2012

Integrated Annual Report

Lenmed Investments Limited

Growing the Group, Growing Healthcare

Photographer:
Cari Eksteen

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Photographer:
Cari Eksteen

01.

Overview

COMPANY INFORMATION

> *Overview*

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 (Chairman and CEO) Dr A F Kaka Mr A A Nana
Non-Executive Directors:	Mr M G Meehan (Lead Independent) Prof B D Goolab Ms B Harie (Independent)
Registered Address:	K43 Highway, Extension 8, Lenasia, Gauteng 1827
Postal Address:	P O Box 855, Lenasia, Gauteng 1820
Auditors:	PKF Durban Chartered Accountants (SA) Registered Auditors Practice number - 906352E 2nd Floor, 12 on Palm Boulevard, Gateway, KwaZulu-Natal, South Africa 4319
Company Secretary:	Mr W Somerville K43 Highway, Extension 8, Lenasia, Gauteng 1827
Registration Number:	1980/003108/06
Bankers:	First National Bank Limited

COMPANY PROFILE

> *Overview*

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

Lenmed's roots were planted in 1984 in response to the community's growing healthcare needs, and the first hospital in the Group was founded in Lenasia, south of Johannesburg, as a 48-bed facility. The success of this particular hospital resulted in the generation of sufficient capital that has enabled Lenmed to make several significant acquisitions since 2004.

The following hospitals are currently 100% owned by Lenmed:

- Lenmed Private Hospital in Lenasia, Gauteng, comprising 244 beds
- La Verna Hospital in Ladysmith, KwaZulu-Natal, comprising 138 beds
- Shifa Hospital in Durban, KwaZulu-Natal, comprising 133 beds
- Zamokuhle Private Hospital in Tembisa, Gauteng, comprising 36 beds

Lenmed also owns a 34.9% equity stake in Ethekwini Hospital and Heart Centre, situated in Durban, KwaZulu-Natal. Ethekwini is established as a 250-bed, ultra-sophisticated hospital, boasting the latest in medical technology coupled with digital integration, making it a paperless hospital. Lenmed is responsible for the management of this hospital.

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

In October 2011, Lenmed entered into an interim agreement to manage the Bokamoso Private Hospital, a 200-bed, state-of-the-art, multi-disciplinary private hospital, located in Gaborone, Botswana. The Group is in the process of acquiring a 70% equity stake in this facility, finalisation of which is expected during mid to late 2012.

The Group is now responsible for owning and/or managing over 1,100 registered hospital beds in South Africa, Mozambique and Botswana.

(PDI-owned – refers to Previously Disadvantaged Individuals)*

In addition to its hospitals, Lenmed owns a 43.2% equity interest in Pharmed Pharmaceuticals, a pharmaceutical wholesale and distribution business in Durban. Pharmed has in excess of 8,900 active accounts consisting of doctors, pharmacies, hospitals, clinics and other allied professionals, and stocks in excess of 30,000 product lines distributed over 3,500 destinations in South Africa. Pharmed's turnover exceeds R800m per annum. During 2011, Pharmed acquired Amalgamated Pharmaceuticals, a wholesale distributor of pharmaceuticals based in Johannesburg. This new development will provide Pharmed with an inroad into the lucrative Gauteng market.

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

The potential for growth in these markets is significant. Each new venture that Lenmed embarks upon is influenced by its core values and ethics of striving to achieve the highest standards of technology and medical care for the benefit of patients and stakeholders.

Through its current network of private hospitals in South Africa, Mozambique and Botswana, Lenmed provides world-class healthcare services to its patients. Several of the Group's doctors are leaders in their fields of specialisation, and are heads of departments at academic institutions in the various spheres of medicine.

At Lenmed, there is one factor that is regarded as vital: the unstinting concern for its patients' well-being. To this end, our staff is fully committed to providing that extra degree of compassion and warmth. It is this personal attention that sets us apart from our competitors.

GROUP STRUCTURE

> *Lenmed Investments Limited*

In the current year the Group was structured as follows -

Lenmed Investments Limited

100%
Lenmed Health Africa (Pty) Ltd

70%
Kalend (Pty) Ltd

100%
Lenmed Health (Pty) Ltd

34.9%
- *Capensis Management Ltd t/a Ethekwini Hospital & Heart Centre*

43.2%
- *Pharmed Pharmaceuticals (Pty) Ltd*

60%
- *Maputo Private Hospital SA*

100%
- *Lenmed Health Management Company (Pty) Ltd*
- *Lenmed Health Lenasia (Pty) Ltd t/a Lenmed Private Hospital*
- *Lenmed Health Laverna (Pty) Ltd t/a La Verna Hospital*
- *Lenmed Health Shifa (Pty) Ltd t/a Shifa Hospital*
- *Lenmed Health Zamokuhle (Pty) Ltd t/a Zamokuhle Private Hospital*
- *Lenmed Management Services (Pty) Ltd*
- *Ladysmith Hospital Holdings (Pty) Ltd*
- *Ladysmith Hospital Properties (Pty) Ltd*

OUR VISION, MISSION AND CORE VALUES

> Overview

Our Vision

Lenmed's vision is to be recognised as a leading, world-class healthcare provider operating 2,000 beds in Africa within the next three years.

Our Mission

We will strive to:

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

Our Core Values

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

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

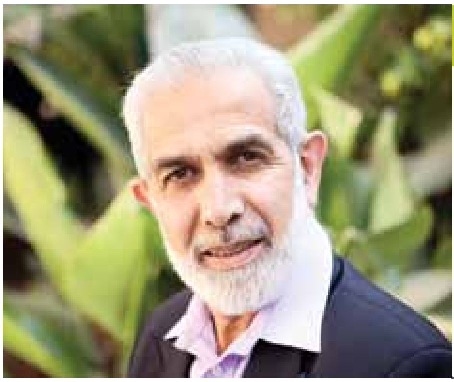
PROFILES OF THE BOARD OF DIRECTORS

> *Directors*

Mr P Devchand | *Chairman and Chief Executive Officer*

B.Com, H Dip Acc, CA (SA)

Prakash Devchand is a qualified chartered accountant with over 25 years of experience in hospital management. He was appointed to the board in 1986 and elected as chairman and chief executive officer in 1998. Under his leadership, the Group has seen significant growth in its local operations and the commissioning of the first multi-disciplinary hospital in Mozambique.



Dr A F Kaka | *Medical Director*

MBBS (Bombay)

Dr Farouk Kaka qualified as a medical doctor in 1975. He joined the Lenmed management team in 1989 and was appointed to the board in 1990. During his time with the Group, he has served as the chief executive officer of Lenmed Private Hospital and Zamokuhle Private Hospital. He currently serves as the Group medical director, in which role his expertise is vital in Lenmed's quest to provide quality healthcare to all its patients. Dr Kaka currently serves as a member of the social & ethics committee, and is also responsible for clinical governance and business development into the rest of Africa for the Group.

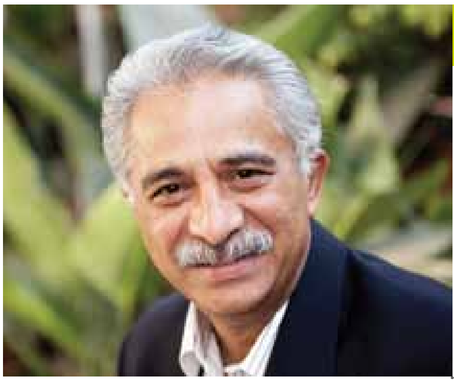
Mr A A Nana | *Director of Special Projects*

B.Compt Hons, CA (SA)

Ahmed Nana joined Lenmed in 1986 as the hospital manager of Lenmed Private Hospital. He was appointed to the board in 2006 and currently serves as director of special projects. In this role, he has been tasked with the overall commissioning and co-ordination of the Maputo Private Hospital Project in Mozambique.

PROFILES OF THE BOARD OF DIRECTORS

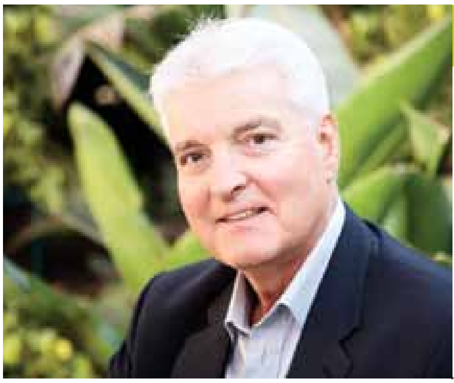
> *Non-Executive Directors*



Prof B D Goolab | *Non-Executive Director*

MBBS (Bombay), FRCOG (London)

Prof Bashkar Goolab was appointed to the Lenasia board in 1999, and to the Lenmed Investments Limited board in 2010. He currently serves as a member of the remuneration 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 chairperson of the training council for developing countries.



Mr M G Meehan | *Independent Non-Executive Director and Lead Independent Director*

CA (SA)

Mike Meehan was appointed to the Lenmed Investments Limited board in 2010. He currently serves as a member of the remuneration committee, and the audit and risk committee, of which he is chairperson. Mike also consults to various companies and associations in Durban, Johannesburg and Mauritius on strategic planning, financial administration and corporate management, and is a member of the Institute of Directors (IOD) and the Audit Committee Forum.

Ms B Harie | *Independent Non-Executive Director*

BA LLB (Natal), LLM (Wits)

Bharti Harie was appointed to the Lenmed Investments Limited board in 2010. She currently serves as a member of the audit and risk committee, and is the chairperson of both the remuneration and social and ethics committees. She is an independent non-executive director on the board of Bell Equipment. Bharti is an executive director at DKH Women Equity Boutique, a women's private equity company, based in Johannesburg.

MANAGEMENT TEAM

> *Profiles of the Management Team*

The Lenmed Health management team comprises the executive directors of Lenmed Investments Limited and the following:

Amil Devchand

Group Chief Financial Officer (Acting)

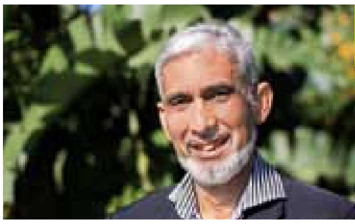
Niresh Bechan

Hospital Manager

Ethekwini Hospital and Heart Centre

Naushad Gany

Group Financial Manager



Mohuddin Khan

Chief Executive Officer

Lenmed Health La Verna Hospital

Jessie Chetty

Group Nursing Director

Pule Ndlala

Hospital Manager

Lenmed Health Zamokuhle Private Hospital

Arthur Manning

Regional Director: Gauteng

Iacubo Omar

Chief of Medicine

Lenmed Health Maputo Private Hospital

Ebrahim Asmal

Hospital Manager

Lenmed Health Shifa Hospital

Rubendren Naidoo

Hospital Manager

Bokamoso Private Hospital

Ahmed Suleman

Director

Lenmed Health Shifa Hospital

CHAIRMAN'S AND CEO'S REPORT

> *Introduction*

While many parts of the world, and many industries within those countries, are still reeling from the economic turmoil of 2008, I am pleased to report that the healthcare sector has emerged from this global recession relatively unscathed. Our positive results and increased profitability over the past 12 months are the proof of this, and the future is looking bright for Lenmed.

I am pleased to announce that the Group has produced a strong set of results for the financial year ended 29 February 2012, and has returned a solid performance across all areas of the operation. We have grown the business during the year through a successful internal expansion programme, and the company remains committed to delivering quality and affordable healthcare to all communities across South Africa and beyond our borders.

Our first foray into a neighbouring territory has resulted in the successful opening of the first multi-disciplinary private hospital in Mozambique. The Maputo Private Hospital, with Lenmed as its majority shareholder (60%), is a state-of-the-art facility that currently offers 105 beds. Having overcome various challenges during the past few years, the opening of this facility is the realisation of our unwavering commitment to the project. The Group is extremely proud of this world-class facility and is looking forward to building on its potential into the future.

Following its opening, the World Health Organisation (WHO) commented on this facility as follows: "*The Maputo Private Hospital is the best hospital in Mozambique. Funded by Lenmed Health South Africa, the hospital is located in the capital Maputo and is the first private, fully equipped medical facility in Mozambique. As well as increasing access to health, it serves as a viable alternative for patients who would normally travel to South Africa for better medical treatment… The Maputo Private Hospital offers the most advanced levels of surgical, obstetric, maternity, paediatric, gynaecology and orthopaedic services in Mozambique. The hospital also has an emergency department, intensive care unit and a pharmacy supplied with essential medicines…*" (www.who.org).

The above quote from the WHO is a succinct summation of what the Group strives to achieve with any healthcare facility that it manages, both within our borders and elsewhere in Africa. It is our intention to maintain international standards for each hospital, its staff and its patients. Whether we build a new hospital, or acquire an existing healthcare facility, we will maintain our standards of excellence – the transaction will be managed according to the Group's high standards that we expect from all our facilities, stakeholders and service providers. The Maputo Private Hospital bears testament to this strategy. And, while we ensure that we can offer our patients state-of-the-art facilities fitted with modern technology and equipment, we also need to ensure that we attract and retain professional medical and nursing staff to manage these facilities and care for our patients.

Strategic Review

The proposed National Health Insurance (NHI) plan

The government's proposed NHI plan, whose objective is to make quality healthcare accessible to all South Africans, has been a point of discussion and debate within the healthcare industry, and the wider community, for a number of years. The NHI green paper has made several recommendations regarding this national initiative and the design of South Africa's policy for health system reforms and improvements in the next five years. The Department of Health (DOH) has stated that it needs to build stronger relations with the private sector to address various issues relating to the introduction of the NHI, adding that it is important for both the public and private sectors to work together to build an effective NHI system and ensure its success.

We still have questions around how the system will be implemented. However, we are extremely positive about the introduction of the NHI plan and the opportunities that it presents. We believe that our strategy of building and managing quality hospital facilities in underserviced and previously disadvantaged areas places us ahead of the pack and puts us in good standing to assist and work together with the public sector in this endeavour of national importance.

Challenges with medical schemes and tariffs, the DOH and licences

Lenmed hospitals currently receive lower tariffs from the medical schemes compared to the country's larger hospital groups. Despite the fact that we offer the same quality of service, these lower tariffs are impeding our ability to compete on an equal footing with the larger groups, and are restricting our growth and expansion plans.

We are addressing these issues by engaging the top leadership of the medical schemes and making them aware of our concerns. In addition, we use our affiliation to the National Hospital Network (NHN). We believe that by implementing new strategies at NHN, we will be in a stronger position to negotiate better tariffs and will ensure our inclusion as a designated service provider (DSP) with the various medical schemes.

> Chairman's and CEO's Report, continued

A further challenge that is hindering the roll-out of the Group's expansion strategy within South Africa is the issuing of hospital licences. The current process through the DOH is complicated and drawn-out and, as such, is impacting negatively on the company's growth plans. By way of example, both our Ethekwini and Shifa Hospitals are full to capacity. As a result, we applied to the DOH to increase the number of registered beds at both facilities. However, the delay in the issuing of these licences has impacted on our ability to accommodate more patients.

King III compliance

The King III Code was introduced to ensure the highest standards of corporate governance and best practice are attained within organisations.

During this financial year, Lenmed has made great strides and achieved a number of milestones in its business practices to ensure its compliance to King III. We have also completed a gap analysis to identify our current non-compliance areas, which are being addressed as follows:

- Separation of roles of the chairman and CEO: The Group does not believe this to be necessary at this juncture. As per the King Code, a lead independent director, Mike Meehan, has been appointed until these roles are split;
- Improvements to the risk management process;
- Internal audit function and IT governance: both these areas are being addressed, as a matter of priority; and
- The appointment of a third independent non-executive director to the board is in process.

B-BBEE evaluation

During the year under review, the Group undertook its first broad-based black economic empowerment (B-BBEE) evaluation. We are proud to report that we have been recognised as a Level 3 contributor.

Investing in our people

In our ongoing quest to be the employer of choice within the healthcare industry, it is important to create a desirable work environment with the benefits to match. To achieve this, we have developed and implemented a recruitment policy that ensures we have the right people in place doing the right job, across the organisation.

We invest in our staff across all spheres of their life – from training, development and up-skilling in the workplace, to looking out for their health and wellness, offering performance bonuses, a share scheme and financial assistance where required, and investing in their communities.

A hospital cannot operate without specialist medical doctors and trained nurses. While the shortage of specialist nursing skills in certain fields does impact our operations, we are currently exploring various options to fill those gaps. These include building stronger ties to nursing colleges, investing in further training and development, and investigating the opportunity of 'importing' trained nurses from India into our hospitals.

We also need to ensure that we have the relevant relationships and infrastructure in place to attract medical specialists to our hospitals. Our investment in cutting-edge technology, the upgrading of facilities and building networking structures to attract and retain doctors, is starting to achieve the desired results in this regard.

Strategy for growth

With the company's positive performance and growth over the past five years, Lenmed is well-positioned to take advantage of exciting opportunities and strategic acquisitions that present themselves to increase shareholder value.

In the South African market, the Group is looking to extend and increase its presence in both Gauteng and KwaZulu-Natal, and to create a presence in the Western Cape. One such acquisition is Daxina Medical Clinic, a 64-bed facility in Lenasia South, which would strengthen our position in the Gauteng province.

We have also undertaken a number of projects within our expansion for growth strategy during the year. These include:

- The construction of a new, three-floor wing at Lenmed Private Hospital, a R60m project. Phase I, due for completion in the third quarter of 2012, will include a 50-bed ward and a modern dialysis centre, the largest of its kind in Gauteng, while Phase II will comprise a further 50-bed ward on the first floor, and doctors' consulting rooms on the second floor; and
- The acquisition of the adjoining properties to Zamokuhle Private Hospital in Tembisa, with a view to expanding this facility into a 100-bed hospital to provide quality healthcare to this growing community.

With regards to foreign acquisitions, the Maputo Private Hospital in Mozambique in which we have a 60% share, is now fully operational to international standards. This hospital is a real success story and has filled an important gap in providing a world-class healthcare facility to the people of Mozambique.

> Chairman's and CEO's Report, continued

We have also entered into an agreement to own and manage the Bokamoso Private Hospital in Gaborone, Botswana, through a 70% share, with the remaining 30% owned by a local medical aid scheme. There is currently an interim management agreement in place that will hold until the acquisition is finalised.

The physical hospital property in Botswana does not form part of this acquisition, and this is a model we hope to take forward elsewhere in Africa. This will allow us to reduce our capital investment as well as the risks associated with owning property in a foreign country. The Group is also looking to expand its Mozambican footprint to consolidate our position in the country as a leading healthcare provider. Other key strategic African countries on Lenmed's acquisition radar are Ghana and Nigeria, where we are currently investigating some exciting opportunities.

