firman	√	√			2/2
B Harie	√	√	√	√	4/4
Prof B Goolab	√	√	√	√	4/4
M Meehan	√	√	√	√	4/4
N Simamane	√	√	√	√	4/4
F Meiring			√	√	2/2

AUDIT AND RISK MEETINGS

	22 May 19	24 Jul 19	23 Oct 19	19 Feb 19	Number
M Meehan	√ (c)	√ (c)	√ (c)	√ (c)	4/4
B Harie	√	√	√	√	4/4
P Devchand	NP (i)	NP (i)	NP (i)	NP (i)	N/A
A Devchand	√ (i)	√ (i)	√ (i)	√ (i)	4/4
V Firman	√ (i)	√ (i)			2/2
N Simamane	√	√	√	√	4/4
F Meiring			√ (i)	√ (i)	2/2

REMCO MEETINGS

	21 May 19	23 Jul 19	18 Feb 20	Number	
B Harie		√ (c)	√ (c)	√ (c)	3/3
P Devchand		√ (i)	√ (i)	√ (i)	3/3
A Devchand		√ (i)	√ (i)	√ (i)	3/3
V Firman		√ (i)	√ (i)		2/2
Prof B Goolab		√	√	√	3/3
M Meehan		√	√	√	3/3
F Meiring				√ (i)	1/1

SOCIAL AND ETHICS MEETINGS

	17 May 19	22 Oct 19	12 Feb 20	Number	
N Simamane		√ (c)	√ (c)	√ (c)	3/3
N Bechan		√	√	√	3/3
Dr N Patel		A	√	√	2/3

CLINICAL GOVERNANCE COMMITTEE MEETINGS

	30 May 19	22 Jul 19	22 Oct 19	13 Feb 20	Number
Prof B Goolab	√ (c)	√ (c)	√ (c)	√ (c)	4/4
A Devchand	√	√	√	√	4/4
N Patel	√	√	√	√	4/4
V Firman	A	√			1/2
F Meiring			√	√	2/2

A – Apologies

(c) – chairman

(i) – invitee

NP – not present but may be invited to attend certain aspects of the meeting

BOARD COMMITTEES

The Board has the following committees in place:



AUDIT AND RISK COMMITTEE



REMUNERATION AND NOMINATIONS COMMITTEE



SOCIAL AND ETHICS COMMITTEE



CLINICAL GOVERNANCE COMMITTEE*

* Refer to page 62 for the clinical governance report, presented as part of Lenmed's operational performance.



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 at the Annual General Meeting, one of whom is the chairman. The Group CFO and the Company Advisor, Grindrod Financial Services (Pty) Ltd are permanent invitees, as are the external auditors and the outsourced internal auditors. Other members of the executive management including the Chief Medical Officer and Information Technology Manager are invited as expedient.

The chairman of the Audit and Risk Committee is a chartered accountant; the other members being qualified in law, business administration, marketing and experience through attendance on other audit committees of listed companies. The members provide 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 the need to stay abreast of current events that effect 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, cyber security, 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 committee reviewed the charter of the Audit and Risk Committee to ensure that it is consistent with industry best practice and recommended this for approval by the Board.

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.

During the year, Vaughan Firman resigned as CFO to take up a position overseas. The committee members were involved in the assessment of applicants for the vacant position and were pleased to recommend Fredré Meiring as his replacement. Despite there being limited time for a comprehensive hand-over, the transition has been seamless, which is a tribute to both the outgoing and incoming CFO and the finance function.



Audit and Risk Committee report continued

AUDIT MATTERS

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

In respect of external audit:

- Engaged with the senior partners of the external auditors, PKF Durban on the rotation of the audit of the nominated partner, Tania Marti-Warren and the nomination of Kevin Gertenbach as her replacement. The transition was completed smoothly during the year.
- Received and reviewed assurances on the independence of the external auditors, PKF Durban and specifically the nominated partner Kevin Gertenbach. The chairman also met with the managing partners of PKF Durban to test the audit practice policies on independence, partner succession planning, the quality of the audit team 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 and recommended their appointment as external auditors as well as the designated audit partner, for shareholder consideration and approval at the Annual General Meeting to be held on 6 August 2020.
- Reviewed the work programme of the external auditors.
- Determined and monitored a policy relating to non-audit services provided by PKF Durban, and pre-approving such services where required.
- 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.
- Made further enhancements to Lenmed's combined assurance model, arising from improved controls and technology and improved cooperation between external and internal 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 would have liked to engage more fully with the external auditors of the Maputo Private Hospital (Grant Thornton), where there has been a change in the firm's association but this was not possible because of the closure of borders between SA and Mozambique to combat the spread of the COVID-19 virus. However, a conference call was held with them as well as with the external auditors of Bokamoso Private Hospital (Deloitte) based in Gaborone, Botswana.
- The partner of PKF Durban responsible for the audit is Kevin Gertenbach who has been appointed to this position this year. PKF Durban has 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. The Audit Committee considers the implications of rotation on a regular basis and does not recommend an earlier rotation at this time.

In respect of internal audit:

- Approved the Internal Audit Charter.
- Worked closely with PwC as outsourced 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 workplan and priorities.
- Encouraged the internal auditors to work closely with the external auditors to ensure quality assurance on controls and identified improvements in this relationship.
- Reviewed the reports and recommendations of the internal auditor and where necessary made recommendations to management thereon.
- Received reports of alleged fraud which, on investigation were not considered to be fraud, 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 company 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 cyber-risk.
- Received presentations on Robotic processing and on the use of Artificial Intelligence in the internal auditing of purchasing and other systems, which are being introduced in the Group. These new systems will provide an opportunity for real-time internal auditing of a much wider field of transactions than can be achieved in traditional internal auditing processes.
- Considered the adequacy of the back-up and cloud arrangements.

In respect of accounting, finance and reporting matters:

- Reviewed and recommended to the Board the audited annual financial statements and annual integrated report
- Reviewed and recommended to the Board the company's solvency and liquidity position.
- Reviewed and recommended to the Board the accounting policies
- Reviewed the annual budget from a reasonableness perspective and considered the assumptions presented by management in the budget.

- Considered quarterly financial reports and noted the variances and the reasons for these.
- Noted the five-year profit and cash flow forecast.
- Considered tax reports and feedback from management on significant tax matters.
- Received no reports or complaints directly 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.

However, the external auditors received a written complaint from a person claiming to be a shareholder but whose name did not appear on the share register. The complaint made allegations concerning payments to the executive under the SARS scheme. The committee in conjunction with the Remuneration Committee found these allegations to be baseless. The external auditors attempted to conduct a dialogue with the complainant but without success and no further allegations have since been made.

- Gave guidance on the accounting treatment of significant matters, specifically:
 - The valuation of goodwill
 - Revised standards of accounting for leases which was adopted in 2019 but which has impacted the 2020 results
 - Expressed its satisfaction with the competence and effectiveness of the CFO, Vaughan Firman and his replacement Fredré Meiring
 - Expressed its satisfaction with the competence, expertise and experience of the finance function that supports the CFO
 - Expressed its satisfaction with the competence of the internal audit function
 - Reviewed the performance of the company against its loan covenants on a quarterly basis
 - 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
 - Conducted an assessment of the committee through the former CFO on his departure (as he was then considered independent) and received a satisfactory result. The process of evaluation is completed every second year.

Matters of importance addressed by the committee included:

- External audit rotation: Described above.
- The impact of COVID-19 on the results and asset valuations:
 - General. The committee adopted the recommendations of SAICA issued in April 2020 on the application of IAS 10 in respect of subsequent events
 - Goodwill. The committee reviewed management's assessment of goodwill and the need for impairment based on the market value of subsidiaries at the balance sheet date. In determining the value of the underlying investments in subsidiaries and the resultant goodwill as reflected on the Group balance sheet, management used the discounted cash flow ("DCF") method as a primary valuation method. The DCF method utilises the weighted average cost of capital (WACC) to discount future expected cash flows. The WACC used in management's valuation was determined at

year-end, based on comparative market observable information at the balance sheet date. The methodology applied by management was consistent with prior years. Based on these calculations, the committee was of the view that there was no requirement for an impairment in goodwill. Furthermore, management ran sensitivities on the valuations as at the balance sheet date, utilising the changed circumstances regarding interest rates, equity yields and cash flows that applied during April 2020. These sensitivities included higher WACC and more conservative cash flows but these too gave comfort that no impairment was required.

- With effect from 1 March 2019, the Group has applied IFRS 16 Leases to contractual arrangements which are, or contain, leases of assets, and consequently recognises right-of-use assets and lease liabilities at the commencement of the leasing arrangement, with the assets included as part of property, plant and equipment and the liabilities included as part of borrowings. In adopting IFRS 16, the Group has applied the modified retrospective approach with no restatement of prior periods, as permitted by the Standard. The full effects of this change in Standards has been included in the AFS and the AIR.
- The committee expressed itself satisfied with the steps management undertook to assess the expected credit losses on the debtors book under IFRS 9. This involved recognising that the conditions for credit extension and credit risk vary by region, by hospital, by patient and by party responsible for payment of the debt. Consequently, a thorough review was made of every debtor in the records to assess the specific probability of default and the expected credit loss. This being the first year in which such assessments were made, management also relied on past experience of recoveries. Experience will refine the exercise in future years and we can expect assessments to become more accomplished over time.
- 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.
- Key Audit Matters – There were no audit matters of significance which are not already dealt with in this annual integrated report.

Other matters:

- Monitored compliance with applicable laws and regulations.
- Considered sustainability reporting and inputs in this regard from the Social and Ethics Committee.

RISK MATTERS

The Audit and Risk Committee plays an oversight role in respect of Risk Management:

At the annual Board 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 manage and where possible, 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.

Audit and Risk Committee report continued

The most important risks are recorded in the company's Risk Register which is debated at the Management Executive Committee, while the top 10 are debated by the Risk Committee and the Board quarterly, with a view to controlling or eliminating these risks. The Chief Medical Officer in conjunction with the Clinical Governance Committee has made further significant improvement to 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 Governance 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 controlled 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 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 company is not itself involved in conducting medical research or practicing medicine but provides facilities and equipment for procedures conducted by medical practitioners; and nursing care for patients.