On the pharmaceuticals side, Pharmed Pharmaceuticals has acquired Amalgamated Pharmaceuticals, a Johannesburg-based wholesale distributor of pharmaceuticals, in a deal valued at R70m. This new development affords us exciting inroads into the Gauteng pharmaceutical market.

Rights issue

Following a year of extended capital expenditure to finance various areas of growth and expansion within the Group, Lenmed is planning a rights issue to shareholders to reinvest in the business and raise funding. This money will be utilised to fund the Group's future expansion and acquisition plans. As such, the company is not planning to pay a dividend for the 2012 or 2013 financial years.

Looking forward and appreciation

The past year has been one of growth, expansion and acquisition for Lenmed, and I am confident that a bright future awaits the Group as it looks to extend its presence both within South Africa and beyond its borders.

Without the ongoing support of our funders and shareholders, this growth would not have been possible and I would like to thank them for their continued support and investment in the business.

I would also like to thank the board of directors and the management teams in each hospital for their constant support, focus on the job at hand, assistance and valued counsel during the past year.

It is a well-known saying that a company is only as good as its people. In this regard, we are extremely fortunate. We have a world-class team of dedicated, caring and professional healthcare practitioners, specialists, nurses and administration staff who see to the every need of our most important stakeholder, our patients.

You provide the very reason for our existence, and I thank you all.

Prakash Devchand
Chairman and CEO

CHIEF FINANCIAL OFFICER'S REPORT

> *Overview*

This report must be read in conjunction with the Operational Review on page 19 and the Group annual financial statements on pages 40 to 71 of the annual integrated report.

Group Overview

Group Financial Measures

The Group has adopted the concept of headline earnings per share (HEPS) and normalised earnings before interest, taxation, depreciation and amortisation (EBITDA) as measures to provide shareholders with consistent and comparable reporting tools going forward. Normalised EBITDA is based on reportable EBITDA, excluding one-off items, whilst HEPS is calculated in terms of accounting standards.

Results Overview

These are exciting times for our company and the strategy of growth and expansion is rapidly gaining momentum. The results for the 2012 financial year are a testimony to this. In a year characterised by market and economic volatility, we are pleased to announce that Group revenue has increased by 26%, HEPS by 24% and normalised EBITDA by 27%, from the previous year.

NORMALISED EBITDA RECON	2012	2011
EBITDA	121,598,900	115,544,228
less profit on sale on investment	0	19,587,729
Normalised EBITDA	**121,598,900**	**95,956,499**

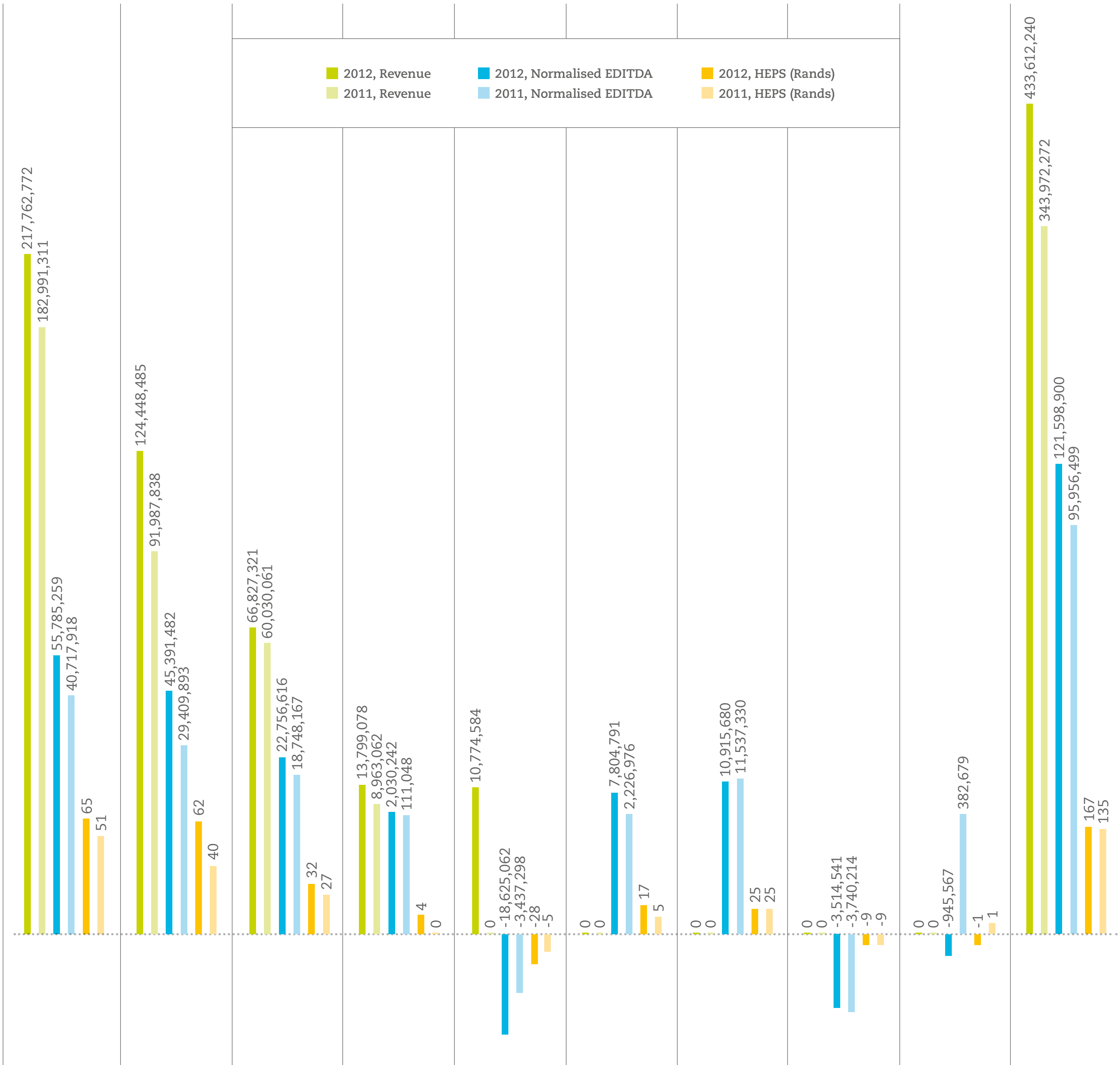
Headline Earnings Per Share Recon		
Net profit attributable to Lenmed	75,750,037	77,699,043
less post-tax profit on sale of investment	0	-16,845,447
add preference dividend declared	0	262,500
STC on preference dividends	0	26,250
Headline Earnings	**75,750,037**	**61,142,346**
Weighted average number of shares in issue during the year	454,024	452,662

Our South African operations performed well during the past financial year, with revenue increasing by 23%, whilst HEPS and normalised EBITDA have both grown by 43% since the previous year. This is mainly as a result of capital investment, contributing to an increase in capacity and utilisation of facilities. The expansion programmes undertaken by the Group have also resulted in improved economies of scale, contributing to greater operating margins.

The Group achieved a milestone in its history with the opening of Maputo Private Hospital, our Greenfield project in Maputo, Mozambique, in September 2011. As is common in the hospital industry, start-up hospitals require time to break even, and our experience in Maputo is no different. However, despite the losses suffered, our confidence in this investment remains unwavering and we look forward to realising its full potential in the not too distant future.

> *Chief Financial Officer's Report*

The breakdown of revenue, HEPS and normalised EBITDA, on a per company basis, is as follows:



	Lenmed Private Hospital	*Shifa Private Hospital*	*La Verna Private Hospital*	*Zamokuhle Private Hospital*	*Maputo Private Hospital*	*Ethekwini Hospital and Heart Centre*	*Pharmed Pharmaceuticals*	*Lenmed Management Company*	*Lenmed Investments*	*Total*
Variance										
Revenue	19.00%	35.29%	11.32%	53.95%	N/A	N/A	N/A	N/A	N/A	26.06%
Normalised EDITDA	37.00%	54.34%	21.38%	1728.26%	-441.85%	250.47%	-5.39%	6.03%	-347.10%	26.72%
HEPS	27.45%	55.00%	18.52%	N/A	-460.00%	240.00%	0.00%	0.00%	-200.00%	23.70%

> Chief Financial Officer's Report, continued

Investments

In line with our growth strategy, the current year's profits generated have been reinvested into the business. This year saw an amount of R70m being transferred to Maputo Private Hospital in order to complete outstanding construction, and for the provision of working capital. To date, our total investment in this project is in the region of R110m since inception.

Locally, just under R35m was invested in the expansion and renovation of our existing facilities, as well as the acquisition of new medical equipment.

Debt management

The company's total interest bearing debt to equity ratio has improved to 50% from the prior year level of 52%. It should be noted that investment within the private healthcare industry is capital intensive.

Our interest coverage ratio remains healthy at 7.1 (2011: 14.4), with cash flow from operations 4.4 times total interest expense (2011: 8.9).

During 2013, the Group will be assuming an additional R136m debt, which has been approved by the company bankers, First National Bank. These funds will be utilised to complete the Lenmed Private Hospital expansion project (R50m), as well as the acquisitions of Daxina Medical Clinic in Lenasia South (R40m) and Bokamoso Private Hospital in Botswana (R46m). Including this debt, management estimates an interest bearing debt to equity ratio of approximately 60%, with the interest coverage and cash flow from operations to interest expense ratios still expected to remain within acceptable norms.

Raising capital

The Group has continuing growth aspirations. In order not to overburden the balance sheet with debt funding, the company will be approaching its shareholders during the middle of 2012 for further capital investment, in terms of a proposed rights issue. The exact terms and conditions of this offer will be communicated to the relevant parties closer to the time.

Financial risk management

The Group is exposed to financial risks through its business activities, including interest rate risk, currency risk, credit risk and liquidity risk. The Group is very risk aware across all its operations, however, it is yet to establish a formal risk policy, risk appetite and risk register, all of which will be given attention in 2013.

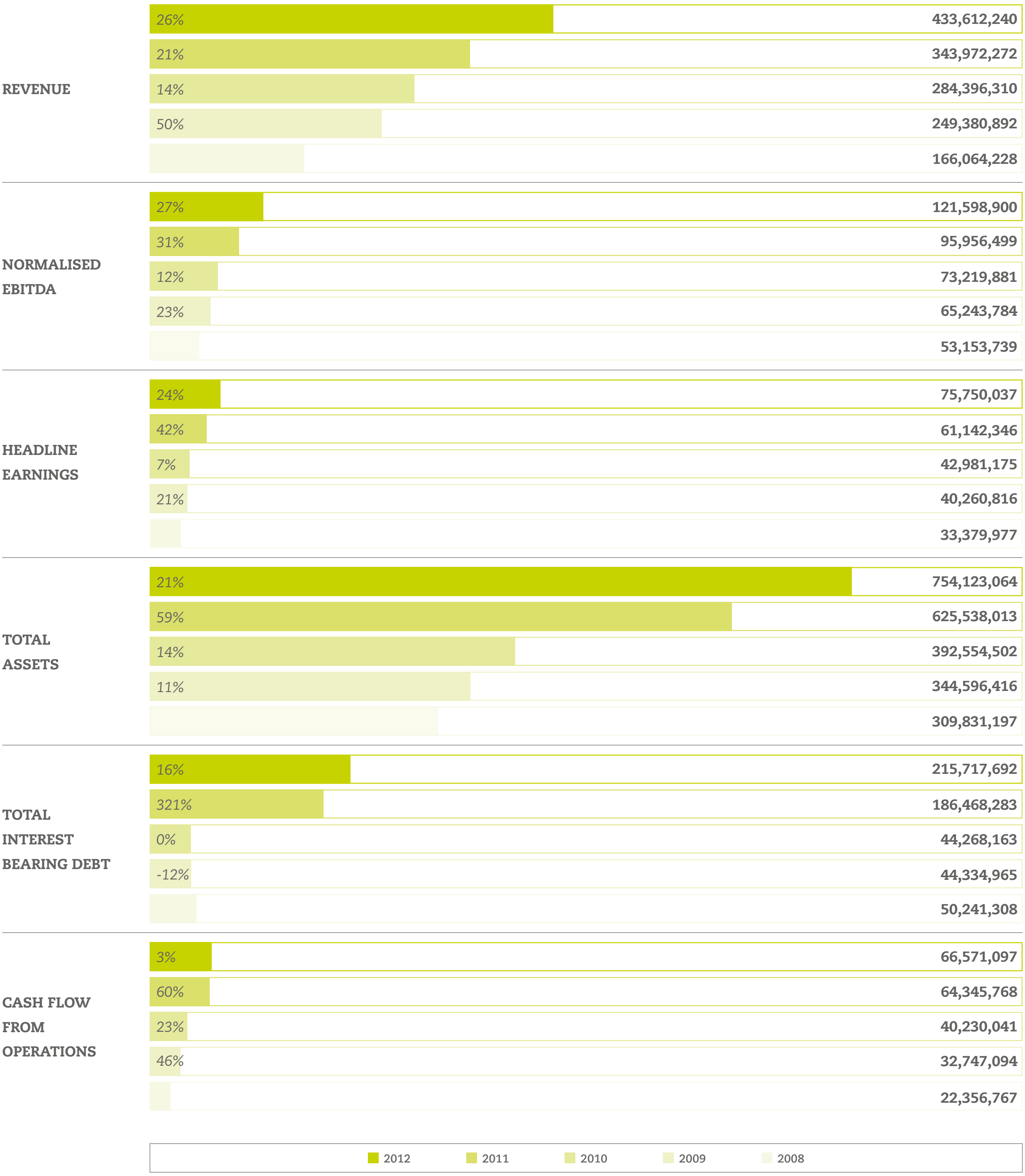
Way Forward

The Group is optimistic about the next financial year. Many of the expansion programmes and investments made will begin to fulfill their potential, providing good returns. In addition, the prospect of several additional acquisitions will add to the already solid business foundation. We are especially excited by our Maputo project and we will ensure that we invest the sufficient time, energy and funds necessary to improve the business as quickly as possible.

Amil Devchand
Chief Financial Officer (Acting)

FIVE-YEAR REVIEW

> *Overview*



OPERATIONAL REVIEW

> *Overview*

Lenmed is committed to providing quality medical care to its patients using the latest equipment, with some of the best specialists in the country, covering all major medical disciplines.

The Group currently comprises five hospitals across Gauteng and KwaZulu-Natal, as well as a pharmaceutical wholesale and distribution business. In addition, the Group has entered the healthcare market beyond the borders of South Africa with the opening of the first private, multi-disciplinary hospital in Mozambique in September 2011. The Group has also entered into an interim agreement to manage the Bokamoso Private Hospital in Gaborone, Botswana, until the transaction to acquire a 70% equity stake in the hospital is finalised.

Currently, Lenmed owns and/or manages seven hospitals with over 1,100 registered beds in its current portfolio.

The 'We always care' slogan ensures that all its hospitals maintain the highest levels of operational and administrative services, ensuring the provision of an outstanding and efficient hospital environment equipped to meet the present and future needs and demands of its patients.

South Africa

Lenmed Private Hospital, Lenasia

Lenmed Private Hospital, regarded as the flagship hospital of the Group, commenced operations in 1984 as Lenmed Clinic. The need for such a facility, offering quality healthcare to the community, has been realised with the hospital's high occupancy rate, growth and expansion over the years. From a prefabricated building with 48 beds, today Lenmed is an ultra-modern facility with 194 beds, six theatres, a cardiac catheterisation laboratory and a 24-hour accident, emergency and trauma unit with full specialist cover and pathology laboratories on-site.

Following the granting of a licence from the DOH, a new, three-floor wing is currently under construction with Phase I due for completion in the third quarter of 2012. This will include a 50-bed ward and a modern dialysis centre, the largest of its kind in Gauteng. Phase II will comprise a further 50-bed ward on the first floor, and doctors' consulting rooms on the second floor.

Lenmed Private Hospital produced pleasing results with revenue increasing by 19%, and normalised EBITDA increasing by 37% from the prior year. To remain competitive, various areas within the hospital, including the ICU, theatre and ward equipment, casualty, a new trauma unit and the radiology department, have been renovated and upgraded. The number of ICU beds has increased from 16 to 26, and general ward beds and linen have been upgraded. An extra cardiologist has joined the professional medical team and there has been a focus on increasing the number of nursing staff and their training and development, at the facility. All of these developments serve to ensure that the hospital continues to provide quality, specialist care to its patients.

Zamokuhle Private Hospital, Tembisa

Zamokuhle Private Hospital opened its doors in March 2006 as a 36-bed private hospital facility in Tembisa near Midrand, Gauteng. Since its acquisition by the Lenmed Group, Zamokuhle has increased its offering of medical services with the addition of various specialists in specific disciplines. During the year, two rooms were added to the facility to house an additional consulting room and onsite laboratory, and additional doctors were recruited to man the casualty ward. One of the labour wards was converted to a two-bed maternity ward. A C-arm was installed to improve orthopaedic procedures and is working efficiently. These initiatives led to Zamokuhle increasing its revenue by 54% and normalised EBITDA by 1728% from the prior year.

A strategic decision has been taken by Lenmed to expand the hospital through the purchase of four additional properties surrounding the current building. Preliminary plans for a 100-bed facility are currently under review. With the proposed developments, the year ahead promises to be an exciting one for Zamokuhle as it prepares to meet the health needs of the community.

La Verna Hospital, Ladysmith

La Verna Hospital was established in 1989 as Ladysmith Hospital Holdings. In 1993, Lenmed acquired a 33.3% share in this hospital and, due to the success of this venture, Lenmed increased its shareholding to 100% in 2004. During the year under review, the hospital has undergone a major refurbishment and expansion programme with the upgrading of two of its 24-bed general wards and the opening of a new 12-bed private ward. For the financial year under review, La Verna has managed to increase its revenue by 11%, with normalised EBITDA increasing by 21%.

In the year ahead, there are plans afoot to relocate the kitchen and move the pharmacy into the current kitchen area. A new renal dialysis unit is currently under construction in the newly-acquired adjacent property. Plans are also under consideration to increase the size of the current ICU and to refurbish the paediatric ward.

Shifa Hospital, Durban

Shifa Hospital began operations in June 1968 and was acquired by Lenmed in 2004. Since then, the hospital has undergone a phased upgrade and expansion programme. It currently has an operational

> Operational Review

capacity of 133 beds with plans to expand this number to 150 beds in the near future. During the year under review, the hospital's existing operating theatres were renovated, including the flooring and lighting, and a dedicated gastro intestinal scope room was added. A new holding area, recovery room and a manager's office formed part of the extensive renovations. The 15-bed C-ward was renovated to a 'step-down' facility for patients. Glass partitions were installed between the beds in the paediatric unit and sleeper couches were purchased for parents to sleep over with their children. An interactive play area has also been installed, in addition to a procedure room and milk kitchen. Shifa's expansion initiatives have proved highly successful with the hospital increasing its revenue by 35% and normalised EBITDA by 54% from the previous year.

Ethekwini Hospital and Heart Centre, Durban

Since Lenmed acquired a 34.9% equity stake in this facility, the day-to-day operations at the 250-bed hospital have been turned around by Lenmed's input into its management. The facility is currently running at almost 75% occupancy and has produced positive results in the year under review. Lenmed's share of associate profit increased by 250% from the prior year, due to the good results generated by the facility coupled with the fact that Lenmed only acquired shares in the hospital during the last quarter of the previous financial year.

Ethekwini is considered to be a centre of medical excellence. Its Heart Centre, the only such facility in KwaZulu-Natal, is capable of handling any heart condition and provides all modalities of treatment, from electro-physiology to heart transplants. A renal transplant unit has also recently been established, with the first kidney transplant having been undertaken earlier in the year.

With the high occupancy rate, a decision has been taken to expand the hospital to increase its capacity by a further 50 beds. An application for the licensing of these beds has been lodged with the DOH.

Pharmed Pharmaceuticals, Durban

Lenmed owns a 43.2% equity interest in Pharmed Pharmaceuticals. During 2011, Pharmed acquired Amalgamated Pharmaceuticals, a wholesale distributor of pharmaceuticals based in Johannesburg. This new development will provide Pharmed with an inroad into the lucrative Gauteng market.

Lenmed's share of associate profit from Pharmed has not increased from the prior year due to the lower than expected logistics fee increases being awarded to Pharmed, losses incurred in respect of the acquisition of Amalgamated Pharmaceuticals and the dilution of Lenmed's shareholding in Pharmed to 43.2% (2011:45%) in January 2012.

Mozambique

Maputo Private Hospital, Maputo

The much anticipated opening of Lenmed's first hospital beyond the borders of South Africa took place in September last year, following a two-year delay. This multi-disciplinary, state-of-the-art private hospital, which boasts 105 beds, is fully operational. Admissions have been on the increase every month, with the casualty ward having been particularly busy. In the six months ending February 2012, the hospital admitted 344 patients, treated 1,724 patients in casualty and operated on 203 patients. While the recruitment of local specialist and nursing staff remains a challenge, the hospital is providing essential and quality healthcare services to its patients in a safe and comfortable environment.

The hospital's infrastructure and modern facilities are unequalled anywhere in the country. This new facility stands as a proud example of Lenmed's determination and commitment to provide quality healthcare across the African continent.

Photographer:
Jeanette Verster

02.

Governance and Sustainability

CORPORATE GOVERNANCE REPORT

> Governance and Sustainability

Lenmed Investments Ltd (Lenmed) is an unlisted public company. The board of directors ("the board") is committed to and subscribes to the values of good corporate governance, as contained in the King III Code of Corporate Practices and Conduct.

During the financial year, Lenmed has made great strides and achieved a number of milestones in its business practices to ensure its compliance to King III. We have completed a gap analysis to identify our current non-compliance. Areas being addressed include:

- Separation of roles of the chairman and CEO: Prakash Devchand, the chairman, was not considered independent upon appointment in view of his existing appointment as chief executive officer of the Lenmed Group. Notwithstanding this, Lenmed benefits greatly from his considerable knowledge and experience, particularly of the South African private healthcare business environment, and the board firmly believe that this justifies his appointment. As per the King Code, a lead independent director, Mike Meehan, has been appointed until these roles are split;
- Improvements to the risk management process;
- Internal audit department and IT governance: both these areas are currently receiving attention as a matter of priority; and
- The appointment of a third independent non-executive director to the board is in process.

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

Board of Directors

Composition

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

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

Executive directors	Non-Executive directors
Prakash Devchand (Chairman and CEO)	*Bhaskar Goolab*
Farouk Kaka	*Bharti Harie – Independent*
Ahmed Nana	*Mike Meehan – Lead Independent*

Directors' Attendance at Board Meetings

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

Director	11 April '11	27 June '11	25 July '11	31 October '11	31 January '12
Prakash Devchand	Y	Y	Y	Y	Y
Bhaskar Goolab	Y	Y	N	Y	Y
Bharti Harie	Y	Y	Y	Y	Y
Farouk Kaka	Y	Y	Y	Y	Y
Mike Meehan	Y	Y	Y	Y	Y
Ahmed Nana	Y	N*	N*	N*	N*

* Ahmed Nana's absence from board meetings was due to him being based in Mozambique to oversee the commissioning of Maputo Private Hospital.

> Corporate Governance Report, continued

Board Committees

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

The chairperson of each board committee reports at each scheduled meeting of the board and minutes of board committee meetings are provided to the board. All the members of each board committee are non-executive directors. Each board committee functions in accordance with the provisions of the committee charter as approved by the board.

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

The chairperson of each board committee is required to attend Annual General Meetings to answer questions raised by shareholders.

The established board committees are:

Audit and Risk Management Committee

Audit Committee

The audit committee consists of two independent directors plus by invitation, the acting chief financial officer and the external auditors, while other members of the finance division and other executives are included from time to time. The committee is aware that this configuration does not meet the requirements of the Companies Act and King III. As a result, the board is in the process of appointing an additional independent non-executive director. The current incumbents collectively have sufficient experience and knowledge to fulfill their responsibilities but would welcome the benefit of an additional member. The committee held three meetings during the period under review and enjoyed full attendance at each meeting. The board has approved the updated audit charter and the evaluation of the committee.

The committee has the responsibility to monitor and review the following matters:

- The appointment of the external auditors, audit findings and reports
- The effectiveness of the internal audit function
- The performance of the chief financial officer
- The reports of the IT committee and IT governance
- The accounting policies of the Group
- The integrity of the integrated report
- The internal controls of the Group

The committee is responsible for recommending the appointment of the external auditors, for establishing and reporting on their independence, for approving and monitoring their audit plan, for approving and recommending the auditors fees and for establishing and controlling the policy for non-audit services and fees thereof.

The committee has fulfilled its responsibilities in most of the above and has been able to report positively on all aspects, except that the internal audit and IT functions are under development and we will report on these next year.

The committee has recommended the adoption of the annual financial statements for 2012 to the board and the distribution to shareholders.

Risk Committee

The audit committee also fulfils the responsibilities of the Risk Committee. While some progress was made on risk management and the Group is very risk aware across all its operations, the Group has yet to establish a risk policy, a risk appetite and a risk register, all of which will receive attention in 2013.

Remuneration and Nomination Committee

Lenmed's Remuneration Committee ("Remco") is chaired by Bharti Harie, with the other permanent members being Mike Meehan (lead independent non-executive) and Bhaskar Goolab (non-executive). The executive chairperson, Prakash Devchand, the financial advisor from Grindrod Bank, Dino Theodorou, and the acting chief financial officer, Amil Devchand, are also invited to attend the meetings. The committee held two meetings during the period under review and enjoyed full attendance at each meeting. Remco operates within a Terms of Reference, which is reviewed and approved by the board on a regular basis. Its main purpose is to provide an independent and objective body that will:

- Make recommendations on the remuneration policies and practices for the executive directors, senior management and Lenmed and its subsidiaries in general;
- Make recommendations on the composition of the board and board committees and to ensure that the board of directors consists of individuals who are equipped to fulfill the role of director of Lenmed; and

> *Corporate Governance Report, continued*

- Make recommendations on the nominations of new directors, having gone through the appropriate interview processes.

The Remco activities over past financial year have included amongst others:

- Ongoing review of the Lenmed organogram. In this regard the following vacancies have been identified: human resources director, IT manager, director for Africa and pharmacy director (whilst appointments for pharmacy director and director for Africa had been made in the course of the year, both incumbents had subsequently resigned for different reasons). Other vacant roles will be filled as the business case demands. Director of nursing services and Group financial manager roles have been filled by Jessie Chetty and Naushad Gany respectively. Arthur Manning was promoted to the position of regional director: Gauteng. In this regard, job descriptions for each of the above roles are being documented by management;
- Approval of the executive annual bonus scheme for the financial year ended February 2013;
- Approval of the executive and hospital managers' bonuses for the financial year ended February 2012;
- Approval of the principles of the hospital managers' bonus scheme for the financial year ended February 2013;
- Appointment of Amil Devchand to the position of acting chief financial officer. It was agreed that confirmation of his position to chief financial officer will be reviewed in the new financial year, based on his performance in the current role;
- Review of non-executive directors' fees, where it was decided that the current fees payable remain unchanged for the period from the 2011 to the 2012 Annual General Meeting;
- A King III gap analysis was conducted for Remco purposes. In this regard the main gap that had been identified was the need for the appointment of a further independent non-executive director. To date of writing this report, Remco is in the process of accepting and reviewing CVs of appropriate candidates with a view to interviewing and appointing the candidate as soon as possible;
- The board and its sub-committees have conducted a review of their respective performance and effectiveness;
- Various discussions have been held over issues of executive and hospital manager succession, where valued skills and experience have to be retained and passed on to new appointments to take Lenmed to greater heights; and
- As per the Companies Act requirements, a social and ethics committee was established and Remco appointed the following people as members: Bharti Harie (chairperson) and Farouk Kaka. Arthur Manning will be invited onto the committee on a permanent basis.

Remuneration philosophy

In the previous financial year Remco adjusted the remuneration packages of the chairperson and medical director to bring them in line with market norms. These packages will be adjusted appropriately for the next financial year. The remuneration packages of the various hospital managers were approved by Remco at its March 2012 meeting. Once again packages for all key staff (executives, directors and hospital managers) are being apportioned between a "guaranteed portion", being the annual package, and the "risk portion", being the bonus incentives, where key staff is appropriately incentivised to maximise shareholder returns. In this regard, specific/strategic targets have been put in place for these positions which, if achieved, will yield these key staff bonuses ranging between a maximum of 20% and 100% of their individual packages.

The two independent non-executive directors and one non-executive director continue to hold office since their appointment in September 2010. They are paid an annual retainer, plus attendance fees per meeting. These directors' fees are confirmed by shareholders at the Lenmed Annual General Meeting. It is important to note that non-executive directors do not receive any payment related to performance of the company and do not participate in any bonus arrangements.

Details of the directors' fees are as follows:

Directors' Remuneration

Name	Exec/ Non-Exec	Annual Package FY2012	Retainer Fee	Meeting Fee
Prakash Devchand	Exec	R1 800 000		
Farouk Kaka	Exec	R1 500 000		
Ahmed Nana	Exec	R1 084 000		
Mike Meehan	Non-Exec		R132 000	R8 500
Bharti Harie	Non-Exec		R132 000	R8 500
Bhaskar Goolab	Non-Exec		R120 000	R8 000

> Corporate Governance Report, continued

Interests in Contracts

During the year ended 29 February 2012, none of the directors had a significant interest in any contract or arrangement entered into by the Company or its subsidiaries. Directors are required to inform the board timeously of conflicts or potential conflicts of interest they may have in relation to particular items of business. Directors are obliged to excuse themselves from discussions or decisions on matters in which they have a conflict of interest.

Company Secretary

William Somerville is the appointed company secretary. He is a qualified chartered secretary with extensive experience in the company secretarial and corporate governance arenas. He holds an ACIS, ACMA and a Diploma in Corporate Law. All directors have access to the advice and services of the company secretary, at the company's expense. The transfer secretary of the company is Aboo Kaloo and Company.

Fraud and Illegal Acts

The management of the Group is not aware of nor accepts any illegal acts in the conduct of its business. The directors' policy is to actively pursue and prosecute the perpetrators of fraudulent or other illegal activities, should they become aware of any such acts.

Code of Conduct

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

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

Code of Ethics

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

Board Procedures

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

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

- Retain full and effective control of the company;
- Give strategic direction to the company;
- Monitor management in implementing plans and strategies as approved by the board;
- Appoint the chief executive officer;
- Ensure that succession is planned;
- Identify and regularly monitor key risk areas and key performance indicators of the business;
- Ensure that the company complies with relevant laws, regulations and codes of business practice;
- Ensure that the company communicates with shareowners and relevant stakeholders openly and promptly;
- Identify and monitor relevant non-financial matters;
- Establish a formal and transparent procedure for appointment to the board, as well as a formal orientation programme for incoming directors;
- Regularly review processes and procedures to ensure effectiveness of internal systems of control and accept responsibility for the total process of risk management;
- Assess the performance of the board, its committees and its individual members on a regular basis; and
- The charter also addresses issues such as the composition and size of the board, board procedures, matters reserved for board decision and the frequency and proceedings of board meetings.

Annual Financial Statements

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

> Corporate Governance Report, continued

Sustainable Development

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

Community development

The Group was founded through community effort. The first hospital was established in Lenasia through community contributions as a result of the previous apartheid government failing to provide hospital services to this community. The initial growth of the Group was focused on additional facilities in areas in close proximity to disadvantaged communities, hence the expansion into La Verna in Ladysmith, Shifa and Ethekwini in Durban, Zamokuhle in Tembisa, Maputo in Mozambique and now Gaborone, Botswana.

As a result, the Group has always been aware of community needs. The Group assists local communities through its various corporate social investment (CSI) initiatives, which are detailed in the Sustainability Report on page 30 of the integrated report.

Medical waste

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

Skills development

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

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

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

Ethics and risks

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

Safety, health and environment

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

CLINICAL GOVERNANCE REPORT

> Governance and Sustainability

Introduction

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

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

Learning from our Patients

Patient input remains one of our most critical sources of information with regard to service delivery. It is important that we record our patients' experiences on a continual basis and respond to their comments. To this end, the Group has standardised its PSQ (patient service questionnaire) across all its hospitals and introduced new software to assist with the collating and reporting of statistics.

This standardisation will enable the Group to implement direct comparisons across its hospitals. The results to date have been pleasing with the overall rating varying between 79% (Lenmed Private Hospital) and 91% (Ethekwini Hospital), with the 'good' and 'excellent' categories together averaging 89% for the Group.

Promoting a Safety Culture

In our industry, it is important to provide not only high quality, but also safe care to all our patients.

The safety of patients is one of the key risks that the healthcare industry has to contend with. As a result, the mitigation of such risks is one of the most challenging areas of the business. The health and safety departments within each of our hospitals are well established and have standard operating procedures in place to report on any adverse events and to mitigate them as far as possible. Specific attention has been placed on the prevention of the three most common areas that head the list of adverse events, namely: pressure sores, falls and medication errors.

Adverse Events

Overall incident rates for the Group, per 1,000 admissions, were as follows:

Pressure sores	- 0.45
Falls	- 1.00
Medication errors	- 0.66

These incident rates are well within local and international benchmarks. We will strive to improve these rates even further going forward.

Best and Safe Clinical Practice

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

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

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

Lenmed Health Quality Indicators

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

- Prevention of nosocomial infection and antibiotic stewardship
- Preventing venous thrombo-embolism (VTE)
- Elevating cardio-pulmonary resuscitation competency

Prevention of healthcare associated infection and antibiotic stewardship

Hospital acquired infection, or nosocomial infection as it is referred to technically, is among the most common yet more serious adverse events in hospitals across the world, occurring in an estimated one in ten admissions overall. In South Africa, the burden is further escalated by the concomitant epidemics of HIV and tuberculosis.

The threat posed by infectious diseases and the increasing resistance to antibiotics is growing on a global scale. This results in the industry being more vulnerable to litigation by the ever increasing consciousness of patients' rights.

It appears that the recent outbreak of MRSA (methicillin resistant staphylococcus aureus) infections in various hospitals' ICUs around the country has been brought under control, the threat of which could have had a catastrophic effect on our business.

> *Clinical Governance Report, continued*

Ongoing infection prevention and control measures, including protocols and procedures regarding infection containment and transmission, are in place. The "Best Care Always" Campaign, launched by the Department of Health (DOH), has been introduced across all our hospitals and is beginning to show positive outcomes. The campaign emphasises strict adherence to specific measures that are shown to reduce transmission. These include the adoption of the 'checklist' and driving compliance to process-improved initiatives.

Improvements met or exceeded our targets in all areas or bundles, including: ventilator associated pneumonia, surgical site infections, central line associated blood infections and catheter tip infection. Our infection control officers at each of the Group's hospitals keep a tight and firm hand on the prevention and transmission of hospital-acquired infections.

Further antibiotic stewardship programmes, aimed at the rational use and prescription of antibiotics, have been introduced at our various institutions. This programme is vital to combat the out-of-control and spiralling rise of antibiotic resistance by various organisms, a threat that could have serious consequences if not contained and managed appropriately, in the treatment of infections.

Preventing venous thrombo-embolism

Venous thrombosis is one of the most common preventable causes of death in hospitalised patients. It occurs when a blood clot forms in a vein and includes both deep vein thrombosis (DVT) and pulmonary embolism. It is a silent disease with the danger being that the first appearance can be fatal.

Lenmed is currently rolling out a programme aimed at reducing the incidence of DVT at all its institutions. This involves the evaluation of patients to identify those potentially at risk, in order to institute preventative measures, such as prophylactic pharmaceuticals, to avoid the possibility of it occurring.

Elevating cardio-pulmonary resuscitation competency

Cardio-pulmonary resuscitation (CPR) is a procedure with which even the general public should be familiar. It is a life-saving procedure that every nurse in an institution should not only be familiar with, but should also be an expert in. And, although not commonly called upon to do so, a nurse could struggle to cope with a CPR situation should an emergency arise. It is the repetitive practice that will ensure that the nurse is familiar with and confident to perform the procedure.

During the past year, Lenmed has rolled out a programme across its hospitals whereby all nursing staff, together with non-nursing staff and other employees, are certified in basic life support (BLS) training. This has empowered the hospitals' staff to undertake CPR procedures with confidence, with the positive outcome being a lowered death-rate among patients.

Clinical Indicators

Evaluating the Group's statistics, hospital-acquired infection for the year 2012 was reported to be 1.44 per 1,000 admissions, whilst the incident of venous thrombo-embolism was 3.34 per 1,000 admissions. Again, these incident rates are within local and international benchmarks.

Looking Forward

As a Group, Lenmed's commitment to quality patient care remains unwavering. The litigation conscious world in which we live drives us to strive continuously to improve and increase our standards in clinical care and quality assurance. Our future plan is to improve further on our clinical outcomes, the reduction of nosocomial infections and to reduce adverse events.

To this end we will strengthen the infection control departments by appointing qualified occupational health and safety as well as infection control officers at all our hospitals in the Group. They will ensure that their departments continue to deliver and improve on clinical governance in the name of good and safe clinical outcomes, and continue to research and implement best practice protocols to improve this sphere of the business.

Ahmed Farouk Kaka
Medical Director

SUSTAINABILITY REPORT

> Governance and Sustainability

At Lenmed, we continuously assess and work towards understanding how the issues surrounding sustainability impact on our business, and how our business impacts on the communities in which we operate.