The company 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 company 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 underperforming 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. At this presentation, the committee considers and approves the insurance arrangements to ensure that Lenmed has appropriate cover in place for all material

risks. The committee also considers the quality of the underwriters recommended by Marsh.

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 continuously improving standards is an ongoing process.

The company 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 un-insured 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 received the reports of the IT Steering 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 and the mining of data from the new systems, other technological systems such as robotic processing, Artificial Intelligence cybercrime and IT policies. In addition, consideration is given to the planning and management of disaster-recovery as well as sustainability. A considerable proportion of IT management and IT 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 company 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, Botswana and Mozambique. In this the company receives guidance from its outsourced legal advisors.

Coronavirus (COVID-19) – The committee considered the potential impact of COVID-19 on Lenmed's business and operations. This work was supplemented by the Clinical Governance Committee which considered the virus from a clinical perspective. Based on reports and assurances provided by management, the committee was satisfied with the overall approach being followed to mitigate this risk.

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 annual integrated report to the Board for distribution to shareholders.

Signed on behalf of the Audit and Risk Committee



M G Meehan
Chairman

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 RISK

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 scheme 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 RISK

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 schemes 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 procedure 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 RISK

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 RISK

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

For the year ended February 2020, 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 between five and six percent.

The voting results at the previous AGM (held on 8 August 2019) on the Remuneration Policy and the Implementation Report were 100% approval for both. The Remuneration Committee ("Remco") took the positive results into account and did not consider it necessary to engage shareholders on the matter.

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

Management were awarded average increases of six percent for FY2020, in line with increases across the Group. Remco is satisfied that it was independent and objective in awarding these increases.

In addition to its regular activities of bedding down policies and procedures and aiming for consistent standards across the Group, there were two significant appointments, being Fredré Meiring as the new CFO and Amil Devchand to the role of CEO on 1 March 2020. Prakash Devchand retired as CEO on 29 February 2020. Remco also continued its 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, with Mike Meehan as the Lead Independent Director. Mike's role as Lead Independent includes:

- Leading in the absence of the chair
- Serving as a sounding board for the chair
- Acting as an intermediary as between the chair and other Board members, if necessary
- Dealing with shareholder concerns where contact through normal channels has failed to resolve concerns, or where such contact is inappropriate
- Strengthening independence of the Board
- Chairing discussions and decision making by the Board on matters where the chair has a conflict of interest
- Leading the performance appraisal of the chair.

REMUNERATION GOVERNANCE

Remco is now in its ninth 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); Fredré Meiring (CFO); Nilesh Patel (CMO); Amil Devchand (deputy CEO); Bhavani Jeena (HR Manager) and the advisor from shareholder GFS Holdings (Pty) Ltd, Dino Theodorou, are also invited to attend the meetings. All three of the scheduled meetings were held prior to year-end and all of the permanent members and management attended these meetings. Meetings were held on 21 May and 23 July 2019, and on 18 February 2020.

Remco operates within a Terms of Reference, which was last approved by the Board on 19 June 2020. The Terms of Reference were benchmarked against King IV™, discussed and reviewed by Remco on 15 June 2020. On the whole, Remco has fulfilled its responsibilities according to the Terms of Reference.

All outstanding items from the previous year which were to have been added to the annual workplan, were attended to.

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.

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

- Review of Exco service contracts for the CEO, CFO, and CMO 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 2021. 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 2020
- Oversight and discussion of the Hospital Managers' and Group functional heads' annual remuneration increases, effective 1 March 2020
- Annual performance discussion by the Lead Independent Director with the Chairman, as per King IV™ requirements. This was done in the previous year. It is only required every two years and will be conducted again next year
- Review of non-executive director fees. Please refer to the section marked 'Remuneration Policy', below for a breakdown of non-executive director fees
- Review of the Company Secretary's fees, which were considered appropriate. The Company Secretary performance was assessed at a Board level. The outcome was satisfactory, and feedback was given to the Company Secretary
- Revision of the long service and share scheme awards. No revisions were effected in the current year

- Review and discussion around the Lenmed organogram. This assisted in 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. In an effort to control costs, strict controls have been put in place for any new head office appointments
- Review and discussion of executive and senior management succession planning. In the current year, the CFO resigned and Remco had oversight over the selection process and appointment of a new CFO
- The Share Appreciations Rights (SARs) scheme 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: an off-site Board meeting was held at the Ahmed Kathrada Hospital where directors got first-hand exposure to operations. Directors also received training on the latest IFRS standards. Internally, Amil Devchand and Nilesh Patel attended management development programmes at Harvard Business School. On their return, their learnings were shared with Remco, especially as to the application of these learnings to the Group. As per the previous year, various industry specialists were invited to address the directors at the annual strategy planning meeting earlier this year. During the 2020 year, we were addressed by an industry analyst, an economist and a representative of a funder. This provided valuable insight and context into the healthcare environment
- Review of staff pension fund and funeral arrangements
- Revised role and function for Prakash Devchand as from 1 March 2020. The committee approved that Prakash Devchand retain his role as Chairman post his retirement, but also assist management in a consulting role. This would help to retain institutional knowledge and assist management with special projects.

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 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 on, or slightly below the median. Conversely, as regards the 'risk portion' of the package, our policy is that this should be equal to or higher than the median. Remco believes that this promotes 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. Remco deliberations have taken into account that management, relative to staff, assume far greater responsibilities and accountability. Remco is cognisant of the wage gap 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:

- Benefits on termination of office
- Sign-on, retention or restraint benefits (an exception to this was the award of share appreciation rights to two senior employees in their first year of service)
- Pre-vesting forfeiture (malus) or post-vesting forfeiture (claw-back) of remuneration
- Commissions or allowances.

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 18 February 2020 Remco meeting for implementation on 1 March 2020. 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 six percent, and a similar increase was applied to management. The only exception to this was the increase for Amil Devchand, where cognisance was taken of his new role as CEO.

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, aligns shareholder and individual goals based on a headline earnings per Share target and also includes a measure of the performance of the Group as a whole. If the key performance areas are achieved, identified staff could earn bonuses linked to packages, where the maximum thresholds are determined by job levels.

Remuneration and Nominations Committee report continued

Remco has also had oversight of the implementation of the Long-Term Incentive Scheme (LTIS) which is now in its seventh 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 current reporting period no further adjustments were effected. 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
 - Category 1 – CEO and Deputy CEO
 - Category 2 – Direct reports to category 1
 - Category 3 – Direct reports to category 2

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 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
- 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
- The 2016 LTIS vested on 31 July 2019. At Remco's discretion, these were done at a valuation of R3.71 per share, and were cash settled
- At its July 2019 meeting, for the financial year ended February 2019, the fifth set of SARS were also issued at R3.71, per Remco's discretion not to apply the average over the counter (OTC) price for this period, due to the shares being illiquid. In both instances above, Remco applied its discretion to a price of R3.71 per share based on a presentation from our advisor 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 2020:

Prakash Devchand:	2 500 000
Amil Devchand:	2 000 000
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 2019. 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 (NED) 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. For the 2020 AGM, there remains 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 2020 to the 2021 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	Chairman Fee
Mike Meehan	R224 000	R17 350	R17 350
Bharti Harie	R224 000	R17 350	R17 350
Nomahlubi Simamane	R224 000	R17 350	R17 350
Prof Bashkar Goolab	R224 000	R17 350	R17 350

IMPLEMENTATION REPORT

For total remuneration awarded to and realised by executive management during the financial year please refer to Note 28 (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 yet 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 February 2020	Vesting/ Expiry date
1 August 2017	8 100 000	R3.39	R898 483	31 July 2020
1 August 2018	9 600 000	R3.56	R1 052 363	31 July 2021
1 August 2019	9 950 000	R3.71	R603 357	31 July 2022

Management's short-term targets for the year ended February 2020 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 2021 should be similar to the previous year.

The following table shows short-term bonuses earned by management for the year ended February 2019:

	Deputy CEO	CEO – PD	CFO	CMO
Percentage achieved	41.67%	40%	50%	50%
Bonus achieved	R1.325m	R1.64m	R1.59m	R1.34m

Focus areas for 2020

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

- Latest trends in remuneration governance
- Managing staff health and safety during the COVID-19 pandemic
- Monitoring the skills shortage in the sector and efforts to improve this
- Cost containment across the Group, especially head office costs
- 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 29 February 2020 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 mandate of the Social and Ethics Committee has three main functions:

1. To monitor the company's activities with regard to the following five areas of social responsibility:
 - i. social and economic development
 - ii. good corporate citizenship
 - iii. the environment, health and public safety
 - iv. consumer relationships
 - v. labour and employment.
2. To draw matters within its mandate to the attention of the board as required.
3. To report to shareholders at the Annual General Meeting (AGM) on the matters within its mandate (cf. Companies Regulations section 43(5)).

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 NV Simamane, who is an independent non-executive director, chairs the committee. Committee members include:

- Dr N Bechan, the Hospital Manager for Ethekekwini
- Dr N Patel, the Chief Medical Officer.

Key information providers 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 WORKPLAN

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 Board approved the committee charter and workplan, 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 overall role of the committee is to assist the Board with the governance of social, ethical and transformation matters relating to the company.

Responsibilities

The committee performs all the functions as 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 in the following areas:

- 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.

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 following:

- Human rights
- CSI
- Employee equity
- Employee wellness and chronic illness,
- Environmental
- Legal ethical
- Tax ethical.

SUMMARY REPORT

This section provides a summary of the social and ethics focus areas during this reporting period.

Social and Economic Development

- **Human rights practices within the company**

There have been no incidents of human rights abuses declared against the Group in the period under review.

- **Labour and employment practices**

The 10 principles of the UN Global Compact were reviewed, a gap analysis undertaken followed by identification of areas that required improvement. The committee reviewed the ILO protocol on decent working conditions principles and included these in the Employee Relations Policy and Human Rights Policy.