Sustainability incorporates a range of economic, social, environmental, transformation and governance issues that all have a direct or indirect connection to the Group's financial performance. The Group's aim is to be a good corporate citizen and as such, we continuously strive to maintain the highest levels of integrity and ethics among all our stakeholders.

In order to achieve this, we are focusing our efforts on conducting our business in a sustainable manner. This has resulted in us examining the company's performance beyond its financial results to include social, environmental and other economic impacts. Within the Group, we have a deeply entrenched sense of community commitment and it is fulfilling that we are in a position to offer our communities quality, caring and compassionate, accessible yet affordable healthcare facilities and services.

The following report outlines the Group's progress and achievements to date with regards to the triple – or 'people, profit and planet' – bottom line, to attain key business objectives among our stakeholders, and to deliver on the overall strategy.

People

The people that comprise the Lenmed community are patients, staff and medical associates – all three of these groups are interlinked and integral to the continued success of our business.

Patients

Our patients are our business, and the reason for our existence. Ensuring their comfort, care and safety is of paramount importance to us as a healthcare provider. It is our responsibility to interact and work with our patients to identify and respond to their needs in a helpful, courteous and honest way. We need to ensure that our services are affordable and accessible. Our hospitals strive to provide quality, cost-effective medical care to all population groups in the communities in which we have a presence, by making use of modern equipment and technology and engaging with high calibre specialists across all medical disciplines. We also conduct regular patient surveys to monitor satisfaction levels across our facilities.

Hospital safety and security, and the creation of a healthy environment for our patients and staff, is integral to the successful running of the business. To this end we have appointed infection control and health and safety committees within each of our hospitals that are managed by specially trained officers.

Lenmed's doctor network is continuously assessed and enhanced to provide professional patient care, while the Group's facilities and technologies are constantly upgraded to meet growing patient needs and maintain modern standards of sustainable medical practice.

Staff

At Lenmed, we acknowledge that our staff, our human and intellectual capital, is the key to the Group's current and future growth and success. Companies who invest in their people's welfare and wellbeing in the workplace are most profitable. We adhere to this premise and understand that the attraction and retention of quality staff is of great importance in a service-orientated industry such as ours.

We are committed to delivering service excellence in all areas of our operation, and our staff plays a pivotal role in that delivery. It is thus our responsibility to ensure that we equip our staff with the necessary tools and knowledge for them to perform their roles to the best of their abilities – a responsibility that we take very seriously at Lenmed.

Firstly, we offer competitive and market-related remuneration packages. These include extra benefits such as medical aid, pension and life policy schemes, the opportunity to participate in an employee share incentive scheme, long service and performance awards, profit share participation, and other reward and recognition incentives.

An outsourced employee assistance programme oversees the staff's health and wellness needs. An internal workplace HIV policy has also been implemented to deal with this dread disease and its serious consequences within the healthcare environment.

Staff training and development affords all employees the opportunity to up-skill and advance their careers and develop to their full potential within the Group's structures. In-service training in the wards and attendance at seminars and workshops is encouraged. Particular attention is paid to upgrading the skills of nursing staff in the areas of ICU, theatre technique, trauma and neo-natal ICU, which off-site training is sponsored by Lenmed.

An open-door policy is encouraged across all facilities and areas of the business, and any staff issue or concern can be raised and addressed in the appropriate worker forum or via the appointed staff representatives. The company has also put an employee assistance programme in place for any staff member who may require such a service.

> Sustainability Report, continued

All Lenmed's staff benefits and incentives are in place to serve one purpose at the end of the day – to invest in the people who strive to deliver a world-class health service to our patients.

Corporate social investment (CSI)

Lenmed's commitment to the communities in the areas where it operates, was spelt out when the company was formed 27 years ago, and reads as follows: "We will strive to enhance the quality of life of our employees and our communities, and improve the environment in which we operate". This in essence, forms the core of its sustainability reporting and laid down the strong community roots from which the Group has grown and flourished.

As such, the community is still an integral part of the company's overall operations. The Group has instituted and participates in a range of corporate social investment (CSI) initiatives and outreach programmes that assist the local communities.

Lenmed is involved in various CSI projects, which are focused on five main areas:

- Indigent emergency medical services
- Healthcare accessibility initiatives
- Community health and welfare sponsorships
- Academic bursaries, and
- Community service

Providing emergency care to indigent patients

We administer emergency care and stabilisation to patients presenting with life-threatening conditions who are unable to pay for this service. If these patients are too unstable to be transferred to public hospitals, they are admitted to the hospital. At times, the unavailability of beds in the public sector also results in patients being admitted and treated at Lenmed's facilities.

Initiatives to improve access to healthcare

Lenmed introduced its Cataract Campaign in conjunction with TIBA Services for the Blind, in July 2002. Since then, the Group's Lenmed Private Hospital has performed free cataract surgery and to date has restored the eyesight of more than 450 community members (34 in the past financial year). These patients are financially disadvantaged and under normal circumstances, would be unable to afford such a procedure. The Group is looking to extend this free community service to its other hospitals in the foreseeable future.

Community health and welfare sponsorship

The Group reaches out to a number of welfare initiatives within its communities to assist those less fortunate in various ways. These include:

- *Feeding campaign:*
  Lenmed employees donate food items on a regular basis through collection drives. The food parcels are then distributed through various welfare organisations that care for the poor and hungry.

- *Local community involvement:*
  We undertake various activities at our hospitals and emergency units to attend to the needs of the community, including:

  > Providing pro-bono treatment to children living in local homes and orphanages;
  > Supporting homes, orphanages, special schools and other non-governmental social organisations by providing medical and financial assistance;
  > Volunteering the services of our emergency unit as standby medical personnel at special events, such as the annual Ghandi Walk in Lenasia; and
  > Hosting CANSA events to promote cancer awareness.

- *Community healthcare education:*
  Open days and other health awareness initiatives are hosted at our facilities to coincide with special days on the health calendar, such as:

  > Diabetes screening
  > Heart awareness
  > Breast cancer awareness
  > Eye health
  > Cholesterol screening
  > Hypertension screens
  > Pregnancy education
  > TB and HIV awareness

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

Bursaries

Bursary applications from previously disadvantaged learners wishing to pursue a career in healthcare, are considered and awarded on an ad hoc bases, according to a particular set of criteria. In addition, learnerships in the health sector for basic courses in

> Sustainability Report, continued

nursing are in place and proving successful in producing more qualified nursing staff for our hospitals.

Community service
We afford learners the opportunity to perform their community service duties at Lenmed hospitals, as set out in the revised school curriculum. Interested students are exposed to the many facets of the medical industry and gain invaluable hands-on experience. We are confident that this insight plays a positive role in assisting these students in their future career choices, and ultimately producing healthcare leaders of tomorrow.

Social and ethics committee
In accordance with the Companies Act, the board has appointed a social and ethics committee. Policies will be formulated and the distribution of funds in this regard will be controlled by the committee. A report will be generated annually for distribution through the integrated report.

In all, this development can only lead to an even greater emphasis on CSI initiatives across the Lenmed organisation.

Profit

In pursuit of continuously adding value to the Group, Lenmed examines any potential or promising investment opportunity, both locally and across the African continent. Business processes are monitored to ensure efficiencies are maximised and profitability optimised.

Auditing process
Lenmed prides itself in its fiduciary responsibility by ensuring both the internal and external auditing of processes and accounts, accurate financial reporting and the payment of government taxes and levies. An ethics policy was introduced within the Group during this financial year to inform all employees of the principles by which the organisation is governed, and to ensure their understanding that they are accountable for their actions.

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

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

Medical schemes
Medical aids seek a healthy working relationship with hospital groups to provide cost effective yet quality healthcare. The Lenmed Group interacts with the medical aid industry through the National Hospital Network (NHN) on an ongoing basis, and strives to maintain a symbiotic working relationship. Annual representation is made to the industry to negotiate pricing for services rendered. Currently there is a disparity between the tariffs received by Lenmed compared to the major hospital groups. This is being addressed through engagement with the top leadership of medical schemes.

We strive to adhere to accurate and fair case management practices, to ensure that the patient is not disadvantaged in any way, that medical aids are informed and updated of patient treatment, and that the necessary authorisations are obtained timeously. As Lenmed focuses on expanding its operations outside South Africa, the same principles must be adhered to.

Role of government
Government expects healthcare providers to promote cost effective and accessible quality medical care to the entire population of South Africa. It also expects healthcare providers to conduct their business in an ethical manner with regards to the legislation that governs the industry. Lenmed engages with government through its representative, the Hospital Association of South Africa.

Transformation
In its support of a more equitable and just society, Lenmed continues to drive transformation initiatives across the organisation to attain and maintain a representative employee profile, and to comply with the Employment Equity Act.

As such, and in recognition of the government's B-BBEE framework, we engaged with relevant parties to obtain a formal rating. The first B-BBEE compliance exercise has been completed and we are proud to report that we have been recognised as a Level 3 contributor.

> *Sustainability Report, continued*

Going forward we will continue to drive processes across all areas of the business in an effort to achieve a higher rating.

Shareholders

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

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

Suppliers

Suppliers expect fair competition and suitable payment terms. Regular meetings with suppliers ensure that areas of concern are adequately addressed. The Group expects its suppliers to honour their terms of agreement as stated in their contracts. It is also expected that suppliers too, will act in an ethical manner, supply quality products at a fair price, deliver and install equipment on time and honour warranties and guarantees. The Group ensures that it only deals with reputable suppliers with proven track records to maintain business continuity and operational excellence.

Planet

Lenmed is a responsible corporate citizen and strives to carry out its business in an environmentally-friendly manner. We endeavour to manage our consumption of natural resources and to reduce our carbon footprint across the Group in accordance with the global drive to address climate change issues.

Medical waste

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

Cleanliness and hygiene

Whilst it is important to save the planet's natural resources, cleanliness and hygiene are essential in a hospital environment. Items such as linen and towels are required to be washed and changed on a daily basis. As a result, we have encouraged our laundry services to use biodegradable washing powders and our cleaning services to use non-toxic cleaning compounds, to minimise the impact on the environment.

Drug management

This is the responsibility of the pharmacy manager at each of our hospitals. Stock levels are constantly monitored and medicines are dispensed according to the FIFO principle. This ensures that expired medicines are kept to a minimum. In the event that medicines do expire, they are documented, sealed in containers and disposed of by a reputable, third-party medical waste company. At no stage is any category of medical waste disposed of as general waste.

Going green

The introduction of the social and ethics committee has been mandated to focus on developing and adopting strategies around creating 'green' buildings and a 'green' operational environment, Efforts are currently underway to establish a 'Going Green' programme at all the hospitals within the Group, the main objective of which is to reduce our carbon footprint.

> *Sustainability Report, continued*

Looking Forward

Although sustainability is a relatively new concept within the reporting process and across the Group's operations, an integrated team effort is required to ensure that our objectives are met. With this in mind, Lenmed continues to work closely with all stakeholders to ensure that the principles outlined in this report are upheld and improved over time.

We work continuously with our patients, staff, shareholders, suppliers and the community we serve to improve standards, develop individuals, increase profitability and uplift the community at large in a socially responsible manner, whilst at the same time doing everything in our power to ensure we inflict minimum harm to the environment – thus living and working through our motto, "*We always care*".

Photographer:
Jeanette Verster

03.

Financial Statements and Other Information

Level of Assurance

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

These annual financial statements were prepared under the supervision of:

Amil Devchand CA (SA) (Chief Financial Officer - Acting)

Naushad Ahmed Gany CA (SA) (Group Financial Manager)

DIRECTORS' RESPONSIBILITIES AND APPROVAL

> *Financial Statements and Other Information*

The directors are required by the Companies Act of South Africa to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements of Lenmed Investments Limited and its subsidiaries and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company and the Group as at the end of the financial year and the results of its operations and cash flows for the year then ended, in conformity with International Financial Reporting Standards. The auditors are engaged to express an independent opinion on the annual financial statements.

The financial statements have been audited by the independent accounting firm, PKF Durban, who was given unrestricted access to all financial records and related data, including minutes of all meetings of the shareholders, the board of directors and committees of the board. The directors believe that all representations made to the independent auditors during the audit were valid and appropriate.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors has established internal 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 across the Group.

While operating risk cannot be fully eliminated, the Group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, but not absolute, assurance against material misstatement or loss.

The directors have no reason to believe that the Group will not be a going concern in the foreseeable future based on forecasts and available cash and cash equivalents.

The annual financial statements of the company set out on pages 40 to 71, which have been prepared on the going concern basis, were approved by the board of directors on 29 May 2012 and were signed on its behalf by:

Prakash Devchand

Ahmed Farouk Kaka

REPORT OF THE INDEPENDENT AUDITORS

> To The Shareholders of Lenmed Investments Limited and its Subsidiaries

Report on the annual financial statements

We have audited the annual financial statements of Lenmed Investments Limited and the Group, which comprise the consolidated and separate statements of financial position at 29th February, 2012 and the consolidated and separate statements of comprehensive income, statements of changes in equity and statements of cash flow for the period then ended and a summary of significant accounting policies and other explanatory notes and the directors' report, as set out on pages 40 to 71.

Directors' responsibility for the financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the annual financial statements present fairly, in all material respects, the consolidated and separate financial position of Lenmed Investments Limited as at 29th February, 2012 and its consolidated and separate financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

PKF Durban

PKF Durban
Practice number: 906352E
Chartered Accountants (South Africa)
Registered Auditors

29 May 2012

STATEMENT OF COMPLIANCE BY THE COMPANY SECRETARY

> *Financial Statements and Other Information*

I, ***WILLIAM SOMERVILLE***, the undersigned, being the Company Secretary of Lenmed Investments Limited, certify that all returns required by a public company in terms of the Companies Act of South Africa have, in respect of the financial year under review, been lodged with the Registrar of Companies, and that all such returns are true, correct and up-to-date.

William Somerville
Company Secretary

29 May 2012

REPORT OF THE DIRECTORS

> *Financial Statements and Other Information*

1. Nature of Business

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

The Lenmed Investments Group includes the following entities -

Subsidiaries	
Lenmed Health (Pty) Ltd	Reg. No. 2005/022423/07
Lenmed Health Lenasia (Pty) Ltd t/a Lenmed Private Hospital	Reg. No. 2006/002764/07
Lenmed Health Laverna (Pty) Ltd t/a La Verna Hospital	Reg. No. 1988/004487/07
Lenmed Health Shifa (Pty) Ltd t/a Shifa Hospital	Reg. No. 2000/006080/06
Lenmed Health Zamokuhle (Pty) Ltd t/a Zamokuhle Private Hospital	Reg. No. 2005/017980/07
Lenmed Management Services (Pty) Ltd	Reg. No. 2000/021905/07
Ladysmith Hospital Properties (Pty) Ltd	Reg. No. 1988/004497/07
Ladysmith Hospital Holdings (Pty) Ltd	Reg. No. 1992/003153/07
Lenmed Health Management Company (Pty) Ltd	Reg. No. 2010/004046/07
Lenmed Health Africa (Pty) Ltd	Reg. No. 2011/130484/07
Kalend (Pty) Ltd	Reg. No. CO2011/4403
Maputo Private Hospital SA	Reg. No. 17682
Associate companies	
Pharmed Pharmaceuticals (Pty) Ltd	Reg. No. 1985/005694/06
Capensis Management Ltd t/a Ethekwini Hospital and Heart Centre	Reg. No. 2002/002222/06

> Report of the Directors, continued

2. State of Affairs

The group's normalised earnings before interest, tax, depreciation and amortisation (EBITDA) amounted to R121 598 900 (2011: R95 956 499). Normalised EBITDA excludes profit on sale of investments. Profit on sale of investments amounted to nil (2011: Rl9 587 729). Headline earnings for the year amounted to R75 750 037 (2011: R61 142 346).

3. Statement of Responsibility

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

4. Financial Results

The results of the Group read together with the integrated report do not, in our opinion, require further comment.

5. Dividends

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

No dividends were declared and paid to ordinary shareholders during the period (2011: nil).

6. Share Capital

6.1 Authorised
During the year under review no changes were made to the authorised share capital of R6 000 000 divided into 600 000 ordinary shares of R10 each.

6.2 Issued
During the year 3,590 shares were issued.

The shares were issued as follows -

- 500 shares were issued to doctors at R400 per share
- 200 shares were issued to doctors at R500 per share
- 880 shares were issued to staff at R400 per share
- 2010 shares were issued to Lenvestco Investments (Pty) Ltd at R400 per share.

The Lenvestco Investments (Pty) Ltd share price was determined based on the weighted average price of shares issued between the period 1st March 2010 and 29th February 2012 and rounded up to the nearest hundred rand.

7. Borrowings

On behalf of the Group, the directors have established credit facilities with various financial institutions for use by the various subsidiary companies. The directors did not exceed any authorised levels of borrowings during the year under review.

8. Directorship

Director	Date Appointed
Prakash Devchand	13/10/86
Farouk Kaka	08/08/90
Ahmed Nana	16/02/06
Mike Meehan	16/09/10
Bhaskar Goolab	16/09/10
Bharti Harie	16/09/10

9. Secretaries

The company secretary, Mr W Somerville, was appointed by the Board effective 29 September 2011.

The transfer secretary of the company is Aboo Kaloo and Company CA (SA).

10. Auditors

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

11. Management by Third Parties

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

12. Corporate Governance

The directors acknowledge and subscribe to the values of good corporate governance as set out in the King III Report on Governance for South Africa with effect from 1st March, 2011. By supporting this Code of Corporate Practices and Conduct, the Directors have recognised the need to conduct the business of the Group with

> *Report of the Directors, continued*

integrity and in accordance with generally accepted best corporate governance practices.

13. Property, Plant and Equipment

The group acquired property, plant and equipment to the amount of R91 105 323 (2011: R180 715 673 - Acquisitions of property, plant and equipment in the prior financial year due to the first time consolidation of Maputo Private Hospital, amounted to R140 517 797).

14. Future Growth

The group has committed approximately R92.5m to the acquisition of two medical facilities, Bokamoso Private Hospital in Gaborone, Botswana and Daxina Medical Clinic in Lenasia South, Johannesburg. The purchase agreements for these two facilities have been signed by both parties. The effective dates of the agreements are uncertain at this stage due to several conditions precedent that are still outstanding. These, however, are expected to be finalised towards the end of the 2013 financial year.

Lenmed Health Lenasia (Pty) Ltd, a wholly owned subsidiary of the Lenmed Group, has embarked on a major expansion project at the medical facility in Lenasia, Johannesburg. The capital requirement for Phase I of the project has been estimated at R50m. As at 29 February 2012, R2.8m of capital expenditure has been incurred, with the remaining balance of R47.2m to be incurred in the 2013 financial year.

Lenmed Health Zamohukhle (Pty) Ltd, a wholly owned subsidiary of the Lenmed Group, has committed to the acquisition of two properties adjacent to the medical facility in Tembisa, Gauteng, at a cost of R2.5m. These acquisitions are the first step in the plans to upgrade and extend the medical facility in Tembisa.

Funding for the majority of these amounts has been arranged.

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

15. Subsequent Events

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

STATEMENTS OF FINANCIAL POSITION

> *Financial Statements and Other Information*

FIGURES IN RAND	Note	GROUP 2012	GROUP 2011	COMPANY 2012	COMPANY 2011
Assets					
Non-Current Assets		640 097 380	535 457 630	207 155 324	198 401 515
Property, plant and equipment	3	433 183 414	344 531 513	-	-
Loans receivable	4	5 601 174	5 595 424	207 155 124	198 401 415
Goodwill	5	22 406 819	22 406 819	-	-
Investment in subsidiary	6		-	200	100
Investment in associates	7	177 545 952	162 437 134	-	-
Deferred taxation	8	1 360 021	486 740	-	-
Current Assets		114 025 684	90 080 383	2 184 388	9 102 376
Inventory	9	10 025 640	5 680 124	-	-
Trade and other receivables	10	82 765 410	59 279 572	1 527 132	530 878
Taxation		308 848	1 326 071	25 831	-
Cash and cash equivalents	21.4	20 925 786	23 794 616	631 425	8 571 498
Total Assets		**754 123 064**	**625 538 013**	**209 339 712**	**207 503 891**
Equity and Liabilities					
Equity and Reserves		431 704 165	358 033 536	209 149 063	207 393 794
Share capital	11	4 571 800	4 535 900	4 571 800	4 535 900
Share premium		101 481 913	100 061 813	101 481 913	100 061 813
Foreign currency translation reserve		4 616 345	(1 033 064)	-	-
Accumulated profits and reserves		331 554 905	255 804 868	103 095 350	102 796 081
Non-controlling interest		(10 520 798)	(1 335 981)	-	-
Non-Current Liabilities		221 635 171	181 668 954	-	-
Long term liabilities	12	205 038 928	166 957 084	-	-
Deferred taxation	8	16 596 243	14 711 870	-	-
Current Liabilities		100 783 728	85 835 523	190 649	110 097
Trade and other payables	13	41 452 028	26 250 095	190 649	19 001
Current portion of long term liabilities	12	30 918 593	26 894 343	-	-
Short term loan	14	11 009 314	26 000 000	-	-
Accruals	15	6 025 895	3 750 487	-	-
Taxation		3 126 625	-	-	91 096
Bank overdraft	21.4	8 251 273	2 940 598	-	-
Total Equity and Liabilities		**754 123 064**	**625 538 013**	**209 339 712**	**207 503 891**

STATEMENTS OF COMPREHENSIVE INCOME

> *Financial Statements and Other Information*

FIGURES IN RAND	Note	GROUP 2012	GROUP 2011	COMPANY 2012	COMPANY 2011
Continuing Operations					
Revenue	2.1	433 612 240	343 972 272	-	-
Cost Of Sales		(119 912 878)	(99 308 883)	-	-
Gross Profit		**313 699 362**	**244 663 389**	-	-
Other Income		21 910 151	12 877 960	545 686	-
Operating Costs		(246 797 502)	(187 091 153)	(945 566)	(417 321)
Profit/(Loss) *before interest and taxation*		**88 812 011**	**70 450 196**	**(399 880)**	**(417 321)**
Investment Income	17	20 299 269	15 870 729	815 531	1 177 114
Finance Costs	18	(15 062 456)	(7 217 586)	-	-
Profit *from operations*	19	**94 048 824**	**79 103 339**	**415 651**	**759 793**
Profit On Sale Of Investments		-	19 587 729	-	19 587 729
Profit *before taxation*		**94 048 824**	**98 691 068**	**415 651**	**20 347 522**
Taxation	20	(27 224 974)	(22 580 567)	(116 382)	(2 884 623)
Profit *for the year*		**66 823 850**	**76 110 501**	**299 269**	**17 462 899**
Other Comprehensive Income		**5 390 779**	**(20 267 365)**	**-**	**(19 351 742)**
Foreign currency translation reserve		5 390 779	(915 623)	-	-
Available-for-sale					
- Release of fair value adjustment		-	(19 351 742)	-	(19 351 742)
Total Comprehensive Income for the year		**72 214 629**	**55 843 136**	**299 269**	**(1 888 843)**
Profit Attributable To:					
Lenmed Investments Ltd members		75 750 037	77 699 043		
Non-controlling interests		(8 926 187)	(1 588 542)		
		66 823 850	**76 110 501**		
Total Comprehensive Income Attributable To:					
Lenmed Investments Ltd members		81 399 446	57 314 237		
Non-controlling interests		(9 184 817)	(1 471 101)		
		72 214 629	**55 843 136**		

STATEMENTS OF CHANGES IN EQUITY

> *Financial Statements and Other Information*

FIGURES IN RAND |

Group	*Share Capital*	*Share Premium*	*Foreign Currency Translation Reserve*	*Accumulated Profits and Reserves*	*Non-Controlling Interest*	*Total*
Balance at 01 March 2010	4 521 550	99 502 163	-	197 720 067	-	301 743 780
Issue of shares	14 350	559 650	-	-	-	574 000
Increase in minority on acquisition of subsidiary	-	-	-	-	135 120	135 120
Dividend paid	-	-	-	(262 500)	-	(262 500)
Total comprehensive income for the year	-	-	(1 033 064)	58 347 301	(1 471 101)	55 843 136
Balance at 01 March 2011	4 535 900	100 061 813	(1 033 064)	255 804 868	(1 335 981)	358 033 536
Issue of shares	35 900	1 420 100	-	-	-	1 456 000
Total comprehensive income for the year	-	-	5 649 409	75 750 037	(9 184 817)	72 214 629
Balance at 29 February 2012	**4 571 800**	**101 481 913**	**4 616 345**	**331 554 905**	**(10 520 798)**	**431 704 165**

Company	*Share Capital*	*Share Premium*	*Foreign Currency Translation Reserve*	*Accumulated Profits and Reserves*	*Non-Controlling Interest*	*Total*
Balance at 01 March 2010	4 521 550	99 502 163	-	104 684 924	-	208 708 637
Issue of shares	14 350	559 650	-	-	-	574 000
Total comprehensive income for the year	-	-	-	(1 888 843)	-	(1 888 843)
Balance at 01 March 2011	4 535 900	100 061 813	-	102 796 081	-	207 393 794
Issue of shares	35 900	1 420 100	-	-	-	1 456 000
Total comprehensive income for the year	-	-	-	299 269	-	299 269
Balance at 29 February 2012	**4 571 800**	**101 481 913**	**-**	**103 095 350**	**-**	**209 149 063**

STATEMENTS OF CASH FLOW

> *Financial Statements and Other Information*

FIGURES IN RAND	Note	GROUP 2012	GROUP 2011	COMPANY 2012	COMPANY 2011
Cash Flows From Operating Activities		**66 571 097**	**64 345 768**	**(642 263)**	**(3 907 239)**
Cash generated by/(utilised in)					
operating activities	21.1	102 124 789	93 278 401	(1 224 485)	(597 854)
Interest received		1 578 798	1 306 423	815 531	377 114
Interest paid		(15 062 456)	(7 217 586)	-	-
Taxation paid	21.2	(22 070 034)	(23 021 470)	(233 309)	(3 686 499)
Cash Flows From Investing Activities		**(103 667 965)**	**(187 261 206)**	**(100)**	**27 535 987**
Purchase of property, plant and equipment	3	(91 105 323)	(114 775 090)		
- to maintain operating capacity		(11 234 611)	(32 418 899)	-	-
- to expand operating capacity		(79 870 712)	(82 356 191)	-	-
Proceeds from sale of property, plant and equipment		521 364	4 395	-	-
Proceeds from sale of investment		-	27 535 987	-	27 535 987
Investment in associate		(949 646)	(100 026 498)	(100)	-
Increase in investments		-	(800 000)	-	(800 000)
Dividends received		-	800 000	-	800 000
Foreign currency translation		(12 134 360)	-	-	-
Cash Flows From Financing Activities		**28 565 658**	**76 591 029**	**(7 297 709)**	**(31 166 967)**
Issue of shares to non-controlling members		-	135 120	-	-
Issue of ordinary share capital net of expenses		1 456 000	574 000	1 456 000	574 000
Long term loans raised		38 081 844	42 203 207	-	(16 510 015)
Long term loans repaid		(5 750)	6 410	(8 753 709)	(5 068 970)
Short term loans raised		11 009 314	26 000 000	-	-
Short term loans repaid		(26 000 000)	-	-	-
Increase in short term portion of long term liabilities		4 024 250	18 049 317	-	-
Dividends paid	21.3	-	(10 377 025)	-	(10 161 982)
Decrease in Cash and Cash Equivalents		**(8 531 210)**	**(46 324 409)**	**(7 940 072)**	**(7 538 219)**
Cash and Cash Equivalents					
at beginning of year	21.4	20 854 018	21 157 264	8 571 497	16 109 716
Cash resources (Maputo)		-	53 012 241	-	-
Foreign exchange differences on cash and cash equivalents		351 705	(6 991 078)	-	-
Cash and Cash Equivalents *at end of year*	21.4	**12 674 513**	**20 854 018**	**631 425**	**8 571 497**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

> *Financial Statements and Other Information*

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and the Companies Act, 71 of 2008 of South Africa. These policies have been applied consistently to all years presented, unless otherwise stated.

1. Basis of Preparation

The annual financial statements are prepared on the historical cost basis and incorporate the principal accounting policies listed below. The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that may affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Standards and Interpretations adopted with no effect on the financial statements

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

Standard	Details of Amendment	Annual periods beginning on or after
IFRS 3: Business Combinations	• Amendments to transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS	1 January 2011
	• Clarification on the measurement of non-controlling interests	1 January 2011
	• Additional guidance provided on un-replaced and voluntarily replaced share-based payment awards	1 January 2011
IFRS 7: Financial Instruments: Disclosures	• Amendments clarifies the intended interaction between qualitative and quantitative disclosures of the nature and extent of risks arising from financial instruments and removed some disclosure items which were seen to be superfluous or misleading	1 January 2011
IAS 1: Presentation of Financial Statements	• Clarification of statement of changes in equity	1 January 2011
IAS 24: Related Party Disclosure	• Simplification of the disclosure requirements for government related entities • Clarification of the definition of related party	1 January 2011

> Notes to the Annual Financial Statements, continued

1. Basis of Preparation, continued

Standards in Issue, not yet effective

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective. They have been reviewed and could have an effect in accounting for any future transactions.

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

Standard	Details of Amendment	Annual periods beginning on or after
IFRS 7: Financial Instruments: Disclosures	• Amendments require additional disclosure on transfer transactions of financial assets, including the possible effects of any residual risks that the transferring entity retains. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period • Amendments require entities to disclose gross amounts subject to rights of set-off, amounts set off in accordance with the accounting standards followed, and the related net credit exposure. This information will help investors understand the extent to which an entity has set-off in its balance sheet and the effects of rights of set-off on the entity's rights and obligations	1 July 2011 1 January 2013
IFRS 9: Financial Instruments	• New standard that forms the first part of a three part project to replace IAS 39 *Financial Instruments: Recognition and Measurement*	1 January 2015
IFRS 10: Consolidated Financial Statements	• New standard that replaces the consolidation requirements in SIC-12 *Consolidation - Special Purpose Entities* and IAS 27 *Consolidated and Separate Financial Statements.* Standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company and provides additional guidance to assist in the determination of control where this is difficult to assess	1 January 2013
IFRS 11: Joint Arrangements	• New standard that deals with the accounting for joint arrangements and focuses on the rights and obligations of the arrangement, rather than its legal form. Standard requires a single method for accounting for interest in jointly controlled entities	1 January 2013
IFRS 12: Disclosure of Interests in Other Entities	• New and comprehensive standard on disclosure requirements for all forms of interests in other entities including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles	1 January 2013
IFRS 13: Fair Value Measurement	• New guidance on fair value measurement and disclosure requirements	1 January 2013
IAS 1: Presentation of Financial Statements	• New requirements to group together items within OCI that may be reclassified to the profit or loss section of the income statement in order to facilitate the assessment of their impact on the overall performance of an entity	1 July 2012

> Notes to the Annual Financial Statements, continued

1. Basis of Preparation, continued

Standards in Issue, not yet effective (continued)

Standard	Details of Amendment	Annual periods beginning on or after
IAS 27: Consolidated and separate financial statements	• Consequential amendments resulting from the issue of IFRS 10, 11 and 12	1 January 2013
IAS 28: Investments in Associates	• Consequential amendments resulting from the issue of IFRS 10, 11 and 12	1 January 2013
IAS 32: Financial Instruments Presentation	• Amendments require entities to disclose gross amounts subject to rights of set-off, amounts set off in accordance with the accounting standards followed, and the related net credit exposure. This information will help investors understand the extent to which an entity has set-off in its balance sheet and the effects of rights of set-off on the entity's rights and obligations	1 January 2013

> Notes to the Annual Financial Statements, continued

2. Accounting Policies

2.1 Revenue

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

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

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

2.2 Other income

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

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

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

2.3 Cost of sales

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

2.4 Inventory

Inventory is stated at the lower of cost or net realisable value. Cost comprises all costs of purchase and other costs which are incurred in bringing the inventory to its present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

2.5 Taxation

Current tax

The charge for current tax is based on the results for the year adjusted for items which are tax exempt or are not tax deductible. Tax is calculated using rates that have been enacted or substantively enacted by the reporting date.

Deferred tax

Deferred tax is provided on the liability method and is computed as the difference between the tax base and carrying amounts of assets and liabilities. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary difference can be utilised. The carrying amount of the deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

The group does not recognise deferred tax liabilities, or deferred tax assets, on temporary differences associated with investments in subsidiaries, joint ventures and associates as it is not considered probable that the temporary differences will reverse in the foreseeable future. It is the group's policy to reinvest undistributed profits arising in group companies.

Deferred tax assets and liabilities are not recognised if they arise in the following situations : the initial recognition of goodwill; or the initial recognition of assets and liabilities that affect neither accounting nor taxable profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

Secondary tax on companies (STC)

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

2.6 Operating leases

Leases where the lessor retains the risks and rewards of ownership of the underlying asset are classified as operating leases. Payments made under operating leases are charged against profit and loss on a straight-line basis over the period of the lease.

2.7 Goodwill

The purchase method is used when an entity is acquired. On acquisition date, fair values are attributed to the identifiable assets, liabilities and contingent liabilities.

Fair values of the identifiable assets and liabilities are deemed by return to market value of those or similar items, where available, or

> Notes to the Annual Financial Statements, continued

by discounting expected future cash flows to achieve present values. The cost of acquisition is the fair value of the Group's contribution in the form of assets transferred, shares issued and liabilities assumed at the acquisition date plus costs attributable to the acquisition.

At acquisition date, goodwill is recognised when the costs of the acquisition exceeds the fair value of the Group's interest in the net identifiable assets of the entity acquired. Goodwill is not amortised and subject to an annual impairment test, and any impairment is recognised in profit and loss immediately and will not be subsequently reversed.

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

To the extent that the fair value of the net identifiable assets of the entity acquired exceeds the cost of acquisition, the excess is recognised in profit and loss on acquisition date.

2.8 Property, plant and equipment

Property, plant and equipment is valued at the net carrying amount, being capitalised initial and subsequent costs (i.e. gross carrying amount) less subsequent accumulated depreciation and impairment losses recognised on a historical cost basis.

Impairment losses and reversal of impairment losses are recognised in the profit and loss.

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

The following are the current estimated useful lives:

Buildings	- 40 years
Plant and equipment	- 10 years
Motor vehicles	- 5 years
Furniture and fittings	- 10 years
Office equipment	- 10 years
Computer equipment	- 3 years

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

2.9 Impairment

The carrying amounts of the assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, or when annual impairment testing for an asset is required, the recoverable amount is estimated as the higher of the net selling price and value in use.

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

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

2.10 Provisions, contingent liabilities and contingent assets

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will occur, and when a reliable estimate can be made of the amount of the obligation. Where the effect of discontinuing is material, provisions are discounted. The discount rate used is a pre-tax rate.

2.11 Basis of consolidation

Subsidiaries

Subsidiaries, which are those entities in which the Group has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies, are consolidated. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are consolidated from the date on which the control is transferred to the Group and are no longer consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the net assets of the subsidiaries acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement. Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated.

> Notes to the Annual Financial Statements, continued

Non-controlling interests are measured at their share of the identifiable assets and liabilities of the subsidiary at the date of acquisition.

Associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The investment in an associate is initially recognised at cost and adjusted for the Group's share of the changes in the net assets of the investee after the date of acquisition and for any impairment in value. If the Group's share of losses of an associate exceeds its interest in the associate, the Group discontinues recognising its share of further losses.

2.12 Employee benefits

Short-term employee benefits

The cost of all short-term benefits is recognised during the period in which the employee renders the related service.

The provisions for employee entitlements to wages, salaries and annual leave represent the amount which the company has a present obligation to pay as a result of employees' services provided to the reporting date. The provisions have been calculated at undiscounted amounts based on current wage and salary rates.

Retirement benefits

The company and its subsidiaries contribute to defined contribution funds on behalf of its employees. Contributions are charged against profit or loss as incurred.

2.13 Borrowings

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, using the effective interest rate method. Any difference between proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings as interest.

2.14 Financial instruments

The group classifies financial instruments on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are recognised on the statement of financial position at fair value when the Group becomes a party to the contractual provisions of the instrument. Direct transaction costs are included in the initial carrying value of the financial instrument except in the case of financial instruments classified at fair value through profit and loss, in which case the transaction costs are expensed as they are incurred.

The group has divided its financial instruments into the classes based on the manner in which the financial instruments are managed and reported on for internal management purposes.

Long term investments

These include available for sale financial instruments and financial instruments held to maturity. The purpose of such investment is to earn a return on surplus cash flows in excess of the investor's required rate of return.

Working capital balances

These include loan and trade receivables and loan and trade payables which arise in the normal course of the Group's business.

Long term obligations

Long term obligations include shareholders' loans and inter-group loans payable. These obligations are categorised as trade and loans payable.

Subsequent to initial measurement, the constituents of the above classes of financial instruments are measured as follows :

Trade and other receivables

Trade and loans receivable are subsequently measured at amortised cost using the effective interest rate method and reduced by appropriate allowances for estimated irrecoverable amounts.

The group makes an assessment at each reporting date whether there is any objective evidence that trade and other receivables are impaired. Where objective evidence exists as a result of the occurrence of one or more events that occurred subsequent to the initial recognition of the receivable, the amount of the impairment is determined by estimating the impact of these loss events on the future cash flows expected to be generated from the receivable and recognised in profit and loss.