The committee reviewed the human resources reports including 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 Group's performance against the B-BBEE codes including ownership, skills development, preferential procurement, management control/employment equity, supplier development, enterprise development and socio-economic development. The action plans implemented yielded great results as the Group achieved Level 2, an improvement from the previous level 4.

Corporate Citizenship

- **Corporate Social Investment (CSI)**

The Group'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. There were no incidents of fraudulent activities during this reporting period and no incidents of unethical or corrupt activities were raised via the whistle-blower hotline.

- **Labour relations**

The labour relations climate is healthy, demonstrated by the very few CCMA active cases, coupled with acceptable relations with trade unions.

Safety, Health and Environment

- **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.

The environmental project to install water and electricity monitoring meters at all hospitals had commenced with the intention of setting a benchmark for the water and electricity usage, to be measured against the benchmark.

Stakeholder Relations

- **Compliance with CPA, TCF, POPI, PAIA**

The Group has committed to comply with all these Acts. Understanding of the requirements for each has been undertaken, gap analysis and action plans defined.

- **Customer relationships**

The committee received and reviewed reports on the Group's advertising and public relations activities and stakeholder relations including patient satisfaction levels.

- **Employee engagement and wellness**

The Kaelo Employee Wellness Programme was replaced by the Discovery Health Company. The new programme focuses on the employee's emotional, physical, financial and legal support wellness, and can be accessed through mobile phones, an app, website and chat.

- **Legislation**

An update of legislative compliance was provided incorporating acts and legislation of South Africa, Mozambique and Botswana.

The company's Sustainable Development Report which reflects more detail relating to the company's activities can be found on the company's website.

Committee self-assessment

The committee assessed its performance and effectiveness and reported the results of this self-assessment to the Board for its consideration. The Board reviewed the self-assessment results and found the results to be satisfactory. The committee chairman updates the board bi-annually on the work done by the committee.

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 10 September 2020, includes a report by the committee chairman to shareholders.

A photograph of a man and a woman in blue shirts embracing each other. The woman is on top, leaning over the man, and both are smiling broadly. The background is a plain, light color.

**CONSOLIDATED
ANNUAL FINANCIAL
STATEMENTS**



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

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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 by:
N Gany CA(SA)

DIRECTORS' RESPONSIBILITIES AND APPROVAL

The directors are required by the South African Companies Act 71 of 2008 (Companies Act) to maintain adequate accounting records and are responsible for the content and integrity of the 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 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 through 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 consolidated 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 122, which have been prepared on the going concern basis, were approved by the board of directors on 19 June 2020 and were signed on its behalf by:



A Devchand



F Meiring

REPORT OF THE AUDIT COMMITTEE

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

The committee met on four occasions 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 auditors and that they were properly appointed in terms of the Companies Act.

The committee reviewed the consolidated annual financial statements 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 consolidated annual financial statements comply in all material respects with statutory disclosure requirements.
- The consolidated annual financial statements should be approved by the board and circulated to shareholders.

M G Meehan CA (SA)

Chairman of the Audit Committee

19 June 2020

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 29 February 2020, 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.

W Somerville

Company Secretary

19 June 2020

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Lenmed Investments Limited

OPINION

We have audited the consolidated financial statements of Lenmed Investments Limited and its subsidiaries set out on pages 91 to 122, which comprise the consolidated statement of financial position as at 29 February 2020, 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 financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Lenmed Investments Limited and its subsidiaries as at 29 February 2020, and its consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards 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 Financial Statements section of our report. We are independent of the group in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

EMPHASIS OF MATTER: COVID-19

We draw attention to note 35 in the consolidated financial statements, which deals with events after the reporting period and specifically the effects of COVID-19 on the Group's performance and cashflows. Our opinion is not modified in respect of this matter.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the document titled "Lenmed Investments Limited Integrated Report 2020" and in the document titled "Lenmed Investments Limited separate Financial statements for the year ended 29 February 2020.", which includes 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 or separate financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the information is materially inconsistent with the consolidated 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 the 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 FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of the consolidated 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 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 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 financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence to provide a basis 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.

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 for twelve years.



PKF Durban
Partner: K Gertenbach CA (SA)
Registered Auditor

Durban

19 June 2020

DIRECTORS' REPORT

The directors present their report for the year ended 29 February 2020.

Review of activities

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 operating results and consolidated statement of financial position of the Group are fully set out in the attached financial statements.

THE LENMED INVESTMENTS GROUP INCLUDES THE FOLLOWING MATERIAL ENTITIES

SUBSIDIARIES

Direct

Lenmed Health (Pty) Ltd	100%	Reg. No. 2005/022423/07
Lenmed Health Africa (Pty) Ltd	100%	Reg. No. 2011/130484/07
Lenmed Health Finance Company (Pty) Ltd	100%	Reg. No. 2018/433855/07

Indirect

Ahmed Kathrada Private Hospital (Pty) Ltd	100%	Reg. No. 2006/002764/07
Lenmed Health Shifa (Pty) Ltd	100%	Reg. No. 2000/006080/07
Lenmed Health Zamokuhle (Pty) Ltd	100%	Reg. No. 2005/017980/07
Lenmed Health Daxina Private Hospital (Pty) Ltd	100%	Reg. No. 2006/021573/07
Lenmed Health Randfontein Private Hospital (Pty) Ltd	100%	Reg. No. 2012/006706/07
Lenmed Health Management Company (Pty) Ltd	100%	Reg. No. 2010/004046/07
Royal Hospital and Heart Centre (Pty) Ltd	100%	Reg. No. 2009/011218/07
Maputo Private Hospital Limitada	100%	Reg. No. 17682
Nu-Yale Trust	100%	IT 29/1996
Lenmed Health Properties (Pty) Ltd	100%	Reg. No. 2012/103789/07
Lenmed Health Laverna (Pty) Ltd	95%	Reg. No. 1988/004487/07
Lenmed Ethekewini Hospital and Heart Centre (Pty) Ltd	77%	Reg. No. 2002/002222/07
Lenmed Health Bokamoso Private Hospital (Pty) Ltd	70%	Reg. No. CO2011/4403
Lenmed Health Kathu Private Hospital (Pty) Ltd	67%	Reg. No. 2013/229376/07
Lenmed Health Kathu Properties (Pty) Ltd	60%	Reg. No. 2013/146831/07
Mozambique Private Laboratory Limited	100%	Reg. No. 101103242

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), Maputo Private Hospital Limitada (Incorporated in Mozambique) and Mozambique Private Laboratory Limited (Incorporated in Mozambique).

ASSOCIATE COMPANIES

Renal Care Holdings (Pty) Ltd	40%	Reg. No. 2016/027042/07
Lenasia Renal Centre (Pty) Ltd	30%	Reg. No. 1999/028225/07

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

Group Financial Results

The Group's earnings before interest, taxation, depreciation and amortisation (EBITDA) amounted to R579 588 135 (2019: R446 471 496).

The Group's profit before taxation for the year amounted to R323 674 277 (2019: R228 737 976) before deducting taxation of R85 827 449 (2019: R53 242 689), resulting in profit after taxation for the year of R237 846 828 (2019: R175 495 286).

The full results of the Group are set out in the attached consolidated annual financial statements. The annual financial statements of the company are presented separately from the consolidated annual financial statements and were approved by the directors on 19 June 2020, the same date as the consolidated annual financial statements. 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.

The directors are not aware of any matter or circumstance arising since the end of the financial year to the date of this report that could have a material effect on the financial position of the Group other than those detailed in these annual financial statements and the notes to these 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 under review (2019: Nil).

Full details of authorised and issued share capital of the Group is contained in note 18 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 its subsidiary companies.

The directors did not exceed the levels of borrowings authorised 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 (2019: 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 F Meiring (appointed 01/10/2019)
Mr V Firman (resigned 02/09/2019)

NON-EXECUTIVE DIRECTORS

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

Events after reporting date

All events subsequent to the date of the consolidated annual financial statements and for which the applicable financial reporting framework require adjustment or disclosure have been adjusted or disclosed.

Subsequent to year-end, as a result of a local and global coronavirus COVID-19 infectious disease pandemic, a national state of disaster was declared in South Africa on 15 March 2020. As a preventative measure, except for certain essential services, a strictly regulated five week nationwide stay-at-home lockdown was implemented from 26 March 2020 to 30 April 2020.

As part of a gradual and phased recovery of economic activity and an easing of the lockdown restrictions, a 5 level coronavirus alert approach was adopted by the government on 1 May 2020, where level 5 means only designated essential services can operate and level 1 means that most activities can resume. The alert level is determined by the government and is based on its assessment of the infection rate and the capacity of the country's health system.

As at the date of this report, the country is at alert level 3, however as the Group's operations have been designated a level 5 essential service, the Group has been permitted to trade in this very difficult period.

The lockdown and the phased recovery of economic activity, has had a negative impact on the Group's business and cashflow. The short to medium term financial effect and the impact on the profitability of the Group remains uncertain and cannot be estimated at this time. The Group will generate positive returns for shareholders and have sufficient liquidity to trade. The Group has taken the following actions to contain costs and enhance liquidity within the Group:

- negotiated interest and capital holidays with our bankers;
- negotiated a temporary waiver of the loan covenants;
- temporarily converted undrawn term loan facilities into readily available liquidity facilities;
- temporarily increased overdraft limits;
- limited capital expenditure to only critical replacement projects;
- reduced executive and management remuneration for an initial period of 3 months;
- negotiated discounts and payment deferrals with major suppliers;
- encouraged employees to utilise leave as a result of the lower occupancies observed; and
- delayed the conclusion of potential acquisitions until after the full impact of the pandemic can be assessed.

Prior to 29 February 2020, the Group entered into an interest rate swap derivative. This derivative fixed the interest rate payable on R750 million worth of term loans outstanding with RMB until 31 May 2022. It has been recognised in the statement of financial position at year end as derivative financial liabilities. Subsequent to year end, short term interest rates decreased by 250 basis points. Due to the interest rate swap, the future benefit from these reductions in interest rates are limited to the unhedged portion of the term loans and the overdraft facilities. The interest rate swap was R35 million out-of-the-money at the date of approval of the financial statements, based on the mark-to-market value.