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

Trade and other payables

Trade and loans payables are subsequently measured at their amortised cost using the effective interest rate method. If a legally enforceable right exists to set-off recognised amounts of financial assets and liabilities and the company intends to settle on a net

> Notes to the Annual Financial Statements, continued

basis or to realise the asset and liability simultaneously, all related financial effects are netted.

2.15 Dividends

Dividend distribution to the company's shareholders is recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders.

2.16 Investments

Investments are initially recorded at cost on the trade date that the company commits to the purchase. Investments are subsequently carried at cost less any provision for impairment

2.17 Share capital

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

2.18 Related party transactions

All subsidiaries and associated companies of the Group are related parties. A list of the major subsidiaries and associated companies are included in the report of the directors. All transactions entered into with subsidiaries and associated companies were under terms no more favourable than those with third parties and have been eliminated in the consolidated group accounts. Directors' emoluments are set out in note 24. Balances with other related parties are set out in note 25. There were no other material contracts with related parties.

2.19 Contingencies and commitments

Transactions are classified as contingent liabilities where the Group's obligations depend on uncertain events and principally consist of contract specific third party obligations underwritten by banking institutions. Items are classified as commitments where the Group commits itself to future transactions, particularly in the acquisition of property, plant and equipment.

2.20 Share based payments

Equity settled share based payments are measured by reference to the fair value of the equity instruments granted. The fair value is based on market prices. The amount recognised for services received as consideration of the equity instruments granted is based on the difference between the market value of the share and the consideration paid by the employee.

2.21 Translation of foreign currencies

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

Foreign currency transactions

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

Foreign operations

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

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

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

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

2.22 Borrowing costs

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

> *Notes to the Annual Financial Statements, continued*

3. Property, Plant and Equipment

Group	*Land and Buildings*	*Plant and Equipmet*	*Motor Vehicles*	*Furniture and Fittings*	*Office Equipment*	*Computer Equipment*	*Total*
2012							
Net carrying amount at beginning of year	*253 115 846*	*71 137 823*	*51 338*	*10 426 457*	*8 832 937*	*967 112*	*344 531 513*
- Cost	273 829 190	103 724 043	444 638	15 892 713	11 860 825	3 943 241	409 694 650
- FCTR adjustment	-	-	-	15 097	-	-	15 097
- Accumulated depreciation	(20 713 344)	(32 586 220)	(393 300)	(5 481 353)	(3 027 888)	(2 976 129)	(65 178 234)
Additions	68 760 081	12 289 170	1 021 983	7 385 809	1 025 237	623 043	91 105 323
Disposals	-	(106 444)	(254 835)	(160 085)	-	-	(521 364)
FCTR adjustment	8 534 210	3 158 597	-	441 553	-	-	12 134 360
Depreciation	(3 876 769)	(7 139 867)	(89 729)	(1 316 330)	(1 067 423)	(576 300)	(14 066 418)
Net carrying amount at end of year	*326 533 368*	*79 339 279*	*728 757*	*16 777 404*	*8 790 751*	*1 013 855*	*433 183 414*
- Cost	342 589 270	115 910 790	1 101 733	23 140 903	11 905 348	3 595 825	498 243 869
- FCTR adjustment	8 534 210	3 158 597	-	456 650	-	-	12 149 457
- Accumulated depreciation	(24 590 112)	(39 730 108)	(372 976)	(6 820 149)	(3 114 597)	(2 581 970)	(77 209 912)
2011							
Net carrying amount at beginning of year	*134 703 830*	*28 697 235*	*65 339*	*4 857 301*	*5 848 176*	*575 254*	*174 747 135*
- Cost	152 096 167	64 542 977	444 639	9 051 007	8 175 207	3 100 968	237 410 965
- Accumulated depreciation	(17 392 337)	(35 845 742)	(379 300)	(4 193 706)	(2 327 031)	(2 525 714)	(62 663 830)
Additions	121 733 023	47 064 279	-	7 390 400	3 685 643	842 328	180 715 673
Disposals	-	(87)	(1)	(4 227)	(25)	(55)	(4 395)
FCTR adjustment	-	-	-	15 097	-	-	15 097
Depreciation	(3 321 007)	(4 623 604)	(14 000)	(1 832 114)	(700 857)	(450 415)	(10 941 997)
Net carrying amount at end of year	*253 115 846*	*71 137 823*	*51 338*	*10 426 457*	*8 832 937*	*967 112*	*344 531 513*
- Cost	273 829 190	103 724 043	444 638	15 892 713	11 860 825	3 943 241	409 694 650
- FCTR adjustment	-	-	-	15 097	-	-	15 097
- Accumulated depreciation	(20 713 344)	(32 586 220)	(393 300)	(5 481 353)	(3 027 888)	(2 976 129)	(65 178 234)

> *Notes to the Annual Financial Statements, continued*

3. Property, Plant and Equipment, continued

Certain assets are encumbered as security for liabilities of the Group (refer to note 12).

A notarial deed No. K003993/85 in restraint of free alienation, has been entered into between Lenmed Health Shifa (Pty) Ltd and the trustees of the Nu-Yale Trust for the following properties:

- Portion 13 of 11 of Erf 710 Brickfield
- Portion 28 of 1 of Erf 711 Brickfield
- Portion 45 of 13 of Erf 710 Brickfield
- Portion 27 of 1 of Erf 711 Brickfield
- Portion 25 of 13 of Erf 710 Brickfield

The following are held by First National Bank as security for overdraft facilities of R3 500 000 extended to the company and an amount of R134 000 000 to secure various loans extended to the company:

- D/H No. B061257/04 - 2nd mortgage bond over Erf 7689, 7688 and 7690 Lenasia Extension 8 Township.
- D/T No. T74591/2001 and T61584/1996 over Erf 7688 and 7690 Lenasia Extension 8 Township.
- 1st D/H No. B28771/90 over Erf 7688 and 7689 Lenasia Extension 8 Township.
- 1st D/H No. B28771/90 over Erf 7689 Lenasia Extension 8 Township. Copy Notarial T/e agreement No. K217/1997 over Erf 7688 and 7689

	GROUP		COMPANY	
FIGURES IN RAND	**2012**	**2011**	**2012**	**2011**
4. Loans Receivable	**5 601 174**	**5 595 424**	**207 155 124**	**198 401 415**

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

5. Goodwill

	GROUP 2012	GROUP 2011	COMPANY 2012	COMPANY 2011
Carrying amount at beginning and end of year	**22 406 819**	**22 406 819**	**-**	**-**

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

6. Investment in Subsidiary

	COMPANY 2012	COMPANY 2011
Shares at cost		
Lenmed Health (Pty) Ltd	100	100
Lenmed Health Africa (Pty) Ltd	100	-
	200	**100**

The above subsidiaries are incorporated in South Africa and are wholly-owned.

> *Notes to the Annual Financial Statements, continued*

FIGURES IN RAND	GROUP 2012	GROUP 2011	COMPANY 2012	COMPANY 2011

7. Investment in Associates

The company's investments in Pharmed Pharmaceuticals Limited and Capensis Management Ltd is accounted for under the equity method of accounting.

FIGURES IN RAND	GROUP 2012	GROUP 2011	COMPANY 2012	COMPANY 2011
Pharmed Pharmaceuticals (Pty) Ltd				
Opening balance	70 900 658	52 093 946		
Acquisition	949 646	10 716 998		
Share of associate's earnings	10 915 680	11 537 329		
Reallocation of dividends received	(4 561 299)	(3 447 615)		
Closing balance	78 204 685	70 900 658		
Summary of financial information of Pharmed Pharmaceuticals (Pty) Ltd				
Non-current assets	91 187 164	39 443 647		
Current assets	326 231 004	276 894 285		
Non-current liabilities	13 571 589	2 087 943		
Profit after taxation	26 942 129	27 470 813		
Total comprehensive income	26 816 251	28 129 371		
Revenue	960 582 010	815 931 151		
The directors are of the opinion that the fair value of the above investment exceeds its carrying value.				
Capensis Management Ltd				
Opening balance	91 536 476	89 309 500		
Share of associate's earnings	7 804 791	2 226 976		
Closing balance	99 341 267	91 536 476		
Summary of financial information of Capensis Management Ltd				
Non-current assets	380 778 562	404 173 925		
Current assets	54 459 442	49 476 480		
Non-current liabilities	375 809 345	414 152 663		
Profit/(loss) after taxation	22 153 715	(3 843 196)		
Total comprehensive income/(loss)	22 153 715	(3 843 196)		
Revenue	314 171 818	252 814 283		
The directors are of the opinion that the fair value of the above investment exceeds its carrying value.				
Total	**177 545 952**	**162 437 134**		

> Notes to the Annual Financial Statements, continued

8. Deferred Taxation

FIGURES IN RAND	GROUP 2012	GROUP 2011	COMPANY 2012	COMPANY 2011
Deferred tax asset				
The balance comprises				
- Provisions	1 360 021	486 740	-	-
Reconciliation of deferred tax asset				
Balance at beginning of year	486 740	-	-	-
Movements during the year attributable to :				
- Temporary differences	873 281	486 740	-	-
Balance at end of year	**1 360 021**	**486 740**	**-**	**-**
Deferred tax liability				
The balance comprises				
- Property, plant and equipment	18 574 617	17 050 656	-	-
- Provisions	(2 178 834)	(2 488 474)	-	-
- Lease smoothing adjustment	138 378	52 442	-	-
- Prepaid expenses	72 463	109 924	-	-
- Income received in advance	(10 381)	(12 678)	-	-
	16 596 243	**14 711 870**	**-**	**-**
Reconciliation of deferred tax liability				
Balance at beginning of year	14 711 870	13 813 722	-	-
Movements during the year attributable to :				
- Provisions	(182 753)	(934 333)	-	-
- Underprovision prior year	404 288	-	-	-
- Property, plant and equipment	1 612 065	1 754 864	-	-
- Income received in advance	2 298	(2 748)	-	-
- Lease smoothing adjustment	85 937	(14 009)	-	-
- Prepaid expenses	(37 462)	94 374	-	-
Balance at end of year	**16 596 243**	**14 711 870**	**-**	**-**

> Notes to the Annual Financial Statements, continued

FIGURES IN RAND	GROUP 2012	GROUP 2011	COMPANY 2012	COMPANY 2011
9. Inventory				
Amounts attributable to inventory is as follows -				
- Medical supplies	10 025 640	5 680 124	-	-
Inventory has been valued as stated in note 2.4.				
10. Trade and Other Receivables				
Trade receivables net of provision for doubtful debts	79 039 664	53 918 869	-	-
- Trade receivables	81 688 565	56 813 953	-	-
- Provision for bad debts	(2 648 901)	(2 895 084)	-	-
Other receivables	3 725 746	5 360 703	1 527 132	530 878
	82 765 410	**59 279 572**	**1 527 132**	**530 878**
Allowance for impairment				
Opening balance	2 895 084	3 506 685	-	-
Decrease in provision recognised in profit and loss	(246 183)	(611 601)	-	-
Closing balance	**2 648 901**	**2 895 084**	**-**	**-**
The carrying value of trade and other receivables approximated their fair value due to the short term nature of these investments.				
Trade receivables past due but not impaired				
Amounts in 30 to 60 days	8 280 842	3 177 138	-	-
Amounts in 60 to 90 days	5 032 333	1 774 431	-	-
Amounts in 90 days +	2 728 879	5 764 048	-	-
	16 042 054	**10 715 617**	**-**	**-**
The trade receivables of a subsidiary amounting to R21 575 954 have been ceded as security to its banker for general banking facilities granted to the subsidiary for the financing of movable assets.				

> Notes to the Annual Financial Statements, continued

11. Share Capital

FIGURES IN RAND	Number of ordinary shares	GROUP 2012	GROUP 2011	COMPANY 2012	COMPANY 2011
Authorised					
600 000 Ordinary shares of R10 each		6 000 000	6 000 000	6 000 000	6 000 000
Issued					
457 180 (2011: 453 590) Ordinary shares of R10 each		4 571 800	4 535 900	4 571 800	4 535 900
The directors are authorised by resolution of the shareholders until the forthcoming Annual General Meeting, to issue and allot any of the unissued shares for any purpose and upon such terms and conditions as they deem fit.					
Reconciliation of issued shares at beginning and end of year					
Balance at beginning of year	453 590	4 535 900	4 521 550	4 535 900	4 521 550
Shares issued at a premium during the year					
- Staff issue	880	8 800	13 750	8 800	13 750
- Doctors	700	7 000	600	7 000	600
- Lenvestco Investments (Pty) Ltd	2 010	20 100	-	20 100	-
	457 180	**4 571 800**	**4 535 900**	**4 571 800**	**4 535 900**

> Notes to the Annual Financial Statements, continued

FIGURES IN RAND	GROUP 2012	GROUP 2011	COMPANY 2012	COMPANY 2011
12. Long Term Liabilities				
12.1 Instalment sales	**20 939 249**	**16 622 253**	**-**	**-**
Nedbank Ltd	9 179 572	10 158 257	-	-
Repayable in monthly instalments of R357 248 (2011:R344 466). Interest has been charged at rates of interest linked to the prime lending rate. Secured by plant and equipment with a book value of R11 654 630 (2011: R10 498 171)				
Wesbank, a division of FirstRand Bank Ltd	11 759 677	6 463 996	-	-
Repayable in monthly instalments of R412 165 (2011: R271 629). Interest has been charged at rates of interest linked to the prime lending rate. Secured by plant and equipment with a book value of R15 037 509 (2011: R8 359 387).				
12.2 Mortgage bonds	**175 517 856**	**137 405 432**	**-**	**-**
Nedbank Ltd	6 369 623	4 368 079	-	-
The loan bears interest at prime less 1% (2011: 8% to 13,5% p.a.) and is secured by a mortgage on freehold land and buildings. It is repayable in monthly instalments of R70 478(2011: R70 415) inclusive of interest. During the current year the preference shares were converted and consolidated to this existing loan effective from 30th November, 2011.				
Loans payable to vendors	7 224 528	7 591 855	-	-
These loans bear interest at 15,25% (2011: 15,25%) per annum and are secured over the company's property. It is further secured by the cession of the hospital licence and general notarial bond over the movables of Lenmed Health Shifa (Pty) Ltd. Repayable in monthly instalments of R125 000 (2011: R125 000).				
First National Bank Ltd	89 631 865	58 405 102	-	-
Loan from First National Bank secured by a first general covering bond on Erven 7688, 7689, 7690, Lenasia, Extension 8 Township and general notarial bond over movable assets. The carrying amount of land and buildings secured is R80 633 762 (as per note 2). The loan bears interest at First National Bank's prime rate of interest. This loan is repayable in 60 monthly instalments of R2 377 109 (2011: R1 359 810) inclusive of interest.				

> Notes to the Annual Financial Statements, continued

12. Long Term Liabilities, continued

FIGURES IN RAND	GROUP 2012	GROUP 2011	COMPANY 2012	COMPANY 2011
Deutsche Investitions-und Entwicklungsgesellschaft MBH (DEG)	72 291 840	67 040 396	-	-
This loan is secured by a first ranking mortgage bond over property, plant and equipment and all other movable assets in Maputo Private Hospital that are not subject to registration, project accounts or shares held by the shareholder in the company. The loan bears interest at 6 months Libor plus 3,3% per annum. The US dollar balance payable at reporting period end is $9 600 000. The loan terms are currently in the process of being restructured with the proposed new repayment terms being repayable over 7 years in instalments payable every 6 months commencing 15th August, 2014. This loan is ringfenced in Maputo Private Hospital and DEG has no claim to the Group assets should the loan default.				
12.3 Other loans	**39 500 416**	**39 823 742**	**-**	**-**
Lenmed Pharmacy CC	2 079 403	1 674 124	-	-
Invalco Limitada	37 421 013	34 649 618	-	-
These loans are unsecured, interest-free and have no fixed terms of repayment. The US dollar balance payable to Invalco Limitada at reporting period end is $4 969 326.				
Cumulative redeemable preference shares owed to Nedbank Limited by Lenmed Health Laverna (Pty) Ltd	-	3 500 000	-	-
The cumulative preference shares with Nedbank Limited have been converted to a loan in both the books of Nedbank Limited and Lenmed Health Laverna (Pty) Ltd. The loan for the preference shares has been consolidated with Lenmed Laverna (Pty) Ltd's existing Nedbank Limited loan as disclosed in note 12.2. This conversion took effect on 30th November, 2011.				
These loans are unsecured and interest-free.				
	235 957 521	193 851 427	-	-
Current portion transferred to current liabilities	(30 918 593)	(26 894 343)	-	-
	205 038 928	**166 957 084**	**-**	**-**

> Notes to the Annual Financial Statements, continued

FIGURES IN RAND	GROUP 2012	GROUP 2011	COMPANY 2012	COMPANY 2011
13. Trade and Other Payables				
Trade payables	20 660 201	12 111 102	-	-
Other payables	20 791 827	14 138 993	190 649	19 001
	41 452 028	**26 250 095**	**190 649**	**19 001**
The carrying value of trade and other payables approximated their fair value due to the short term nature of these borrowings.				
14. Short Term Loan				
Salamis Investments (Pty) Ltd	11 009 314	-	-	-
This loan is unsecured and bears interest at the prime rate less 1,25% and the last repayment date being 26th February, 2013.				
Pharmed Pharmaceuticals (Pty) Ltd	-	26 000 000	-	-
This loan was secured by a cession of shares in Capensis Management Ltd and was repaid on 31st May, 2011.				
	11 009 314	**26 000 000**	**-**	**-**
15. Accruals				
Leave Pay Accrual				
Opening carrying amount	3 750 487	3 622 865	-	-
Additional accruals	2 275 408	127 622	-	-
Closing carrying amount	**6 025 895**	**3 750 487**	**-**	**-**

Accrual for leave pay

An accrual was made for the unpaid portion of accumulated leave pay accruing to employees as a result of services rendered during the period. The amount is to be settled as and when employees take leave.

The accruals have been determined based on assessments and estimates by management. Actual results could differ from estimates and there is no certainty as to the timing of the cash flows relating to these accruals.

> Notes to the Annual Financial Statements, continued

16. Contingencies

Certain Compensation for Occupational Injuries and Diseases (COID) debtors are factored with Alexander Forbes at 83% of the original value. Alexander Forbes has recourse to this amount should they not be able to recover the debt. The total funds received from Alexander Forbes, but still open to recourse amounted to R2 345 174 in the current year (2011: R2 319 375).