Special resolutions

The following special resolutions were 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.
- Non-executive director fees for the 12 months following the annual general meeting.

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 estimated the impact of the lockdown and the expected recovery of economic activity plans and believes that the Group has adequate financial reserves to continue in operation for the foreseeable future and accordingly the consolidated annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the Group is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any other material changes that may adversely impact the Group, apart from the unknown future impact of COVID-19 and related government actions as mentioned above. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the Group.

Foreign currency translation reserve

The Group's gain on foreign currency translation for the current year was R61 148 648 (2019: R76 181 963). This arose as a result of the Rand depreciating against the Botswana Pula and US dollar. The functional currency of Maputo Private Hospital Limitada and Mozambique Private Laboratory Limited is US dollars.

Secretaries

Mr W. Somerville served as company secretary for the year under review with Singular Systems (Pty) Ltd serving as transfer secretaries.

Independent 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.

STATEMENT OF COMPREHENSIVE INCOME

Figures in R'000	Notes	Group	
		2020	2019
Profit and Loss			
Revenue	5	3 026 171	2 546 127
Cost of sales		(859 829)	(715 256)
GROSS PROFIT		2 166 342	1 830 871
Other income		91 667	80 563
Operating costs		(1 797 107)	(1 547 764)
PROFIT BEFORE INTEREST AND TAXATION	4	460 902	363 670
Share of profit from associates	12	2 310	1 850
Investment income	6	2 896	4 422
Finance costs	7	(142 433)	(141 206)
PROFIT BEFORE TAXATION		323 675	228 736
Taxation	8	(85 826)	(53 242)
PROFIT FOR THE YEAR		237 849	175 494
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit and loss</i>			
Foreign currency translation reserve		61 149	76 182
Cash flow hedging reserve for interest rate hedging instrument		(3 319)	-
Total other comprehensive income		57 830	76 182
TOTAL COMPREHENSIVE INCOME		295 679	251 676
Profit for the year attributable to:			
Non-controlling interests		38 300	32 735
Lenmed Investments Ltd equity holders		199 549	142 759
		237 849	175 494
Total comprehensive income attributable to:			
Non-controlling interests		42 013	35 577
Lenmed Investments Ltd equity holders		253 666	216 099
		295 679	251 676

STATEMENT OF FINANCIAL POSITION

Figures in R'000	Note	Group	
		2020	2019
Assets			
Non-Current Assets			
Property, plant and equipment	10	2 828 714	2 738 129
Goodwill	9	312 888	312 888
Intangible assets	11	26 282	26 573
Investment in associates	12	4 108	4 497
Right-of-use assets	13	222 273	-
Deferred taxation	14	72 538	67 208
		3 466 803	3 149 295
Current Assets			
Inventory	15	70 568	63 749
Trade and other receivables	16	1 035 888	666 519
Current tax assets		28 584	22 454
Cash and cash equivalents	17	36 696	70 874
		1 171 736	823 596
TOTAL ASSETS		4 638 539	3 972 891
Equity and Liabilities			
Equity and Reserves			
Stated capital	18	426 006	426 006
Other Reserves	19	195 184	141 067
Accumulated profits		1 438 447	1 240 261
Non-controlling interest	20	213 817	169 746
		2 273 454	1 977 080
Non-Current Liabilities			
Long term liabilities	21	1 052 401	1 017 651
Loans from minorities	22	41 908	42 496
Derivative financial liabilities	23	2 562	-
Lease Liability	24	221 113	-
Deferred taxation	14	254 416	236 520
		1 572 400	1 296 667
Current Liabilities			
Trade and other payables	25	457 112	359 687
Current portion of long term liabilities	21	113 893	150 349
Current portion of lease liability	24	10 458	-
Provisions	26	65 910	56 646
Current tax liabilities		31 581	12 065
Current portion of derivative financial liabilities	23	2 047	-
Bank overdraft	17	111 684	120 397
		792 685	699 144
TOTAL EQUITY AND LIABILITIES		4 638 539	3 972 891

STATEMENT OF CASH FLOWS

Figures in R'000	Notes	Group	
		2020	2019
Cash flows from operating activities			
Profit for the year		237 849	175 494
Finance costs	7	142 433	141 206
Income tax	8	85 826	53 242
Depreciation and amortisation	4	118 688	82 798
Interest income	6	(2 896)	(4 422)
(Profit)/Loss on disposal of property, plant and equipment	4	(540)	684
Share-based payment (reversal)/accrual	25	-	(5 413)
Income from associates	12	390	1 110
Foreign currency translation adjustments		41 412	(6 025)
OPERATING CASH FLOW BEFORE WORKING CAPITAL CHANGES		623 162	438 674
Working capital changes			
(Increase)/decrease in inventory		(5 458)	4 551
Increase in trade and other receivables		(353 045)	(51 770)
Increase in trade and other payables and accruals		62 574	32 170
Cash generated by operating activities		327 233	423 625
Interest income	6	2 896	4 422
Finance costs	7	(142 433)	(141 206)
Income tax paid	27	(59 248)	(42 611)
NET CASH FROM OPERATING ACTIVITIES		128 448	244 230
Cash flows from investing activities			
Property, plant and equipment acquired		(121 899)	(169 331)
– to maintain operating capacity		(77 349)	(80 981)
– to expand operating capacity		(53 006)	(127 885)
– Instalment sale agreements (non-cash)		8 456	39 535
Intangible assets acquired	11	(7 743)	(12 538)
Proceeds on disposals of property, plant and equipment		4 129	5
Business combination effected		-	(3 550)
NET CASH UTILISED IN INVESTING ACTIVITIES		(125 513)	(185 414)
Cash flows from financing activities			
Net loans (repaid)/raised		(14 350)	(72 064)
Loans raised		46 275	60 243
Loans paid		(60 625)	(132 307)
Lease liability paid		(12 894)	-
Non-controlling interests share buy-back		(854)	(4 167)
Dividends paid		(806)	(306)
NET CASH UTILISED IN FINANCING ACTIVITIES		(28 904)	(76 537)
Decrease in cash and cash equivalents		(25 969)	(17 721)
Translation movement		504	(2 082)
Cash and cash equivalents at beginning of the year		(49 523)	(29 720)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	17	(74 988)	(49 523)

STATEMENT OF CHANGES IN EQUITY

Figures in R'000	Stated capital	Cash flow hedging reserve	Foreign currency translation reserve
Group			
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	-	-	-
Subsidiary share buy-back	-	-	-
BALANCE AT 1 MARCH 2019 AS RESTATED	426 006	-	141 067
Profit for the year	-	-	-
Other comprehensive income	-	(3 319)	57 436
Dividends	-	-	-
IFRS 16 transition adjustment	-	-	-
Subsidiary share buy-back	-	-	-
Change in non-controlling interest	-	-	-
BALANCE AT 29 FEBRUARY 2020	426 006	(3 319)	198 503
Notes	18	19	19

Share- based payment reserve	Accumulated profits	Equity attributable to Group	Non- controlling interest	Total
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	-
-	1 240 261	1 807 334	169 746	1 977 080
-	199 549	199 549	38 300	237 849
-	-	54 117	3 713	57 830
-	-	-	(806)	(806)
-	(705)	(705)	-	(705)
-	(658)	(658)	(196)	(854)
-	-	-	3 060	3 060
-	1 438 447	2 059 637	213 817	2 273 454

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, unless otherwise stated. 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 thousand, except where otherwise indicated. Foreign currency exchange rates used in the preparation of converting into Rands are set out below:

	29 February 2020		28 February 2019	
	BW Pula	US Dollar	BW Pula	US Dollar
Closing rate	R1.41	R15.66	R1.34	R14.08
Average rate	R1.35	R14.59	R1.30	R13.87

Adoption of new and revised accounting standards

The Group has adopted the following accounting standard in the preparation of the consolidated financial statements which is effective for financial years beginning after 1 January 2019.

- IFRS 16 Leases
- IFRIC 23

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 2020
IFRS 7 Financial Instruments: Disclosures	1 January 2020
IAS 1 Presentation of Financial Statements	1 January 2020
IAS 8 Accounting Policies, Change in Accounting Estimates and Errors	1 January 2020
IAS 39 Financial Instruments: Recognition and Measurement	1 January 2020

The directors have considered the impact of the standards above and believe the 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 uncertainty

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.

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 such as:

- The credit control performance of each hospital
- Discussions with significant medical aid funders
- The impact of macro and micro economic factors on private debtors
- Improvement to credit control and employment of more skilled resources

As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date, 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 where applicable.

Determination of lease terms for determining lease liability

The lease arrangements which one of the Group's subsidiaries is a party to, contain renewal clauses which depend on the future performance of the subsidiary. In determining whether the subsidiary will exercise its renewal option, management makes judgements on whether the subsidiary is likely to meet the financial conditions required in order to extend the lease term.

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. The residual value is estimated to be of insignificant value. The period and residual value 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 each subsidiary (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. Based on these calculations, no impairment loss is recognised. Further stress tests were conducted by changing the pre tax discount rate as well as expected future cash flow. These tests reached the same conclusion that no impairment loss is required. Refer to note 9 for further information.

2.5 SHARE-BASED PAYMENTS

The fair value is calculated using the Black Scholes option pricing model. Please refer to note 25 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. The Group concluded on control based on it having the dominant voting interest to direct the relevant activities of 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 is 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 lessee accounting in terms of IFRS 16. The change in accounting policy has been accounted for in the current year. Refer to note 31 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 interests 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 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.

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 (tariff). Revenue from ethicals and medical consumables is recognised when consumed (non-tariff). No element of financing is deemed present as revenue is made with 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 LEASES

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right of use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short term leases (defined as leases with a lease term of 12 months or less), leases of low value assets and variable lease payments that do not depend on an index or rate. For these leases, the company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments; and
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date.

The lease liability is presented as a separate line in the statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right of use asset) whenever:

- The lease term has changed;
- The lease payments change due to changes in an index or rate, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the company expects to

exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Depreciation is recorded from the commencement date of the lease.

Right-of-use assets are presented as a separate line in the consolidated statement of financial position.

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 operational, less accumulated depreciation and any impairment losses.