FIGURES IN RAND	GROUP 2012	GROUP 2011	COMPANY 2012	COMPANY 2011
17. Investment Income				
Share of associate's profits	18 720 471	13 764 306	-	-
Interest received	1 578 798	1 306 423	815 531	377 114
Dividends received	-	800 000	-	800 000
	20 299 269	**15 870 729**	**815 531**	**1 177 114**
18. Finance Costs				
Interest on bank overdraft	312 448	18 323	-	-
Interest on interest bearing borrowings	14 750 008	7 199 263	-	-
	15 062 456	**7 217 586**	**-**	**-**
19. Profit *before interest and taxation*				
Profit before interest and taxation is stated after taking the following items into account -				
Auditors' remuneration	1 108 130	785 339	77 500	20 000
- Audit fee - current	872 920	532 000	44 000	20 000
- underprovision	6 510	134 186	33 500	-
- Other services	228 700	119 153	-	-
Depreciation	14 066 418	10 941 997	-	-
Directors' emoluments	8 198 383	5 771 525	451 000	216 921
Secretarial fees	285 665	92 624	259 550	-
Profit on sale of shares	-	19 587 729	-	-
Employee costs	127 438 876	109 000 581	88 000	-

> Notes to the Annual Financial Statements, continued

20. Taxation

FIGURES IN RAND	GROUP 2012	GROUP 2011	COMPANY 2012	COMPANY 2011
South African taxation consists of -				
Current tax				
- Current year	26 841 037	22 191 852	116 382	2 903 133
- Prior year overprovision	(627 155)	(22 693)	-	(18 510)
Deferred tax	1 011 092	411 408	-	-
Tax expense	**27 224 974**	**22 580 567**	**116 382**	**2 884 623**
Tax rate reconciliation	**%**	**%**	**%**	**%**
Applicable tax rate	28,00	28,00	28,00	28,00
Reconciling items:				
Exempt differences				
- Dividends received	-	(0,22)	-	(1,1)
- Exempt portion of capital gains	-	(2,61)	-	(12,63)
- Prior year overprovision of current tax	(0,44)	(0,02)	-	(0,09)
- Disallowed expenditure and provisions	0,87	(2,27)	-	-
- Prior year underprovision of deferred tax	0,52	-	-	-
Average effective tax rate	**28,95**	**22,88**	**28,00**	**14,18**

21. Notes To The Cash Flow Statement

21.1 Net cash generated by operating activities

FIGURES IN RAND	GROUP 2012	GROUP 2011	COMPANY 2012	COMPANY 2011
Profit before taxation	94 048 824	98 691 068	415 651	20 347 522
Adjustments for:	2 182 654	(19 634 800)	-	(20 387 729)
- Depreciation and amortisation	14 066 418	10 941 997	-	-
- Income from associate	(14 159 172)	(10 316 690)	-	-
- Movement in accrual	2 275 408	127 622	-	-
- Profit on sale of investment	-	(19 587 729)	-	(19 587 729)
- Dividends received	-	(800 000)	-	(800 000)
Adjustment for items disclosed separately on cash flow statement:	13 483 658	5 911 163	(815 531)	(377 114)
- Interest paid	15 062 456	7 217 586	-	-
- Interest income	(1 578 798)	(1 306 423)	(815 531)	(377 114)
Foreign currency translation adjustments	5 039 074	(1 053 588)	-	-
Operating profit/(loss) before working capital changes	**114 754 210**	**83 913 843**	**(399 880)**	**(417 321)**

> *Notes to the Annual Financial Statements, continued*

FIGURES IN RAND	GROUP 2012	GROUP 2011	COMPANY 2012	COMPANY 2011
21. Notes to the Cash Flow Statement, continued				
Operating profit/(loss) before working capital changes	**114 754 210**	**83 913 843**	**(399 880)**	**(417 321)**
Changes in working capital:	(12 629 421)	9 364 558	(824 605)	(180 533)
- Increase inventory	(4 345 516)	458 892	-	-
- Increase in trade and other receivables	(23 485 838)	(318 007)	(996 254)	(175 532)
- Increase in trade and other payables	15 201 933	9 223 673	171 649	(5 001)
Cash generated by operations	**102 124 789**	**93 278 401**	**(1 224 485)**	**(597 854)**
21.2 Taxation paid				
Receivable at beginning of year	1 326 071	473 760	(91 096)	(892 972)
Expense for the year	(27 224 974)	(22 580 567)	(116 382)	(2 884 623)
Adjustment for deferred tax and STC	1 011 092	411 408	-	-
Outstanding at end of year	2 817 777	(1 326 071)	(25 831)	91 096
Taxation paid	**(22 070 034)**	**(23 021 470)**	**(233 309)**	**(3 686 499)**
21.3 Dividends paid				
Opening balance - dividends payable	-	10 377 025	-	10 161 982
Dividends declared	-	-	-	-
Closing balance - dividends payable	-	-	-	-
	-	**10 377 025**	**-**	**10 161 982**
21.4 Cash and cash equivalents				
Cash and cash equivalents consist of cash on hand and balances with banks. Cash and cash equivalents included in the cash flow statement comprise the following amounts -				
Cash and bank balances	20 925 786	23 794 616	631 425	8 571 498
Bank overdraft	(8 251 273)	(2 940 598)	-	-
	12 674 513	**20 854 018**	**631 425**	**8 571 498**

22. Financial Risk Management

The Group's principal financial liabilities comprise long-term liabilities, short-term liabilities, trade and other payables, taxation payables and bank overdrafts. The main purpose of these financial liabilities is to raise finance for the Group's operations. The group has various financial assets such as loan accounts, trade receivables and cash and cash equivalents, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk, liquidity risk and foreign currency risk. The board of directors reviews and agrees policies for managing each of these risks which are summarised on the following page:

> *Notes to the Annual Financial Statements, continued*

22. Financial Risk Management, continued

22.1 Interest rate risk

Interest rate risk is the risk that changes in the interest rate will affect the Group's income or value of its financial instruments, namely its cash and cash equivalents and interest-bearing borrowings. The group is exposed to interest rate risk through its commitments in interest bearing borrowings, cash and cash equivalents and instalment sale agreements. The Group is willing to accept the risk of market-related interest rates.

Interest rate risk table

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

	2012	2011
Group		
Interest bearing loans payable	186 527 170	166 905 432
Instalment sale liabilities	20 939 249	16 622 253
Bank overdraft	8 251 273	2 940 598
	215 717 692	**186 468 283**
Sensitivity analysis		
Increase of 100 basis points would result in a reduction in profit before tax of	(2 157 177)	(1 864 683)
Decrease of 100 basis points would result in an improvement in profit before tax of	2 157 177	1 864 683

22.2 Credit risk

The group trades where possible with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The maximum exposure is the carrying amount as disclosed in note 10. There are no significant concentrations of credit risk within the Group.

With respect to credit risk arising from the other financial assets of the Group which comprise other loan accounts, other financial assets, short-term receivables and trade and other receivables, the Group's exposure to credit risk arises from default of the counter-party, with a maximum exposure equal to the carrying amount of these instruments.

Fair value of financial instruments

The group's financial instruments consist mainly of cash and cash equivalents, trade and other receivables, trade and other payables and interest bearing borrowings. Due to the relatively short term nature of these instruments, their carrying value approximates their fair value.

22.3.1 Liquidity risk

The group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are available. In addition, the Group maintains a strong business relationship with its bankers. The table summarises the maturity profile of the financial liabilities as at 29th February, 2012 based on contractual undiscounted payments.

> *Notes to the Annual Financial Statements, continued*

22. Financial Risk Management, continued

22.3.1, continued

FIGURES IN RAND	GROUP Less than 1 yr	GROUP Btw 1 & 5 yrs	COMPANY Less than 1 yr	COMPANY Btw 1 & 5 yrs
Maturity analysis - 2012				
Borrowings	41 927 907	205 038 928		
Trade and other payables	41 452 028	-		
Accruals	6 025 895	-		
	89 405 830	**205 038 928**		
Maturity analysis - 2011				
Borrowings	52 894 343	166 957 084	-	-
Trade and other payables	26 250 095	-	19 001	-
Accruals	3 750 487	-	-	
	82 894 925	**166 957 084**	**19 001**	**-**

22.3.2 Long term liabilities and shareholders' loans

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

22.3.3 Capital management

The Group's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders.

The Group manages the capital structure in light of changes in business activities and economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

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

22.4 Foreign currency risk

The Group is exposed to foreign currency risk through its foreign subsidiary, Maputo Private Hospital. A US dollar denominated long term loan exists at Maputo Private Hospital. However, revenue at the hospital is also US dollar denominated, thus forming a natural hedge. The Group does not formally hedge its foreign currency risk.

> Notes to the Annual Financial Statements, continued

FIGURES IN RAND	GROUP 2012	GROUP 2011	COMPANY 2012	COMPANY 2011
23. Commitments				
23.1 Operating lease commitments - lessor				
Future minimum lease receipts under non-cancellable operating leases are as follows -				
- Within 1 year	3 604 214	3 528 588	-	-
- Due thereafter but not later than 5 years	10 038 283	2 822 095	-	-
- More than 5 years	-	27 530	-	-
	13 642 497	**6 378 213**	**-**	**-**

The Group has entered into leases on its property, consisting of certain sections of the company's hospital buildings. These leases have remaining terms of between 3 and 5 years. All leases include a clause to enable upward revision of the rental charged on an annual basis based on prevailing market conditions.

FIGURES IN RAND	GROUP 2012	GROUP 2011	COMPANY 2012	COMPANY 2011
23.2 Commitments for capital expenditure				
Property, plant and equipment	153 875 328	2 813 213	-	-
This committed expenditure relates to the construction of a new medical and surgical wing for Lenmed Health Lenasia (Pty) Ltd in Lenasia, Gauteng	47 200 000	-	-	-
This committed expenditure relates to the renovation and upgrading of critical care and theatre facilities at Lenmed Health Shifa (Pty) Ltd in Durban, KwaZulu-Natal	5 675 328	2 813 213	-	-
This committed expenditure relates to the acquisition of two properties adjacent to Lenmed Health Zamokuhle (Pty) Ltd in Tembisa, Gauteng	2 500 000	-	-	-
This committed expenditure relates to the completion of the medical facilities at Maputo Private Hospital, Mozambique	6 000 000	-	-	-
This committed expenditure relates to the acquisition of Bokamoso Private Hospital in Gaborone, Botswana	51 500 000			
This committed expenditure relates to the acquisition of Daxina Medical Clinic in Lenasia South, Gauteng	41 000 000			

> Notes to the Annual Financial Statements, continued

24. Directors' Emoluments and Related Payments

2012	For Services as Directors	For Other Services	Bonuses	Total
Mr P Devchand	-	1 800 000	750 000	2 550 000
Dr A F Kaka	-	1 500 000	600 000	2 100 000
Mr A Nana	-	1 034 000	-	1 034 000
Prof B D Goolab	204 000	37 800	-	241 800
Mr M G Meehan	225 500	-	-	225 500
Ms B Harie	225 500	-	-	225 500
Dr A Latib*	30 100	-	-	30 100
Mr K Daya*	30 100	-	-	30 100
Dr R Saloojee*	10 100	-	-	10 100
Dr A Suleman*	109 164	-		109 164
Dr M Khan*	-	880 000	-	880 000
Mr A Devchand*	-	565 759	-	565 759
Ms I Faztudo*	196 360	-	-	196 360
Total	**1 030 824**	**5 817 559**	**1 350 000**	**8 198 383**

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

* Directors of subsidiary companies

> Notes to the Annual Financial Statements, continued

25. Related Parties

The holding company, directors and subsidiaries are disclosed in the report of the directors. Transactions and balances between the Group and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation.

The remuneration and benefits received by directors are disclosed in note 24.

	Amounts owing by related parties (R)	Amounts owing to related parties (R)
Lenmed Health (Pty) Ltd		
- 2012	207 155 124	
- 2011	191 840 580	
Lenmed Health Management Company (Pty) Ltd		
- 2012	622 082	-
- 2011	-	-
Nu Yale Trust		
- 2012	1 201 174	-
- 2011	1 195 425	-
Lenvestco Investments (Pty) Ltd		
- 2012	-	43 690
- 2011	-	102 085
Lenmed Health Lenasia (Pty) Ltd		
- 2012	-	-
- 2011	6 560 836	-

Share of income for the year from Nu Yale Trust amounted to R318 376 (2011: R289 982).

Lenmed Health Shifa (Pty) Ltd is the sole beneficiary of the Nu Yale Trust which owns the land on which the hospital parking lot is situated.

Entities are considered related parties if there is a common directorship or ownership by a Lenmed Health group director.

26. Critical Accounting Estimates and Judgements

Estimates and judgements are continuously 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.

> Notes to the Annual Financial Statements, continued

Key sources of estimation uncertainty

Deferred taxation

A deferred tax asset is recognised with the carry-forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

The group considered the following criteria in assessing the probability that taxable profit will be available against which the unused tax losses can be utilised:

- whether the entity has sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity, which will result in taxable amounts against which the unused tax losses can be utilised;
- whether it is probable that the entity will have taxable profits before the unused tax losses expire; and
- whether the unused tax losses result from identifiable causes which are unlikely to recur.

To the extent that it is not probable that taxable profit will be available against which the unused tax losses or unused tax credits can be utilised, the deferred tax asset is not recognised. To determine the probability that taxable profit will be available against which the unused tax losses can be utilised, the company has reviewed its forecasts for the foreseeable future and compared that to its total tax losses.

Trade receivables and trade payables

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

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

Buildings

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

Plant and equipment

Due to the specialised nature of the Group's plant and equipment the residual value attached to these assets has been estimated to be nil. The group estimates that the useful life of the plant and equipment, being the period of time for which the assets can be utilised without significant modifications, replacements or improvements, is 10 years based on current levels of utilisation.

Motor vehicles

The entity has a policy of utilising all motor vehicles for a period of 5 years. It is estimated that passenger vehicles have a residual value determined by using the meads guideline.

Goodwill

Goodwill is tested for impairment at each reporting date. The recoverable amounts of cash generating units have been estimated based on value in use calculations. Value in use calculations have been based on a subjective pre-tax discount rate, being the weighted average cost of capital of the respective subsidiary companies.

NOTICE OF ANNUAL GENERAL MEETING

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

Notice is hereby given to the shareholders of the company that the Thirtieth Annual General Meeting of the company will be held at Lenmed Private Hospital, K43 Highway, Extension 8, Lenasia on Tuesday 28 August 2012 at 15:00 for the purposes of passing, with or without modification, the ordinary and special resolutions set out below.

References in this notice of Annual General Meeting, to the "Companies Act" means the Companies Act, number 71 of 2008.

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

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

Ordinary resolutions

Ordinary resolution 1: Annual financial statements
"RESOLVED THAT the annual financial statements of the company for the year ended 29 February 2012, 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 Articles of Association of the company, all directors are required to retire by rotation at the Annual General Meeting.

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

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

Ordinary resolution 3: Re-election of director
"RESOLVED THAT Prof BD 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 4: Re-election of director
"RESOLVED THAT Ms B Harie be and is hereby re-elected as a director of the company."

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

Ordinary resolution 5: Re-election of director
"RESOLVED THAT Dr AF Kaka 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 6: Re-election of director
"RESOLVED THAT Mr MG Meehan be and is hereby re-elected as a director of the company."

Ordinary resolution 7: Confirmation of appointment of director
"RESOLVED THAT the appointment of Mr A Devchand as a director of the company be and is hereby confirmed and approved with effect from 28 August 2012 ."

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

Ordinary resolution 8: Appointment of Audit and Risk Committee members
"RESOLVED THAT the members of the company's Audit and Risk Committee set out below be and are hereby appointed. The membership as proposed by the board of directors is Ms B Harie and Mr MG Meehan both of whom are non-executive directors as prescribed by the Companies Act." Shareholders are advised that at the time of finalisation of the notice of Annual General Meeting, the board had initiated a process to identify a further candidate for appointment as a member of the above committee.

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

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

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

Special resolutions

Special resolution 1: Conversion of the ordinary shares in the company's authorised and issued share capital from par value to shares of no par value
"RESOLVED THAT, in accordance with the provisions of regulations 31(6) and 31(7) of the Companies Regulations, 2011, published in terms of the Companies Act, the authorised and issued share capital

> *Notice of Annual General Meeting, continued*

of the company be and is hereby reorganised by the conversion of each of the existing

a) authorised 600 000 (six hundred thousand) ordinary par value shares of R10 each into 600 000 (six hundred thousand) ordinary shares of no par value, and

b) 457 335 (four hundred and fifty seven three hundred and thirty-five) issued ordinary share capital of the company of R10, into 457 335 (four hundred and fifty seven three hundred and thirty-five) ordinary shares of no par value;

on the basis that each ordinary no par value share shall have rights and privileges which are the same as or equivalent to the rights and privileges attached to such shares immediately prior to 1 May 2011, being the first date on which the Companies Act came into operation. The company's existing Memorandum of Incorporation is hereby amended accordingly."

Motivation for Special Resolution Number 1:

Special Resolution Number 1 is to convert the ordinary shares of par value to ordinary shares of no par value, in order to facilitate the creation of new ordinary shares in the capital of the company, in terms of the new Companies Act. The Memorandum of Incorporation referred to above was previously the memorandum and articles of association under the 1973 Companies Act.

Regulation 31(7) of the Regulations of the Companies Act (2008) requires the board of a company to prepare a report in respect of a proposed resolution to convert any par value shares into no par value shares. This report was prepared and approved by the board. This report detailed that such conversion is applicable to all registered shareholders of the company and that none of the rights of such shareholders will be affected by the conversion from par value shares into no par value shares. This report is attached as Annexure A to this AGM notice.

Special resolution 2: Increase in authorised no par value share capital of the company

"RESOLVED THAT, subject to the passing of Special Resolution Number 1 and in accordance with the provisions of the Company's Memorandum of Incorporation and section 36(2) of the Companies Act, the authorised share capital of the company be and is hereby reorganised by the creation of a further 400 000 (four hundred thousand) ordinary no par value shares in the authorised share capital in the company, ranking par passu in all respects with the existing no par value shares in the authorised share capital of the company, so as to result in a total of 1 000 000 (one million) ordinary no par value shares in the authorised share capital of the company and then subject to the passing of Special Resolution 4, to further increase the 1 000 000 (one million) ordinary no par value shares by a further 999 000 000 (nine hundred and ninety nine million) ordinary no par value shares to 1 000 000 000 (one billion) no par value shares as a result of the subdivision of shares envisaged in Special Resolution Number 4. The company's existing Memorandum of Incorporation of the company is hereby amended accordingly."

Percentage of voting rights to pass this resolution: 75%.

Motivation for Special Resolution Number 2:

Special Resolution Number 2 is proposed to enable the company to increase its authorised share capital in order to give the company flexibility to ensure that there are sufficient authorised shares available for the needs of the company in the foreseeable future. The effect of the resolution will be that the authorised share capital will be increased as set out in the resolution. The Memorandum of Incorporation referred to above was previously the memorandum and articles of association under the 1973 Companies Act.