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 following are the current estimated useful lives: Land Indefinite

Asset	Useful life
Buildings	50 years
Leasehold improvements	Written off over the period of lease
Plant & Equipment	5-20 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 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.

Hedge accounting

Hedge accounting is applied to financial assets and financial liabilities only where all of the following criteria are met:

- At the inception of the hedge there is a formal designation and documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge;
- The hedge relationship meets all of the hedge effectiveness requirements including that an economic relationship exists between the hedged item and the hedging instrument, the credit risk effect does not dominate the value changes, and the hedged ratio is designated based on actual quantities of the hedged item and the hedged instrument.

Cash flow hedges

The effective part of hedging instruments designated as a hedge of the variability in cash flows of interest rate risk arising from fixed interest rate swaps are measured at fair value with changes in fair value recognised in other comprehensive income and accumulated in the cash flow hedge reserve. The Group used this contract to fix the cost of debt on its long term loans. The ineffective portion of gains and losses on derivatives used to manage cash flow interest rate risk are recognised in profit or loss within finance expense or finance income.

3.13 FINANCIAL INSTRUMENTS CONTINUED

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.

3.14 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 2020 financial year were as follows:

Computer software	5 years
Licences	Indefinite

3.15 SHARE CAPITAL

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

3.16 CONTINGENCIES AND COMMITMENTS

Transactions are classified as contingent liabilities where the Group's obligations depend on uncertain events and principally consist of contract specific third party obligations underwritten by banking institutions. Items are classified as commitments where the group commits itself to future transactions, particularly in the acquisition of property, plant and equipment. Contingent liabilities are not recognised.

3.17 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.

3.18 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.

3.19 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

		Group	
Figures in R'000		2020	2019
4.	Profit before interest and taxation		
	Profit before interest and taxation is arrived at after taking into account the following items:		
	Income		
	Profit on disposal of property, plant and equipment	540	-
	Profit on foreign currency transactions	3 140	4 396
	Rental Income	64 431	39 786
		63 574	40 306
	Expenditure		
	Loss on disposal of property, plant and equipment	-	684
	Depreciation and amortisation on intangible assets, plant and equipment	96 015	82 798
	Depreciation on right-of-use assets	22 673	-
	Secretarial fees	951	775
	Employee costs	845 595	767 482
	Short term leases, low value leases and leases that do not depend on an index or rate		
	Property	17 214	37 677
	Motor vehicles	-	-
	Equipment	7 934	10 083
	Other	10 393	2 578
		35 541	50 338
5.	Revenue		
	Revenue from accommodation, equipment rental, theatre, professional and ward fees is recognised when the service is rendered (Tariff). Revenue from ethicals and medical consumables is recognised when consumed (Non-tariff). No element of financing is deemed present as revenue is made with credit terms of between 30 and 60 days which is consistent with market practice.		
	An analysis of revenue is as follows:		
	Private healthcare services:		
	Tariff	2 206 373	1 893 369
	Non-tariff	819 798	652 758
		3 026 171	2 546 127
6.	Investment income		
	Interest received	2 896	4 422
		2 896	4 422
7.	Finance costs		
	Long-term loans	104 446	120 853
	Bank overdrafts	22 846	20 353
	Lease liability – IFRS 16	15 141	-
		142 433	141 206

	Group	
	2020	2019
Figures in R'000		
8. Taxation		
Current taxation	73 123	43 331
Underprovision in prior year	112	156
Deferred taxation		
Current year temporary differences	11 972	8 717
Underprovision in prior year	619	1 038
Taxation for the year	85 826	53 242
Reconciliation of rate of taxation	%	%
South African normal tax rate	28.00	28.00
<i>Adjusted for:</i>		
Underprovision in prior year	0.20	0.66
Disallowed expenditure	0.00	0.22
Income not taxable	0.03	(0.54)
Lower foreign tax rate	(1.72)	(5.09)
Effective rate of taxation	26.51	23.25

The current tax charge for the year has been reduced by R14 688 million (2019: R5 041 million) as a result of the prior year tax loss of R52 457 million (2019: R18 003 million) utilised in the Group.

	Cost	Accumulated amortisation	Carrying value
Figures in R'000			
9. Goodwill			
2020			
Carrying amount at beginning of the year	312 888	-	312 888
2019			
Carrying amount at the 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	
	2020	2019
Figures in R'000		
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 its 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% as at 29 February 2020 (2019: 8.71%)
- A market risk premium of 6% (2019: 6%) given the unlisted nature of the Group
- 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.

Figures in R'000	2020			2019		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
10. Property, plant and equipment						
Group						
Buildings	2 086 367	16 805	2 069 562	2 020 820	15 060	2 005 760
Land	298 690	-	298 690	288 872	-	288 872
Plant and equipment	765 603	389 105	376 498	693 047	321 617	371 430
Motor vehicles	3 903	2 773	1 130	3 916	2 440	1 476
Furniture and fittings	100 306	44 131	56 175	93 087	43 431	49 656
Leasehold improvements	7 632	6 984	648	7 736	5 616	2 120
Office equipment	10 218	8 201	2 017	13 390	10 245	3 145
Computer equipment	82 629	58 635	23 994	71 932	56 262	15 670
	3 355 348	526 634	2 828 714	3 192 800	454 671	2 738 129

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

	2020					2020 Carrying value at end of year
	Carrying value at beginning of year	Additions	Disposals/ Transfers	Depreciation	FCTR Adjustment	
2020						
Buildings	2 005 760	40 243	-	(8 149)	31 708	2 069 562
Land	288 872	922	-	-	8 896	298 690
Plant and equipment	371 430	63 584	(2 699)	(63 443)	7 626	376 498
Motor vehicles	1 476	-	(121)	(231)	6	1 130
Furniture and fittings	49 656	9 429	(284)	(6 447)	3 821	56 175
Leasehold improvement	2 120	-	(74)	(1 398)	-	648
Office equipment	3 145	678	(1 056)	(750)	-	2 017
Computer equipment	15 670	15 499	-	(7 563)	388	23 994
	2 738 129	130 355	(4 234)	(87 981)	52 445	2 828 714

	2019					2019 Carrying value at end of year
	Carrying value at beginning of year	Additions	Disposals/ Transfers	Depreciation	FCTR Adjustment	
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

	Cost	Accumulated amortisation	2020 Carrying value
11 Intangible assets			
Computer Software	36 547	12 744	23 803
Licences	2 479	-	2 479
	39 026	12 744	26 282
			2019 Carrying value
Computer Software	29 028	4 934	24 094
Licences	2 479	-	2 479
	31 507	4 934	26 573
			Carrying value at end of the year
	Carrying value at beginning of year	Additions	Amortisation
2020			
Computer Software	24 094	7 743	(8 034)
Licences	2 479	-	-
	26 573	7 743	(8 034)
2019			
Computer Software	16 490	12 538	(4 934)
Licences	2 479	-	-
	18 969	12 538	(4 934)

Intangibles are valued as per note 3.14. All intangibles are 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 its 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		2020	2019
12. Investment in associates			
The Group's investments in Lenasia Renal Centre (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 Centre (Pty) Ltd, a renal dialysis unit situated adjacent to Ahmed Kathrada Private Hospital.			
Opening balance		2 571	4 420
Share of associate earnings		295	551
Dividends received		(900)	(2 400)
CLOSING BALANCE		1 966	2 571
Renal Care Holdings (Pty) Ltd			
The Group owns 40% of Renal Care Holdings (Pty) Ltd, a renal dialysis holding company.			
Opening balance		1 926	1 187
Share of associate earnings		2 015	1 299
Dividends received		(1 800)	(560)
CLOSING BALANCE		2 141	1 926
TOTAL INVESTMENT IN ASSOCIATES		4 108	4 497
The directors are of the opinion that the fair value of the above investments exceeds its carrying value.			
13. Right-of-use assets			
Right-of-use assets		222 273	-
<i>Reconciliation of right-of-use assets:</i>			
Opening carrying value		252 481	-
Accumulated depreciation		30 208	-
CARRYING VALUE		222 273	-
Right-of-use-assets relate to various property and equipment leases.			
Right-of-use-assets represent the present value of future minimum lease payments discounted at a rate of between 6.5% and 9.5% after taking the lease term ranging between 1 and 19 years into account.			
Right-of-use-assets is depreciated over the lease term ranging between 1 and 19 years.			

Figures in R'000	Group	
	2020	2019
14. Deferred taxation		
Deferred tax asset		
Balance at beginning of year	67 208	60 352
<i>Movements consisting of:</i>		
Property, plant and equipment	(6 668)	412
Provisions	14 788	(5 974)
Assessed losses	(5 301)	13 166
Share-based payment accrual	(341)	(717)
Cash flow hedging reserve	1 291	-
Lease liability	2 332	-
Prepaid expenses	(771)	(31)
BALANCE AT END OF YEAR	72 538	67 208
<i>The balance comprises of:</i>		
Property, plant and equipment	(6 263)	405
Provisions	20 668	5 880
Lease liability	2 332	-
Assessed losses	54 597	59 898
Share-based payment accrual	715	1 056
Cash flow hedging reserve	1 291	-
Prepaid expenses	(802)	(31)
BALANCE AT END OF YEAR	72 538	67 208
Deferred tax liability		
Deferred tax liability		
Balance at beginning of year	236 520	220 765
<i>Movements consisting of:</i>		
Property, plant and equipment	9 890	27 153
Provisions	820	(9 449)
Income received in advance	-	18
Lease smoothing adjustment	1 246	74
Lease liability	177	-
Prepaid expenses	(2 032)	2 128
Assessed loss	4 932	(6 647)
Prior year adjustment	546	(312)
Foreign currency translation adjustment	2 602	2 102
Foreign currency translation on loan	(285)	688
BALANCE AT END OF YEAR	254 416	236 520
<i>The balance comprises of:</i>		
Property, plant and equipment	218 447	205 955
Provisions	(14 115)	(15 481)
Investment in associate	46 866	46 866
Lease smoothing adjustment	1 728	482
Prepaid expenses	1 127	3 159
Assessed loss	(2 431)	(7 363)
Lease liability	177	-
Foreign currency translation on loan	2 617	2 902
BALANCE AT END OF YEAR	254 416	236 520

Unused tax losses are recognised as deferred tax assets 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. The estimated tax loss available for set off against future taxable income is R200.112 million (2019: R200.093 million).