Special resolution 3: New Memorandum of Incorporation

"RESOLVED THAT the company adopt as the new Memorandum of Incorporation ("MOI") of the company the proposed MOI under the Companies Act, 2008, a copy of which is tabled at this Annual General Meeting and initialled by the chairman of the meeting for identification purpose, to apply in substitution for and to the exclusion of the company's existing MOI (previously the memorandum and articles of association and articles of association under the 1973 Companies Act)."

Percentage of voting rights to pass this resolution: 75%

Motivation for Special Resolution Number 3:

Special Resolution Number 3 is proposed to enable the company to adopt a new MOI that will be in line with the requirements of the 2008 Companies Act and any other applicable legislation. The 2008 Companies Act and developments in market practice require a substantial change to the existing MOI (previously the Memorandum of Association and Articles of Association). Accordingly, it is considered more appropriate to adopt the proposed new MOI rather than to amend the existing MOI. A copy of the new MOI is available to shareholders on request, a copy is available at the company's registered office and a copy is also available on the company's website www.lenmed.co.za.

Special resolution 4: Authorisation of subdivision of shares

"RESOLVED THAT the company's issued share capital be amended so that for every 1 (one) ordinary share held, 1 000 (one thousand) ordinary shares be issued to the current shareholders pro rata to their current ordinary shareholding and that the authorised share capital (as increased in Special Resolution number 2), be amended so that that every 1 (one) ordinary share in the authorised share

> Notice of Annual General Meeting, continued

capital be replaced by 1 000 (one thousand) ordinary shares".

Percentage of voting rights to pass this resolution: 75%.

Motivation for Special Resolution Number 4:
Special resolution number 4 is aimed to improve the tradability of the company's shares. By way of further explanation, following the sub-division, the issued share capital of 457 335 ordinary shares as at 29 February 2012, and the authorised share capital of 1 000 000 ordinary shares (as increased in Special Resolution Number 2) would become 457 335 000 (four hundred and fifty seven million three hundred and thirty-five thousand) shares and 1 000 000 000 (one billion) shares respectively. (Shares to be issued via the proposed rights issue have not been included in the above example.)

Form of Surrender
Shareholders must complete the attached form of surrender and return it, together with their share certificates or other documents of title, for attention of the Company Secretary. New share certificates reflecting the amended ordinary share capital will be posted, by registered post at the risk of the shareholders concerned. Shareholders are requested to either post the form of surrender by registered post to the postal address of the Company (PO Box 855, Lenasia, Gauteng, 1820), or deliver by hand to the Company's registered office, reflected below.

Special resolution 5: Approval of financial assistance
"RESOLVED THAT to the extent required by the Companies Act, the board of directors of the company may, subject to compliance with the requirements of the company's memorandum of incorporation and the Companies Act, each as presently constituted and as amended from time to time, authorise the company to provide direct or indirect financial assistance by way of loan, guarantee, the provision of security or otherwise, to:

- any of its present or future subsidiaries and/or any other company or corporation that is or becomes related or inter-related to the company for any purpose or in connection with any matter, including, but not limited to, acquisition of or subscription for any option or any securities issued or to be issued by the company or a related or inter-related company, or for the purchase of any securities of the company or a related or inter-related company; and
- any of its present or future directors or prescribed officers (or any person related to any of them or to any company or corporation related or inter-related to any of them), or to any other person who is a participant in any of the company's or group of companies' shares or other employee incentive schemes, for the purpose of, or in connection with, the acquisition of or subscription for any option or any securities issued or to be issued by the company or a related or inter-related company, or for the purchase of any securities of the company or a related or inter-related company, where such financial assistance is provided in terms of any such scheme that does not satisfy the requirements of section 97 of the Companies Act,

such authority to endure until the Annual General Meeting of the company for the year ended 28 February 2013."

Percentage of voting rights to pass this resolution: 75%.

Motivation for special resolution number 5:
Notwithstanding the title of section 45 of the Companies Act, being "Loans or other financial assistance to directors", on a proper interpretation, the body of the section may also apply to financial assistance provided by a company to related or inter-related companies and corporations, including, inter alia, its subsidiaries, associates, JVs, partnerships, collaboration arrangements etc, for any purpose. Furthermore, section 44 of the Companies Act may also apply to the financial assistance so provided by a company to related or inter-related companies, in the event that the financial assistance is provided for the purpose of, or in connection with, the acquisition or subscription for any option, or any securities, issued or to be issued by the company or a related or inter-related company, or for the purchase of any securities of the company or a related or inter-related company.

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

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

The company would like the ability to provide financial assistance, if necessary, also in other circumstances, in accordance with section 45 of the Companies Act. Furthermore, it may be necessary or desirous for the company to provide financial assistance to related or inter-related companies and corporations to acquire or subscribe for options or securities or purchase securities of the company or another company related or inter-related to it. Under the Companies Act, the company will however require the special resolution referred to above to be adopted. In the circumstances and in

> Notice of Annual General Meeting, continued

order to, inter alia, ensure that the company's subsidiaries and other related and inter-related companies and corporations have access to financing and/or financial backing from the company (as opposed to banks), it is necessary to obtain the approval of shareholders, as set out in special resolution number 5.

Sections 44 and 45 contain exemptions in respect of employee share schemes that satisfy the requirements of section 97 of the Companies Act. To the extent that any of the company's shares or other employee incentive schemes do not satisfy such requirements, financial assistance (as contemplated in sections 44 and 45) to be provided under such schemes will, inter alia, also require approval by special resolution. Accordingly, special resolution number 5 authorises financial assistance to any of the company's directors or prescribed officers (or any person related to any of them or to any company or corporation related or inter-related to them), or to any other person who is a participant in any of the company's shares or other employee incentive schemes, in order to facilitate their participation in any such schemes that do not satisfy the requirements of section 97 of the Companies Act.

Special resolution 6: 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	Retainer (per annum)
Non-executive director	R9 000	R136 000
Independent non-executive director (all-in fee including membership / chairpersonship of board committees)	R9 500	R150 000
Fee for work not specified above (per meeting rate)	R9 500	-

Percentage of voting rights to pass this resolution: 75%.

Motivation for special resolution 6
The reason for special resolution 6 is to comply with the provisions of the Companies Act. The effect of the special resolution is that, if approved by the shareholders at the Annual General Meeting, the fees payable to non-executive directors until the next Annual General Meeting will be as set out above.

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

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

Appointment of auditors

Shareholders are advised that PKF Durban are deemed to be re-appointed as auditors of the company at this AGM for the ensuing financial year and that the individual registered auditor who will undertake the audit during the financial year ending 28 February 2013 will be Mr Dhangee Puran. In this regard, the Lenmed audit committee has -

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

Voting and proxies

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

Forms of proxy may also be obtained on request from the company's registered office. Duly completed forms of proxy must be lodged with and received by the Company Secretary (at address set out below) at any time before the commencement of the Annual General Meeting (or any adjournment of the Annual General Meeting) or handed to the chairperson of the Annual General Meeting before the appointed proxy exercises any of the relevant shareholder's rights at the Annual General Meeting (or any adjournment of the Annual General Meeting).

By order of the board

William Somerville
Company Secretary
2 July 2012

Registered Office
Lenmed Investments Limited
K43 Highway, Extension 8, Lenasia 1827

> Notice of Annual General Meeting, continued

Rights in terms of section 58 of the Companies Act, 2008

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

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

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

3. Except to the extent that the memorandum of incorporation of a company provides otherwise –
   3.1 A shareholder of the relevant company may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by such shareholder; and
   3.2 A copy of the instrument appointing a proxy must be delivered to the relevant company, or to any other person on behalf of the relevant company, before the proxy exercises any rights of the shareholder at a shareholders meeting.

4. Irrespective of the form of instrument used to appoint a proxy –
   4.1 The appointment of the proxy is suspended at any time and to the extent that the shareholder who appointed that proxy chooses to act directly and in person in the exercise of any rights as a shareholder of the relevant company; and
   4.2 Should the instrument used to appoint a proxy be revocable, a shareholder may revoke the proxy appointment by cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and the relevant company.

5. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the relevant shareholder as of the later of the date –
   5.1 Stated in the revocation instrument, if any; or
   5.2 Upon which the revocation instrument is delivered to the proxy and the relevant company as required in section 58(4)(c)(ii) of the Companies Act.

6. Should the instrument appointing a proxy or proxies have been delivered to the relevant company, as long as that appointment remains in effect, any notice that is required by the Companies Act or the relevant company's memorandum of incorporation to be delivered by such company to the shareholder must be delivered by such company to –
   6.1 The shareholder, or
   6.2 The proxy or proxies if the shareholder has in writing directed the relevant company to do so and has paid any reasonable fee charged by the company for doing so.

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

8. If a company issues an invitation to shareholders to appoint one or more persons named by such company as a proxy, or supplies a form of instrument for appointing a proxy –
   8.1. such invitation must be sent to every shareholder who is entitled to receive notice of the meeting at which the proxy is intended to be exercised;
   8.2 The company must not require that the proxy appointment be made irrevocable; and
   8.3 The proxy appointment remains valid only until the end of the relevant meeting at which it was intended to be used, unless revoked as contemplated in section 58(5) of the Companies Act.

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

ANNEXURE A

> *Notice of Annual General Meeting, continued*

Report of the Board of Directors of Lenmed Investments Limited
("Lenmed" or "the Company")

Share conversion from par value to no par value shares in terms of Regulation 31(7) of the Companies Act, 71 of 2008 ("the Companies Act")

1. *Background*

1.1 Under the Companies Act, all companies having par value shares are no longer enabled to create and authorise any further par value shares. The company therefore proposes the special resolution to convert the company's par value shares to no par value shares.
1.2 The board has satisfied itself that the conversion from par value shares to no par value shares will have no effect on the rights of the shareholders
1.3 Accordingly Lenmed shareholders will be requested to approve the special resolution necessary to convert the company's authorised and issued ordinary shares with a par value of R10 each into shares of no par value on the basis that each existing share will be converted into one no par value share.
1.4 The special resolution approving the conversion of Lenmed's existing shares into shares of no par value is subject to 75% of Lenmed's shareholders present on person or by proxy voting in favour of the resolution.
1.5 The Companies Regulations, 2011 ("the Regulations") require the board of a company, when converting its shares, to cause a report to be prepared in respect of the proposed conversion which, inter alia, evaluates any adverse effects of the conversion of Lenmed's shareholders. As already indicated, there will be no adverse effect of the conversion on the Lenmed shareholders.
1.6 In terms of Regulation 31(7) of the Regulations, the Report is required to, at a minimum:

- state all information relevant to the value of the securities affected by the proposed conversion;
- identify holders of the company's securities affected by the proposed conversion.
- describe holders of the company's securities affected by the conversion;
- describe the material effects that the proposed conversion will have on the rights of the holders of the conversion of the company's securities affected by the proposed conversion; and
- evaluate any material adverse effects of the proposed arrangement against the compensation that any of those persons will receive in terms of the arrangement.

2. *Information relevant to the value of the securities affected by the proposed conversion*

2.1 The securities affected by the proposed conversion are the authorised ordinary shares in the share capital of the company currently comprising 600 000 ordinary shares of R10 each, of which 457 335 shares of R10 each have been issued.
2.2 Lenmed has no other class of authorised or issued shares.
2.3 Given that the number of shares in issue and the rights attached to those shares will be unaffected by the proposed conversion, the proposed conversion will have no impact on the historic net asset value, earnings, headline earnings and distributions per Lenmed shares and will have no impact on the price at which Lenmed's shares trade.

3. *Holders of the company's securities affected by the proposed transaction*

The proposed conversion will affect the holders of Lenmed's ordinary shares who comprise the holders of all of Lenmed's issued shares of R10 each. However, the only effect on Lenmed shareholders will be that such holders will now become the holders of an identical number of shares of no par value.

4. *Material effects of the proposed conversion of Lenmed shareholders*

4.1 The proposed conversion results in the conversion of each share of R10 each into a share of no par value.
4.2 Accordingly, after the proposed conversion, each shareholder will own the identical number of Lenmed shares as they held before the proposed conversion and the no par value shares they hold will represent the same proportion of the total issued share capital of Lenmed as the par value of the shares they represented of the total issued share capital of Lenmed before the conversion.
4.3 A shareholder has the same effective voting rights on a poll whether the shares in question are par value or no par value shares.
4.4 The proposed conversion has no other impact on any of the rights attaching to the Lenmed shares and the no par value shares will confer a Lenmed shareholder all of the same rights as they enjoyed as the holder of par value shares before the proposed conversion including (without limitation) rights to participate in the profits of Lenmed on winding up.

5. *Evaluation of material adverse effects of the proposed conversion against compensation offered*

5.1 The proposed conversion has no adverse effects on Lenmed shareholders as they are in the same position and enjoy the same rights before and after the proposed conversion.
5.2 There is no compensation being offered in the context of the proposed conversion as there are no adverse effects of the proposed conversion on Lenmed shareholders.

FORM OF PROXY

> *Notice of Annual General Meeting, continued*

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

For use at the Thirtieth Annual General Meeting of the company to be held at Lenmed Private Hospital, K43 Highway, Extension 8, Lenasia on 28 August 2012 at 15:00 and at any adjournment thereof.

I/We .... (Full name in block letters)
of .... (address)
being a member(s) of the company and holding .... ordinary shares in the company,
hereby appoint .... of ....
failing him/her .... of ....
failing him/her the chairperson of the Annual General Meeting, as my/our proxy to act for me/us and on my/our behalf at the Annual General Meeting which will be held for the purpose of considering and, if deemed fit, passing, with or without modification, the special and ordinary resolutions to be proposed thereat and at any adjournment thereof; and to vote for and/or against the special and ordinary resolutions and/or abstain from voting in respect of the company's ordinary shares registered in my/our name(s), in accordance with the following instructions:

	Number of votes		
	For	Against	Abstain
Ordinary resolutions			
1. *To receive the annual financial statements of the company for the year ended 29 February 2012, including the directors' report and the report of the Audit and Risk Committee*			
2. *To re-elect Mr P Devchand as a director of the company*			
3. *To re-elect Prof B Goolab as a director of the company*			
4. *To re-elect Ms B Harie as a director of the company*			
5. *To re-elect Dr AF Kaka as a director of the company*			
6. *To re-elect Mr MG Meehan as a director of the company*			
7. *Confirmation of appointment of Mr A Devchand as a director*			
8. *To appoint members of the Audit and Risk Committee:*			
8.1 *To appoint Ms B Harie as a member of the Audit and Risk Committee*			
8.2 *To appoint Mr MG Meehan as a member of the Audit, Governance and Risk Committee*			
9. *To place unissued shares under directors' control*			
Special resolutions			
1. *Conversion of ordinary shares from par value to no par value*			
2. *Increase in authorised share capital*			
3. *Adoption of new MOI*			
4. *Authorisation of sub division of shares*			
5. *Approval of financial assistance*			
6. *Approval of the future fees of non-executive directors*			

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

Signed at .... (place) on .... (date) 2012

Member's signature .... assisted by .... (if applicable)

NOTES TO THE FORM OF PROXY

> *Notice of Annual General Meeting, continued*

1. Each member is entitled to appoint one or more proxies (who need not be a member(s) of the company) to participate in, speak and, on a poll, vote in place of that member at the Annual General Meeting. Meeting participants will be required to provide satisfactory identification before being allowed to participate in the meeting.

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

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

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

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

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

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

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

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

10. Where there are joint holders of shares (i) any one holder may sign the form or proxy; and (ii) the vote of the senior shareholders (for that purpose seniority will be determined by the order in which the names of the shareholders appear in the company's register) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholders.

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

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

Registered Office
Lenmed Investments Limited
K43 Highway, Extension 8, Lenasia, 1827

FORM OF SURRENDER

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

For use only by shareholders of the Company

Please read the notes and instructions overleaf. Non-compliance with these instructions may result in the rejection of this form of surrender ("form"). If you are in any doubt as to how to complete this form, please contact your broker, banker, attorney, accountant or other professional adviser.

Note: A separate form is required for each shareholder.

Shareholders are requested to either post the form of surrender by registered post, or deliver by hand to the Company's registered office, for the attention of: The Company Secretary, Lenmed Investments Limited:

Postal address of the Company: PO Box 855, Lenasia, 1820
Registered office of the Company: K43 Highway, Extension 8, Lenasia, 1827

Part A: To be Completed by Shareholders

Pursuant to the special resolutions proposed to be passed at the Annual General Meeting to be held on 28 August 2012 at 15:00, I/we irrevocably and in rem suam authorise you to produce such documents that may be necessary to complete the replacement of my/our par value shares in Lenmed with no par value shares in Lenmed and also to take account of the subdivision of shares in this regard. I/We hereby instruct you to forward the replacement share certificate(s) to me/us, by registered post in South Africa, at my/our own risk, to the address overleaf and confirm that, where no address is specified, the share certifcate(s) will be forwarded to my/our address recorded in the share register of the Company.

My/Our signature(s) on this form constitutes my/our execution of this instruction.

In terms of the provisions set out in the notice of Annual General Meeting to which this form is attached and of which it forms part, I/we surrender and enclose the undermentioned share certificate(s).

Documents of title surrendered

Certificate number(s)	Number of Lenmed shares covered by each certificate
Total	

Signed this.......................................day of.......................................2012 at.......................................

Signature.......................................

Assisted by.......................................

(where applicable, state name and capacity)

> *Form of Surrender, continued*

Surname or name of Body Corporate	
First names (*in full, if applicable*)	
Title	
Postal address (*preferably a PO Box*) **(if different from the address recorded in the register)**	
Telephone number	
Stamp and address of agent lodging this form, (*if any*)	

Notes

1. No receipts will be issued for share certificates lodged, unless specifically requested. Lodging agents are requested to prepare special transaction receipts, if required. Signatories may be called upon for evidence of their authority or capacity to sign this form.
2. Any alteration to this form must be signed in full and not initialled.
3. If this form is signed under a power of attorney, then such power of attorney or a notarially certified copy thereof, must be sent with this form for noting (unless it has already been noted by the Company or its Company Secretary).
4. Where the shareholder is a company or a close corporation, unless it has already been registered with the Company or its Company Secretary, a certified copy of the directors' or members' resolution authorising the signing of this form must be submitted if so requested by the Company.
5. Where there are joint holders of any shares in the Company, only that holder whose name stands first in the register in respect of such shares need sign this form.

Photographer:
Jeanette Verster

Lenmed Investments Limited

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K43 Highway, Extension 8, Lenasia, Gauteng
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Shifa Hospital
482 Randles Road, Sydenham, Durban, KwaZulu-Natal
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Maputo Private Hospital
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Queen Nandi Drive, Durban, KwaZulu-Natal
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Bokamoso Private Hospital
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Photographer:
Jeanette Verster

This integrated annual report is printed on environmentally-friendly 100% recycled Cocoon paper