	Group	
Figures in R'000	2020	2019
15. Inventory		
Medical supplies and consumables	70 568	63 749
Allowance for obsolete stock		
Balance at beginning of year	1 134	1 362
Current year allowance	(807)	(228)
BALANCE AT END OF YEAR	327	1 134
16. Trade and other receivables		
Trade receivables	1 082 614	660 858
Other receivables	71 759	48 370
Prepayments	24 988	25 017
Deposits	4 184	3 287
Value Added Tax	257	11 387
	1 183 802	748 919
Allowance for expected credit losses	(147 914)	(82 400)
	1 035 888	666 519
<i>Allowance for expected credit losses:</i>		
Balance at beginning of the year	(82 400)	(56 146)
IFRS 9 transition adjustment through retained earnings	-	(13 305)
Impairment charged to profit and loss	(65 514)	(12 949)
	(147 914)	(82 400)
<i>Allowance for expected credit losses:</i>		
Less than 30 days	12 796	6 416
30-59 days	9 150	2 775
60-89 days	5 159	1 479
90-119 days	5 092	1 515
120 days and over	115 717	70 215
	147 914	82 400
<i>Allowance for expected credit losses rate:</i>		
Less than 30 days	5 %	3 %
30-59 days	7 %	4 %
60-89 days	7 %	3 %
90-119 days	7 %	4 %
120 days and over	27 %	27 %
	15 %	13 %

During the year the Group wrote off bad debts amounting to R30.023 million (2019: R15.288 million) in terms of the bad debt policy.

The factors considered in determining the amount and the impairment of trade receivables were based on historical data adjusted by forward-looking information such as the credit control performance of each hospital, discussions with significant medical aid funders, the impact of macro and micro economic factors on debtors, improvement to credit control and employment of more skilled resources.

The majority of gross trade receivables at the reporting date by type and customer were made up of Medical Aid funders and Government. Other trade receivables include Workmens Compensation and Private patients.

		Group	
Figures in R'000		2020	2019
17. 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		946	119
Bank balances		35 750	70 755
		36 696	70 874
Overdraft			
Bank overdraft		111 684	120 397
Net cash and cash equivalents		(74 988)	(49 523)
Favourable cash balances to the value of R26.757 million (2019: R36.231 million) have been ceded to Rand Merchant Bank as security for facilities provided.			
18. Stated capital			
Authorised			
1 000 000 000 (2019: 1 000 000 000) ordinary shares at no par value			
Issued			
709 533 909 ordinary shares at no par value (2019: 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	426 006
BALANCE AT THE END OF THE YEAR	709 534	426 006	426 006
No new shares were issued during the year (2019: Nil)			
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	
	2020	2019
19. Other Reserves		
Cash flow hedging reserve	(3 319)	-
Foreign currency translation reserve	198 503	141 067
	195 184	141 067

Cash flow hedging reserve

The effective portion of gains and losses on interest rate swaps used to manage cash flow interest rate risk are recognised in other comprehensive income and accumulated in the cash flow hedging reserve. Refer to note 9 for further information.

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, Maputo Private Hospital Limitada and Mozambique Private Laboratory Limited. The foreign currency translation reserve has been valued as stated in note 3.18.

Figures in R'000	Group	
	2020	2019
20. 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 Ethekewini Hospital and Heart Centre (Pty) Ltd (22.99% Non-controlling interest) and are made up as follows:		
Opening balance	169 746	135 434
Dividends	(806)	(305)
Additional investment in subsidiary	(196)	(960)
Profit for the year	38 300	32 735
Foreign currency translation	3 713	2 842
Issue of shares to minorities	3 060	-
CLOSING BALANCE	213 817	169 746
Summary of financial information for Lenmed Ethekewini Hospital and Heart Centre (Pty) Ltd		
Non-current assets	861 741	830 122
Current assets	139 343	120 514
Non-current liabilities	269 980	372 247
Current liabilities	71 028	58 977
Revenue	718 407	647 117
Profit after taxation	82 541	87 104
Summary of financial information for other non-controlling interests		
Non-current assets	431 929	223 215
Current assets	393 935	273 865
Non-current liabilities	376 128	166 499
Current liabilities	194 206	143 980

		Group	
Figures in R'000		2020	2019
21. Long term liabilities			
21.1 MORTGAGE BONDS		1 137 384	1 101 631
Loans Payable to vendors	These loans bear interest at 15.25% (2019: 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 (2019: R0.125 million).	1 181	2 416
First National Bank Limited	These loans from First National Bank are secured by land and buildings with a carrying amount of R81.723 million (2019: R88.914 million) (refer to note 10). Interest has been charged at rates linked to prime. This loan is repayable in monthly instalments of R1.548 million (2019: R1.080 million).	49 626	58 719
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 R1.522 billion (2019: R1.405 billion) and a notarial bond of movable assets with a carrying value of R366.443 million (2019: R250.943 million). Interest has been charged at rates linked to JIBAR. The loan is split in 4 facilities. Facility A is a 5 year term loan and with a balance outstanding of R240 million. Interest repayable quarterly and capital repayable every 6 months. Facility B is a 5 year term loan and with a balance outstanding of R700 million. Interest is payable quarterly with no capital repayments until the end of the term where the full capital is meant to be repaid. Facility C is a 3 year term loan and with a balance outstanding of R75 million. Interest is payable quarterly with no capital repayments until the end of the term where the full capital is meant 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 29 February 2020 is USD4.545 million (2019: USD5.050 million). Subsequent to year end, the Group has negotiated capital and interest repayment holidays with respect to facilities A, B and C. The capital instalments on Facility A originally due in May 2020 and November 2020 will now be spread evenly over the remainder of the loan term from May 2021. The interest payments on Facilities A, B and C originally due in May 2020 and August 2020, are now only due at the end of February 2021.	1 086 189	1 040 496
21.2 INSTALMENT SALES		28 910	66 369
Nedbank Limited	Repayable in monthly instalments of Nil (2019: R0.731 million). Interest has been charged at rates of interest linked to the prime lending rate.	-	913
Wesbank, a division of FirstRand Bank Ltd	Repayable in monthly instalments of R2.827 million (2019: R2.989 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 R56.803 million (2019: R76.918 million).	24 399	51 653
Centrafin (Pty) Ltd	Repayable in monthly instalments of R0.281 million (2019: R0.895 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 R10.546 million (2019: R21.279 million).	3 161	10 689
Philips Healthcare	Repayable in monthly instalments of R0.656 million (2019: R0.656 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 R4.686 million (2019: R5.964 million).	639	3 114
		1 166 294	1 168 000
		(113 893)	(150 349)
	Repayable within one year, transferred to current liabilities	1 052 401	1 017 651

	Group	
	2020	2019
Figures in R'000		
22. Loans from minorities		
Board of Public Officers Medical Aid Scheme (BPOMAS)	9 331	13 079
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 P6.599 million (2019: P9.599 million).		
ATM Healthcare (Pty) Ltd	17 465	15 568
The loan is unsecured, has no fixed terms of repayment and bears interest at prime rate.		
Lenmed Ethekekwini Hospital and Heart Centre (Pty) Ltd non-controlling shareholders	15 112	13 849
These loans are unsecured, have no fixed terms of repayment and bear no interest.		
	41 908	42 496
23. Derivative financial liabilities		
Derivatives designated as hedging instruments		
Interest rate swaps – cash flow hedge	4 609	-
	4 609	-
Current and non-current		
Current	2 047	-
Non-current	2 562	-
	4 609	-

The Group manages its cash-flow interest rate risk by using fixed interest rate swaps as its interest rate hedging instrument. Gains and losses recognised in the cash flow hedging reserve in equity on the interest rate swap as at 29 February 2020 will be released to the consolidated statement of comprehensive income as the related interest expense is recognised. The interest rate swap expires on 31 May 2022 and relate to R750 million worth of borrowings with the 3 month JIBAR fixed at an average rate of 6.55%.

Subsequent to year end, short term interest rates decreased by 250 basis points. Due to the interest rate swap, the future benefit from these reductions in interest rates are limited to the unhedged portion of the term loans and the overdraft facilities. The interest rate swap was R35 million out-of-the-money at the date of approval of the financial statements, based on the mark-to-market value.

Figures in R'000	Group	
	2020	2019
24. Lease Liability		
Non-current lease liability excluding finance costs	221 113	-
Current portion of lease liability excluding finance costs	10 458	-
	231 571	-
<i>Maturity analysis of future lease payments outstanding at the reporting date:</i>		
For the year ended 29 February 2020	231 571	-
Total future lease payments	383 650	-
Due within 1 year	26 386	-
Due between 2 and 5 years	87 029	-
Greater than 5 years	270 235	-
Total future finance costs	152 079	-
Due within 1 year	15 063	-
Due between 2 and 5 years	53 537	-
Greater than 5 years	83 479	-
Total lease liability	231 571	-
Due within 1 year	11 323	-
Due between 2 and 5 years	33 492	-
Greater than 5 years	186 756	-
25. Trade and other payables		
Trade payables	406 436	252 487
Other payables	28 466	80 999
Value Added Tax	19 656	22 468
Cash-settled share based payments	2 554	3 733
	457 112	359 687

Cash-settled share based payments

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

1) *Nil (2019: 7.250 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. During the current year 7.250 million SARs were settled in full at a cost of R5.147 million.

2) *6.950 million (2019: 8.100 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 29 February 2020, 6,950 million (2019: 8.100 million) SARs were in issue. The reduction from the prior is due to the senior management attrition during the year.

3) *8.450 million SARs (2019: 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. As at 29 February 2020, 8,450 million (2019: 9.600 million) SARs were in issue. The reduction from the prior is due to the senior management attrition during the year.

4) *9.800 million SARs*

9.800 million SARs were issued on 1st of August 2019 to two executive directors and twenty members of senior management, at a price of R3.71 each.

The Group has determined that the allocation should be accounted for as a 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 R1.219 million (2019: R1.680 million — expense reversal).

25. Trade and other payables

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

	2	3	4
Last traded price as at 29 February 2020	R 3.74	R 3.74	R 3.74
Last traded price as at 28 February 2019	R 3.56	R 3.56	R 3.56
Risk-free rate	8.05%	8.05%	8.05%
Volatility	10%	10%	10%
Dividend yield	0%	0%	0%
Long term inflation	6%	6%	6%

The risk-free rate of 8.05% (2019: 8.71%) has been assumed based on the prevailing return on a five-year RSA Government Retail Bond as at year end.

The volatility of 10% (2019: 9%) was determined based on the historic volatility of the Group's share price over the previous year.

	Group	
Figures in R'000	2020	2019
26. Provisions		
Carrying amount at the beginning of the year	56 646	47 666
Increase in provisions	9 264	8 980
Carrying amount at end of the year	65 910	56 646
Provisions are made up as follows:		
Bonus Provision	21 651	13 225
Leave pay provision	23 342	27 202
Other provisions	20 917	16 219
	65 910	56 646
27. Income tax paid		
Receivable at beginning of the year	10 389	13 350
Expense for the year	(85 826)	(53 242)
Adjustment for deferred tax	12 591	9 755
Foreign currency translation adjustments	601	(2 085)
Payable/(Receivable) at end of year	2 997	(10 389)
	(59 248)	(42 611)

28. Directors' emoluments

Figures in R'000	For services as directors	Short term employee benefits	Bonuses	Long term incentive bonus	Total
2020					
Mr P Devchand	-	4 331	1 640	1 775	7 746
Mr A Devchand	-	3 375	1 325	710	5 410
Mr F Meiring (A)	-	1 458	-	-	1 458
Mr V E Firman (R)	-	1 690	1 590	710	3 990
Prof B D Goolab	478	-	-	-	478
Mr M G Meehan	478	-	-	-	478
Ms B Harie	461	-	-	-	461
Ms N V Simamane	463	-	-	-	463
	1 880	10 854	4 555	3 195	20 484
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

(A) – Appointed as Director of Lenmed Investments Limited on 01/10/2019

(R) – Resigned as Director of Lenmed Investments Limited on 02/09/2019

The remuneration of the directors as per the above schedule was determined by the Remuneration Committee.

29. 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 R17,246 million as at reporting date (2019: R12,239 million).

30. 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 R1.618 million (2019: R1.560 million). The directors deem this rental to be market-related.

The remuneration and benefits received by the directors are disclosed in note 28.

Name	Relationship	Transaction	2020	2019
Central City Investments (Pty) Ltd	Common director	Rental paid	1 618	1 560

31. Change in accounting policy

IFRS 16 LEASES

Right of use Asset and lease liability

Effective 01 March 2019, the Group adopted IFRS 16 using the modified retrospective approach and, accordingly, the information in 2019 has not been restated and remains as previously reported under IAS17 Leases and retained interpretation. As part of the modified retrospective transition approach, the Group has elected to use a single discount rate, applied to a portfolio with similar characteristics and used the transition practical expedient that allowed the Group to apply the standard to contracts that were previously identified as leases under IAS17 Leases and related interpretations at the date of initial application. The Group also elected to use the recognition exemption and not to recognise the right-of-use assets and liabilities for short term leases less than twelve months or low value assets as allowed by the standard.

On initial application the Group recognised the lease liability on the present value of the future obligations under the leases, reversed the prior period straight line lease provision recognised under IAS 17, the right-of-use-assets at being the depreciated value of the asset as if the lease had been capitalised at the start of the lease and the balance adjusted against opening reserves in the statement of change in equity.

The change in accounting policy has been accounted for in the current period by restating the opening retained earnings of the current period.

Figures in R'000	Group	
	2020	2019
Decrease in rental expense	7 769	-
Increase in depreciation	(1 682)	-
Increase in interest paid	(6 788)	-
Adjustment to retained earnings	(701)	-
The change in accounting policy has been accounted for in the current period and has had the following affect on the Group's profit and loss:		
Decrease in rental expense	27 642	-
Increase in depreciation	(22 673)	-
Increase in interest paid	(15 141)	-
	(10 172)	-
Total Right of use asset recognised under IFRS 16 at 01 March 2019	241 941	-
Total lease liabilities recognised under IFRS 16 at 01 March 2019	(242 642)	-

32. 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:

32.1 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 made use of interest rate swaps to achieve the desired interest rate profile in the current year. Although the board accepts that this policy neither protects the Group entirely from the risk of paying rates in excess of current market rates nor eliminates fully cash flow risk associated with variability in interest payments, it considers that it achieves an appropriate balance of exposure to these risks.

32. Financial Risk Management *continued*

32.1 INTEREST RATE RISK *continued*

Interest risk table

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

Figures in R'000	Group	
	2020	2019
Interest bearing loans payable	1 164 180	1 130 278
Instalment sale liabilities	28 910	66 369
Bank overdraft	111 684	120 397
Derivative financial liabilities	4 609	-
	1 309 383	1 317 044
Sensitivity analysis		
Increase of 100 basis points would result in a reduction in profit before tax of	(13 094)	(13 170)
Decrease of 100 basis points would result in an improvement in profit before tax of	13 094	13 170

32.2 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 29 February 2020 or 1 March 2019 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 16.

32.3 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. Subsequent to year end, the Group has negotiated capital and interest repayment holidays with its bankers for the financial year 2021. The capital instalments originally due in May 2020 and November 2020 will now be spread evenly over the remainder of the loan term from May 2021. The interest payments originally due in May 2020 and August 2020, are now only due at the end of February 2021.

	Group	
	Less than 1 year	Between 1 and 5 years
Maturity analysis – 2020		
Borrowings	113 893	1 094 309
Trade and other payables	457 112	-
Lease liability	10 458	221 113
Derivative financial liabilities	2 047	2 562
	583 510	1 317 984
Maturity analysis – 2019		
Borrowings	150 349	1 060 147
Trade and other payables	337 218	-
	487 567	1 060 147

32. Financial Risk Management continued

32.3 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).

32.4 FOREIGN CURRENCY RISK

The Group is exposed to foreign currency risk through its offshore subsidiaries, Maputo Private Hospital Limitada (Maputo hospital), Lenmed Health Bokamoso Private Hospital (Pty) Ltd (Bokamoso hospital) and Mozambique Private Laboratory Limited. 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.

Figures in R'000	Group	
	2020	2019
Foreign Currency Translation Reserve	198 503	141 067
Sensitivity analysis		
Increase of 10% in functional currency rate would result in a reduction in reserve of:	(19 850)	(14 107)
Decrease of 10% in functional currency rate would result in an increase in reserve of:	19 850	14 107

33. Financial Instruments**33.1 CATEGORIES OF FINANCIAL INSTRUMENTS**

Figures in R'000	Group		
	Amortised cost	Assets at fair value through profit and loss	Asset at fair value through OCI
2020			
Financial assets per statements of financial position			
Trade and other receivables	1 010 643	-	-
Cash and cash equivalents	36 696	-	-
2019			
Financial assets per statements of financial position			
Trade and other receivables	630 115	-	-
Cash and cash equivalents	70 874	-	-
Figures in R'000	Group		
	Loans and payables	Financial liabilities measured at amortised cost	Financial liability at fair value through OCI
2020			
Financial liabilities per statements of financial position			
Long term liabilities	-	1 166 294	-
Loans from minorities	-	41 908	-
Trade and other payables	-	437 456	-
Lease Liability	-	231 571	-
Derivative financial liabilities	-	-	4 609
Bank overdraft	-	111 684	-
2019			
Financial liabilities per statements of financial position			
Long term liabilities	-	1 168 000	-
Loans from minorities	-	42 496	-
Trade and other payables	-	333 486	-
Bank overdraft	-	120 397	-

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

33. Financial Instruments continued

33.2 FAIR VALUE HIERARCHY AND MEASUREMENTS

Financial assets and liabilities that are not measured at fair value on a recurring basis except for derivatives which are measured on a recurring basis.

	Group			
	Level 1	Level 2	Level 3	Total
Fair value at 28 February 2020				
Financial assets				
- Trade and other receivables	-	-	1 010 643	1 010 643
- Cash and cash equivalents	-	36 696	-	36 696
Financial liabilities				
- Long term liabilities		1 052 401	-	1 052 401
- Loans from minorities		-	41 908	41 908
- Trade and other payables		-	437 456	437 456
- Current portion of long term liabilities		113 893	-	113 893
- Lease liability		-	231 571	231 571
- Derivative financial liabilities	4 609	-	-	4 609
- Bank overdraft		111 684	-	111 684
Fair Value at 28 February 2019				
Financial assets				
- Trade and other receivables		-	630 115	630 115
- Cash and cash equivalents		70 874	-	70 874
Financial liabilities				
- 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

The fair value of assets and liabilities disclosed under level 3 have been determined in accordance with generally accepted pricing models. The fair value of the financial instruments approximates their carrying values. There were no transfers between level 1 and 2 during the year.

		Group	
Figures in R'000		2020	2019
34. Commitments			
34.1 OPERATING LEASE COMMITMENTS — LESSOR			
Future minimum lease receipts under non-cancellable operating leases are as follows:			
- Within 1 year		6 824	6 385
- Due thereafter		36 360	8 770
		43 184	15 155
34.2 CAPITAL COMMITMENTS			
The construction, renovation and upgrading of hospital buildings		5 583	26 909
The acquisition of plant and equipment		19 825	11 205
		25 408	38 114

35. EVENTS AFTER REPORTING DATE

As noted in the directors report a national state of disaster was declared in South Africa on 15 March 2020, and a strictly regulated 5 week nationwide stay-at-home lockdown was implemented from 26 March 2020 to 30 April 2020.

As part of a gradual and phased recovery of economic activity and an easing of the lockdown restrictions, a 5 level coronavirus alert approach was adopted by the government on 1 May 2020, where level 5 means only designated essential services can operate and level 1 means that most activities can resume. The alert level is determined by the government and is based on its assessment of the infection rate and the capacity of the country's health system.

The lockdown and the phased recovery of economic activity, has had a negative impact on the Group's business and cashflow. The short to medium term financial effect and the impact on the profitability of the Group remains uncertain and cannot be estimated at this time. The Group will generate positive returns for shareholders and have sufficient liquidity to trade. The Group has taken the following actions to contain costs and enhance liquidity within the Group:

- negotiated interest and capital holidays with our bankers (refer to note 21.1);
- negotiated a temporary waiver of the loan covenants;
- temporarily converted undrawn term loan facilities into readily available liquidity facilities;
- temporarily increased overdraft limits;
- limited capital expenditure to only critical replacement projects;
- reduced executive and management remuneration for an initial period of 3 months;
- negotiated discounts and payment deferrals with major suppliers;
- encouraged employees to utilise leave as a result of the lower occupancies observed; and
- delayed the conclusion of potential acquisitions until after the full impact of the pandemic can be assessed.

Apart from the above, the directors are not aware of any other material event which occurred after the reporting date and up to the date of this report.



ACRONYMS AND GLOSSARY

Acronyms

ABET	Adult Basic Education and Training
AGM	Annual General Meeting
AMI	Acute Myocardial Infarction
ARMs	Alternative Revenue Models
B-BBEE	Broad-based Black Economic Empowerment
BMI	Body Mass Index
CA	Chartered Accountant
CAUTI	Catheter Associated Urinary Tract Infection
CHD	Congenital Heart Disease
CLABSI	Central-Line Acquired Blood Stream Infection
COHSASA	Council for Health Service Accreditation of Southern Africa
COO	Chief Operating Officer
CMO	Chief Medical Officer
CPD	Continuing Professional Development
CSI	Corporate Social Investment
CTG	Cardiotocograph
DoH	Department of Health
EBITDA	Earnings Before Interest, Taxation, Depreciation and Amortisation
EMS	Emergency medical services
ERP	Enterprise Resource Planning
GEMS	Government Employees Medical Scheme
GDP	Gross Domestic Product
HAI	Hospital Acquired Infections
HASA	Hospital Association of South Africa
HCAHPS	Hospital Consumer Assessment of Healthcare Providers and Systems

HMI	Health Market Inquiry
HPCSA	Health Professions Council of South Africa
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
MAFs	Medical Aid Funders
MDR	Multidrug resistant
NGOs	Non-governmental organisations
NHI	National Health Insurance
NICD	National Institute for Communicable Diseases
NHN	National Hospital Network
OTC	Over-the-counter shares
POPI	Protection of Personal Information
PPE	Personal Protective Equipment
RAF	Road Accident Fund
SSI	Surgical Site Infection
TB	Tuberculosis
VAP	Ventilator Acquired Pneumonia
WACC	Weighted Average Cost of Capital
WSP	Workplace Skills Plan
XDR	Extreme drug resistant

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.
Bluebird	An online clinical decision support system
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.
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.
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.
COVID-19	A disease caused by a new strain of coronavirus. 'CO' stands for corona, 'VI' for virus, and 'D' for disease. Formerly, this disease was referred to as '2019 novel coronavirus' or '2019-nCoV.'
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.
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.
Learnership	A work-based learning programme that leads to an NQF registered qualification.
Lockdown	A state of isolation or restricted access instituted as a security measure.

Glossary continued

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.
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.
Neonatal	Relating to newborn children
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.
Pandemic	A disease prevalent over a whole country or the world.
Pharmaceutical	Medicinal drugs, their preparation, use or sale.
Protocols	Official procedure or system of rules.
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 that the Thirty-Eighth Annual General Meeting ("AGM") of Lenmed Investments Limited ("the Company" or "Lenmed") in respect of the financial year ended 29 February 2020 will be held on **Thursday, 10 September 2020 at 15:00, entirely through electronic communication** as permitted by the Companies Act, 71 of 2008, for the purposes of passing, with or without modification, the ordinary and special resolutions set out below.

Shareholders will need to register, **by latest on Tuesday, 8 September 2020**, to participate in the AGM. Details are set out in Annexure A to this Notice of AGM.

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

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

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

Ordinary resolutions

ORDINARY RESOLUTION NUMBER 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 NUMBER 2: RE-ELECTION OF DIRECTOR

"RESOLVED THAT Mr A 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 NUMBER 3: RE-ELECTION OF DIRECTOR

"RESOLVED THAT Professor B D Goolab 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 NUMBER 4: RE-ELECTION OF DIRECTOR

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

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

Profiles of the above directors are set out in the Annual Integrated Report. The Board has recommended their re-election.

ORDINARY RESOLUTION NUMBER 5: CONFIRMATION OF RE-ELECTION OF DIRECTOR

The Board appointed Mr F Meiring as a director of the Company with effect from 1 October 2019. Such director holds office from the date of appointment until the date of first next annual general meeting following the appointment, and then is subject to retirement at that AGM. The Board has recommended that Mr Meiring be re-elected as a director of the Company.

"RESOLVED THAT Mr F Meiring 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 NUMBER 6: CONFIRMATION OF RE-ELECTION OF DIRECTOR

The Board appointed Dr G Goolab as a director of the Company with effect from 1 August 2020. Such director holds office from the date of appointment until the date of first next annual general meeting following the appointment, and then is subject to retirement at that AGM. The Board has recommended that Dr Goolab be re-elected as a director of the company.

"RESOLVED THAT Dr G Goolab 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. The Board has recommended their re-election.

ORDINARY RESOLUTIONS NUMBERS 7.1, 7.2 AND 7.3: 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 M G Meehan is Chairman of the Audit and Risk Committee.

Ordinary resolution number 7.1

"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 number 7.2

“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 number 7.3

“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 NUMBER 8: 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 28 February 2021.”

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

ORDINARY RESOLUTIONS NUMBERS 9.1 AND 9.2: NON-BINDING ADVISORY VOTE — REMUNERATION POLICY AND IMPLEMENTATION REPORT

Ordinary resolution number 9.1: 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.

Ordinary resolution number 9.2: 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 numbers 9.1 and 9.2:

- 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 NUMBER 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 28 February 2021.”

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

Motivation for special resolution number 1

Notwithstanding the title of section 45 of the Companies Act, being “Loans or other financial assistance to directors”, on a proper interpretation, the body of the section may also apply to financial assistance provided by a company to related or inter-related companies and 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 NUMBER 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	17 350	224 000

Committees (Remuneration and Nominations Committee, Social & Ethics Committee, Audit and Risk Committee, Clinical Governance Committee or any other committees to be formed)

- Committee chairman R17 350 (in addition to committee member fee) per meeting
- Committee member R17 350 per meeting

Fee for work not specified above R17 350 (per meeting rate)

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

Motivation for special resolution number 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 NUMBER 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 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 number 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

23 July 2020

Registered Office

Lenmed Investments Limited
2nd Floor Fountainview House,
Constantia Office Park,
Corner 14th Avenue and Hendrik Potgieter Road,
Constantia Kloof, Johannesburg, 1709

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-Eighth Annual General Meeting of the Company to be held by electronic communication on **Thursday, 10 September 2020 at 15:00** and at any adjournment thereof.

I/We _____ (full name in block letters)

of _____ (address)

ID number or registration number (if a company or a trust) _____

email address _____

cellphone number or telephone number with dialling code _____

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 29 February 2020, including the directors' report and the report of the Audit and Risk Committee.			
2. To re-elect Mr A Devchand as a director of the Company.			
3. To re-elect Prof B D Goolab as a director of the Company.			
4. To re-elect Mr M G Meehan as a director of the Company.			
5. To re-elect Mr F Meiring as a director of the Company.			
6. To re-elect Dr G Goolab as a director of the Company.			
7.1 To appoint Ms B Harie as a member of the Audit and Risk Committee.			
7.2 To appoint Mr M G Meehan as a member of the Audit and Risk Committee.			
7.3 To appoint Ms N V Simamane as a member of the Audit and Risk Committee.			
8. To re-appoint the external auditors of the Company, PKF Durban, and to appoint Mr K Gertenbach as the designated audit partner.			
9.1 Non-binding advisory vote on the Company's remuneration policy.			
9.2 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 the 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 _____ 2020

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

Annexure A

ARRANGEMENTS FOR ELECTRONIC PARTICIPATION AT THE LENMED INVESTMENTS LIMITED ANNUAL GENERAL MEETING (AGM)

In light of the measures put in place by the South African Government in response to the COVID-19 pandemic and the restrictions in regard to public gatherings, Shareholders are advised that the AGM, **will only be accessible through electronic participation**, as permitted in terms of Lenmed's MOI and the Companies Act.

Please take note of the arrangements set out below in this regard.

1. Send an email by no later than **Tuesday, 8 September 2020** to Naushad Gany (naushad.gany@lenmed.co.za) and William Somerville (w.somerville@mweb.co.za) indicating your intention to attend the AGM electronically.
2. In the same email, attach your completed proxy form.
3. Prior to the AGM, you will receive an email with a link to the AGM via Microsoft Teams. To enter the meeting, you simply click on the link.

4. If during the AGM, you wish to change your vote on any particular resolution, indicate this to the chairman, and your revised vote will be recorded as such.
5. Should you wish to dial in to the AGM, please register by completing and lodging your proxy form by no later than Tuesday, 8 September 2020.
6. If you have any queries, please contact Naushad Gany (082 359 7007) or William Somerville (082 464 3673).

Participants will be responsible for their own network arrangements and charges for participation in and voting at the AGM. Any such charges will not be for the account of the Company and the Company will not be held accountable in the case of loss or interruption of network connectivity or other network failure for any reason which prevents any participant from participating in and/or voting at the AGM. The participant holds the Company harmless against any loss, injury, damage, penalty or claim arising from the use of the telecommunication lines to participate in the AGM.

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 F Meiring

Non-executive directors

Mr M G Meehan (lead independent)

Ms B Harie (independent)

Ms N V Simamane (independent)

Prof B D Goolab

Dr G Goolab (with effect from 1 August 2020)

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 87 158 2700 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, Sommerschild 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



www.lenmed.com